BUSINESS REPORT 2000

For the year ended February 29, 2000

RYOHIN KEIKAKU CO., LTD.

Review of Operations

1. Business Highlights and Performance

During the fiscal year under review, a variety of measures were implemented to stimulate the Japanese economy. However, concern over job security and falling personal incomes kept the lid on personal consumption, producing an extremely difficult business climate for the retail industry. Despite these conditions, Ryohin Keikaku worked to increase store business, pressing ahead with efforts continued from previous years to expand and standardize the size of its stores. We opened 18 stores, including Mujirushi Ryohin Senbon in Kyoto, expanded the sales floor space of Mujirushi Ryohin Chofu Parco, and closed Mujirushi Ryohin Harajuku in Tokyo and four other stores.

Consequently, as of February 29, 2000, the Company operated 251 stores, 83 of which are directly managed. Total sales floor space amounted to 139,736 square meters, with 57,025 square meters being directly managed. Average sales floor space per store increased to 556 square meters while the average sales floor space per directly managed store increased to 687 square meters.

Overseas, we continued to aggressively expand our network. We opened five stores in the United Kingdom, including Muji Bluewater in a suburb of London, and three stores in France, including Muji Auber in Paris. Our overseas network now totals 17 stores, 13 in the United Kingdom and 4 in France.

We made business tie-up with East-Japan Kiosk Co., Ltd., a subsidiary of East Japan Railway Co., Ltd., and developed a new type of stores, 無印良品 COM KIOSK , that is located inside the train stations. We opened eight of these stores during the period under review.

With an eye on the emerging network society, we carried out test sales of our merchandise in the United States through Internet online shopping.

In response to the growth in the size of stores and in the customer base, we added a new line of baby goods to our apparel product category and expanded its business wear line. In the household product category, we added a wooden wardrobe, cupboards and drawer units. We also provided a greater range of sizes in bed linen and fabrics and expanded our line of health and beauty items.

We implemented a price cut campaign for our products. Closely reviewing the prices of essential daily-use items to achieve a thorough balance between quality and price, we lowered prices on 936 items in three stages. Ryohin Keikaku has implemented 11 rounds of price cuts since it introduced its Price Reduction Campaign in 1995, covering a total of 2,415 items.

To improve profitability, we began full-fledged operations of our own distribution center, achieving a substantial improvement in transportation and delivery service expenses, which declined 7.7%.

We also opened factory outlet stores to reduce losses of unsold out-of-season products, thereby cutting operating expense and improving profitability.

To further improve our sound financial structure, we made an early introduction of accounting changes that are not yet officially required.

Operating revenue for the period under review was ¥105,410 million, a gain of 15.1% from the same period in the previous year. Ordinary income jumped 51.1%, to ¥13,627 million while net income soared 41.9%, to ¥6,161 million.

Thanks to thorough preparation, no problems have occurred related to the Year 2000 computer problem.

Net Sales by Product

(Thousands of yen)

Product	Net Sales	Percentage of Total	Compared with Previous Year
Apparel	¥ 39,244,330	37.4%	116.4%
Household goods	54,663,303	52.1	118.2
Food	10,314,200	9.8	98.5
Other	779,772	0.7	108.0
Total	¥105,001,607	100.0	115.2

Net Sales by Type of Sale

(Thousands of yen)

Type of Sale	Net Sales	Percentage of Total	Compared with Previous Year
Directly managed stores	¥ 54,605,831	52.0 %	122.2%
Exports	1,580,932	1.5	130.4
Seiyu	12,345,844	11.8	116.4
Seibu Dept. stores group	7,155,761	6.8	105.4
Non-Saison group stores	29,302,776	27.9	105.1
Wholesale Subtotal	48,804,382	46.5	107.8
Others	10,460	0.0	109.3
Total	¥105,001,607	100.0	115.2

Net Sales of Directly Managed Stores by Region

(Thousands of yen)

