



Ryohin Keikaku Co., Ltd.

Annual Report 2011

March 1, 2010 – February 28, 2011

Message from the President

I offer humbly my deepest sympathy to all those in the regions damaged by the Eastern Japan Great Earthquake Disaster. Our company's vision is of “comfortable living at a reasonable cost,” and we will stay close to everyone in their daily life.



The Eastern Japan Great Earthquake Disaster – the largest scale of disaster on record in Japan – struck on March 11, 2011. I humbly offer my deepest sympathy to all those in the regions damaged by this disaster. I also offer my heartfelt prayer that restoration and revival can be achieved as soon as possible.

FY2010 marked MUJI's 30th anniversary, and accordingly we established a management policy consisting of four key points: “to aim to maintain a range of merchandise that our customers can understand and appreciate, and to grow our existing stores,” “to aim to improve our ability to communicate our concepts and sell our products, and to grow our existing stores,” “to develop an infrastructure enabling 40 billion yen overseas sales,” and “to establish strong financial content by reform through the implementation of actions in harmony with our vision, and activities to standardize our operations.” Our business in Japan has experienced good results, including upturns in food and furniture sales throughout the term, as well as returns to positive balances for the Café&Meal business and subsidiaries such as IDÉE Co., Ltd. and MUJI.net Co., Ltd. Also, in our overseas business, sales at our overseas marketing companies and subsidiaries reached 19.62 billion yen (a year-on-year increase of 12.8%), representing 11.6% of our consolidated sales. Events held in China and America to increase brand awareness were also very favorably received.

MUJI is the main brand of Ryohin Keikaku, and it was developed in Japan after the oil crisis of 1980 to promote low price and high value products under the catchphrase: “Lower price for a reason.” Our aim was to create merchandise that is fundamental, practical and really necessary in daily life; we reviewed our materials and designs, streamlined time and labor in the manufacturing process and simplified packaging. We make simple, elegant and beautiful products that transcend eras, generations and cultures, and we have earned the support of numerous customers around the world. In 2011, due to the Eastern Japan Great Earthquake Disaster, we have confronted a very difficult situation at the start of the fiscal year. However, in this unprecedented crisis people's “changing values” are accelerated, and we strongly feel that MUJI's values – really necessary items made in necessary forms – are being sought now more than ever before. We will continue to aim to become a “corporation that is good for society,” and we will progress with business management that enables contributions to society by way of products and services that are trusted by our customers.

As for all of our shareholders, I ask that you continue to provide your exceptional support.

Masaaki Kanai
President and Representative Director

A handwritten signature in black ink that reads "Masaaki Kanai". The signature is written in a cursive, flowing style.

Business Information

MUJI MUJI business in Japan

Operating revenue (YOY): 145,832 million yen (102.2%)
Sales share: clothing and sundries 32.8%, housewares 55.7%, food 10.0%
Number of stores: 359 (+20)



In December 1980, MUJI started as a private brand of The Seiyu, Ltd. (currently Seiyu GK) with only 40 products, using the slogan “Lower priced for a reason.” The MUJI business was spun off from Seiyu into Ryohin Keikaku Co., Ltd. in 1989 and became a manufacturer/retailer for the planning, development, production, distribution and sale of “MUJI products,” which include diverse necessities such as clothes, household articles and food (MUJI now offers more than 7,000 items).

For the MUJI sales business in Japan during FY2010, we continued to reinforce sales by means of television commercials and over-the-counter volume displays, etc., with the sale of core products promoted as strategic products. Distinctive products including high unit price products sold well from March, but sales of general clothing and sundries and housewares were sluggish until Q2 due to deviation of the sales period caused by unseasonable weather and missed sales opportunities caused by reduced inventory, etc. From September on, sales gently climbed thanks to size revisions in clothing and sundries and the inventory expansion of strategic products, etc. In addition, we pressed forward with reducing the overall number of items, reinforcing inventory control, and reducing clearance sales, etc., which led to an increase in the percentage of gross profit. In terms of new store openings, we opened 27 new stores, including the new small outlet “MUJIcom atré vie Sugamo,” with the theme of “A quick shop for daily items at your local store on your local street.” In FY2011, 24 stores, including three small outlets, are to be opened.

MUJI MUJI Overseas Marketing Business

Operating revenue (YOY): 24,542 million yen (114.9%)
*including an affiliate in Taiwan accounted for using the equity method
Sales share: clothing and sundries 38.5%, housewares 56.4%, food 5.1%
Number of stores: 134 (+19)



The expansion of our overseas business is one of our management themes. In FY2010, we opened stores for the first time in Poland, Portugal and Philippines, getting off to a good start. Of the 24 new stores to be opened in the current term, 19 are located in the Asia region. In Europe, sales at existing stores in each country's local currency base exceeded the preceding fiscal year's sales, thanks to factors such as strong sales supported by an upturn in the economic environment and the good performance of remodeled stores, etc. On the other hand, the large number of new stores in Asia (particularly in China) were supported by considerable progress in the economic environment, and this led to a major expansion in sales at these new stores and existing stores in each country alike. In China, where there is particularly considerable economic growth, we opened 13 new stores to bring our total number of stores in China to 26. Considering China as the most important region when opening stores overseas, we held exhibitions in Hangzhou and Shanghai to widely publicize the “MUJI” name. We are working hard to further improve the efficiency of the business by introducing to our Chinese marketing company initiatives corresponding to the systems used for operations in Japan and, after operation, drawing out and improving issues that are suited to initiatives in the actual place. In FY2011, 40 new stores will be opened overseas, 18 of which will be in China.

Café & Meal MUJI The Café&Meal MUJI Business

Operating revenue (YOY): 1,726 million yen (108.7%)
Number of stores: 14 (+1)



The Café&Meal MUJI Business Department, established in 2000, operates Café MUJI and Meal MUJI, with the concept of “simple food”. In FY2010, sales were strong at the “Café MUJI atré vie Sugamo,” attached to the new small outlet “MUJIcom atré vie Sugamo,” which was opened in March. In FY2011, in June we will open the roadside store “Café&Meal MUJI Minami-Aoyama” facing onto Kotto Street in Minami-Aoyama, as well as “Café MUJI Keio Seisekisakuragaoka” in the Keio Seisekisakuragaoka Shopping Center.



