

Social Business as CSR: A Study on Grameen UNIQLO

Internship report

**Social Business as CSR: A Study on Grameen
UNIQLO**

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Letter of Transmittal

Subject: Submission of Internship report

Dear Sir,

This letter is regarding the submission of my internship report, entitled “**Social Business as CSR: A Study on Grameen UNIQLO**” submitted as part of the requirements for completing the internship as part of the requirement for completing the MBA program at the Institute of BRAC Business School.

The purpose of the report is to learn the purpose and modus operandi of the CSR project of UNIQLO named Grameen UNIQLO and evaluate its operation and suggest ways to improve it.

I have found the experience of working towards the completion of this report to be both challenging and intellectually exciting. I was able to apply many of the important theories and concepts that I learned in my coursework at the BRAC Business School, and even to extend my knowledge base as I worked on this study. I feel that the skills I gained in working on this project in an organizational context will be helpful to me in my career and in further education, and I am grateful to you for granting me permission to work on this project. If you have any questions or comments regarding this report, or if you need clarification regarding any of its content, please feel free to contact me.

Sincerely,

Saima Sultana Teresa



Acknowledgment

I would like to express my profound gratitude to all those who have been instrumental in the preparation of this internship report. I wish to place on records, my deep gratitude for the support, direction, and supervision in every aspect from, UNIQLO officials, my faculty, and friends.

I would like to express my deep sense of thankfulness to my organizational supervisor of this Internship Program, Mr. Muhammad Faisal, Supervisor, Production Department, UNIQLO Co. Ltd. for his enormous help and endless support throughout the training period.

I would also like to show my utmost gratitude to all the officials of UNIQLO Bangladesh Representative office; especially the CSR team that I have worked with while preparing this report. I would like to thank Mr. Mijanur Rahman (Manager, Grameen UNIQLO) Mr. Younusur Rahaman (Production department, Grameen UNIQLO) and Mr. Saqib Rahman (Production department, Grameen UNIQLO) for their guidance and for helping me to understand the activities of the social business. I would also like to thank all the other members of the Grameen UNIQLO team who helped me gain knowledge a perspective of this venture.

Finally and most importantly, I would like to thank Santu Kumar Ghosh, Assistant Professor at BRAC Business School for his guidance in preparing this report.



Table of Contents

Executive Summary	viii
1 Introduction	1
1.1 Title of the study	1
1.2 Background	2
1.3 Broad objective	2
1.4 Specific objectives	2
1.5 Scope	2
1.6 Limitations.....	2
2 Methodology	3
2.1 Primary sources	3
2.2 Secondary sources	3
3 UNIQLO: Retail Clothing Giant of the East	4
3.1 Company information and background	4
3.2 Brief history	5
3.3 Mission, Vision and Values	5
3.4 Business Overview	6
3.4.1 UNIQLO Japan	6
3.4.2 UNIQLO International	7
3.5 Global Brands	8
3.5.1 g.u.....	8
3.5.2 Theory	8
3.5.3 Comptoir des Cotonniers	8
3.5.4 Princesse tam.tam.....	8
4 UNIQLO Business Model	9
4.1 Research and Development	10
4.2 Development and Procurement of materials	10
4.3 Merchandising	10



Social Business as CSR: A Study on Grameen UNIQLO

4.4	Production Department (Quality and Production Control)	10
4.5	UNIQLO's takumi team	10
4.6	Partner factories	10
4.7	Inventory Control	11
4.8	Marketing	11
4.9	Online store	11
4.10	Customer center	11
4.11	UNIQLO stores.....	11
5	Uniqlo Business Strategy	11
5.1	Developing Products of Exceptionally High Quality	12
5.2	Becoming Japan's Top Brand by Expanding Urban Market Share	13
5.2.1	UNIQLO's Successful Large-Scale Store Model	13
5.3	Expanding UNIQLO International	14
5.3.1	Building Brand through Flagships	15
5.4	HEATTECH	16
5.5	AIRism Comfort Takes the World by Storm	16
5.5.1	Resounding Global Support	17
6	UNIQLO in Bangladesh	18
6.1	Production Process	19
6.1.1	Sample Progress Management	20
6.1.2	Bulk Production and Delivery	20
7	The Fast Retailing Group's CSR Program	21
7.1	FR CSR Statement: <i>Making the World a Better Place</i>	22
7.2	CSR Department: Organizational Structure	22
7.3	Fast Retailing's CSR Activities - Timeline	23
7.4	CSR Activities of UNIQLO	25
7.4.1	UNIQLO's CSR: The Power of Clothing	25
7.4.2	Clothes for Smiles.....	26
7.4.3	UNIQLO Recovery Assistance Project	26
7.4.4	All Products Recycling Initiative	26
7.4.5	Setouchi Olive Foundation	26



Social Business as CSR: A Study on Grameen UNIQLO

7.4.6	Special Olympics	27
7.4.7	HelloSmile Charity Project	27
7.4.8	Employees with Disabilities	27
7.4.9	Social Business: Grameen UNIQLO	27
7.5	CSR Report and Publications	27
8	Social Business as CSR: Grameen UNIQLO	27
8.1	Social Business	28
8.2	Types of Social Business	28
8.2.1	Social Business Examples	28
8.3	Grameen UNIQLO	29
8.3.1	Mission of Grameen UNIQLO	30
8.3.2	Aims of Grameen UNIQLO	30
8.3.3	Overview of the Subsidiary	31
8.3.4	Information about the Joint Venture	31
8.3.5	Business Model	32
8.3.6	Product Design	33
8.3.7	Material Procurement	33
8.3.8	Production in Local Factories	33
8.3.9	Local Sales	33
8.3.10	Purchase, Usage and Communication	33
8.3.11	Reinvestment of Profit	33
8.3.12	Localization of Products and Sales	34
8.3.13	Health Services and Educational Programs for Junior High School Girls	34
8.4	Value of \$1 Project	35
9	Grameen UNIQLO: A Critical Analysis	36
9.1	Overall Analysis	36
9.1.1	Being Socially Responsible	36
9.1.2	Financial and Economic Sustainability	36
9.1.3	Reinvestment of Profit	36
9.1.4	Healthy Competition	36
9.1.5	Difference with Philanthropy	37



Social Business as CSR: A Study on Grameen UNIQLO

9.1.6	Difference with Charitable Organizations and NGOs	37
9.1.7	More than Conventional CSR	37
9.1.8	Doing Well by Doing Good	38
9.1.9	Lack of Proper Communication	38
9.1.10	Inordinately Foreign Management Structure	38
9.2	PEST Analysis	39
9.2.1	Political Situation	39
9.2.2	Economic Situation	39
9.2.3	Social Situation	39
9.2.4	Technological Situation	39
9.3	SWOT analysis	40
9.3.1	Strengths	40
9.3.2	Weaknesses.....	41
9.3.3	Opportunities	41
9.3.4	Threats	41
9.4	Porter’s Five Forces Model	42
9.4.1	Bargaining Power of Customers	42
9.4.2	Bargaining Power of Suppliers	42
9.4.3	Threat of New Entrants	43
9.4.4	Threat of Substitute Products	43
9.4.5	Competitive Rivalry	43
9.5	Market Segmentation, Targeting and Positioning	43
9.5.1	Market Segmentation	43
9.5.2	Targeting	44
9.5.3	Positioning	44
9.6	4Ps of Grameen UNIQLO	45
9.6.1	Product Strategy	45
9.6.2	Pricing Strategy	45
9.6.3	Place (Distribution) Strategy	45
9.6.4	Promotion Strategy	45
10	Recommendations	46



11 Conclusion 47
12 Bibliography ix
13 Appendix x

List of Figures

Figure 1: Sales & Stores of Uniqlo International 7
Figure 2: UNIQLO Business Model 9
Figure 3: Market Share by Prefecture 13
Figure 4: Sales Floor Space & Sales per sq. meter 13
Figure 5: UNIQLO's Presence in Global Markets 14
Figure 6: Building Brand through Flagships 15
Figure 7: AIRISM's Global Success 17
Figure 8: UNIQLO in Bangladesh 18
Figure 9: Sample Progress Management 20
Figure 10: Bulk Production and Delivery 21
Figure 11: Fast retailing organizational structure 23
Figure 12: Grameen UNIQLO 29
Figure 13: Social Business Model 32
Figure 14: Value of \$1 Project model (Source: website) 35
Figure 15: SWOT Analysis of Grameen UNIQLO 40
Figure 16: Porter's Five Forces Analysis of Grameen UNIQLO 42
Figure 17: Market segmentation and Targeting of Grameen UNIQLO 44
Figure 18: 4Ps of Grameen UNIQLO 46



Executive Summary

The Retail Apparel sector is an extremely competitive and flourishing sector all around the globe. Companies and Brands of this sector are constantly fighting with each other over the highest quality products at the lowest possible price. And Bangladesh has made a name for itself providing just that – high quality apparel at astoundingly low prices. It is currently the 2nd largest apparel exporter in the world after China. Despite many unsavory events that have mired the RMG sector of the country, Bangladesh still remains the location of choice for many international brands for sourcing of their products. Low labor costs, high product quality, adequate capacity are the prime factors behind the country's success in this sector.

Among the many globally renowned brands that source from Bangladesh, the Japanese retail clothing giant, UNIQLO, is relatively new here. Starting its operations in 2008, it has rapidly expanded its operations and is currently sourcing about USD 200 million worth of products each year from Bangladesh. UNIQLO is the flagship brand of the Fast Retailing Group, which is the 4th largest apparel company in the world. UNIQLO's growth has been phenomenal and it aims to be the world's no. 1 brand by 2023. The clothing retailer follows the "SPA" strategy, which stands for *Specialty retailer of Private label Apparel*. It means that the company designs and produces its own products through suppliers it does not own for sale in its own stores.

UNIQLO sets itself apart from other retailers by its ethical and sound business practices. It believes in having only a few production partners but having a strong relationship with them. It ensures that the products are of the highest quality possible whilst maintaining a sound working environment. UNIQLO is also known for its strong sense of corporate social responsibility, which is reflected in its unique CSR programs all around the world. Grameen UNIQLO is one of those unique CSR programs. It is a social business venture run in association with Grameen Healthcare Trust, with the aim of improving the lives of underprivileged people by providing them with employment and solving social problems such as illiteracy and poor sanitation. Since its inception in 2010, it has come a long way and now it is opening stores of its own brand name in Dhaka. Grameen UNIQLO aims to have a nationwide chain of such stores and hopes to replicate this business model in other developing nations.

UNIQLO is a pioneer in arena of starting a social business as a CSR activity. Many companies end up doing corporate philanthropy in the name of CSR. Through Grameen UNIQLO, the company has showed what a proper CSR activity should be like. It has showed how a social business venture can positively affect the lives of people and change society for the better. Today, Grameen UNIQLO stands as a beacon of success as both a social business and a CSR program. It is not simply a goodwill program of a foreign company, it is a testament to the ingenuity, resilience and diligence of the people of Bangladesh and one day it will take Bangladesh's name to a new height around the world.



1 Introduction

The Ready Made Garments (RMG) industry is the backbone of the economy of Bangladesh. The sector contributes as much as 80% of their total exports. Bangladesh is currently the second biggest exporter of RMG after China. And as such, it is the location of choice for numerous buyers and brands of international repute. Brands such as H&M, Zara, Walmart, Tommy Hilfiger, Ralph Lauren, Puma etc. all source a significant portion of their apparel from Bangladesh. A thriving sector, huge capacity and skills and most of all, strikingly low costs are what attracts these brands here. In light of recent tragic events plaguing this sector, everybody, both nationally and internationally, is beginning to ask what the real life ramifications of such low costs are.

UNIQLO is one of the clothing brands which do their sourcing here in Bangladesh. It is a Japanese clothing retailer who follows the “SPA” strategy. SPA stands for specialty retailer of private label apparel. It means that the company designs and produces its own products through suppliers it does not own for sale in its own stores. UNIQLO is a part of the Fast Retailing Group, which is the 4th largest apparel company in the world. UNIQLO’s growth has been phenomenal and it aims to be the world’s no. 1 brand by 2023.

Grameen UNIQLO is UNIQLO’s CSR project, which they started in Bangladesh in association with Grameen healthcare trust in 2010. It is a social business in nature whereby the company produces low cost yet high quality affordable clothing for all utilizing the skills and resources of the community. All sales proceeds are reinvested in social businesses. Local residents are able to improve the quality of their lives and achieve financial independence by operating their own businesses under this system, which is intended to address social challenges through the production and sales of clothing in Bangladesh.

This report looks into the operations of UNIQLO in Bangladesh especially focusing on the CSR activities as Grameen UNIQLO. The following chapters contain more in-depth information and analysis on this matter.

1.1 Title of the study

The title of the study is “Social Business as CSR: A Study on Grameen UNIQLO”. This study mainly aims to find out more about Grameen UNIQLO’s operations and impacts on the society.



1.2 Background

UNIQLO Co. Ltd. is a Japanese casual wear designer, manufacturer and retailer. This is the number 1 retail clothing company in Japan. Originally a division of Fast Retailing Co., Ltd., on November 1, 2005, UNIQLO Co., Ltd. was born of corporate restructuring, and now exists as a 100% consolidated subsidiary of Fast Retailing, which is listed on the first section of the Tokyo Stock Exchange. This company is the brain child of Mr. Tadashi Yanai who is the President, Chairman, and CEO of the company.

UNIQLO is Japan's leading clothing retail chain in terms of both sales and profits. It is a modern Japanese company that designs, manufactures and markets apparel in over 1254 stores worldwide. Despite being such a huge global brand, UNIQLO has decided to give back to society in the most unique of manner. In association with Grameen Healthcare Trust, it started a social business venture called Grameen UNIQLO as its CSR project. The aim was to provide truly great clothing at affordable prices to people who need it the most. Currently there is no other venture like this in existence that is what sparked my interest in this topic.

1.3 Broad objective

To learn about and evaluate the operation of Grameen UNIQLO in Bangladesh as a CSR.

1.4 Specific objectives

- 1) To learn about the purpose of Grameen UNIQLO
- 2) To learn about the operations and business model of Grameen UNIQLO
- 3) To learn how the social business model of Grameen UNIQLO can be a viable CSR program
- 4) To evaluate Grameen UNIQLO's projects

1.5 Scope

This report considers the management perspective only. It doesn't include customer/other stakeholder perspective. It is mostly qualitative in nature.

1.6 Limitations

This report is based on both primary and secondary research. But the primary research includes only information gathered from interviews of the related management personnel. It doesn't include any field survey/research.



Also, due to confidentiality issues, details of some future projects have been excluded from this report.

2 Methodology

The report was prepared in a 3-step process. The steps are as follows:

- 1) Data collection
- 2) Data filtration and analysis
- 3) Data compilation and report preparation

Data collection was done from 2 sources.

2.1 Primary sources

This includes interviews of management personnel of UNIQLO and Grameen UNIQLO. Interviews of the following UNIQLO Social Business Bangladesh (Grameen UNIQLO) personnel were taken:

- Mr. Mijanur Rahman (Manager, Grameen UNIQLO)
- Mr. Younusur Rahaman (Production department, Grameen UNIQLO)
- Mr. Saqib Rahman (Production department, Grameen UNIQLO)

2.2 Secondary sources

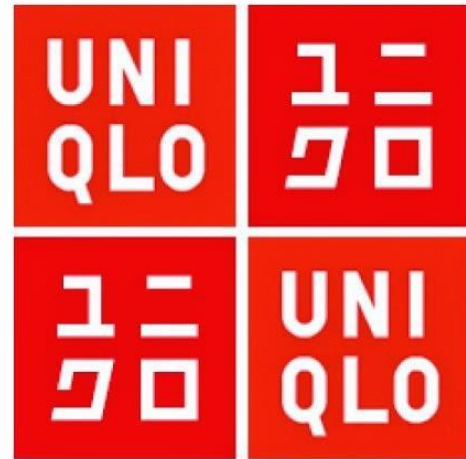
This includes articles, reports etc. published in the newspapers and company websites

In the data filtration and analysis phase, all the raw data was sorted and filtered and subsequently analyzed to formulate the findings. Graphs, tables and other techniques were used to summarize the data and presented it in an easy to understand manner.

Lastly, the relevant data was compiled, put together with the findings and presented it in a standard report format.

3 UNIQLO: Retail Clothing Giant of the East

UNIQLO Co., Ltd. is a Japanese casual wear designer, manufacturer and retailer. This is the number 1 retail clothing company in Japan. Originally a division of Fast Retailing Co., Ltd., on November 1, 2005, UNIQLO Co., Ltd. was born of corporate restructuring, and now exists as a 100% consolidated subsidiary of Fast Retailing, which is listed on the first section of the Tokyo Stock Exchange. It is currently the 4th largest clothing retailer in the world after H&M, Zara and GAP with annual sales over 10 billion USD. This company is the brainchild of Mr. Tadashi Yanai who is the President, Chairman, and CEO of the company.



UNIQLO is Japan's leading clothing retail chain in terms of both sales and profits. It is a modern Japanese company that designs, manufactures and markets apparel in over 1254 stores worldwide. The Fast Retailing group currently operates over 2,000 stores worldwide under a variety of apparel labels, of which UNIQLO is the core brand. The company also operates in China, Hong Kong, South Korea, the United Kingdom, France, the United States, Singapore, Taiwan, Russia and Malaysia. (Fast Retailing Group website).

3.1 Company information and background

Name: UNIQLO CO., LTD.

Parent Company: FAST RETAILING

Established: May 1, 1963

Industry: Fashion, Retail

Type: 100% Consolidated Subsidiary

Chairman, President and CEO: Mr. Tadashi Yanai

Head Office: 717-1 Sayama, Yamaguchi City, Yamaguchi 754-0894, Japan

Tokyo Office: Kitanomaru Square, 13-12, Kudan-kita 1-chome, Chiyoda-ku, Tokyo 102-0073 Japan

Paid-in Capital: 10,273,950,000 yen



3.2 Brief history

Fast Retailing Co., Ltd. is a holding company. The specialty retailer UNIQLO is the Group's mainstay operation, and has enjoyed strong growth by offering high-quality casualwear at reasonable prices using its SPA (Specialty store retailer of Private label Apparel) business model, which spans product design, manufacture, distribution and retail.

