

The 80th CSR-BOP Watch Meeting

“Concept and Product Development of Mujirushi Ryohin- Challenge for Social Contributions through the Main Business”

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November 17, 2014 (Mon.) 18:00 – 19:30

Thank you very much for giving me this wonderful opportunity to present a talk and also purchasing Mujirushi products. I hear that a large number of people attending tonight are from JICA. If you would favorably evaluate tonight’s talk, I need to emphasize that it is greatly owing to diverse help which Mujirushi received from JICA. My seniors frequently tell us that we have been trying to make social contributions through the main business from the first day of our establishment. Although our efforts are not adequate, I would like to hear your candid opinions, since specialists or those who are interested in the base of the pyramid (BOP) and inclusive business gather here tonight. Your comments and opinions are highly appreciated, and will be used for the next step of our advancement. Since some of our projects to be presented tonight are still in an immature stage, I hope to receive your proper understanding.

I. About Mujirushi Rhohin

Although we are developing shops called Mujirushi Ryohin (Unbranded Good Products, hereafter written as Mujirushi), our company name is Rhohin Keikaku (Good Product Planning) Co. Ltd. Its concept, which is presently still well followed, was born in 1980, while the company was established in 1989. This is unusual, since many companies develop their concepts after they are born. Our company developed from a private brand of Seiyu which came to be well recognized in the market, to a division, and finally to an independent company. This is a development path opposite to many other companies.

II. Concept of Mujirushi

The creators of the concept were Mr. Seiji Tsutsumi, the founder of the Saison Group, and Mr. Ikko Tanaka, a leading graphic designer in Japan. They thought of Mujirushi as an antithesis to consumptive society, in which people tend to think that goods must be abundant in the market, having the supply outreaching the demand. Hence, companies to sell their products use highly manipulative marketing techniques and engage in meaningless branding. Mr. Tsutsumi and Mr. Tanaka feared that companies are forcefully selling their products to consumers simply for their own profit, and thought that human reasoning should precede to the logic of capitalism.

Mr. Tsutsumi was a businessman, a very prominent figure in the retail industry, but he also had deep awareness over social issues. Mr. Tanaka was a leading graphic designer in Japan and left many designs. However, since he had deep thoughts on how a man should be and live, instead of simply designing, he found it necessary to concretize his thoughts into products, expressing his antithesis to consumptive society. This is how Mujirushi started.

Mujirushi started with a goal to produce products really valuable to consumers, instead of inducing them to purchase those with valueless brand names. When the company was established, many brand had western names. It, however, dared to put a brand name in Japanese. Some of recorded spirit of the company in the earlier period was as follows: Mujirushi's business should be 'social contributions through business,' as proposed by Mr. Ikko Tanaka, by offering customers products that are suggestive of: (1) antitheses to designs created simply for profit making; (2) criticisms against mass production, mass consumption and mass disposal; (3) respect to individuals to use products as users wish by eliminating commercialism and waste; (4) not inducing consumers to purchase due to the names of brand and designers; and (5) producers' concerns of earth's environment and opportunities to think relations among the nature, man and matter.

Based on the spirit, the company initially produced 40 products, mostly food, with a catch copy of 'Inexpensive with Reasons (*Wake Atte, Yasui*).' The catch copy was created by a Creative Director, Ms. Kazuko Koike, who engaged in copy writing, editing and planning in the Saison Group. Sometimes, I have opportunities to talk about the history of Mujirushi. There I ask, "These days you often hear a word, '*wakeyasu*.' How many of you know that the word was created by Mujirushi?" Usually only one or two know this fact, about which they simply know because their seniors have informed them. This word became so commonly used that nobody became aware of who created the word.

III. Concretizing Concepts as Products

Concretizing the above concepts into products is not easy at all. Three big policies in this process are to: (1) have another look at materials used; (2) reexamine production processes; and (3) simplify wrapping. These policies are used even presently.

To take another look at materials is to ask again what the value of a product's existence is. For example, another look at an alternative material resulted in the daily use of recycled paper. Mujirushi may be the first company in the world that used such a massive amount of recycled paper in notes and stationary products. Although, in an earlier period, some people complained that the color of recycled paper is dirty, our judgment was that it is clean enough for children to use for drawing and writing. But now recycled paper became so common that public offices accept only recycled one.

