

## Enhancing Our Corporate Value

# Taking on the Challenge of “Public Interest and People-Centered Management”

### Ryohin Keikaku’s Heritage and “Public Interest and People-Centered Management”

MUJI was created in 1980 as a private brand of Seiyu Co., Ltd. In reaction to a sense of incongruity with the consumer society and brand orientation of the time, we launched our “no-brand” concept to handle items and other goods overlooked amid growing commercialism and to uncover what “quality products” means to consumers.

A corporate stance of continuing to oppose what is incongruous and unreasonable in society, encompassing a quest for a better way of life and the universal desire to “contribute to society and people,” is part of our heritage. This desire is the foundation of our “Grand Strategy,” in keeping with what we intend to contribute to society, the world and the future.

However, social conditions and other factors have changed significantly since our founding. MUJI’s essential concepts and ideas have not changed, but the nature of its business activities is becoming broader in line with changes in the external environment.

In September 2021, Ryohin Keikaku adopted a new management structure, declared its “Second Founding,” and began initiatives to create a “better future society in 100 years.” Another aspect has been advocating “public interest and people-centered management” as our management policy. This means that we place employees with a sense of ownership in leading roles in our business activities. The activities of independent,

locally rooted stores and of individual employees and associates also contribute to the public interest.

We want people to understand why Ryohin Keikaku is taking on the challenge of “public interest and people-centered management” and the nature of our activities in order to obtain widespread sympathy and approval. In doing so, we aim for “a truthful and sustainable life for all” that achieves a balance among the economy, the environment and culture.

### Ryohin Keikaku Aims to Meet Society’s Expectations

The “truthful and sustainable life for all” that Ryohin Keikaku envisions is one where people think not “This is what I really want,” but “This will do.” The former is what feels incongruent with contemporary society, which is replete with strong individuality and preferences. In response, we want Ryohin Keikaku to be a company that considers the Earth and provides the satisfaction of “This will do.” This includes providing an explanation of the reasons behind our “This will do” approach.

Excessive capitalism has given rise to a state of degeneration<sup>1</sup> in society. Countries, companies and individuals prioritize immediate profit, and self-interest is given precedence. Even though people should be economically comfortable, their intrinsic human emotions and senses have become paralyzed, leaving them feeling somehow alienated and dissatisfied. Many people



**Masaaki Kanai**

Chairman & Representative Director

seem to be losing their autonomy as they are immersed in the convenience and passive pleasures of digital technology. In addition, amid concerns about shortages of food and water resources as the global population increases to a projected 10.9 billion by 2100, Japan's population is forecast to decrease to 60 million, resulting in a shortage of people to support society. For this reason, I believe that the issues facing contemporary society are a complex mix of four elements: excessive capitalism, self-domestication,<sup>2</sup> response to the digital society, and demographics.

To resolve these issues, each of us must have a strong desire to change society and the world, to independently consider the public interest, and to take action. As one initiative to facilitate this, Ryohin Keikaku operates a stock ownership association, effectively creating an organization in which each employee can demonstrate ownership and think and act on their own. In addition, stores do not just sell products, but also work closely with their communities to help resolve local issues, which in turn has a positive impact on Ryohin Keikaku's business operations. We would like to establish a robust business model in which our voluntary actions that emphasize the public interest ultimately coincide with the logic of capital.

