



# Re MUJI

## 服は布から。

無印良品は2010年から FUKU-FUKUプロジェクトという形でお客様が長年愛用していただいた服を回収し、資源としてエネルギーにかえていく取り組みをはじめました。その取組みのなかで回収をした服を循環してみると、まだまだ着ることができると驚かされることに気づきました。日本は古くから染め直ししたり、布を縫い合わせたり、刺し子をして補強をしたりしながら最後まで布を大切に扱っていました。私達はその先人の知恵をまかし、布を元まで戻し、新たに息吹を加え、服を大事に暮らすというのをみなさまとともに考えていきたいと思います。

### 無印良品のリサイクル・リユース

1. 回収
2. 分解・選別
3. 再生
4. 再販

無印良品 FUKU-FUKU プロジェクト

### 藍色

藍色は、古くから日本人の生活に欠かせない色です。自然の恵みである藍草から抽出した藍染液で布を染め、日光で乾かすことで生まれる美しい色です。また、藍染液には天然の殺菌作用があり、虫除け効果も期待されています。

### 服が再生されるまで。

手洗い  
乾燥機  
漂白剤  
洗濯機  
乾燥機  
漂白剤  
洗濯機  
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漂白剤  
洗濯機  
乾燥機



# Ryohin Keikaku's Business Strategies

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

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

## Our Four Material Issues

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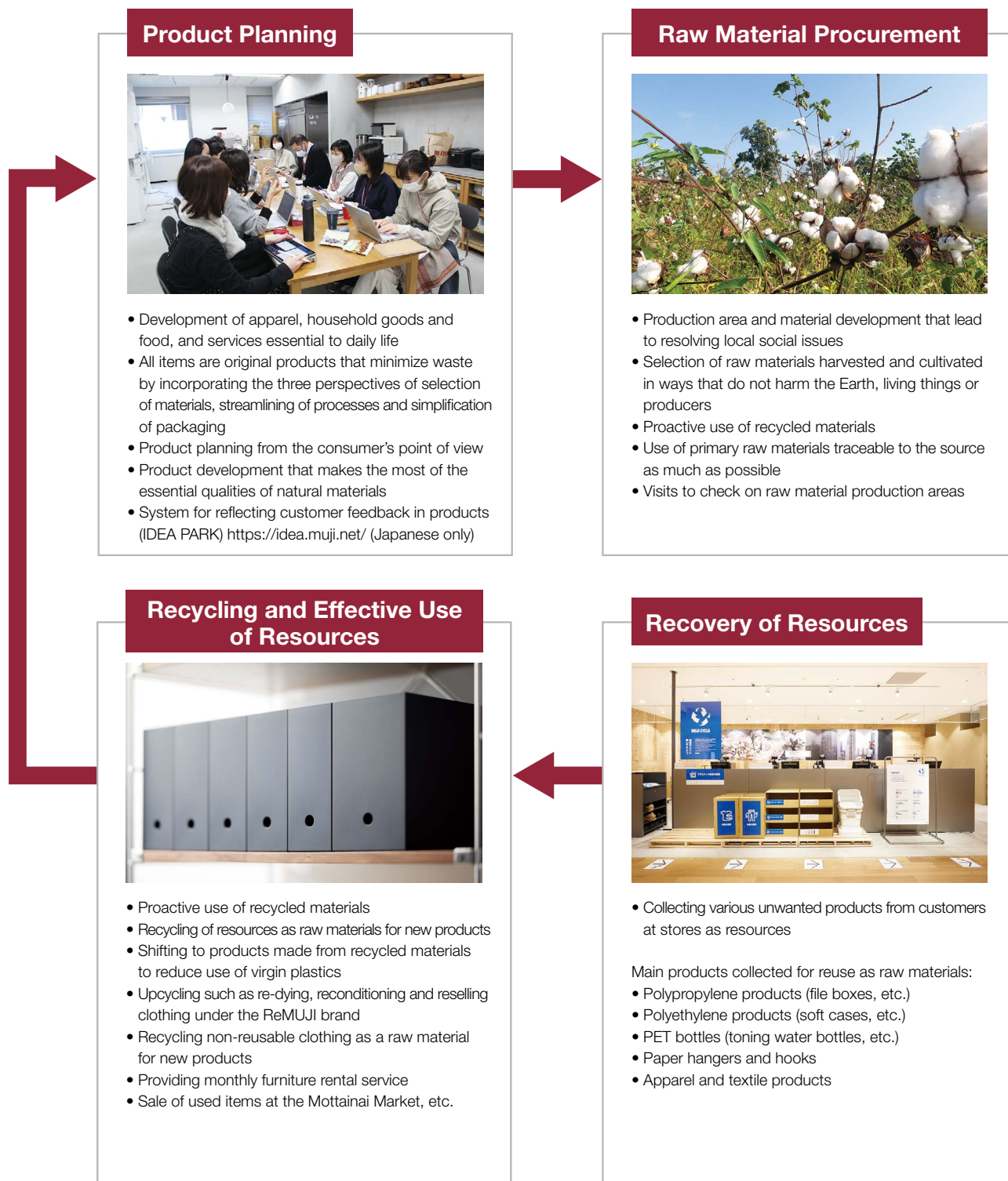
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# Material Issue 1. Build a Sustainable and Circular Society That Coexists with Nature

