

Message from the Chairman



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

Masaaki Kanai

Chairman & Representative Director

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

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

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

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

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

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



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

We aim to continue building our envisioned consumer society.

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

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

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

1. The idea that if domestic animals can be defined as “animals that have been cut off from the wild and have undergone changes in their appearance and habits for the convenience of humans,” then human beings themselves have also been domesticated as a result of their adaptation to our current social and economic systems, turning themselves into domestic animals through the loss of intrinsic human emotions and senses (i.e., their true selves).
 2. The concept of rethinking and rearranging one’s current lifestyle in pursuit of an ideal state

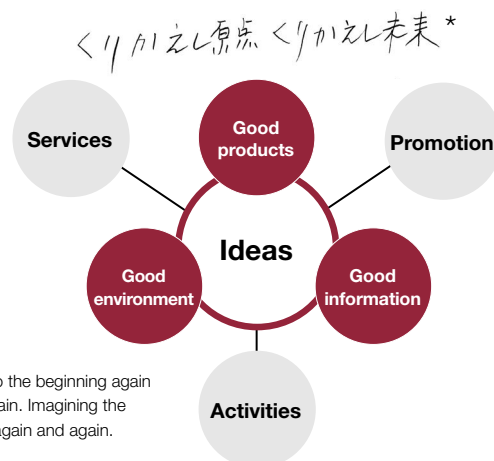
The “Second Founding” means going back to our roots of contributing to society and people.

Ryohin Keikaku has two missions. One is to provide daily necessities and services with genuine quality and ethical value, at appropriate and affordable prices. The second is to have a positive impact on each region by operating stores that serve as community centers, sharing concerns and values with local residents and collaborating with them to tackle local issues.