Reexamining production processes is to eliminate unnecessary and non-value-adding processes and offer products much cheaper to customers. Simplifying wrapping is to reduce product wrapping. When Mujirushi was established, a trend then was to have excessive wrapping over products. One of the best examples of applying these three policies is 'Dried Mushrooms (*Hoshi Shiitake*).' Well-shaped dried mushrooms were sold with the Seiyu brand. But research conducted by the Seiyu Livelihood Research Institute found that dried mushrooms are mainly used to make soup, which does not require well-shaped mushrooms. This means that mushroom shape does not matter at all. Also, farmers were spending time to select well-shaped ones, while broken ones cannot be sold in the market, thus consumed by farmers or thrown away. Not to waste any mushroom, Mujirushi decided to purchase all, whether well-shaped or broken. This enabled farmers to sell all without spending any extra cost and obtain higher revenue and Mujirushi to sell broken ones as 'Broken Dried Mushrooms (*Ware Shiitake*)' priced about 30 percent cheaper to customers. This product turned out to be a big hit.

A lesson learned from this product was the importance of explaining why the product is cheaper, since customers tend to doubt product quality if a price is cheaper. We often joke that broken mushrooms were sold so much that they had to break up well-shaped ones to meet increased demand. It is a joke. Naturally, it did not take place. From this experience, Mujirushi found that when reasons for defects and backgrounds for products are well explained in posters and newspaper advertisements, products can obtain customers' trust and may become a hit product.

Separate from the Board of Directors, Ryohin Keikaku from its beginning established the Advisory Board, earlier headed by Mr. Ikko Tanaka, and has been receiving valuable advises from creative leaders in the fields of construction, catch copy, clothes, etc. One of them is Ms. Kazuko Koike who even presently comes to the company once a month and discusses with top executives about a way company should be or should be operated. Just like her catch copy, 'Inexpensive with Reasons (*Wake Atte, Yasui*),' she greatly contributes to a way that the company should communicate properly with customers.

A similar product to 'Broken Dried Mushrooms' is salmon cans. Earlier, salmon cans only contained rich portions of salmon, while other portions were used as cattle feed. By explaining clearly that other portions are also edible, we offered cans with a much lower price. Recycled paper also has been a long seller operated in a similar way.

Mujirushi has a strong resistance to sell products with unnecessarily high prices manipulated with a brand mark or reputation. A good example is a difference between untagged and tagged products. Our earlier products did not have any logo of Mujirushi, while newer products have one. Earlier, executives committed to their initial spirit of not putting any logo or tag. However, with increased emphasis on the importance of intellectual property rights, after a long period of discussion, a conclusion was reached that they put a logo on every products, since if someone else starts selling products by putting a logo of Mujirushi, then products produced by others become legitimate Mujirushi products. This is one indication of how seriously we were resistant to putting our logo and developing a brand name. Now, a manufacturer in our products, such as notes, clothes, etc. is not identifiable if tags are removed. One exception is that we needed to put our company name in a tag of clothes as an indication of manufacturers' product liabilities. Also, we respect consumers' freedom to use products. In our earlier pamphlet, Mujirushi called cups, vessels, etc. as 'Containers Made of Glass,' while other companies specified them as glasses, vessels, etc. By doing so, we sent a message that consumers have freedom to decide how to use them. That much we adhered to our initial principles of respecting consumers' freedom and produce goods that consumers can feel the freedom of use.

To turn such concepts into sustainable business, Mujirushi uses modern management methods and generates growth. All new products with Mujirushi logo have a bar code, which enabled us to develop a system and introduce a product-based cost control method for the first time among retailers in Japan, though costing us as much as the start-up capital.

IV. Uniqueness in Mujirushi Products

Mujirushi initially started with 40 products, but it presently carries 7,500 commodities at the largest shop in Yurakucho. Among the initial products, 'Wall-hanging CD,' which is now a MOMA's collection, was a big hit, though we do not hear the name any more. A code hangs from an ornament CD on a wall, enticing one to pull the code, and then the pull turns the switch of the CD ornament on and plays music. Uniqueness can be found in many other products, such as recycled paper, furniture, stationary made out of aluminum which was the first ever produced in Japan, and an inexpensive and tasty snack made out of heels of sandwiches. The recent best hit is a retort-packed curry-and-rice, which became the most selling one in Japan. The way it came to be developed shows the seriousness of Mujirushi to develop a new product. None of product development members were previously employed by a food manufacturer. All of them were those hired fresh out of their educational institutions, appointed as the heads of Mujirushi shops, and promoted to the headquarters. They had to taste prototypes four times a day, discussed about them with producing partners, and improved them patiently day by day.

