

MUJI

REPORT 2022

RYOHIN KEIKAKU CO., LTD.

Information Resources

Financial Information	Non-Financial Information
MUJI REPORT Information on medium- to long-term value creation	
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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Editorial Policy

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

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

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

Period Covered Fiscal year ended August 2022 (September 1, 2021 to August 31, 2022)

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

Forward-Looking Statements

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

Introduction

Our Philosophy

Our Corporate Purpose

Our corporate purpose is to contribute to the 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

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

Mission 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.





MUJI Tsuruya Azumino Hotaka

Introduction

Our History

In order to realize “a truthful and sustainable life for all,” we have a “Grand Strategy” of contributing to society and people. Of course, as a business enterprise, profit is also important for us, but our top priority is this “Grand Strategy.” Ryohin Keikaku has been working 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

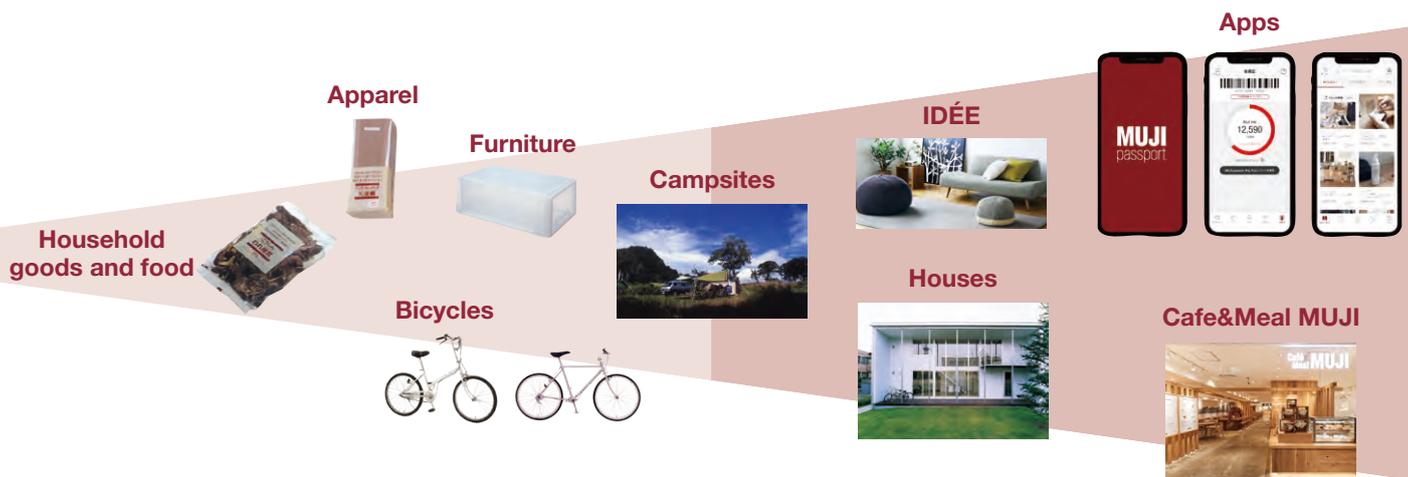
How things should be

We aimed to eliminate waste 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 daily life and things

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



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 Tsunan Campsite opened

2000

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

2001

MUJI Yurakucho 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, the global flagship store in China, opened

2015

Began ReMUJI recycling initiative

2016-2020

A truthful and sustainable life

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

2021-

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

We offer affordably priced products that are useful and truly essential, in addition to being good for the environment, producers and local communities. We will also evolve our efforts to help solve local issues, and contribute to the harmonious coexistence and development of daily life, culture and the environment together with local communities.

From products to lifestyle options



"Roadside station" outlets



Home renovation



Mobile sales



Hotel



Self-driving vehicles



Flagship store



From stores to local community centers

Healthcare (preventive care and well-being)

Food and agriculture

Social capital

Culture and arts



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

Fiscal year ended August 31, 2022

Operating revenue

JPY 496.1 billion

Operating profit

JPY 32.7 billion

Note: The graph in the background shows operating revenue.

Introduction

Our Products

Throughout its history, Ryohin Keikaku has tried to help resolve social issues through its products based on the idea of being useful. In doing so, three perspectives in our product development have remained unchanged since the launch of the MUJI brand in 1980: selection of materials, streamlining of processes and simplification of packaging. We develop no-frills, quality products and select materials that take the global environment and producers into consideration, eliminate waste in all processes, and provide customers with what they actually need, in the form they actually want.

Three Perspectives

—Our basic approach to product development—

Selection of Materials



We review materials by always returning to the basics of product development that are often overlooked in creating delicious and healthy food, comfortable clothes that fit well, and household goods that put function first. We provide high-quality products at affordable prices by utilizing materials that are rejected despite their quality because of their appearance, using commercial materials, accessing raw materials from global markets, and procuring large quantities of seasonal goods at low cost.

Streamlining of Processes



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

Simplification of Packaging



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

Apparel



Household goods



Food



1980 to 2021

Simplifying Processes

1983: Pre-washed shirts

Since washing clothes changes the texture of the fabric, it was assumed that shirts also had to be starched and ironed before sale. We overturned this conventional wisdom with the launch of pre-washed shirts that make the most of their natural texture. While omitting some processes and reducing costs, we also put effort into selecting materials. Ever since, product styles, materials and production areas have evolved further, undergoing both extensions and subdivisions, according to the times.



2022

Recycling and Effectively Using Resources

2022: Down series made with recycled nylon fabric

We updated our lightweight down apparel by using eco-friendly recycled nylon fabric. Waste threads generated during the production process, which are normally discarded, are collected, washed and crushed. They are then broken down again into nylon thread for recycled nylon products. As part of our efforts to use finite resources without waste and to reduce our environmental impact, we adopted 100% recycled nylon for the inner filling of our lightweight down products.



Rethinking Functions

1991: Mattress with Legs

Upon hearing that many Japanese people sleep on a futon placed on top of a bed frame, we wondered whether they might also use a mattress without a frame. This simple idea led to the launch of *Mattress with Legs*, which became a major hit product with total sales easily exceeding 1 million units. Even after its launch, we have continued to refine the product by incorporating customer feedback to make improvements in every aspect, including comfort, durability and price.



Preparing for Natural Disasters and Practical Use

2022: Cardboard beds

Based on the concept of everyday goods that can also be useful in emergencies, we have developed products in response to the opinions of people who have experienced life as evacuees. In collaboration with the Voluntary Architects' Network, a non-profit organization that has been working for many years to improve conditions at evacuation centers, we launched an easy-to-assemble cardboard bed for use in limited space.



Investigating the Essence

1980: Koshin Shiitake Mushroom Pieces

Dried shiitake mushrooms have high nutritional value and can be rehydrated for use as a soup stock, but everyone in Japan took it as a given that they were expensive. Our *Koshin Shiitake Mushroom Pieces* disproved this common belief. The secret of its low price was that MUJI was the first company to omit the sorting process used to standardize sizes and reject broken items. Our ambition to develop a product to "provide customers with the lifestyle essentials they actually need, in the form they actually want," which was printed on the package at the time of the launch, found acceptance among many customers.



Addressing Food Loss

2022: Irregular Baumkuchen series

Some loss inevitably occurs in the manufacturing process. Food may taste the same, but it is discarded because of its appearance. To eliminate this wastefulness, our *Irregular Baumkuchen* uses the entire cake up to its edges. Some twenty years have passed since the launch of *Irregular Baumkuchen*, a product that shows our respect for food. With the addition of variations such as a series with chocolate coating, its concept continues to evolve as a confectionery that enriches everyday life.



Introduction

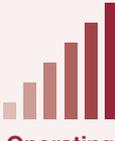
The Ryohin Keikaku Group in Numbers

In the 42 years since the creation of MUJI, we have continued to design and develop no-frills, quality products by focusing on selection of materials, streamlining of processes and simplification of packaging. The foundation of our ideology has not changed since MUJI's inception, and like a compass pointing north, it continues to orient us toward the essential and universal aspects of daily life.

Financial Data

Operating Revenue

JPY **496.1** billion

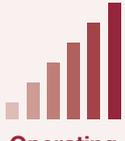


Operating Revenue

An increase in the number of stores due to new store openings both in Japan and overseas resulted in record-high operating revenue.

Operating Profit

JPY **32.7** billion



Operating Profit

Operating profit, ordinary profit and net income attributable to owners of parent decreased as growth in operating gross profit slowed down due to tough sales conditions for apparel as well as the impact of the sharp depreciation of the yen and higher transportation costs.

ROE (Return on Equity)

10.8%



ROE

ROE for the fiscal year ended August 31, 2022 was 10.8%. We are working to improve capital efficiency with the goal of maintaining ROE at 15% or higher.

ROA (Return on Total Assets)

9.4%



ROA

ROA for the fiscal year ended August 31, 2022 was 9.4%. We are working to improve capital efficiency with the goal of maintaining ROA at 15% or higher.

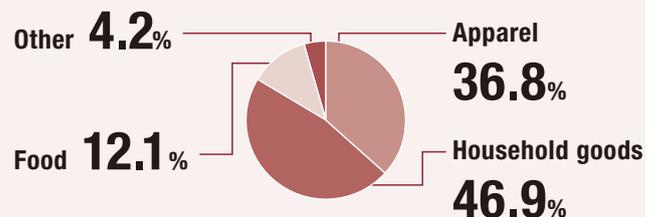
Dividend Payout Ratio

42.9%



We are committed to returning profits to our shareholders with an annual payout ratio of 30% of consolidated earnings as a basic policy. The dividend for the fiscal year ended August 31, 2022 was JPY 40.0 per share.

Operating Revenue by Product Category



Environmental Data

Number of Textile Products Using Recycled Materials

69¹



The above figure is the number of textile products (including apparel and household goods) that use recycled materials sold during the 2022/2023 fall/winter season.

Number of Stores Holding Food Drives²

79¹



We have begun holding food drives in partnership with local governments as part of efforts to reduce food loss. In this initiative, surplus items from households that are nearing their sell-by date are collected at stores and donated to local welfare groups and facilities through food bank organizations.

Non-Financial Data

Number of Employees (Ryohin Keikaku Group)

19,009



We had 19,009 employees worldwide (including 9,834 temporary and other workers) as of August 31, 2022.

Percentage of Outside Directors

5 out of 8



The percentage of outside directors was 62.5% as of November 23, 2022.

Number of Cooperation Agreements with Local Governments

22¹



We create new value in cooperation with local governments and residents by promoting initiatives that benefit people in the area, including local production for local consumption, creation of jobs and community development. As of August 31, 2022, we had entered into cooperation agreements with 22 local governments in Japan.

Percentage of Female Directors

3 out of 8



The percentage of female directors was 37.5% as of November 23, 2022.

Number of Active Users of the MUJI passport App

13.09 million^{1,2}



Launched in May 2013, the MUJI passport app is available in 11 countries and regions including Japan as of August 31, 2022. Active users in Japan during the fiscal year ended August 31, 2022 totaled 13.09 million.

Percentage of Women in Managerial Positions

20.7%¹



Excluding executives, 36 women hold the rank of section manager or higher, accounting for 20.7% of all employees in such positions. In addition, 282 women hold the rank of store manager or higher at directly managed stores in Japan, accounting for 39.1% of all employees in such positions.

Number of Stores with Water Refill Stations

357¹



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

Volume of Textile Products Collected

49.1 tons/year¹



With the aim of building a recycling-based society, we have been collecting textiles since 2010. After collection, products are reprocessed for sale under the ReMUJI brand. See page 61 for details of this initiative.

Note: Figures as of August 31, 2022.

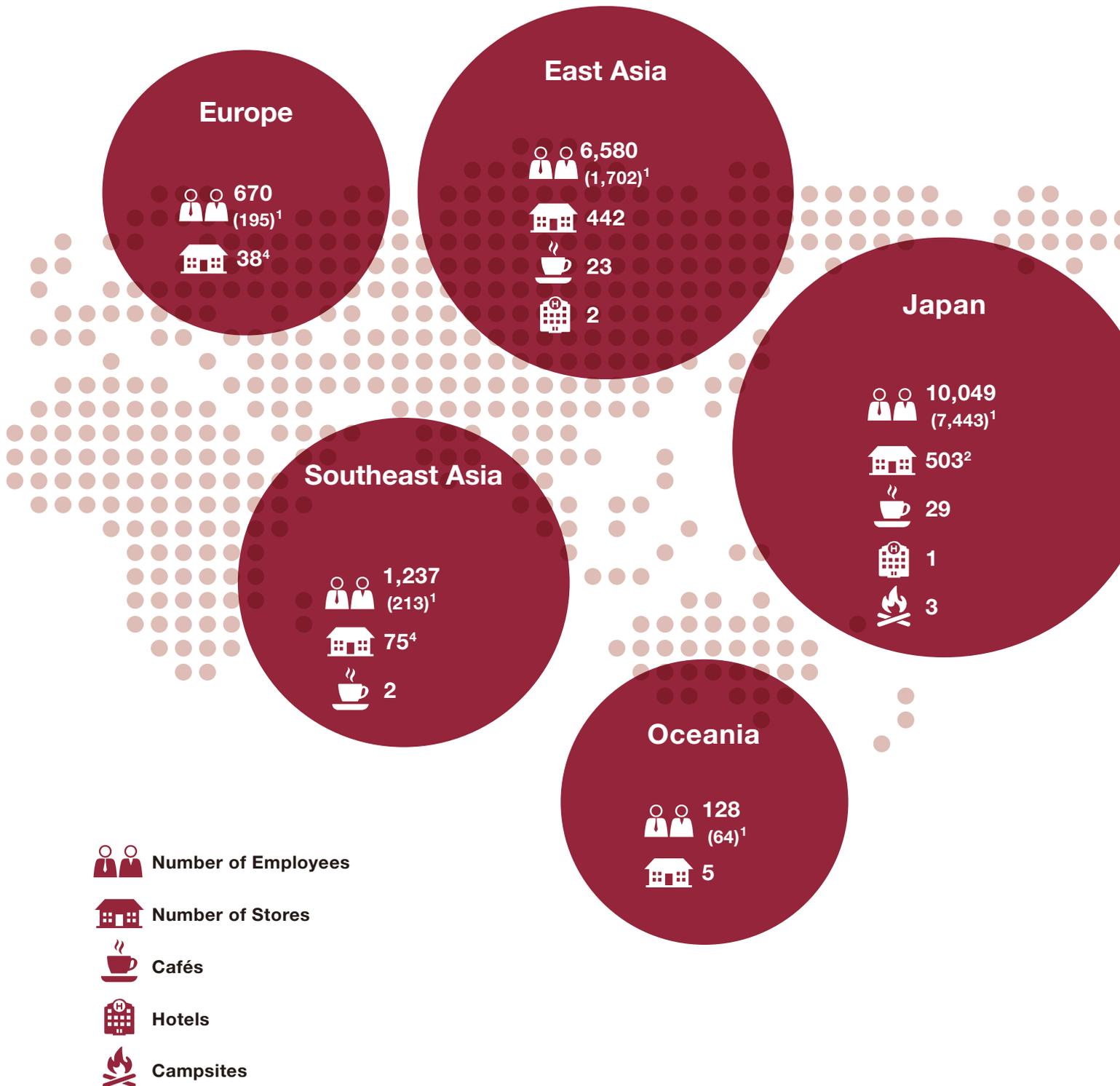
1. Ryohin Keikaku Co., Ltd. only

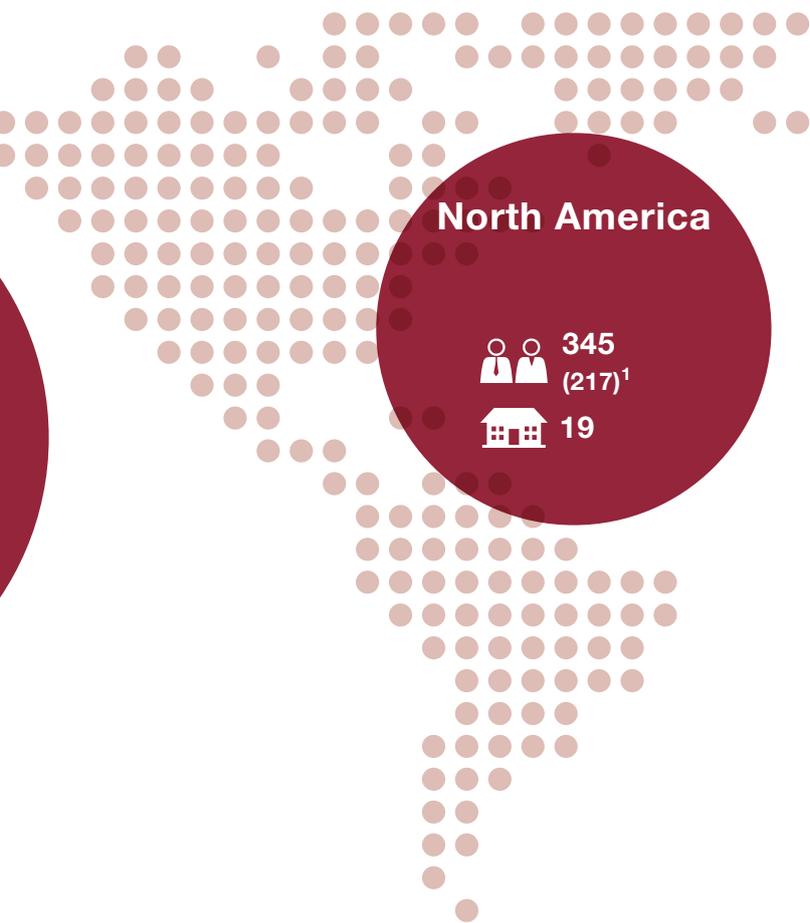
2. Includes registered members of external communication apps from the fiscal year ended February 2019.

Introduction

Global Network (As of August 31, 2022)

We operate directly managed MUJI stores and a wholesale business in Japan and overseas, with more than 1,100 stores in 32 countries and regions (as of August 31, 2022). 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.”



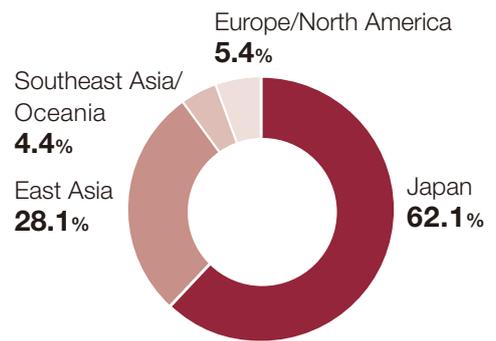


**Countries/Regions
Where We Operate** **32**

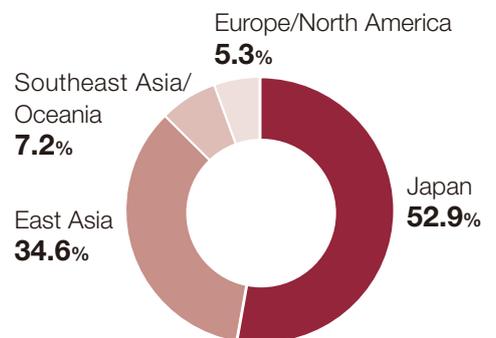
Number of Stores **1,136³**

**Number of Employees
Worldwide** **19,009**
(9,834)¹

Breakdown of Operating Revenue by Area



Breakdown of Employees by Area



1. Number of temporary employees (full-time equivalent for the year)
 2. Including 10 IDÉE stores and 81 licensed stores
 3. Including licensed stores, Café&Meal MUJI and IDÉE
 4. Including licensed stores

Enhancing Our Corporate Value

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

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

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

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

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

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

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

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

Ryohin Keikaku Aims to Meet Society’s Expectations

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

Excessive capitalism has given rise to a state of degeneration¹ in society. Countries, companies and individuals prioritize immediate profit, and self-interest is given precedence. Even though people should be economically comfortable, their intrinsic human emotions and senses have become paralyzed, leaving them feeling somehow alienated and dissatisfied. Many people



Masaaki Kanai

Chairman & Representative Director

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

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

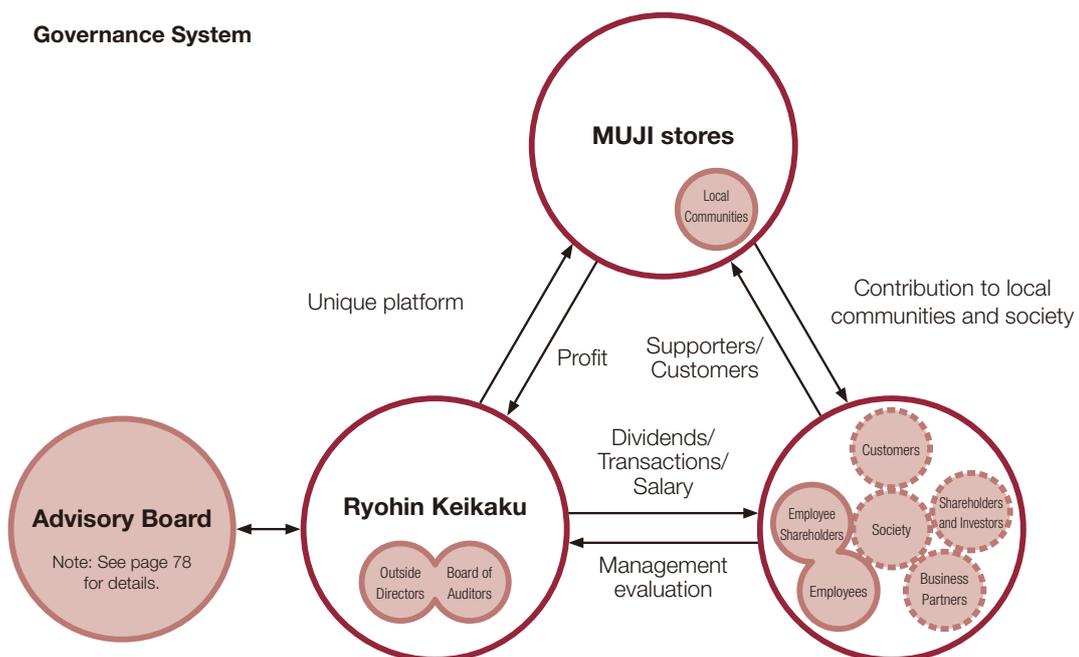
Ryohin Keikaku's Vision for Happiness

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

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

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

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



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

Enhancing Our Corporate Value

The Value We Create

Structure of Our Business Activities

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



Six Foundations

Human Capital

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

Social Capital

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

Intellectual Capital

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

Financial Capital

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

Manufacturing and Marketing Capital

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

Natural Capital

- Electricity consumption: 74,939 MWh
- CO₂ emissions: 1.02 million t-CO₂
- Water consumption: 150 thousand m³
(Ryohin Keikaku Co., Ltd. only)

Social Issues

Escalating environmental problems

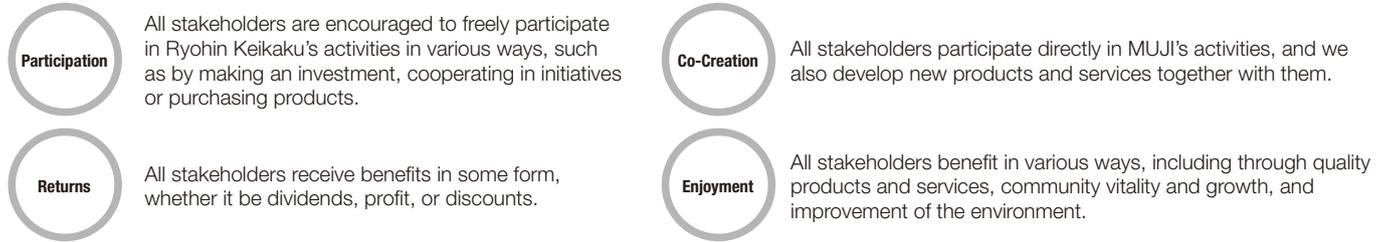
Shrinking labor force

Changes in lifestyles

Rural depopulation

Public Interest and People-Centered Management

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



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



Public Interest and People-Centered Management

(See pages 13-14 for details)



Enhancing Our Corporate Value
Message from the President



Aiming to be a Platform to Make a Better Society

Nobuo Domae

President & Representative Director

The Value Ryohin Keikaku Has Provided

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

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

A Sense of Impending Crisis in a Changing Social Environment

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

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

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

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

The Impetus behind Our “Second Founding”

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

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

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

2030 Vision

To be a part of people's daily necessities

To take root in local society

To realize this vision, we will

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

Progress of the Medium-term Business Plan

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

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

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

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

1. Strengthen product competitiveness

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

2. Increase involvement in production

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



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



3. Enhance marketing activities for products

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

4. Establish a store network and new channels

For MUJI to be useful to communities throughout the country, we are opening 600 *tsubo* (approx. 2,000 m²) stores, mainly next to supermarkets, at a rate of 100 stores a year in Japan. We aim to make these stores useful in daily life by devoting more floor space to daily necessities. We will also expand our store network and sales channels independent of our own stores through measures including establishing MUJI corners at convenience stores, via consumers' cooperative store home delivery services, and inside supermarkets.

5. Enhance operations

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

6. Make ESG the core of our business

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

Product Development from an ESG Perspective for Medium-term Growth

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

Environment (E)

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

Society (S)

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

Governance (G)

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

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

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

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

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

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

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

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

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

Becoming a Company That Helps Make a Better Society

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

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



Enhancing Our Corporate Value

Our Goals and How We Will Achieve Them

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

...

2030

2030 Vision

To be a part of people's
daily necessities

To take root in local
society

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

Practice
independent store
management and
co-owned
management

Provide
comfortable online
services

To be a front
runner of ESG
management

2030/8 target

Operating revenue	JPY 3.0 trillion
Operating profit	JPY 450.0 billion
Number of stores	2,500
Average area of standard stores	550 tsubo*
Online sales ratio	30%

* 1 tsubo = 3.306 m²

Medium-term Business Plan

Targets for 2024

Based on our core value of “contributing to society and people,” we have set a vision for 2030 that looks ahead to a better world 100 years from now. We have positioned the three years that began with the fiscal year ended August 31, 2022 as a period of strengthening our foundation for this purpose, and set the following four priority areas (as stated in our medium-term business plan).

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

Operating revenue	Operating profit	Number of stores
JPY 700.0 billion	JPY 75.0 billion	1,300

For details of the medium-term business plan ▶ https://www.ryohin-keikaku.jp/eng/ir/ir_archive/mt_business_plan/

Fiscal Year Ended August 31, 2022

In the fiscal year ended August 31, 2022, which was the first year of the medium-term business plan, we worked to build our business foundation by ramping up store openings in Japan and overseas, strengthening our organization and developing human resources on the frontlines at stores. However, issues still remained in the areas of enhancing product competitiveness and profitability.

As we accelerate the pace of store openings going forward, it will be important to stably manufacture and supply products at appropriate prices while maintaining product quality and keeping environmental issues in mind.

Furthermore, employee independence is the key to carrying out the medium-term business plan. We will achieve sustainable growth by focusing on shifting from a centralized, administratively controlled organization to an autonomous decentralized organization, and by incorporating diverse values to revitalize our corporate culture.

Operating revenue	JPY 496,171 million (9.4% increase year on year)
Operating profit	JPY 32,773 million (22.8% decrease year on year)
Ordinary profit	JPY 37,214 million (18.0% decrease year on year)
Net income attributable to owners of parent	JPY 24,558 million (27.6% decrease year on year)

Issues

- Products There has been a delay in revamping, updating and switching to concepts attuned to the times.
- Production system and cost structure The operating gross profit margin has declined due to the rapid depreciation of the yen and rising transportation costs, in addition to tough conditions for apparel sales.
- Weakening recognition The percentage of customers who buy single items is high, and MUJI is not recognized as a total lifestyle support brand. Our appeal to young people is weak.
- Store earnings structure Due to insufficient product competitiveness, sales per square meter are weak at all stores and profits are in a slump.
- Persistent high expenses High expenses for warehousing, distribution, system operation and other areas require structural reforms.
- ESG promotion In our core operations, we have not been able to thoroughly incorporate ESG in every stage of our product development to establish a business with an impact. We have yet to achieve a structure in which localization activities are reflected in store earnings.

Six Core Themes for the Fiscal Year Ending August 31, 2023

1. Strengthen product competitiveness → Page 29

We will enhance the production and product development teams for both apparel and household goods to strengthen product competitiveness.

Product development will be oriented toward high-quality standard products that have been perfected by refining them to their essential elements, and products that embody the concept of “lower priced for a reason” by assimilating insights from lifestyles around the world

We will think outside the box to develop and provide products that help resolve social issues and improve the global environment the more customers use them in their daily lives.

