

MUJI

REPORT 2021

RYOHIN KEIKAKU CO., LTD.

Information Resources

Financial Information	Non-Financial Information
<div style="border: 1px solid black; padding: 10px; text-align: center;"> MUJI REPORT Information on medium-to-long-term value creation </div>	
Securities Report (Japanese only) Consolidated Financial Results Investor Relations (website) https://ryohin-keikaku.jp/eng/ir/	Sustainability (website) https://ryohin-keikaku.jp/eng/sustainability/

Contents

Introduction	Our Philosophy	3
	Our History	5
	The Ryohin Keikaku Group in Numbers	7
Medium-term Business Plan	Message from the President	9
	Roadmap – 2030 Vision and Way Forward	15
	Message from an Executive Officer	17
Business Strategy	Global Strategy	21
	Core Product Lineup and Procurement and Production Processes	25
	A Community-Based Business Model	31
	Corporate Culture Reform	33
Sustainability	MUJI's Goals	41
	A Leader in ESG Management	43
Basic Information	Management Team	57
	Messages from Outside Directors and Message from an Outside Corporate Auditor	61
	Corporate Governance	65
	Financial and Non-Financial Highlights	71
	11-Year Summary	73
	Consolidated Financial Statements	75
	Stockholder Information	79
	Corporate Information	80
	Global Network	81

Editorial Policy

This report is intended to lead to dialogue with stakeholders by presenting goals for medium-to-long-term value creation, management policies, business conditions, and other information based on the philosophy and mission of Ryohin Keikaku, which is aiming to help create “a truthful and sustainable life for all.”

Note: In this report, amounts and number of shares that are less than one unit are rounded down, and all ratios and percentages are rounded to the nearest whole number.

Scope of This Report	Consolidated subsidiaries and consolidated companies of Ryohin Keikaku Co., Ltd.
Period Covered	Fiscal year ended August 2021 (September 1, 2020 to August 31, 2021) Note: Information outside this period is reported when it is appropriate to show past events and data or recent examples.

Forward-Looking Statements

This report contains forward-looking statements and projections. These statements and projections are based on the Company's judgments at the time the report was produced, and include risks and uncertainties. Changes in various factors could cause actual results to differ materially from forward-looking statements and projections contained herein.

Introduction

Our Philosophy





Our Corporate Purpose

Our corporate purpose is to contribute to the realization of a truthful and sustainable life for all through our products, services, stores and business activities that consider the ideal relationship among people, nature and products, as well as a generous human society.

Our Two Missions

Mission 1: To provide products and services that are essential to daily life, with genuine quality and ethical value, at fair and affordable prices.

Mission 2: To serve each local region by making our stores community centers that work with stakeholders to tackle local issues and make a positive impact in the region.

Our Core Value

We make efforts to reduce our environmental burden and to respect individual human rights through our manufacturing, services and actions. Through our core value of “contributing to society and people” our employees and associates will proactively respond to issues facing society and the Earth.

Our Management Policy

We will practice “public-interest and people-centered management,” where each of our employees and associates contribute to the public interest through our business activities and locally rooted stores, have a sense of ownership and take leading roles in the community.

Enhancing Our Corporate Value

Through our activities, we will create a highly profitable business structure, pay taxes properly and return profits to shareholders appropriately. Furthermore, we will strive to create long-term value for the Company by making a positive impact on society together with stakeholders.

Introduction

Our History

History of Ryohin Keikaku

1980

Seiyu Co., Ltd., a Japanese retail company, established Mujirushi Ryohin (MUJI) as its private brand

1983

First directly managed store, MUJI Aoyama, opened in Japan

1985

Mujirushi Ryohin Division established within Seiyu

1986

Production and procurement started outside Japan

1989

Ryohin Keikaku Co., Ltd. established

1991

Began business outside Japan (First store in U.K. and first store in Hong Kong opened)

1995

MUJI Tsunan Campsite opened

2000

Listed on the first section of the Tokyo Stock Exchange
MUJI.net Co., Ltd. established (currently MUJI HOUSE Co., Ltd.)

2001

MUJI Yurakuchō opened

2005

MUJI (Shanghai) Company Limited established

2006

Business transfer from IDEE Co., Ltd.

2007

First store in U.S. opened

2011

Found MUJI Aoyama opened

2012

Muji Retail (Thailand) Co., Ltd. established

1980-2000

Mass production, mass consumption and mass disposal

2000-2015

Social disparity, quality scandals and population decline

Social Issues

Our Perspective

Activities

How things should be

The relationship between daily life and things (objects)

MUJI was created in 1980 in Japan as the antithesis of the consumption society. In a booming economy, expensive brand-name products were gaining popularity, but on the other hand, poor-quality, low-priced products were also appearing on the market, causing a polarization in consumption patterns. In that context, MUJI was conceived as a critique of this prevailing condition, giving no-brand (*mujirushi*) items the value of "good products" (*ryohin*) with the purpose of restoring a vision of products that are actually useful to customers and maintaining an ideal of the proper balance between modern living and the objects that make it possible. MUJI's approach to manufacturing focused on eliminating excess, and started from selection of materials, streamlining of processes and simplification of packaging.

Following the period of high economic growth, economic disparity widened as Japan entered the 21st century. MUJI sought to give customers a sense of rational satisfaction, expressed not with "This is what I really want," but with "This will do." We pursued an extremely rational manufacturing process to refine quality and strip away frills. As a company that proposes a way of living, we also began offering houses, which are a symbol of daily life.

Eliminate excess

**Flexibility of use/
How things should be**

**Proven environmental
friendliness and reliability**

1980-1988

Household goods and food



1989-2000



2001-2015



Apparel



Furniture



Bicycles



Home appliances



Cosmetics products



Campsites



Houses



2013

Joined UN Global Compact
Launched MUJI passport smartphone app

2014

MUJI Sino-Ocean Taikoo Li Chengdu, the global flagship store in China, opened

2015

Began ReMUJI recycling initiative

2016

Entered the market in India as the first Japanese retailer there

2017

Number of MUJI stores surpassed 400 both in Japan and overseas

2018

Began sales of frozen food

2019

MUJI Ginza, MUJI Diner and MUJI HOTEL GINZA opened

2020

Established production management base in Vietnam
Launched MUJI passport Pay service

2021

Made a new start with our
“Second Founding”

Operating revenue

JPY 453.6 billion

Operating profit

JPY 42.4 billion

2016-2020

Aging society, rural depopulation and labor shortage

“A truthful and sustainable life for all”

With Japan's population declining, the number of workers continued to decrease until the mid-2010s. Since then, however, more women have joined the workforce. As a result, the number of households where both spouses work has increased, magnifying the need to simplify and streamline housework. MUJI responded by providing functional, streamlined products that help simplify and beautify people's lives with “conscience and creativity,” and has contributed to solving social issues by proposing ideas for peaceful, relaxed living.

2021 -

Climate change, natural disasters and changes in daily life and values due to COVID-19

“A truthful and sustainable life for all,” and beyond

The increasing severity of natural disasters and the COVID-19 pandemic have dramatically altered people's values. We believe that we should rethink the way we live. MUJI will offer products that are useful and truly essential, and are good for the environment, to producers as well as local communities at affordable prices. We will also evolve our efforts to help solve local issues, and contribute to the harmonious coexistence and development of daily life, culture and the environment together with local communities. For the future, we are picturing “a truthful and sustainable life for all” that promotes unique economic activities, no matter how small, and a society with rich culture under the concept, “We're in this together.”

Emotions,
tranquility and relaxation

Sophistication
and rationality

Connection,
agreement and empathy

2016-2020

From
products to
lifestyle
options



Hotel



Mobile
sales



Community
revitalization



2021-



Introduction

The Ryohin Keikaku Group in Numbers

In the 41 years since the creation of MUJI, we have continued to design and manufacture no-frills, quality products by focusing on selection of materials, streamlining of processes and simplification of packaging. The foundation of our ideology has not changed since MUJI's inception, and like a compass pointing north, it continues to orient us toward the essential and universal aspects of daily life.

Operating Revenue

JPY **453.6** billion



Price revisions, food sales and opening of new stores in residential areas drove growth in operating revenue.

Operating Profit

JPY **42.4** billion



Operating profit was JPY 42,447 million as a result of ongoing efforts to control SG&A expenses. Profit attributable to owners of parent was a record JPY 33,903 million.

ROE (Return on Equity)

17.3%



ROE for the fiscal year ended August 31, 2021 was 17.3%. We are working to improve capital efficiency with the goal of maintaining ROE at 15% or higher.

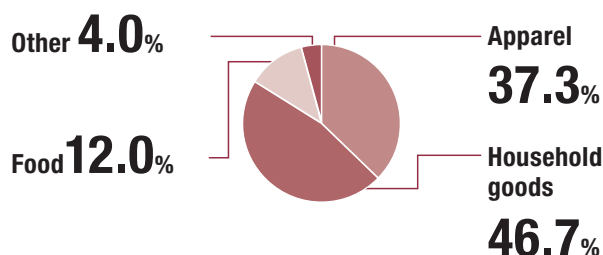
ROA (Return on Total Assets)

12.3%



ROA for the fiscal year ended August 31, 2021 was 12.3%. We are working to improve capital efficiency with the goal of maintaining ROA at 15% or higher.

Operating Revenue by Product Category



Dividend Payout Ratio

31.8%



We are committed to returning profits to our shareholders with a target annual payout ratio of 30% of consolidated earnings. The dividend for the fiscal year ended August 31, 2021 was JPY 40.0 per share.

Number of Stores

1,068 stores



We operate 497 stores in Japan and 571 stores overseas. This includes licensed stores, Café&Meal MUJI and IDÉE. (As of August 31, 2021)

Countries/Regions Where We Operate

32



We operate in 32 countries and regions, including Japan. (As of August 31, 2021)

Number of MUJI Products

Approx. **7,500**



This number includes apparel, household goods and food items.

Percentage of Women in Management Positions

35%*



There are 221 women in management positions, including store managers at directly managed stores in Japan, accounting for 35% of all management positions.

Recycling of Textiles

66.9 tons/year*



With the aim of building a recycling-based society, we have been collecting textiles since 2010. We recovered 66.9 tons of textiles in the fiscal year ended August 31, 2021.

Volume of Plastic Bottles Collected

729 kilograms*



MUJI collects and recycles plastic bottles as part of its efforts to reduce plastic waste. Used bottles of Toning Water and other products sold by MUJI are collected for recycling in order to reduce plastic waste and make effective use of petroleum-derived raw materials.

Cumulative Total of Registered Members of MUJI Passport and Other Apps

59.2 million



The MUJI passport app is now available in eight countries and regions, including Japan (as of August 31, 2021). Registered members of various communication apps have been included from the fiscal year ended February 2019 in Japan, and from the fiscal year ended February 2020 in mainland China.

Number of Local Cooperation Agreements Signed

20*



In our efforts to realize "a truthful and sustainable life for all," we are engaged in various local revitalization initiatives together with local governments and residents. As of October 31, 2021, we had 20 cooperation agreements with 17 local governments in Japan.

Number of Stores with Water Refill Stations

315*



To reduce plastic waste, we have set up water refill stations in MUJI stores. This is a free water dispensing service that uses tap water and is available to anyone who brings their own bottle. (As of August 31, 2021)

FTSE Russell ESG Ratings

4.2



In June 2021, Ryohin Keikaku Co., Ltd. was selected for the first time as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index.

* Ryohin Keikaku Co., Ltd. only

Message from the President



Being an indispensable part of daily life for people and taking root in local society: These are two major themes for us as we work to build the future together with local communities.

Nobuo Domae

President and Representative Director

With our “Second Founding,” we will work to create a better world 100 years from now.

On behalf of all of us at Ryohin Keikaku, I want to express my sympathies to the many people who have been affected by the COVID-19 pandemic. I hope that the lives of everyone can return to normalcy very soon.

We are redefining our corporate purpose by reexamining the origins of Ryohin Keikaku.

In the fiscal year ended August 31, 2021, the COVID-19 pandemic impacted our operations in various ways, including shorter business hours at stores, but strong sales in Japan and improved earnings overseas led to growth in revenue and profits.

We introduced a new management structure in September 2021, which we consider our “Second Founding,” and began by redefining our corporate purpose with the aim of creating a better world 100 years from now. The medium-term business plan we launched in July 2021 incorporates the actions we will take in our “Second Founding.”

Our corporate purpose is to contribute to the realization of a truthful and sustainable life for all through our products, services, stores and business activities that consider the ideal relationship among people, nature and products, as well as a generous human society.

This corporate purpose expresses the essence of Ryohin Keikaku’s existence and the kind of value we provide to society.

The reason we redefined our corporate purpose lies in the origins of the MUJI concept that Ryohin Keikaku has developed. MUJI began as a social movement of “planning and manufacturing the products that are essential to daily life from the perspective of people, and promoting the distribution and use of those products to build a better world.”

MUJI started out in 1980 as a private brand of Seiyu Co., Ltd. (now Seiyu GK) with nine household goods and 31 food items that embodied the slogan “lower priced for a reason.” We manufacture products that retain their essence by focusing on selection of materials, streamlining of processes and simplification of packaging, even if the products are slightly different from common standards. This is the antithesis of the brand-driven consumer society, and is intended to liberate people from superficial brands and have them consider what true fulfillment really means.

In this way, for the past 40 years Ryohin Keikaku has been involved in a social movement that takes the perspective of people. As our business has expanded, though, the perception

of the value we provide, both among people outside the Company as well as to some extent within the Company, has diverged from our origins. In response, we returned to the starting point of the Company and expressed this value in common language that anyone can understand – our corporate purpose. This is not a remake of the corporate purpose because the president changed, nor an adaptation to fit the times, but rather a redefinition that we thought appropriate after taking a fresh look at our origins.

Ryohin Keikaku’s first mission is to provide products and services that are essential to daily life, with genuine quality and ethical value, at fair and affordable prices. Ryohin Keikaku’s second mission is to serve each local region by making our stores community centers that work with stakeholders to tackle local issues and make a positive impact in the region.

These two missions are the basis for how we fulfill our corporate purpose.

With the first mission, we provide products and services that are essential to daily life, and are neither excessive nor lacking in quality, but are just right – in other words, no-frills products and services that retain their essence without relying on brand logos and symbols. In the context of manufacturing, we commit to taking environmental and human rights issues into account in the provision of these products and services.

Our second mission is based on the philosophy that the stores that sell our products will serve not just as places of business, but as gathering places for people in the region and catalysts for connecting people to form communities. Store staff shall also voluntarily contribute to efforts to make the region better.

Ordinary retailers work to attract customers daily or weekly by spending money on advertising and offering discounts, touting their great products or promoting their bargain prices. Ryohin Keikaku, instead of spending limited resources on advertising that may provide only a short-term benefit, allocates resources to activities in which staff who work at our stores team up with local residents to make their community better. In doing so, the common (social) capital of community is formed. Our hope is that through the resulting trust built in the area, MUJI will be chosen for the products and services people use in daily life. We believe that with this approach, we can build relationships that are mutually beneficial for local people and for us.

2030 Vision

To be an indispensable part of daily life for people

To take root in local society

To realize this vision, we will

- **Practice independent store management and co-owned management**
- **Provide appropriate online services**
- **Be a leader in ESG management**

We want MUJI stores to be like the shopping streets of the past – places where local residents come together, each with their own thoughts and ideas. This creates greater connections between people. The staff of MUJI stores become invested in the ideas of local residents and work with them to respond to local issues. That's the role of a community center. As we develop these community centers throughout Japan, we will increase the number of people who are inspired by MUJI stores to contribute to local solutions and revitalization. People will see MUJI as just the right place to find products essential to daily life. These two missions may seem unconnected, but they share the same roots.

We make efforts to reduce our environmental burden and to respect individual human rights through our manufacturing, services and actions. Through our core value of “contributing to society and people” our employees and associates will proactively respond to issues facing society and the Earth.

In working to realize these two missions, Ryohin Keikaku regards the idea of “contributing to society and people” as its core belief. This core value has always been referred to internally as our “Grand Strategy,” and is deeply rooted in everything we do.

We will practice “public-interest and people-centered management,” where each of our employees and associates contribute to the public interest through our business activities and locally rooted stores, have a sense of ownership and take leading roles in the community. Through our

activities, we will create a highly profitable business structure, pay taxes properly and return profits to shareholders appropriately. Furthermore, we will strive to create long-term value for the Company by making a positive impact on society together with our stakeholders.

We recently established the management policy of “public-interest and people-centered management” in which every employee and associate will help to solve issues of local concern and contribute to the vitality of each region.

Conventional companies typically adopt a three-tiered structure in which financiers hire managers, governance is implemented, and managers hire employees and run the business. Ryohin Keikaku wants to change this structure to a “three-in-one” model in which everyone is an employee, business manager and shareholder.

Our vision is to establish highly profitable and sustainable business operations in which employees who live in each region contribute to the community there. We believe an effective way to do that is to position employees and associates not as workers, but as players, as business managers and as shareholders who appreciate proper contribution to the public interest.

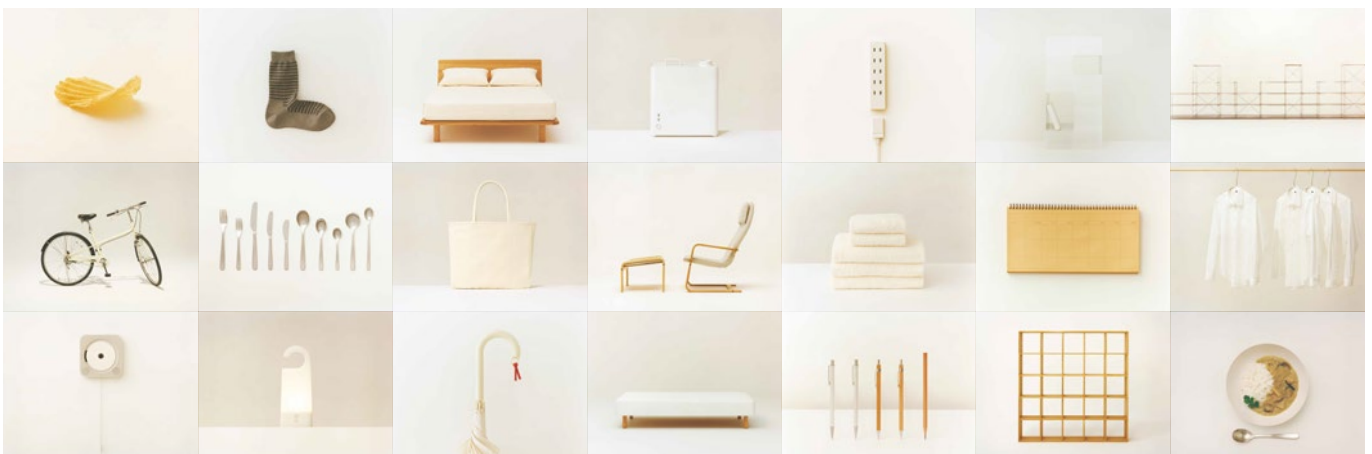
To achieve this, we have introduced an employee stock ownership plan (ESOP) to motivate employees to practice management that contributes to the public interest, and thereby increase earnings. I believe that if employees hold a certain number of the Company's shares, it will heighten their sense of ownership and managerial mindset, and increase their incentive to contribute to the development of both society and the Company.



Contributing to society and the community isn't some idea we force on our employees, rather it comes from their individual desires and efforts to make local communities better. We want each employee to be an organizational entity that works autonomously and independently to contribute to the community.

For governance, in addition to governance based on the capital markets, we must create an omnidirectional governance system that enables all stakeholders – employee shareholders, MUJI “fan” shareholders, governments, local people and others – to participate in and monitor Ryohin Keikaku’s activities. As a company that contributes to the public interest and practices coexistence and mutual prosperity with communities, we will incorporate the perspectives and opinions of stakeholders into management. Moreover, we will further deepen the conditions that make it easy for customers to participate in governance as shareholders through stock splits and shareholder meetings held after the General Meeting of Shareholders.

We have formulated the medium-term business plan based on the corporate purpose, missions, values and management principles I have outlined here. Realization of the medium-term business plan is in effect a contemporary social movement rooted in our core business and one that reflects our aim of creating a better world 100 years from now. In addition, transforming the thinking and behavior of employees will in turn lead to a major transformation of the organization itself.



The MUJI Brand

Now I want to briefly share my thoughts on MUJI as a brand. Among general brand-name products, there are occasionally some that are priced higher than the intrinsic value of the item itself based on a vague valuation of the brand logo attached. In contrast, through MUJI products and services, Ryohin Keikaku asks people to rethink their lifestyles with a more open mind and honest eyes.

From time to time, however, Ryohin Keikaku has also been seen as a company that boosts revenue by selling a “brand.” We have been asked, “Even though MUJI is a brand based on urban minimalism, as well as simple and stylish household products, and rarity is also important, why do you open stores in so many areas, and why are you pursuing expansion of scale?” and “Won’t cutting the prices so much damage the value of the MUJI brand?”

Rather than simply offering stylish appearance, MUJI wants to make the lives of many people better by rethinking the essence of products and services from an ideal people

perspective, and remaking and providing them with the necessary quality, but without extra frills. We want to support the essentials of daily life. In product selection, we will expand our lineup of products that are closely connected to people’s daily lives, and offer products that retain their essence. We will also review prices to make our products accessible to everyone, in every corner of Japan. To accomplish that, we will thoroughly review specifications and manufacturing from the most upstream point in the supply chain. We will open stores in every part of Japan, in keeping with our wish to bring good products, services and activities to as many people as possible. When opening stores, our first thought is solving the problems of people in that region. In addition, this may mean considering mobile sales or the use of other companies’ sales networks. Before we know it, the daily lives of people living in the town have changed for the better. Ideally, MUJI products and services will be chosen as a matter of course and be used by more people.

The Medium-term Business Plan Starting from Cultural Reforms

Finally, I would like to talk about the priority areas of the medium-term business plan.

Ryohin Keikaku’s vision for 2030 is to have its stores and staff be the most useful in each town where the Company operates, in every corner of Japan. This means that we will be the town’s top provider of products and services essential to

daily life. And in the town’s revitalization activities, we will also be a leader in terms of reliability and societal impact.

The three years starting in 2021 will be a period for laying a solid foundation to do that, and we have set the following four priority areas of the medium-term business plan.

Priority Areas of the Medium-term Business Plan

- 1. Develop exceptional and unrivaled products that are essential to daily life, and improve procurement and production processes**
- 2. Establish independent store management to create a community-based business model. Accelerate new store openings under this business model, while maintaining profitability.**
- 3. Develop a corporate culture in which all employees work proactively, driving independent growth in each store, region and country**
- 4. Build the business infrastructure and headquarters functions to support independent store management and localization**

We recognize that our stores play a central role in everything we do and will develop a culture and system of conscience and creativity on a global scale.



First, we intend to change the Company's culture, which is the foundation for everything we do. The culture we are aiming for is one in which all employees have a sense of ownership, think with a managerial perspective, and tackle the challenge of things that are new, interesting and true. We want a culture where employees and associates are not just workers, but players, and where they can experience personal growth. A highly sociable, sympathetic and outward-facing culture where each employee reacts sensitively to the world's social issues and takes the first step without hesitation. That is the kind of environment in which no one is left behind, and there is a role for each person and a place where they can flourish. We aim to become a company where employees accept and respect each other's values, regardless of position, and can constantly challenge themselves in pursuit of what is best for people and the Company.

For our business, our target is to capture the top mindshare for products essential to daily life. To accomplish that, we will fundamentally review development and production, down to the factory floor. In particular, we want to dramatically raise the competitiveness and mindshare of our core products, such as towels, bedding products, cleaning and laundry products, kitchenware, storage products, underwear, socks and personal care products.

In store development, we do not limit ourselves to opening stores only in commercial districts. We intend our store openings to be a catalyst for new store and regional development that contributes to town revitalization. The pace we are aiming for is a net increase of 100 stores annually in Japan, and 50 stores per year in mainland China, and we will develop the store management talent needed to conduct that smoothly.

In store management, setting up a Regional Business Unit in each area will help achieve the goal of having stores operated by community managers and store staff with a sense of ownership, which will boost business results and help achieve regional revitalization. We will work to create conditions that will enable new Regional Business Unit managers and community managers to steadily emerge, including those who put themselves forward, and produce results proactively and autonomously on a global level.

In digital services, e-commerce when combined with stores does more than just give a powerful boost to performance. It also stimulates the creation of new businesses that invigorate the region, including the launch of secondary markets that reduce social costs, the launch of healthcare services centered on the Healthcare Center and the launch of local experience services that lead to the use of local resources.

Our headquarters, which supports the business and local contribution activities of stores, will bring in new talent to join its existing staff, and through friendly competition staff there will achieve the highest professional standards. As a result, they will become a team of professionals who actively support stores in operating efficiently and autonomously.

We will carry out the medium-term business plan as a Company-wide endeavor to lay the groundwork for achieving our vision for 2030.

I would like to thank our stakeholders for their continued support of Ryohin Keikaku and MUJI.

