

株式会社

良品計画

# 31st Term Business Results Briefing

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President and

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April 15, 2010

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2. Fiscal Year 2010 Plan

# 1. FY2009 Summary

# FY 2009: Results (Consolidated)

**Profit slightly increased. Ordinary profit declined. Net income increased.**

Unit: million yen	Result	Share	YOY	% to Plan
Net Sales	163,733	100.0%	100.6%	99.8%
Gross Profit	73,956	45.2%	100.0%	98.6%
S.G.A	60,431	36.9%	104.8%	100.2%
Operating Profit	14,134	8.6%	82.1%	92.2%
Ordinary Profit	14,608	8.9%	84.2%	94.5%
Net Income	7,506	4.6%	108.2%	93.5%

- Overseas results / sales up 25.5% to LY (to Plan: 100%) Ordinary profit up 30.2% to LY (% to Plan: 101%)
- Non-consolidated / sales down by 1.8% to LY (to Plan: 99%) Ordinary profit down by 21.7% (to Plan: 91%)
- Gross profit: - 0.2% (to Plan margin: - 0.5%) Apparel struggled. Autumn-winter item inventories cleared out.
- S. G. A.: worked out as planned, but due to the launch of TVCM in the second half of year, the S.G.A. was increased by 600 million yen.
- Extraordinary profit or loss: Extraordinary loss was 1.87 billion yen and 35.4% of LY.
- Number of stores: In Japan, 339 stores (-5 stores), 115 stores overseas (+17 stores)

# FY 2009: Results (Non-consolidated)

Both revenue and profit declined, while only net income increased.

Unit: million yen	Result	Share	YOY	% to Plan
Net Sales	141,651	100.0%	98.2%	99.8%
Gross Profit	61,609	43.5%	97.1%	97.7%
S.G.A	49,912	35.2%	103.3%	99.8%
Operating Profit	12,767	9.0%	78.1%	91.3%
Ordinary Profit	13,161	9.3%	78.3%	91.1%
Net Income	6,840	4.8%	104.6%	84.6%

Unit: million yen	Net Sales		Margin profit	
	Result	YOY margin	Result	YOY margin
Directly Managed Stores	104,247	1,297	49,405	▲ 1,381
Internet	8,228	742	3,553	152
Whole Sale	29,176	▲ 4,602	8,651	▲ 609
* in Seiyu	6,717	▲ 2,966	1,839	▲ 932
<b>TOTAL</b>	<b>141,651</b>	<b>▲ 2,563</b>	<b>61,609</b>	<b>▲ 1,839</b>

■ Number of stores

Directly managed stores: 212 stores (+15),  
LS: 70 stores (-2), Seiyu: 57 stores (-18)

# S.G.A. Status (Non-consolidated)

S.G.A. ratio: 35.2%, YOY ratio: 103.3%, Percentage to Plan: 99.8%

Unit: million yen	Result	Share	YOY	Change
Net Sales	141,651	100.0%	98.2%	-2,562
Advertising and Promotional Expenditures	3,414	2.4%	114.2%	424
Logistics Costs	6,162	4.4%	104.7%	274
Personnel Expenses	14,537	10.3%	102.1%	298
Rent	13,866	9.8%	105.1%	678
Depreciation	2,542	1.8%	106.1%	147
Others	9,389	6.6%	97.4%	-247
<b>TOTAL</b>	<b>49,912</b>	<b>35.2%</b>	<b>103.3%</b>	<b>1,576</b>

- TVCM was launched in the 2nd half of the year at a cost of 600 million yen
- 30% Committee – Improving business operations and promoting the standardization of business practices in the second half of the year
  - Store personnel expenses – A 94 % of LY at LFL stores through a reduction in store operations (including the changing of price tags)
  - The Niigata Center started operations – One-hundred million yen was saved through improving distribution efficiency to northern Japan as well as the reinforcement of online distribution functions.
  - The South China and Shanghai Centers – Switching to using local inventories and implementing assortment at each store

# Measures in FY2009

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[Mid-term measures]

1. Understanding and fostering ideas and concepts
2. Reforming marketing (developing customer needs and sending out information)
3. Developing a market-oriented store format and ensuring appropriate product lines



4. Steadily expanding overseas business operations

# Measures and Major Achievements in FY2009

## 1. Understanding and fostering ideas and concepts

- Product Strategy Committee (February) -> well-established with weekly meetings
  - Product line development division established in June.
  - "Laboratory for Discerning Life" was established in November.
- Company-wide strategic product development started.