Another unique product is 'Bath Towel that Has the Next Use (*Sono Tsugi ga Aru Basu Taoru*).' It has furrows to prevent loose threads coming out, when a towel is cut by scissors. It can be cut into half to make two bath towels when fabric becomes dilapidated. With further wearing out, it can still be cut into half to be used as bath mats, and can then be finally cut into floor cloths. But since technology is so well-developed recently to make furrows far narrower, all of best-selling towels are produced with refined furrows. Thus, even regular towels without the name of 'Bath Towel that Has the Next Use' have narrow furrows with very nice touch without any loose threads coming out.

Another unique product is a pair of 'Right-angled Socks (*Chokkaku Kutsushita*).' Associates of Mujirushi are residing in many places in the world, and send information. One associate reported that a sock grandmothers knit for their grandchildren in Czech Republic has a right angle. When I heard about it, a question immediate came to my mind why our sock has a 120 degree angle, while the angle of body and foot is usually 90 degrees. So, we asked a grandmother in Czech to come to Japan, accompanied with two grandchildren. Then, we video-recorded her knitting, and asked a manufacturer if it can mass-produce the socks. An immediate response from the manufacturer was, "Please do not joke. We cannot produce such a pair of socks." However, since they figured out a way to produce, we copy-righted the product as 'Right-angled Socks.' To watch carefully in Japan,

even a pair of hand-made traditional tabi-socks have a 90-degree angle. Someone told me that during the Industrial Revolution in England, they found that machines can mass-produce easiest at the angle of 120 degrees, while the angle allows the well-balanced function of socks. That is why the angle was fixed to 120 degrees.

From 1995 Mujirushi is also operating camp sites. Thinking of human needs to harmonize with nature and the lack of such places in urban areas, it started developing summer camps for children. Consulting with local governments, it rented spaces and has been developing camp sites in cooperation with local people. We are still increasing the number of sites even now. We feel very happy that we did not stop this business, since this operation for the first time after many years will become black in this year's figure.

Thus, Mujirushi started with small-sized products and further diversified, hoping to serve our customers in their household, who understand and agree with our concept. We have been producing clothes, furniture, and even bicycles. But when we think further, we recognized that the biggest household tool is a house. Since a house size is usually determined by income, people do not have much of choice. Besides, once a house is completed, there hardly exists any flexibility to change internal design. Mujirushi, developing the SE construction method with bonded wood, offers houses with very strong structure, usable for a long time like many other Mujirushi products and devisable on walls enabling to create user-designed spaces inside a house. Hence, we started selling houses, named 'Usable as You Wish to Use (*Tsukaitai yoni Tsukaeru*),' from 2003, and sold cumulatively 1,283 houses. More recently, in collaboration with Urban Renaissance Agency (UR Agency), Mujirushi not only constructs their houses, but also reforms their used apartments which tend to be unpopular despite their nice locations. Since their apartments are relatively small in a size of 40 to 50 square meters, Mujirushi's work is to make them more attractive with reforms. In 2012, we started with 22 apartments in Kansai and this year reformed 150 of them. Besides, our reformed apartments with simple designs are attracting many customers, creating a fairly high competition rate. Besides, our cost is not much different from other UR's reform contractors.

V. Business Paying Attention to Producers

Since its beginning, Mujirushi has been paying attention to the producers of cotton and wool products. Now, we are more committed to create commodities paying more attention to producers. Entering into India, Tanzania, Egypt, Cambodia, and Laos by ourselves, we

look for local products with a perspective of global markets, and established a shop chain, called 'Found Muji' where such commodities can be introduced in a small quantity. Also, I shall talk a little bit later, if I still have time, that one Japanese we met in Cambodia introduced us a wonderful traditional technology, called natural dyeing (*tennen zome*). Using the technology, we started developing products in collaboration with JICA, NPO, and local government agencies.