## Ryohin Keikaku's Vision for Happiness

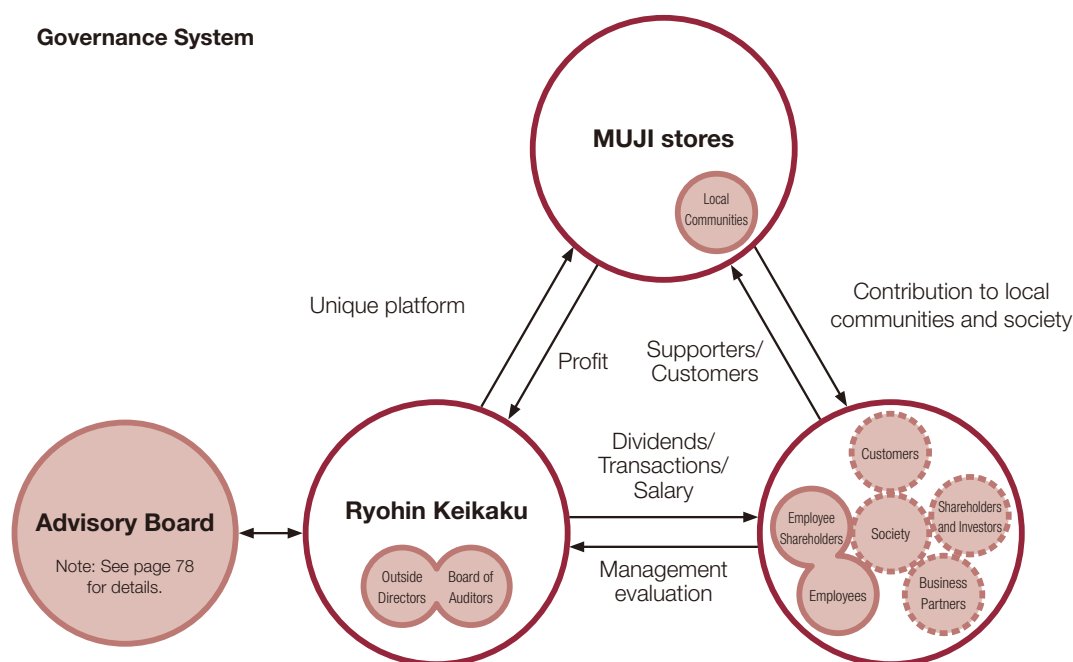
Our aim is to make a major shift in perspective—from the logic of capital to a humanistic perspective that arises from diverse

individuals—and to become a social platform that maintains “a truthful and sustainable life for all” to further the co-creation of lifestyles, societies and communities that are truly generous. That is why we emphasize living up to the trust placed in us and meeting expectations through dialogue with our stakeholders, including employees, business partners, customers, local communities and investors. We are conducting research with universities and think tanks on how to realize systems and approaches to governance for co-creating “a truthful and sustainable life for all” as we also make various efforts to increase opportunities for meetings with individual investors, loyal MUJI supporters and others.

With a sense of contributing to society and people as well as by working with colleagues for the co-creation of a mutually supportive society, we want to be a force that supports the kind of happiness that is irreplaceable.

1. Degeneration: A state in which a few species proliferate abnormally and drive out a large number of other weaker species, leading to an oligopoly of species.
2. Self-domestication: The idea that if domestic animals can be defined as “animals that have been cut off from the wild and have undergone changes in their appearance and habits for the convenience of humans,” then human beings themselves have also been domesticated by their adaptation to our current social and economic systems, turning themselves into domestic animals through the loss of intrinsic human emotions and senses.

### Governance System



### Governance system for co-creation of “a truthful and sustainable life for all”

# Enhancing Our Corporate Value

## The Value We Create

### Structure of Our Business Activities

Based on our core value of “contributing to society and people,” we will work with all of our stakeholders to resolve social issues. The participation of our stakeholders enables us to provide products and services “to be a part of people’s daily necessities” and to promote activities that enable us “to take root in local society,” which will lead to creation of new value.



### Six Foundations

#### Human Capital

- Number of employees globally: 19,009
- A corporate culture based on our founding philosophy of practicing ESG management
- Human resources that enable MUJI’s unique form of product development
- An advisory board made up of industry experts

#### Social Capital

- Downloads of MUJI passport app: 69.78 million
- Number of cooperation agreements with local governments: 22
- Community Market events in stores
- Countries/regions where we operate: 32

#### Intellectual Capital

- MUJI design
- Product planning know-how
- Know-how in sourcing of materials and raw materials
- Store design with consideration for the environment and community

#### Financial Capital

- Net assets: JPY 244.8 billion
- Capital: JPY 6,766,250,000
- Equity ratio: 60%

#### Manufacturing and Marketing Capital

- Number of stores: 1,136
- Distribution bases in Japan: 9
- Distribution bases overseas: 27
- Production partners who share MUJI’s perspective of product development