	09AW	10SS	10AW	2011	2012
Number of strategic product items	73	88	—	—	—
Share	10%	25%	40%	45%	50%

In FY2012, a 50% share of net sales is to be achieved by 20 percent of our product lines.

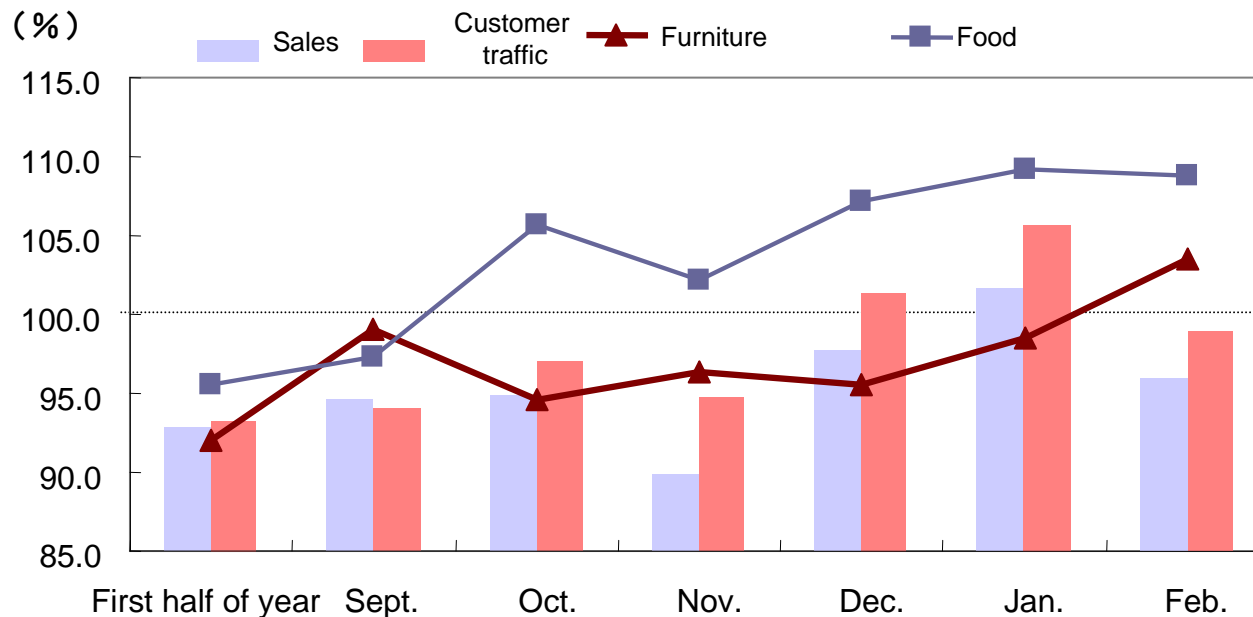
- Streamlining product lines and improving quality of individual items  
7,500i→5,000i
- Setting reasonable and consistently high targets and establishing a uniform standard



# Measures and Major Achievements in FY2009

## 2. Reforming marketing (developing customer needs and sending out information)

- TVCM launched in the second half of the year and proved effective with sales up 6% and customer traffic up 4 %.



- Food sales remain strong, achieving over 100% in YOY ratio at LFL stores.
- Overall sales of household goods are on track to recovery, thanks to an upswing in furniture sales.
- All that remains to be solved is apparel sales.

# Measures and Major Achievements in FY2009

## 3. Developing a market-oriented store format and ensuring appropriate product lines

- 22 new stores were opened and 7 stores closed (many of the closed stores were replaced by new stores).
- Large stores were opened in key markets.
  - Seibu Ikebukuro (1558m<sup>2</sup>, September) Lalaport Shin-misato (1518m<sup>2</sup>, September)
  - Futago-tamagawa (1086m<sup>2</sup>, October) Stellar Place Sapporo (1039m<sup>2</sup>, December)
- Developing a small store-based business style and preparing to open new stores
  - MUJI com “A quick shop for daily items at your local store on your local street”
    - Hakata Deitos (53m<sup>2</sup>, October) Atrévie Sugamo (149m<sup>2</sup>, March)
  - MUJI BEAUTY “Targeting young adult women, redesign and open new H&B stores” Fukuoka Parco (76m<sup>2</sup>, March)
  - MUJI to Go “Open stores at stations and airports throughout the world based on the concept ‘Travel & Mobile’” (Pack and Go)  
Currently, 4 stores in Japan and 3 stores overseas