MUJI Campsite Operation

Operating revenue (YOY): 151 million yen (91.7%)
Number of campsites: 3



Outdoor Classroom

Under the slogan of “No extra service but nature is abundant,” MUJI operates three campsites: Tsunan Campsite (opened in 1995 in Tsunan-machi, Niigata Prefecture), Minami-Norikura Campsite (opened in 1996 in Takayama, Gifu Prefecture) and Campagna Tsumagoi Campsite (opened in 2004 in Tsumagoi-mura, Gunma Prefecture). The number of registered customers at present is about 120,000. Managing 231 hectares of forest (combining the three campsites), we operate the campgrounds so that they take root in their local communities. For example, we run outdoor classrooms during the Golden Week holiday period, summer vacations and autumn holidays, inviting lecturers from the local community. We view this campsite operation as a significant business operation that can contribute to society.



Flower Business (Hana-Ryohin Co., Ltd.)

Operating revenue (YOY): 699 million yen (93.0%)
Number of stores: 11 (not including Flower MUJI)

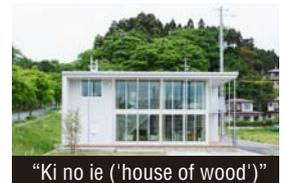


Floor-sized plants with foliage

Under the theme of “Living with greenery and flowers,” Hana-Ryohin is expanding the “Hanayoshi” and “Hana-Ryohin” florists as well as the Internet-based “Flower MUJI.” At present, in addition to Flower MUJI-focused fusion zinc shelves and vegetable cultivation kits developed together with our customers, and large decorative plants that are easy to raise, “this month's flower” (which we introduce on a monthly basis) is becoming a popular product.

MUJI House Housing Business (MUJI.net Co., Ltd.)

Operating revenue (YOY): 2,182 million yen (156.3%)
Number of model houses: 29



“Ki no ie ('house of wood')”

MUJI.net proposes a lifestyle based on the MUJI concept of living in a MUJI house, which is constructed in a way so that everyone feels safe and free, and which is durable. MUJI houses are designed by separating the building into two parts: a “skeleton” exterior, which is a very durable box, and the interior “infill”, which can be modified to satisfy various lifestyles. Partitions can be easily moved to match family lifestyles. To meet our customers’ needs, we are currently focusing on sales of three particular products: “Ki no ie ('house of wood'),” which won a good design award in 2006; “Mado no ie ('house of windows'),” which won a 2008 good design award gold prize; and “Asa no ie ('morning house'),” which won a 2009 good design award. In relation to the “Law Promoting the Diffusion of Long-Lasting Good Quality Housing,” which was enacted in June 2010, MUJI's houses can be certified as “Long-Lasting Good Quality Housing” with the standard specifications, and 182 contracts were executed in 2010 (representing a YOY ratio of 117.4%). In 2011, we expect further sales expansion thanks to favorable interest rates, tax breaks and the housing version of the Eco Points system.

IDÉE IDÉE (IDÉE Co., Ltd.)

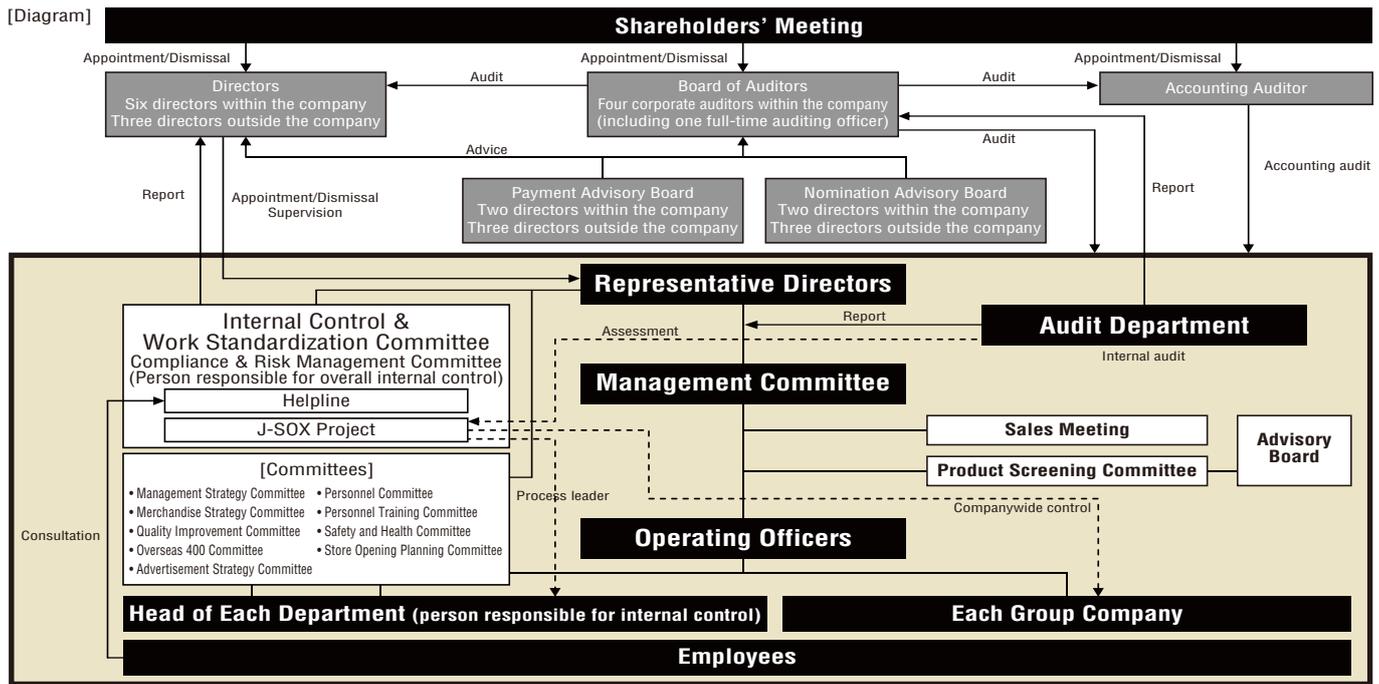
Operating revenue (YOY): 1,644 million yen (107.3%)
Number of stores: 5



IDÉE

IDÉE Co., Ltd. is active in the home furnishing business, planning, manufacturing and selling original home furniture. Besides retailing products including its original furniture and sundries, antiques, curtains and rugs, IDÉE engages in space-related production, design and consultation. It also has various other lines of business including restaurants and a flower business. IDÉE proposes comprehensive lifestyles. In FY2010, we succeeded in achieving cost reduction through application of the Ryohin Keikaku Group infrastructure (i.e., distribution center transfers, etc.), expanding store sales as well as online shopping and planning sales, and establishing a stable profit structure by reinforcing information transmission by actively holding design events, etc.