#### Natural Capital

- Electricity consumption: 74,939 MWh
- CO<sub>2</sub> emissions: 1.02 million t-CO<sub>2</sub>
- Water consumption: 150 thousand m<sup>3</sup> (Ryohin Keikaku Co., Ltd. only)

### Social Issues

Escalating environmental problems

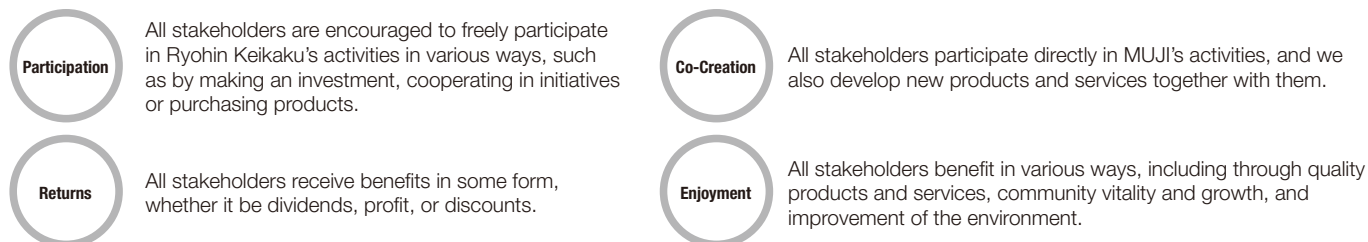
Shrinking labor force

Changes in lifestyles

Rural depopulation

## Public Interest and People-Centered Management

The MUJI stores that Ryohin Keikaku operates are venues for activities that benefit the public interest. Our aim is to practice “public interest and people-centered management” in which the value and profit generated by the participation of stakeholders are shared with those stakeholders and used to fund further activities. (See pages 13-14 for details.)