Roadmap – 2030 Vision and Way Forward

2030 Vision

To be an
indispensable
part of daily life
for people

To take root in
local society

Practice independent store management
and co-owned management

Provide appropriate online services

Be a leader in ESG management

Products
and services
essential to
daily life

Stores as
community
centers

Regional
revitalization
through the
actions of store
staff

User-friendly
digital
services

A corporate
culture in
which all
employees
work
proactively

Operating revenue: JPY **3.0** trillion

Operating profit: JPY **450.0** billion

Number of stores: **2,500**

Average area of standard stores: **550** *tsubo**

Online sales ratio: **30**%

* 1 *tsubo* = 3,306 m²

Targets for 2024

Create the basis for our “Second Founding”

Actions

- 1** Develop exceptional and unrivaled products that are essential to daily life, and improve procurement and production processes
 - Rethink product lineup, quality, price and significance from the perspective of their use in daily life
 - Contribute to regional development in production areas by strengthening procurement and production process
 - Prevent inventory shortages and excesses by reinforcing supply chain management
 - Establish sustainable agriculture and food businesses and contribute to regional development
 - Launch the Space Design Office for renovation and space design
 - Launch a series of services to support people in their daily lives, including those related to healthcare and organizing the home
- 2** Establish independent store management to create a community-based business model. Accelerate new store openings under this business model, while maintaining profitability
 - Launch of Regional Business Units to establish a community-based business model
 - Double the pace of store development by opening stores in residential areas
 - Improve store cost efficiency by opening stores in residential areas and promote independent management
 - Strengthen digital team to build new services that support infrastructure such as e-commerce, payment and logistics functions based on communication between stores and customers
- 3** Develop a corporate culture in which all employees work proactively, driving independent growth in each store, region and country
 - Build a top management team capable of leading our “Second Founding”
 - Take new approaches to recruiting and training, and create new young leaders
 - Promote initiatives to pass down MUJI concepts to more people
 - Develop a proactive, independent and teamwork-oriented corporate culture
 - Establish systems to realize co-owned management
- 4** Build the business infrastructure and headquarters functions to support independent store management and localization
 - Strengthen human resources and improve the efficiency of headquarters administration departments
 - Strengthen IT team and ERP system
 - Structure logistics from the viewpoint of total social cost
 - Build platforms to support business activities and the localization activities of stores
 - Establish risk management functions

Operating revenue: **JPY 700.0 billion**

Operating profit: **JPY 75.0 billion**

Number of stores: **1,300**

Message from an Executive Officer



Ryohin Keikaku's New Management Structure

Proactive and Independent People and Organizations Contributing to the Public Interest Together with Local Communities

Jun Yokohama

Executive Officer in charge of Overall Administration

Focus of the first year of the medium-term business plan: lay the groundwork for opening 100 stores annually

With a view toward 2030, our current medium-term business plan has set targets for the fiscal year ending August 2024 of JPY 700 billion in operating revenue and JPY 75 billion in operating profit. Results for the fiscal year ended August 2021 were JPY 453.6 billion in operating revenue and JPY 42.4 billion in operating profit, so our targets for 2024 may appear rather ambitious, but the plan is not based solely on achieving numerical targets.

Ryohin Keikaku looks ahead to a better future 100 years from now and will conduct a variety of new initiatives to achieve that vision. During the first year of the medium-term business plan, we are focusing on human and organizational issues to lay the groundwork for opening 100 stores annually in

order to achieve our goal of having 2,500 stores in operation by 2030. To provide our complete lineup of products and services essential for daily life, we will increase the standard floorspace at new stores and raise the ratio of online sales. At the same time, we will contribute to local communities and implement more localized measures to resolve the issues they face.

Stepping up the pace of annual store launches in Japan from the current 20 to 100 raises an important question: once we have secured more locations and hired manager candidates, how can we train our employees in a relatively short time? In addition, more stores will necessitate a more robust supply chain capable of stably manufacturing and supplying a sizable number of products while maintaining MUJI quality. I believe that laying the groundwork for growth toward achieving the targets of the three-year medium-term business plan – which includes accelerating store openings – and

implementing various initiatives will enable us to reach the numerical targets for operating revenue and store openings.

Proactive and independent people and organizations are the keys to our future

As I mentioned earlier, during the first year of the medium-term business plan we will focus on transforming our people and organizations as we accelerate store openings to build an organization composed of people who work professionally and independently. Currently, we are focusing on mid-career hires, but we are encouraging all employees to set ambitious goals for themselves and to take on multiple tasks in order to grow as professionals. I expect our mid-career hires to have a deep understanding of MUJI's values as the basis for mastering their work and to inspire current employees to change the corporate culture Company-wide. A culture (teams or individuals) of waiting for instructions is incapable of doing something that has never been achieved before. It requires a mindset and attitude of acting proactively, independently and positively. To transform into that sort of organization with high-level problem-solving capabilities, we intend to raise the professionalism of each employee and revitalize our organization.

There is no predetermined path for achieving the goals set forth in the medium-term business plan, so the way we go about it will be left to the capabilities of our employees. Of course, since we face market competition, they are likely to be forced to react as the occasion demands, without everything going as planned. As employees continue fine-tuning to steadfastly produce results, those results will in turn improve their own capabilities. This will help them to achieve higher goals and create a chain reaction with the surrounding environment. Only when they can do this will we be able to achieve substantial growth. That will require true diversity in our organization. Bringing together people with diverse values, backgrounds and experience has started to have a positive impact in our organization in terms of broadening perspectives, accelerating progress and raising productivity. When different viewpoints are introduced, dissenting opinions and new approaches arise. It will be important to determine how we become an organization that can positively accept these different ideas and to reflect them in our actions while steadfastly preserving MUJI's foundational concepts and heritage.

Ryohin Keikaku, which is undertaking its "Second Founding," is adopting a new approach that entails entering unknown territories beyond the boundaries of the manufacturing and retailing industry. This will require comprehensive assessment of matters such as how to succeed and whose

help to ask for in order to make an impact on society. In that sense, a shift to diversity management is crucial, and will also be our starting point.

We will also create a working environment where everyone has the opportunity to display their abilities, effectively reflecting their competence and experience. Even if a company publicly claims to be contributing to society in a spirit of mutual cooperation, it cannot accomplish this objective if its internal atmosphere is one of survival of the fittest, where the weak are culled, working hours are long and harassment is rampant. Unless we are a welcoming organization where diverse employees who share MUJI's concepts respect each other and work together, we cannot even envision a future that lies 100 years ahead, never mind achieve that future.

In recent years, an increasing number of companies have been talking about their future in terms of sustainability, the SDGs or the like, but I think what will be required are organizations that are different in kind from those of the past. Rather than looking at Ryohin Keikaku as a single ecosystem that undertakes everything on its own, we want to be a company that is part of numerous ecosystems of small local communities that work with our employees, contributing to the overall public interest through this organic collaboration. The



new "public-interest people-centered management" philosophy that Ryohin Keikaku aims for differs from the conventional idea of a corporation. Under such management, employees who are attuned to teamwork, mutual assistance, and creating good organizations and environments will steadily grow inside the Company, and these results will spread outside the Company to connect with communities.

The urgent task of establishing a manufacturing and supply system that maintains MUJI quality

We will accelerate store openings by establishing a system capable of efficiently handling planning, manufacturing and supplying affordable products. The system must eliminate waste while ensuring MUJI quality. Doing so will require new production methods and process development based on deep-rooted partnerships with the manufacturers who supply us. For products essential to daily life, for instance, our plans will incorporate the concept of eliminating waste so that we make and sell only the products that are really needed. Moreover, maintaining constant order volume and high utilization rates at our suppliers' factories will enable them to achieve ongoing profit and avoid unnecessary capital investment. In this way, we will implement measures to balance cost and quality while reducing environmental impact together with our suppliers.

There will always be defective products that do not meet standards in the manufacturing process. If eliminating a defect in a product that is off by 1 mm in the manufacturing process doubles the manufacturing cost, I wonder whether it really needs to be eliminated, or whether it is even a defect in the first place. For example, some defective products could be sorted out at stores and sold at a reduced price. If a product can still be used even if it is off by about 2 mm, we can sell it by carefully explaining to the customer that selling rather than disposing of it will help to reduce environmental impact. If customers accept this, we can reflect the reduction in manufacturing costs in the product price. If quality standards in the manufacturing process are too strict, usable items might be discarded. At MUJI, we make a point of purchasing and selling vegetables that are slightly damaged – otherwise they might go to waste. This philosophy is the same for manufactured products.

In supply chain management, we will track the chain back upstream to improve traceability. In addition to raw materials and other items, we also check that there are no issues such as child labor. After first considering what is best for the Earth and peoples' lives, Ryohin Keikaku will place value on suppliers that are dependable and observe the rules of society, regardless of the country or region of manufacture.

ESG management that is part of the heritage of Ryohin Keikaku

To achieve its two core targets for 2030 of “being an indispensable part of daily life for people” and “taking root in local society.” Ryohin Keikaku will focus on the following three initiatives, the third of which relates to the ESG management that is a part of its heritage.

The first initiative is to “practice independent store management and co-owned management.” For Ryohin Keikaku to offer better lifestyles in Japan, it is essential to move away from a centralized organizational structure to a management style based on an autonomous decentralized organization driven by individual stores. Employees and stores will take ownership and conduct business and activities for society appropriate to their own values. We will roll out this approach together with local stakeholders.

The second initiative is to “provide appropriate online services.” The information infrastructure is social overhead capital and is not to be monopolized by anyone. Creating a profitable system that everyone can use is key. Moreover, becoming addicted to the convenience of digital technology creates a mindless dependence on excessive convenience. Ryohin Keikaku will utilize digital technology appropriately to provide online services that retain human warmth and emotions. I will give specific examples of our use of IT later.

The third initiative is to “be a leader in ESG management.” ESG is in vogue these days, but even from our beginnings Ryohin Keikaku has made a number of commitments in this area. For the environment, I already mentioned cutting back waste in the manufacturing process. We also use raw materials with low environmental impact and do our utmost not to use products or packaging that harms the global environment. Since our products are used in daily life, we are particular about what is in them and packaging materials as well as their functions.

For society, Ryohin Keikaku has always valued relationships of mutual cooperation. Conditions where only certain people benefit do not last long. For example, opening a huge commercial facility in a rural area increases convenience and enables cheaper purchases, but as a principle of competition the nearby shopping district is likely to fall into disuse and end up shuttered, among other problems. If things are left to take their course, a downward spiral will occur as the community declines, the town loses its charm, the population decreases over the medium term, employment opportunities are lost, and educational opportunities wane. The result is a society where it is not pleasant to live.

Therefore, as a private company, our employees will take ownership and work together with local residents and governments to resolve this problem. Independent store management by employees will reflect the Company's objectives, and we will also take advantage of local governance by involving people in the community who share the same feelings. Furthermore, I am sure that Ryohin Keikaku can have a positive impact on society using the know-how, assets, and corporate image it has built up over the years.

Contributions to local communities and a sense of inclusion have increased among companies and individuals in recent years, facilitating promotion of local cooperation. As a company that has conducted ESG management since its founding, Ryohin Keikaku wants to further this trend. This is our vision for the new company we aim to become through our “Second Founding.”

For governance, we will build a framework that involves all our stakeholders. We will create our own original ESG indicators from the perspective of public interest governance to utilize the governance of capital markets as we demonstrate Ryohin Keikaku’s approach to governance.

To conduct the initiatives mentioned above, we must first be highly profitable and have a sound financial foundation. In addition to increasing sales revenue, we will further strengthen our financial position while controlling financial risks by not allowing assets to grow beyond our ability to manage them. We will carry out careful and multifaceted consideration of the types of new stores we open, including regional and large-scale outlets. We will look to not just control risk, but also consider the impact on the surrounding area and the long-term social and economic implications. Rather than focusing on Ryohin Keikaku’s profit alone, we emphasize local collaboration to achieve long-term growth together with communities. For example, we consider it desirable to use the opening of a store as an opportunity to revitalize the surrounding community, increase the number of local business partners, promote local production for local consumption, and create new employment. We intend to open stores with the potential underpinning these objectives to benefit everyone involved.

Ryohin Keikaku’s use of IT and approach to DX

We are currently developing a core system in Japan utilizing IT to improve business efficiency and rolling it out to Group companies overseas via the cloud. Japanese employees previously developed and operated systems locally, but now that we have reached the time for a renewal, we intend to establish global supply chain management.

One example is the MUJI passport app that can access various information on MUJI. We will localize functions for each region as we roll the app out with the same interface all over the world as a communication tool that connects customers with MUJI. For customers, MUJI must be MUJI, no matter where in the world they shop.

We also intend to introduce digital technologies that fundamentally transform the way we communicate and work within the Company. We believe that changing accessibility to Ryohin Keikaku’s information assets and content will further raise the productivity and creativity of employees’ work.

In our current pyramid-shaped organizational structure, information flow is one-directional and limited. We will replace this structure with a system where employees can more readily and actively obtain information. Our ideal is for employees to be able to complete their work by discovering problems, seeking help and smoothly getting support from others, all on their own. Especially when a problem occurs in a store, I believe the utilization of digital technology is significant in that it enables the resolution of problems locally by connecting with others in ways that include the provision of information and support from headquarters.

The autonomous, decentralized management of individual stores that Ryohin Keikaku is working to promote will raise the efficiency of employees and stores. We also envision outcomes including product development originating from individual stores, the building of relationships with business partners, and the creation of local supply chains. The headquarters previously led development of core systems but going forward plans and ideas initiated by individual stores will be incorporated into Company-wide plans, so they will be reflected in core systems as well.

Of course, countless collaborative communication software programs are available. The important point in considering how Ryohin Keikaku incorporates and utilizes them is the initiative of its employees. When there is no initiative, introducing software merely as a mechanism will not work. Because of its relevance to our management and organizational structure, we will build a mechanism using digital transformation (DX) to share our image of what everyone will do and how to actually do it.

I believe that each of these improvements before us will lead to a new Ryohin Keikaku and lay the path to the future we envision.



Global Strategy

We will be selective and concentrate resources in global businesses aligned with the operating environment of the countries and regions we serve.

We will focus resources in mainland China until 2024. In addition, we are targeting growth in Taiwan, Thailand, Hong Kong, and South Korea by replacing older stores and ensuring market-appropriate prices. In Europe, we will redefine MUJI for a super-mature society, while in North America we will streamline management and prepare for future growth.

2030 Goals

- In Japan, we plan a net increase of 100 stores annually, centered on residential areas, over the next 10 years until 2030. We also plan a net increase of 50 stores per year in mainland China. These new stores will contribute to the lives of customers throughout each country.
- We will expand our footprint in the crucial markets of Hong Kong, South Korea, Taiwan and Thailand by ensuring market-appropriate prices and expanding our customer base. We will do so by achieving a net increase of 30 stores annually in each country or region.
- Vietnam, Malaysia and the Philippines are among the Southeast Asian growth markets in which we will focus on building bases.
- In Europe, North America and India, we will revamp existing stores as opposed to rapidly opening stores in new areas. We will also collaborate with local stakeholders to realize our vision for life and society in the super-mature societies of Europe and North America, and find the ways that MUJI can best contribute as a leader in ESG management.

Overseas Business Targets for 2024

2021/8

Operating revenue:

JPY 156.6 billion



2024/8

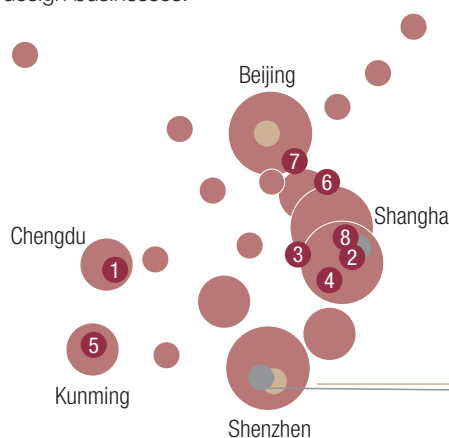
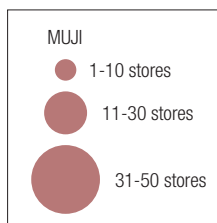
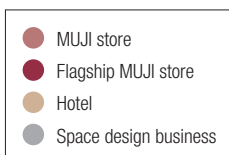
Operating revenue:

JPY 250.0 billion

Mainland China

Stores and Businesses in Mainland China (As of August 31, 2021)

We complement MUJI stores with hotel and space design businesses.



Space Design and Hotels



MUJI Hotel Shenzhen



Shenzhen Bao'an International Airport Terminal 3

Flagship MUJI Stores



1. MUJI Sino-Ocean Taikoo Li Chengdu



2. MUJI Shanghai Huaihai 755



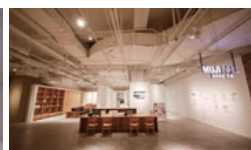
3. MUJI Nanjing House of Fraser



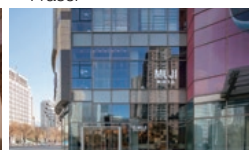
4. MUJI GLCC Mall



5. MUJI Kunming Shuncheng Shopping Mall



6. MUJI Qingdao Inzone Plaza



7. MUJI Joycity Tianjin



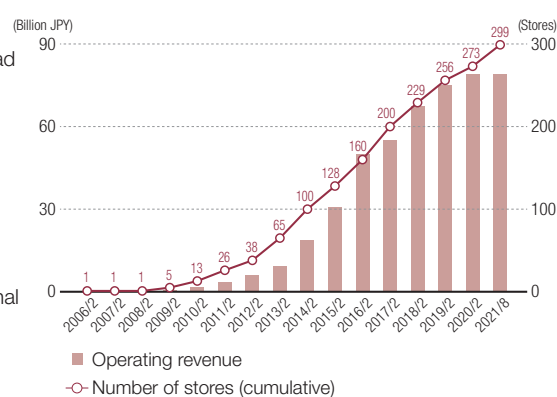
8. MUJI Shanghai Umax

We launched our business in mainland China in 2005 with the establishment of wholly owned subsidiary MUJI (Shanghai) Company Limited and the opening of the first MUJI store. We then gradually began opening more stores, and had a total of more than 100 in 2013. We started marketing products designed for mainland China in 2019. Thanks to the continuous support of customers, we have 299 stores in mainland China, including 8 flagship stores, as of August 31, 2021.



History of Our Mainland China Business

- 2005** MUJI (Shanghai) Company Limited established
Opened our first store in mainland China, MUJI Nanjing West Road
- 2013** 100th MUJI store opened
- 2014** Opened our first flagship store in mainland China,
MUJI Sino-Ocean Taikoo Li Chengdu
- 2016** 200th MUJI store opened
- 2017** Operating revenue exceeded JPY 50.0 billion
- 2018** MUJI Hotel Shenzhen opened
- 2019** Designed the waiting area space for Shenzhen Bao'an International Airport Terminal 3
Began marketing products designed for mainland China
- 2021** Opened our eighth flagship store, MUJI Shanghai Umax
Household and food products designed for mainland China accounted for more than 40% of net sales



Status and Issues

We have steadily grown our mainland China business since its launch in 2005. We see further potential for growth and have significant capacity to open more stores in China. We will focus on key stores and our e-commerce business.

However, the pace of business expansion has slowed in recent years for several reasons.

Our prices are thought to be somewhat high, which inhibits daily purchases. Limited sales floor space also prevents us from offering a full lineup of products essential to daily life, so sales tend to be concentrated on certain products.

We will therefore develop products for mainland China that are more relevant to local lifestyles, ensure market-appropriate prices and open large-scale stores. We will also address the growing popularity of ICT in China by strengthening communication using digital tools.

In this way, we will fulfill our two missions even in mainland China.

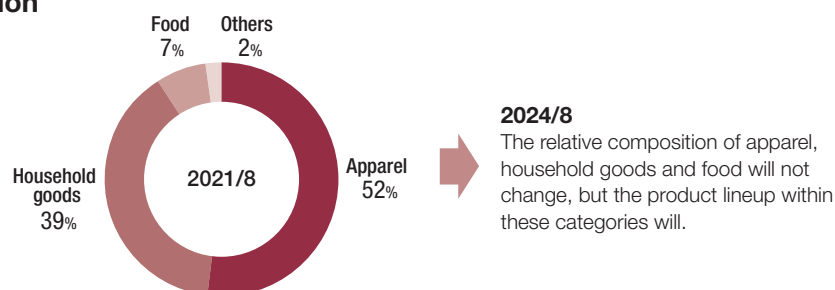


The eighth flagship store in mainland China, MUJI Shanghai Umax, opened in January 2021

Key Strategic Areas

- Expand product lineup and ensure market-appropriate prices
- Open large-scale stores
- Increase development and manufacture of products in mainland China
- Promote localization
- Increase the e-commerce sales ratio
- Recruit more local people and enhance the organization of subsidiaries

Sales Composition



Establish an Organization Capable of Opening 50 Stores Annually by the Fiscal Year Ending August 31, 2024

We want to increase the number of people who appreciate MUJI by offering better and more ethical lifestyle proposals that are unique to MUJI. We will therefore empower our organization and people to further enable autonomous operation of the increased number of stores.

Core Initiatives

- Our people in China will make decisions independently rather than rely on the headquarters to increase sales and the number of people who appreciate MUJI. Headquarters will listen to the opinions of our people in China and support them by developing sales promotion tools and introducing personnel systems.
- Targeting further growth in e-commerce sales, we will increase investment in e-commerce and member programs and maximize use of our e-commerce platform.
- Develop MUJI products for mainland China and revise the prices of frequently purchased products.

Digital

Significantly Expand the Online Sales Channel

Ryohin Keikaku will strengthen e-commerce sales by leveraging its digital platform in mainland China. We will quickly build our own database, establish our own membership program centered on WeChat by the end of 2022, and implement initiatives to increase repeat purchase rates. We will enhance our brand image and brand awareness by consistently communicating with our customers and evaluating our brands to increase repeat customer rates.

Products Designed for Mainland China

Sales of household goods and food products designed for mainland China have increased to about 40% of sales and are steadily growing.

- We will expand sales of apparel, household goods and food products by revising the prices of products that are essential to daily life.
- We will further increase the ratio of products designed for mainland China by developing highly original products that are typical of MUJI.



Stoneware



Coffee mugs



Wooden frame sofa



Shirataki noodles



Outdoor/exercise wear



Recycled linen clothing

New Businesses

In addition to MUJI's product sales, we will also expand in business areas other than stores and products. These include the space design business, which designs and develops various spaces, and the hotel business, which gives guests a chance to experience MUJI products.

- We will also offer services such as interior design and furniture sales for rental apartments.
- We will develop more hotels that offer a great customer experience.

2024 Order Target: 8,000 Rooms (Cumulative)



Shanghai Baoshan Baolong Mansion designed in mainland China with MUJI com store



MUJI Hotel Beijing 2

Business Strategy

Core Product Lineup and Procurement and Production Processes

Develop Exceptional and Unrivaled Products That Are Essential to Daily Life, and Improve Procurement and Production Processes

Basic Approach: Be Useful

In keeping with Ryohin Keikaku's core value – “to contribute to society and people” – we are seeking to “be an indispensable part of daily life for people” by 2030. To accomplish that, we are also reviewing our procurement and production processes, focusing on natural materials that are good for people and the environment, and that are part of a highly ethical and transparent supply chain.

Goals for 2024 and Measures

- ① Become No. 1 in competitiveness for products essential to daily life in terms of product lineup, quality, price and significance
- ② Reduce the cost of products and contribute to regional development in production areas through the newly established Development & Production Division
- ③ Prevent inventory shortages and excesses by reinforcing supply chain management and by strengthening the Merchandise Planning Division
- ④ Establish sustainable agriculture and food businesses and contribute to regional development
- ⑤ Launch the Space Design Office, which will focus on renovation and space design, to contribute to solving issues related to forests, the environment and people's daily lives
- ⑥ Launch a series of services to support people in their daily lives, including those related to healthcare and organizing the home

Challenges

The medium-term business plan calls for accelerating the pace of store openings. That will require us to stably manufacture and supply reasonably priced products while maintaining product quality and incorporating environmental considerations. Improving our organizational structure and employee development system is also imperative.

Key Initiatives

- Enhance the quality of items essential to daily life and make appropriate price adjustments
- Review manufacturing and supply systems
- Revise quality standards

Products Essential to Daily Life

We will review our product lineup with a more people-oriented perspective, focusing on products essential to daily life, including underwear, socks, T-shirts, towels, cleaning and laundry products, kitchenware, personal care products, storage products, and bedding.



Become No. 1 in Competitiveness for Products Essential to Daily Life: MUJI's Unique Product Development

Product Development Policy

Ryohin Keikaku continues to focus on the selection of materials, streamlining of processes, and simplification of packaging to manufacture no-frills, quality products. We manufacture no-frills, quality products and select materials that take the global environment and producers into consideration, eliminate waste in all processes, and provide customers with what they actually need, in the form they actually want.

In addition to adhering to this policy, we will encourage people to take part in ESG and promote awareness of ESG concepts worldwide by adopting circular design for products and offering them at affordable prices as a leader in ESG management in 2030.

Three Perspectives (1) Selection of materials (2) Streamlining of processes (3) Simplification of packaging

Priority Initiatives

- Offer all the products essential to daily life, including consumables and medicine
- Enhance our selection of essential products used repeatedly in daily life
- Make our products sustainable. Promote reduced use of plastic and recycling. Improve working conditions at production sites.
- Taking the customer's perspective, develop new products that represent MUJI's concept in new categories

Interview

Interview with a Product Planning Specialist (Household Goods)

Developing Products by Thinking about Daily Life

I am in charge of promoting the entire sustainability process from the development of houseware products, such as dishes, cookware, and cleaning and laundry supplies, to reuse and recycling of household goods. This includes cooperating with all departments and suppliers involved with the products at every step, from development and manufacturing, to displaying products on the sales floor, until after they are finished being used. I am always thinking about proposals for products that not only offer simplicity, but quietly excel in a supporting role in daily life. When I picture a situation from daily life, I try to think about which necessary items are not available at MUJI, and then brainstorm ideas for concepts, materials, design, specifications, and so on with merchandisers and in-house and outside designers. In that process, I also refer to the customer feedback contributed to IDEA PARK.*



Mariko Ohashi

Houseware Section Manager,
Household Division

Working toward a Circular Economy and Contribution to Communities

Since MUJI's inception, we have pursued recycling-oriented manufacturing, examining products through three lenses: selection of materials, streamlining of processes and simplification of packaging. We believe that creating new products comes with more responsibility than ever before. That is why we develop products with a long-term perspective, even thinking about what happens to the product after it is used.