## Ryohin Keikaku's Unique Product Development



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

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

### Production



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

### Distribution



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

### Feedback from Communities, Society and Customers



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

### Sales/Services



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

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

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

## Apparel

### Basic Policy and Strategy

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

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

#### Issues to Address

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

### Key Initiatives

#### Innovating Product Development System

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

#### Clarifying and Fulfilling Roles in Each Category

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

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



#### Expanding a Circular System for Clothing

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

\* See page 48 for details.

#### Improving the Apparel Sales Floor Space

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

#### Product Showcase

#### Kapok, a Natural Material That Minimizes Demand on Water Resources

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

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



# Household Goods

## Basic Policy and Strategy

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

### Issues to Address

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

## Key Initiatives

### Refining Mainstay Products

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

### Making Environmental Consideration a Fundamental Prerequisite of Product Design

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

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

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



### Expanding Offerings of Frequently Used Products

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

#### Product Showcase

### A Mattress Redesigned to Ensure Long-term Use

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

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



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

## Food

### Basic Policy and Strategy

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

#### Issues to Address

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

### Key Initiatives

#### Enhancing Mainstay Products

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



#### Expanding Seasonal and Theme-Based Products

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

#### Making Sales Floor Improvements and Creating Communication Spaces

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

#### Implementing Initiatives That Consider the Environment and Producers

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

#### Highlight

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

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



## Overseas Product Development

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

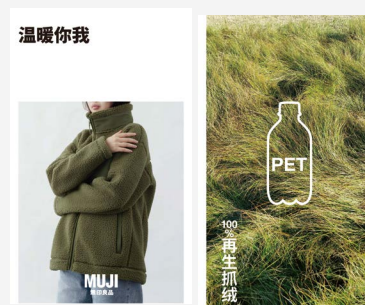
### Mainland China

#### Fleece Series Made of 100% Recycled Material

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

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

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



### Southeast Asia

#### Effectively Utilizing Resources to Develop Rubberwood Products

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

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

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



### Southeast Asia

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

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

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





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

## Supply Chain Management

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

### Strengthening the Production System

#### Progress of the Medium-term Business Plan

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

#### Issues to Address

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

#### Future Direction and Key Initiatives

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

##### 1) Further minimization of costs

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

##### 2) Achieve sustainable growth

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

##### 3) Become a front runner of ESG management

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

### Respecting Human Rights

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

### Procurement Based on Code of Conduct for Production Partners

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

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

### Human Rights Policy

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

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

### Internal Framework for Respecting Human Rights

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

### Assessment of Respect for Human Rights

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

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

▶ See page 72 for details.

### Monitoring of Production Partner Factories

#### Main Assessment Items

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

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

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

### Assessment Results in FY2023/8

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

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

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

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

Results of Monitoring of Production Partner Factories ▶ [https://www.ryohin-keikaku.jp/sustainability/supply-chain/monitoring/pdf/20240228\\_monitoring\\_material\\_fy2023\\_eng.pdf](https://www.ryohin-keikaku.jp/sustainability/supply-chain/monitoring/pdf/20240228_monitoring_material_fy2023_eng.pdf)