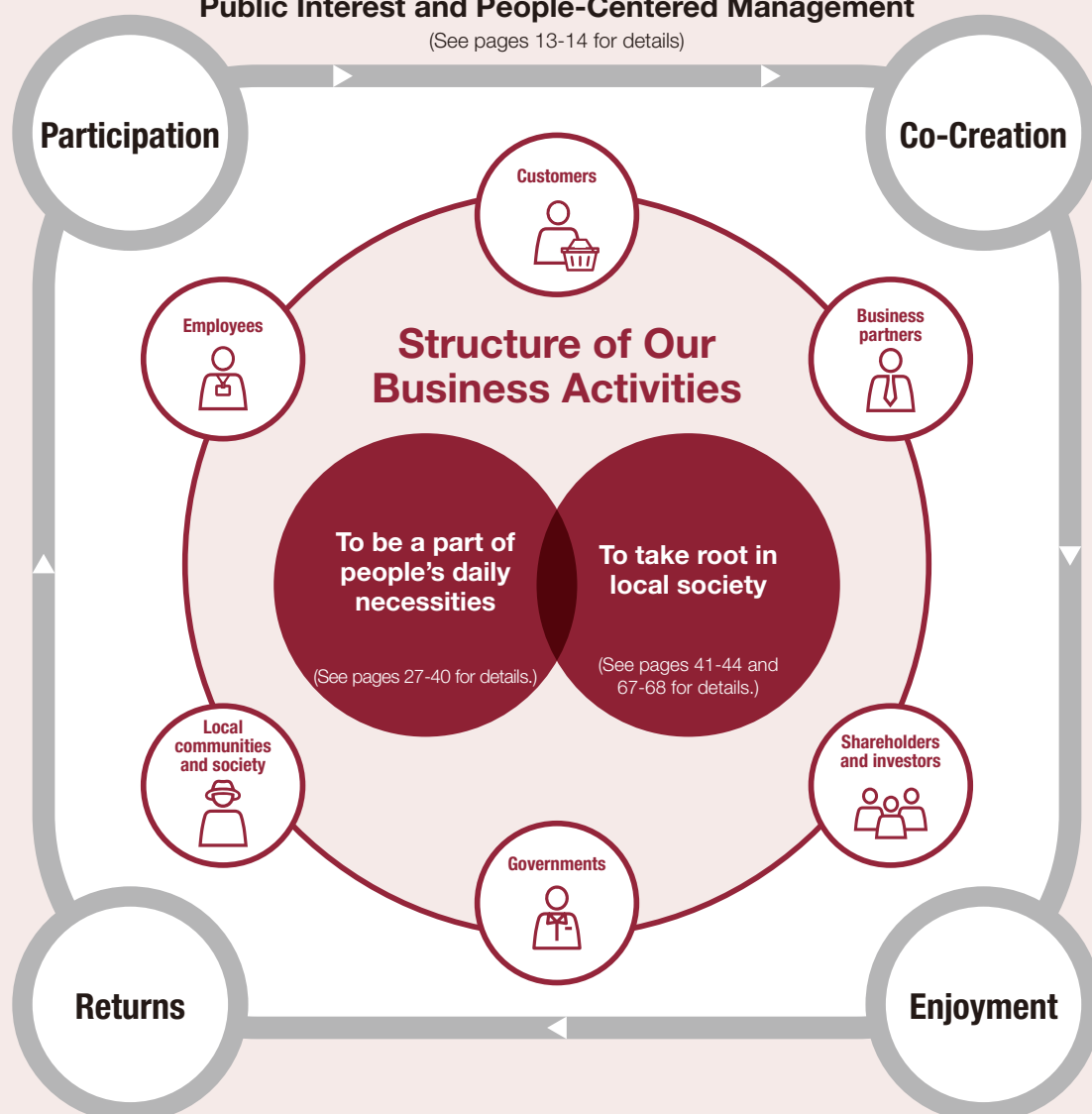


## Helping to Realize “a Truthful and Sustainable Life for All”



### Public Interest and People-Centered Management

(See pages 13-14 for details)





Enhancing Our Corporate Value

## Message from the President



## Aiming to be a Platform to Make a Better Society

**Nobuo Domae**

President & Representative Director

## The Value Ryohin Keikaku Has Provided

For over 40 years, Ryohin Keikaku has rolled out a variety of initiatives around the world to realize “a truthful and sustainable life for all.”

MUJI, the brand developed by Ryohin Keikaku, was launched in 1980 as a private brand of Seiyu Co., Ltd. (now Seiyu GK). MUJI started with nine household goods and 31 food items, and it has now grown into a business with more than 1,100 stores worldwide, handling thousands of items, including apparel, household goods, and food. *Mujirushi Ryohin*, the original Japanese name that has been shortened to “MUJI,” means “unbranded quality products.” MUJI began as a social movement to make a better society based on the concept of planning, developing and providing basic products for daily life from the viewpoint of the consumers who use them, without dazzling customers with a brand name. MUJI remains imbued with this ambition, unchanged even after 40 years. Moreover, the presence of customers and business partners who share our way of thinking is a major source of support and strength for Ryohin Keikaku.

## A Sense of Impending Crisis in a Changing Social Environment

Society and people's lives are changing drastically. In addition to worsening environmental and social issues such as climate change, the COVID-19 pandemic has significantly altered people's lifestyles and values over the past few years. The emergence of conflict in Ukraine and other geopolitical risks have also given rise to conditions in which many people are struggling just to maintain their lifestyles.

On the other hand, reflecting on our business as it faces up to this changing world and consumer values, I cannot honestly say that we have sufficiently addressed these issues yet. Our business model that was the cornerstone of our founding ambition has begun to grow stale, as shown by our business performance in the fiscal year ended August 31, 2022, when our consolidated operating revenue increased but operating profit decreased year on year.

I believe this is because we did not move quickly enough to address the changing world and consumer values. We were unable to envision the future we wanted for society, nor to boldly overhaul our business structure to meet these challenges. As a result, I sense an impending crisis as MUJI's uniqueness and superiority gradually decline, and it becomes more like other companies.