2. Increase involvement in production → Page 37

We will minimize costs by building an efficient production system centered on the Development & Production Division, which was established in September 2021. The system is tailored to the convenience of producers, which will include direct transactions with factories, a shift to local development and production, and leveling of production volumes.

We will enhance human resource training with the aim of raising the ratio of direct transactions with factories from 20%-30% in the fiscal year ended August 31, 2022 to about 80% by August 31, 2024.

3. Enhance marketing activities for products → Pages 31, 33 and 35

We will ramp up advertising for individual products. For existing products that are competitive but whose value has not yet been conveyed to consumers, we will work to help consumers discover that value through various initiatives including communication via social media.

4. Establish a store network and new channels → Page 41

We will open 600 *tsubo* (approx. 2,000 m²) stores, mainly next to supermarkets, at a rate of 100 stores a year in Japan. We aim to make these stores useful in daily life by devoting more floor space to daily necessities. We will also expand our store network and sales channels independent of our own stores through measures including establishing MUJI corners at convenience stores, via consumers' cooperative store home delivery services, and inside supermarkets.

5. Enhance operations → Page 53

Ryohin Keikaku will enhance development of human resources and the operational capabilities of its stores and headquarters to underpin employee management of individual stores. Efficient standardized operations, a solid business infrastructure and robust store support capabilities will enable employee management of individual stores. As we work to raise employee awareness through human resource development, we will concurrently strengthen our IT infrastructure and consider new ways of operating stores.

6. Make ESG the core of our business → Page 57

We will promote ESG in our core business of product development and retailing. Specifically, we aim to develop products for a better environment (E) and society (S), and to establish a governance (G) structure that goes beyond our existing corporate framework. In addition, in cooperation with the government and various stakeholders, we will conduct businesses in areas including healthcare, agriculture and food using our stores, and the utilization of unused local resources.

Product Strategy

A Lineup of Products That Are a Part of People's Daily Necessities

Operating Revenue by Product Category

Fiscal Year Ended August 31, 2022

Apparel

⇒See page 31 for details.

Operating Revenue **JPY 182.7 billion**

Composition **36.8%**

Household Goods

⇒See page 33 for details.

Operating Revenue **JPY 232.7 billion**

Composition **46.9%**

Food

⇒See page 35 for details.

Operating Revenue **JPY 59.9 billion**

Composition **12.1%**

Other

Operating Revenue **JPY 20.7 billion**

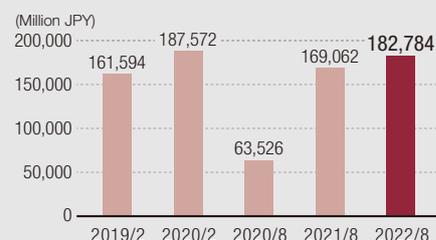
Composition **4.2%**

Main Products

- Womenswear
- Menswear
- Shoes, bags and accessories
- Children's clothing
- Innerwear and loungewear
- Socks, stockings and leggings
- MUJI Labo
- MUJI WALKER
- Clothes based on tradition and insight



Operating Revenue



Main Products

- Cosmetics and beauty care products
- Aromas and room fragrance
- Stationery items
- Albums, office storage and cases
- Kitchen utensils
- Furniture
- Tableware and cutlery
- Home appliances and lighting
- Bicycles and tricycles
- Pet supplies
- Storage items and storage cases
- Bed linen
- Towels, bath and toilet supplies
- Cleaning and laundry supplies
- Potted plants and gardening items
- Found MUJI



Operating Revenue



Main Products

- Retort pouches, canned foods and seasonings
- Frozen food
- Confectionery and confectionery ingredients
- Tea leaves and beverages



Operating Revenue



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

Main Businesses

- MUJI HOTEL
- Café&Meal MUJI
- Campsites
- Space design business
- IDÉE



Product Strategy

Ryohin Keikaku's Unique Product Development

Product Planning



- Development of apparel, household goods and food, and services essential to daily life
- All items are original products that eliminate waste by incorporating the three perspectives of selection of materials, streamlining of processes and simplification of packaging
- Identity marketing strategy from the consumer's perspective
- Product development that makes the most of the essential qualities of natural materials
- System for reflecting customer feedback in products (IDEA PARK) <https://idea.muji.net> (Japanese only)

Raw Material Procurement



- Production area development that leads to resolving local social issues
- Selection of raw materials harvested and cultivated in ways that do not harm the Earth, living things or producers
- Proactive use of recycled materials
- Use of primary raw materials traceable to the source as much as possible
- Visits to check on raw material production areas

Recovery of Resources



- Using various unwanted products collected from customers at stores as resources
- Recycling of resources as raw materials for new products

Main products collected for reuse as raw materials

- Polypropylene products (file boxes, etc.)
- Polyethylene products (soft cases, etc.)

Feedback from Communities, Society and Customers



Products That Make the World Better the More Customers Use Them: The Concept behind Ryohin Keikaku's Product Development Going Forward

We want to develop and offer MUJI products and services that are useful in daily life and available worldwide, and that reduce environmental impact and help to resolve social issues as more people use them. 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 empathize with 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

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 main production countries with functions that enable consolidated transport of products purchased from multiple countries and multiple factories
- Highly efficient distribution warehouse operations by establishing 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

Sales/Services



- Global environmental issues such as resource depletion and climate change
- Regional 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 local governments
- Lifestyle Organizing School program
<https://www.ryohin-keikaku.jp/eng/sustainability/co-worker/education/>

- Stores are community centers that have a positive local impact
- Approximately 1,100 stores in Japan and overseas linked with our online store for in-store pickup of orders
- Assortment 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, collection of clothes, etc.
- Renovation and other space design services
- MUJI SUPPORT (consultation counter for lifestyle management)
- 69.78 million downloads of the MUJI passport app
- Sales of specialty products/rollout of quality products from various countries

return 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.

Product Strategy

Apparel

Basic Policy and Strategy

Ryohin Keikaku will fundamentally reform its apparel business by going back to the basics.

We will return to the fundamentals of product development—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, eliminating waste in all processes, and providing customers with what they need, in the form they want.

Recognition of Issues

- Slump in planning and development capabilities resulting from adherence to a stereotyped concept of MUJI
- Weak appeal and low level of recognition of apparel
- Unrealistic goal setting
- Expansion of sales price reductions due to lower stock liquidation rate

Key Initiatives

• Redefine MUJI apparel

Apparel sales in recent years have been weak due to a continued inward-looking approach to product development that has resulted from adherence to a stereotyped concept of MUJI. We will therefore go back to the basics to develop products that people of all ages can wear routinely and that are “essential to daily life.” Specifically, we will review sizes and patterns (fit and shape), streamline our range of similar items, and improve the performance of individual items to expand our lineup of authentic standard products that many people will use regularly for years to come.

• Innovate the product development system

We have revamped our product planning team for apparel by bringing in experienced talent with a track record from outside the Company as designers and directors, as well as by appointing numerous former salespeople in their 20s and 30s from inside the Company. We are utilizing the opinions of young employees with firsthand experience of customer requests and complaints at stores to build a system for commercializing apparel without stereotyped preconceptions about what MUJI should be.

• Strengthen and enhance appeal

Our range of apparel, household goods and food is extensive and the number of single-item displays is large, and this may have hampered our ability to convey the value of our apparel products. We will therefore significantly change our product displays and switch to a method that offers coordinated styling proposals using full-body mannequins to provide an image of the products when worn. We will also work to increase recognition by stressing the value of MUJI apparel in our pamphlets and digital communication.

• Strengthen the production system for timely and sufficient product supply

Clearance of unsuccessful apparel items entails significant price reductions, which has worsened profitability. We will revamp our product development system and work to understand customer opinions and needs to enhance our lineup of authentic standard products with value. To do so, we will establish a system that allows us to control all stages from product development to production and procurement in-house. This will enable us to produce or procure the optimum amount from the best factory at the right time, and supply it to stores.

Improving Products by Going Back to the Basics

Warm Cotton Innerwear Series

The first offering in our upgraded apparel lineup is the *Warm Cotton* series of innerwear, which was launched in October 2022. Generally, thermal underwear is mainly made from synthetic fibers. However, we rejected the preconceived notion that synthetic fibers offer better performance than natural fibers and focused on cotton, which MUJI has been using as a material in its apparel for many years.

Use of a special technology that increases the number of molecules that bind to sweat and moisture beyond that of ordinary cotton further enhances cotton’s inherent ability to absorb moisture and keep in heat. Our products allow a greater number of people—from people whose skin reacts negatively to synthetic fabrics to those who just prefer natural fabrics—to enjoy these benefits without worry.



Message from the Executive in Charge

We will fundamentally rethink product development from an ESG perspective to refine our standard products and create sales floors that appeal to a wider range of customers.

Switching to a Product Mix Aimed at a Wider Range of Customers, Beyond Our Core Fans

The clothing industry in Japan is currently facing very difficult conditions brought on by high raw material prices, rising energy costs, and the impact of the weak yen. Taking a longer view, companies that lack a competitive advantage will continue to be weeded out, and only small and medium-sized niche companies and global companies will survive. In that context, ESG initiatives will play an important role in achieving differentiation from competitors. In developing products that reduce environmental impact, use materials that help the environment and resolve social issues such as poverty, we will continue to delve deeper into the basics of product development by focusing on selection of materials, streamlining of processes and simplification of packaging. In addition, we will control costs so that we can offer products at affordable prices.

Over the last few years, we have leaned on niche product lines aimed at people who are deeply interested in fashion and core fans of the MUJI brand—for example, by selling four types of t-shirts that are hard to tell apart at first glance. Going forward, we will make improvements to our product mix and create sales floors that appeal to a wider range of customers, focusing on products essential to daily life. This will include minimally processed denim, the *Warm Innerwear* series that is made from natural fibers and features superior warmth retention, a lineup of merino wool sweaters available in different thicknesses to suit various situations, and down made from recycled nylon fabric that is thick yet light enough for wearing as an extra layer.

Development of High-Quality, ESG-Friendly Standard Products Helps Improve the Manufacturing Process

As a medium- to long-term initiative, we are making plans to create high-quality standard products designed for the times.



Satoshi Okazaki

Senior Executive Officer
In charge of Apparel Merchandising Division, Resource & Development Division, and Production Division

To dispel the “outdated” and “unfashionable” image of our standard products, we will focus on developing products that can be easily coordinated to suit any occasion, and creating sales floors that convey that message to customers. We are already redesigning sales floors—for example, by switching from merchandise displays with a single item to displays that show coordinated outfits with full-body mannequins. We are also considering opening apparel specialty stores.

Perfecting our line of standard products will also allow us to improve the manufacturing process. Until now, we have placed manufacturing orders on a spot basis at Ryohin Keikaku’s convenience, but standardizing production and sharing ordering schedules with factories will enable lower prices and streamlining of production. Since we will insource some production work that was previously outsourced to trading companies and factories, we are now recruiting designers, pattern makers and production management staff to bolster our organization.

Building a Supply Chain Unique to Ryohin Keikaku

Our focus on regional development includes a commitment to fabric development, which we believe will help to resolve social issues in production areas. One such initiative we are focusing on is the development of kapok,* a natural material with little environmental impact. Kapok had been considered difficult to commercialize, but we will begin industrial production of it, starting in Indonesia. (See pages 39-40 for details on procurement.)

In addition, MUJI has built its brand image around using natural materials, but in some cases, it may make more sense to use synthetic fibers, depending on regional characteristics or the intended use, such as eliminating the need for ironing. Therefore, we are returning to our three principles of product development, and will work to develop new materials and production areas.

* See page 40 for more details.

Product Strategy

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 will determine whether our products are truly useful and necessary in daily life by looking at our ideology and philosophy.

Recognition of Issues

- Strengthen product competitiveness by refining mainstay products
- Develop products from the perspective of addressing contemporary lifestyles and social issues
- Establish a new business structure to increase profitability

Key Initiatives

• Do away with fixed ideas and rebuild our lineup of daily products for the current era

Our way of thinking about what MUJI should be has become fixed, and our product planning and development have gotten out of sync with the consumer's point of view. MUJI has a wide selection of apparel, household goods and food products. However, many items still do not meet our goal of "creating the finest and unrivaled products that are essential to daily life." We will once again review our product mix from the consumer's viewpoint to create a complete lineup of essential items.

• Create an organization that can rebuild product development capabilities

MUJI's product development begins with a keen sense of social issues and incongruities. As our own most demanding customer and critic, we will not hold back in coming up with ideas and identifying the kind of products that can help resolve the issues we identify. First, we will strengthen training of mid-level employees, who are passing down MUJI's heritage, and young employees, who have gained a sense of the issues we face through interactions with customers at stores. In addition, we will ramp up hiring for positions without specified duties. We aim to create an organization in which external human resources with knowledge and experience and experienced store managers cooperate and bring out the best in each other in conducting product planning and development.

• Cross-merchandising and raising recognition

Many customers come to MUJI to purchase a specific item—whether it be curry, cosmetics, socks or another product—and are often unaware of our selection of other items. We therefore intend to increase awareness of our product rollouts and ramp up cross-merchandising. Our initiatives include opening MUJI 500 stores that specialize in daily necessities and other lifestyle essentials, and stores specializing in personal care centered on skin care, as well as rolling out products tailored to the seasons or specific everyday situations.

• Create unique spaces that leverage our strengths

Ryohin Keikaku's strengths are its philosophy of contributing to society through its products and services, and its creation of products from the consumer's point of view to realize that philosophy. Going forward, we aim to establish a unique position where MUJI can leverage these strengths. We will assemble a lineup of highly specialized products that incorporate insights from around the world, local cultures and other features to co-create unique spaces that serve as community centers together with people from local stores, farms and other companies.

Product Development Committed to Essential Qualities and Value

Light Toning Water

Light Toning Water, which was launched in 1997, sought to offer the very essence of skin care. Its simple image and reasonable price made it the antithesis of the cosmetics industry of the time, when sales focused on the high-price range.

Because water is the indispensable core ingredient of skin lotions, we were committed to water quality in creating skin care products. This approach led us to natural spring water from a cave in a former mine in Kamaishi, Iwate Prefecture, which has few impurities and is also used as drinking water. We paid special attention to the intrinsic functions and ingredients of skin lotion so the product could be used by as many people as possible. Recently, the simple and unadorned bottle design has gained support from men as well as women, and the lineup is expanding. We are also working to reduce the amount of plastic used with eco-friendly refills and lighter, thinner containers.

Today, *Light Toning Water* has become a quintessential MUJI product, but it was a minor item when it was first launched. Our development team insisted on breaking through fixed ideas to create a product committed to essential qualities and value. We will recall this spirit for use in developing household goods going forward.



Message from the Executive in Charge

While staying true to Ryohin Keikaku's philosophy, we will go beyond existing frameworks to deliver new value based on the changing perspectives of consumers.

Polarization of the Value of Buying Things Is Accelerating, and People Are Becoming More Cautious about How They Spend Money

In recent years, rising prices and other changes in the economic environment, as well as increasing awareness of environmental and social issues, have led to changes in people's values and decision-making criteria in consumption. Increasingly, we are seeing polarization between people who only care about low prices and those who want to buy good products and use them for a long time. I feel that people are becoming more cautious overall about how they spend money. In that context, Ryohin Keikaku's concept of a consumer-oriented perspective and environmentally friendly design meets the needs of people who want to use items for a long time.

On the other hand, other companies share a similar consumer-oriented perspective, and are strengthening their product development to manage costs. To embody the Ryohin Keikaku philosophy and continue to be chosen by customers, we must conduct product development that goes beyond what our existing products offer. In addition to offering functional and affordable products that are also well-designed, as a company that sells merchandise, we are committed to developing products that are long-lasting, won't be thrown away, and have low environmental impact. We will work to communicate that commitment more effectively.

Evolving into a Collection of Specialty Shops with a Product Lineup Narrowed Down to Items That Are Necessary and Sufficient

From a medium- to long-term perspective, we need to build a position that is unique to Ryohin Keikaku. That role will be filled by stores that offer just the right quantity of products essential to daily life, and also provide a highly specialized assortment of merchandise. These stores will ultimately narrow their selection



Asako Shimazaki

Senior Executive Officer
In charge of Household Merchandising Division

down to items that are needed in everyday life, while offering a highly specialized assortment for each product. In the stores, sales floors will be designed so that fast-moving products used every day are easy to find, enabling quick and stress-free shopping. As for the scenes of dining, sleeping and housework, we will create sales spaces that bring together unique products based on the wisdom and local cultures of the world.

We believe MUJI can provide the best of both models: stores that are useful in everyday life while also offering an exciting combination of specialized products. To achieve that, we intend to reinvent MUJI's identity with a product lineup that meets those expectations—environmentally friendly products sold at reasonable prices that are even more satisfying when customers use them. We will complete our lineup of everyday products by the end of August 2023. We are also reviewing current products as another key initiative.

Besides lowering prices, we listen to customer feedback every week on whether the product is sufficiently easy to use, and what their needs for the product are. This enables us to make improvements to basic products and raise their value. By implementing the above two initiatives, we will broaden our product lineup.

Creating Value Unique to MUJI

One of our advantages is the relationships of trust we have built with customers through our products. For example, the market for skin-care products, towels, bedding and other items that come into contact with the skin have high barriers to entry. But because we have many fans who relate to Ryohin Keikaku's philosophy and approach to product development, we have been able to offer products in all categories of food, apparel and household goods. This includes many products that people put on or in their bodies. Based on that trust, we will refine our product development with a focus on the essentials to make MUJI an integral part of everyday life.

Product Strategy

Food

Basic Policy and Strategy

Food accounted for approximately 12% of Ryohin Keikaku's operating revenue in the fiscal year ended August 31, 2022, and we aim to increase this ratio to 30% by 2030. To do so, becoming the first choice in the field of food is key. Rather than simply increasing product variety, we will increase the number of typical MUJI products in each category for a lineup that will make people automatically associate MUJI with certain products when deciding their meals each day.

In addition, since agriculture is often the core industry in rural areas, food also plays a major role in Ryohin Keikaku's vision "to take root in local society." We will also spearhead localization efforts through initiatives including opening stores that handle fresh food direct from the farm and sales of unsorted apples.

Recognition of Issues

- The stories behind our products are not being sufficiently communicated, and repeat purchases of basic items have decreased.
- There have been no changes in store presentation, and new and seasonal products go unnoticed.
- Our production system cannot maintain appropriate supply, and cannot keep up with short-term spikes in demand for some products.
- There have been delays in developing new products that can take a place alongside mainstay products such as curry and baumkuchen.

Key Initiatives

• Create incentives to visit stores

One of MUJI's strengths is as a forum capable of communicating the message behind its products. This message can include the story of the product itself or the lifestyle the product offers. By enhancing in-store promotions highlighting products that use seasonal ingredients and new menu proposals for individual food products, we hope to encourage customers to visit our stores. Once in the store we can then focus on conveying the messages behind our products. For our regular assortment of products, we will devise strategies such as creating seasonal variations, avoid making random increases in the number of products, and delight customers visiting our stores.

• Added value of Ryohin Keikaku quality

One of the three perspectives underlying MUJI'S product development is selection of materials. This involves consideration for both the global environment and the producers of our products, and the elimination of waste in all processes. To this approach we will add "learning from the food cultures of the world" to provide customers with what they actually need, in the form they actually want. Rather than following trends, we conduct product development that consistently takes our customers' viewpoint into account in providing them with what they truly need. We also emphasize balancing value and price. Customers do not simply want low prices from MUJI, so we are particular about the materials we use to maintain MUJI quality. In the fiscal year ending August 31, 2023, we are emphasizing the changing seasons in developing new products that follow on from our current mainstay products, with a focus on foods in new categories, such as chilled confectioneries and drinks that use seasonal fruits.

• Work to take root in local society

We believe that food and agriculture will be a major theme for the development of the food business. We will expand sales channels to deliver little-known regional specialties and fresh foods that are not widely available to customers throughout Japan. We will also promote home delivery through consumer cooperative stores and the establishment of MUJI corners in convenience stores and supermarkets, and cooperate with local governments to develop a farm-linked manufacturing and retail business.

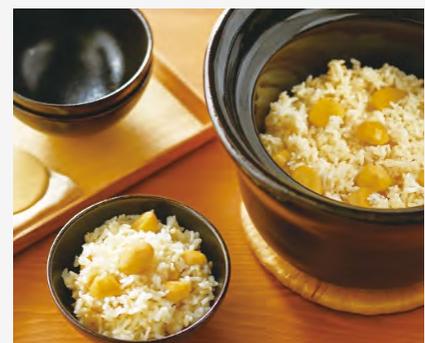
Product Development That Opened a New Market

Takikomi Gohan no moto (seasoning for mixed rice)

To make Ryohin Keikaku a part of people's daily necessities, developing food products that people eat every day is important. One such product, for which Ryohin Keikaku's market share is increasing, is *Takikomi Gohan no moto*.

Although the market scale for *Takikomi Gohan no moto* is not large, demand is steady because it is easy to prepare and enjoy. Ryohin Keikaku developed this product with the objective of offering easy and delicious everyday meals, and launched three variations in 2002: paella, curry pilaf and chicken pilaf. The development concept was to make the most of the flavor of the ingredients so that anyone could prepare a delicious meal. In 2010, a series of improvements led to the product's current configuration, in which the soup stock is packaged separately from the other ingredients. As of August 31, 2022, the line has been extended to 14 items, and the market share has grown to 13%.

During 2023, we launched *Maze Gohan no moto*, which can be prepared by simply mixing it with cooked rice, and *Takikomi Okowa no moto*, which is a combination of glutinous *okowa* rice and other ingredients. We will continue to develop products that offer convenience and deliciousness in daily dining.



Message from the Executive in Charge

We are aiming for the top mindshare in specific categories to provide “truthful and sustainable food.”

Focus on Familiar Foods Rather than Trends

At Ryohin Keikaku, we believe it is important to focus on tastes that are familiar to people in the region where we sell, rather than keeping up with the latest trends in the food market. In fact, a survey of tens of thousands of people showed that the foods that are eaten most often are not trendy foods, but familiar foods. In Japan, for example, our approach to developing products for daily life is to provide foods such as deep-fried chicken, ramen and udon noodles with a high level of quality. Blindly following trends is not what Ryohin Keikaku is about.

We need to imagine what is necessary for customers in terms of supporting their daily life, and keep an eye on what is happening in the market. Rather than just expanding our product lineup, we believe that improving flavor and convenience and telling MUJI's unique story will lead to a better response from customers.

Exploring Possibilities Thoroughly and Creating Products Based on New Ideas

In the medium to long term, we will focus on pursuing excellence in specific categories rather than building a position in every food category. Our goal is to achieve the top mindshare in specific categories, so that when a customer decides they want pasta, MUJI is the first store they think of. For example, the *Takikomi Gohan no Moto* (seasoning for mixed rice) series is now one of our most popular products, but in the beginning the market for it was small and it was not easy to discern. However, we saw the potential in that category, forged ahead with product development and explored the possibilities thoroughly. That is a particular strength of Ryohin Keikaku. Retort-pouch curry and baumkuchen are similar success stories that are now among MUJI's leading products.



Hirotaka Takahashi

Senior Executive Officer
In charge of Food Merchandising Division

To increase the number of categories we are strong in, we still need to improve our products. To do that, we will create good products by not only strengthening our in-house capabilities, but also by taking advantage of external resources. Our role is to put together teams of excellent manufacturers to create products based on new ideas.

As a concrete measure, we will first create an annual development plan, and thoroughly execute basic initiatives such as process management. In addition, we will release products for each season, such as a tea that uses cherry blossoms in spring, to achieve the number-one mindshare in the seasonal products category. Once we establish what needs to be done in each “season,” it will naturally become clear what we should do at any given time. This will help us to work more efficiently.

Offering New Dietary Value by Telling the Product's Story Rather than Just Selling Delicious Items at Low Prices

I have been involved in various food retail businesses, including supermarkets and convenience stores, but I believe that a key point that differentiates Ryohin Keikaku is that MUJI products have a concept and story behind them, and our stores serve as a place to convey that story. In that sense, it is meaningless for Ryohin Keikaku to handle food products if we are only selling delicious items at low prices.

We are also particular about respecting traditional wisdom and the origin of ingredients, and will combine food and agriculture, local production for local consumption, refrigeration technology and other elements to achieve quality that is not mass-produced. By conducting promotional activities that encompass telling the story of our products and proposing new styles of eating, we will offer new dietary value in a way that only MUJI can, and contribute to “truthful and sustainable food.”

Product Strategy

Procurement and Production

Basic Approach: Be Useful

In keeping with Ryohin Keikaku's core value of "contributing to society and people," we are seeking to be a part of people's daily necessities. To accomplish this goal, we are also reviewing our procurement and production processes, focusing on natural materials that are good for people and the environment, and that are part of a highly ethical and transparent supply chain.

Procurement Policy

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

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

Recognition of Issues

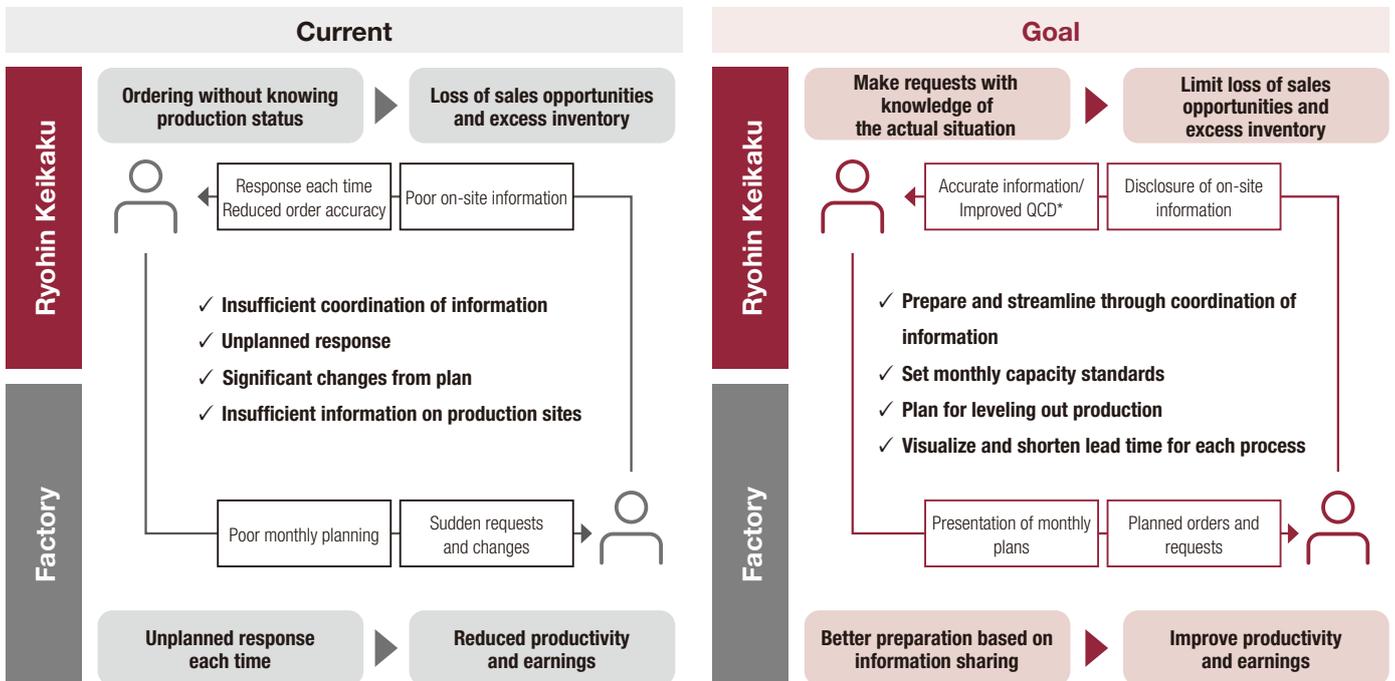
Because we currently request production whenever we need a specific item, production scale in the busy season and off-season differs sharply, resulting in lower cost efficiency. We therefore strive to improve cost efficiency by creating medium- to long-term sales plans and communicating with producers.

Production Process

Leveling and Reinforcing Production throughout the Year

Ryohin Keikaku is increasing direct transactions with the factories of its production partners and exerting greater control over production and procurement functions and personnel. We create production plans based on a medium- to long-term sales plan, then work to level production and make it more efficient through direct communication and collaboration with production partners.

This will reduce the unnecessary costs we previously incurred.