### Disclosure of List of Production Partners

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

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

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

## Raw Material Procurement

### Selection of Materials

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

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

### Six Core Themes and Examples of Materials We Use

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

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

##### Vietnamese Bamboo

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



#### 2) Industrialization of production areas

##### Mongolian Cashmere

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



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

##### Cotton Thread Recycled from Textile Waste

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



#### 4) Utilization of unused resources

##### Indonesian Kapok

Kapok trees require almost no pesticides, fertilizers or watering, and it is not necessary to cut down the tree to harvest the seed pods. As a result, they can continue to absorb large amounts of CO<sub>2</sub> as they grow to great heights and live to be more than 70 years old. Because the fibers of the tree's seed pods were considered too short to be used for thread, they have mainly been used as filling for pillows, stuffed toys and similar items, as well as the padding in life jackets. In recent years, however, new technology has made it possible to spin yarn from kapok fiber, and it is attracting interest as a lightweight and comfortable natural fiber that has low environmental impact. On the island of Java in Indonesia, our supply source for kapok, trees are being planted about 5 meters apart, and grown in close to natural conditions. In FY2023/8, the volume of kapok fiber handled by Ryohin Keikaku reached 168 tons.



#### 5) Use of functional materials

##### Lyocell

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



#### 6) Use of materials that transcend product categories

##### Warm Cotton

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



# Recovery and Recycling Initiatives

## MUJI CYCLE

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

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

### Product Collection



## Reuse Initiatives

### ReMUJI

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



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

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

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

### Mottainai Market

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



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

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

## Recycling Initiatives

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

In February 2023, we also greatly expanded the range of MUJI plastic products that we accept for collection, further strengthening our efforts to promote recycling. Stores all over Japan<sup>1</sup> began collection of plastic storage items, dust boxes, stools and other items that are no longer needed. A total of 251 items<sup>2</sup> are now eligible for collection (as of August 31, 2023). Of the plastic products collected, those that meet standards are resold as used items, and those that do not meet standards are crushed, washed and then returned for use as recycled raw materials. Currently, we are developing a program to recycle more of these raw materials into MUJI plastic products.

### Eligible Items

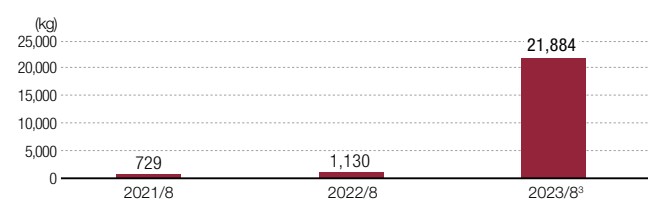
- Storage items and other household goods made of polypropylene or polyethylene
- PET bottles, including toning water, moisturizing milk, and booster essence lotion bottles
- *My Bottle for Water* reusable bottles

### Product Development Using Recycled Raw Materials

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



### Volume of Plastic Products Collected



1. Number of stores collecting items: 492 (As of August 31, 2023)
2. Limited to items sold in MUJI stores or the online store as of August 31, 2023
3. The number grew substantially in FY2023/8 because we expanded the range of plastic products eligible for collection in February 2023.

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

## Caring for the Environment

### Calculation and Reduction of Greenhouse Gas Emissions

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

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

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

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



MUJI Hakusan Kitayasuda

### Sustainable Water Resource Management Initiatives

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

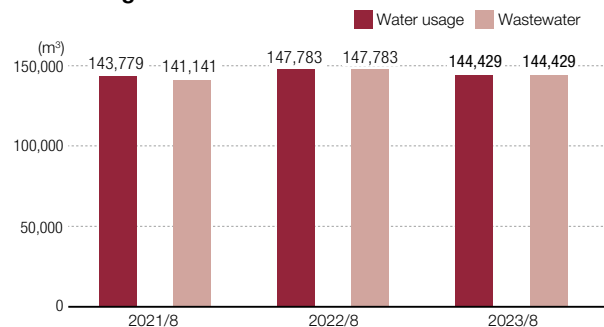
In the future, we will continue to enhance our understanding of the actual conditions with a focus on production partner factories in high water-risk areas and work to make improvements.