In 1984 with a catch copy of 'With Natural Color (*Irono Mama de*),' Mujirushi offered products made of alpaca fur and cashmere yarn with reasonable prices. Although they are in many places now, it was Mujirushi that introduced them. And this fact was used in the 2013 company campaign. Here is the reason. When Mujirushi members visited an area where alpaca is raised in Peru just about seven or eight years ago, 97 percent of alpaca was either black or brown while only three percent was white. Presently, with a reason that white fur can be dyed easier, white alpaca became dominant. Local people became unwilling to raise black and brown alpaca. Since we are really concerned about this market influence on alpaca breeding, we requested one local NPO to introduce us a natural fur product produced by Quechua Tribe and sold them in Japan. Mr. Kenya Hara who is a member in the Mujirushi Advisory Board was informed of this fact, despite his extremely busy schedule, decided to visit the alpaca fur producing area with one of the best known cameraman in Japan. He published a photo book and informed about this fact to the public.

Other than these products, Mujirushi also produces my bags with Pattu and Kantha weaving in India and also in Laos. At a location where a Laotian factory is now located to produce the bag, people could not find a job and have to move to urban cities. Since labor cost was increasing in China where the bag was previously produced, since raw materials are available in Laos, and since the bag is continuously in demand, we decided to produce it in Laos. Mujirushi helped a local producer even to design a layout of sewing machines and train workers. They became capable of producing bags.

Starting from the Spring/Summer period in 2015, 100% organic cotton sheets will be sold at Mujirushi. But from whom the Household Division will purchase cotton is becoming quite an important issue. We are seriously concerned about genetically manipulated cotton, which is increasingly becoming dominant in the market. We are trying to purchase organic and original cotton as much as possible from farmers in India, Turkey, and Tanzania, who are seriously concerned about genetically manipulated cotton. They even build schools, dig wells, and teach how to produce organic cotton for people in their

communities. With regard to the amount of production, since we need to purchase a huge amount, a preparation is on its way for production expansion targeting three years later. Now, we are developing a structure in a way that we can predict how much cotton based on which seed and which location can be cropped.

We are still inadequate in many aspects. But what I reported shows how Mujirushi engages in its business. Other than what I presented here, we also engage in the fair-trade of alpaca and food products. The Meal Department participates in the Table for Two. Underwear teams are voluntarily participating into pink-ribbon movements. For recycling clothes, we are collaborating with a venture to turn used cotton clothes into bioethanol and developing the Clothes Clothes Project (*Fuku Fuku Project*) to collect used clothes. We also cooperate with a needle work project in Otsuchi Town in Iwate Prefecture (*Ohtsuchi Cho Fukko Sashiko Project*). Most of these projects are all started by the initiative of members, not at all ordered by the top of the company.

With a request from Kobe City, Mujirushi established a design center in Kobe, which led to a request from an NPO, called Building a Dream Hospital (*Yume no Byoin o Tsukuritai*) and to our participation into a project, called Child Chemotherapy House. The project is to create a home-like environment for children suffering from cancer. Since the project leader explained that to live in a home-like environment means to be surrounded by Mujirushi furniture and products, Mujirushi provided redesigned furniture at cost and donated toys to the House. Also, shops located close to the House tried to raise money by selling a green T-shirts and soliciting donations for a short period.

VI. Development-conducive Business in Collaboration with JICA

Among many projects in developing countries Mujirushi engages, projects with JICA are really special for us. The biggest difference is that we are working with professionals. Our members travel all over the world. One member cherished to engage in ethical-gift businesses, if we are to introduce gifts from developing countries. Since JICA has a program called, One Village One Product (OVOP), we were hoping to collaborate in the program. When one person knocked the door of JICA, we were given a chance.

From OVOP, 60 projects were proposed, and two products from Kenia and Kyrgyzstan were found implementable and sustainable. Since 2011 for four years, we have been operating these two projects. Their sales amount is still quite small, but the number of Kenyan product sold became twice relative to the starting period.

According to hearsay in Kyrgyzstan, Japanese and Kirghiz have the same ancestors. Kirghiz are very similar to Japanese. Those who like to eat meat became Kirghiz, while those who like to eat fish became Japanese. If I think in that way, it is true that Kirghiz have a similar food as Japanese noodle, and on a collective picture you cannot tell Japanese from Kirghiz. The poverty rate is quite high with the GNP per capita probably around \$800. Many people have to go working a long distant away.