The first UNIQLO store opened in 1984. In 1998, their fleece campaign sparked a UNIQLO boom across Japan. After a period of falling sales and income, they quickly boosted performance by expanding their women's wear. Since 2001, UNIQLO has expanded worldwide operations to include the U.K., China, Hong Kong, South Korea, the United States, France, Singapore, Russia, Taiwan, Malaysia, Thailand and the Philippines. At the end of August 2013, UNIQLO boasted 845 stores in Japan and 292 in other markets. Since 2004, they have diversified the operational base of the Group through acquisitions, including the French brands Comptoir des Cotonniers (women's fashion) and Princesse tam.tam (corsetry, lounge wear and swimwear) and the U.S. labels Theory (women's fashion) and J Brand (contemporary denim). The low-priced g.u. fashion label, launched in 2006, is steadily becoming a mainstay Group operation.

3.3 Mission, Vision and Values

The FAST RETAILING Group Corporate Statement

- Changing clothes.
- Changing conventional wisdom.
- Change the world.

The FAST RETAILING Group Mission:

- To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes.
- To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society.

The FAST RETAILING Group Values:

- Approaching issues from the customer perspective.
- Embracing innovation & challenge.
- Respecting and supporting individuals to foster both corporate and personal growth.
- Committing to ethical standards and correctness.

The FAST RETAILING Group Principles:

- Do everything possible for our customers.
- Pursue excellence and aim for the highest possible level of achievement.
- Achieve strong results through the promotion of diversity and teamwork.
- Move speedily and decisively in everything they do.



- Conduct business in a very real way based on the current marketplace.
- Act as global citizens with ethics and integrity.
- Better quality product with cost efficiency.

The FAST RETAILING Belief:

- Change or die.
- Change means globalization (Language, Culture, and Custom). So, Globalize or die.
- You have to take challenges. You have to learn.
- No guts, no glory

Zen-in Keiei (GLOBAL ONE) and 23 management principles

Fast Retailing and UNIQLO operates with a uniquely Japanese business notion called “Zen-in Keiei” or “Global One”. It indicates that every employee, starting from the store salesman to the CEO, is a business leader. He/she has the responsibility and ownership of the duty assigned to him/her. Every decision is considered very important to the overall business. Also, Fast Retailing adheres to its very own “23 management principles” (see Appendix) in case of conducting business. These ideas and concepts are central to the company’s operation.

3.4 Business Overview

3.4.1 UNIQLO Japan

UNIQLO Japan is the nation’s largest apparel retailer with a 5.6% share of the 10.7 trillion yen Japanese apparel market, and 856 stores nationwide at the end of fiscal 2013.

UNIQLO Japan sales increased 3.3% year on year in fiscal 2013 to 620.0 billion yen while operating income shrank 3.6% to 102.3 billion yen. In the first half, strong sales of HEATTECH functional innerwear, Ultra-Light Down jackets, *danpan* warm pants and other core winter items boosted income. However, in the second half, unseasonably cool weather dampened same-store sales, and larger discounts on summer inventory weighed on profits

Encouraged by the success of its largest global flagship store, the UNIQLO Ginza Store, which opened in Tokyo in March 2012, UNIQLO began aggressively increasing the average store size by closing smaller outlets and opening more large-format stores. Going forward, the focus will be on cultivating new consumers by opening large-format stores in Tokyo, Osaka, Nagoya and Fukuoka.

Net sales: 620.0 billion yen

Operating profit: 102.3 billion yen

Number of stores: 856 (including franchise stores, as of the end of August 2013)
(FR, Annual Report 2013, 2013)



3.4.2 UNIQLO International

UNIQLO International generated significant gains in sales and income in fiscal 2013. They expect sales will expand 76.0 billion yen in fiscal 2014 to 229.0 billion yen. Growth has been particularly strong in Asia. UNIQLO operations in Asia are proving highly profitable and currently account for approximately 80% of UNIQLO Internationals sales.

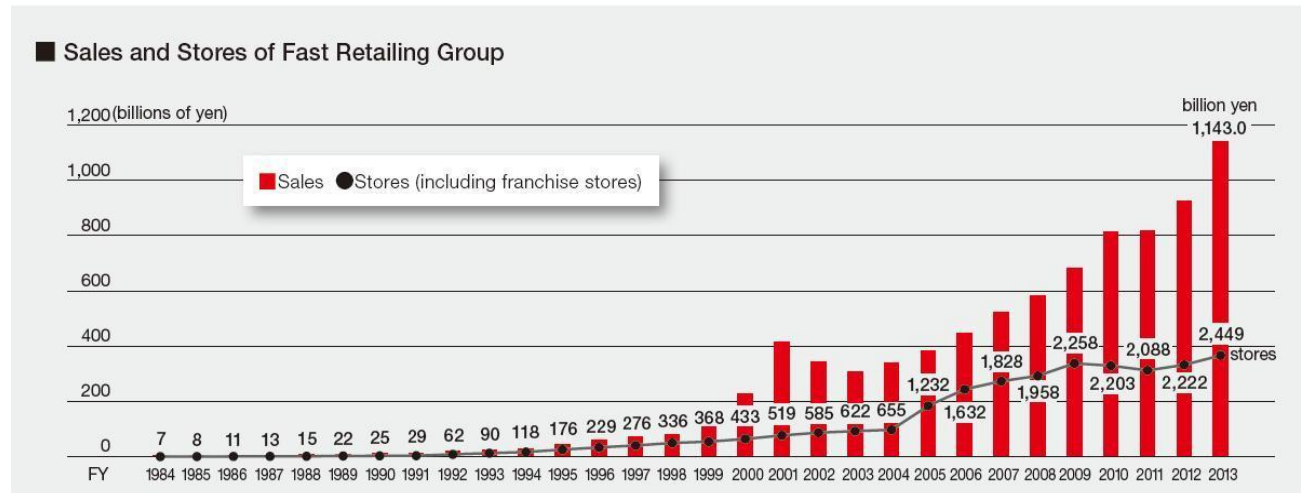


Figure 1: Sales & Stores of Uniqlo International

They plan to increase store numbers in fiscal 2013, mainly in Asia (China: 84, South Korea: 26, Taiwan: 20). By the end of August 2013, UNIQLO will have opened a total of 155 stores and closed eight and expand UNIQLO’s coverage in Asia by building on their existing presence in Malaysia, Thailand and the Philippines, and by opening their first stores in Indonesia and Australia in 2014.

The opening of prominent UNIQLO stores on both New York’s Fifth Avenue and 34th Street in fall 2011 boosted awareness of the UNIQLO brand worldwide. UNIQLO gained its first foothold on the West Coast with a San Francisco store that opened in fall 2012.

Net sales: 153.1 billion yen
Operating profit: 10.9 billion yen
No. of stores: 292 (as of end of August 2013)
 (FR, Annual Report 2013, 2013)



3.5 Global Brands

Apart from UNIQLO, Fast Retailing Co. Ltd. has other clothing brands in its portfolio which it has acquired over the course of business. They include g.u. Theory, Comptoir des Cotonniers, Princesse tam tam and J brand.

3.5.1 g.u.

The g.u. brand, offering fashion at fabulously low prices, has become much more widely known since the opening of its Ginza flagship store in March 2012. Sales reached approximately 58 billion yen and operating income 5 billion yen in fiscal 2012.

3.5.2 Theory

The mainstay Theory label, valued for its quality materials and simple, basic design, continues to perform strongly in Japan and the United States. In fiscal 2012, Theory generated record profits, thanks in part to an expanding contribution from the PLST label.

3.5.3 Comptoir des Cotonniers

The chic French label now boasts a total of 383 stores in France, other parts of Europe and Japan. A strong 2012 spring/summer collection boosted sales and income in fiscal 2012.

3.5.4 Princesse tam.tam

The unique corsetry, lounge wear and swimwear brand, known for its creative original prints and bright colors, is sold in an increasing number of well-known department stores in Europe and beyond. Japan's first PTT store opened in fall.

Net sales: 153.0 billion yen

Operating profit: 14.5 billion yen

No. of stores: 1,085 (including franchise stores, as of end of August 2013)
(FR, Annual Report 2013, 2013)



4 UNIQLO Business Model

UNIQLO was the first company in Japan to establish an SPA (Specialty store retailer of Private label Apparel) model encompassing all stages of the business--from design and production to final sale. By continuously refining its SPA model, UNIQLO successfully differentiates itself from other companies by developing unique products. They quickly make adjustments to production to reflect the latest sales trends and to minimize store-operation costs such as personnel expenses and rent. This is how UNIQLO provides such high-quality clothing at such reasonable prices.

The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.

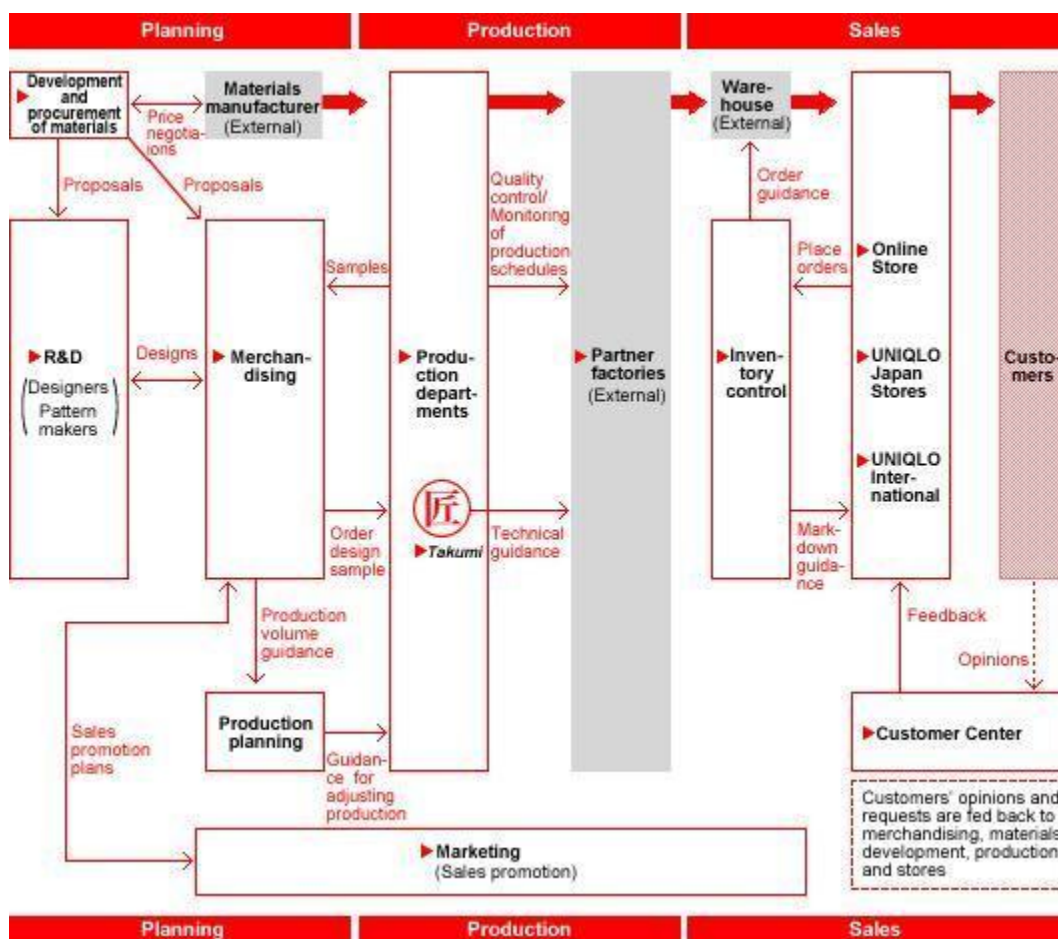


Figure 2: UNIQLO Business Model

* The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.

4.1 Research and Development

UNIQLO's R&D centers continually research the latest fashions and lifestyles from around the world as well as look for new materials. Concept meetings are held roughly one year before a product's intended launch. On these occasions, R&D designers meet with representatives from the merchandising, marketing, materials development and production departments to discuss and finalize concepts for upcoming seasons. Then UNIQLO's R&D centers prepare designs and continue to refine samples until each product is finalized.

4.2 Development and Procurement of materials

UNIQLO secures a stable, high-volume supply of top-quality materials at low cost by negotiating directly with materials manufacturers. The development of materials is especially important for core products. They source denim to specific spinning standards and dyeing specifications from the industry's reputed Kaihara Corporation. UNIQLO develops new functional materials, such as HEATTECH and Silky Dry, with synthetic fiber maker Toray Industries, Inc. UNIQLO works with materials manufacturers in this way because it produces over 600 million items annually.

4.3 Merchandising

Merchandisers play a vital role from product planning through production. After meeting with the R&D designers, merchandisers then apply the concepts for each season in product plans, materials and designs. Next, merchandisers decide the product lineup and volume for each season, paying close attention to a detailed marketing strategy. One other important task for the merchandisers is to decide when to increase or reduce production during a season. Decisions to adjust production in line with demand are made jointly with the product planning department.

4.4 Production Department (Quality and Production Control)

UNIQLO deploys about 400 staff and takumi, or expert textile artisans, to offices in Shanghai, Ho Chi Minh City, Dhaka and Jakarta. Production managers visit partner factories each week to resolve any outstanding issue. Customer concerns regarding quality are communicated immediately to production departments, and improvements made.

4.5 UNIQLO's takumi team

The term takumi refers to experts, in this case, expert textile artisans. UNIQLO is unique among other clothing retailers in this regard that it employs a team of textile experts all around the globe who work closely with partner factories advising them on technical issues. With the help of the takumi, UNIQLO makes sure its clothes are of the highest technical standard and quality.

4.6 Partner factories

UNIQLO has around 148 partner factories, and roughly 70% of UNIQLO products are made in China. As their global sales network continues to expand, UNIQLO works to actively expand production in other Asian countries in order to reduce reliance on China and to lower costs. The aim is to position one-third of production outside China. In Bangladesh, UNIQLO is working with about 20 factories.



4.7 Inventory Control

The Inventory Control department maintains the optimum level of store inventory by monitoring sales and stock on a weekly basis, and dispatching necessary inventory and new products to fulfill product orders. At the end of each season, merchandisers and the marketing department help coordinate the timing of markdowns and limited-period sales (20 to 30% off the regular price) to ensure that inventory is sold out.

4.8 Marketing

Each season, UNIQLO conducts promotional campaigns for core products such as fleece, Ultra Light Down jackets, polo shirts and HEATTECH. During the campaigns, UNIQLO advertises these core products' unique qualities and noteworthy features on TV and in other media. In Japan, for example, weekly flyers in the Friday edition of national newspapers promote the apparel that will be discounted that weekend.

4.9 Online store

Sales from the UNIQLO Japan Online Store totaled 24.2 billion yen in fiscal 2013, or 3.5% of total UNIQLO sales. They also offer online sales in China, Hong Kong, Taiwan and the U.S.

4.10 Customer center

The Customer Center receives more than 90,000 comments and requests annually from customers. Appropriate departments then act on them to help improve products, stores and services.

4.11 UNIQLO stores

UNIQLO has 1356 stores worldwide as of May 2013 with 856 stores in Japan. Its business is still predominantly based out of Japan, but it is expanding rapidly on a global level. UNIQLO's stores are the focal point of its business. This is primary point of interaction with customers. UNIQLO puts extreme emphasis on the quality of service received at its stores as it understands the immense importance of customer satisfaction.

(FR, Annual Report 2013, 2013)

5 UNIQLO Business Strategy

- Developing products of exceptionally high quality
- Becoming Japan's Top Brand by Expanding Urban Market Share
- Expanding UNIQLO International
- HEATTECH



- AIRism Comfort Takes the World by Storm

5.1 Developing Products of Exceptionally High Quality

To ensure the development of products of exceptional quality, UNIQLO has refined its SPA* (Specialty store retailer of Private label Apparel) business model, allowing for control of the entire business process — from planning and design to material procurement and sales.

UNIQLO is continuously developing products of exceptional quality, in order to “create clothing with new and unique value and to satisfy customers worldwide.”

■ Product Development Based on Customer Feedback

Customer opinions and needs play a vital role in UNIQLO’s product development. The UNIQLO Customer Center receives approximately 90,000 comments from customers annually. Their HEATTECH products, for example, have been refined each year based on customer feedback — such as comments asking for softer fabric, a function to keep skin both warm and prevent dryness and an expanded range of colors. It is precisely this customer feedback that makes it possible for UNIQLO to produce the high-quality apparel that it does.

■ Material Procurement from Around the World

The UNIQLO Material Development Team is able to procure high-quality materials at low costs through direct negotiations with and bulk purchases from material manufacturers globally. For instance, take the denim fabric that is nearly synonymous with UNIQLO. This is woven, dyed and manufactured to meet UNIQLO’s specifications by the global denim manufacturer KAIHARA Co., Ltd. In addition, it is efforts like this that have made it possible for UNIQLO to secure high-quality, long-staple cotton — which can only be harvested from three percent of the world’s cotton plants — for UNIQLO’s popular Extra-Fine Cotton plain T-Shirts.

■ Expert Technical Guidance at Factories Emphasizes Quality

In order to produce millions of products of standardized quality, it becomes important to implement quality control across factory production technology and management. UNIQLO has a team of technical specialists, known as the Takumi Team, boasting many years of experience in the Japanese textile industry. These specialists are sent directly to their partner factories in China to offer technical instruction and share their abundant experience. At the same time, the supervisors from the Production Department, based in the Shanghai office, make weekly visits to partner factories to check the quality and progress of production.



5.2 Becoming Japan's Top Brand by Expanding Urban Market Share

Boost Market Share in Promising Urban Areas

According to the Ministry of Economy, Trade and Industry (METI), Japan's department store, supermarket and apparel retail sales totaled 10.7 trillion yen in 2010. Based on METI's data, UNIQLO's

■ UNIQLO Japan: Share of Sales by Prefecture

UNIQLO Japan share in fiscal 2013 was extrapolated from 2010 commercial statistics totaling net sales per prefecture for department stores, supermarkets and apparel retailers.



market share in Japan in 2013 was 6.2%. (Its 2013 menswear market share was 10.0%, and its women's wear market share was 4.7%)

However, given its origins as a chain of suburban roadside stores, UNIQLO has traditionally been underrepresented in major urban areas such as Tokyo, Osaka and Fukuoka.

