

Medium-term Business Plan

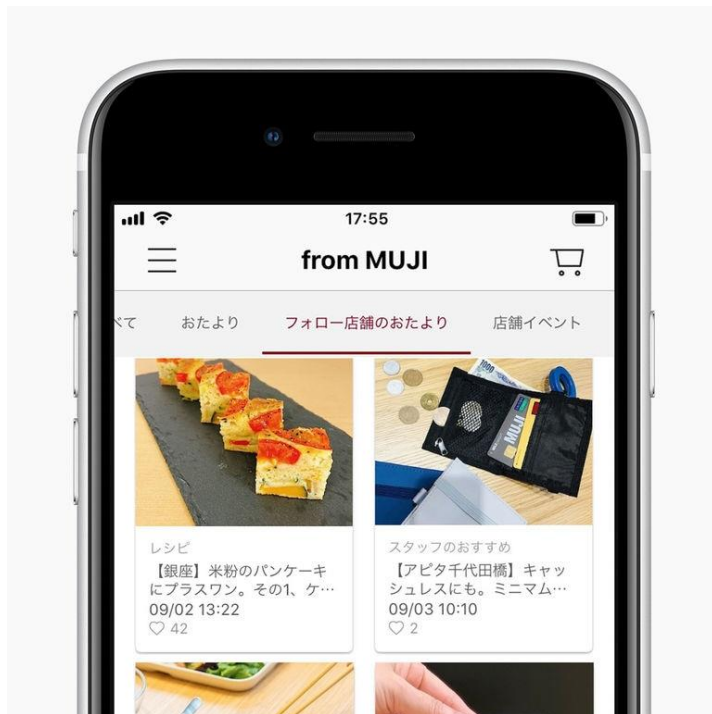
FY 8/2022 - FY 8/2024

Second Founding

Our Vision of the Future Society







Our Corporate Purpose

Redefining Our Corporate Purpose

- **To create better future society in 100 years, we redefine our corporate purpose at this "Second Founding".**

Our Corporate Purpose

- **Our corporate purpose is to contribute to the creation of “Truthful and Sustainable Life for All” through our products, services, stores and business activities; believing “human society rich in heart, with balanced relationship between human, nature and artifacts”.**

Our Two Missions

- **Mission 1: To provide daily necessities and services, in trustworthy quality with ethical value, at appropriate and affordable prices.**
- **Mission 2: To give positive influence on each local community through our stores. Stores will serve as local community center to collaborate with locals to encounter their issues.**

Our Core Value: To Contribute to Society and People

- **Through our products, services, and activities, we continue to contribute to the creation of ecological and sustainable society with resource-recycling. We make effort on reducing environmental burdens and respecting individual human rights through our product making, services and actions. They are developed on our core belief “To contribute to society and people” which makes each of our employees and associates to proactively respond to issues surrounding in our society and Earth.**

Our Management Policy: Public Interest and People-Centered Management

- **We practice Public-interest and People-centered Management, where each of our employees and associates contribute to public interest through business activities and locally-rooted stores. Each employee obtain sense of ownership to lead each activity.**

Enhancing Our Corporate Value: Creating Positive Impacts to the Society

- **As result of our actions, highly-profitable business structure including appropriate tax payment would be constructed, enabling appropriate profit returns to shareholders. Furthermore, we will strive to apply long-term value to the company, by making positive impacts on the society together with our stakeholders.**

2030 Vision

2030 Vision

- **To be a part of people's daily necessities:**

We become a part of people's daily necessities and become first choice for services and products such as clothing, households and food. Enable customers to easily purchase products and services of great value, at our stores located thoroughly in the country with completed distribution network.

- **To take roots on local society:**

We contribute and work together with locals to improve their communities and to encounter their local issues. We support their comfortable and energetic lives.

■ **Practice independent store management and co-owned management:**

Enable each store of MUJI to operate business and social activities independently as a representative of Ryohin Keikaku in each region; and be trusted and respected in each local community. Each associate will not only be leading the company's activities as a company representative in each region, but also as a business owner of the activity. Ryohin Keikaku Group will be a successful model of Public-interest/ People-centered Management and co-owned Management.

■ **Provide comfortable online services:**

We will provide new services using online platform; with appropriate use of technology respecting both technological convenience and heartfelt face-to-face contacts in stores and deliveries.