# MUJI BEAUTY Fukuoka Parco



- Area 76m<sup>2</sup>
- Number of items 900i
- Planned annual sales 100 million yen

## [Purpose of development]

- Strengthening product development capacity
- Seeking new ways to sell and communicate; a new style of business presentation and operation

# MUJI com Atrévie Sugamo



- Area 149m<sup>2</sup>
- Number of item on your local street 1,760i
- Planned annual sales 150 million yen

## [Purpose of Development]

- A quick shop for daily items at your local store
- Store with CaféMUJI

# Measures and Major Achievements in FY2009

## 4. Steadily expanding overseas business operations

■ Starting to build infrastructure focusing on China as the main market

- Strategies to expand in China ※Sales beyond 2010 are full year operation basis.

	2009	2010	2011	2012	2013
Stores	13	30	50	70	100
Net Sales (Bil.Yen)	16	50	80	110	150

- Introduce the same successful operations as in Japan

System change (June, 2010) Strengthening of management (starting from February, 2010 )

How to supply: Local production -> Local center (establishing global centers)

- Make China a successful model, and starting in 2011 spread across the entire Asian region

# Measures and Major Achievements in FY2009

## ● Inventory reduction

- Inventories reduced by 7.3% from the previous period.
- Inventories of autumn-winter season apparel cleared out.
- Increased inventories by directly imported household goods adjusted at South China and Shanghai Centers.



## ● Standardization of business operations and development of human resources

- Establishing the Business Operation Manual, and “WH” Campaign (Continuous improvement activities)

Promoting the systematization and visualization of business operations

- Developing human resources: head of each department takes the lead

## 2. FY2010 Plan

# FY2010 Management Policy

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Establishment of Growth Mechanism for LFL Stores in Japan  
(In Terms of Customer Traffic and Sales)

Reinforcement of Overseas Business Infrastructure  
as a Growth Engine

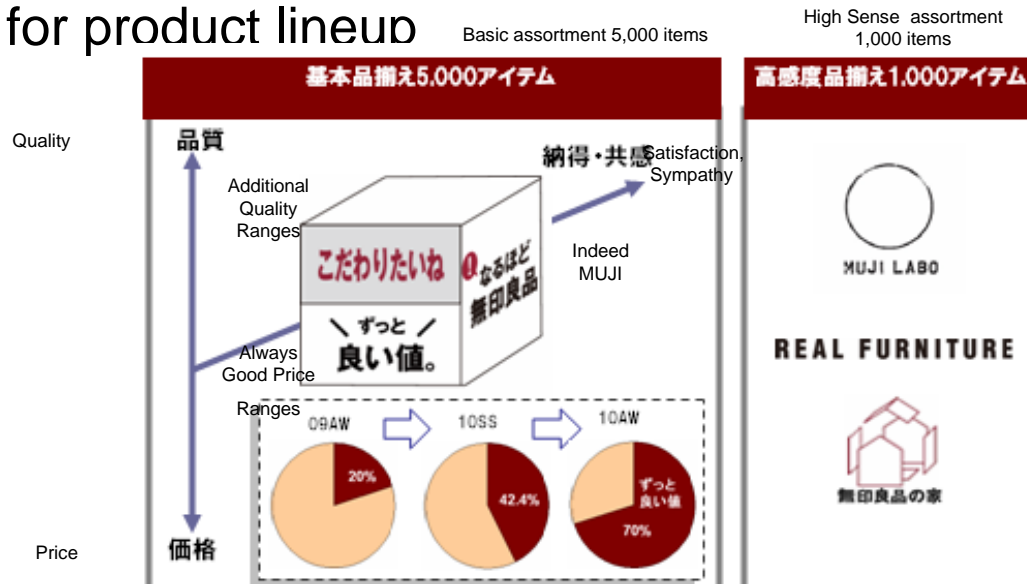
1. Developing strategic products and increasing their share of net sales
2. Continuously strengthening advertisements and sales promotion  
(TVCM, paper communication and websites)
3. Reinforcing infrastructure to strengthen business operations overseas  
Applying the same operations as used in Japan to China. And plan the application of the Japanese operation methods to Asia with establishment of global distribution centers
4. Reinforcing infrastructure to ensure long-lasting company growth  
The company's 30th anniversary is a great opportunity to further increase the company's social value centering on CSR, and enhance originality to reinforce infrastructure for long-lasting growth.
5. Standardizing business practices and developing human resources