Since opening the first in-mall stores in 2004, UNIQLO's image has been transforming from a suburban discount retailer to a high-quality, high-street brand. Commercial property developers

recognize UNIQLO's power to attract customers, and they receive many invitations to open stores

from prime large-scale shopping malls, urban department stores and fashion buildings.

Their new global hotspot store, the BICQLO Shinjuku East Exit Store, has enjoyed great success in a location formerly occupied by a prominent department store. They will continue to expand their urban market share by aggressively opening stores in major cities. In spring 2014, they plan to open global hotspot stores in Ikebukuro and Okachimachi, two thriving Tokyo commercial districts on a par with Shinjuku.

5.2.1 UNIQLO's Successful Large-Scale Store Model

Maintains Efficiency and Boosts Total Sales Floor Space

In 2005, UNIQLO began opening large-scale stores of over 1,600 square meters in Japan. Today, large-scale stores account for approximately 20% of UNIQLO's total, and the majority of openings are of large-scale stores. As they expand their total sales space, they are careful to avoid any cannibalization of business. When they open a new large-scale location, they make sure to close regular-sized (800 square meters) stores nearby.

■ UNIQLO Japan: Sales Floor Space and Sales per Square Meter

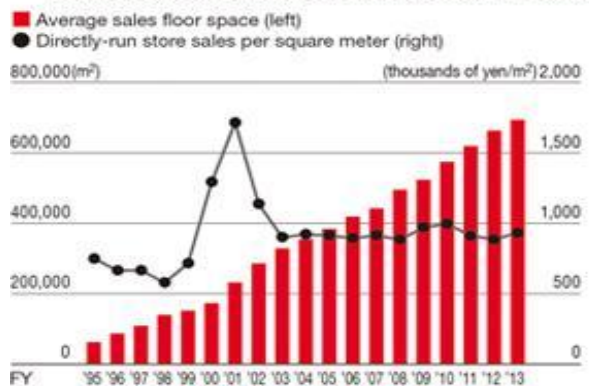


Figure 4: Sales Floor Space & Sales per sq. meter



In the apparel industry, sales and profitability per square meter in a given store typically decrease as sales area increases. However, UNIQLO's business model for profitable large-scale stores has proved highly successful. UNIQLO's big break came with the opening of a store in Tokyo's trendy Harajuku district. In 2000 and 2001, their popularity surged, and sales per square meter increased. Since then, they have maintained sales per square meter of approximately one million yen per year (the figure in fiscal 2013 was 933,000 yen).

5.3 Expanding UNIQLO International

Expanding UNIQLO's Presence in Global Markets

In the year ending August 2014, they expect UNIQLO International sales will increase to ¥400.0 billion, operating income will expand to ¥35.0 billion, and the number of UNIQLO stores located outside of Japan will rise to 632 stores. UNIQLO International already accounts for over 30% of total UNIQLO sales.

Favorable new-store expansion in the Asian region has proved the key driver of recent growth, and they are now focusing attention on another promising location for future expansion: the United States.

Within the Asian region, their Greater China operation (China, Hong Kong and Taiwan) is growing rapidly, with approximately 100 new stores opening each year. They have expanded their horizons for new store openings across Southeast Asia and Oceania, encompassing Singapore, Malaysia, Thailand, the Philippines, Indonesia and Australia.

Across the Pacific, they have now reached a point where they can begin building a genuine store network in the United States. They aim to expand their store network in the United States to 100 stores over the next few years by opening between 20 and 30 new stores each year.

	FY to Aug. 2012		FY to Aug. 2013		FY to Aug. 2014 (Forecast)	
	End Aug.	YoY	End Aug.	YoY	End Aug.	YoY
Japan	845	+2	853	+8	857	+4
China	145	+65	225	+80	305	+80
Hong Kong	16	+1	18	+2	22	+4
Taiwan	17	+16	37	+20	47	+10
South Korea	80	+18	105	+25	133	+28
Singapore	7	+2	12	+5	18	+6
Malaysia	5	+3	10	+5	21	+11
Thailand	4	+4	10	+6	20	+10
Philippines	1	+1	6	+5	17	+11
Indonesia	-	-	1	+1	4	+3
Australia	-	-	0	+0	1	+11
U.K.	10	-1	10	+0	10	+0
U.S.	3	+2	7	+4	23	+16
France	2	+1	3	+1	6	+3
Russia	2	-1	2	+0	4	+2
Germany	-	-	0	+0	1	+1
UNIQLO Total	1,137	+113	1,299	+162	1,489	+200

Figure 5: UNIQLO's Presence in Global Markets



5.3.1 Building Brand through Flagships

Global flagship stores in major cities around the world will become an increasingly important part of their strategy to build an international store network. These stores are ideal showcases for promoting the UNIQLO brand concept of high quality basic clothing to the world. Since opening their first in New York's Soho



London 311 Oxford Street Store (Nov. 2007)



Shanghai West Nanjing Road Store (May 2010)



Soho New York Store (Nov. 2008)



Osaka Shinsaibashi Store (Oct. 2010)



New York Fifth Avenue Store (Oct. 2011)



Ginza Store (Mar. 2012)

Seoul Myeongdong Central Store (Nov. 2011)



Taipei Mingyao Department Store (Sept. 2011)



Hong Kong Lee Theatre Store (Apr. 2013)



Berlin Tauentzien Store (Apr. 2014)

Figure 5: Building Brand through Flagships



district in fall 2006, they have subsequently opened global flagship stores in London, Paris, Shanghai, Shinsaibashi in Osaka, Taipei, New York's Fifth Avenue, Seoul, Hong Kong, Ginza and Berlin.

5.4 HEATTECH

HEATTECH is the result of collaboration between UNIQLO and Toray Industries, Inc. HEATTECH is a unique highly functional line of innerwear that offers amazing comfort, which has won over a multitude of customers.

They developed HEATTECH in response to customers' demands for functional innerwear to complement UNIQLO's previous lineup of mostly cotton innerwear. Their debut HEATTECH product line was launched in the fall/winter 2004 as warm innerwear for men, combining the merits of heat-retention and anti-perspiration functions. The following year they began selling similar products for women. By combining their original HEATTECH fibers with a special milk protein, they were able to create a fabric that is smooth, soft and comfortable. The products proved so popular in the 2007 fall/winter season that production was nearly outpaced by demand.



HEATTECH innerwear

UNIQLO relentlessly strives to create world-class products of the highest caliber and will not compromise on quality. One example of this commitment to quality is the strategic partnership formed with Toray in June 2006. Toray had the technology and manufacturing capability to meet UNIQLO's high quality standards, and together they pushed the boundaries of technology to create the fiber LOC II "CEO"®, the foundation for HEATTECH. This synthetic fiber is soft yet durable, and can be created in a wide range of vibrant colors. HEATTECH's superior functionality lies in this highly advanced original fiber. To meet the high demand for HEATTECH, they have increased the production capacity of Toray's Ishikawa Plant with an exclusive HEATTECH production line.

The hallmark qualities of HEATTECH are its thinness, lightness and softness, and the comfort achieved by the elasticity of the fabric is so outstanding that it has continued to both greatly impress and satisfy their customers.

5.5 AIRism Comfort Takes the World by Storm

Comfort Unlimited

Any Person, Any Season, Anywhere

AIRism functional innerwear has taken its place alongside HEATTECH as one of their global strategic product brands. Wearing AIRism eliminates the sweaty feeling you get in hot, humid weather. Ultra-fine



fiber technology regulates the circulation of the air between your skin and your outer layers of clothing for a light, cool, soft feel.

For men who struggle with sweat-stained clothes, UNIQLO and leading synthetic fiber manufacturer Toray Industries have developed ultra-fine microfibers that quickly 100,000 participants in 13 countries and regions where UNIQLO operates were asked to try the new AIRism lines and decide whether they felt "comfort unlimited." During the voting period, from June 1 to July 15, 2013, 98.7% voted yes. Absorb and dry away perspiration and feel so soft that you often forget you are wearing them.

AIRism's lines for women combine breathable, natural cupro fibers (produced by top materials manufacturer Asahi Kasei) with Toray's micro nylon to keep women dry and reduce the chill factor associated with air conditioning. With a single piece of innerwear that guarantees comfort, UNIQLO's products are changing people's lives worldwide.

5.5.1 Resounding Global Support

98.7% Vote Yes To AIRism's Comfort Unlimited.



Figure 7: AIRism's Global Success



100,000 participants in 13 countries and regions where UNIQLO operates were asked to try the new AIRism lines and decide whether they felt "comfort unlimited." During the voting period, from June 1 to July 15, 2013, 98.7% voted yes.

6 UNIQLO in Bangladesh

Since Bangladesh is a developing country and the RMG sector is booming up because of cheap labor, UNIQLO found this country to be a prospective location of investment. They have opened their liaison office in Bangladesh in the year of 2008 and now dealing with various factories for their garment products.

UNIQLO Bangladesh Office has 3 departments:

- 1) **Production:** This department deals with production oversight.
- 2) **Accounts and Administration:** This department deals with finances and HR issues.
- 3) **CSR (Grameen UNIQLO):** This department deals with CSR issues and operations.

According to geographic region, UNIQLO office in Bangladesh is divided into 2 teams:

- a) Dhaka team
- b) Chittagong team

According to garment type, UNIQLO office in Bangladesh is divided into 2 teams:

- a) Knit team (cut & sewn items e.g. T shirts, dresses etc.)
- b) Woven team (shirts and bottoms)

It also has a separate team to oversee production of the g.u. brand.

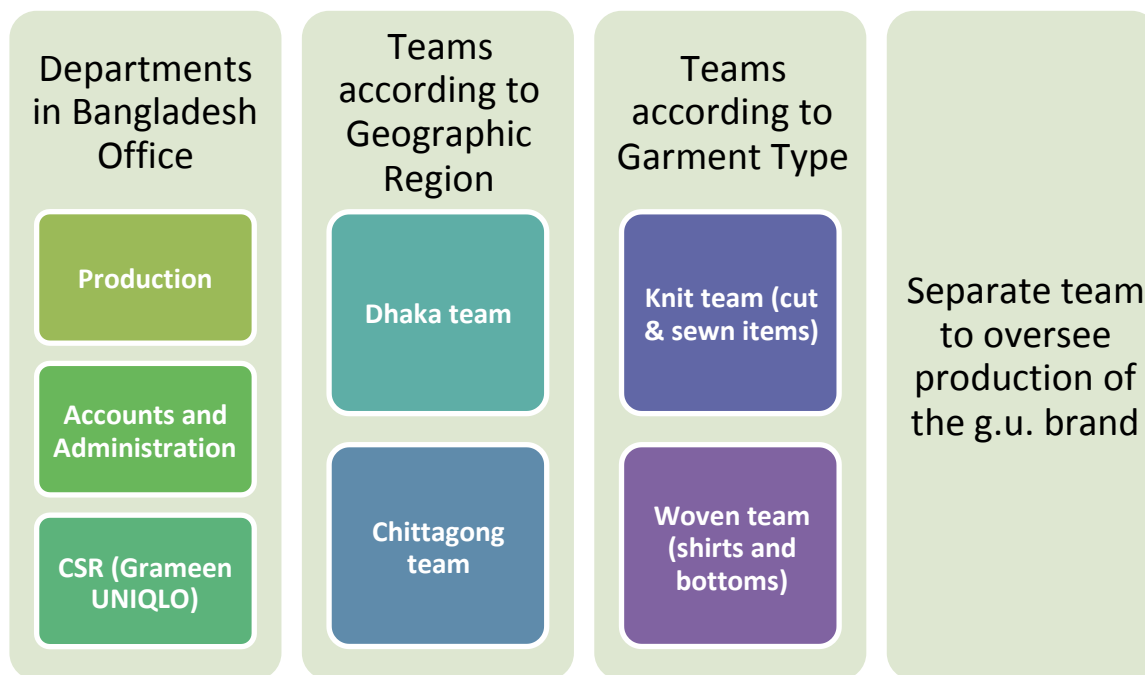


Figure 8: UNIQLO in Bangladesh

Total No. of employees	55
Total no. of partner factories	20
Total amount of export in 2013	350 Million USD approx.

6.1 Production Process

The whole production process of UNIQLO is divided into 3 parts:

1. Sample Progress Management
2. Bulk Production
3. Delivery

It is described in detail below:

6.1.1 Sample Progress Management

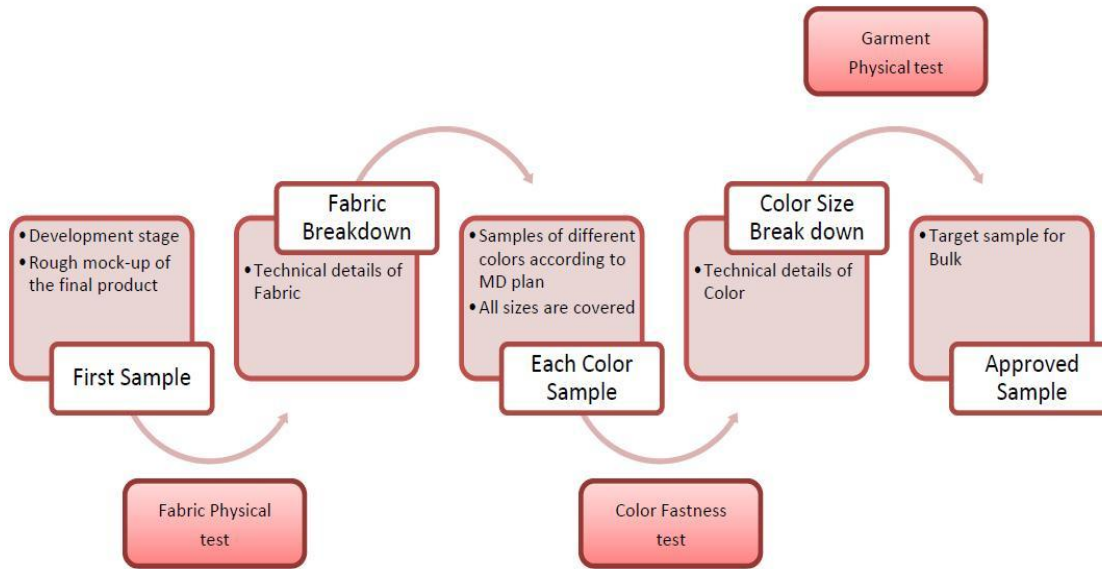


Figure 9: Sample Progress Management

This flowchart shows how the Sample Progress Management is done in UNIQLO. When a product is in the development stage, the first sample is made by factory according to preliminary design and instructions by the Merchandisers (MD). Then fabric test is done at a designated international standard laboratory (Qtec, SGS etc.) After the result is known, the fabric and its technical detail is decided upon and the fabric breakdown is given. The next stage is Each Color Sample where samples of each color and all sizes are made according to MD’s original plan. These samples are again sent for test to ascertain the properties of the color. After the results, the color size breakdown is given where the technical details of the color are given and the final colors and sizes for bulk production are mentioned. Then the factory proceeds for Approved sample which will be the target sample for bulk production. This sample has to be approved by UNIQLO Bangladesh Office, the takumi team and the counterparts from Tokyo and Shanghai offices. After this is approved, factory can proceed for bulk production.

6.1.2 Bulk Production and Delivery

After the Approved Sample is approved, the Purchase Order and Delivery Order (PO/DO) is issues. This document outlines all the trade terms, prices, and quantity, SKU and transportation details. After that One Table Meeting 1(OTM-1) is arranged where the practical problems of making the product are discussed and necessary directions given from UNIQLO side. Factory then proceeds for a pilot run. Problems found in the pilot run are discussed in OTM 2. After corrective measures are taken, full-fledged bulk production starts. Further garment and fabric tests conducted on bulk garments to ensure quality. After production is completed, factory offers the garments for final audit. 2.5% of the total order quantity is inspected by a third party to check for defects. Although the UNIQLO target defect ratio



is .3%, it is often difficult to maintain. Thus when a reasonable quality is ensured (below 1% defect), the garments are permitted to be shipped. These goods are then transported to Chittagong and loaded on ship bound for the agreed upon destination.

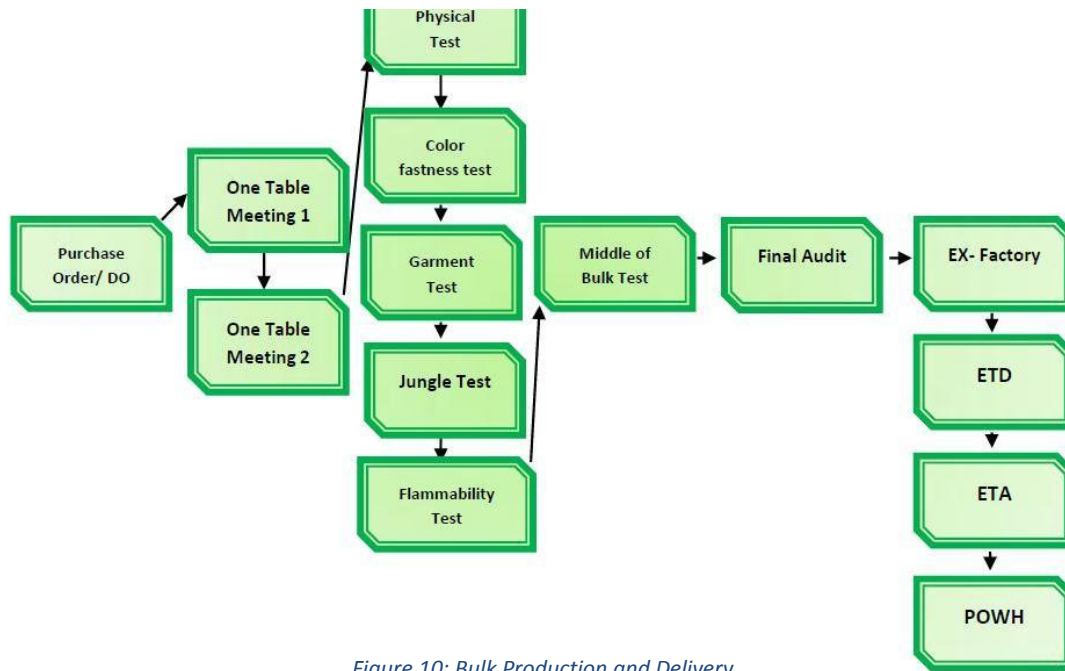


Figure 10: Bulk Production and Delivery

UNIQLO does business on FOB (Free On Board) terms. That means factory has responsibility to load the goods on the ship. After that responsibility transfers to UNIQLO and it pays for the shipping cost. To manage such a long and complicated process, UNIQLO uses state of the art Supply Chain Management software called G1 SCM system. Through this system, the complete supply chain, starting from raw materials to delivery and inventory, everything is managed.