■ **To be a front runner of ESG management:**

We will become a front runner of ESG management, and will be highly regarded as a company supporting the basics of everyday life, contributing to local communities to solve issues, and practicing a new Public-Interest and People-Centered Management.

2030 Business Vision

■ Business models of locally-rooted stores with independent management.

- Provide the finest and unrivalled products and services in all variations that support people as daily necessities. Realize prices to be affordable to everyone while retaining best quality in products and services. We will strategically work on lowering prices by reducing gross profit margin, as well as keeping profit margin by reducing SG&A.
- Open stores with more than 2000m² sales floors in a residential area besides local supermarkets popular in the community. MUJI will function as a community center together with the supermarket and other local companies. It will not be just a place for shopping, but a fundamental spot to visit in people's daily life.
- Each Store manager and staffs will contribute to revitalization of local community as part of its member by (1) supporting solving agricultural and food problems by making connection and working together with local food producers and (2) solving local issues related to the public interest in conjunction with the local government.
- Provide heartfelt service through technology to support people, collaborating community center with mobility/delivery services. This leads sales ratio of E-commerce to be 30-50%.
- To secure profit margin, improve cost-effectiveness of facility maintenance and store operation by opening stores in residential areas, while improving logistic costs by developing efficiency in deliveries. They offset the strategic reduction in gross profit margin through price revisions.

2030 Business Vision

■ Visions for business range in each region

- In Japan, over the coming 10 years up to 2030, targeting to contribute to people all over the country, we plan an average increase of 100 stores per year, mainly besides supermarkets with sales of more than 2 billion yen. In mainland China, we plan an average increase of 50 stores per year, and an average increase of 30 stores per year in other regions of Asia.
- In Europe and North America, we will remain in relocation of existing stores, and not rapidly expand new stores. Instead, we establish our company model as a front runner of ESG business together with local stakeholders; regarding how lives and communities in sophisticated society should be, and how MUJI should act as cutting-edge player for local communities.
- Store opening plans:
 - Japan: 450 stores × 600 M yen (1000m²) → 1,500 stores × 1 B yen (2000 m²)
 - Asia: 470 stores × 270 M yen (700m²) → 1,200 stores × 700 M yen (1600 m²)

2030 Front Runner of ESG Management:

- **We will continue to brush up and refine our ESG perspective which we have had for 40 years since establishment of MUJI in 1980.**
- **As we move towards 2030, we will contribute to realization of ESG, making positive impact on society, encouraging people to take part in it.**

- **Actions to take for these goals:**
 - **ESG in products: By adopting circular design for all products and offering them at affordable prices, we will spread the idea of ESG widely to the world.**

 - **ESG in business activities: Along with our stakeholders, we will take actions to reduce social cost and environmental burdens. At the same time, we will contribute to solving social issues directly through our business activities.**

 - **ESG through activities in regions: We aim to bring positive influence on society by leading revitalization of local areas, through our activities together with the local.**

2030 Front runner of ESG management:

- **ESG in products:** By adopting circular design for all products and offering them at affordable prices, we will spread the idea of ESG widely to the world.
- **Thoroughly practice "Selection of Materials", "Streamlining of Processes" and "Simplification of Packaging" which we have practiced since our founding.**
- **Reduce environmental impact by promoting use of organic materials.**
- **Refurbish circular designs on products, considering recycles/reuse.**
- **Eliminate plastics in packages and materials.**
- **Guarantee trustworthy quality, as well as morality in process of procurement and production.**
- **Offer products at affordable prices so that anyone may join to be a ESG player together.**

2030 Front Runner of ESG Management:

- **ESG in business activities: Along with our stakeholders, we will take actions to reduce social cost and environmental burdens. At the same time, we will contribute to solving social issues directly through our business activities.**
- **Use of renewable energy**
 - **Adopt renewable energy**
 - **Install solar panels on store rooftops. Promote renewable energy in local communities.**
- **Reduce energy consumption by reducing social burden in logistics.**
 - **Reduce energy consumption by practicing shared logistics.**
 - **Reduce energy consumption by promoting local procurement which decreases long-haul transportation.**
- **Reduce energy consumption by promoting reuse of goods.**
 - **Reduce energy consumption by promoting reuse of goods as business with secondary markets and recycling.**
 - **Promote activities for people to join together, such as zero-waste, recycling and upcycling, by making cooperative agreements with local governments.**
- **Realizing multicultural society**
 - **Support multicultural society where every person's diversity is respected regardless of one's nationality, gender and race, by cooperating with government and NPOs.**
- **Contribute to economical development in producing area through our production.**
 - **Support new industries, economical development and enhancement in people's lives in developing countries through our activities; adopting local specialities and attractions to our production.**

