

■ ■ Clothes for Smiles

We would like to thank everyone who shared their ideas with us. Altogether we received 739 ideas from 46 countries around the world. After reviewing these ideas, we selected the following eight for implementation.



Set up "UNIQLD DREAM WALLS" for children across the world to use when playing sports.

By: Yosuke Kawada



Provide work experience classes for children with limited access to formal education and have professionals in fields such as sports, the arts and engineering teach them.

By: pntswrks



Create opportunities for children in refugee centers in Serbia to experience selecting and buying clothes.

By: Mahito Takahashi



Address educational disparities in developing countries by offering courses on DVD by outstanding lecturers.

By: eedu_jp



Establish libraries to raise the literacy rate among children in developing countries in Asia.

By: sva_1981



Create hospices where children suffering from life-threatening diseases can be at peace with their families.

By: Hideki Takaba



Set up a facility to provide vocational training and incubate businesses as a means for enabling underprivileged Filipino youths to become independent adults.

By: Takako Yamada



Create girls soccer clubs in developing countries to foster their independence.

By: Ayako Hayashi

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THE POWER OF CLOTHING

Making The World A Better Place



11 CLOTHING THAT UNIQLD ASPIRES TO PROVIDE

For more information about these projects, including progress reports, visit:

<http://clothesforsmiles.uniqlo.com>

MADE FOR ALL

The Power of Clothing

Making the World a Better Place

11

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Combine to Produce Truly Great Clothing

Clothing that UNIQLO Aspires to Provide

MADE FOR ALL: Clothing We Believe is Truly Great

We want to provide truly great clothing to people around the world. We realize that the definition of this type of clothing goes beyond excellence in appearance, quality and functionality. Clothing offered at a reasonable price does not make it truly great either. For us, clothing production must involve the development of the best materials and products and direct control over all aspects of the manufacturing process, from the procurement of materials and fabrics to production and delivery. We also believe that all our production processes should be sustainable and supported by a framework that promotes continual improvement. These points are vital to our mission to produce truly great clothing.

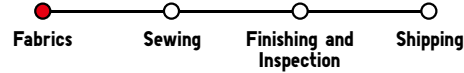
Key to supporting this mission are approximately 70 partner factories that are committed to working and growing with us. The factories produce roughly 600 million items of UNIQLO clothing per year, and we must ensure this production is taking place under safe, reliable working conditions that are also environmentally sound. We also believe it is essential to build solid relationships with partner factories and maintain advanced technologies and facilities that achieve high quality and an efficient production system. For UNIQLO, the ideal in clothing production can only be realized once all of these elements are closely integrated, and only then can we produce truly great clothing.



How One Factory Produces UNIQLO Clothing

Sewing factories are integral to the production of clothing. High quality UNIQLO clothing production is made possible through strong partnerships with factories and a combination of the latest manufacturing equipment for efficient and dynamic production, detailed work using one's hands and eyes, and the experience of artisans. Here is a brief explanation of the major production processes.

Fabrics



Sampling inspections are conducted for all materials, including fibers and dyes. Only materials that are confirmed as highly reliable are woven into fabrics and cut.



1 Material Delivery

Yarn, dyes and chemicals are carefully selected for fabric weaving. Materials that pass a final inspection at the fabric factories are delivered to the sewing factories (see interview below).

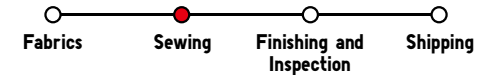
2 Fabric Inspections

Fabrics are inspected with backlighting to check for any flaws, smudges or uneven dye. Since this requires a high degree of concentration, inspection work is done on a rotational basis so that all the fabrics can be meticulously checked.

3,4 Cutting

Fabrics are cut by a machine after exacting calculations to minimize waste. Workers wear metal safety gloves to avoid injuries when cutting detailed pieces of fabric by hand.

Sewing



Sewing accuracy combined with speed is key. During the sewing process, articles of clothing in production undergo multiple inspections so that superior quality is guaranteed.