Corporate Governance



1. Basic Policy on Corporate Governance

We aim to establish good relationships with all stakeholders (shareholders, customers, employees, society and client companies), to differentiate ourselves from other companies and win an overwhelming presence and the trust of customers to enhance our corporate value. We have therefore been making improvements in manufacturing, sales, and customer service in order to enhance our reputation and strengthen the “MUJI (Mujirushi Ryohin)” brand image.

We will demonstrate our reliability by improving our business performance, engaging in proactive IR activities, making fair and transparent disclosures, and increasing returns to shareholders. In our relationships with employees, we will provide a vector for our staff members to make efforts to achieve our company’s goals and establish an open and stimulating corporate culture so that employees can realize their full potential. Our organizational management processes ensure constant self-reflection and self-discipline, based on the lessons learned from a spate of corporate scandals seen in recent years.

2. Current status of Corporate Governance System for final decision-making, and of Managerial Organization for execution of decisions and supervision

- 1) Currently, taking into account the size of our company, its organizational status and staff mobility, the Board consists of six directors within the company (six directors doubling as operating officers) and three directors outside the company, who were appointed as independent directors in accordance with rules stipulated by the Tokyo Stock Exchange and who report to the TSE. The supervisory functions and managerial responsibility of the Board of Directors are clearly stipulated, and we also promote delegation of authority, including reviews of the board system and decision-making systems as appropriate, in order to accelerate the implementation of processes.
- 2) Our company adopts an audit system. Currently, the Board of Auditors consists of four members (including one full-time auditing officer), all of whom are outside corporate auditors. Three of the four members were appointed as independent directors in accordance with rules stipulated by the Tokyo Stock Exchange and these members report to the TSE. The Board of Auditors audits the directors’ execution of their duties by attending Board meetings and checking important documents. In addition, the Board of Auditors regularly liaises with the Audit Department, which conducts internal audits, and with the accounting auditor, who conducts accountancy services.
- 3) The Payment Advisory Board (consisting of three directors outside the company (including one chairperson), and two directors within the company) advises the Board of Directors on the payment of directors. The Nomination Advisory Board (consisting of three directors outside the company (including one chairperson), and two directors within the company) advises the Board of Directors on the nomination of directors.
- 4) The Audit Department (currently consisting of three members) conducts internal audits. The Department performs audits to determine whether business operations are being appropriately performed in accordance with our store management manual and Work Standard Sheets (MUJIGRAM) by our headquarters, as well as to determine whether problems have been solved. The audit results are reported to our Representative Directors on a weekly basis, as well as to our Board of Directors every half-term.
- 5) Accounting audits of our company are conducted by a team consisting of three certified public accountants with KPMG AZSA LLC, seven assistant certified public accountants, and six other members. Thus an environment for fair auditing is established. The team of certified public accountants with KPMG AZSA LLC consists of Mr. Yuichi Yamada (with one year of continuous auditing service), Mr. Masayuki Kawanishi (with five years of continuous auditing service) and Mr. Takushi Miyashita (with one year of continuous auditing service).

CSR Activities



Creating a Pleasant Life

Ryohin Keikaku contributes to society through our business activities

In 1980, Ryohin Keikaku launched the MUJI brand under the catchphrase "Lower priced for a reason." MUJI was created to promote low price and high value products, based on the in-house development experience of Seiyu GK, the umbrella group of Ryohin Keikaku. The basic principle of MUJI merchandise development is to create products that are fundamental, practical and really necessary in daily life, and to ensure efficient and minimal manufacturing processes. Based on this concept, we constantly review our materials and designs, streamline time and labor in the manufacturing process, and simplify our packaging. For many years our simple, elegant and functional products have earned the respect and appreciation of our customers.

Over 30 years has passed since the birth of MUJI, and we are still applying and developing our basic principles, responding to our customers, and ensuring the MUJI brand means pleasant (well-designed, well-made and environmentally-friendly) products and services; in this way we will offer the opportunity of a Pleasant Life (harmony with our neighbors and our planet) to people throughout the world. Ryohin Keikaku believes that through our business activities we are able to satisfy our customers, offer simplicity, harmony and beauty, and contribute to the greater community.

As a company that promotes a Pleasant Life we proclaim and implement three promises for corporate operation, three viewpoints for product development—the fundamentals of business operation—and three criteria for manufacturing.

Three Promises for Corporate Operation

(excerpt from Vision of "ryohin (good product)," Corporate Philosophy)

1. Make challenges for global growth and development through fair and transparent business activities, and rise to these challenges.
2. Inquire into and offer new value and attractiveness of good products from the viewpoints of people. From the customers' viewpoints, seek and offer new value and appeal.
3. To all age groups and various communities (customers, growers, manufacturers, etc.) connected with Ryohin Keikaku, offer the vision of a sustainable Pleasant Life.

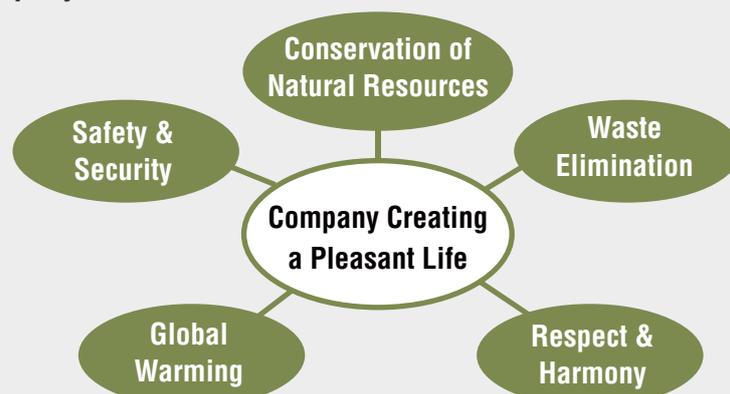
Three Viewpoints for Product Development

1. Problem solving through design
2. Examination of materials and processes
3. Simplification of packaging

Three Criteria for Manufacturing

1. Ryohin Standards (Quality Standards)
2. Ryohin Keikaku Environment, Labor and Safety Management (The Code of Conduct for Business Partners)
3. Major materials not used or controlled

Company initiatives to create a Pleasant Life ~ Five themes ~



Please access our website (<http://ryohin-keikaku.jp/csr/>) to see what we have carried out recently as well as our plans for the near future as a company with the aim of creating a Pleasant Life that consists of 41 items, categorized into five themes. We will further promote our activities, and release information to our customers. The following are some of the main activities we have engaged in since 2010.

