



# 2015

## Annual Report

March 1, 2014 - February 28, 2015

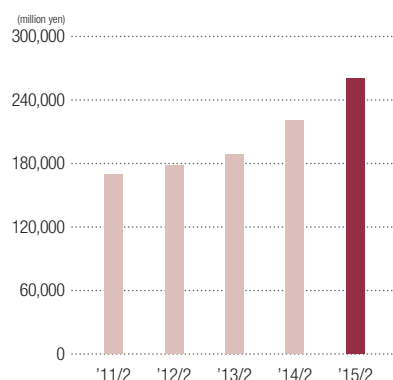
RYOHIN KEIKAKU CO., LTD.

# Financial Highlights

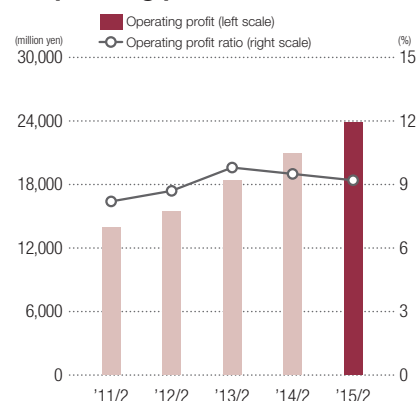
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	2011/2	2012/2	2013/2	2014/2	2015/2
<b>1 Revenue from operations</b> (million yen)	169,748	178,186	188,350	220,620	<b>260,254</b>
<b>2 Operating profit</b> (million yen)	13,900	15,438	18,351	20,916	<b>23,846</b>
<b>2 Operating profit ratio</b> (%)	8.2	8.7	9.8	9.5	<b>9.2</b>
<b>3 Ordinary profit</b> (million yen)	14,229	16,135	19,760	23,047	<b>26,602</b>
<b>3 Ordinary profit ratio</b> (%)	8.4	9.1	10.5	10.5	<b>10.2</b>
<b>4 Net income</b> (million yen)	7,859	8,850	10,970	17,096	<b>16,623</b>
<b>4 Net income ratio</b> (%)	4.6	5.0	5.8	7.8	<b>6.4</b>
Net assets per share (yen)	2,871.02	3,055.61	3,488.03	4,071.86	<b>4,723.72</b>
Net income per share (yen)	285.86	330.35	409.45	644.60	<b>627.54</b>
<b>5 Total assets</b> (million yen)	97,481	102,293	119,360	140,229	<b>186,947</b>
<b>5 Net assets</b> (million yen)	78,502	83,528	96,050	111,015	<b>128,670</b>
<b>5 Capital adequacy ratio</b> (%)	78.9	80.0	78.3	76.9	<b>67.0</b>
<b>6 Return on equity (ROE)</b> (%)	10.3	11.1	12.5	17.0	<b>14.3</b>
Return on assets (ROA) (%)	14.5	16.2	17.8	17.8	<b>16.3</b>
Number of employees	2,595	2,734	3,069	4,101	<b>4,795</b>

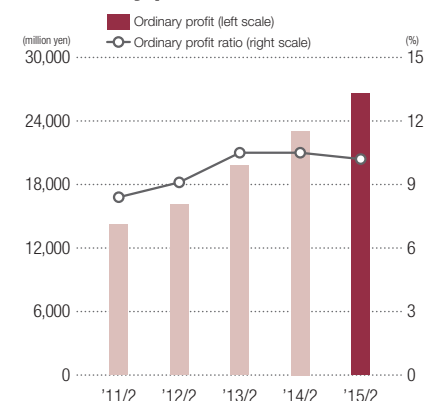
## 1 Revenue from operations



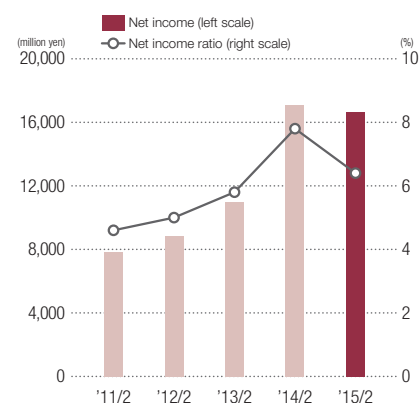
## 2 Operating profit and operating profit ratio



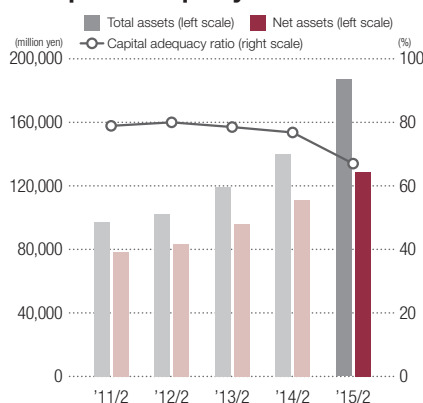
## 3 Ordinary profit and ordinary profit ratio



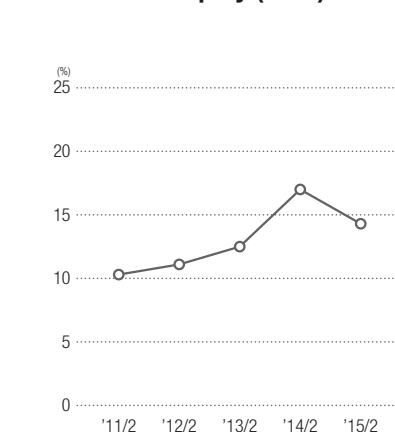
## 4 Net income and net income ratio



## 5 Total assets, net assets and capital adequacy ratio



## 6 Return on equity (ROE)



# Message from the President

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**MUJI is dedicated to providing  
lifestyle products for beauty, art and taste.  
We will continue delivering our vision of a  
Pleasant Life to our customers.**

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*Satoshi Matsuzaki*

President and Representative Director

In FY2014, we steadily made progress toward achieving our medium-term management plan (FY2014-2016). On a consolidated basis we posted record highs for revenue from operations and operating profit. We booked revenue from operations of 260,254 million yen, a growth of 18.0% YOY, and operating profit of 23,846 million yen, an increase of 14.0%. In the domestic business, earnings growth benefited from the active promotion of sales floor reforms, the employment of a scrap & build strategy for our stores, and initiatives to improve customer service strengths. Meanwhile, in the overseas business, revenue from operations continued on its growth trajectory from the previous year, sharply rising 64.7%, as we are now better able to maneuver in countries such as China, as well as in ASEAN countries such as Singapore and Malaysia. Moreover, we opened new stores in regions around the world, namely our global flagship store, MUJI Sino-Ocean Taikoo Li Chengdu, in Chengdu, China. These new locations enable us to enrich our communications with customers around the world.

We revised the structure of our overseas business to facilitate further expansion. We divided the overseas business into three segments—the Europe and Americas Business, East Asia Business, and West, South Asia & Oceania Business. A director has been positioned to operate and manage each segment, and will responsibly execute operations. Backed by these measures, we aim to work as one and achieve the goals in the medium-term management plan for FY2016. In FY2016 we target net sales of 300 billion yen (of which our overseas sales goal is 100 billion yen), ordinary profit of 35 billion yen, and an ROE of 15%-plus.