* QCD: Quality, cost and delivery

Establishing Global Procurement and Production Processes

Until now, Ryohin Keikaku has planned and developed almost all of its products at its headquarters in Japan, and sold the same products at MUJI stores worldwide. In addition to this shared global product lineup, we will establish a system in which operating and sourcing companies outside Japan conduct product planning, development and procurement that reflect local consumer needs and specifications. This will enable us to be a part of people’s daily necessities and address needs that differ by country and region around the world.

Contributing to Economic Development of Production Areas through Procurement and Production Processes

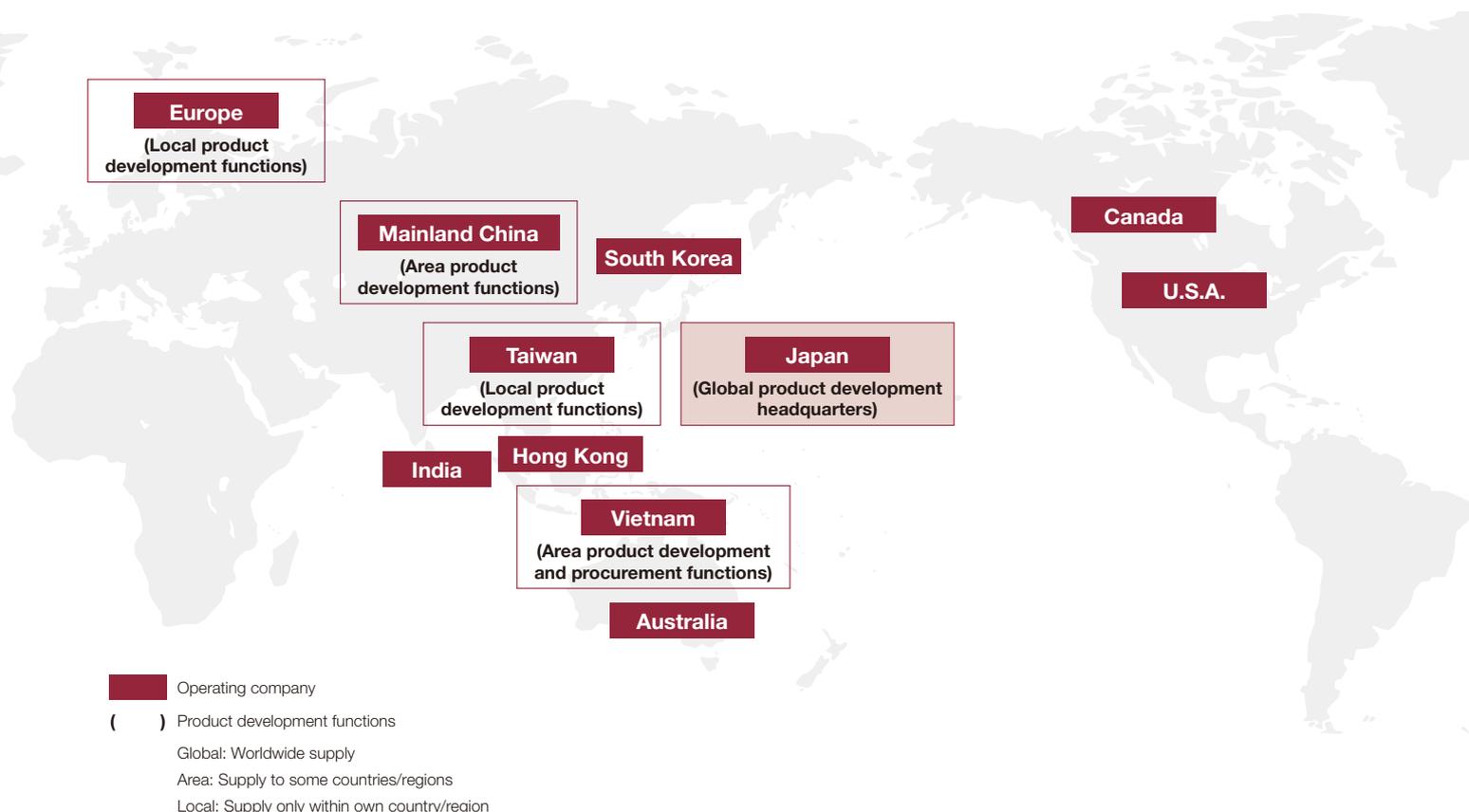
Ryohin Keikaku aims to contribute to the economic and industrial development of areas where our products are produced through the establishment of global procurement and production processes. We regard our expenditures for manufacturing products as not just a business expense but also an investment in local economic development. Factories that properly generate profits, create employment, and reinvest funds can expand in scale and improve efficiency, thus contributing to the development of the local economy. We therefore intend to increase direct transactions with factories operated by local managers.

Rethinking Product Development from the Manufacturing (Factory) Perspective

In developing products, we consider the production process in depth. By rethinking product planning and other processes from the perspective of the factory that will manufacture the product, we are able to increase efficiency and reduce costs. By devising different sizes and designs and utilizing the raw materials and equipment on hand, we can create the best products without wasting resources or energy. Coming up with ways to accomplish this is a great source of creativity. Going forward, we will take the manufacturer’s perspective into consideration and creatively rethink what we do.

Developing Products in Each Country

Until now, we have mainly supplied products developed in Japan to overseas operating companies, but we are also accelerating product development in mainland China and Vietnam, and ramping up and expanding supply in each country.



Raw Material Procurement

Selection of Materials

MUJI selects eco-friendly materials that have ethical significance in consideration of the global environment, animal welfare and society. By increasing the procurement of such materials, we will contribute to the creation of a resource-recycling, ecological and sustainable society.

Since its establishment in 1980, MUJI has continued to create products with a focus on three perspectives that take the global environment and society into consideration: selection of materials, streamlining of processes and simplification of packaging.

Because we use various materials from all over the world, we consider reducing our impact on the natural environment and its living beings to be a critical issue, and we aim for sustainable material procurement. Moreover, we are aware of the impact our business activities have on ecosystems* and collaborate with producers, local authorities, and communities to minimize such effects and protect the environment. We will continue to procure materials responsibly by considering the people who use them, the people who make them and how they interact with nature.

* See page 63 for details.

Basic Approach to Biodiversity ▶ <https://www.ryohin-keikaku.jp/eng/sustainability/environment/biodiversity/>

Natural Materials

Plant Fibers

• Cotton

At MUJI, organic cotton, certified cotton, and recycled cotton are considered eco-friendly materials.

Cotton can only be called organic if it has been grown from seeds without genetic modifications that could affect the ecosystem. The seeds must also have been planted in healthy soil where chemical pesticides and chemical fertilizers have not been used for at least three years. In 2021, we began making donations of organic cotton seeds to increase production on a trial basis.

Recycled cotton is made by sorting scraps left over from cutting cotton fabric for clothing rather than disposing of them, then breaking them down into cotton fibers and mixing them with virgin cotton.



• Linen

Linen is made from flax, a plant with a low environmental impact that can be cultivated with small amounts of pesticides, fertilizers and water. In addition to its fibers, the entire flax plant can be used effectively without waste, from its seeds in linseed oil to its stems and roots in building and agricultural materials. Other benefits of flax include its rapid growth and efficient absorption of CO₂.

MUJI uses organically grown linen for some of its products. MUJI's organic linen is made from flax grown on farms watered by melting snow and that have few pests.



• Hemp

Hemp is said to be the world's oldest cultivated crop, and its fibers have been used in Japan since ancient times. Hemp seeds are used in foods, oils for cosmetics and other applications. Hemp hurds have a variety of uses including in construction materials and automobile interior parts.

In addition, hemp is a plant that can be cultivated using very little fertilizer or water and has a low environmental impact because it grows very quickly, absorbs CO₂ efficiently, and requires almost no pesticides due to its resistance to pests and diseases. As a fabric, it has excellent breathability, absorbs and releases moisture well, and is durable and dries quickly. It is also highly regarded for its natural antibacterial properties and UV blocking effect.



• Jute

Jute has long been used for grain sacks, rugs and other items that make use of its characteristic high durability.

Cultivated mainly in hot, humid wetlands in the tropics and subtropics that are unsuited to agriculture, jute grows very quickly and, like hemp, absorbs CO₂ efficiently. It can be cultivated using very little fertilizer or water and has a low environmental impact because it requires almost no pesticides due to its resistance to pests and diseases.



• **Kapok**

Kapok is a plant fiber made from the seed pods of the kapok tree. Main production areas are Indonesia, Thailand and India. Kapok trees require almost no pesticides, fertilizers or watering, and absorb a large volume of CO₂ as they grow to great heights. Because it is not necessary to cut down the tree to harvest the seed pods, kapok is attracting attention as a material with very low environmental impact.

The hollow center of the kapok fiber is a characteristic that makes kapok the world's lightest natural fiber. Kapok fabric keeps the wearer comfortable by absorbing moisture for warmth when the weather is cold, and releasing moisture when the weather is hot.



Animal Fibers

• **Down**

For our down, we only use feathers that have been rigorously screened and certified by a third-party organization to ensure that the Five Freedoms of Animal Welfare* are respected in the breeding environment, and that the birds have not been force-fed or live-plucked. In selecting materials, we consider not just their performance, but also the people who use them, the people who make them and how they interact with nature.

* See page 91 for details.



• **Wool**

We use only wool from non-mulesed* sheep that have been raised humanely and naturally. Recycled wool, which is important in terms of eliminating resource waste (a stance we have adopted since our founding), is made by shredding wool products that have been disposed of or collected for this purpose and then spinning the fabric back into yarn. Benefits of recycled wool include a deep hue from its mixture of multiple colors and a rustic texture. With the intention of building a better relationship with nature, we are doing what we can to recycle the Earth's resources and reduce waste.

* See page 63 for details.



Regenerated Cellulose Fibers

At MUJI, lyocell and other types of rayon made with manufacturing methods that have been designated as sustainable are considered eco-friendly materials.

Lyocell is a fiber made primarily from the wood of the fast-growing eucalyptus, and more than 99% of the water and solvents used in its manufacturing process are recovered and reused. Rayon made from specified manufacturing methods mainly uses beech trees, and the process utilizes bioenergy to reduce CO₂ emissions and environmental impact.



Petroleum-derived Materials

Synthetic Fibers

At MUJI, recycled polyester, recycled nylon and recycled polycarbonate that have been certified to contain at least 20% plant-derived materials are considered eco-friendly materials.

Using recycled raw materials helps to reduce CO₂ emissions. Recycled polyester is mainly made from materials derived from PET bottles, recycled nylon from pre-consumer recycled materials (discarded fibers from the yarn production process), and recycled polycarbonate from materials derived from water dispensers. We are also expanding use of plant-derived raw materials and developing biodegradable materials.



Others

Leftover Yarn and Cloth

MUJI's longstanding approach of eliminating wastefulness informs its selection of materials. In 2000, we started sales of socks made from excess yarn that had been leftover at the factory and discarded. By using leftover yarn and cloth, we constantly work to reduce waste, which is a major issue in the apparel supply chain.



Store Strategy

Community-Based Business Model

Basic Policy and Strategy

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

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

Recognition of Issues

New store openings in Japan and overseas are progressing basically as planned. We are accelerating the pace of store openings, particularly stores next to supermarkets, and will continue to do so in the next fiscal year and beyond. In addition, to expand sales channels, we will promote system linkage in supplying products to Lawson convenience stores, Okinawa-based supermarket SAN-A, and other supermarkets.

Key Initiatives

- Develop new stores suited to each area and resolve local issues, led by regional business managers
- Establish the human resources and organizational systems necessary for opening stores in residential areas other than major cities and carry out regional development and town revitalization activities
- Strengthen personnel and education systems to realize independent store management as well as increase productivity and improve efficiency of store operations
- Create and offer original digital services to enable community-based independent store management

Store Openings

Store Opening Policy

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

Store Opening Plan

In our plan leading up to 2024, we will carry out store openings with stores of 600 *tsubo* (approx. 2,000 m²) next to supermarkets as the standard, aiming for one store per 100,000 people. In addition, we will open stores in front of train stations, inside of convenience stores, and offer new home delivery services. Our goal is total sales of JPY 9.0 billion.

In the fiscal year ended August 31, 2022, we expanded store openings in residential areas, particularly stores next to supermarkets. In the fiscal year ending August 31, 2023, we are continuing to expand store openings in residential areas, as well as opening large stores that will serve as local community centers.

Store Expansion Concept

	2022	2024	2030
Number of stores	1,136	1,300	2,500



MUJI Itoku Oga Shopping Center (opened April 2022)

Special Feature

Start of Collaboration with Coop Sapporo

As a result of our collaboration with Coop Sapporo, users of the Todock home delivery system that Coop Sapporo offers to co-op members in Hokkaido can now purchase MUJI products through Todock and have them delivered practically anywhere in Hokkaido. The purpose of this collaboration is to further contribute to the lives of people in Hokkaido by strengthening the infrastructure of everyday life in the prefecture. Both organizations will work together to achieve this goal. Through the distribution network of Todock, we will be able to offer products to people in areas of Hokkaido where we have not yet opened stores. Collaborating with Coop Sapporo, which is supported by the people of Hokkaido, will enable our products to be delivered throughout Hokkaido. We have also opened MUJI Coop Sapporo Yamahana, our first store next to a supermarket in the prefecture, inside Coop Sapporo Yamahana. We opened our second store, MUJI Coop Sapporo Soen, in 2022. We will continue to accelerate store openings with the aim of being a store that is useful in customers' lives. We are expanding our cooperation with consumers' cooperative stores to other regions as well. In February 2023, we also started collaboration with Coop CS Net, which operates in the Chugoku and Shikoku regions of western Japan.



Special Feature

Commencement of Sales of MUJI Products at Lawson Convenience Stores

One initiative we recently began with the objective of making products and services essential to daily life available at affordable prices throughout Japan is the sale of MUJI products at Lawson convenience stores. As of March 31, 2023, about 200 items, ranging from socks and skin lotion to retort pouch curry, stationery items and confectioneries, are being sold at approximately 10,000 Lawson stores.

We are aiming to extend sales to all Lawson stores nationwide during 2023. In addition, we are discussing expansion of the product lineup to fit store locations and the wishes of customers, and will jointly develop products and services and expand initiatives to contribute to community revitalization.



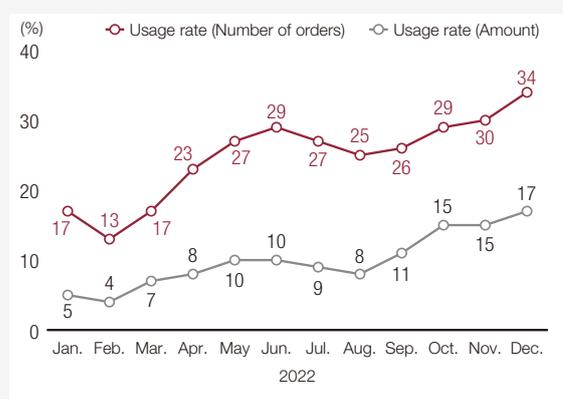
Special Feature

In-store Pickup Service

Our in-store pickup service allows customers to pick up items they order online at their nearest MUJI store. They can also use this service to back-order products that are not in the store, or reserve popular products. In addition, there is no delivery charge on items picked up at the store, and customers have the option of paying in-store or online.

The in-store pickup service has been available for certain products since it was launched in 2011, but it was expanded to more products in 2022, and now covers all items except for food and super-heavy products. We also improved the ease of purchasing through the online store, and enhanced information activities and notices in stores. As a result, the usage rate (based on number of orders) has greatly expanded. The 17% usage rate (number of orders) in January 2022 doubled to 34% in December; on a sales (amount) basis, the usage rate expanded from 5% in January 2022 to 17% in December 2022. We aim to expand use of the in-store pickup service as it increases overall delivery efficiency and reduces delivery costs.

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



Initiatives to Take Root in Local Society



Ryohin Keikaku will leverage the strengths of its MUJI stores to be a close and commonplace presence that is trusted by local residents. We will work seriously on localization in Hiroshima.

Seeking to Establish Roots in the Place Where My Heart Is

My first encounter with Ryohin Keikaku was in 2000 when I started working part-time at MUJI Hiroshima Alpark (before the reopening) while I was a student. I enjoyed the sales work, so after I graduated I joined the company as an SE employee.* In 2005, I became the store manager of MUJI youme Town Kure. Based on that experience, I became a full-time employee, and have since worked at stores all over Japan in positions including store opening manager, block manager and area manager.

I gained confidence in my career choice after working in several positions in various regions, and around that time Ryohin Keikaku was preparing to undertake its “Second Founding.” Ryohin Keikaku was about to change, and I also felt ready to try something new, rather than just building on my previous accomplishments. I thought deeply about how the Company was likely to change, where it was headed, what it was trying to accomplish, and what I myself wanted to do. It was at that point that “localization” (making the store a platform for local residents to interact and connect) became a key consideration in my mind. At the time, I was working as the Tokyo area manager, but I thought that to effectively implement localization, rather than staying in Tokyo, I needed to work in the region where my heart was. So I returned to my birthplace of Hiroshima Prefecture as the general manager of the Hiroshima Business Division.

* Sales expert employee (position now discontinued)

Connecting with the Community at MUJI Hiroshima Alpark

MUJI Hiroshima Alpark, one of the world’s largest MUJI stores with a total sales floor area of 1,870 *tsubo* (approximately 6,180 m²), had its grand reopening in April 2022. The store also boasts one of the largest product ranges of any MUJI store in Japan. During the seven-month reopening preparation period (after I became general manager of the Hiroshima Business Division), I engaged with many people inside and outside the Company. Through that interaction, I learned more about the characteristics of Hiroshima, what the people in the region think and what kind of activities they are engaged in, what their hopes are, and how they are trying to change.

From that process, we came up with the store concept of “Creating healthy places and lifestyles with the community.” This expresses our wish to use the store as a platform to build a better community together with the people of Hiroshima.

Hiroshima Prefecture is home to approximately 2.75 million people, and Hiroshima is the largest city in the Chugoku region. The prefecture has major companies as well as local industry, and is blessed with abundant nature, including the sea, mountains and rivers. However, the potential of the region has not been fully realized. For example, many kinds of crops are grown in the prefecture, but their production volume is small, and rows of items from outside the prefecture are seen in the aisles of supermarkets of Hiroshima. If enough good products were made in Hiroshima Prefecture, they would also be consumed more in the prefecture, and I thought Ryohin Keikaku could help make that happen.

Our Strength Is That We Can Make Our Stores Places for Communication, Not Just Retail Outlets

Ryohin Keikaku's strength is its stores—in other words, its ability to create “places.” Local industry cannot grow without an outlet for its products or a place to convey information, and I believe MUJI stores can help improve this situation by serving as outlets where people can sell local products and as opportunities for communication. I want our stores to be more than just places to sell products; I want them to bring together people who want to do various things, and to create outlets for programs and businesses that are beneficial to the local community. We do not necessarily have to be at the center of all that activity.

For example, community-based events are held at Open MUJI, a community space in the MUJI Hiroshima Alpark store, and an area for selling fresh produce grown in Hiroshima has been set up in the food section. And in keeping with our concept of “healthy lifestyles,” we have established a Healthcare Center that gives local residents the opportunity to address their own health concerns, and even receive health consultations from physical therapists and public health nurses. What we hope to achieve is for residents to see the MUJI store as a natural part of their community, and for it to be a place where they can purchase daily necessities while also finding out about what is happening in the area.

Aiming to Be a Close and Commonplace Presence That Is Trusted by Local Residents

When MUJI Hiroshima Alpark opened, I was surprised at the extent of the reactions, with people remarking, “Wow, MUJI does *that*, too?” But at the same time, I can feel the trust that people have in MUJI from my interactions with the community. Cooperation is, of course, essential in resolving local issues, and when I told people who are active in the community what we wanted MUJI to do, many of them were supportive of our ideas. I plan to use those connections and work together with people in each community to make each MUJI store an indispensable part of that community. In addition, by opening MUJI stores in various places, not just in urban areas, we will take root in Hiroshima more broadly so that instead of going to other prefectures for shopping, people will realize the appeal of Hiroshima during their day-to-day lives.



Staff and local farmers discuss the use of local vegetables

We only have nine stores in Hiroshima Prefecture, a small number in comparison to Tokyo. The current challenge is to overcome the problem of people sometimes having to drive up to one hour to get to a MUJI store, depending on where they live. So our stores are still not seen as close and commonplace. To become a place that people regard as close and commonplace, we will consider opening stores in the mountainous parts of the prefecture in the future. But to ensure that we can stay permanently in areas with small populations, win the trust of local residents, and become indispensable, we will have to think about our vision for each store, and then realize that vision while clearing various hurdles. To do that, we will cultivate human resources who are prepared to work together with communities and have an image of the direction we are going, and to create a system for being useful to the community in a sustainable way.

To contribute further to local economies, Ryohin Keikaku will gather ideas from the employees and staff who work in our stores, and from local residents, and continue to take on the challenge of making MUJI stores indispensable to the people in their communities.



Ayako Takahiro

General Manager of the Hiroshima Business Division
Store Management Group

Information



MUJI Hiroshima Alpark

Address: Alpark Western Annex 1-2 F, 1-16-1 Iguchi Myojin, Nishi-ku, Hiroshima City, Hiroshima Prefecture, Japan

Concept: Creating healthy places and lifestyles with the community

Size: 1,870 *tsubo* (one of the largest MUJI stores in the world)

Features: A large-scale store that provides a range of basic products and services, sale of vegetables grown in Hiroshima Prefecture, Open MUJI, Community Market, Healthcare Center, etc.

Global Strategy

Overseas Business Expansion

Basic Policy and Strategy

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

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



Recognition of Issues

We recognize the need to create strategies for each area: mainland China, key regions, growth regions and reorganizing regions. A challenge globally is the lack of products that take advantage of regional characteristics.

In addition, it is imperative that we review our operating and store structures to match each situation and quickly shift to a highly profitable business model.

To respond to external factors (high raw material costs, exchange rates, ocean freight costs, etc.), we need to manage logistical and other costs, strengthen our product competitiveness and store management capabilities throughout the supply chain, and make a new start from a stable foundation.

Challenges and Plans in Each Area

Mainland China

- Although the number of stores has increased by 26, their sales are not growing, so average monthly store sales are declining.
- Expansion of the customer base is necessary, and the integration of online and offline is critically important.
- We have secured a certain level of sales and gross profit margin by introducing products developed for mainland China, where the cost of sales ratio is good, so we will carry out further product development. This will lead to sales expansion.

Key Regions (Taiwan, Hong Kong, South Korea)

- Taiwan: Sales and profit increased, and with a foundation for growth in place, we will open new stores in the fiscal years ending August 31, 2023 and 2024.
- Hong Kong: Sales and profit increased, and we will open new stores in the fiscal year ending August 31, 2023.
- South Korea: Although sales are recovering, the operating gross profit margin has deteriorated due to inventory reductions. We will close and replace unprofitable stores.

Growth Regions (Thailand, Vietnam, Philippines, Malaysia, Singapore)

- Thailand: Sales and profit increased, so we will continue to make structural improvements and accelerate new store openings.
- Vietnam: Operations have gone smoothly since we entered the market in 2019, and we will proceed with new store openings.
- Philippines and Malaysia: Sales and profit increased, and we will rebuild stores to expand floor area.
- Singapore: Sales and profits increased, and we will further strengthen our foundation.

Reorganizing Regions (Europe, North America, India, Australia)

- Europe: Achieving profitability is the issue. We will implement measures including closure of unprofitable stores, and invest resources in key regions.
- North America: We will further solidify our management structure and strengthen store management capabilities.
- India and Australia: We will make improvements to our management structure, including store management capabilities.

Regional Highlights

Special Feature

Development of Pet Supplies (Mainland China)

In mainland China, we began sales of pet supplies in September 2022. Many pet supplies in mainland China are elaborately decorated, and pet food with many additives is common. Therefore, we developed products that are the antithesis of existing pet supplies, including pet toys and dishes that are distinguished by the texture of their materials, and pet food with very few additives.

The pet supplies that we initially sold at just one store were popular, and we expanded sales to 32 stores in January 2023. They are also sold on our online site. We will turn our attention to all aspects of life and develop new products and new markets to support daily life.



Special Feature

Largest Store in Taiwan Opens in New Location with Expanded Floor Area (Taiwan)

In January 2022, MUJI Miramar moved to a new location with expanded floor area, and reopened as the largest MUJI store in Taiwan. It carries products essential to daily life, has an Open MUJI, MUJIBOOKS and an embroidery studio, and offers services by home interior advisers, styling advisers, and experience advisers. It also has many store-specific features.

In particular, "Found Market"—an initiative in which we find products that have been loved for a long time in Taiwan and sell them at MUJI to convey their benefits—has been highly acclaimed. Products carried in this section include honey, tea, noodles, soy products, and fresh fruits and vegetables sourced directly from the farm, as well as processed foods that use them as ingredients.



Special Feature

Local Products from Around the World Are Popular (Southeast Asia)

In Southeast Asia, our proprietary products developed to fit the local culture, climate and other conditions have been well received. The various products we have developed include items made of nylon to protect against squalls, and hats that Muslim people can wear.

In Vietnam, where more than 80% of people sleep with bolster pillows, we developed a bolster pillow for sale at MUJI AEON MALL Long Bien, which opened in April 2022. In consideration of the environment, pillows made from leftover fabric at the supplier's factory were made available for purchase in limited quantities. Six months after the store opened, the pillow was showcased on a local website that has 970,000 followers. It was such a hit that customers waited in front of the store before it opened for the day. We are also considering sales of the pillow in other ASEAN countries.



Global Strategy

Initiatives in Our Mainland China Business

Mainland China

Recognition of Issues and Strategies

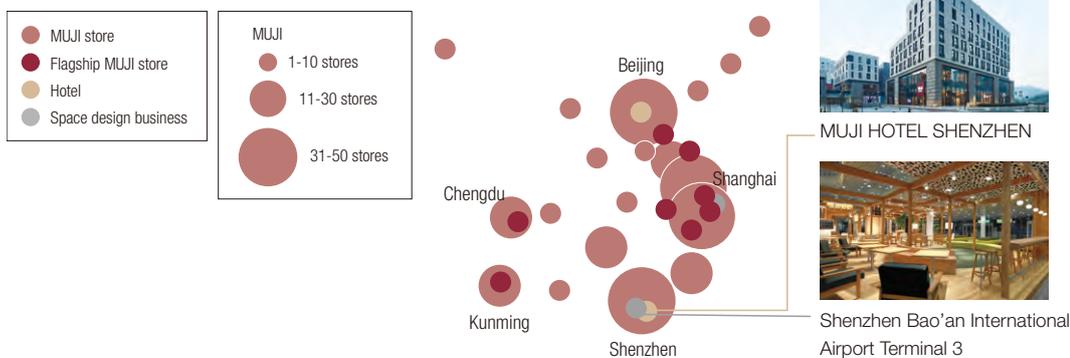
Our business in mainland China has grown steadily since it began in 2005, but the pace of expansion has slowed in recent years. We see this as largely due to the increasing competitiveness of rival products and the unique evolution of marketing capabilities, in addition to strict COVID-19 countermeasures. In mainland China, the market changes rapidly, so we need to be responsive to change. However, there is still plenty of room for growth. We will pursue the following measures, with a focus on key stores and our e-commerce business, and work to achieve business expansion.

- 1) Increase the ratio of products developed in mainland China
- 2) Establish headquarters functions for IT systems, accounting, logistics and other areas that support sales activities
- 3) Speed up and localize management by training locally hired staff in mainland China

In particular, by developing products in mainland China, we can increase product variety as well as the number of stores selling our products, which will differentiate MUJI from its competitors.

Stores and Businesses in Mainland China

(As of August 31, 2022)



Key Initiatives

• Product development

By March 2024, we will complete modification or elimination of products that lack variety and products that do not fit local lifestyles. Specifically, we will work to provide not only items such as skin lotion and writing tools, but a wide range of products that can satisfy the needs of daily life, including household goods, home appliances, and food. We will also create new categories for products that have become a part of daily life, such as pet supplies and outdoor goods.

• Marketing strategy

We will expand customer contact points through measures including electronic payment, stores in shopping malls, and tie-ups with familiar brands. Our efforts will focus on expanding our brand recognition by collaborating with businesses in other industries, as well as through product development and marketing innovations. By enhancing communication to MUJI members and highlighting MUJI's uniqueness, we aim to create an original community.

• Store opening plan

For future store openings, the basic floor space will be about 550 *tsubo* (approx. 1,800 m²). In addition to major cities, we will also extend store openings to smaller cities. By improving our delivery service and category-specific platform stores, we will expand customer contact points, length of customer engagement, and the customer base to enhance the omnichannel effect together with in-store shopping.