2030 Front Runner of ESG Management:

- **ESG through activities in regions: We aim to bring positive influence on society by leading revitalization of local areas, through our activities together with the local.**
- **Instead of spending on advertisements, we invest on regional revitalization for local contribution valuing trustful relationship with the residents.**
- **Building systems to support revitalization of local areas.**
 - **Train community managers to lead regional revitalization.**
 - **Conclude cooperation agreements with local governments.**
- **Contribute to development of local community and industries.**
 - **Discover attractive specialties from the local and expose them as products, promoting sales.**
 - **Preserve traditional activities unique to the region, and carry out cultural and aesthetic events.**
 - **Apply opportunities for children and elderlies to connect. Develop community through events such as children's get togethers, festivals and canteen for children.**
 - **Support local entrepreneurs by providing community center as a place for business opportunities such as running shop stands and restaurants.**
 - **Establish a platform to support individual/social entrepreneurs.**
 - **Revitalize shopping streets. Apply efficient use for houses, school buildings and apartments that are no longer in use.**
 - **Create spaces/opportunities related to medical "prevention", "maintenance" and "treatment" to support people's healthy lives.**
 - **Promote recovery of primary industries. Contribute to industrialisation and launching social system for agriculture-and-foods supply, and forestry-and-architecture/space industry.**

2030 ESG Goals and Evaluative Benchmarks

- We explore ideal management for a company to serve public interest, by constructing evaluation benchmarks based on ESG philosophy, together with governmental authorities and academia.
- Simultaneously, we construct criteria and standards to evaluate and grade our contribution levels to the realization of “Comfortable life in Comfortable Society”.
- Examples of benchmarks that we will set:
 - The amount of carbon footprint reduction at logistics partners.
 - Progress in replacing local procurement/consumption.
 - Progress in shared logistics.
 - Scale of business in secondary market and recycling.
 - Level of support for foreign workers.
 - Number of community managers.
 - Number of local governments that have signed cooperation agreements with us.
 - Number of stores that have implemented zero-waste, food drive activities, and its number of participants.
 - Number of revitalized shopping streets and apartment complexes, and their related populations.
 - Number of individuals and social entrepreneurs that we assisted in establishing their business.
 - Scale of business in new industries related to agriculture and food.

2030 ESG Goals and Evaluative Benchmarks

- By 2030, we achieve the following existing standards for ESG, set as “Global standard”.
 - Eliminate plastic* in packaging and materials: 100%
 - Product design aligned with re-use/recycles: 100%
 - Reuse from collected plastic products: 100%

 - Use of organic materials and consideration in animal welfare for all natural fiber materials: 100%
 - Human rights due diligence on business partners, along from steps of raw material procurement: 100% exposure
 - List of major suppliers, traced back to raw materials: 100% exposure

 - Reduction of carbon footprint (Scope 1 and 2): 50% reduction
 - Stores equipped with renewable energy: 100%
 - Stores with our rooftops equipped with rooftop solar panels: 100%

 - Diversity & inclusion: Expose employee composition of age group, gender and nationality.

*Except for cases required for hygiene, quality and safety reasons.

Medium-Term Action Plan To be achieved by 2024

To be achieved by 2024

- Focus on Japan and mainland China to improve financial results by establishing the next MUJI (community-based business model centring on independent management of stores). Complete line-up of basic products and services that are daily necessities to people's everyday life. Also realize localization in each area and accelerate new-store openings while maintaining profitability.
- As for Taiwan, Thailand, Hong Kong and Korea, lower product prices than those of competitors to gain a wider range of customers. Also make sales floor size 2000m² to be a new standard, with appropriate variations of products covering daily essentials. More business growth is lead from expansion of new customer segments and active localization.
- As for South-east Asia and Oceania, lower the product prices than those of competitors. Also establish a profitable business model based on the new standard of sales floor size 2000 m², and an organizational structure that supports business expansion. Complete preparation for business expansion of new store openings from 2024 and beyond.
- As for India, Europe and North America, we will consider this term as time for restructure of the business and proceed on structural reform. Close unprofitable stores and rebuild stores one by one. Furthermore, in Europe, indicate and explore how lives and communities in sophisticated society should be, and how MUJI may be a cutting-edge player through activities with local communities, together with local stakeholders.

