

MUJI

REPORT 2023

RYOHIN KEIKAKU CO., LTD.

About MUJI REPORT

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 financial and non-financial information based on the philosophy and mission of Ryohin Keikaku, which is aiming to help create “a truthful and sustainable life for all.”

Information Resources

Financial Information			Non-Financial Information
<div> <div>MUJI REPORT</div> <div>Information on medium- to long-term value creation</div> </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/

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Scope of This Report Consolidated subsidiaries and consolidated companies of Ryohin Keikaku Co., Ltd.

Period Covered Fiscal year ended August 2023 (September 1, 2022 to August 31, 2023)

Note: Information outside this period is reported when it is appropriate to show past events and data or recent examples. 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.

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.



Our Philosophy

Our Corporate Purpose

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.”

Our Two Missions

1. To provide daily necessities and services with genuine quality and ethical value, at appropriate and affordable prices.
2. 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.

Our Core Value

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

Ryohin Keikaku's "Grand Strategy" is to realize "a truthful and sustainable life for all." Our "Grand Strategy" defines who we are—being useful to people and society. Of course, as a business enterprise, profit is also important, but our top priority is this "Grand Strategy." Ryohin Keikaku has been working since its founding to make a contribution wherever it can help with social issues and people's concerns. This approach has led to the Ryohin Keikaku of today.

1980-2000

Our Perspective

Redefining the value of goods

We aimed to minimize unnecessary elements and create products that are truly useful to consumers from the perspective of selection of materials, streamlining of processes and simplification of packaging.

2001-2015

The relationship between life and goods

We sought to give customers a feeling of rational satisfaction, expressed not with "This is what I really want," but with "This will do."

Products with simplicity



Evolution of Our Products

Products that fit all life occasions

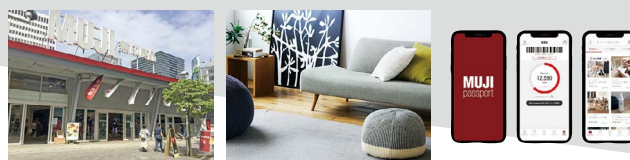


Evolution of Our Stores and Services

New store openings both in Japan and overseas



Launch of flagship stores and new services



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

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 Tsunai Campsite opened

2000

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

* Now listed on the Tokyo Stock Exchange Prime Market

2001

MUJI Yurakucho, a flagship store for information dissemination, opened

2005

MUJI (Shanghai) Company Limited established

2006

Business transfer from IDÉE Co., Ltd.

2007

First store in U.S. opened

2010

Began MUJI x JICA Project Kyrgyz

2011

Found MUJI Aoyama opened

2012

Muji Retail (Thailand) Co., Ltd. established

2013

Joined UN Global Compact
Launched MUJI passport smartphone app

2014

MUJI Sino-Ocean Taikoo Li Chengdu opened

2015

Began ReMUJI initiative for reuse and recycling of fabric items

2016-2020

A truthful and sustainable life

By providing functional, streamlined products that help simplify and beautify people's lives based on our concept of "conscience and creativity," we have contributed to solving social issues with proposals for peaceful, relaxed living.

Products for organizing people's life



2021-

"A truthful and sustainable life for all," and beyond

We offer affordable products that are not only essential and useful but also beneficial for the environment, producers and local communities. We will also evolve our efforts to help address local challenges, and contribute to the harmonious coexistence and development of daily life, culture and the environment together with local communities.

Products in harmony with society



Expansion of services close to daily life



Creation of platforms for realizing a better society



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 and MUJI HOTEL GINZA opened

2020

Established production management base in Vietnam
Launched MUJI passport Pay service

2021

New start under our "Second Founding"
Started monthly furniture rental service
Opened Healthcare Center

2022

Opened MUJI Hiroshima Alpark
Started sales of MUJI products in Lawson convenience stores nationwide and through CO-OP Sapporo's Todock home delivery system

2023

Expanded range of plastic products collected
Reopened MUJI Shinjuku Yasukuni-Dori as a specialty clothing store

FY2023/8

Operating revenue

JPY 581.4 billion

Operating profit

JPY 33.1 billion

The graph in the background shows operating revenue.

Introduction

Toward “a Truthful and Sustainable Life for All”

The scope of our activities has greatly expanded since the creation of MUJI 43 years ago, but our core philosophy has remained the same. We envision a future where “a truthful and sustainable life for all” is a reality. We will provide various products based on our concept of “conscience and creativity,” and help solve social issues through our businesses and services.

A store with all lifestyle essentials



Local community

Organization of local businesses and events



Events and workshops



Fresh food

Circularity: Collaborating with customers for recycling and waste reduction



MUJI CYCLE (page 48)



ReMUJI (page 48)

Services that support daily life: Enhancing customers' well-being



Mobile sales



Healthcare Centers (page 56)



MUJI SUPPORT (page 52)

Community centers

Local resources: Collaboration with
and sales of local products



Community Market events
(page 55)



Development of local products
exclusive to the area



Rental of stall space inside MUJI
stores at shopping arcades
Store opening support for local
business owners



Café&Meal (local production
for local consumption)

Partners in product



Mottainai Market (page 48)

Platforms for realizing “a truthful and sustainable life for all”

Space design business: Designing residences and
spaces that reflect MUJI's value



Residential design



Public spaces



Renovation

Revival projects for regional areas: Highlighting local
traditions and utilizing local resources



Revitalization of shopping
arcades



Store openings at roadside
rest areas



Revitalization of housing complexes
and renovation projects



Repurposing of abandoned
school buildings



Revitalization of unused houses

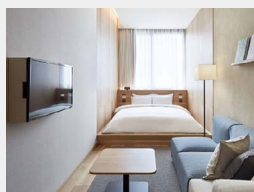


Shokoku Ryohin (Sales of local
products)

Accommodation business: Managing facilities and
facilitating local experiences



MUJI BASE (page 56)



MUJI HOTEL



Campsites

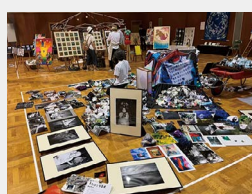
Community engagement: Developing activities and collaborating
with local governments, entrepreneurs and producers



ITSUMO MOSHIMO (page 56)



Satoyama landscape
conservation

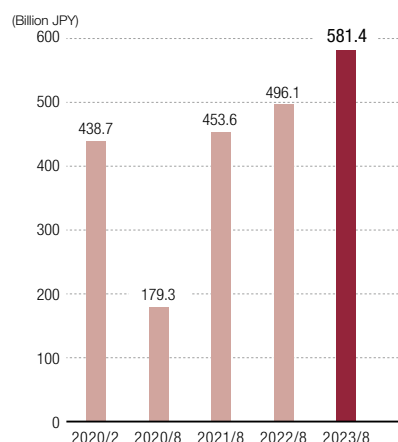


Art events

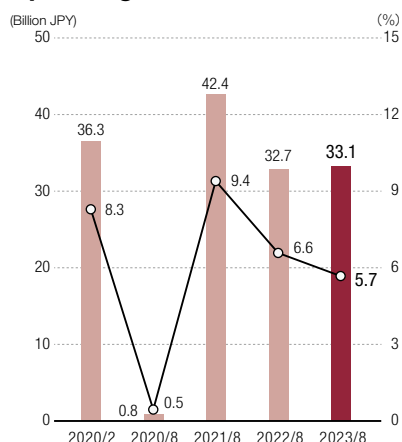
Introduction

Financial and Non-Financial Highlights

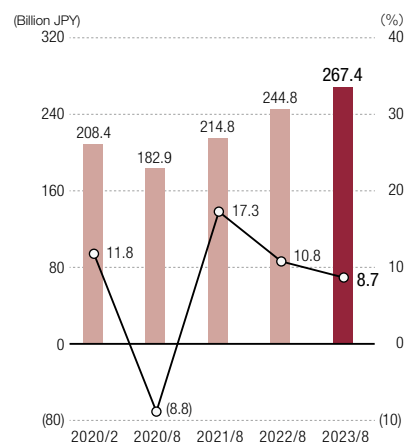
Operating Revenue



Operating Profit/ Operating Profit Ratio



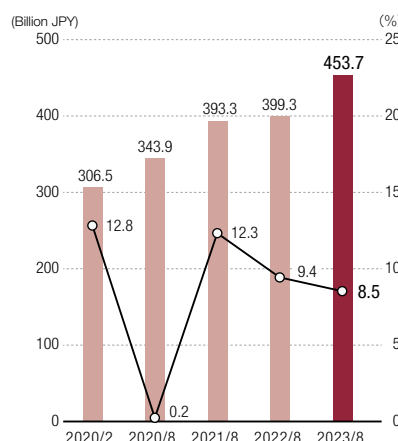
Net Assets/ROE



■ Operating profit (Left scale) -○- Operating profit ratio (Right scale)

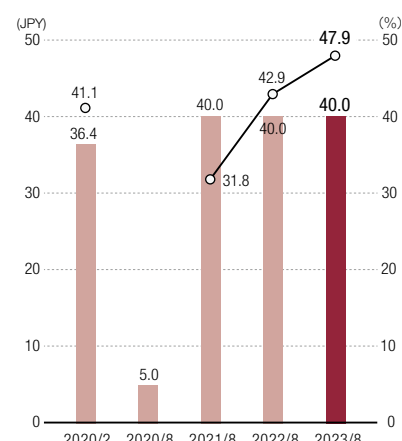
■ Net assets (Left scale) -○- ROE (Right scale)

Total Assets/ROA



■ Total assets (Left scale) -○- ROA (Right scale)

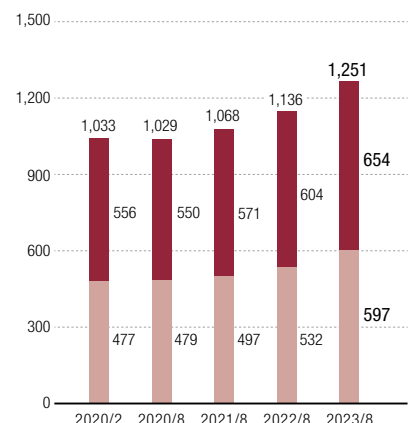
Dividends per Share/ Dividend Payout Ratio



Note: The dividend payout ratio for FY2020/8 is not presented as the Company recognized net loss per share.

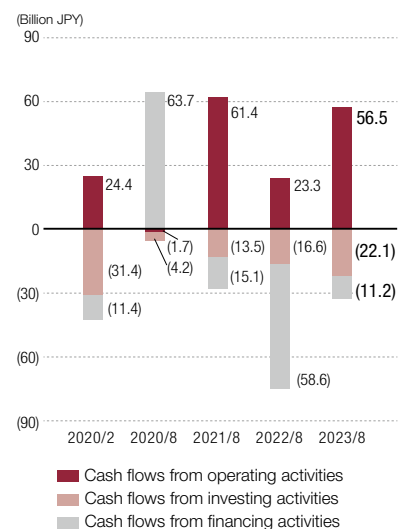
Number of Stores (Total) in Japan and Overseas

Includes licensed stores, Cafe&Meal MUJI and IDÉE



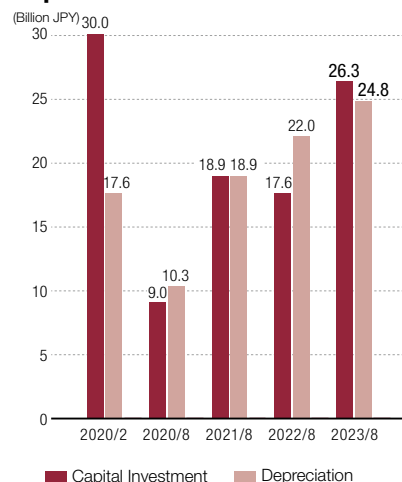
■ Number of stores overseas ■ Number of stores in Japan

Cash Flow



■ Cash flows from operating activities
■ Cash flows from investing activities
■ Cash flows from financing activities

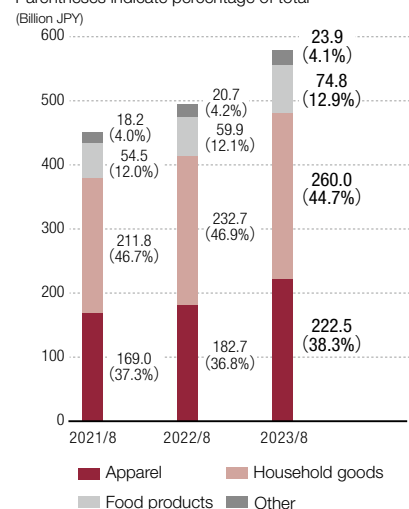
Capital Investment and Depreciation



■ Capital Investment ■ Depreciation

Operating Revenue by Product Category

Parentheses indicate percentage of total

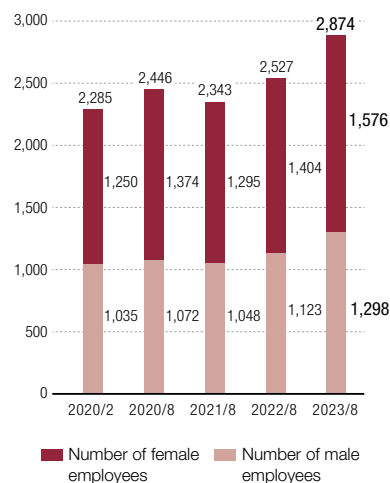


■ Apparel ■ Household goods
■ Food products ■ Other

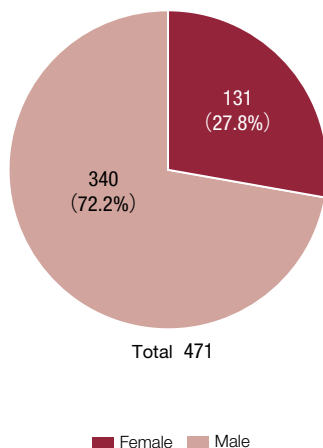
Note: Due to the change in fiscal year, 2020/8 covers the six-month period from March 1 to August 31, 2020.

Number of Employees¹

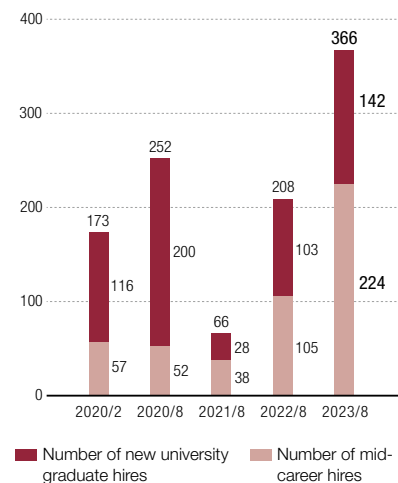
Number of employees at the end of the period



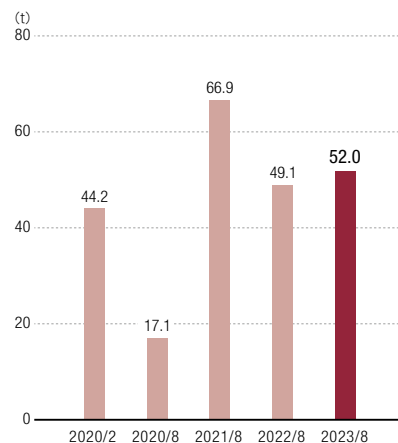
Percentage of Women in Managerial Positions¹



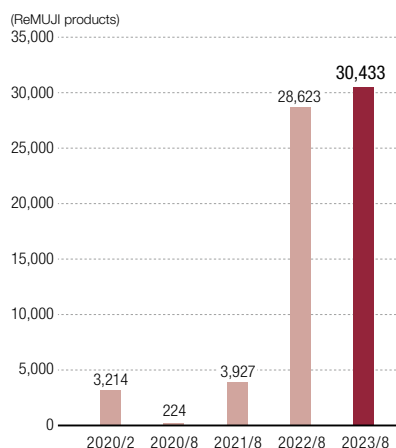
Number of New Employees Hired¹



Volume of Textile Products Collected¹



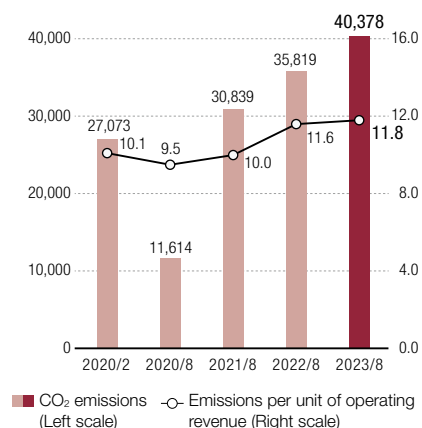
ReMUJI^{1,2} Sales Volume



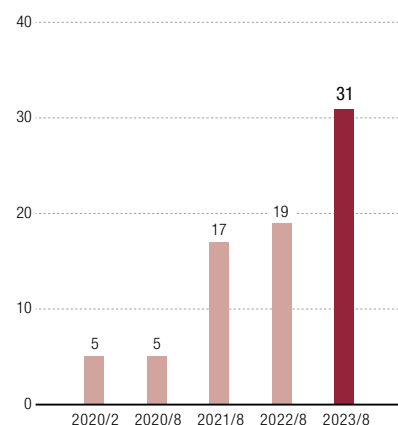
Sales grew substantially in FY2022/8 due to the expansion of ReMUJI sales at MUJI Shinjuku* from September 2021.
* Currently MUJI Shinjuku Yasukuni-Dori

CO₂ Emissions/Emissions per Unit of Operating Revenue

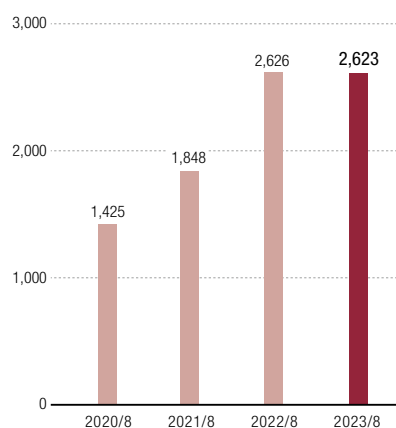
Scope 1 and 2 only¹
(t-CO₂e)
(t-CO₂e/per 100 million JPY)



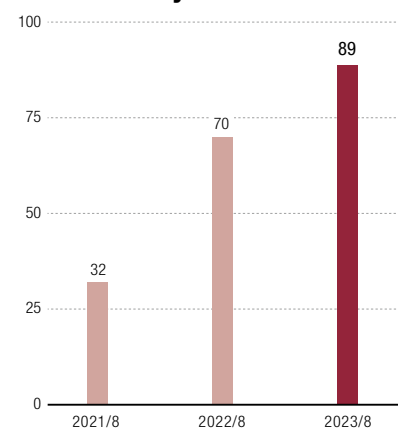
Number of Regional Cooperation Agreements¹



Number of Employees in Employee Shareholding Association¹



Number of Employees under the Balanced Four-Day Workweek System¹



For FY2021/8, the figure covers the four-month period since the launch of the system in May.

1. Ryohin Keikaku Co., Ltd. only

2. Resale of goods reprocessed from products collected at stores for recycling and from products soiled or damaged during the manufacturing process

Introduction

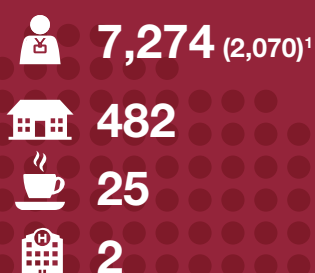
Global Network (As of August 31, 2023)

We operate directly managed MUJI stores and a wholesale business in Japan and overseas, with more than 1,200 stores in 32 countries and regions. Although points of emphasis differ depending on the region, by enhancing our lineup of locally developed products and services that match lifestyles in each region, we establish a locally rooted business model. We also focus on hiring employees locally. We will continue to expand globally with the aim of being useful to the people of each country and region where we operate to help realize “a truthful and sustainable life for all.”

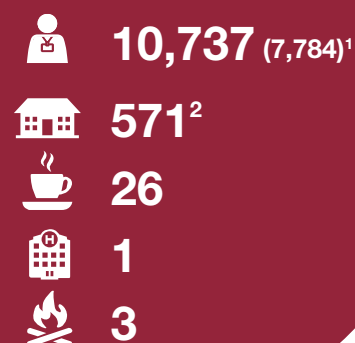
Europe



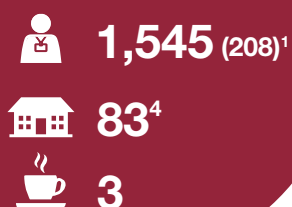
East Asia



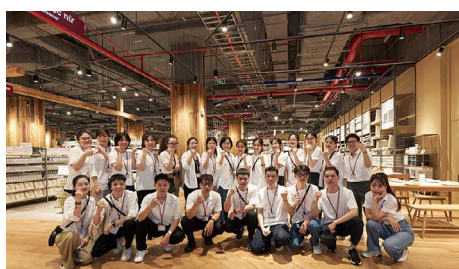
Japan



Southeast Asia



Oceania





Employees



Stores



Cafés



Hotels



Campsites

Countries/Regions
Where We Operate

32

Number of Stores

1,251³

Number of Group
Employees

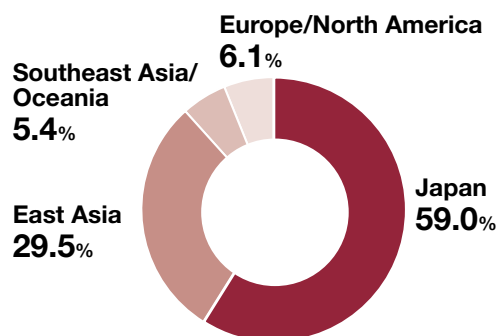
20,795
(10,721)¹

North
America

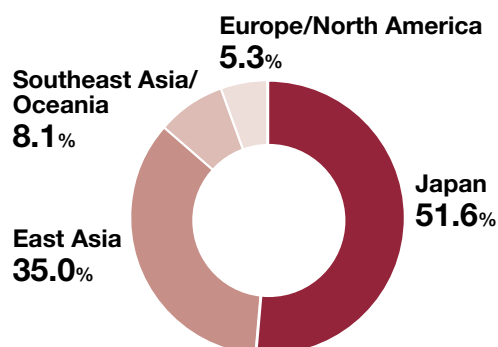
388 (257)¹

19

Breakdown of Operating Revenue by Area



Breakdown of Employees by Area



1. Number of non-regular employees (average number of employees per year based on an eight-hour workday calculation method)

2. Including 9 IDÉE stores and 84 licensed stores

3. Including licensed stores, Café&Meal MUJI and IDÉE

4. Including licensed stores



Message from the Chairman



We intend to continue building our envisioned consumer society by returning to the concept that defined MUJI when it started out, and evolving and deepening it.

Masaaki Kanai

Chairman & Representative Director

Achieving the satisfaction and value that comes from being one's true self is the concept that drove MUJI when it started out.

We introduced *Koshin Shiitake Mushroom Pieces* to the market in 1980, at around the same time MUJI itself was established. Dried shiitake mushrooms were prized for their high nutritional value and because they can be rehydrated for use as a soup stock, but the general perception back then was that they were too expensive. In reality, it doesn't matter to customers if some mushrooms are broken or come in different sizes. However, at the time, only standard shaped and sized shiitake were valued by the market, and non-standard shiitake were piling up at farms. We were the first to skip the sorting process used to standardize sizes and reject broken items, and to start marketing those non-standard pieces as a commercial product. Our idea of developing a product to "provide customers with the lifestyle essentials they actually need, in the form they actually want" found acceptance among many people, and was adopted as a slogan that was printed on the package at the time of the launch.

This simple story illustrates how MUJI approaches product development. From the very beginning, our attention has been on people's lifestyles as well as production sites. In addition, we have placed importance on MUJI's unique marketing approach of focusing on the satisfaction that people experience when they embrace their true selves, rather than on established standards of value.

In offering a lineup of products essential to daily life, MUJI's approach encompasses the belief that people, not goods, should take precedence, and that the products themselves should never prevail over or get in the way of that concept. We also try not to lead people into placing too much emphasis on product attributes such as simplicity or being free from bleach or artificial colors. We just want to offer straightforward and unassuming products that people can feel comfortable with in their "me time," when they just want to be themselves. Since we do not embellish our products with contrived charm and value, their sense of seamlessness increases, and they become true "no-brand" products. The products created in this way are naturally easy on the environment, and on customers' wallets.

We genuinely take the viewpoint of consumers in developing good products based on what is true and real in production, and pass those products along as they are, without dressing them up. That is why developing products with a direct link to production is so essential.

- Selection of Materials
- Streamlining of Processes
- Simplification of Packaging



This is a perspective that does not bow to the current form of commercialism or trends, which rely on attributes such as uniqueness, innovativeness, luxuriousness or a position of superiority. It is the reason that people appreciate MUJI as the only store of its kind.

We aim to continue building our envisioned consumer society.

Economist E.F. Schumacher makes some very interesting observations in his book *Small Is Beautiful*, published in 1973. He wrote that “Since consumption is merely a means to human well-being, the aim should be to obtain the maximum of well-being with the minimum of consumption.” I think this is something that many young people of today would agree with. If we follow his theory, people in modern society are likely to view natural resources not as capital, but as their own income. That has made us into a civilization that thinks of everything in terms of monetary value, which has led to excessive consumption. Humans have a desire to gain superiority over others, and worrying about what others think in order to get ahead has created fertile ground for this society that embraces excessive consumption.

The result is that the constant push to consume has led to faster product obsolescence, and society has moved in a direction in which needs are never satisfied. In other words, it has produced large quantities of products with transient ownership value that is quite divorced from their utility value. This society of excessive consumption has given rise to shortages of water, food and energy, and further exacerbated global warming, inequality and conflict. Furthermore, a digital culture that is tied to how we ourselves have essentially become domesticated¹ and capital theory has given added impetus to the trend toward excessive consumption.

The way I see it, the desired consumer society should not depend any more than necessary on the modern excesses of goods and civilization, but should reflect a world in which people can enjoy life on their own terms, and in which each of us can achieve a high cultural level. The original concept behind MUJI was to develop “good products” from a true consumer perspective, and to offer them to customers just as they are, without any unnecessary embellishments. Ever since MUJI was founded, we have prized our view of product development that emphasizes three perspectives: selection of materials, streamlining of processes and simplification of packaging. How we see apparel is a good example. We define apparel as clothing that helps people stay at a comfortable temperature, is easy to wear, looks good, and has an impact on the feelings of the person wearing it. We have always come up with attractive designs requiring minimal materials and processing. That means simply respecting the diverse people who live for the here and now, and providing a lineup of products that serve as the means for giving customers the chance to organize their own lifestyles the way they want.² We believe that reenvisioning our consumer society is an urgent matter, and one that Ryohin Keikaku continues to address.

1. 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 as a result of their adaptation to our current social and economic systems, turning themselves into domestic animals through the loss of intrinsic human emotions and senses (i.e., their true selves).

2. The concept of rethinking and rearranging one's current lifestyle in pursuit of an ideal state

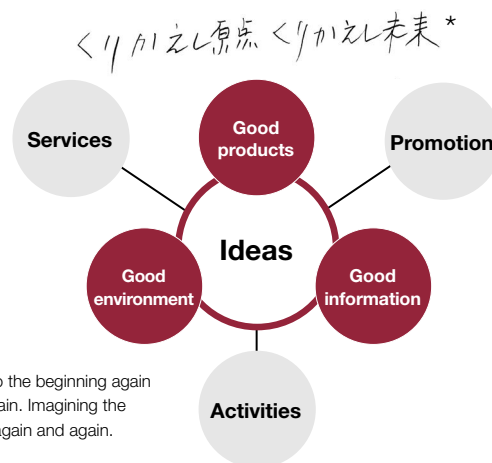
The “Second Founding” means going back to our roots of contributing to society and people.

Ryohin Keikaku has two missions. One is to provide daily necessities and services with genuine quality and ethical value, at appropriate and affordable prices. The second 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.

The “Second Founding” we set out in 2021 represents a new commitment to realizing “a truthful and sustainable life for all” by returning to MUJI's origins of providing satisfaction and value. We want to help people be their true selves, and will work to evolve and deepen that concept. One example is IDEA PARK. This is an initiative featured on the MUJI website aimed at helping consumers better understand the MUJI concept while also helping us to create better products through dialogue with consumers. This initiative enables people to contribute a variety of comments and suggestions, such as “We need children's playground equipment in the town's parks.” It is also extremely significant for us in terms of our efforts to serve as community centers that create “a truthful and sustainable life for all” together with the local residents.

We are also promoting employee-driven independent store management to accelerate activities that lead to solving issues in each community. Dialogue and co-creation with stakeholders are essential to that effort. Going forward, we plan to increase the number of Shareholders' Meeting events and opportunities for dialogue with customers. It is also important that all stores, employees, products and services share our unique concept to maintain overall consistency. Ryohin Keikaku endeavors to nurture employees who have the same values as consumers, and places employees with a sense of ownership in leading roles in order to enhance autonomous, decentralized organizations and businesses where employees consult with each other and support each other's growth. We are practicing “public interest and people-centered management” in which the activities of individual stores rooted in their communities, and the actions of individual employees and stakeholders, benefit the public interest.

MUJI stores will continue to serve as community centers that create value in partnership with local businesses and residents. We will strive to realize “a truthful and sustainable society for all” while achieving a balance among the economy, the environment and culture. Ryohin Keikaku cannot do that alone. We hope you will join us as we work to make this future a reality.



* Back to the beginning again and again. Imagining the future again and again.

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 solve social issues. The participation of stakeholders with different backgrounds and values 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 the creation of new value.



Social Issues

Escalating environmental problems

Shrinking labor force

Changes in lifestyles

Rural depopulation

Six Foundations

Human Capital

- Number of Group employees: 20,795
- A corporate culture based on our founding philosophy of practicing ESG management
- Human resources that drive MUJI’s unique form of product development
- An advisory board made up of industry experts

Social Capital

- Countries/regions where we operate: 32
- Downloads of MUJI passport app: 78.53 million
- Number of regional cooperation agreements: 31
- Community Market events in stores

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 267.4 billion
- Capital: JPY 6,766,250,000
- Equity ratio: 58%

Manufacturing and Marketing Capital

- Number of stores: 1,251
- Distribution bases in Japan: 11
- Distribution bases overseas: 22
- Production partners who share MUJI’s perspective of product development

Natural Capital

- Electricity consumption: 87,684 MWh
- CO₂ emissions: 1.23 million t-CO₂
- Water consumption: 144 thousand m³ (Ryohin Keikaku Co., Ltd. only)

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.



Stakeholders are encouraged to freely participate in Ryohin Keikaku's activities in various ways, such as by making an investment, cooperating in initiatives or purchasing products.



Stakeholders participate directly in MUJI's activities, and we also develop new products and services together with them.