1. Waste Elimination (Waste Reduction)

○Three MONOZUKURI (craftsmanship) viewpoints are reflected in our waste elimination activities.

[Problem solving through design]

Products with standardized sizes and modules help respond to changes in lifestyle and purpose, and offer good long-term service.

[Examination of materials and processes]

To ensure efficient use of resources, we incorporate recycled and discarded materials into our products, e.g. leftover fabrics and threads, and develop products with waste reduced in the production processes.

[Simplification of packaging]

We aim to sell all our products with the absolute minimum of packaging. We continually make efforts to reduce packaging for any item that usually needs to be packed.

○Recycling of textile goods

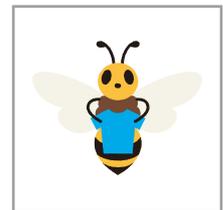
From June to December 2010, we conducted four campaigns under the title of “FUKU-FUKU Project” and collected about 10 tons of goods. By the end of January 2011, about 40% of the collection had been processed into about 1,000 liters of ethanol at a reclamation plant.



A closet of unified modules



String packaging shows concern for beauty and environment



FUKU-FUKU project character

2. Conservation of Natural Resources

Initiatives at MUJI campsites: Ryohin Keikaku operates three campsites – at Tsunan Town in Niigata Prefecture, Takayama City in Gifu Prefecture, and Tumagoi Village in Gunma Prefecture – and we manage a total of 231 hectares of forests around these campsites.

3. Safety & Security

○We have established standards concerning the prohibition or restricted use of certain materials, and basically we do not sell any product that falls short of these standards.

Polyvinyl chloride resin: We do not use phthalate esters in plastic materials for products that children use or which directly come into contact with the mouth.

Formaldehyde: Limited to JAS/JIS standard level.

Forest resources: We do not use wood material from illegal logging.

Sorbic acid, Stevia: We do not use these materials.

4. Respect & Harmony

○On February 24, 2011, we initiated the MUJI Fund-Raising Ticket system on the MUJI netstore. This system enables ordinary shoppers to easily make even the smallest of donations from their pockets. We support organizations engaging in social activities by providing a "structure" for the provision of information and a transaction infrastructure for small-sum donations.

○Promoting the Fairtrade Label

○A Kids' Summer Camp is held at the MUJI Tsunan Campsite, in which the Head Office employees participate as volunteers and help in the preparation of the children's meals, etc.



Online screenshot of fund-raising tickets

5. Global Warming

○In November 2010, in collaboration with Tohoku University of Art & Design, MUJI.net Co., Ltd. launched a "Future House Project" to study the thermal performance standards of buildings and create designs to utilize natural energy.

○Leaving work at the scheduled time: We encourage efficient work practices to eliminate overtime at the end of the day and thoroughly promote leaving work at the scheduled time. At present, more than 90% of employees leave the office at the scheduled time.

Financial Status

1. Major management indicators and other items

1) Consolidated financial index and other items

Term	28th term	29th term	30th term	31st term	32nd term
Month, FY	Feb., FY07	Feb., FY08	Feb., FY09	Feb., FY10	Feb., FY11
Revenue from operations (million yen)	157,063	162,840	163,757	164,341	169,748
Ordinary profit (million yen)	16,931	18,666	17,358	14,608	14,229
Net income (million yen)	9,313	10,689	6,936	7,506	7,859
Net assets (million yen)	61,582	69,936	71,528	77,066	78,502
Total assets (million yen)	78,831	89,115	92,000	99,381	97,481
Net assets per share (yen)	2,207.68	2,438.55	2,522.54	2,718.43	2,871.02
Earning per share (yen)	336.79	385.23	249.80	270.31	285.86
Fully diluted net income per share (yen)	335.58	384.71	249.49	269.83	285.14
Capital adequacy ratio (%)	77.5	76.0	76.1	76.0	78.9
Earnings on equity (%)	16.2	16.6	10.1	10.3	10.3
Price earnings ratio (times)	24.05	14.46	13.89	13.76	13.61
Cash flows from operating activities (million yen)	11,448	14,971	11,321	11,546	7,155
Cash flows from investing activities (million yen)	△10,513	△10,296	△10,845	△5,135	△3,381
Cash flows from financing activities (million yen)	△1,861	△1,035	△3,104	△2,779	△6,075
Cash and cash equivalents at end of year (million yen)	23,414	26,748	22,222	26,108	23,244
Number of employees [Others: average number of temporary staff members] (people)	1,762 [3,228]	2,115 [3,290]	2,471 [3,676]	2,331 [3,991]	2,595 [4,387]

(Notes)

1. Revenue from operations includes sales and operating income.
2. Revenue from operations mentioned above does not include either consumption tax or local consumption tax.

2) The submitting company's management indicators and others

Term	28th term	29th term	30th term	31st term	32nd term
Month, FY	Feb., FY07	Feb., FY08	Feb., FY09	Feb., FY10	Feb., FY11
Revenue from operations (million yen)	139,350	142,845	145,448	142,721	145,832
Ordinary profit (million yen)	16,327	17,583	16,807	13,161	12,086
Net income (million yen)	9,083	10,037	6,538	6,840	6,134
Share capital (million yen)	6,766	6,766	6,766	6,766	6,766
Total number of issued stock (shares)	28,078,000	28,078,000	28,078,000	28,078,000	28,078,000
Net assets (million yen)	59,485	66,077	69,972	74,461	74,959
Total assets (million yen)	73,557	81,450	87,761	93,299	88,731
Net assets per share (yen)	2,147.44	2,376.59	2,514.73	2,674.46	2,788.95
Dividend per share (yen)	90.00	97.00	110.00	110.00	110.00
(Including interim dividend per share) (yen)	(45.00)	(47.00)	(55.00)	(55.00)	(55.00)
Earning per share (yen)	328.48	361.74	235.48	246.36	223.11
Fully diluted net income per share (yen)	327.30	361.25	235.19	245.92	222.55
Capital adequacy ratio (%)	80.8	81.0	79.6	79.6	84.2
Earnings on equity (%)	16.2	16.0	9.6	9.5	8.2
Price earnings ratio (times)	24.66	15.40	14.74	15.10	17.44
Dividend payout ratio (%)	27.4	26.8	46.7	44.7	49.3
Number of employees [Others: average number of temporary staff members] (people)	919 [2,844]	1,064 [3,039]	1,155 [3,202]	1,217 [3,302]	1,253 [3,623]

(Notes)

1. Revenue from operations includes sales and operating income.
2. Revenue from operations mentioned above does not include either consumption tax or local consumption tax.