Region	No. of Stores	Net Sales	Percentage of Total	Compared with Previous Year
Hokkaido	1	¥ 928,825	1.7%	123.1%
Tohoku	3	1,300,503	2.4	148.3
Kanto	50	32,954,547	60.3	116.8
Koshinetsu	5	1,620,508	3.0	102.3
Tokai	11	5,554,998	10.2	108.5
Kinki	14	6,737,821	12.3	168.1
Chugoku / Kyushu	6	5,508,627	10.1	134.4
Total	90	¥54,605,831	100.0	122.2

Note: Above figures of No. of Stores and Net Sales have included those of five closed stores, namely Mujirushi Ryohin Harajuku, Kichijoji, Sun Shine City, America-mura and F.O. Nagaoka.

2. Major Issues

There are hopes that the Japanese economy will benefit from the various measures being implemented by the government under its Economy Revitalization Measures. However, it is expected that business conditions will continue to be severe because of the inability to dispel the uncertainty over employment conditions and lagging personal consumption.

We also aim to accurately respond to the changes in the lifestyles of our main targeted customers, the second wave of baby boomers, and to the changes in consumer tastes.

We are also actively pursuing new business opportunities, such as expanding the store network of our new business concept store, 無印良品 com KIOSK. In response to the progress of the information technology revolution, we are actively seeking to develop new businesses that use the Internet and other communication tools.

We will continue to offer reliable products at reasonable prices, furthering our efforts to respond to the trust our customers hold in us.

We would appreciate your continued support.

3. Investment in Facilities

Ryohin Keikaku invested ¥4,416 million in the construction of new stores and other facilities. This amount includes Guarantee deposits.

Major changes in facilities during Fiscal 1999 were as follows:

18 stores were completed.
1 store was expanded.
5 stores were closed.

4. Fund Raising

Ryohin Keikaku conducted no fund raising for the investment in facilities.

5. Operating Result and Financial Position

(Thousands of yen)

Item	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999
Operating income	¥60,786,216	¥73,047,832	¥91,614,316	¥105,410,317
Net income	2,722,629	3,454,232	4,342,607	6,161,638
Net income per share (yen)	199.54	246.04	309.32	321.27
Total assets	30,562,988	38,305,403	44,110,824	51,508,303
Net assets	22,413,798	25,440,170	29,155,140	35,056,608
Shareholders' equity per share (yen)	1,596.53	1,812.10	2,076.72	1,248.54

Note: Net income per share is calculated based on the average number of shares during the term.

Company Overview (as of February 29, 2000)

1. Main Businesses

The company carries out planning and wholesale and retail operations for its own brand products, which include apparel for men and women, daily household goods such as bedding products, interior decorations and sundry items, and food items such as preserved foods.

2. Main offices

Registered office: 1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo

Head office: Nikko Ikebukuro Bldg., 26-3, Higashi-Ikebukuro 4-chome, Toshima-ku, Tokyo

Stores (Directly managed stores):

Prefecture	Number of Stores
Hokkaido	1
Miyagi	2
Fukushima	1
Gunma	1
Saitama	5
Chiba	3
Tokyo	24
Kangawa	14
Nagano	2
Yamanashi	1
Aichi	7
Gifu	2
Mie	1
Shiga	1
Kyoto	3
Nara	1
Osaka	6
Hyogo	2
Okayama	1
Hiroshima	1
Fukuoka	3
Kagoshima	1
Total	83

Campsites:

Niigata	1
Gifu	1
Total	2

3. Stock Data

Authorized	52,156,000
Issued	28,078,000

Note: At the meeting of Board of Directors held on August 4, 1999, a two-to-one stock split was approved for stocks owned by shareholders as of August 31, 1999, effective October 19, 1999. As a result, the total number of shares outstanding increased by 14,039,000 to 28,078,000 on October 19, 1999.

