

THE POWER OF CLOTHING

— Making The World A Better Place —



06 TRULY GREAT CLOTHING FOR PEOPLE
AROUND THE WORLD



The Power of Clothing Making the World a Better Place

06

Cover: A young refugee from Nepal

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The Transformative Power of Truly Great Clothing

UNIQLO operates on a global scale to deliver truly great clothing to people around the world. Every day, we reach out to a broader range of people as our staff becomes increasingly diverse, both in terms of nationality and individuality. The pace of our global development is also accelerating.

In these rapidly changing times, we often find ourselves stopping to marvel at yet another unexpected example of the power of clothing. Clearly we have not fully grasped the potential of truly great clothing, but we do catch glimpses of it. And these glimpses can come at any time, whether sparked by a casual remark from a customer, through an encounter in a refugee camp, or from the comments that we receive from you, our readers.

Through *The Power of Clothing*, we report our activities and convey our passion for clothing, while exploring other possibilities for clothes by drawing upon the feedback we receive from readers.

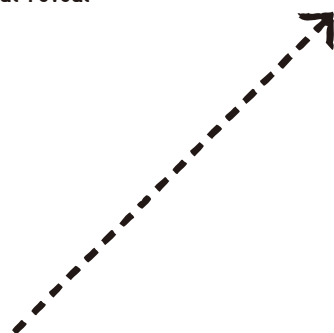
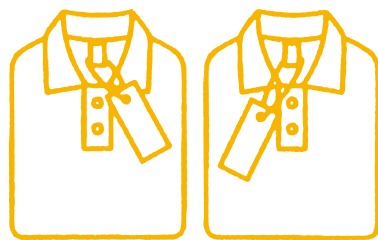
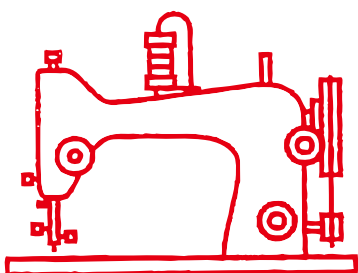
We hope that you will share our fascination with the power of clothing and its potential to produce the kind of changes that are beyond our imagination.



The Power of Clothing in Different Times and Places

Each year, UNIQLO produces approximately 600 million articles of clothing and sells them to the nearly 200 million customers that annually visit its 944 stores worldwide. Clothing that is no longer needed by customers is collected and redistributed to refugee camps around the world.

From production to the moment an item can no longer be worn, clothing passes through many hands and can evoke many emotions. The satisfaction of making clothing, the joy of wearing it, and the sense of connection and caring that arises when donating it are all feelings that reveal the power of clothing.



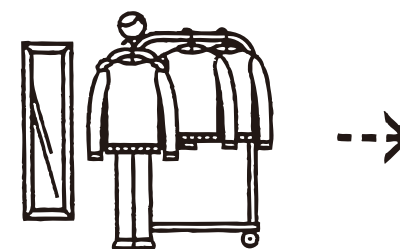
Production

Partner factories manufacture clothing, mainly in Asian nations such as China and Bangladesh. UNIQLO orders approximately 600 million articles every year, creating jobs in regions where opportunities to work are frequently few and far between.

We feel that an ethical, just and comfortable working environment is as vital as product safety and reliability, and improvements are continuously being made.

Sales

A total of 944 UNIQLO stores around the world employ about 40,000 full- and part-time employees. In age, gender, nationality and relative ability or disability, our sales personnel reflect the diversity of the customers they serve and work together as a team of distinctive individuals. This rich interaction of values, preferences and lifestyles in our stores helps to reveal new aspects of the power of clothing every day.



Wear

Clothing can be worn, treasured and valued for years.

Clothing does more than simply provide protection against heat and cold. Dressing up can be fun, and clothing can boost confidence and make us look better. In fact, clothing does affect how we feel in specific situations; wearing our favorite clothing can reinforce our self-confidence.

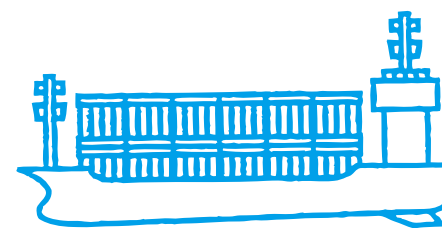
Above all else, we hope that each one of our customers wears, treasures and values his or her UNIQLO clothing for years to come.



Recycle

Clothing no longer needed by customers still has value.

Clothing that customers no longer need can be taken to our UNIQLO stores. Items that are still in good condition—about 90% of the clothing received—are sent to displaced people at camps around the world. The remaining 10% that can no longer be worn is recycled or used as industrial fiber. We have already collected more than 9 million articles of clothing and are grateful to our customers for their continued support.