Products which Mujirushi deals with are soaps, honey and local materials such as felt products. At the beginning, despite product quality was not good, we just started the project. A former school teacher takes a leadership in a cooperative, coordinating 35 small groups located around a lake. A team headed by Mr. Haraguchi from JICA is stationed in the cooperative and works collaboratively to teach how to control quality and delivery timing. Earlier, they wanted to have more machines to increase their production. In a usual situation, one may say that additional funding will be provided. Since the purpose of JICA's aid is self-reliance, Mr. Haraguchi advised them to plan and make efforts to save money. Thanks to his advice, they succeeded to purchase machines with the saving of six months. I believe that production there is working out very well, greatly owing to Mr. Haraguchi's efforts to make them self-reliant. Mujirushi's members teach how to control quality, even to the point how to place a piece of tape. In fact, workers in the cooperative are taking the quality issue very seriously and are sincerely learning know-how, especially because Mujirushi is extremely conscious of product quality.

For example, a stuffed donkey presently passed around to the audience could be produced with high quality by only four workers the last year. I personally saw them producing. Since a small amount of the donkey was sold away immediately in Japan, Mujirushi wanted to mass-produce it. The local cooperative and Mr. Haraguchi collaboratively developed a way to mass-produce without using machineries. But every needle has a number, and when one is broken, workers stop sawing until a broken needle is found. Following a suggestion of Mujirushi, they also created and produced a jig by themselves which facilitates easier and accurate production. Local people divided the work and produced the jig. Owing to this development, 13,000 stuffed donkeys were produced and sold all over the world. Consequently, for achieving self-sustenance, they implemented *kaizen* (improvements), raised their productivity, and within three years reached to a level comparable to Mujirushi's Japanese partners. They are highly praised in Kyrgyzstan, and even received teams of observers from Tadzhikistan.

When I visited Kyrgyzstan the last year, I asked what else Mujirushi can do to help them. Naturally, they want us to continue purchasing and develop a new product jointly. Besides, since a JICA's support period is limited, they requested us to help them build capability to develop and manage their operations by themselves. Since production locations are scattered around a lake and since it is really crucial to maintain the high quality of products, I happened to think that we can introduce Mujirushi's culture and mechanisms to raise quality to a certain level and constantly improve the level by providing our manuals, the Mujigram for operating shops and the Operation Standard Manual for headquarter operations. They responded positively to this offer, and expressed their willingness to learn. With a partial support from JICA, they visited Mujirushi in December 2013. Inside the company, we have experts on quality control who used to work in an automobile company. They visited storages and shops to learn about sales. A two-day workshop was also arranged at the Yurakucho Shop. During the workshop, luckily they heard about JICA's continued support. We were very thankful of such continued support.

Although Mujirushi's products usually do not have any tag, we exceptionally put a traditional mark of Kyrgyzstan on their products. At the shop, when they saw their products with a tag written 'Made in Kyrgyzstan,' they were really moved. To see their reactions, we were also moved.

In Kyrgyzstan, women usually do not go out of house. Needless to say, they are not expected to earn extra income. However, since they can work close to their houses and bring some cash income in this project, even husbands become highly cooperative. Besides, a new community came to be developed, enabling women to participate in community activities and having more lively living. With increased income, local people express that this project contributes to poverty alleviation in the community.

VII. Aid Agency Partnerships and Development of Unique Socially-beneficial Products

In 2013, the United Nations Development Programme (UNDP) certified Mujirushi as a member of the Business Call to Action (BCtA) for successfully combining business and social contributions. Consequently, our business came to be introduced in many places. Mujirushi then joined the Global Compact. The International Finance Corporation (IFC) also gave the Inclusive Business Leadership Award and supports our business in many ways. The other day, the UNDP requested us to send two people to a project in Bhutan, in which the Japanese Government is also involved. Since we hear that natural dyeing, an

important technology to us, can be found in Bhutan, we thought that we can develop interesting products, if things work out. Hence, we dispatched technicians, designers, and specialists.