1 Sewing Lines

Parts of items are pieced together by different workers, from one worker to the next, with experienced sewing workers being generally faster and more accurate. UNIQLO and the factory strive to increase worker satisfaction by, for example, carefully maintaining workplace safety and reliability while making the factory a comfortable and secure place to work for the long term (see pages 10–13).

2 Cutting Threads

Even if there is only a little excess thread at the end of a stitch, a worker will cut the thread off with thread nippers.

3 Intermediate Inspections

Every time a part is sewn, an intermediate inspection follows. Inspectors confirm the accuracy of all stitching lines and check thread tension by pulling on the fabric to make sure the threads will not break.

4 Takumi

UNIQLO dispatches *takumi* textile experts with a wealth of experience in Japan's textile industry to partner factories (see interview below).

INTERVIEW



Iwao Hirami (UNIQLO), Manager, Material Technology Expertize, Production, Product Development and Merchandising

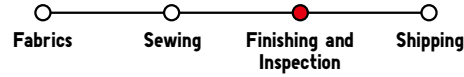
In addition to its firm commitment to product safety, UNIQLO strives to procure raw materials that fully consider social concerns including environmental issues. For example, we pay attention to animal welfare and health in our procurement of wool and down feathers. With the cooperation of fabric factories, we have been working to eliminate hazardous chemicals in core fabrics as well as garment accessories used in our products, such as buttons. We have pledged to eliminate all hazardous chemicals from our products by 2020. All finished products as well as production processes undergo hazardous chemical inspections so that we can deliver clothing that is environmentally sound and safe for customers.



Takahiro Shiraiishi (UNIQLO), Takumi Expert

UNIQLO has been implementing the *takumi* system since 2000 as a driver for technical improvements, process management and personnel training at production sites. Every week, *takumi* experts visit factories, check products on site and provide guidance on making improvements. As production volume rises, *takumi* experts also play important roles in developing new factories and building strong partnerships by sharing production planning strategies and issues that need to be resolved. As the number of countries with production sites increases, we face the additional challenge of maintaining the same high quality for all of our products made in factories across the world. Although this is further complicated by the varying conditions of each nation and factory, I believe we can effectively overcome any problem that arises.

Finishing and Inspection



The finishing process includes ironing and other tasks required after each article has been sewn, which are followed by a final inspection.



1 Ironing

Finished products are ironed by applying body weight to press and remove any fine wrinkles in the fabric.

2 Folding

Folding is done carefully to avoid wrinkling and clips are used to secure folds. Plastic collar supports are inserted to prevent any creasing during distribution.

3 Attaching Tags

Product tags with details such as size, material and country of production are attached by hand.

4 Final Inspection

After the series of inspections conducted at each stage of production, product quality is checked during a final inspection before shipping.

Shipping



Finished articles of clothing are packaged and sent to the needle detector. Only products confirmed to be absolutely safe are shipped.



1 Packaging

Finished products are packaged by hand with great care so that the perfect folds are not disturbed.

2 Needle Detector

The needle detector can detect even the smallest metal fragment. Each packaged product is passed through the needle detector several times on different sides. Items in which metal has been detected are stored in a locked box so they are not mixed in with safe products.

3 Shipping

Products are shipped using as few cardboard boxes as possible as a primary environmental consideration. For example, uniform-sized boxes are used for shipping products from the factory to warehouses in the country of distribution and can be easily reused for repacking and shipping from warehouses to stores.

INTERVIEW

UNIQLO's clothing is produced in factories around the world that have been equipped with a thoroughly maintained quality and safety control system. We asked some of the workers at a sewing factory in Indonesia, which is a key production base, about their jobs and future aspirations.



Sulastri, 20 years old

I walk to work every day because my house is only a 15-minute walk away. The work is enjoyable, as I have friends here, and the cafeteria lunches are delicious. After I save enough money from this job, I want to go to school to become a nurse.



Martomo, 25 years old

I commute by motorcycle with my lunch box. I've been working at the factory for about four years, and I'd like to build my career here and start my own business someday.



