

株式会社

良品計画

34th Term 2nd Quarter

Business Results Briefing

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1. FY 2012: 1st Half Sales Results

FY 2012: 1st Half Sales Results

Consolidated → Up 6.4% 35.7% Operation Profit

- **1st Half Sales at LFL Overseas Stores 105.5% YOY**
(based on local currencies)

*Values for overseas stores are based on segment disclosure standards (after internal transactions are removed. Excludes companies using the equity method.)

Non-Consolidated → Up 5.9% 37.6% Operation Profit

- **1st Half Sales at Existing^{s1} Non-Consolidated Stores 101.9% YOY**

[Overseas businesses]

- Profit improved in China, which built an IT and distribution infrastructure, while U.S. stability fosters smooth transition in Europe (excluding Italy), where earnings also continue to increase amidst economic crisis in a tough market environment (based on local currencies)

[Consolidated]

- Price drop control strategy focused on Apparel is succeeding: planned gross profit rate exceeded by +1.2% YOY
- Top-down and bottom-up efforts to make S.G.A. costs more efficient posted a marked 1.3% YOY improvement

FY2012 1st Half : Results (Consolidated)

- Double-digit profit increases two years running post record profit

[Unit : Million Yen]

	Result	Share	YOY	Plan ratio
Net Sales	91,032	100.0%	106.5%	100.4%
G.P. and operating revenue	43,092	47.3%	109.5%	100.2%
S.G.A	33,589	36.9%	103.8%	96.3%
Operating Profit	9,503	10.4%	135.7%	116.9%
Ordinary Profit	9,742	10.7%	133.1%	116.4%
Net Income	4,759	5.2%	112.8%	97.3%

- Values exceeded 1st half plan, excluding current term net income
- Last quarter gross profit rate +1.3 points [1Q: +0.6 points 2Q: +2.1 points]
- Ordinary profit rate Recovered to 10% bracket [for the first time since 1st half FY2008]
- Net income fell short of plans due to investment securities appraisal losses

FY2012 1st Half : Results (Non-consolidated)

■ Double-digit profit increases achieved over 2 years running

[Unit : Million Yen]	Result	Share	YOY	Plan ratio
Net Sales	76,972	100.0%	105.9%	100.5%
G.P. and operating revenue	35,568	46.2%	108.7%	100.6%
S.G.A	27,316	35.5%	102.2%	97.3%
Operating Profit	8,252	10.7%	137.6%	113.5%
Ordinary Profit	8,688	11.3%	136.0%	113.0%
Net Income	4,047	5.3%	112.3%	91.2%

- Net sales and gross profit rate both exceeded plans (gross profit rate +1.2 points YOY)
- Clothing and sundry improvements contribute (Sales 111.3% YOY, gross profit rate +1.8 points YOY)
- Web business, 1st half sales 118.6%. Sales composition rate of 7.4% (6.6% during the same period last year)
- S.G.A. 35.5% (YOY change: 1.3 point improvement)

FY2011 1st Half : S.G.A Status (Non-consolidated)

■ S.G.A. ratio change: 1.3 point improvement

[Unit : Million Yen]	Result		Share	
	Result	YOY	Share	Change
Net Sales	76,972	105.9%	100.0%	0.0%
Advertising Expenses	1,626	87.0%	2.1%	-0.5%
Logistics Expenses	3,595	106.7%	4.7%	0.0%
Personnel Expenses	8,486	104.2%	11.0%	-0.2%
Rent Expenses	7,664	104.1%	10.0%	-0.2%
Depreciation Expenses	1,092	95.1%	1.4%	-0.2%
Others Expenses	4,850	100.4%	6.3%	-0.3%
S.G.A	27,316	102.2%	35.5%	-1.3%

- Advertising and sales promotion expenses – Improved clothing/lifestyle/food-related promotions and shift to marketing on the WEB improve effects while controlling costs
- Logistics expenses – While the share of shipping expenses became more efficient by **▲0.2%**, delivery share increased **+0.2%**, resulting in no YOY change in share of total logistics expenses.
- Personnel expenses – Better management of store staffing according to sales trends improved personnel expenses by **0.2%**
- Rent – S&B conducted in the previous year resulted in **0.2** point improvement in rent share

Balance Sheet Highlights (Non-Consolidated)