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

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

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



Enhancing Our Corporate Value

The Value We Create

Structure of Our Business Activities

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



Social Issues

Escalating environmental problems

Shrinking labor force

Changes in lifestyles

Rural depopulation

Six Foundations

Human Capital

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

Social Capital

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

Intellectual Capital

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

Financial Capital

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

Manufacturing and Marketing Capital


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


Natural Capital


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


Public Interest and People-Centered Management

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

- 

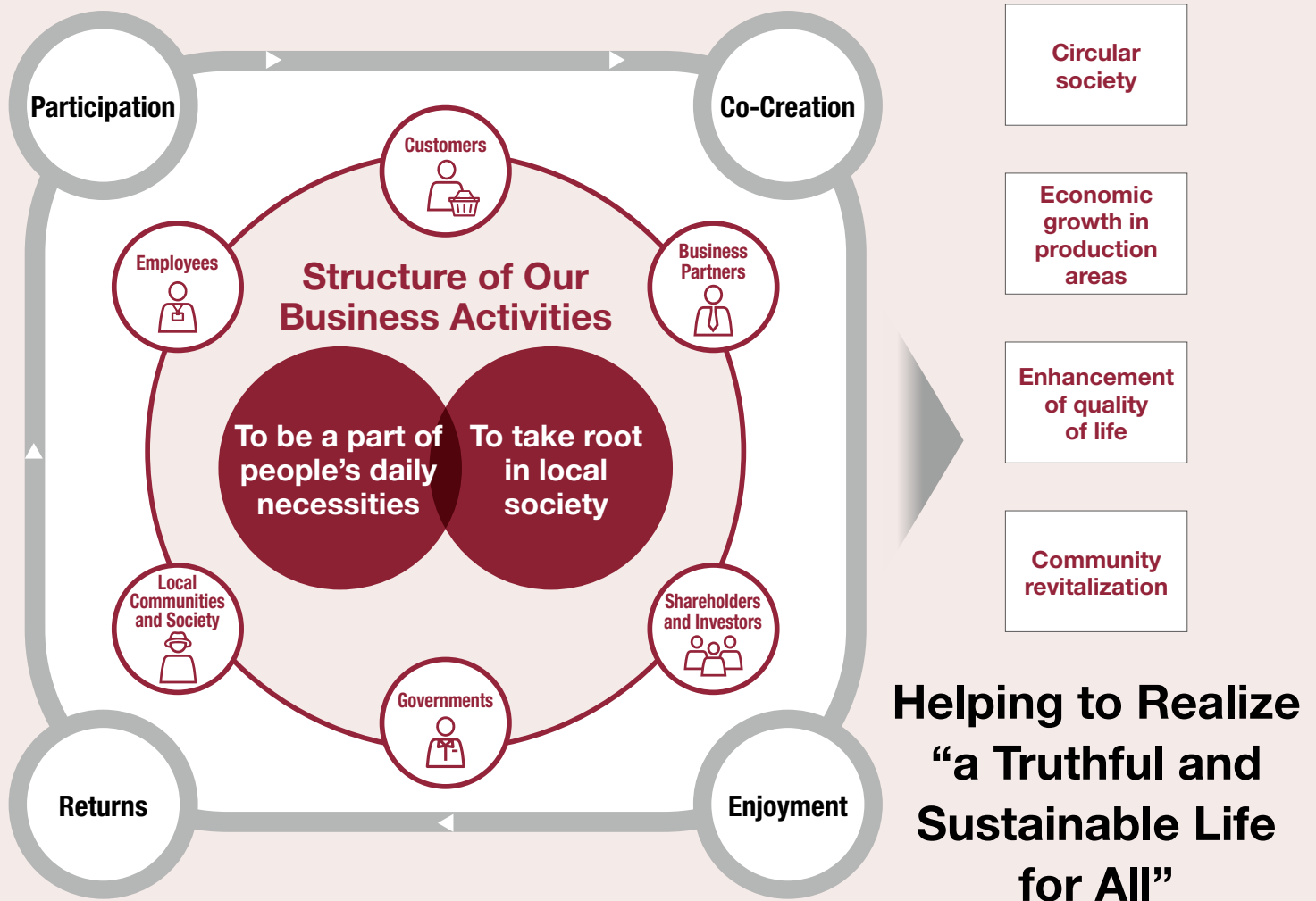
Participation Stakeholders are encouraged to freely participate in Ryohin Keikaku’s activities in various ways, such as by making an investment, cooperating in initiatives or purchasing products.
- 

Co-Creation Stakeholders participate directly in MUJI’s activities, and we also develop new products and services together with them.
- 

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

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

Public Interest and People-Centered Management



Four Material Issues

See pages 17–18 for details. See page 37 onward for information on the progress of initiatives.

Enhancing Our Corporate Value

Ryohin Keikaku and Sustainability

A Consistent Commitment to ESG since Day One

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

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

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

ESG in products

We will democratize sustainability* by adopting circular design for all products and offering them at affordable prices.

ESG in business activities

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

ESG in communities

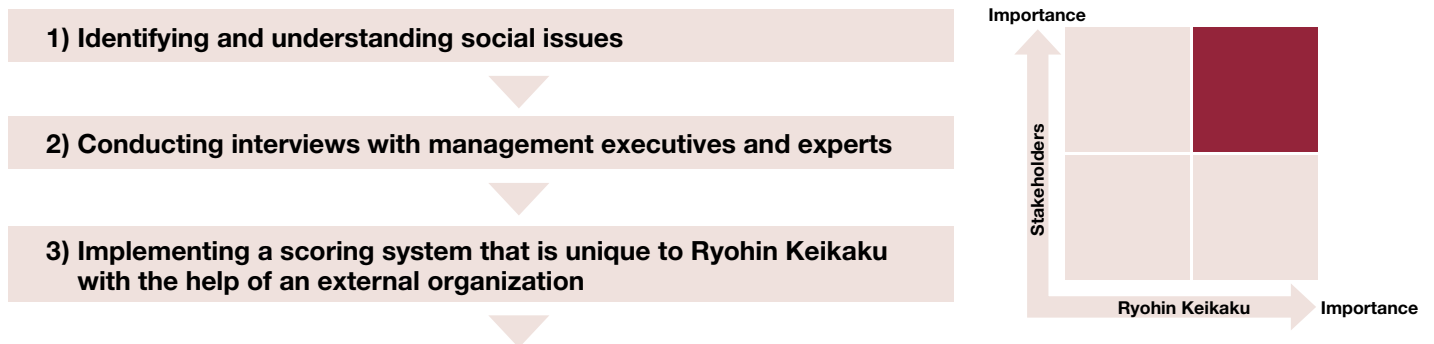
We will make a positive impact on society by leading the revitalization of local areas through activities with local communities.