7 The Fast Retailing Group's CSR Program

The Fast Retailing Group's mission, as stated under its FR Way corporate philosophy, is to use the power of clothing to enrich people's lives and benefit society.

The FR Way is the company's commitment to uphold its promises to society. The FR Group fulfills its responsibility to society by basing all of its decisions and actions on the FR Way, without compromise. The Group also maintains an unwavering emphasis on compliance and the ethical consequences of its actions. The company maintains its own efficient management systems, backed by a detailed system of checks and balances and the strictest standards in the global clothing industry. This is how the Group ensures transparency, sound corporate governance and an open dialogue with stakeholders.

CSR-related aims should be inseparable from a company's business operations. Otherwise, firms run the risk of falling out of public favor. FR's daily corporate activities are focused on creating truly great



clothing with new and unique value. The company believes that giving people throughout the world the opportunity to experience the joy, happiness and satisfaction of wearing such exceptional apparel is the key to achieving its core CSR aim: to "make the world a better place."

7.1 FR CSR Statement: *Making the World a Better Place*

The Fast Retailing Group's mission, as stated under its FR Way corporate philosophy, is to use the power of clothing to enrich people's lives and benefit society.

To fulfill this mission, FR must fully integrate its CSR and business activities, listen and respond to the voices of all stakeholders around the world, and use its daily operations to make the world a better place.

7.2 CSR Department: Organizational Structure

Fast Retailing established its Corporate Citizenship/Environmental Action Department in 2001 to uphold its responsibilities to society. This department evolved over the years to eventually become the FR Group's Corporate Social Responsibility Department in 2004.

All senior operating officers serve on the CSR Committee to ensure that decisions fully align with the Company's CSR objectives. The FR Group's CSR activities are supported by a worldwide CSR operating structure led by the CSR Department at the Tokyo headquarters and with CSR managers located in each major region where FR conducts business outside Japan.

In addition to the Corporate Social Responsibility Committee, two executive-level groups staffed by internal and external experts -- the Code of Conduct Committee and the Business Ethics Committee -- are responsible for carrying out corporate governance. The executive office for each committee is located in the Tokyo Headquarters and works with the CSR Department to ensure the company's responsibilities to society and the environment are met.

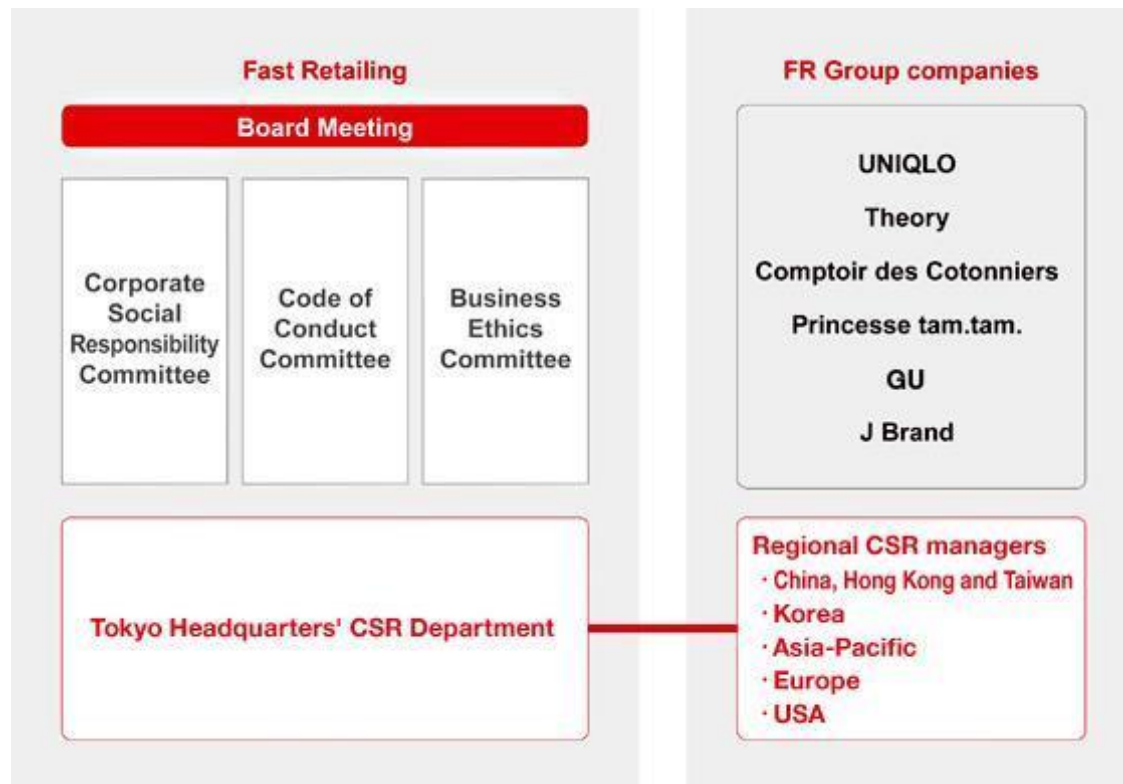


Figure 11: Fast retailing organizational structure

7.3 Fast Retailing's CSR Activities - Timeline

2001	
March	FR establishes its Social Contribution Office, starts recruiting individuals with disabilities and vows to hire at least one person with a disability at every UNIQLO store
April	FR starts supporting the Setouchi Olive Foundation, sets up donation boxes at all UNIQLO stores
October	FR launches Fleece Recycling Program
December	FR Group donates Air Tech jackets to refugees in Afghanistan through JEN, a nonprofit organization
2002	
June	FR begins supporting Special Olympics Nippon
2004	
February	FR supports Special Olympics World Games in Nagano, Japan, as a national partner
	FR publishes "Guidelines for the Prevention of Improper Behavior Based on Superior Positions"
March	FR holds first meeting of its Business Ethics Committee
May	FR Group starts monitoring working conditions at partner factories
September	FR establishes Fast Retailing Volunteer Club, creates Code of Conduct for employees, sets up Code of Conduct Committee
2005	
September	FR receives Minister of Health and Labor Excellent Enterprise Award for Promoting Employment of Persons with Disabilities
December	FR establishes CSR Department, holds first meeting of CSR Committee
2006	
June	UNIQLO receives Tokyo Labor Bureau Director's Award for Excellence as an equal-opportunity employer, for its efforts to promote the careers of women



Social Business as CSR: A Study on Grameen UNIQLO

- September** FR Group launches All-Product Recycling Initiative by expanding the UNIQLO's Fleece Recycling Program to include all UNIQLO products
- November** FR publishes first CSR Report, receives Partnership Award from the Partnership Support Center
- 2007**
- February** FR staff members visit refugee camps in Thailand and Nepal, company launches refugee support activities
- June** FR receives Award of Merit for Supporting Second Challenges from Japan's Cabinet Office, for promoting the employment of individuals with disabilities
FR Group receives Medal with Dark Blue Ribbon and Certificate of Gratitude from the Japanese government for providing relief aid for people affected by a major earthquake in Indonesia
- October** FR establishes environmental policy, guidelines
- November** FR Group staff members visit refugee camps in Uganda and Nigeria, donate 200,000 articles of clothing
- 2008**
- January** FR donates 130,000 articles of clothing to people affected by a cyclone in Bangladesh
- June** FR Group staff members visit refugee camps in Ethiopia, donate 150,000 articles of clothing
- 2009**
- March** Number of items collected for UNIQLO's All-Product Recycling Initiative passes 1 million
FR Group staff members visit camps for internally displaced people in Georgia, donate 280,000 articles of clothing
- June** FR implements new criteria for monitoring workplace conditions at partner factories
- September** FR Group provides monetary donations, relief supplies to support victims of an earthquake in Indonesia, a typhoon in the Philippines and a quake in West Samoa
FR Group staff members visit refugee camps in Nepal, donate 150,000 articles of clothing
- 2010**
- January** FR donates 500 million yen in aid to Haiti following major earthquake
- March** UNIQLO's All-Product Recycling Initiative becomes year-round effort
- September** UNIQLO launches social business to address issues such as poverty, sanitation and education in Bangladesh by producing and selling clothing
- October** FR expands UNIQLO's All-Product Recycling Initiative to collect clothing at GU, a group company
- October** FR receives Fifth Asahi Corporate Citizen Award for UNIQLO's All-Product Recycling Initiative
- 2011**
- February** FR signs Global Partnership Agreement with United Nations High Commissioner for Refugees
FR Group staff members visit a clinic in Zambia, donate 470,000 articles of clothing to babies, toddlers and expectant and nursing mothers
- March** FR starts relief efforts in response to Great East Japan Earthquake
FR expands All-Product Recycling Initiative to collect clothing at all UNIQLO stores in South Korea
- September** FR expands All-Product Recycling Initiative to collect clothing at all UNIQLO stores in U.K., U.S. and France, offers relief aid in response to humanitarian crisis in Somalia
- November** FR offers relief to flood victims in Thailand
- December** FR expands All-Product Recycling Initiative to collect clothing at all UNIQLO stores in Singapore
- 2012**
- February** FR launches UNIQLO Recovery Assistance Project to provide aid in areas affected by the Great East Japan Earthquake
- March** FR expands All-Product Recycling Initiative to collect clothing at all UNIQLO stores in Hong Kong, Taiwan and Shanghai
FR Group staff members visit refugee camps in Kenya, donate 1 million articles of clothing
- June** FR holds campaign to collect 3 million articles of clothing at all UNIQLO and GU stores around the world



Social Business as CSR: A Study on Grameen UNIQLO

	FR Group staff members visit Yunnan, China, donate 4,900 articles of clothing
August	FR donates 3 million yen to provide aid in response to floods in the Philippines
October	Novak Djokovic and UNIQLO launch "Clothes for Smiles" Project
	UNICEF (United Nations Children's Fund) and FR form global alliance
	UNIQLO starts TOMODACHI-UNIQLO Fellowship for university students, in cooperation with the U.S. government
December	Fast Retailing and UNIQLO USA send volunteers, donate 10,000 articles of clothing to areas affected by Hurricane Sandy
2013	
January	UNIQLO operations in Japan, Korea and Singapore donate full sets of athletic wear consisting of 4,900 items to participants of the 2013 Special Olympics World Winter Games in Pyeongchang, South Korea
February	FR Group staff members visit refugee camps in Jordan, donate 180,000 articles of clothing
April	FR expands All-Product Recycling Initiative to collect clothing at all UNIQLO stores in Thailand
	FR supports relief efforts following the April 2013 earthquake in Sichuan Province of China.
June	FR supports student scholarships at Asian University for Women in Bangladesh
July	First two Grameen UNIQLO stores open in Dhaka, Bangladesh
August	FR signs the Accord on Fire and Building Safety in Bangladesh
September	FR commits to aid for Syrian refugees
October	FR receives Workforce Award in recognition of its employment and support of people with disabilities from Springboard Consulting
November	FR announces aid for victims of Typhoon Haiyan in the Philippines

7.4 CSR Activities of UNIQLO

Corporate Social Responsibility (CSR) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. In some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. The global CSR activities of UNIQLO are outlined below:

7.4.1 UNIQLO's CSR: The Power of Clothing

UNIQLO believes it can change the world through the power of clothing which is captured in its corporate motto "Changing clothes, changing conventional wisdom, Change the world." The mission of UNIQLO is to do more than simply provide quality clothing. Rather, it aims to unleash the inherent value in clothing to improve the lives of people and change society for the better.

As a global SPA, UNIQLO is committed to playing a direct role in establishing sound management structures for every business and manufacturing process, from the procurement of materials to product planning, production, distribution, sales and recycling. By actively participating in every step of the value chain, UNIQLO hopes to prevent problems before they occur. When issues do arise, its SPA business



should be clear about its responsibilities and implement appropriate actions to resolve outstanding issues. And as such it undertakes a multitude of projects all around the globe to contribute to social welfare. These projects are highlighted below.

7.4.2 Clothes for Smiles

UNIQLO has launched Clothes for Smiles, a project developed in collaboration with professional tennis player and UNIQLO Global Brand Ambassador Novak Djokovic in fall 2012. Through this project, they will establish a fund of one billion yen (USD 10 million) raised from the sale of HEATTECH and Ultra-Light Down products, with the aim of bringing hopes and dreams to children's futures. \$5 million (US) of the \$10 million (US) fund will be given to support UNICEF, and the rest will be given to appropriate and suitable projects to bring hope to kids all over the world, nurturing their dreams and giving them the tools to build a better, brighter future.

7.4.3 UNIQLO Recovery Assistance Project

UNIQLO began offering support in the immediate wake of the Great East Japan Earthquake. UNIQLO started by thinking about public expectations of the company and what it could do to help. It set up the UNIQLO Recovery Assistance Project to continue to offer support to people in the parts of the country that were affected by the disaster in association with various NGO partners.

7.4.4 All Products Recycling Initiative

The All-Product Recycling Initiative is one activity being implemented by UNIQLO as a part of its CSR commitment. It not only sells great clothing but also helps reuse and recycle them. UNIQLO accepts garment donations at its store and redistributes/recycles them for people in need in various countries through its partners such as the UNHCR.

7.4.5 Setouchi Olive Foundation

The Setouchi Olive Foundation is a certified nonprofit organization that works to protect and restore the natural environment of Japan's Seto Inland Sea, including its coastal areas and many islands. Teshima Island, for example, was the site of one of the nation's worst illegal industrial dumping scandals. Since 2001, UNIQLO has supported the Setouchi Olive Foundation's efforts by collecting donations through its stores and conducting employee volunteer activities.



7.4.6 Special Olympics

Special Olympics (SO) is an international sports organization that provides opportunities to people with intellectual disabilities to participate in sporting activities. The SO holds competitions where these individuals can show off their athletic abilities. Since 2002, UNIQLO has been an official partner of SO Nippon, the organization's office in Japan, and provides support by donating uniforms and helping to run sporting events.

7.4.7 HelloSmile Charity Project

UNIQLO, a proud sponsor of the HelloSmile Project, is now offering a range of exclusive items to raise awareness about cervical cancer. It has produced a number of UT T-shirt designs featuring Hello Kitty, the global HelloSmile campaign's mascot, and several other Sanrio characters. UNIQLO will donate a portion of the proceeds from all UT Sanrio merchandise to the United Nations Population Fund, via the HelloSmile Project.

7.4.8 Employees with Disabilities

Since 2001, UNIQLO has been working to employ one person with a disability at every store. Currently, nearly 90% of their stores have met this target. Employing people with disabilities has the additional benefit of enhancing staff communication, thoughtfulness and customer service as well.

7.4.9 Social Business: Grameen UNIQLO

UNIQLO and Grameen Bank, Bangladesh's largest microcredit organization, launched a social business in 2010. This joint venture, Grameen UNIQLO, will operate an apparel business spanning the design, production and sale of clothing, with the aim of helping to address some of Bangladesh's most pressing social issues, including problems related to poverty, health, sanitation and education. The project is targeting production and sales of 1 million units and the creation of 1,500 jobs within three years.

7.5 CSR Report and Publications

Every year UNIQLO publishes their annual CSR report and a publication named The Power of Clothing. With these, it tries to communicate its CSR activities to its customers.
(FR, Annual CSR report, 2013)

8 Social Business as CSR: Grameen UNIQLO

As a responsible global clothing retailer, UNIQLO has always sought to change the world for the better. Its unique and impactful CSR activities have affected the lives of many. In line with its corporate motto, UNIQLO embarked upon another unique venture to change the world in the form of Grameen UNIQLO. Teaming up with Grameen Healthcare trust, the company wanted to make an impact and change the



lives of the rural population of Bangladesh. The company management was very interested in the Prof. Yunus's idea of social business and thus they wanted to be a part of it. And thus Grameen UNIQLO was born. This unique CSR activity creates employment, utilizes local resources for local good and improves the livelihood of the underprivileged section of the society. UNIQLO is a pioneer in the sector of establishing a social business as a CSR project. So far, it has done exceedingly well.

8.1 Social Business

Social business is a cause-driven business. In a social business, the investors/owners can gradually recoup the money invested, but cannot take any dividend beyond that point. Purpose of the investment is purely to achieve one or more social objectives through the operation of the company; no personal gain is desired by the investors. The company must cover all costs and make profit, at the same time achieve the social objective, such as, healthcare for the poor, housing for the poor, financial services for the poor, nutrition for malnourished children, providing safe drinking water, introducing renewable energy, etc. in a business way.

The impact of the business on people or environment, rather the amount of profit made in a given period measures the success of social business. Sustainability of the company indicates that it is running as a business. The objective of the company is to achieve social goal/s.

8.2 Types of Social Business

According to Nobel Peace Prize laureate Prof. Muhammad Yunus, there can be two types of social business.

Type I: focuses on businesses dealing with social objectives only. e.g. The product produced is for the benefit of the poor.

Type II: can take up any profitable business so long as it is owned by the poor and the disadvantaged, who can gain through receiving direct dividends or by some indirect benefits. There are various ways how the ownership can go to the poor. e.g. The product could be produced by the poor but exported to an international market while net profits would go towards workers benefits.