Ryohin Keikaku seeks to be useful to customers in each region by "taking root in local society." Opening stores in different areas means that the lifestyles of our customers and the items they need will also be different, so we will focus on developing products to fit their lives. In addition, by collaborating with departments I haven't worked with yet and incorporating feedback that hasn't been used, I want to propose products that can support the lifestyles of the region's various residents.

* A database of comments and requests from customers and stores <https://lab.muji.com/jp/ideapark/> (Japanese only)

Improving Procurement and Production and Solving Problems in Production Areas

In September 2021, we established the new Development & Production Division, which integrates the functions of the procurement and production processes.

Formerly, each division handled procurement of materials, but the new Development & Production Division will enable us to unify policies and strategies for procurement of household goods, apparel and other merchandise as well as transactions with suppliers. We will also take steps to ensure fair prices while maintaining quality, such as direct delivery from producers.

Procurement Policy

We work to select raw materials that are collected and cultivated in a way that does not impose an excessive burden on the Earth, animals and plants, and producers.

Furthermore, for primary raw materials, we use materials that can be traced back to the production area as much as possible, and above all, we actually visit the production areas to check with our own eyes the conditions of collection/cultivation sites of major raw materials and the lives of producers.

Key Initiatives

- Ensure that each product group is procured and produced in the right locations to achieve cost reduction and appropriate quality
- Increase efficiency in production process by standardizing production in factories. Make appropriate production adjustments during the period.
- Develop primary and secondary industries in production areas and improve the lives of people living there, thus contributing to local economic development

Inventory Control Measures

Keeping track of inventory information was always possible in the past, but as a function, it was a weak area because we had no division that controlled it in an integrated way.

To address that issue, we consolidated the inventory control functions of different merchandising divisions,* and centralized them in the Merchandising Planning Division in 2019. This division works to strengthen control of profitability. It monitors the sales progress and inventory levels of each product and makes price reductions when necessary.

* Merchandising divisions: A general term referring to the Apparel Merchandising Division, Household Division, and Food Division

Merchandise Turnover (Annualized)

2019/2	2020/8	2021/8
2.28	1.87	2.19

Key Initiatives

- For each product, reorganize inventory storage bases and inventory quantities in line with sales volume fluctuations, lead times and costs
- Prevent inventory shortages and excesses by synchronizing management plans with sales plans, production plans and procurement plans on an SKU-by-SKU* basis
- Have the Merchandise Planning Division train store managers on sales and purchase orders planning to prevent inventory shortages and excesses at stores
- Restructure the planning information system to meet the needs of sophisticated business processes

* SKU: Stock keeping unit. The smallest unit available for ordering and inventory control.

Initiatives for New Businesses

Healthcare Business and Other New Service Businesses

Ryohin Keikaku will launch services that help people manage their daily lives, such as healthcare services and organizing their homes. We will commercialize the laundry, repair, cleaning, and moving services that started as *MUJI SUPPORT* at individual stores. We have already launched healthcare and health-related services that are useful to the community, and also sell medicines in our stores. We also plan to launch services that support people in various life stages, including decluttering, end-of-life planning support, zero waste, and reuse of unwanted items.

- Laundry, repair, cleaning, and moving businesses
- Medicine sales, and healthcare and health-related services
- Decluttering support, end-of-life planning support, zero waste, and reuse of unwanted items

Special Feature

Healthcare Center

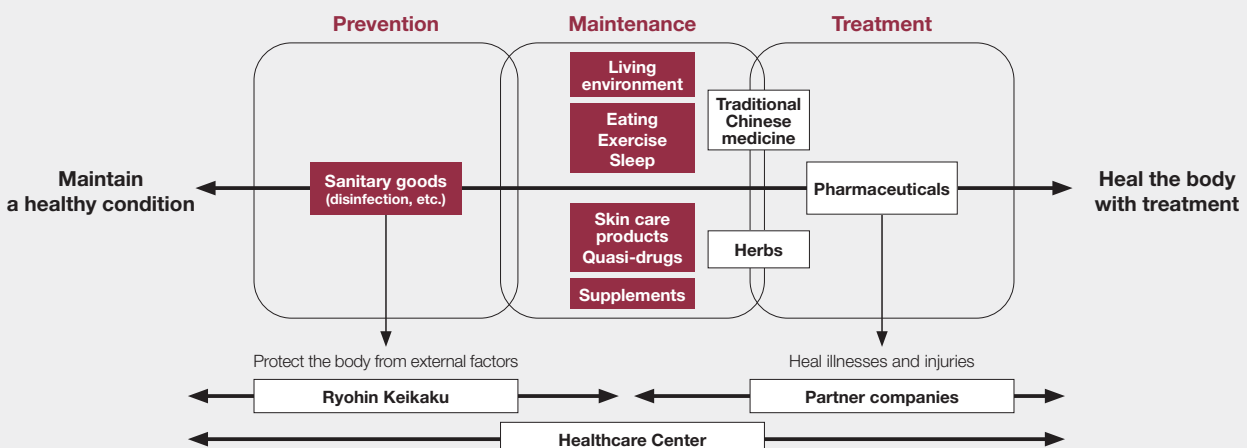


Range of Service from Disease Prevention to Sales of Medicine

In July 2021, the MUJI Naoetsu store in Joetsu City, Niigata Prefecture opened the in-store Healthcare Center, which provides services ranging from disease prevention to sales of medicine. We launched this service to enter the health field centered on providing products, information and services that support healthy living.

We aim to provide one-stop product and service solutions ranging from health-related events and publishing of information to sales of medicines, in cooperation with Qol Holdings Co., Ltd., which operates pharmacies throughout Japan, and Tanita Corporation, a manufacturer of scales and other measuring instruments.

The Healthcare Center sells products with a focus on foods offered by MUJI (snacks with less than 10 grams of carbohydrates and high-protein snacks). We will develop it as a local community center where anyone can drop in.



Space Design Business

Ryohin Keikaku is stepping up its efforts related to design of comfortable living spaces in order to be an enduring, useful presence in the lives of local residents.

In doing so, we think of the town as a whole as “the space where we live,” and will strengthen the space design and renovation business, which extends from forestry-related issues to people’s daily lives.

Key Initiatives

- Launch design, renovation, interior work, construction management and construction business for homes, business offices, and public facilities
- Space Design Office will design lifestyles, local revitalization initiatives, and work styles, in addition to physical space design
- Cooperate with the forestry industry and local governments in the procurement and production of materials, and turn it into a business. Contribute to solving forestry-related issues.
- Establish an organization capable of implementing the above initiatives by hiring professionals and collaborating with business partners

Special Feature

Housing Complex Renovation Project

The Ryohin Keikaku Group has carried out renovations of approximately 1,000 units in housing complexes in cooperation with the Urban Renaissance Agency (UR). Based on the concept of “making the best use of the available space,” the renovated rooms offer a high degree of flexibility, which has made them popular among younger customers in particular, and helped to increase the occupancy rate.

In March 2021, we entered into a partnership agreement with UR not only for renovation of units but also for revitalization of entire housing complexes including renovation of common areas, formation of communities and dissemination of information. This initiative started with Hanamigawa Housing Complex in Chiba Prefecture. We are renovating the shopping street in the center of the complex and promoting community formation to encourage interaction among different generations and contribute to local revitalization.



Creating Spaces Based on Community Co-Creation

Leveraging MUJI’s experience and expertise, we were put in charge of the space design of Shibuya Neuvola Jinnan Child-rearing Support Center (commonly known as “co-Shibuya”) located on the second and third floors of Shibuya Ward Child-rearing Neuvola, a pregnancy, childbirth and childcare support facility supported by Tokyo’s Shibuya Ward.

The concept of Shibuya Ward Child-rearing Neuvola is to “Meet, gather, talk and connect. Raise children as a community.” In line with that concept, we provided a design featuring the warmth of wood to make it a rich community space where people of various generations and personalities can connect with each other.



Consultations about space design and renovation from throughout Japan are accepted at the Business Counter of MUJI Tokyo Ariake in Koto Ward, Tokyo.

Agriculture and Food Businesses

Ryohin Keikaku views agriculture as a form of social common capital that plays an important role in regional revitalization, and wants to create a system to make it permanently viable.

Because the islands of Japan stretch a long distance from north to south, the agricultural products that can be harvested vary widely from one region to another. Through traditional vegetables and specialty foods from local areas, we will work to connect producers and customers. This will lead to local production for local consumption.

Ryohin Keikaku is also cooperating with local governments through its nationwide community managers. We are carrying out projects to address local issues in the fields of food and agriculture, and to rediscover the appeal of each region.

Key Initiatives

- Create a manufacturing and retailing business that is connected to local agriculture and centered on food. Conduct operations on a regional basis in cooperation with local governments.
- Launch a food delivery business that applies preservation techniques such as freezing. Tie business to home monitoring services.

Special Feature

Unsorted Apples

In light of the declining agricultural population and aging of producers in Japan, and with the aim of eliminating or reducing labor as much as possible, we have been talking with producers and looking at ways to improve existing processes. As a result, MUJI started selling unsorted apples. This initiative helps to eliminate excessive production processes, including the process of reddenning (e.g., using reflective sheets, rotating the fruit or picking leaves to expose the fruit to sunlight); sorting apples by appearance (screening for scratches and unevenness in color); and sorting apples by size (reducing the process from seven levels to three – large, medium and small).

Every year since 2019, we have partnered with a farm in Hirosaki City, Aomori Prefecture, to sell apples at MUJI stores in Japan, even if they fall short of the regular standard due to misalignment, unevenness in color, and scratches and spots.



We will expand and further promote the multiple projects underway, taking profitability and the benefit to local communities into consideration as we work to establish them as businesses.

A Community-Based Business Model

Establish Independent Store Management to Create a Community-Based Business Model. Accelerate New Store Openings under This Business Model, while Maintaining Profitability.

Basic Policy: Create a community-based business model and establish a system that enables a net increase of 100 stores annually

We will build a system for realizing a net increase of 100 stores annually in Japan and 50 stores per year in mainland China by 2024.

To do that, we will focus on expanding the floor space for products essential to daily life as well as the e-commerce ratio of such products, and on creating a community-based business model centered on independent store management. We will also make system reforms and review store operations to empower the staff who manage individual stores to make full use of their abilities.

2021/8 2024/8
1,002 stores ➡ 1,300 stores

Goals for 2024 and Measures

- 1) Establish a community-based business model through the newly launched Regional Business Units
- 2) Double the pace of store development by opening stores in residential areas, with the goal of a net increase of 100 stores annually in Japan and 50 stores per year in mainland China
- 3) Improve store cost efficiency by opening stores in residential areas and implement independent store management. Offset the strategic reduction in the gross profit margin due to price revisions.
- 4) Establish a professional digital team to go beyond regular e-commerce to build new services, such as agriculture and food-related and secondary market businesses, in sync with stores

Challenges

A key to achieving the medium-term business plan is employee autonomy. We will focus on shifting from a centrally managed, administrative control-type organization to an autonomy-driven, independent organization that can further expand cooperation and collaboration with communities. We will then link this to human resource development to strengthen our organizational structure.

Key Initiatives

- Develop new stores suited to the area and resolve local issues by appointing enthusiastic regional business managers
- Establish human resource and organizational system capable of opening stores in residential areas and carry out regional development and town revitalization activities
- Strengthen personnel and education systems to realize independent store management as well as increase productivity and improve efficiency of store operations
- Strengthen recruitment of outstanding human resources and offer original digital services

Establishing a Community-Based Business Model: Initiatives for a Stronger Organization

One objective of our 2030 Vision is “to take root in local society,” and we established Regional Business Units in September 2021 in ten areas of Japan to pursue that objective. Each Regional Business Unit is a task force for expediting store openings by engaging and cooperating with residents and governments, and building a business model tailored to the needs of the region. Unlike conventional area management, their role will be not to manage by looking at each individual store, but to manage the area as a whole to make MUJI an integral part of communities. This will enable larger-scale initiatives that individual stores could not handle alone.

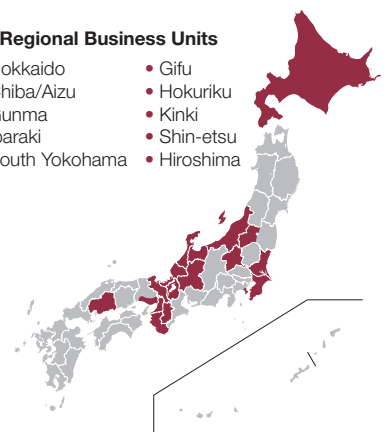
Until now, Ryohin Keikaku has opened stores mostly in and around urban train stations and in commercial facilities. Going forward, though, we will expand store openings in residential areas, such as next to local supermarkets, which will reduce expenses by streamlining the cost of equipment, store operating costs and logistics expenses.

In addition, we will aim to make our stores an essential presence in the area by serving as community centers that work to solve local issues with minimal advertising, and provide a place for people to go in daily life.

Based on this concept, we have been opening or renovating community-based stores, starting with MUJI Aeon Mall Sakai Kita Hanada in 2018 and MUJI Naoetsu in 2020. By applying what we learned from those efforts to the next store openings, we are improving the profitability of our business structure.

10 Regional Business Units

- Hokkaido
- Chiba/Aizu
- Gunma
- Ibaraki
- South Yokohama
- Gifu
- Hokuriku
- Kinki
- Shin-etsu
- Hiroshima



Store Opening Plan

Store Opening Policy

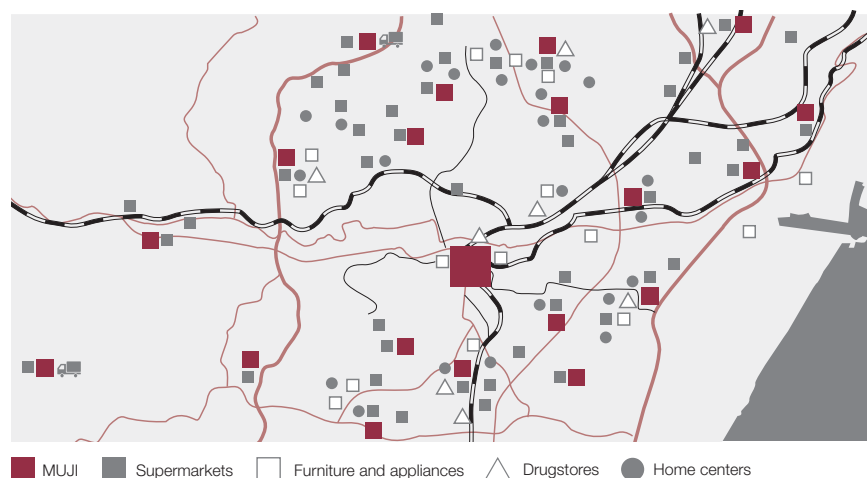
Our policy for opening stores is to consider profitability and carefully select areas where we can create a long-term growth story with the community in cooperation with local residents.

Store Opening Plan

In our plan leading up to 2024, for a population of 600,000, we envision having one store of 2,000 *tsubo* (JPY 2.5 billion in sales) offering the full range of products and services necessary in everyday life as the “Everything for Everyday Life” store; six standard stores of 600 *tsubo* (JPY 1.0 billion in sales) next to supermarkets, plus stores in front of train stations, inside of convenience stores, and new home delivery services. Our goal is total sales of JPY 9.0 billion per 600,000 people.

In the fiscal year ended August 31, 2021, we expanded store openings in residential areas, particularly stores next to supermarkets. In the fiscal year ending August 31, 2022, we are continuing to expand store openings in residential areas, as well as opening large stores that will serve as local community centers.

Store Openings by 2030



Store Expansion Concept

	2021	2024	2030
Number of stores	1,000	1,300	2,500

Stores Located Next to Supermarkets

Opening	Store Name	Name of Neighboring Supermarket
April 2019	MUJI Nonoichi Meirin-dori	Albis Meirin-dori store
April 2021	MUJI TSURUYA Shiojiri-Hirooka	TSURUYA Hirooka store
July 2021	MUJI Yorktown Mito	York Benimaru Mito Motoyoshida store
Sept. 2021	MUJI Tobu Dobutsu Koen Ekimae	Tobu Store Tobu Dobutsu Koen Ekimae store

All standard stores



MUJI TSURUYA Shiojiri-Hirooka

Toward Independent Store Management: Measures to Increase Productivity and Improve Efficiency of Store Operations

Review of Personnel Systems Related to Store Staff

In order for stores to serve a role as local community centers, address issues with stakeholders, and have a positive impact on the community, it will be necessary for a proactive, independent and teamwork-oriented corporate culture to take root in stores. To foster that culture, we established new posts so that store staff who live in the area and support and work at our stores can aspire to become store managers.

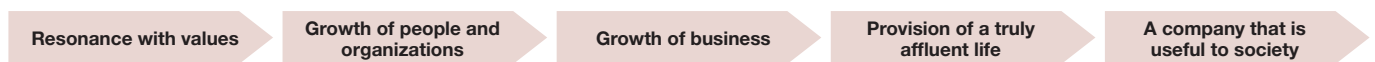
Corporate Culture Reform

Develop a Corporate Culture in Which All Employees Work Proactively, Driving Independent Growth in Each Store, Region and Country

Basic Policy: Develop the people and organization to drive realization of our “Second Founding” based on public-interest and people-centered management

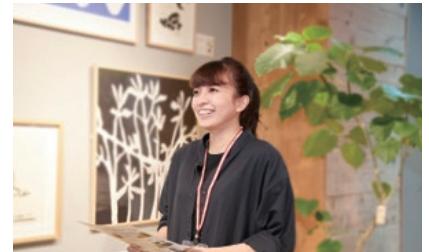
We will transition to an organization made up of people who are highly motivated by the MUJI philosophy and are eager to acquire the necessary skills/stance and pursue opportunities. By doing so, MUJI will be able to play a useful role in society and increase its social significance in each country it operates in.

Steps to Becoming a Company That Is Useful to Society



Goals for 2024 and Measures

- 1) Build a top management team capable of leading our “Second Founding”
- 2) Produce a large number of managers/executives by hiring professionals, strengthening training programs, and selecting people for promotion
- 3) Promote initiatives to communicate and pass on MUJI’s philosophy to all employees
- 4) Develop a proactive, independent and teamwork-oriented corporate culture
- 5) Establish systems to realize co-owned management



Challenges

Having many employees who are deeply sympathetic with MUJI’s ideals, concept and business is one of our strengths. However, we have a shortage of people who can contribute in core roles. We will therefore bring in people with diverse values to create a more dynamic corporate culture, and use that culture to develop independent-minded human resources as professionals.

Key Initiatives

• Strengthen Recruitment

We will hold company information sessions throughout the year, and recruit 150 store manager candidates annually including new graduates throughout the year. In addition, we will hire 200 people, or about 30 percent of our headquarters staff, to work closely with the existing staff and enhance the professional skills of our entire workforce.

In regional operations, we plan to produce 100 community managers each year, who will contribute to solving issues concerning the public interest.

• Enhance Human Resource Development

We will establish a career path where the standard is to become a store manager after two years, and outstanding employees can become executive officers even while in their 20s. Additionally, we will establish training programs for all employees on product management, store management and administrative management, all of which are necessary skills for a retail business owner. Wherever we operate, we will recruit local candidates for store managers and train them to become future management executives.

• Revise Systems to Develop a Proactive, Independent Corporate Culture

We will change the personnel system’s structure to one in which stores are the star player, and are rewarded for making their own plans, demonstrating leadership, and assuming responsibility for producing results. Also, we will conduct an employees’ conference where we will share management information and discuss Company-wide management with all employees so they can exercise governance over management.

In addition to the standard governance model, we will establish a framework of governance by four entities: the Board of Directors, the Advisory Board, employee shareholders, and local communities.

Strengthening Recruitment

Recruiting Policy

As we undergo significant change with our “Second Founding,” we will create a more dynamic organization by bringing in diverse people, values and ideas.

In September 2021, we began year-round recruitment in which we opened our doors to hiring new university graduates at any time, regardless of the job-seeking season. We welcome not only students who plan to graduate soon, but also first- and second-year university students and people who have graduated and have some work experience. In addition, we are focusing on year-round recruitment of mid-career professionals, who accounted for more than 50% of new hires in the fiscal year ended August 31, 2021. By actively recruiting professionals who have worked in various fields, we will further strengthen and invigorate our organization.

Company Information Sessions

We conduct Company information sessions remotely once a month. These are not unidirectional explanations from the Company, but rather opportunities for two-way communication and direct dialogue. The president participates in every session.

Ideal Candidate Profile for New University Graduates

1. Someone who wants to help enhance the essential aspects of the lives of customers through our products, services and activities.
2. Someone who can respond sensitively to social issues, think about solutions, and take action to be useful to society and people.
3. Someone who can create a vision and proactively involve others to achieve it.
4. Someone who wants to quickly stand on their own, and never stops growing.
5. Someone who can understand different ways of thinking and values, cooperate and contribute to the growth of others.
6. Someone who tries to make honest, ethical and correct decisions about colleagues, other people and work.

Ideal Candidate Profile for Mid-Career Professionals

1. **Someone who can create a vision for a better world**
A person of any nationality or gender who has a clear ambition, has a vision to realize a better world, and can carry it out while engaging colleagues.
2. **Someone who has professional knowledge and experience**
A person who has professional knowledge and experience cultivated in a specific area or field, and can take on new challenges while collaborating and co-creating with current employees.
3. **Someone who has initiative and can proactively engage with others**
A person who can perceive the true nature of problems while taking the perspective of the customer, cooperate with people in other areas and fields, regardless of hierarchical relationship or affiliation, and lead current employees while taking action proactively and independently.
4. **Someone with aspirations and who enjoys change**
A person who will enjoy participating in the business growth and expansion of a changing Ryohin Keikaku as a member of our “Second Founding.”

Recruiting Results

	2020/2	2020/8	2021/8
Number of new university graduate hires	116	200	32
Mid-career hires	57	52	43
Ratio of mid-career hires to total new hires	33%	21%	57%

Interview

Comments from a Mid-Career Hire

In my previous job, I was in charge of digital business such as e-commerce and apps at a retailer with 1,000 stores in Japan.

The EC & Digital Services Division is a unit that conveys the appeal of MUJI through e-commerce, MUJI passport and other digital services. Since I joined the Company, I have started recruiting people to build our digital organization and have been focusing on making service improvements.

The work is challenging to anyone who has an interest in digitally supporting MUJI's “Second Founding.”



Tomohiro Yamauchi

Joined April 1, 2021
EC & Digital Services Division
Sales and Marketing Group

Human Resource Development and Corporate Culture Reform

Human Resource Development Policy

Ryohin Keikaku has implemented a variety of initiatives to create a culture in which all employees and staff members are challenged to set high goals, work hard, and feel a sense of fulfillment when they achieve them. This contributes to individual growth and improvement of professional knowledge and skills.

Now, with our “Second Founding” under way, we will focus on shaping our human resources and corporate culture so that every employee can act proactively and independently, and aim to participate in the Company’s business as someone with management knowledge and experience.

Store Manager Cultivation Project

In order to prepare MUJI employees to become store managers in the third year of their career, this program provides on-the-job training at stores, as well as training to help employees develop the necessary skills and ways of thinking over a two-year period. The project, which began in 2019, provides a total of 37 days (approximately 260 hours) of training. Currently, approximately 340 employees are participating in this project, and since 2019 a total of over 1,600 hours of training has been provided, producing 84 store managers. (As of August 31, 2021)

Lifestyle Organizing School

The Lifestyle Organizing School was launched in 2018 around the theme of cultivating “lifestyle editors” who possess MUJI’s sense of seeking to be an ideal inhabitant. It is an internal training program to develop “lifestyle editors” who have the sense and intellect to discover the charms of local life and propose value based on those charms. Participants visit local communities, communicate with “local heroes,” local governments and residents who are active in the community. They then propose business plans to attain a better life in the area. Since 2018, four sessions have been held, and about 65 employees participated in these sessions.



Special Feature

Lifestyle Organizing School: “Tobu Dobutsu Koen Project”

We held the Lifestyle Organizing School project in Gifu City, Gifu Prefecture (fall and winter 2018), Sakata City, Yamagata Prefecture (summer 2019), and Joetsu City, Niigata Prefecture (fall 2019). The Tobu Dobutsu Koen Project, held in Miyashiro and Sugito, Saitama Prefecture (fall 2020) was conducted for the fourth time.

This project took place prior to the opening of the MUJI Tobu Dobutsu Koen Ekimae store. A total of 22 people participated, including staff members of Tobu Railway Co., Ltd., Tobu Store Co., Ltd. and the Miyashiro Town Hall, as well as members of Ryohin Keikaku who came from stores based on an internal application process. Members were divided into three teams, and each team went out to various places in the community to meet with people. They got to know the area while lodging together and attended workshops aimed at solving local issues.

The training focused on working on the development and proposal of a business plan for solving issues in the station-front area, and coming up with ideas on how MUJI could play a useful role. On the last day of the training, members presented their business plans in front of the mayor of Miyashiro and executives of businesses involved in the project. The ideas in these presentations were incorporated into store development based on the concept of “a place to create something with the community,” and in September 2021, MUJI Tobu Dobutsu Koen Ekimae opened next to the Tobu department store.



Initiatives to Realize Co-owned Management

In order to achieve co-owned management, it is important that our people have the three roles of employee, manager and shareholder. To foster ownership in each employee, we are actively sending out management information and increasing opportunities for communication between management and employees. We are also expanding the employee stock ownership plan,* and the number of employee shareholders is increasing every year.