# FY2010 Management Policy

## 1. Developing strategic products and increasing their sales mix

### Direction for product lineup



### Increasing sales of strategic products (Target Sales Mix)

Aiming to achieve a 50% sales mix by 20% of the product lines

1. Innovative products: aroma diffuser and wall-hung furniture
2. New functions and materials offering smart solutions: 90-degree angle socks and softer turtleneck sweaters with less itchy necks.
3. Development of materials incorporating some emotional factors: organic cotton and Fairtrade tea
4. Solutions to serve many people: larger sizes for clothing, shoes and other apparel goods

# FY2010 Management Policy

## 2. Continuously strengthening advertisements and sales promotion

### ■ TVCM: 1.3 billion yen to be invested



### ■ Renovation of LFL stores: 20 stores, 500 million yen to be invested

- Increasing sales floor space by installing slim line furniture: 8% on average
- Installing equipment necessary for increasing strategic product sales For example, wall-hung furniture and H&B

### ■ Renewal of website system (September): 500 million yen to be invested

- Creating a mechanism to achieve internal institutionalization, which would cover the company groups in Japan
- Doubling the speed of creating contents and halving the cost.

# FY2010 Management Policy

## 3. Reinforcing infrastructure to strengthen business operations overseas

- To open 30 stores in China and achieve a net sales target (full operation level) of 5 billion yen:

Establishing the same business operations system as used in Japan

- Enhancing the functions of the Shanghai and South China Centers

- Organizing the functions and roles of Ryohin Keikaku and local companies

- Opening of MUJI exhibition and workshop

China in May, United States in October, Hong Kong in December

- Publishing and release of “MUJI BOOK” in 17 countries

3 languages: English, Chinese and Japanese

# FY2010 Management Policy

## 4. Reinforcing infrastructure to ensure long-lasting growth of the company

### ■ Strengthening the CSR infrastructure

Promoting CSR activities and improving the infrastructure in terms of not only products but also overall business activities

[FUKUFUKU]  
( Bio-Ethanol from recycled clothes )



[Workshop]



[Fair trade / Organic]



[Sharing]



[Laboratory for Discerning Living]



## 5. Standardizing business practices and developing human resources

- Stepping up the company-wide problem-solving efforts by halving product quality complaints and reforming corporate culture.
- Increasing the transparency of OJT based on the Business Operation Manual for the purpose of improving efficiency in business operations

# FY2010 Management Policy

## New Store Plan

■ In Japan: 24 new stores and one store to be closed

	Directly managed stores	L S	Seiyu	TOTAL
Large store	1	—	—	1
Middle size store	20	▲1	—	19
Small store	3	—	—	3
<b>TOTAL</b>	<b>24</b>	<b>▲1</b>	<b>—</b>	<b>23</b>

Up approx.  
14,000m<sup>2</sup>

※ Yuraku-cho Store: scheduled for closure in January, 2011.

Continued operation or replacement is under review.

■ Overseas: 33 new stores and two stores to be closed

	End of FY09	End of FY10	YOY margin
Europe	51	56	5
Asia	60	86	26
USA	4	4	0
<b>TOTAL</b>	<b>115</b>	<b>146</b>	<b>31</b>

※ Countries and regions: new stores to open in Russia, India, Dubai, Canada and Australia

# FY2010 Plan

[Consolidated]

Unit: million yen	Result	YOY	Share
Net Sales	174,440	106.5%	100.0%
Gross Profit	79,540	107.6%	45.6%
S.G.A	65,480	108.4%	37.5%
Operating Profit	14,490	102.5%	8.3%
Ordinary Profit	14,920	102.1%	8.6%
Net Income	8,860	118.0%	5.1%

■ In Japan: 150 billion yen Overseas (including Taiwan) : 25 billion yen

YOY for LFL stores in Japan: 100%

■ Percentage of Gross Profit Consolidated: +0.4%, Non-consolidated: +0.4%

•First half of year: - 0.4% Second half: +1.3%

Completing the clearance of carryover inventories in the first half of year

# FY2010 Plan

[Non-Consolidated]