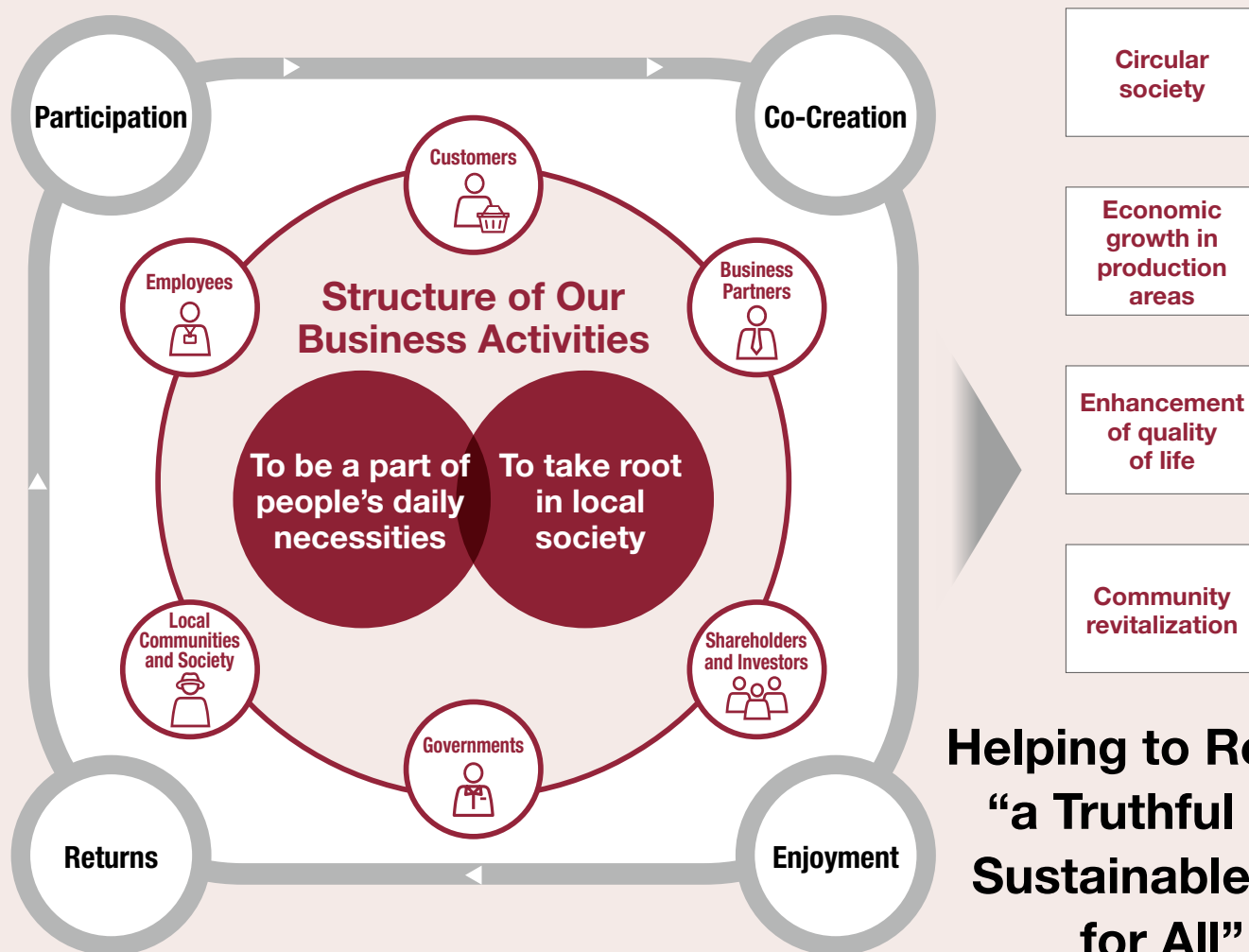


Stakeholders receive benefits in some form, whether it be dividends, profit, or discounts.



Stakeholders benefit in various ways, including through quality products and services, community vitality and growth, and improvement of the environment.

Public Interest and People-Centered Management



Enhancing Our Corporate Value

Ryohin Keikaku and Sustainability

A Consistent Commitment to ESG since Day One

Ryohin Keikaku's MUJI brand has consistently served society as a whole since day one. Our core value is “to contribute to society and people.” This is a value that is rooted in all of our business activities.

Our commitment to the three perspectives of selection of materials, streamlining of processes, and simplification of packaging has made us a pioneer in what the world now calls sustainability. We continue to create products with social and environmental considerations in mind based on these three perspectives. That policy will not change, and will become even more important as we work toward a better future society over the next 100 years.

We will achieve our ideal ESG management by implementing innovative ESG approaches for products, business activities and communities to create new value and contribute to society.

ESG in products

We will democratize sustainability* by adopting circular design for all 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 positive impact on society by leading the revitalization of local areas through activities with local communities.

* “Democratizing sustainability” means promoting sustainability in a way that is accessible to everyone. We recognize 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 that take nature into consideration, and provides products and services at affordable prices. Through MUJI, we want to reduce our environmental impact in a way that occurs seamlessly in daily life—in fact, that is MUJI's founding philosophy. By practicing and broadly expanding this philosophy, we seek to promote sustainability in a way that is accessible to everyone.

ESG Strategy through 2030

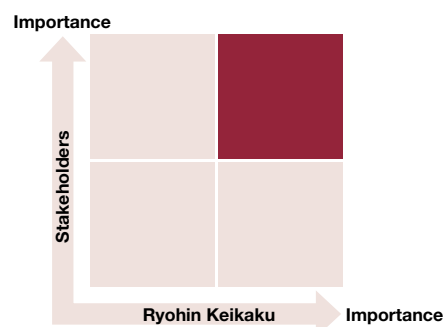
Process for Identifying Material Issues

Ryohin Keikaku identified material issues in formulating its ESG strategy through 2030. The process involved:

1) Identifying and understanding social issues

2) Conducting interviews with management executives and experts

3) Implementing a scoring system that is unique to Ryohin Keikaku with the help of an external organization



We used the scoring system to narrow our focus to four items. These items were then approved by the Board of Directors and positioned as our material issues. In January 2024, we reviewed some of our material issues due to changing market and business conditions.

① Build a sustainable and circular society that coexists with nature

- Reduce the use of fossil-based raw materials and fuels
- Ensure business operations based on integrity and ethical judgements
- Democratize sustainability in a way that is accessible to everyone

② Address local challenges and revitalize regions

- Revitalize regional economies and industry through store openings and business development that highlights local traditions and utilizes local resources
- Build local communities that are active and lively

③ Practice business activities in which each and every diverse individual plays a leading role

- Maximize the value of diversity and inclusion to achieve open innovation
- Build a self-motivated and autonomous corporate culture
- Achieve high employee engagement and workplaces where everyone can play an active role

④ Realize governance aligned with “public interest and people-centered management”

- Generate co-creation with people and local communities
- Realize governance with people in local communities as shareholders
- Encourage co-owned management by employees
- Earn strong support from investors

ESG Management Structure

Ryohin Keikaku launched the ESG Management Committee at the start of FY2022/8 to address its material issues and further accelerate ESG management. The chairman & representative director chairs this committee, which addresses medium- and long-term Company-wide ESG issues. Inside directors, executive officers, managers and people in charge of related business divisions participate in the committee's monthly meeting.



In FY2023/8, we promoted 19 Company-wide, cross-functional projects organized by theme to address our material issues. Executive officers are responsible for each project and select project leaders. Project leaders then select project members from throughout Ryohin Keikaku. Progress toward achieving goals for 2030 is their benchmark.

In September 2023, we established a system to make ESG the main focus of our business, with the 19 projects divided among different divisions. Each division has formulated short-, medium- and long-term ESG targets and roadmaps based on our material issues, and is working to further incorporate ESG management into our business activities and create value unique to Ryohin Keikaku. The ESG targets of each division are also incorporated into the individual targets of the persons responsible in each division. The divisions and administrative support office have established a forum to regularly exchange opinions, where they discuss issues related to ESG promotion. The progress of each division is reported to the ESG Management Committee, and discussions take place among the inside directors, executive officers, managers and people in charge of related business divisions.

Main Themes

- Reduction of use of virgin plastics in our products and packaging. Acceleration of recycling and reuse of products ► **Page 48**
- Development of new materials and new businesses that take environmental and social issues into consideration ► **Pages 47-48, 55-56**
- Reduction of greenhouse gas (GHG) emissions globally and across our supply chains, looking ahead to 2030 and 2050 ► **Page 49**
- Minimization of adverse impact of business activities on the environment, including in areas such as water resources, biodiversity and waste ► **Page 49**
- Projects that improve diversity & inclusion and engagement ► **Pages 59-60**
- Achieve "public interest and people-centered management" ► **Pages 57-58, 61-62**
- Enhancing information and data security including personal information and ensuring compliance with various laws and regulations ► **Pages 73-74**

Enhancing Our Corporate Value

Message from the President



We will firmly establish the foundation for our “Second Founding” by enhancing the value of our products.

Nobuo Domae

President & Representative Director

I would like to extend my deepest sympathies to everyone who was impacted by the 2024 Noto Earthquake. We hope for the earliest possible return to normal life for the people in the region.

Progress of the Medium-term Business Plan

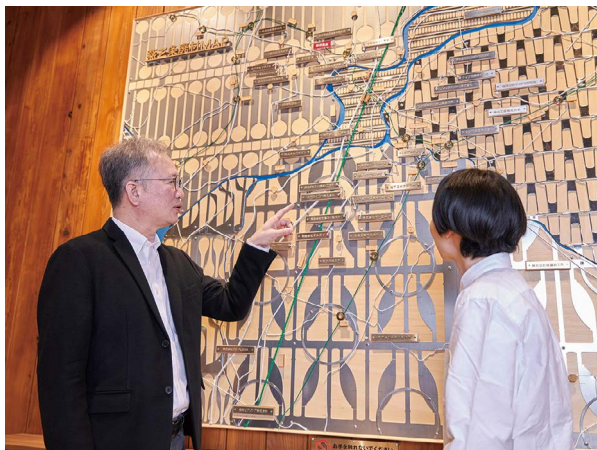
Ryohin Keikaku operates in line with its corporate purpose, which we redefined in conjunction with the announcement of the medium-term business plan. To realize our corporate purpose, we will take a two-pronged approach to our core business. First, we will create and provide products and services that are essential to people's daily lives. Second, our stores will function as community centers that contribute to solving local issues and to local revitalization.

In advancing these objectives, we will embrace three values. The first is helping to build a sustainable and circular society that coexists with nature from the perspective of benefitting people and society. The second value is practicing “public interest and people-centered management” as our core management policy. We will ensure that our business activities benefit the public interest, with people at the core. The third value is creating a positive impact on society together with local residents and business partners, and obtaining reasonable earnings as a result.

In the medium-term business plan, we have set four goals:

1. Complete the finest and most unrivaled product lines essential to daily life and the procurement and production system for these products
2. Establish a community-based business model centered on independently managed stores and open new stores throughout Japan while maintaining profitability
3. Develop an 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

In advancing these goals, we are addressing the six priority issues we identified in FY2023/8. We have reinforced our personnel structure to effectively respond to these issues, and the foundation of our business operations is now in place.



2030 Vision

To be a part of people's daily necessities

To take root in local society

To achieve this, we will

Practice independent store management and co-owned management

Provide comfortable online services

Be a front runner of ESG management

Progress on Addressing the Six Priority Issues

1. Enhance product value

We have reinforced our product development team. We also expanded the lineup of daily necessities in household goods, and worked to improve basic clothing items in apparel. However, we still have much more to do in terms of enhancing the value of our products. I will talk more about this later.

2. Increase involvement in production

We are strengthening our human resources by recruiting professionals from outside the Company, and are working to establish the organizational foundation to insource production functions, including taking over aspects of production management that were previously outsourced.

3. Enhance marketing activities for products

To reach the many different consumers who have never had the chance to try our existing lineup of products, we launched a new communication strategy that includes digital communications and mass advertising.

4. Establish a store network and new channels

With a new store development framework in place, we increased the number of 600 *tsubo* (approx. 2,000 m²) stores next to supermarkets in residential areas to 200. We began sales at convenience stores all over Japan, and through the home delivery services of consumers' co-operatives (co-ops).

5. Enhance operations

We enhanced human resources and infrastructure for back-office functions such as logistics, systems and product planning. These efforts have led to a reduction in logistics and IT costs. We also continued to make inventory control improvements, and are working to optimize inventory levels.

6. Make ESG the core of our business

With the goal of establishing a new industrial structure, we will work to create a business model linked to resource recycling. This includes expanding the number of products made from natural materials, promoting collection and reuse of apparel and plastic products, and establishing a supply chain model based on local production for local consumption.

Enhancing the Value of Our Products

We are aware that stores with large sales floor space of 600 *tsubo*, particularly those in Japan, are currently not taking full advantage of that space. To “complete the finest and most unrivaled product lines essential to daily life” and to promote them effectively, sales floor space of at least 600 *tsubo* is required. However, not all products have reached the level of competitiveness to make that concept successful. In apparel, we have started to move in a new direction. In household goods, however, there are still issues that need to be addressed.

For household goods, the product group that has been the mainstay of MUJI to date, we have achieved a very high level of quality in existing product lineups, and because of this, customers' expectations are also high. Therefore, we need to develop new product lineups that exceed those expectations. We are now facing some obstacles in our quest to create new value, but we will overcome them whatever it takes.



The Four Elements of Product Development

In enhancing the value of our products, in addition to offering long-lasting products that are useful in daily life at affordable prices, we will work to develop the following four types of products.

(1) Products that take the environment into consideration

We develop products with consideration for their environmental impact throughout their lifecycle, including after they are no longer used. For example, rather than worrying about subtle differences in appearance, we focus on offering products that use 100% recyclable pure raw materials, are designed for easy disassembly and separation after use, and will not result in unnecessary energy consumption during manufacturing and transport. This helps to maintain and protect the environment and reduces the environmental impact of products. By choosing MUJI products, customers can also feel they are making a contribution to maintaining and protecting the environment. That is our approach to product development.

(2) Products that solve social issues

We take materials that are difficult to manage because of their fast and excessive growth rates—for example, waterweeds that pose obstacles to shipping in wetlands, or rapidly growing bamboo that gradually erodes mountain forests—and adopt them as raw materials. We then transform them into products used to store items. In industrially underdeveloped regions, we create new employment and train human resources through vocational education. As a result, regional development is enhanced as industry is created and wealth circulates. In addition to making and providing quality products at low prices, we also contribute to community development by working with reliable local managers, and reinvesting the profits generated locally back into the local economy. We create products that can help to achieve these objectives.

(3) Products that let the individuality of the consumer shine, not the uniqueness of the product

Our products are designed to be useful and spotlight the individuality of the consumer, not the uniqueness of the product. Rather than emphasizing brand or product prestige, or distinctiveness and uniqueness in design, we are committed to providing products that offer intrinsic value to each individual consumer. With that value as part of our products, the individuality of the consumer will shine, not the uniqueness of the product.

(4) Products inspired by culture and tradition

The cultures and traditions that have evolved in each region are filled with life's lessons. We learn from each region's culture and tradition, such as the wisdom that comes from knowing the materials native to a region inside out, and the technologies and innovations that were developed to solve inconveniences experienced over a long history. We then adapt these ideas to modern lifestyles and society to create new products. I think it is wonderful when we are able to introduce products like this to the world and people find them useful.

If these items can achieve the kind of product value that enables us to support the essential aspects of daily life, then each of the stores with 600 *tsubo* of sales floor space will be able to contribute even more to their region.

Status of Store Openings

In Japan, we opened 75 new stores in the FY2023/8. This was basically in line with our plan. We expanded our store network with a focus on stores next to supermarkets in residential areas, bringing the number of stores at the end of the period to 562. To provide products essential to daily life, we need to secure a certain amount of sales floor space. The advantage of these local residential zones is that rent is lower than in urban areas. This helps stores maintain profitability even if sales per area are slightly lower. One challenge going forward is determining how we can

contribute to daily life through our products and services and attract many local residents to our stores, as well as improve sales per area as a result.

Outside Japan, we opened 65 stores, mostly in mainland China, Taiwan and Thailand, and the total number of stores reached 626. In Asia in particular, many countries and regions are still in the economic growth period, and more and more new shopping centers are being built. This business environment makes it comparatively easy to open new stores. On the other hand, in North America and Europe, our stores until now have been very small, and MUJI's philosophy and product selection have not been fully communicated. We need to launch large flagship stores and promote understanding of the MUJI concept.

Even in our 600 *tsubo* stores around the world, there are merchandise-related issues we need to address in order to improve sales per area. Currently, we are enhancing our product development and production system globally. In Asia in particular, we are developing and producing new products while responding to the lifestyles, regulations and other characteristics of each region. We are also establishing frameworks to ensure a two-way flow of goods between those regions and Japan.



MUJI Itoku Oga Shopping Center (Akita Prefecture)



MUJI JIO World Plaza (India)

Put People at the Heart of Our Business and View Profit as an Outcome, Not the Goal

Ryohin Keikaku's corporate purpose, whether it be enhancing product value or revitalizing communities, will be achieved by people. Currently within the Company, we define the order of priority for everything we do in the following way: people, business and profit. We place people at the heart of our business—people who become the most valuable driving force behind business success, which in turn leads to profit as an outcome. First is “people.” I believe our most important task as a company is to enable individual employees to make full use of their abilities with a high level of engagement, produce results in a spontaneous and autonomous way as members of a team, and continue to grow. Once we have assembled a team of independent individuals, our next step will be to move forward as a business toward common goals. Then, if we are able to effectively execute various initiatives in our business, we will surely achieve positive financial results. This is the essence of our thinking. Conversely, we believe that the pursuit of only short-term, superficial financial goals and that randomly executing short-term measures without building a cohesive team and developing talent will not lead to the sustainable provision of value and business growth. It is important to have people, business and profit in place all at the same time, and in that order of priority. This is the management approach we are pursuing.

To enable us to effectively carry out the medium-term business plan, we have been hiring people at a rapid pace. We used to hire about 10 to 20 recent university graduates a year, but have expanded that number to 100 to 200 people a year. These new employees have grown through training and experience in the field, and are starting to fully demonstrate their abilities. At headquarters, around 30 percent of the staff have come on board in the last two years. Welcoming so many new people may seem chaotic and confusing to long-time employees of Ryohin Keikaku, but only by increasing diversity in this way will we be able to continue delivering value to society. I believe this approach to be very important.

Toward a New Industrial Structure

When it comes to fulfilling our corporate purpose, our current global manufacturing retailer business model will not be sufficient. We need to transform ourselves into a platform for localization and circulation of resources—a new business model in which materials and resources are circulated locally. The global manufacturing retailer business model is one in which the same products used around the world are centrally procured and produced at the optimal location from the perspective of supply chain efficiency. Products are then shipped to and sold in various regions worldwide, thereby achieving both high product quality and low prices.

We believe it is important to build a new business structure that seeks localization rather than globalization, and where the mission is the circulation of resources rather than being a manufacturing retailer. Of course, we will continue to contribute to the economic development of emerging regions through production based on the global product developer and retailer format that utilizes a global supply chain, primarily for apparel. In addition to this, we will promote local production for local consumption for food products. We will also establish a local production/local consumption recycling and reuse business using items discarded from households as the main raw material. Instead of relying on primary resources such as oil and plant materials, this business will use secondary resources such as discarded items from households dispersed across different regions. Ultimately, we want all of the products we sell to be collected and reused after they are no longer needed. To make that possible, we are working to build a business model based on circulating resources while co-creating with consumers and other companies. We aim to be a business group that is indispensable to society, with talented human resources and a strong lineup of products. We want our stores to be community centers that are an integral part of the local social infrastructure. This is precisely what we aspire to achieve through our “Second Founding.” Please keep an eye on what comes next for Ryohin Keikaku as we work to create a new business model.



Our Goals and How We Will Achieve Them

Second Founding	2023	2024
Financial KPIs	Results for FY2023/8	FY2024/8 Plan
Operating income	JPY 581.4 billion	JPY 640.0 billion
Operating profit	JPY 33.1 billion	JPY 48.0 billion
Number of stores	1,188	1,331
ROA (Return on Total Assets)	8.5%	10.3%
ROE (Return on Equity)	8.7%	12.6%
Actions up to 2030		
Six Priority Issues	Main Points	Creation of the Foundation for Our “Second Founding”
1. Enhance product value	<p>Strengthen product competitiveness by developing:</p> <ul style="list-style-type: none"> ● Products that take the environment into consideration ● Products that solve social issues ● Products that let the individuality of the consumer shine, not the uniqueness of the product ● Products inspired by culture and tradition 	Complete the finest and most unrivaled product lines essential to daily life and the procurement and production system for these products
2. Increase involvement in production		
3. Enhance marketing activities for products		Establish a community-based business model centered on independently managed stores and open new stores throughout Japan while maintaining profitability
4. Establish a store network and new channels		Develop an organizational culture in which all associates work proactively, leading to the independent growth of each store, region and country
5. Enhance operations		Build the business infrastructure and headquarters functions to support independent store management and localization
6. Make ESG the core of our business		

2026

...

2030

FY2026/8 Target

JPY 850.0 billion

JPY 75.0 billion

1,750

13% or higher

15% or higher

Build a New Industrial Structure

Platform for Localization and Circulation of Resources

In addition to maintaining our global supply chain model, we will also build up a business model centered on a supply chain based on local production for local consumption.

2030 Vision

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

To be
a part of
people's daily
necessities

To take
root in local
society

Practice
independent store
management and
co-owned
management

Provide
comfortable
online services

Be a front
runner of ESG
management

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

Enhancing Our Corporate Value: Feature 1

Overseas Growth Potential



We are making clear progress in our efforts to achieve autonomous growth globally. In mainland China, we will take new steps to respond to the uncertain economic outlook.

Satoshi Shimizu

Executive Vice President & Director

In charge of Household Merchandising Division, Mainland China, Taiwan and Hong Kong Business

Initiatives in Line with the Medium-term Business Plan Are Making Steady Progress

In the medium-term business plan aimed at building a solid foundation for achieving our vision for 2030, we are selectively concentrating resources according to the operating environment of each country and region, with an eye on achieving autonomous growth globally.

In mainland China, medium-term business plan-related initiatives, including our store opening strategy, are generally going well. Key achievements have included our ability to effectively manage inventory levels and success in rapidly developing products in response to changing needs as consumption rebounded following the end of the zero-COVID policy. Take household goods for example, we have progressed beyond simply adapting products to fit local specifications such as size to being able to develop highly original products. We will continue to establish and expand new categories of products in

areas such as fabrics, houseware, pet goods and camping gear. We are also introducing our own IT infrastructure adapted to the mainland China business. This move has already led to significant improvements in various areas. As the next step, we plan to upgrade systems for the future, including those related to customer relationship management (CRM) and supply chain management (SCM).

Another issue we need to address is strengthening our competitiveness. In a market characterized by rapid shifts in consumer trends, such as changes in brand preference and diversification of purchasing channels, we need to work harder to achieve results that set us apart.

Agriculture and food-related businesses are beginning to make inroads in Taiwan and Hong Kong as well as mainland China, with movement toward commercialization already gaining momentum. In Southeast Asia, we are making progress in addressing the shift

Products Developed in Mainland China Business



Cool Touch fabric series



Stainless steel mugs



Pet supplies series



Smartphone and gadget accessories

to larger-scale stores by developing product mixes that take the local climate and lifestyle habits into account, and by expanding our lineup in ways such as introducing products made specifically for the region in certain household goods categories.

Mainland China: An Increasingly Challenging Market Environment and Our Response

I recognize that the economic conditions in mainland China have become increasingly challenging recently due to China's debt and property crisis. There are concerns that this could directly impact consumer spending in mainland China, where real estate investment has become more widespread and larger in scale.

Even under these conditions, we remain committed to realizing our corporate purpose of contributing 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." Therefore, we will continue to maintain the pace of store openings and shift to larger stores, develop products supported by the local market, strengthen our omnichannel strategy to make full use of store resources, and expand the reach of marketing with a focus on strengthening CRM, PR for events and products, and branding. We believe it is important to produce concrete results through reform of our visual merchandising* practices, which are directly related to branding. One example is MUJI Shinjuku Yasukuni Dori, which reopened in the fall of 2023. The first MUJI store specializing in apparel, MUJI Shinjuku Yasukuni Dori has given MUJI a fresh new image that has been well-received by our customers. MUJI was created to be an ethical and universal brand that handles mainly standard products. However, the approach of offering new brand value and new experiences while keeping that basic identity intact will surely be of use in future business development in mainland China. We are also opening stores in mainland China that utilize scrap materials and recyclable items. This approach also has the potential to become another new business model.

* Visual merchandising is the practice of creating sales floors that attract and motivate customers to make a purchase.

Launch of Global Planning and Product Development System

We launched a new development and production system in September 2023 with the goal of expanding sales not just

in mainland China, but also globally. Ryohin Keikaku has always done virtually all of its planning and product development in Japan. That made it difficult to create plans and products that were tailored to regional characteristics in our overseas business. In line with the Ryohin Keikaku Group's strategy of co-creation with communities, we will conduct overseas planning and product development and offer services that are tailored to regional characteristics.

Ryohin Keikaku's overseas operations have traditionally been limited to supplying and managing products that were planned and developed in Japan. Our new approach will enable us to first develop some products in each overseas region, and then sell the best ones in other areas. In the future, we will establish product planning, development, production and logistics bases in East Asia, Southeast Asia and Europe. Representatives from Japan and these other major areas will consult with each other and work together to increase productivity and efficiency. We are also planning to promote global procurement and logistics aimed at stabilizing trading expenses from FY2025/8.

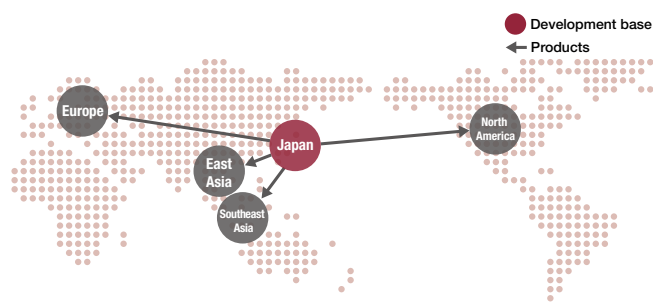
After that, we plan to handle all operations independently in each region from the R&D stage, not just product planning.

Developing Talent Globally Is a Priority

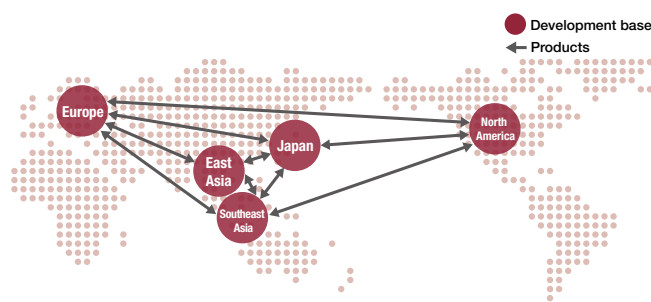
Up until now, we have managed operations in mainland China through the support of and information provided by the headquarters in Japan, but because mainland China covers a vast area, there are logistical challenges involved in getting information to the frontlines of each site in a timely manner. Securing and developing talent locally is an urgent priority in order to further accelerate and localize management. With that in mind, we are focusing on developing or recruiting highly motivated executives, and are already beginning to see results. Currently, we are also recruiting and developing people at the general manager and section manager levels to cultivate employees with strong leadership awareness and a commitment to a high level of service. We want to provide opportunities for them to experience success through on-the-job training.

There is still a wide range of issues that we need to resolve, but I believe that by making improvements, our overseas business can grow further and become an essential part of the daily lives of customers around the world.

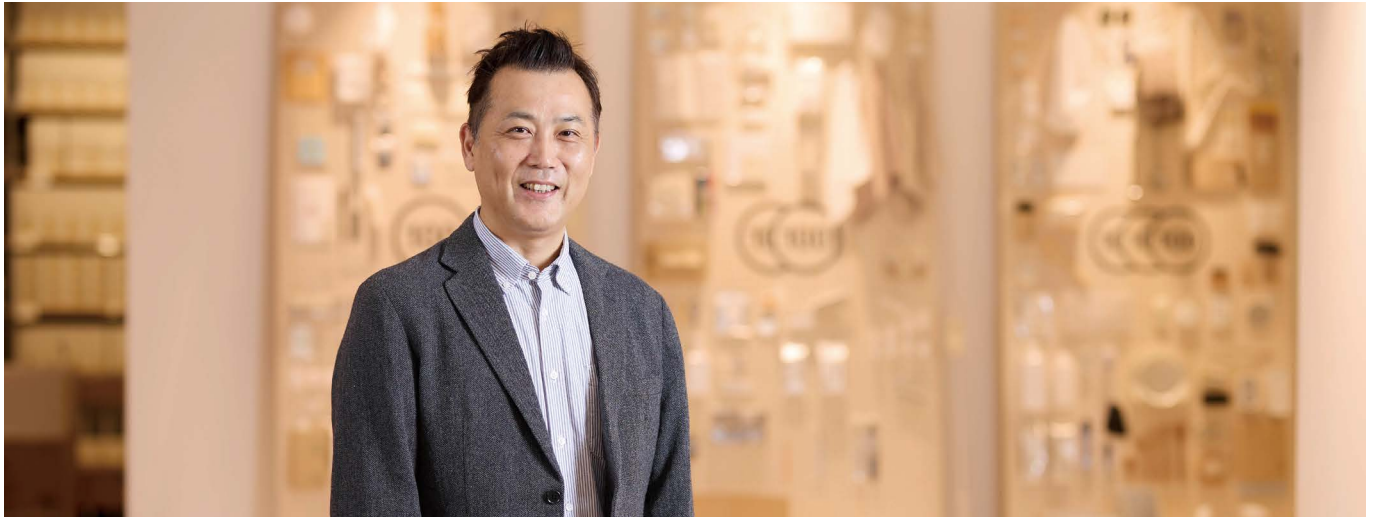
Product Development System (through 2019)



Product Development System (from 2024)



Changes in Our People and Stores



To achieve our two missions, we are implementing store reforms centered on people, starting with increasing the ownership mindset among store staff.

Takuo Nagahara

Executive Officer

In charge of Sales and Marketing Group (Japan)

Making Steady Progress with Store Reforms

We want MUJI stores to evolve into local community centers through the “Second Founding.” We are placing top priority on attracting more customers to our stores and making them feel glad that they came to shop at MUJI. We have been carrying out store reforms to achieve that goal.

We are making good progress toward the achievement of the “Second Founding” through these reforms. It is important for each store staff member to think and act on their own, with the needs of the customer in front of them in mind. In the past, the focus of our stores was on faithfully following instructions from headquarters and hitting numerical targets, but that has gradually changed. Even if they receive instructions from headquarters, staff are now able to give priority to their own ideas and put them into action if they think that course is right for that store, based on their store’s circumstances and the characteristics of local customers. A culture of looking at instructions from headquarters as guidelines and actively incorporating

their own ideas is spreading—in other words, independent store management by staff who have a sense of ownership is becoming a reality, little by little.

This transition is necessary at all stores, of course, but is a crucial point for suburban stores in particular. In contrast to urban areas, MUJI’s brand recognition in suburban areas is not as high. As such, it is essential to design suburban stores in a way that makes it easy for people who are unfamiliar with MUJI to come in and physically examine products. In that sense as well, store staff will play the leading role, and stores will need to offer a product selection and personalized service suited to the customers in the area. We can already see these changes happening in stores, so I am confident that our reforms are heading in the right direction.

Transformation of Staff Mindset Is Producing Results

The above changes in the way store staff work are one indication that Ryohin Keikaku’s order of priority of “people, business and



profit” is understood and taking root on the frontlines. If we put too much emphasis on financial results and neglect to develop people and maintain motivation, the focus of staff will no longer be on the customer. For example, they may not notice that customers feel inconvenienced by products being out of stock, or by long lines at the cash registers. To avoid such a situation, it is very important to think of people first, assign the right staff to stores, and provide high-quality service to customers.