• Organizational enhancement

We are carrying out organizational restructuring to enhance governance. This involves building future-oriented customer relationship management (CRM) and supply chain management (SCM) systems and introducing business intelligence tools that enable decision-making and problem-solving based on operating data. We are also working on transfer of authority, recruiting, and intensive training of executive candidates to become an organization capable of independent development.

• Expansion of business scope

We are expanding our housing and hotel businesses in mainland China. We will also work on the launch of new concept stores and promote the SPA (Specialty Store Retailer of Private Label Apparel) concept in agriculture.

Message from the Executive in Charge

We are improving our unique product development capabilities and overhauling our supply chain for a speedy response to market changes.

Market Conditions in Mainland China

Ryohin Keikaku's operating environment in mainland China is becoming increasingly severe, partly due to the ongoing impact of COVID-19. The growth rate there for lifestyle and consumer goods has been slowing, but the market is not shrinking. One likely reason for that is the diversification of people's tastes as their lives have fundamentally improved. The quality of local companies' products has also improved, with enhanced product lineups and marketing capabilities. Consumers' perception of quality and price has also matured.

Under these conditions, the top-priority management issue for the mainland China business in 2022 was making our products more competitive. Areas of focus included expanding the product lineup through local planning, reducing costs by improving the supply chain, and further strengthening quality control. Among our locally planned products, pet supplies were popular, with a strong response at stores as soon as sales began.

Another characteristic of the market in mainland China is the speed of its growth due to economic expansion. MUJI has gained recognition there as an ethical and universal brand that handles standard products. However, unless we constantly change and innovate, we will not be able to remain an option for consumers on par with local companies, which are not afraid to fail. We must also think outside the box in looking for room for further development though measures such as concurrently working on an omnichannel strategy. We take a heuristic approach in all aspects of management, and maximize investment of management resources whenever we find an opportunity. We also consider it important to continue communicating these efforts to our customers.

Urgent Need to Reform the Supply Chain and Channel Strategy

A channel strategy that encompasses our supply chain and online channels is currently a priority issue.

For the supply chain, rather than the conventional approach of concentrating planning and development functions in Japan, we are taking advantage of the close proximity of planning and production areas to conduct these operations in mainland China, adopting an approach of development together with reliable factories, regardless of their size. We are also working to systematize and standardize operations throughout the supply



Satoshi Shimizu

Executive Vice President & Director
Head of Mainland China Business Unit

chain and improve logistics efficiency. In cooperation with factories, we are working to improve efficiency by visualizing all aspects of operations from logistics costs, which have been rising in recent years, to shipping, inventory storage and merchandise transfer.

For our channel strategy, we will incorporate the online-to-offline (O2O¹) concept into our existing framework of brick-and-mortar stores and e-commerce. We are conducting reforms tailored to customer purchasing behavior, which has changed in recent years. Our initiatives include collaboration with online platforms for ordering and prompt delivery through direct sales,² centralized use of inventory and handling of multiple channels by store sales staff.

Three Management Issues

We currently face three management issues.

The first issue is to increase the ratio of products developed in mainland China, while also making mainland China the center for a global mix of products developed outside Japan. Mainland China is the Company's largest market outside of Japan, and the approach to the standards

and costs of products developed there can be applied on a broad scale globally. Moreover, it is currently difficult to achieve economies of scale in countries other than Japan and mainland China, meaning we incur large losses manufacturing in other places. Mainland China will therefore continue to play a central role in proposing optimal solutions for overseas merchandising.

The second issue is establishing headquarters functions to support a continually changing sales force. To ensure reliable and accurate operations in sales activities that continue to change at a dizzying pace, with new products, new channels and new services, we will restructure the headquarters functions, including IT systems, accounting and logistics. In addition, enhancing the functions of our auditing office is an urgent task for ensuring thorough compliance.

The third issue is developing talent. Management and operation by local employees is essential in mainland China, where the management environment is becoming more complex. Currently, local employees have been appointed as division managers. At this stage, we are receiving support and information from the headquarters in Japan for our operations, but we will further accelerate localization of management by establishing a system that will allow us to transfer full authority in the near future.

1. Marketing measures to bring potential customers from online channels to make purchases in physical stores

2. Visiting customers to sell goods, services or other products

Human Resource Strategy

Human Capital Strategy

A Human Resource Strategy to Achieve “Public Interest and People-Centered Management”

Based on its core value of every employee “contributing to society and people,” Ryohin Keikaku places employees with a sense of ownership in leading roles in its business activities, 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 creation of organizations is the cornerstone of our management strategy.

The Kind of Employees Ryohin Keikaku Seeks

Ryohin Keikaku looks for employees who want to contribute to society and people, and who will continue to work together with the people in their communities to help create the desired lifestyle and society of the future; who will help make sure that products and services are enjoyed, trusted and appreciated by many people; and who will experience personal growth and find happiness in the process of creating those products and services, which then becomes a motivator for their next business activities. Our goal is to gradually push society and communities in the right direction as activities by people who share these aspirations spread throughout the world.

The Type of Person Ryohin Keikaku Is Looking For

Strong Ambition

1. Passion and ambition to contribute to society and people
2. Empathy and sense of ownership
3. Professional mindset

Ability to Make Things Happen

4. Inquiring mind and intellectual curiosity
5. Creativity and conceptual ability
6. Teamwork and collaboration skills

Ability to Carry Things through to the End

7. Vitality and thoroughness
8. Challenging spirit and positive attitude

Special Feature

Start of Leadership Talent Development Session to Develop New Talent

Ryohin Keikaku aims to realize its management principles through various talent development programs. In 2022, we began the Leadership Talent Development Session, in which executives, general managers and managers from Japan and overseas come together to discuss issues. This also includes dialogue with the president. The event is a discussion-type session in which participants talk about the mindset and behavior necessary to produce results in day-to-day business, deepen their mutual understanding, and then link their actions to improvement in daily operations. Through this session, we will develop the leadership talent necessary to maximize our performance as an organization.



Message from the Executive in Charge

Developing independent store managers who contribute to the community will lead to a stronger Ryohin Keikaku going forward.

Urgent Need to Develop Independent Store Managers and Establish the Necessary Organization and Systems

We have set two major themes for our human resource strategy in order to realize Ryohin Keikaku's corporate purpose as well as "public interest and people-centered management."

The first theme is to develop human resources and establish an organization capable of opening approximately 100 stores annually in Japan up to 2030. To do so, each year we must develop 100 capable store managers and about 20 block managers in charge of regional support. We aim to develop independent store managers who can resolve local issues and contribute to the community, rather than people who can simply operate stores.

We have therefore set the following three short-term initiatives.

- (1) Establish new training and education programs
- (2) Recruit employees for headquarters to strengthen the organization
- (3) Introduce new personnel and evaluation systems

For (1), we will develop a management training program to develop new store managers and realize independent store management, and a skill development program to promote the resolution of local issues. Specifically, we are promoting training programs and career development to enable new university graduate employees to serve as store managers in their third year of employment, with the expectation that young people with experience will take on the responsibilities of the next generation of Ryohin Keikaku. For (2), we are recruiting headquarters employees to accelerate the development of our basic product lineup and establish robust work processes. Recently, middle manager-class employees and professionals from various fields have joined the Company from other industries, and we are strengthening our organizational structure to raise the level of our entire value chain, including IT, e-commerce, logistics, product development and store development. For (3), we are introducing systems and frameworks that enable diverse human resources to



Yoshimasa Tsuji

Executive Officer
General Manager, Human Resources Division

play an active role and to be rewarded for their work. To encourage independent, voluntary activities by each employee, we consider it essential to establish systems for correctly evaluating their activities and rewarding their contributions.

An Organization with a Truly High Level of Engagement

The second theme is corporate culture reform. To realize Ryohin Keikaku's philosophy, each employee will play a leading role in reforming the corporate culture based on the concept of "co-ownership." To achieve this goal, we want all employees to consider themselves as joint managers of the Company, to proactively give their opinions on local issues, and to act independently. Our initiatives include investment in human capital, implementation of a recruiting strategy and the introduction of a Japanese-style employee stock option plan (see page 71 for details).

In 2022, we conducted a Group-wide engagement survey of employees in Japan and overseas with the aim of quantifying how close we are to achieving the corporate culture we want so we can make improvements. Employees are engaging in discussions based on the results in order to create a better corporate culture. We have also started leadership development sessions, where executives, general managers and managers from Japan and overseas gather for discussions with the president, as we work to share a common understanding of our approach as a product developer and retailer.

By steadily implementing this human resource strategy, we hope that our human resources who have a passion for and ambition to contribute to society and people will grow and find fulfillment in their respective workplaces. We believe that maximizing the results of our organization by having each employee play an active role will lead to MUJI's stores, products and services being loved by people around the world. Now is the time to lay the foundation for our future, and we will therefore work steadily to become an organization with a truly high level of engagement.

Human Resource Strategy

Human Resource Development Policy and Initiatives

The Six Pillars of Our Human Resource Development

Our human resource development policy for achieving "public interest and people-centered management," and examples of initiatives for it are as follows.

- 1. Recruit and develop employees who have the ambition to embody Ryohin Keikaku's philosophy and values**
- 2. Foster a healthy corporate culture in which diverse employees can show their individuality, think independently and act on their own initiative**
- 3. Create a working environment where employees can be themselves, realize physical and mental well-being and continue to work with peace of mind**
- 4. Train and assign leaders capable of bringing out the individuality and potential of diverse employees and maximizing organizational performance**
- 5. Develop and establish education and training systems to support the needs of employees who want to learn and grow through their careers**
- 6. Establish and operate a personnel system to support employees' sense of participation and willingness to take on challenges**

Human Resource Development Policy and Main Initiatives

1. Recruit and develop employees who have the ambition to embody Ryohin Keikaku's philosophy and values

We recruit employees who share Ryohin Keikaku's philosophy and have the passion and ambition to embody it, and provide them with training on our ideology, philosophy and values.

Through that training, we foster empathy and a sense of ownership toward the issues of communities and society, and develop employees who are motivated to help resolve social issues and make a positive impact.

Main Initiatives

- In conjunction with our "Second Founding," redefine and conduct training on our ideology, philosophy and values
- Promote internal understanding of our philosophy, create ongoing opportunities for dialogue and motivate employees

Recruiting Results			
	2020/8	2021/8	2022/8
Number of new university graduate hires	200	32	103
Number of mid-career hires	52	43	105
Ratio of mid-career hires to total new hires	21%	57%	50%

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

We create the conditions for fostering a healthy corporate culture, where employees with diverse personalities respect each other and have open discussions in an environment of psychological safety; where every employee can think independently and show initiative; and where people enjoy working positively toward achievement of goals.

Main Initiatives

- Visualize the corporate culture through a Company-wide engagement survey, and continue to implement improvement activities
- Promote internal understanding of our philosophy, and conduct related Company-wide training and ongoing dialogue

Company-wide Engagement Survey

Starting in 2022, we drastically revised the organizational vitality survey we had conducted in Japan, and conducted an engagement survey of approximately 30,000 employees working in Japan and overseas. This survey quantitatively verifies whether the necessary actions are being taken to realize our corporate purpose and vision, and whether the requisite conditions for that are in place. Our goal is to be a company with high engagement where all employees share our philosophy and take action. We will conduct the survey annually and make improvements based on the results.

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

We provide and promote working environments where employees can be themselves, realize physical and mental well-being and continue to work with peace of mind, regardless of their nationality, birthplace, age, gender, disability, or the environment or life stage they are in.

Main Initiatives

- Consider and introduce expanded systems to accommodate diverse work styles (examples: balanced four-day workweek system,* return-to-work system, internal job posting, childcare leave and nursing care leave system, benefit programs)
- Establish systems and support for maintaining and improving the mental and physical health of employees

* See page 70 for details.

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

We continually develop leaders who can bring out the individuality and potential of our diverse employees, direct them toward achievement of the Company's goals, and maximize the organization's performance. We also manage human resources by assigning such leaders to the right jobs.

Main Initiatives

- Improve education to strengthen management skills for leader development
- Provide opportunities for development through on- and off-the-job training for store managers and community managers, who lead independent store management and community activities

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 established education and training systems and a self-development support program to enable employees to learn the basic hard and soft skills necessary as a businessperson as well as the practical skills required for various positions and levels. With these programs, we maintain an environment in which motivated employees can continue to learn according to their needs throughout their career.

Main Initiatives

- Maintain and create training programs to fit the needs of different positions and levels in store and headquarters operations
- Improve problem-solving skills and foster independence through Quality Control/Industrial Engineering education and project promotion



Lifestyle Organizing School final presentation
<https://www.ryohin-keikaku.jp/eng/topics/035040.html>

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

We have introduced a personnel system in which employees who act independently and spontaneously to achieve goals, and employees who take risks and set difficult targets and achieve results are praised and rewarded. We create and maintain an environment in which employees experience growth through their work, and feel rewarded and happy.

Main Initiatives

- Introduce a grade system and evaluation system to assess each employee's ability, willingness to take on new challenges, and contribution to their organization, the Company and society
- Develop an internal recruiting system that encourages employees to take on new challenges and build their careers, and systems for personnel exchanges and dual employment to promote community activities and contribution

Special Feature

Store Manager Cultivation Project

Ryohin Keikaku believes store managers are a key growth engine in carrying out its "Second Founding." With that in mind, we started the Store Manager Cultivation Project in 2019 to prepare people to become store managers after two years of employment.

New employees participate in this Store Manager Cultivation Project whether they are hired as new university graduates or in mid-career. Working backwards from the goal of becoming a store manager after two years, this program offers employees on- and off-the-job training to give them the necessary skills. As of September 2022, more than 130 store managers have emerged from this project. We are also widening the scope of their work, including promotion to block manager (a position that manages multiple stores) after they gain business and store management experience.



Business Infrastructure

IT Strategy

Basic Policy and Strategy

We aim to become a leading company in product development by utilizing information technology (IT) for more efficient operations throughout the Company.

To support the reliable product development unique to Ryohin Keikaku and the management of its stores as community centers, we will maximize insourcing of IT for the following purposes: (1) cost structure improvement, (2) system stabilization, and (3) contribution to business.

Status and Recognition of Issues

Ryohin Keikaku has previously relied on vendors for its systems and related matters, and did not sufficiently consider non-functional requirements* such as scalability and support for operation and maintenance. As a result, we are aware that our systems have become extremely complex. This has slowed development speed, reduced cost efficiency, and made it difficult to respond to failures. We will rebuild our IT infrastructure by preparing development standards in-house and insourcing system development.

Key Initiatives

• Company-wide project

The operating system (OS) that has supported Ryohin Keikaku to date will not be enough on its own to achieve our goal of locally rooted stores with independent management. We are therefore conducting a project to rebuild our OS. For this purpose, we are working to visualize current business processes in order to identify system issues and update existing systems. We are conducting this Company-wide business reform project to support independent store management, decentralization and autonomy.

• Net increase of 100 stores per year and improved productivity per hour worked

In carrying out our plan to open 100 stores annually, we will increase self-service checkout lanes, redesign bagging areas and install and operate registers for a rollout to 1,200 lanes in 230 stores by February 28, 2023. During the second half of the fiscal year ending August 31, 2023, we plan to complete the switchover of software at stores that already have self-service checkout lanes.

• IT investment plan

To promote system insourcing, we will proactively invest in IT for e-commerce, stores, infrastructure and other applications with the aim of reducing information processing and outsourcing costs by JPY 1 billion compared with the fiscal year ended August 31, 2022.

• Establishment of a new business development organization

We have established an in-house app development team to handle new initiatives and services, including new businesses. Service design and operation flow can be completed by a single team, which we also expect to be responsible for core operations and system hubs as necessary.

• Increased hiring of IT talent

To promote system insourcing, we will ramp up external hiring to fill approximately 70 positions, including project managers and engineers.

• Creating an organization that lets engineers grow

To create an organization where engineers can grow, we are compiling a checklist of their skills and conducting individual evaluations. Other measures to raise the level of engineer quality will include holding internal technology sharing meetings, hiring technical advisors and formulating development guidelines.

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

Message from the Executive in Charge

We will improve the environment and infrastructure for effectively using IT, with the aim of being a leading company in product development.

Improving Our IT Environment as a Technology-driven Company Is Imperative

In its 2030 Vision, Ryohin Keikaku has set out two objectives: “to be a part of people’s daily necessities” and “to take root in local society.” Achieving the goals of the medium-term business plan will require us to accelerate improvement of our IT environment to make Ryohin Keikaku a technology-driven company.

In the IT industry, the retail sector is generally considered to be lagging in IT uptake. Among companies that handle apparel, which has a high environmental burden, only those that manufacture products with integrity will survive as upstream traceability becomes more and more important. Ryohin Keikaku still often handles supply chain management and traceability with an analog approach, so there is a lot we can do with IT in these areas. That underscores the urgent need to improve the IT environment.

One issue to address is that work flows are not visualized. Since Ryohin Keikaku has long conducted product development with integrity, I am confident that it can become a leading company in product development by visualizing and standardizing work flows through the use of IT.

Another challenge is dependence on vendors. Communicating only functional requirements without defining non-functional requirements, and having different definitions and technical staff for each vendor results in extra time, effort and cost for operation and failure recovery.

At this point, our environment and systems, development standards, and IT-BCP* are also inadequate for a technology-driven company, so creating the IT infrastructure that addresses these issues is imperative.

* Business continuity planning (BCP) measures for IT systems



Tatsuya Kubota

Executive Officer
In charge of IT Services Division

Launch of Company-wide Business Process Reengineering Project

During the fiscal year ending August 31, 2023, we will move forward on schedule with a project that began in July 2022 to rebuild our IT infrastructure. More than just an IT systems project, this is a Company-wide business process reengineering (BPR) project that involves every employee. Through this project, we will resolve remaining issues in global supply chain management (GSCM), implement business process reforms to support individual store management and autonomous decentralization, and make innovations to our MD (merchandising) system.

To support a net increase of 100 stores annually in Japan, we are also reconstructing our POS system platform and store network, and expanding the rollout of self-service checkout registers (1,200 registers in 230 stores in the first half of 2023). In addition, we will expand online sales, carry out new business development and create a security governance framework.

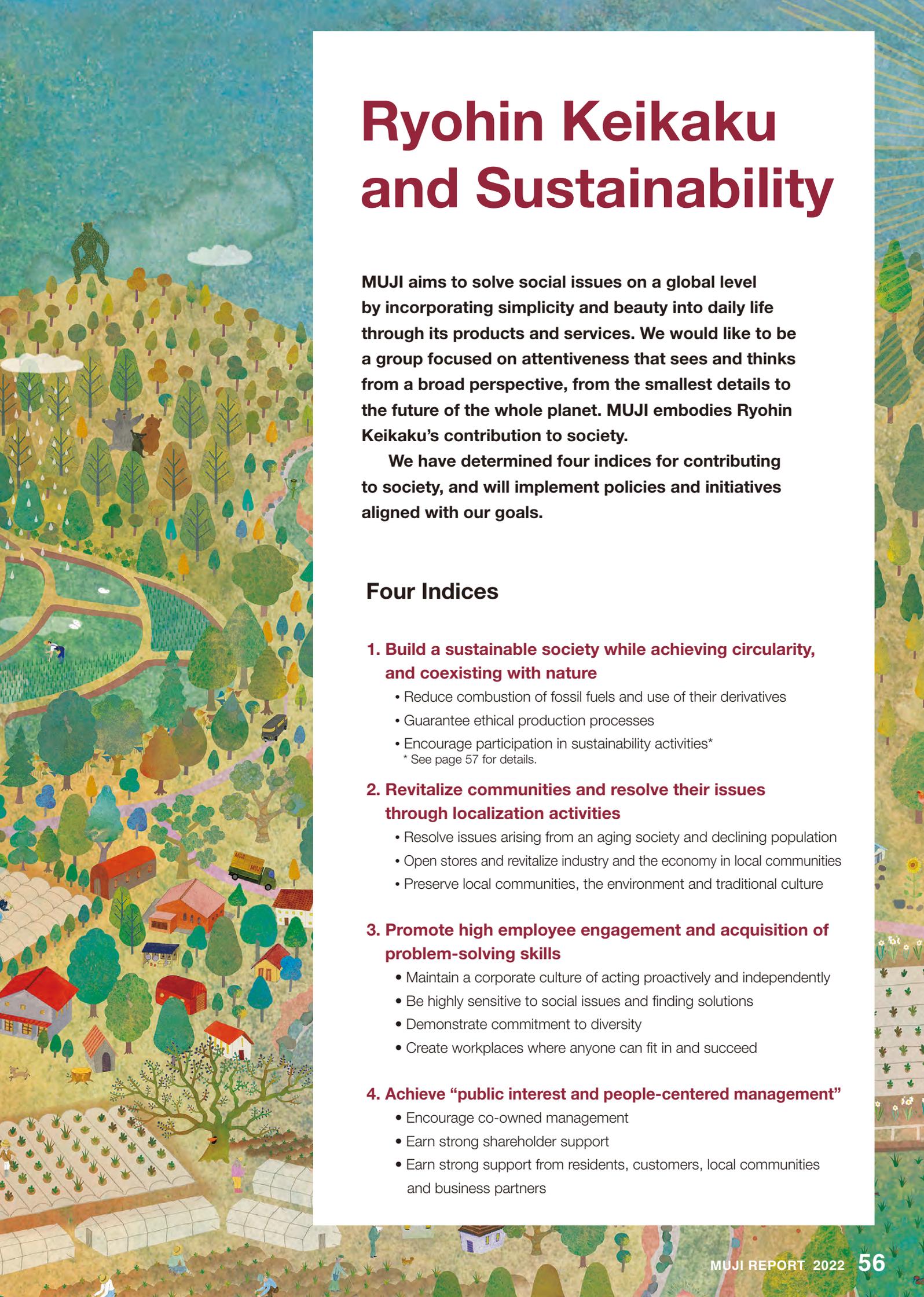
Creating a Vibrant Work Environment

I will never be an engineer, but I want to be the top supporter of engineers. Without someone who understands them, even very talented engineers will not be able to make the most of their abilities. That’s why I want to be their supporter, and to foster a vibrant work environment and culture where they can work with enthusiasm.

Ideally, business units and engineers will cooperate with each other. On the business side, we will also be able to utilize technology as a problem-solving tool. The IT Services Division has a good understanding of the whole value chain, so we also serve as a bridge between organizations.

Currently, we are bringing in talented personnel. They are highly motivated, have respect for existing employees, and are people who like MUJI. Together with them, we will work toward achieving our goals.





Ryohin Keikaku and Sustainability

MUJI aims to solve social issues on a global level by incorporating simplicity and beauty into daily life through its products and services. We would like to be a group focused on attentiveness that sees and thinks from a broad perspective, from the smallest details to the future of the whole planet. MUJI embodies Ryohin Keikaku's contribution to society.

We have determined four indices for contributing to society, and will implement policies and initiatives aligned with our goals.

Four Indices

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

- Reduce combustion of fossil fuels and use of their derivatives
- Guarantee ethical production processes
- Encourage participation in sustainability activities*
* See page 57 for details.

2. Revitalize communities and resolve their issues through localization activities

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

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

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

4. Achieve “public interest and people-centered management”

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

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. Based on these three perspectives, we continue to develop products that take society and the environment into consideration. This policy, which we have maintained as a constant focus, has become even more important given the “Second Founding” we initiated in 2021 to create a better world 100 years from now and to “be a front runner of ESG management.” We aim to build a sustainable society while achieving circularity, and coexisting with nature, reduce our environmental impact and respect individual human rights throughout the entire lifecycle of our products and services as well as through our actions.

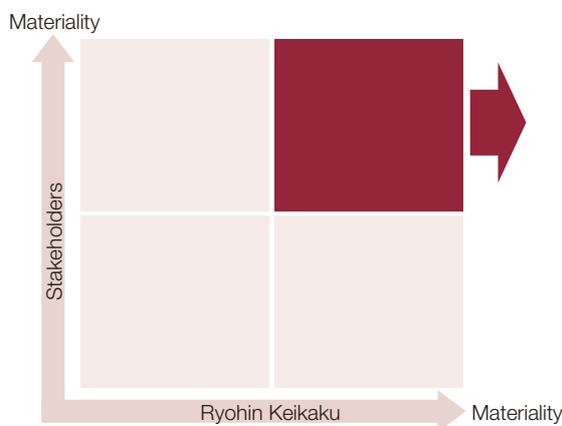
We will achieve our ESG management ideals by implementing innovative ESG approaches for products, business activities and communities to create new value and contribute to society.

- **ESG in products** We will encourage participation in sustainability activities* worldwide 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 through activities in regions** We will make a positive impact on society by leading the revitalization of local areas through activities with local communities.

ESG Strategy through 2030

Process for Identifying Material Issues

Ryohin Keikaku identified material issues in formulating its ESG strategy through 2030. This process involved 1) identifying and understanding social issues, 2) conducting interviews with management, and 3) implementing a scoring system that is unique to Ryohin Keikaku with the help of an external organization (shown in the matrix below). We used the scoring system to ultimately narrow our focus to 12 material issues. The Board of Directors then approved the four material issues shown on the right of the matrix.



Ryohin Keikaku’s Material Issues

- 1. Build a sustainable society while achieving circularity, and coexisting with nature**
 - Reduce combustion of fossil fuels and use of their derivatives
 - Guarantee ethical production processes
 - Encourage participation in sustainability activities*
- 2. Revitalize communities and resolve their issues through localization activities**
 - Resolve issues arising from an aging society and declining population
 - Open stores and revitalize industry and the economy in local communities
 - Preserve local communities, the environment and traditional culture
- 3. Promote high employee engagement and acquisition of problem-solving skills**
 - Maintain a corporate culture of acting proactively and independently
 - Be highly sensitive to social issues and finding solutions
 - Demonstrate commitment to diversity
 - Create workplaces where anyone can fit in and succeed
- 4. Achieve “public interest and people-centered management”**
 - Encourage co-owned management
 - Earn strong shareholder support
 - Earn strong support from residents, customers, local communities and business partners

* Encourage participation in sustainability activities: We believe that in the current consumer market, in general, companies strengthen ESG and sustainability initiatives in a way that makes consumers bear some of the cost. Ryohin Keikaku conducts environmental and social initiatives naturally and effortlessly, and provides products and services at affordable prices. Through MUJI, we want 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 encourage people to take part in sustainability activities.

ESG Promotion Organization

Ryohin Keikaku launched the ESG Promotion Committee at the start of the fiscal year ended August 31, 2022 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, and managers of related business divisions participate in the committee's monthly meeting.



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.

Key Projects

Environment

- Projects looking ahead to 2030 and 2050 for reducing greenhouse gas (GHG) emissions globally and across supply chains
- Projects that involve issues such as water, waste and biodiversity to minimize the negative impact of business activities on the environment

Social value creation

- Projects that reduce the use of virgin plastic in products and packaging materials and that accelerate resource and product recycling
- Projects to develop new materials and new businesses that take the environment and social issues into consideration

Human capital

(“Public interest and people-centered management”)

- Projects that promote “public interest and people-centered management”
- Projects that improve diversity & inclusion and engagement

Governance Compliance with laws and regulations

- Projects that enhance the security of personal and other information and that ensure compliance with various laws and regulations

Environmental Management

Environmental Policy

Ryohin Keikaku aims to solve social issues on a global level by incorporating simplicity and beauty into daily life through its products and services. We also structure our business for sustainability by eliminating all forms of waste in our operations and the entire supply chain, effectively using and recycling resources, conserving energy, reducing waste, and preventing environmental pollution.

Environmental Management System

Based on our Environmental Policy, each Group company and all divisions of Ryohin Keikaku promote environmentally responsible initiatives through their business activities. The ESG Promotion Committee receives reports on the progress of various initiatives and targets, and works to implement measures and make improvements. For projects that require specialized knowledge, we collaborate with external specialist institutions in testing, auditing and management. The committee is chaired by the chairman & representative director, and inside directors, executive officers, and managers of related business divisions participate in the monthly meeting.

At least twice a year, progress toward various targets and initiatives of the ESG Promotion Committee is reported to the Board of Directors for deliberation, and the results are reflected in policies and activities.

In addition, the Compliance and Risk Management Committee reviews and discusses various risks and reports to the Board of Directors.