■ Net assets +5% change, Liquid assets +9% change

[Unit : Million Yen]	Feb.28,2012		Aug.31,2012		
	Result	Share	Result	Share	Change%
Cash on hand and in bank	8,754	9%	9,915	10%	+13%
Inventories	15,995	17%	16,556	17%	+4%
Other Current Assets	22,491	24%	25,224	26%	+12%
Fixed Asset	45,512	49%	45,051	47%	▲1%
Total Asset	92,755	100%	96,768	100%	+4%
Liabilities	13,912	15%	13,924	14%	±0%
Net Asset	78,842	85%	82,843	86%	+5%

- Inventories Change% Remains at +3.5% increase
 YOY +1.6% increase
 → Store inventory + 22% increase YOY
 → Inventory at head office ▲18% reduction YOY

Overseas Sales Status

Net sales 12,434million Yen YOY 117.6%

Operation profit 762million Yen YOY 134.8%

Second-quarter sales in China grew (covering slump caused by first-quarter inventory deficits)

■ YOY ratio of directly managed LFL store

*Converted from local currencies for comparison

	Region			1 st Half
		1 st Quarter	2 nd Quarter	
	Europe Total	100.4%	101.0%	100.7%
	Asia Total	106.3%	108.0%	106.7%
	USA Total	126.0%	111.6%	118.1%
	Overseas Total	105.4%	106.2%	105.5%

* Values for overseas stores are based on segment disclosure standards (after internal transactions are removed. Excludes companies using the equity method.)

Overseas Sales Status [China business]

■ Pace of store openings accelerates to favorable growth/ Inventory control issues

Net sales 3,983million Yen YOY 151.6%

Operation profit 608million Yen YOY 329%

Unification of Business development in China into MUJI Products (Shanghai) Commercial Co., Ltd.

MUJI Products (Beijing) Commercial Co., Ltd. in January 2011 and MUJI Products (Shenzhen) Commercial Co., Ltd. In April 2012

→The business of both companies transferred to

MUJI Products (Shanghai) Commercial Co., Ltd.