Localization of stores as local community centers will only be possible if the capabilities of store staff are put to full use. We are taking steps to ensure that this mindset, in which store staff have a sense of ownership and do what they think is right based on the characteristics of local customers, takes root on the frontlines. We are using monthly meetings, which bring together store managers throughout Japan, as opportunities to cultivate that mindset through ongoing discussions. In the beginning, there was some confusion about the sweeping changes in the organizational culture and way of working, and this contributed to poor results in the Company-wide engagement survey conducted in December 2022. To address that, executives first reflected on their actions, and conducted a thorough critique of their own leadership. They also engaged in in-depth discussions on how to create better work environments for on-site staff. The results of the discussions were passed on to managers and store managers at the store manager meetings and other gatherings, and those people in turn conveyed the results to on-site staff. This approach led to extensive discussion throughout the Company, and helped identify problems in how headquarters operates and the issues facing stores. We are also constantly working to change the awareness of store managers. They are gradually becoming aware that they must take the initiative in changing the mindsets of their staff.

As we proceed with the “Second Founding,” one positive outcome that I have started to see is that during MUJI Week* in October 2023, the focus was on the goal of delivering the best possible shopping experience to customers, rather than on performance targets. As our stores and online store are visited by many different types of customers, we tried a trial-and-error approach at stores, with the most significant metric being whether the best shopping experience was delivered to each and every customer. The result was a dramatic change in the actions taken by stores to address problems and inconveniences as seen from the viewpoint of customers, such as cash register congestion and product stockouts. A review based on that perspective was conducted after MUJI Week ended. I was very pleased about that.

* A period of exclusive discounts and promotions for MUJI members

Our Immediate Challenge Is Securing the Right People

With store reforms and the transformation of store staff mindsets producing results, a challenge will be securing human resources. Since we have 70 to 80 new stores opening each year, we are hiring new university graduates year-round, and are also aggressively pursuing people in mid-career. We are also focusing on internal recruitment of part-time and temporary employees, and on creating work environments that will make them want to stay with MUJI as permanent, full-time employees. With that in mind, we will work to quickly adapt to changes and promote flexibility in optimizing work environments. For example, we are transferring authority for hourly wage management and recruiting activities to store managers, as well as making personnel system reforms such as improvements in compensation and benefits.

Products and Selection to Support Appealing Stores

Periodic store renovations are important in terms of raising the value of stores. In autumn 2023, we carried out major renovations at MUJI Ginza, MUJI Grand Front Osaka, and MUJI Shinjuku Yasukuni Dori—flagship stores in their respective areas. While these stores carry a full lineup of apparel, household goods and food products, we introduced some new innovations to deepen their specialization, with the themes of “food” at Ginza, “spatial design” at Grand Front Osaka and “apparel” at Shinjuku Yasukuni Dori. We have received a lot of feedback from customers, who say they discovered new items at those stores that they never knew about before. This is a good example of being useful to customers by identifying the characteristics and roles of each store, and developing strategies in line with these aspects.

Incorporating feedback from customers in product improvement is another important role of stores. Comments from customers about products and services are aggregated at the customer support center. Based on that information, relevant divisions meet regularly to analyze the comments and make improvements as part of the Customer Comment Project. We also have an internal app called MUJI no Mori, which is a tool employees can use to share things they notice at their stores, such as customer buying patterns. This makes it possible for all staff members, including part-time and temporary employees, to get information from stores throughout Japan in a timely manner. The information gathered about customer needs and opinions is reflected in new product development and service improvements. Using these systems and tools to look at the issues facing customers and the local area, and helping to solve them is also an important role played by stores and their staff members.



Enhancing Our Corporate Value: Feature 3

An IT Strategy Aimed at Realizing Comfortable Online Services



Tatsuya Kubota

Executive Officer
In charge of IT Services Division

Takahiro Miyazawa

Executive Officer
In charge of EC & Digital Service Division, Open Communications Division and Circular Business Division

Ryohin Keikaku is leveraging information technology (IT) to implement business process reforms and upgrade digital services across the Company to support product development with integrity and the management of stores that also serve as community centers. Our overarching goal is to provide “comfortable online services.”

“Comfortable online services” describes a state in which technology and services are seamlessly and imperceptibly integrated into daily life, like the air we breathe, and do not impact the natural flow of customers or employees. By properly utilizing technology as a tool, we can provide a high level of convenience and functionality to support a stress-free shopping experience, and also draw an emotional response such as warmth and a sense of touch by directly connecting people with each other.

Ryohin Keikaku is overhauling its core systems and working to strengthening its organizational structure. This will involve building up the necessary IT infrastructure and promoting in-house development as much as possible. We are steadily implementing business process reforms across the Company in support of independent store management and autonomous decentralization, as we strive to become a technology-driven company.

Promotional Structure

In carrying out Company-wide business process reforms using IT, we will enhance our IT infrastructure and strengthen our organizational structure. Our goal is to promote collaboration in working to improve online services for customers. In the IT Services Division, we are implementing internal IT infrastructure upgrades such as revamping merchandising systems¹ and point-of-sale (POS) systems,² and developing store networks, starting with overhauling our core systems. We are also working on improving information security and the governance framework.

On the other hand, the EC³ & Digital Service Division is responsible for providing and enhancing services for customers online. Specifically, the division is developing a user interface⁴ (UI) that lets customers directly experience the concept of “comfortable online services.” We will create a user experience⁵ (UX) suited to the post-digital era utilizing the MUJI passport app, and share engaging content through various owned media channels as we pursue digital communication that combines functionality and emotional aspects.

1. Merchandising system: A system for managing general store operations, including merchandise control, numerical control and sales slip management

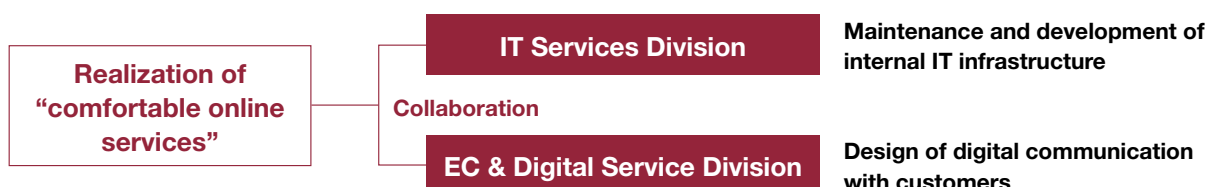
2. POS system: A system for managing sales data and product information at the point of sale

3. Short for e-commerce

4. User interface: This refers to all aspects of the interaction between users and devices (or in this case, those related to products and services), including the visual elements used in layouts, fonts, and the usability of menus and buttons

5. User experience: This refers to the experience that users have with products and services, including elements such as feeling of enjoyment, sense of beauty, or ease of use in comparison with a competitors' offering

For more details on information security ►Page 72 (Risk Management and Compliance)



Implementing Employee Work Reforms

Overhauling Core Systems

Our core systems have undergone various improvements up to now, but in FY2022/8 we reached the stage where we realized the difficulties in realizing the digital utilization that we envision, or being able to continue supporting that vision in the future. The fundamental problem was our reliance on vendors⁶ for systems and related work. We did not fully take into account non-functional requirements⁷ in areas such as scalability and operation/maintenance. This has led to our systems becoming more complex, which has resulted in slower development speed, reduced cost efficiency and difficulty in responding to failures.

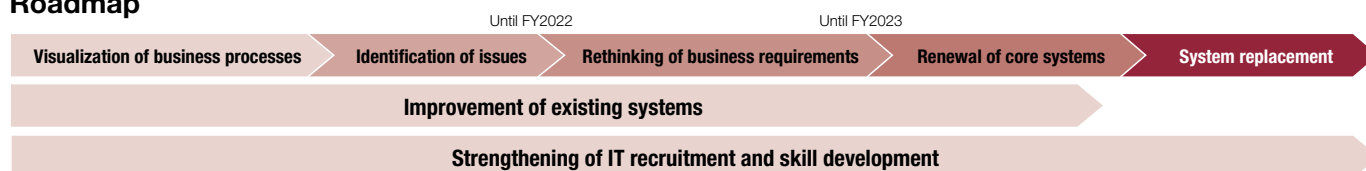
Therefore, we launched a project to overhaul our core systems, and are undertaking fundamental reform of our operating systems. We will upgrade existing systems, as business efficiency will still be important during the period in which we are preparing to get the new core systems up and running. As the overhaul of core systems is positioned as a Company-wide business reform and to be undertaken based on a medium- to long-term perspective, the process will entail a thorough visualization of business processes to identify fundamental issues, followed by the creation of a detailed description of what our business operations should look like. In FY2023/8, we closely observed various business sites, and conducted numerous interviews with employees. From this, we were able to visualize current business processes and begin the process of identifying issues and rethinking business requirements. Specifically, we reached the stage of rethinking business requirements in areas such as merchandise budgeting and product planning, product information and master data management, product ordering and results management, and purchasing management. In FY2024/8, we are shifting to the system construction phase in order to achieve our desired business framework. We will create a business platform for inventory control, order management, store sales planning and order acceptance.

In addition, we are also expanding recruitment of IT talent to promote in-house system development. It is essential to establish an organization where IT engineers can grow as professionals. As such, we will define the required skill set for engineers and conduct performance evaluations. We will also hold in-house technology sharing meetings to support skill development, promote the hiring of technical advisors, and formulate development guidelines.

6. Vendors: Refers to business parts involved in software sales and system development

7. Non-functional requirements: Requirements that are not directly related to system functions such as availability, performance, scalability, operability, maintainability, portability and security

Roadmap



Measures for Promoting Store Operating Efficiency

Ryohin Keikaku employs a one-stop business model as a manufacturing retailer. It involves developing and manufacturing products and services, and delivering them directly to customers. Because of this, boosting the efficiency of store operations accounts for a large part of the Company-wide business reforms, so there is an urgent need to revise some of the backstage operations.

While we are improving our existing systems, we are making IT-driven store operational reforms, and assigning priority to tasks related to acceptance of customer orders,⁸ which plays a large role in store operations, including identifying issues in our current business processes. Our goal is to enable self-ordering by customers and to shift order confirmation and acceptance contacts online. In FY2023/8, we started introducing self-checkout registers and rapidly accelerated efforts to update the register POS system. A total of 977 self-checkout registers with the new POS system specifications were installed in 194 stores. We plan to further expand rollout of the new POS system at manned registers as well. With the new POS system, we can check and utilize POS data in real time, and will be able to make significant progress in simplifying inventory and order management. By also making register operation improvements, we expect self-checkout register operations by customers will become smoother, which will help reduce congestion at the registers. In addition, consolidating customer service operations other than checkout at the service counter enables store staff to focus on communication with customers, and helps to create stores that are also community centers. Going forward, we will work to maintain the POS system infrastructure to support a store opening pace of 70 to 80 stores per year in Japan, and will pursue sales system efficiency and optimization of store IT expenses to contribute to independent store management.

8. Customer orders categorized into holds, back-orders, and reservations of products that are not in the store



Self-checkout register

Providing “Comfortable Online Services” to Customers

Ryohin Keikaku aims to provide an experience that brings customers closer to MUJI, and to each other, and leads to creativity that emerges through online interactions. Making it easier for customers to obtain information about MUJI's products, services and activities helps to create excitement in their daily life and promotes better identification with the MUJI concept. In addition, it leads to an online shopping experience that is convenient and emotionally fulfilling.

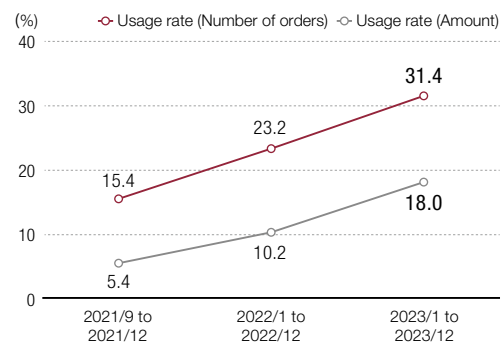
We updated the look of our online store homepage in FY2023/8. In addition, we added a furniture simulation tool and assembly instruction videos, expanded feature pages, and greatly increased notifications and event information from stores. We also posted more snapshots taken by store staff. These are just a few of the ways we have worked to better provide information about our products and services. As a result, the number of visitors to our online store and traffic to product pages has increased, and the conversion rate is growing steadily.

Our in-store pickup service allows customers to pick up merchandise they order online at the nearest MUJI store. This convenient service allows them to save on shipping costs as well as enjoy shopping, and the usage rate is increasing every year. We have expanded the type of products covered by this service from apparel and household goods to larger products such as beds and shelving, and even to food products such as curry and confectioneries—giving customers more options and improving convenience.

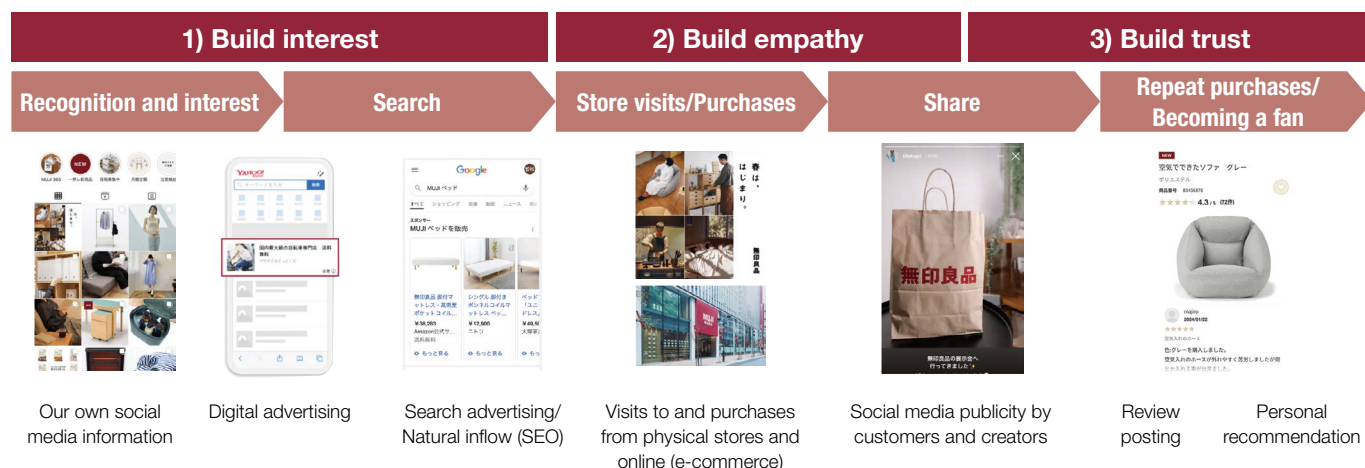
To boost our brand recognition and attract more customers, we are also focusing on posting information on social media. We are working to make MUJI's products and activities feel more familiar. This includes providing information on activities with communities and local governments and profiles of MUJI stores overseas, as well as information about all product categories—apparel, household goods and food. One of our social media initiatives is recognizing creators who actively communicate information about MUJI on Instagram, X (formerly Twitter) and other platforms as ambassadors. As part of that effort, we are strengthening co-creative communication, such as having them try pre-launch products. The socks⁹ that we launched in November 2023 are a unique product that we designed in collaboration with ambassadors. As part of our staff ambassador initiative, we are also boosting support for ambitious employees who post MUJI-related content on social media. As these examples illustrate, the information put out not just by Ryohin Keikaku, but also by customers and employees is an important part of our digital communication that helps promote the concept of “comfortable online services” with a high level of convenience as well as emotional aspects.

9. Product name: Right-angle, loose-top socks that are easy to write a name on and stain resistant (kids), right-angle, loose-top, combinable wool blend socks, etc.

Usage Rate of In-Store Pickup Service of Products Ordered Online



Note: The current version of the in-store pickup service has been in operation since September 2021.



Initiatives Using the MUJI passport App

Ryohin Keikaku's MUJI passport app started out as a simple membership card, but we have since improved its convenience by adding a series of new functions, including access to the online store and content from the owned media platform "From MUJI." We plan to use various kinds of data to make functional improvements that will enable us to deliver the right information to customers at the right time. Specifically, we will support communication and services tailored to each individual customer digitally—for example, by sending information about coordination options to customers who have purchased clothing, or informing customers about events and sales at the store they follow. We will also consider incentives and ways to generate excitement so that even more people can experience the convenience of the app. By doing so, we will increase downloads and enhance its functionality as a tool for use in daily life.

How We Use Customer Feedback

We analyze product reviews from online purchases and look at the comments and inquiries. We use this feedback to help in product development and resale, make specification improvements and enhance information provision. Our goal is to raise the level of customer satisfaction. For product reviews in particular, we have adopted measures including a program initiated in September 2022 that awards 100 miles for each review,¹⁰ and added prompts to the purchase completion screen. The number of reviews has expanded as a result. The results of the analysis are shared with related departments, including the customer support center and merchandising divisions, and by using them to make improvements based on a consumer perspective, we are working to ensure that customers will want to continue using the MUJI online store.

10. MUJI Mile service: A service in which customers earn miles by making purchases from MUJI, checking in at stores, and so on. By accumulating miles, members can receive gifts such as MUJI Shopping Points that they can use for purchases, with one point equal to one yen.

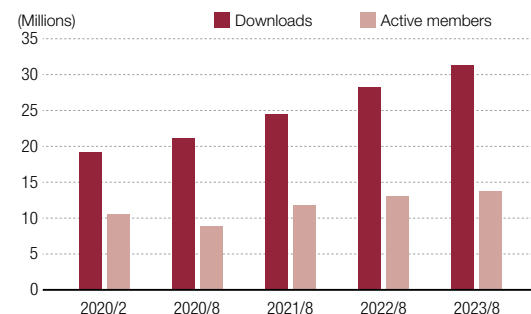
Using Online Resources to Help Build a Circular Society

Ryohin Keikaku aims to build a circular business model from an ESG perspective. To achieve that, it is important to step up online communications that encourage reuse and recycling. We are establishing the infrastructure to realize a circular business model so that customers can more easily participate in the recycling and reuse of items, and are working to create online frameworks with the MUJI passport app as the focal point.

Our monthly furniture subscription-type rental service and the Mottainai Market¹¹ for selling used furniture are services available through our online store, and they are being used by more and more customers every year. There is still potential to expand such services—services that are closely related to societal trends and issues—and we will continue to proactively work to find ways to do so. Through these services and other measures, we seek to give customers a better sense of how reuse and recycling contribute to a virtuous cycle for the environment and society. By doing so, we will evolve toward online communication that helps support the creation of a circular society.

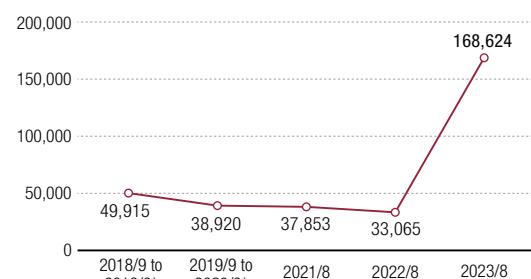
11. Service also available at some stores (see page 48 for details)

Number of MUJI passport App Downloads and Active Members



Notes: Ryohin Keikaku Co., Ltd. only

Number of Product Reviews



* The Company changed its fiscal year end to August 31 as of the fiscal year ended August 31, 2020. The same aggregation period is also used for years prior to that.

Special Feature

MUJI Products Now Available on ZOZOTOWN

After we signed a sales consignment agreement with online fashion retailer ZOZO, Inc., sales of MUJI products on that company's e-commerce site ZOZOTOWN began in September 2023. By offering products on ZOZOTOWN, a popular site with young people, we can create more opportunities to inform those consumers about MUJI's products, services and activities. On ZOZOTOWN, we are offering approximately 500 clothing items, including womenswear, menswear, children's clothing, shoes and bags, plus about 900 household goods including storage items and kitchen utensils, as well as cosmetics. Core products include MUJI Labo goods, loungewear, and backpacks in the apparel category, and cosmetics and skin care products and interior fragrance oils in household goods. Through our online presence, as well as through our stores across Japan, we will leverage the strengths of external shopping outlets to develop new customers and increase awareness of MUJI's products, services and activities among all consumers.



Strengthening Our Earning Power



Guided by our corporate purpose, we are working to achieve business growth from a medium- to long-term perspective and enhance our corporate value together with stakeholders.

Kenta Horiguchi

Executive Officer

In charge of Corporate Planning Office, Finance Division and Business Administration Division

How We View Corporate Value

Ryohin Keikaku's corporate purpose includes the element of contributing to the creation of "a truthful and sustainable life for all through our products, services, stores and business activities." To achieve that, we have defined two missions: "To provide daily necessities and services with genuine quality and ethical value, at appropriate and affordable prices" and "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." Based on our corporate purpose, we practice "public interest and people-centered management" to realize the two missions. In our day-to-day business activities, we put people first, and try to balance our profit growth as a company with contribution to the public interest. The result of this approach is that we have built a strong earnings structure, properly pay taxes, and consistently deliver appropriate shareholder returns without falling into short-term thinking. By creating a positive impact on society with our stakeholders, we want to enhance our long-term corporate value.

Progress of the Medium-term Business Plan and Recent Performance

Results for FY2023/8

In FY2023/8, operating revenue was JPY 581.4 billion and operating profit was JPY 33.1 billion. Although operating profit increased, the operating profit ratio was 5.7%, a 0.9 percentage point drop from the previous year. In the first half of the period, the rapid weakening of the yen and continued high raw material prices significantly eroded the operating profit ratio in our domestic business, and the impact of COVID-19 substantially reduced profit in mainland China. In response to the conditions in the first half, we implemented price adjustments in our domestic business in January and February of 2023, resulting in improved performance in the second half. To limit the impact of exchange rate fluctuations, which were the cause of profit deterioration, we accelerated the timing of exchange contracts and increased the hedge ratio.

Outlook for FY2024/8

In FY2024/8, we expect to reach record highs in operating revenue (JPY 640.0 billion) and operating profit (JPY 48.0 billion), with significant growth in

Progress of the Medium-term Business Plan

	2021/8	2022/8	2023/8	2024/8				2025/8	2026/8
	Results	Results	Results	Plan announced in July 2021	Recently announced plan	If the exchange rate at the time of the July 2021 announcement is applied		Plan	Plan
(Billion JPY)					Achievement rate/Variance		Achievement rate/Variance		
Operating income	453.6	496.1	581.4	700.0	640.0	91%	616.0	88%	850.0
Domestic business	296.9	308.1	342.8	450.0	378.5	84%	378.5	84%	—
Overseas business	156.6	188.0	238.5	250.0	261.5	105%	237.5	96%	—
Operating profit	42.4	32.7	33.1	75.0	48.0	64%	44.6	59%	75.0
Operating profit ratio	9.4%	6.6%	5.7%	10.7%	7.5%	(3.2%)	7.2%	(3.5%)	8.8%
ROA (Return on total assets)	12.3%	9.4%	8.5%	15.0%	10.3%	(4.7%)	—	—	13.6%
ROE (Return on equity)	17.3%	10.8%	8.7%	15.0%	12.6%	(2.4%)	—	—	15.4%

both revenue and profit in the domestic business and increased earnings in all overseas subsegments.

After reviewing the plan for FY2024/8, we announced the adoption of a three-year rolling business plan, starting from the current fiscal year. Regarding future earnings forecasts, we will continue to provide information on the three-year rolling business plan and update it on an annual basis as part of efforts to communicate changes in the business environment to stakeholders. In the current plan, we will accelerate the pace of growth both in Japan and in the overseas business, centered on mainland China and Southeast Asia. We are projecting operating revenue of JPY 850.0 billion, operating profit of JPY 75.0 billion, and an operating profit ratio of 8.8% in FY2026/8.

Progress of the Medium-term Business Plan

In the medium-term business plan that began in FY2022/8 and announced in July 2021, we set the targets of operating revenue of JPY 700.0 billion and operating profit of JPY 75.0 billion for FY204/8, the final year of the plan. However, we have revised the forecast in light of the most recent results. If the exchange rate at the time the medium-term business plan was formulated in 2021 is applied in the plan for the current period, operating revenue would be JPY 616.0 billion and operating profit would be JPY 44.6 billion, representing achievement rates of 88% and 59%, respectively, well below the targets.

The main factor in this underperformance was that sales per store did not reach projections in the domestic business or the mainland China business. In response, we will focus on enhancing the value of our products.

With respect to the medium-term business plan, many issues still remain in terms of performance. We take that seriously, but are making steady progress in areas such as expanding and enhancing our business over the medium to long term based on our corporate purpose. For store openings, we achieved a net increase of 69 stores in Japan in FY2023/8. We intend to open more stores with a focus on 600 *tsubo* stores, and are planning a net increase of 64 stores in FY2024/8, as we continue to expand our store network. We are also aggressively opening new stores outside Japan. We are planning a net increase of 58 stores in East Asia, including mainland China, and 25 stores in Southeast Asia and Oceania—areas where we are looking to accelerate the pace of store openings in the next fiscal year and beyond. In Europe, we plan to close four unprofitable stores, and will work to improve the earnings base.

Maintaining a Strong Financial Structure

We are focusing on maintaining a strong financial structure and maximizing cash flow through our core businesses. We will make investments in store openings with an eye on business expansion in Japan and overseas, and IT investments to raise the level of our operations. Investments will be funded within the scope of cash flow. In addition, we will work to provide stable shareholder returns after securing sufficient liquidity on hand. Our goal is to maintain liquidity on hand equivalent to 2 to 3 months of sales. As for liquidity on hand at August 31, 2023, we held cash and deposits of JPY 115.0 billion, including borrowings of approximately JPY 50.0 billion. Even using our expected operating revenue of JPY 640.0 billion in the FY2024/8 as the standard, liquidity on hand exceeded two months of sales, so we believe it is at an appropriate level.

Total assets as of August 31, 2023 were JPY 453.7 billion, an increase of JPY 54.3 billion from a year earlier. This was mainly because property, plant and equipment increased JPY 23.0 billion to JPY 160.3 billion due to business expansion associated with new store openings, and cash and deposits increased JPY 24.8 billion to JPY 115.0 billion. Inventories stood at JPY 133.2 billion. Despite a significant increase in the number of stores, we were able to limit the increase in inventories to JPY 3.7 billion compared with

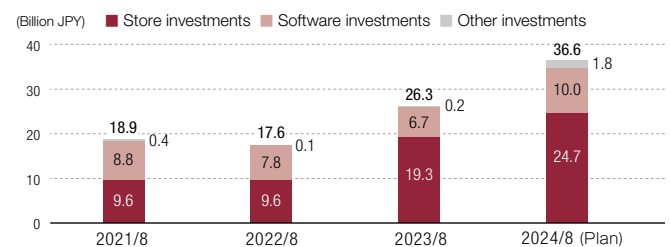
the end of the previous fiscal year. By enhancing our organizational capabilities, we have been able to manage inventory more precisely, and inventory turnover also continues to improve.

Investment Strategy and Allocation of Funds

In FY2023/8, we invested JPY 26.3 billion. This mainly consisted of JPY 19.3 billion in store investments related to store openings in Japan and mainland China, and JPY 6.7 billion in IT investments. For FY2024/8, we are planning to invest a total of JPY 36.6 billion, including store investments of JPY 24.7 billion and IT investments of JPY 10.0 billion, primarily to improve the efficiency of store operations. In the current fiscal year, we will continue to open new stores in Japan and mainland China, while more firmly establishing our presence in Southeast Asia, which has excellent growth potential. We consider this the preparation phase for accelerating store openings in the next fiscal year.

Currently, the Ryohin Keikaku Group is in the business growth phase. As such, we are aggressively making growth investments funded by cash flow generated in our core business. Our investment targets are mainly new store openings and IT investments. We are making IT investments for operational improvements as we pursue business expansion by opening new stores. For shareholder returns, we will make long-term, stable profit distributions, taking balance sheet stability into consideration. With respect to dividends, we decide on the appropriate level of dividends each fiscal year, targeting a consolidated payout ratio of 30%. In FY2024/8, we are projecting annual dividends per share of JPY 40, for a dividend payout ratio of 32%, as we improve profitability with operating revenue generated through new store openings and the recovery of the operating gross profit margin.

Allocation of Investments



(Billion JPY)	2021/8	2022/8	2023/8
Cash flows from operating activities	61.4	23.3	56.5
Cash flows from investing activities	(13.5)	(16.6)	(22.1)
Cash flows from financing activities	(15.1)	(58.6)	(11.2)

Further Strengthening Profitability

Store openings are generally proceeding as planned, and we are also expanding store floor space. I think there is room to grow sales further by taking advantage of the greater floor space. In order to improve asset efficiency and capital efficiency, we use ROA (based on ordinary profit) and ROE as key indicators, and have set targets of 15% for each of them. ROA will be the key indicator for inventory and investments in store opening as we continue to expand our business. For both ROA and ROE, we are not pursuing short-term improvements, but aim to maintain them at levels above the cost of capital (in a sustainable way) over the long term by improving the profitability of our core business.

As I mentioned at the beginning, the Ryohin Keikaku Group practices management that incorporates the views of a wide range of stakeholders, including investors, based on "public interest and people-centered management." We will continue to connect that policy to sustainable improvement of our corporate value through proactive disclosure and enhancement of communication with stakeholders.



ReMUJI

服は布から。

無印良品は2010年から
FUKU-FUKUプロジェクトという形で
お客様が長年愛用していたいた服を回収し
資源としてエネルギーにやえていく取組みをはじめました。
その取組みのなかで回収をした服を精選してみると、
まだまだ着ることができるとあることに気づきました。
日本は古くから染め直し、布を縫い合わせたり、
刺し子をして補強をしたりしながら
最後まで布を大切に扱って来ました。
私達はその先人の知恵を学び、服を大事に暮らすというこを
新たに息吹を加え、服を大事に暮らすというこを
みなさんとともに考えていきたいと思っています。

無印良品のリサイクル・リユース



服が再生されるまで。

予備洗い
回収した服は、まず予備洗いを行います。これは、服の汚れを落とし、再利用するための重要な工程です。

染料の割合
服の染料の割合は、再利用のために重要な要素です。染料の割合が多すぎると、再利用が難しくなります。

染め直し
回収した服は、染料の割合を確認し、必要に応じて染め直しを行います。これは、服の色を元に戻すための重要な工程です。

プレス・検査
染め直した服は、プレス機でプレスを行い、検査を行います。これは、服の品質を確認するための重要な工程です。

Ryohin Keikaku's Business Strategies

Ryohin Keikaku's business strategies are inextricably linked to its ESG strategies.

As a group that contributes globally to creating “a truthful and sustainable life for all,” Ryohin Keikaku develops its products, services and business based on four material issues.