Resource Recycling

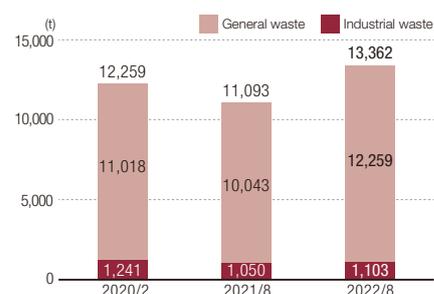
Basic Approach

Since creating the MUJI brand in 1980, Ryohin Keikaku has consistently approached product development from three perspectives: selection of materials, streamlining of processes and simplification of packaging. We believe that selecting materials in consideration of the global environment and producers, eliminating waste in all processes, and providing customers with what they actually need in the form they actually want will help to reduce waste and environmental impact. Ryohin Keikaku aims to build an outstanding relationship with nature and communities. We contribute to a circular economy by reducing waste and circulating global resources in all of our business activities.

Goals

Ryohin Keikaku aims to contribute to society by creating new value through its businesses. We are working toward achieving a circular economy by minimizing waste, eliminating wasteful use of resources and promoting recycling and reuse through a series of activities in areas ranging from product development through to the post-consumer phase. We will achieve our goals by promoting activities to reduce, reuse, replace (find alternatives) and recycle from the perspectives of the Ryohin Keikaku Group, supply chains and customers in order to reduce the amount of waste generated.

Waste Emissions



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

Note: Some estimates are included.

Participation in Initiatives: Japan Sustainable Fashion Alliance (JSFA)

JSFA is a platform for companies that are committed to sustainable fashion. Members work together to develop solutions to issues that are difficult for individual companies to resolve. Ryohin Keikaku has been participating as a supporting member since August 2021.

JSFA shares knowledge about sustainable fashion, facilitates collaboration to achieve zero-waste fashion and carbon neutrality, proactively identifies key domestic and international trends, and makes policy recommendations necessary to improve common issues within the industry.

Special Feature

Removal of Plastic from Packaging Materials and Collection and Recycling of Paper Hangers

One metric for realizing a recycling-oriented society is our progress toward our goal of 100% plastic-free packaging and materials by 2030.

For example, we eliminated the use of plastic bags and switched to recycled paper display hooks for socks and scarves. In addition, we are phasing out paper in favor of bamboo fiber for straws provided in the Café&Meal MUJI restaurant business. Made completely from natural materials, these straws are 100% biodegradable and are more water-resistant than paper straws, which improves convenience for customers.

In addition, we began collecting and recycling the paper hangers we use for products at stores in October 2022. Collected hangers and hooks are liquefied at a factory and recycled into paper, then processed and used for paper hangers for some of our products. They have therefore become a recycled resource instead of household trash.



Special Feature

Recycled Wool

Ryohin Keikaku offers a variety of products that use recycled wool. Some of the recycled wool handled by MUJI is made in Bishu, which straddles Aichi and Gifu prefectures in Japan. Bishu has prospered since the Meiji era as one of the world's three major wool-producing areas. Bishu has a deeply rooted culture of reusing wool. This is an aspect of the culture that was little known in the past. However, the situation has changed completely in recent years as companies and society have become more focused on sustainable options. Recycled wool supported by advanced technology features high quality and is attracting attention worldwide. Old clothes are reborn as new MUJI clothes in Bishu, which maintains Japan's time-honored spirit of thrift.



Sorting and cutting

Wool products collected from all over Japan are first sent to a sorting and cutting facility. They are sorted by color, and skilled employees cut off the tags and buttons.



Reclamation

The recyclable wool is sent to a recovery facility and shredded using a grinder. It is gradually made finer while being sprayed with oil and water, and finally processed in a garnet machine to complete the reclamation process.



Spinning

Spinning is the process of spinning yarn from carded wool. Creating colors that address client requests sometimes involves selecting small samples of more than 20 colors from a huge catalogue we have built over many years. A sample is made by combing it with a stiff brush in a process called slapping, and the color is confirmed, thus completing the coloring process. Once the composition is decided, the carded wool is mixed in a large mixing machine, combed lengthwise and crosswise, and spun into thread. The thread is finally completed by twisting it while pulling it with a spinning mule.



Weaving

The weaving facility receives the thread and first runs it through a warping machine. After that, each piece is passed through a tool called a heddle and put on a loom, and the heddle frame is moved up and down to pass the weft threads and weave the cloth.



Finishing and processing

The woven cloth is sent to a finishing and processing facility. The next step determines the texture of the wool. Washing and milling removes oil and thickens the texture of the cloth. The final recycled cloth is achieved through processes including raising, compression, polishing and shearing as necessary.

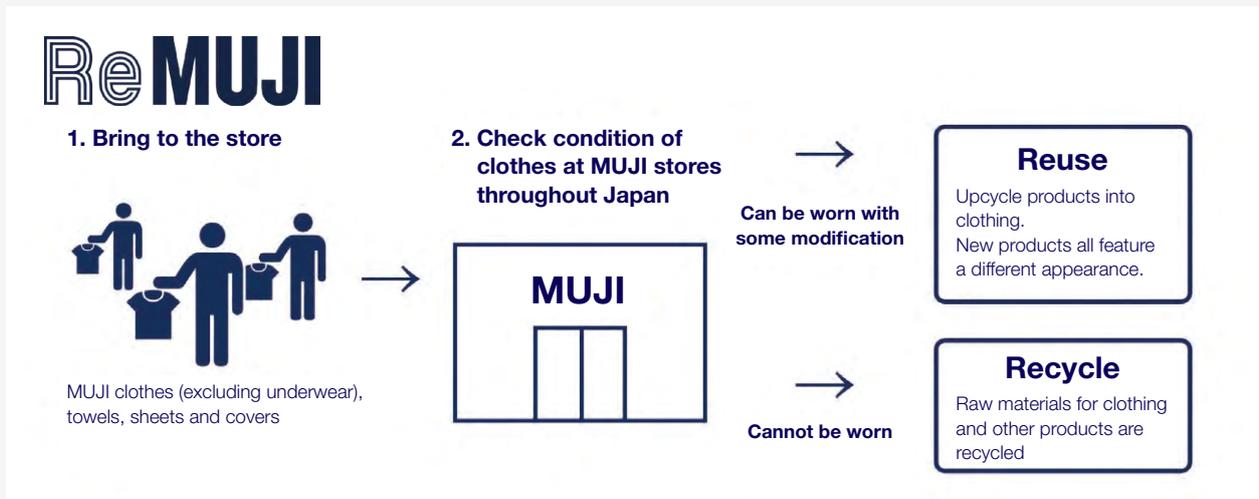
Special Feature

Reducing Textile Product Waste

In 2010, Ryohin Keikaku launched an initiative to recycle used and soiled clothes, towels, covers, and clothing children had outgrown. Textile products are collected at the end of their useful lives, and clothes are sorted, washed, re-dyed, remade, and otherwise recycled into products with new value, and are then sold at select MUJI stores under the ReMUJI brand. In addition, some textile products that don't fall under the ReMUJI brand are recycled as raw materials for various other purposes.

Eligible products: All MUJI textile products (towels, sheets, covers, etc., excluding underwear and socks)

Collection sites: MUJI stores



We have been selling re-dyed clothes since 2015. We add new value to clothing customers have used for several years by re-dyeing it in indigo or black. As for clothing unsuitable for dyeing, we remake the items into either *Arainaoshita fuku* (carefully washed second-hand clothes) or *Tsunagaru fuku* (patched clothes that connect both the clothes and the owners, new and old). Adding a little touch and bringing new life to the clothing we collect is a way to collaborate with customers to conceptualize ways to reduce waste, recycle resources, and wear clothes with care.

Indigo

In Japan, dye shops known as *konya* have been specializing in indigo dyeing since the Edo period.

Indigo was widely popular as a clothing color in the Edo period for people, from feudal lords to commoners.

Three shades stand out among the many shades of indigo: *hanada*, or light indigo, *ai*, or blue-green indigo, and *tomekon*, or dark indigo. *Hanada* is a bright pale blue, *ai* is a greenish blue that is the original indigo color mixed with a little yellow, and *tomekon* is a dark navy blue that cannot be dyed any more.

Our method employs modern dyeing technology to prevent color fading. Although different from original plant-based indigo dyeing, our method offers the opportunity for people to enjoy upcycled indigo clothing.

Volume of textile products recycled
(Results for the fiscal year ended August 31, 2022)

49.1 t

ReMUJI unit sales volume

(Results for the fiscal year ended August 31, 2022)

28,222 units

Water Resources

Basic Approach

Water is an essential natural resource for our daily lives and business activities. Ryohin Keikaku recognizes its responsibility to minimize the environmental impact on the planet and strives to reduce the use of water in the production process from raw materials to finished products. The increasing demand for water due to the world’s population growth exacerbates various issues such as water scarcity, floods, and river pollution, which increases water risks. We aim to address various water-related issues and work toward tackling the issue of unequal distribution of water resources that should be enjoyed equally.

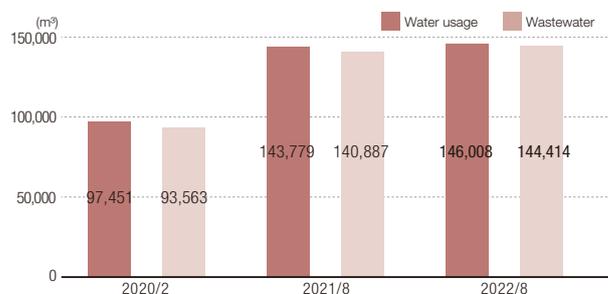
Goals

Ryohin Keikaku is committed to preserving sustainable water resources in various areas such as within our Company, our supply chain, society, and local communities. Within our Company, we identify issues for each region where our stores and offices are located and promote proactive and effective risk reduction activities. Throughout our supply chain, we strengthen our business partnerships with production partners who share our philosophy and work to reduce water usage in production processes that use large amounts of water, while also aiming to minimize the impact of our business activities on local communities and river basins.

Recognition of Risks and Issues

We identify water resource risks and issues from three main perspectives: our own operations, the supply chain, and society/local communities. We recognize that water usage in the raw material production and manufacturing processes has a large impact on the environment and local communities due to the potential impact on water sources and factory wastewater. The shortage of freshwater resources has become a concern due to various challenges posed by population growth, industrial development, global climate change and water pollution. Ryohin Keikaku, which handles apparel, household goods and food, recognizes the risks that water scarcity poses and is implementing various initiatives to address this issue.

Water Usage



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

Notes:

1. Some estimates are included.
2. The main reason for the significant increase in water use from the fiscal year ended February 2020 to the fiscal year ended August 2021 was that the number of stores with facilities such as toilets increased.

Special Feature

Denim

We have revamped our classic denim series for the 2022 fall/winter season with a focus on environmentally friendly and long-lasting basic denim. In traditional denim production, the threads are dipped in indigo dye and pulled up repeatedly, undergoing a process called rope dyeing, which involves exposing the threads to air and oxidizing them about 12 times to attain a deep blue color. In addition, light-colored denim has typically required three times more water than regular indigo denim due to the need for extensive washing to lighten the color after being dyed with indigo.

We have re-evaluated our dyeing process for two new denim colors for the 2022 fall/winter season. For “blue,” we reduced the number of times the thread is dyed to four, while for “charcoal gray,” we shortened the dyeing time. This has not only reduced the amount of dye used but also water usage during the washing process. Additionally, we have minimized the steps for creating damaged jeans, which traditionally involved weathering and bleaching processing, in all of our denim series to make them more environmentally friendly.



Biodiversity

Basic Approach

Ryohin Keikaku has been promoting environmentally friendly manufacturing practices by utilizing appropriate materials. This is because the Company recognizes the close relationship between business activities and the global environment and considers reducing the burden on the natural environment and living beings as a critical issue. As we engage in manufacturing using a variety of raw materials sourced from around the world, we are committed to addressing procurement challenges and pursuing sustainable raw material acquisition. Moreover, we are aware of the impact our business activities have on ecosystems and collaborate with producers, local authorities, and communities to minimize such effects and protect the environment.

Goals

We aim to eliminate deforestation caused by resource extraction from protected areas designated by law, and our goal is to use sustainably sourced materials for all products that use palm oil, timber, and cotton sold domestically by 2050. Our wool and down raw materials are sourced with consideration for animal welfare.

1. Palm Oil

We conduct regular surveys to ensure traceability from the point of origin and promote initiatives for sustainable use by verifying origin certificates and other means.

2. Paper and Wood

We conscientiously avoid the use of illegally logged timber. This involves conducting timber due diligence that encompasses surveys and self-assessments for wood and paper products* in accordance with the Clean Wood Act and other environmental laws and regulations of the countries and regions where we operate.

* Excluding 100% recycled paper and cardboard products

3. Cotton

We consider biodiversity conservation, conscientiously ensure traceability to the point of origin, and promote the procurement of sustainable cotton. We are committed to environmentally responsible product development and are considerate of producers.



Initiatives

Down

We only use down feathers with sufficient fill power that have been procured in a manner that meets the Five Freedoms of Animal Welfare* defined by the Farm Animal Welfare Council and have been reviewed and certified as being such. We only use feathers that have been rigorously screened and certified by a third-party organization to ensure that the animals were not force-fed or stripped of down while alive. We select raw materials on the basis of their functionality, the people who use them, the people who make them, and how they interact with nature.

* Five Freedoms of Animal Welfare: 1) freedom from hunger and thirst; 2) freedom from discomfort; 3) freedom from pain, injury, and disease; 4) freedom to express normal and natural behavior; and 5) freedom from fear and distress. (Ministry of Agriculture, Forestry and Fisheries, "Livestock breeding management with consideration of animal welfare")



Wool

For wool, we emphasize natural and gentle breeding methods, and use only wool from non-mulesed sheep. While sheep breeding methods vary from region to region, mulesing is a practice common in regions with hot weather that involves removal of some strips of wool-bearing skin from sheep to prevent parasitic infection by fly maggots.



Recycled Wool*

MUJI has placed importance on eliminating resource waste since its creation. Recycled wool involves grinding wool products we collect and re-spinning the resulting wool thread to create new materials. It has a deep mix of colors and a rustic texture. MUJI, which aims to create a better relationship with nature, will continue to do its best to help recycle resources and reduce waste.

* See page 60 for details.

Chemical Management

Basic Approach

In its efforts to manufacture safer products and protect the health and safety of all stakeholders (customers, production partners, our employees and communities), Ryohin Keikaku considers the impact of chemicals on the environment and strives to prevent and reduce global environmental pollution. We therefore prohibit the use of certain harmful chemicals and conduct thorough management of chemicals in products and manufacturing processes.

Goals

We comply with laws and regulations and work to reduce our impact in order to conserve the global environment.

- We appropriately handle chemicals in our products and in the manufacturing process.
- We comply with all applicable environmental laws, regulations and standards.
- We prohibit the use of substances suspected of being harmful.
- We regularly inspect finished products to ensure compliance with substance prohibitions and restrictions.

Initiatives

Code of Conduct for Production Partners

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

Environmental Audits of Business Partner Factories

Ryohin Keikaku only deals with production partners who pledge to comply with the Code of Conduct for Production Partners to protect the work environment, human rights, and conditions at factories. In addition, we confirm compliance with this code of conduct and ongoing relevant initiatives by commissioning third-party organizations to monitor work environments as well as conduct environmental audits. We work with factories to take corrective action for non-compliance with even one of our standards.

Special Feature

Support for Activities to Protect Endangered Species

More than 41,000 species of wildlife on Earth are in danger of extinction. Ryohin Keikaku has been selling printed t-shirts depicting endangered creatures since 2016, and we donate a portion of the sales proceeds to activities to preserve biodiversity and the environment. We also donate to the Japan Committee for the International Union for Conservation of Nature to support its activities.

We hope that wearing the t-shirts we sell will encourage children to become involved in activities to protect the animals they depict, while also becoming interested in the reasons why the animals are endangered.



Donations

Cumulative total	JPY 8,142,335
2021/3–2022/2	JPY 2,101,335
2020/3–2021/2	JPY 1,458,170

Climate Change

Climate Change Initiatives and Information Disclosure

Ryohin Keikaku recognizes that climate change is seriously impacting society, and aims to achieve the international goals set in the Paris Agreement by working with a wide range of stakeholders, including suppliers, in initiatives to create a sustainable society. In addition, we recognize 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.

Note: Our website provides more details about how we are addressing the TCFD reporting recommendations.
<https://www.ryohin-keikaku.jp/eng/sustainability/environment/climate-change/>

Governance

Addressing climate change is one of the most important management issues for Ryohin Keikaku, and we have established a governance system centered on oversight by the Board of Directors and the ESG Promotion Committee.

The Board of Directors receives reports on ESG-related initiatives, including those that address climate change, at least twice a year from the Public Relations & IR & ESG Division, which is the secretariat of the ESG Promotion Committee. The Board also supervises progress and achievement of targets, and discusses and provides guidance on policies and initiatives. In addition, in the fiscal year ended August 31, 2022, we introduced a restricted stock compensation system for directors (other than outside directors), and have added the “achievement level of important ESG indices from a long-term perspective” to the evaluation index. The ESG Promotion Committee and Management Executive Meeting report the results of their discussions to the Board of Directors for deliberation, resolution and incorporation into business strategies and management policies based on risks and opportunities.

Note: See page 58 for details on the ESG Promotion Committee and page 77 for details on corporate governance.

Strategy

(1) Risk and opportunity assessment and action plans

We identify climate change-related risks and opportunities that could affect our business, and then implement relevant action plans after qualitatively and quantitatively evaluating risks and opportunities based on their importance to business strategy, financial impact in terms of revenue and costs, and the relevant time frame. We organized the outcomes as follows, with emphasis on TCFD reporting recommendations.

Assessment of Degree of Impact of Key Risks and Opportunities and Action Plans

Key Risks and Opportunities		Specific Potential Impacts	Impact Type	Impact Intensity	Time Frame	Action Plans			
Transition Risks and Opportunities	Regulatory	More stringent GHG emission regulations, incl. carbon taxes	Risk	<ul style="list-style-type: none"> Introduction of carbon taxes on GHG emissions Introduction of carbon taxes, etc., on procured goods, or increase in operating and procurement costs due to GHG reduction measures Increase in transportation and storage costs due to introduction of carbon taxes, etc., for distribution centers, offices and delivery vehicles 	Cost	Medium	Medium term	<ul style="list-style-type: none"> Reduce GHG emissions in accordance with medium-term business plan. Visualize GHG emissions throughout the supply chain and implement reduction initiatives. 	
		More stringent regulation of plastics	Risk	<ul style="list-style-type: none"> Increase in procurement costs due to increased use of recycled plastics and biomass plastics 	Cost	Large	Medium term	<ul style="list-style-type: none"> Minimize cost increases by eliminating plastics, reducing thickness and weight, and switching to alternative materials for merchandise and packaging. 	
	Market	Fossil resource price fluctuations	Risk	<ul style="list-style-type: none"> Increase in operating and procurement costs due to rising prices for energy consumed by Ryohin Keikaku and suppliers Increase in procurement costs due to rising prices of raw materials derived from fossil resources 	Cost	Medium to Large	Medium term	<ul style="list-style-type: none"> Promote energy conservation internally and among suppliers. Eliminate plastics, reduce thickness and weight, and switch to alternative materials for merchandise and packaging. 	
		Long-term product use	Risk	<ul style="list-style-type: none"> Rising prices for energy consumed by warehouses and delivery companies 	Cost	Large	Medium term	<ul style="list-style-type: none"> Implement energy-saving initiatives at distribution warehouses. Reduce energy use in ways such as cooperating with logistics companies to improve transport efficiency and sharing transportation. 	
	Reputation	Brands known for being sustainable	Opportunity	<ul style="list-style-type: none"> Decrease in replacement frequency and sales due to long-term product use Decrease in sales due to relative decline in demand for new clothing 	Revenue	Medium to Large	Medium term	<ul style="list-style-type: none"> Promote reuse and recycling. Promote product development using recycled raw materials. Develop products for long-term use. Structure sustainable systems; e.g., commercialize secondary distribution. 	
			Risk	<ul style="list-style-type: none"> Increase sales by attracting new customers who focus on sustainability 	Revenue	Medium	Medium term	<ul style="list-style-type: none"> Raise awareness of Ryohin Keikaku's commitment to sustainability and ESG by enhancing worldwide communication of corporate purpose, ESG commitment since founding, product development perspectives, new initiatives to resolve social issues, etc. 	
		Growing demand for products that use sustainable raw materials	Opportunity	<ul style="list-style-type: none"> Loss of customers and decrease in sales due to a decline in competitive advantage resulting from delays in addressing sustainability issues 	Revenue	Medium	Long term	<ul style="list-style-type: none"> Promote ESG in accordance with the medium-term business plan and enhance information disclosure and communication. Draw on external ESG evaluations to accurately identify and appropriately address priority issues. 	
	Physical Risks and Opportunities	Acute	Increase in extreme weather	Risk	<ul style="list-style-type: none"> Sales growth resulting from increased demand for environmentally responsible materials Sales growth resulting from increased demand for low-carbon protein foods 	Revenue	Medium to Large	Medium term	<ul style="list-style-type: none"> Use environmentally responsible materials such as kapok and hemp. Switch to environmentally responsible materials and develop associated products.
			Rising sea level	Risk	<ul style="list-style-type: none"> Increase in loss on disposal of products, etc., resulting from increased damage to stores, distribution centers and other facilities due to extreme weather events including flooding and typhoons 	Cost	Medium	Short term	<ul style="list-style-type: none"> Expand lineup of products that use pests and soy meat. Develop products that use low-carbon ingredients.
		Chronic	Increase in average temperature	Risk	<ul style="list-style-type: none"> Relocation costs resulting from increased risk of flooding where stores and distribution centers are located 	Cost	Medium	Long term	<ul style="list-style-type: none"> Mitigate damage from flooding at stores and distribution centers exposed to high flood risk. Thoroughly assess climate change risk before opening stores.
Changes in precipitation and weather patterns, and rising average temperatures			Risk	<ul style="list-style-type: none"> Increase in store cooling costs 	Cost	Medium	Medium term	<ul style="list-style-type: none"> Install solar energy equipment. Install energy-saving equipment. 	
			Risk	<ul style="list-style-type: none"> Increase in procurement costs due to higher prices for materials such as cotton and linen resulting from increased floods and droughts Increase in timber procurement costs due to reduced timber supply resulting from ecosystem changes 	Cost	Medium to Large	Long term	<ul style="list-style-type: none"> Continuously monitor price conditions by country. Diversify raw material production areas. 	

Impact assessment:

Revenue: Large = ¥10 billion or more; Medium = ¥1 billion to less than ¥10 billion; Small = less than ¥1 billion

Cost: Large = ¥1 billion or more; Medium = ¥100 million to less than ¥1 billion; Small = less than ¥100 million

Impact time frame: Short term = within 2 years; Medium term = over 2 years to 10 years; Long term = over 10 years

(2) Scenario analysis

Ryohin Keikaku believes that mitigating risks and expanding opportunities is essential to being able to sustainably improve its corporate value and social value. We have therefore conducted a scenario analysis of the risks and opportunities posed by climate change.

	Transition 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 medium financial impact. We estimate that our GHG emissions (Scope 1 and 2 total) will increase by about 1.6 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. Initiate the use of renewable energy in ways that are aligned with the location and characteristics of stores. 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 3.2 times through 2030 as our business grows if we do not implement initiatives to reduce it. 	<ul style="list-style-type: none"> Reduce electric power consumption by conserving energy, proceeding with the use of renewable energy, and reducing the use of energy derived from fossil resources. Work with suppliers to help them conserve energy and initiate the use of renewable energy among other means to mitigate increases in production costs.
More Stringent Regulation of Plastics and Market Fluctuations	<ul style="list-style-type: none"> We expect a medium financial impact from rising plastic raw material prices. Based on our reference scenarios, we set the unit price of plastic raw materials as of 2030 at 1.3 times the price for the fiscal year ended August 31, 2021, and set the ratio of recycled materials to total plastic materials we procure at 60%. 	<ul style="list-style-type: none"> 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 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 from fossil resources due to regulations and greater product longevity, and a 60% ratio of recycled materials to total plastic materials we procure due to changes in demand. 	<ul style="list-style-type: none"> Given the projected increase in demand for sustainable products and services, promote the use of environmentally friendly materials and product development. Promote recycling of our own products, and transition from fossil resource-derived 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. Our analysis covered sites exposed to significant impact selected from among 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.

Risk Management

Ryohin Keikaku sees climate change risk as one of the most significant risks to which the Group is exposed. Our climate change risk assessment process involves the Compliance and Risk Management Committee, which oversees Group-wide risks. The committee assesses probable exposure to risks at least once a year based on their significance and likelihood of occurrence. For transition risks and opportunities, we will reduce our carbon tax liability by achieving GHG emission reduction targets in accordance with our medium-term business plan, and by visualizing and reducing GHG emissions throughout the supply chain. In addition, we will address more stringent regulations on plastics and fossil resource price fluctuations by offsetting cost increases through the use of plastic-free products and packaging materials, reducing weight and switching to alternative materials. Furthermore, we will consistently communicate our corporate purpose, commitment to ESG since our founding, and our three product development perspectives while expanding opportunities by promoting the use of environmentally responsible materials and product development, and responding to growing demand for sustainable products and services.

Metrics and Objectives

Ryohin Keikaku calculates its GHG emissions using the GHG Protocol, a commonly used international guideline for calculating GHG emissions. We are currently determining Scope 1 and 2 emissions in all countries and regions where MUJI stores have opened.

Index	Goals for Fiscal Year Ending August 31, 2030	Status as of Fiscal Year Ended August 31, 2021	Status as of Fiscal Year Ended August 31, 2022
GHG Emissions (Scope 1 and 2)¹	50% reduction compared with fiscal year ended August 31, 2021	30,839 t-CO ₂ e ²	34,874 t-CO ₂ e ²
Use Renewable Energy at Stores³	100%	In use at the Hatoyama Distribution Center ⁴	Installed at select stores Initiating the use of renewable energy will reduce CO ₂ emissions by 394 t
Install Solar Panels at Independent Store Buildings⁵	100%	Installed at the Hatoyama Distribution Center (installation completed in 2014)	Installed and began operation at several stores in the fiscal year ending August 31, 2023

1. Scope: Ryohin Keikaku Group

2. GHG emissions of Ryohin Keikaku Co., Ltd. The Ryohin Keikaku Group is currently calculating its GHG emissions for disclosure during the fiscal year ending August 31, 2023. Please refer to the Ryohin Keikaku website for CO₂ emissions data.

3. Stores for which Ryohin Keikaku manages electric power contracts. Excludes tenant stores.

4. A distribution center that Ryohin Keikaku manages.

5. Installation at stores when feasible given location, equipment and other conditions.

Sustainable Community Design

Ryohin Keikaku aims to support the foundation of daily life by taking root in local society and making a meaningful contribution as an integral member of the regions in which it operates. We are promoting a variety of projects throughout Japan (both inside and outside our stores), and have established the Social Good Business Division to implement those initiatives.

Since 2022, we have been focusing on the four themes of “health and safety,” “community,” “culture and art,” and “food and agriculture,” in promoting regional production and businesses to resolve regional issues.

Key Initiatives

Theme: Health and Safety – Aging and Health Issues

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, reducing social security costs, and preventing social isolation. We have created local healthcare centers at MUJI stores that provide products, information and services for health maintenance and disease prevention, along with informal health consultations with experts such as pharmacists, nurses and registered dietitians. These centers also cooperate with local hospitals and healthcare providers in various initiatives that serve as a bridge to local residents. In addition, our centers link local residents with community activities such as clubs, work together with government institutions, and serve as local community centers throughout Japan.

Stores with healthcare centers: MUJI Naoetsu (Joetsu, Niigata Prefecture); MUJI Hiroshima Alpark (Hiroshima, Hiroshima Prefecture)

Note: We plan to increase the number of such stores in the future.

Visitor Comments

Sometimes my family and I have physical or emotional discomforts or concerns that do not necessitate a hospital visit, but we want to talk about them with someone knowledgeable. I am glad that I can go to a MUJI healthcare center and easily consult with nurses, registered dietitians, and other people with specialized knowledge.



Theme: Community – Declining Regional Population

Putting Vacant Housing and Idle Real Estate to Use

The amount of vacant housing and idle real estate is increasing throughout Japan due to population decline. Ryohin Keikaku transforms vacant housing and idle real estate into places that draw people to visit and perhaps to live. In September 2022, we signed a comprehensive partnership agreement with Airbnb Japan Co., Ltd. to handle renovation and interior design for houses that let people experience life in Shimizu-cho, Hokkaido. The rooms are furnished with MUJI furniture, tableware, cooking utensils, home appliances, and other daily necessities, effectively recreating the experience of living in small-town Hokkaido. We will accelerate initiatives that encourage visits and settlement by fully utilizing local resources throughout Japan, increasing the utility value of idle real estate by turning it into a tourist destination, and communicating the appeal of local areas both in Japan and internationally.