Number of shareholders 15,408

Major shareholders:

Shareholder	Shares	Percentage of Issued Shares
The Seiyu, Ltd.	1,477,600	5.26%
The Mitsubishi Trust & Banking Corp. (Trust account)	1,321,800	4.70
The Nomura Trust & Banking Co., Ltd. (Trust account)	1,261,700	4.49
The Toyo Trust & Banking Co., Ltd. (Trust account A)	778,300	2.77
The Sumitomo Trust & Banking Co., Ltd. (Trust account)	704,300	2.50
State Street Bank and Trust Company	668,217	2.37
The Chase Manhattan Bank N.A., London	526,900	1.87
FamilyMart Co., Ltd.	520,000	1.85
The Mitsui Trust & Banking Co., Ltd. (Nenkin Tokkin account 3)	442,400	1.57
The Chuo Trust & Banking Co., Ltd. (Trust account)	403,100	1.43

4. Employees

Gender	Number of Employees	Change from Previous Year	Average Age	Average Years Employed
Male	320	plus 42	34.5	4.0
Female	291	plus 28	28.1	3.4
Total / Average	611	plus 70	31.4	3.7

Note: 1. The above figures include 207 yearly contracted employees and sales experts.
2. Besides the above employees, the Company employs 1,138.4 part-time workers and 782.3 side-job workers (calculated on an 8 hours per day basis).

5. Consolidated Companies

Major Subsidiaries

Company Name	Capital	Percentage of Stock	Business
R. K. Trucks Co., Ltd	¥30,000 thousand	100%	Distribution, processing and wholesale
Ryohin Keikaku Europe Ltd.	STG £ 3,000 thousand	100	Retail of Muji Brand
Ryohin Keikaku France S.A.	FRF 5,000 thousand	100	Retail of Muji Brand
Ryohin Keikaku U.S.A., Ltd.	US$ 10 thousand	100	Internet marketing agent
Ryohin Keikaku Hong Kong Ltd.	HK$ 300 thousand	80	Purchase of Muji Brand merchandise and trading
Zhuhai Free Trade Zone R.K. Logistics Ltd.	HK$ 1,400 thousand	80	Distribution and processing

Note: 1. Zhuhai Free Trade Zone R.K. Logistics Ltd. is owned by the subsidiary.
2. Ryohin Keikaku U.S.A., Ltd. was established on July 8, 1999.

Results of Consolidation

The six companies listed above represent the consolidated companies of Ryohin Keikaku Co., Ltd. On a consolidated basis for the fiscal year ending February 29, 2000, Operating revenue was ¥106,959 million, a gain of 14.7%, and net income was ¥5,879 million, an increase of 33.2% from the previous fiscal year.

6. Board of Directors and Auditors

Chairman of the Board	Masao Kiuchi
President and Representative Director	Kaoru Ariga
Senior Managing Director	Tadamitsu Matsui
Managing Directors	Shigeyoshi Oikawa
	Junichi Tokue
Directors	Hideo Yanagisawa
	Kohei Maeyama
	Aritomo Mikami
	Hiroto Oki
	Shingo Kawanokami
Standing Auditor	Toshihiro Nitta
Auditors	Hisaji Tamura
	Ryuhei Murayama
	Takashi Okamura

Notes: 1. Toshihiro Nitta, Hisaji Tamura and Takashi Okamura are appointed as outside auditors pursuant to Article 18, Section 1 of the Commercial Code.

2. Changes to the Board of Directors and Auditors in Fiscal 1999.

(a) At the Ordinary General Meeting of Shareholders, held on May 19, 1999, Hiroto Oki, and Shingo Kawanokami were appointed directors.

(b) As of the end of the Ordinary General Meeting of Shareholders, held on May 20, 1999, Hitoshi Tanaka, a director, completed his terms of office and resigned.

(c) As of May 25, 1999, Seiji Tsutsumi, a director, resigned.

Note: All figures described in this Business Report were rounded down to the nearest unit indicated.