Our Four Material Issues

1. Build a Sustainable and Circular Society That Coexists with Nature

Ryohin Keikaku's Unique Product Development	Pages 39–40
Apparel	Page 41
Household Goods	Page 42
Food	Page 43
Overseas Product Development	Page 44
Supply Chain Management	Pages 45–46
Raw Material Procurement	Page 47
Recovery and Recycling Initiatives	Page 48
Caring for the Environment	Page 49
Climate Change	Page 50

2. Address Local Challenges and Revitalize Regions

Store Strategy	Pages 51–52
Interview with a General Manager	Pages 53–54
Sustainable Community Design	Pages 55–56

3. Practice Business Activities in Which Each and Every Diverse Individual Plays a Leading Role

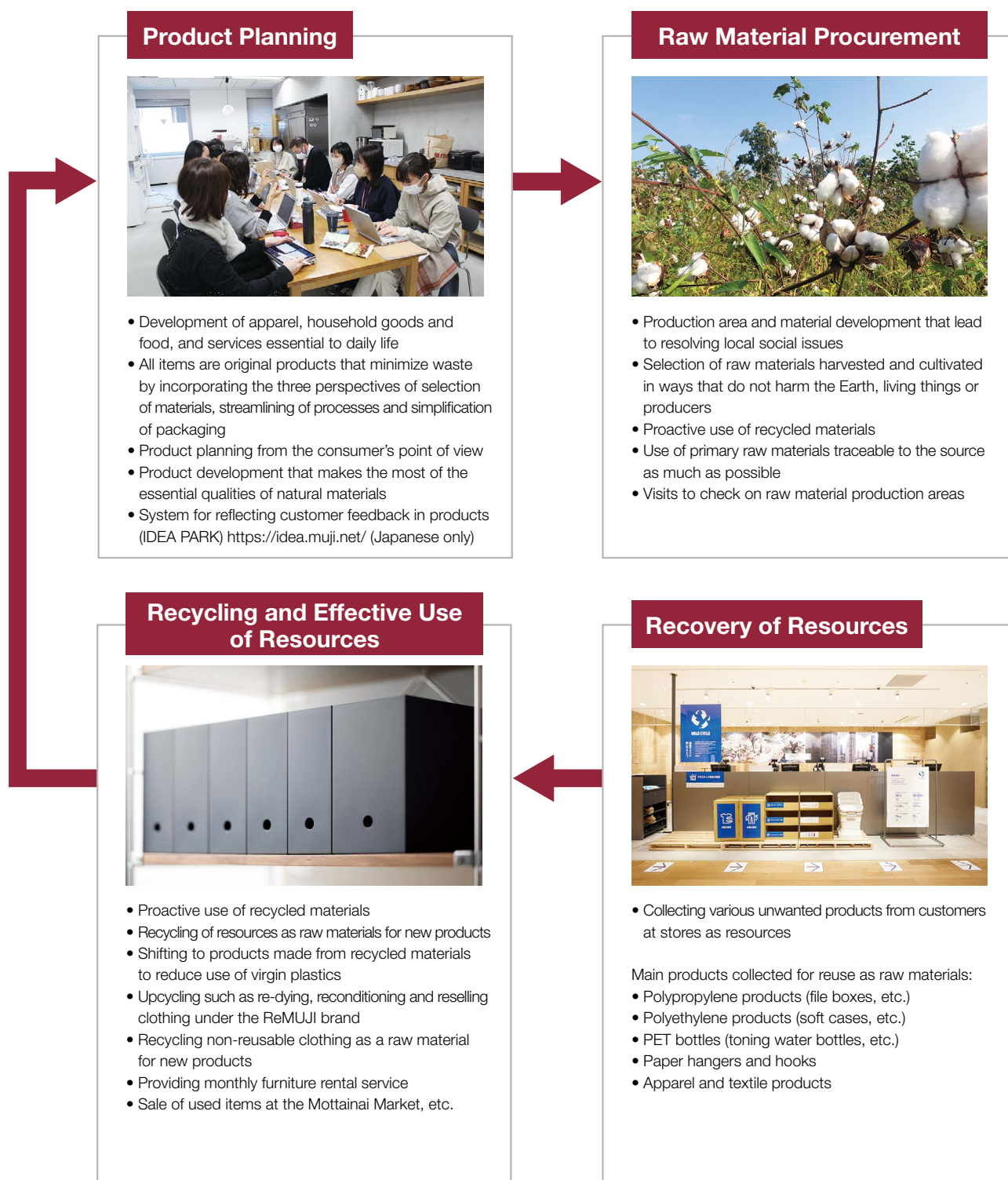
Human Resource Development	Pages 57–58
Initiatives for Diversity & Inclusion	Pages 59–60

4. Realize Governance Aligned with Public Interest and People-Centered Management

Working toward “Public Interest and People-Centered Management”	Pages 61–62
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Material Issue 1. Build a Sustainable and Circular Society That Coexists with Nature

Ryohin Keikaku's Unique Product Development



“The More You Use Our Products, the Better the World Will Become” Will Be the Concept behind Ryohin Keikaku's Product Development Going Forward

MUJI products are beneficial to people, and the more they become integrated in the daily lives of people around the world, the more they will reduce the burden on the environment and solve social issues. These are the types of products and services we want to develop. However, this kind of product development cannot be done by Ryohin Keikaku alone. All of our stakeholders, including suppliers, customers, local communities, governments and employees, who appreciate MUJI's approach and product development philosophy, are free to participate in this process and share their opinions and ideas. This co-creation leads to products with new value. MUJI intends to be a forum for this kind of open innovation. In addition, when our customers return

Production



- Ensuring production quality based on our own "Ryohin Standards"
- Cooperation with production partners who share our philosophy
- Cooperative system with factories to appropriately manage a wide variety of products

Distribution



- More efficient distribution by establishing centers in major production areas with functions that enable consolidated transport of products purchased from multiple countries/factories
- Highly efficient distribution warehouse operations based on the operation of distribution centers in Japan and overseas according to product characteristics
- Expanded warehouses as bases for product recycling and upcycling of items collected
- Contribution to reducing environmental impact and social costs through joint delivery with partner companies

Feedback from Communities, Society and Customers



- Global environmental issues such as resource depletion and climate change
- Response to region-specific issues
- Response to earthquakes and other disasters
- Addressing issues such as Japan's declining birthrate, aging population and uneven population distribution
- Collaboration with national and regional governments
- Lifestyle Organizing School program
<https://www.ryohin-keikaku.jp/eng/sustainability/co-worker/education/>
- Customer Service Center

Sales/Services



- Stores are community centers that have a positive local impact
- Approximately 1,200 stores in Japan and overseas linked with our online store for in-store pickup of orders
- Lineup of basic items essential for daily life including apparel, household goods, and food, as well as comprehensive lifestyle proposals
- Sale by weight, water refill service, etc.
- Renovation and other space design services
- MUJI SUPPORT (consultation counter for lifestyle management)
- 78.53 million downloads of the MUJI passport app
- Sales of local specialty products/Shokoku Ryohin program

used MUJI products to the store rather than throwing them away, they are recycled as raw materials for new products. Items that were previously incinerated as garbage become resources when brought back to MUJI. We want to work with our stakeholders to build communities that enable society as a whole to lower its burden on the global environment, reduce consumption of natural resources, recycle resources and generate innovation. We will conduct planning and development that thoroughly incorporate this approach in MUJI's wide-ranging product lineup of items essential to daily life in the areas of apparel, household goods and food.

Material Issue 1. Build a Sustainable and Circular Society That Coexists with Nature

Apparel

Basic Policy and Strategy

We will return to the fundamentals of manufacturing—selection of materials, streamlining of processes and simplification of packaging—to renew our commitment to developing no-frills, quality products. This will include selecting materials that take the environment and producers into consideration, minimizing waste in all processes, and providing customers with what they need, in the form they want. Our overall goal is to offer a lineup of basic products at fair prices, created based on straightforward designs that offer just the right amount of comfort.

Based on the assumption that our products will be used for a long time, we will further strengthen recycling-related initiatives. We want to give customers the peace of mind of knowing that their clothes may have a second life when it comes time for them to get new ones. As for materials, our policy is to mainly use natural materials, and to switch from fossil-derived fibers to renewable materials.

Issues to Address

- Progress is being made in strengthening our product lineup, but designs are still a mix of basic and trendy
- Insufficient supply of products being delivered to/ordered from stores results in stockouts of mainstay products
- Ensuring effective use of expanded apparel sales space at larger stores and addressing the issue of uneven product assortment at small and mid-sized stores
- Declining number of customers despite an increase in the average amount spent per customer

Key Initiatives

Innovating Product Development System

We are enhancing the value of our products by clarifying the functions and roles of designers and merchandising specialists—people who design the product mix and create product stories—and by shifting to an organizational structure that assigns leaders for each function and role. In addition, we have brought in an experienced professional with a track record of success outside the Company to head our design operations, and will work to increase the overall sense of unity in apparel and the level of quality of individual items.

Clarifying and Fulfilling Roles in Each Category

We will clarify roles based on the intended use of products and price range, and ensure that they fulfill their objective in each category.

For example, in the “core line” category, which includes items such as T-shirts and denim clothing, we will maximize the potential of natural materials while raising the level of quality of about 60 popular mainstay products. We will improve the whole supply chain to ensure stable inventories and appropriate prices. We will also develop products after clearly defining categories according to intended product use and purpose, such as “clean casual,” “work and outdoor” or “sports.”



Expanding a Circular System for Clothing

We will give new value to clothes that are no longer needed by washing, dyeing and repairing them to promote the further expansion of ReMUJI,* which promotes turning used clothes into new ones. By making more customers aware of our initiatives, we can increase the amount of clothes collected. In addition, improving the post-collection sorting process will help to boost the reuse rate. We also conduct product development that utilizes synthetic fiber materials, with a focus on using 100% recycled materials.

* See page 48 for details.

Improving the Apparel Sales Floor Space

By enhancing store fixtures and raising their height, our product selection will better convey the appeal of MUJI apparel and accessories even in smaller stores. We are also developing new apparel sales floors in 600 *tsubo* stores without being limited by past practices, using MUJI Shinjuku Yasukuni Dori, a clothing specialty store, as a model. By making effective use of clothing specialty stores, we will increase recognition of MUJI's apparel among consumers.

Product Showcase

Kapok, a Natural Material That Minimizes Demand on Water Resources

Kapok is a plant fiber made from the seed pods of the kapok tree. A tree that grows naturally in the tropical regions of Southeast Asia, its strong resistance to pests means that it can be cultivated using almost no pesticides, and requires almost no watering or fertilizers. Kapok trees can grow to great heights and continue to absorb carbon dioxide. In addition, it is not necessary to cut down the tree to harvest the seed pods. The fiber collected from the fruit of this tree has long been used as filling for cushions and other items. The fiber has a hollow center, containing a great deal of air, making it very light. In fact, it is one of the world's lightest natural fibers.

MUJI has been using kapok since 2021, and has sold a variety of clothing made from this fiber including shirts, pants, and the padding for outerwear. In the 2023 spring/summer season, we expanded the number of items we offer to 17 in total. We will further expand series that use this material in the future.



Household Goods

Basic Policy and Strategy

In the household goods business, we will review all existing products and redefine what MUJI should be in the coming era. Our aim is to enrich the lives of our customers through our products. We look to our ideology and philosophy in determining whether our products are truly useful and necessary in daily life. For product development, our goal is to capture the top mindshare so that when people need a product for a specific purpose, they think of MUJI first. As such, it is critical that we enhance products essential to daily life, and effectively convey the value of those products and the MUJI concept. Consideration for the environment and society is a fundamental prerequisite of our product design and development. We will update our approach to creating MUJI products based on the establishment of three new conditions: They must be made to last, promote circularity and reduce environmental impact.

Issues to Address

- **Development of products that are MUJI products for a reason, with an eye on the future and lifestyles**
- **Improving ability to communicate product concepts and ease of use**
- **Better communication in reminding consumers that MUJI has the products they need in daily life**
- **Differentiation based on price competitiveness and product value**

Key Initiatives

Refining Mainstay Products

We want to position MUJI household goods as a collection of reliable individual products that offer functionality and ease of use. To that end, we will refine and further improve our mainstay products. In 2023, we carried out a major renewal of our skin care products for the first time since they were launched. Improvements such as incorporating a rice bran extract compound that uses 100% natural ingredients and is gentle on the skin have raised the profile of our products, and enabled us to attract new customers. We even changed the bottle to one made of 100% recycled plastic. In addition, we are making product improvements in response to feedback from customers. Examples include making floor mops lighter, adding larger sizes for frequently used products, and enhancing the basic functions of utensils.

Making Environmental Consideration a Fundamental Prerequisite of Product Design

Recognizing that the manufacturing retailer model has an adverse impact on the natural environment, we will further strengthen product development by making consideration for the environment a fundamental prerequisite.

1. Made to last: Break-resistant designs, repairability, and looks that won't soon go out of style
2. Promote circularity: Selection of materials that can be recycled, use of innovative methods to eliminate waste, and creation of a system that covers collection to recycling
3. Reduce environmental impact: Selection of materials that take the environment into consideration and are easy to transport/handle

We are approaching new product development with the above policies as a main focus. In addition, we are further enhancing the system and implementation framework for our recycling initiatives with the goal of collecting all the plastic products we sell.



Expanding Offerings of Frequently Used Products

As one way to enhance convenience for customers, we will expand and improve products that are essential to daily life and require restocking or replacing in a timely manner. Specifically, we will expand our offerings of daily necessities and consumables, such as cleaning supplies, kitchen utensils, towels and slippers, and make improvements in ways that reflect customer feedback. We will narrow down our range of large products and durable goods to basic items, and will expand our lineup of sofas, storage units and lightweight furniture (products that are a familiar part of daily life), making them convenient, compact, easy to use, and compatible to any lifestyle.

Product Showcase

A Mattress Redesigned to Ensure Long-term Use

MUJI's bed mattress, a long-selling hit product, was given a full redesign in 2023. In addition to promoting a good night's sleep, we thought about how to make the mattress last a long time, and about disposal when the time comes to replace it. The coils and cushioning material inside the mattress were redesigned to be separable, allowing for long-term continued use of the mattress, even while making partial repairs.

Mattress with Legs, which was launched in 1991, was also redesigned so that the stainless steel frame, coil unit, and side fabric can be detached, making partial repairs possible. This helps to minimize waste. Packing the coil unit in a compression roll and changing the steel frame made it easier to assemble and reduced the logistics burden. It is also possible to carry the mattress through narrow entrances and stairways. Going forward, we will continue to improve existing products and develop new products and services from the perspectives of consideration for the environment and the benefits they offer consumers.



Material Issue 1. Build a Sustainable and Circular Society That Coexists with Nature

Food

Basic Policy and Strategy

We will harness the potential of food to develop products and services that solve social issues, achieve the top mindshare, and bring people together and connect them. Our goal is to increase food sales to 30% of total sales in 2030. To achieve that, we will not just increase product types. We will also create product lineups in each category that embody MUJI's unique style and concept. We will also form internal and external teams to optimize the value chain up to the raw material procurement stage, and work with other departments to realize circular design. In many regions, agriculture is the main industry, and the food business will play a major part in our localization efforts in such regions. Food will also play a leading role in connecting MUJI with customers by utilizing local ingredients and creating communication spaces.

Issues to Address

- Delayed development of new mainstay products that can join the ranks of existing products such as curry and baumkuchen
- Adapting sales floors so that they convey elements linked to product appeal, including freshness, temperature and aroma
- Ability to offer products and services in line with social changes and issues, as well as local lifestyles
- Ability to create food products that contribute to local communities

Key Initiatives

Enhancing Mainstay Products

We will make improvements to current mainstay products by incorporating aspects of local food cultures and customer feedback, and develop new mainstay products. We are evolving our retort-pouch curry into a series that fits perfectly into daily life, including by expanding varieties, reviewing the manufacturing process to reduce costs, and developing microwavable products. In response to comments that our baumkuchen was too large and high in calories, we have launched a smaller size to attract new customers. The new pasta series we launched in fall 2023 is being promoted as a new mainstay product that lets people enjoy the authentic flavors of the world's great cuisines at home. We will continue to develop this series by adding items such as fresh pasta noodles and sauces.



Expanding Seasonal and Theme-Based Products

We will make it more enjoyable for customers to come to our stores by expanding seasonal and theme-based products. Health and gifts are the two themes we are focusing on. For health, we are pivoting to the idea of health maintenance. We are developing products that feature seasonal ingredients and are designed to keep the body warm, products that facilitate the preparation of nutritious meals, and confectioneries that use nutritious ingredients. For the theme of gifts, we will create more opportunities for people to connect with each other through food.

Making Sales Floor Improvements and Creating Communication Spaces

Making improvements to store fixtures and shelf layouts will lead to more lively sales floors that will make customers want to select food products. In addition, we will take advantage of our in-store and dining out services to create lively communication spaces where people can gather to experience our products and services. The style of service offered will be tailored to the size and needs of each store, ranging from unstaffed coffee stands to staffed ice cream stands, as well as cafés and diners. We will provide places for communication among the various people who engage with MUJI through food. At each store, the menus and food offerings will be developed to make the most of the connections with farmers and businesses in the area.

Implementing Initiatives That Consider the Environment and Producers

As we become more involved in raw material sourcing, we will strengthen partnerships with farms and companies that show consideration for the environment and producers. Coffee is a good example. We source excellent beans that are small yet flavorful from a plantation in Brazil that is active in tree planting and watershed preservation. Representatives from Ryohin Keikaku went to the plantation and checked not only the product quality, but also factors such as working conditions. We will maintain our commitment to checking the actual product on-site and considering producers in our product development.

Highlight

Expanding Local Production for Local Consumption to Support Community Revitalization: Café&Meal MUJI Minnaminosato (Kamogawa, Chiba Prefecture)

Based on the concept "Satoyama vegetables are sweet," Café&Meal MUJI Minnaminosato reopened in spring 2023 as a café that can be used as a place for both working and relaxing. It features a revamped menu that makes liberal use of local ingredients and brings out their full flavor. The café has also started the "Kamogawa Citizens Discount" program, which makes the entire menu available to local residents at special prices so that they can enjoy the pleasures of locally grown produce. At the adjacent farmers' market, freshly harvested fruits and vegetables grown by more than 200 producers are lined up, with around 60 different items typically for sale on any given day. We will continue working toward community revitalization through the Café&Meal business under the mantra of "local production for local consumption."



Overseas Product Development

Ryohin Keikaku has a global production system in place, and carries out product development tailored to the needs of each country and region. We are bolstering product development in mainland China and Southeast Asia, and while there may be differences in lifestyles, regulations and demand, we will provide products and services that address social issues in those regions.

Mainland China

Fleece Series Made of 100% Recycled Material

At Ryohin Keikaku, we are committed to product development that emphasizes recycling throughout the Group. In mainland China, we developed and launched the *Recycled Fleece Series*, in which all materials—fabric, buttons and fasteners—use 100% recycled raw materials that are global recycled standard (GRS)* certified.

The materials, including the fabric and sewing thread, are made by converting collected discarded plastic bottles into pellets, and spinning them into fiber. Even the fasteners and small parts are made from recycled materials, and when the product is sold, it is given to the consumer in simple, plastic-free packaging to make maximum use of finite resources. We will continue to look for ways to recycle and circulate the Earth's resources and to reduce waste.

* An international, voluntary standard established with the goal of increasing use of recycled materials.

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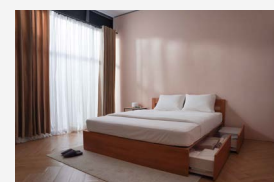
Southeast Asia

Effectively Utilizing Resources to Develop Rubberwood Products

The sap and natural rubber of the rubber tree are used as raw materials. This tree is commonly found in tropical regions. The wood of the rubber tree (rubberwood) was not typically considered suitable for use as a wood for furniture, such as tables, beds and bookshelves, due to its thin structure. Therefore, after sap could no longer be collected from the tree, the wood was mainly used for fuel and other simple applications, and was not given another significant purpose. In recent years, the technology for drying wood has improved, making it easier to process rubberwood into laminate. As a result, the value of rubberwood as lumber has increased.

In Vietnam, a timber legality verification system was introduced in 2016, which made it illegal to harvest natural trees without authorization. Because of that, planting and the use of rubberwood, acacia and other trees is being encouraged. The range of rubberwood products, which benefit society in terms of effective use of resources and environmental preservation, is now being expanded to include small wooden accessories as well as furniture.

In Southeast Asia, since FY2023/8 Ryohin Keikaku has been stepping up development of wooden furniture products that use rubberwood, including beds, chests and racks. The wood we use is taken from trees around 30 years old that have stopped producing latex at natural rubber plantations in Vietnam. This is one way we help to make effective use of resources.



Southeast Asia

A Product That Emerged from Local Life: Baskets Made from Packing Bands

After the Vietnam War, when Vietnam was still quite poor, people in the south of the country who were looking for ways to supplement their income would collect the polypropylene bands used in the packaging of goods sent from overseas. The bands were typically discarded in large quantities. They would then weave these bands into wicker basket bags and sell them. Even today, such bags are widely used in daily life for shopping, carrying farm tools, and other purposes because they are durable and water-resistant, and can be washed off if they get dirty.

Learning from techniques used in Vietnam, the *Polypropylene Packing Band Hand-Woven Basket* sold by MUJI is hand-woven using the packing bands used for bundling packages. We further took the environment into consideration by adopting polypropylene handles made from partially recycled raw materials, and by making individual parts (including the handles from a single material) easy to recycle after the bag is no longer needed. Now sold in Southeast Asia and in Japan, the bags have received a positive response from customers in Japan, who appreciate them for their stylish appearance, their versatility due to light weight, and the fact that they do become misshapen. We will continue to develop products and services that have been inspired by the lives of people and wisdom gleaned from various countries around the world.



Material Issue 1. Build a Sustainable and Circular Society That Coexists with Nature

Supply Chain Management

Ryohin Keikaku outsources manufacturing and production for all of the products it handles to production partners. The cooperation of business partners is also vital in the transportation and management of products. Therefore, we ensure ethical and transparent supply chain management, consistent with Ryohin Keikaku's core value of "contributing to society and people." Going forward, we will strengthen cooperation with partners and further develop and evolve our global production system into one that contributes to maximizing sales and profit as a Group. In addition, we will attempt new approaches to manufacturing, and further increase our product development and production capabilities as a manufacturing retailer committed to creating a circular society.

Strengthening the Production System

Progress of the Medium-term Business Plan

Ryohin Keikaku has been taking steps to strengthen its production system as it seeks "to complete the finest and most unrivaled product lines essential to daily life and the procurement and production system for these products." As one of the first steps, we have systematized business processes and restructured our product development system, and are now undertaking work in-house that was previously outsourced to trading companies. In addition, we have expanded the production bases that support our production network globally, and are currently adding human resources to optimize their operating efficiency. We are also strengthening our global product development and collaboration framework, and recently held our first joint product development conference across different regions. From an ESG perspective, we developed a new program to enable plastic recycling, and reinforced the risk management system in areas including traceability, human rights and environmental due diligence, and overseas product compliance.

Issues to Address

- Expansion and upgrading of production bases, and improvement of conditions in terms of human resources and operational efficiency to support that effort
- Improvement of product development schedules and product development from a global perspective
- Minimizing costs in the overall supply chain
- Structural improvements in the areas of raw material purchasing and risk management

Future Direction and Key Initiatives

We will evolve toward a global product development system in 2030 to maximize sales and profit. In addition, we want to be "a front runner of ESG management," and will grow sustainably and establish a production system that takes society and the environment into account. Key initiatives to accomplish these goals are as follows.

1) Further minimization of costs

We will reorganize in-house production operations and work to centralize management, as well as promote further in-house adoption of various functions. By visualizing production capacity and promoting production leveling as well as carefully managing development and schedules, we can eliminate waste and reduce costs. We will become more involved in the processes of raw material procurement and purchasing, and review our cost structure and various standards.

2) Achieve sustainable growth

We plan to create a product development system tailored to the needs of each region, and establish a global production system unique to Ryohin Keikaku through expansion of production bases and the strengthening of partnerships with suppliers. To improve the efficiency of business operations, we will speed up digitalization and strengthen compliance with overseas regulations and systems.

3) Become a front runner of ESG management

We have launched a project to lessen our impact on the environment. Efforts include working to reduce greenhouse gas emissions in the supply chain, promoting the appropriate use of water resources, managing waste and chemical substances, and further expanding the use of materials that take the environment into consideration. In addition, we will increase supply chain transparency, establish a global audit system that includes raw material procurement, and enhance information disclosure. Furthermore, to realize a circular society, we will develop products with the entire product life cycle in mind, including post-use. We will also expand initiatives related to repair, reuse and recycling.

Respecting Human Rights

Ryohin Keikaku understands that the entire supply chain for its business activities can have a direct or indirect negative impact on human rights, and recognizes the importance of its responsibility to respect human rights. Based on this awareness, Ryohin Keikaku supports and complies with the United Nations Guiding Principles on Business and Human Rights and other international standards for respecting human rights, and strives to fulfill its responsibility in that regard. We participate in external initiatives related to human rights risks. In 2016, we joined the Better Work Programme, a partnership program under the auspices of the International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group.

Procurement Based on Code of Conduct for Production Partners

Based on its Code of Conduct for Production Partners, Ryohin Keikaku shares with its partners (including production partner factories) its policies on the work environment, respecting human rights, and consideration for the environment in the supply chain as a whole, and asks for compliance. We are also taking steps to ensure that human rights are respected. This code of conduct is distributed (available in Japanese, English and Chinese) to all the production partners who handle our production worldwide. We request all partners to whom we outsource production to sign a pledge to comply with the code of conduct, and contract only with those who do so.

Ryohin Keikaku Code of Conduct for Production Partners ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/code-of-conduct/>

Human Rights Policy

Ryohin Keikaku recognizes that in order to achieve its corporate purpose—a truthful and sustainable life for all—it is crucial that the human rights of all people are protected and respected. We have been implementing human rights initiatives based on our Group Compliance Code of Conduct and our Code of Conduct for Production Partners. In December 2022, we formulated the Ryohin Keikaku Human Rights Policy with the commitment of senior management and the approval of the Board of Directors.

Ryohin Keikaku Human Rights Policy ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/humanrights/>

Internal Framework for Respecting Human Rights

Responsible Division/Committee	Main Themes
Compliance and Risk Management Committee	Human rights in general (audits of Group Compliance Code of Conduct, Code of Conduct for Production Partners, etc.)
Occupational Safety & Health Committee	Occupational safety and health
Human Resources Division and Risk Management Division	Elimination of employee discrimination and harassment; ensuring fair wages and reasonable working hours; providing contact point for reporting, whistleblowing or consultation by employees; etc.
IT Services Division and Risk Management Division	Privacy (including personal information)
Production Division, Risk Management Division and Corporate Planning Division	Human rights in the supply chain

Assessment of Respect for Human Rights

Ryohin Keikaku is conducting a full-scale review of the human rights due diligence process in the supply chain. With the help of an external organization, we are taking a fresh approach to how we assess human rights risks in our supply chain, formulating and implementing an action plan to prevent or mitigate risks, monitoring risk-related items, and conducting in-house training on human rights. We also plan to further strengthen human rights-related disclosure.

In addition, as part of efforts to promote our human rights policy, we will collaborate with external organizations to improve working environments, reinforce the internal auditing system, and encourage and support business partners in their own audits.

▶ See page 72 for details.

Monitoring of Production Partner Factories

Main Assessment Items

Ryohin Keikaku utilizes a third-party organization to conduct regular on-site audits of its production partner factories based on the Code of Conduct for Production Partners. The audits cover 13 categories for evaluation, including human rights infringement, working environments and environmental conservation. A detailed checklist has been established for each category, covering 199 items in total. We also share the results of the audits with production partner factories and work together with them to make improvements in the case of any non-compliant items.

Category
Child labor
Forced labor
Employment contracts
Health and safety
Freedom of association
Discrimination
Disciplinary actions
Working hours
Wages and compensation
Environment
Monitoring of compliance
Ethics
Procurement management

Checklist Items

Is there an effective procedure for confirming the age of employees when they are hired to work in the factory?
Are any employees subjected to illegal withholding of wages, or required to pay training expenses, employment agency fees, tool expenses, uniform costs, or other non-monetary payments with similar monetary value?
Are employees able to take time off when they are ill or pregnant if they submit a doctor's certificate or note?
Is there any evidence of forced, penal, bonded, indentured or trafficked labor?

Assessment Results in FY2023/8

In FY2023/8, we conducted on-site audits of a total of 116 factories, comprising 73 Tier 1 factories and 43 Tier 2 factories. The results were as follows.

A assessment at 4 factories; B assessment at 66 factories; C assessment at 21 factories; D assessment at 13 factories; and E assessment at 12 factories.

Factories with no non-compliant items receive an A assessment. For factories with D and E assessments, we plan to conduct a follow-up audit in FY2024/8.

Non-compliant items of E assessment factories included locked emergency exits, unsatisfactory safety measures due to fire extinguishers and evacuation routes being blocked by objects, and inadequate management of working hours. We have agreed on improvement plans for all of these factories and are confirming the completion of improvements.

Results of Monitoring of Production Partner Factories ▶ https://www.ryohin-keikaku.jp/sustainability/supply-chain/monitoring/pdf/20240228_monitoring_material_fy2023_eng.pdf

Disclosure of List of Production Partners

We believe that increasing transparency in the entire supply chain is our responsibility to stakeholders. To realize appropriate working environments, we are increasing transparency and disclosing our list of production partners.

List of Production Partners ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/partners/>

Material Issue 1. Build a Sustainable and Circular Society That Coexists with Nature

Raw Material Procurement

Selection of Materials

To enhance the value of its products, one of its core themes, Ryohin Keikaku will use inspiration gained from the wisdom of people all over the world to develop materials. We will focus on the impact on the environment, harmony with nature and the creation of industry in the production areas. We will also continue to pursue the possibilities of new materials by going to the actual locations and learning from people's daily lives and the production areas. We select materials that are produced in an ethical way and with consideration of their impact on the natural environment, animal welfare and society. By procuring more of these types of materials, we can contribute to the creation of a circular, ecological and sustainable society.

Raw material procurement ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/activities/material/>

Six Core Themes and Examples of Materials We Use

We are working on the following six core themes as measures to develop products that apply inspiration gained from the wisdom of people all over the world and pursue the possibilities of materials.

1) Product development that applies inspiration gained from the wisdom of people all over the world

Vietnamese Bamboo

Bamboo grows very quickly and is available at a low price. It is also durable and resistant to moisture. Because of these attributes, it is an indispensable material that is widely used in Vietnam, including in houses, bridges, hats and other accessories, agricultural water wheels, and more. Since a large volume can be produced in a short period of time, the use of bamboo contributes to the conservation of forests. MUJI took notice of the sustainability, durability and beauty of bamboo, as well as handicraft traditions, and is developing various products made from the material, including storage items and lightweight furniture. Taking lessons from life in Vietnam, we will connect the potential of bamboo to new product development.



2) Industrialization of production areas

Mongolian Cashmere

In Mongolia, desertification is a serious problem. When buying raw wool, we pay a premium to fund environmental countermeasures, and make medium- to long-term purchases of cashmere wool at fixed prices. We believe this will reduce excessive fluctuations in cashmere wool prices and support producers in earning a stable income. Our expenditures for environmental countermeasures include covering the cost of surveys to determine the status and causes of desertification in the areas where we purchase raw wool. There are plans to use funds for planting trees and repairing wells in the future.



3) Materials and industries developed to address issues in production areas

Cotton Thread Recycled from Textile Waste

Making comfortable clothes that fit the contours of the body from a square sheet of fabric inevitably results in textile scraps that cannot be used up even if creativity is pushed to the limit. The rate of scraps generated is roughly 15%, the equivalent to one article of clothing for every seven made. Instead of disposing of these textile scraps, MUJI is repurposing them as material for new products. In addition to cutting costs, this also reduces waste, which is a major issue in the apparel supply chain. In FY2023/8, the textile waste generated in manufacturing of MUJI products was reduced by 66 tons.



4) Utilization of unused resources

Indonesian Kapok

Kapok trees require almost no pesticides, fertilizers or watering, and it is not necessary to cut down the tree to harvest the seed pods. As a result, they can continue to absorb large amounts of CO₂ as they grow to great heights and live to be more than 70 years old. Because the fibers of the tree's seed pods were considered too short to be used for thread, they have mainly been used as filling for pillows, stuffed toys and similar items, as well as the padding in life jackets. In recent years, however, new technology has made it possible to spin yarn from kapok fiber, and it is attracting interest as a lightweight and comfortable natural fiber that has low environmental impact. On the island of Java in Indonesia, our supply source for kapok, trees are being planted about 5 meters apart, and grown in close to natural conditions. In FY2023/8, the volume of kapok fiber handled by Ryohin Keikaku reached 168 tons.