▪ LFL YOY

*comparison by converted local currency

1st quarter 100.6%, 2nd quarter 110.2%

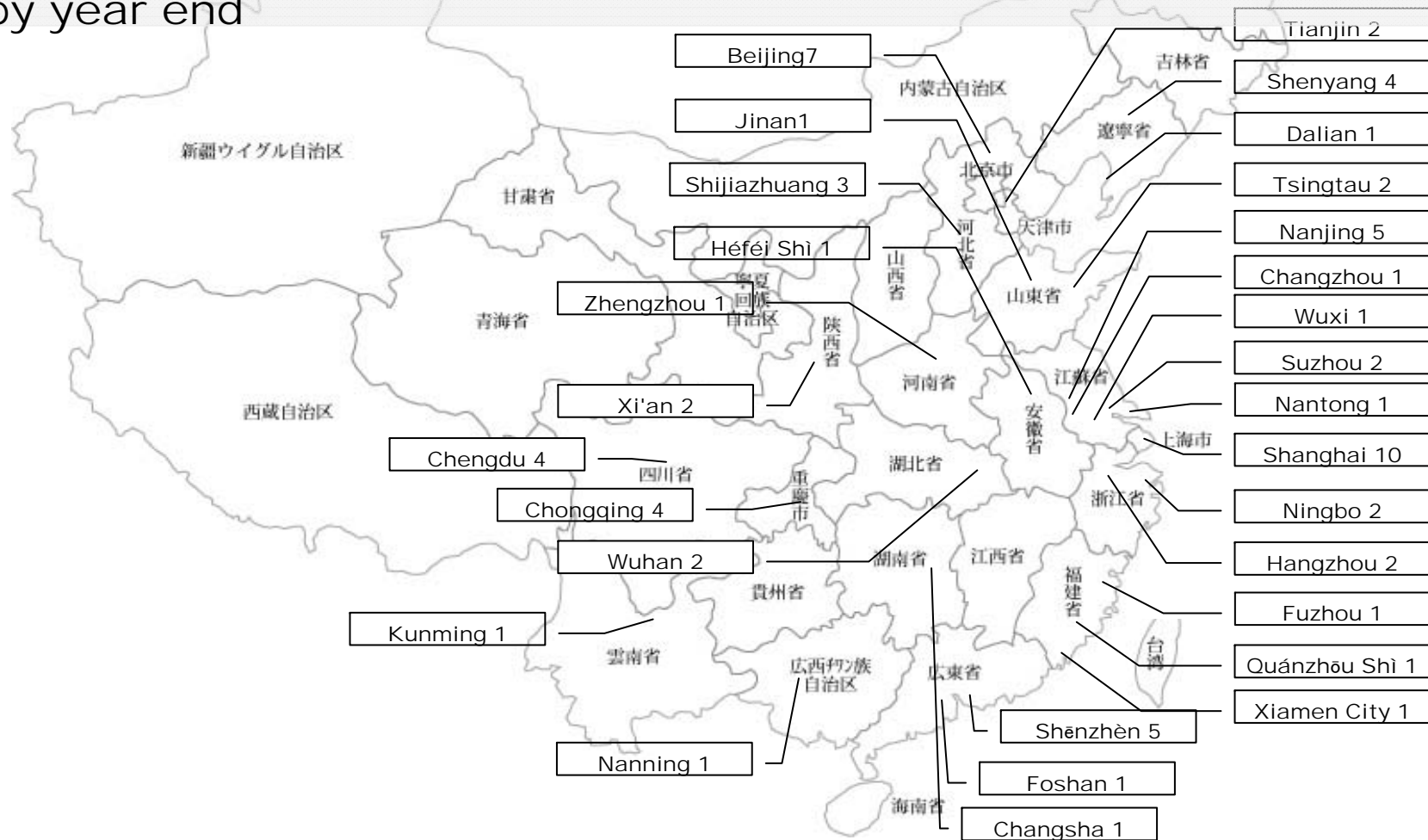
▪ Operating profit rate

FY2011 1st half 7.0%

FY2012 1st half 15.3% (+8.3 points YOY)

Overseas Sales Status [China business]

- Net increase: initial 25 store forecast → 32
- Stores forecast at year end: 70
- Stores open in 18 cities at end of last year → forecast 29 cities by year end



The results and Forecast for store opening

■ 1st Half openings: Net increase of 5 domestic and 13 overseas stores

		FY2011	FY2012		Number of store (Plan)
		Number of store (Result)	1 st Half Net increase (Result)	2 nd Half Net increase (Plan)	
	Directly managed store	256	3	3	262
	Licensed Store	60	2	-1	61
	Shop in the Seiyuu	56	0	0	56
	Domestic Total	372	5	2	379
	Europe Total	54	3	3	60
	Asia Total	105	10	33	148
	USA Total	4	0	1	5
	Overseas Total	163	13	37	213

- FY domestic net increase forecast at beginning of year +17 stores → revised to 7 stores
Main factor: better S&B promotion resulted in a FY lag between current FY store closings/next FY store openings
- 2nd Half: Open store on the U.S. west coast. Open first store [LS] in Kuwait.



2. Policy Measures Progress

- **Building base to support improved product strength**
- **Building base to support overseas business growth**

Building base to support improved product strength

① Stronger products

■ LFL net sales results YOY

	Category			1st Half	2nd Half (Plan)
		1st Quarter	2nd Quarter		
	Apparel	111.3%	107.6%	109.5%	100%
	Household goods	101.0%	94.9%	98.2%	100%
	Food	97.5%	95.0%	96.4%	100%
Sales Growth for Like for Like Stores		104.1%	99.4%	101.9%	100%
Customer numbers YOY		97.7%	93.6%	95.7%	95%
Customer unit price		106.5%	106.2%	106.5%	105%

- Apparel showed steady recovery; issues in household goods and food
- Growth in the Linen Series, Layer Series, UV-cut Material Multipurpose Cape, Hard Carry Travel Suitcase with Adjustable Carry Bar and other hit products of high unit price

■ Cross-department promotion results

Promotion	Amount sold	Plan ratio	FY composition ratio
Linen, linen, linen	1.69 billion Yen	103.9%	14.0%
MUJI to GO	860 million Yen	115.1%	5.5%

- Examine communication strength of the concept and sales performance → promote further development
- Better strength of expression will expand sales of high unit price products

■ Strategic product results

	Apparel	Household goods	Food	Total
Sales plan ratio	108.1%	95.3%	86.8%	99.8%
Sales composition ratio	55%	38%	41%	44%