Meanwhile, the MUJI Pleasant Life concept focuses on delivering a reasonable level of satisfaction to people around the world by achieving manufacturing processes and services that take into consideration all stakeholders, including producers and consumers. Based on the underlying values of this concept, it is our goal to become a widely-accepted, true global player. To this end, all employees, at every level, will tactfully handle various issues currently arising around the world. Our employees will look for solutions, by following their conscience and tapping into their creativity, to steer the company in a more positive direction.

We at the Ryohin Keikaku Group remain committed to creating and providing a Pleasant Life. We ask our stakeholders for their continued support of our pursuit.

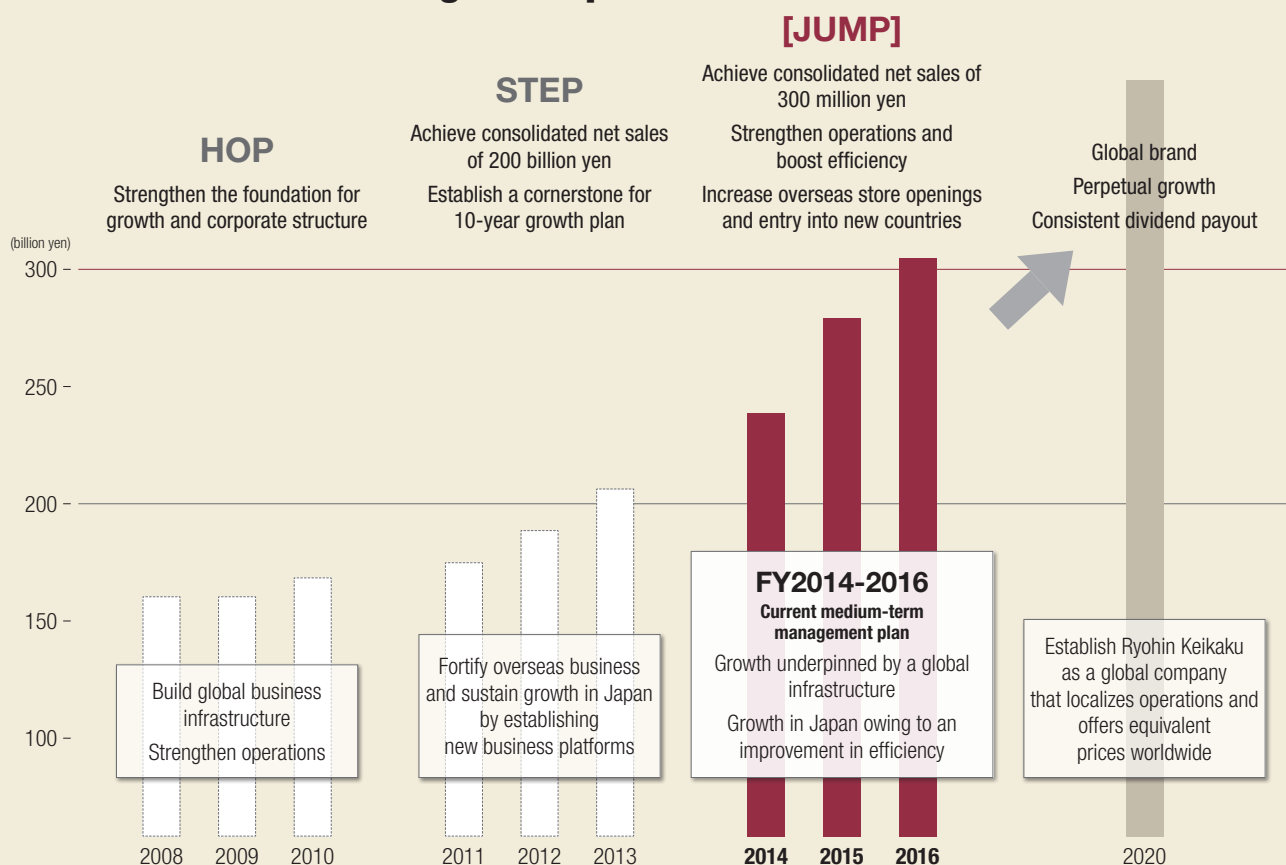
# Medium-term Management Plan (FY2014-2016) 1

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## Basic policy

The Ryohin Keikaku Group aims to globally expand a corporate culture and structure that emphasizes the importance of the roles played by employees manning the sales floors and the good conscience and creativity of all employees.

## Position and goals of the medium-term management plan



# Medium-term Management Plan (FY2014-2016) 2

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## 1 Implement global supply chain management and improve operational efficiency

- ▶ Global distribution cost: 1% improvement
- ▶ Global inventory efficiency: 20% improvement

## 2 Global square meter efficiency: boost 10%

- ▶ Global strategic products: increase sales to account for 50% of total sales
- ▶ Stores to be given a “new environment”:  
implement complete renovation of 100 stores (60 in Japan, 40 overseas)

## 3 Further growth in the overseas business

- ▶ China business: Expand to 200 stores in FY2016
- ▶ New countries: Expand from 24 to 34 countries and regions (South Asia and Latin America)

## 4 Promote globalization of MUJI online business

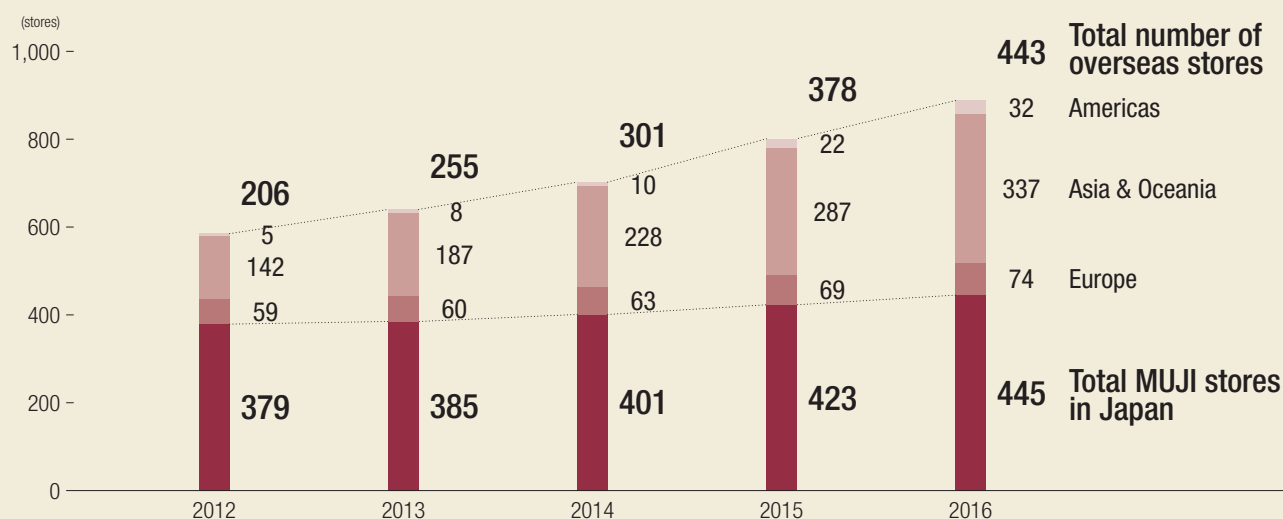
- ▶ Global e-commerce sales goal: 2.4 billion yen in FY2016
- ▶ Expand customer communications with MUJI passport and introduce passport overseas

