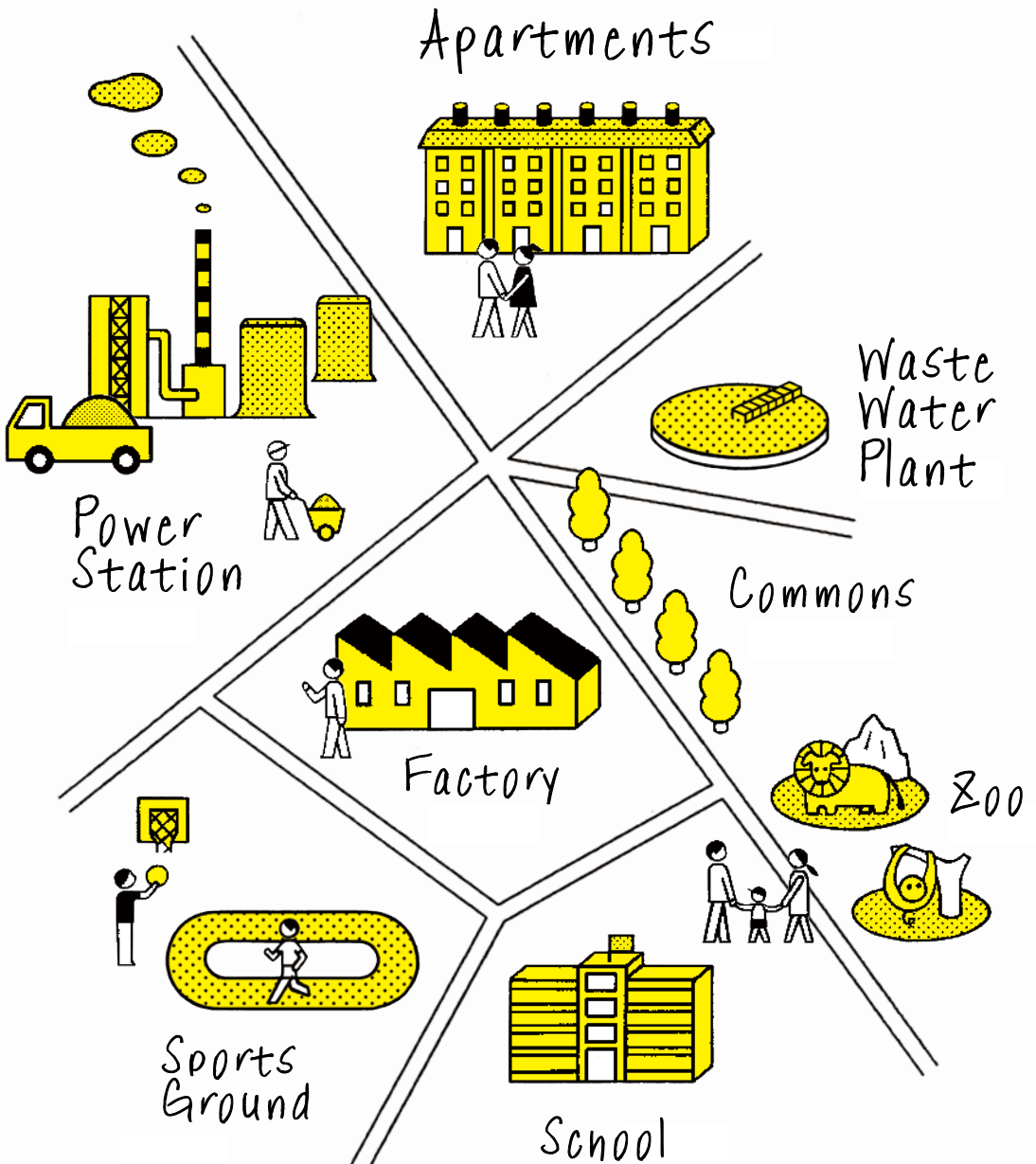


THE POWER OF CLOTHING

Making The World A Better Place

Supporting Society and the Environment



The Power of Clothing Making the World a Better Place

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Cover Design: Aki Soeda



Supporting Society and the Environment

What do you need to make a shirt?

Raw cotton from the fields is turned into cotton thread, dyed and woven into cloth, which is then cut and sewn into a shirt. The process requires electricity, water, dye, and people to operate the machinery. Environmental resources and manpower are all finite.