Comments from Shimizu-cho, Hokkaido

Ryohin Keikaku has faithfully embodied the Airbnb concept of making travel like living. The space has a well-equipped kitchen where visitors can enjoy the wonderful food of Shimizu-cho as they gather at the family friendly table, and it also features a comfortable working space. Living is good here, and guest ratings are strong.



Support for Ukraine

In 2022, Ryohin Keikaku subsidiary MUJI EUROPE HOLDINGS LIMITED provided approximately 20,000 products as humanitarian assistance to people living in evacuation shelters in neighboring countries of Ukraine. In addition, more than 2,000 Ukrainian refugees were living in Japan as of February 2023, and many organizations, companies and individuals in Japan are providing them with various forms of support. Since April 2022, Ryohin Keikaku has been providing futons (Japanese-style bedding), refrigerators, curtains, tableware, stationery, and other essential items for daily life through local governments and organizations that accept evacuees. As of February 2023, we had provided daily necessities valued at more than JPY12 million to 471 evacuees in 57 regions.

Theme: Culture and Art – Energizing Towns

Art Events

Naoetsu Umimachi Art focuses on the creativity of contemporary art in order to bring out the charm of Naoetsu and to create a lively atmosphere. It started in 2021 as an art event for creating new encounters and exchanges that would invigorate the town. Naoetsu is a port town that has prospered because of shipping and the blessings of nature. Many generations of residents have passed along the wisdom and pride of life in a town with a varied climate. The goal of Naoetsu Umimachi Art is to make beauty, culture and art a bridge to “a truthful and sustainable life for all” over the coming 100 years. In 2022, local residents took the lead in holding the event in a way that involved the local community. Participants are eager to do it again in 2023, with the event beginning to take root in local society.

Comments from the Executive Committee Chairman of Naoetsu Umimachi Art (Regional Confectionery Representative)

Naoetsu is a wonderful town where residents are connected, and Naoetsu Umimachi Art really brought out that feeling as it created a sense of unity and energy among the community. I was pleased to see that the event brought smiles to residents and visitors alike. The event inspired everyone to think about the town, and reminded me how glad I am to have been born here.



Theme: Food and Agriculture – Agricultural Issues

The Shokoku Ryohin Program

We want to create lasting agricultural systems because they are critical shared social capital that contributes to regional revitalization. We are therefore rethinking ideals for agriculture, local production for local consumption, and plentiful food. We want to connect producers and customers through traditional vegetables and specialty ingredients that are unique to particular regions. Shokoku Ryohin is a direct-delivery e-commerce site that showcases and sells food and daily necessities born from the environment and lifestyles of a particular region. Focusing on small-scale producers with their own specialties and ideals, Shokoku Ryohin delivers locally rooted food products that are available only in limited quantities or are not widely available. The program delivers products together with the aspirations of producers.

Comments from a Store Owner (Muchachaen Co., Ltd., a regional corporation)

Farmers face various issues ranging from an aging and declining population to environmental change, all while working to enhance the sustainability of agriculture and local communities. We are pleased that MUJI is putting its unique attributes to work in helping us.



Human Resources and Labor Practices: Initiatives for Diversity & Inclusion

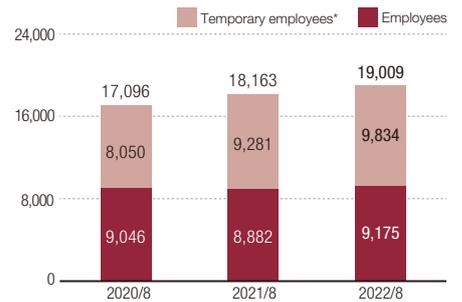
Recruitment and Employment

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) to describe its employment and labor policies and the Group Compliance Code of Conduct, etc. To ensure that all employees understand its contents, explanations and training are provided to all employees when they join the Company.

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

Number of Employees (Ryohin Keikaku Group)



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



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. We have established systems to support work-life balance that can be used by all employees, regardless of gender. These systems include a childcare and nursing care leave system, a shorter working hour system, a childcare system, a family care system, a flextime system, among others. We have also offered a balanced four-day workweek system since May 2021.

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

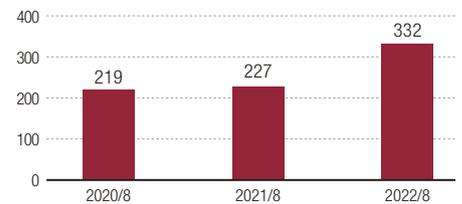
We have also implemented a telecommuting program for headquarter employees in Japan, starting from the fiscal year ended February 2019. In addition, from September 2020, we further strengthened our support for employees working from home by providing an allowance for utilities and communication expenses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

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 to “increase and stabilize 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.

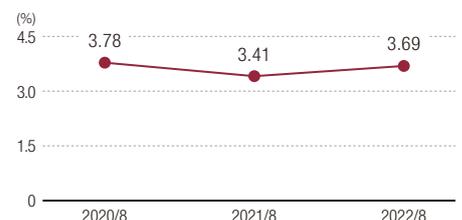
Our stores, using the “Second Founding” as an opportunity to take root in local society, will promote the Heartful Project together with local communities and move forward with people with disabilities to create places in which they can make the best use of their skills.

Average Number of Employees* Using the Childcare System



* Including partner employees
Note: Ryohin Keikaku Co., Ltd. only
(As of August 31, 2022)

Ratio of Employees with Disabilities



Note: Ryohin Keikaku Co., Ltd. only
(As of August 31, 2022)

Diversity Committee

Ryohin Keikaku launched the Diversity, Equity & Inclusion Committee in the fiscal year ended August 31, 2022 in order to achieve a multicultural society* within the Company, which is a goal of the medium-term business plan. In the first year, the director in charge of the Public Relations & IR & ESG Division served as the chairperson, and volunteers from within the Company joined in carrying out the committee's activities. Activities included inviting external experts on a wide variety of industry trends and consumer trends to hold online seminars about global trends in diversity. The committee also held roundtable discussions and workshops under the themes of disabilities, inclusion, nationality, life stage, and gender. In addition, we conducted employee surveys and held Diversity Week 2022 to create an inclusive environment for all employees, including part-time and partner employees.



An experiential workshop titled "What Is a Disability"



Diversity Week 2022

To ensure that initiatives such as surveys and workshops lead to organizational reform, in the fiscal year ending August 31, 2023 we will focus on promoting the participation of women, which is an urgent priority, and create an organization where diverse people can play an active role.

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* A society in which everyone can play an active role regardless of gender, nationality, age, race, religion, social status or work conditions.

Promotion of Women's Participation and Advancement in the Workplace

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

Numerical target for ratio of female managers at the store manager level or above: 50%
Actual ratio of female managers at the store manager level or above: 39.1%
Actual ratio of female managers at the department manager level or above: 20.7%
Ratio of female directors: 37.5%*
Ratio of female employees: 55.6%

* As of November 23, 2022

Special Feature

Balanced Four-day Workweek System

In May 2021, we introduced a balanced four-day workweek system that allows employees to select a work style that fits their needs as one way to realize the concept of being useful to society and the community while maintaining a good work-life balance.

We want employees to enjoy their work and find fulfillment and to be able to flexibly change their work styles according to their changing personal goals and life events. More days off gives employees time to focus on the outside world, learn, spend more time with their families, and also to accommodate diversifying work styles.

Ryohin Keikaku has introduced this system with the aim of creating an environment in which all employees can take on challenges with peace of mind, enjoy their work, think about what they want to do on their own initiative, and be useful to society. The number of users is increasing year by year.

Comments from Users

Time for Personal Growth (Male, 40s, Store Employee)

I wanted to contribute to society not only as a company employee but also as an individual, so I started using the system to set aside time for personal growth. As an individual, I was able to meet people from various communities by working side by side with them. I want to use the time the system gives me to help make improvements in the Company and in the community by linking the people I meet and the information I acquire in my work.

Good Balance between Childcare and Work (40s, Female, Store Employee)

My husband and I both work and we have three children. Switching to the balanced system has given me greater flexibility in terms of time as well as mental and physical health. I can now enjoy my days off with my children. Participating in school and nursery school events is much easier, and I can experience my children's growth. I have greater peace of mind, so I am enjoying my work even more.

Initiatives to Realize Co-owned Management (E-Ship, J-ESOP)

In order to realize co-owned management, it is important that our people encompass the three roles of employee, manager and shareholder.

To foster ownership in each employee, we are actively sending out management information and increasing opportunities for communication between management and employees.

We are also expanding the employee stock ownership plan,* and the number of employee shareholders is increasing every year.

* This is an incentive plan mainly for Group employees who are residents of Japan. Eligibility was expanded to partner employees in Japan in December 2021.

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

Ryohin Keikaku introduced E-Ship to incentivize employees to improve corporate value over the medium and long term, to enhance benefit programs, and to promote constant development through the increased employee motivation that results from equity participation as shareholders. E-Ship is an incentive plan for all employees who join the Ryohin Keikaku Employee Shareholding Association. Dividends may be paid after three years according to the share of contributions to the employee shareholding association.

J-ESOP (Employee stock ownership plan)

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

Number of Employees in Employee Shareholding Association

2022/8	2,626
2021/8	1,848
2020/8	1,425

Short term

Fixed salary
+
Annual bonus

Medium term
(3 years)

E-Ship

Shareholding
association

Long term
(upon retirement)

J-ESOP

Shareholding
association

Challenges
Expectations

Special Feature

Collaboration with Universities and Think Tanks

Ryohin Keikaku is involved in a variety of initiatives to achieve “public interest and people-centered management.” Specifically, we are collaborating with universities, think tanks, and other organizations to discuss the design of new systems and the economic ideals that will make the society of the future more attractive. We are also building an internal system that allows employees who have ownership to energetically work with local communities to solve problems. We have communicated the “public interest and people-centered management” that Ryohin Keikaku aims for through the Shareholders’ Meeting and lectures at universities, and we will continue to disseminate it widely. We will continue to collaborate and co-create with all of our stakeholders and move forward with initiatives to achieve “public interest and people-centered management.”



Shareholders’ Meeting held at a store

Stakeholder Engagement

We believe that we need to accurately understand and respond to the demands and expectations of stakeholders to contribute to “a truthful and sustainable life for all.” We therefore engage in constructive communication with customers, local communities and society, shareholders and investors, business partners and employees.

Communication with Stakeholders

Stakeholder	Main Method of Communication	Relevant Initiatives
Customers	Customer service at stores/events Distribution of articles via social media, including the MUJI passport app Inquiries to the customer support center Customer participation-type community site (IDEA PARK ¹)	We have increased opportunities to connect directly with customers through the free MUJI passport app. The app has launched in 11 countries and regions including Japan, where the total number of downloads has reached 28.18 million. In addition, stores distributed 35,258 articles during the year.
Local communities, society and governments	Participation in community activities Regional cooperation agreement with local governments Disaster relief support	Since 2017, we have concluded regional cooperation agreements for revitalization activities with 22 local governments, including Toshima Ward in Tokyo, Kamogawa City in Chiba Prefecture, and Sakata City in Yamagata Prefecture. Note: Number of agreements is as of September 30, 2022
Shareholders and investors	General Meeting of Shareholders ² Shareholders' Meeting ³ Business results briefing Meetings with investors	About 790 shareholders attended the 44th Ordinary General Meeting of Shareholders (460 at the venue and approximately 330 online), and the meeting was streamed on the Company website. After the General Meeting of Shareholders, we held a Shareholders' Meeting to deepen communication.
Business partners	Briefing for business partners Audits of business partner factories Business partner helpline (contact point for making reports)	We hold regular briefings for business partners to explain product policies and strategies.
Employees	“Good Meeting” venue Employee meetings Employee training Self-assessment and feedback meeting In-house portal site and in-house newsletters Employee helpline (whistleblowing hotline)	“Good Meeting” is our term for an assembly that raises the sense of ownership among Group employees and challenges them to achieve management targets. Held once every six months, the meetings are an opportunity for recognizing outstanding employees, sharing the achievements of the Group during the preceding six months, and encouraging forward-looking action by helping employees understand the vision for the coming six months and beyond.

1. <https://lab.muji.com/jp/ideapark/> (Japanese only)

2. <https://www.net-presentations.com/7453/20221123sr/fa33/> (Japanese only)

3. <https://www.net-presentations.com/7453/20221123srmtg/bnczvx73e/> (Japanese only)

Special Feature

Shareholders' Meeting

After the General Meeting of Shareholders on November 23, 2022, we held a Shareholders' Meeting (with the participation of shareholders and Ryohin Keikaku management) as a forum for the direct exchange of opinions on issues including our vision, products, and store operations. About 300 shareholders participated. We received frank opinions from shareholders during the meeting that covered a wide range of topics, including products, operations, and marketing. We appreciate the opinions of our shareholders and consider them an expression of their expectations for Ryohin Keikaku, and we will continue to address any areas for improvement as needed.



Investor Interview with an Outside Director

Atsushi Yoshikawa, an outside director of Ryohin Keikaku, held an interview with institutional investors on December 14, 2022. Mr. Yoshikawa earned the appreciation of participants by answering various questions from institutional investors covering topics such as business performance, the state of the Board of Directors, and internal issues. Ryohin Keikaku will continue to include outside directors in communication activities as part of its commitment to dialogue with investors.



A hybrid virtual and real-time event

Basic Information

Directors and Corporate Auditors (As of November 23, 2022)

Directors



Masaaki Kanai

Chairman & Representative Director

● 22 years, 6 months ○ 113,000 shares

⊙ 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

● 3 years, 6 months ○ 66,300 shares

⊙ Mr. Domae has extensive experience and broad knowledge as a management executive at various companies, and is expected to continue playing a main role in the Company's "Second Founding."



Atsushi Yoshikawa

Outside Director

Outside

Independent

● 4 years, 6 months ○ 3,600 shares

⊙ 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

Outside

Independent

● Newly elected ○ 0 shares

⊙ Ms. Ito has deep insight into the management of digital technology and healthcare from her experience as an outside director at several companies. We expect Ms. Ito to provide valuable suggestions and advice.

Corporate Auditors



Kei Suzuki

Full-time Corporate Auditor

● 1 year ○ 37,200 shares

⊙ Mr. Suzuki has served 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.



Kosuke Yamane

Full-time Outside Corporate Auditor

Outside

Independent

● Newly elected ○ 0 shares

⊙ 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.

● Number of years in office ○ Number of shares owned ◎ Reason for appointment



Satoshi Shimizu
Executive Vice President & Director

● 7 years, 6 months ○ 3,900 shares

◎ Mr. Shimizu has extensive experience in the areas of products and stores, and is expected to play a main role in the globalization that is part of the Company's "Second Founding."



Masayoshi Yagyu
Outside Director

Outside Independent

● 6 years, 6 months ○ 2,700 shares

◎ 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.



Yuriko Kato
Outside Director

Outside Independent

● Newly elected ○ 0 shares

◎ 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

Outside Independent

● Newly elected ○ 0 shares

◎ 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.



Masaru Hattori
Outside Corporate Auditor

Outside Independent

● 14 years, 6 months ○ 20,700 shares

◎ Mr. Hattori was appointed as an outside corporate auditor of Ryohin Keikaku in 2008 based on his experience as an accounting manager, corporate auditor and director at multiple companies. He is expected to continue functioning appropriately in this role.



Jun Arai
Outside Corporate Auditor

Outside Independent

● 2 years, 6 months ○ 1,400 shares

◎ 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.

Basic Information

Directors and Corporate Auditors (As of November 23, 2022)

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 goals, 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, from inside as well as outside of the Company.

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 central to our competitiveness. We have therefore selected knowledge about operations in the retail, distribution and manufacturing industries as prerequisites.
Business entrepreneurship and social entrepreneurship	We have selected knowledge about business entrepreneurship and social entrepreneurship as prerequisites for achieving our corporate purpose.
Technology	We aim to create services that make good use of technology as a tool and improve convenience for our stakeholders. We have therefore selected knowledge about digital and technology management as a prerequisite.

Name	Current position	Gender	Attendance at meetings of the Board of Directors (Fiscal year ended August 31, 2022)	Overall corporate management	Operations	Business entrepreneurship and social entrepreneurship	Technology	International mindset	Humanities and art
Masaaki Kanai	Chairman & Representative Director		16/16 (100%)	○	○	○			○
Nobuo Domae	President & Representative Director		16/16 (100%)	○	○	○	○	○	
Satoshi Shimizu	Executive Vice President & Director		16/16 (100%)	○	○			○	○
Outside	Masayoshi Yagyu	Outside Director		16/16 (100%)	○	○		○	○
	Atsushi Yoshikawa	Outside Director		16/16 (100%)	○			○	○
	Kumi Ito	Outside Director		Newly elected	○			○	○
	Yuriko Kato	Outside Director		Newly elected	○			○	○
	Mayuka Yamazaki	Outside Director		Newly elected				○	○
Kei Suzuki	Full-time Corporate Auditor		13/13*	○	○			○	
Outside	Kosuke Yamane	Full-time Outside Corporate Auditor		Newly elected	○	○		○	○
	Masaru Hattori	Outside Corporate Auditor		16/16 (100%)	○				○
	Jun Arai	Outside Corporate Auditor		15/16 (94%)	○				○

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

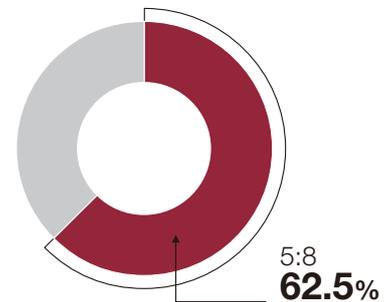
2. ○ indicates the chairperson of each meeting or committee.

* The Board of Directors has met 13 times since Mr. Suzuki took office.

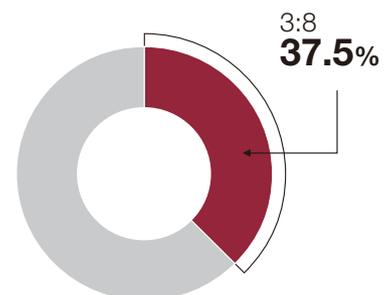
Competency	Prerequisite
International mindset	Achieving our corporate purpose requires us to contribute to various countries and regions around the world through future store development and product manufacturing. We have therefore selected knowledge that includes experience in an international environment as a prerequisite.
Humanities and art	We have selected understanding of the culture and history of the countries and regions we serve and knowledge of art and design as prerequisites for achieving our corporate purpose.
Sustainability and diversity	We position achieving sustainability and diversity at the center 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 prerequisites for achieving our corporate purpose.

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, Coop Sapporo
	○	○				
		○	◎	○		· Outside Director, Chubu Electric Power Grid Co., Inc.
○	○	○	○	◎		· Advisor, Nomura Real Estate Development Co., Ltd.
○	○	○	○	○		· Outside Director, SOMPO Holdings, Inc. · Outside Director, Fuji Furukawa Engineering & Construction Co., Ltd. · Outside Director, True Data Inc. · Executive Director, Tsukuba University
○		○	○	○		· 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, Kyowa Kirin Co., Ltd.

Ratio of Outside Directors to All Directors



Ratio of Female Directors to All Directors



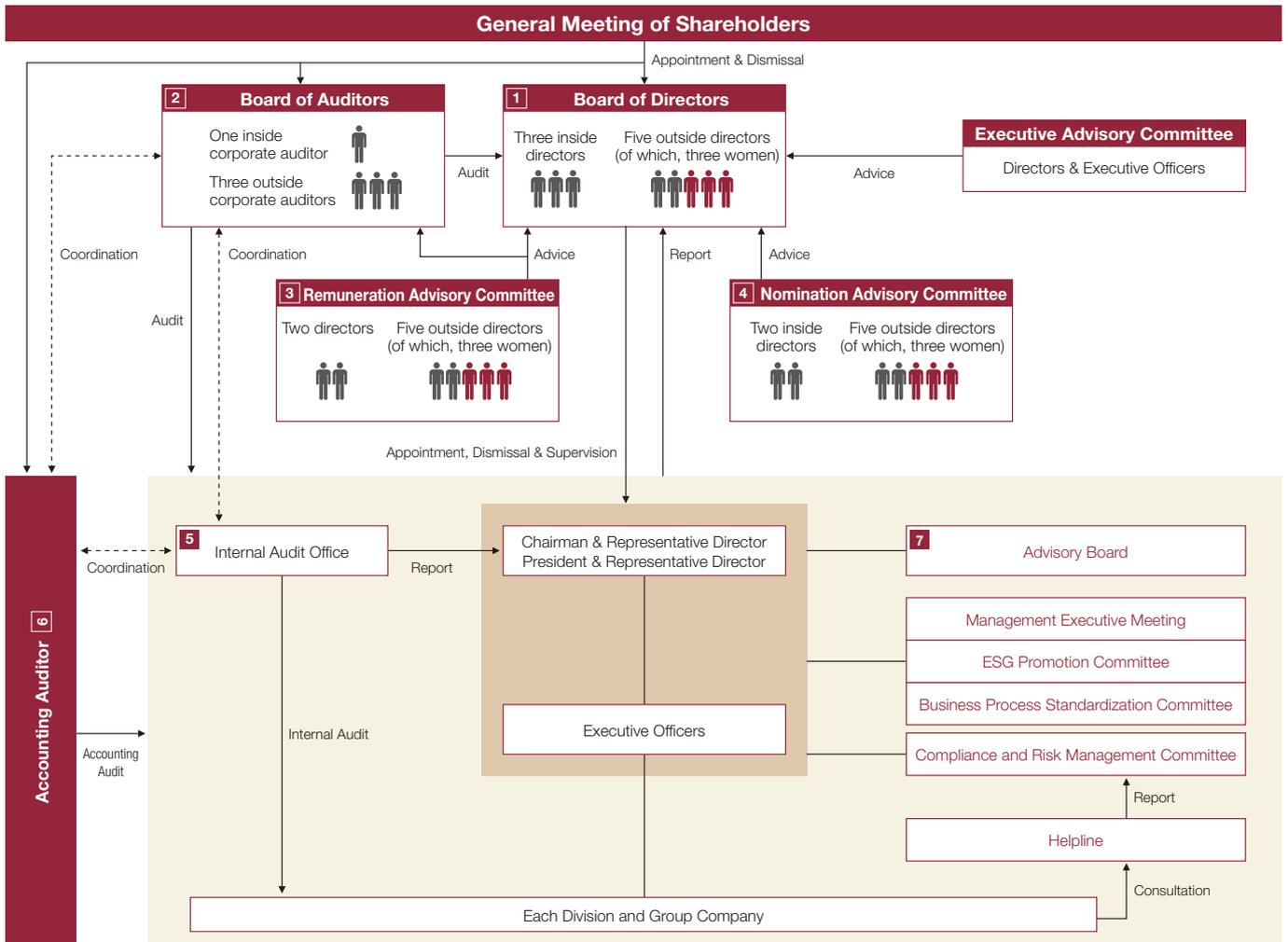
Basic Information

Corporate Governance

Basic Policy

We place a high priority on the creation of a highly transparent management system based on our belief that establishing 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, 2022)

Activities During the Fiscal Year Ended August 31, 2022

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.

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. Key discussion themes during the fiscal year ended August 31, 2022 included ESG targets and achievement metrics related to executive compensation, and organizational culture reform aligned with growth strategies.

2 Board of Auditors Number of meetings: 16
Attendance rate: 100%

Objectives

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

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: 6
Attendance rate: 97%

Objectives

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

Activities

During the fiscal year ended August 31, 2022, the committee discussed the evaluation of ESG initiatives in relation to long-term compensation for directors and the review of the compensation system for executive officers.

4 Nomination Advisory Committee

Number of meetings: 9
Attendance rate: 96%

Objectives

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

Activities

During the fiscal year ended August 31, 2022, the committee discussed the composition of the Board of Directors for the fiscal year ending August 31, 2023 based on the evaluation of the Board of Directors.

5 Internal Audit Office

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

6 Accounting Auditor

As for financial audits, we have established an environment for fair auditing with a team comprising two certified public accountants (Ms. Miho Kawabata and Mr. Yosuke Sato), six assistant certified public accountants, and 18 other members associated with KPMG AZSA LLC.

7 Advisory Board

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

Assessment of Effectiveness of the Board of Directors

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

Summary of Assessment Process

(1) The Board of Directors set the following evaluation categories it believes are necessary for assessment of the Board's effectiveness and conducted a survey of 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 using the above questionnaire format 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)

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

- 1) Composition of the Board of Directors (Average score: 3.4) (Previous assessment: 3.9)
- 2) Operation of the Board of Directors (Average score: 3.4) (Previous assessment: 3.6)
- 3) Enhancement of discussions in the Board of Directors (Average score: 3.6) (Previous assessment: 3.7)
- 4) System supporting the Board of Directors (Average score: 3.2) (Previous assessment: 3.4)
- 5) Enhancement of relationship with shareholders and other stakeholders (Average score: 3.5) (Previous assessment: 3.4)

(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. However, we identified issues related to the diversity of the Board of Directors, ensuring enough time for discussing management strategies and key issues, and information sharing (including internal meetings) with outside officers regarding the status of execution.

Future Initiatives

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

- (1) Increasing the number of outside directors on the Board of Directors and improving diversity
- (2) Adding additional focus on proposals related to medium- to long-term management strategies and important Company-wide issues
- (3) Enhancing information sharing with outside officers
- (4) Ensuring advance (early) distribution of documents for Board of Directors meetings
- (5) Enhancement of appropriate disclosure of information to all stakeholders

Policy for Appointment and Dismissal of Directors

Policy for Appointment of Officers

In nominating directors, the Nomination Advisory Committee, of which independent outside directors make up the majority, 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 Business Management Division provides information, including distributing the agenda of Board of Directors meetings in advance, and the Internal Audit Office, which conducts internal audits, assists outside auditors in the execution of their duties.

In the fiscal year ending August 31, 2023, we have begun holding executive sessions that involve informal interviews with executive officers in order to enhance 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
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.
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 (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

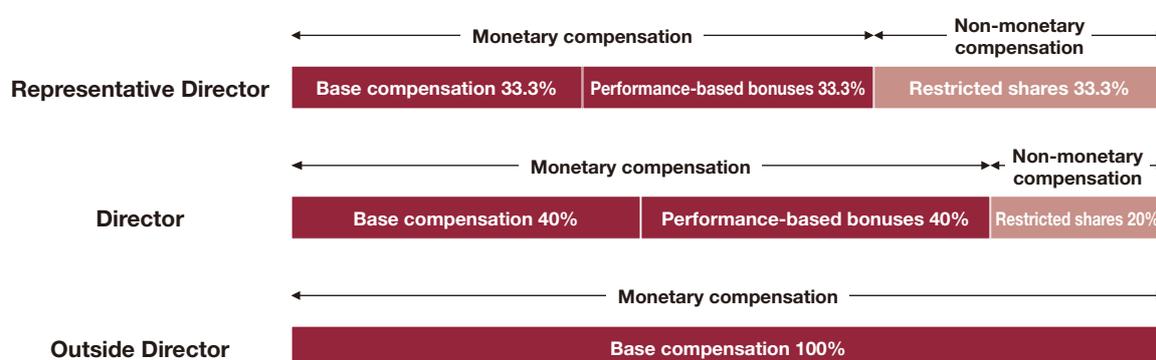
Chaired by an outside director, the Remuneration Advisory Committee determines director compensation. The committee deliberates on monetary and non-monetary compensation for each director individually, and is committed to transparency, validity and objectivity. Its reports are referred to in Board resolutions. 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.

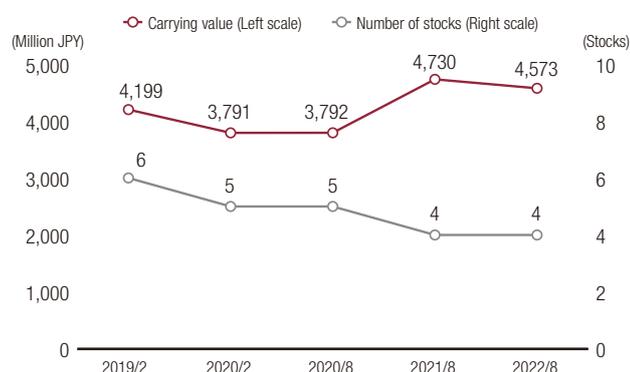
In addition, performance-based bonuses range from 0% to 200%, depending on the level of achievement. The percentage of long-term incentive (LTI) non-monetary compensation varies from 30% to 100% depending on the level of target achievement.



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.



Messages from Outside Officers



The Company is reconfiguring the Board of Directors for the future. Ryohin Keikaku can expect success by taking on the bold challenges of its ambitious goals.