* “Democratizing sustainability” means promoting sustainability in a way that is accessible to everyone. We recognize that in the current consumer market, in general, companies strengthen ESG and sustainability initiatives in a way that makes consumers bear some of the cost. Ryohin Keikaku conducts environmental and social initiatives that take nature into consideration, and provides products and services at affordable prices. Through MUJI, we want to reduce our environmental impact in a way that occurs seamlessly in daily life—in fact, that is MUJI’s founding philosophy. By practicing and broadly expanding this philosophy, we seek to promote sustainability in a way that is accessible to everyone.

ESG Strategy through 2030

Process for Identifying Material Issues

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



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

① Build a sustainable and circular society that coexists with nature

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

② Address local challenges and revitalize regions

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

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

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

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

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

ESG Management Structure

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



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

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

Main Themes

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

Enhancing Our Corporate Value

Message from the President



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

Nobuo Domae

President & Representative Director

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

Progress of the Medium-term Business Plan

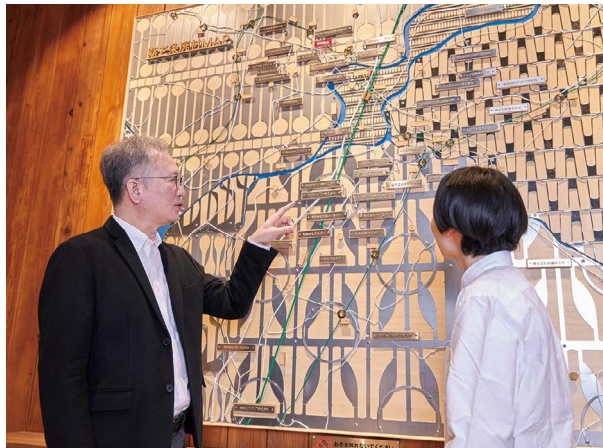
Ryohin Keikaku operates in line with its corporate purpose, which we redefined in conjunction with the announcement of the medium-term business plan. To realize our corporate purpose, we will take a two-pronged approach to our core business. First, we will create and provide products and services that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

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

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

1. Complete the finest and most unrivaled product lines essential to daily life and the procurement and production system for these products
2. Establish a community-based business model centered on independently managed stores and open new stores throughout Japan while maintaining profitability
3. Develop an organizational culture in which all associates work proactively, leading to the independent growth of each store, region and country
4. Build the business infrastructure and headquarters functions to support independent store management and localization

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



2030 Vision

To be a part of people's daily necessities

To take root in local society

To achieve this, we will

Practice independent store management and co-owned management

Provide comfortable online services

Be a front runner of ESG management

Progress on Addressing the Six Priority Issues

1. Enhance product value

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

2. Increase involvement in production

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

3. Enhance marketing activities for products

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

4. Establish a store network and new channels

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

5. Enhance operations

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

6. Make ESG the core of our business

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

Enhancing the Value of Our Products

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

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



The Four Elements of Product Development

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

(1) Products that take the environment into consideration

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

(2) Products that solve social issues

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

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

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

(4) Products inspired by culture and tradition

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

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

Status of Store Openings

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

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

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

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



MUJI Itoku Oga Shopping Center (Akita Prefecture)