## Numerical goals

Net sales: **300** billion yen      Portion of overseas sales: **100** billion yen

Ordinary profit: **3.5** billion yen      ROE: **15**%-plus      Global network: **888** stores

## Store plans in Japan and overseas



## Strengthen uniqueness and foundation for growth

### 1 Good products

- Promote development of “Kodawaritaine” and “Always a Good Price” product policies
- Nurture strategic products

#### Boost ratio of “Kodawaritaine” sales by 3.8 points; continue to boost unit price

Segment	Kodawaritaine					
	No. of items	YOY change in sales breakdown	% of net sales	YOY	Unit price	YOY
Clothing and sundries	680	– 3.4	49.4%	+ 3.9	2,788	+ 474
Housewares	1,863	+ 0.5	48.1%	+ 4.4	1,534	+ 151
Food	244	+ 3.5	53.3%	+ 5.6	222	– 6
Total	2,787	– 0.2	49.1%	+ 3.8	1,129	+ 15

#### Sales results and plans for strategic products in Japan

		Clothing and sundries	Housewares	Food	Total
2H 2014	% of net sales for product category	52.1%	48.6%	56.4%	50.6%
1H 2015	No. of items	365	1,063	147	1,575
	% of net sales for product category	59.3%	51.1%	51.2%	54.3%

Of these strategic products, we plan to designate 112 apparel and 482\* housewares items as global strategic products. We aim to promote global sales at a uniform price and further strengthen our production capabilities.

\*Average number of items that can potentially be rolled out in overseas markets

### 2 Good environment

- We aim to offer new sales floor environments that reflect product policies, introduce new fixtures, and enhance visual merchandising.
- We plan to improve sales capabilities (train storage advisors and styling advisors).

#### Opening new stores that will serve as the cornerstones for flagship stores

Date	City	Store name	Sq. meters	Details
September 2014	Paris, France	MUJI Forum des Halles	726	First large-scale store in Europe
December 2014	Chendu, China	MUJI Sino-Ocean Taikoo Li Chengdu	2487.6	Global flagship store: introduce interior advisors, Café & Meal, and IDÉE
December 2014	Taipei, Taiwan	MUJI Uni-President Hankyu	1115.4	Expand floor space Taiwan flagship store: introduce Café & Meal
October 2014	Osaka, Japan	MUJI LaLaport Izumi	1026.3	First large-scale store located in a shopping center Create sales floors that explain our product philosophy
December 2014	Okayama, Japan	MUJI AEON-Mall Okayama	1524.6	Create sales floors that explain our product philosophy Proposal for the ideal sales floor design

➔ Establish model for the flagship store concept in and after FY2015

## 3 Good information

- Shift from using TV and paper media for advertising and promotions to Internet and SNS
- Initiatives targeting the social consumer

### Switch to a store environment that is filled with lifestyle hints and discoveries

#### ► Recommendations that offer lifestyle hints and advice on products that suit each customer



Styling consultation



Interior coordinator counter



Food sampling counter

No. of specialized  
sales staff (yo)

Styling advisors : 48 (+16)

Interior advisors: 88 (+9)

Tasting advisors: 53 (+53)

#### ► See it, touch it, and feel it; Discover something for yourself



Fragrance Studio



Stamp and Gifts Corner



Nishiawakura, Okayama  
Mori no Gakko (school in the forest)  
corner\*



Mokuiku Hiroba  
(wood environment play area)

\*MUJI AEON-Mall Okayama, in conjunction with Mori no Gakko, which utilizes wood resources from Nishiawakura, Okayama, sells products made in Nishiawakura. In addition, tours are scheduled so that people can revisit the charm of Okayama Prefecture. At the Mokuiku Hiroba located inside the store, parents and children can play with cedar wood that was grown in Nishiawakura.

### Development and introduction of an overseas version of the MUJI passport

**Japan** : Launched in May 2013; total of 3.3 million downloads as of the end of FY2014 (30% higher than planned)

**Overseas** : • Developing a new app with standard global specs including mile awards based on the amount of purchase, check-in function, and news reports\*

• Introduced the MUJI passport in China in April 2015. We plan to release the MUJI passport in all major countries in FY2016.

\*We plan to revise the method for awarding loyalty points and loyalty point programs in each country.

**FY2015** : Development will focus on Asia first (1) China → (2) Taiwan → (3) Hong Kong → (4) Korea → (5) Singapore

**FY2016** : Development will begin in the US and in Europe (1) U.S.A. and Canada → (2) UK → (3) Europe

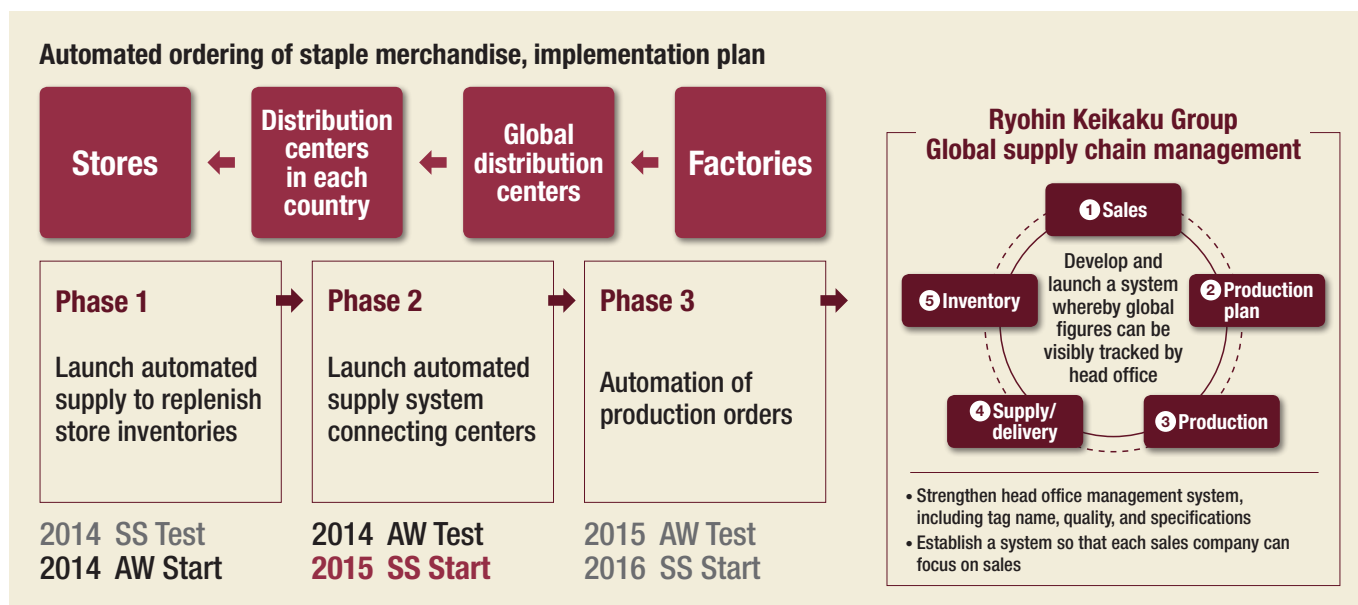




## 4 Building an infrastructure

- Establish global supply chain management (Transfer merchandising system overseas, global distribution centers)
- Strengthen product procurement structure
- Establish Japan head office as the global head office and create a uniform awareness