Distribution

We distribute clothing received from customers to camps for refugees and internally displaced persons (IDPs) worldwide. In this way, we maximize the value of our clothing so that it delivers its full value for as long as it can possibly be worn. So far, we have donated approximately 3.12 million articles of clothing to 17 countries. UNIQLO employees also personally visit refugee camps to ensure that the clothing is effectively distributed and to see how it is worn and enjoyed.

For people living in these camps, clothing in good condition can protect the body from injury, improve sanitary conditions, encourage children to attend school and help women participate in society with confidence in their appearance. The next major goal that we have laid out is to provide the equivalent of one item of UNIQLO clothing for each of the more than 30 million displaced people around the world.



Who Makes Our Clothing?

UNIQLO clothing is produced at partner factories that support both our quality expectations and worksite standards. It is not easy to consistently churn out high-quality products. In this article, we visit one of our partner factories to observe the various people and operations involved in the production of UNIQLO clothing.

The factory we visited is located in the small city of Jintan, in China's Jiangsu Province, a three-hour drive north from Shanghai. The grounds near the plant feature abundant greenery, with buildings and dormitories set around a large central pond, almost like a university campus. At lunchtime, young workers in colorful down jackets and jeans chat on their way to the cafeteria.

"Wild ducks stay at this pond all winter," says Yin Guoxin, CEO of Chenfeng Group Co., Ltd., a major apparel manufacturer in China. "They bring a reassuring presence to the area, because they will only come if the water is clean."

Yin originally established this sewing factory in his hometown 17 years ago, but his relationship with UNIQLO dates back 14 years, when both companies were still relatively small. He has not changed his working style, despite his company's dramatic expansion into an enterprise with 7,600 employees that produces 38 million articles of clothing per year. He leisurely strolls through the factory when he has the time, warmly greeting employees and occasionally checking to make sure buttons are properly attached. He jots down any new ideas that come to him during

these walks, so that he can act on them quickly. Some of these ideas have actually led to product improvements, enabling the company to weather intensifying competition.

"You can see how hard they're working. I'm so fortunate to have such skilled employees," Yin says, looking genuinely pleased. The attractive working environment, healthy meals and solid wages stand up well against any company. These working conditions encourage talented employees to stay for the long term. This enables them to improve their skills, which in turn translates into higher quality products. That's how Yin sees it.

"We've been able to work and grow together with UNIQLO based on a common commitment to putting quality first," he says. "If UNIQLO's goal is to become the world's preeminent casual wear retailer, then our goal is to become the world's preeminent sewing factory, so together we can offer the world's finest products. This has always been my dream."

UNIQLO is truly honored to have the opportunity to work with such a partner.



Yin Guoxin

Born in 1964 in Jintan City, Jiangsu Province, China, Yin Guoxin is the CEO of Chenfeng Group. He also serves as deputy to the 11th National People's Congress and vice president of the China Chamber of Commerce for Import and Export of Textile Products.



Where Truly Great Clothing Is Made

This article offers a close-up look at the who and where behind the production of UNIQLO clothing. Where is it made? Who makes it and in what kind of factory environment? Where do these employees live and how do they spend their free time? Here are a few vignettes from one of our partner factories describing the everyday lives of workers on and off the job.

WORK

The workday starts at 8:30 a.m. Shifts are about eight hours long. Every worker is assigned specific responsibilities, such as cutting, sewing and monitoring quality. A total of 2,300 workers are employed at our partner factory in Jintan, China, which produces about 900,000 items each month. Although the most advanced machinery is used to ensure product quality, many processes must still be done by hand, such as quality inspections, ironing and folding.



Sewing is critical to quality and must be performed quickly and precisely, as UNIQLO sewing standards permit only a 0.5 mm margin of error. The workers carefully sew parts together while making sure not to pull the cloth too tightly, so all the finished lengths are correct.



Shirts are sewn together from numbered parts that have been cut from the same bolt of cloth to ensure exact matching of colors and designs.



Tsuyoshi Ishizuka
Takumi, Takumi Sewing Team, Production Department, Fast Retailing Co., Ltd.

I've been working in this industry for over 40 years. UNIQLO's textile craftspeople, known as *takumi*, know what can be done by machine and what must be done by hand, and ultimately determine the final quality of the clothing produced. For example, while a machine can be used to attach buttons to shirts, it cannot trim the thread ends to meet the UNIQLO standard of 0.2 mm or less, so this must be done by hand. I enjoy what I do every day, especially when working with young people, who pick up the skills so quickly.