2. Business Overview

1) Business results

Japan's economy in the current consolidated fiscal year is seeing a mild recovery, with exports increasing thanks to the recovery of the global economy and as a result of the government's economic stimulus measures, but there remains uncertainty about the future due to prolonged political uncertainty, a harsh environment in terms of employment and income, and other factors.

In the consumer environment, we saw an upturn in sales of high-end products and some other recovery signs, including increased sales of seasonal items in the actual demand period. However, the outlook for the retail industry on the whole remains bleak.

Under these circumstances, our company group (Ryohin Keikaku, Co., Ltd., our consolidated subsidiaries and affiliated companies accounted for using the equity method) has implemented policies focusing on strengthening the development of "Naruhodo (Indeed), MUJI" products that will resonate with and be well-received by customers; reinforcement of the sales force, advertisements and sales promotions, especially for strategic items; expansion of overseas store openings; establishment of infrastructure as a foundation for growth; and reform of our corporate culture by further enhancing the standardization of business practices for improved productivity.

Thus, for this consolidated fiscal year, revenue from operations amounted to 169,748 million yen (up 3.3 percent from the previous year); operating profit was 13,900 million yen (down 1.7 percent); ordinary profit was 14,229 million yen (down 2.6 percent); and net income was 7,859 million yen (up 4.7 percent).

Here are the results reported by each region.

(Japan)

With regard to the MUJI sales business in Japan, we continued to strengthen the sales promotion of our priority products as strategic products through TV commercials, stacked displays and other promotional methods.

While distinctive products including high-end products began selling well in March, the main products in the clothing & sundries and household goods sections overall remained sluggish until the second quarter, which was due to a gap between the actual sale period and the proper sales period owing to unseasonable weather, as well as lost sales opportunities as a result of inventory cutbacks.

In September, sales started gradually improving as a result of changes in the sizes of clothing & sundries items, expansion and enhancement of the inventories of strategic items, and other measures.

In addition, with the total number of items increased, inventory control strengthened and disposal sales scaled down, the percentage of gross profit increased.

In terms of product categories, the clothing & sundries department remedied the inventory shortage seen in the spring-summer season by starting to supply autumn-winter season items in September. As new sizes were launched and the items that sold well last year (including "Warm Inner Wear - Temperature Control Series" and "Not Itchy Turtle Neck Sweaters") were expanded and promoted with stacked displays at stores, the sales of men's and ladies' wear, our strategic items, entered a mild recovery.

In household goods, while some distinctive items such as "Wall-Mounting Furniture" and "Stacking Shelves" as well as high-end items focused on texture and functions including "Wooden Bed Frame" and "Dense Pocket Coil Spring Mattress" showed increased sales, the overall sales suffered due to sluggish sales of fabric items.

With regard to food products, there was a continuation of last year's strong sales of processed foods including preserved products such as curry and pasta sauce items, as well as increased sales of sweets promoted as main items and beverages owing to the extremely hot weather, and these contributed to a YOY increase in the overall sales at LFL stores.

Regarding types of channel, as the licensed stores and shop-style supply destinations such as Seiyu stores experienced inventory shortages in clothing & sundries items in the same way as directly-managed stores, sales remained slow until August. However, sales picked up as inventory expansion began in September, and sales at stores and supply sales both increased. Sales at FamilyMart stores also started increasing in September, as a result of a review of the items to be promoted.

As for the online store, sales suffered due to the inventory shortage and cutbacks on price-focused promotions.

With regard to store openings and closures, we newly opened a total of 27 stores (all of which are directly managed stores), including "MUJI BEAUTY Fukuoka Parco" as a test store for the development of health and beauty products, and "MUJIcom Atrévie Sugamo" as a small-scale store opened last year. We also refurbished 15 stores (including 13 directly managed stores) either by expanding or contracting the floor area for the purpose of improving operational efficiency. A total of seven stores, including one directly managed store, were replaced or closed. As a consequence, the total number of stores (except for Café&Meal MUJI and campsites) as of February 28, 2011 is 359 stores (including 238 directly managed stores), and the total shop floor area is 261,431m² (including 181,456m² for directly managed stores).

Thus, revenue from operations in Japan was 150,030 million yen (up 2.2 percent from the previous year) and operating profit was 12,303 million yen (down 7.2 percent).

(Europe)

In Europe, sales at LFL stores on a local currency basis posted a YOY increase in all the countries where we have stores, thanks to the recovery of the economic environment and the strong sales of seasonal items as well as sales at refurbished stores.

By product category, in terms of clothing & sundries, wear items such as cut-and-sewn and knitwear items sold well, while in household goods the sales of houseware and furniture items increased.

In terms of store openings, we newly opened a total of five stores: one in Poland (supply destination), one in Portugal (supply destination), one in Italy (directly managed), one in Germany (directly managed) and one in Sweden (supply destination). Meanwhile, three stores were closed: one in England (directly managed), one in France (directly managed) and one in Norway (supply destination).

Thus, revenue from operations in Europe was 7,868 million yen in total (down 2.0 percent from the previous year), and operating profit was 515 million yen (up 49.1 percent).

(Asia)

In Asia, with many stores newly opened (especially in China) and support from the remarkable growth of the consumer environment, the sales including those of LFL stores in each country significantly increased.

By product category, while the sales of spring-summer season items stagnated due to the delayed launch of new products in the clothing & sundries section, sales went well in the autumn and winter season as supplies recovered. The household goods section in each country steadily gained sales. Especially in China, the launch of health and beauty cosmetic items contributed to a significant sales increase.

In terms of store openings, we newly launched a total of 19 stores: two stores (supply destinations) opened for the first time in the Philippines, 13 in China (directly managed), 3 in Taiwan (supply destinations) and one in Thailand (supply destination). Also, we refurbished a total of three stores: two in South Korea (directly managed) and one in Thailand (supply destination). In addition, two stores were closed: one in South Korea (directly managed) and one in Taiwan (supply destination).

Thus, revenue from operations in Asia was 10,964 million yen in total (up 27.0 percent from the previous year) and operating profit was 1,243 million yen (up 67.4 percent).

(Other regions)

In the United States, sales went well, with the sales of LFL stores marking a YOY increase thanks to improved sales promotion capacity.