**Stores, distribution centers in each country, global distribution centers, and factories all linked by automated ordering system**



### Automated ordering of staple merchandise: Implementation plan and progress

#### ► Phase 1: Launch automated supply to replenish store inventories

	Korea	Singapore	China	Europe	Australia	Malaysia
<b>Stores</b> ← <b>Distribution centers in each country</b>  <b>Store supply Automated reordering system</b>	95 %	52 %	71 %	91 %	March 2015	System installed
	Taiwan	Hong Kong	U.S.A.	Thailand	Canada	
	March 2015	March 2015	March 2015	56 %	System installed	

Percentages reflect the ratio of total items that can automatically be ordered using this system.

#### ► Phase 2: Launch automated supply system connecting centers

	Korea	Singapore	China	Europe	Australia	Malaysia
<b>Distribution centers in each country</b> ← <b>GDC</b>  <b>Center supply Automated reordering system</b>	System installed	System installed	System installed	March 2015	March 2015	March 2015
	Taiwan	Hong Kong	U.S.A.	Thailand	Canada	
	March 2015	March 2015	March 2015	March 2015	March 2015	



# Business Segment Overview 1

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## Status of stores, by region (as of February 28, 2015)

### ► Stores in Japan

Directly managed stores	284
Licensed stores/ Stores in Seiyu outlets	117
Total	401

### ► Camp sites

Tsunan (Niigata)  
Minami-norikura (Gifu)  
Tsumagoi (Gunma)

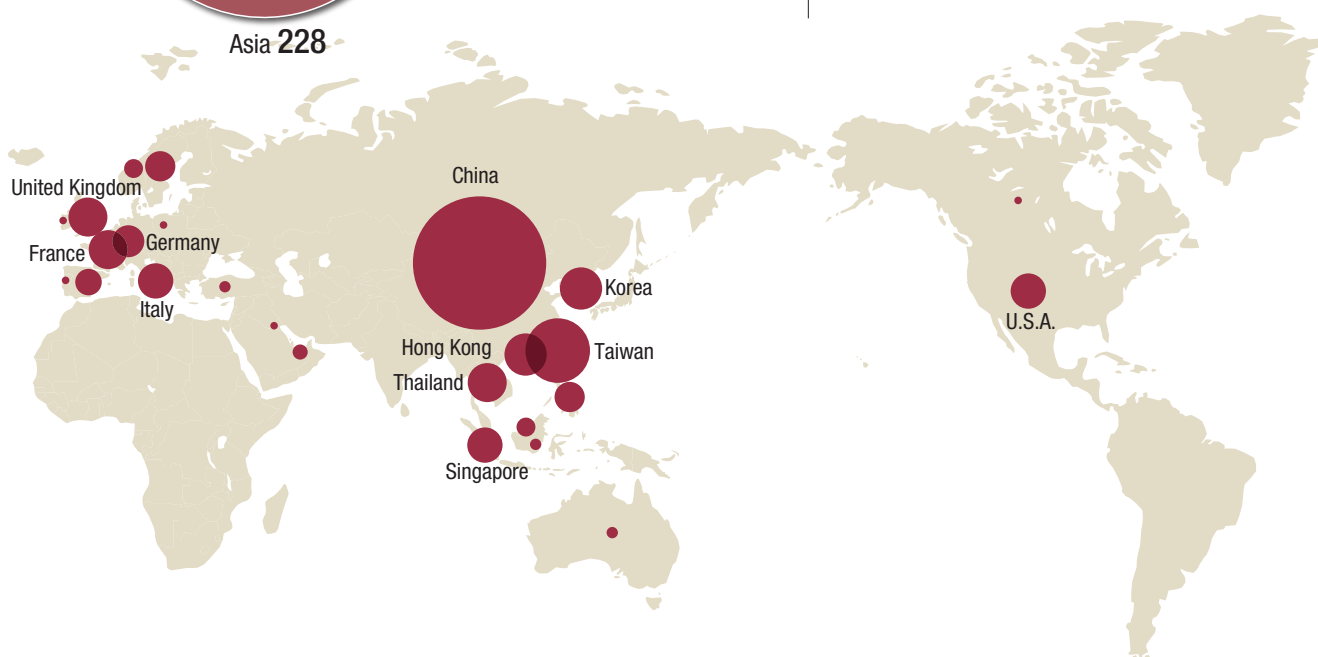
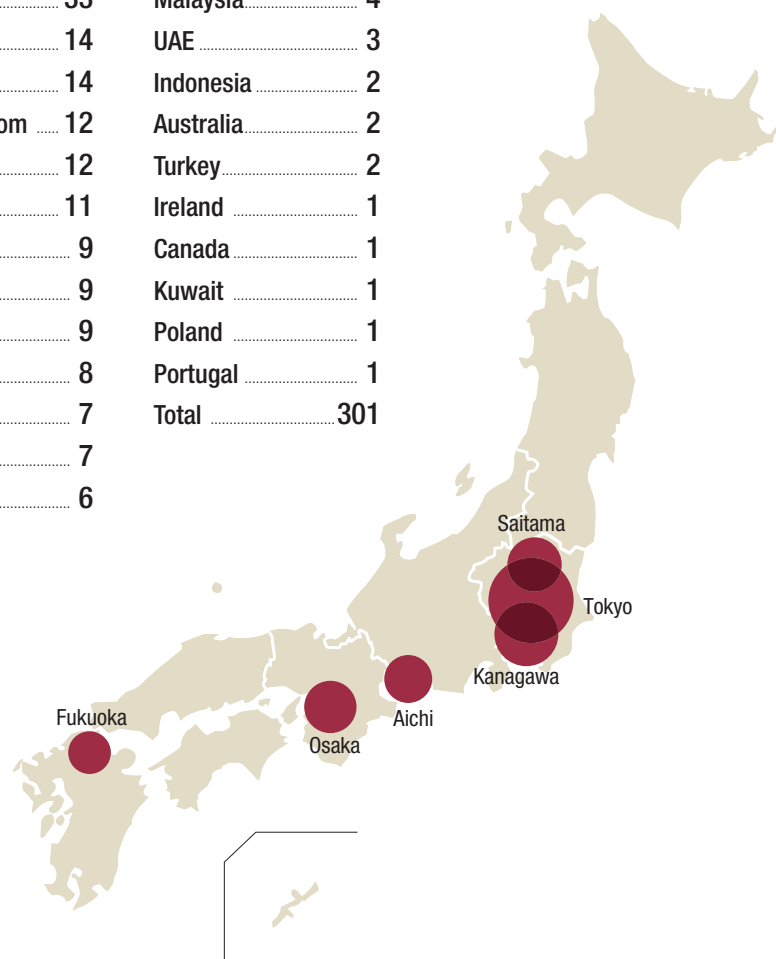
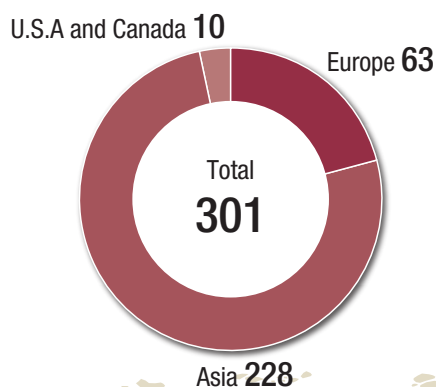
### ► Distribution centers