* This is an incentive plan mainly for Group employees who are residents of Japan.

E-ship (Trust-type employee stock ownership plan)

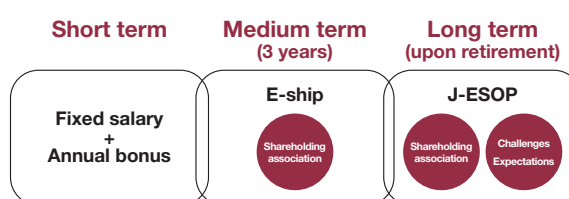
Dividends may be paid after three years according to the share of contributions to the employee shareholding association. This is expected to foster employees' sense of purpose for raising Ryohin Keikaku's medium-term stock price.

J-ESOP (Employee stock ownership plan)

Shareholding association incentive points are granted based on the stock benefit regulations for the amount of contributions to the employee shareholding association, and the accumulated points are paid as shares at the time of retirement. At the same time, we established "Challenge Expectation Points," which are not conditional on membership in the shareholding association. Points are awarded for taking on challenges at a high level. The program is expected to raise the level of commitment of employees and encourage them to take on challenges, which in turn will lead to Ryohin Keikaku's long-term growth.

Number of Employees in Employee Shareholding Association

As of August 31, 2020	As of August 31, 2021
1,425	1,750



Good Meeting

"Good Meeting" is our term for an assembly that raises the sense of ownership among Group employees and challenges them to achieve management targets. These meetings are held once every six months, and include sharing of Group-wide initiatives for the past six months, product awards determined by employee voting and the introduction of new store managers.

The first such meeting included presentations of initiatives from regional business managers, and participants asked many questions so that they can apply those initiatives in other regions.



- Target:** Ryohin Keikaku Group employees
- Number of participants:** Approximately 1,500 (held online in September 2021)
- Meeting frequency:** Twice a year (5 hours each)

Employee Meetings

To realize co-owned management, it is necessary for every employee to cultivate a managerial perspective and act independently with a greater awareness of Ryohin Keikaku as "my company." For that reason, we hold biannual employee meetings as forums to brief employees on the Company's medium-term business plan and financial results. These discussions will lead to the growth of the Company. Lively discussions take place at the meetings, with store associates asking questions about flexible working arrangements and evaluation of results at stores. The meetings are also good opportunities to deepen employees' understanding of the Company, such as by having questions about the business situation answered by the president.

- Target:** Ryohin Keikaku Group employees
- Number of participants:** Approximately 1,500 (held online in October 2021)
- Meeting frequency:** Twice a year (3 hours each)

Localization Initiatives



Nobuhiro Matsueda

Executive Officer
Head of the Kinki Area Business

**Pivot from building stores to creating residential areas.
We will earn the empathy and understanding of stakeholders
while providing products and services essential to daily life
and accelerating our contribution to communities.**

MUJI Has a Conscience

I joined Ryohin Keikaku in 1997, and now I am contributing to the Company's "Second Founding" as the Head of the Kinki Area Business. The core of the MUJI brand is its conscience, which has been passed down from generation to generation. The first mission of Ryohin Keikaku's new medium-term business plan is "to provide daily necessities and services, with trustworthy quality and ethical value, at fair and affordable prices." Since the Company launched in 1980, Ryohin Keikaku has always emphasized a customer-focused commitment to people rather than a focus driven by economically rational capital priorities such as scale and efficiency. We do not simply sell products. Instead, we offer customers a space that melds the intellect and sensibility found in the MUJI brand, integrating products and information within a clear and consistent environment. This is the conscience that illuminates the MUJI brand.

We set up a Regional Business Unit in each area (10 in total) in September 2021 to launch and drive a community-based business model. We will use this as an opportunity to create stores that are even more closely aligned with the MUJI conscience.

Making Residential Areas Better Places to Live

Our "Second Founding" has two interrelated goals: "to be an indispensable part of daily life for people," and "to take root in local society." The concentration of capital and population has accelerated worldwide, and it is causing imbalances and problems for urbanization as it relates to achieving even, uniform lifestyles. Created from the perspective of customers, the MUJI brand is now entering a phase in which the residential areas where customers live is part of the brand mindset. Residential areas extend beyond suburbs to anywhere people live, whether in city centers or suburbs. Our vision for MUJI includes creating stores that make residential areas better places to live, ensuring that our products are an indispensable part of daily life, and taking new approaches in our relationship with communities (local society).

The MUJI store at the AEON Mall Sakai-kitahanada is a new store that embodies the idea of working together with local communities. I became the community manager at this store in 2018. I expanded our concept of "food" and started a program to purchase and sell products from local producers in cooperation with business partners. Furthermore, at MUJI Kyoto Yamashina, which opened in 2019, we worked to build relationships with local

producers with the aim of turning that relationship into a full-scale business. We are part of a sensory industry that integrates primary production, secondary processing and tertiary sales in collaboration with local producers and businesses involved in everything from food processing and distribution to sales. This is how our stores contribute even more to communities.

We want MUJI to be a useful presence in the lives of people around the world through its products and services. Clothing, food and housing are closely interrelated and cannot be considered separately, but food is at the center of everything. However, people have become detached from the fields, farms and fishing grounds where food is produced, and simply consume food as a commodity. These days many people see products only in terms of name or price, and know little about the mindset of producers or the innovations the products embody. MUJI AEON MALL Sakai-kitahanada and MUJI Kyoto Yamashina offer our standard product lineup and also provide unique stories and general information about the vegetables, meat, fish, side dishes and groceries we carry, along with behind-the-scenes insights into how they are produced and processed. These stores embody our concept of “eat, discover and buy.”

The people responsible for this program take the lead in exploring the question of what makes things delicious by creating reports based on information collected at production sites, and sharing recipes for seasonal vegetable dishes at kitchen counters in the food sales area. Farmers’ markets where people can buy directly from producers have proved popular, as have speaking events with guest producers. We want to involve all of our store staff in a deep relationship with the community as MUJI ambassadors. Empathy and understanding are the keys to all these activities. It is important that we share this empathy and understanding with our business partners in moving forward in a manner befitting the MUJI brand.

Stores That Are Community Centers

We are also reviewing the process for identifying locations for new MUJI stores. In the 1990s and 2000s, MUJI was unintentionally regarded as a fashion and interior brand because we opened stores on the fashion and interior floors of large commercial facilities in major commercial districts. However, we want to increase the number of stores that are community centers that are close to daily life. Ideally, we will open stores on floors where customers of all ages and genders can drop by, similar to a supermarket inside a commercial facility, or outside commercial facilities near a supermarket or other establishments such as a drug store or a dry cleaner. We are also opening stores such as MUJI Kyoto Yamashina in areas where department stores have closed and there are empty spaces of 1,000 to 2,000 *tsubo* for which residents are in a loss as to what to do with. MUJI stores in residential areas or near supermarkets have been more

successful than we expected in attracting customers of all ages, including those in their 50s and 60s, because they offer pleasant family shopping experiences.

We need to make a meaningful contribution to communities and carefully learn about the characteristics of the regions we serve, so I am deepening discussions with the relevant people in tandem with the heads of each Regional Business Unit. We will develop young store managers who can excel in their community while further developing the capabilities of the heads of each Regional Business Unit. We are complementing regular meetings with store managers and the heads of each Regional Business Unit with internal channels and follow-up procedures so that we can accelerate the resolution of regional issues through close communication among our people.



Collaboration Based on Empathy for and Understanding of MUJI

Highly motivated employees drawn to the powerfully cohesive MUJI brand have supported Ryohin Keikaku over the past 40 years. Going forward, we will need to collaborate with all of our stakeholders at every level of society to make residential areas even better places to live. Based on our philosophy of “public-interest and people-centered management,” we will create stores that combine social responsibility with economic rationality, just as you would in developing a local community. To that end, we must use easily understood language to convey our policies and mindset to earn the approval and engagement of more people. We want more people to feel empathy with and understand MUJI’s values, including among employees who understand them well and also among supporters, employees and the general public beyond Ryohin Keikaku. This sense of involvement will broaden our range of activities. When we look back on today in the future, I hope we see that 2022 was the start of our ascent toward a society of coexistence and cooperation in which people can dream and accomplish anything together.

MUJI iias Kasugai: A Large-Scale Store Opened in October 2021



MUJI iias Kasugai

Address: iias Kasugai 1F
22 Higashigaoka, Rokkenya-cho
Kasugai City, Aichi Prefecture 486-0842
Access: 2.1 km from JR Kasugai Station, about 30 minutes on foot From JR Kasugai Station. Take Meitetsu Bus 46 or 47 toward Higashinocho and get off at the Asayamacho/Higashinoguchi bus stop.

Supporting Daily Life with the Largest Sales Floor in Japan

MUJI iias Kasugai sells daily necessities, food, and storage products that enrich daily life, and is also a place where residents can interact and promote their community in collaboration with Kasugai City. It offers the “truthful and sustainable life for all” that Ryohin Keikaku proposes to residents of Chubu communities.

The store boasts locally rooted features that only a large-scale store can offer. One of the features is the “Interior Advisors,” who are part of the experiential storage section. They provide storage tips from a model room and propose storage plans aligned with each customer’s lifestyle. Customers can try out all of the MUJI storage items on the sales floor. Another feature is Asaichi Odori, where daily necessities are offered in “stalls” rather than conventional sales areas. These stalls are located in the middle of the store in order to create an atmosphere just like a morning market in a town. Customers and store staff interact in this lively market and talk about everyday topics and share handy lifestyle tips.

In addition, Ryohin Keikaku has formalized a cooperative relationship with Kasugai City. We are working together to revitalize the region and resolve community issues with the aim of helping the city achieve its goal of being a town where people are comfortable and happy. In this collaboration with Kasugai City, we want MUJI iias Kasugai to be a community center that provides residents with a place to interact and promote community development, thus helping people to live even better lives.

Agreement with Kasugai City

1. Promote industries that use local resources
2. Disaster-prevention measures
3. Recycling activities
4. Other regional revitalization activities



Sale of Regionally Grown Vegetables

MUJI iias Kasugai’s food aisles primarily sell seasonal vegetables grown by farmers in Aichi Prefecture. The store offers vegetables not only from Kasugai City but also other vegetables not commonly available in supermarkets. Local products are offered with the aim of reducing food loss and creating a new agricultural future.



Food Drives

MUJI iias Kasugai contributes to food drives as one way to reduce food loss. Surplus items from households, ranging from food in cans and retort pouches, dried food, and dried noodles to beverages and seasonings, are collected and then donated to local welfare organizations and facilities through food bank organizations. A collection box has been set up inside the store.



A Community Center

Central Square

The Central Square in the store connects community residents with local businesses and the activities of administrative agencies. We hold health counseling sessions featuring speakers from local hospitals and workshops in cooperation with disaster prevention volunteers. MUJI iias Kasugai also functions as a public venue for collaboration – a venue where people from governmental organizations, businesses and non-profits who are local heroes because of their involvement in community revitalization provide information about subjects including the environment and parenting.

MUJI iias Kasugai's initiatives are aimed at contributing to neighborhoods and to making the store a focal point of involvement in communities where residents can always enjoy life with peace of mind.



Health Counseling

Health counseling is available at the Central Square. The aim is to create relationships between customers and healthcare providers in collaboration with three medical institutions in Kasugai City. These events give customers who may be hesitant to seek advice in an institutional setting access to counseling without going to a clinic, allowing our customers to get to know healthcare providers and make institutional visits easier. MUJI iias Kasugai has been holding counseling events twice a month, and the events have received good reviews from both customers and healthcare providers. We will continue to contribute to the health and wellness of community residents based on MUJI's unique ability to provide apparel, household goods and food.



Community Market

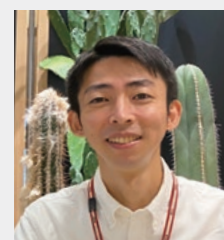
MUJI iias Kasugai periodically hosts a special event called Community Market, which is a market within the store operated in collaboration with community residents. MUJI iias Kasugai invites restaurants and stores in and around Kasugai City to set up stalls in Community Market, where they introduce other restaurants and stores in order to strengthen relationships with local people. MUJI helps community residents learn more about local businesses, which encourages future visits. Community Market provides an opportunity for people to make new connections.



Interview

Store Manager Interview

Kasugai City is a suburb of Nagoya, and one problem it faced is that many people went to Nagoya to shop instead of shopping in town. I myself, in fact, have lived in Kasugai City since before this store opened. I have visited various places and talked to residents, and have seen them going to Nagoya on weekends because there are few places in Kasugai City to shop for everyday items or places to go for fun. That's why we decided on the concept of making MUJI iias Kasugai a "foundation of daily life" for customers in the area and a local "community center." We want it to be a store for everyday use by local customers, and try to give the sales floor a leisurely, out-of-the-ordinary feel for families who visit on weekends. By taking full advantage of the size of the sales floor area, including the Central Square that showcases the activities of local residents and the local government, we hope to make it a place that connects people as a gathering spot for people, products and events. Going forward, we will further contribute to the area by linking solutions to issues and local development not only in Kasugai City, but also in surrounding communities. To do this, we will focus firmly on our core business of selling products for daily life to make this a store that attracts many customers and plays an even bigger role in realizing "a truthful and sustainable life for all" for local residents.



Kazuyuki Endo

Store Manager
(currently Tokai Area
manager)



Sustainability

MUJI's Goals

MUJI aims to solve social issues on a global level by incorporating simplicity and beauty into daily life through its products and services.

We would like to be a collective group focused on attentiveness that sees and thinks from a broad perspective, from the smallest details to the future of the whole planet.

Ryohin Keikaku contributes to society by providing MUJI products and services that take people and producers into consideration.



United Nations Global Compact

Ryohin Keikaku has supported human rights as a signatory to the United Nations Global Compact since 2013. The compact encompasses ten principles for human rights, labor, the environment and anti-corruption.



A Leader in ESG Management

Ryohin Keikaku has been committed to ESG management since its establishment more than 40 years ago in 1980. We will further refine this commitment through 2030 by encouraging people to take part in ESG and ensuring its positive impact on society.

ESG in Products

We will promote awareness of ESG worldwide by adopting circular design for products and offering them at affordable prices.

ESG in Business Activities

We will collaborate with stakeholders to reduce social costs and environmental burden. At the same time, we will contribute directly to solving social issues through our business activities.

ESG in Communities

We will make a positively impact on society by leading the revitalization of local areas through activities with local communities.

We have determined four evaluation indices for the above and will regularly disclose results and progress.



1. Build a sustainable society while achieving circularity, and coexisting with nature

- Reduce combustion of fossil fuels and their derivatives
- Guarantee ethical production processes
- Encourage active involvement in sustainability activities*

2. Revitalize communities and resolve their issues through localization activities

- Resolve issues arising from an aging society and declining population
- Open stores and revitalize industry in local communities
- Preserve local communities and traditional culture

3. Promote high employee engagement and acquisition of problem-solving skills

- Maintain a corporate culture of acting proactively and independently
- Be highly sensitive to social issues and finding solutions
- Demonstrate commitment to diversity
- Creation of workplaces where anyone can fit in and succeed

4. Achieve public-interest and people-centered management

- Encourage co-owned management
- Earn strong shareholder support
- Earn strong support from residents, customers and local communities

* Active involvement in sustainability activities: We believe that in the current consumer market, in general, companies strengthen ESG and sustainability initiatives in a way that makes consumers bear some of the cost. Ryohin Keikaku conducts environmental and social initiatives naturally and effortlessly, and provides products and services at affordable prices. Through MUJI, we want reduction of environmental impact to be done in a way that blends into daily life – in fact, that is MUJI's founding philosophy. By practicing and broadly expanding this philosophy, we encourage people to take part in sustainability activities.

Build a Sustainable Society While Achieving Circularity, and Coexisting with Nature

Response to Climate Change

Ryohin Keikaku is committed to earning the trust of society by steadily responding to climate change, improving environmental performance, and proactively disclosing information through its website and other means.

The information we disclose about environmental performance includes responding to questions about publications such as the Global Warming Countermeasures Report we submitted to the Bureau of Environment of the Tokyo Metropolitan Government.

In response to the Corporate Governance Code of Japan, we will begin conducting information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) by the end of 2022.

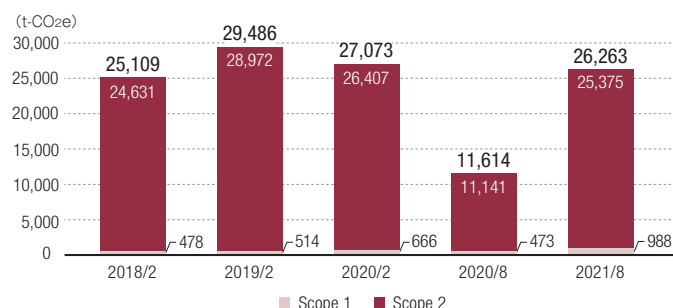
Reduce CO₂ Emissions by 50% by 2030 (Scope 1 and 2)

Issues related to climate change are important to Ryohin Keikaku, which is targeting a 50% reduction in greenhouse gas emissions by 2030 compared with the fiscal year ended February 2020. We are taking action to implement decarbonization management with the goal of using 100% renewable energy at all stores and installing solar panels at all of our independent store buildings by 2030. In addition, we will collaborate with our business partners to promote energy conservation and improve energy efficiency in our business activities.

Greenhouse Gas Emissions

Ryohin Keikaku calculates its greenhouse gas emissions (GHG) using the GHG Protocol, a commonly used international guideline for calculating GHG emissions. In the future, we plan to assess emissions in all countries and regions where MUJI stores have opened.

Scope 1 GHG (direct emissions by Ryohin Keikaku) and Scope 2 Electricity (indirect emissions by Ryohin Keikaku)



- Notes: 1. GHG emission data was collected from directly managed MUJI stores in Japan, our logistics centers, the headquarters building and other facilities owned by Ryohin Keikaku.
2. For Scope 1 and 2 emission factors, the coefficients specified by the Greenhouse Gas Emissions Calculation, Reporting and Announcement System are used.
3. Due to the change in fiscal year, 2020/8 covers the six-month period from March 1 to August 31, 2020.

Scope 3

(t-CO₂e)

Category	2021/8
1. Purchased goods and services	704,321
2. Capital goods	26,618
3. Fuel and energy related activities not included in Scope 1 and 2	4,455
4. Upstream transportation and distribution	49,175
5. Waste generated in operations	210
6. Business travel	956
7. Employee commuting	3,386
8. Upstream leased assets	-
9. Downstream transportation and distribution	-
10. Processing of sold products	-
11. Use of sold products	64,155
12. End-of-life treatment of sold products	591
13. Downstream leased assets	-
14. Franchises	4,062
15. Investments	-
Scope 3 total	857,928

Note: For emission factors, the Ministry of the Environment's CO₂ emission intensity database, the IDEAv2 database, and other databases are used.

Initiatives to Use Renewable Energy and Reduce Energy Use Throughout Our Operations

Use of Renewable Energy and Installation of Solar Panels

We will use renewable energy and install solar panels at locations under our control.

Solar Panels of the Hatoyama Distribution Center and Use of Renewable Energy

The Hatoyama Distribution Center has 1,400 kWh solar panels on the roof. These solar panels can generate electricity equivalent to the annual power consumption of around 228 general households. We expect to reduce annual CO₂ emissions by around 494 tons. In addition, we are using renewable energy for about half of the total electricity we use.

Change over to LED Lighting

We are transitioning to LED lighting at stores, and the headquarters completed the switch in February 2022.



Other Initiatives <https://ryohin-keikaku.jp/eng/sustainability/environment/energy/>

Measures to Ensure Ethical Production Processes

Develop Environmentally Responsible Products

The basic mindset of MUJI manufacturing has not changed since we created the brand in 1980. We continue to manufacture products based on three environmental and social perspectives: (1) selection of materials, (2) streamlining of processes, and (3) simplification of packaging. We manufacture no-frills, quality products and select materials that take the global environment and producers into consideration, eliminate waste in all processes, and provide customers with what they actually need, in the form they actually want. Our raw material procurement and waste reduction initiatives draw on the above three perspectives.

1. Selection of Materials

We review materials by always returning to the basics of manufacturing that are often overlooked in creating delicious and healthy food, comfortable clothes that fit well, and household goods that put function first.

We provide high-quality products at affordable prices by utilizing materials that are rejected despite their quality because of their appearance, using commercial materials, accessing raw materials from global markets, and procuring large quantities of seasonal goods at low cost.

2. Streamlining of Processes

We work to improve processes right down to the production of a single product. For example, we eliminate problems associated with sorting and arranging sizes, and we also make products from goods rejected because of nonstandard size or shape. We eliminate unnecessary work. This includes work that is not related to the fundamental quality of the product, such as excluding uneven shapes/colors or polishing. Our approach to manufacturing no-frills, quality products eliminates material waste and reduces costs.

3. Simplification of Packaging

All MUJI products have always appeared in stores featuring only a package or tag simply giving product details. For products that may need extra packaging, we bundle them together or use a common container. We pursue ongoing initiatives to reduce trash because we do not want resources to go to waste.

Raw Material Procurement

Following in the steps of its predecessors, MUJI promotes manufacturing that makes the best use of the original functions of natural materials. We work to select raw materials that are collected and cultivated in a way that does not impose an excessive burden on the Earth, animals and plants, and producers. For primary raw materials, we use materials that can be traced back to the production area as much as possible, and above all, we actually visit the production areas to check with our own eyes the conditions of collection/cultivation sites of major raw materials and the lives of producers. We will continue to strive to procure raw materials in consideration of those who use them, those who make them, and approaches to engaging with nature.

Details about procurement initiatives are available at <https://ryohin-keikaku.jp/eng/sustainability/activities/material/>



Chemical Management

Ryohin Keikaku requires its contract manufacturing partners to safely manage chemical substances that may pollute the environment, and to prevent and reduce water and air pollution in accordance with our Code of Conduct for Production Partners. A list of restricted substances is provided in the “Ryohin Standards,” which specifies our internal quality standards and is made available to our production partners. We do not use any prohibited chemical substances in our manufacturing processes, and for those chemical substances designated by the laws and regulations of each country or region, we monitor the amount of emissions and report them to the governments in accordance with laws and regulations.

Biodiversity Initiatives

More than 38,000 species of wildlife on Earth are currently on the verge of extinction.

Committed to contributing to society through its businesses, Ryohin Keikaku donates part of the proceeds from the sale of T-shirts with images of endangered animals to IUCN-J. This supports the activities of IUCN-J, which is involved in conserving biodiversity and protecting the environment. These MUJI T-shirts will remind people that animals are disappearing and inspire interest in the relationship between humans and nature.

Donations

2020/2:	JPY 1,458,170
2019/2:	JPY 1,268,793
2018/2:	JPY 1,034,850
2017/2:	JPY 1,164,969
2016/2:	JPY 1,114,218



Supply Chain Management

Policy Regarding Respect for Human Rights

We believe that our most important responsibilities are to respect the basic human rights of all people involved in the supply chain and to ensure their physical and mental health, security and safety. To this end, we have formulated the Code of Conduct for Production Partners of Ryohin Keikaku and request all our business partner factories not to engage in any kind of human rights infringement, including discrimination, child labor and forced labor. The Code of Conduct is based on global human rights principles and declarations, including the International Labour Organization (ILO) Declaration of Human Rights, the 10 principles of the United Nations Global Compact, and the UN Guiding Principles on Business and Human Rights.

Supply Chain Policy

Ryohin Keikaku does not manufacture any of the products that MUJI handles, but outsources all product manufacturing and production to its production partners. As a result, we believe that it is extremely important for us to work with production partners based on established procurement standards.

Internal Facilitation System

Division/Committee in Charge	2021/8
Compliance and Risk Management Committee	General issues related to human rights (Supervision of Group Compliance Code of Conduct and the Code of Conduct for Production Partners)
HR & General Affairs Division	Elimination of discrimination and harassment toward employees, wages, working hours, point of contact for internal reporting and consultation, etc.
Labor, Safety and Health Committee	Occupational safety and health
IT Services Division	Privacy (including privacy protection policies)
Development & Production Division, Internal Audit Office, Public Relations & ESG Division	Human rights in the supply chain

Procurement Standards

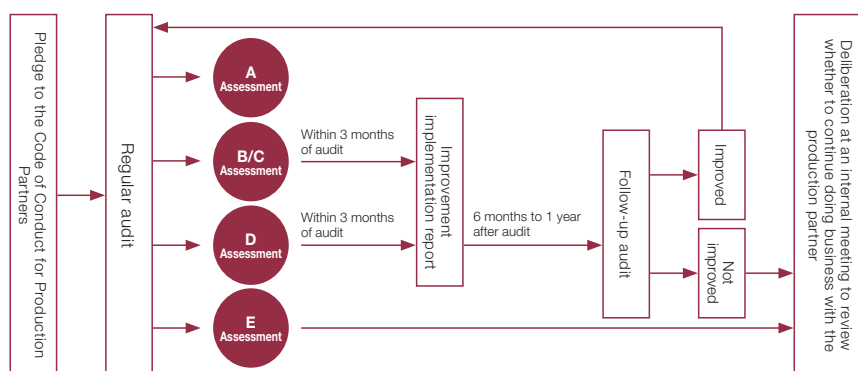
In accordance with the Code of Conduct for Production Partners, we share our policies related to the working environment, respect for human rights and environmental consideration throughout the supply chain with our business partner factories. We also promote initiatives toward respect for human rights while asking the factories to comply with our policies.

We request all of our production partners to which we outsource production to sign a pledge to abide by the Code of Conduct, and only do business with suppliers who commit to complying with the Code of Conduct. In this way, we aim to realize our vision of achieving “a truthful and sustainable life for all” by considering not only customers and the environment but also producers in providing MUJI products and services.