- Work on the “Aiyouhin” line is progressing as planned
- The “Kodawaritaine” line composition ratio changed to 37% as planned (31.4% during same period last year)
- 2nd half plan and sales composition ratio is 49%

② Driving restructuring in procurement

■ Gross profit rate improvement: +1.2% [Non-consolidated]

Change				Total
	Price drop reduction	Strong yen factor	Cost price reduction, Etc.	
Main factors	+0.3%	+0.5%	+0.4%	+1.2%

▪ Improved price drop control at change of seasons

- Continue to control price drops in February, the month of the change from fall/winter season to spring/summer

▪ Improving continuous shift of apparel and household goods origin of manufacture

- Asian stocking composition ratio 1st half FY12 results 15% [exceeded plan by 15%]

▪ Expand ratio of direct trade, concentration in working factories over the long term

- Apparel FY11 1st half: 131 factories → Aggregated to 100 factories in FY12 1st half [99 factories planned]
- Strong direct MGS trade FY12 1st half results 128% YOY

Building base to support overseas business growth

① Towards 100 stores in China by end of FY2013

FY2012 Plans to open 25 stores in China
→ To net increase of 32 Chinese stores

- **Work to improve operational precision of the IT and distribution infrastructure constructed last FY**
- **More accurate product management [reducing inventory deficiency]**
- **Issues remain for massive improvement of stock turnover rate and stockout rate**
- **Human resource development is the next challenge**

② Transplant the China precedent model

- **Open stores in Malaysia and Kuwait (Malaysia scheduled for April and Kuwait for September)**
- **Deploy overseas MD system in Singapore (starting in November 2012)**
- **Continue marketing surveys in new countries in South Asia (India and Australia)**



3. 2nd Half Plan

2nd Half : Plan Premise [Non-Consolidated]

■ Sales of directly managed stores: YOY ratio	100.0%
■ Internet sales store: YOY ratio	111.0%
■ Increase in the number of directly managed stores	3 stores
■ Gross profit margin: YOY comparison	+0.8%
■ Ratio of S.G.A .to sales: YOY comparison	-0.2%

2nd Half : Plan Premise [Consolidated]

Overseas

- Europe : 3 stores net increase
- Asia : 33 stores net increase
- USA : 1 stores net increase



Total net increase

37 stores

**The number of FY2012 end
213 stores**

	Revenue from operations YOY		Operating Profit YOY
	LFL	Total	
Europe	102%	113%	100%
Asia	107%	134%	174%
USA	110%	110%	100%
Overseas Total	105%	126%	135%

***Factoring in effects from domestic turmoil in China, 90% YOY sales at LFL in China are planned**

*Using conversion rate at end of December 2011

*Overseas business (Europe, Asia and U.S.A.) classifications based on segment disclosure standards

2nd Half : Plan(consolidated)

- Double-digit profit increases forecast record high profit.

[Unit : Million Yen]	Result	Share	YOY
Net Sales	99,807	100.0%	108.5%
G.P. and operating revenue	46,137	46.2%	109.2%
S.G.A	36,240	36.3%	107.2%
Operating Profit	9,897	9.9%	117.4%
Ordinary Profit	9,718	9.7%	110.2%
Net Income	5,791	5.8%	125.1%

• China business—Changes from 1st half results: [Operating revenue: ±0] [Operating profit: nearly doubled]

Initial FY plan deferred because the number of store openings increased from the initially planned 25 and profits exceeded 1st half plan

• Europe and US business —The effects of the worsening economic situation in Europe (excluding Italy) are mild, and store openings are in progress

2nd Half : Plan(Non-consolidated)

■ Increased operating and ordinary profit for 3 consecutive years

[Unit : Million Yen]	Result	Share	YOY
Net Sales	80,610	100.0%	105.1%
G.P. and operating revenue	36,670	45.5%	106.7%
S.G.A	28,850	35.8%	104.6%
Operating Profit	7,820	9.7%	115.0%
Ordinary Profit	7,910	9.8%	107.9%
Net Income	4,560	5.7%	122.9%

- Rough ROI
 - Accuracy of price drop control improved in the 1st half. Control February price drops as well.
- Advertising and sales promotion expenses
 - Verified increases in cost-effectiveness in 1st half. Continue in 2nd half.
- Distribution expenses
 - Contained the rise in inventory levels to reduce terminal and storage costs

FY2012 : Plan(Consolidated)