Enter Luthai, a UNIQLO shirt material partner factory in central Shangdong. Luthai Textile Co., Ltd. is a world-class textile manufacturer, both in terms of production volume and quality. The company is also attracting attention for using its antipollution systems for emissions and waste water to provide vital local infrastructure. Luthai commits to improve the regional economy and human resources by jointly operating schools. In fact, Luthai Textile is fast becoming a model example of how companies and local society can coexist harmoniously in China, home to many of UNIQLO's partner factories.

In this edition, we visit the city of Zibo in Shangdong province to see how local factories and social infrastructure complement each other, and talk to local workers and managers.



Li Tan

Section Leader, Finished Fabrics
Luthai Textile Co., Ltd.

Playing with My Four-year Old Daughter is the Best!

Li Tan works for Luthai, one of the world's largest textile manufacturers producing material for UNIQLO shirts. Born and raised in Shangdong Province, Li Tan experienced environmental pollution firsthand. Just back from maternity leave, she talks about her career, her husband and daughter.

Back in high school, the smog was so bad I could hardly breathe on the sports field, and the river stank.

The Luthai factory complex where I work is so much bigger now but the river doesn't smell anymore. The city has been transformed, with tree-lined paved roads, cinemas, bookshops and restaurants.

I was born in a rural area some distance from here, but I knew the Luthai name because the adults always talked about the company's solid management and good benefits.

When I grew up, I studied spinning at the Luthai technical school before joining the company. Like many of my colleagues, I married a fellow worker six years ago. We have a four-year old daughter. We don't talk shop at home because family time is precious.

At first, we lived with my mother-in-law and she looked after my daughter when I was at work. In 2012, we bought an apartment designed and built by Luthai. The company has built many apartment buildings in the city and offers employees homes at special rates. It is a great system.

Our daughter started kindergarten at age three.

We share the drop off and pick up schedule, and, because I haven't done any overtime this past year we have been able to maintain a regular routine.

In 2012, I was promoted to section leader of finished fabrics. Today, I manage approximately 40 employees, monitor quality and ensure efficient, smooth line operations. It is also important that I help create a positive environment where staff can come to me to discuss any problems in their work or daily lives, and seek a solution together.

I was also selected to work as a Luthai fashion model! I participate in fashion shows in the company showrooms, and sometimes go to international exhibitions in Shanghai. My job requires great focus. The modeling is great fun. But that still doesn't beat playing with my daughter. That is the best!

The company looks after its employees well, and has pioneered ways to tackle Shangdong's environmental problems. After my daughter grows up, would I recommend she work here if she wanted to? I would have to say yes, with confidence and pride!





Liu Shizhen

Chairman
Luthai Textile Co., Ltd.

Success Comes From Making the Right Choices

Born into poverty, Luthai's founder worked hard to get noticed as a young man, and went on to build Luthai into a world class textile manufacturer. Today, he is committed to tackling environmental pollution and improving worker satisfaction.

My family was so poor we couldn't afford to buy corn or steamed millet buns. I had to leave school at 16 and train to be a technical worker in the coal industry. Fortunately, lunch was included.

Soon after, I started work in a small coal mine, digging for coal underground, and putting it in the mine cart day in and day out.

I used to be frail but I grew strong working in the mine and was recognized as a model worker. Not long after leaving the coal face to become a technician, I was invited to join a coal extraction company in my hometown of Zuibo, Shangdong province.

Zuibo was one of China's most economically advanced areas, thanks to its thriving coal, steel and aluminum mining industries. But all underground resources run out in the end. When our extraction volumes started to decline, I was moved to a textile factory in 1990. That was a watershed moment for me.

We set up a joint cotton mill with Thailand. We got financing from the Export Import Bank of Japan and introduced Japanese equipment. Many companies helped us with technical training, installing and adjusting machinery.

We had to learn all about technology, but we also



had to learn the true spirit of corporate management, including how to energize our staff. The most significant thing we learned was to foster trust among our employees. If employees are satisfied with their salaries, benefits, and working environment, you will have a happier and, ultimately, more productive workforce.

As a company, we must contribute to the society that provides our social and human resources. Manufacturing products impacts the environment. Spinning and weaving require energy, dyeing requires water. But stoking a boiler pollutes the atmosphere, and dyeing can contaminate river water.