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

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

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

#### Water Usage



Scope of aggregation: MUJI stores, Café&Meal MUJI, IDÉE, headquarters, distribution centers, and campsites in Japan  
Note: Some estimates are included

### Biodiversity

#### Initiatives

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

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

### Chemical Management

#### Initiatives

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

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

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

# Climate Change

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

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

## Disclosure Based on TCFD Recommendations

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

## Scenario Analysis

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

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

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

We have set financial impact as follows:

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

## Material Issue 2: Address Local Challenges and Revitalize Regions

# Store Strategy

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

### Store Opening Strategy and Sales Channel Development

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

### Progress of the Medium-term Business Plan

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

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

### Store Opening Plan and Progress

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

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

### Partnership with Lawson

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

### Collaboration with Co-op Home Delivery Services

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

### Supply of Products to Supermarkets

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

## Special Feature

### New Retail Business Format: MUJI 500

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

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



## Strengthening Independent Store Management

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

### Achievements and Issues

#### Maintain an Organizational Culture of Acting Proactively and Independently

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

#### Securing and Developing Human Resources

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

#### Improvement of Sales per Square Meter

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

#### Solidifying Store Foundations

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

### Key Initiatives

#### Promotion of Independent Store Management

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

#### Strengthening 600 *tsubo* Stores

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



#### Evolution into Community Centers

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

In addition, we will enhance services involving customer participation and communication, such as MUJI CYCLE<sup>1</sup> and MUJI SUPPORT,<sup>2</sup> to create reasons for people to visit our stores and deepen the customer experience.

1. See page 48 for details.

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



## Interview with a General Manager



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

### Mariko Oguri

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

### Taking on New Projects in the Shinjuku Business Division

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

Around that time, I was splitting my time between helping plan the renovation of MUJI Shinjuku<sup>1</sup> (opened in 2008) into a clothing specialty store, the first of its kind for Ryohin Keikaku, and working as the store manager of MUJI Seiyu Ogikubo. After that, I was appointed to the position of full-time general manager of the Shinjuku Business Division. We are promoting localization in the city under a new approach of narrowing the category focus of stores and working with other stores in the Shinjuku area, including MUJI Shinjuku Yasukuni Dori, a clothing specialty store, and MUJI Shinjuku Dori, a household goods and food specialty store that was renovated at the same time.

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

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

1. Now MUJI Shinjuku Yasukuni Dori

### Pursuing the Possibilities of MUJI Apparel

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

We think of the store as the largest forum for engaging with customers, and the store staff also play a very important part in that approach. For a clothing specialty store, it is imperative for sales staff to have broad, in-depth knowledge about clothing and the skill to offer coordinated styling proposals. That is why we recruit and select dedicated visual merchandising staff<sup>2</sup> from MUJI employees throughout Japan. We also appointed visual merchandising professionals from overseas, who keep store displays looking fresh while honing their specialized skills, including on-the-job training in styling and sales floor