Hatoyama (Saitama)  
Kobe (Hyogo)  
Fukuoka (Fukuoka)  
Nagaoka (Niigata)

### ► Stores outside Japan

China	128	Norway	4
Taiwan	33	Malaysia	4
Hong Kong	14	UAE	3
Korea	14	Indonesia	2
United Kingdom	12	Australia	2
France	12	Turkey	2
Thailand	11	Ireland	1
Italy	9	Canada	1
U.S.A.	9	Kuwait	1
Singapore	9	Poland	1
Germany	8	Portugal	1
Sweden	7	Total	301
Philippines	7		
Spain	6		

### Breakdown of overseas stores



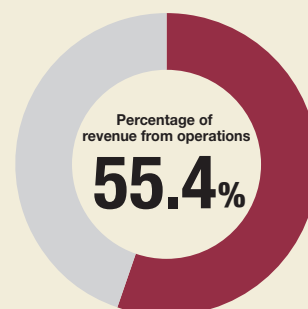
# Business Segment Overview 2

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## Directly managed business in Japan

Revenue from operations **144,126** million yen ( up 7.8% YOY)

Segment profit **10,355** million yen (down 12.0% YOY)



## Retail sales business at directly managed domestic stores and online stores

Directly managed business in Japan saw strong growth with directly managed net sales recording an increase of 7.8% compared to the previous fiscal year and Web Business net sales recording an increase of 6.6%.

Sales were driven by major products. This included sales for the denim series, which includes selected organic cotton blend denim and spring coats in the clothing and sundries segment, aroma diffusers and related essential oils during the Christmas season in housewares segment, and do-it-yourself confectionary kits for Valentine's Day in the food segment.

### Store openings and closures

Store openings and closures included 24 store openings and nine store closures, resulting in the number of stores being 284.



MUJI AEON-Mall Okayama

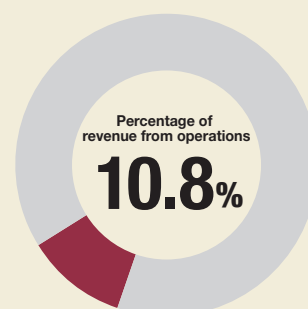


MUJI Marui Kichijoji

## Domestic supply business

Revenue from operations **28,014** million yen ( up 2.1% YOY)

Segment profit **2,138** million yen (down 2.2% YOY)



## Wholesale business to domestic licensed companies

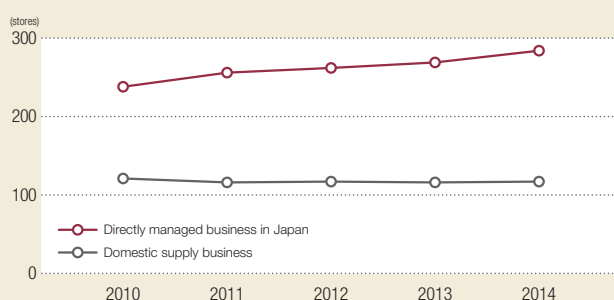
At our general supply destinations and our supply business to Seiyu, in-store sales grew 1.9% YOY. Accordingly, our net sales of supplies also grew from a year earlier.

### Store openings and closures

Store openings and closures included five store openings and four store closures, resulting in the number of stores being 117.

### Trend in number of stores (FY2014)

	Number of stores at end of previous term	Openings	Closings	Total
Directly managed business in Japan	269	24	9	284
Domestic supply business	116	5	4	117



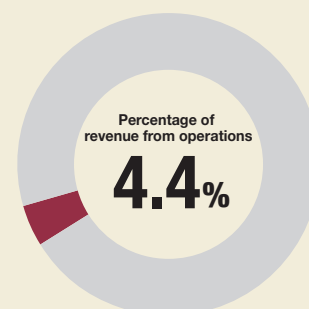
# Business Segment Overview 3

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## Business in European region

**Revenue from operations** 11,449 million yen ( up 15.3% YOY)

**Segment loss** -82 million yen (down 333 million yen YOY)



## Sales business in Europe

Sales growth was driven by brisk demand in the United Kingdom and Germany. However, products retreated due to pronounced mixed performance throughout the region. Meanwhile, we opened our European flagship store in Paris, France in September 2014. The store's sales floor space is 851 square meters. Performance is trending briskly. This store will serve as a vital location for communicating information throughout Europe.

### ► Store openings and closures

Seven store openings (of which, four were supply destinations) and four store closures (of which, three were supply destinations) for a total of 63 stores.

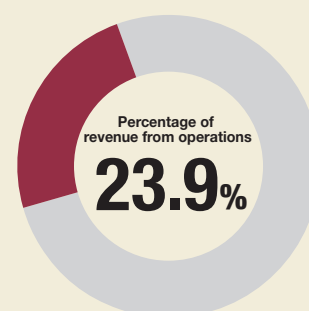
### ► Trend in number of stores (FY2014)



## Business in Asian region

**Revenue from operations** 62,258 million yen ( up 80.5% YOY)

**Segment profit** 7,310 million yen ( up 91.9% YOY)



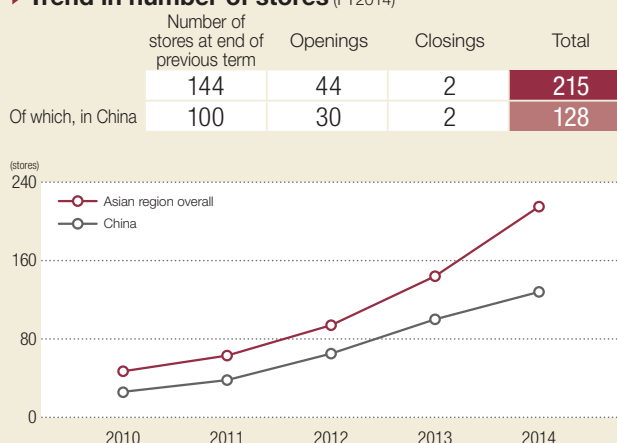
## Sales business in Asia

Sales and profit in Asia sharply increased owing to active store openings, mainly in China, and strong same-store sales growth. In December 2014, we opened a flagship store in Chengdu, China. It is the largest overseas store, boasting total sales floor space of 3,065 square meters. Meanwhile, we are nurturing new businesses, including our online store and restaurant business. We aim to further expand the MUJI brand.