● Monitoring

Considering respect for human rights, compliance with labor-related laws, improvement in the working environment, and environmental consideration in the supply chain our top priority issues, we are actively working to monitor our business partner factories, in cooperation with production partners.

Working Environment Monitoring System



Details of our monitoring of production partner factories are available at <https://ryohin-keikaku.jp/eng/sustainability/supply-chain/monitoring/>

● Supply Chain Due Diligence

Through the process of human rights due diligence, including the monitoring and other measures described above, we are striving to identify and prevent the risk of potential human rights abuses in accordance with the UN Guiding Principles.

Moreover, we are gradually applying the due diligence process even in the upstream supply chain where raw materials are procured. Cotton, one of the main materials for MUJI's apparel products, is sourced from many places around the world including India, Turkey and China. Cotton and yarn used by Ryohin Keikaku has obtained organic certification confirmed by a third-party organization. This certification is conditional on the compliance with labor conditions stipulated by the International Labour Organization (ILO).

Going forward, in order to prevent human rights abuses in the supply chain, Ryohin Keikaku will engage with other companies in our supply chain to further improve the working environment, and will continue to carefully gather information and appropriately implement due diligence and any other necessary measures.

Quality

Approach to Quality

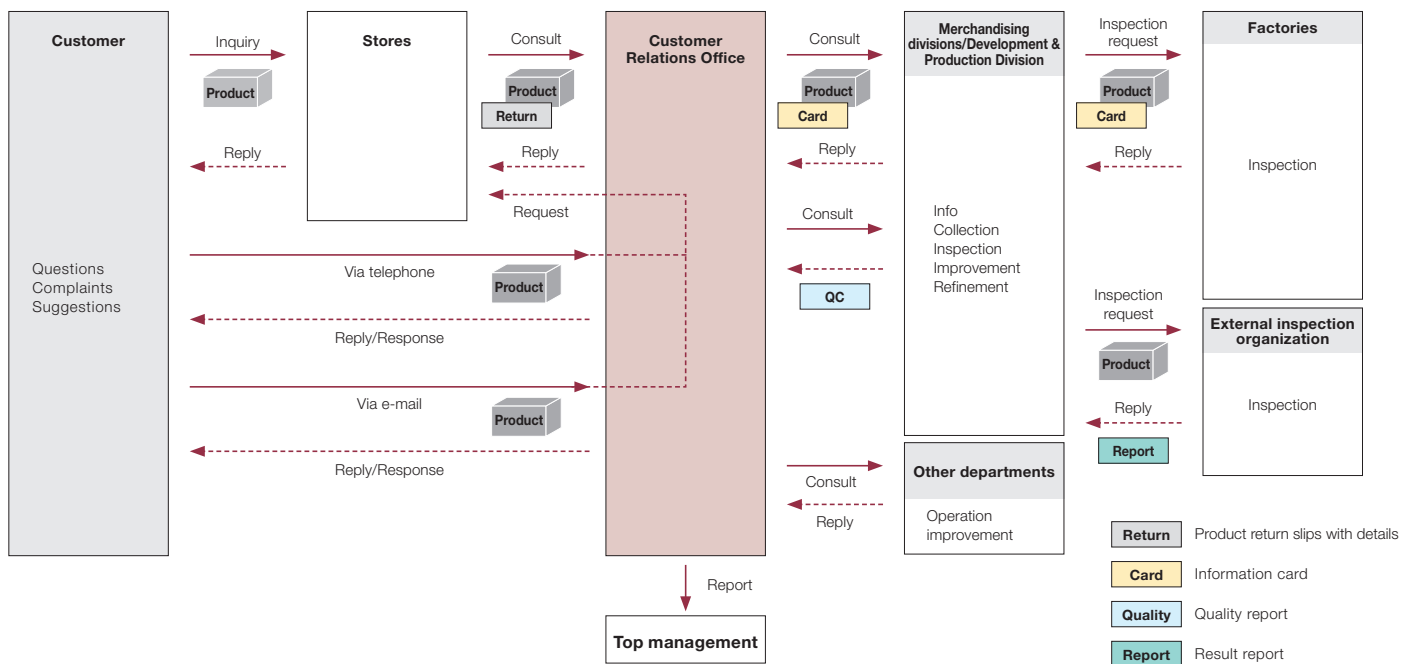
At MUJI, we inspect each process of design, procurement and production based on the “Ryohin Standards.” We strive to provide safe and secure products, and aim to continuously realize the following:

- Quality products with a reason and value sought from a customer’s perspective
- Consideration for customers, producers and the environment
- Solving issues for society as a whole and as inhabitants of the Earth
- Zero quality faults
- Reduction of defect rate
- Thorough quality-oriented awareness

View the “Ryohin Standards” at <https://ryohin-keikaku.jp/eng/sustainability/activities/quality/>

Initiatives for Quality Control

The “voices” (comments) of customers regarding our products are all registered in a dedicated database (“voice navigation system”), and the Development & Production Division, merchandising divisions and other related divisions cooperate and respond quickly in accordance with the content. By enabling our business partners and factories to directly access the database to confirm the content, we have created an environment where we can respond to quality problems quickly. In addition, the Development & Production Division cooperates with external inspection organizations as needed.



Risk Assessment

We conduct risk assessments of product design, layout, manufacturing, distribution and usage environments for the purpose of preventing product accidents, defects and complaints. We also identify the above risks (including accidents, defects and complaints due to reasonably foreseeable misuse) at the product planning/development/design stage to deal with the risk factors in advance.

By implementing risk assessments in the early stages of design, we can identify risks throughout the product life cycle from product planning and development to use and disposal, incorporate solutions for identified risks into the design, and reduce the risk of accidents, defects, complaints, etc. to achieve a smooth launch of our products.

Initiatives for Realizing a Circular Society

As a company that develops and sells products, MUJI considers the future of its products as they fulfill their role and function. Some customers even return MUJI products that they have loved for years to be recycled. In addition, we aim to achieve a circular economy by eliminating waste and promoting recycling and reuse of materials.

MUJI, which aims to create a better relationship with nature, will continue to do its best to help recycle resources and reduce waste.

Recycling targets and detailed information are available at <https://ryohin-keikaku.jp/eng/sustainability/activities/recycle/>



ReMUJI



Transforming MUJI Shinjuku into a store that addresses environmental and social issues

https://ryohin-keikaku.jp/news/2021_0812.html (Japanese only)

Plastic Bottle Collection

We collect and recycle items made from PET as an initiative to reduce plastic waste. We collect used facial lotion and milk bottles and My Bottle for Water at stores for recycling to reduce plastic waste and make efficient use of petroleum-based raw materials.



Amount of plastic bottles collected
729 kg (2021/8)

Recycled Wool

Ryohin Keikaku makes products from recycled materials such as scrap from production processes and dirty or damaged products that cannot be sold.



Waste Reduction Initiatives

We continuously review the materials we use for shopping bags, product packaging, and sales floor displays to recycle resources and reduce waste. We are eliminating plastic packaging to the extent possible or transitioning to alternative materials such as recycled paper.

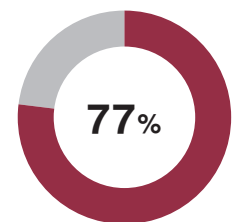


The Reusable Bag Program

Ryohin Keikaku began eliminating plastic shopping bags in March 2020 and had changed over to paper shopping bags at all stores by the end of June 2020.

We are also working to reduce plastic with a deposit system for shared bags made of recycled polypropylene.

Percentage of Customers Who Bring Reusable Bags



Revitalize Communities and Resolve Their Issues through Localization Activities

Community Engagement

Aiming to help create “a truthful and sustainable life for all,” Ryohin Keikaku is not only focusing on sales of products essential to daily life in countries and regions worldwide, but also turning its attention to the various issues taking place in each region.

Initiatives That Involve the Local Community

In each region, MUJI is involved in a variety of initiatives led by local governments and community members to revitalize local areas.

Special Feature

Product Development Using Local Ingredients: “Namba Negi” (Namba Green Onions)

Ryohin Keikaku purchases and sells regional products made with ingredients that are representative of the local land and culture, and has started a program to support local producers and businesses in product development.

In the Kinki area, we have quickly commercialized frozen food and processed food products that use local ingredients. Examples include “Senshu Yellow Onion Curry Ajillo” and “Kyo-Yasai (Kyoto vegetables) Pizza Series.” One new project in which we cooperate with local farmers is “Namba Negi.”

Fifty years ago, Namba green onions were the mainstream type of green onion (negi) in Japan, but production declined because the leaves broke easily and the slime inside them was too strong, which made them difficult to process. However, years of efforts by some farmers have paid off. The flavor and quality of these onions have been reevaluated in recent years, and they have attracted considerable interest after being certified as a “traditional vegetable of Naniwa.” The most distinctive feature of Namba green onions is their slime. Since it is high in the original rich, sweet flavor of green onions, heating them enhances their flavor. In the Minami Osaka area, one of the Regional Business Units is promoting activities to utilize the valuable Namba green onion. For example, *Namba Negi Sembei* (green onion rice crackers), which were developed in partnership with the headquarters Food Division, are sold exclusively at MUJI stores nationwide, and *Negiyaki* (green onion pancakes), a frozen food product that we commercialized after cooperating in product development with local food companies, is now being purchased and sold by stores in the area.

By developing products that make use of local ingredients, we will help to connect producers and consumers and contribute to revitalization of local communities.



MUJI KONANDAI BIRDS

MUJI KONANDAI BIRDS opened on two floors: the first floor, which offers apparel and household goods, opened in April 2021, and a basement-level floor specializing in food opened in May 2021. The two floors combined have total sales floor space of about 5,000 square meters, making it the largest MUJI store in the Kanto region.

The food floor on the first basement level is shared with Queen's Isetan, a supermarket, and Nakajima Suisan Co., Ltd., a fresh fish specialty store based in Tsukiji. MUJI KONANDAI BIRDS cooperated with these two companies to set up the dedicated food sales floor in response to demand from local residents. This was a local issue that we discovered by visiting various places in the neighborhood to get information starting from October 2020, prior to the opening.

In addition, we learned that a large housing complex within walking distance of the store has an aging population of residents, and many of them have difficulty going shopping. For that reason, we visit the complex once a week in a minivan to conduct mobile sales. We are taking various measures to solve issues while deepening communication with people in the community in ways such as changing the product lineup at the request of residents, and conducting storage consultations.

We are aiming to be an essential presence in the region and revitalize the whole community with MUJI as a focal point.



Cooperation with Universities and External Organizations

MUJI is cooperating with universities and NPOs to help revitalize regions and communities.

Special Feature

Cooperative Class with Fukushima College

MUJI collaborated with Fukushima College to hold four product development classes using local products from Fukushima Prefecture.

The purpose of the class was to learn marketing skills through case studies of MUJI's product development, and to acquire the skills to develop products using local resources while solving local issues at the same time. The theme of the class was to develop products from sake lees made by Suzuki Sake Brewery in Namie Town, Fukushima Prefecture (which was impacted by the Great East Japan Earthquake and is currently operating in Nagai City, Yamagata Prefecture).

At the final presentation, various products were proposed, including baby powder made from sake lees and Eustoma russellianum – a specialty grown in Namie Town; craft gin made by pickling the fruit peels in Kasutori Shochu (a kind of alcohol made by distilling the sake lees); and fruit bars made by combining dried fruit and honey from Fukushima with sake lees.

We plan to consider development of products using sake lees in the future.



Public Design

By designing public spaces with both conscience and innovation, we aim to create connections between individual people, between people and nature, and between people and society, to rebuild relationships that have become fragmented in the modern world.

Special Feature

Renovation of Nichinan Station in Miyazaki Prefecture

The station building of Nichinan Station in Miyazaki Prefecture, which was renovated in March 2020, was envisioned as not simply a place to wait for trains, but as a community space where anyone could comfortably spend time. Ryohin Keikaku partnered with Nichinan City as well as local and related businesses, in transforming the station into a place where people in the area could gather. In the project, we cooperated in planning for station repairs and in holding hearings and workshops for local residents.

Within the community space, we set up a free-for-use learning space, which was requested by many students, in order to make good use of the waiting time for trains. In response to ideas from families raising small children, we also created a Japanese-style common room by placing tatami mats on a low platform that people with young children can use freely. In addition, some of the exterior and window frames are made of Obisugi cedar, a local specialty, to give the space a warm appearance.

This station building renovation received an Encouragement Award at the 39th annual Display Industry Awards, and won an award in the Social Design category at the Japan Wood Design Awards 2020.



© paak design

Community Support

With the aim of revitalizing communities by deepening interpersonal relationships and regaining harmony with nature in areas close to home, we have launched a variety of initiatives that will help to create a better future. Ryohin Keikaku supports such activities and the people who take part in them through its products and services.

Special Feature

Global Industrial Support Initiatives

MUJI (Shanghai) Company Limited, which operates approximately 300 stores in mainland China, released mineral water as a product in July 2020. The water with low impurities and good taste for drinking is extracted from a natural cave in the Shibadong Cun area in Hunan Province to support local industries. In addition to the utilization of natural resources, this initiative also led to the creation of local employment and industrial development of the area.

In January 2021, MUJI Shanghai collaborated with the Beijing Contemporary Art Foundation (BCAF) to sell jute tote bags designed by artists who share MUJI's philosophy, and a portion of the revenue has been donated to the Children's Public Service Project.

Moreover, in cooperation with Ant Forest, a public interest platform on environmental protection, MUJI Shanghai has started to give "green energy points" from June 2021 to customers and MUJI passport members who are environmentally conscious and decline plastic bags and paper receipts. This initiative will lead to tree planting and land conservation activities.

We will continue to think about what we can do for the environment, society and the community, and to make contributions through our business activities.



Children's Cafeteria

Since its opening in December 2020, MUJI Tokyo Ariake has been involved in a number of initiatives for the benefit of the local community. We had heard about the situation in the local community from various community associations. Through our participation in support activities, we have learned that the number of children eating alone at home is increasing, and that it is difficult for them to speak up even if they are in trouble.

Store employees discussed what could be done to address these issues, and from August 2021 started the MUJI Tokyo Ariake Children's Cafeteria. This event is held on the fourth Wednesday of each month at the Cafe&Meal MUJI located inside the store. The store plans to hold this monthly event with the goal of making this Children's Cafeteria a place where children can feel secure, and a place where people in the community can help each other.

Through our activities with Children's Cafeteria, we hope to create a world where children no longer need such support 10 years from now.



20 Cooperation Agreements Signed with 17 Local Governments

— Utilizing MUJI stores to connect people, nature, and society —

Ryohin Keikaku seeks to create “a truthful and sustainable life for all,” and is involved in a variety of initiatives led by local governments and community members to revitalize local areas. As of October 2021, we have signed regional cooperation agreements with 17 local governments in Japan.

Working together with local governments, we are implementing measures that benefit people in the area by co-creating new value such as local production for local consumption, creation of jobs and community development.

Local Government Bodies and Partners	Agreement Type
2017	
November: Toshima Ward, Tokyo	1. Partnership agreement on community development
2019	
April: Kamogawa City, Chiba Prefecture	2. Agreement on promotion of local revitalization
July: Sakata City, Yamagata Prefecture	3. Partnership agreement for local revitalization
December: Joso City, Ibaraki Prefecture	4. Agreement on revitalization of public housing complex
2020	
January: Joetsu City, Niigata Prefecture; Kubiki Jidosha Co., Ltd.	5. Agreement on comprehensive cooperation for local revitalization
September: Tokamachi City, Niigata Prefecture	6. Agreement on cooperation between Tokamachi City and Ryohin Keikaku
	7. Agreement on dispatch of employees
October: Isumi City, Chiba Prefecture, Isumi Tobu Fisheries Cooperative and SOTOBO ISUMI Co., Ltd.	8. Cooperation agreement
November: Koto Ward, Tokyo	9. Agreement on dispatch of employees
	10. Cooperation agreement on Koto Ward recycling project, etc.
November: Namie Town, Fukushima Prefecture	11. Agreement on cooperation between Namie Town and Ryohin Keikaku
	12. Agreement on dispatch of employees
2021	
March: Kamogawa City, Chiba Prefecture and Higashiawa Fishery Cooperative	13. Cooperation agreement
May: Yokohama City, Kanagawa City	14. Comprehensive cooperation agreement to create “a truthful and sustainable life for all”
May: Aizuwakamatsu City, Fukushima Prefecture	15. Agreement for promotion of local community development and local revitalization
May: Kumamoto City, Kumamoto Prefecture	16. Partnership agreement for creation of a sustainable society through water
June: Morimachi, Kayabe County, Hokkaido	17. Agreement to promote development of local communities and revitalization of the local economy
September: Shinjuku Ward, Tokyo	18. Cooperation agreement on promotion of reduction of food loss, etc.
October: Mashiko Town, Haga County, Tochigi Prefecture	19. Comprehensive cooperation agreement for sustainable community development
October: Kasugai City, Aichi Prefecture	20. Cooperation agreement on improvement of “a truthful and sustainable life for all”

As of October 31, 2021

Ryohin Keikaku will continue to address various local issues and contribute to development of local communities and regional revitalization.

Promote High Employee Engagement and Acquisition of Problem-Solving Skills

Creation of Workplaces Where Anyone Can Fit in and Succeed

Recruitment and Employment

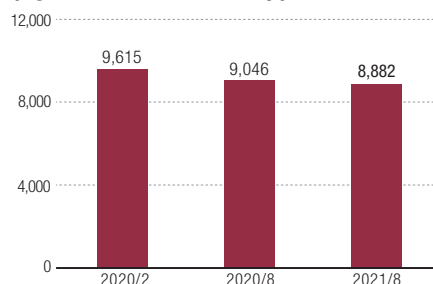
In its employment activities, Ryohin Keikaku makes sure to understand the customs of the countries and regions in which it does business. We also make sure to comply with the laws and regulations of those countries and regions.

In addition, Ryohin Keikaku publishes the “MUJI Employee Handbook” in three languages (Japanese, English and Chinese) to describe its employment and labor policies and the Group Compliance Code of Conduct, etc. To ensure that all employees understand its contents, explanations and training are provided to all employees when they join the Company.

1. We aim to achieve lasting happiness for MUJI employees.
2. We strive to ensure the mental and physical comfort, enrichment and professional growth of our employees.
3. We respect the individuality, human rights and privacy of our employees. We work to eliminate discrimination and do not tolerate harassment of any kind.
4. We respect gender, nationality, ethnicity and religious diversity, learn from our differences, and help each other grow.



**Number of Employees
(Ryohin Keikaku Group)**



A Safe and Healthy Work Environment

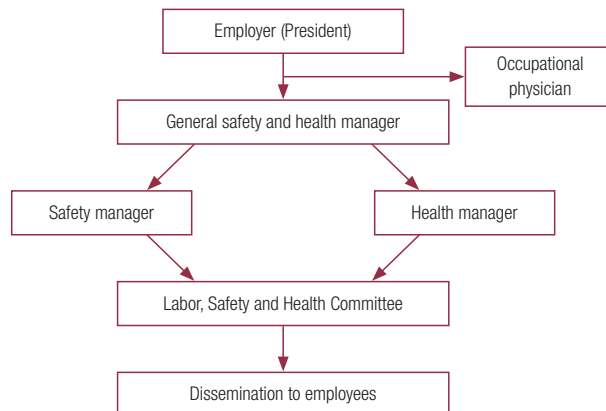
We ensure a safe and healthy working environment that does not put employees at risk. To this end, we provide safe drinking water and proper sanitation, lighting, temperature control, ventilation, changing rooms, etc. for our employees.

We comply with laws and regulations related to labor standards, safety, health, etc. and take into account the physical and mental health of each and every employee. We also strive to maintain a healthy, safe and hygienic work environment and prevent workplace accidents. In addition, we comply with international standards and local laws and regulations in terms of working hours, rest periods, and vacation time and promote a working style that does not require overtime. In the unlikely event of a disaster, accident or other problem occurring in the workplace, we will work to minimize the damage and put measures in place to prevent its recurrence.

At Ryohin Keikaku, in order to encourage employees to take annual and public holiday leave, all employees are required to register their annual leave plans via the attendance management system at the beginning of the year, and the plans will be reviewed and approved by the managers. The HR Division will monitor the registration status, and remind employees and managers if the plans are not properly submitted or if the days of registration are insufficient. Employees will then take leave according to their plans, and the HR Division will use the attendance management system to monitor progress, and make sure that all employees take proper leave as required by laws and regulations.

Labor, Safety and Health Committee

Ryohin Keikaku has established a Labor, Safety and Health Committee to investigate and deliberate on matters related to the health and safety of business sites and to oversee the health management of its employees. A director has been appointed as the chairperson of the committee. The Labor, Safety and Health Committee meets monthly with health and safety managers, occupational physicians, employee and union representatives in order to discuss and resolve specific issues such as store and office safety management, employee health management and mental healthcare, etc. In addition, stores with 50 or more employees (excluding part-time workers) are required to have a Labor, Safety and Health Committee. The committee is spearheaded by the store manager or an occupational physician appointed for each region, and meetings are held on a monthly basis.



Active Use of Diverse Human Resources

The Ryohin Keikaku Group respects the individuality of each of its employees around the world. It is our primary goal to provide lasting happiness to our employees.

● Promotion of Women's Participation and Advancement in the Workplace

In order to promote the success of all employees, Ryohin Keikaku is working on action plans that take into account the various lifestyle changes its employees might encounter such as nursing care, medical treatment, and childcare. To this end, we will make necessary arrangements to make sure female employees can work with us for a long time with peace of mind. On the other hand, we have implemented measures to give the younger generation of employees more challenges and opportunities to gain experience before they have to worry about lifestyle changes. We also provide training based on job description to help them draw up their career plans at an early stage.

Numerical target for ratio of female managers:
35% or more

Actual result: 35.0%

Ratio of female directors and executive officers:
12% (3 of 25 persons)

Ratio of female employees: 55.3%

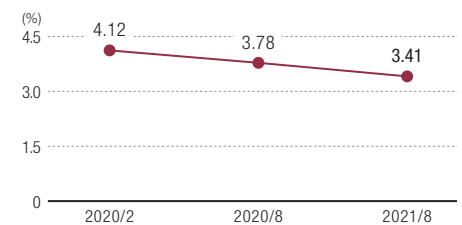
Note: Ryohin Keikaku Co., Ltd. only
(As of August 31, 2021)

● Employment of People with Disabilities

Ryohin Keikaku began hiring disabled individuals in Japan in 2000. In 2009, we launched the Heartful Project to promote the “sustainable happiness of co-workers,” “self-development through mutual trust and cooperation” and “increase and stabilize employment at stores” for the disabled. We have also established a support system that includes employment management and guidance tailored to the characteristics and individuality of each person and a step-up system based on evaluation to help people with disabilities reach their full potential.

Our stores, using the our “Second Founding” as an opportunity to contribute to local society, will promote the Heartful Project together with local communities and move forward with disabled people to create places for them to use their skills.

Ratio of Employees with Disabilities



Note: Ryohin Keikaku Co., Ltd. only
(As of August 31, 2021)

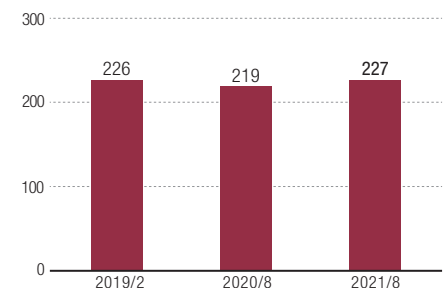
● Systems to Support Work-Life Balance

We have systems that allow employees to choose from a variety of work styles in order to find balance between work and life events such as childbirth, childcare and nursing care. We have established systems to support work-life balance that can be used by all employees, regardless of gender, including a childcare and nursing care leave system, a shorter working hour system, a childcare system, a flextime system, and so on.

In 2016, we extended the applicability of our childcare system, which allows for shorter working hours for employees who take care of their children, from the first year of elementary school to the end of the fourth year of elementary school. This is part of our efforts to create an environment in which employees can work with peace of mind.

We have also implemented a telecommuting program for headquarter employees in Japan from the fiscal year ended February 2019. In addition, from September 2020, we further strengthened our support for employees working from home by providing an allowance for utilities and communication expenses (paid on a daily basis) and by lending computer monitors.

Average Number of Employees Using the Childcare System



(Including partner employees)

Organizational Vitality Surveys

In order to gain a quantitative understanding of how employees perceive “work processes” and “human relations” at stores and headquarters, and to further address specific issues in terms of organizational vitality, we conduct organizational vitality surveys (including full-time employees, contract employees and part-time workers). A total of 11,172 employees (74% response rate) and 13,201 employees (77% response rate) participated in the survey in May 2018 and May 2019, respectively. A total of 14,780 employees (92.1% response rate) participated in the survey in November 2020.

Currently, we are revising the content of the survey to better reflect the corporate culture we want to build.

See pages 33, 35 and 36 regarding information on “maintaining a corporate culture of acting proactively and independently” and “being highly sensitive to social issues and finding solutions.”

Achieve Public-Interest and People-Centered Management

Stakeholder Engagement

To contribute to the realization of “a truthful and sustainable life for all,” we believe that it is important for us to accurately understand and respond to the demands and expectations of stakeholders. We will accomplish this through constructive communication with customers, local communities and society, shareholders and investors, business partners and employees.