Unit: million yen	Result	YOY	Share
Net Sales	150,020	105.9%	100.0%
Gross Profit	65,810	106.8%	43.9%
S.G.A	53,990	108.2%	36.0%
Operating Profit	12,830	100.5%	8.6%
Ordinary Profit	13,220	100.5%	8.8%
Net Income	7,720	112.9%	5.1%

■ S.G.A: 36.0% YOY margin: +0.8%

- Strengthening advertisements and sales promotion  
(TVCM and Communication Paper [CP])
- Improving logistics efficiency

# FY2010 Plan

## [Overseas Business Operations]

Unit: million yen	Net Sales		Ordinary Profit	
	Plan	YOY	Plan	YOY
Europe TOTAL	8,727	110.0%	308	92.5%
Asia TOTAL	15,221	122.4%	1,178	122.1%
USA	1,138	133.3%	14	+140Mil.
Overseas TOTAL	25,086	118.2%	1,500	128.0%

## [Subsidiaries in Japan]

Unit: million yen	Net Sales		Ordinary Profit	
	Plan	YOY	Plan	YOY
Domestic Total	5,932	101.3%	528	105.8%



# FY2010 Plan

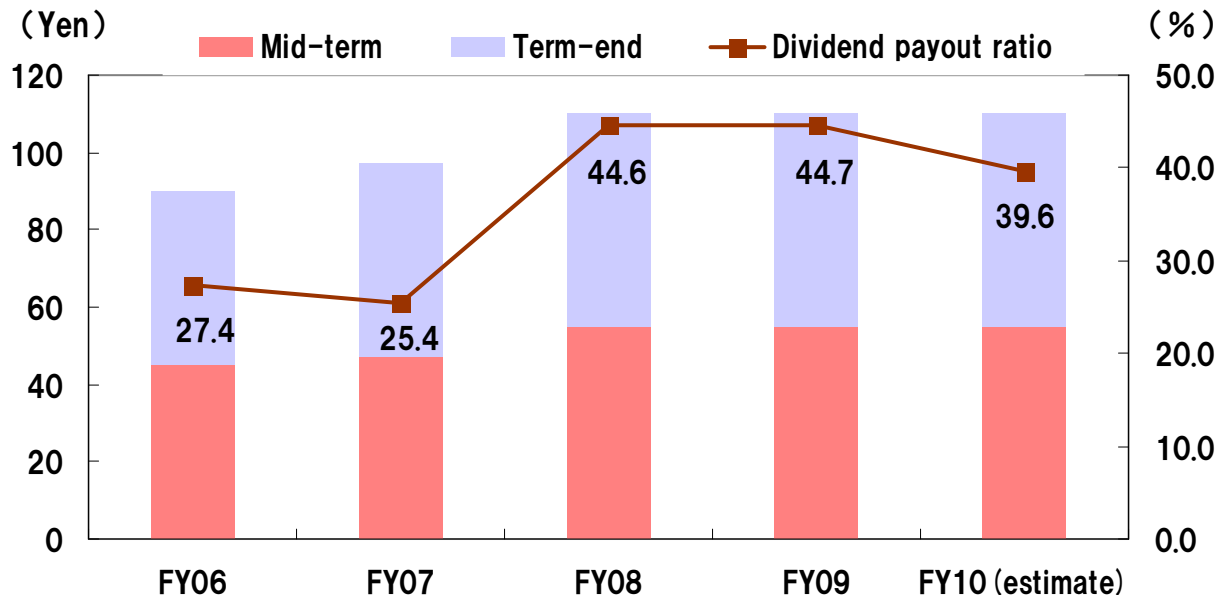
[Capital Expenditure Plan (Non-Consolidated)]

Unit: million yen	2009	2010	
	Result	Plan	YOY
New Stores	2,389	1,930	80.8%
Like for Like Stores	329	640	194.5%
IT System	656	990	150.9%
Logistics	782	40	5.1%
Foreign Investments	183	100	54.6%
Others	451	40	8.9%
<b>TOTAL</b>	<b>4,790</b>	<b>3,740</b>	<b>78.1%</b>
Cash Flow	9,383	10,246	109.2%

# FY2010 Plan

## [Policy on return to shareholders]

- We are aiming for a comprehensive return to our shareholders built on a higher ROE (over 15%).
- Dividend is based on a 30 percent non-consolidated dividend payout ratio.
  - Term-end dividend for FY09 will be deferred. (Non-consolidated dividend payout ratio: 44.7%)
  - Dividend for FY10 is estimated at 110 yen equivalent to that of FY09.



**END**