Action plan for FY2024

- 1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.**
- 2. Each stores have independent management to create a community-based business model. Accelerate new store openings with the business model, while maintaining profitability.**
- 3. Develop organizational culture in which all associates work proactively, leading independent growth in each store, region and country.**
- 4. Compose business infrastructure and headquarter functions to support independent store management and localization.**

1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.

- ① Basic products to achieve No.1 in competitiveness, by refurbishing them thoroughly with perspectives of daily use; including variations, quality, price, and significance.**
- ② Newly-established Development & Production Team will lead two issues; reducing costs of products and contributing to regional development in the producing area.**
- ③ Prevent shortage and excess inventory through reinforcement of supply chain management with Merchandising Planning Team, professionally in full operation.**
- ④ Build sustainable businesses in agriculture and food, which covers tasks for regional development.**
- ⑤ Launch Space Design Office for renovations and space designs that supports people in wide range; such as issues from daily living to forestry/environment.**
- ⑥ Launch group of services to support people's daily life such as healthcare and house organizing.**

2. Each stores have independent management to create a community-based business model. Accelerate new store openings with the business model, while maintaining profitability.

- ① Establish community-based business model, through newly launched Regional Business Unit.**
- ② Double the pace of store development by opening new stores in residential areas. Net increase 100 stores per year in Japan, 50 stores per year in mainland China.**
- ③ Improve store cost efficiency by opening stores in residential areas with lower rent and independent cost management in stores. This offsets decrease in strategic gross profit margin due to price reductions.**
- ④ Beyond regular E-commerce, it supplies new services in sync with stores such as agriculture/food related businesses and secondary market businesses, with newly developed professional digital team.**

3. Develop organizational culture in which all associates work proactively, leading independent growth in each store, region and country.

- ① Build the top Management Team that leads the Second Founding.**
- ② Produce large number of managers/executives, by recruiting professionals, strengthening training programs, and renewing internal promotions.**
- ③ Promote initiatives to communicate and pass on MUJI's philosophy with all the employees.**
- ④ Develop corporate culture to appreciate “self-motivated action”, “independence” and “teamwork”.**
- ⑤ Install operations to realize co-owned business.**

4. Compose business infrastructure and headquarter functions to support independent store management and localization.

- ① Strengthen human resources and improve headquarter efficiency for administration departments; i.e., Finance, HR, IT, Logistics, Legal Affairs, Internal Auditing.**
- ② Strengthen IT Team by recruiting professionals. Launch ERP system globally.**
- ③ Build efficient logistics structure from aspect of total social cost, including logistics in procurement, stores, and home deliveries.**
- ④ Build platforms to support business activities and localization activities of stores (payment & finance, collaboration with government, development in human resources etc.).**
- ⑤ Establish risk management functions.**

Target figures

Plan FY2024

■ Forecast for FY ending August 2021 (Disclosed)

■ Sales	490 billion yen (Japan 300 billion + Oversea 190 billion)
■ Operating profit	49 billion yen
■ Operating profit margin	10%
■ ROA/ROE*	13%/18%

■ Plan FY ending August 2024

■ Sales	700 billion yen (Japan 450 billion + Oversea 250 billion)
■ Operating profit	75 billion yen
■ Operating profit margin	11%
■ ROA/ROE*	15% or more/15% or more

■ Premises

■ Growth of existing stores	102% / year
■ Number of stores	980 → 1,300 stores
■ Average area	800 → 1,000 m ²
■ EC ratio	10% → 15%

*ROA: ratio of ordinary profit to total assets, ROE: ratio of net income to equity

Target FY2030

■ Target for FY ending August 2030

■ Sales	3 trillion yen
■ Operating profit	450 billion yen
■ Operating profit margin	15%
■ ROA/ROE*	15% or more/15% or more

■ Premises

■ Number of stores	2,500 stores
■ Average area	1800 m2
■ EC ratio	30%

*ROA: ratio of ordinary profit to total assets, ROE: ratio of net income to equity

(Details)

1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.