Communication with Stakeholders

Stakeholder	Main Method of Communication	Relevant Initiatives
Customers	Customer service at stores/events Distribution of articles via social media, including the MUJI passport app Inquiries to the customer support center Customer participation-type community site (IDEA PARK)	We have increased opportunities to connect directly with customers through the free MUJI passport app. In Japan, the total number of downloads has reached 24.51 million (as of August 31, 2021). In addition, over 40,000 articles have been distributed by stores.
Local communities and society	Participation in community activities Regional cooperation agreement with local governments Disaster relief support	Since 2017, we have concluded regional cooperation agreements for revitalization activities with Toshima Ward in Tokyo, Kamogawa City in Chiba Prefecture, and Sakata City in Yamagata Prefecture, among others.
Shareholders and investors	General Meeting of Shareholders Meetings with shareholders Business results briefing Meetings with investors	About 250 shareholders attended the 43rd Ordinary General Meeting of Shareholders (99 at the venue and approximately 150 online), and the meeting was streamed on the Company website.
Business partners	Briefing for business partners Questionnaires for business partners CSR audit of business partner factories Business partner helpline (contact point for making reports)	In addition to the regular briefing for business partners, we held a briefing on the Code of Conduct for Production Partners, which was amended July 2020.
Employees	“Good Meeting” venue Employee meetings Employee training Self-assessments and feedback meeting In-house portal site and in-house newsletters Employee helpline (whistleblowing hotline)	“Good Meeting” is our term for an assembly that raises the sense of ownership among Group employees and challenges them to achieve management targets. Held once every six months, the meetings are an opportunity for recognizing outstanding employees, sharing the achievements of the Group during the preceding six months, and encouraging forward-looking action by helping employees understand the vision for the coming six months and beyond.

Cooperation with External Organizations

Name	Member Since	Mission
United Nations Global Compact (UNGC)	2013	Companies and organizations that have signed the UNGC continuously make efforts to implement Ten Principles relating to protection of human rights, abolition of unfair labor, dealing with environmental challenges, and anti-corruption, based on commitments from senior management.
Better Work Programme	2016	This is a joint program between the International Labour Organization (ILO) and the International Finance Corporation (IFC), which is a member of the World Bank Group. It aims to improve the stability and competitiveness of the supply chain of the apparel and footwear industries and realize the improvement of factory workers' rights and their working environment, in collaboration with a variety of corporations, organizations and people. This also includes governments, global brands, factory owners and employees, and labor unions.
Japan Sustainable Fashion Alliance (JSFA)	2021 (supporting member company)	The objective of the JSFA is to understand the impact of the fashion industry on the environment and society and jointly resolve common issues in the fashion and textile industries in order to achieve sustainability by eliminating waste through appropriate production, purchasing and recycling and by achieving carbon neutrality by 2050. Activities Promote appropriate production and purchasing, and recycle to eliminate waste. Become carbon neutral by visualizing environmental load and impact. Make policy recommendations to relevant ministries and agencies to help resolve shared industry issues. In addition, create means for communication with customers.

2030 ESG Indices

Items		Key Performance Indicators	Initiatives (As of August 31, 2021)
Eliminate plastic in packaging and materials	100%	(1) Percentage of apparel, household goods and food products that do not use plastic (except when plastic is required for hygiene, quality and safety)	(1) Apparel: 14.0% Household goods: 13.2% Food products: Switched from plastic bottles to bottle-shaped cans
		(2) Total weight of plastic usage reduced	(2) Apparel: 52 t Household goods: under review Food products: 213 t
Design products for re-use and recycling	100%	(1) Percentage of items designed with recycling in mind (except when hygiene concerns preclude recycling)	(1) Household goods: 28.4%
Reuse post-consumer plastic products we collect	100%	(1) Total weight of collected plastic products (2) Total weight of plastic collected for reuse (including products other than ours)	(1) 729 kg (water bottles and toning water bottles) (2) 729 kg
Use of natural fiber materials that are organic and respect animal welfare	100%	Percentage of products that have been certified or have their own standards that have been audited by a third party	Apparel Cotton: 100% organic cotton (excluding MUJI Labo) Wool: 100% non-mulesed Down: 100% down certified to ensure animal welfare* Household goods Cotton: 85.6% organic cotton Wool: 100% non-mulesed Down: 100% down certified to ensure animal welfare*
Perform human rights due diligence on business partners, traced back to raw materials	100% disclosure	(1) Number of audits conducted (annual) (2) Breakdown of evaluation	Product manufacturers (1) 20 factories (2) A Assessment: 0 factories; B Assessment: 9 factories; C Assessment: 7 factories; D Assessment: 4 factories; E Assessment: 0 factories (We have received improvement reports from factories with B, C and D assessments. We plan to follow-up with factories that received a D Assessment. We will reconsider doing business with factories that receive an E Assessment.) Material and raw material manufacturers We are currently formulating a human rights due diligence process. (We have already conducted some due diligence. No significant violations of law or Ryohin Keikaku's Code of Conduct were found.)
List of major suppliers, traced back to raw materials	100% disclosure	List of major suppliers	We are preparing of list of major suppliers for disclosure, traced back to raw materials.
Reduce carbon footprint (Scope 1 and 2)	50% reduction	(1) Scope 1 (t-CO ₂ e) (2) Scope 2 (t-CO ₂ e) Baseline: 2020/2	(1) 988 (t-CO ₂ e) (2) 25,275 (t-CO ₂ e) Total 26,263 (t-CO ₂ e) CO ₂ emissions intensity: 12.5% reduction (compared with 2020/2)
Ensure stores use renewable energy	100%	Number of stores and distribution centers that use renewable energy (including headquarters and campsites)	Installed at Hatoyama Distribution Center Preparing to introduce at other locations
Equip stores (independent store buildings) with rooftop solar panels	100%	Number of stores and distribution centers with solar panels (excluding stores that cannot install solar panels such as those in shopping malls)	Installed at Hatoyama Distribution Center Preparing to install at other locations
Demonstrate commitment to diversity and inclusion by disclosing workforce composition by age, gender and race		(1) Average age (2) Ratio of female managers (3) Ratio of female employees (full-time employees) (4) Ratio of non-Japanese employees (5) Ratio of employees with disabilities	(1) Average age: 37.9 (Male: 39.6; Female: 36.6) (2) Ratio of female managers: 35.0% (3) Ratio of female employees (full-time employees): 55.3% (4) Ratio of non-Japanese employees: 1.2% (5) Ratio of employees with disabilities: 3.41%

* We only use feathers that have been procured in a manner that meets the Five Freedoms of Animal Welfare defined by the Farm Animal Welfare Council and have been reviewed and certified as being such. This means we use do not use feathers from animals that have been force fed or had their feathers taken while still alive. (Ministry of Agriculture, Forestry and Fisheries, "Livestock breeding management with consideration of animal welfare")

Basic Information

Management Team (As of November 26, 2021)



(Back row, left to right)

Jun Arai
Outside Corporate Auditor

Shingo Kawanokami
Corporate Auditor

Asako Shimazaki
Director

Satoshi Shimizu
Senior Managing Director

(Front row, left to right)

Masayoshi Yagyu
Outside Director

Satoru Matsuzaki
Vice Chairman and Director

Masaaki Kanai
Chairman and Representative Director



Satoshi Okazaki
Director

Masaru Hattori
Outside Corporate Auditor

Kei Suzuki
Full-time Corporate Auditor














Nobuo Domae
President and Representative Director

Isao Endo
Outside Director

Atsushi Yoshikawa
Outside Director

Basic Information

Directors and Corporate Auditors (As of November 26, 2021)

	Name/Position	Responsibility	Attendance at meetings of the Board of Directors (Fiscal year ended August 31, 2021)	Number of years in office	Number of shares owned*	
	Masaaki Kanai Chairman and Representative Director	Board of Directors Remuneration Advisory Committee Nomination Advisory Committee	16/16 (100%)	21 years, 6 months	112,800 shares	
	Satoru Matsuzaki Vice Chairman and Director	Board of Directors	16/16 (100%)	10 years, 6 months	16,900 shares	
	Nobuo Domae President and Representative Director	Board of Directors (Chairperson) Remuneration Advisory Committee Nomination Advisory Committee	16/16 (100%)	2 years, 6 months	5,500 shares	
	Satoshi Shimizu Senior Managing Director	Board of Directors	16/16 (100%)	6 years, 6 months	3,500 shares	
	Satoshi Okazaki Director	Board of Directors	16/16 (100%)	6 years, 6 months	4,300 shares	
	Asako Shimazaki Director	Board of Directors	—	Newly elected	9,490 shares	
	Isao Endo Director	Board of Directors Remuneration Advisory Committee (Chairperson) Nomination Advisory Committee	15/16 (94%)	10 years, 6 months	20,800 shares	
	Masayoshi Yagyu Director	Board of Directors Remuneration Advisory Committee Nomination Advisory Committee (Chairperson)	15/16 (94%)	5 years, 6 months	2,700 shares	
	Atsushi Yoshikawa Director	Board of Directors Remuneration Advisory Committee Nomination Advisory Committee	16/16 (100%)	3 years, 6 months	2,800 shares	
	Kei Suzuki Full-time Corporate Auditor	Board of Directors Board of Auditors (Chairperson)	—	Newly elected	35,600 shares	
	Shingo Kawanokami Corporate Auditor	Board of Directors Board of Auditors	16/16 (100%)	2 years, 6 months	600 shares	
	Masaru Hattori Corporate Auditor	Board of Directors Board of Auditors	16/16 (100%)	13 years, 6 months	19,900 shares	
	Jun Arai Corporate Auditor	Board of Directors Board of Auditors	14/16 (88%)	1 year, 6 months	700 shares	

Note: The above does not encompass all of the experience and knowledge possessed by the officers. Only the major aspects are presented.

* As of August 31, 2021

	Corporate management	Retail/Sales/ Marketing	Product development	Production/ Procurement/ Logistics	IT/General technologies	Overseas operations	Culture/ Society	ESG/ Sustainability/ Diversity	Administration	Legal affairs/ Risk management	Concurrent positions
	○	○	○	○			○	○			・ Outside Director; Audit and Supervisory Committee Member, Members Co., Ltd.
	○	○				○	○	○	○	○	—
	○	○		○	○	○	○	○			・ Outside Director, Monex Group, Inc.
	○	○	○	○		○	○				—
	○	○	○	○	○	○	○				—
	○	○	○			○	○	○			—
	○	○		○		○		○	○	○	・ Representative Director, Cena Corporation ・ Outside Director, Sompco Holdings, Inc. ・ Outside Director, Nextage Co., Ltd.
	○			○	○	○	○				・ Outside Director, Chubu Electric Power Grid Co., Inc.
	○				○	○	○	○	○	○	・ Advisor, Nomura Real Estate Development Co., Ltd.
	○	○	○			○			○	○	—
		○				○	○				—
	○								○	○	—
	○			○		○	○	○	○	○	・ Outside Director, Sumitomo Mitsui DS Asset Management Company, Limited ・ Outside Director, Kyowa Kirin Co., Ltd.

Messages from Outside Directors

We are building an independent corporate culture to solidify our business foundation.



Isao Endo

Outside Director

At a Major Turning Point, Board Discussions Are Going Deeper

Since I was appointed as an outside director in 2011, MUJI has aggressively opened stores overseas, and grown from a Japan-centered business into a global brand. However, some issues have become apparent, such as excess inventories and core information systems. Ryohin Keikaku is now at a major turning point, and I see this as a reset period for achieving the new medium-term business plan. Therefore, discussions at Board of Directors meetings are becoming more focused and substantial, and are being conducted with greater vigor – for example, by sending back proposals that are not practical. Even though the Board of Directors already has outside directors and outside corporate auditors, I think that adding women and non-Japanese people to the Board will promote deeper discussions from even more diverse perspectives.

Creating an Independent Corporate Culture Suited to the Company

We are striving to achieve our vision for the period leading up to 2030 – “being an indispensable part of daily life for people,” and

“taking root in local society.” This is a very appealing strategy that is characteristic of the Company. The SDGs and ESG are becoming household terms, and to that end I think MUJI’s core concepts and origins have always been rooted in sustainability. Simply stated, the times have caught up with MUJI, so Ryohin Keikaku now has to take another step forward. Now is the time for the Company to raise all aspects of management – risk management, governance, operations, and so on – to a higher level. Consequently, there is a pressing need to recruit talented professionals from outside, in addition to in-house development of human resources. Collaboration between existing employees who empathize with MUJI’s ideas and talented people from outside will lead to further evolution. In fact, that change is already starting to happen.

It is also necessary to elevate the strategy from “sharing” to “empathy.” First of all, directors and other officers need to speak passionately to division managers about the new strategies and policies in their own words. Division managers then need to talk to area and store managers to develop employees who have a sense of ownership. This will take time and effort, but it will result in employees empathizing with managers who put strategies into practice on the front lines, which will lead to actions that help achieve targets. In addition, the phrase “taking root in local society” does not specify how or what we will contribute. A key factor in achieving the goals of the medium-term business plan will be increasing the number of people who do not seek answers from upper-level management, but find and implement the answers in front-line operations – in other words, independent employees. If we foster an independent corporate culture by developing independent employees, I believe we can establish a sustainable organization that is suited to the Company.

Overcoming Challenges and Bringing Out Our Full Potential

Some shareholders wonder why we can’t grow more when we have such great potential, and feel our efforts are insufficient. While we have unique strengths, I think there are certain challenges we have been unable to overcome. At Board of Directors meetings up to now, we have conducted discussions about strategy, but there has also been considerable debate about dealing with operational issues. As an outside director who speaks for shareholders, I will continue to monitor management while engaging in in-depth discussions to help the Company truly overcome the issues it faces and build on its strengths to achieve growth.

We will make further advances by thoroughly following the basics of manufacturing with our production partners.



Masayoshi Yagyu

Outside Director

Bringing Together Employees Who Share Our Philosophy

Since I became an outside director, I have made dozens of visits to factories in Malaysia and Vietnam that manufacture products for MUJI, as well as factories, distribution centers and other sites in Japan. The basics of manufacturing are no different from the automotive parts manufacturer where I serve as an advisor.

At Ryohin Keikaku, employees with strong individuality who share the Company's philosophy of humbly developing products as an antithesis to the mass consumption society, come together and work hard to develop and sell those products.

Cementing Relationships of Trust with Production Partners

The Company has set the very ambitious targets of increasing sales by six times and profit by 10 times by 2030. To achieve those targets, it has established two key pillars: strengthening the supply chain to build a solid procurement network by 2024, and creating a global merchandise headquarters. Product planning and sales will be done by Ryohin Keikaku, but since many of the companies that it outsources production and

logistics operations to are spread out around the world, a stronger framework to control them is now essential. The Company must further raise efficiency as it expands its scale, and never allow the risk of being unable to meet quality, delivery, and cost targets to materialize. Therefore, I believe the key to success is to join hands with suppliers who understand our philosophy and will cooperate with us to gradually reduce costs while maintaining quality through continuous improvements.

To ensure human rights in the supply chain, we should verify conditions locally with our own eyes. In addition, we must sharpen our own skills and acquire the ability to engage with suppliers on an equal footing, with an eye on on-site conditions and manufacturing standards as well as a focus on our leadership capability. Teaming with production partners who are prepared to work in partnership will enable us to achieve higher goals.

Energizing the Board of Directors with Diverse Opinions

We have time to chat with the chairman and president before Board meetings, which is an opportunity to talk frankly about the items on that day's agenda. We also receive briefings on the state of discussions, circumstances, and results of activities inside the Company, which is very useful in terms of formulating our opinions.

Currently, the outside directors, all of whom have expertise in specialized fields, express their opinions freely. I provide monitoring and advice in the fields of production and logistics, which are my areas of expertise, and I have been watching the evolution of the Company's factories and distribution centers. As chairperson of the Nomination Advisory Committee, I also listen to the ideas of many candidates in various settings, make judgments that take their performance into account, and select people who seem qualified.

Finally, many of the customers who purchase MUJI products are women. By adding more women to the Board of Directors, we can deepen discussions about MUJI's various measures from more diverse angles, which will support the Company's further evolution.

A clear and consistent philosophy and support from local communities are the keys to growth.



Atsushi Yoshikawa

Outside Director

Maintaining MUJI's Uniqueness Is Most Important

I have been an outside director for three years. I feel that MUJI products are made from the viewpoint of people, with a clear and consistent philosophy. The presence of MUJI products has also grown naturally in my own home. As a user of those products, I think the reason for MUJI's existence would be lost if customers thought products didn't have that MUJI uniqueness or suspected the company was just trying to clear out inventory. I believe the most important risk management task is for all employees to work on maintaining the qualities that make MUJI unique.

But implementing risk management does not mean that all risks will go away. When a risk manifests, it is important that we not avert our eyes, but take swift, appropriate action to address it. Senior management in particular, should openly and promptly share information about risks within the Company, and sincerely respond to them. If employees only look at the work in front of them, they might overlook risks or turn a blind eye to risks in their own department. In my view, creating an organization in which employees pay close attention not only to their own department but also to earlier and later processes encourages

people working on the front lines to speak up when they discover a risk. That is true risk management.

Local Roots to Support Organic Growth

The medium-term business plan is aimed at establishing a business structure and local management teams to support organic growth in each overseas market. In entering overseas markets, we first need to clearly define the objective of our expansion in that country or region – for example, do we want to sell products or source products there? Operations in the U.S. have also begun to move in a new direction after completing Chapter 11 proceedings in August 2021, but our objective is not just to expand overseas operations; it is vital to achieve sustainable growth by developing stores in countries and regions where there is a need for MUJI products and services. A key element in putting overseas expansion on track is human resources. It is important to appoint local employees who like MUJI and want to be involved in MUJI's management to managerial positions. When I visited our stores in Vietnam and the Philippines, MUJI's concept was displayed prominently on the walls. If that leads people who share MUJI's ideology and want to work with us to join the Company, and if more of them can grow and master the basics of their job, we will broaden our access to a better pool of human resources.

Becoming a Company That Is Appreciated

When I was appointed outside director, the agenda items and materials for Board meetings were not always provided ahead of time, but that has since been improved. For major topics of discussion, such as the new compensation system, outside directors from diverse backgrounds express their opinions and have discussions in the Executive Advisory Committee, which is separate from the Board of Directors. I am also involved in the director appointment process as a member of the Nomination Advisory Committee, and have been considering potential candidates for the next representative director since about a year ago. I also have opportunities to judge their character, and have been able to fully vet them from my position as an outside director.

Currently, the Company has set forth a management philosophy of "public-interest and people-centered management," and is committed to becoming a leader in ESG management. I am committed to doing my part as an outside director to ensure that the Company makes products that are unique to MUJI and reflect the ideas it has upheld since its founding, so that people in the communities where we operate will be glad that MUJI is there.

Message from an Outside Corporate Auditor

We aim to become a company that leads the sustainability movement with the ideals of change and improvement.

Continually Asking “What Is a Good Product?”

I have been an outside corporate auditor for about a year and a half. My impression of Ryohin Keikaku is that it is a company that supports daily living by bringing people “good products” that are truly necessary for their lives, and products with no frills. Up to now, Ryohin Keikaku has expanded its business with considerable speed. The Company’s values embodied by MUJI stores have clearly been accepted by many people.

Change, Improvement and the Challenge of Sustainability

Ryohin Keikaku’s core value is “to contribute to people and society.” However, I feel that the lifestyles of people around the world are changing dramatically. I have the sense that society and lifestyles will not go back to the way they were before even after the COVID-19 pandemic ends. To meet the constantly changing requirements of society, Ryohin Keikaku needs to change the added value it creates while preserving its core value. A major key for any company’s growth is its ability to respond to changing markets. We cannot rest on past successes but must reform by focusing our energy on the things we should change, and maintain and further strengthen the things we should not change. Whether we will be able to keep a good balance between these two objectives will depend on the success of the current medium-term business plan. This challenge is positioned as the “Second Founding,” and the Company is implementing wide-ranging reforms, including in store expansion, product development and sales, personnel, and the compensation system.

MUJI, which was created from the core value of “contributing to people and society,” is a brand that has high affinity with sustainability, which is becoming increasingly important worldwide. I would like Ryohin Keikaku, which continues to support many people’s daily lives, to strive to be a leader in ESG management and go forward with the determination to be a company that leads sustainability at a global level.

Boosting the “Second Founding” from Diverse Perspectives

Some hold the view that confirming the legality of management operations and the details of financial statements is the primary role of a corporate auditor, but I believe that we also have the important duty of judging whether management always thinks about Ryohin Keikaku and society before moving forward. The pursuit of profit is important for a company, of course, but that is



Jun Arai

Outside Corporate Auditor

based on premises that have no room for compromise – not neglecting the quality and safety of products, for example.

If reform and improvement are “aggressive” governance, then enhancement of internal controls and the like would be “defensive” governance. For Ryohin Keikaku, which is aiming to achieve its “Second Founding,” strengthening defensive governance is critical. For example, to ensure that identification of risks and rapid reporting and response when matters of concern arise are not delayed due to expansion of the scale of business, steps are being taken such as creating a system to correctly grasp information including product trends in a timely manner.

At Board of Auditors meetings, we have discussions from multiple viewpoints, and express our opinions to management. As a corporate auditor, I am committed to boosting the “Second Founding,” strategy, which is aggressive governance, while closely watching the progress of defensive governance improvements.

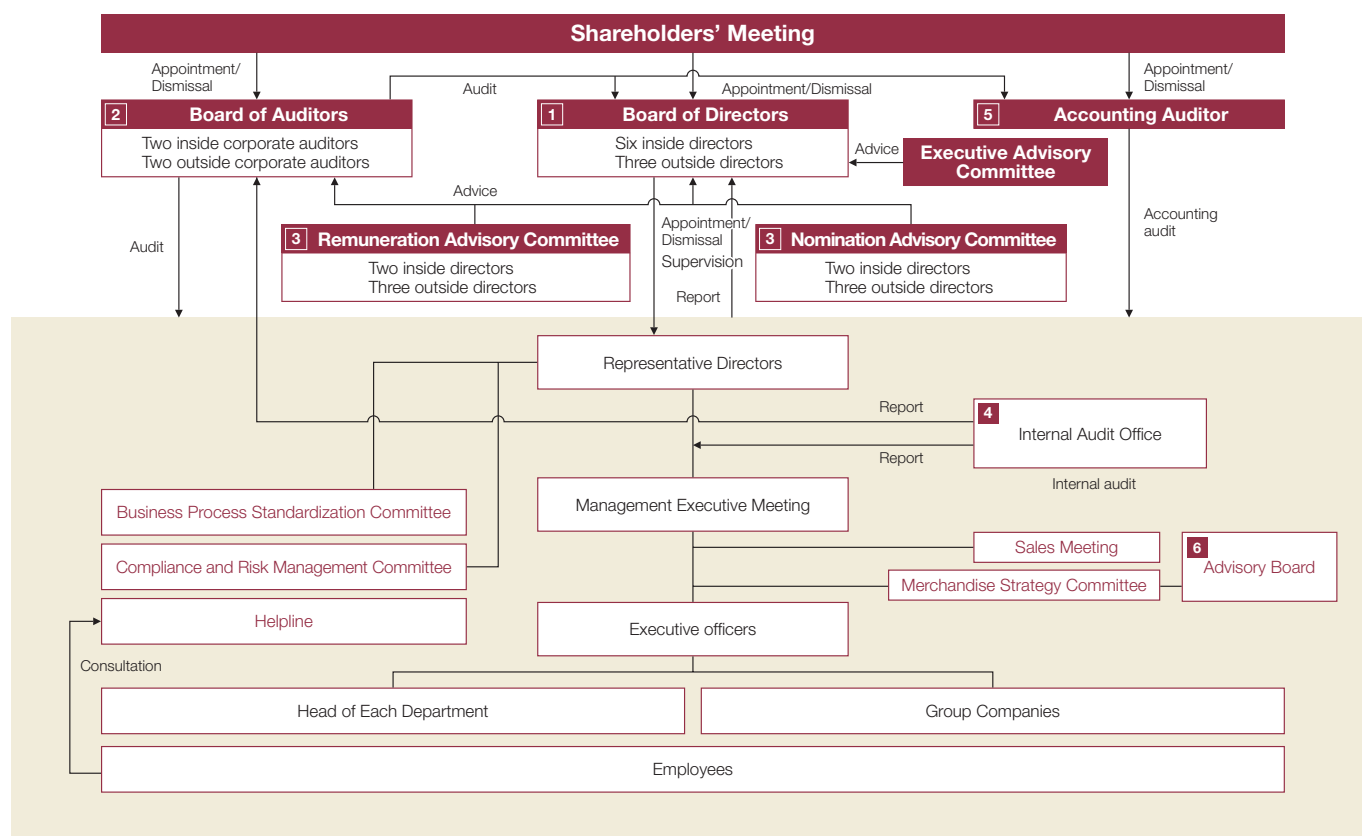
Basic Information

Corporate Governance

Basic Policy

We place a high priority on the creation of a highly transparent management system based on our belief that establishing a management structure and internal control system and improving corporate governance will lead to continuous improvement of our corporate value. In addition, we strive to maintain and develop good relationships with all stakeholders (shareholders, customers, employees, society, and partner companies), and to proactively disclose information in a timely manner.

Corporate Governance System



Execution of duties is led by the organizational bodies (primarily the Board of Directors) that review and confirm policies and issues related to management and business operations. At Board of Directors meetings, which are held once a month in principle, important management decisions are made, and the directors' execution of duties is monitored. In the Executive Advisory Committee, which is convened by the representative director, key issues and measures are examined. Appointment of people involved in management and the plan for amount of remuneration in line with business results are decided through the Nomination Advisory Committee and the Remuneration Advisory Committee. We have also established the HR Succession Planning Committee, Business Process Standardization Committee, Compliance and Risk Management Committee, Merchandise Strategy Committee, Occupational Safety and Health Committee, and Quality Improvement Committee as forums for cross-organizational deliberation and implementation of measures for Company-wide issues. The Board of Auditors, which audits management and operations in general, comprises four corporate auditors (two of whom are outside corporate auditors) and is a highly independent organization. It regularly meets and liaises with the accounting auditor and the Internal Audit Office, which oversees internal audits, and reports and exchanges information on accounting and compliance matters at meetings of the Board of Auditors. The full-time corporate auditor is a regular member of the Business Process Standardization Committee and works to stay informed about activities in front-line operations. In addition to these systems, we have three outside directors on our Board of Directors and are strengthening our governance system.