However, conditions like this make it all the more important for Ryohin Keikaku to not just create and offer products, but to link them to resolving social issues through its business. That is precisely what we have emphasized since our founding.

## The Impetus behind Our “Second Founding”

Our corporate purpose is “to contribute to the creation of a truthful and sustainable life for all through our products, services, stores and business activities; believing human society rich in heart, with balanced relationship between human, nature and artifacts.” I intend to faithfully fulfill this purpose, especially given the current state of the world. I believe that now is the time for Ryohin Keikaku to contribute to society through its business with the value that only MUJI can and must provide.

With the above in mind, Ryohin Keikaku has gone back to its roots and renewed its commitment to creating new businesses and initiatives that contribute to consumers, society and the global environment. This is our “Second Founding,” and it is already underway.

The “Second Founding” is an initiative to realize our corporate purpose and two missions. The first mission is “to provide daily necessities and services with genuine quality and ethical value, at appropriate and affordable prices.” The second mission is “to have a positive impact on each region by operating stores that serve as community centers, sharing concerns and values with local residents and collaborating with them to tackle local issues.” Going forward, MUJI will continue providing even more value to society through its products and services to create a better environment and society.

## 2030 Vision

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

**To take root in local society**

**To realize this vision, we will**

- Practice independent store management and co-owned management
- Provide comfortable online services
- To be a front runner of ESG management

## Progress of the Medium-term Business Plan

Under Ryohin Keikaku's medium-term business plan, we aim to achieve the following four goals by 2024.

1. Create the finest and unrivaled products that are essential to daily life, and establish the processes of procurement and production.
2. Establish a community-based business model centered on independently managed stores and open new stores throughout Japan.
3. Develop organizational culture in which all associates work proactively, leading to the independent growth of each store, region and country.
4. Build the business infrastructure and headquarters functions to support independent store management and localization.

With the announcement of our medium-term business plan, the start of various new initiatives, and the addition of new colleagues who share our corporate purpose and missions, a new awareness is beginning to grow throughout the Company. More than ever before, I sense a real desire to create something new together.

In this context, I would like to introduce the six core themes that Ryohin Keikaku is currently tackling.

### 1. Strengthen product competitiveness

Ryohin Keikaku aims to capture the top mindshare for products essential to daily life. We must start by reviewing mainstay products and work to enhance product development. Product development will be oriented toward high-quality standard products that have been perfected by refining them to their essential elements, and products that embody the concept of "lower priced for a reason" by assimilating insights from lifestyles around the world. We will think outside the box to develop and provide products that help resolve social issues and improve the global environment the more customers use them in their daily lives.

### 2. Increase involvement in production

We will increase direct transactions with the factories of production partners to which MUJI outsources its products, and exert greater control over production and procurement processes and



personnel. By directly including Ryohin Keikaku employees in product development through involvement at raw material procurement areas and in production processes, we will establish a framework for stable production at the optimum cost. For aspects from the shape of a product to its production schedule, we will also consider the production process and convenience for partner factories to eliminate waste and thus minimize costs. In addition, we aim to benefit the countries and regions where our products are produced. We will give priority to production partners that reinvest factory profits locally as part of their efforts to contribute to their communities. To achieve these goals, we will ramp up hiring and training of human resources who can directly contribute to the production process at factories.



### 3. Enhance marketing activities for products

We will enhance marketing activities for individual products. In its communications with the public, Ryohin Keikaku has previously focused on conveying the overall MUJI concept rather than proactively marketing specific products. As a result, sometimes products that receive strong support from some customers have not even been noticed by many others. In addition, even good products have become difficult for customers to find among the wide range of product categories in our large stores. We will therefore open stores focused on specific product categories, such as our new business format MUJI 500, and ramp up communication activities for individual products, including by spreading product information via social media.

### 4. Establish a store network and new channels

For MUJI to be useful to communities throughout the country, we are opening 600 *tsubo* (approx. 2,000 m<sup>2</sup>) stores, mainly next to supermarkets, at a rate of 100 stores a year in Japan. We aim to make these stores useful in daily life by devoting more floor space to daily necessities. We will also expand our store network and sales channels independent of our own stores through measures including establishing MUJI corners at convenience stores, via consumers' cooperative store home delivery services, and inside supermarkets.