Our interest on natural dyeing developed, when we met Mr. Kikuo Morimoto at the Institute of Khmer Traditional Textiles in Cambodia. He was a specialist in Yuzen dyeing in Kyoto. When young, he was dispatched by the United Nations Educational, Scientific, Cultural Organization (UNESCO) to conduct research on silk in Cambodia. In fact, Chinese and Thai silk originated from Cambodia. When Cambodia went into a civil conflict, Mr. Morimoto feared that the war would extinguish the traditional technology of natural dyeing. With his personal funding, he established a research institute and looked for weavers. To ensure the complete recovery of silk weaving, he cultivated mulberry trees, nurtured silk worms, and even revived 'the Traditional Forest (*Dento no Mori*)' near Angkole Wat in Siem Reap Province. Presently, 100 people live in the forest. He is an amazing person. Since harmony between human beings and nature is one of the corporate goals, in January 2012, we took our members to Mr. Morimoto's place in Cambodia for residential training. Our dyeing specialists had long relations with him. That was the very beginning of our involvement in natural dyeing.

Since colors in natural dyeing usually are easy to come down, we experienced to write many warning for our naturally dyed products. However, Mr. Morimoto proposed to us, "Chinese natural dyeing does not lose colors at all even after 200 years. I have the know-how of keeping colors in natural dyeing. Since spreading this know-how has been my dream, I am willing to work with Mujirushi." Hence, we decided to work with Mr. Morimoto, and our own specialists in collaboration with other companies completed mass-production technology and developed the business. Also, when members engaged in indigo dyeing, interacting with villagers and experiencing warm feeling, Mr. Morimoto explained that natural dyeing can be applied to any natural materials. Based on his advice, we decided to dye walnut-made furniture and even developed products making use of listing, naming all 'Natural Dyeing (*Tennen Zome*)' products. Many regions have diverse traditional technologies, which have not been handed down from people to people. To understand these technologies, we have been trying to scientifically understand by examining PH scores, bacteria, etc. By sharing our findings with local people for reviving their local technologies, we dye towels and inner clothes in indigo and madder colors.

Since Mujirushi is a water-like existence, as above examples show, we manage this company and conduct businesses, wishing to contribute to society in even the slightest terms.

VIII. Questions and Answers

Question 1:

Businesses conducted by Mujirushi are similar to what many other companies do as CSR. Does your company do so, being aware of conducting CSR? Does your company actually conduct CSR?

Answer 1:

Although the concept of Mujirushi does not deny CSR, the President does not like to use that word. We are conducting these businesses simply as our regular business based on our principles. In the Planning Office, we have a person in charge of environment and publicity, who explains our CSR-like activities to the public. Although I am in charge of business management, not of publicity, I also engage in publicity. Almost all activities publicized as CSR are works initiated by company members, not designated by a person in charge of CSR.

Inside Mujirushi, we use an expression, ‘Conscience and Creativity (*Ryoshin to Kurieithibu*).’ Its meaning is quite ambiguous, but our members understand what the expression conveys. One day, a mail from an NPO came to the President, asking if Mujirushi can use some fields in a marginalized village. Within two hours, the President called up the NPO and requested to meet our members to be dispatched tomorrow morning. Then, two weeks later, the President and other members visited the field. This was the very beginning of collaboration with the NPO. When our company finds something helpful to society, needless to say about a product, it moves very quickly. By looking at how the President responds openly and quickly to proposals, other company members also feel encouraged to do so if they have a proposal.

Question 2:

I have two questions. One is whether Mujirushi has a special mechanism to solicit members to suggest new ideas, which big companies tend not to approve. The other is

whether your company has an expected level of profit for such new projects, since ideas alone do not generate profit.

Answer 2:

A clear order is that each member should do what the President thinks good. Presently, we are developing a medium-term management plan. It starts as follows: “On-site activities are most important, and we never put anything before. All act creatively based on conscience, and globalize such culture and mechanisms.” For example, when our Thai subsidiary wants to make a paper bag out of paper making use of coconut residue, we approve their initiative, though the bag becomes a little bit expensive. The President praised this idea very highly that this proposal is excellent to convey Mujirushi’s concept. Instead of propagating ideas found in our shops in Japan, individuals should implement their ideas, if they think they are good.

With regard to a profit level, we do not have a standard. But one thing clear for everyone is that we cannot have red figures. The Kyrgyzstan project was operating in deficit the first year, if transportation costs were included. However, since the volume of production is increasing, we are now confident that this project will have black figures without negotiating our partners a lower price. A big deficit is not good at all. Since our project tends to be small, it is very unlikely to have a big deficit. Small deficits can be managed within a budget allocated to each department.