Thus, revenue from operations in other regions was 884 million yen in total (up 2.8 percent from the previous year), and operating loss was 38 million yen (the operating loss for the previous year was 126 million yen).

Business results by region

Regions	Revenue from operations (Million yen)	YOY (%)	Operating profit or loss (Δ) (Million yen)	YOY (%) or YOY margin (Million yen)
Japan	150,030	102.2	12,303	92.8
Europe	7,868	98.0	515	149.1
Asia	10,964	127.0	1,243	167.4
Other regions	884	102.8	Δ 38	(87)

Notes

“Operating profit or loss (shown with Δ)” in the regional business results reflects the figures calculated before consolidated elimination. The amount after consolidated elimination was 124 million yen less.

2) Conditions of cash flows

The balance of cash and cash equivalents (hereinafter called “capital”) for this consolidated fiscal year, despite a small increase of 13,025 million yen in net income before tax adjustments (up 1.9 percent from the previous year), decreased by 2,863 million yen from the previous consolidated fiscal year (down 11.0 percent) to 23,244 million yen as of the end of this consolidated fiscal year. This is a result of increased inventory assets, corporate tax payment, purchase of tangible fixed assets, purchase of treasury stock, dividend payment, and other factors.

[Cash flows from operating activities]

The amount of capital gained from operating activities was 7,155 million yen (down 4,391 million yen from the previous year).

These cash flows were mainly generated from 13,025 million yen in net income before tax adjustments, an increase of 3,547 million yen in inventory assets against a decrease of 2,783 million yen in depreciation costs and 4,976 million yen in corporate tax payment.

[Cash flows from investing activities]

The amount of capital used as a result of investing activities was 3,381 million yen (down 1,753 million yen from the previous year).

These cash flows were mainly generated from 2,418 million yen for the acquisition of business properties including stores and 898 million yen in expenditures including deposit payments for the store openings.

[Cash flows from financing activities]

The amount of capital lost as a result of financing activities was 6,075 million yen (up 3,296 million yen from the previous year).

These cash flows were mainly generated from 3,010 million yen for purchase of treasury stock.

3. Consolidated Financial Statements

1) Balance sheet (consolidated)

(Unit: Million yen)

	Previous consolidated fiscal year (February 28, 2010)	Current consolidated fiscal year (February 28, 2011)
Assets		
Current assets		
Cash on hand and in banks	16,196	14,258
Notes and accounts receivable	6,218	5,164
Marketable securities	11,998	9,037
Products	15,180	18,334
Work in process	43	38
Supplies	43	22
Deferred tax assets	370	501
Accounts receivable - other	4,565	4,616
Other items	1,651	2,846
Allowance for doubtful accounts	△21	△17
Total current assets	56,246	54,802
Fixed assets		
Tangible fixed assets		
Buildings and structures	19,578	19,824
Accumulated depreciation	△10,394	△11,477
Buildings and structures (net value)	9,184	8,346
Machinery, equipment and vehicles	1,684	1,698
Accumulated depreciation	△1,285	△1,309
Machinery, equipment and vehicles (net value)	399	388
Equipment	9,968	10,515
Accumulated depreciation	△7,717	△8,350
Equipment (net value)	2,251	2,165
Land	1,038	1,038
Lease assets	34	37
Accumulated depreciation	△20	△25
Lease assets (net value)	13	12
Construction in progress	158	93
Total tangible fixed assets	13,046	12,044
Intangible fixed assets		
Goodwill	1	0
Other	3,423	3,596
Total intangible fixed assets	3,424	3,596
Investments and other assets		
Investment securities	* 10,740	* 10,825
Lease and guarantee deposits	14,314	14,430
Deferred tax assets	1,595	1,608
Other	535	370
Allowance for doubtful accounts	△523	△198
Total investments and other assets	26,663	27,036

(Unit: Million yen)

	Previous consolidated fiscal year (February 28, 2010)	Current consolidated fiscal year (February 28, 2011)
Total fixed assets	43,135	42,678
Total assets	99,381	97,481
Liabilities		
Current liabilities		
Accounts payable	11,607	9,840
Short-term loans payable	276	244
Accrued expenses	3,539	3,626
Lease liabilities	7	3
Income taxes payable	2,368	2,769
Reserve for bonuses	135	143
Reserve for directors' bonuses	30	42
Reserve for loss on closing of stores	167	225
Other	3,201	1,474
Total current liabilities	21,332	18,370
Long-term liabilities		
Lease liabilities	5	5
Reserve for directors' retirement benefits	137	138
Reserve for loss on non-cancelable lease contracts	463	160
Other	375	304
Total long-term liabilities	982	608
Total liabilities	22,314	18,979
Net assets		
Shareholders' equity		
Capital stock	6,766	6,766
Capital surplus	10,122	10,122
Earned surplus	61,474	66,280
Treasury stock	△964	△3,964
Total shareholders' equity	77,398	79,204
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	△673	△302
Translation adjustment	△1,240	△1,987
Total valuation and translation adjustments	△1,913	△2,290
Stock acquisition rights	197	244
Minority interests	1,383	1,344
Total net assets	77,066	78,502
Total liabilities and net assets	99,381	97,481

2) Consolidated income statements

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2009 – February 28, 2010)	Current consolidated fiscal year (March 1, 2010 – February 28, 2011)
Net sales	163,733	169,137
Cost of sales	*1 89,776	92,477
Gross profit	73,956	76,660
Operating revenue	608	611
Operating profit before S.G.A.	74,565	77,271
Selling, general and administrative expenses		
Advertising expenses	3,739	4,728
Distribution and transportation expenses	6,627	6,892
Employees' salaries and bonuses	16,101	17,115
Provision of reserve for directors' bonuses	30	42
Leasehold and office rents	16,818	17,531
Depreciation	3,268	3,201
Provision of allowance for doubtful accounts	4	—
Other	*2 13,840	*2 13,860
Total selling, general and administrative expenses	60,431	63,371
Operating profit	14,134	13,900
Non-operating income		
Interest income	39	29
Dividends income	280	279
Co-sponsor fee	12	9
Equity in earnings of affiliates	134	168
Other	82	95
Total non-operating income	548	582
Non-operating expenses		
Interest expenses	7	1
Foreign exchange losses	41	205
Loss on disposal of goods	12	—
Other	13	45
Total non-operating expenses	74	252
Ordinary profit	14,608	14,229
Extraordinary income		
Gain on prior period adjustment	20	—
Reversal of reserve for loss on closing of stores	12	—
Reversal of allowance for doubtful accounts	—	52
Reversal of reserve for loss on non-cancelable lease contracts	—	264
Other	12	13
Total extraordinary income	45	330