Riyanti, 28 years old

I've been working at this factory for more than ten years and became a manager two years ago. My passion for clothing makes my job fun. I'm married and have a four-year-old child, so I try to maintain a good balance between family and work.



Special Feature

Taking Life in Stride with Pride

UNIQLO's Clothing Production in New Locations around the World —Indonesia

By Kazunori Kobayashi

Kazunori Kobayashi, Sustainability Program Planner

Kazunori Kobayashi graduated from the University of California, Berkeley and since 1999 has been locally and internationally engaged in planning and implementing projects and writing dedicated to the environment and sustainability. Since 2005, he has served as the CEO of EcoNetworks, a team of specialists in languages, the environment, business, culture and other diverse fields. The team shares the same vision of creating sustainable societies and its network spans more than 100 countries worldwide.

After the plane touched down in Jakarta at midnight, the passengers and I occasionally rubbed our weary eyes as we waited in the immigration line. The immigration officers did not appear to be in any hurry to clear us. "We don't rush things here – we take life in stride with pride," a local explained, and I nodded my acknowledgement.

Indonesia is an archipelago of countless islands reaching from the South Pacific to the Indian Ocean. The country has a vibrant culture and history; it is also a "young" nation with about half its population under the age of 30. While agriculture continues to be its primary industry, its textile industry is growing. The country has also become renowned for the manufacturing of clothes.

Leaving the major city of Jakarta behind me, I moved on to Solo. This once royal city was home to a divided sultanate, and descendants of its former rulers still live here. Vestiges of Dutch colonialism remain in the city, and expanses of land as well as factories spread throughout the suburbs. In a place where the past and present seemed to coexist peacefully, I visited a sewing factory that is now in its second year of partnership with UNIQLO. There I was greeted by the president and vice president,

who are both around 40 years old. They smiled warmly and the president said: "We've worked with various global brands for many years. At first we were surprised by the level of quality that UNIQLO requires. Its acceptable product defect rate is more than three times stricter than that of other global brands. UNIQLO also has a policy to conduct "one hundred percent inspections," which is practically unheard of in the industry. We initially thought that UNIQLO would be a stern partner, but the company helped us in our preparations months before production here started, and we've been impressed by the earnestness and care it has shown us. We now strongly believe in the partnership and our united long-term vision."

What I noticed first were the orderly rows of manufacturing lines in an area spacious enough to fit 1,000 people. The workers' hands moved skillfully and rhythmically. The manufacturing process relies on the operations of state-of-the-art machinery and manual labor as well as continuous quality control that includes visual inspection. This makes it possible for the same product to be produced efficiently, over and over again. Each article of clothing is passed from one worker to the next until it is ready to wear, like a ball being passed

by team members as they move toward the goal. As for UNIQLO, its relationship with the factory is in a sense deeper than conventional contractor-contractee partnerships. Both businesses exchange ideas for improving quality and together aim to boost productivity in a better working environment.

The workers looked quite serious and focused on their jobs, but they really lightened up at lunchtime and the air was filled with laughter. Most of them are local youths who ride bikes or walk to the factory from their parents' homes. A bit bashfully they made comments like "It's fun to work with friends I grew up with" and "It would be great to open up a shop in my hometown one day."

"They could show a little more hunger for success, and there is still room for improving their skills," the president noted with a bitter smile. But these young, diligent workers, who are good with their hands, possess infinite potential. Under Indonesia's vast blue sky, I could envision great things happening in their futures and for UNIQLO, as they take things slowly with pride.



Joint Initiatives of UNIQLO and Partner Factories to Ensure the Safety and Reliability of Production Sites

UNIQLO products are manufactured in various Asian countries including China, Vietnam, Bangladesh and Indonesia. The factories must be safe and reliable to turn out risk-free products for our customers, which is why UNIQLO has implemented Workplace Monitoring at its partner factories since 2004. Working together, UNIQLO and the factories are making continual improvements to create better working environments.