MUJI JIO World Plaza (India)

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

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

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

Toward a New Industrial Structure

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

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



Enhancing Our Corporate Value

Our Goals and How We Will Achieve Them

Second Founding	2023	2024
Financial KPIs	Results for FY2023/8	FY2024/8 Plan
Operating income	JPY 581.4 billion	JPY 640.0 billion
Operating profit	JPY 33.1 billion	JPY 48.0 billion
Number of stores	1,188	1,331
ROA (Return on Total Assets)	8.5%	10.3%
ROE (Return on Equity)	8.7%	12.6%

Actions up to 2030

Six Priority Issues	Main Points	Creation of the Foundation for Our "Second Founding"
1. Enhance product value	<p>Strengthen product competitiveness by developing:</p> <ul style="list-style-type: none"> ● Products that take the environment into consideration ● Products that solve social issues ● Products that let the individuality of the consumer shine, not the uniqueness of the product ● Products inspired by culture and tradition 	Complete the finest and most unrivaled product lines essential to daily life and the procurement and production system for these products
2. Increase involvement in production		Establish a community-based business model centered on independently managed stores and open new stores throughout Japan while maintaining profitability
3. Enhance marketing activities for products		Develop an organizational culture in which all associates work proactively, leading to the independent growth of each store, region and country
4. Establish a store network and new channels		Build the business infrastructure and headquarters functions to support independent store management and localization
5. Enhance operations		
6. Make ESG the core of our business		

2026

2030

FY2026/8 Target

JPY 850.0 billion

JPY 75.0 billion

1,750

13% or higher

15% or higher

Build a New Industrial Structure

Platform for Localization and Circulation of Resources

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

2030 Vision

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

To be a part of people's daily necessities

To take root in local society

Practice independent store management and co-owned management

Provide comfortable online services

Be a front runner of ESG management

Helping to Realize "a Truthful and Sustainable Life for All"

Enhancing Our Corporate Value: Feature 1

Overseas Growth Potential



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

Satoshi Shimizu

Executive Vice President & Director

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

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

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

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

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

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

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

Products Developed in Mainland China Business



Cool Touch fabric series



Stainless steel mugs



Pet supplies series



Smartphone and gadget accessories

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

Mainland China: An Increasingly Challenging Market Environment and Our Response

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

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

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

Launch of Global Planning and Product Development System

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

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

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

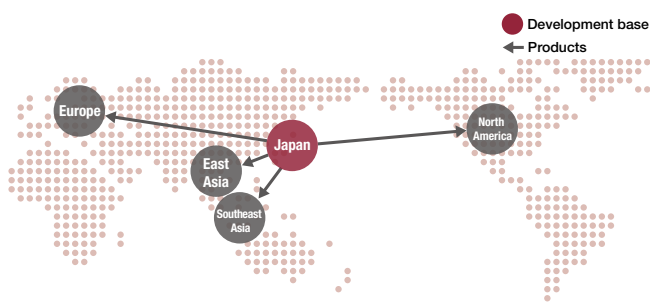
After that, we plan to handle all operations independently in each region from the R&D stage, not just product planning.

Developing Talent Globally Is a Priority

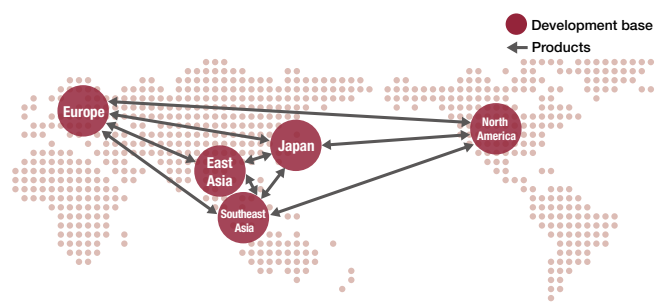
Up until now, we have managed operations in mainland China through the support of and information provided by the headquarters in Japan, but because mainland China covers a vast area, there are logistical challenges involved in getting information to the frontlines of each site in a timely manner. Securing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