### 5. Enhance operations

Ryohin Keikaku will enhance the operational capabilities of its stores and headquarters to underpin independent and autonomous store management by employees. Efficient standardized operations, a solid business infrastructure and robust store support capabilities will give each store the security to conduct management in line with local conditions and issues. As we work to change our employees' way of thinking to facilitate independent store management, we will concurrently consider new ways of operating stores and enhance development of human resources to improve their in-store performance capabilities.

### 6. Make ESG the core of our business

Since its founding, Ryohin Keikaku has consistently emphasized a perspective based on ESG. We aim to embody an environmental (E), social (S) and governance (G) perspective in all aspects of our business. This includes developing products for a better environment (E) and society (S) as well as establishing a governance (G) structure that goes beyond our existing corporate framework. Furthermore, as a new initiative, we will begin commercialization in areas including healthcare, food and agriculture, and the utilization of unused local resources.



## Product Development from an ESG Perspective for Medium-term Growth

Ryohin Keikaku aims to be a company that supports society and people by providing products essential to daily life. We want MUJI to be a collection of specialty stores where each of our product lines is a market leader because of our unique perspective. The key to achieving this objective is ESG.

### Environment (E)

MUJI aims to help resolve environmental issues by providing products with reduced (or improved) environmental impact. We will develop products that use environmentally friendly materials and minimize energy consumption without relying on fossil fuels.

### Society (S)

MUJI aims to make a better society by providing products that help resolve social issues. We will establish industries in emerging countries to develop products that enrich local lifestyles and products that carry on the positive traditions, culture and wisdom of each region.

### Governance (G)

MUJI aims to promote the direct and open participation of not just Ryohin Keikaku employees, but also consumers, business partners, external experts and others in its product development. We will focus on aspects of their lifestyles where there is a sense of incongruity, to develop products that support the lifestyles of all.

By advancing these ESG measures, we will create products that support the lifestyles and society of the future. The key is to set prices that everyone can easily afford. The greater the energy consumed in the production process, the higher the cost of merchandise. Reconsidering raw materials and simplifying processes to create goods at a lower cost enables us to reduce both environmental impact and selling prices, thus making our products easier for more people to purchase. In other words, I believe that an increase in the number of people who use MUJI products will lead to a better environment and society, and in turn to our business growth over the medium to long term, thus creating a virtuous cycle.

## Opening Our Path to the Future by Innovating Our Product Mix and Business Structure

In January and February 2023, Ryohin Keikaku raised the prices of about 20% of its total product lineup, including large furniture, plastic storage units and bedding covers. Amid hikes in raw material prices and the rapid depreciation of the yen, we reached the limit of what could be achieved by improving efficiency in the production process, and decided to raise our prices to maintain sound business management.

We would like to take this as a good opportunity to challenge ourselves to “change the product mix,” “change the products themselves,” and “change the business structure” from the ground up, rather than just responding to small price changes.

First, changing the product mix entails revising the lineup. For example, we have raised the prices of some current bed linen products, but we will also develop new products in a lower price range using alternative functional materials to meet the needs of price-conscious customers. In addition, we will incorporate insights learned from lifestyles around the world to further extend our selection of affordably priced products.

Next, changing the products themselves means rethinking products from an ESG perspective to achieve a substantive evolution. Going forward, we will launch a succession of products that help to resolve social and

environmental issues. In particular, we intend to switch from plastic to alternative and recycled materials, ramp up the collection of plastic products that are sitting unused in households, and cooperate with other companies to create new industries.

Finally, changing the business structure involves altering customers' purchasing behavior. For example, by introducing a monthly rental service for our furniture and switching to a business that promotes rental and reuse. By reducing the initial investment required when purchasing furniture and passing on used items to those who need them after maintenance and repair, we intend to redefine the common concept of furniture as something that is purchased and then discarded when no longer wanted. In addition, by leveraging our strengths in the space design business to provide comprehensive services that range from living spaces to lifestyles, we aim to establish a space business that can contribute to the environment and society while also supporting our customers.