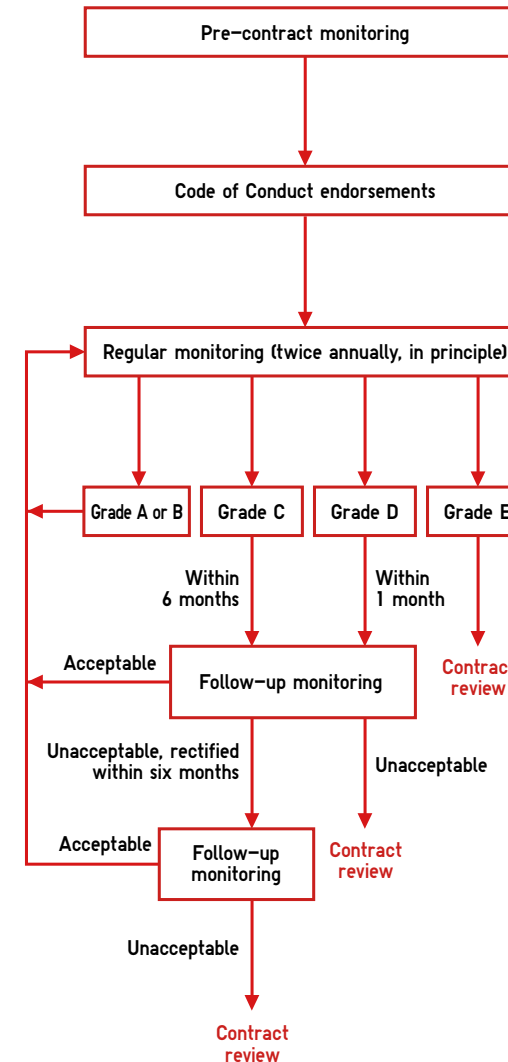
What is Workplace Monitoring?

Workplace Monitoring is an initiative aimed at consistently producing truly great clothing in the sewing factories that manufacture UNIQLO products. Specialized external organizations also help to monitor manufacturing operations to ensure that prohibitions on child labor or forced labor are upheld and working environments are safe, in addition to other conditions that must be met. UNIQLO employees implement appropriate measures based on the findings of these monitoring initiatives. If a violation is found, UNIQLO employees directly visit the site to check the conditions and identify root causes. After that, they work with the factory to adopt corrective measures, implement the necessary guidelines and work toward establishing a systematic solution. Throughout this process, UNIQLO and the factories collaborate closely to make improvements.

This collaboration goes far beyond simply checking off monitoring items to develop better working environments that can boost productivity and product quality; their efforts also enhance employee satisfaction and attract outstanding workers. In every way, Workplace Monitoring creates win-win situations in that UNIQLO and its partner factories can establish better working environments and secure a solid reputation among customers and communities, which strengthens the brand of UNIQLO and the factories. This is how Workplace Monitoring should work, and we feel it is essential in the production of UNIQLO clothing.



Workplace Monitoring Framework



Pre-contract monitoring

Pre-contract monitoring is conducted to determine whether UNIQLO can establish a business relationship with a factory. The company's rules state that it can only form business relationships with factories that meet its standards.

Regular inspections

UNIQLO employees and external auditors monitor working conditions at the sewing factories. After inspecting the sites and going over related documents, they review their findings with factory representatives and provide feedback on important areas that require improvement.

Factory Grading System

UNIQLO evaluates factories according to a five-tier system, from A to E. For highly unethical or serious offenses, such as the use of child labor and/or falsified reporting, factories are given E grades and UNIQLO immediately reviews its contract with the facilities in question. For factories that receive C or D grades, UNIQLO provides guidance on how to improve. UNIQLO then conducts follow-up evaluations to ensure improved results, and if the company finds that key problems have not been resolved, it immediately reviews its contract with the factories in question.

COLUMN

What is UNIQLO's Code of Conduct?

Fast Retailing (FR), the holding company that operates UNIQLO, established a Code of Conduct for Production Partners based on the conventions and recommendations by governing bodies such as the International Labour Organization of the United Nations. These guidelines forbid child labor and set rules for overtime working hours and other issues related to factory working conditions. FR requires its partner factories to endorse the Code of Conduct.