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

Product Development System (through 2019)

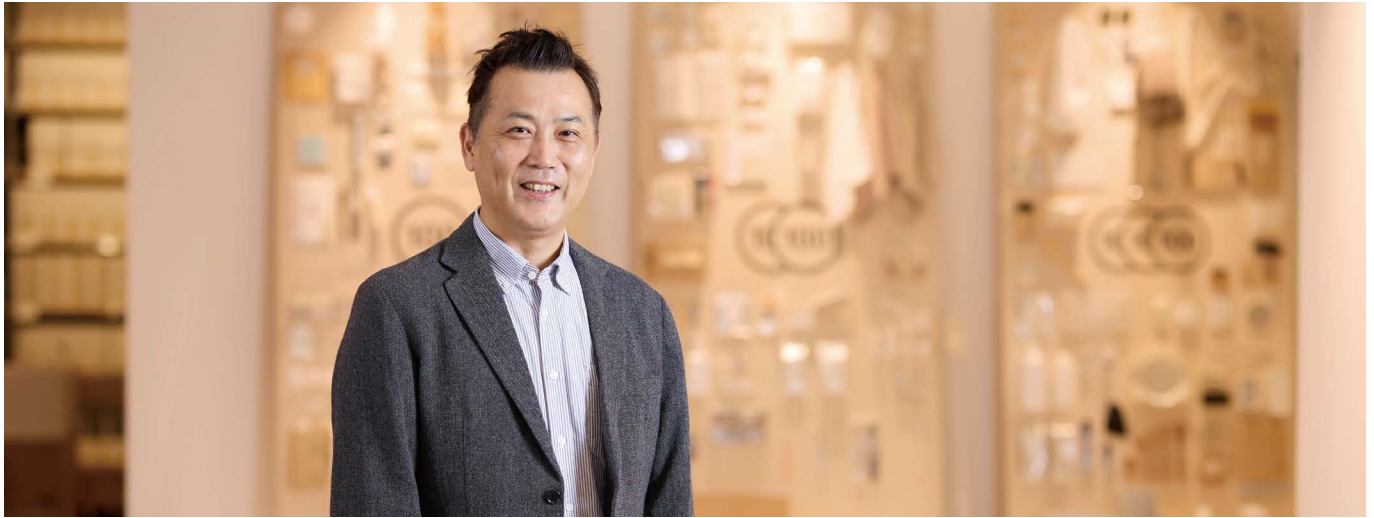


Product Development System (from 2024)



Enhancing Our Corporate Value: Feature 2

Changes in Our People and Stores



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

Takuo Nagahara

Executive Officer

In charge of Sales and Marketing Group (Japan)

Making Steady Progress with Store Reforms

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

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

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

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

Transformation of Staff Mindset Is Producing Results

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



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

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

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

* A period of exclusive discounts and promotions for MUJI members

Our Immediate Challenge Is Securing the Right People

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

Products and Selection to Support Appealing Stores

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

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



Enhancing Our Corporate Value: Feature 3

An IT Strategy Aimed at Realizing Comfortable Online Services



Tatsuya Kubota

Executive Officer
In charge of IT Services Division

Takahiro Miyazawa

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

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

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

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

Promotional Structure

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

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

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

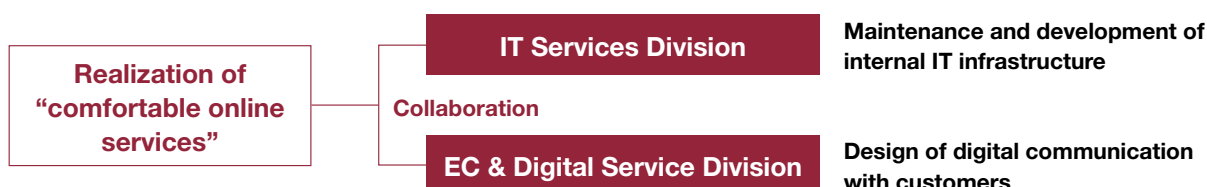
2. POS system: A system for managing sales data and product information at the point of sale