5) Use of functional materials

Lyocell

Lyocell is a fiber made from cellulose extracted from the pulp of the eucalyptus tree. Ryohin Keikaku procures lyocell produced through an eco-conscious process that includes using sustainably sourced wood as the raw material, and recovering and reusing more than 99% of the water and solvents used in the manufacturing process. Its excellent moisture absorbability makes the fabric highly breathable, and it feels naturally cool and silky smooth on the skin, even on sweltering summer days. Because of these qualities, it is commonly used in bedding, innerwear and pajamas to keep users comfortable in the heat of summer.



6) Use of materials that transcend product categories

Warm Cotton

By using a special technique during the raw cotton stage of the process to increase the number of molecules that bind with sweat and moisture, we created the *Warm Cotton* series of innerwear. This series takes the natural moisture absorbency and heat generating qualities of cotton to an even higher level. As the molecular structure has been altered, absorbency and heat generation are not diminished even after repeated washing, and these qualities are a semi-permanent aspect of the product. We are expanding the product categories that use this material to include bedding such as box sheets and comforter covers, as well as socks. We will develop this series as a way to stay warmer and more comfortable during the cold season.



Recovery and Recycling Initiatives

MUJI CYCLE

Ryohin Keikaku is seeking to build a sustainable and circular society that coexists with nature. To move closer to achieving a society in which it is easier to circulate precious natural resources, MUJI collects some of its products that are no longer needed from customers at its stores, and then reuses or recycles them as reused products or recycled raw materials. In product development going forward, we will not only work to reduce our use of resources, but will incorporate circular design principles based on resource recycling into our products.

For more details ▶ <https://www.muji.com/hk-en/campaign/cycle/>

Product Collection



Reuse Initiatives

ReMUJI

ReMUJI was launched in 2015 as an initiative to promote reuse of apparel products. Main products include re-dyed clothes, in which items that are no longer needed are re-dyed in indigo or black;



Tsunagaru fuku, which are items that have been remade by connecting different clothing items together; and *Arainaoshita fuku*, which are carefully washed second-hand clothes. In FY2023/8, we increased the reuse rate by changing the collection and sorting methods, and more clothes were collected thanks to the cooperation of more customers. This led to more stores selling ReMUJI products.

Through the ReMUJI program, which gives collected clothes a second life by slightly modifying them, we reduce waste and circulate resources while encouraging customers to care about their clothes and wear them for a long time.

For more details ▶ <https://www.muji.com/jp/re-muji/> (Japanese only)
<https://www.ryohin-keikaku.jp/eng/sustainability/environment/waste/>

Mottainai Market

Some things are too good to let go to waste. That's the idea behind Mottainai Market, where shoppers can find used items that are still very usable, like-new and used furniture, and other products at bargain prices. Used items are mainly furniture that was used as part of MUJI's monthly rental service, and then resold after making repairs such as replacement of worn-out parts. Like-new items are products that were scratched during transport, or that were returned unused because of customer preferences.



In addition, we also sell non-standard household goods and apparel that did not clear the guidelines for regular products. Mottainai Market is available in MUJI's physical stores as well as through the online store. It promotes reuse while also offering furniture and other goods that can be put to use in daily life.

For more details ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/environment/waste/>

Recycling Initiatives

In July 2020, Ryohin Keikaku started collecting used toning water and moisturizing milk bottles, *My Bottle for Water* reusable bottles and other bottles for recycling. Besides helping to reduce plastic waste, this initiative has led to reducing the need for new petroleum-based raw materials through the recycling of collected bottles into polyester raw materials.

In February 2023, we also greatly expanded the range of MUJI plastic products that we accept for collection, further strengthening our efforts to promote recycling. Stores all over Japan¹ began collection of plastic storage items, dust boxes, stools and other items that are no longer needed. A total of 251 items² are now eligible for collection (as of August 31, 2023). Of the plastic products collected, those that meet standards are resold as used items, and those that do not meet standards are crushed, washed and then returned for use as recycled raw materials. Currently, we are developing a program to recycle more of these raw materials into MUJI plastic products.

Eligible Items

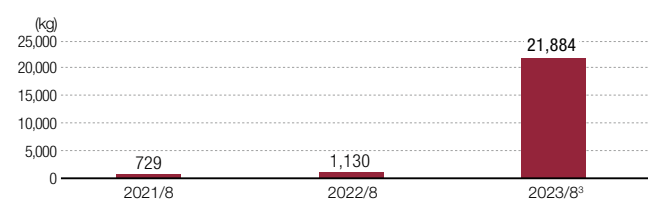
- Storage items and other household goods made of polypropylene or polyethylene
- PET bottles, including toning water, moisturizing milk, and booster essence lotion bottles
- *My Bottle for Water* reusable bottles

Product Development Using Recycled Raw Materials

MUJI is actively developing products that use recycled raw materials. We also use some virgin raw materials to maintain safety and ensure quality.



Volume of Plastic Products Collected



1. Number of stores collecting items: 492 (As of August 31, 2023)

2. Limited to items sold in MUJI stores or the online store as of August 31, 2023

3. The number grew substantially in FY2023/8 because we expanded the range of plastic products eligible for collection in February 2023.

Material Issue 1. Build a Sustainable and Circular Society That Coexists with Nature

Caring for the Environment

Calculation and Reduction of Greenhouse Gas Emissions

Ryohin Keikaku is aiming for a 50% reduction in the Group's Scope 1 and 2 emissions by FY2030/8 (compared with FY2021/8). To achieve this goal, we will analyze carbon tax liabilities in 2030 and the impact from future store expansions. Based on this analysis, we will formulate and implement a greenhouse gas (GHG) emissions reduction plan. In FY2023/8, we calculated Scope 1, 2 and 3 emissions for the whole Group in accordance with the GHG Protocol, a GHG emissions calculation guideline commonly used worldwide. Of the GHG emissions in FY2021/8, the base year, we obtained third-party verification for Scope 1 and 2 emissions and for Scope 3 category 1 emissions. We are also working to obtain third-party verification of emissions for FY2023/8.

Steps we have taken to reduce emissions include installing rooftop solar panels at seven stores in Japan, using renewable diesel fuel in the MUJI SUPPORT home delivery service, utilizing ferries for domestic long-distance transport, optimizing the number of deliveries to stores, increasing load efficiency by improving packaging, and expanding cooperation with shipping companies working on decarbonization. Starting in FY2023/8, we joined the CDP Supply Chain Program, and are cooperating with production partners to calculate and reduce GHG emissions in the supply chain.

Looking ahead, we will further refine calculation methods for the GHG emissions of the Group, and work to reduce those emissions.

For more details ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/environment/climate-change/>



MUJI Hakusan Kitayasuda

Sustainable Water Resource Management

Initiatives

Ryohin Keikaku has established a basic policy regarding water resources, and conducted a survey of the water risks in relation to its own operating bases and major suppliers. For the survey, we used Aqueduct, a tool provided by the World Resources Institute (WRI) to determine water risks based on latitude and longitude. In FY2023/8, we also responded to the CDP* water security questionnaire for the first time, and confirmed the issues we need to address.

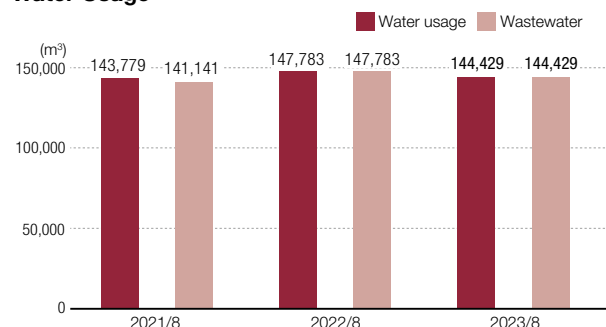
In the future, we will continue to enhance our understanding of the actual conditions with a focus on production partner factories in high water-risk areas and work to make improvements.

For more details ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/environment/water/>

* CDP is an NGO based in the United Kingdom that runs a global disclosure system.

For more details ▶ <https://www.cdp.net/en/>

Water Usage



Scope of aggregation: MUJI stores, Café&Meal MUJI, IDÉE, headquarters, distribution centers, and campsites in Japan

Note: Some estimates are included

Biodiversity

Initiatives

Under its basic approach to biodiversity, Ryohin Keikaku has set the goal of using sustainably sourced materials for all products that use palm oil, wood/paper and cotton sold domestically by 2050. In FY2023/8, we conducted a survey of our usage of palm oil, wood/paper and cotton as major materials. For palm oil, we became a member of the Japan Sustainable Palm Oil Network (JaSPON) in December 2023, and are now gathering information and taking steps toward sourcing certified palm oil in the future. We are also working toward our goal of using 100% sustainable wood and paper by 2030, and are promoting the use of certified timber (FSC, PEFC and SGEC), and other non-certified materials such as recycled wood.

For more details ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/environment/biodiversity/>

Chemical Management

Initiatives

Ryohin Keikaku is committed to environmentally and socially sustainable product development, and in June 2023 became a member of the Apparel and Footwear International RSL Management Group (AFIRM), an organization that works to reduce the use and impact of harmful substances in the global apparel and footwear supply chain. Accordingly, we require internal departments and all production partners to comply with the MUJI Product Restricted Substances List, which adds our own standards for textile products to the AFIRM Restricted Substance List (RSL). We will ensure compliance in actual operations by conducting random tests of products based on the standards.

In the future, we will also take steps to create and disclose a list of product-related restricted substances for household goods. Through our involvement with AFIRM, we will monitor industry trends and the actions of other companies, and make timely updates to the RSL based on this information.

For more details ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/environment/chemical/>

Climate Change

Ryohin Keikaku recognizes the importance of the Task Force on Climate-related Financial Disclosures (TCFD). We will continue to identify the impact of climate-related risks and opportunities on our business, formulate and implement strategies and enhance information disclosure in line with the TCFD framework.

For more details ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/environment/climate-change/>

Disclosure Based on TCFD Recommendations

Categories	Key Points of Initiatives
Governance	<ul style="list-style-type: none"> The Board of Directors receives reports twice a year from the secretariat of the ESG Management Committee, which meets monthly. The Board also monitors the status of the committee's activities, holds discussions and provides guidance. In FY2022/8, we introduced a restricted stock compensation system for directors (excluding outside directors).
Strategy	<ul style="list-style-type: none"> We work to identify factors that could impact our business, and then implement action plans after qualitatively and quantitatively evaluating the size of the impact based on criteria such as importance to business strategy. We also look at financial impact in terms of revenue and costs, and the relevant time frame.
Risk Management	<ul style="list-style-type: none"> The Compliance and Risk Management Committee, which oversees Group-wide risks as part of the risk assessment process, assesses probable exposure to risks at least once a year based on their significance and likelihood of occurrence.
Metrics and Objectives	<ul style="list-style-type: none"> In the medium-term business plan, our goal is to design all products based on an ESG perspective. As a key initiative, we are working to launch businesses and products that create a positive social impact, with reuse and recycling as the central theme.

Scenario Analysis

Ryohin Keikaku conducted a scenario analysis of the risks and opportunities presented by climate change, based on the premise that reducing risks and expanding opportunities is essential for sustainably increasing both corporate and social value.

	Risks and Opportunities in 2030 under the 1.5°C Scenario	Policies and Actions for Transition Risks and Opportunities
Carbon Taxes	<ul style="list-style-type: none"> We expect carbon tax liabilities to have a large financial impact. We estimate that our GHG emissions (Scope 1 and 2 total) will increase by about 2.7 times through 2030 as our business grows if we do not implement initiatives to reduce them. 	<ul style="list-style-type: none"> Visualize Group-wide emissions and formulate a reduction roadmap to reduce GHG emissions. In Japan, reduce emissions through measures such as introducing renewable energy at stores and distribution bases and installing solar power generation systems for facility use. Visualize GHG emissions throughout the supply chain with a view to reducing Scope 3 GHG emissions.
Fossil Resource Price Fluctuations	<ul style="list-style-type: none"> We expect a large financial impact from rising energy costs. We estimate that our electricity consumption will increase by approximately 5.3 times through 2030 as our business grows if we do not take steps to reduce it. We expect a medium financial impact from rising plastic raw material prices. * Based on our reference scenarios, we assumed that the unit price of plastic raw materials in 2030 will be 1.3 times the price in FY2021/8, and that the ratio of recycled materials to total plastic materials we procure will be 60%. 	<ul style="list-style-type: none"> Reduce the use of energy derived from fossil resources by lowering electricity consumption through the conservation of energy and introduction of renewable energy. Work with suppliers to help them conserve energy and initiate the use of renewable energy among other means to mitigate increases in production costs. Reduce the use of fossil resource-derived plastics, and reduce the weight of products and packaging materials. Transition from fossil resource-derived materials to recycled materials and alternative materials.
More Stringent Regulation of Plastics and Market Fluctuations	<ul style="list-style-type: none"> We expect a large financial impact from decrease in sales of products made with plastics derived from fossil resources. We expect a large financial impact from increased sales of products made with recycled plastics. * Based on our reference scenarios, we assumed a 20% reduction in products made with plastics derived from fossil resources, and a 60% ratio of recycled materials to total plastic materials we procure. 	<ul style="list-style-type: none"> Given the projected increase in demand for sustainable products and services, promote the use of environmentally responsible materials and product development. Promote recycling of our own products, and transition from fossil resource-derived materials to recycled raw materials. Structure sustainable systems that include commercializing secondary distribution in order to promote reuse.
	Physical Risks and Opportunities in 2050 under the 4°C Scenario	Policies and Actions for Physical Risks and Opportunities
Damage Caused by Natural Disasters	<ul style="list-style-type: none"> We expect that 2 main business sites in Japan and 11 overseas will experience damage from flooding or storm surge. In terms of exposure to significant impact, our analysis covered sites including stores, distribution centers and supplier production sites in the countries and regions where we operate, based on metrics including revenue, inventory value and procurement volume. 	<ul style="list-style-type: none"> Implement countermeasures for flooding at stores, distribution centers, and supplier production sites with high hazard risk. Fulfill our responsibilities and contribute to local communities by quickly reopening stores in affected areas and delivering necessary supplies.

Note: We referenced several scenarios, including the Stated Policies Scenario (STEPS) and the Sustainable Development Scenario (SDS) from the *World Energy Outlook* of the International Energy Agency (IEA); the Intergovernmental Panel on Climate Change, IPCC RCP 8.5; and the Global Ambition policy scenario presented in the Global Plastics Outlook Policy Scenarios to 2060 presented by the OECD.

We have set financial impact as follows:

- Large: ¥10 billion ≤ revenue; ¥1 billion ≤ cost
- Medium: ¥1 billion ≤ revenue < ¥10 billion; ¥100 million ≤ cost < ¥1 billion
- Small: revenue < ¥1 billion; cost < ¥100 million

Material Issue 2: Address Local Challenges and Revitalize Regions

Store Strategy

Based on its two missions, Ryohin Keikaku is committed to creating a community-based business model to support the basic aspects of daily life throughout Japan. By developing various sales channels to comprehensively support daily life in each region, and by providing products, services and stores tailored to local needs through independent store management centered on people, we want our stores to become community centers that are an essential part of their areas.

Store Opening Strategy and Sales Channel Development

We will carry out store openings throughout Japan with stores of 600 *tsubo* (approx. 2,000 m²) next to supermarkets as the standard, aiming for one store per 100,000 people. We will further strengthen development of new sales channels, such as sales in convenience stores and a home delivery service. We will also promote sales inside healthcare facilities and a vending machine business.

Progress of the Medium-term Business Plan

Store openings in FY2023/8 generally proceeded according to plan, with 75 store openings in Japan and 65 outside Japan, primarily in mainland China, Taiwan and Thailand. In FY2024/8, we will continue to open stores where we can be profitable, mainly in residential areas. We plan to open 75 stores in Japan, and 96 stores outside Japan, mostly in mainland China and in Southeast Asia, a growth region.

Looking further ahead to FY2026/8, we will continue to open stores in mainland China and speed up the pace of openings in Southeast Asia, aiming for a net increase of 70 stores per year in Japan and mainland China and 50 stores per year in other regions.

Store Opening Plan and Progress

	Results for 2022/8	Results for 2023/8	2024/8	2026/8
Number of Stores in Japan and Overseas*	1,072	1,188	1,331	1,750

* Excluding overseas licensed stores, Café&Meal MUJI and IDÉE

Partnership with Lawson

In May 2022, we teamed up with Lawson, Inc. to begin sales of MUJI products at Lawson convenience stores. As of August 31, 2023, MUJI products are available at approximately 12,600 Lawson stores in all 47 prefectures of Japan. About 200 MUJI items for daily life are offered on dedicated shelves, including toning water, stationery items, clothing, retort pouch curry and confectioneries. By making MUJI products available at Lawson stores, which are committed to “Creating Happiness and Harmony in Our Communities,” we are bringing lifestyle essentials to every corner of Japan.

Collaboration with Co-op Home Delivery Services

We have been expanding collaboration with consumers’ co-operatives (co-ops), starting with CO-OP Sapporo in March 2022. We began supplying our products to Tokai CO-OP in October 2023, and to COOP Tohoku in November 2023. MUJI products can now be purchased through the home delivery services of the three co-ops in the Tokai region in central Japan that are supplied by Tokai CO-OP, and the eight co-ops in the Tohoku region that are supplied by COOP Tohoku. Through this collaboration, we are able to provide daily necessities to customers who live in hilly and mountainous areas of these regions, which in turn will help to improve the infrastructure essential for daily life there. We will continue to collaborate with co-op home delivery services, and plan to establish a nationwide network in the near future.

Supply of Products to Supermarkets

Sales of MUJI products in supermarkets began with sales at Okinawa-based supermarket chain SAN-A in 2021 (8 stores as of August 2023). In addition, in September 2023, we began supplying products to Albis Co., Ltd., which operates supermarkets in three prefectures in the Hokuriku region and two prefectures in the Tokai region. MUJI products are sold at five Albis stores as of September 30, 2023.

Special Feature

New Retail Business Format: MUJI 500

Ryohin Keikaku is developing a new business model based on the floor space of stores. The new format, called MUJI 500, was rolled out in September 2022. We are opening MUJI 500 stores in locations that are easily accessible in daily life—inside train stations, underground shopping centers at train stations and downtown areas—taking advantage of the compact sales floor space compared with typical MUJI stores. There are 30 MUJI 500 stores as of August 31, 2023.

Offering mainly daily necessities and consumer goods priced at 500 yen or less, these stores sell everyday products such as detergents and cleaning supplies, kitchen consumables, hygiene products, stationery items, batteries, skin care products, underwear and socks, food products such as soup and curry, and cookies and other confectioneries. By focusing on daily necessities, these stores make it easy to rediscover appealing products that tend to get lost among the other merchandise in larger stores—one reason they have received a positive response from customers. We will continue to enhance our lineup of daily necessities, and evolve our approach to product development and sales.



Strengthening Independent Store Management

Ryohin Keikaku is promoting the evolution of MUJI stores throughout Japan as local community centers. To achieve that, it is important for every store staff member to think about what they can do to be of benefit to the customers right in front of them, and act on it. Putting people at the heart of our business and promoting the autonomous growth of staff will lead to high-quality and independent store management for local customers. This will be a driving force for sustainable business growth.

Achievements and Issues

Maintain an Organizational Culture of Acting Proactively and Independently

To foster a proactive culture at stores, the monthly store managers' meeting has evolved from a forum to share information to a place for discussion, and we have introduced a Company app through which employees can post things they have noticed in their stores in a timely manner. With these and other initiatives, we have created a system that enables issues at individual stores to be taken up by the whole Company and resolved more quickly. To address the substantial workload on stores that receive frequent business guidance from headquarters, we will continue working to reduce unnecessary instructions.

Securing and Developing Human Resources

We are improving employment conditions by increasing the hourly wages of store staff, aggressively hiring local employees, and enhancing store employee training programs to support independent store management. However, securing the necessary human resources and upgrading personnel systems to support store expansion, both in Japan and overseas, are ongoing challenges that we need to address, including in regions where recruiting is difficult for a variety of reasons.

Improvement of Sales per Square Meter

As one measure to increase sales per square meter at our stores, we will share examples of successful initiatives taken proactively by employees throughout the entire Company. In FY2023/8, to improve sales per square meter at standard 600 *tsubo* stores—an urgent issue at Ryohin Keikaku—we took advantage of the larger sales floor space to enhance displays of comprehensive lifestyle solutions, reorganized product categories according to the intended use, and revamped sales floor layouts. In addition, we enhanced measures to attract customers using tabloid newspapers, television and other media; launched specialty stores; and took other steps to strengthen communication about the value of our products.

Solidifying Store Foundations

To make the customer experience at MUJI stores even better, we expanded introduction of self-checkout registers, and enhanced the customer consultation service. We also worked to solidify the foundation of store operations with measures such as refining daily operating procedures, implementing a system for individual store sales and inventory planning, and renewing computers and communication devices. On the other hand, community center model stores are facing challenges in balancing commercial viability and social impact, and improving the profit structure is necessary.

Key Initiatives

Promotion of Independent Store Management

After ensuring that it covers all the basics of customer satisfaction as a retail business, each store will be operated based on the idea of taking the perspective of local customers. We aim to create the conditions for independent store management by using business plans put together by store staff on their own initiative. By standardizing basic tasks across divisional boundaries, we can support store employees in planning and promoting independent store management. We will also strengthen the framework for discussing the direction of the Company, including product development and business process improvement, based on feedback from stores.

Strengthening 600 *tsubo* Stores

We will place priority on improving the profitability of 600 *tsubo* stores, which offer a complete selection of products used in daily life, and will be our standard store format going forward. In particular, we will work to create more emotionally engaging displays by effectively utilizing the uniqueness of MUJI in that it has apparel, household goods and food products available in one place. In the past, merchandise has been grouped according to product category or individual product to create a sense of unity on sales floors. The problem is that as the floor space becomes more spread out, the impression it creates tends to be less vibrant and more mechanical. Therefore, by creating emotionally engaging displays that evoke the real life situation in which products will be used, and by grouping related products by theme, we can develop sales floors that make the product story easy to understand, and convey excitement that makes customers want to physically interact with products. Through communication that conveys the appeal of products in multiple ways, we will also encourage customers to browse around the various departments in stores.



Evolution into Community Centers

We want MUJI stores to serve as local community centers—places where residents can actively participate in community revitalization. First, we will create model stores in our priority regions—Chiba, Kyoto, Nara, Hiroshima and the Shinetsu area—and work to develop regional specialty products and resolve local issues in collaboration with local business owners and governments.

In addition, we will enhance services involving customer participation and communication, such as MUJI CYCLE¹ and MUJI SUPPORT², to create reasons for people to visit our stores and deepen the customer experience.

1. See page 48 for details.

2. A consultation service offered by MUJI for customers. Services are being expanded from lifestyle advice on interior decoration, tidying up, and so on, to consultation on office space design, fashion coordination, and more.

Interview with a General Manager



The first MUJI specialty clothing store has opened in Shinjuku. It will embody the new essence of MUJI and explore the possibilities of clothing.

Mariko Oguri

General Manager of Western Japan (General Manager of Shinjuku Business Division as of August 2023), Store Management Group

Taking on New Projects in the Shinjuku Business Division

Since joining Ryohin Keikaku after I graduated from university, I have been involved in store management, including as a store manager and area manager, and later spent about a decade at headquarters as part of the PR Division and in other positions. I then returned to sales as the store manager of MUJI Seiyu Ogikubo, right when our stores were changing in line with the “Second Founding.”

Around that time, I was splitting my time between helping plan the renovation of MUJI Shinjuku¹ (opened in 2008) into a clothing specialty store, the first of its kind for Ryohin Keikaku, and working as the store manager of MUJI Seiyu Ogikubo. After that, I was appointed to the position of full-time general manager of the Shinjuku Business Division. We are promoting localization in the city under a new approach of narrowing the category focus of stores and working with other stores in the Shinjuku area, including MUJI Shinjuku Yasukuni Dori, a clothing specialty store, and MUJI Shinjuku Dori, a household goods and food specialty store that was renovated at the same time.

MUJI has a broad lineup of apparel, household goods and food products. However, in looking at purchasing trends, what stood out to us was that customers were buying only in specific categories—for example, they would buy only skin care products, or only food. The core customer base for apparel in particular was women in their 40s and 50s, and we were not able to fully convey the appeal of our products to the younger generation and other demographics. We recognized that the reason for apparel being

overlooked in our stores was that the design of the space did not adequately highlight clothing and because we carry so many items. MUJI Shinjuku Yasukuni Dori specializes in apparel, and we are challenging ourselves to find ways to create sales spaces that show the value of our clothing in the most attractive way.

1. Now MUJI Shinjuku Yasukuni Dori

Pursuing the Possibilities of MUJI Apparel

In principle, MUJI stores are designed to create a calm, peaceful environment based on wood, metal and earth materials. At MUJI Shinjuku Yasukuni Dori, though, we wanted to create the optimal environment for viewing the colors and textures, design and styling of the clothing itself, so we thoroughly considered every element down to the lighting, furniture and fixtures, mannequins, walls and floors, and even the material used in the ceilings. In addition to using recycled aluminum in some of the merchandise shelves, we also adopted digital floor maps, neon signs and many other features to make it fun for customers to look for, find and try on the clothing items.

We think of the store as the largest forum for engaging with customers, and the store staff also play a very important part in that approach. For a clothing specialty store, it is imperative for sales staff to have broad, in-depth knowledge about clothing and the skill to offer coordinated styling proposals. That is why we recruit and select dedicated visual merchandising staff² from MUJI employees throughout Japan. We also appointed visual merchandising professionals from overseas, who keep store displays looking fresh while honing their specialized skills, including on-the-job training in styling and sales floor

design. Another prominent feature is the more than 60 mannequins located throughout the store. Torso only mannequins had previously been the norm in stores. The number of full-body mannequins has been greatly increased, making it possible to display coordinated outfits plus accessories. This has contributed greatly to sales. With the coordinated mannequin outfits at MUJI Shinjuku Yasukuni Dori serving as models for stores across Japan, we are leading efforts to maximize the appeal of MUJI apparel, and are playing a role in spreading this approach to all stores.

In addition, we find staff members from nearby stores who have an interest in clothing and give them intensive training to upgrade their skills. This helps to increase their motivation, and that is reflected in sales. The staff themselves enjoy wearing MUJI clothing, and pass along the knowledge they gain from doing so to customers. Being a part of a new challenge has boosted their motivation, and they are working hard to promote sales every day. Ryohin Keikaku has adopted “Put people at the heart of our business and view profit as an outcome, not the goal” as a slogan, and it has become clear that putting people at the center of everything has really changed the way we do business, and is leading to growth in profits.

2. Staff members who utilize creative displays and other design elements to evoke the different seasons and make suggestions for improvements.



A Store for Enjoying Clothing, and Thinking about the Future

Our store concept is connecting clothing, goods and people to the future. In carrying out the renovation, the theme was “zero waste.” We focused on separation and reutilization of industrial waste generated during the renovation, and aimed to recirculate resources by using furniture and fixtures made from recycled and reused materials, even going as far as using recycled tiles on the floors.

We are proud to have the largest range of ReMUJI products, in which collected used garments are transformed into new clothes by making slight modifications. In particular, our *Tsunagaru fuku*, a line of used clothing that has been refreshed and combined with other clothing, has been well-received by customers, and is a key driver of sales at this store. We also offer clothing made from materials that are generated in the production process, such as cloth scraps as well as previously unusable yarn, etc. The second floor contains a recycling station, where we collect not just clothes, but any textile product sold by MUJI that has finished serving its purpose, as well as plastic products, paper hangers used in merchandise displays, and even surplus food from households (as part of food drives). Together with customers, we want to think about a society in which resources will continue to be recycled in an almost effortless way well into the future.

Ryohin Keikaku carries authentic apparel that people of all ages, genders and races can wear and enjoy for a long time, but we are also selective about the materials we use, and develop and sell items that set us apart from the competition. Our natural color cashmere sweaters, which were launched in October 2023, are only available at two stores, one of which is MUJI Shinjuku Yasukuni Dori, and our online store. For the cashmere used in these sweaters, the cost of environmental measures is accounted for in raw material prices, and we use the funds for environmental protection and afforestation projects in cooperation with local governments in Mongolia, where the cashmere is produced. The cashmere is finished in its true, natural color and texture, undyed and unbleached, and is woven tightly to keep its shape while maintaining its soft feel. The sweaters have been a big hit with customers. Ryohin Keikaku, in its quest to realize a “a truthful and sustainable life for all,” develops apparel that helps reduce environmental burden and solves the social issues facing people and the environment in production areas. MUJI Shinjuku Yasukuni Dori embodies that philosophy and is playing a leading role.

A Place That Expresses the Appeal of the Shinjuku Area

The Shinjuku area, which includes Shinjuku Station, the world's busiest train station, is an attractive market with many visitors from other countries. The store's entry rate increased remarkably after it reopened with a wider entrance. Almost all of the products it carries are the same as those found in other MUJI stores, but because of the creativity in how they are presented, many customers are once again discovering the appeal of our products, and we are receiving comments like “I had no idea MUJI had clothes like this!” To ensure that MUJI apparel remains the preferred choice of customers, we will continue to improve our sales floors, customer service, and other services. We want to spread these activities from Shinjuku to the whole world.

Based on our wish to contribute to the area, we are also promoting an initiative called “SHINJUKU to GO.” We have created shop cards with store recommendations selected based on MUJI's unique perspective from among the countless shops in the Shinjuku area, and usually have cards for 80 to 100 shops available in our store. The response has been very positive, and we can hardly print the cards fast enough. As many of the shops we recommend use MUJI products, customers can also see how easy those products are to use by stopping in. I will continue to promote locally rooted activities together with the store manager and staff to help maintain the vitality of the Shinjuku area.



Material Issue 2: Address Local Challenges and Revitalize Regions

Sustainable Community Design

Ryohin Keikaku is building a platform for realizing a truthful and sustainable society in each region. Our stores will support the foundations of daily life as community centers, and seek to be an integral part of the regions in which they operate. We are engaged in a variety of projects throughout Japan, both in our stores and in the community at large, and by helping to address local challenges and revitalize regions we will design sustainable communities.

To drive these initiatives forward, we established the Social Good Business Division, and based on our role as a company that is essential in supporting social common capital,* Ryohin Keikaku aims to create a system for realizing public good and mutual assistance in society and a situation where the economy, culture and the environment are organically connected.

* Social common capital: The concept that the natural environment and social institutions are capital that make it possible for all people in a country or a specific region to lead a prosperous economically stable life and to maintain an appealing, stable and sustainable society.

Realizing a Truthful and Sustainable Society

Social Good Business Division

Platform for realizing a truthful and sustainable society

Role of stores

Stores as community centers

Childcare Support: Passing Down Natural, Historical and Cultural Resources

MUJI with a Library Inside

MUJI Yoshizuya Kani, a unique store that also features a public library, opened in November 2023 in Kani, Gifu Prefecture. Typical libraries expect people to be quiet, which makes it difficult for people to go there with small children. As a first step to solving that problem, this store set up a library in the store where people who want to read aloud with their children can feel free to stop in and spend time. In addition to a selection of books that children can enjoy alone or with their parents, the library features a display of the *Himawari-go*, the mobile library that served as the city's library for many years, as a symbol. We aim to make this a store that people of all ages who feel attached to the city will want to visit.