## Becoming a Company That Helps Make a Better Society

In these times of major change, society's expectations for and interest in sustainability and ESG perspectives continue to increase. This has strengthened Ryohin Keikaku's resolve to contribute to creating "a truthful and sustainable life for all." We will continue to move forward with our "Second Founding" to evolve from a company that makes and sells good products into a company that helps make a better society. In our initiatives to co-create along with many others and to contribute to the creation of a better society, we want to make Ryohin Keikaku an indispensable part of the public infrastructure by taking the lead in providing a platform for making a better society.

There are many challenges to overcome, but we intend to squarely address and steadily carry out our "Second Founding" to realize our corporate purpose. You can look forward to great things from Ryohin Keikaku as we move ahead.



# Enhancing Our Corporate Value

## Our Goals and How We Will Achieve Them

"Second Founding"	2022	2023	2024
Financial KPIs	2022/8 results	2023/8 forecast	2024/8 target
Operating revenue	JPY <b>496.1</b> billion	JPY <b>585.0</b> billion	JPY <b>700.0</b> billion
Operating profit	JPY <b>32.7</b> billion	JPY <b>34.0</b> billion	JPY <b>75.0</b> billion
Number of stores	<b>1,136</b>	<b>1,202</b>	<b>1,300</b>
Average area of standard stores	<b>293</b> <i>tsubo*</i>	—	<b>300</b> <i>tsubo*</i>
Online sales ratio	<b>10%</b>	—	<b>15%</b>
Actions up to 2030		Creation of the basis for our "Second Founding"	
Product Strategy → Page 27	<ul style="list-style-type: none"> <li>Rethink product lineup, quality, price and significance from the perspective of use in daily life</li> <li>Contribute to regional development in production areas by strengthening procurement and production processes</li> <li>Prevent inventory shortages and excesses by reinforcing supply chain management</li> <li>Establish sustainable agriculture and food businesses and contribute to regional development</li> <li>Create systems for conducting space design and renovation as a core business</li> <li>Launch a series of services, including those related to healthcare and recycling</li> <li>Launch of Regional Business Units to establish a community-based business model</li> <li>Double the pace of store development by opening stores in residential areas</li> <li>Open stores in residential areas and improve cost efficiency</li> <li>Create a new service responsible for online sales, payment, logistics and other functions</li> <li>Build a top management team capable of leading our "Second Founding"</li> <li>Take new approaches to recruiting and training, and create new young leaders</li> <li>Promote initiatives to pass down MUJI concepts to more people</li> <li>Develop a proactive, independent and teamwork-oriented corporate culture</li> <li>Establish systems to realize co-owned management</li> <li>Strengthen human resources and improve the efficiency of headquarters administration divisions</li> <li>Strengthen the IT team and ERP system</li> <li>Structure logistics from the viewpoint of total social cost</li> <li>Build platforms to support business activities and the localization activities of stores</li> <li>Establish risk management systems</li> </ul>		Create the finest and unrivaled products that are essential to daily life, and establish the processes of procurement and production.
Store Strategy → Page 41			Establish a community-based business model centered on independently managed stores and open new stores throughout Japan.
Global Strategy → Page 45			Develop organizational culture in which all associates work proactively, leading to the independent growth of each store, region and country.
Human Resource Strategy/ Corporate Culture Reform → Page 49			Build the business infrastructure and headquarters functions to support independent store management and localization.
Business Infrastructure (IT Strategy) → Page 53			
ESG Management → Page 57			

...

**2030**

## 2030 Vision

To be a part of people's  
daily necessities

To take root in local  
society

We make efforts to reduce our environmental burden and to respect individual human rights through our product development, services and actions.

Practice  
independent store  
management and  
co-owned  
management

Provide  
comfortable online  
services

To be a front  
runner of ESG  
management

### 2030/8 target

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 m<sup>2</sup>