We studied various international companies, and decided, as a socially responsible company, to tackle environmental issues. We began revolutionizing our production processes to minimize their environmental impact.

We wanted to cut atmospheric pollution by drastically reducing the number of chimneys in the region. So we built a large-scale power plant to generate large volumes of energy efficiently on a single site. We removed all of the boilers from our factories and channeled hot steam produced during electricity

generation to each site instead. The steam also heats local residential apartments.

Today, Chinese state regulations for effluent treatment are extremely strict. We built our large-scale waste water plant so we could uphold these regulations, and also treat waste water from the whole region including households and other factories.

Hidetoshi Fujiwara (currently our senior adviser) used his long experience in the Japanese textile industry to help oversee the management of our factories. His caring, dynamic and positive attitude has had an immeasurable impact, and he was instrumental in establishing our Employee Hardship Fund.

Some workers from poor households struggle on a single income, so Fujiwara-san used his own money to establish the Employee Hardship Fund.

The fund, which encourages donations equivalent to a day's salary to help under privileged workers, is now active across the company. There is a Confucian saying that right-minded people will profit by taking the right path. We use this as our guide, but we've so much still to do.

Shin Haiqing

Designer
Luthai Textile Co., Ltd.

A Real Orchestra, Made Up Entirely of Employees.

Shin Haiqing studied fashion design at university and then joined nearby Luthai. Living in company housing just a five-minute bicycle ride from work, her rent and energy bills are low. She plays in the company orchestra sponsored by the Chairman, and loves her liberating working environment.



I was born in Jining, Shandong province. The city placed great emphasis on education, so most of my friends went to university. I wanted to study fashion design at the nearby Shandong University of Technology, which is run jointly by local academic institutions and their industrial partner, Luthai.

The running scholarship that Luthai gave me really helped my parents financially. After graduation, I was spoilt for choice, but I decided to work at Luthai so I could do fashion design.

I started the training program almost immediately, spending two months in shirt hemming in a textile factory. I was surprised to hear music playing and see how relaxed the workers looked. But I soon realized how diligently they worked.

I then worked as a section manager's assistant and learned all about the company's systems and management framework. I soon realized no job was easy and that everyone put in a huge amount of effort.

Next, I moved to the design room where I helped plan upcoming seasonal designs, select fabrics, and prepare designs and coordinates. I was also responsible for checking the final outfits for the models in our twice-yearly fashion shows.

I am still single and share a company dorm with a colleague. It is just five minutes by bicycle to work, and the rent and energy bills are very low.

I belong to the company orchestra which is made up entirely of company employees. We even have some singers! We boast a broad repertoire from classical music to traditional Chinese songs. A professional music teacher comes to the company club room every Sunday, and we practice hard when a concert is coming up.

I play the clarinet, the erhu and the harmonica. Tomorrow night, we are playing at a formal dinner for guests from all over the area. It'll be fun.

VOICE

Luthai helps boost the region's economy and expand educational opportunities by jointly operating a local technical school. This pioneering format is attracting attention from all over China.

Li Xiaopeng

Director
Luthai Technical School

Offering Financial Support to Under-privileged Students



This school aims to teach students technical skills and how to be upstanding citizens. Outside our school gates stands a statue of Confucius, a fellow compatriot who embodies our educational ideas.

Luthai got involved in the running of the school in 1992. Since then our enrollment has jumped from 850 to 4,000 students. We attracted nationwide attention when we were selected as a model for the development and reform of secondary vocational schools.