### ► Store openings and closures

We opened 44 stores and closed two. In addition, in Taiwan we converted MUJI (Taiwan) Co., Ltd., which operates 29 stores in Taiwan, into a subsidiary in January 2014. This brought our total store count in Taiwan to 215. In particular, in China, which holds the key to growth in our overseas business, we opened 30 stores and closed two stores, bringing the number of stores to 128 stores.

### ► Trend in number of stores (FY2014)



# Business Segment Overview 4

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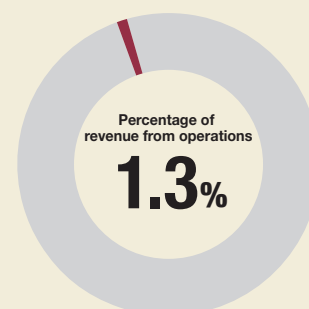
## Business in other regions

Revenue from operations

3,410 million yen ( up 42.7% YOY)

Segment profit

38 million yen (down 53.0% YOY)



## Sales business in regions other than Europe and Asia

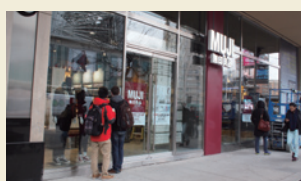
In the U.S.A., sales were brisk thanks to better brand recognition. This was achieved by utilizing SNS and continually opening new stores annually in areas which facilitate ample communication about MUJI. Also, in November 2014 we opened a store in Canada, which is a new market.

### ► Trend in number of stores (FY2014)

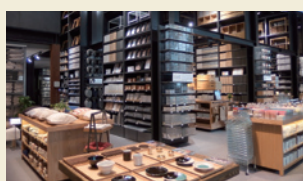
Number of stores at end of previous term	Openings	Closings	Total
8	2	—	10

### ► Store openings and closures

Two openings for a total of 10 stores.



(Canada) MUJI Atrium



(USA) MUJI Santa Monica



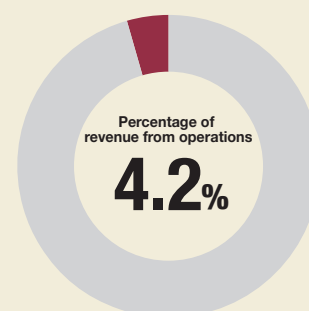
## Other business

Revenue from operations

10,994 million yen (down 13.4% YOY)

Segment profit

6,188 million yen ( up 67.4% YOY)



## Overseas supply business, beverage business, MUJI campsite operation, housing sales business

In the overseas supply business, profit sharply expanded owing to brisk overseas sales earnings and positive impact from a weak yen. That being said, in Taiwan we converted MUJI (Taiwan) Co., Ltd. into a subsidiary in January 2014. As such, we are transferring operations in Taiwan to the business in the Asian region.

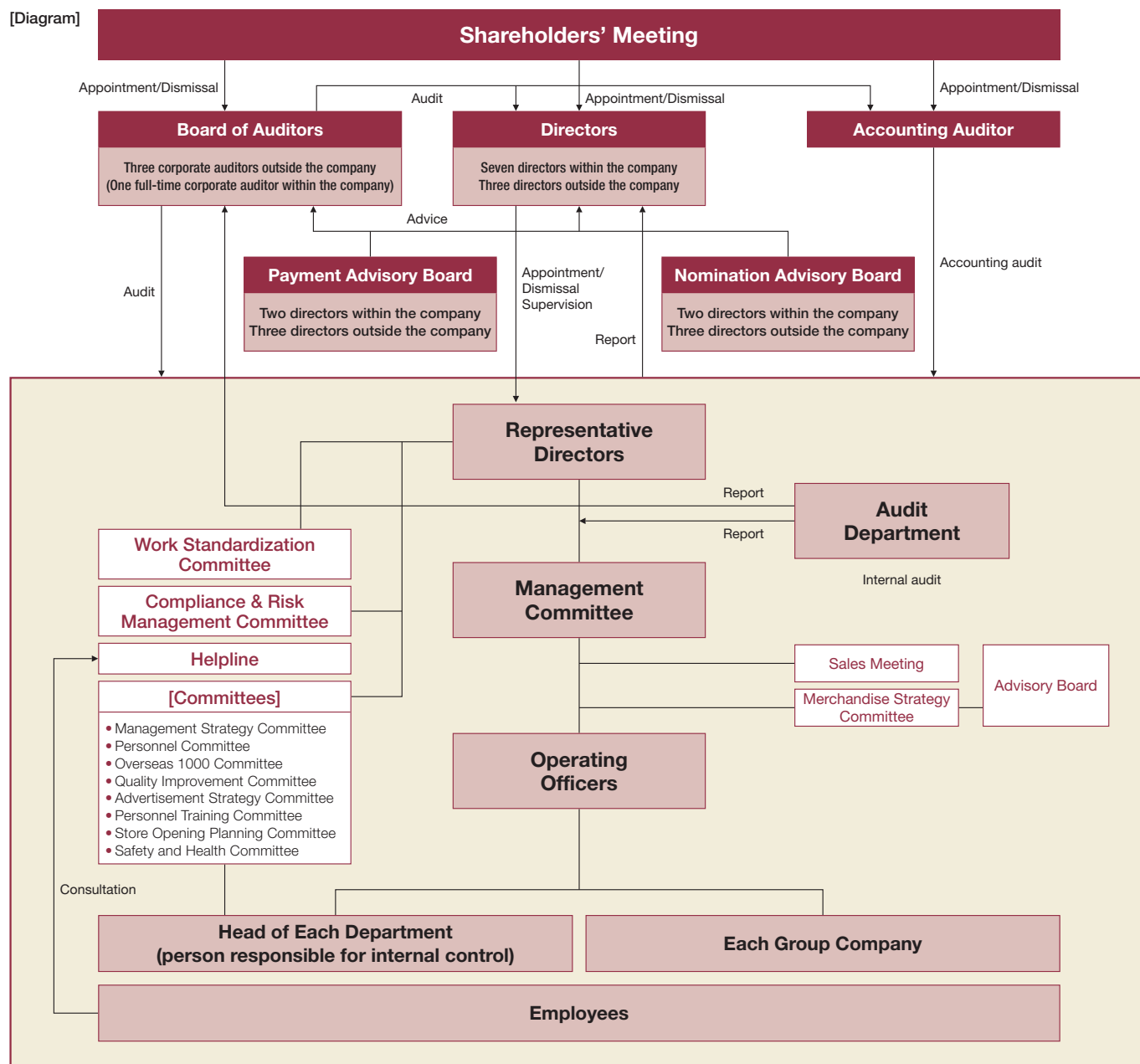
## 1. Basic Policy on Corporate Governance

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 seven directors within the company (seven 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 has adopted an audit system. Currently, the Board of Auditors consists of four members (One corporate auditor, within the company and three corporate auditors outside the company). Two 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 six 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 two certified public accountants with KPMG AZSA LLC, eight assistant certified public accountants, and eight other members. Thus an environment for fair auditing is established. The team of certified public accountants with KPMG AZSA LLC consists of Mr. Akihiro Ohtani (with three years of continuous auditing service) and Mr. Takushi Miyashita (with five years of continuous auditing service).