LUNCH

Starting around noon, the workers enjoy a 90-minute lunch break at a large cafeteria next to the factory. The cost of lunch—usually about 3 to 4 yuan (45 to 60 cents)—is generally covered by our partner factories.



A typical meal consists of a staple, such as noodles or rice, and two or three side dishes. Sometimes workers sit together to share a dish.



Wholesome dishes are an important source of energy, which is why everyone gets plenty to eat before their afternoon shifts.

DORMITORY

Most workers live in dormitories near the factory. Many return home three times a year and talk with their families every night on their mobile phones.



Four to six workers share a dormitory room. They personalize the area around their bunks with their favorite items.



Jiwei Liu, 19

I'm from Hubei Province, and I came to this factory a year ago, right after graduating from school. I now live in a factory dormitory, which has been fun because the four of us who share a room have become great friends. I really like the shiny fabric used for the shirts I'm making, so I'm saving up to buy one for myself. I'm also working hard to acquire the skills needed to open up my own business one day.



Wuni Liu, 26

I'm from Henan Province, in inland China, and I've been working at this factory for five months. My parents look after my three-year-old son back home while I'm working. I really miss him, but being able to visit my family during holidays such as Chinese New Year, May Day and National Day makes the time away easier on me. I hear he has grown a lot over the past several months. And I'm working hard so he gets a good education.

The Power of Clothing in Our Stores

UNIQLO now has 944 stores in 11 markets around the world. At every location, our diverse, engaging employees work together as members of dedicated, responsive teams to serve the needs and meet the expectations of our customers. Whenever we stop to listen, we hear fascinating testimonials about the power of clothing, from how it can boost self-confidence to how it can transform attitudes toward customer service.

Nippon Meeting

UNIQLO staff members convene every morning before store openings. They review head office announcements, current inventory and the most common concerns expressed by customers. Called Nippon Meetings, these are also held at our overseas locations.

Michelle Ooki

UNIQLO Seibu Pepe Hanno Store (Japan)

One day, a young woman in a wheelchair came to our store with her mother and asked if I would help her pick out some clothing. At first, the daughter appeared to be very uncomfortable with the situation. But as we looked around for her favorite colors and designs while talking about places she liked to visit, she gradually relaxed and smiled. At one point she even got out of her wheelchair to look at herself in the mirror, and her mother seemed delighted. They left with big smiles on their faces and they promised to come back.

Kim Oh Kyung

UNIQLO Times Square Store (South Korea)

I remember a woman trying to pick out a coat telling me that she was having a hard time deciding what color to choose. I recommended a beige one, which I felt suited her the best of all the items she tried on. When she still didn't appear confident about this selection, I assured her that if she was not completely satisfied with the color, she could return it. She really appreciated the store for having a policy that goes the extra mile. And I felt proud that she was so satisfied with the quality of our service and products.

Wang Jing

Shanghai West Nanjing Road Store (China)

The Shanghai Expo was held in 2010. We helped by cleaning up the area around our store on West Nanjing Road. Every morning at 9 a.m. for two months, about 10 employees in UNIQLO T-shirts spent about an hour picking up litter and sweeping. The expo head office, local government office and nearby shopkeepers all expressed their appreciation for what we were doing. We heard our UNIQLO staff praised for its exceptional enthusiasm. We're now on really good terms with our neighbors, and we greet them every morning.

Robert Reed

UNIQLO Soho New York Store (U.S.)

Many of the customers that come to our store in New York's Soho district are businessmen and women who wear suits. One regular shopper, while inspecting the quality of some of our products, told me with a smile that "these prices are fantastic." I really appreciate the honesty and integrity of UNIQLO's approach to business because it means always striving to be the very best at what one does. The company doesn't misrepresent its products and isn't afraid to take risks. I want to pass on the values I've learned through working here to my nine-month-old daughter.

Number of UNIQLO employees

Approx. **40,000**

On the opening day of the UNIQLO Atrium Store in Moscow, Russia.

The Final Destination of the Power of Clothing

Under our All-Product Recycling Initiative, we collect clothing that customers no longer need and send it to refugees and internally displaced people (IDP) around the world. This initiative was launched in Japan in 2006 and in March 2011 started to operate in South Korea—the first time it has been implemented outside of Japan. A total of 360,000 articles of clothing were recently sent to the Kyrgyz Republic in response to the massive internal displacement that occurred in the wake of ethnic riots in June 2010. These clothing donations were intended to meet the significant need for clothing prior to winter, when the temperatures fall as low as -20 degrees Celsius.

A Moment to Smile and Say, *Rahmat!* (Thank You!)

During a visit to an IDP camp in the Kyrgyz Republic in late November 2010, we met a man named Rasros Turf standing in front of his half-built house, which still required a roof and walls. “We want to finish building it before winter comes,” he said with a smile.