For more information, see the CSR section of Fast Retailing's website.

Key Guidelines

- Prohibition of child labor
- Prohibition of forced labor
- Prohibition of coercion and harassment
- Prohibition of discrimination
- Health and safety
- Freedom of association
- Wages and benefits
- Working hours
- Environmental protection
- Preparation of internal regulations
- Monitoring and compliance with the Code of Conduct

What is Checked during Workplace Monitoring?

Sewing factories that manufacture UNIQLO clothing must undergo Workplace Monitoring. After an opening meeting, auditors will inspect the factory as well as other facilities such as dormitories and cafeterias. After that, more checks are carried out to assess the working conditions at the factory, which include interviews with workers and inspections of documents. Corrective action is instructed on the spot in the event unsafe or unacceptable conditions are discovered. UNIQLO employees not only give instructions but also work with the factories by helping them identify and effectively address problems at their source. UNIQLO employees later confirm that corrective measures have been taken and that the problems have been remedied. These procedures ensure that UNIQLO products are manufactured in a safe and reliable working environment.

Safety

Safety Checks at Clothing Production Sites



Materials and equipment

Auditors make their way throughout the factory while looking for potentially hazardous stacking of boxes or incorrectly placed equipment.

Emergency safety measures

Emergency equipment and supplies such as fire extinguishers and first-aid kits are checked to make sure they are where they should be and can be easily accessed and used.

Emergency exits

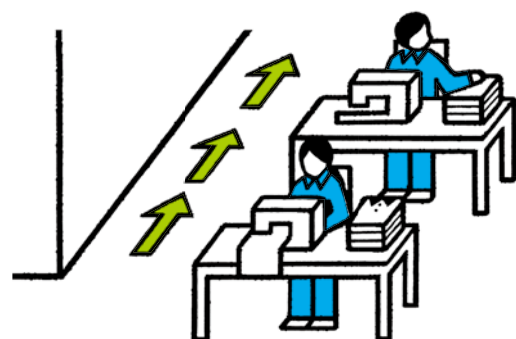
Emergency exits must be free of obstructions and evacuation routes are required to be clearly indicated on the floor.

Appropriate protective gear

Workers are required to wear appropriate protective gear for their specific tasks. Anyone handling chemicals, for example, must wear masks, gloves and goggles.

Handling of chemical substances

Auditors confirm that chemical substances are being handled properly and safely. For example, they check if bottles are correctly labeled and that the bottles cannot be mistaken to contain beverages.



Life and Health

Ensuring the Safety and Well-being of Workers

Cafeteria kitchen

Auditors inspect the hygienic conditions of the cafeteria kitchen, which prepares food for workers every day. They also check that the factory keeps certificates of health for all cafeteria workers.



Employee dormitories

Auditors check if drinking water is safe and if showers and toilets in the dormitory are sanitary. All emergency exit routes are also inspected.

Job-specific medical examinations

Auditors determine whether workers have received the appropriate medical examinations for specific jobs with due consideration for occupational health risks.

Checks and Interviews

Document Cross-checks and Worker Interviews

Working hours and wages

Auditors cross-check documents related to working hours, wages and payroll deductions to identify any inappropriately long working hours or unpaid wages. To determine if any documents have been falsified, workers are interviewed anonymously to safeguard their privacy.



Labor agreements

Auditors check copies of worker ID cards and other documents for unreasonable terms in labor agreements and to ascertain that underage workers have not been employed.

Making Progress in Bringing a Sense of Satisfaction to People across the World through UNIQLO Clothing Production

A view of UNIQLO initiatives from outside the company

By Toshihiko Fujii

Great clothing has many characteristics and properties such as comfort, beautiful colors and reasonable prices. Everyone has their own ideas about what makes great clothing. But these days the trend among consumers worldwide seems to be that they are increasingly adding a new criterion for greatness: the sense of being connected with production workers to share a sense of satisfaction.