Notification of Merger of Independent Certified Public Accountants

Our independent certified public accountants, who were commissioned to serve in that role during the regular annual meeting of shareholders for the 14th business period held on June 31, 1993 and have continued to serve as the Company went through a merger and a corporate name change, became the Chuo Aoyama Audit Corporation, effective April 1, 2000, as the result of a merger between Chuo Audit Corporation and Aoyama Audit Corporation. The new company will continue to act as our independent certified public accountants.

Non-Consolidated Balance Sheets

Ryohin Keikaku Co., Ltd.

	Thousands of yen
Assets	**February 29, 2000**
Current Assets:	
Cash on hand and in banks	¥ 3,853,321
Notes receivable	2,669
Accounts receivable	3,865,306
Marketable securities	2,538,248
Treasury stock	10,170
Merchandise	10,114,294
Supplies	40,389
Advance payments	417,641
Prepaid expenses	367,609
Deferred income tax	495,171
Accrued accounts receivable	2,415,332
Cash advances	112,595
Other current assets	159,126
Less: Allowance for doubtful accounts	(40,000)
Total current assets	**24,351,875**
Fixed Assets:	
Tangible Fixed Assets:	
Buildings	5,697,454
Structures	183,449
Machinery and equipment	714,441
Vehicles and transportation equipment	5,123
Tools and furniture	2,171,769
Land	381,088
Construction in progress	122,494
Total tangible fixed assets	**9,275,820**
Intangible Fixed Assets:	
Leasehold	1,478,150
Trademarks	35,886
Other	37,975
Total intangible fixed assets	**1,552,013**
Investments and Other Assets:	
Investments in securities	338,558
Investment in subsidiaries and affiliates	1,133,637
Long-term loans to subsidiaries	833,938
Long-term prepaid expenses	1,606,199
Deferred income tax	969,745
Guarantee deposits	5,647,565
Fixed leasehold deposits	5,012,499
Store development in progress	329,179
Other	463,271
Less: Allowance for doubtful accounts	(6,000)
Total investments and other assets	**16,328,593**
Total fixed assets	**27,156,428**
Total Assets	**¥51,508,303**

	Thouands of yen
Liabilities	**February 29, 2000**
Current Liabilities:	
Notes payable	¥ 481,036
Accounts payable	5,567,987
Accrued accounts payable	321,332
Corporate income tax payable	4,047,268
Consumption tax withheld	412,792
Accrued expenses	2,503,057
Accrued bonuses	207,658
Non-operating notes payable	857,855
Other current liabilities	180,604
Total current liabilities	**14,579,592**
Long-Term Liabilities:	
Provision for employee retirement benefits	1,458,343
Provision for retirement bonuses to directors	224,545
Other long-term liabilities	189,213
Total long-term liabilities	**1,872,102**
Total Liabilities	**16,451,695**
Shareholders' Equity:	
Common stock	6,766,250
Legal reserve:	
Additional paid-in capital	10,075,500
Legal reserve	247,838
Total legal reserves	**10,323,338**
Retained earnings:	
General reserve	11,000,000
Unappropriated retained earnings	6,967,019
(Net income for the term included in unappropriated retained earnings)	(6,161,638)
Total retained earnings	**17,967,019**
Total Shareholders' Equity	**35,056,608**
Total Liabilities and Shareholders' Equity	**¥51,508,303**

Notes:
1. All figures are rounded down to the nearest thousand.
2. Accumlated depreciation of tangible fixed assets ¥4,729,704 thousand
3. Short-term credit to subsidiaries and affiliates ¥784,200 thousand
4. Short-term liabilities to subsidiaries and affiliates ¥116,856 thousand
5. Long-term credit to subsidiaries and affiliates ¥833,938 thousand
6. Balance of guarantee obligations ¥521,489 thousand
7. Foreign currency assets
   Investment in marketable securities ¥9,999 thousand (US$99 thousand)
   Stock of subsidiaries and affiliates ¥557,199 thousand (ST£3,000 thousand)
   ¥541,600 thousand (FRF30,000 thousand)
8. Net income per share (¥) ¥321.27

Non-Consolidated Statements of Income

Ryohin Keikaku Co., Ltd.