The two types can be mixed together in the same social business as has happened in the case of Grameen Bank. In a similar mixture of the two types, a socially beneficial rural toll road or bridge can be built by a company as a social business whose ownership will belong to the poor. On the other hand a huge project such as the Deep-Sea Mega Port in Bangladesh, which will be used by several countries in the whole region and can potentially change the economic face of Bangladesh, can be built as a social business owned by the poor women of the country.

8.2.1 Social Business Examples

Grameen Danone Company: This Company has started operation in early 2007. Groupe Danone is a large French corporation – a world leader in dairy products. Muhammad Yunus has made Danone shareholders convinced that an investment in a social business is a worthwhile thing for them. Even



though it will not give any personal dividend to them, Franck Riboud, the Chairman and CEO of Danone agreed to the proposition even before D. Yunus explained it to him. The product is a fortified sweet yogurt for the poor malnourished children of Bangladesh at a price they can afford. The yogurt 'Shokti Doi' (Energy Yogurt) is already in the market.

The Grameen System has invested in another social business – this time an Eye Hospital where the poor can have eye treatment and cataract operations at a very low cost and all others in the small town and the villages around will have an excellent medical facility where there was not any like that before.

8.3 Grameen UNIQLO

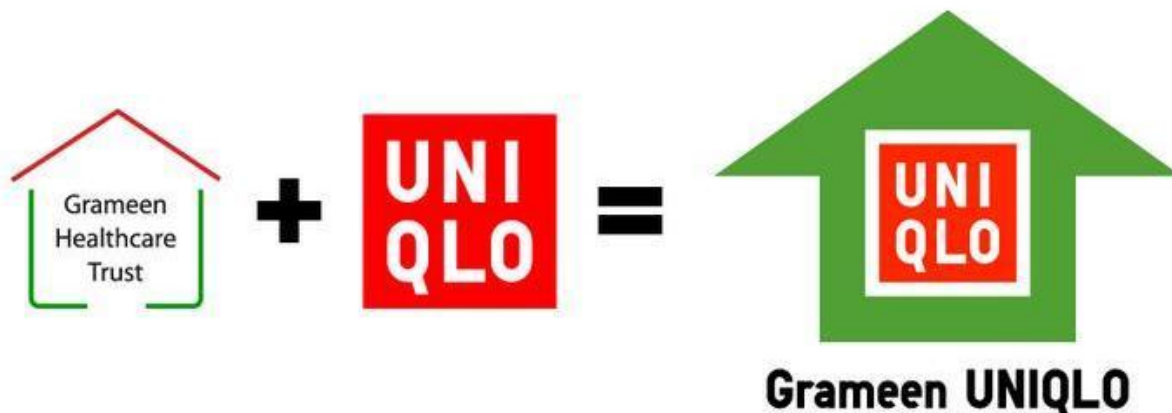


Figure 12: Grameen UNIQLO

Fast Retailing Co., Ltd. established a new wholly-owned subsidiary in September 2010 in order to launch a social business in the People's Republic of Bangladesh. To help solve social problems, including those related to poverty, sanitation and education issues, in Bangladesh through the planning, production and sale of clothing. And furthermore Fast Retailing Co., Ltd., with its flagship brand UNIQLO and Grameen Healthcare Trust of the GRAMEEN Bank Group, located in the People's Republic of Bangladesh, have agreed to establish a joint venture through a Fast Retailing subsidiary. The greatest strength of the Group and its businesses is their ability to efficiently produce and sell high-quality clothing at low prices. The social business that FR has initiated will leverage the Group's strengths in these areas by using business to change society for the better and to help improve society by addressing social issues such as poverty and the environment.

In this era of accelerated globalization, companies must be aware of the impact their actions have on an international scale. The developing nations are especially affected by the actions of multinational businesses. Social business provides a very effective means for these companies to do good for society on a continuing, sustainable basis.



Social business fills a gap in the free market economic structure by addressing the needs of the poor in a sustainable way. They run parallel to conventional, profit-maximizing businesses. The current economic system assumes that human beings are one-dimensional, only interested in amassing profit. The reality is there are many other dimensions to human lives: social, familial, spiritual and more. Social business expresses the urge to do good for people.

As social business becomes larger and more widespread, the poor can become empowered to bring themselves out of poverty. They are gifted with the same potentials as the rest of us; they just need to provide them with the opportunities to unleash them. I hope social business will change society in Bangladesh, and globally, by offering a new kind of business targeted toward solving social problems. Social businesses are still businesses, and the sense of competition, innovation, and efficiency encouraged in the business world can be harnessed to target social ills and improve the world without concern for personal gain.

Fast Retailing is the first Japanese company to sign a memorandum of understanding for social business with the Grameen family, and other businesses are already following its lead. There are challenges to be faced in starting any new business. But, with the expert input of Fast Retailing, coupled with the support and guidance provided by the Yunus Center and the rest of the Grameen family, I am confident they can meet any challenges head on. (Grameen UNIQLO)

8.3.1 Mission of Grameen UNIQLO

To help solve social problems, including those related to poverty, sanitation and education issues, in Bangladesh through the planning, production and sale of clothing

8.3.2 Aims of Grameen UNIQLO

Bangladesh is expected to experience economic growth, with much of it driven by the textile industry, but its people still face an abundance of social problems, including poverty, sanitation and education. Utilizing the unique SPA (Specialty store retailer of Private label Apparel) know-how, UNIQLO will plan, produce and sell clothing at a price point that is affordable to people living below the poverty line while still maintaining product quality. This joint venture will also create jobs, thereby improving the lives of the Bangladeshi people.

On the retail front, UNIQLO will use the GRAMEEN Bank Group's borrower network of 8 million people to help those living in poverty to develop job skills and provide them with opportunities to sell clothes door-to-door. In the first year, the plan is to generate work for 250 people and to increase this figure to 1,500 within three years.



8.3.3 Overview of the Subsidiary

8.3.3.1 Company Information

Business name -	UNIQLO Social Business Bangladesh Ltd,
Foundation -	September 2010
Location -	"Doreen Tower", Level-5, 6-A, Gulshan North Avenue C/A, Gulshan-2, Dhaka - 1212, Bangladesh
Board Members -	Tadahiro Yamaguchi, Managing Director (UNIQLO Social Business Bangladesh LTD.) Yukihiro Nitta, Chairman (Fast Retailing Co., Ltd., Senior Vice President) Tadashi Yanai, Director (Fast Retailing Co., Ltd., President) Lamiya Morshed: Director (Grameen Healthcare Trust)
Capital -	Approximately 1.65 million USD
Investment partners and contributions -	FAST RETAILING CO., LTD : 100%

8.3.4 Information about the Joint Venture

Business name -	GRAMEEN UNIQLO Ltd.
Foundation -	June 2011
Location -	"Doreen Tower", Level-5, 6-A, Gulshan North Avenue C/A, Gulshan-2, Dhaka - 1212, Bangladesh
Board Members -	Tadahiro Yamaguchi, Managing Director (Grameen UNIQLO LTD.) Yukihiro Nitta, Chairman (Fast Retailing Co., Ltd., Group Senior Vice President) Kei Okutani, Director (UNIQLO Co., Ltd., Bangladesh Office General Manager) Tadashi Yanai, Director (Fast Retailing Co., Ltd., President) Lamiya Morshed: Director (Grameen Healthcare Trust)
Capital -	600,000 USD (54 million yen approx.)
Investment partners and contributions -	UNIQLO Social Business Bangladesh, Ltd. (a subsidiary of FAST RETAILING CO., LTD.): 99%, and Grameen Healthcare Trust: 1%

Grameen UNIQLO tries to fulfill the following goals:



- Allow people to experience the satisfaction of wearing exceptional apparel by providing functional, affordable and comfortable clothing.
- Develop a completely localized business structure to help create jobs in Bangladesh by applying UNIQLO's SPA expertise
- Reinvest all profits in ongoing efforts to promote social business.

8.3.5 Business Model

Grameen UNIQLO takes advantage of UNIQLO production know-how to make truly great clothing for the people of Bangladesh produced at factories in Bangladesh. The clothing is then sold at prices that a large segment of the population can afford and all profits are reinvested back into the business. The clothes are also among the products sold door-to-door by "Grameen Ladies", in rural areas who strive for financial independence and aided by low-interest loans from Grameen Bank. Grameen UNIQLO made great strides in 2013 with the opening of Grameen UNIQLO stores in the capital city of Dhaka.

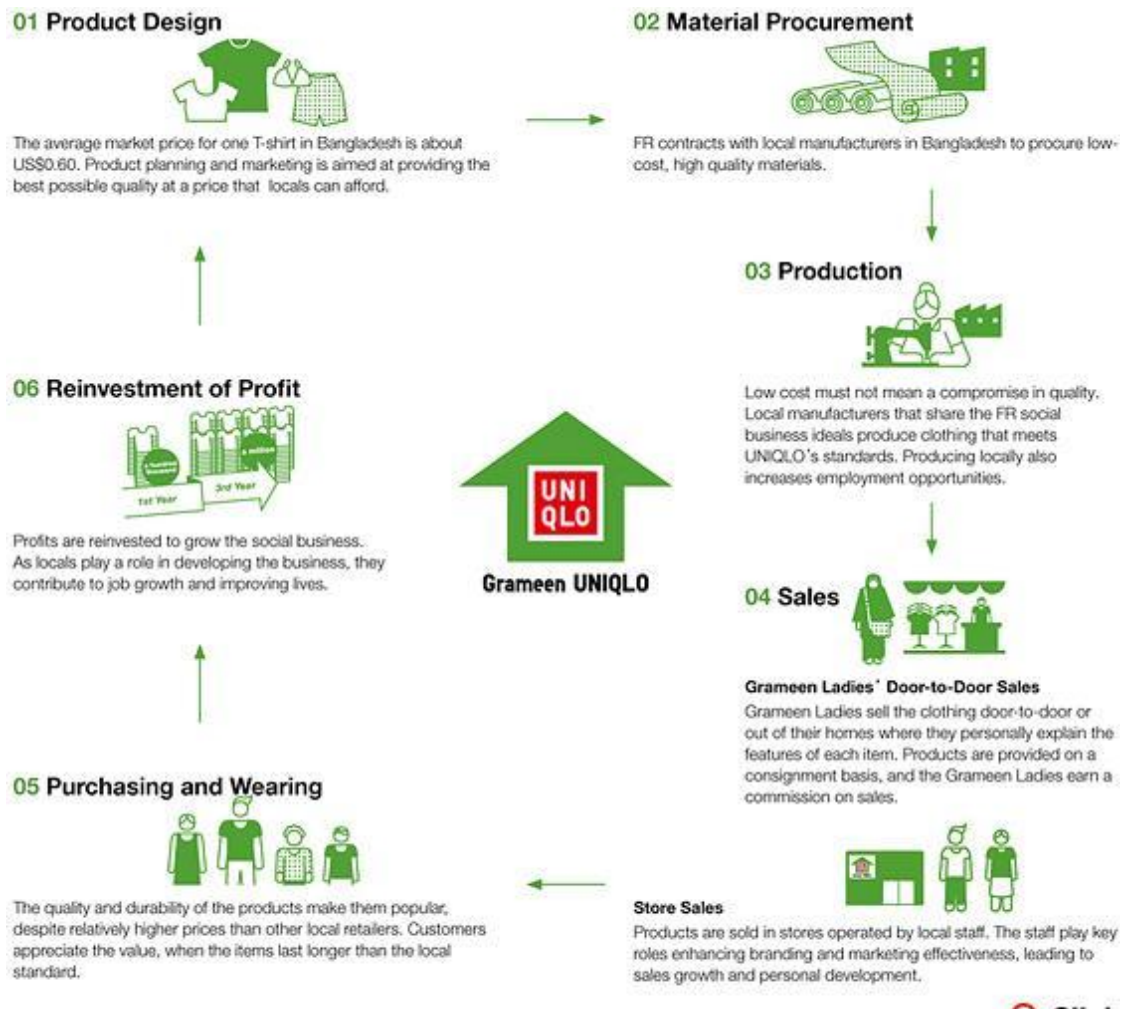


Figure 13: Social Business Model

JOB RESPONSIBILITY DURING 3 MONTHS

Research & Development

Continuous research on world trend about clothing & color. According to the demand of the product quantity & styling make the idea for new development. Research is basically based on the fashion week which is held each year all over the world. According to the research match with UNIQLO concept make theme for preparing upcoming collection. Presenting the theme to our research & development team for UNIQLO. They give their feedback & according to the feedback revise the concept & start sampling.

Sample Development-In sampling at first source the raw material like fabric, embroidery yarn, accessories etc. After getting this support from production team select the supplier for fabric. After chose the fabric

start making pattern according to the concept. After finishing the final pattern & drawing detail. Then the spec sheet means the design detail sheet pass to production team, they pass it to assign factory. Within 20n days the sample development is done.

Sample comments & Revise Sample-After finish the sample if any correction is necessary, I have given comments. Finally it is submitted to our team head. He make some comments & finally it is ready to go for bulk production.

Production Approval-During production time take one random sample for approval.

8.3.6 Product Design

The market price of one T-shirt in Bangladesh is approximately 60 cents. Products are designed in-house while stepping up marketing efforts on site in order to deliver items of clothing to people in Bangladesh that are of the best possible quality at an affordable price.

8.3.7 Material Procurement

Grameen UNIQLO purchases low-price, high-quality materials through partnership contracts with clothing fabric manufacturers in Bangladesh.

8.3.8 Production in Local Factories

It is important not to compromise quality even at low prices. Production is consigned to local factories that agree with the concept of social business and their own standards drawn from the quality management expertise UNIQLO has cultivated.

8.3.9 Local Sales

Grameen Ladies, who are working toward financial independence through loans from Grameen Bank, handle sales. The women, who generally come from disadvantaged rural areas, sell door to door in rural areas or use their own homes as stores, where they explain product features and sell clothing in a warm and cordial setting. Products are sold on consignment with paid commission based on sales.

8.3.10 Purchase, Usage and Communication

Since the prices of their T-shirts are 20% to 30% higher than local market prices, it is vitally important for local consumers to be aware of their quality and durability and understand that the prices are reasonable. It is expected that they will wear the clothing for a long time and appreciate the difference in product quality.

8.3.11 Reinvestment of Profit

Profits from the sales of the clothes will be reinvested in other social businesses. The goal is to manufacture and sell 100,000 items in the first year and one million by the third year. Because Bangladeshis are developing the business on their own, they have a direct hand in generating job opportunities, improving their lives and encouraging each other to move toward financial independence.



8.3.12 Localization of Products and Sales

The way Grameen UNIQLO conducts business is different than the standard UNIQLO model. Marketing is primarily through word of mouth or direct dialogue with customers. Grameen UNIQLO runs its business firmly committed to the needs of the local population and is expanding its store network as well.

When Grameen UNIQLO first began selling clothes, the company found that simply offering high quality products was not enough to entice people choose their relatively higher-priced products over others. Subsequently much time and effort was invested in clarifying the needs of the local population. The business finally took off after setting up movable stalls and showrooms and revamping the product lineup based on feedback from the Grameen Ladies. The company added polo shirts, print T-shirts and collared shirts in addition to innerwear and plain T-shirts. It also added a traditional dress for women to the line up.

In 2013, FR launched a number of stores in the capital city of Dhaka. Grameen UNIQLO is incorporating feedback gathered by its network of Grameen Ladies and trying to reflect the needs of mainly rural customers into their product planning with the hopes of expanding from the urban center where the company is focused now to the rural markets in the near future. At the same time, it wants to invest in communities by creating new opportunities for employment, cultivating business leaders, and supporting the efforts of motivated individuals to become economically independent.

8.3.13 Health Services and Educational Programs for Junior High School Girls

Most women in Bangladesh do not believe that sanitary napkins are necessary and relatively few women in rural communities wear undergarments. As a result, sales of such items remain quite low. Grameen UNIQLO's activities in the country include educational programs to teach people about hygiene and the convenience of using cotton sanitary napkins and underwear.

In April 2012, the FR Group collaborated with student volunteers from St. Luke's College of Nursing in Japan to organize a women's health education program for 450 junior high school girls in Dhaka's Gazipur district. The program included illustrated explanations of the menstruation process and free samples of cotton sanitary napkins, with instructions on how to use them. The participants said that the program was helpful. For many of them, it was the first time they had heard about many of these issues. Raising awareness about women's health issues is just one way in which FR is actively working to address the specific needs of individuals in communities throughout the world.

8.4 Value of \$1 Project



The Value of \$1 project is a new social business in which participation is as simple as purchasing an electronic study book for just one dollar. The one dollar spent to purchase an electronic study book of the Bengali language goes to a fund that subsidizes the production of T-shirts with educational prints and study books that will help raise the literacy of children in Bangladesh. Thanks to this fund, the T-shirts and study books can be sold at a local price that is nearly equivalent to one dollar. All production and sales of the T-shirts and study books are conducted in Bangladesh, and profits from sales are invested in other projects aimed at contributing to society through the production and sales of clothing in Bangladesh. An electronic certificate of participation is issued to those who register with the project through the app. Production and sales progress in Bangladesh is updated on your certificate so you can see how your one dollar is being used.

9 Grameen UNIQLO: A Critical Analysis

In this section, firstly an overall analysis is given and afterwards different model based analyses are given.

9.1 Overall Analysis

A subjective analysis of Grameen UNIQLO's operations as a CSR program considering both positive and negative sides is given below:

9.1.1 Being Socially Responsible

Every corporate entity operates within the society by using resources of the society. But it cannot just take from the society; it must also give back something. That is where the concept of being socially responsible arose. Having that thought in mind, UNIQLO started the venture called Grameen UNIQLO to be socially responsible and to give back to the society. Its main objective is to help the people, not to maximize profit. Thus it engaged in a sustainable social business to help solve different social problems. Currently, Grameen UNIQLO is addressing three social problems, which are poverty, sanitation and education. They are creating employment and promoting education and sanitation through their field level operations.

9.1.2 Financial and Economic Sustainability

Social business is a new category of business. It does not stipulate the end of the existing type of profit-making business. The concept of social business is not opposed to making profit. Even social businesses are allowed to make profit with the condition that profit stays with the company; the owners will not take profit beyond the amount equivalent to investment. It widens the market by giving a new option to consumers. Grameen UNIQLO is making profit by 10% by selling their products to the rural people. By making profit this business has both financial and economic stability.