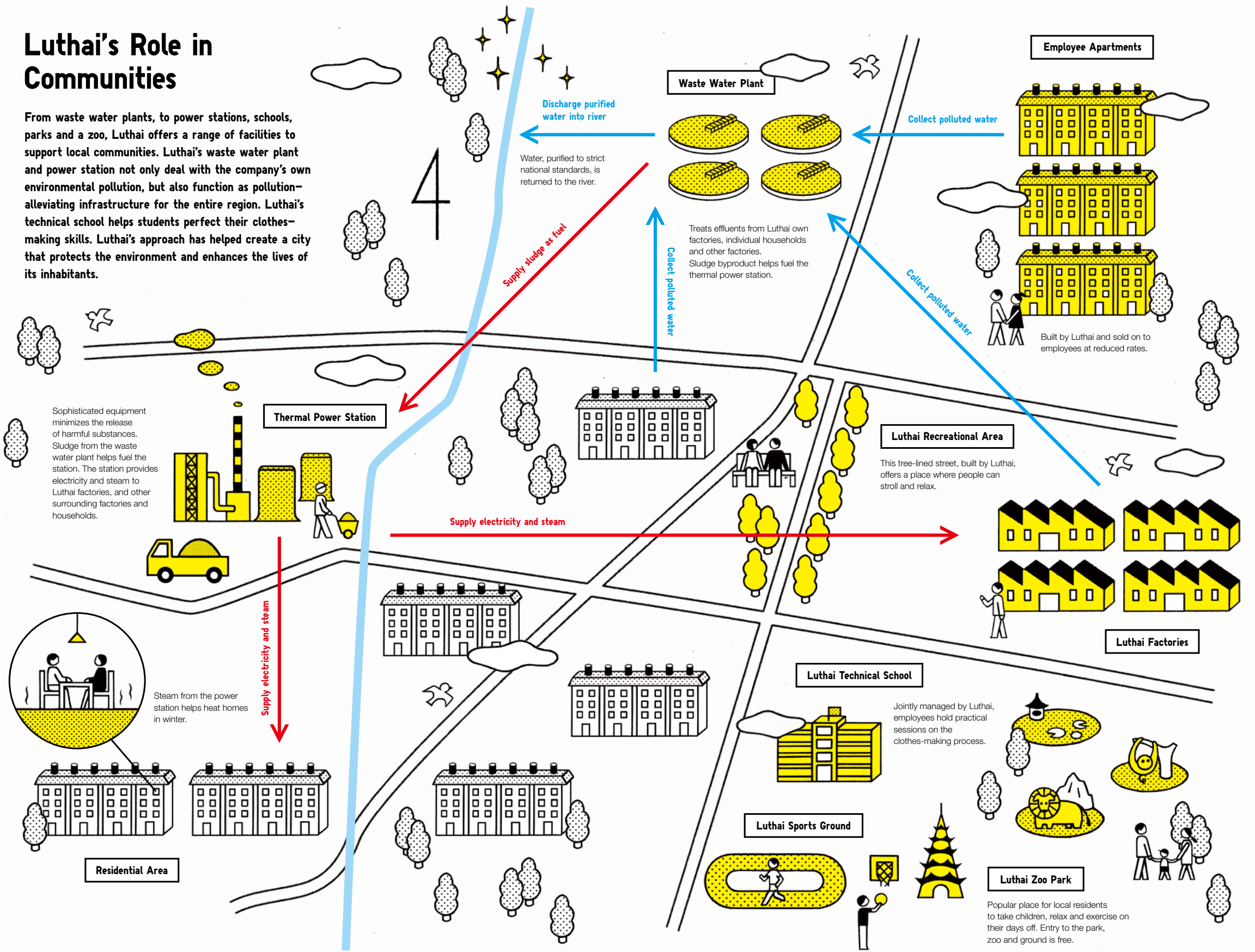
We can teach students the technical skills they need in just three months. But we focus first on teaching them to be good citizens. We believe people with solid character are more successful in their work.

As part of its drive to contribute to regional education, Luthai offers scholarships to gifted students and financial support to under-privileged students. This support is invaluable.



Luthai's Role in Communities

From waste water plants, to power stations, schools, parks and a zoo, Luthai offers a range of facilities to support local communities. Luthai's waste water plant and power station not only deal with the company's own environmental pollution, but also function as pollution-alleviating infrastructure for the entire region. Luthai's technical school helps students perfect their clothes-making skills. Luthai's approach has helped create a city that protects the environment and enhances the lives of its inhabitants.



Sophisticated equipment minimizes the release of harmful substances. Sludge from the waste water plant helps fuel the station. The station provides electricity and steam to Luthai factories, and other surrounding factories and households.

Discharge purified water into river
Water, purified to strict national standards, is returned to the river.

Waste Water Plant

Collect polluted water

Employee Apartments

Built by Luthai and sold on to employees at reduced rates.

Thermal Power Station

Luthai Recreational Area

This tree-lined street, built by Luthai, offers a place where people can stroll and relax.