Atsushi Yoshikawa

Outside Director

A New Board of Directors in Line with Management Policy

The Ordinary General Meeting of Shareholders held in November 2022 approved the appointment of three new outside directors, bringing the number to five, meaning outside directors now comprise the majority of the Board. Based on an evaluation of the Board's effectiveness to date, the Nomination Advisory Committee began deliberations in April 2022, which I participated in as a committee member.

As for the appointment of female outside directors, many of MUJI's customers are women, and I expect the three new appointees will make use of their respective careers and extensive life experience in Board discussions. I also believe that having outside directors as the majority will enable the Company to get closer to its goal of realizing its management policy of "public interest and people-centered management." You can expect improved governance from the new Board of Directors.

To achieve better operation of the Board of Directors, efficient information sharing methods have been adopted. A new system for sharing materials for Board of Directors meetings has been introduced, enabling us to check the latest materials wherever we are. In addition, I have more opportunities to communicate with on-site general managers and other people in charge. These opportunities help me to understand the current corporate conditions and matters, as well as concerns on the front line.

Medium- to long-term management agenda items had been discussed mainly at the Executive Advisory Committee, which includes outside directors and auditors, before being submitted to the Board of Directors. Going forward, I expect to have more time to discuss those agenda items deeply at Board meetings.

ESG Achievement included in Non-monetary Compensation

At the General Meeting of Shareholders held last year, Ryohin Keikaku introduced restricted stock as non-monetary compensation in addition to monetary compensation such as basic compensation and performance-based bonuses in order to share value with its shareholders. The amount of non-monetary compensation granted will be determined by the level of achievement of ESG-related targets approved by the Board of Directors. The Remuneration Advisory Committee evaluates the level of achievement. Granting restricted stock as executive compensation is common; however,

Ryohin Keikaku's compensation plan is outstanding in the sense that it is consistent with its corporate purpose. For example, one-third of representative directors' compensation will be in the form of restricted stock. The Company has a strong belief that increasing corporate value over the medium to long term is essential in proceeding with initiatives toward 2030, as it aims to redefine its business model under the "Second Founding."

We, as outside directors, will evaluate what Ryohin Keikaku must do as a company that aims to be a front runner in ESG management, as well as whether the Company's efforts are in harmony with society and the Earth, from the three perspectives of ESG in products, ESG in business activities and ESG through activities in regions.

Achieving Success beyond the "Second Founding"

Ryohin Keikaku has set challenging and ambitious goals for its "Second Founding," and it expects all members working for MUJI to change their behavior to achieve those targets. If I were to use an analogy; a locomotive (Ryohin Keikaku in this case) would now be at the point where the drive wheels are very hard to move. Once it starts moving, the train can rely on momentum, but it is difficult until then, and sometimes friction or even collisions may occur. Issues will become apparent as the Company takes a major turn in its management approach and works to change the way it operates.

Even so, I have been moved by the resolve the Company has shown in taking risks and challenging itself in order to realize its vision in a new way, rather than following old ways. I want to witness the success, revival and rebirth of Ryohin Keikaku from the bottom of my heart. As an outside director, I will support and carefully supervise and monitor corporate activities from the following viewpoints. Is the Company truly committed to what it has decided to do? Is it taking effective measures to address the series of problems that will arise in its operations? Is the management team maintaining a strong sense of responsibility and fighting spirit?

We believe that the "Second Founding" is a chance to develop as many people as possible who will view addressing the challenges of the changing times as an opportunity. Before you know it, the drive wheels will be set in motion, leading to a significant increase in corporate value.



The Company is contributing to a brighter future by working toward its “Second Founding”—a vision of a new company and a new society.

Mayuka Yamazaki

Outside Director

A Company Vision That Resonates with My Views

Before I was appointed as an outside director, my impression of MUJI was that it was a store frequented by people who lead mindful lifestyles and that it uses “not having a brand” as its brand. To be honest, I had little affinity for the brand as a consumer. However, at Harvard Business School, where I worked for 10 years, professors who specialized in marketing and brands had respect for MUJI as a subject for case studies, and Ryohin Keikaku was recognized as an appealing business enterprise.

When I was contacted about the possibility of becoming an outside director, I took the opportunity to find out more about Ryohin Keikaku. I learned that it goes beyond the framework of a lifestyle brand in its attempts to resolve social issues through its business and work together with local communities to create a better future 100 years from now. The primary reason I accepted the position of outside director is that this corporate approach resonates with me.

Since its founding, Ryohin Keikaku has valued ideas, art and culture. Because I also have a desire as a Japanese flower arrangement artist to spread Eastern ways of thinking and spirituality to people outside of Japan and to find ways to make connections with business. I think there is an overlap in our orientation. In addition, I believe I can utilize my findings and experience from working with people trying to create new businesses in the disaster areas of the Great East Japan Earthquake.

Surprises at the General Meeting of Shareholders and Board of Directors Meetings

The first thing that surprised me after taking office was that most of the shareholders who attended the General Meeting of Shareholders were “fans” supporting Ryohin Keikaku. At the meeting, President Domae and the other executives came off as very authentic. I realized that they are committed to sincerely accepting suggestions and criticisms and engaging in dialogue with shareholders. I feel that this attitude toward a new type of company and society will power the Company’s “Second Founding.”

Board of Directors meetings at Ryohin Keikaku offer a psychologically safe space where the open atmosphere is conducive to discussion. By speaking based on my experience as an outside director at other companies and as a flower arrangement artist, I would like to make the Board a place

where executives can encounter new ideas that might not have occurred to them. In flower arranging, the process of accepting the sensibilities of others can be painful, but it changes the way one sees the world. Letting go of your ego to see how to best present the flowers results in a beautiful arrangement. Likewise, in an organization, accepting multiple sensibilities and ways of thinking as a team leads to good results. I would like to instill this approach more deeply at Board of Directors meetings by making them a forum and an opportunity for broadening our thinking as we go through both good and bad times together.

Realizing Ryohin Keikaku’s Vision Requires a Company-wide Transformation

For Ryohin Keikaku to achieve the aims of its “Second Founding,” its organization must embrace the above philosophy. It is therefore disseminating its corporate purpose throughout the Company and reforming its corporate culture, although various issues arise in doing so.

In taking an ambitious approach to realizing our ideals at the school I started and am involved in running, we also face unforeseen issues and obstacles, and often things do not go well. Nevertheless, it is only by seriously confronting these issues and overcoming them one by one that we can create a new future. To do so, individual growth and organizational strength are key. Deeper self-awareness makes clearer your relationships with others and what you should do, thus leading to growth. By fostering a corporate culture that values individual sensibilities and ways of thinking, Ryohin Keikaku is creating a foundation that will lead to greater organizational strength and further growth. I intend to take on the challenge of ensuring that Ryohin Keikaku’s ESG management contributes to its future.

Message from an Outside Corporate Auditor



As a representative of stakeholders, I try to look at matters from multiple perspectives in working for the Company's further development.

Masaru Hattori

Outside Corporate Auditor

Understanding Risks from Multiple Perspectives

I worked at Orient Leasing Co., Ltd. (currently ORIX Corporation) for 37 years in its accounting, corporate planning, auditing, and personnel and general affairs divisions after time at a securities company and a manufacturing company. After that, I was involved in communication with investors and internal control. Since 2008, I have been serving as an outside corporate auditor at Ryohin Keikaku. Since its founding, the Company has been operating a business that is ahead of the times, with an orientation toward ESG. Its clearly defined social significance and concepts, starting with "lower priced for a reason," have earned broad acceptance from consumers and society.

The fundamental role of an outside corporate auditor is to not only appropriately express opinions on audits of business reports but also to be a representative of stakeholders of the Company. I try to keep Ryohin Keikaku's corporate purpose in mind, to consistently pay attention to risks so there is no damage to shareholder value, and to look at matters from multiple perspectives. Depending on how a certain risk is perceived, the interests of Ryohin Keikaku and its stakeholders may be opposed. In that case, considerations from various viewpoints are necessary to come up with a more suitable alternative, rather than making it an either-or situation. That is why I stay in close communication with the other corporate auditors, and repeatedly interview and monitor directors, executive officers, employees, certified public accountants and other parties.

Reconfiguring the Board of Directors through Governance Reforms

The presidency of Ryohin Keikaku changed hands in September 2021 as it started a transformation under its medium-term business plan "to create a better future society in 100 years." The composition of the Board of Directors, which is the core of the Company's governance structure, changed significantly.

Ryohin Keikaku's Board of Directors previously consisted of nine members, three of whom were outside directors. Since November 2022, the Board has had an eight-member structure, five of whom are outside directors, and three of those five are newly appointed female directors. For some time, there had been discussions about selecting more diverse outside directors, and I now realize the strength of this desire for change as demonstrated by the speed with which it was carried out.

From the perspective of diversity, this is a groundbreaking board lineup. A wide variety of people with extensive experience have been selected, and even newly appointed members have been proactive in expressing their opinions from their first meeting. We engage in deep discussions of medium-term business plans and other management issues at Board of Directors meetings, and I sense that the meetings themselves will become even more lively.

The Board is also increasing the number of meetings each year to enhance communication with outside directors and outside corporate auditors. Because changes in the external environment are accelerating, we share information and exchange opinions, so we do not lose track of these changes.

Deepening Understanding of the Company's Corporate Purpose

Ryohin Keikaku considers the introduction of a new management structure in September 2021 to be a part of its "Second Founding," and has redefined its corporate purpose as "to contribute to the creation of a truthful and sustainable life for all." Based on this purpose, the Company has stated its vision for the period leading up to 2030 and formulated a medium-term business plan to the fiscal year ending August 31, 2024 as the first step.

In this plan, Ryohin Keikaku aims "to be a part of people's daily necessities" and "to take root in local society" under the theme of "working to build the future together with local communities." I believe that the Company should be highly evaluated for redefining its corporate purpose in this way and sharing it with employees. Specific measures include establishing procurement and production processes for the core product lineup, accelerating new store openings throughout Japan, promoting independent activities and growth, and building a business infrastructure centered on independent store management and localization.

The key is for officers and employees to all work together, starting with deepening their understanding of Ryohin Keikaku's corporate purpose. It will be important to strengthen the hiring, training and education of people, and to then create a corporate culture in which diverse employees in tune with the corporate purpose can act independently. From my standpoint as an outside corporate auditor, I will contribute to the development of Ryohin Keikaku as it works to achieve its goals, and in so doing help resolve social issues.

Basic Information

Compliance

Approach to Compliance

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

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 the Group Compliance Code of Conduct, anti-harassment training is conducted regularly for newly appointed managers to prevent harassment and improve management skills. In the fiscal year ended August 31, 2022, 206 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 the fiscal year ended August 31, 2022. The committee also confirmed no political contributions were made. Ten compliance violations occurred in the fiscal year ended August 31, 2022. All Group companies were notified of the incidents, and the importance of compliance was inculcated through in-house training and other measures.

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

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

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

A total of 148 consultations were received in the fiscal year ended August 31, 2022.

Measures to Prevent Corruption and Corrupt Practices

Ryohin Keikaku has established anti-corruption regulations (Ryohin Keikaku Group Anti-Bribery Regulations, Anti-Bribery Guidelines) approved by the Board of Directors, which aim to prohibit bribery of public officials and ensure compliance with anti-corruption laws and regulations with regard to entertainment, gifts, invitations, donations, facilitation payments, insider trading, money laundering, embezzlement, obstruction of justice, etc. Bribery is explicitly prohibited in these regulations. Entertainment, gifts, invitations and donations are subject to the prior approval of either the division manager or the Compliance and Risk Management Committee chairperson, who approves only those items that are not deemed to be bribery. In addition, the Company seeks to fully prevent corrupt practices through the implementation of employment regulations stipulating that employees shall not offer improper entertainment, lend or borrow money or goods, or give or receive money or goods improperly in the course of business. In order to ensure that employees comply with anti-corruption measures, we regularly provide training and inform all employees of our anti-corruption policy. In the fiscal year ended August 31, 2022, no employees were disciplined or dismissed for violations of our anti-corruption regulations or for violations of regulations related to corruption as set forth in the employment rules. In addition, we have not paid any fines, penalties or settlements in connection with corrupt practices.

Basic Information

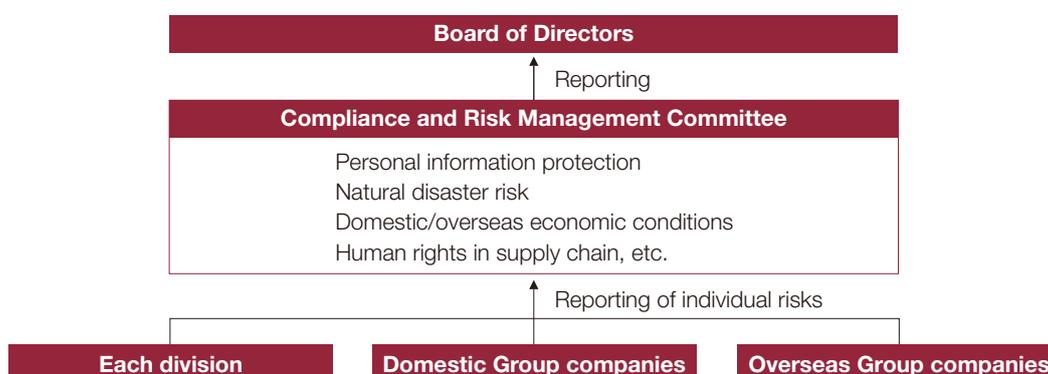
Risk Management

Approach to Risk Management

Ryohin Keikaku assesses potentially material risks according to their significance and likelihood. We then take action to minimize the possible materialization of material risks and mitigate impact if they do materialize.

Compliance and Risk Management Structure

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



Risk Assessment Process

Ryohin Keikaku's risk assessment process involves Company-wide risk oversight by the Compliance and Risk Management Committee. We assess potential material risks at least once a year according to their significance and likelihood. We also recognize climate change risk as a material risk.

Risk Management Initiatives

The Compliance and Risk Management Committee has prepared a risk management list to help each division recognize possible risks and understand how to respond to them. The risk management list corresponds to Ryohin Keikaku's operations manual, ensuring that information on specific responses and measures is made easily accessible. Moreover, each division regularly reviews risk-related issues and updates the risk management list. The Compliance and Risk Management Committee meets at least four times a year to determine issues, discuss responses and monitor the progress of responses. It reports the results periodically to the Board of Directors. In addition, the Management Executive Meeting discusses, considers, and provides management guidance twice a year on measures to minimize the probability of material risks and mitigate impact if they do materialize.

A reporting contact point has been set up to collect comprehensive information on risks. Meetings of committees in various specialized fields are also held regularly. In particular, product quality, the Group's most important operating resource, is discussed from various angles in the Quality Improvement Committee, with the aim of further enhancing quality control.

Quality

Basic Approach and Challenges

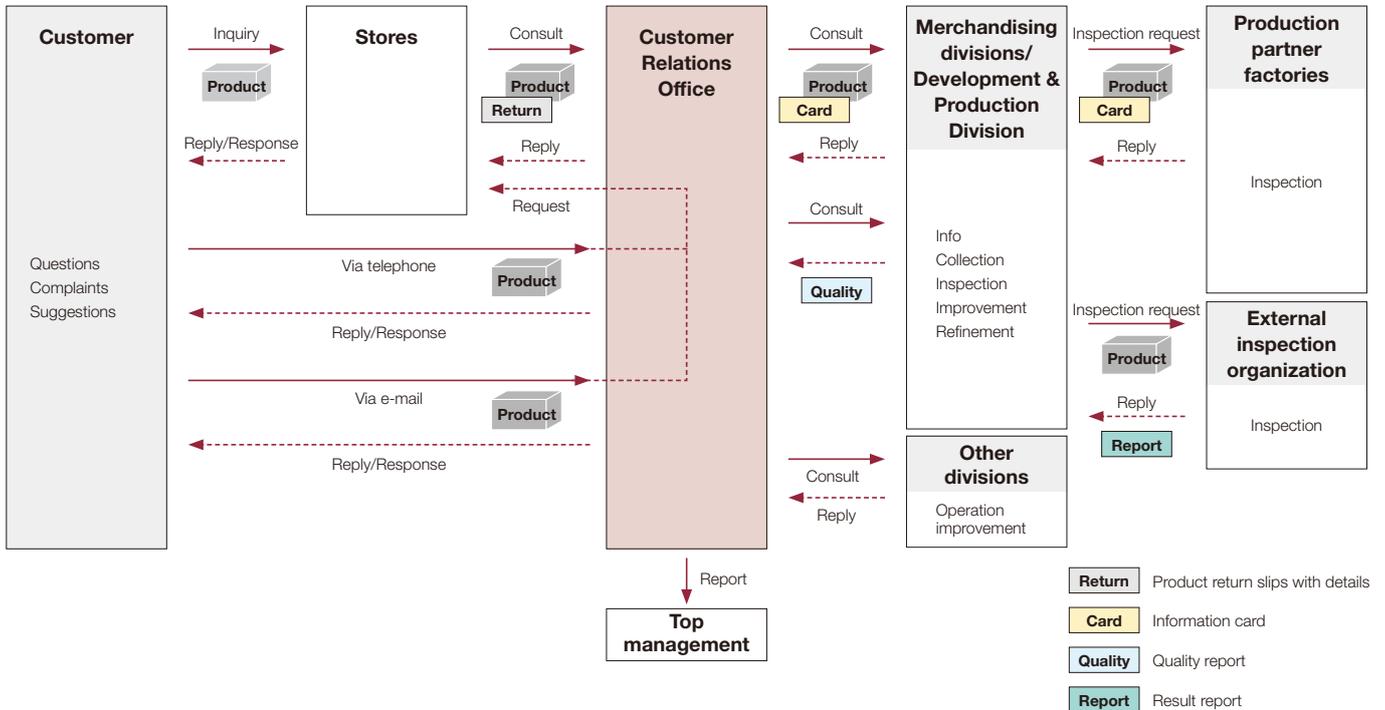
Ryohin Keikaku inspects each process of design, development, procurement and production based on the “Ryohin Standards.” We strive to provide safe and secure products, and aim to continuously realize the following:

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

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

Initiatives for Quality Control

The “voices” (comments) of customers regarding our products are all registered in a dedicated database (“voice navigation system”), and the Development & Production Division, merchandising divisions and other related divisions cooperate and respond quickly in accordance with the content. By enabling our business partners and factories to directly access the database to confirm the content, we have created an environment where we can respond to quality problems quickly. In addition, the Development & Production Division cooperates with external inspection organizations as needed. We also continuously work to improve quality. The Development & Production Division leads weekly meetings to detect defects at an early stage, and monthly Quality Improvement Committee meetings to confirm the progress of quality improvement activities in merchandising divisions.



Quality Risk Assessment

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

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

Basic Information

Risk Management

Human Rights

Human Rights Policy

We have been implementing human rights initiatives based on our Global 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.

Additional details are available at: <https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/humanrights/>

Approach to Human Rights and Scope of Application of Human Rights Policy

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. Human rights to be respected under this Human Rights Policy include a wide range of internationally recognized human rights, including core labor standards set forth in the International Bill of Human Rights and the International Labor Organization (ILO) Conventions. Our Human Rights Policy applies to all officers and employees of Ryohin Keikaku. In addition, Ryohin Keikaku expects and requests the understanding and observance of this Human Rights Policy from all related parties, including suppliers of its various businesses, products and services.

Code of Conduct for Production Partners

Ryohin Keikaku established its Code of Conduct for Production Partners in July 2020 to facilitate good partnerships based on mutual trust and to fulfill our responsibilities to the environment and to ensure fair, safe and healthy working environments throughout the supply chain. We only contract with factories that pledge to comply with our code of conduct. In addition, we monitor the working environment at production partner factories based on our code of conduct. The code of conduct is available in Japanese, English, and Chinese on our website, and we distribute it and explain it to production partner factories to ensure thorough awareness. We hold supplier meetings as necessary to reflect revisions to our code of conduct in order to help ensure thorough CSR throughout the supply chain.

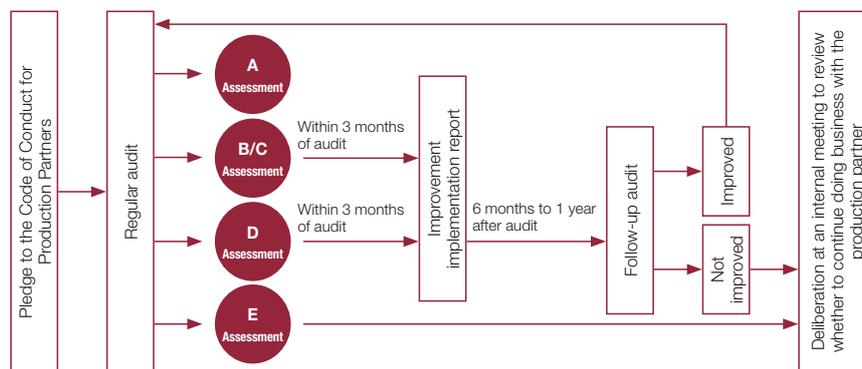
Additional details are available at: <https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/code-of-conduct/>

Monitoring of Production Partner Factories

Ryohin Keikaku regularly utilizes a third-party organization to conduct onsite audits of its production partner factories based on the Code of Conduct for Production Partners. The audits cover items such as human rights infringement, the working environment and environmental conservation. We also share the result of the audits with production partner factories and work together with them to make improvements in case of any non-compliant items.

Additional details are available at: <https://www.ryohin-keikaku.jp/eng/sustainability/supply-chain/monitoring/>

Working Environment Monitoring System



Participation in Initiatives

1. Better Work Programme

The Better Work Programme is a joint program between the International Labour Organization (ILO) and the International Finance Corporation (IFC), which is a member of the World Bank Group. Ryohin Keikaku has participated in the Better Work Programme since 2016.

2. Japan Platform for Migrant Workers towards Responsible and Inclusive Society

The Japan Platform for Migrant Workers towards Responsible and Inclusive Society works with companies and organizations that support the platform's Code of Conduct, which is aligned with international standards, to improve the working and living environment for foreign workers in Japan. We have been a member of the platform since May 2022.

Information Security and Protection of Personal Information

Objectives

Ryohin Keikaku has formulated an Information Security 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 our Information Security Policy and Privacy Policy, protecting information assets from various threats, and handling them appropriately.

Additional details are available at: <https://www.ryohin-keikaku.jp/eng/sustainability/governance/informationsecurity/>

Management System

At Ryohin Keikaku, the Compliance and Risk Management Committee, which is chaired by the Executive Officer in charge of Overall Administration, oversees relevant activities of the entire Group based on its basic policies. 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. Each Group company and division appoints a person in charge of information security, and strives to strengthen and thoroughly implement the information management system throughout the Group.

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 regulations and policies, and works for its continuous improvement.

The IT Security Office also 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.



Protection of Personal Information

Ryohin Keikaku conducts personal information protection activities based on its Privacy Policy for personal information handled in all business activities and adopts necessary safeguards and appropriate security measures.

We appoint a person from within the organization with the ability to understand and implement personal information protection as a “personal information protection manager.” This person assumes responsibility and authority for implementing and operating the personal information protection management system, regardless of other responsibilities.

Education on Information Security

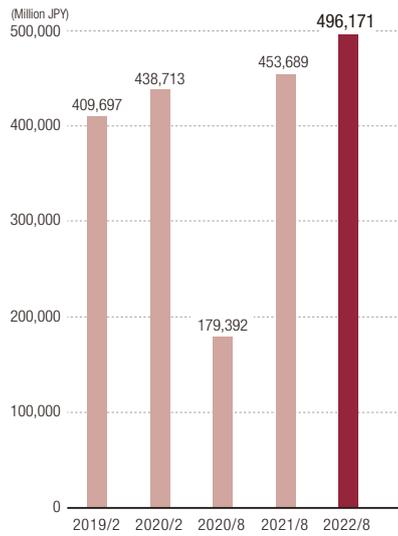
Ryohin Keikaku recognizes that the thorough comprehension and participation of all employees is essential for information security management. Based on this understanding, we provide information security training to all officers and employees. We also regularly conduct the following initiatives, which are effective for continuously improving security literacy, assessing the level of understanding, and raising awareness. By fostering a culture 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 once or twice a year
- (2) Conduct training on targeted e-mail attacks for all employees twice a year
- (3) Provide appropriate reminders prior to long vacations and other events, and conduct awareness-raising activities and follow-ups during daily work

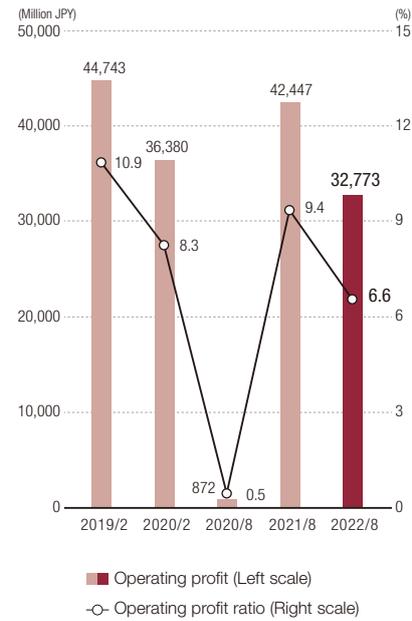
Basic Information

Financial and Non-Financial Highlights

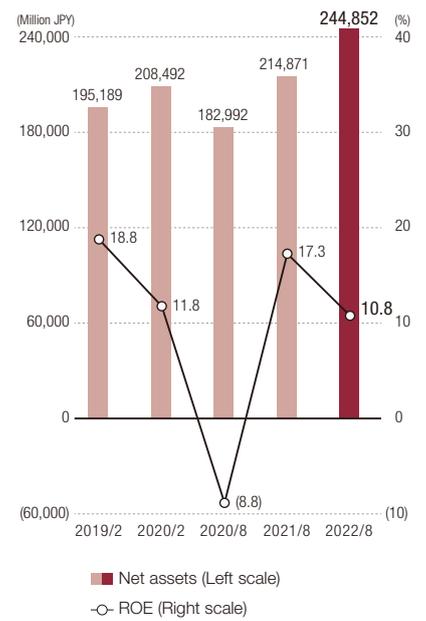
Operating Revenue



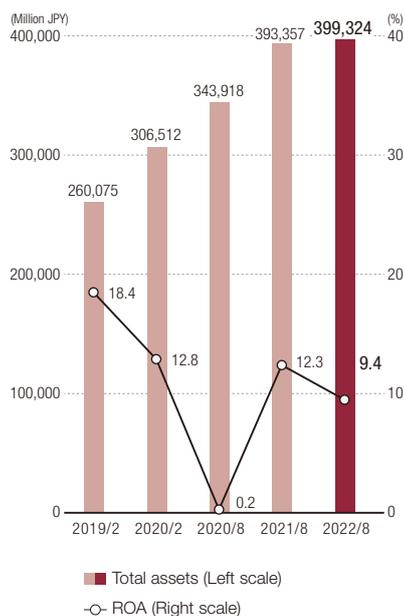
Operating Profit/ Operating Profit Ratio



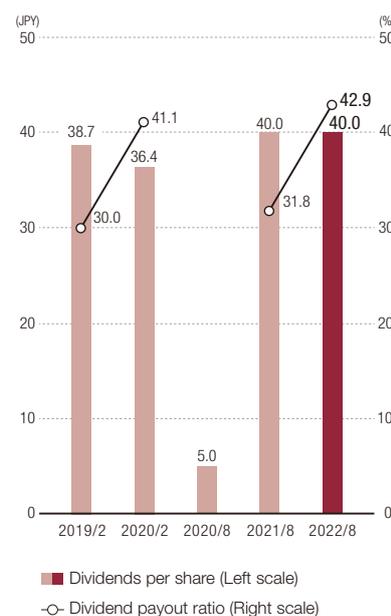
Net Assets/ROE



Total Assets/ROA

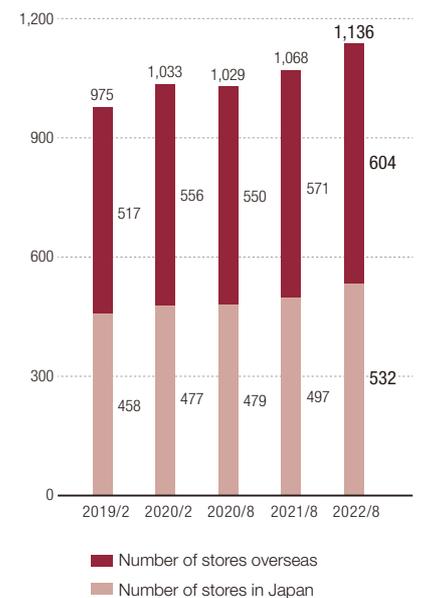


Dividends per Share/ Dividend Payout Ratio



Number of Stores (Total) in Japan and Overseas

(Includes licensed stores, Cafe&Meal MUJI and IDÉE)

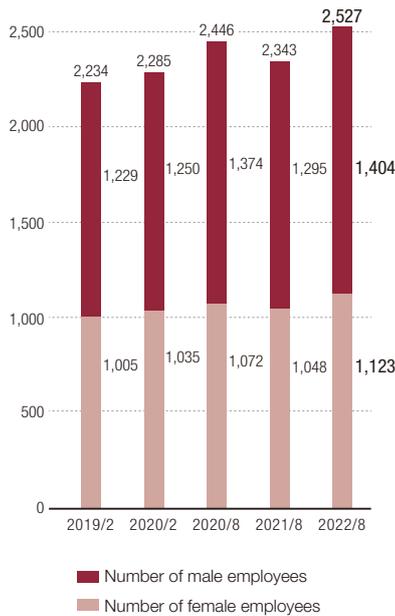


Note: The dividend payout ratio for the fiscal year ended August 31, 2020 is not presented as the Company recognized net loss per share.