Presently, a company goal is to open as many shops all over the world as possible. Mujirushi is trying to achieve the sales amount of 300 billion yen by opening new shops in 30 countries within three years, while it took fourteen years to reach the sales of 200 billion yen. To achieve this goal itself makes us busy, but carrying additional projects interesting to members makes them extremely busy and difficult to balance several projects they are committed. Thus, members will decide how many projects they would like to carry. Since they have to continuously carry a project once started, we check whether members are determined and committed to carry it. The worst case is to succeed the first year, and then the sales drop down to zero in the second year. We do our best not to have such consequence. For example, Kenyan products are shipped by air, since our members are afraid of their products being stolen in Kenya. At the next shipping, we checked to find that products shipped from Japan to Kenya face some robbery, while shipping in the opposite direction hardly faces any robbery. Hence, sending by ship with an well-scheduled delivery to Japan enabled to cut shipping costs, pay a higher price in Kenya, and sell at a lower price

in Japan. Thus, a socially beneficial business requires to have stringent standards over quality, delivery, etc.

Question 3:

When Mujirushi tries to combine economic rationality and social contributions, do you develop the concept of social contributions first and then apply marketing know-how to achieve the concept?

Answer 3:

With regard to economic rationality, we have to think about cost and a price at which customers are likely to buy. Since the President is a guru in this field, he is pleased if a product has a legitimate concept, without which he is not happy at all even after making profit. In the past, we discussed about marketing and selling denim trousers. The President said, “Why does Mujirushi sell denim? Don’t tell me that you are simply thinking about increasing trousers’ sales. Mujirushi is selling its antitheses. You need to think how denim trousers can be an antithesis. Anyway, it is not an issue of whether we can or cannot sell, but rather an issue of what is the concept behind. After being convinced with the concept, please think how you can sell. First, try to market it to yourself. You should ask your wife whether she would like to purchase it. If she says that she will buy it at a contemplated price, I shall listen to your proposal.” If our company looks as if we are simply trying to increase our profit, the President becomes really angry, saying “Think seriously how we can serve customers and society.” But we also have to increase numbers. We are trying to achieve two goals simultaneously.

Question 4:

I would like to ask what the meaning of social contributions is for Mujirushi. How does the company decide whether a product has the characteristics of social contributions? Does it focus on the meaning a product speaks to customers?

Answer 4:

Mujirushi would like to produce goods which make all customers feel good and beneficial in a usual way. We are trying to achieve “to create nice and comfortable living at a reasonable price.” This slogan is not simply for customers, but we are also applying it to

producers. For example, if we try to increase the sales of organic cotton, other companies advertise that organic cotton is good for skin. The original reason for increasing the sales of organic cotton is because regular cotton requires pesticide and fertilizer, which make the land malnourished and producers unhealthy. Knowing these facts, Mujirushi would like to increase the sales of organic cotton. It is not easy, but we are succeeding to increase its production systematically. Now, even organic-cotton sheets will soon come to the market. In a usual business, one 100% organic-cotton sheet costs as high as four regular sheets and prices at 8,000 yen. Customers do not buy it at that price. With the cooperation of sheet manufacturers, we developed a system which enables us to offer a reasonable price to cotton producers and also an inexpensive price to customers. Since we feel that living conditions of producers are improving, the next issue is how to convey this fact to consumers. If we wrongly advertise about this, consumers misunderstand that we are doing this simply to increase our sales. However, since the quality of our product is good, customers come to understand our concept behind the cotton. We clearly understand that what we do is a trade, not an aid. Producers themselves may also feel better to develop such relations. Now, people in Kyrgyzstan accept our quality standard as necessity. Hence, Mujirushi quality came to be known to the world.

Question 5:

What are the effects of UNDP's certification as a BCtA company and joint projects with JICA?