Supply electricity and steam

Luthai Factories

Luthai Technical School

Jointly managed by Luthai, employees hold practical sessions on the clothes-making process.

Residential Area

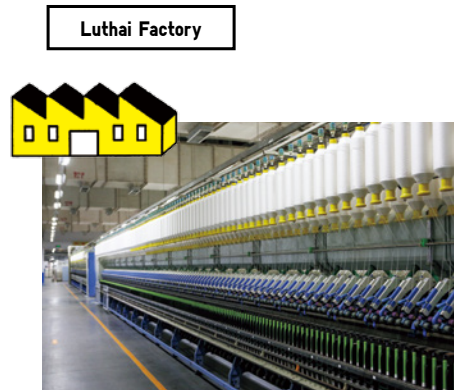
Luthai Sports Ground

Luthai Zoo Park

Popular place for local residents to take children, relax and exercise on their days off. Entry to the park, zoo and ground is free.

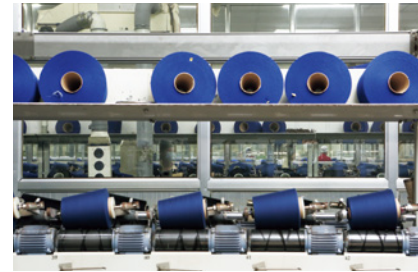
Environmentally Conscious Fabric Production

Transforming fiber into thread and thread into cloth requires a great deal of energy and water. To minimize the environmental impact, Luthai built its own waste water plant and thermal power station. Luthai uses environmentally conscious systems to manufacture top-quality fabric.



1. Making Thread (Spinning)

Luthai's advanced automated machinery transforms raw fiber into high-quality thread in a matter of seconds.



2. Dyeing Thread (Yarn dyeing)

Involves the dyeing of thread before it is woven into fabric. Uses large volumes of water and dye.



3. Weaving Cloth (Weaving)

Intertwining vertical and horizontal threads. Using yarn-dyed thread makes it easier to weave checked and other complicated patterns.

Waste Water Plant



Thermal Power Station



Purified Effluents Flow into the River

Luthai factory yarn dyeing processes generate approximately 10,000 tons of effluent water every day. The effluent is purified in accordance with strict national standards, and the purified water is returned to the river. First, all effluent is collected in the company's internal contaminated water station, and purified according to national regulations. Luthai now owns and operates its own waste water plant as part of its drive to improve the quality of the region's water and water purification procedures.

Luthai channels its own treated effluents into the waste water plant, along with polluted water from neighboring factories and households. The plant can treat approximately 80,000 tons of polluted water a day. By treating all of the region's polluted water in its high-tech waste water plant, Luthai can help ensure the water is clean, and create a safe, secure society. Luthai maximizes its resources by reusing the sludge from the water treatment process. Stripped of impurities, the sludge is dried (Photo a) and transported to Luthai's power station to be used as fuel.

Environmentally Conscious Power Generation and Supply

There are no chimney stacks on Luthai's factory grounds. While other factories emit air pollutants from boilers that generate electricity on site, Luthai owns its own large-scale thermal power station for generating collective energy with minimal environmental impact.

Luthai's power station was built, first and foremost, to protect the regional environment. The station's advanced equipment generates efficient energy, and removes sulfur compounds and nitrogen oxides from emissions. Luthai's power station boasts the best environmental record of all similar-scale facilities in Zuibo. In addition, the sludge from Luthai's waste water treatment facility is pulverized and used as fuel (Photo b). Luthai directs steam from the power station via underground channels to fuel manufacturing processes in its factories. The steam also contributes to the region's energy resources by helping fuel production at other factories and heating nearby homes in the winter.

Luthai is always looking to introduce new technologies. The company regularly visits Japanese power stations and seeks ways to work with Japanese companies to minimize the environmental impact of its manufacturing processes.

Liu Zibin

Board Director and CEO
Luthai Textile Co., Ltd.

It's All About the Environment, and People

China's 10% per annum economic growth rate has wreaked havoc on the environment. Today, more and more people agree that environmental issues are a top priority. In addition to concrete environmental policies, any company that values its human resources must participate actively in educational initiatives and introduce IT systems to improve working environments.