3. Short for e-commerce

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

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

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



Implementing Employee Work Reforms

Overhauling Core Systems

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

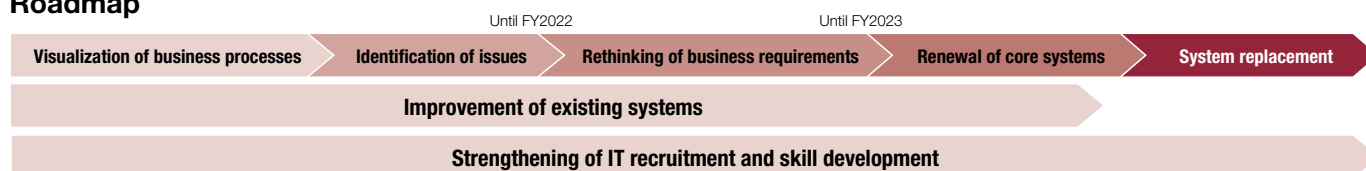
Therefore, we launched a project to overhaul our core systems, and are undertaking fundamental reform of our operating systems. We will upgrade existing systems, as business efficiency will still be important during the period in which we are preparing to get the new core systems up and running. As the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

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

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

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

Roadmap



Measures for Promoting Store Operating Efficiency

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

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

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



Self-checkout register

Providing “Comfortable Online Services” to Customers

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

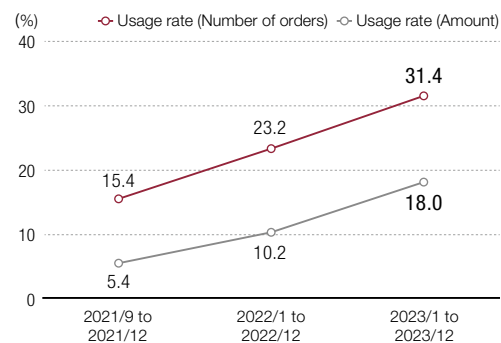
We updated the look of our online store homepage in FY2023/8. In addition, we added a furniture simulation tool and assembly instruction videos, expanded feature pages, and greatly increased notifications and event information from stores. We also posted more snapshots taken by store staff. These are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

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

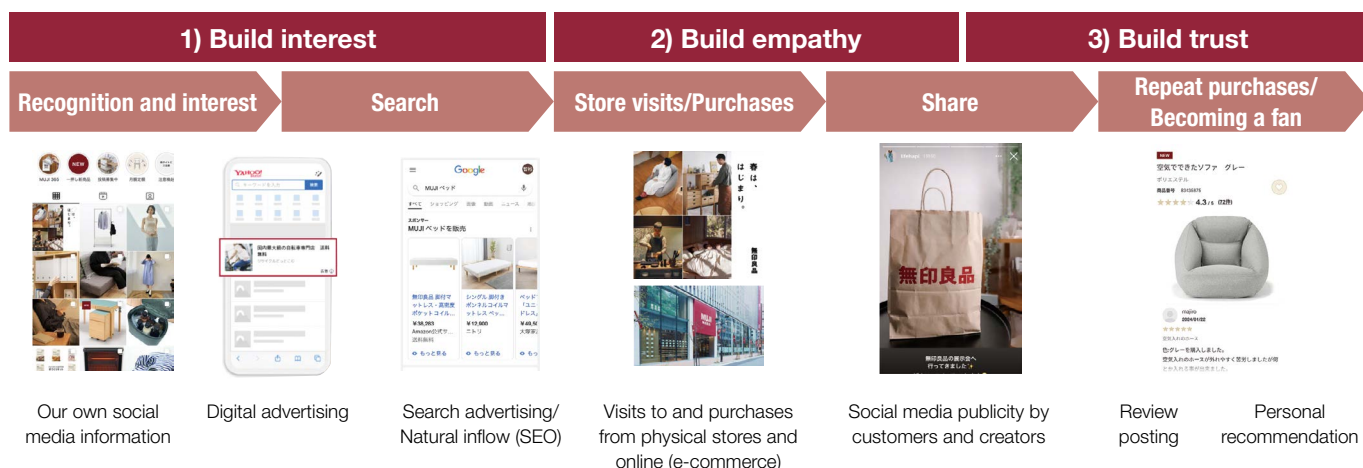
To boost our brand recognition and attract more customers, we are also focusing on posting information on social media. We are working to make MUJI's products and activities feel more familiar. This includes providing information on activities with communities and local governments and profiles of MUJI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