(As of June 1, 2015)



## 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 basic principle of MUJI merchandise development is to create products that are fundamental, practical and really necessary in daily life. Based on this concept, we constantly review our materials, 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.

Since the release of MUJI, we have continued to promote our Pleasant Life concept to people around the world by continuing to pursue to our goal of delivering products and services that take into consideration the needs of consumers and producers. 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.

In addition, we have introduced examples of 100 good things on our website.

This is a compilation of many initiatives (=100) undertaken by employees at every level, based on the aforementioned values, as well as their efforts to contribute to consumers and the society at large.

### Three Promises for Corporate Operation

1. Take the challenges of 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 Criteria for Product Development

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

### Three Viewpoints 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

**Presenting our vision of a Pleasant Life**

<http://ryohin-keikaku.jp/eng/csr/>



## 100 Good Things

Introduce examples of 100 good things, including many initiatives (= 100) and actions in which we contribute to consumers and society.

Waste  
Elimination

Conservation  
of Natural  
Resources

Safety &  
Security

Respect &  
Harmony

Global  
Warming

<http://ryohin-keikaku.jp/csr/list/>



## MUJI Lab

### IDEA PARK, incorporating the customers voice into manufacturing

In January 2014, we established the IDEA PARK at the MUJI Lab. The goal is to strengthen our structure to better incorporate the voice of our customers into manufacturing. We believe that communicating with customers to deepen our mutual understanding is very important. We are never satisfied with our current level of manufacturing so we constantly and sincerely listen to what our customers have to say. We carry out manufacturing while maintaining dialogue with our customers. At the same time, we convey the concepts and ideas behind MUJI. IDEA PARK gathers opinions and requests from customers, openly discloses responses, and aims to share information with as many customers as possible.

**IDEA PARK** <http://idea.muji.net/>



### Kamogawa, Chiba Rice planting and New Year's decoration

MUJI Lab is examining how to link urban and rural lifestyles. The terraced rice fields in Kamogawa, Chiba has become difficult to maintain as farmers grow older. However, by enlisting the cooperation of urbanites, the natural environment, traditional lifestyle, and the undeveloped woodland area, where people and nature can coexist, can be passed on to future generations. Driven by this goal, in 2014 we teamed up with NPO Uzu and conducted an event where people could experience farming first hand. This included planting rice, weeding, and harvesting the rice. We became the owner of 100 square meters of a natural terraced rice field (which relies solely on rain water) in Kamogawa. We implemented an environmentally-friendly, organic farming method (pesticide-free, non-chemical fertilizer cultivation method). As the final part of this year-long event, we used the rice straw to make shimenawa, a knitted rope that is used to decorate doorways during the New Year holiday. We used all natural materials to make the shimenawa, including the heavenly bamboo and Manila hemp, which is shredded thinly to tie the rice straw together.

**Various countries and regions—Kamogawa, Chiba  
Satoyama, a sculpture of life**

<http://www.muji.net/lab/blog/kamogawa/>

# Analysis of Operating Results and Cash Flows

Annual Report 2015  
2014.03.01–2015.02.28

## Business performance analysis for FY2015

### 1. Net sales and operating profit before S.G.A.

In FY2015, we posted net sales of 259,655 million yen, a growth of 39,626 million yen or 18.0% YOY.

The growth in sales mainly reflects the increase in the number of MUJI stores in Japan (16 new stores), a growth in online store sales, and the addition of stores overseas (46 new stores).

Moreover, operating profit before S.G.A. totaled 122,831 million yen, an increase of 21,166 million yen versus a year earlier.

### 2. Selling, general and administrative expenses and operating profit

We recorded selling, general and administrative expenses of 98,984 million yen in FY2015. This was an increase of 18,235 million yen or 22.6% in contrast with the previous fiscal year. Reflecting this performance, our gross profit margin stood at 38.1%, an improvement of 1.4 points.

In light of this, we booked operating profit of 23,846 million yen, an increase of 2,930 million yen, versus a year earlier.

### 3. Non-operating income/expenses and ordinary profit

We posted non-operating income of 2,855 million yen, an increase of 672 million yen in comparison with the previous fiscal year. This was mainly attributable to an increase in foreign exchange gains of 1,361 million yen. Meanwhile, non-operating expense came to 100 million yen, a rise of 49 million yen.

Accordingly, our ordinary profit totaled 26,602 million yen, a growth of 3,554 million yen versus the previous fiscal year.

### 4. Extraordinary income/losses and net income

In FY2015, we booked extraordinary income of 475 million yen, a decrease of 3,252 million yen YOY. This is primarily attributable to the posting of a gain of 3,540 million yen owing to a step acquisition to convert MUJI Taiwan Co., Ltd. into a wholly-owned subsidiary in the previous fiscal year. Meanwhile, extraordinary losses came to 583 million yen, a decline of 188 million yen.

Reflecting this, we recorded income before income taxes of 26,494 million yen, an increase of 490 million yen in contrast with a year earlier. Net income totaled 16,623 million yen, a contraction of 472 million yen. Accordingly, our net income per share was 627.54 yen, down from 644.60 yen.

### 5. Cash flow trends

Cash and cash equivalents at the end of the fiscal year under review stood at 30,464 million yen, an increase of 5,463 million yen versus the end of the previous fiscal year. This mainly reflects sales activities, investing activities, including new store openings, and financing activities.

#### ■ Cash flows from operating activities

Net cash provided by operating activities totaled 14,619 million yen, a decline of 497 million yen versus a year earlier. The main positive factors were income before income taxes, which totaled 26,494 million yen and depreciation of 4,076 million yen.

The main factors that detracted from net cash were an increase in inventories of 12,400 million yen, and income tax paid of 8,930 million yen.

#### ■ Cash flows from investment activities

Net cash used in investment activities totaled 22,193 million yen, which was 4,351 million yen higher than in the previous fiscal year.

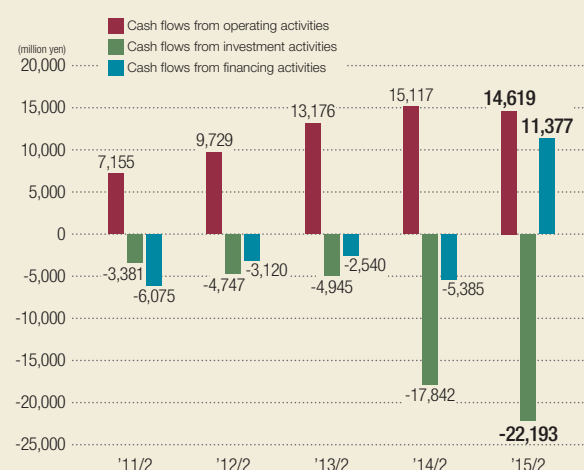
This mainly reflects an outflow of 16,490 million yen owing to the acquisition of property, plant and equipment, including stores and distribution centers, a payment of 1,684 million yen, including lease deposits for stores, and the purchase of intangible fixed assets of 2,196 million yen.