Monitoring of directors' execution of their duties is done by the outside directors and outside corporate auditors, and we believe that our appointment of three outside directors and two outside corporate auditors has made adequate verification from professional and objective viewpoints possible.

1 Board of Directors

Number of meetings: 16
Attendance rate: 98%

Currently, taking into account the size of the Company, its organizational status and staff mobility, the Board comprises six inside directors (six directors doubling as executive officers) and three outside directors, who were appointed as independent directors in accordance with rules stipulated by the Tokyo Stock Exchange, and who are registered to the TSE. The supervisory functions and managerial responsibility of the Board of Directors are clearly stipulated, and we also promote delegation of authority, including reviews of the board system and decision-making systems as appropriate, in order to accelerate the implementation of processes.

2 Board of Auditors

Number of meetings: 15
Attendance rate: 100%

The Company has adopted an audit board system. Currently, the Board of Auditors comprises four members (including one full-time corporate auditor). Two of the four members are appointed as independent officers in accordance with rules stipulated by the Tokyo Stock Exchange and these members are registered to the TSE. The Board of Auditors audits the directors' execution of their duties by attending Board meetings and checking important documents. In addition, the Board of Auditors regularly liaises with the Internal Audit Office, which conducts internal audits, and with the accounting auditor, who conducts accountancy services.

3 Remuneration Advisory Committee Nomination Advisory Committee

Remuneration Advisory Committee: 7 times, 100%
Nomination Advisory Committee: 6 times, 100%

The Remuneration Advisory Committee (consisting of three outside directors, including one chairperson, and two inside directors) advises the Board of Directors on the payment of directors. The Nomination Advisory Committee (consisting of three outside directors, including one chairperson, and two inside directors) advises the Board of Directors on the nomination of directors.

4 Internal Audit Office

The Internal Audit Office, which currently comprises seven members, conducts internal audits. The office audits the status of compliance with internal rules and manuals at stores and headquarters, the appropriateness and effectiveness of overall business activities and procedures, etc. Audit results are regularly reported to the representative directors and the Board of Directors.

5 Accounting Auditor

As for financial audits, we have established an environment for fair auditing with a team comprising two certified public accountants (Ms. Miho Kawabata and Mr. Yosuke Sato), six assistant certified public accountants, and 14 other members associated with KPMG AZSA LLC.

6 Advisory Board

The Advisory Board is an organization unique to Ryohin Keikaku. It meets to discuss and make policy on the path MUJI should take and how to respond to the times based on our founding philosophy and sense of incongruity with society.

Assessment of Effectiveness of the Board of Directors

The Board of Directors conducted an analysis and assessment of the Board's effectiveness based on the corporate governance policy set by the Company. The results of that assessment are summarized below.

Summary of Assessment Process

(1) The Board of Directors set the following evaluation categories it believes are necessary for assessment of the Board's effectiveness and conducted a survey of directors and corporate auditors.

Evaluation categories in the questionnaire:

- 1) Composition of the Board of Directors
- 2) Operation of the Board of Directors
- 3) Enhancement of discussions in the Board of Directors
- 4) System supporting the Board of Directors
- 5) Enhancement of relationship with shareholders and other stakeholders
- 6) Other comments

(2) Based on the assessments of the directors and corporate auditors with the above questionnaire format, the Board secretariat summarized the results.

(3) Based on these results, the Board held discussions on each issue.

Results of the Assessment

(1) Summary of Scores (Average score for each category)

Note: Assessment scores are set on a scale of 1 to 5, with "1" meaning improvement necessary, "3" meaning the minimum necessary level, and "5" meaning adequate.

- 1) Composition of the Board of Directors (Average score: 3.9) (Previous assessment: 4.3)
- 2) Operation of the Board of Directors (Average score: 3.6) (Previous assessment: 3.4)
- 3) Enhancement of discussions in the Board of Directors (Average score: 3.7) (Previous assessment: 3.6)
- 4) System supporting the Board of Directors (Average score: 3.4) (Previous assessment: 3.1)
- 5) Enhancement of relationship with shareholders and other stakeholders (Average score: 3.4) (Previous assessment: 3.3)

(2) Summary of Assessment Results

The results of the questionnaire above showed that the Board of Directors is evaluated as exceeding the minimum necessary level for the most part. However, we identified issues including the need to increase opportunities for making reports and discussing business execution in relation to business plans and strategies. Other issues included enhancing the system for supporting the Board of Directors through timely information sharing and further enhancement of opportunities to exchange information among independent directors.

Future Initiatives

Based on the issues identified through the effectiveness assessment of the Board of Directors, we will work on the following measures to further enhance the Board's effectiveness.

- (1) Enhancement of strategies related to medium-term business plans and regular reporting and discussions regarding the status of revolving issues with business execution
- (2) Enhancing exchange of opinions among independent directors and optimization of opportunities for information sharing
- (3) Ensuring early distribution of documents for Board of Directors meetings in advance
- (4) Enhancement of appropriate disclosure of information to all stakeholders

Policy for Appointment and Dismissal of Directors

Policy for Appointment of Officers

In nominating directors, the Nomination Advisory Committee, of which independent outside directors make up the majority of members, discusses each candidate's qualifications, taking into consideration their previous experience, accomplishments, ability to execute tasks, and character, and reports its recommendations to the Board of Directors. In addition, when nominating outside director candidates, we select management professionals who have experience, accomplishments, and knowledge in their respective fields. The nomination is discussed by the Nomination Advisory Committee, taking into consideration the candidate's opinions and judgments that will contribute to enhancement of the Company's medium- and long-term corporate value, and is then reported to the Board of Directors.

Number and Term of Directors

The Company's Articles of Incorporation stipulate that the number of directors shall be no more than 11. For the term of directors, a proposal to shorten the term from two years to one year was approved at the General Meeting of Shareholders held in November 2021, for the purposes of clarifying the management responsibilities of directors and creating a management structure that enables us to respond quickly to changes in the operating environment.

Support and Training Policy for Outside Directors and Corporate Auditors

Support System for Outside Directors and Corporate Auditors

There is no specific person or department in charge of the support system for outside directors and outside corporate auditors, but the Corporate Planning Office provides information, including distributing the agenda of Board of Directors meetings in advance, and the Internal Audit Office, which conducts internal audits, assists outside auditors in execution of their duties.

Training Policy

We encourage directors and corporate auditors to learn about matters such as the responsibilities, duties and legal risks of officers, and to work on self-improvement such as acquiring business knowledge of the operations they supervise. External training is also provided as necessary.

Executive Remuneration System

Policy for Determining Executive Remuneration

To enhance corporate value, remuneration of the Company's directors consists of three types: payment of base compensation, which is a fixed amount according to the director's position within the total remuneration limits set by the General Meeting of Shareholders; payment of a performance-based bonuses as a short-term incentive linked to the Company's performance; and non-monetary compensation as a long-term incentive to continuously increase long-term corporate value and shareholder value.

Remuneration of outside directors and corporate auditors consists solely of base compensation, and there are no components that fluctuate with performance.

Determination Process

Base compensation:

Determined according to position after discussion by the Remuneration Advisory Committee, of which outside directors make up the majority of members, and the results of the discussion are reported to the Board of Directors.

Performance-based bonuses:

Determined after discussion by the Remuneration Advisory Committee, of which outside directors make up the majority, and the results of the discussion are reported to the Board of Directors.

Non-monetary compensation:

Determined after discussion by the Remuneration Advisory Committee, of which outside directors make up the majority, and the results of the discussion are reported to the Board of Directors.

Ratio by Type of Compensation

The ratio of performance-linked compensation for directors of the Company increases the higher the position.

The ratio of base compensation, performance-based bonuses, and non-monetary compensation, etc., is designed so that the composition will be as shown in the table below if 100% of the target is achieved.

In addition, performance-based bonuses range from 0% to 200%, depending on the level of achievement. The percentage of long-term incentive (LTI) non-monetary compensation varies from 30% to 100% depending on the level of target achievement.

Composition (%)	Monetary compensation		Non-monetary compensation	Total
	Base compensation	Performance-based bonuses	Restricted shares	
Representative director	33.3	33.3	33.3	100
Director	40	40	20	100
Outside director	100	—	—	100

Amount of compensation by officer category, amount by type of compensation and number of officers eligible

Officer category	Total compensation (Million JPY)	Total amount by type of compensation (Million JPY)					Number of officers eligible
		Base compensation	Stock options	Bonuses	Retirement benefits	Non-monetary compensation, etc. included at left	
Directors (excluding outside directors)	251	171	43	36	—	43	6
Corporate auditors (excluding outside corporate auditors)	12	12	—	—	—	—	1
Outside officers	50	50	—	—	—	—	6

1. Compensation paid to the Company's directors (excluding outside directors) in the form of share acquisition rights issued as stock options was approved at the 37th Ordinary General Meeting of Shareholders (May 25, 2016) to be JPY 100 million or less per year. The amount above is share acquisition rights granted to six directors, as approved at the Board of Directors meetings held on June 24, 2020 and December 23, 2020.
2. Bonuses are directors' bonuses charged to expenses as provision for bonuses for directors (and other officers) during the fiscal year.
3. Non-monetary compensation of directors (excluding outside directors) is all in the form of stock options.
4. The total amount of compensation of each officer is not disclosed as there are no officers whose total compensation exceeded JPY 100 million.
5. In addition to the compensation above, the Company issues paid stock options for which payment is made at fair value.

About Cross-Shareholdings

Basic Policy

We will consider holding stocks as cross-shareholdings only in cases where the effects, such as facilitation of business, are recognized as significant. We specifically verify those effects to determine whether the purpose of holding the stock, and the related benefits and risks, are commensurate with the capital cost. For cross-held stocks whose effect has diminished, the Board of Directors judges the rationality of continuing to hold the shares each year, and if it judges that holding them is no longer appropriate, we reduce the cross-held shares after considering the effect on the stock market and the Company's financial condition.

In exercising voting rights of shares held as cross-shareholdings, we vote appropriately after judging the pros and cons of each proposal by comprehensively examining factors such as whether the proposal will contribute to enhancement of the investee company's corporate value, whether it will contribute to enhancement of Ryohin Keikaku's sustainable growth and medium- and long-term corporate value, and whether it conforms to the purpose of holding the shares.

Cross-Shareholdings

(Million JPY)

	2018/2	2019/2	2020/2	2020/8	2021/8
Number of stocks	8	6	5	5	4
Total amount on balance sheet	12,321	4,199	3,791	3,792	4,730

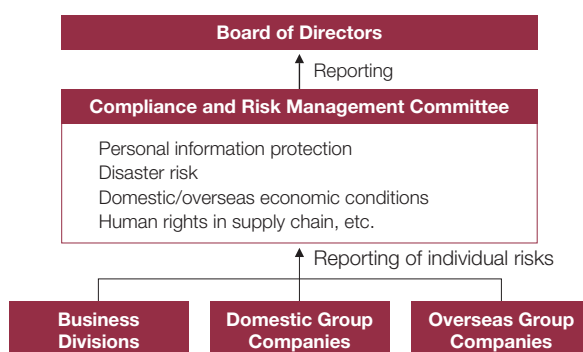
Basic Information

Compliance and Risk Management

Basic Approach

We believe that the foundation for gaining the trust and support of local communities is not only legal compliance, but also fair, honest and ethical conduct by all Group employees. Therefore, the Ryohin Keikaku Group Compliance Code of Conduct has been established and is posted on the Company website as well as in a booklet distributed to directors, corporate auditors, executive officers and employees. The Group Compliance Code of Conduct is reviewed by the Board of Directors periodically, and decisions regarding its revision are made after discussion at meetings of the Board of Directors.

Compliance and Risk Management Structure



Risk management is overseen by the Compliance and Risk Management Committee under the supervision of the Board of Directors. The Compliance and Risk Management Committee, chaired by an officer of the Company, meets regularly to gather information on compliance and risks and to further discuss important issues. Matters discussed by the Compliance and Risk Management Committee are regularly reported to the Board of Directors and are shared with directors and corporate auditors. The committee is independent of the Board of Auditors, and is chaired by a different person from the chairperson of the Board of Auditors.

Anti-Corruption Measures

We have established anti-corruption regulations (Ryohin Keikaku Group Anti-Bribery Regulations, Anti-Bribery Guidelines) approved by the Board of Directors, which aim to prohibit bribery of public officials and ensure compliance with anti-corruption laws and regulations with regard to entertainment, gifts, invitations, donations, facilitation payments, insider trading, money laundering, embezzlement, obstruction of justice, etc. Bribery is explicitly prohibited in these regulations. Entertainment, gifts, invitations and donations are subject to the prior approval of either the department manager or the Compliance and Risk Management Committee chairperson, who approves only those items that are not deemed to be bribery. In addition, the Company seeks to fully prevent corrupt practices through the implementation of employment regulations stipulating that employees shall not offer improper entertainment, lend or borrow money or goods, or give or receive money or goods improperly in the course of business.

Initiatives for Fostering Compliance Awareness

The Ryohin Keikaku Group Compliance Code of Conduct has been established to promote compliance with ethical standards and social norms, laws and internal regulations through in-house training programs and awareness raising activities. In accordance with the Group Compliance Code of Conduct, anti-harassment training is conducted regularly for newly appointed managers in order to prevent harassment and improve management skills. From September to December 2020, approximately 130 employees participated in this training. The Ryohin Keikaku Group also regularly holds training sessions for its employees to ensure that they are fully aware of the anti-corruption policies. In the fiscal year ended August 31, 2021, no employees were disciplined or dismissed for violation of our anti-corruption regulations or for violations of regulations related to corruption as set forth in the employment rules. In addition, we have not paid any fines, penalties or settlements in connection with corrupt practices.

Internal Reporting System

We have established the Ryohin Keikaku Group Helpline to improve the effectiveness of the self-correction process, control reputational risks, ensure public trust and protect whistleblowers. The helpline helps to prevent and detect legal violations, misconduct and harassment at an early stage, and also adds to the compliance knowledge of officers and employees.

This support system is available to all employees of Ryohin Keikaku and its domestic and overseas subsidiaries. This includes directors, employees (including contract employees, partner employees and part-time workers) and temporary employees.

Any person may make a report to the helpline by telephone, email (including those using an anonymous system) or in person.

The results of investigations, with the exception of the names of whistleblowers, will be reported to the president, and, if necessary, internal procedures may be taken as provided in the Rules of Employment, including the formulation of measures to prevent recurrence, the issuance of work orders and instructions, and disciplinary action and other personnel measures, as well as necessary external measures such as press releases, media relations and criminal charges.

A total of 98 consultations were received in the fiscal year ended August 31, 2021.

Tax Policy

The overall aim of the tax policy is to reflect and support our business. The policy covers issues including ensuring a sustainable tax rate, mitigating tax risks in a timely and cost-efficient manner and complying with applicable tax laws and regulations in the countries or regions in which the Group operates.

We are committed to:

- Complying with all applicable tax laws and regulations in the countries or regions in which the Group operates. We will also follow the standards regarding tax activities issued by international organizations (OECD, EU, UN, etc.).
- Minimizing the tax risk arising from legislative and regulatory changes in each country or region.
- Applying diligence and due care in our management of the processes and procedures by which all tax-related activities are undertaken, and ensure that our tax governance is appropriate.

Our Approach to Risk Management

We identify and assess potential risks, and depending on the possible impact and likelihood of manifestation, take measures to minimize such risk.

Risk Management Initiatives

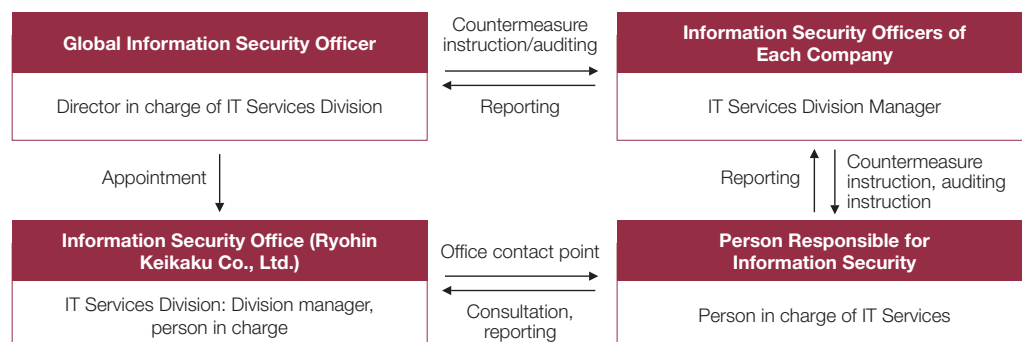
The Compliance and Risk Management Committee has prepared a risk management list to help each department recognize possible risks and understand how to respond to them. The risk management list corresponds to Ryohin Keikaku's operations manual, ensuring that information on specific responses and measures is made easily accessible. The Compliance and Risk Management Committee meets at least twice a year to determine issues, discuss responses and monitor the progress of responses. It reports the results periodically to the Board of Directors. A reporting contact point has been set up to collect comprehensive information on risks. Meetings of committees in various specialized fields are also held regularly. In particular, product quality, the Group's most important operating resource, is discussed from various angles in the Quality Improvement Committee, with the aim of further enhancing quality control.

Response to Natural Disasters

We ensure the safety of our employees in the event of a natural disaster. We have introduced a system that enables employees to quickly report status using a smartphone application, and in order to improve effectiveness, we regularly conduct safety confirmation drills and lectures on initial responses to disasters. The headquarters office stockpiles foodstuffs on a rolling stock basis, and stores are equipped with flashlights and other emergency supplies.

Information Security

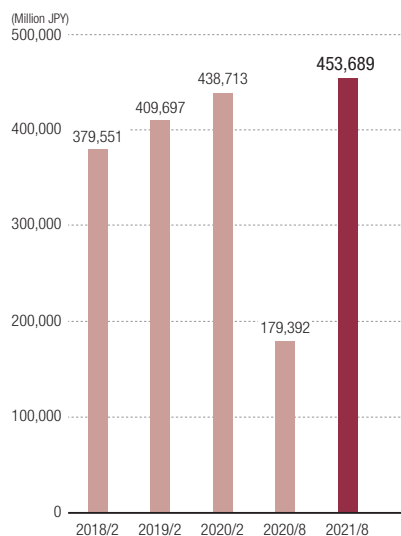
We have established a global information security policy, and work to ensure the security of our information assets.



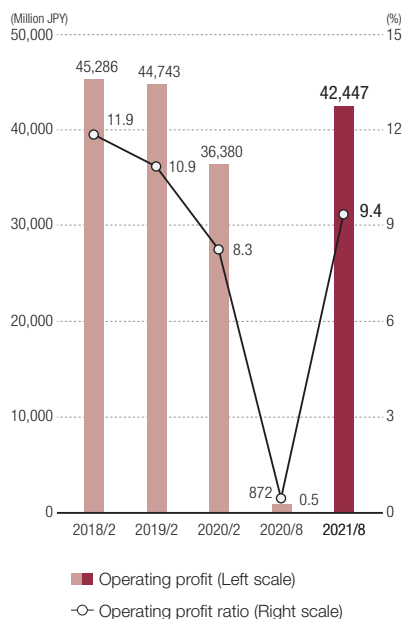
Basic Information

Financial and Non-Financial Highlights

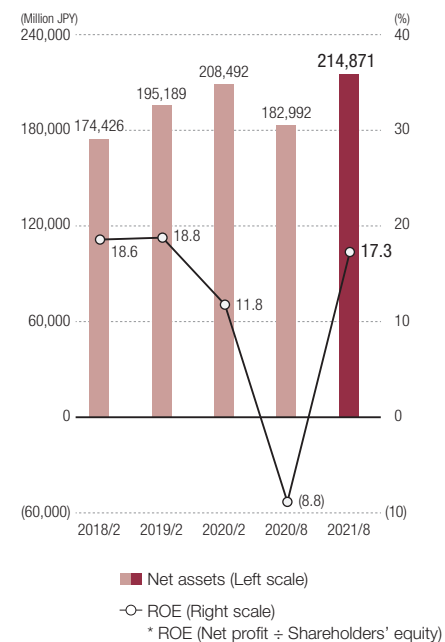
Operating Revenue



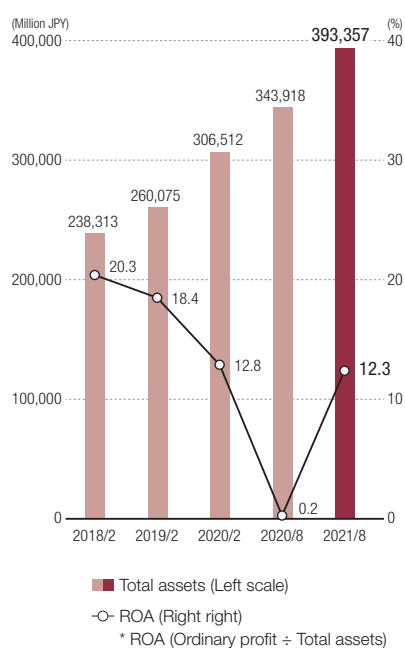
Operating Profit/ Operating Profit Ratio



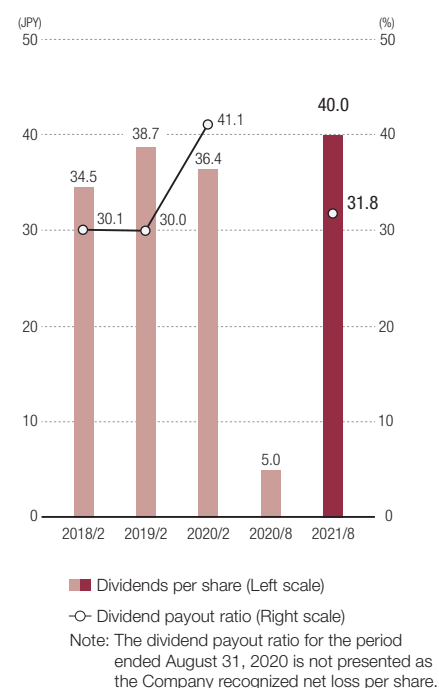
Net Assets/ROE*



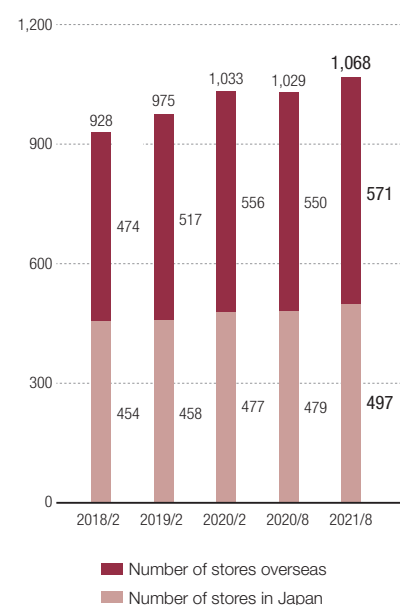
Total Assets/ROA*



Dividends Per Share/ Dividend Payout Ratio



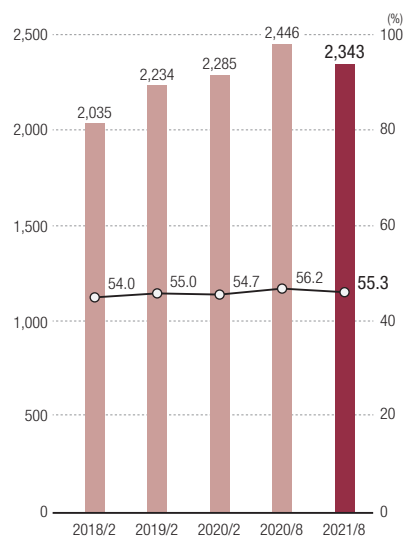
Number of Stores (Total) in Japan and Overseas (Includes licensed stores, Café&Meal MUJI and IDÉE)



Note: 2020/8 was a six-month period from March 1 to August 31, 2020 due to a change in the fiscal year.

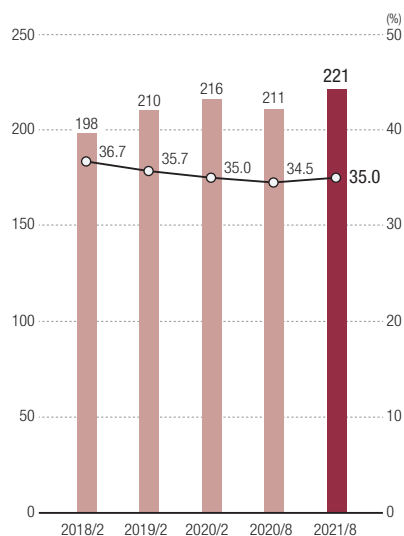
Number of Employees/ Percentage of Female Employees*

Number of employees at the end of the period.