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

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



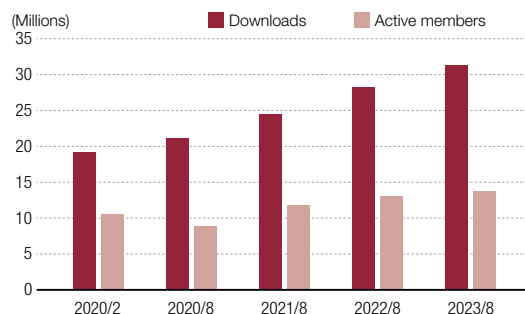
Note: The current version of the in-store pickup service has been in operation since September 2021.



Initiatives Using the MUJI passport App

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

Number of MUJI passport App Downloads and Active Members

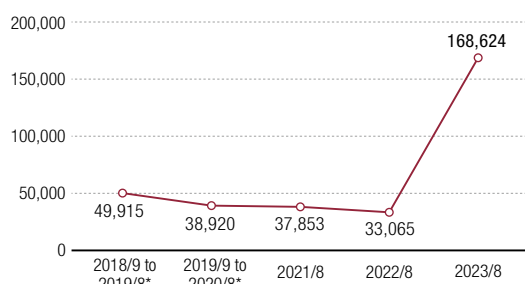


Notes: Ryohin Keikaku Co., Ltd. only

How We Use Customer Feedback

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

Number of Product Reviews



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

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

Using Online Resources to Help Build a Circular Society

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

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

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

Special Feature

MUJI Products Now Available on ZOZOTOWN

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



Enhancing Our Corporate Value: Feature 4

Strengthening Our Earning Power



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

Kenta Horiguchi

Executive Officer

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

How We View Corporate Value

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

Progress of the Medium-term Business Plan and Recent Performance

Results for FY2023/8

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

Outlook for FY2024/8

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

Progress of the Medium-term Business Plan

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

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

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

Progress of the Medium-term Business Plan

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

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

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

Maintaining a Strong Financial Structure

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

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

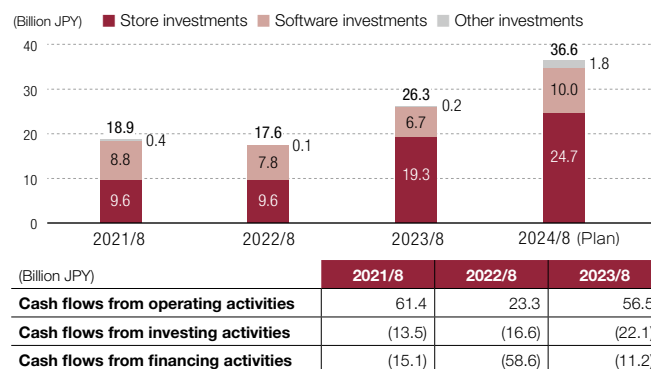
the end of the previous fiscal year. By enhancing our organizational capabilities, we have been able to manage inventory more precisely, and inventory turnover also continues to improve.

Investment Strategy and Allocation of Funds

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

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

Allocation of Investments



Further Strengthening Profitability

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

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