- ① Basic products to achieve No.1 in competitiveness, by refurbishing them thoroughly with perspectives of daily use; including variations, quality, price, and significance.**
 - Be a first choice with 100 basic items for daily necessities, in terms of prices, quality, and context delivered through mature sales floor.
 - Carry out price revisions. Prices will be adequately lower than those of our competitors while maintaining the required quality.
 - Offer all necessary items in everyday life including consumable products and medication.
 - Having consumer's perspective, expand line-ups of items often used repeatedly in everyday life, while dropping redundant SKUs.
 - Make products fully sustainable. Reduce use of plastic and be environmentally friendly with recycles and ethical production/procurement.
 - Having consumer's perspective, develop new products to represent MUJI's concept, which could become new product category.

1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.

② Newly-established Development & Production Team will lead two issues; reducing costs of products and contributing to regional development in the production area.

- **Launch and develop Development & Production Team, and Local Office to 100-person organization, to enhance production management level.**
- **Complete procurement and production platforms with supplier network for each product group, to achieve cost reduction with decent quality.**
- **Increase efficiency in production process by examining smoothed production at factories. Simultaneously, enable production adjustment in-season.**
- **Encourage economical development in regions of production and improve their lifestyles; by constructing primary and secondary industry in the region.**

1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.

③ Prevent shortage and excess inventory through reinforcement of supply chain management with Merchandising Planning Team, professionally in full operation.

- Strengthen Merchandising Planning Team by recruiting professionals. Be ready to deploy 20 people to oversee business units.**
- Re-organize stock locations and volume of inventories in each product, regarding sales volume fluctuations, production/delivery lead time, and cost.**
- Prevent shortage and excess inventory by synchronizing SKU basis with corporate financial plan, sales plan, production plan, and procurement plan.**
- Prevent shortage and excess inventory at each store, by training store managers on sales and purchase planning. The training program will be led by Merchandising Planning Team.**
- Reconstruct planning functions in IT system in large scale, to meet sophisticated business process.**

1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.

④ Build sustainable businesses in agriculture and food, which covers tasks for regional development.

- Launch food industries based on food processing, connecting local agriculture and customers, in conjunction with local governments.**
- Launch food delivery business applying techniques in preservation such as freezing. Tie delivery business with home monitoring services.**

1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.

(5) Launch Space Design Office for renovations and space designs that supports people in wide range; such as issues from daily living to forestry/environment.

- **Launch Space Design Office for homes, business offices and public facilities; designing, renovating, constructing, including its management.**
- **The Space Design Office designs lifestyles, work styles, and local area revitalization, in addition to physical space design.**
- **Create business from procurement and production of materials, cooperating with forestry industry and local government. Contribute to solve issues of the forestry industry.**
- **Establish an organization capable of accomplish above by recruiting professionals and collaborating with business partners.**

1. Complete the finest and unrivalled products that support people as daily necessities, including their processes of procurement and production.

(6) Launch group of services to support people's daily life such as healthcare and house organizing.

- **Establish MUJI Support as a business, including services such as laundry, repairs, cleaning, moving, etc.**
- **Launch healthcare related services, in addition to offering medications at the stores.**
- **Launch services related to decluttering, and recycling of unused items to achieve zero-waste.**

2. Each stores have independent management to create a community-based business model. Accelerate new store openings with the business model, while maintaining profitability.

① Establish community-based business model, through newly launched Regional Business Unit.

- **We envision to gain following sales and stores per area with population of 600,000: One 6,500m² store offering entire variety of products and services, called as “Everything-you-need” stores (2.5 billion yen in sales) and six standard stores of 2,000 m² next to food supermarkets (1 billion yen in sales). In addition, sales from stores adjacent to stations, convenience stores, and new home-delivery services will lead total sales of 9 billion yen.**
- **Managers of Regional Business Unit are chosen to be a passionate person for the region, assigned from executive directors to department managers. One is responsible for all regional effort; including new stores development, business operations, agriculture/food, localization, and new services such as decluttering, moving, new-home-deliveries, mobile sales, etc.**
- **Each store will contribute to revitalization of the locals through sales of the local products such as community markets, leading resolution of public interest issues such as zero waste, collecting recycles, and preventing food loss, in cooperation with the government.**
- **Begin with 10 regions including "Kyoto/Nara/Minami-Osaka", "Chiba", "Southern Yokohama", "Hiroshima" and "Hokkaido" as a start.**

2. Each stores have independent management to create a community-based business model. Accelerate new store openings with the business model, while maintaining profitability.