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2009 – February 28, 2010)	Current consolidated fiscal year (March 1, 2010 – February 28, 2011)
Extraordinary losses		
Impairment loss	*4 255	*4 386
Amortization of goodwill	142	—
Bad debts expenses	—	129
Loss on retirement of fixed assets	*3 126	*3 88
Loss on valuation of investment securities	—	591
Loss on cancellation of rental contract	—	226
Provision of reserve for loss on closing of stores	168	92
Provision of allowance for doubtful accounts	497	—
Loss on valuation of goods	*1 231	—
Provision of reserve for loss on non-cancelable lease contracts	322	—
Other	127	21
Total extraordinary losses	1,871	1,535
Income before income taxes	12,781	13,025
Income taxes - current	5,368	5,455
Income taxes - deferred	8	△392
Total income taxes	5,376	5,062
Minority interests in income/loss (△)	△101	103
Net income	7,506	7,859

3) Consolidated statements of changes in net assets

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2009 – February 28, 2010)	Current consolidated fiscal year (March 1, 2010 – February 28, 2011)
Shareholders' equity		
Capital stock		
Balance at end of previous term	6,766	6,766
Changes of items during term		
Total changes of items during term	—	—
Balance at end of term	6,766	6,766
Capital surplus		
Balance at end of previous term	10,122	10,122
Changes of items during term		
Total changes of items during term	—	—
Balance at end of term	10,122	10,122
Retained earnings		
Balance at end of previous term	57,030	61,474
Effect of changes in accounting policies applied to foreign subsidiaries	△7	—
Changes of items during term		
Dividends from surplus	△3,054	△3,054
Net income	7,506	7,859
Total changes of items during term	4,451	4,805
Balance at end of term	61,474	66,280
Treasury stock		
Balance at end of previous term	△963	△964
Changes of items during term		
Purchase of treasury stock	△0	△3,000
Total changes of items during term	△0	△3,000
Balance at end of term	△964	△3,964
Total shareholders' equity		
Balance at end of previous term	72,955	77,398
Effect of changes in accounting policies applied to foreign subsidiaries	△7	—
Changes of items during term		
Dividends from surplus	△3,054	△3,054
Net income	7,506	7,859
Purchase of treasury stock	△0	△3,000
Total changes of items during term	4,450	1,805
Balance at end of term	77,398	79,204

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2009 – February 28, 2010)	Current consolidated fiscal year (March 1, 2010 – February 28, 2011)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at end of previous term	△1,322	△673
Changes of items during term		
Net changes of items other than shareholders' equity (net value)	649	370
Total changes of items during term	649	370
Balance at end of term	△673	△302
Translation adjustment		
Balance at end of previous term	△1,586	△1,240
Changes of items during term		
Net changes of items other than shareholders' equity (net value)	346	△747
Total changes of items during term	346	△747
Balance at end of term	△1,240	△1,987
Total valuation and translation adjustments		
Balance at end of previous term	△2,908	△1,913
Changes of items during term		
Net changes of items other than shareholders' equity (net value)	995	△377
Total changes of items during term	995	△377
Balance at end of term	△1,913	△2,290
Stock acquisition rights		
Balance at end of previous term	142	197
Changes of items during term		
Net changes of items other than shareholders' equity (net value)	54	47
Total changes of items during term	54	47
Balance at end of term	197	244
Minority interests		
Balance at end of previous term	1,338	1,383
Changes of items during term		
Net changes of items other than shareholders' equity (net value)	45	△39
Total changes of items during term	45	△39
Balance at end of term	1,383	1,344

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2009 – February 28, 2010)	Current consolidated fiscal year (March 1, 2010 – February 28, 2011)
Total net assets		
Balance at end of previous term	71,528	77,066
Net changes of items other than shareholders' equity	△7	—
Changes of items during term		
Dividends from surplus	△3,054	△3,054
Net income	7,506	7,859
Purchase of treasury stock	△0	△3,000
Net changes of items other than shareholders' equity (net value)	1,094	△369
Total changes of items during term	5,545	1,436
Balance at end of term	77,066	78,502

4) Cash flow statements

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2009 – February 28, 2010)	Current consolidated fiscal year (March 1, 2010 – February 28, 2011)
Net cash provided by operating activities		
Income before income taxes	12,781	13,025
Depreciation	2,840	2,783
Depreciation of software	649	647
Amortization of goodwill	238	0
Increase (decrease) in allowance for doubtful accounts (Δ =decrease)	498	Δ 329
Increase (decrease) in reserve for directors' bonuses (Δ =decrease)	Δ 1	11
Increase (decrease) in reserve for retirement benefits and directors' retirement benefits (Δ =decrease)	Δ 12	2
Increase (decrease) in reserve for loss on closing of stores (Δ =decrease)	89	58
Increase (decrease) in reserve for loss on non-cancelable lease contracts (Δ =decrease)	463	Δ 264
Interest and dividends income	Δ 319	Δ 309
Interest expenses	7	1
Foreign exchange losses (gains) (Δ =gains)	Δ 9	90
Equity in (earnings) losses of affiliates (Δ =earnings)	Δ 134	Δ 168
Loss on retirement of fixed assets	147	100
Gain on sales of fixed assets	Δ 3	—
Loss on sales of fixed assets	0	—
Impairment loss	255	386
Loss (gain) on valuation of investment securities (Δ =gain)	—	591
Loss (gain) on sales of stocks of affiliates (Δ =gain)	2	1
Decrease (increase) in notes and accounts receivable-trade (Δ =increase)	Δ 461	596
Decrease (increase) in inventories (Δ = increase)	181	Δ 3,547
Increase (decrease) in notes and accounts payable-trade (Δ =decrease)	Δ 1,115	Δ 1,240
Decrease (increase) in other assets (Δ = increase)	417	Δ 908
Increase (decrease) in other liabilities (Δ = decrease)	111	208
Stock acquisition rights	51	52
Other	68	Δ 51
Subtotal	16,745	11,737
Interest and dividend income received	391	395
Interest expenses paid	Δ 7	Δ 1
Income tax paid	Δ 5,583	Δ 4,976
Net cash provided by operating activities	11,546	7,155