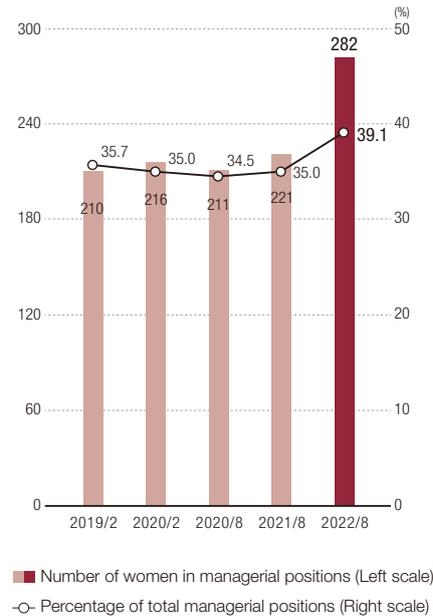
Note: 2020/8 was a six-month period from March 1 to August 31, 2020 due to a change in the fiscal year.

Number of Employees¹

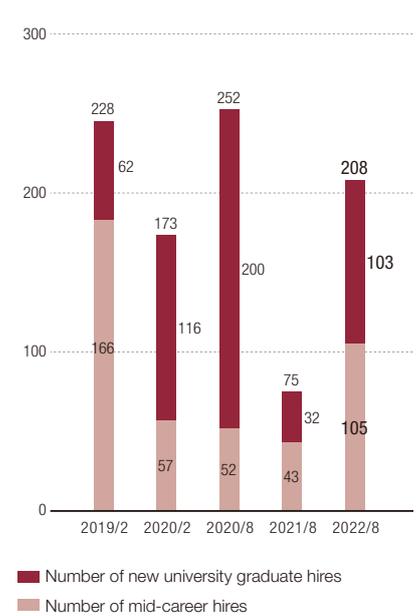
Number of employees at the end of the period.



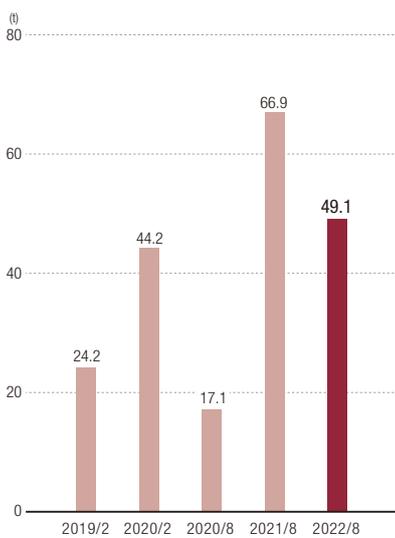
Number of Women in Managerial Positions (Store Managers and Above)/Percentage of Total Managerial Positions¹



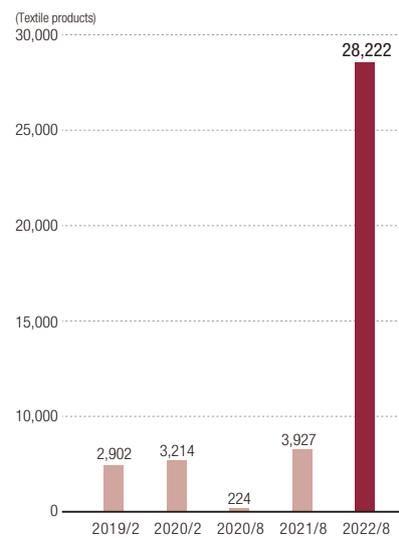
Number of New Employees Hired¹



Volume of Textile Products Collected¹



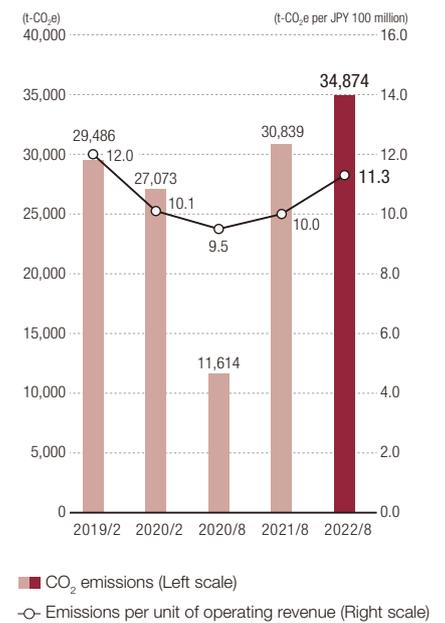
ReMUJI^{1, 2} Sales Volume



Sales grew substantially in the fiscal year ended August 31, 2022 due to the expansion of ReMUJI sales at MUJI Shinjuku from September 2021.

CO₂ Emissions/Emissions per Unit of Operating Revenue

Note: Scope 1 and 2 only



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

Basic Information

ESG Data

2030 ESG Indices

Items	Key Performance Indicators	Initiatives (As of August 31, 2021)	Initiatives (As of August 31, 2022)
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: 14.0% Household goods: 13.2% Food products: Switched from plastic bottles to bottle-shaped cans
	100%	Total weight of plastic reduction (comparative reduction of current versus previous plastic packaging)	Apparel: 74.8% Household goods: 47.0% Food products: Some stores sell coffee beans, nuts, and other items by weight
Design products for reuse and recycling	100%	Percentage of items designed with recycling in mind (except when hygiene concerns preclude recycling)	Apparel: 59 t Household goods: 91 t Estimated annual reduction resulting from the launch of refill pouches for skin care products Food products: 251 t
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)	Household goods: 28.4%
Use of natural fiber materials that are organic and respect animal welfare	100%	(1) 729 kg (water bottles and toning water bottles) (2) 729 kg	Household goods: 36.0%
		Percentage of products that have been certified or have their own standards that have been audited by a third party	(1) 1,130 kg (water bottles and toning water bottles) (2) 1,130 kg
Perform human rights due diligence on business partners, traced back to raw materials	100% disclosure	(1) 27 factories (2) A Assessment: 0 factories; B Assessment: 18 factories; C Assessment: 2 factories; D Assessment: 3 factories; E Assessment: 4 factories	Apparel Cotton: 100% organic cotton (excluding MUJI Labo and products that utilize recycled cotton and yarn scraps/remnants) Wool: 100% non-mulesed Down: 100% down certified to ensure animal welfare ¹
		(1) Number of audits conducted (annual) (2) Breakdown of evaluation	Household goods Cotton: 85.6% organic cotton Wool: 100% non-mulesed Down: 100% down certified to ensure animal welfare ¹
List of major suppliers, traced back to raw materials	100% disclosure	(1) 20 factories (2) A Assessment: 0 factories; B Assessment: 9 factories; C Assessment: 7 factories; D Assessment: 4 factories; E Assessment: 0 factories	Apparel Cotton: 100% organic cotton (excluding MUJI Labo and products that utilize recycled cotton and yarn scraps/remnants) Wool: 100% non-mulesed Down: 100% down certified to ensure animal welfare ¹
		Of the four factories with D assessments, we have terminated business with two of them. The other two companies made improvements and received A and B assessments, respectively, in follow-up audits.	Household goods Cotton: 81.9% organic cotton Wool: 100% non-mulesed Down: 100% down certified to ensure animal welfare ¹
Reduce Group GHG emissions (Scope 1 and 2)	50% reduction	Scope 1 and 2 total (t-CO ₂ e) Baseline: 2021/8 ²	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 completion of improvements.
Ensure stores use renewable energy	100%	Number of stores and distribution centers that use renewable energy (including headquarters and campsites)	Material and raw material manufacturers We are currently formulating a human rights due diligence process. (We have already conducted some due diligence. No significant violations of law or Ryohin Keikaku's Code of Conduct were found.)
Equip stores (independent store buildings) with rooftop solar panels	100%	Number of stores and distribution centers with solar panels (excluding stores that cannot install solar panels such as those in shopping malls)	Material and raw material manufacturers We plan to conduct audits of major material manufacturers from the fiscal year ending August 31, 2023. (We have already conducted some due diligence. No significant violations of law or Ryohin Keikaku's Code of Conduct were found.)
Demonstrate commitment to diversity and inclusion by disclosing workforce composition by age, gender and race		(1) Average age (full-time employees) (2) Ratio of female managers, including store managers (full-time employees) (3) Ratio of female employees (full-time employees) (4) Ratio of non-Japanese employees (full-time employees) (5) Ratio of employees with disabilities (including temporary employees)	We are preparing to disclose the list of major suppliers.
		(1) 37.9 (Female: 36.6; Male: 39.6) (2) 35.0% (3) 55.3% (4) 1.2% (5) 3.41%	We plan to disclose the list of factories that supply core products during the fiscal year ending August 31, 2023.
		(1) 38.3 (Female: 36.9; Male: 40.0) (2) 39.1% (3) 55.6% (4) 1.3% (5) 3.69% Initiatives: Diversity Committee established	Total in Japan: 34,874 t-CO ₂ e 13.1% increase compared with baseline year We plan to disclose Group GHG emissions in the fiscal year ending August 31, 2023.

1. We only use feathers that have been procured in a manner that meets the Five Freedoms of Animal Welfare defined by the Farm Animal Welfare Council and that have been reviewed and certified as being such. This means we do not use feathers from animals that have been force fed or had their feathers taken while still alive. The Five Freedoms are: (1) freedom from hunger and thirst; (2) freedom from discomfort; (3) freedom from pain, injury and disease; (4) freedom to express normal and natural behavior; and (5) freedom from fear and distress. (Ministry of Agriculture, Forestry and Fisheries, "Livestock breeding management with consideration of animal welfare")

2. We changed the baseline year to the fiscal year ended August 31, 2021 because we expanded the scope of GHG emission calculation to the entire Group (as of December 8, 2022).

3. We recalculated emissions for the fiscal year ended August 31, 2021 pursuant to a review of the facilities and types of energy subject to calculation (as of December 8, 2022).

ESG Data

Scope: Ryohin Keikaku Co., Ltd.

Categories		Unit	2021/8	2022/8	
Environment	Energy used	City gas	MWh	4,217	5,026
		LP gas	MWh	296	249
		Kerosene	MWh	253	355
		Diesel fuel	MWh	21	19
		Gasoline	MWh	53	55
		Hot water and cold water	MWh	15,899	19,023
		Electricity	MWh	66,165	74,939
		Total	MWh	86,904	99,667
	Renewable energy	Amount used	MWh	2,099	3,008
		Ratio of renewable energy to energy used	%	3.17	4.01
	Greenhouse gas emissions ¹	Scope 1	t-CO ₂ e	918	1,128
		Scope 2 (Market based)	t-CO ₂ e	29,921	33,746
		Scope 3	t-CO ₂ e	859,771	984,013
		Total	t-CO ₂ e	890,610	1,018,887
		Hydrofluorocarbon (HFCs)	t-CO ₂ e	15	64
	Water	Water usage volume	m ³	143,779	146,008
		Wastewater volume	m ³	140,887	144,414
	Waste generated	General waste	t	10,043	12,259
		Industrial waste	t	1,050	1,103
Society	Number of employees		9,378	9,960	
	Full-time employees	Female	(%)	1,295 (55.3)	1,404 (55.6)
		Male	(%)	1,048 (44.7)	1,123 (44.4)
		Total		2,343	2,527
	Temporary employees (standardized to 8 hours)		7,035	7,433	
	Managers (store managers and above)	Female	(%)	221 (35.0)	282 (39.1)
		Male	(%)	410 (65.0)	440 (60.9)
		Total		631	722
	Average age (full-time employees)	Female		36.6	36.9
		Male		39.6	40.0
		Total		37.9	38.3
	Average length of service (full-time employees)	Female	(%)	7.4	7.8
		Male	(%)	9.4	9.4
		Total		8.3	8.5
	Average annual salary (full-time employees)	Thousand JPY	5,658	5,930	
Number of new university graduate hires		32	103		
Mid-career hires		43	105		
Ratio of mid-career hires to total new hires	%	57.3	50.5		
Voluntary turnover rate (headquarter employees)	%	7.12	8.25		
Ratio of employees with disabilities	%	3.41	3.69		
Governance	Directors ²	Female	(%)	1 (11.1)	3 (37.5)
		Male	(%)	8 (88.9)	5 (62.5)
		Total		9	8
		Average number of years in office		7 years, 5 months	6 years, 7 months
	Outside directors ²	Number of outside directors		3	5
		Percentage of outside directors	%	33.3	62.5
	Board of Directors	Number of meetings	Times	16	16
Average attendance rate		%	98	99	
Compliance	Ryohin Keikaku Group Helpline consultations		98	148	
	Number of employees participating in harassment training		130	206	

1. We recalculated emissions for the fiscal year ended August 31, 2021 pursuant to a review of the facilities and types of energy subject to calculation (as of December 8, 2022).

2. Figures for the fiscal years ended August 31, 2021 and 2022 are calculated based on the composition of officers after the annual shareholders' meetings held on November 26, 2021 and November 23, 2022, respectively.

Basic Information

11-Year Summary

	2012/2	2013/2	2014/2	2015/2	2016/2
Profit and Loss (Consolidated)					
Operating revenue	178,186	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	81,596	87,376	101,665	122,831	150,451
Selling, general and administrative expenses	66,158	69,024	80,749	98,984	116,012
Operating profit	15,438	18,351	20,916	23,846	34,439
Operating profit ratio (%)	8.7	9.7	9.5	9.2	11.2
Ordinary profit	16,135	19,760	23,047	26,602	32,700
Net income attributable to owners of parent	8,850	10,970	17,096	16,623	21,718
Cash flows from operating activities	9,729	13,176	15,117	14,619	26,133
Cash flows from investment activities	(4,747)	(4,945)	(17,842)	(22,193)	(8,647)
Cash flows from financing activities	(3,120)	(2,540)	(5,385)	11,377	(6,520)
Depreciation	3,201	3,186	4,179	4,887	6,816
Financial Position (Consolidated)					
Total assets	102,293	119,360	140,229	186,947	200,919
Net assets	83,528	96,050	111,015	128,670	143,173
Key Performance Indicators (Included in consolidated key financial indicators)					
Return on equity (ROE) (%)	11.1	12.5	17.0	14.3	16.4
Equity ratio (%)	80.0	78.3	76.9	67.0	69.4
Return on assets (ROA) (%)	16.2	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)	33.04	40.95	64.46	62.75	81.84
Net assets per share (BPS) (JPY)	305.56	348.80	407.19	472.37	524.79
Dividends per share (JPY)	11.0	11.0	15.5	19.0	24.6
Dividend payout ratio (%)	33.3	26.9	24.0	30.3	30.1
Other Data					
Number of MUJI stores in Japan ¹	372	379	385	401	414
Number of MUJI stores overseas ¹	163	206	255	301	344
Total sales floor space in Japan (m ²) ²	263,177	265,037	270,250	282,083	289,899
Number of employees	2,734	3,069	4,101	4,795	5,653
Number of temporary employees ³	4,721	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. 2020/8 was a six-month period from March 1 to August 31, 2020 due to a change in the fiscal year.

(Million JPY)

2017/2	2018/2	2019/2	2020/2	2020/8 ⁵	2021/8	2022/8
333,281	379,551	409,697	438,713	179,392	453,689	496,171
215,716	234,791	246,269	267,864	122,428	296,998	308,114
117,563	144,758	163,425	170,846	56,961	156,691	188,057
165,861	191,819	211,380	217,628	83,694	222,334	234,356
127,583	146,532	166,636	181,248	82,821	179,887	201,582
38,278	45,286	44,743	36,380	872	42,447	32,773
11.5	11.9	10.9	8.3	0.5	9.4	6.6
38,582	45,985	45,861	36,377	563	45,369	37,214
25,831	30,113	33,845	23,253	(16,917)	33,903	24,558
19,742	46,982	23,680	24,452	(1,758)	61,447	23,350
(9,856)	(14,290)	(5,492)	(31,435)	(4,239)	(13,538)	(16,683)
(14,361)	(21,759)	(9,505)	(11,467)	63,722	(15,162)	(58,647)
7,543	8,644	9,867	17,622	10,358	18,969	22,018
214,705	238,313	260,075	306,512	343,918	393,357	399,324
157,018	174,426	195,189	208,492	182,992	214,871	244,852
17.7	18.6	18.8	11.8	(8.8)	17.3	10.8
71.3	71.3	73.8	66.6	52.4	53.9	60.5
18.6	20.3	18.4	12.8	0.2	12.3	9.4
2.55	2.55	2.44	2.28	1.87	2.19	2.22
97.50	114.70	128.92	88.47	(64.32)	128.90	93.24
579.18	647.68	725.83	775.77	684.94	806.75	915.93
29.3	34.5	38.7	36.4	5.0	40.0	40.0
30.1	30.1	30.0	41.1	—	31.8	42.9
418	419	420	437	438	456	493
403	457	497	533	527	546	579
297,001	306,316	319,698	359,141	375,446	417,057	494,871
6,992	8,128	9,137	9,615	9,046	8,882	9,175
9,203	9,254	10,233	10,825	8,050	9,281	9,834
12,289	16,295	20,445	42,741	49,380	59,297	69,780

Basic Information

Consolidated Financial Statements

Consolidated Balance Sheets

(Million JPY)

	As of August 31, 2022	As of August 31, 2021
Assets		
Current assets	262,206	269,047
Cash and deposits	90,162	135,752
Notes and accounts receivable – trade	10,268	8,742
Merchandise	129,202	106,164
Work in process	297	204
Supplies	59	91
Accounts receivable – other	15,829	11,836
Others	16,405	6,267
Allowance for doubtful accounts	(20)	(11)
Non-current assets	137,118	124,310
Property, plant and equipment	73,082	67,060
Buildings and structures	29,230	28,044
Machinery, equipment and vehicles	1,500	1,591
Tools, furniture and fixtures	8,227	8,730
Land	1,558	1,537
Leased assets	41	49
Right-of-use assets	30,978	26,432
Construction in progress	1,545	673
Intangible assets	29,627	29,479
Goodwill	1,767	2,439
Software	25,686	24,885
Others	2,173	2,154
Investments and other assets	34,407	27,770
Investment securities	4,573	4,730
Deferred tax assets	2,884	2,634
Leasehold and guarantee deposits	21,442	19,595
Others	5,604	920
Allowance for doubtful accounts	(98)	(110)
Total assets	399,324	393,357

(Million JPY)

	As of August 31, 2022	As of August 31, 2021
Liabilities		
Current liabilities	78,923	141,716
Accounts payable – trade	36,462	25,541
Short-term loans payable	3,902	4,630
Current portion of long-term loans payable	2,232	67,081
Accounts payable – other	11,475	9,966
Accrued expenses	6,725	6,196
Income taxes payable	1,447	12,702
Provision for bonuses	1,336	1,193
Lease liabilities	10,003	8,357
Provision for bonuses for directors (and other officers)	78	66
Provision for point card certificates	—	105
Others	5,259	5,874
Non-current liabilities	75,548	36,770
Long-term loans payable	31,906	5,000
Deferred tax liabilities	6,379	820
Provision for retirement benefits for directors (and other officers)	29	74
Provision for share awards	545	—
Lease liabilities	28,406	24,772
Others	8,281	6,103
Total liabilities	154,472	178,486
Net assets		
Shareholders' equity	224,805	209,709
Share capital	6,766	6,766
Capital surplus	29,586	27,922
Retained earnings	219,534	205,995
Treasury shares	(31,082)	(30,973)
Accumulated other comprehensive income	16,750	2,487
Valuation difference on available-for-sale securities	2,309	2,325
Deferred gains or losses on hedges	7,577	485
Foreign currency translation adjustment	6,863	(324)
Share acquisition rights	664	605
Non-controlling interests	2,632	2,068
Total net assets	244,852	214,871
Total liabilities and net assets	399,324	393,357

Consolidated Statement of Income

(Million JPY)

	Fiscal year ended August 31, 2022 (September 1, 2021 to August 31, 2022)	Fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021)
Operating revenue	496,171	453,689
Operating costs	261,814	231,355
Operating gross profit	234,356	222,334
Selling, general and administrative expenses	201,582	179,887
Operating profit	32,773	42,447
Non-operating income	6,067	4,420
Interest income	187	258
Dividend income	134	103
Sponsorship money income	134	99
Subsidy income	1,030	526
Rental income	—	106
Foreign exchange gains	3,912	2,714
Reversal of allowance for doubtful accounts	4	34
Share of profit of entities accounted for using equity method	—	7
Other	663	569
Non-operating expenses	1,626	1,498
Interest expenses	1,352	1,395
Loss on cancellation of contracts	—	3
Others	274	99
Ordinary profit	37,214	45,369
Extraordinary income	224	4,922
Gain on sales of investment securities	25	118
Gain on sales of non-current assets	2	721
Gain on step acquisitions	—	260
Gain on forgiveness of lease cancellation liabilities	—	3,135
Gain on reversal of share acquisition rights	—	677
Gain on changes in lease terms	196	9
Extraordinary losses	4,234	1,702
Impairment losses	2,240	1,168
Loss on retirement of non-current assets	1,990	278
Loss on cancellation of rental contracts	—	250
Others	3	5
Net income before income taxes	33,204	48,589
Income taxes-current	5,664	16,450
Income taxes-deferred	2,761	(1,531)
Profit	24,778	33,670
Profit (loss) attributable to non-controlling interests	220	(232)
Net income attributable to owners of parent	24,558	33,903

Consolidated Statement of Cash Flows

(Million JPY)

	Fiscal year ended August 31, 2022 (September 1, 2021 to August 31, 2022)	Fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021)
Cash flows from operating activities		
Net income before income taxes	33,204	48,589
Depreciation	17,596	15,561
Amortization of software investment, etc.	4,738	3,714
Amortization of goodwill	952	847
Increase (decrease) in allowance for doubtful accounts	(2)	(35)
Increase (decrease) in provision for bonuses for directors (and other officers)	11	62
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(44)	27
Interest and dividend income	(321)	(361)
Interest expenses	1,352	1,395
Foreign exchange losses (gains)	(3,318)	(912)
Loss (gain) on sale of investment securities	(25)	(118)
Share of loss (profit) of entities accounted for using equity method	—	(7)
Loss on retirement of non-current assets	1,990	278
Impairment losses	2,240	1,168
Loss (gain) on step acquisitions	—	(260)
Decrease (increase) in trade receivables	(837)	1,345
Decrease (increase) in inventories	(14,253)	(4,357)
Increase (decrease) in trade payables	6,708	4,541
Decrease (increase) in other assets	(3,469)	(1,034)
Increase (decrease) in other liabilities	(1,067)	(1,876)
Share acquisition rights	61	353
Gain on reversal of share acquisition rights	—	(677)
Others	(903)	(323)
Subtotal	44,613	67,920
Interest and dividends received	321	349
Interest paid	(1,350)	(1,408)
Income taxes paid	(20,233)	(5,414)
Cash flows from operating activities	23,350	61,447
Cash flows from investing activities		
Payments into time deposits	—	(3)
Proceeds from withdrawal of time deposits	795	20
Purchase of property, plant and equipment	(8,030)	(8,487)
Payments of leasehold interests in land of stores and leasehold deposits	(1,796)	(1,584)
Proceeds from collection of store leasehold deposits	498	831
Purchase of intangible assets	(7,853)	(8,852)
Proceeds from sale of investment securities	158	218
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	414
Proceeds from sale of investment property	—	3,104
Others	(455)	799
Cash flows from investing activities	(16,683)	(13,538)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,103)	45
Proceeds from long-term borrowings	27,551	—
Repayments of long-term loans payable	(65,644)	(388)
Repayments of lease liabilities	(9,593)	(8,289)
Proceeds from share issuance to non-controlling shareholders	99	199
Proceeds from sale of treasury shares	1,072	—
Dividends paid	(11,029)	(6,589)
Dividends paid to non-controlling interests	—	(140)
Cash flows from financing activities	(58,647)	(15,162)
Effect of exchange rate change on cash and cash equivalents	7,192	2,246
Net increase (decrease) in cash and cash equivalents	(44,787)	34,993
Cash and cash equivalents at beginning of period	135,019	91,599
Net increase (decrease) in cash and cash equivalents due to the change in the business year	—	8,426
Cash and cash equivalents at end of period	90,231	135,019

Basic Information

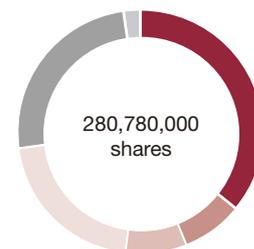
Stock Information (As of August 31, 2022)

Stock Overview

Total number of authorized shares:	1,123,120,000
Total number of issued shares:	280,780,000
Number of shareholders:	156,420
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 Mitusi Trust Bank, Limited

Distribution of Shareholders and Number of Shares Held

Financial institutions:	101,263,007
Securities companies:	23,106,224
Other corporations in Japan:	23,598,746
Corporations and individuals outside Japan:	58,205,486
Individuals and others:	69,887,397
Treasury stock:	4,719,140



Major Shareholders (Top 10)

Shareholder	Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	52,441	18.99
Custody Bank of Japan, Ltd. (Trust Account)	21,564	7.81
Custody Bank of Japan, Ltd. (Trust Account E)	11,229	4.06
Mitsubishi Corporation	10,783	3.90
Credit Saison Co., Ltd.	6,318	2.28
SMBC Nikko Securities Inc.	5,558	2.01
Japan Securities Finance Co., Ltd.	4,633	1.67
JP Morgan Securities Japan Co., Ltd.	4,022	1.45
Credit Suisse Securities (Japan) Limited	3,280	1.18
MSCO CUSTOMER SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	3,211	1.16

Notes:

- The Company holds 4,719,140 shares of treasury stock, which are excluded from the list of major shareholders above. The 4,719,140 shares of treasury stock do not include 11,571,907 shares held by Mizuho Trust & Banking Co., Ltd. for a stock benefit trust (J-ESOP) and 762,800 shares held by Nomura Trust & Banking Co., Ltd. for an employee shareholding incentive plan (E-SHIP).
- The 11,229,407 shares held by the Custody Bank of Japan, Ltd. (Trust Account E) are for the purpose of a stock benefit trust (J-ESOP).
- The shareholding ratio is calculated after deducting the 4,719,140 shares of treasury stock.

Dividend Payout Ratio

	2016/2	2017/2	2018/2	2019/2	2020/2	2020/8	2021/8	2022/8
Consolidated dividend payout ratio	30.1%	30.1%	30.1%	30.0%	41.1%	—	31.8%	42.9%

Stock Price and Volume



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

Corporate Information (As of August 31, 2022)

Company Name Ryohin Keikaku Co., Ltd.
Address 4-26-3 Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-8424
Establishment June 1989 (registration: May 1979)
Capital JPY 6,766,250,000
Number of Employees 19,009 (including 9,834 temporary workers and others; Ryohin Keikaku Group)

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

Website



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

IR Information



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

Sustainability Information



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

External Evaluations



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

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

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

Recognition from Society

Ryohin Keikaku Ranks First Overall in the Japan Sustainable Brands Index 2022

Ryohin Keikaku ranked second in 2020 and 2021 and reached number one overall for the first time in the Japan Sustainable Brands Index 2022, a brand survey conducted by Sustainable Brands Japan in response to the SDGs. The results were announced at the International Conference on Sustainable Brands 2023 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.

Participation in International Organizations

United Nations Global Compact

Since September 2013, Ryohin Keikaku has participated in the United Nations Global Compact, a worldwide initiative by the international community to achieve sustainable growth. In accordance with the Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption, we will continue to fulfill 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."