9.1.3 Reinvestment of Profit

True to the principles of social business, this profit is reinvested in the business to drive the venture. This keeps the business cycle running thus it is a self-sustaining business entity, which is facilitating employment of underprivileged people and improving their living conditions.

9.1.4 Healthy Competition

Social business does not intend to monopolize the market and take the existing option away. It adds to the competition. It brings a new dimension to the business world, and a new feeling of social awareness among the business community. The products that Grameen UNIQLO is selling, has competitors and



customers can choose it to buy it from them or not. In that case, Grameen UNIQLO is creating a healthy competition in the market, which is eventually good for the customers.

9.1.5 Difference with Philanthropy

Many confuse the concept of social business with philanthropy. The two ideas are vastly different. Although working for social good, social business is still a business from all aspects. However, it is different from conventional business since profit maximization is not the primary motive. There will definitely be profit but this profit will be reinvested in the business and no individual/company will benefit from it. The aim of social business is to improve the livelihoods of the stakeholders and it does so by generating employment and facilitating other social benefits such as education, sanitation etc. not by donating money as done in philanthropy. Philanthropy ends at donating money by an individual or company. It is often not sustainable. But the Grameen UNIQLO model lets underprivileged people help themselves and contributes to the society in a sustainable manner.

9.1.6 Difference with Charitable Organizations and NGOs

Fortunately for us, there is a keen desire among many to lend a hand through charity, for addressing the problems of poverty and other social problems. Charity is rooted in basic human concern for other humans. These days concern is usually expressed in the shape of non-profits and NGOs which may take various names and forms. Then there are aid organizations sponsored by rich governments—bilateral and multilateral. Nonprofits and aid organizations are trying to keep the problems within some control. But charity is a form of trickle-down economics; if the trickle stops, so does help for the needy. On the other hand multilaterals like World Bank focus only on growth as the means of helping the poor, but cannot see that the poor people can be actors themselves. There are serious questions about the type of growth that can help the poor. Grameen UNIQLO is self-sustaining business. It is not a NGO or charities of UNIQLO. It has its own business policy.

9.1.7 More than Conventional CSR

The concept of triple bottom line is quickly gaining popularity nowadays. Businesses are now putting more thought into how they can manage the 3 vital aspects – People, Planet and Profit. To that end, many companies are now engaging in CSR activities. But unfortunately few have the proper understanding of CSR and they are ending up doing corporate philanthropy. In this regard, the idea of Grameen UNIQLO is completely unique even among UNIQLO's other CSR activities. Through the social business model, UNIQLO is engaging the stakeholders of its core business with its core business processes and enabling them to live a better life. This is sustainable in nature and is providing various social benefits yet it is a business itself. A CSR activity which is also a business is a completely unique idea and UNIQLO is the pioneer in this regard. Grameen UNIQLO's own unique operational model sets it apart from other conventional CSR activities. It can be said Grameen is satisfying the triple bottom line.



9.1.8 Doing Well by Doing Good

The social business under the banner of Grameen UNIQLO is performing exceedingly well. It is using local resources to make high quality clothes employing local people. These durable clothes are being sold to underprivileged people at a very reasonable cost and the proceeds are spent in areas of education and sanitation and reinvested in the business. It is improving the livelihoods of many by giving them employment, clothes, education and sanitation. Grameen UNIQLO is not only doing well as a social business, it is indeed doing good things for the society.

9.1.9 Lack of Proper Communication

Sadly, despite being such a unique venture, hardly anyone knows about Grameen UNIQLO. Enough effort has not been given to the communication part of this project. As a result, most Bangladeshis are unaware of this. Proper communication would have facilitated an even greater success. For instance, a large chunk of the young population of Bangladesh now use smartphones yet almost no one is aware of the Value of \$1 project which involves purchasing an android application. Even abroad, this project has not been properly communicated. Also, most people upon hearing the name Grameen UNIQLO automatically associate it to a Grameen Bank project which is not the case in reality. In order to effectively reach and help the people of Bangladesh, the purpose and identity of this venture needs to be communicated properly to all the stakeholders especially the beneficiaries. In this regard, brand building exercises need to be implemented. This has now become imperative since Grameen UNIQLO is launching stores.

9.1.10 Inordinately Foreign Management Structure

Although based out of Bangladesh, almost all the decision makers of Grameen UNIQLO are Japanese. This creates a few problems because they often do not understand the realities involved with working in Bangladesh. Also the huge cultural difference comes into play. The Bangladeshi staff members are mostly involved in field level operations but in terms of strategy and policy making, a bit more Bangladeshi perspective is required.



9.2 PEST Analysis

The following PEST (Political, Economic, Social and Technological) analysis was done keeping Grameen UNIQLO in focus.

9.2.1 Political Situation

In 2010, when Grameen UNIQLO was established, the political situation in Bangladesh was quite stable. But now in 2013, the situation has turned pretty volatile. The government is also mulling the idea of splitting the Grameen Bank⁷ (The Independent, UK, 2013). However Grameen UNIQLO will not be affected much by this decision as it is not directly related with Grameen Bank and Grameen Healthcare trust holds only 1% share of Grameen UNIQLO. Other than mildly disrupting the day to day activities, the political unrest will have little effect on Grameen UNIQLO.

9.2.2 Economic Situation

The economic prospects of Bangladesh are bright indeed. The country has been clocking a GDP growth rate of over 6% over the past 5 years⁸ (The World Bank, 2013) despite global economic turmoil. The percentage of people below the poverty line will reach 29.5% (The World Bank, 2013) within this year thus meeting the UN MDG goal well before the deadline of 2015. Such bright prospects will indeed be in favor for Grameen UNIQLO. More and more people will be willing to be involved in this venture since a sense of positivity prevails. Grameen UNIQLO is actively contributing to employment creation thus helping reduce poverty. Although the recent political turmoil and building accident have cast a gloomy shadow over the economy and especially the RMG sector, it is expected that this will be nothing more than a small hiccup in the greater scheme of things.

9.2.3 Social Situation

Fueled by economic growth and prosperity, a sense of positivity is present in the Bangladeshi society. However, the society is still largely traditional and conservative. This means women working outside their homes are often seen as a deviation from the norm. But the situation is changing fast. More and more women are joining the workforce every day. Most of the people involved in Grameen UNIQLO's production and distribution are women. The changing scenario of women employment is helping Grameen UNIQLO and Grameen UNIQLO, at the same time, is contributing towards women employment. It is helping to solve other social problems such as illiteracy and poor sanitation.

9.2.4 Technological Situation

The technological situation of Bangladesh is rapidly improving. Mobile penetration is now about 67% and internet penetration is about 7%⁹ (BTRC). Both are increasing rapidly. M-commerce including mobile payment services such as bKash, mobile banking are gaining popularity fast. The RMG sector is also advancing technologically. All these are very positive aspects for Grameen UNIQLO as it can gain a lot from mobile connectivity, mobile payment services and improvements in textile technology.



9.3 SWOT analysis

The Strengths, Weaknesses, Opportunities and Threats of Grameen UNIQLO is discussed below:

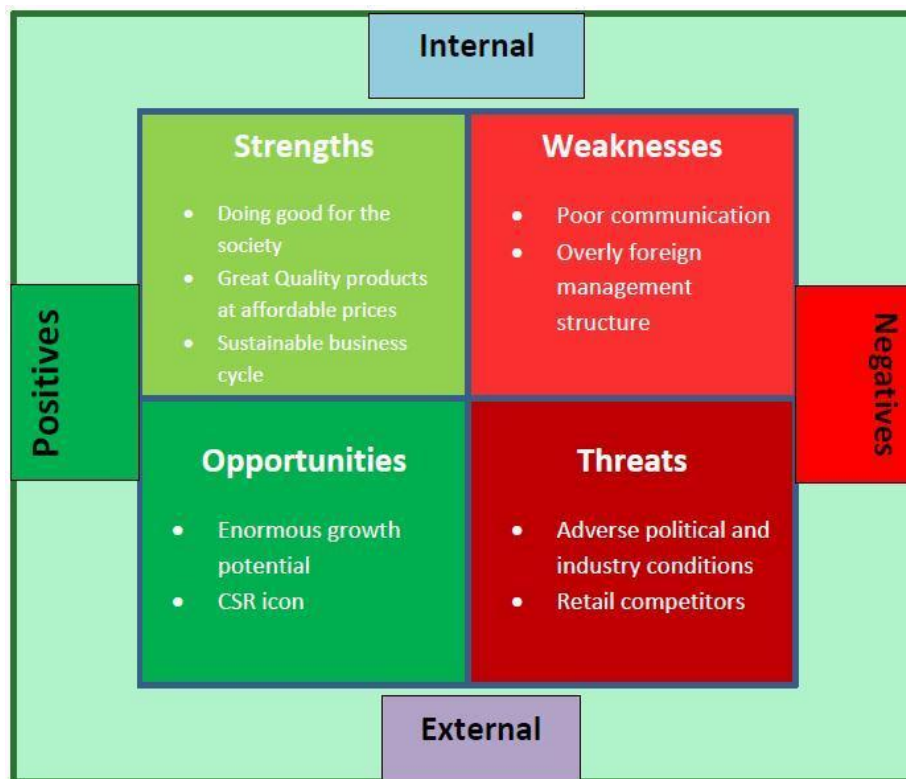


Figure 15: SWOT Analysis of Grameen UNIQLO

9.3.1 Strengths

- **Doing good for the society:** Grameen UNIQLO's strongest point is its USP, which is that it is social business. UNIQLO is maintaining its corporate social responsibility through Grameen UNIQLO. It is giving back to society by creating employment and solving social problems. Not only is it doing tangible good, but it is also creating a favorable perception in the minds of the consumers.
- **Great products at affordable prices:** Grameen UNIQLO is offering high quality basic apparels at a very affordable price. This is what will attract people the most. The quality and prices that Grameen UNIQLO is offering will be very hard for any competitors to match.
- **Sustainable and eco-friendly business cycle:** As a social business, all the profits of Grameen UNIQLO are reinvested in the business. All the resources (raw materials, labor, and capital) are local. This makes for a very sustainable business cycle. Also, the whole process is maintained in a very eco-friendly manner.

9.3.2 Weaknesses

- **Poor Communication:** The communication or promotions of Grameen UNIQLO is quite poor. Most Bangladeshis are still unaware of it. Even the stakeholders are not that well informed. This needs to improve.
- **Overly foreign management structure:** Higher level management of Grameen UNIQLO is mostly Japanese. This creates a few problems because they often do not understand the realities involved with working in Bangladesh. Also the huge cultural difference comes into play. The Bangladeshi staff members are mostly involved in field level operations but in terms of strategy and policymaking, a bit more Bangladeshi perspective is required.

9.3.3 Opportunities

- **Enormous Growth potential:** The RMG sector of Bangladesh is booming and no other company let alone foreign apparel brand is engaging in such a venture. This presents Grameen UNIQLO with a blue ocean with immense opportunities to grow both nationally and internationally.
- **Become a CSR icon:** Grameen UNIQLO is a unique CSR project of UNIQLO, which is actually doing tangible deeds to improve the society it is operating in. No other company is currently involved with social business as its CSR project. Thus Grameen UNIQLO can become a CSR icon by setting an example for other corporate entities to follow.

9.3.4 Threats

- **Adverse political and industry conditions:** the current political situation of Bangladesh is quite volatile. This can put Grameen UNIQLO's operations in uncertainty. Also, recent tragic accidents like the Rana Plaza collapse can have an adverse effect on Grameen UNIQLO since it operates in the RMG sector. Grameen UNIQLO needs to maintain a clean reputation regarding labor and compliance issues.
- **Retail competitors:** Since Grameen UNIQLO has decided to enter the retail market by opening stores in Dhaka; it is likely to face strong competition both from local and international brands. Although it has an advantage in product quality and pricing, it is still not an established brand. Grameen UNIQLO needs to build a strong brand identity and association in order to carve a place in the retail space and in peoples' minds.



9.4 Porter's Five Forces Model

The following part deals with the analysis of Grameen UNIQLO in terms of the Porter's Five Forces Model.

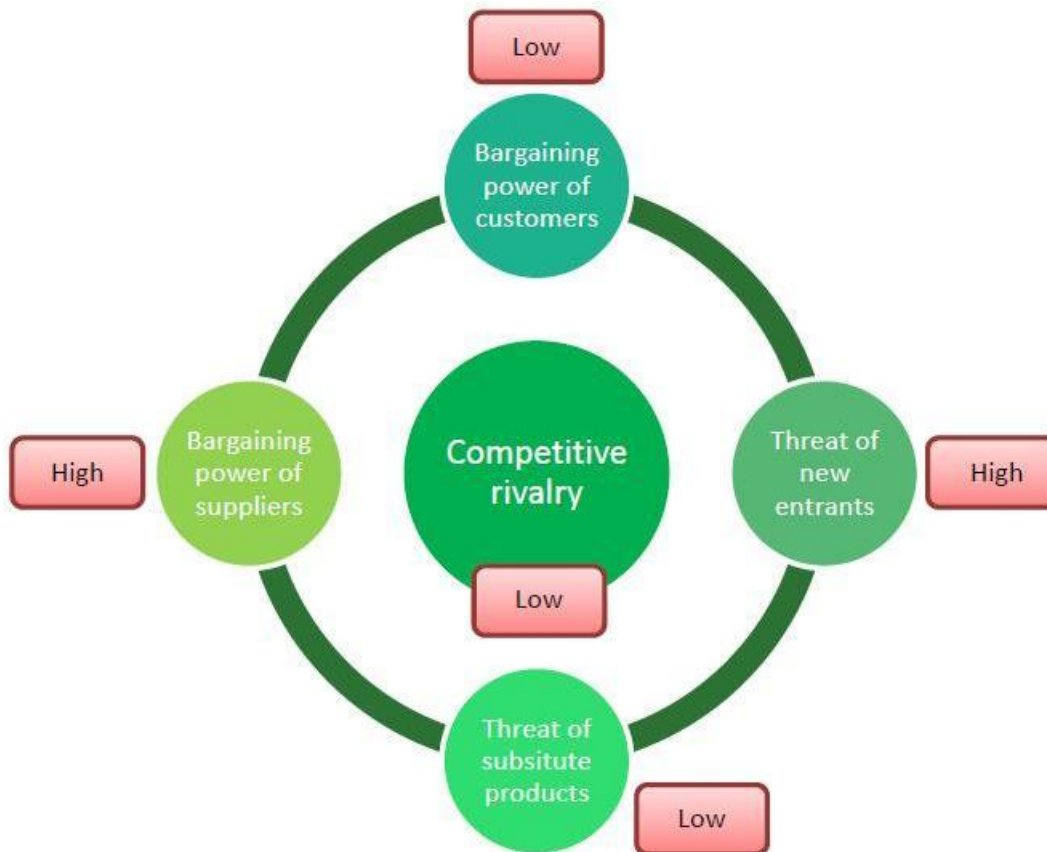


Figure 16: Porter's Five Forces Analysis of Grameen UNIQLO

9.4.1 Bargaining Power of Customers

Grameen UNIQLO's primary target customers are rural underprivileged people. They have very little purchasing power and lack access to good quality clothing at an affordable price. Thus their bargaining power is low. However, urban customers have significantly more buying power and more options to choose from so their bargaining power is high.

9.4.2 Bargaining Power of Suppliers

The suppliers of raw materials are giving the raw materials at a very low margin. They are doing this out of social responsibility and partnership with UNIQLO not for making profit. For them, better alternatives exist in the market thus their bargaining power is high.

9.4.3 Threat of New Entrants

Currently there are no ventures of this sort, which is good opportunity for Grameen UNIQLO. But the market is huge and there is enormous potential. Such ventures do not require much effort to set up thus the threat of new entrants is high. However, being a social business, Grameen UNIQLO's main motive is doing social good not making profit. So they are not overly concerned about new entrants. That being said, it is a business at the end of the day and it will have to deal with market forces i.e. competitors to earn enough revenue to sustain the business.

9.4.4 Threat of Substitute Products

Grameen UNIQLO is providing low cost high quality basic apparels. Currently no better alternatives exist in the market and the situation is unlikely to change in the near future as it will be very difficult to match Grameen UNIQLO's quality and price.

9.4.5 Competitive Rivalry

As mentioned before, Grameen UNIQLO's main objective is to work for social good. As such, it doesn't intend to be involved in any strong rivalries. At present, competitive rivalry is low. But it will face strong competition in the retail front in the near future.

9.5 Market Segmentation, Targeting and Positioning

Grameen UNIQLO's market segmentation, targeting and positioning strategies are discussed below.

9.5.1 Market Segmentation

Grameen UNIQLO's market segmentation is shown below:

1) Demographic:

Demographically, Grameen UNIQLO has segmented the market in the following sections.

- **Age:** 18-25 and 25-40 years old
- **Gender:** Male and Female
- **SEC:** Above C and below C

2) Geographic:

Geographically, Grameen UNIQLO has segmented the markets in the following sections.

- Rural
- Sub-urban
- Urban

3) Psychographic:



Psychographically, Grameen UNIQLO has divided the market into 2 groups. These are: people who seek luxury and comfort and people who are practical and seek value for money.

9.5.2 Targeting

In the rural and sub-urban areas Grameen UNIQLO is mainly targeting women especially working women and young mothers aged between 25-40 from the SEC C who want good quality clothing for themselves and their families without having to worry about the price.

In the urban areas, Grameen UNIQLO is mainly targeting youths (both male and female) aged between 18-35 who are either students or young professionals from SEC B- and above who are looking for good quality fashionable clothing at an affordable price. In my opinion, their targeting is correct.

9.5.3 Positioning

Grameen UNIQLO wants to position itself as a people's brand. It is selling products made by Bangladeshis for Bangladeshis and it wants to be known as such. Its USP is that it is a social business venture selling high quality clothing at an extremely affordable price.