Answer 5:

We understand that BCtA is awarded to Mujirushi as the recognition of a company, well combining business and social contributions. We are submitting a report every year, including how much plans were achieved in the previous year. Accumulated technology enables us to apply and test diverse products in Laos, India and Bhutan. With felt products and honey produced in Kyrgyzstan, we are trying to clear problems of transportation, Mujirushi's high standard, etc. As a donkey product became the best seller in the past, we are now working on felt products. The head of the Plan and Design Office who handles product planning and designs of Household Division visits our partners in Kyrgyzstan and tries to develop new products reaching the market within a few years. Every year, improvements of products are made for easier and better usage. We basically think that our

product should attract customers even when they do not know the concept and background of a product. Thus, we try to think together with local partners how to make an attractive product, since this is not an aid. Though it is quite difficult to succeed, we engage in trial and error daily, because the sustainability of a product is possible only when customers purchase it. With regard to collaboration with JICA, we are still discussing a way to commit to this project. One idea is to engage in a BOP operation. We are trying to make a good use of information we have, reporting local partners how goods are sold, placing activities and product information on our webpage, making use of QR codes for product control, and even sending opinions of many people through blog.

Question 6:

Some secondary or tertiary suppliers are involved in Mujirushi's products. How does your company manage supply chain, since some of suppliers may violate human rights and generate quite a high risk to the company?

Answer 6:

Western companies periodically send external auditors. We do not do so. However, one method we engage is to conduct a survey, called 'Questionnaire on Suppliers' Behavioral Rules,' which must be submitted by suppliers. The other method is a process of factory certification, in which our members visit, check product quality, employment conditions, legal compliance, etc., and certify a factory. An independent section, called the Production Department, engages in this process. Any factory failing to meet our standards cannot be a supplier to us.

This is a real story which took place just recently. A human rights NGO in Washington, D.C. contacted Mujirushi in a very friendly manner to ask about a Thai company's human rights violation. The NGO found that the company supplies parts to Mujirushi. We checked the list of our suppliers, only to find that the company is not our primary supplier, though it could be our tertiary supplier providing raw materials. We requested the primary supplier to cope with this problem. So far, nothing has happened, and the problem seems to have been solved.

This issue is not as simple as described above. Since in the names of our shops, Mujirushi Ryohin, and our company, Ryohin Keikaku, we have two Chinese characters of ryo (good). Naturally, we are conducting businesses, thinking that we are offering good

products and services to customers. But it is possible that customers come to doubt whether Mujirushi is really doing something good. We are really concerned about problems arising undetected, since we may be blamed far more severely than otherwise due to our names and company concept.

Question 7:

What are methods Mujirushi uses to collaborate with a third party, and how does it keep good relations with it?

Answer 7:

We do not easily develop collaborative relations with a third party. However, there was hardly any opposition to collaboration with JICA, especially because the partner is prominent, has many years of good performances, and is doing something good. Instead, some members had a cautious opinion that we may create a problem to JICA. Our motto is that once we start, we need to continue. We seriously discussed whether we can really continue. Some people even concerned to disclose the nature of discussions we had about collaboration with JICA. With regard to BCtA, we, including myself, were quite hesitant for half a year. The UNDP contacted us frequently. Finally, an agreement was made inside our company that the certification could be interpreted as the recognition of what we are doing, instead of self-advertisement. Hence, we often discuss whether we may create a problem to a third party or when we disclose our relationship. For example, some people argued that we should not call our products organic, unless products are 100 percent organic. Naturally, we are thinking to inform customers accurately why we produce organic cotton products and a percentage of organic cotton contained. This is not for marketing, but for customers' understanding.

Question 8:

Mujirushi seems to successfully collect many interesting ideas from foreign countries. How does it discover these unique ideas?

Answer 8:

With regard to a project in Pattu and Kantha in India, the Muji Global Sourcing Company, which is a Mujirushi's Product Development Unit, discovered these weaving.

The President of the company, being originally from Seiyu, has rich relations with Mujirushi from the beginning. The company has branches in Singapore, Shanghai, and Shenzhen, and his team's network brings these ideas. Amazingly, they have quite acute sensitivity to new ideas. What is also interesting is that like attracts like, connecting many people in the world having new ideas. The most recent story is about oak wood in North America. Their connections found a group of people who are conducting lumber business, placing importance in the natural renewal of woods. In our meetings with them, we clearly found that they have a very firm concept of sustainability and are very easy in obtaining the Forest Stewardship Council (FSC) Certification. They also empathetically understood Mujirushi's goals, and mutually shared many parts of our thoughts. Then, we discussed whether we could develop other products by making use of logging or sawdust, whether oak wood materials could be used for the traditional products of Pattu and Kantha, and whether we could produce long-lasting oak products.