Many people work in clothing production, and it's not unusual today for supply chains in this industry to span multiple countries. Now people want clothing that brings an equal amount of satisfaction to people who make it and wear it. In other words, increasingly more consumers are measuring greatness in clothing based on how it is made, and not just on appearance.

Until quite recently, environmental impacts were the public's main concern for how clothing is made. While it is clear to all of us that factories should minimize harm to the environment, the well-being of production workers did not really attract significant attention.

As consumers started to perceive an imbalance between the disadvantaged people who make the clothing and the satisfied people who wear it, many international apparel manufacturers started considering this new criterion of "greatness." In this context, I would like to introduce the concept of "CSR throughout

the supply chain," whereby companies take responsibility for ensuring environmental soundness and appropriate employment conditions and workplace environments exist throughout the supply chain.

UNIQLO is one of Japan's companies that are actively committed to implementing CSR throughout supply chains, but many of UNIQLO's initiatives still require a lot of work. There are many corporations involved in the production of clothing, which takes on numerous processes, so workplace environments can differ dramatically, requiring a tremendous effort from companies to create workplaces that make all employees proud to work there. The steady expansion of UNIQLO's clothing production across the world makes this effort even more challenging.

This effort and commitment increasingly represent the true power of clothing, which can also be found in creating more jobs for people around the world and working opportunities that result in genuine satisfaction. When people try out UNIQLO clothing, I hope they take a moment to think about the people who they now share a bond with across the world. I want UNIQLO to continue working toward a style of clothing production that allows for people to feel connected with production workers in order to share a sense of satisfaction.

Toshihiko Fujii

Visiting professor at the Graduate School of Economic Science, Saitama University

After receiving a BA in Economics at the University of Tokyo in 1987, he joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry). In 1994 he received an MBA from the University of Washington. He served as Secretary General of the Japan Business Council in Europe (Brussels) in 2000 and returned to the Ministry of Economy, Trade and Industry in 2004 to serve as the Director of the Office for Trade Remedy Investigations. Since 2010 he has been teaching as a visiting professor at the Graduate School of Economic Science, Saitama University. Fujii is one of the pioneering Japanese lobbyists for the European Union and has been active as a CSR researcher. He has published many books on CSR from a global perspective. His major publications include: *Europe's CSR and Japan's CSR—What Can We Learn?*, Japanese, Nikkagiren Publishing, 2005; *Global CSR Procurement, Supply Chain Management and Corporate Social Responsibilities*, Japanese, Nikkagiren Publishing, 2006; *Global Rules as Competitive Strategy*, Japanese, Toyo Keizai Inc., 2012.

From Fast Retailing

UNIQLO and Partner Factory Initiatives Combine to Produce Truly Great Clothing

Fast Retailing's primary mission is "To create truly great clothing with new and unique values, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes." In this context, "truly great clothing" refers to not only high quality products but also their production under ethical working conditions. We also place priority on incorporating public expectations, including the ideas of our customers, into our considerations for producing truly great clothing.

In this issue, we have introduced UNIQLO's concept of truly great clothing along with joint initiatives and collaboration with partner factories. From these initiatives, our trusted, long-term partner factories are now seeing far fewer negative findings during Workplace Monitoring as a result of their efforts to take corrective actions. At the same time, however, new partner factories often have to make major improvements due to a lack of knowledge or experience.

We believe establishing stronger communication is essential, especially with new partner factories, and to share information and work even closer together to tackle unresolved problems. That is why we are actively addressing problems in advance through pre-contract monitoring, holding seminars for factory managers and related departmental leadership at our production offices in various parts of Asia, and also dispatching FR employees to provide in-person, onsite guidance. In addition, we welcome feedback from people at our partner factories and incorporate their comments into the creation of better solutions. We believe these ongoing efforts will generate more effective initiatives.

We want to establish solid and lasting relationships with factories that also hold our vision in the framework of shared, mutually beneficial business initiatives and not merely operational "transactions." By doing this we hope to produce truly great clothing under healthy working conditions, which will in turn make the world a better place.



For more information about our CSR activities, please visit:

<http://www.uniqlo.com/en/csr/>

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