■FY2013 Mid-term plan goals

Net sales: 200 billion Yen Ordinary profit:
20 billion Yen immediate

[Unit : Million Yen]	Result	Share	YOY
Net Sales	190,840	100.0%	107.5%
G.P. and operating revenue	89,230	46.8%	109.4%
S.G.A	69,830	36.6%	105.5%
Operating Profit	19,400	10.2%	125.7%
Ordinary Profit	19,460	10.2%	120.6%
Net Income	10,550	5.5%	119.2%

- Net income — Forecast to exceed 10 billion Yen (since FY2007)
- Ordinary profit — 10.6%
- ROA — 9.9% forecast
- ROE — 12.3% forecast

2nd Half : Plan of investment

[non-Consolidated]

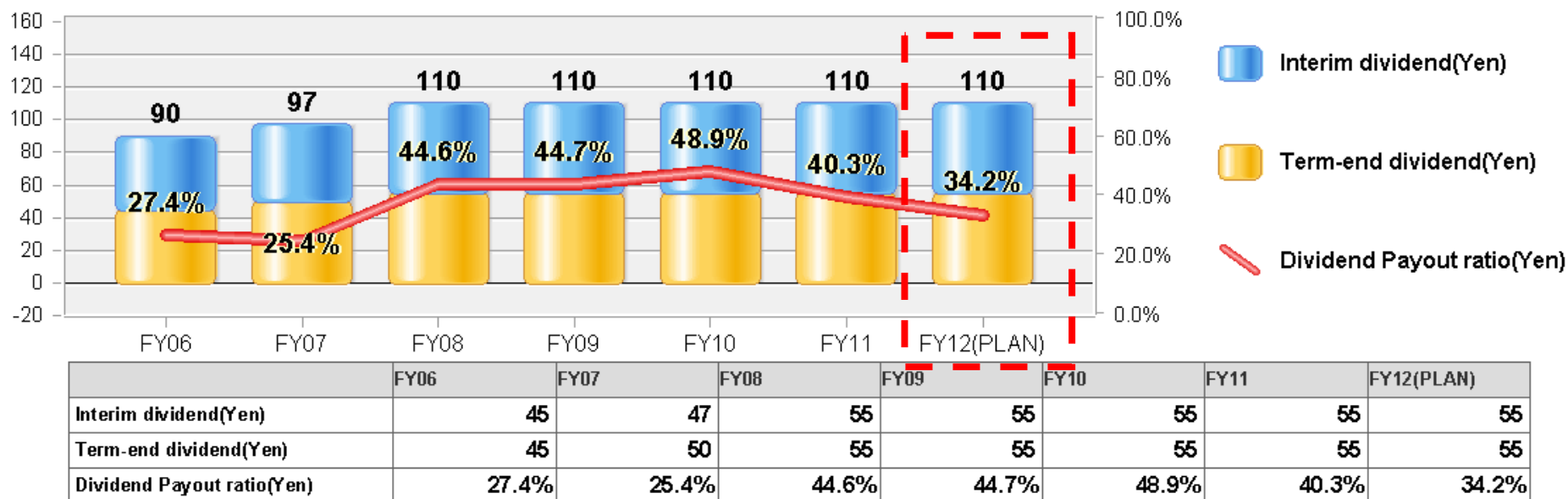
Invest to streamline distribution and increase overseas business investment

[Unit : Million Yen]	FY2012		Total	Change
	1 st Half Actual	2 nd Half Plan		
New Stores	281	909	1,190	±0
Like for Like Stores	334	796	1,130	▲177
IT System	502	578	1,080	+422
Logistics	14	826	840	+782
Overseas	425	1,345	1,770	+1,159
Others	135	385	520	+269
Inventory Total	1,692	4,839	6,530	+2,453

- ◆Overseas investment – Make new and increase current investment in overseas sales outlets
- ◆Distribution investment – Approx. 600 million Yen investment to streamline Kobe Center
 - Preparing to invest in new Kanto Center [FY2012 –land][FY2013–Buildings, etc.][start operations in FY2014]

Items Regarding Return to Shareholders

Dividends & Payout Trends (FY '06-'12 [Plan])



1. We are aiming for a comprehensive return to our shareholders built on a higher ROE (over 15%).
2. Dividend is based on a 30 percent non-consolidated dividend payout ratio.