Communities: Connecting People, Connecting Communities

Community Market Event

MUJI holds a variety of events, including talks featuring prominent people in the region, exhibitions, and workshops given by the staff of MUJI and senior employees. One such event is the Community Market, which is held on an irregular basis at MUJI stores throughout Japan, based on the concept of "connecting people, connecting communities." The event generates a great deal of excitement every time it is held. Community Market is a limited-time, market-style event developed and operated together with people from the local community. The exact content differs depending on the store, but it may include stalls selling local foods, specialty products and handicrafts, a children's clothing exchange event, workshops, and more.

By holding events that bring together people of all generations in cooperation with local residents, in a form that is suited to each specific region, we transform MUJI stores into community centers where people can rediscover what makes their community special and feel more connected to it.



Culture and the Arts: Future Lives Connected to the Past

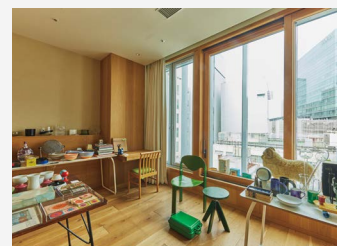
ATELIER MUJI and Art Events

ATELIER MUJI is an activity that began with the concept of "a workshop where you can go back to the basics of life and find hints for moving forward into the future." As a reflection of Ryohin Keikaku's vision of creating cultural crossroads, we organize various events on themes such as art and design, and hold exhibitions at the gallery inside MUJI Ginza as well as online.

In 2023, Life in Art* "TOKYO MODERNISM 2023" was held for the second time. At the gallery in MUJI Ginza, the Japanese modern exhibit included various chairs created in Japan. At the adjacent MUJI HOTEL GINZA, galleries and vintage shops from across Japan were featured, and guest rooms were used for exhibitions and sales of vintage furniture and products. We will continue to provide opportunities for people to encounter culture and art, learn about the background through communication, and enrich lives in the future.

* Life in Art is a project to spread art (culture) based on the theme of everyday art. It was started in 2011 by the interior brand IDÉE.

For more details ▶ <https://atelier.muji.com/jp-en/>



Health and Safety: Supporting the Physical and Mental Health of Local Residents

Healthcare Centers

Ryohin Keikaku has initiated the Healthcare Center Project as part of its commitment to resolving the social issues of maintaining mental and physical health, preventing illness, extending healthy life expectancy, eliminating health disparities, supporting health maintenance in areas with limited medical services, and preventing social isolation. Healthcare Centers are open in three stores* as of November 30, 2023, and we plan to expand the project to more stores to support the physical and mental well-being of local residents. Users have access to a personal medical logbook as well as measuring instruments including a blood pressure monitor and body composition analyzer. In addition, a pharmacist, nurse, registered dietician, physical therapist and other specialists are available for consultation free of charge. Going beyond health maintenance, these centers hold a variety of events and activities that help build connections among local residents. These activities include physical exercise classes, yoga, leisurely walking tours, dementia prevention events, parent-and-child baby massage sessions, diet seminars, and a traditional Chinese medicine course. We are also working on health-related product development. In November 2023, we launched seven traditional Chinese medicine items for problems and symptoms that affect women, such as cold sensitivity, menstrual pain and menopausal disorders. We also expect to launch the Digital Health Center project in spring 2024, and this will support health management and health consultations via an app. Using in-store and online channels in collaboration with governments and local healthcare facilities, we will accelerate efforts to ensure that local residents can seamlessly obtain services that support health maintenance, healthcare and nursing care, and community connections, regardless of where they live.

* MUJI Naoetsu, MUJI Hiroshima Alpark and MUJI Youme Terrace Gion



Development of Launching Points for Community Activities: New Lifestyle Proposals

MUJI BASE Kamogawa: Old Folk House Renovation

While Japan's population is concentrated in the Tokyo metropolitan area, the growing number of abandoned traditional folk houses (*kominka*) throughout the country and the survival of local culture have become social issues. With the acceleration of work style diversification brought on by the COVID-19 pandemic, lifestyles that are not tied to one place are now possible. In that context, MUJI BASE Kamogawa in Chiba Prefecture opened in August 2023 as a facility that supports local revitalization and proposes a new way of living, effectively utilizing an idle property as a medium- to long-term stay facility.

The entire renovated 100-year old house is available for stays of two nights or longer. Based on the theme of "food and agriculture," MUJI BASE Kamogawa collaborates with local business owners to give guests the chance to experience the Kamogawa way of life while learning about farming from local growers. We want to develop MUJI BASE facilities throughout Japan to let guests experience Ryohin Keikaku's concept of "a truthful and sustainable life for all," and offer new lifestyle possibilities that creates a sense of attachment to places outside of people's usual surroundings.

For more details ▶ <https://www.muji.com/jp/ja/special-feature/mujibase/kamogawa-en/>



Frameworks for Local Mutual Assistance: Collaboration with National and Local Governments

ITSUMO MOSHIMO

"Always ready for emergencies"—that is the concept behind ITSUMO MOSHIMO, a project aimed at raising the disaster awareness of society as a whole by incorporating preparedness into everyday life. As part of the project, we are conducting educational activities that are open to everyone, from children to adults, including disaster prevention workshops and events held in collaboration with local governments. We want to make familiar daily necessities and food products a part of disaster preparedness. By connecting communities, businesses and governments without any boundaries, we are helping to enhance the disaster preparedness of the whole region.

ITSUMO MOSHIMO is also being expanded to Group companies outside Japan. In August 2023, MUJI Taiwan held an exhibition showing how MUJI products can be part of preparedness in daily life, and a class in which participants of a wide range of ages practiced responding to earthquakes and other disasters, administering first aid and using a fire extinguisher.

We also formed agreements with the cities of Fukuyama in Hiroshima Prefecture and Nishinomiya in Hyogo Prefecture, under which predetermined stores will sell designated products upon request by the local governments in the event of a disaster. By selling and managing these items as regular products (channel inventory) during normal times, goods that have expiration dates can be kept in stock while automatically rolling them over when necessary. In addition, we will help to secure space for storing disaster stockpiles and simplify management operations.

For more details ▶ <https://www.muji.com/jp/ja/special-feature/other/itsumomoshimo/> (Japanese only)



Material Issue 3: Practice Business Activities in Which Each and Every Diverse Individual Plays a Leading Role

Human Resource Development

Creating Organizations and Developing Human Resources to Practice “Public Interest and People-Centered Management”

Based on its core value of contributing to society and people, Ryohin Keikaku places employees with a sense of ownership in leading roles, where they take the initiative to pursue “a truthful and sustainable life for all” in which the activities of individual employees and stakeholders benefit the public interest. We define this management approach as “public interest and people-centered management.”

For Ryohin Keikaku, the greatest form of management capital is its employees who practice “public interest and people-centered management.” Development of human resources and the creation of organizations is the cornerstone of our management strategy. As such, we are recruiting and developing human resources and creating organizations in line with our six pillars of human resource development.

Six Pillars of Human Resource Development and Key Initiatives

1. Recruit and develop employees who have the ambition to embody Ryohin Keikaku’s corporate purpose and values

The hiring of new university graduates and mid-career professionals to support Ryohin Keikaku’s future is proceeding as planned. We intend to significantly increase hiring of new graduates to support stores we will open in Japan and overseas. In every country and region where we operate, we will prepare for future growth by stepping up recruitment of management and store manager candidates who are knowledgeable about the region to lead on-site operations. We have also partnered with external organizations in developing training programs to ensure managers have a deep understanding of the MUJI corporate purpose and the specialized skills needed to contribute to the community, and began an eight-week program for leaders who are active in their respective regions.

Recruiting Results			
	2021/8	2022/8	2023/8
Number of new university graduate hires	28	103	142
Mid-career hires	38	105	224
Ratio of mid-career hires to total new hires	57.6%	50.5%	61.2%

Note: Ryohin Keikaku Co., Ltd. only

2. Foster a healthy corporate culture in which diverse employees can show their individuality, think independently and act on their own initiative

We conducted our own engagement survey to assess the degree to which employees share Ryohin Keikaku’s corporate purpose and two missions, and are able to take action to realize them. Management, divisions and stores have established forums for discussing the issues identified in the survey. We have formulated and implemented action plans for the whole Company as well as divisions and stores. In addition, 180 people (as of August 31, 2023), have participated in the Leadership Talent Development Session, a forum for dialogue and discussion on Ryohin Keikaku’s ideal form of management. We will further develop this session on a Company-wide basis.

3. Create a working environment where employees can be themselves, realize physical and mental well-being and continue to work with peace of mind

Ryohin Keikaku has a variety of systems in place to ensure it is a company that is attractive to job seekers, and one that people want to stay with for a long time. We have expanded eligibility and subsidies for comprehensive health screenings and gynecological exams to promote the health of employees. In addition, we are pursuing even greater flexibility in work style options, including the introduction of a flextime system with no core hours, and will also consider other support measures for various life events. In FY2023/8, we implemented a wage increase of 6% on average across the Company.

4. Train and assign leaders capable of bringing out the individuality and potential of diverse employees and maximizing organizational performance

The Human Resources Committee discusses the development and promotion of leadership candidates who will shape the Company’s future. It is currently deliberating on the method of cultivating individual leaders and domestic and overseas job rotations. Management is committed to fast-tracking candidates by identifying the strengths of each individual and determining issues to be addressed. We also conduct a store manager training program to support new store openings in Japan and overseas and provide on-the-job training so that each person can effectively learn the necessary business skills. In addition, we have introduced a mentoring system to support store managers and a program in which headquarters members actively offer support by connecting face-to-face with store employees.

5. Develop and establish education and training systems to support the needs of employees who want to learn and grow through their careers

We have revised the Company-wide education system, reorganized training systems for each grade from newly hired employees to top executives, and greatly expanded training programs featuring guest lecturers. Among our new initiatives are programs to support self-directed career development, including regular study sessions for employees to learn about the work and current activities of people in other divisions, workshops where employees think about their own career path, an overseas training program, and a Company-wide job posting program. We will remain committed to providing an environment in which employees can develop their own careers independently and continue to grow and learn.



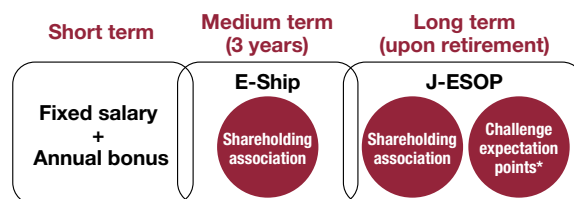
A training program in action

6. Establish and operate a personnel system to support employees' sense of participation and willingness to take on challenges

We have established a grade system that ensures employees' growth and achievements are reflected in their compensation earlier than in the previous system. Discussions are taking place in the Evaluation and Training Conference to ensure that performance evaluations are done fairly, and we have also begun monitoring whether adequate feedback is being given to individual employees.

The employee stock ownership plan (J-ESOP) and the trust-type employee stock incentive plan (E-Ship), which were introduced to foster a sense of ownership and managerial awareness, are currently offered only in Japan, but we are preparing to make them available to employees outside of Japan as well.

* Challenge expectation points: Points that can be converted to shares of the Company's stock upon retirement are awarded to employees who take on challenges at a high level, regardless of their membership in the shareholding association.



Number of Employees in Employee Shareholding Association

2021/8	1,848
2022/8	2,626
2023/8	2,623

Human Resource Training and Development Strategy

Issues to Address

In Japan, the working-age population (15 to 64 years old) was 74 million as of 2023, but is projected to decline to 70 million by 2030.* This is expected to make recruiting more difficult every year, and workplaces with poor work environments and unattractive companies may not make it in the recruiting market. The companies of choice will be those that are rewarding places to work, are utilizing automation and AI to drive efficient productivity improvements, and are able to make full use of the resulting margins to allow for self-actualization. In Japan, we must prepare to actively hire people of foreign nationalities, housewives/househusbands and students. We recognize that further change will be necessary as a company that can maintain employees' work motivation and personal health, provide long-term employment, and accommodate diverse work-life balance needs.

* Source: *Population Projections for Japan (2023 revision)* published by the National Institute of Population and Social Security Research

Three New Strategies

Securing human resources and improving and maintaining the work environment are essential for future corporate growth. We will strive to create an environment where employees can devote themselves to their work with peace of mind, align themselves with the Company's direction, and enjoy doing their jobs. This will result in the creation of more proactive employees who take the initiative as well as a higher level of engagement.

1. We will establish an environment in which each and every employee can embody Ryohin Keikaku's corporate purpose and two missions, take charge of their own career development, and enjoy achieving their own goals.
2. To create a vibrant organization, we will recruit the people necessary to support new store openings in Japan and overseas, provide management training to develop future managerial talent and headquarters and overseas personnel, and aggressively promote fast tracking and promotion to key positions. In particular, we will enhance the development of systems to create a positive environment for store personnel.
3. We will maintain a workplace environment that offers rewards such as work-style flexibility, long-term employment, support for life events, and a system for asset building for retirement. We want employees to feel that working for Ryohin Keikaku will lead to lifelong peace of mind, and help bring out the vitality of each individual.

Key Measures

- Recruitment**
- We will build a system that enables us to make use of regional networks to recruit people who deeply understand Ryohin Keikaku's corporate purpose. We will actively hire new university graduates, people who have worked one or two years after graduation and local employees, as well as promote employees from within the Company based on our store opening strategy and workforce plans.
 - We will attract high-caliber talent and aggressively recruit professionals in various fields. We want these people to lead store operations, store openings, product development, material development, resource recycling initiatives, logistics, business development, IoT and technology.
- Training**
- Executives and division general managers have already participated in the Leadership Talent Development Session, a forum for discussing Ryohin Keikaku's desired corporate culture, organizational climate and approach to work. We will further expand this initiative to include all Company employees.
 - By instilling the ideas of quality control and industrial engineering throughout the Company, and encouraging employees to review and further evolve their work processes, we will develop a corporate culture of proactivity and taking the initiative.
- Systems**
- To foster a mindset of taking on challenges among employees, we will revise the performance-based bonus system and consider further expanding use of trust-type stock incentive plans.
 - We will establish an environment and design systems to enable diverse employees to flourish, regardless of their age, birthplace, nationality or gender. In addition, we will build a framework to support employees in developing their careers and achieving their goals.

Material Issue 3: Practice Business Activities in Which Each and Every Diverse Individual Plays a Leading Role

Initiatives for Diversity & Inclusion

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) as a way to present its employment and labor policies and the Group Compliance Code of Conduct. To ensure that all employees understand its content, 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.

Work-Life Balance Proposals

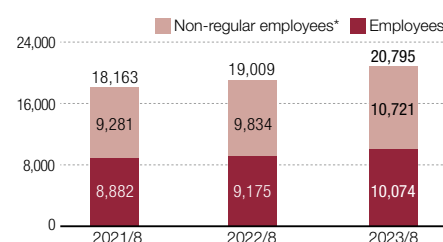
We have systems that allow employees to choose from a variety of work styles in order to find balance between work and life events such as childbirth, childcare and nursing care. These systems include childcare and nursing care leave, a shorter working hour system, and a family care system, and can be used by all employees regardless of gender. We have also offered a balanced four-day workweek system since May 2021.

Eligibility for the childcare system, which permits employees who are raising children to work shorter hours, was expanded to partner employees in November 2021, and the applicable period was extended from “until the age of 3” to “until completion of the 4th grade of elementary school.” These are some of the ways in which we are creating an environment where employees can work with peace of mind. In September 2022, we introduced a flextime system with no core hours for headquarters employees. This allows for high flexibility in work arrangements, and through work style options to accommodate various needs employees are able to improve their self-management skills as well as their efficiency and productivity.

Employment of People with Disabilities

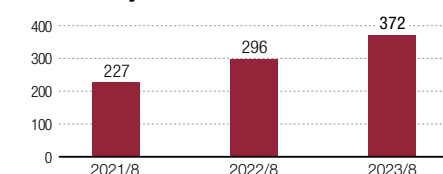
Ryohin Keikaku began hiring individuals with disabilities in Japan in 2000. In 2009, we launched the Heartful Project to promote the “sustainable happiness of co-workers,” “self-development through mutual trust and cooperation” and “expansion and stabilization of employment at stores” for those with disabilities. We have also established a support system that includes employment management and guidance tailored to the characteristics and individuality of each person and an evaluation-based step-up system to help people with disabilities reach their full potential. Using the “Second Founding” as an opportunity to take root in local society, our stores will promote the Heartful Project together with local communities and move forward with people with disabilities to create places in which they can make the best use of their skills.

Number of Employees (Ryohin Keikaku Group)



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

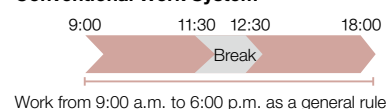
Average Number of Employees* Using the Childcare System



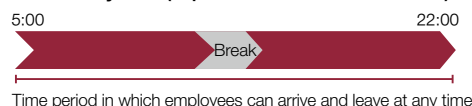
* Including partner employees
Note: Ryohin Keikaku Co., Ltd. only

Approach to Working Hours

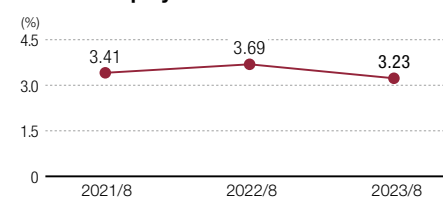
Conventional Work System



Flextime System (Super flextime with no core hours)



Ratio of Employees with Disabilities



Note: Ryohin Keikaku Co., Ltd. only

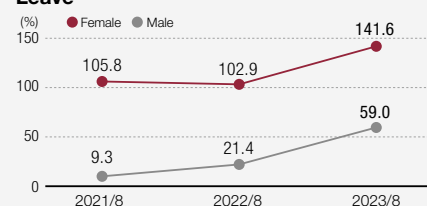
Special Feature

An Employment Environment That Facilitates Taking Childcare Leave

As part of our efforts to make Ryohin Keikaku a great place to work, we have improved various systems, established a consultation contact point, and updated our childbirth and parenting guidebook to help employees take childcare leave that suits their needs, regardless of gender.

In October 2022, we amended three systems. The amendments included loosening the conditions for taking childcare leave, establishing paternity leave, and enabling childcare leave to be split into parts. Paternity leave is available in several different patterns, according to the employee's family circumstances. One such example is postpartum support-type leave in which the start of leave coincides with the birth of the child. There is also a baton-passing option in which paternity leave is timed to coincide with the partner's return to work. As a result, the percentage of men taking paternity leave has been increasing every year.

Percentage of Employees Taking Childcare Leave



Note: Figures are calculated in accordance with the new calculation method of the Ministry of Health, Labour and Welfare.

Diversity Committee

Ryohin Keikaku launched the Diversity Committee as a Company-wide committee in FY2022/8, recognizing the critical importance of having an environment in which diversity is respected, regardless of gender, age, nationality, or other characteristics, and where diverse human resources can thrive, balance work and life events, and remain motivated. Chaired by the director in charge of the Human Resource Development Division, this committee is tasked with promoting change, including by devising strategies and systems for building an organization and corporate culture that can make the most of diversity of people, values and lifestyles, and by proposing ideas for transformation.

The committee investigated in-house problems and issues by conducting interviews and through questionnaires. It identified “promoting the participation and advancement of women in the workplace” as a topic of high urgency and priority. Therefore, the Company narrowed its focus to this theme in FY2023/8. Female directors and women working in stores also participate in the monthly meetings of this committee, where they help identify issues and develop strategies for improvement.

Promotion of Participation and Advancement of Women in the Workplace

One of the reasons that Ryohin Keikaku is promoting the participation and advancement of women in the workplace is that female employees have a higher turnover rate than male employees, and as a result, the percentage of women in managerial positions is low. In order to ensure that all employees have an equal opportunity to succeed, we believe it is urgent that we become a company where women are encouraged to have a long career and thrive with a sense of security. That is why we are creating an environment that takes into account various lifestyle changes, and the need to balance work with childcare, nursing care, disease treatment, and other life events.

Results for FY2023/8¹

Ratio of female managers at the deputy manager level and above: 27.8%

Ratio of female directors: 37.5%²

Ratio of female employees: 54.8%

1. Ryohin Keikaku Co., Ltd. only

2. As of November 23, 2023

Initiatives

Career Workshop for Women in Their Twenties

Through interviews, we found that many younger female employees are worried about their long-term career development and advancement. To help them manage their own careers and raise their motivation to work, we conducted career development training for female employees in their twenties. The aim is not just to help them envision their career path, but to also make it more actionable by also looking at actual issues and potential biases, and then to create opportunities for making changes in behavior.



Career workshop

Support for Working Mothers

One of the current issues we face is that only a small number of the female employees who are raising children are employed as store managers. There is a reason behind that. Until now, being able to work full-time and work late shifts was a requirement for promotion to store manager, which made it difficult for working mothers to take on that position. From now on, we must create an environment in which all employees with the desire and ability can take on any position they aspire to, and shift to a culture that enables talented people to thrive.

In FY2023/8, we conducted a questionnaire and interviews of current store managers who are working mothers and working mothers who aspire to be promoted to store manager to better understand the actual situation. We have implemented improvement measures that reflect the systematic and awareness problems that were discovered, and made promotion-related and system reforms. As a result, 10 women have been newly promoted to the positions of store manager and manager. To further promote the success of working mothers, we will continue to assess and develop each person's business skills, and create support systems.

Special Feature

Interview with a Working Mother and Store Manager

I joined Ryohin Keikaku in 2009, and have built a career as a store manager. When I first returned to work after maternity leave, I did not hold this position, but once my child's health became stable, I again thought I would like to challenge myself as a store manager. After numerous interviews with people in the Human Resources (HR) Division, managers and executive officers, I became the store manager of MUJI Tokyo Midtown in 2023.

In working as a store manager, I was able to clearly communicate my preferences, including the area I work in, which days and hours I work, the extent of sales promotion activities at the facility where the store is located, and a desire for a computer for personal use. Almost all of my wishes were taken into consideration, and now I am also able to take on the challenge of advancing my career in a very positive environment. I regularly have talks with my boss and people in the HR Division, and I feel I am being supported in maintaining work-life balance. At the same time, I also feel the importance of having a solid foundation in place for store operations that make diverse work styles possible, including securing adequate staffing, fostering a climate of understanding, and having an advanced human resource development system.

Currently, Ryohin Keikaku is actively working to create a positive work environment for all employees. In addition to working mothers, there are other employees facing a variety of other life situations, including working fathers and caregivers for family members. As for me, making sure my voice is heard by the Company and helping to further improve the environment have led to the job satisfaction I enjoy now.



Yuki Shiraki
Store Manager
MUJI Tokyo Midtown

Material Issue 4: Realize Governance Aligned with Public Interest and People-Centered Management

Working toward “Public Interest and People-Centered Management”

We promote the practice of “public interest and people-centered management,” where each of our employees has a sense of ownership and takes a leading role in our business activities that contribute to the public interest. These activities include those held at locally rooted stores, and also ones promoted by each employee together with customers, local communities and business partners. By engaging in constructive dialogue with stakeholders and reflecting their opinions and requests in our business activities, we strive to make a positive impact on society.

Stakeholder engagement ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/muji-sustainability/stakeholder-engagement/>



Strengthening Internal Communications

In order to realize “public interest and people-centered management,” it is necessary for employees to participate in management, and make suggestions to the Company while working in unison with managers. To foster a sense of ownership in each employee, we are sharing information about management and increasing opportunities for communication between management and employees. Starting in FY2023/8, we have worked to strengthen communication between stores and headquarters, and between general employees and management, to improve employees’ engagement and sense of involvement in management.

Company-wide Meetings

To achieve these goals, Ryohin Keikaku holds Company-wide meetings in various forms as opportunities to share the Company’s philosophy, business condition and daily business activities as it works toward its ideal structure.



Good Meeting venue



Store managers meeting

Name of Meeting	Meeting Frequency	Main Participants	Content
Good Meeting venue	Twice a year	All Group employees	Message from management, presentation of semi-annual initiatives of the whole Group, recognition of products and employees, presentation of good practices
MUJI Dialogue venue	Once a month	All employees	Message from management and Q&A session
Store managers meeting	Once a month	Store Sales Division employees (store manager level and higher)	Discussion and information-sharing on sales strategies
Employee meetings	Once a month	Headquarters employees	Introduction of the work and initiatives of each division and presentations by the people in charge

Internal IR

To effectively practice “public interest and people-centered management,” we believe it is important to build an appropriate shareholder composition with well-balanced ownership among domestic investors, overseas investors, and individual/employee shareholders. As such, we are actively engaged in IR both inside and outside the Company. Measures to strengthen our internal IR activities include encouraging online participation in employees’ shareholder meetings and holding financial results briefings specifically for employees.

Redesign of In-house Newsletter

We made changes to the in-house newsletter in order to instill a sense of ownership in Company activities, including activities based on ESG management, and to increase employee engagement. Previously, we distributed videos and articles on the Company’s activities, new product information, and other subjects through the in-house portal site. In August 2023, we began issuing printed newsletters and distributing them to stores to better ensure the information reaches store staff throughout Japan. A great deal of information related to ESG management is published on the front page, including the progress of reuse and recycling efforts, and local activities.



Printed edition of MUJI NEWS (in-house newsletter)

Team ESG Activities

To foster a Company-wide awareness of being a front runner in ESG management, we have enhanced our efforts to publicize Ryohin Keikaku’s ESG material issues, targets and initiatives in forums such as the MUJI Dialogue venue and employee meetings. In July 2023, we launched Team ESG, a group of volunteers who are very interested in the topic of sustainability. All interested employees, including partner employees, are welcome to participate no matter which department or region they work in. As of December 31, 2023, approximately 150 people have joined the team.

In online meetings, Team ESG holds study sessions and engages in discussions on major themes and good practices in the Company related to ESG management. Members are also active on the message board and in area cleanup activities to build connections between participants.



Arigato Cleanup (cleanup activity around the former headquarters building)

Strengthening Engagement with Shareholders and Investors

Ryohin Keikaku's IR program promotes constructive dialogue with domestic and foreign shareholders and other investors, with the goal of sustainable growth and long-term enhancement of corporate value. The opinions obtained through dialogue with shareholders and investors are fed back to management and the Board of Directors, ensuring those ideas are reflected in Ryohin Keikaku's business activities.

Engagement with Shareholders at the General Meeting

To encourage the participation of more shareholders, we hold the General Meeting of Shareholders on a public holiday, and a separate Shareholders' Meeting after the general meeting to further deepen direct communication with shareholders. The combined in-person and online attendance was about 800 people in 2022 and 950 in 2023. As part of efforts to build relationships with shareholders, we have introduced a shareholder benefit program in which shareholders who own at least 100 shares (one lot) receive a 5% discount by presenting their Shareholder Card when shopping at MUJI stores.



Shareholders' Meeting after the General Meeting of Shareholders



Shareholder Card

Engagement with Individual Shareholders and Investors

Ryohin Keikaku holds store-based Shareholders' Meetings in small groups to provide an opportunity for individual shareholders to speak directly with executives and store managers. We are also working to enhance disclosure to individual investors in ways such as posting videos of Shareholders' Meetings on the Ryohin Keikaku website. In addition, we regularly conduct Company presentations for individual investors, and are increasing contact points.

Results for FY2023/8

- Shareholders' Meetings in stores: 7 meetings with a total of 133 participants
We hold Shareholders' Meetings at stores throughout Japan to explain to shareholders the direction in which Ryohin Keikaku is moving and initiatives at stores. This helps to deepen understanding of our business activities, and the questions and comments we receive from shareholders on store operations, our product lineup and other matters are reflected in the Company's management.
- Seminars for individual investors: 2



Shareholders' Meeting held at a store

Engagement with Analysts and Institutional Investors

Ryohin Keikaku's president and the director in charge of IR participate in financial results briefings, and hold small-scale meetings for analysts and institutional investors on a regular basis. In addition, the director in charge of IR and the IR officer conduct interviews that cover topics such as ESG issues, and interviews with the executive in charge of shareholder voting. The views of investors obtained through this dialogue are regularly reported to the management team. We also hold small-scale meetings between outside directors and domestic and overseas shareholders and institutional investors, and post a summary of the Q&A session on our website. To improve the quality of non-financial information, we are taking steps to promote better understanding of our business, including through product exhibitions, store tours, and dialogue exchanges about *MUJI REPORT*, our integrated report.

Results for FY2023/8

- Individual IR meetings: 325
- Dialogue between outside directors and institutional investors: In August 2023, as we did in 2022, we held a small-scale meeting between 11 representatives of 11 domestic and overseas organizations (institutional investors) and two outside directors of Ryohin Keikaku. A lively discussion took place on topics that included the state of the Board of Directors and the progress and challenges of the medium-term business plan.
- Dialogue with the executive in charge of shareholder voting: 13 companies that are major shareholders
- Product exhibitions: 2 times
- Store tours: 2 times
- *MUJI REPORT* dialogue exchanges: 2 times



Dialogue between outside directors and shareholders (institutional investors)

IR Email Distribution Service (Japanese Only)

We send out IR information to everyone who has registered for our IR email distribution service, including information on the Shareholders' Meeting and other events held exclusively for shareholders, as well as the latest news.

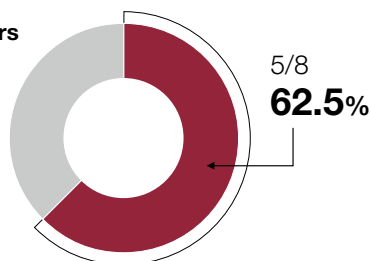


Basic Information

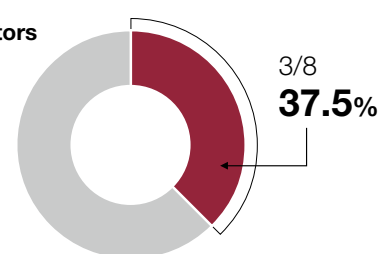
Directors and Corporate Auditors (As of November 23, 2023)

The Ryohin Keikaku Group redefined its corporate purpose as creation of “a truthful and sustainable life for all” with the goal of creating a better world 100 years from now. With that in mind, the Group has set two themes in developing its business: “to be a part of people’s daily necessities” and “to take root in local society.” In order to achieve these objectives, we will select directors and corporate auditors who have the appropriate experience and knowledge and who will increase the diversity of the Board of Directors and Board of Auditors. In doing so, we will promote candidates from inside the Company and bring in people from outside.