It is an honor to hear Japanese visitors praise our efforts. People from Shangdong are often called reserved or conscientious. But then, Shangdong was home to Chinese philosophers Confucius and Mencius.

Any company, however sincere, will encounter issues, and for us, the environment is a top priority.

Over the past 30 years, China's has experienced annual growth rates close to 10%. But that rapid growth has taken a heavy toll on the environment, with some areas ignoring the environment in their haste to develop.

Now more people recognize the urgent need to tackle environmental problems by minimizing resource use and reducing pollution. Our waste water plant and thermal power station, and their contribution to local infrastructure, are concrete examples of what can be achieved.

People are our other priority. That is why we now help operate a technical school. In the past, gifted students went to high school and even university, and other students went to technical college. It was hard to attract the right talent. Even if we did, there

was no guarantee they would join our company after graduation. We approached regional schools to develop a study program for spinning and garment making. We set up a practical workshop, provided specialized instructors and equipment, and established scholarships and hardship funds to help gifted students pay their tuition.

Today, many students apply to the Luthai Technical School. Our graduates recognize the social role of textiles, and turnover rates have fallen dramatically.

I understand companies and academic institutions first began jointly operating schools in Germany, but Luthai's educational framework is being viewed as a model case across China.

Our company is competitive because it champions people-oriented values. We are improving working environments through automation, and the development of information technology and intelligent factories. The pursuit of ultimate product quality, social contribution and employee appreciation fuels our corporate growth.

Hidetoshi Fujiwara

Senior Advisor
Luthai Textile Co., Ltd.

Ten Years of Trust Can Crumble in an Instant

After many years in the Japanese textile industry, Hidetoshi Fujiwara moved to China to spend his days helping conscientious, talented employees build a factory from scratch. He talks about his experiences, and the importance of people, quality and the community.



I was born in 1940, the same year as Luthai's chairman. I worked for many years in a spinning and dyeing company in Nishiwaki, Hyogo prefecture. Nishiwaki is well known for its yarn dyeing techniques (dyeing the thread before weaving, not as opposed to piece dyeing of woven fabric). Four years after Luthai was founded, they asked me to help launch a yarn dyeing operation.

We started from scratch with the machinery and the dyes. The employees were quick learners, dedicated and extremely talented. It was tough, but we had plenty of good times.

The quality and motivation of workers are both vital corporate dynamics. You can't make superior goods with good materials alone. Luthai began operating its own technical school because it realized worker satisfaction was vital to its success.

Raised locally, Luthai's chairman is keen to develop Luthai as a community-based company. The company has built a central highway and parks in the city, along with a free zoo and sports ground, and apartments that employees can buy at discounted rates. He has even

started an employee orchestra.

Eighty percent of Luthai employees are local, and their parents know and trust the company. We take our social responsibility very seriously, because trust that took 10 years to build can be lost in an instant.

The quality of our raw cotton is also very important. A superior workforce helps guarantee product quality, but superior raw materials are also key. The Xinjiang Uyghur Autonomous Region has the perfect climate for cultivating raw cotton, so Luthai developed fields there to secure a strong supply of superior raw materials.

Luthai built a primary school for the local community because it wanted to contribute to local society rather than treat Xinjiang simply as a production base.

The Xinjiang night sky was so beautiful that I remember feeling grateful that our cotton came from such a wonderful place. It was a profound experience I'll never forget.



Contributing to communities by minimizing the environmental impact of our clothes-making process.

UNIQLO seeks to change clothes, change conventional wisdom and change the world through the making and selling of clothing. As globalization progresses, we must learn to live and work together in a way that protects and protects local environments and allows local communities to thrive. UNIQLO aims to pioneer the best approach both in terms of its responsibility as a global company and its sensitivity to regional needs.

The manufacture of clothes requires resources, but it also adversely impacts the very environment that provides those resources. The sustainability of our global environment, is threatened by the depletion of resources and the pollution of rivers and the air. We must take serious steps to alleviate this threat.

Global companies are responsible for helping regional business partners resolve identified environmental problems and improve processes. Our global environment has no borders.

We may operate globally, but our stores and partner factories are evaluated by local communities. No company can thrive without the support of locals. Companies should ensure communities and people can grow together by building valuable working environments. It is our job to root out and resolve any obstacles towards that goal.

We face many different problems today, but we intend to work with local communities to tackle each problem head on.

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