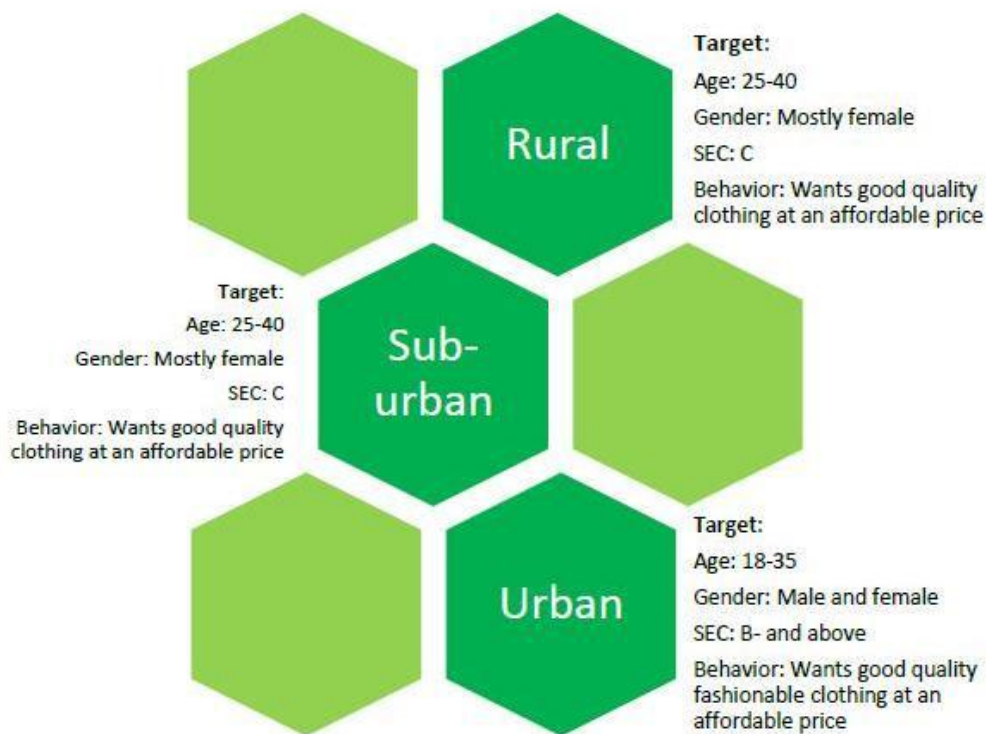


Figure 17: Market segmentation and Targeting of Grameen UNIQLO

9.6 4Ps of Grameen UNIQLO

In the following section, Grameen UNIQLO is analyzed in terms of Product, Price, Place (Distribution) and Promotion strategies.

9.6.1 Product Strategy

Grameen UNIQLO is providing high quality basic apparel products like t-shirts and Punjabis at a very affordable price. The raw materials are all sourced locally and products are manufactured completely in Bangladesh. Overall, the product strategy is very sound.

9.6.2 Pricing Strategy

Grameen UNIQLO is following segmented pricing strategy where it is selling t-shirts to rural people at USD 1-2 and in urban areas at USD 2.5 to 5. In both cases, the prices are extremely affordable. Since helping the underprivileged is the main goal here, the margins are very low and the difference between rural and urban prices exists because there is additional cost involved in running stores in Dhaka. Grameen UNIQLO wants to ensure that people can afford their clothes and also they want to ensure that people feel that they are getting more value in return for the price they are paying.

9.6.3 Place (Distribution) Strategy

In the rural areas, Grameen UNIQLO is using Grameen Ladies for the distributing products. These ladies are members of the Grameen Bank. They sell products going from door to door and also disseminate information regarding education and proper sanitation.

In the urban areas namely in Dhaka, Grameen UNIQLO has recently launched retail outlets in New elephant road and Banasree. They maintain a warehouse in Mirpur from which they distribute their products. In both rural and urban areas, Grameen UNIQLO has a well-functioning distribution strategy.

9.6.4 Promotion Strategy

This is where Grameen UNIQLO is struggling. They do not have a proper promotional strategy yet. People mainly the target customers do not know about it. They are not using any ATL or BTL techniques at the moment. They have just arranged a press conference to announce the opening of stores but it has not been followed up any other promotional activity. Their presence on social media i.e. facebook, twitter etc. is very weak. All in all, they need a strong promotional strategy to build a strong brand otherwise they will struggle.





Figure 18: 4Ps of Grameen UNIQLO

10 Recommendations

- 1) Replicate in other countries:** The social business model of Grameen UNIQLO has proven to be an extremely sound one. It has successfully been able to transform the lives of underprivileged people. It has been able to contribute positively towards the betterment of the society as a whole. It is related to the core business of UNIQLO and has been able to help those who are active stakeholders of UNIQLO's business. Grameen UNIQLO has been so successful that it is opening mainstream stores here in Bangladesh. This model should be replicated in other developing countries to improve the lives of people in need. There are many countries in Asia and Africa who would benefit from such a social business.
- 2) Implement a proper communication strategy:** As of now, Grameen UNIQLO's communication regarding its operations and activities has been very weak. Very few people actually know about it. Being such a noble and novel business idea, people especially the stakeholders should know about it. Currently, Grameen UNIQLO has no identity or presence in the minds of people. It should develop a comprehensive and cost effective communication plan to build a positive brand image. It should use an IMC plan utilizing both ATL and BTL techniques. It should bolster its presence on social media.

More importantly, it should propagate the social business model to make people aware of its effectiveness and benefits. Grameen UNIQLO is a pioneer in this regard and should be seen as one.

- 3) Sustainable expansion and growth:** Grameen UNIQLO should make a robust and sustainable business expansion plan for the future. As it is opening stores now, it should focus on increasing reach, improving customer satisfaction and strengthening sales and marketing efforts. It should focus on being a strong national brand and eventually go international.

11 Conclusion

As a developing nation, Bangladesh is plagued with a myriad of problems. Poverty, hygiene, education are prime among them. Yet, despite all of these problems, Bangladesh has surged forward clocking an impressive above 6% GDP growth rate for the past few years amid the global recession. One of the major contributors to this growth is the RMG sector. Bangladesh has become the supplier of choice to major retailers of the world owing to its cheap labor, investment friendly atmosphere and relevant infrastructure. UNIQLO is one of those retailers who came to Bangladesh to produce high quality yet affordable clothing. But unlike other retail brands, UNIQLO treats its production partners in Bangladesh as equals and regards them as irreplaceable components of its business. In line with that business mindset, UNIQLO has introduced a unique CSR activity to support the society. Through Grameen UNIQLO, the Japanese retailer wants to change the society for the better. The social business model is creating employment along with high quality affordable clothing. The profits generated are reinvested in the business. Through the Value Of \$1 project, Grameen UNIQLO is promoting education and hygiene among underprivileged and rural population. The Grameen UNIQLO project is truly unique and different from other conventional CSR activities where companies engage more in philanthropy rather than actual sustainable development. Grameen UNIQLO doesn't donate rather enables stakeholders to improve their lives. This is truly a laudable attempt by UNIQLO to change the world. If more engaging projects such as Grameen UNIQLO were put into motion by the corporate sector of Bangladesh, social problems such as poverty, poor sanitation, and illiteracy would be history.

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13 Appendix

1) Comptoir des Cotonniers

Company Introduction

Name: **Créations Nelson S.A.S.**
 Established: January 1, 2000
 Location: Paris, France
 Line of Business: The design, manufacture and retail of COMPTOIR DES COTONNIERS brand clothing for women and children.
 Number of Stores : 374 stores (As of February 28, 2014)
 * including franchise stores
 100% consolidated subsidiary

Business Overview

The Comptoir des Cotonniers (CDC) women's fashion brand grew from boutiques that opened in 1995 in Paris and Toulouse. CDC, a uniquely inspired brand known for its quality fabrics and sharp silhouettes, designs timeless collections full of French esprit for the modern woman.

CDC is a fashion label which offers French style and elegance that appeal directly to the modern, active city woman. Naturally, the new CDC collections also reflect the label's strong focus on and reputation for quality and attention to detail.

They continue to develop the French-based CDC brand as a luxury brand that offers women high quality, luxury fashion at affordable prices.

CDC became a consolidated subsidiary of Fast Retailing in fiscal 2005. At the end of fiscal 2013, the brand had a total of 375 stores: 226 stores in France, 96 stores elsewhere in Europe, 45 stores in Japan and other parts of Asia, and eight stores in the United States.

2) Princesse tam.tam (PTT)

Company Introduction

Name: **PETIT VEHICULE S.A.S.**
 Established: July 7, 1983
 Location: Paris, France
 Line of Business: The design, manufacture and retail of PRINCESSE TAM.TAM brand lingerie.
 Number of Stores : 151 stores (As of February 28, 2014)
 * including franchise stores
 100% consolidated subsidiary



Business Overview

Princesse tam.tam (PTT) is a French corsetry, homewear and swimwear brand. After winning acclaim in 1985 for lingerie that featured original prints and bright colors, the sisters Loumia and Shama Hiridjee opened their first store in the Saint Germain area of Paris in 1987. The brand concept of "lingerie made by women for women" resonates strongly and leads to repeat customers.

Benefitting from the expertise of the French corsetry industry, PTT garments are made from the finest lace, silks and cottons and crafted to the smallest detail. PTT won the prestigious Intimates and Swim Design Team Award at the 2013 Worth Global Style Network (WGSN) Global Fashion Awards. WGSN analyzes trends in the fashion industry and recognizes companies for innovation on a global scale.

PTT joined the Fast Retailing Group in fiscal 2006. At the end of August 2013, it boasted a network of over 1,000 outlets spanning 48 countries, anchored by a strong presence in leading department stores and boutiques in France such as Galeries Lafayette and Printemps. The first PTT store in Japan opened in fall 2012 inside Printemps Ginza.

3) GU

Company Introduction

Name: **G.U. CO., LTD.**
Established: September, 2008
Location: Midtown Tower 7-1, Akasaka 9-chome, Minato-ku, Tokyo 107-6231
Japan
Line of Business: The design, manufacture and retail of GU brand clothing and other goods.
Number of Stores: 250 stores (As of February 28, 2014)
* including franchise stores
100% consolidated subsidiary

Business Overview

GU's is able to develop fashionable apparel at amazingly low prices--this was something entirely new for the Japanese market. Harnessing UNIQLO's SPA (Specialty store retailer of Private label Apparel) business model, GU is a full-fledged apparel-making business, from product planning through design and manufacture, inventory control and production adjustment, all the way to store operation.

In September 2013, the opening of their first GU global flagship store outside of Japan in Shanghai sparked much conversation, and helped increase the visibility of the GU brand.

In fiscal 2013, the number of GU stores expanded to 214 (including the flagship stores in Shinsaibashi in Osaka, and in the Ikebukuro and Ginza areas of Tokyo), while sales expanded to 83.7 billion yen and



operating income to 7.6 billion yen. In fiscal 2014, they aim to open 70 GU stores and achieve sales of over 100 billion yen.

4) J Brands

Company Introduction

Name: **J Brand Holdings, LLC**
 Established: 2005
 Location: California, United States
 Line of Business: Design, manufacture and sale of apparel, with a focus of premium denim
 Sales Channel: Products are sold in over 2,000 specialty boutiques and luxury retailers in more than 20 countries worldwide
 Number of Stores: 2 stores (As of February 28, 2014)
 * including franchise stores
 80.76% consolidated subsidiary

Business Overview

J Brand is a Los Angeles-based contemporary fashion brand that specializes in denim. J Brand Holdings was founded in 2005 by Jeff Rudes, who is currently Chief Executive Officer of J Brand and Group Senior Vice President of Fast Retailing Co., Ltd. His 30 years of experience in the industry helped the company develop a variety of unique denim fabrics, and today J Brand is recognized for its sophisticated product design, beautiful silhouettes and perfect fit. In particular, J Brand's premium denim ranges for women are highly regarded by actresses, models and stylists in the United States. J Brand began selling casualwear to complement its denim ranges in fall 2012.

In December 2012, J Brand became a subsidiary of Fast Retailing. J Brand opened its first store in Japan in Osaka's highly popular Hankyu Umeda department store on October 9, 2013. J Brand products are currently sold in over 2,000 specialty boutiques and luxury retailers, mainly in the United States. They plan to actively expand and develop the brand's presence in Japan, other parts of Asia and Europe going forward.

5) Theory

Company Introduction

Name: **LINK THEORY JAPAN CO., LTD.**
 Established: December, 1998
 Location: Midtown Tower 7-1, Akasaka 9-chome, Minato-ku, Tokyo 107-6231 Japan
 Line of Business: Theory, HELMUT LANG, PLST
 The design, production and sale of women's and men's clothing.
 Number of Stores: 435 stores (As of February 28, 2014)
 *Including franchise stores



100% consolidated subsidiary

Business Overview

Founded in New York City in 1997 by a number of entrepreneurs including Andrew Rosen, Theory is a brand that appeals to the modern woman. The Theory concept is to create basic, fashionable clothes to suit a contemporary lifestyle. The stretch fabric used in Theory clothes fits well and creates a beautiful silhouette. In addition to the Theory brand, Link Theory Japan Co., Ltd. also boasts labels such as Theory luxe, Theory men, HELMUT LANG and PLST.

In 1999, Theory was introduced into Japan by the late Ricky C. Sasaki (former President and CEO of Link Theory Japan), a close associate of Andrew Rosen, who is now a Fast Retailing Group Senior Vice President. Winning the hearts of Japanese working women, Theory expanded swiftly. Fast Retailing first invested in Link Theory Japan in January 2004, subsequently making it a fully owned subsidiary in March 2009. In fiscal 2013, the company generated combined sales of about 70 billion yen from 411 stores located primarily in Japan and the United States.

Growth Strategy of Theory: Thriving on Passion and DNA

The Theory brand appeals to the contemporary, sophisticated urban consumer. The brand's passion and DNA, which have been the wellspring of the label's vitality since its launch in 1997, make Theory products stand out. As artistic director since the 2011 fall/winter collection, the renowned designer Olivier Theyskens has helped Theory evolve into an even more captivating brand. Building on its continued success in the United States and Japan, Theory has expanded its network in Europe and Asia as it carves out a powerful position in the global fashion industry.

In Japan, the Theory and Theory luxe brands have been selling well in department stores. The 2013 fall/winter collection showed the brand returning to its roots with a dark-shade, classic collection featuring mannish, sharp designs. In the United States, the Theyskens' Theory collections are extremely popular. The 2013 fall/winter collection featured "sophisticated girl" designs in monotone fabrics and meticulous attention to detail.

IHELMUT LANG, another Theory brand, staked its claim as a pioneer of minimalist clothing with the opening of its flagship store in New York's SoHo in fall 2013. HELMUT LANG has quietly grown in popularity as a brand offering lean, minimalist styles stripped of all ornamental features.

In addition, the Japan-born PLST brand is increasingly chosen by elegant, fashion-conscious consumers. The number of PLST stores expanded to 61 at the end of August 2013.

In fiscal 2013, the growing global presence of its brands helped the Theory business yet again generate record levels of sales and operating income.



Industry Ranking

Major Global Specialty Share Retailers of Private Label Apparel (SPA)

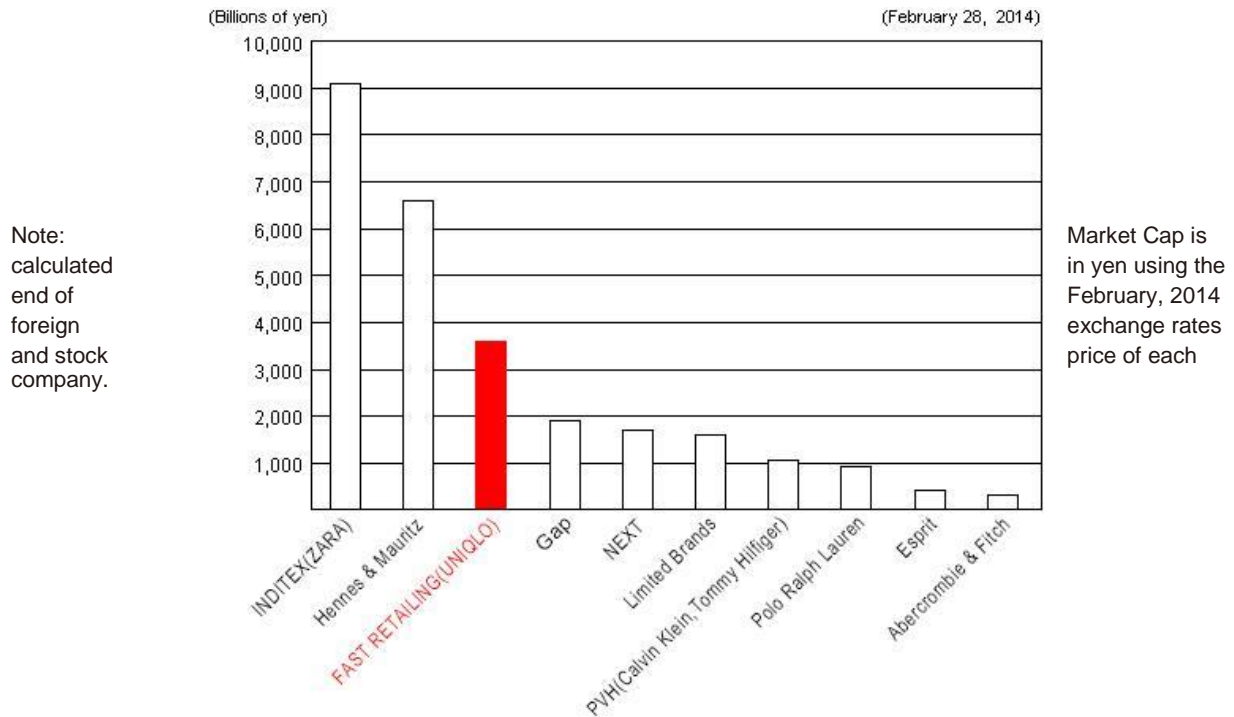
Company (Flagship Brand)	Name	Country	End Fiscal Year	of Sales (¥ Trillion)	Sales (Billions of dollar)	Change (%) (local base)		
INDITEX(ZARA)		Spain	Jan.	2014	2.33	22.92	+4.9	
Hennes & Mauritz		Sweden	Nov.	2013	2.01	19.73	+6.4	
Gap		USA	Feb.	2014	1.64	16.14	+3.2	
FAST RETAILING(UNIQLO)			Japan	Aug.	2013	1.14	11.21	+23.1
Limited Brands		USA	Feb.	2014	1.09	10.77	+3.0	
PVH(Calvin Klein, Tommy Hilfiger)		USA	Feb.	2014	0.83	8.18	+35.5	
Polo Ralph Lauren		USA	Mar.	2013	0.70	6.94	+1.2	
NEXT		UK	Jan.	2014	0.63	6.24	+5.4	
Abercrombie & Fitch		USA	Feb.	2014	0.42	4.11	-8.7	
ESPRIT		Hong Kong	Jun.	2013	0.34	3.33	-14.1	

Notes: Compiled from the annual reports of the companies listed above.