	Thousands of yen **For the year ended February 29, 2000**
Operating Revenue (Losses):	
Net sales	¥105,001,607
Other operating revenue	408,710
Total operating revenue	**105,410,317**
Cost of sales	61,484,697
Selling, general and administrative expenses	30,289,243
Total operating expenses	**91,773,941**
Operating Income	**13,636,376**
Non-Operating Revenue (Expenses)	
Interest and dividend income	62,601
Other non-operating revenue	56,201
Total other revenue	**118,802**
Interest expenses	5,825
Other non-operating expenses	121,888
Total other expense	**127,713**
Ordinary Income	**13,627,466**
Extraordinary Gains (Losses):	
Gain on allowance for doubtful accounts	25,000
Extraordinary gains	**25,000**
Loss on disposal of property and equipment	214,659
Write-down of investments in securities	8,379
Loss on cancellation of store rental contracts	52,779
Provision for employee retirement benefits	1,406,455
Write-down of lands	295,000
Write-down of membership fees	9,500
Extraordinary losses	**1,986,773**
Income before income taxes	**11,665,692**
Corporate income tax, resident income taxes and enterprise tax	6,400,000
Deferred tax	895,946
Net Income	**6,161,638**
Balance brought forward from the previous term	699,693
Prior year deferred tax	568,970
Interim cash dividend	421,166
Legal reserve for interim cash dividend	42,116
Unappropriated retained earnings at end of term	**¥ 6,967,019**

Notes: 1. All figures are rounded down to the nearest thousand.

2. Transactions with subsidiaries and affiliates

(1) Operating transactions

1) Operating income	¥1,757,448 thousand
2) Operating expenses	¥3,232,234 thousand
(2) No-business related transactions	¥74,858 thousand

Summary of Significant Accounting Policies

1. Asset evaluation
Exchange-listed securities are valued at the lower of cost or market, cost being determined by the moving average. All other securities are valued at cost determined by the moving average method.

2. Inventory evaluation
Merchandise is stated at cost, determined by the specific identification method, and supplies are valued at cost determined by the last purchase method.

3. Depreciation methods for assets
Fixed assets Depreciation of tangible fixed assets is computed by the declining balance method. Due to revisions to Corporation Tax Law effective from April 1, 1998, depreciation on buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) acquired on or after April 1, 1998 is computed on the straight line basis.

Beginning with the fiscal year under review, the Company has adopted shorter estimated useful lives for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) pursuant to amendments to the Corporation Tax Law in fiscal 1998. The effect of this accounting change is insignificant.
Intangible fixed assets Amortization of intangible fixed assets is computed by the straight line method as prescribed by Japanese Corporation Tax Law.
Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method as prescribed by Japanese Corporation Tax Law.

4. Allowances and provisions
Allowance for doubtful accounts The balance of allowance for doubtful accounts represents the amount of the limit established by Japanese Corporation Tax Law for allowing deduction (a certain prescribed percentage is applied to the balance of receivables) plus an amount deemed necessary to cover possible losses estimated on an individual account basis.
Reserve for employee bonuses The reserve for bonuses is provided according to the expected amount of the payment. Reserve for bonuses were previously made based on upper limits set under the regulations of the Corporation Tax Law according to standards determined by the period for which the reserve was being made. Beginning with the fiscal year under review, the method of calculating allowance has been changed to the expected amount of the payment. The effect of this accounting change is insignificant.
Provision for retirement benefits The provision for employee retirement benefits is provided in an amount equivalent to the amount determined by the present value method less a fair valuation of the Company's pension assets related to the corporate pension plan system.