Ratio of Outside Directors to All Directors



Ratio of Female Directors to All Directors



	Name	Current position	Attendance at meetings of the Board of Directors (FY2023/8)	Number of shares owned/Number of years in office	Reason for appointment	
	 Masaaki Kanai	Chairman & Representative Director	16/16 (100%)	111,160 shares/ 23 years, 6 months	Mr. Kanai has been involved in management as a director for many years and has been performing a central role in the expansion and growth of the Company and its business. He is expected to continue contributing to the enhancement of corporate value.	
	 Nobuo Domae	President & Representative Director	16/16 (100%)	86,200 shares/ 4 years, 6 months	Mr. Domae has extensive experience and broad knowledge as a management executive at various companies, and is expected to continue playing a central role in the Company's "Second Founding."	
	 Satoshi Shimizu	Executive Vice President & Director	16/16 (100%)	6,600 shares/ 8 years, 6 months	Mr. Shimizu has extensive experience in the areas of products and stores, and is expected to play a central role in the globalization that is part of the Company's "Second Founding."	
Outside	 Masayoshi Yagyu	Outside Director (Independent)	16/16 (100%)	2,700 shares/ 7 years, 6 months	Mr. Yagyu has extensive experience and broad insight as a corporate manager. He is expected to function appropriately in his role as an outside director in areas such as supervising business execution.	
	 Atsushi Yoshikawa	Outside Director (Independent)	16/16 (100%)	4,000 shares/ 5 years, 6 months	Mr. Yoshikawa is expected to draw on his extensive experience and broad insight as a corporate manager to continue contributing as an outside director to the sustained growth and increased corporate value of the Company.	
	 Kumi Ito	Outside Director (Independent)	13/13 ¹ (100%)	500 shares/ 1 year	Ms. Ito has deep insight into management related to digital technology and healthcare from her experience as an outside director at several companies. We expect Ms. Ito to provide valuable suggestions and advice.	
	 Yuriko Kato	Outside Director (Independent)	13/13 ¹ (100%)	0 shares/ 1 year	Ms. Kato is expected to give valuable suggestions and advice as she has expert knowledge in agricultural and digital businesses. She also has deep insight into corporate management based on her experience as an entrepreneur and as an outside director at several companies.	
	 Mayuka Yamazaki	Outside Director (Independent)	13/13 ¹ (100%)	0 shares/ 1 year	Ms. Yamazaki is expected to give valuable suggestions and advice from various points of view. She has experience at an international post-graduate business school and as an outside director at several rapidly growing start-up companies. She is also well versed in traditional culture and art as a practitioner of Japanese flower arrangement.	
	 Kei Suzuki	Full-time Corporate Auditor	16/16 (100%)	39,300 shares/ 2 years	Mr. Suzuki has served the Company as general manager of the Household Division, and as a director and executive officer he has held important positions in overseeing overseas business management, the HR & General Affairs Division, legal affairs and intellectual property, and the Internal Audit Office. Based on his deep insight into Ryohin Keikaku's business, we expect him to function appropriately as a full-time corporate auditor.	
Outside	 Kosuke Yamane	Full-time Outside Corporate Auditor (Independent)	13/13 ² (100%)	0 shares/ 1 year	As a full-time outside corporate auditor, Mr. Yamane is expected to audit operations based on his wide-ranging knowledge in the fields of accounting, finance, and information systems, based on his extensive experience in important positions related to public relations, investor relations, finance and information strategy.	
	 Jun Arai	Outside Corporate Auditor (Independent)	15/16 (94%)	2,300 shares/ 3 years, 6 months	Mr. Arai has extensive experience as a manager at multiple companies and a wide range of knowledge in accounting, finance, and corporate governance. He is expected to function appropriately as an outside corporate auditor.	
	 Maoko Kikuchi	Outside Corporate Auditor (Independent)	— ³	0 shares/ Newly appointed	Ms. Kikuchi has experience working at the Japan Fair Trade Commission and other public institutions, and as a public prosecutor in the Ministry of Justice. She has also served as an attorney both in Japan and overseas in areas including corporate legal affairs. She has also held the positions of outside director and standing outside Audit & Supervisory Board member, and is expected to function appropriately as an outside corporate auditor as she can be expected to audit operations based on her wide-ranging knowledge.	

- For Kumi Ito, Yuriko Kato and Mayuka Yamazaki, the number of meetings held and attendance at Board of Directors meetings are after their appointment as directors on November 23, 2022.
- For Kosuke Yamane, the number of meetings held and attendance at Board of Directors meetings are after his appointment as a corporate auditor on November 23, 2022.
- Maoko Kikuchi was appointed at the General Meeting of Shareholders held on November 23, 2023.

Competency	Prerequisite
Overall corporate management	The Board of Directors needs to make decisions after engaging in frank discussions of medium- to long-term strategies. We have therefore selected diverse knowledge of corporate management that is not limited to a particular industry as a prerequisite.
Operations	Stores are central to our business, and effective operations and expansion are crucial to our competitiveness. We have therefore selected knowledge about operations in the retail, distribution and manufacturing industries as a prerequisite.
Business entrepreneurship and social entrepreneurship	We have selected knowledge about business entrepreneurship and social entrepreneurship as a prerequisite for achieving our corporate purpose.
Technology	We aim to create services that make good use of technology as a tool and to improve convenience for our stakeholders. We have therefore selected knowledge about digital and technology management as a prerequisite.
International mindset	Achieving our corporate purpose requires us to contribute to various countries and regions around the world through store development and product manufacturing. We have therefore selected knowledge that includes experience in an international environment as a prerequisite.
Humanities and the arts	We have selected understanding of the culture and history of the countries and regions we serve and knowledge of the arts and design as prerequisites for achieving our corporate purpose.
Sustainability and diversity	We position achieving sustainability and diversity at the core of our business activities in order to achieve our corporate purpose. We have therefore selected an understanding of social issues such as sustainability and diversity and a strong desire to address those issues as prerequisites.
Administration and risk management	We have selected knowledge of personnel and labor affairs, finance, legal affairs and risk management as a prerequisite for achieving our corporate purpose.

	Overall corporate management	Operations	Business entrepreneurship and social entrepreneurship	Technology	International mindset	Humanities and the arts	Sustainability and diversity	Administration and risk management	Meetings and Committees				Concurrent positions
									Board of Directors	Nomination Advisory Committee	Remuneration Advisory Committee	Board of Auditors	
	○	○	○			○	○		○	○	○		• Outside Director and Audit and Supervisory Committee Member, Members Co., Ltd.
	○	○	○	○	○		○		◎	○	○		• President & Representative Director, MUJI HOUSE Co., Ltd. • Outside Director, Monex Group, Inc. • Scholarship Director, CO-OP Sapporo
	○	○			○	○		○	○				
	○	○		○	○	○			○	◎	○		• Outside Director, Chubu Electric Power Grid Co., Inc.
	○			○	○	○	○	○	○	○	◎		• Director and Member of Audit and Supervisory Committee, Asset Management One Co., Ltd.
	○		○	○	○		○	○	○	○	○		• Outside Director, SOMPO Holdings, Inc. • Outside Director, Fuji Furukawa Engineering & Construction Co., Ltd. • Outside Director, True Data Inc. • Executive Director, Tsukuba University • Managing Partner, Office KITO GK
	○		○	○	○		○		○	○	○		• President & Representative Director, M2 Labo. Inc. • President & Representative Director, Vegibus Inc. • Outside Director, Shizuoka Gas Co., Ltd.
	○		○		○	○	○		○	○	○		• Outside Director and Audit and Supervisory Committee Member, M3, Inc. • Outside Director, RENOVA Inc.
	○	○			○			○	○			◎	
	○	○		○	○		○	○	○			○	
	○				○		○	○	○			○	• Outside Director, Sumitomo Mitsui DS Asset Management Company, Limited
	○		○		○		○	○	○			○	• Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. • Outside Director, Hitachi Construction Machinery Co., Ltd. • Managing Partner, Compass International Law Office

Notes: 1. The above does not encompass all of the experience and knowledge possessed by the officers. Only the major aspects are presented.

2. ◎ Indicates the chairperson of each meeting or committee.

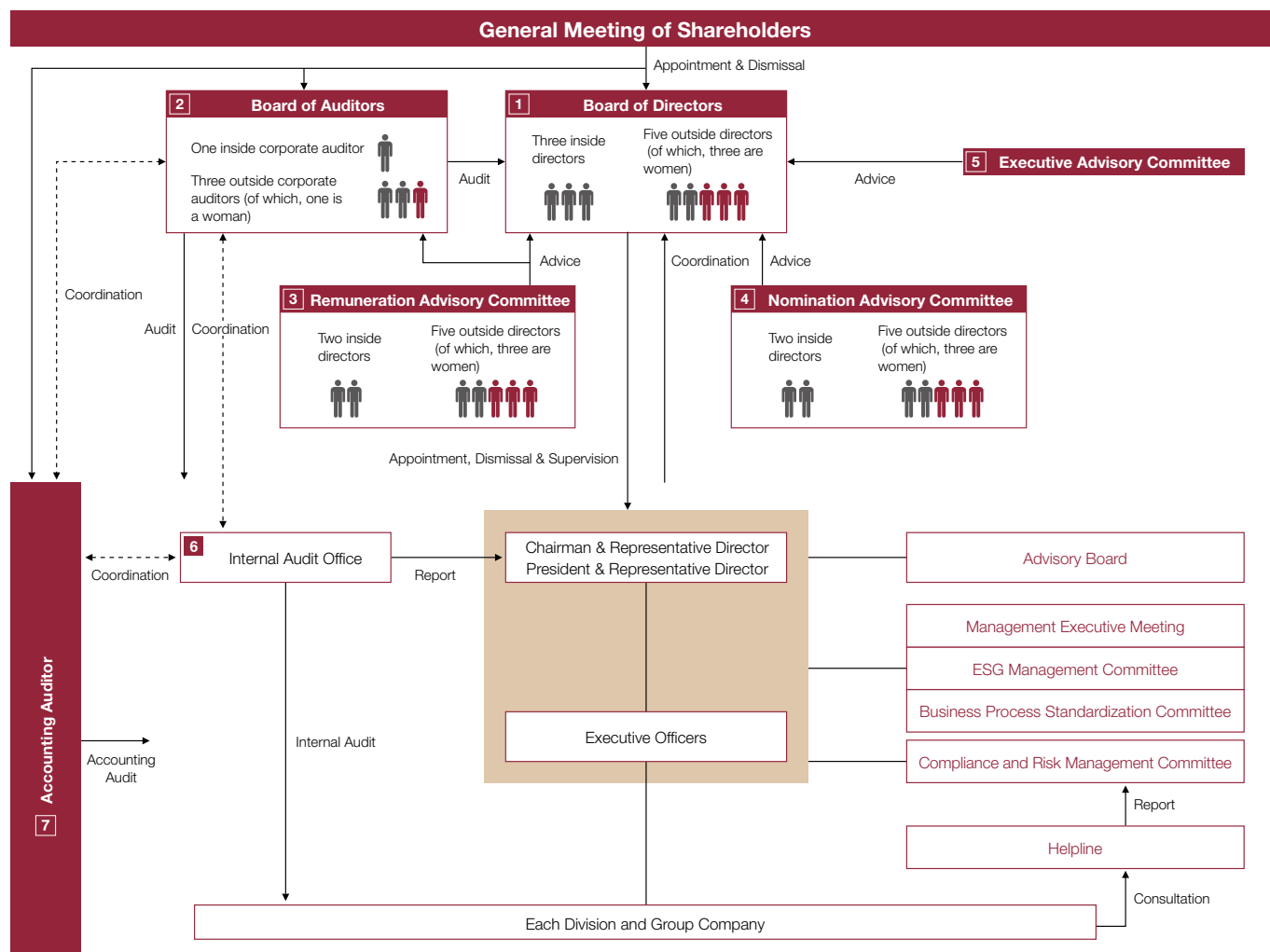
Basic Information

Corporate Governance

Basic Policy

The creation of a highly transparent management system is a high priority based on our belief that establishing an effective management structure and internal control system and improving corporate governance will lead to continuous improvement of 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



(As of November 23, 2023)

Activities During FY2023/8

1 Board of Directors

Number of meetings: 16
Attendance rate: 99%

Objectives

Makes statutory resolutions on important matters related to medium- to long-term management, and matters stipulated by laws, regulations and the Articles of Incorporation. Supervises the execution of duties by executive directors and executive officers.

Main Topics Discussed and Related Activities

The Executive Advisory Committee, which is composed of members of the Board of Directors, convenes regularly to discuss important themes multiple times before making resolutions at Board of Directors meetings. With respect to FY2023/8, agenda items discussed and resolved included those related to the medium-term business plan, compliance and risk reports, reports and assessments of ESG initiatives, the engagement survey, and the headquarters relocation.

2 Board of Auditors

Number of meetings: 17
Attendance rate: 99%

Objectives

Audits the general execution of duties by directors from the perspectives of legality and appropriateness. Prevents or corrects fraudulent acts, and violations of laws, regulations, and the Articles of Incorporation.

Main Topics Discussed and Related Activities

In order to accurately understand the status of management, the Board of Auditors participates in meetings of the Board of Directors and other important meetings; interviews directors, executive officers, and managers of subsidiaries; and conducts inspections of business sites. In addition, the Board of Auditors cooperates with the accounting auditor and the Internal Audit Office to understand the status of business and internal control; holds regular meetings with representative directors and outside directors; and raises issues and makes recommendations regarding important Group-wide issues based on the results of audits.

3 Remuneration Advisory Committee

Number of meetings: 8
Attendance rate: 100%

Objectives

Reports to the Board of Directors and the Board of Auditors regarding issues including compensation for directors, auditors and executive officers.

Main Topics Discussed and Related Activities

The committee held discussions on ESG evaluation for restricted stock compensation, revision of the executive officer system, and other matters.

4 Nomination Advisory Committee

Number of meetings: 10
Attendance rate: 100%

Objectives

Reports to the Board of Directors and Board of Auditors on issues including the appointment and dismissal of directors, auditors and executive officers.

Main Topics Discussed and Related Activities

The committee held discussions on executive officer personnel, nomination of director and auditor candidates, and other matters.

5 Executive Advisory Committee

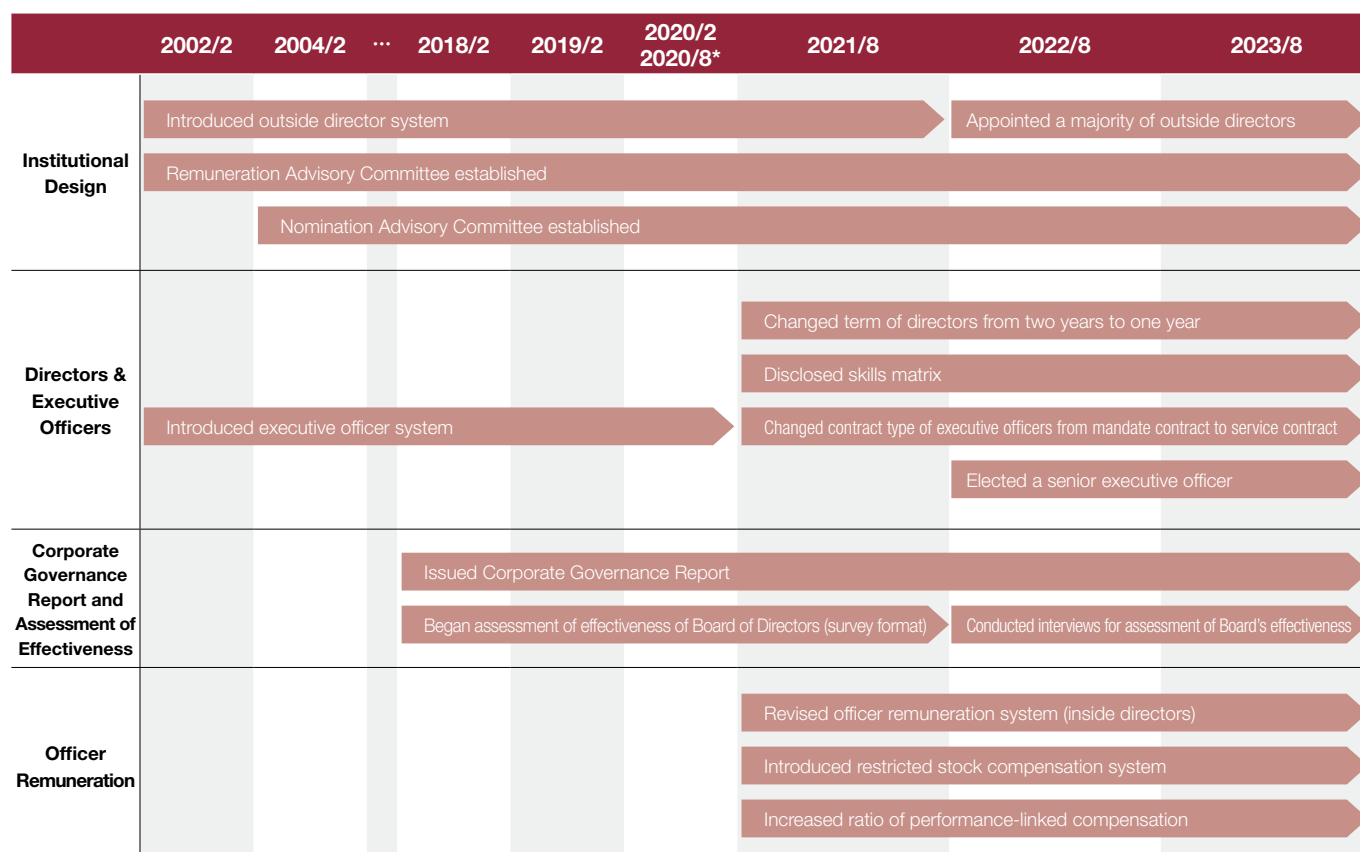
This committee is composed of members of the Board of Directors, and is a forum for discussion and exchange of opinions on medium- and long-term management strategies as well as a forum for ensuring adequate prior discussion of agenda items at Board meetings.

6 Internal Audit Office

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

7 Accounting Auditor

As for financial audits, we have created an environment that facilitates fair auditing with a team comprising two certified public accountants (Mr. Hirotaka Nakata and Mr. Yosuke Sato), 11 certified public accountants who provide assistance, and 15 other members associated with KPMG AZSA LLC.

Transition to a Stronger Corporate Governance System

* The Company changed its fiscal year end to August 31 as of the fiscal year ended August 31, 2020. For convenience, 2020/2 and 2020/8 are presented together in the above chart.

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 and interviews with 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 at Board of Directors meetings
 - ④ System supporting the Board of Directors
 - ⑤ Enhancement of relationship with shareholders and other stakeholders
 - ⑥ Other comments
- (2) The Board secretariat summarized the results of its assessment of directors and corporate auditors based on the above questionnaire responses and interviews.
- (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>
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: 4.4) (Previous assessment: 3.4)
 - ② Operation of the Board of Directors (Average score: 3.4) (Previous assessment: 3.4)
 - ③ Enhancement of discussions at Board of Directors meetings (Average score: 3.6) (Previous assessment: 3.6)
 - ④ System supporting the Board of Directors (Average score: 3.7) (Previous assessment: 3.2)
 - ⑤ Enhancement of relationship with shareholders and other stakeholders (Average score: 3.8) (Previous assessment: 3.5)
- (2) Summary of assessment results
The results of the questionnaire and interviews above showed that the Board of Directors is evaluated as exceeding the minimum necessary level for the most part. While the diversity of the Board improved, we identified issues related to monitoring of execution and information sharing with outside 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.

- Improving the monitoring function with thorough follow-up reports of the progress of medium-term business plan measures and other important matters
- Having discussions regarding the next medium-term business plan with a view toward 2030 and 2040
- Enhancing information sharing with outside directors
- Expanding communication opportunities with stakeholders and enhancing disclosure

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, 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 ability to provide opinions and judgments that will contribute to enhancement of the Company's medium- to 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 purpose of clarifying the management responsibilities of directors and creating a management structure that enables us to respond quickly to changes in the business environment.

Support and Training Policy for Outside Directors and Outside Corporate Auditors

Support System for Outside Directors and Outside Corporate Auditors

There is no specific person or division in charge of the support system for outside directors and outside corporate auditors, but the Corporate Planning Division provides information, including distributing the agenda of Board of Directors meetings in advance, and the General Affairs Division assists outside auditors in the execution of their duties.

In FY2022/8, we began holding executive sessions that involve informal interviews with executive officers in order to improve information sharing with outside directors. In addition, we have enhanced support for the smooth operation of the Board of Directors by introducing a cloud-based Board management tool to improve the security of confidential information and enhance overall efficiency.

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 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. In addition, no executive retirement benefit system is available.

Compensation Structure and Components	Summary
Monetary compensation/ Base compensation	The base compensation of the Company's directors is determined based on each director's position, and by the Board of Directors pursuant to the deliberations of the Remuneration Advisory Committee.
Monetary compensation/ Performance-based bonuses (Excluding outside directors and outside corporate auditors)	The coefficient for determining bonuses is calculated (from the perspective of pursuing profit in core businesses) by modifying the base bonus using the ratio of actual to planned consolidated operating profit. It ranges from 0% to 200%.
Non-monetary compensation/ Restricted shares (Excluding outside directors and outside corporate auditors)	Non-monetary compensation is in the form of grants of restricted shares that vest upon retirement. Base grants are determined in relation to achievements in areas such as ESG that have long-term significance, and vary from 30% to 100% according to director position.

Determination Process

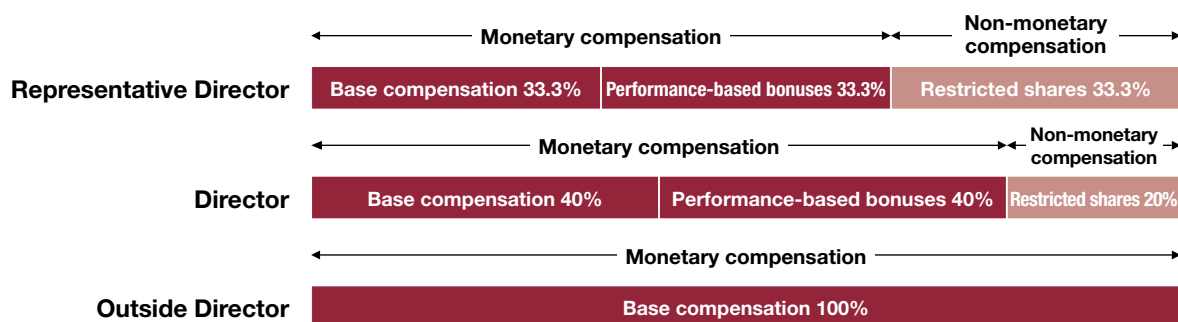
Chaired by an outside director, the Remuneration Advisory Committee determines director compensation. The committee deliberates on monetary and non-monetary compensation for each director individually, and is committed to transparency, validity and objectivity. Its reports are referred to in Board resolutions. The Remuneration Advisory Committee consists of seven members, of which five are outside directors. Having a majority of outside directors ensures thorough governance.

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 shown in the table below assuming 100% of the target is achieved.

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

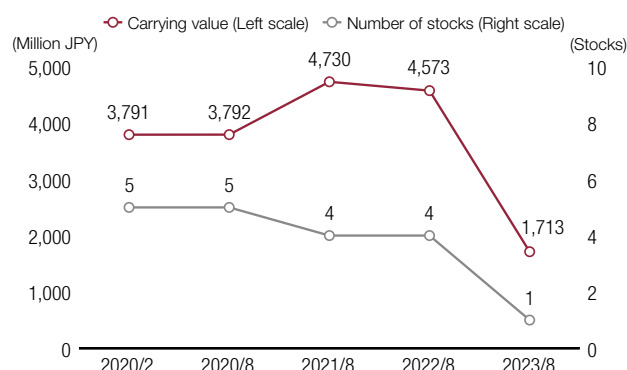


The amount for FY2023/8 is disclosed in the Securities Report (Japanese only). ▶ https://ssl4.eir-parts.net/doc/7453/yo_ho_pdf/S100SBV6/00.pdf

About Cross-Shareholdings

Ryohin Keikaku's policy is to sell cross-shareholdings in principle, and the Board of Directors receives reports on the reduction of cross-shareholdings every year.

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



Basic Information

Messages from Outside Officers



Masayoshi Yagyu

Outside Director

The Company has declared its “Second Founding,” announced the 2030 Vision and set out key tasks for realizing related goals. This includes establishing a core product lineup and strengthening the production and procurement system, as well as the creation of a corporate culture of self motivation. These moves have helped to create a strong business foundation for achieving our goal of expanding the scope and scale of the supply chain in the growth process, without changing Ryohin Keikaku’s concepts or failing to ensure efficient daily operations. In the two years since the start of the “Second Founding,” the Company has overcome difficulties and begun to see progress in various areas, such as improvement of internal systems and recruiting of external talent.

Regarding the Board of Directors, new members with diverse knowledge and experience have been added. This has led to livelier, more multifaceted discussions, and we are steering the Board toward addressing the challenges the Company faces. Among those challenges are two infrastructure improvements that may hold the key to realizing its vision.

The first strategy involves strengthening procurement and production by fostering close cooperation and continuous improvement with suppliers who understand and share Ryohin Keikaku’s aspirations. This will include getting more deeply involved in production processes in order to achieve these goals.

The second element is standardizing operations at headquarters and stores and developing systems that will form the foundation of a corporate culture of self motivation. A true corporate culture of self motivation that can support our business will not come from operations that depend on tacit knowledge or a particular individual. Standardization and development of systems means that all associates will share the same approach in order to achieve the highest quality and efficiency. Individuality will not be lost as long as people involved in the process continue to improve themselves. This standardization and development of systems are what will truly ensure that people who are a part of a culture of self motivation are able to think and act freely.

As a member of the Board of Directors, I want to help build this foundation to help realize the Company’s vision.



Atsushi Yoshikawa

Outside Director

Last year, I wrote that the challenge of the “Second Founding” was “at the point where the drive wheels are very hard to move,” but I feel that those wheels have steadily begun gaining traction in the past year.

The operating environment has improved significantly since the easing of the COVID-19 pandemic. Moreover, within the Company, the operating profit ratio improved through the second half of the period thanks to efforts to optimize inventory, aggressive control of logistics costs, strengthening of the online sales environment, and other measures, combined with the introduction of exciting new products and expansion of sales methods. Efforts to bolster human resources, including from outside the Company, with a focus on headquarters staff, generally proceeded as planned.

One issue is that even though the decision was made to raise prices in response to the external environment, the Company needs to further strengthen productivity in order to ensure it can maintain fair prices. As for new store openings, the Company opened 75 stores in Japan and 65 stores overseas, but not all of these stores are growing their customer base and sales as originally expected. The Company must continue to monitor its store opening policy. The Company also needs to better manage business processes in Europe.

In the Remuneration Advisory Committee, we had extensive discussions on restricted stock, a form of non-cash compensation. However, while there is definite progress toward the original ESG-related targets, we do not think this movement is yet well established in the Company, so we set the evaluation coefficient at 75%.

I will continue to oversee Ryohin Keikaku from a governance perspective as it continues its “Second Founding.”



Kumi Ito

Outside Director

The past year has flown by since I joined team MUJI. I have worked in management at foreign companies and startups, and am currently active as an outside director at several companies and as a director at a university, but I have never been contacted as much as I have since being appointed an outside director of Ryohin Keikaku. That alone has made me keenly aware of the appreciation and expectations people have for Ryohin Keikaku and MUJI, and the weight of my responsibility.

Ryohin Keikaku, which has embarked on its “Second Founding,” has also changed the structure of its Board of Directors, with three female outside directors joining the Board, myself included. The environment here is conducive to a candid exchange of opinions. In addition to meetings of the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee, I have various chances to talk with the other outside directors, senior management, and people on the frontlines of business, including meetings with executive officers and through store inspection tours. Everyone, myself included, enthusiastically shares their views, and I often think, “Oh, I see what you mean!” during discussions.

On the other hand, I feel that there is a need to strengthen processes and systems to suit a company of this size. Efforts such as IT improvements are already under way, and I would like to keep an eye on their progress. I also think that the number of women in management can be increased. Roughly 70% of new university graduate employees are women, so there is a pipeline of candidates. Their continued professional development will be important.

All employees, from top executives to sales associates, are fans of MUJI and instinctively understand what it should do for communities and people. As such, the corporate purpose is naturally ingrained. As members of management, I believe it is important that we forge ahead with strategies and action plans that give shape to people's ideas.



Yuriko Kato

Outside Director

In the year since I was appointed, I think the biggest achievement is that management's thinking has changed dramatically. It takes conviction and strong management for a new leader to bring in fresh strategies and implement them. As an entrepreneur, I can assure you that it is a whole lot easier to just build a new organization from scratch.

A year earlier, when I was first appointed, the atmosphere made it difficult for members of management, much less employees, to fully express themselves to President Domae, who is a clear-headed strategist. However, he humbly accepted the feedback of officers and employees, and quickly sharpened his awareness and adjusted his behavior. He has enhanced open management of meetings and increased opportunities for dialogue with employees, and continued working to really understand conditions on the frontlines. I feel that our cohesiveness as a team is improving.

I have also been very impressed by the managerial ability that allowed him to quickly change business strategy while bouncing ideas off employees and the public under the difficult circumstances of the “Second Founding” of a large company.

Recognizing that the MUJI concept and values were becoming forced, management has begun building a system that respects the diversity of countries, regions and employees. The Company is evolving into a creative group that fosters people's well-being with a perspective that takes the entire planet into consideration. I am convinced that the challenge of taking on a “Second Founding” will point the way to the manufacturing retailer business model of the future.



Mayuka Yamazaki

Outside Director

In the year since my association with Ryohin Keikaku began in autumn of 2022, I have seen firsthand and in various settings how the Company is honestly trying to be a positive presence. Amid a broad global trend of rethinking the emphasis on shareholder value and free-market principles, and reexamining why companies exist (their purpose), more and more companies are suddenly claiming to exist for society. But it is rare to find a company that has addressed that question sincerely and conscientiously right from the beginning.

On the other hand, the past year has been one in which the people of Ryohin Keikaku learned through trial and error how difficult it is for a company to try to be socially beneficial. The definition of “beneficial” changes with the times. Organizations are now being required to transform their way of operating and doing business. There is no precedent to follow or correct answer. Each person in the organization has to think for themselves, question things, and engage in dialogue with other members to move forward together. Based on survey results showing that employee engagement is low, Ryohin Keikaku has recently shifted direction to a people-centered policy that values members of the organization. I believe this will become the platform for realizing Ryohin Keikaku’s intention of being a socially beneficial company.

Board of Directors meetings are a place where people with wonderfully varied backgrounds and knowledge are able to frankly express their unique perspectives and opinions with a high degree of psychological safety. In addition, outside directors are given ample opportunities to deepen their understanding of the Company and get feedback while maintaining their independent viewpoints. This includes having opportunities to engage in dialogue with the executive team and direct communication with employees on the frontlines. I intend to find more ways to contribute and give my wholehearted support to Ryohin Keikaku as it continues to walk a path that no other company in the world can follow.

Message from an Outside Corporate Auditor



Kosuke Yamane

Full-time Outside Corporate Auditor

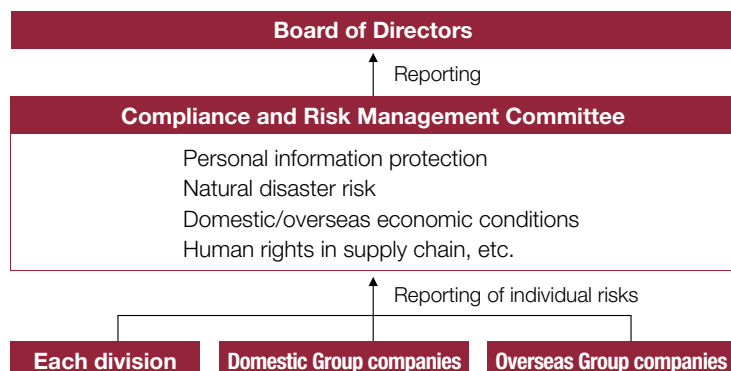
It has been a year since I was appointed as a full-time outside corporate auditor of Ryohin Keikaku. I work hard to put my 40 years of experience at Komatsu Ltd. to use in the Company’s growth. This is my first time working in the retail industry, but when it comes to manufacturing, there are many elements that are the same. The engineering chain from planning and development to production and sales, the supply chain from material procurement to delivery of products to customers, and the smooth flow of goods and information in the two chains are fundamental to strong manufacturing. We are currently insourcing some production work, and are in the process of getting more deeply involved in quality, cost and delivery (QCD) operations at factories. The key to this is respecting and trusting suppliers as business partners, and fostering a shared sense that we will grow together.