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2009 – February 28, 2010)	Current consolidated fiscal year (March 1, 2010 – February 28, 2011)
Net cash used in investment activities		
Payments into time deposits	△ 63	△ 93
Proceeds from withdrawal of time deposits	—	122
Purchase of property, plant and equipment	△ 3,176	△ 2,418
Proceeds from sales of property, plant and equipment	4	11
Leasehold right on stores and lease deposits	△ 1,709	△ 898
Proceeds from collection of lease deposits for stores	560	524
Purchase of intangible fixed assets	△ 709	△ 667
Repayments of guarantee deposits received	△ 5	—
Proceeds from guarantee deposits received	6	—
Proceeds from sales of investment securities	100	—
Purchase of stocks of affiliates	△ 161	△ 0
Proceeds from sales of stocks of affiliates	18	11
Other	—	25
Net cash used in investment activities	△ 5,135	△ 3,381
Net cash used in financing activities		
Increase (decrease) in short-term loans payable (△=decrease)	280	—
Repayments of lease obligations	△ 10	△ 8
Proceeds from stock issuance to minority shareholders	0	—
Purchase of treasury stock	△ 0	△ 3,010
Cash dividends paid	△ 3,049	△ 3,056
Net cash used in financing activities	△ 2,779	△ 6,075
Effect of exchange rate change on cash and cash equivalents	253	△ 561
Increase (decrease) in cash and cash equivalents (△=decrease)	3,885	△ 2,863
Cash and cash equivalents, beginning of period	22,222	26,108
Cash and cash equivalents, end of period	* 26,108	* 23,244

Corporate Information

Company name	Ryohin Keikaku Co., Ltd.
Location	4-26-3 Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-8424
Establishment	June 1989 (registration: May 1979)
Capital	¥6,766,250,000 (at end Feb. 2011)
Accounts settlement date	Last day of February every year
Annual turnover	¥145,800 million (operating revenue for fiscal year ending Feb. 2011)
Number of employees	4,908 (including 3,655 part-timers, at end Feb. 2011)
Number of Stores	Japan Directly operated Stores: 238, outlets supplied: 121 (at end Feb. 2011)
Overseas	UK: 13, France: 7, Italy: 6, Germany: 5, Ireland: 1, Sweden: 7, Norway: 6, Spain: 4, Turkey: 2, Poland: 1 Portugal: 1, U.S.A.: 4, Hong Kong: 9, Singapore: 4, Korea: 8, China: 26, Taiwan: 19, Thailand: 8, Indonesia: 1, Philippines: 2 Total: 134 stores (at end Feb. 2011)
Major business	Operation of exclusive MUJI stores / product planning / development / production / wholesale / retail

History

MUJI was established as a private brand of The Seiyu, Ltd. (currently Seiyu GK) in December 1980, and was spun off from Seiyu in June 1989 and established as Ryohin Keikaku Co., Ltd. so as to form an operational basis for the “MUJI” company and increase the size and scope of its business operations.

In September 1992, for the purpose of changing the par value of shares, Ryohin Keikaku was merged with Uoriki Co., Ltd. (whose trade name was changed to Ryohin Keikaku Co., Ltd. in September 1992), which was established in May, 1979 but had been virtually dormant. Therefore, the statements in this “financial statement report,” unless otherwise stated, are recorded as those of the company’s predecessor (the former Ryohin Keikaku Co., Ltd.), which has been the de facto surviving company.

Our company’s history, from its establishment to the present, is as follows.

Year	Month	History
1989	June	Toshima-ku, Tokyo: Ryohin Keikaku Co., Ltd. established with initial capital of 100 million yen to commence wholesale business.
	July	Basic Agreement on Product Transactions concluded with The Seiyu Ltd. (currently Seiyu GK) with regard to the trading of MUJI.
1990	March	“MUJI” sales operations assumed from The Seiyu Ltd. (currently Seiyu GK) in order to commence retail business (directly managed stores).
1991	July	Partnership contract concluded with Liberty Plc. First overseas MUJI store opened in London.
1992	September	Merged with Uoriki Co., Ltd to change par value of shares; at the same time, trade name changed to Ryohin Keikaku Co., Ltd.
1993	March	Basic Agreement on Product Transactions concluded with FamilyMart Co., Ltd. with regard to the trading of “MUJI”.
	March	Toshima-ku, Tokyo: RK Trucks CO., LTD. established as a subsidiary to mainly engage in distribution and distribution processing.
1994	November	Establishment of MUJI Tsunan Campground in Tsunan-machi, Naka-Uonuma Gun, Niigata Prefecture finalized as a new business operation.
1995	August	Stock registered with Japan Securities Dealers Association as an over-the-counter stock.
1997	May	Partnership contract with Liberty Plc. terminated; sales operations transferred to RYOHIN KEIKAKU EUROPE LTD. subsidiary.
1998	April	RYOHIN KEIKAKU FRANCE S.A.S. established.
	December	Stocks listed in Second Section of Tokyo Stock Exchange.
1999	May	Became responsible for MUJI (HONG KONG) CO., LTD., transferred from RK Trucks CO., LTD.
	August	Trilateral business collaboration agreement concluded with East Japan Kiosk Corporation and East Japan Railway Company in regard to a new business operation (MUJI com KIOSK).
2000	May	MUJI. net Co., Ltd. established.
	August	Stocks listed in First Section of Tokyo Stock Exchange.
	September	“MUJI. net Co., Ltd.,” established as online shop available via the Internet and fax transmission.
2001	September	“MUJI Card” reward points system launched.
	February	HANA-RYOHIN CO., LTD. established.
2003	March	MUJI (HONG KONG) CO., LTD. established.
	January	MUJI (SINGAPORE) PRIVATE LTD. established.
2004	August	MUJI TAIWAN Co. LTD. established.
	September	MUJI ITALIA S.p.A. established.
2005	December	MUJI Korea Co., Ltd. established.
	May	MUJI (SHANGHAI) CO.LTD. established.
2006	July	MUJI Deutschland GmbH. established.
	April	MUJI Global Sourcing Private Limited. established.
2007	August	NEW IDÉE CO., LTD. established (trade name changed to IDÉE CO., LTD.).
	October	MUJI U.S.A. Limited. established.
2007	January	MUJI EUROPE HOLDINGS LIMITED. established.
2008	January	MUJI (BEIJING) CO., LTD. established.
	March	“MUJI to GO” launched (shop redesigned to feature small articles convenient for travel).
2009	October	MGS (SHANGHAI) TRADING CO., LTD. established.
2010	March	“MUJI BEAUTY” specializing in cosmetics and fragrance lines launched.
	July	MUJI (SHENZHEN) Co., Ltd. established.