Accounting change

Previously, the balance of accrued employee retirement benefits was determined by the amount equivalent to 100% of retirement benefits the Company would have been required to pay if all eligible employees (excluding directors and auditors) had retired at the respective year-end dates. This amount was charged to Selling, general and administrative (SGA) expenses under company pension plan related payments. As of the fiscal year under review, the method of calculating the provision was changed to an amount equivalent to the amount determined by the present value method less a fair valuation of the Company's pension assets (including externally managed assets) related to the corporate pension plan system. Based on this change, a payment for the fiscal year of ¥198,332 thousand was charged to SGA expenses while amounts related to previous fiscal years totalling ¥1,406,455 thousand were charged as a extraordinary loss against "Provision for employee retirement benefits." Under the new method, the figures for Operating and Ordinary income are each ¥7,865 thousand less and for Income before income taxes ¥1,414,320 thousand less than under the previously used method.

Provision for retirement bonuses to directors The provision for retirement bonuses to directors is provided in an amount required to be paid at the end of each term, based upon internal regulations. This provision is pursuant to Article 287-2 of the Commercial Law.

5. Method of Accounting for Lease Transactions

Finance lease transactions, other than those which are deemed to transfer ownership of the leased assets to the lessee, are accounted for as operating lease transactions.

6. Method of Accounting for Consumption Taxes

Consumption tax is excluded from the amounts of items in the Statements of Income.

Changes in Disclosure Methods

Change in method of disclosing enterprise taxes payable and business office tax payable

- Enterprise tax payable and business office tax payable were previously included under enterprise tax and others. Beginning with the fiscal year under review, however, enterprise taxes payable (¥846,338 thousand) is included under corporate income taxes payable and others. Business office tax payable (¥49,935 thousand) is now included under Other current liabilities.

Additional Information

Application of Tax Effective Accounting

Beginning with the fiscal year under review, the Company is applying the tax efficient accounting method to more closely match income with tax expenses. This change in accounting methods has been made as a result of the revision in the Regulations Concerning Company Balance Sheets Statements, Income Statements, and Business Reports and Appended Notes (Ministry of Justice Directive No. 53, Final Revision December 21, 1998). Under this method, Deferred tax increased by ¥1,464,916 thousand (current assets, ¥495,171 thousand; investments, ¥969,745 thousand). In comparison with figures derived under the previous accounting system, this increased Net income by ¥895,946 thousand and unappropriated retained earnings by ¥1,464,916 thousand.

Classification of enterprise tax on consolidated statements of income

Enterprise tax (¥1,350,000 thousand), which was treated as Selling, general and administrative expenses in prior fiscal years, is now included in Corporate income tax, resident income taxes and enterprise tax based on a revision of the regulation of financial statements under the Commercial Law of Japan. Under the new classification, Operating and Ordinary income and net income were ¥1,350,000 thousand greater than they would be under the old classification.

Proposal for Appropriation of Retained Earnings
Ryohin Keikaku Co., Ltd.

	Yen
	Year ended February 29, 2000
Unappropriated retained earnings	**¥6,967,019,756**
We propose to appropriate the foregoing as follows:	
Legal reserve	60,000,000
Cash dividends	561,548,360
(¥20 per share)	
Directors' bonuses	27,000,000
Auditors' bonuses	2,600,000
General reserves	5,000,000,000
Unappropriated retained earnings carried forward	**¥1,315,871,396**

Note: The Company paid an interim cash dividend of ¥421,166,550 (¥30 per share) on November 1, 1999.

Report of Independent Public Accountants

To Kaoru Ariga, President and Representative Director of Ryohin Keikaku Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Ryohin Keikaku Co., Ltd., as of February 29, 2000, and the related non-consolidated statements of income, business report (financial sections) and appropriation of retained earnings and noted thereto for the period ended February 29, 2000. The financial sections of the business report and notes thereof that were the subject of our audit comprised the sections that were prepared based on the company's accounting records.