②Double the pace of store development by opening new stores in residential areas.

- **New store opening will be accelerated to net increase of 100 stores/year in Japan and 50 stores/year in mainland China by 2024.**
- **Standard stores with 2,000-2,500m² will open adjacent to local food supermarkets with 2 billion yen sales or more.**
- **Launch “Everything-you-need” stores with 6,500m²-10,000m², serving as well as local depot. Target to open 5 new stores per year.**
- **In urban areas where railroads are essential to daily life, we target to open stores of 300m² adjacent to every station, such as inside station buildings or near them.**
- **Establish new sales channels such as “convenience stores” and “roadside farmers’ markets”.**
- **Reinforce organizational structure that not only members in New-store Development Team but also each store staff provokes activities for regional development and revitalization.**

2. Each stores have independent management to create a community-based business model. Accelerate new store openings with the business model, while maintaining profitability.

③Improve store cost efficiency by opening stores in residential areas with lower rent and independent cost management in stores. This offsets decrease in strategic gross profit margin due to price reductions.

- **Refurbish HR management systems and training programs in stores to encourage all staff to lead store management. Reward staffs with achievement, to raise productivity in independent management.**
- **Optimize work-schedules at stores. Increase productivity by shifting staff to busy days/times.**
- **Reduce amount of workload at stores for better efficiency. Simplify operations at cashiers by utilizing RFID on all the products.**
- **Minimize cost for new stores by opening in residential areas with lower rent and with smaller investment. Shift from percentage rent to fixed rent, so that rent ratio decrease as sales efficiency increase.**

2. Each stores have independent management to create a community-based business model. Accelerate new store openings with the business model, while maintaining profitability.

④Beyond regular E-commerce, it supplies new services in sync with stores such as agriculture/food related businesses and secondary market businesses, with newly developed professional digital team.

- Reinforce team capable of building and operating new digital services beyond regular E-commerce, by recruiting about 100 professionals.
- Create websites and smartphone applications that serves perfectly as “shopping platform”, “product catalog”, and “information source”.
- Digitalize all the logistics related services such as home delivery, purchase-by-order, receiving of goods, etc. Let all services to be served completely in application.
- Complete E-commerce linked with stores, such as online consultations, live commerce, etc.
- Build structure and system that support direct communication between store and customers.
- Build infrastructures (website, payment, logistics) to directly connect producers and customers, in order to realize new business of agriculture and food.
- Build infrastructures (website, payment, logistics) for repair service, secondary market, and recycling.

3. Develop organizational culture in which all associates work proactively, leading independent growth in each store, region and country.

① Build the top Management Team that leads the Second Founding.

- Enhance quality of top management by recruiting new executives/ general managers and promotion of young members.**
- Compose top management team for Mainland China business. Recruit management members locally and activate the team for independent growth and positive development.**
- Build management structure for Korea, Taiwan, Hong Kong and Thailand business. Local prominent staffs are assigned to join the local management team.**

3. Develop organizational culture in which all associates work proactively, leading independent growth in each store, region and country.

②Produce large number of managers/executives, by recruiting professionals, strengthening training programs, and renewing internal promotions.

- **Recruit 150 store-manager candidates every year, from new graduates and year-round recruitment. Hold recruitment information sessions throughout the year.**
- **Set becoming a store manager within two years to be a standard career. Provide career paths to become an executive officer in eight years for those with outstanding abilities.**
- **Raise 100 new community managers every year to support solving local issues regarding public interest.**
- **Launch HR management system to set stores at the center of business. Appoint corporate executive director from one of the best community managers.**
- **Replace 30% (around 200) of the headquarters' staff with newly recruited professionals. Cooperate with existing members to enhance the whole level as professionals.**
- **Establish training programs on product management, store management, and administrative management, all of which are necessary for a retail business owner.**
- **In each business region, recruit store-manager candidates from the local and train them to become future management executives.**

3. Develop organizational culture in which all associates work proactively, leading independent growth in each store, region and country.