His clothing looked familiar and as we drew closer we realized it had been donated by UNIQLO. The United Nations High Commissioner for Refugees (UNHCR) launched a humanitarian aid project immediately after the outbreak of the

conflict in mid-June 2010, with UNIQLO jumping into action and providing clothing under the initiative in July. Once we determined what was needed, we started distributing 360,000 articles from the end of September. Turf was taking a short break. “I can’t do carpentry work without getting dirty,” he said, “so having reversible clothing is great.”

Turf, who is not a carpenter by trade, was building a house for his own displaced family under a home reconstruction assistance project. The project aims to support the reconstruction of 1,300 houses by providing materials and instructions through the UNHCR and local non-

governmental organizations. The Japanese government is providing 70% of the project funding. But actual construction work—from laying bricks and painting walls to raising the roof—must be done by the people themselves.

In addition to the many challenges he faces, Turf also suffers from the permanent aftereffects of pneumonia, which he caught due to the extreme cold. As a result, he could not return to his old job as a car mechanic. He had three children and was clearly concerned about the future. “But I’m working hard,” he said. “I want my family to have a roof over their heads and never feel cold.”

Total Items Donated / Displaced People Targeted

Approx. **3.12** million items / **30** million people

Kyrgyz Republic

Commonly called Kyrgyz, this central Asian republic was formerly part of the Soviet Union. Then referred to as Kyrgyzstan, it achieved independence in 1991 and is now a member of the Commonwealth of Independent States. Its capital is Bishkek (formerly Frunze).

Yukihiro Nitta, director of UNIQLO’s CSR Department, visited this site in August in the immediate aftermath of the conflict and couldn’t contain his surprise at how much the people had changed.

“The expressions on their faces were completely different,” he said. “Everyone seemed to have a new optimism about the future and were forward-looking, taking things into their own hands. I had my laptop with me when I visited the people I had met and photographed in August. Even the people I hadn’t met before welcomed me warmly, with some inviting me into their homes and others offering me something

to eat. To tell the truth, I still laugh when I think about the strong smell of mutton pilaf. But I could see the people were wearing the UNIQLO clothing they had received and were now able to return to a more familiar way of living. While nothing could be done for those who had died, all the survivors had been accounted for and many had been able to return to their homes. The tears of sorrow had stopped flowing, and there was hope that they might soon be replaced with tears of joy.”

Nitta shared this story with a look of quiet satisfaction as we watched children of Uzbek, Kyrgyz and Rus-

sian descent play together in an alley, their faces glowing with innocent smiles. “Isn’t it wonderful to see life’s true meaning in children playing together?”

We have witnessed a major turn for the better in just three months. Last June, children had left sad drawings and messages on a wall—one so devoid of hope read: “Even the sun is crying here.” Now, as these words begin to fade, the smiles and laughter of children are returning and announce the early arrival of spring.



Nitta searched for people he had met two months earlier and saw signs of life returning to normal.

We saw people who lost their homes in the conflict building new houses.

Children etched many drawings and messages on this wall during the conflict. One reads: “Even the sun is crying here.”

Making the World a Better Place

Continually seeking to discover what truly great clothing can accomplish

To Continue to be a Company that Brings Value to Society

We are committed to being a sound enterprise and a corporate citizen that delivers genuine value to society by selling clothing in nations, regions and communities all around the world. We are not solely seeking to provide high-quality clothing at reasonable prices. We want to go one step further and ensure that our products delight people around the world—from our customers and the workers in our partner factories to UNIQLO's employees and the people we have met in refugee camps. Our "Made for All" slogan expresses both this promise and our ultimate challenge. We are now revisiting this commitment to the new possibilities that are inherent and waiting to be discovered in clothing.

Our social business in Bangladesh is just one example of the creative solutions that are possible. In cooperation with Grameen Bank, led by Nobel Prize winner Professor Muhammad Yunus, UNIQLO has established a social business in Bangladesh. Under this program, all business operations will function domestically—from product design to production and end sale. The goal is to create jobs, build a skilled workforce and reinvest profits in the business to help to address the difficult challenges that the country of Bangladesh faces in areas such as poverty, public health and education.

Our own work has just begun and there is far more to be done than we can even begin to address with the resources that are currently available to us. So we will continue to share our thoughts and our actions. We will join forces with like-minded individuals, organizations and companies. Everything we do will be driven by our profound and enduring belief that the power of clothing can benefit society in ways we have yet to imagine.



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The Power of Clothing can be found in UNIQLO stores and viewed online at:

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



A Grameen Lady who sells UNIQLO items in Bangladesh