Our audit was made in accordance with generally accepted auditing standards and included such auditing procedures as usually deemed necessary. Our audit also included those subsidiaries of the company that were deemed necessary.

The result of our audit is as follows:

(1) The non-consolidated balance sheets and statement of income accurately present the financial and profit position of Ryohin Keikaku Co., Ltd.

(2) As indicated in (4) of the Summary of Significant Accounting Policies, the balance of accrued employees' retirement benefits previously was determined by the amount equivalent to 100% of retirement benefits the Company would have been required to pay if all eligible employees (excluding directors and auditors) had retired at the respective year-end dates. This amount was charged to Selling, general and administrative (SGA) expenses under company pension plan related payments. As of the fiscal year under review, the method of calculating the allowance was changed to an amount equivalent to the amount determined by the present value method less a fair valuation of the Company's pension assets (including externally managed assets) related to the corporate pension plan system. This change has been introduced during the fiscal year under review as a revision of the accounting method for retirement benefits along with a revision of the Company's rules for employee retirement benefits in order to further strengthen the Company's financial position, and we consider it to be appropriate.

(3) The audited sections of the Business Report have been prepared in accordance with all applicable laws and regulations and accurately reflect the financial condition of the company.

(4) We concur that the Appropriation of Retained Earnings has been prepared in accordance with all applicable laws and regulations.

(5) The notes (limited to audited portion) have been compiled in accordance with the Commercial Code of Japan.

Employees of Ryohin Keikaku Co., Ltd. and Chuo Audit Corporation involved with the auditing process have no mutual interest required to be reported under the provisions of the Certified Accountants Law.

March 24, 2000
Chuo Audit Corporation
Masuzo Kawada, Partner
Koji Tayagura, Partner

Auditors' Report

We have received the report of auditing methods and results from each corporate auditor for fiscal 1999, the period from March 1, 1999, to February 29, 2000. Based on our deliberations, we have prepared this auditors' report, which is as follows:

1. Auditing Methods Employed

Each auditor follows the auditing plan and business allotment plan determined by the auditing board and hears business reports from the Board of Directors in addition to attending all relevant meetings, including the Meeting of the Board of Directors. The auditors review relevant legal documents and audit the business and financial conditions of the head office as well as significant business offices. In addition, the auditors receive reports and explanations from accounting auditors and take all accounting documents and notes thereto into consideration. Auditors also receive reports from subsidiaries and, when necessary, visit subsidiaries to audit the business and financial conditions.

In addition to the above auditing methods, auditors receive reports from the Board of Directors, as necessary, and conduct detailed audits of transactions by directors with competitors, profitable transactions among directors and the Company, gratuitous grants of profits made by the Company, unusual transactions with subsidiaries or shareholders, and purchases of disposal of the Company's stock using the auditing methods listed above.

(2) Results of Audit

(1) Our audits are in conformity with the methods used and results obtained by the Chuo Audit Corporation.
(2) We confirm that the Business Report has been prepared in accordance with all relevant laws and regulations and accurately reflects the situation of the company.
(3) We could find no items in the company's financial position or other information that need to be reported in greater detail.
(4) The notes thereto accurately reported all necessary information, and we could find no items that need to be reported in greater detail.
(5) We could find no malfeasance or breach of the Articles of Incorporation on the part of corporate executive officers.

Furthermore, we could find no evidence of a breach by the directors of the Company relating to transactions by directors with competitors, profitable transactions among directors and the Company, gratuitous grants of profits made by the Company, unusual transactions with subsidiaries of stockholders, and purchases of disposal of the Company's stock.

March 28, 2000
Ryohin Keikaku Co., Ltd., Board of Auditors
Toshihiro Nitta, Auditor
Hisaji Tamura, Auditor
Ryuhei Murayama, Auditor
Takashi Okamura, Auditor

Note: Toshihiro Nitta, Hisaji Tamura and Takashi Okamura are outside auditors appointed to audit the company under the provisions of Article 18, Section 1 of the Commercial Code.