③Promote initiatives to communicate and pass on MUJI's philosophy with all the employees.

- Establish training programs conducted by advisory board members.**
- Practice MUJI's philosophy at all stores; contributing to local area revitalization through exploring/developing local products.**
- Practice tangible social activities embodies MUJI's philosophy, such as revitalizing local “dead malls” and shopping streets with empty stores.**

3. Develop organizational culture in which all associates work proactively, leading independent growth in each store, region and country.

④ Develop corporate culture to appreciate “self-motivated action”, “independence” and “teamwork”.

- **Rearrange HR management system that evaluates one’s achievement based on process of self-planning and actions with leadership and responsibilities.**
- **QC/IE activities are promoted spontaneously by stores for improvement.**

3. Develop organizational culture in which all associates work proactively, leading independent growth in each store, region and country.

⑤ Install operations to realize co-owned business.

- **Adopt large-scale ESOP program to develop sense of ownership in employees.**
- **Conduct meetings with all employees. Give opportunities for every employees to exercise governance over management; and enable them to share information and discuss about company-wide management with every employees.**
- **In addition to the standard governance model, create **four** additional governance systems: “Board of directors”, “Advisory board”, “Employees shareholders”, and “Local communities”.**

4. Compose business infrastructure and headquarter functions to support independent store management and localization.

- ① Strengthen human resources and improve headquarter efficiency for administration departments; i.e., Finance, HR, IT, Logistics, Legal Affairs, Internal Auditing.**
 - In administrative field, upgrade the whole level of associates as professionals by recruiting directors and general managers to cooperate with existing staff.**
 - Segment Ryohin-Keikaku Japan into fields of “Japanese Market Business Unit” and “Global Headquarter”. Consolidate functions globally.**
 - Operate whole headquarter cost at 5% to global sales. Implement mechanisms and systems to allow transparency in management with effective governance.**

4. Compose business infrastructure and headquarter functions to support independent store management and localization.

② Strengthen IT Team by recruiting professionals. Launch ERP system globally.

- **Triple the number of employees in the IT team to 80 by recruiting professionals.**
- **Improve ERP system and basic operations to be globally unified, in each country and region. Trainings are provided to each operators.**
- **Launch operations and systems to be an operational platform to support independent store business activities; supporting individual management of sales planning, ordering and laying in.**

4. Compose business infrastructure and headquarter functions to support independent store management and localization.

③ Build efficient logistics structure from aspect of total social cost, including logistics in procurement, stores, and home deliveries.

- Reorganize production sites and logistics structure from aspect of COGS structures. Install adequate transportation with efficient use of trucks.**
- Reduce costs in logistics in both public and private, by reorganizing our delivery system in collaboration with other companies.**
- Organize logistics systems (in distribution centers and deliveries) to encourage independent improvement in productivity.**
- Apply “Everything-you-need” stores (6,500m²-10,000m²) as local depots and bases for regional delivery service.**
- Establish logistic networks and repair studio networks to underpin development of secondary market, recycling and collections of unused goods.**

4. Compose business infrastructure and headquarter functions to support independent store management and localization.

④ Build platforms to support business activities and localization activities of stores (payment & finance, collaboration with government, development in human resources etc.).

- Install new payment systems that are fundamentally trustful and mutually beneficial for both consumers and producers.**
- Build financial and HR training structure to support social entrepreneurs and creation of new industries.**
- Build structures to support businesses related to revitalization of local towns, such as energizing “dead malls” and shopping streets with empty stores.**
- Conclude cooperation agreements with governments, and build partnerships with NGOs/NPOs.**

4. Compose business infrastructure and headquarter functions to support independent store management and localization.

⑤ Establish risk management functions.

- Complete risk management for each step in supply chain, including raw material procurement.**
- Apply real-time transparency in financial planning including inventories and purchase orders by installing global system.**
- Establish personal information management system that complies to GDPR, in every country we develop business.**
- Address geopolitical risks. Companies in every region/country establish business structure to allow independent and self-reliant operation.**
- Suppress violation of laws, regulations, and compliances in each region by restoring management systems.**