*Figures calculated in yen using the end of Feb, 2014 foreign exchange rates. (\$1=¥101.90)

SPA stands for "Specialty Store Retailer of Private Label Apparel", meaning its business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.

Worldwide Apparel Specialty Stores: Ranked by Market Capitalization



Japanese Domestic Clothing Retail Rankings

UNIQLO CO., LTD. was ranked first in the Nikkei Marketing Journal's "FY2012 Buying Power Rankings" for Japanese domestic apparel retailers published June 26, 2013.

Ranking	Company	Type of Business	Apparel Retail Sales (¥billion)	Y/Y (%)	% to Net Sales (%)
1	UNIQLO	Specialty Store	588.1	+4.0	100.0
2	Shimamura	Specialty Store	491.0	+5.3	100.0
3	Sogo and Seibu	Department Store	349.8	▲ 3.2	43.8
4	Takashimaya	Department Store	322.6	+1.4	47.4
5	Mitsukoshi Isetan	Department Store	305.9	▲ 3.0	48.7
6	Daimaru Matsuzakaya Department Stores	Department Store	270.9	+4.9	41.0



Social Business as CSR: A Study on Grameen UNIQLO

Ranking	Company	Type of Business	Apparel Retail Sales (¥billion)	Y/Y (%)	% to Net Sales (%)
7	Ito-Yokado	GMS	230.8	▲3.9	17.7
8	Marui Group	Holding Company	221.8	▲3.8	69.1
9	Department Stores	Specialty Store	199.0	-	100.0
10	Hankyu Hanshin	Department Store	189.2	+2.8	49.5

Notes: Taken from the "FY2012 Buying Power Rankings" published in the Nikkei MJ June 26, 2013).

UNIQLO's retail apparel sales only encompass the sales from directly-operated stores in Japan. This figure does not include the brand's direct sales (20.5 billion yen in sales from the online store) or the merchandise supplied to franchise stores (valued at 10.5 billion yen).

Results Summary

Consolidated Business Performance

Below is the summary announced on April 10 of Results for six months to February 2014

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2013		Year to Aug 2014			
	1H Actual	Full-year	1H Actual	(y/y)	Full-year Est.	(y/y)
Net Sales	614.8	1,143.0	764.3	(+24.3%)	1,370.0	(+19.9%)
Gross Profit (to net sales)	303.9 49.4%	564.0 49.3%	376.7 49.3%	(+24.0%) (▲0.1p)	686.5 50.1%	(+21.7%) (+0.8p)
SG&A Expenses (to net sales)	207.3 33.7%	431.0 37.7%	273.5 35.8%	(+32.0%) (+2.1p)	541.0 39.5%	(+25.5%) (+1.8p)
Operating Income (to net sales)	96.6 15.7%	132.9 11.6%	103.2 13.5%	(+6.8%) (▲2.2p)	145.5 10.6%	(+9.5%) (▲1.0p)
Ordinary Income (to net sales)	107.7 17.5%	148.9 13.0%	107.5 14.1%	(▲0.2%) (▲3.4p)	149.5 10.9%	(+0.3%) (▲2.1p)
Net Income (to net sales)	65.4 10.6%	90.3 7.9%	64.5 8.4%	(▲1.4%) (▲2.2p)	88.0 6.4%	(▲2.6%) (▲1.5p)

Performance by Group Operation

Social Business as CSR: A Study on Grameen UNIQLO

(Billions of Yen)

		Year to Aug 2013		Year to Aug 2014			
		1H Actual	Full-year	1H Actual	(y/y)	Full-year Est.	(y/y)
UNIQLO Japan	Net sales	387.2	683.3	405.5	(+4.7%)	715.0	(+4.6%)
	Operating income	68.9	96.8	70.2	(+1.8%)	100.0	(+3.3%)
	(to net sales)	17.8%	14.2%	17.3%	(▲0.5p)	14.0%	(▲0.2p)
UNIQLO International	Net sales	130.6	251.1	232.0	(+77.6%)	400.0	(+59.2%)
	Operating income	16.0	18.3	28.0	(+75.1%)	35.0	(+90.7%)
	(to net sales)	12.3%	7.3%	12.1%	(▲0.2p)	8.8%	(+1.5p)
Global Brands	Net sales	95.7	206.2	125.3	(+31.0%)	253.0	(+22.7%)
	Operating income	8.5	17.4	9.2	(+7.7%)	21.0	(+20.3%)
	(to net sales)	9.0%	8.5%	7.4%	(▲1.6p)	8.3%	(▲0.2p)

FY2014 First Half Highlights: First-Half Operating Income Rises 6.8%, All Business Segments Report Gains in Sales and Income

■Group Performance:

Net sales: JP¥ 764.3 billion (+24.3% year on year), operating income: ¥ 103.2 billion (+6.8%), ordinary income: ¥ 107.5 billion (-0.2%), net income: ¥ 64.5 billion (-1.4%). All Group business segments reported rising sales and operating income over the six-month period, with UNIQLO International's performance by far the strongest.

■UNIQLO Japan:

Reported rising sales and income, thanks mainly to a 2.2% year-on-year increase in same-store sales. Gross margin improved but SG&A to net sales ratio increased. Improvement in same-store sales and gross margin predicted to continue through the second half, but also expect further rises in personnel, distribution and warehousing costs.

■UNIQLO International:

Significant rises in both sales and income in the first half. UNIQLO operations in Greater China (China, Hong Kong and Taiwan), South Korea, the United States and Europe all outstripped expectations, while UNIQLO's Southeast Asian operation performed favorably and to plan. UNIQLO International is expected to continue to produce strong growth in the second half, with continued strong performances from UNIQLO operations in Greater China, South Korea and Southeast Asia. Losses at UNIQLO USA are expected to shrink, while profit at UNIQLO Europe is seen holding steady at the breakeven point, even when costs relating to the opening of the first German global flagship store are taken into account. Fiscal 2014 forecasts for sales and operating income have been revised up sharply. Total store numbers expected to expand by 186 to 632 stores at end August 2014.



■ Global Brands:

Reported gains in sales and income in the first half. Sales and income gains at GU were slightly lower than expected in the first half owing to some discounting on excess winter stock, but GU sales are still forecast to exceed ¥ 100 billion for the business year as a whole.

■ Fiscal 2014 Consolidated Estimates:

Group sales: ¥ 1.370 trillion (+19.9%), operating income: ¥ 145.5 billion (+9.5%), ordinary income: ¥ 149.5 billion (+0.3%), net income: ¥ 88.0bln (-2.6%), earnings per share: ¥ 863.50, annual dividend forecast: ¥ 300 per share (interim dividend: ¥ 150, year-end dividend: ¥ 150).

■ UNIQLO Japan

UNIQLO Japan reported gains in both sales and income in the first half of fiscal 2014 (September 1, 2013 to February 28, 2014). Sales reached ¥ 405.5 billion (+4.7% year on year) and operating income expanded to ¥ 70.2 billion (+1.8%). A 2.2% gain in same-store sales helped boost the first-half performance. Sales per store also increased as a direct result of their "scrap and build" strategy to increase the average size of their sales floors by replacing smaller outlets with large-format stores. The total number of UNIQLO stores in Japan increased by 3 to 831 stores at the end of February 2014 compared to end February 2013. This figure excludes the operation's 18 franchise stores. Breaking down the 2.2% gain in same-store sales, customer visits increased by 0.5% year on year, while the average customer spend also increased by 1.7%. On the profit side, the gross profit margin improved by 0.8 point year on year in the first half of the year. Meanwhile, the SG&A to net sales ratio increased 1.3 points due to a number of factors: higher in-store personnel costs for part-time and temporary workers, rising advertising and promotion costs, and an increase in distribution and warehousing costs related to the company's decision to boost inventory of basic year-round items.

Same-store sales are expected to continue expanding in the second half (March 1, 2014- August 31, 2014), and they also expect to see further improvement in the gross profit margin. However, they have made some downward revisions to their full-year estimates for UNIQLO Japan. Fiscal 2014 sales are now forecast to expand to ¥ 715.0 billion (+4.6%) and operating income to rise to ¥ 100.0 billion (+3.3%). The ¥ 5.0 billion downward revision in the sales forecast reflects the shortfall in sales in the first half, and the ¥ 14.5 billion downward revision for operating income incorporates the expected increase in personnel, distribution and warehousing expenses.

■ UNIQLO International:

UNIQLO International performance outstripped the company's forecasts to generate significant gains in both sales and income in the six months to February 28, 2014. UNIQLO operations outside Japan generated total net sales of ¥ 232.0 billion (+77.6% year on year) and operating income of ¥ 28.0 billion (+75.1%). Furthermore, this strong performance was not limited to one geographical area. Instead,



UNIQLO operations in Greater China (Mainland China, Hong Kong and Taiwan), South Korea, the United States and Europe all reported above-target results for the period. UNIQLO operations in Southeast Asia also performed favorably and to plan. The total number of UNIQLO International stores increased by 175 stores year on year to reach 534 stores at the end of February 2014.

UNIQLO Greater China outstripped company expectations in the six months to February 2014, generating significant gains in both sales and income. UNIQLO opened 46 stores and closed one store in this region over the six-month period, to bring the total number of UNIQLO stores in Greater China to 325 at the end of February 2014. UNIQLO's brand image enjoyed a huge boost in China with the opening of the biggest ever UNIQLO global flagship store in September 2013 in Shanghai. The store boasts an impressive sales floor spanning 6,600 square meters. UNIQLO South Korea also generated higher-than-expected gains in sales and income thanks to strong sales of core basic items. They opened 13 new stores and closed two stores in South Korea, bringing the total number of UNIQLO stores in that country to 116 at the end of February 2014. Operating losses at UNIQLO USA contracted dramatically in the first half year, thanks to a double-digit gain in combined sales generated by their UNIQLO New York Fifth Avenue and two other prominent New York stores, and thanks to favorable results from the 10 new UNIQLO stores opened in various shopping malls in fall 2013. UNIQLO Europe also reported double-digit gains in same-store sales. On the immediate horizon, they plan to enter the German market for the first time by opening a global flagship store in Berlin on April 11. They are also scheduled to open their first store in Australia on April 16 in Melbourne.

UNIQLO International is expected to display further strong growth in the second half from March to August 2014. Full-year forecasts for this business segment include sales of ¥ 400.0 billion (+59.2%) and operating income of ¥ 35.0 billion (+90.7%). They expect further strong growth at UNIQLO operations in Greater China, South Korea and Southeast Asia, while losses at UNIQLO USA are predicted to shrink in fiscal 2014. UNIQLO Europe is also expected to generate a firm performance on the profit front in fiscal 2014, with operating income holding steady at the breakeven point, even after incorporating costs relating to the opening of the first UNIQLO global flagship store in Germany. In light of the stronger-than-expected performance in the first half and foreign exchange gains generated from a weakening in the Japanese yen, they have decided to revise up their most recent fiscal 2014 estimates for UNIQLO International sales and operating income by ¥ 50.0 billion and ¥ 7.0 billion respectively. The total number of UNIQLO International stores is expected to increase by 186 year on year to 632 stores at the end of August 2014.

■ Global Brands

Their Global Brands segment reported rising sales and income in the six months to February 2014, with sales reaching ¥ 125.3 billion (+31.0% year on year) and operating income rising to ¥ 9.2 billion (+7.7%). Their GU casualwear brand did report a gain in both sales and income, but the result was slightly below their expectations. This shortfall was caused by heavy discounting on excess stock of outerwear in the second quarter. GU opened 40 new stores and closed their stores over the six-month period, bringing the total number of stores to 250 at the end of February. Their Theory fashion label reported a rise in sales, but operating income contracted slightly as the lackluster U.S. economy continued to dampen



Social Business as CSR: A Study on Grameen UNIQLO

department store sales, and both the Japanese and American Theory operations reported increases in advertising and personnel expenses. Their J Brand premium denim label was also adversely affected by poor conditions in the U.S. economy, and reported a lower-than-expected performance over the six months to February. Meanwhile, Comptoir des Cotonniers, generated larger-than-expected gains in both sales and income, while Princesse tam.tam performed roughly in line with expectations.

Over fiscal 2014 as a whole, the Global Brands segment is expected to generate sales of ¥ 253.0 billion (+22.7%) and operating income of ¥ 21.0 billion (+20.3%). Full-year sales at GU are still predicted to top ¥ 100.0 billion.

■ Fiscal 2014 Consolidated Forecasts

Regarding their consolidated business estimates for fiscal 2014, or the year ending August 31, 2014, they forecast Group sales will expand 19.9% year on year to ¥ 1.370 trillion, operating income will expand 9.5% to ¥ 145.5 billion, ordinary income will increase by 0.3% to ¥ 149.5 billion and net income will contract 2.6% to ¥ 88.0 billion. These figures would translate into earnings per share of ¥ 863.50. The entire store network for the Fast Retailing Group is expected to expand to 2,750 stores by the end of August 2014. This total breaks down into 857 UNIQLO stores in Japan (including franchise outlets), 632 UNIQLO stores outside Japan, and 1,261 Global Brands stores (including 277 GU stores). Their annual dividend forecast stands at ¥ 300 per share, split evenly into an interim and year-end dividend of ¥ 150 each

5 Years Financial Summary

Fiscal Years (Unit; Yen in Billion)					
	2009	2010	2011	2012	2013
Current Assets	298	345	369	424	640
Cash and Deposits	43	62	64	132	147
Marketable Securities	125	139	137	133	148
Inventories	74	74	92	98	166
Fixed Assets	165	161	163	170	245
Total Assets	463	507	533	595	885
Current Liabilities	175	202	182	173	253
Fixed Liabilities	26	16	31	26	52
Total Liabilities	201	219	213	200	306
Minority Interests				7	19
Net Assets	261	287	319	394	579
Total Liabilities, Minority Interests and Net Assets	463	507	533	595	885
Net Sales	685	814	820	928	1,143
Cost of Sales	341	420	425	475	564
SG&A expenses	232	288	309	349	431
Operating Profits	108	132	116	126	132
Income from Ordinary operations	101	123	107	125	148
Income before income tax and minority interests	95	116	93	123	141



Social Business as CSR: A Study on Grameen UNIQLO

Income Tax - Current	44	54	41	45	54
Income Tax - Deferred	0	0	▲4	3	▲6
Minority Interests	0	0	1	2	2
Net Income	49	61	54	71	90
<hr/>					
Cash Flow from operating activities	59	88	57	127	99
Cash Flow from investing activities	▲34	▲23	▲26	▲35	▲63
Cash Flow from financing activities	▲16	▲28	▲26	▲29	▲23
Increase/decrease of cash and cash equivalents	▲0	30	1	63	29
Amount of cash and cash equivalents	169	200	202	266	295

Note

Changes in Accounting Policies

The Company has made the following changes in its accounting policies in response to the passage of Japan's Company Law in May 2006.

Balance Sheets

The Shareholders' Equity section on the balance sheets has been eliminated, and a new section, Net Assets, has been added. With this change, all accounting items that can be classified as assets have been included under Assets, and all accounting items classifiable as liabilities have been included under Liabilities. Accounting items that are not classifiable as assets or liabilities have been entered under Net Assets, which is the numerical difference between total assets and total liabilities. For comparison purposes, the items formerly included in Shareholders' Equity have been included under Net Assets.

RETAILING 23 MANAGEMENT PRINCIPLES

- 1) Meet the needs of their customers and create new customers.
- 2) Put good ideas into practice, move the world, change society, and contribute to society.
- 3) Stay autonomous and independent without becoming subordinated to any company.
- 4) Look at reality straight into the eye, adapt to changing times, and proactively change yourself.
- 5) Ensure that each and every one of the employees is self-sufficient and self-reflective. Respect each and every employee and emphasize teamwork within a flexible organization.
- 6) Utilize skills from around the world. Establish their own unique corporate identity. Become truly global by developing products and business categories that receive the No.1 support from youths.
- 7) Be product-focused and store-focused, recognizing deep inside that the product and the store are the only direct contact points with customers.
- 8) All employees and all departments work together hand in hand for what is best for the entire company.
- 9) Need speed, motivation, innovation, and execution capability.
- 10) Be fair and square. Reward good conduct and punish evil doing. Evaluate strictly based on performance.
- 11) To attain high efficiency and high return to all stakeholders, improve the quality of management capability, eliminate waste thoroughly, and always think of profitability.
- 12) Analyze specific successes and failures in depth, store that information, and put them to use for the future.
- 13) Actively challenge. Do not shy away from difficulties and avoid competition.
- 14) Put their heart and soul into becoming a professional and win the game by delivering results.



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- 15) All employees should share a consistent long-term vision. Endeavor to practice what is right, what is small, what is fundamental. Look into the right direction and follow through till the end with persistence.
- 16) Their customers are buying their corporate stance, not just their products. Have a sharp sensitivity and pursue the essence of matters, not what is on the surface.
- 17) Always think positively, invest up-front, have hope for the future, and invigorate those around you.
- 18) The entire company, each team, and each individual should have a clear-cut goal, purpose, and concept.
- 19) Demand the highest level of ethics in your business and work.
- 20) Be the toughest critic to yourself. Change your behavior and approach to self-renew yourself.
- 21) Eradicate all discrimination, including race, nationality, age and gender.
- 22) Develop new businesses that can attain synergy and become No.1 in the field.
- 23) Eliminate silos and be project-based in order to understand from the bottom of the heart that an organization exists to get the job done and that employees and business partners exist to meet the needs of their customers.

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