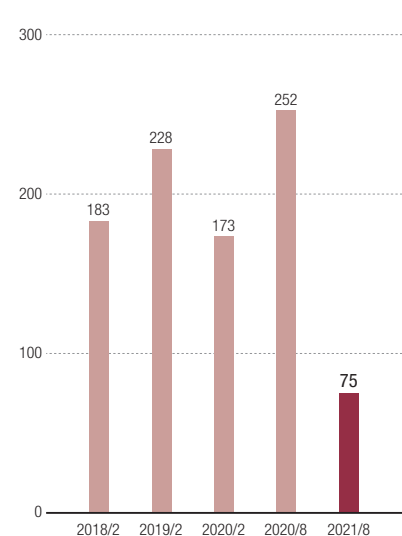
■ Number of employees (Left scale)
○ Percentage of female employees (Right scale)

Number of Women in Managerial Positions/Percentage of Total Managerial Positions*



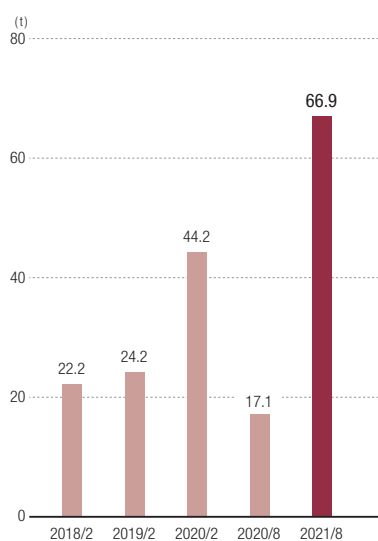
■ Number of women in managerial positions (Left scale)
○ Percentage of total managerial positions (Right scale)

Number of New Employees Hired*



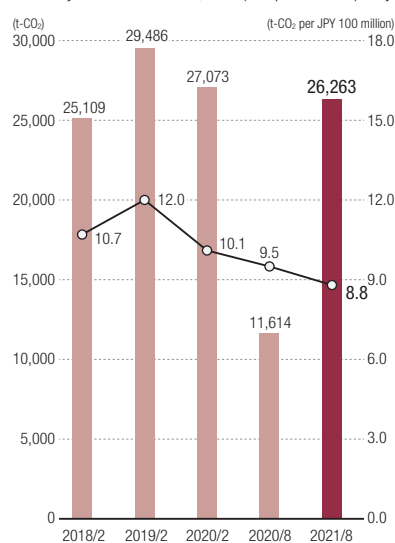
■ Total of newly graduated and mid-career hires

Volume of Textile Products Collected*



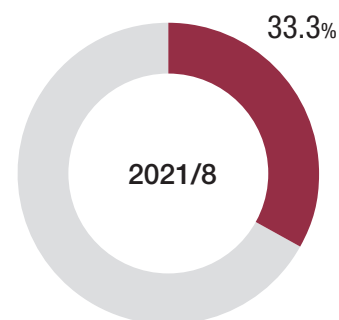
CO₂ Emissions/ Emissions per Unit of Operating Revenue

Note: Ryohin Keikaku Co., Ltd. (Scope 1 and 2) only



■ CO₂ emissions (Left scale)
○ Emissions per unit of operating revenue (Right scale)

Percentage of Outside Directors



* Ryohin Keikaku Co., Ltd. only

Basic Information

11-Year Summary

	2011	2012	2013	2014	2015
Profit and Loss (Consolidated)					
Operating revenue	169,748	178,186	188,350	220,620	260,254
(Domestic)	—	—	—	171,923	182,701
(Overseas)	—	—	—	48,472	77,546
Gross operating profit	77,271	81,596	87,376	101,665	122,831
Selling, general and administrative expenses	63,371	66,158	69,024	80,749	98,984
Operating profit	13,900	15,438	18,351	20,916	23,846
Operating profit ratio (%)	8.2	8.7	9.7	9.5	9.2
Ordinary profit	14,229	16,135	19,760	23,047	26,602
Profit attributable to owners of parent	7,859	8,850	10,970	17,096	16,623
Cash flows from operating activities	7,155	9,729	13,176	15,117	14,619
Cash flows from investment activities	(3,381)	(4,747)	(4,945)	(17,842)	(22,193)
Cash flows from financing activities	(6,075)	(3,120)	(2,540)	(5,385)	11,377
Depreciation	3,268	3,201	3,186	4,179	4,887
Financial Position (Consolidated)					
Total assets	97,481	102,293	119,360	140,229	186,947
Net assets	78,502	83,528	96,050	111,015	128,670
Key Performance Indicators (Included in consolidated key financial indicators)					
Return on equity (ROE) (%)	10.3	11.1	12.5	17.0	14.3
Equity ratio (%)	78.9	80.0	78.3	76.9	67.0
Return on assets (ROA) (%)	14.5	16.2	17.8	17.8	16.3
Turnover of merchandise (%)	—	—	—	3.73	3.10
Per-share Data					
Earnings per share (EPS) (JPY) ¹	28.59	33.04	40.95	64.46	62.75
Net assets per share (BPS) (JPY) ¹	287.10	305.56	348.80	407.19	472.37
Dividends per share (JPY) ¹	11.0	11.0	11.0	15.5	19.0
Dividend payout ratio (%)	38.5	33.3	26.9	24.0	30.3
Other Data					
Number of MUJI stores in Japan	359	372	379	385	401
Number of MUJI stores overseas	134	163	206	255	301
Total sales floor space in Japan (m ²) ²	261,431	263,177	265,037	270,250	282,083
Number of employees	2,595	2,734	3,069	4,101	4,795
Number of temporary employees ³	4,387	4,721	5,307	6,934	7,242
Cumulative total of registered members (including MUJI passport) (thousand people) ⁴	—	—	—	1,407	3,367

1. The Company conducted a 10-for-1 share split of its common shares on September 1, 2019. The amounts of earnings per share, net assets per share, and dividends per share are presented assuming that the share split was conducted at the beginning of the fiscal year ended February 2011.

2. Total sales floor space of directly managed stores, licensed stores and Seiyu

3. Average number of employees per year based on an eight-hour workday calculation method

4. Registered members of external social media sites and various communication apps in Japan have been included from the fiscal year ended February 2019 and from the fiscal year ended February 2020 for mainland China.

5. 2020/8 was a six-month period from March 1 to August 31, 2020 due to a change in the fiscal year.

(Million JPY)

2016	2017	2018	2019	2020/2	2020/8 ⁵	2021
307,532	333,281	379,551	409,697	438,713	179,392	453,689
198,449	215,716	234,791	246,269	267,864	122,428	296,998
109,080	117,563	144,758	163,425	170,846	56,961	156,691
150,451	165,861	191,819	211,380	217,628	83,694	222,334
116,012	127,583	146,532	166,636	181,248	82,821	179,887
34,439	38,278	45,286	44,743	36,380	872	42,447
11.2	11.5	11.9	10.9	8.3	0.5	9.4
32,700	38,582	45,985	45,861	36,377	563	45,369
21,718	25,831	30,113	33,845	23,253	(16,917)	33,903
26,133	19,742	46,982	23,680	24,452	(1,758)	61,447
(8,647)	(9,856)	(14,290)	(5,492)	(31,435)	(4,239)	(13,538)
(6,520)	(14,361)	(21,759)	(9,505)	(11,467)	63,722	(15,162)
6,816	7,543	8,644	9,867	17,622	10,358	18,969
200,919	214,705	238,313	260,075	306,512	343,918	393,357
143,173	157,018	174,426	195,189	208,492	182,992	214,871
16.4	17.7	18.6	18.8	11.8	(8.8)	17.3
69.4	71.3	71.3	73.8	66.6	52.4	53.9
16.9	18.6	20.3	18.4	12.8	0.2	12.3
2.89	2.55	2.55	2.44	2.28	1.87	2.19
81.84	97.50	114.70	128.92	88.47	(64.32)	128.90
524.79	579.18	647.68	725.83	775.77	684.94	806.75
24.6	29.3	34.5	38.7	36.4	5.0	40.0
30.1	30.1	30.1	30.0	41.1	—	31.8
414	418	419	420	437	438	456
344	403	457	497	533	527	546
289,899	297,001	306,316	319,698	359,141	375,446	417,057
5,653	6,992	8,128	9,137	9,615	9,046	8,882
7,877	9,203	9,254	10,233	10,825	8,050	9,281
8,850	12,289	16,295	20,445	42,741	49,380	59,297

Basic Information

Consolidated Financial Statements

Consolidated Balance Sheets

(Million JPY)

	As of August 31, 2021	(For reference) As of August 31, 2020
Assets		
Current assets	269,047	224,005
Cash and deposits	135,752	92,308
Notes and accounts receivable – trade	8,742	9,215
Merchandise	106,164	104,988
Work in process	204	233
Supplies	91	63
Accounts receivable – other	11,836	11,930
Other	6,267	5,304
Allowance for doubtful accounts	(11)	(40)
Non-current assets	124,310	119,912
Property, plant and equipment	67,060	67,810
Buildings and structures	28,044	27,262
Machinery, equipment and vehicles	1,591	1,968
Tools, furniture and fixtures	8,730	8,948
Land	1,537	1,866
Leased assets	49	57
Right of use assets	26,432	27,002
Construction in progress	673	704
Intangible assets	29,479	24,180
Goodwill	2,439	2,819
Software	24,885	19,267
Other	2,154	2,094
Investments and other assets	27,770	27,921
Investment securities	4,730	4,108
Deferred tax assets	2,634	2,110
Leasehold and guarantee deposits	19,595	18,624
Other	920	3,195
Allowance for doubtful accounts	(110)	(116)
Assets	393,357	343,918

(Million JPY)

	As of August 31, 2021	(For reference) As of August 31, 2020
Liabilities		
Current liabilities	141,716	55,923
Accounts payable-trade	25,541	19,507
Short-term borrowings	4,630	4,482
Current portion of long-term borrowings	67,081	360
Accounts payable – other	9,966	9,323
Accrued expenses	6,196	5,389
Income taxes payable	12,702	1,536
Lease obligations	8,357	7,253
Lease termination liability	—	3,220
Provision for bonuses	1,193	964
Provision for bonuses for directors (and other officers)	66	0
Provision for point card certificates	105	198
Other	5,874	3,686
Non-current liabilities	36,770	105,001
Long-term borrowings	5,000	71,963
Deferred tax liabilities	820	1,970
Lease obligations	24,772	25,551
Provision for retirement benefits for directors (and other officers)	74	47
Other	6,103	5,470
Liabilities	178,486	160,925
Net assets		
Shareholders' equity	209,709	181,574
Share capital	6,766	6,766
Capital surplus	27,922	10,900
Retained earnings	205,995	177,874
Treasury shares	(30,973)	(13,965)
Valuation and translation adjustments	2,487	(1,419)
Valuation difference on available-for-sale securities	2,325	1,605
Deferred gains or losses on hedges	485	674
Foreign currency translation adjustment	(324)	(3,699)
Share acquisition rights	605	931
Non-controlling interests	2,068	1,905
Net assets	214,871	182,992
Liabilities and net assets	393,357	343,918

Consolidated Income Statements

(Million JPY)

	Fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021)	Fiscal year ended August 31, 2020 (March 1, 2020 to August 31, 2020)
Operating revenue	453,689	179,392
Operating costs	231,355	95,698
Operating gross profit	222,334	83,694
Selling, general and administrative expenses	179,887	82,821
Operating profit	42,447	872
Non-operating income	4,420	637
Interest income	258	123
Dividend income	103	73
Sponsorship money income	99	26
Foreign exchange gains	2,714	67
Subsidy income	526	89
Rental income	106	57
Reversal of allowance for doubtful accounts	34	—
Share of profit of entities accounted for using equity method	7	8
Other	569	189
Non-operating expenses	1,498	946
Interest expenses	1,395	710
Commission expenses	0	0
Loss on cancellation of contracts	3	170
Other	99	66
Ordinary profit	45,369	563
Extraordinary income	4,922	0
Gain on sales of investment securities	118	—
Gain on sales of non-current assets	721	0
Gain on step acquisitions	260	—
Gain on forgiveness of lease cancellation liability	3,135	—
Gain on reversal of share acquisition rights	677	—
Other	9	—
Extraordinary losses	1,702	18,677
Impairment loss	1,168	14,265
Loss on retirement of non-current assets	278	1,169
Loss on cancellation of leases	—	3,236
Loss on cancellation of rental contracts	250	—
Other	5	5
Profit (loss) before income taxes	48,589	(18,113)
Income taxes-current	16,450	1,845
Income taxes-deferred	(1,531)	(1,344)
Profit (loss) (after amendment dated March 28, 2014)	33,670	(18,614)
Profit (loss) attributable to non-controlling interests	(232)	(1,697)
Profit (loss) attributable to owners of parent	33,903	(16,917)

Note: "Net sales" and "Operating revenue," which previously had been reported separately, is now presented as "Operating revenue." "Cost of sales" is now presented as "Operating costs." "Gross profit" is not presented.

Consolidated Cash Flow Statements

(Million JPY)

	Fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021)	Fiscal year ended August 31, 2020 (March 1, 2020 to August 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	48,589	(18,113)
Depreciation	15,561	8,655
Amortization of software and others	3,714	1,854
Amortization of goodwill	847	411
Increase (decrease) in allowance for doubtful accounts	(35)	37
Increase (decrease) in provision for bonuses for directors (and other officers)	62	(37)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	27	6
Increase (decrease) in provision for sales returns	0	0
Interest and dividend income	(361)	(197)
Interest expenses	1,395	710
Foreign exchange losses (gains)	(912)	(81)
Loss (gain) on sales of investment securities	(118)	—
Share of loss (profit) of entities accounted for using equity method	(7)	(8)
Loss on retirement of non-current assets	278	1,169
Impairment loss	1,168	14,265
Loss (gain) on step acquisitions	(260)	—
Decrease (increase) in trade receivables	1,345	(225)
Decrease (increase) in inventories	(4,357)	(1,497)
Increase (decrease) in trade payables	4,541	(8,139)
Decrease (increase) in other assets	(1,034)	(235)
Increase (decrease) in other liabilities	(1,876)	2,963
Subscription rights to shares	353	177
Reversal of share acquisition rights	(677)	—
Other, net	(323)	(57)
Subtotal	67,920	1,658
Interest and dividends received	349	278
Interest paid	(1,408)	(668)
Income taxes paid	(5,414)	(3,026)
Net cash provided by (used in) operating activities	61,447	(1,758)
Cash flows from investing activities		
Payments into time deposits	(3)	—
Proceeds from withdrawal of time deposits	20	4,177
Purchase of property, plant and equipment	(8,487)	(4,991)
Purchase of leasehold rights, lease deposits and others	(1,584)	(781)
Collection of lease deposits and others	831	591
Purchase of intangible assets	(8,852)	(3,261)
Proceeds from sales of investment securities	218	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	414	—
Payments of long-term loans receivable	(669)	—
Proceeds from sale of investment property	3,104	—
Other, net	1,468	26
Net cash provided by (used in) investing activities	(13,538)	(4,239)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(342)	485
Proceeds from long-term borrowings	—	71,466
Repayments of lease obligations	(8,289)	(3,511)
Proceeds from share issuance to non-controlling shareholders	199	69
Proceeds from sales of treasury shares	—	9
Dividends paid	(6,589)	(4,796)
Dividends paid to non-controlling interests	(140)	—
Net cash provided by (used in) financing activities	(15,162)	63,722
Effect of exchange rate change on cash and cash equivalents	2,246	(151)
Net increase (decrease) in cash and cash equivalents	34,993	57,573
Cash and cash equivalents	91,599	34,025
Net increase (decrease) in cash and cash equivalents due to the change in the fiscal year	8,426	—
Cash and cash equivalents	135,019	91,599

Basic Information

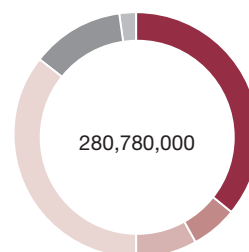
Stockholder Information (As of August 31, 2021)

Stock Overview

Total number of authorized shares:	1,123,120,000
Total number of issued shares:	280,780,000
Number of shareholders:	70,401
Stock exchange listing:	Tokyo Stock Exchange
Accounts settlement date:	August 31
Ordinary General Meeting of Shareholders:	Held in November each year
Administrator of the shareholder register:	Sumitomo Mitsui Trust Bank, Limited

Distribution of Shareholders

Financial institutions:	100,817,200
Securities companies:	17,358,238
Other corporations in Japan:	22,559,988
Corporations and individuals outside Japan:	100,259,177
Individuals and others:	33,864,657
Treasury stock:	5,920,740



Major Shareholders

Major Shareholders	Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	27,095	9.85
Custody Bank of Japan, Ltd. (Trust Account)	24,004	8.73
Custody Bank of Japan, Ltd. (Trust Account E)	11,231	4.08
Mitsubishi Corporation	10,783	3.92
SMBC Nikko Securities Inc.	7,201	2.62
Credit Saison Co., Ltd.	6,318	2.29
Custody Bank of Japan, Ltd. (Trust Account 9)	6,224	2.26
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS	5,081	1.84
STATE STREET BANK WEST CLIENT-TREATY 505234	3,880	1.41
Japan Securities Finance Co., Ltd.	3,808	1.38

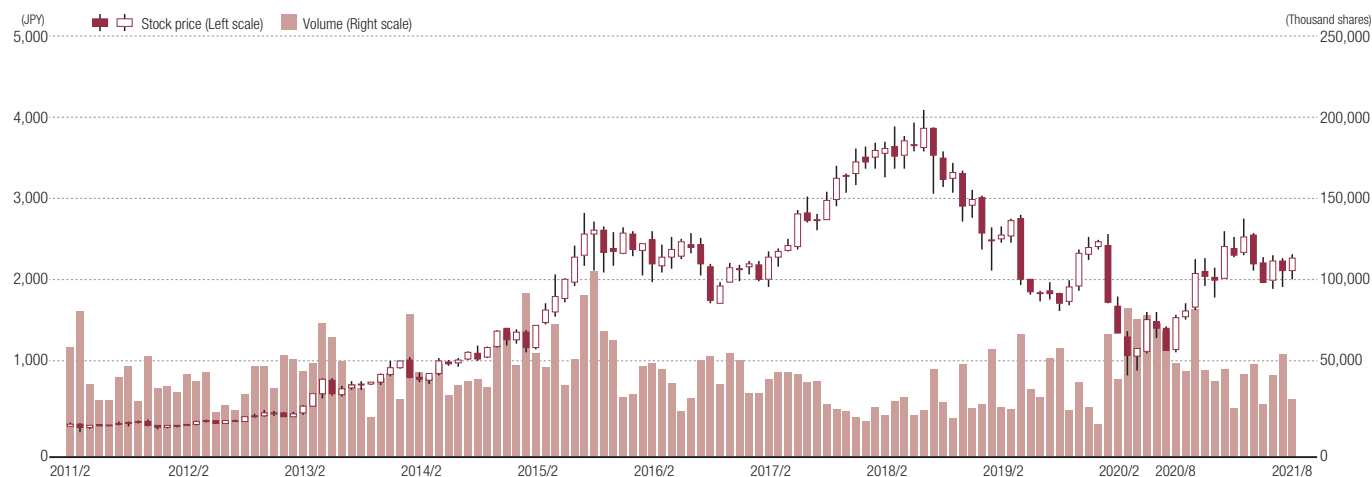
Notes:

- The Company holds 5,920,740 shares of treasury stock, but these shares are excluded from the list of major shareholders above. The 5,920,740 shares of treasury stock do not include 600,000 shares of Ryohin Keikaku's stock held by Sumitomo Mitsui Trust Bank, Limited for stock incentive compensation for the executives of overseas Group companies and 11,231,200 shares held by Mizuho Trust & Banking Co., Ltd. for the stock benefit trust (J-ESOP).
- The 11,231,200 shares held by the Custody Bank of Japan, Ltd. (Trust Account E) are for the purpose of the stock benefit trust (J-ESOP).
- The shareholding ratio is calculated after deducting the 5,920,740 shares of treasury stock.

Dividend Payout Ratio

	2015/2	2016/2	2017/2	2018/2	2019/2	2020/2	2020/8	2021/8
Consolidated dividend payout ratio	30.3%	30.1%	30.1%	30.1%	30.0%	41.1%	—	31.8%

Stock Price and Volume



Note: The Company conducted a 10-for-1 share split of its common shares on September 1, 2019. The stock price and trading volume are calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 2011.

Corporate Information (As of August 31, 2021)

Company Name	Ryohin Keikaku Co., Ltd.
Address	4-26-3 Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-8424
Establishment	June 1989 (registration: May 1979)
Capital	JPY 6,766,250,000
Number of Employees	18,163 (including 9,281 temporary workers and others; Ryohin Keikaku Group)

For more information, please refer to the Ryohin Keikaku website.

Website



<https://ryohin-keikaku.jp/eng/>

IR Information



<https://ryohin-keikaku.jp/eng/ir/>

Sustainability Information



<https://ryohin-keikaku.jp/eng/sustainability/>

External Evaluations



In June 2021, Ryohin Keikaku was selected for the first time for inclusion as a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan Index, which are leading ESG investment indexes.

The FTSE4Good Index Series comprises companies selected by FTSE Russell of the U.K. For inclusion in the index, companies must demonstrate strong performance and meet various evaluation criteria in terms of ESG practices. These criteria are made based on international standards including the United Nations Sustainable Development Goals (SDGs). The FTSE Blossom Japan Index is a specialized ESG index focused on companies listed in Japan.

These indices have become benchmarks for investors who place importance on corporate social responsibility and sustainability. Japan's Government Pension Investment Fund (GPIF), the world's largest public pension fund, has also adopted the FTSE Blossom Japan Index as a benchmark for its ESG investment management.

Recognition from Society

Ryohin Keikaku Ranks Second Overall and First in the Retail Distribution Category of the Japan Sustainable Brands Index

Ryohin Keikaku ranked second overall and first in the retail distribution category in the results of the Japan Sustainable Brands Index, a corporate brand survey conducted by Sustainable Brands Japan in response to the SDGs. The results were announced at the International Conference on Sustainable Brands 2021 in Yokohama, event organized by Hakuten Corporation. The aim of the survey is to review corporate sustainability efforts from a consumer perspective and to examine how consumers' perceptions of companies influence their consumption and recommendation patterns.

Ryohin Keikaku will continue to contribute to the communities where it operates and remain useful to its customers.

Excellence Award at the 69th Nikkei Advertising Awards

The Nikkei Advertising Awards, sponsored by *The Nikkei*, started in 1952 and is one of Japan's leading advertising awards. At the 69th Nikkei Advertising Awards for 2020, Ryohin Keikaku's corporate advertisement "Like water and air" won the Excellence Award in the Distribution and Service category.



Basic Information

Global Network (As of August 31, 2021)

Europe

39 MUJI stores

MUJI EUROPE HOLDINGS LIMITED
RYOHIN KEIKAKU EUROPE LTD.
RYOHIN KEIKAKU FRANCE S.A.S.
MUJI ITALIA S.p.A.
MUJI Deutschland GmbH
MUJI SPAIN, S.L.
MUJI PORTUGAL, LDA
MUJI Sweden Aktiebolag
MUJI Switzerland AG
MUJI Finland Oy
MUJI Denmark ApS

East Asia

412 MUJI stores

MUJI (HONG KONG) CO., LTD.
MUJI Korea Co., Ltd.
MUJI (Shanghai) Company Limited
MUJI (Taiwan) Company Limited
MGS (Shanghai) Trading Co., Ltd.

Japan

456 MUJI stores

Ryohin Keikaku Co., Ltd.
MUJI HOUSE Co., Ltd.

Southeast Asia

71 MUJI stores

MUJI (SINGAPORE) PRIVATE LTD.
MUJI (MALAYSIA) SDN. BHD.
MUJI Retail (Thailand) Co., Ltd.
Ryohin-Keikaku Reliance India Private Limited
MUJI RETAIL (VIETNAM) LIMITED LIABILITY COMPANY
MUJI PHILIPPINES CORP.
MUJI GLOBAL SOURCING VIETNAM COMPANY LIMITED
MUJI Global Sourcing Private Limited

Oceania

5 MUJI stores

MUJI RETAIL (AUSTRALIA) PTY LTD

North America

19 MUJI stores

MUJI U.S.A. Limited
MUJI CANADA LIMITED

Number of MUJI Stores (As of August 31, 2021)

		Stores	Open	Closed	Net increase (decrease)
Mainland China		299	30	(5)	25
Hong Kong		20	–	(1)	(1)
Taiwan		54	3	(1)	2
South Korea		39	–	(1)	(1)
East Asia (Total)		412	33	(8)	25
U.K.		7	–	(3)	(3)
France		7	1	(1)	–
Italy		6	–	(1)	(1)
Germany		8	–	–	–
Spain		4	–	–	–
Portugal		1	–	–	–
Ireland	LS ¹	1	–	–	–
Sweden		1	–	–	–
Switzerland		1	–	–	–
Finland		1	–	–	–
Denmark		1	1	–	1
Poland	LS ¹	1	–	–	–
U.S.A.		10	–	–	–
Canada		9	–	–	–
Europe and North America (Total)		58	2	(5)	(3)
Singapore		10	–	–	–
Malaysia		9	–	–	–
Thailand		22	2	–	2
India		3	–	(1)	(1)
Australia		5	–	–	–
Indonesia	LS ³	–	–	(6)	(6)
Philippines	LS ²	5	–	–	–
Vietnam		2	2	–	2
Kuwait	LS ³	3	–	–	–
UAE	LS ³	7	–	–	–
Saudi Arabia	LS ³	5	1	(1)	–
Bahrain	LS ³	2	–	–	–
Qatar	LS ³	2	–	–	–
Oman	LS ³	1	–	–	–
Southeast Asia and Oceania (Total)		76	5	(8)	(3)
Overseas (Total)		546	40	(21)	19
Directly Managed (Total)		380	21	(4)	17
LS (Total)		76	4	(2)	2
Seiyu		–	–	(1)	(1)
Japan		456	25	(7)	18
Domestic and Overseas (Total)		1,002	65	(28)	37

LS¹ = Stores wholesaled by MUJI EUROPE HOLDINGS LIMITED

LS² = Affiliated company accounted for by the equity method

LS³ = Stores wholesaled by Ryohin Keikaku Co., Ltd.

No mark = Stores directly managed by subsidiaries