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

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

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



## A Store for Enjoying Clothing, and Thinking about the Future

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

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

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

## A Place That Expresses the Appeal of the Shinjuku Area

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

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



## Material Issue 2: Address Local Challenges and Revitalize Regions

# Sustainable Community Design

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

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

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

### Realizing a Truthful and Sustainable Society



### Childcare Support: Passing Down Natural, Historical and Cultural Resources

#### MUJI with a Library Inside

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



### Communities: Connecting People, Connecting Communities

#### Community Market Event

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

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



### Culture and the Arts: Future Lives Connected to the Past

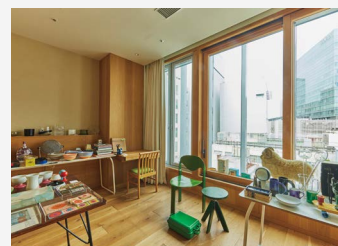
#### ATELIER MUJI and Art Events

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

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

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

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



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

### Healthcare Centers

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

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



## Development of Launching Points for Community Activities: New Lifestyle Proposals

### MUJI BASE Kamogawa: Old Folk House Renovation

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

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

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



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

### ITSUMO MOSHIMO

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

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

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

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



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

# Human Resource Development

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

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

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

## Six Pillars of Human Resource Development and Key Initiatives

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

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

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

Note: Ryohin Keikaku Co., Ltd. only

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

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

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

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

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

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

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

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



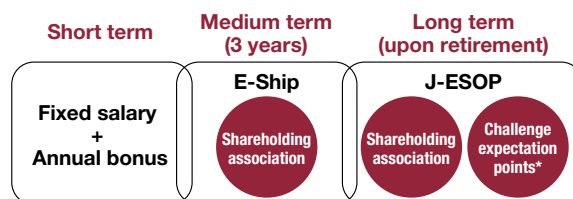
A training program in action

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

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

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

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



Number of Employees in Employee Shareholding Association

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

## Human Resource Training and Development Strategy

### Issues to Address

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

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

### Three New Strategies

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

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

### Key Measures

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

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

## Initiatives for Diversity & Inclusion

### Recruitment and Employment

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

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

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

### Work-Life Balance Proposals

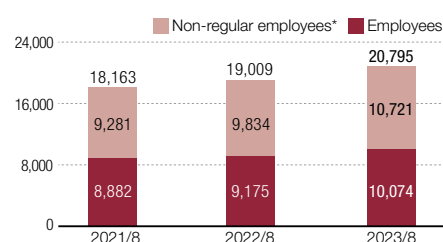
We have systems that allow employees to choose from a variety of work styles in order to find balance between work and life events such as childbirth, childcare and nursing care. These systems include childcare and nursing care leave, a shorter working hour system, and a family care system, and can be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

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

### Employment of People with Disabilities

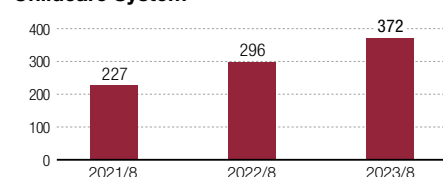
Ryohin Keikaku began hiring individuals with disabilities in Japan in 2000. In 2009, we launched the Heartful Project to promote the “sustainable happiness of co-workers,” “self-development through mutual trust and cooperation” and “expansion and stabilization of employment at stores” for those with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

Number of Employees (Ryohin Keikaku Group)



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

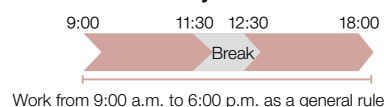
Average Number of Employees\* Using the Childcare System



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

### Approach to Working Hours

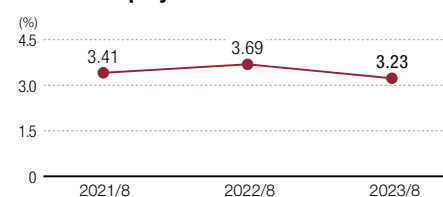
#### Conventional Work System



#### Flextime System (Super flextime with no core hours)



### Ratio of Employees with Disabilities



Note: Ryohin Keikaku Co., Ltd. only

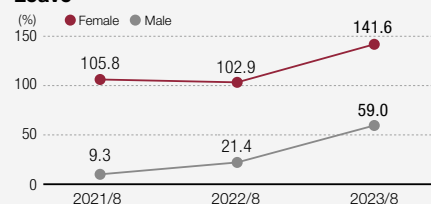
### Special Feature

## An Employment Environment That Facilitates Taking Childcare Leave

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

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

Percentage of Employees Taking Childcare Leave



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

## Diversity Committee

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

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

## Promotion of Participation and Advancement of Women in the Workplace

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

### Initiatives

#### Career Workshop for Women in Their Twenties

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

#### Support for Working Mothers

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

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

### Results for FY2023/8<sup>1</sup>

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

**Ratio of female directors: 37.5%<sup>2</sup>**

**Ratio of female employees: 54.8%**

1. Ryohin Keikaku Co., Ltd. only

2. As of November 23, 2023



Career workshop

## Special Feature

### Interview with a Working Mother and Store Manager

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

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

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



Yuki Shiraki  
Store Manager  
MUJI Tokyo Midtown



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

# Working toward “Public Interest and People-Centered Management”

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

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



### Strengthening Internal Communications

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

#### Company-wide Meetings

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



Good Meeting venue



Store managers meeting

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

#### Internal IR

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

#### Redesign of In-house Newsletter

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



Printed edition of MUJI NEWS (in-house newsletter)

#### Team ESG Activities

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

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



Arigato Cleanup (cleanup activity around the former headquarters building)

## Strengthening Engagement with Shareholders and Investors

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

### Engagement with Shareholders at the General Meeting

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



Shareholders' Meeting after the General Meeting of Shareholders



Shareholder Card

### Engagement with Individual Shareholders and Investors

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

#### Results for FY2023/8

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



Shareholders' Meeting held at a store

### Engagement with Analysts and Institutional Investors

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

#### Results for FY2023/8

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



Dialogue between outside directors and shareholders (institutional investors)

#### IR Email Distribution Service (Japanese Only)

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