We are aiming to be a front runner in ESG management through our core business. The use of natural materials and a recycling-oriented product lineup is our differentiation strategy, and the goal is for all of our products and services to lead to a better environment and society. The role played by outside officers in strengthening governance is substantial. I intend to enhance management transparency by offering different points of view that help stimulate discussion in the Board of Directors and Board of Auditors.

I see the “Second Founding” as a way to reflect on the Company’s past to polish its strengths and improve on areas of weaknesses. As an outside corporate auditor, I will do my best to make the Company even stronger.

Risk Management and Compliance

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 committee, which is 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.

Business-Related Risks of Particular Significance

The Compliance and Risk Management Committee has prepared a risk management list to help each division recognize potential material risks to the Group and to come up with ways to respond to them. The risk management list corresponds to Ryohin Keikaku's operations manual, ensuring that information on specific responses and measures is easily accessible. Each division regularly reviews risk-related issues and updates the risk management list. In the review for FY2023/8, we increased the number of items in the risk management list based on recent events and incidents, and are working on ways to respond to each item.

Material risks have been divided into three categories: compliance risks related to legal violations in the areas of occupational health and safety and the supply chain; operational risks associated with information leaks and fraud; and financial and disclosure risks related to taxation and accounting. Ryohin Keikaku assesses potential material risks according to their significance and likelihood of manifestation.

Main Countermeasures Implemented in FY2023/8

Category	Risk	Main Countermeasures
Compliance Risks	Occupational Health and Safety	<ul style="list-style-type: none"> Conduct ongoing monitoring of work schedules and overtime hours for store and headquarters employees Assign dedicated safety management personnel to distribution centers to conduct on-site patrols, hold safety information sessions, and carry out risk assessments and hazard prediction training
	Supply Chain	<ul style="list-style-type: none"> Ensure the traceability of primary raw materials, conduct factory audits of key suppliers and disclose list of suppliers
Operational Risks	Information Leaks	<ul style="list-style-type: none"> Establish information security and risk management teams to handle the protection of personal information and to prevent external data breaches
	Fraud	<ul style="list-style-type: none"> Create guidelines for payment and accounting process and ensure implementation
Financial and Disclosure Risks	Taxation Accounting	<ul style="list-style-type: none"> Develop and manage framework to ensure thorough tax compliance, particularly as regards legal requirements such as the new Japanese invoice system and transfer pricing taxation

Risk Management ► <https://www.ryohin-keikaku.jp/eng/sustainability/governance/risk/>

Human Rights

Identifying and Assessing Possible Negative Impacts on Human Rights

In 2023, Ryohin Keikaku identified 22 human rights-related issues with the help of outside experts and by referencing international standards as well as the results of factory audits and employee engagement surveys. We prioritized the issues identified by assessing their significance and likelihood of impact on our operations and the supply chain, with reference to the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development's Due Diligence Guidance. We will formulate a roadmap for each relevant department and work with stakeholders to prevent and mitigate human rights risks. We will also regularly evaluate the effectiveness of our initiatives, and continue to conduct reviews to identify and assess any negative impacts on human rights.

Priority Human Rights Issues

Company: Harassment (including harassment from customers); discrimination; gender rights; working hour management; and access to remedy
 Supply Chain: Occupational health and safety; forced and child labor; discrimination; the environment; working hour management; gender rights; consumer safety and freedom of information; and harassment

Initiatives for Respecting Human Rights ► Pages 45-46

Respecting Human Rights ► <https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/humanrights/>

Quality

Ryohin Keikaku inspects each process of design, development, procurement and production based on the “Ryohin Standards,” and strives to provide safe and secure products.

Approach to Quality ► <https://www.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 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 Production Division cooperates with external inspection organizations as needed. The Production Division also leads weekly meetings to detect defects at an early stage as part of efforts to continuously improve quality.

Management Using the Restricted Substances List for Textile Products

During FY2023/8, we joined the Apparel and Footwear International RSL Management Group (AFIRM) as part of efforts to strengthen management of chemical substances. AFIRM was established in 2004 by the Phylmar Group, a group of environmental, health and safety (EHS) and sustainability professionals. It is an international framework for managing the Restricted Substances List (RSL) in apparel and footwear. We will eliminate chemical substances with potential effects on the human body, and strive for safe and reliable quality control.

For details ► <https://www.ryohin-keikaku.jp/eng/sustainability/environment/chemical/>

Strengthening Food Safety Initiatives

Ryohin Keikaku has its own legally compliant standards called the “Ryohin Standards,” designates food additives for use and sets expiration dates. We also select ingredients and devise processing and packaging methods to reduce the use of food additives.

Before launching a new product, we apply the “Ryohin Standards” to ensure rigorous quality control. This includes verifying whether product specifications and content will safely maintain their integrity until the expiration date, and whether the cooking instructions are easy to understand. In addition, we ensure that the food we provide through restaurants and ready-made meals also conforms to the “Ryohin Standards.”

In FY2023/8, we established the Food Safety Committee to reinforce the quality control system. We also conducted reviews of the “Ryohin Standards” and factory selection standards, and restructured the quality control and quality assurance system.

Responsibilities to Customers on Food ► <https://www.ryohin-keikaku.jp/eng/sustainability/activities/food/>

Information Security and Protection of Personal Information

Ryohin Keikaku has formulated an Information Security Policy and a Privacy Policy to ensure it continues to earn the trust of its customers and society by taking fundamental and sophisticated measures to protect the information assets entrusted to it by its customers and other related parties, to maintain and improve its global corporate brand, and to comply with laws and regulations.

We strive to maintain and increase information security by complying with both policies, protecting information assets from various threats, and handling them appropriately.

Information Security Policy ► <https://www.ryohin-keikaku.jp/eng/sustainability/governance/informationsecurity/>

Privacy Policy ► <https://www.ryohin-keikaku.jp/eng/corporate/privacypolicy.html>

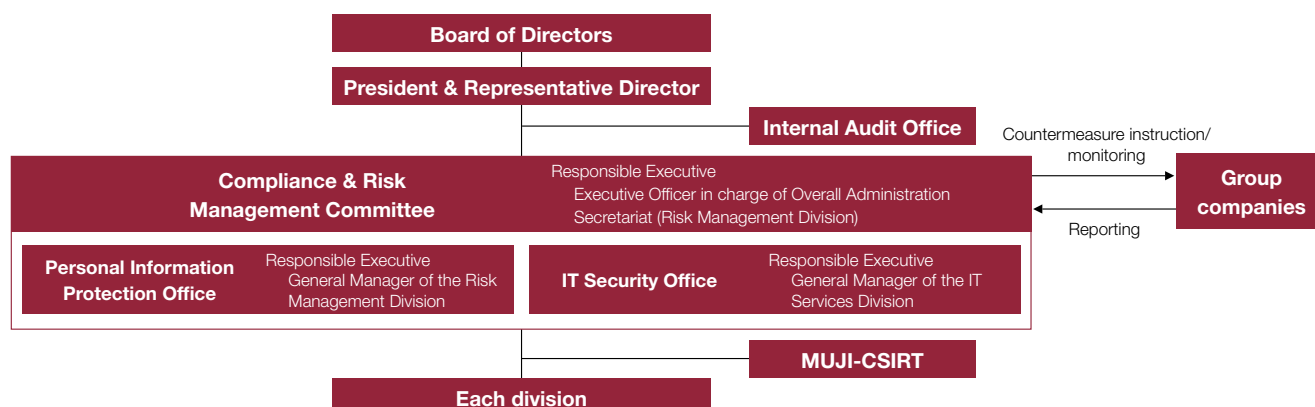
Measures to Raise the Level of Information Security

In FY2023/8, we worked on creating systems compliant with the Information Security Management System (ISMS) and inaugurated the Information Security Incident Response Team (MUJI-CSIRT). The goal of these measures is to establish a risk management system mainly for the information security of the Ryohin Keikaku Group as a whole. To minimize risks, MUJI-CSIRT is charged with responding to and resolving cybersecurity incidents, making security improvements and conducting other related operations. Members responsible for promoting initiatives are selected by each department to ensure a rapid and efficient response across all departments. We formally joined the Nippon CSIRT Association in August 2023.

Management System

The Compliance and Risk Management Committee oversees information security for the Group as a whole. The committee has established the IT Security Office and Personal Information Protection Office to accurately grasp the status of information security and to discuss and promote countermeasures. The Personal Information Protection Office formulates rules and policies for personal information management and manages the overall process. The IT Security Office builds, maintains and operates the IT infrastructure environment in compliance with rules and policies, and works for its continuous improvement. The IT Security Office reports on its activities to the Compliance and Risk Management Committee, which meets four times a year, and the details of deliberations are reported to the Board of Directors at least twice

a year. In addition, each Group company appoints a person in charge of information security, and strives to strengthen and thoroughly implement the information management system throughout the Group.



Information Security Training

We provide information security training to all officers and employees, and regularly conduct the following initiatives, which are effective for continuously improving security literacy, assessing the level of understanding, and raising awareness. By promoting awareness of security throughout our organization, we aim to become a company that is resilient to cyber risks.

- (1) Conduct an e-learning course on information security for all employees at least twice a year
- (2) Conduct training on targeted e-mail attacks for all employees twice a year
- (3) Provide reminders prior to long vacations, and conduct awareness-raising activities and follow-ups during daily work

Information Security e-Learning*

Implemented	Training Theme	Participation Rate
December 2022	Information security	80.5%
March 2023	Personal information protection	77.5%
September 2023	Social media and stealth marketing	87.0%

* Ryohin Keikaku Co., Ltd. only

Compliance

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. Based on this code of conduct, anti-harassment training is conducted regularly for newly appointed managers to prevent harassment and improve management skills. In FY2023/8, 450 employees participated in the training.

The Compliance and Risk Management Committee, which meets regularly, reviews the status of compliance with the Group Compliance Code of Conduct, investigates any violations, identifies details and causes, and considers measures to prevent recurrence. In addition, the Compliance and Risk Management Committee regularly verifies the effectiveness of the Group Compliance Code of Conduct. No material compliance violations related to the business operations of the Group occurred in FY2023/8. The committee also confirmed no political contributions were made. Fourteen other compliance violations occurred in FY2023/8. All Group companies were notified of the incidents, and the importance of compliance was inculcated through in-house training and other measures.

Ryohin Keikaku Group Compliance Code of Conduct ► <https://www.ryohin-keikaku.jp/eng/sustainability/governance/compliance/>

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 prevents and detects legal violations, misconduct and harassment at an early stage, and also adds to the compliance knowledge of officers and employees.

This helpline 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. Anyone may make a report to the helpline by telephone, email (including those using an anonymous system) or in person. Depending on the results of investigations, internal procedures may be initiated 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 184 requests for consultation were received in FY2023/8.

Basic Information

11-Year Summary

For more IR Information ▶ <https://www.ryohin-keikaku.jp/eng/ir/>

	2013/2	2014/2	2015/2	2016/2
Profit and Loss (Consolidated)				
Operating income	188,350	220,620	260,254	307,532
(Domestic)	—	171,923	182,701	198,449
(Overseas)	—	48,472	77,546	109,080
Operating gross profit	87,376	101,665	122,831	150,451
Selling, general and administrative expenses	69,024	80,749	98,984	116,012
Operating profit	18,351	20,916	23,846	34,439
Operating profit ratio (%)	9.7	9.5	9.2	11.2
Ordinary profit	19,760	23,047	26,602	32,700
Net income attributable to owners of parent	10,970	17,096	16,623	21,718
Cash flows from operating activities	13,176	15,117	14,619	26,133
Cash flows from investment activities	(4,945)	(17,842)	(22,193)	(8,647)
Cash flows from financing activities	(2,540)	(5,385)	11,377	(6,520)
Depreciation	3,186	4,179	4,887	6,816
Financial Position (Consolidated)				
Total assets	119,360	140,229	186,947	200,919
Net assets	96,050	111,015	128,670	143,173
Key Performance Indicators (Included in consolidated key financial indicators)				
Return on equity (ROE) (%)	12.5	17.0	14.3	16.4
Equity ratio (%)	78.3	76.9	67.0	69.4
Return on assets (ROA) (%)	17.8	17.8	16.3	16.9
Turnover of merchandise	—	3.73	3.10	2.89
Per-share Data				
Earnings per share (EPS) (JPY)	40.95	64.46	62.75	81.84
Net assets per share (BPS) (JPY)	348.80	407.19	472.37	524.79
Dividends per share (JPY)	11.0	15.5	19.0	24.6
Dividend payout ratio (%)	26.9	24.0	30.3	30.1
Other Data				
Number of MUJI stores in Japan ¹	379	385	401	414
Number of MUJI stores overseas ¹	206	255	301	344
Total sales floor space in Japan (m ²) ²	265,037	270,250	282,083	289,899
Number of regular employees	3,069	4,101	4,795	5,653
Number of non-regular employees ³	5,307	6,934	7,242	7,877
Downloads of MUJI passport app (thousand people) ⁴	—	1,407	3,367	8,850

1. Excluding Café&Meal MUJI and IDÉE

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

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. Due to the change in fiscal year, 2020/8 covers the six-month period from March 1 to August 31, 2020.

6. Number revised from MUJI REPORT 2022

(Million JPY)

2017/2	2018/2	2019/2	2020/2	2020/8 ⁵	2021/8	2022/8	2023/8
333,281	379,551	409,697	438,713	179,392	453,689	496,171	581,412
215,716	234,791	246,269	267,864	122,428	296,998	308,114	342,829
117,563	144,758	163,425	170,846	56,961	156,691	188,057	238,583
165,861	191,819	211,380	217,628	83,694	222,334	234,356	271,549
127,583	146,532	166,636	181,248	82,821	179,887	201,582	238,412
38,278	45,286	44,743	36,380	872	42,447	32,773	33,137
11.5	11.9	10.9	8.3	0.5	9.4	6.6	5.7
38,582	45,985	45,861	36,377	563	45,369	37,214	36,156
25,831	30,113	33,845	23,253	(16,917)	33,903	24,558	22,052
19,742	46,982	23,680	24,452	(1,758)	61,447	23,350	56,527
(9,856)	(14,290)	(5,492)	(31,435)	(4,239)	(13,538)	(16,683)	(22,106)
(14,361)	(21,759)	(9,505)	(11,467)	63,722	(15,162)	(58,647)	(11,232)
7,543	8,644	9,867	17,622	10,358	18,969	22,018	24,881
214,705	238,313	258,309	306,512	343,918	393,357	399,324	453,715
157,018	174,426	195,189	208,492	182,992	214,871	244,852	267,446
17.7	18.6	18.8	11.8	(8.8)	17.3	10.8	8.7
71.3	71.3	73.8	66.6	52.4	53.9	60.5	58.1
18.6	20.3	18.4	12.8	0.2	12.3	9.4	8.5
2.55	2.55	2.44	2.28	1.87	2.19	2.22	2.36
97.50	114.70	128.92	88.47	(64.32)	128.90	93.24	83.51
579.18	647.68	725.83	775.77	684.94	806.75	915.93	997.13
29.3	34.5	38.7	36.4	5.0	40.0	40.0	40.0
30.1	30.1	30.0	41.1	—	31.8	42.9	47.9
418	419	420	437	438	456	493	562
403	457	497	533	527	546	579	626
297,001	306,316	319,698	359,141	375,446	417,057	494,871	628,133
6,992	8,128	9,137	9,615	9,046	8,882	9,175	10,074
9,203	9,254	10,233	10,825	8,050	9,281	9,834	10,721
12,289	15,983 ⁶	21,128 ⁶	44,746 ⁶	49,380	59,297	69,780	78,527

Basic Information

ESG Data

2030 ESG Indices

Items		Key Performance Indicators	Initiatives in FY2022/8 (Figures Are as of August 31, 2022)	Initiatives in FY2023/8 (Figures Are as of August 31, 2023)
Eliminate plastic in packaging and various materials	100%	Percentage of packaging and materials for apparel, household goods and food products that do not use plastic (except when plastic is required for hygiene, quality and safety)	Apparel: 74.8% Household goods: 47.0% Food products: Coffee beans, nuts and other items sold by weight at some stores	Apparel: 96.8% Household goods: 64.7% Food products: Recycled plastics and biomass plastics used in some packaging
		Total weight of plastic reduction (comparative reduction of current versus previous plastic packaging)	Apparel: 59 t Household goods: Under review Food products: 251 t	Apparel: 104.8 t Household goods: 60.7 t (Estimated reduction resulting from the launch of refill pouches for skin care products) Food products: 292 t
Design products for reuse and recycling	100%	Percentage of items designed with recycling in mind (except when hygiene concerns preclude recycling)	Household goods: 36.0%	Household goods: 52.1%
Reuse of 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. 1,130 kg (PET bottles) 2. 1,130 kg	1. 21,884 kg (PET bottles 2,298 kg, other plastic products 19,591 kg) 2. 21,884 kg
Source socially and environmentally responsible cotton¹	100%	Percentage of socially and environmentally responsible cotton used ^{2,3}	Apparel: 100% Household goods: 87.4%	Apparel: 82.9% ⁴ Household goods: 66.7%
Source animal-derived materials from farms practicing animal welfare or using recycled materials	100%	Percentage of materials sourced from farms practicing animal welfare and use of recycled animal-derived materials ³	Apparel Wool: 100% certified non-mulesed wool Down: 100% down certified to ensure animal welfare Household goods Wool: 100% certified non-mulesed wool Down: 100% down certified to ensure animal welfare	Apparel Wool: 99.9% certified non-mulesed wool Down: 100% down certified to ensure animal welfare Household goods Wool: 100% certified non-mulesed wool 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. 27 factories 2. A Assessment: 0 factories; B Assessment: 18 factories; C Assessment: 2 factories; D Assessment: 3 factories; E Assessment: 4 factories The four E-rated factories indicated that they had not formulated policies prohibiting child labor, and that factory employees had to bear the cost of medical examinations. We have agreed on improvement plans for all of these factories and are confirming the implementation of improvements. Material and raw material manufacturers We started conducting audits of major material manufacturers from FY2023/8. (We have already conducted some due diligence. No significant violations of law or Ryohin Keikaku's Code of Conduct were found.)	Product manufacturers 1. 73 factories 2. A Assessment: 2 factories; B Assessment: 36 factories; C Assessment: 18 factories; D Assessment: 8 factories; E Assessment: 9 factories Material and raw material manufacturers 1. 43 factories 2. A Assessment: 2 factories; B Assessment: 30 factories; C Assessment: 3 factories; D Assessment: 5 factories; E Assessment: 3 factories Non-compliant items of E assessment factories included locked emergency exits, unsatisfactory safety measures due to fire extinguishers and evacuation routes being blocked by objects, and inadequate management of working hours. We have agreed on improvement plans for all of these factories and are confirming the implementation of improvements.
List of major suppliers, traced back to raw materials	100% disclosure	List of major suppliers	We began preparing to disclose a list of major suppliers.	In March 2023, we disclosed the list of major factories that produce MUJI apparel and textile products. We are strengthening cooperation with our production partners to expand the scope of disclosure, and are working toward disclosure of a list of major factories and material and ingredient manufacturers for household goods and food products. List of Production Partners ▶ https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/partners/
Reduce Group GHG emissions (Scope 1 and 2)	50% reduction	Scope 1 and 2 total (t-CO ₂ e) Baseline: 2021/8	Total in Japan: 35,819 t-CO ₂ e 16.1% increase compared with baseline year Group total: 65,577 t-CO ₂ e 10.8% increase compared with baseline year	Total in Japan: 40,378 t-CO ₂ e 30.9% increase compared with baseline year Group total: Under review Increase compared with baseline year: Under review
Ensure stores use renewable energy	100%	Number of stores and distribution centers that use renewable energy (including headquarters and campsites)	Installed in some stores and distribution centers CO ₂ emissions were reduced by 1,322 t-CO ₂ through the introduction of renewable energy.	Installed in some stores and distribution centers CO ₂ emissions were reduced by 1,578 t-CO ₂ (including due to use of solar power) We plan to begin using renewable energy with a focus on roadside stores.
Equip stores (independent store buildings) with rooftop solar panels	100%	Number of stores and distribution centers with solar power generation equipment (excluding stores that cannot install solar panels such as those in shopping malls)	We made plans to install and begin operation at several stores.	Installed and began operation at 7 stores CO ₂ emissions were reduced by 148 t-CO ₂
Demonstrate commitment to diversity and inclusion by disclosing workforce composition by age, gender and race		1. Average age (regular employees) 2. Ratio of female regular employees in managerial positions (deputy manager level and above) ⁵ 3. Ratio of female employees (regular employees) 4. Ratio of non-Japanese employees (regular employees) 5. Ratio of employees with disabilities (including non-regular employees)	1. 38.3 (Female: 36.9; Male: 40.0) 2. 20.7% 3. 55.6% 4. 1.3% 5. 3.69% Initiatives: Diversity Committee established	1. 38.4 (Female: 37.2; Male: 39.9) 2. 27.8% 3. 54.8% 4. 1.5% 5. 3.23%

1. Starting in FY2023/8, we changed our target to "Source 100% socially and environmentally responsible cotton by 2030."

2. Cotton that we have evaluated as socially and environmentally responsible includes GOTS, CmiA and GRS. We will be adding new indexes as appropriate.

3. Figures for the relevant fiscal year are based on materials used for products sold in the spring/summer and fall/winter seasons of each year.

4. As a result of efforts to minimize the impact of COVID-19 on the supply chain and to promote stable sourcing of cotton, the percentage of organic cotton used decreased. Going forward, we will continue to increase our options in terms of socially and environmentally responsible cotton, not limited to organic cotton, to ensure stable sourcing.

ESG Data

Scope: Ryohin Keikaku Co., Ltd.
(As of August 31, 2023)

Items			Unit	FY2022/8*	FY2023/8
Environment	Energy used	City gas	MWh	5,002	5,314
		LP gas	MWh	213	333
		Kerosene	MWh	331	332
		Diesel fuel	MWh	18	17
		Gasoline	MWh	52	36
		Heat, steam and cooling	MWh	24,757	20,791
		Electricity	MWh	75,560	87,684
		Total	MWh	105,933	114,507
	Renewable energy	Amount used	MWh	3,054	3,636
		Ratio of renewable energy to energy used	%	4.0	4.1
	Greenhouse gas emissions	Scope 1	t-CO ₂ e	1,110	1,187
		Scope 2 (Market based)	t-CO ₂ e	34,709	39,191
		Scope 3	t-CO ₂ e	1,059,355	1,198,241
		Total	t-CO ₂ e	1,095,174	1,232,784
		Hydrofluorocarbon (HFCs)	t-CO ₂ e	64	63
	Water	Water usage	m³	147,783	144,429
		Wastewater	m³	147,783	144,429
	Waste generated	General waste	t	12,259	12,299
Industrial waste		t	1,103	1,531	
Society	Number of employees			9,960	10,648
	Number of regular employees	Female	(%)	1,404 (55.6)	1,576 (54.8)
		Male	(%)	1,123 (44.4)	1,298 (45.2)
		Total		2,527	2,874
	Number of non-regular employees			7,433	7,774
	Managers (deputy manager level and above) ⁵	Female	(%)	36 (20.7)	131 (27.8)
		Male	(%)	138 (79.3)	340 (72.2)
		Total		174	471
	Average age (regular employees)	Female		36.9	37.2
		Male		40.0	39.9
		Total		38.3	38.4
	Average length of service (regular employees)	Female	(%)	7.8	7.9
		Male	(%)	9.4	8.8
		Total		8.5	8.3
	Average annual salary (regular employees)	Thousand JPY		5,930	6,202
	Number of new university graduate hires			103	142
	Number of mid-career hires			105	224
	Ratio of mid-career hires to total new hires	%		50.5	61.2
	Voluntary turnover rate (regular employees)	%		8.25	7.34
Ratio of employees with disabilities	%		3.69	3.23	
Governance ⁷	Directors	Female	(%)	3 (37.5)	3 (37.5)
		Male	(%)	5 (62.5)	5 (62.5)
		Total		8	8
		Average number of years in office		5 years, 7 months	6 years, 7 months
	Outside directors	Number of outside directors		5	5
		Percentage of outside directors	%	62.5	62.5
	Board of Directors	Number of meetings	Times	16	16
		Average attendance rate	%	99	99
Compliance	Ryohin Keikaku Group Helpline consultations			148	184
	Number of employees participating in harassment training			206	450

5. Until FY2022/8, only employees with executive titles such as "deputy manager" or "general manager" were considered managers. As of FY2023/8, employees whose job description and level of responsibility are equivalent to that of "deputy manager" are also counted as managers, regardless of their job title or number of people in their team.

6. Some environmental data for FY2022/8 has been revised from MUJI REPORT 2022.

7. Figures are calculated based on the composition of officers after the annual shareholders' meetings held on November 23, 2022 and November 23, 2023, respectively.

ESG Data Book ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/muji-sustainability/number/>

Basic Information

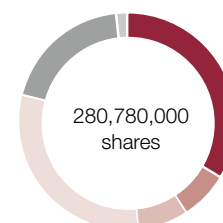
Stock Information (As of August 31, 2023)

Stock Overview

Total number of authorized shares: 1,123,120,000
 Total number of issued shares: 280,780,000 shares
 Number of shareholders: 157,917
 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 and Number of Shares Held

Financial institutions: 94,700,247 shares
 Securities companies: 20,197,755 shares
 Other corporations in Japan: 20,874,219 shares
 Corporations and individuals outside Japan: 86,168,479 shares
 Individuals and others: 54,251,909 shares
 Treasury shares: 4,587,391 shares



Credit Rating Information

Long-term issuer rating: A+
 Rating outlook: Stable
 Rating agency: Japan Credit Rating Agency (JCR)

Major Shareholders (Top 10)

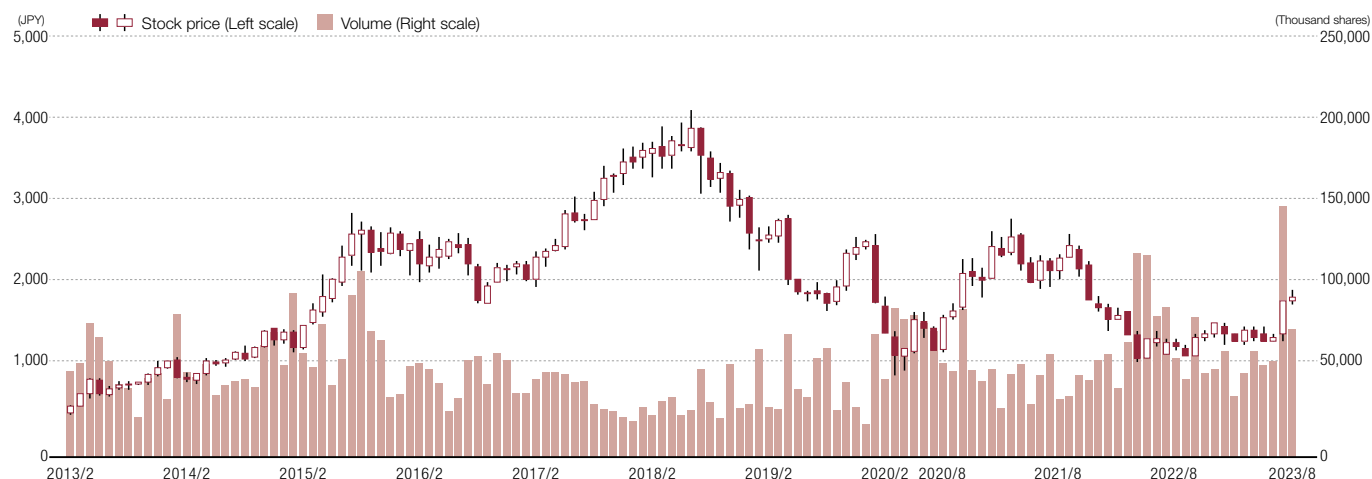
Shareholder	Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	41,416	14.99
Custody Bank of Japan, Ltd. (Trust Account)	25,108	9.09
Custody Bank of Japan, Ltd. (Trust Account E)	11,224	4.06
Mitsubishi Corporation	10,783	3.90
Japan Securities Finance Co., Ltd.	7,763	2.81
MSIP CLIENT SECURITIES	6,478	2.34
SMBC Nikko Securities Inc.	5,895	2.13
BNP PARIBAS ARBITRAGE SNC	5,791	2.09
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	5,441	1.97
JP Morgan Securities Japan Co., Ltd.	4,614	1.67

Notes: 1. The Company holds 4,587,391 shares of treasury stock, which are excluded from the list of major shareholders above. The 4,587,391 shares of treasury stock do not include 11,224,047 shares held by Mizuho Trust & Banking Co., Ltd. and 342,500 shares held by Sumitomo Mitsui Trust Bank, Limited for a stock benefit trust (J-ESOP) and 267,700 shares held by Nomura Trust & Banking Co., Ltd. for an employee shareholding incentive plan (E-SHIP).
 2. The 11,224,047 shares held by the Custody Bank of Japan, Ltd. (Trust Account E) are for the purpose of a stock benefit trust (J-ESOP).
 3. The shareholding ratio is calculated after deducting the 4,587,391 shares of treasury stock.

Dividend Payout Ratio

	2017/2	2018/2	2019/2	2020/2	2020/8	2021/8	2022/8	2023/8
Consolidated dividend payout ratio	30.1%	30.1%	30.0%	41.1%	—	31.8%	42.9%	47.9%

Stock Price and Volume



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 FY2011/2.

Corporate Information (As of August 31, 2023)

Company Name	Ryohin Keikaku Co., Ltd.
Address	4-26-3 Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-8424 Note: Headquarters was relocated in February 2024. New location: Sumitomo Fudosan Iidabashi First Building, 2-5-1 Koraku, Bunkyo-ku, Tokyo
Establishment	June 1989 (registration: May 1979)
Capital	JPY 6,766,250,000
Number of Employees	20,795 (including 10,721 non-regular employees 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



FTSE4Good



FTSE Blossom
Japan

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 Recognized in the Sustainable Brands Index 2023

Ryohin Keikaku ranked first overall for the second consecutive year in the Japan Sustainable Brands Index 2023, an SDG-focused brand survey of consumers conducted by Sustainable Brands Japan. The results were announced at the International Conference on Sustainable Brands 2024 Tokyo-Marunouchi 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.

Ryohin Keikaku Wins 2023 IR Award

Ryohin Keikaku received the "Most Liked!" IR Award in the 2023 IR Awards program sponsored by the Japan Investor Relations Association (JIRA). This particular award was newly established in 2020 to mark the 25th year of presenting the IR Awards. It is determined by a vote of companies that entered the IR Awards. The category was established to share the proactive IR activities of award applicants and encourage best practices. The theme for 2023 was "IR department initiatives for human resource training and empowerment." Ryohin Keikaku was one of 21 companies selected out of 199 companies that entered.

Participation in Initiatives



WE SUPPORT



JP-MIRAI
Member

United Nations Global Compact

Since September 2013, Ryohin Keikaku has participated in the United Nations Global Compact. We conduct business in accordance with the Global Compact's ten principles in the areas of protection of human rights, the elimination of unfair labor practices, environmental responsibility and the prevention of corruption.

Platform to Ensure the Ethical and Fair Treatment of Foreign Workers (JP-MIRAI)

Since May 2022, Ryohin Keikaku has participated in the JP-MIRAI platform, which is based on international standards, and is working with other companies and institutions to improve the working and living conditions of foreign workers in Japan.