#### ■ Cash flows from financing activities

Net cash provided by financing activities totaled 11,377 million yen, as opposed to an outflow of 5,385 million yen in the previous year.

This mainly reflects proceeds from short-term and long-term loans payable of 15,771 million yen, and cash dividends paid of 4,384 million yen.

Cash flow trends



# Consolidated balance sheets

Annual Report 2015  
2014.03.01-2015.02.28

(Unit: Million yen)

	Previous consolidated fiscal year (February 28, 2014)	Current consolidated fiscal year (February 28, 2015)
Assets		
Current assets		
Cash and deposits	25,206	33,044
Notes and accounts receivable - trade	6,965	8,879
Securities	20	—
Merchandise	36,602	51,924
Work in process	232	105
Supplies	14	52
Deferred tax assets	957	2,089
Accounts receivable - other	4,933	7,943
Other	2,366	2,286
Allowance for doubtful accounts	(7)	(9)
Total current assets	77,290	106,316
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,338	39,975
Accumulated depreciation	(13,945)	(15,358)
Buildings and structures, net	11,392	24,617
Machinery, equipment and vehicles	2,105	3,422
Accumulated depreciation	(1,434)	(1,228)
Machinery, equipment and vehicles, net	671	2,194
Tools, furniture and fixtures	12,391	15,242
Accumulated depreciation	(8,429)	(9,114)
Tools, furniture and fixtures, net	3,962	6,128
Land	1,350	1,891
Leased assets	46	51
Accumulated depreciation	(42)	(49)
Leased assets, net	4	2
Construction in progress	4,797	417
Total property, plant and equipment	22,178	35,252
Intangible assets		
Goodwill	7,619	7,413
Other	4,764	6,157
Total intangible assets	12,383	13,570
Investments and other assets		
Investment securities	12,183	12,918
Deferred tax assets	145	242
Lease and guarantee deposits	15,595	15,684
Other	609	3,168
Allowance for doubtful accounts	(155)	(206)
Total investments and other assets	28,376	31,807
Total non-current assets	62,939	80,631
Total assets	140,229	186,947

(Unit: Million yen)

	Previous consolidated fiscal year (February 28, 2014)	Current consolidated fiscal year (February 28, 2015)
Liabilities		
Current liabilities		
Accounts payable - trade	12,752	21,562
Short-term loans payable	190	4,505
Current portion of long-term loans payable	—	500
Accrued expenses	4,803	5,436
Income taxes payable	4,017	4,391
Provision for bonuses	635	955
Provision for directors' bonuses	74	81
Provision for sales returns	64	96
Provision for point card certificates	39	52
Provision for loss on store closing	32	—
Other	4,254	4,821
Total current liabilities	26,865	42,404
Non-current liabilities		
Long-term loans payable	1,150	11,692
Deferred tax liabilities	202	2,664
Provision for directors' retirement benefits	109	109
ProvisionForLossOnNonCancellableLeasing	46	105
Other	842	1,301
Total non-current liabilities	2,349	15,872
Total liabilities	29,214	58,276
Net assets		
Shareholders' equity		
Capital stock	6,766	6,766
Capital surplus	10,825	10,825
Retained earnings	93,845	106,084
Treasury shares	(7,578)	(7,174)
Total shareholders' equity	103,858	116,501
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,641	2,739
Foreign currency translation adjustment	2,291	5,978
Total accumulated other comprehensive income	3,933	8,718
Subscription rights to shares	345	408
Minority interests	2,876	3,042
Total net assets	111,015	128,670
Total liabilities and net assets	140,229	186,947

# Consolidated income statements

Annual Report 2015  
2014.03.01–2015.02.28

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2013 – February 28, 2014)	Current consolidated fiscal year (March 1, 2014 – February 28, 2015)
Net sales	220,029	259,655
Cost of sales	118,955	137,423
Gross profit	101,074	122,232
Operating revenue	590	599
Operating gross profit	101,665	122,831
Selling, general and administrative expenses		
Advertising expenses	3,261	4,276
DeliveryAndFreightExpense	8,664	10,731
Employees' salaries and bonuses	22,099	27,254
Provision for directors' bonuses	60	81
Leasehold and office rents	22,597	26,990
Depreciation	4,179	4,887
Provision for point card certificates	39	13
Other	19,847	24,748
Total selling, general and administrative expenses	80,749	98,984
Operating income	20,916	23,846
Non-operating income		
Interest income	55	91
Dividend income	313	279
Foreign exchange gains	813	2,174
Co-sponsor fee	68	92
Share of profit of entities accounted for using equity method	424	—
Other	506	216
Total non-operating income	2,182	2,855
Non-operating expenses		
Interest expenses	20	35
Commission for purchase of treasury shares	23	0
Commission fee	—	49
Other	6	15
Total non-operating expenses	50	100
Ordinary income	23,047	26,602
Extraordinary income		
Gain on sales of investment securities	—	236
Gain on sales of non-current assets	—	168
Settlement received	186	—
Reversal of Oneroue(loss-making)contract	—	47
Gain on step acquisitions	3,540	—
Other	—	23
Total extraordinary income	3,727	475

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2013 – February 28, 2014)	Current consolidated fiscal year (March 1, 2014 – February 28, 2015)
Extraordinary losses		
Impairment loss	356	285
Loss on retirement of non-current assets	308	180
Provision for loss on store closing	19	—
Settlement package	88	—
Provision for Onerous(loss-making)contract	—	92
Other	—	24
Total extraordinary losses	772	583
Income before income taxes and minority interests	26,003	26,494
Income taxes - current	8,089	9,142
Income taxes - deferred	705	707
Total income taxes	8,794	9,850
Income before minority interests	17,208	16,643
Minority interests in income	111	19
Net income	17,096	16,623

# Consolidated statements of changes in net assets

Annual Report 2015  
2014.03.01–2015.02.28

Current consolidated fiscal year (March 1, 2014 – February 28, 2015)

(Unit: Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,766	10,825	93,845	(7,578)	103,858
Changes of items during period					
Dividends of surplus			(4,384)		(4,384)
Net income			16,623		16,623
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		404	404
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	12,239	403	12,643
Balance at end of current period	6,766	10,825	106,084	(7,174)	116,501

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	1,641	2,291	3,933	345	2,876	111,015
Changes of items during period						
Dividends of surplus						(4,384)
Net income						16,623
Purchase of treasury shares						(0)
Disposal of treasury shares						404
Net changes of items other than shareholders' equity	1,097	3,687	4,784	62	165	5,012
Total changes of items during period	1,097	3,687	4,784	62	165	17,655
Balance at end of current period	2,739	5,978	8,718	408	3,042	128,670



# Consolidated cash flow statements

Annual Report 2015  
2014.03.01–2015.02.28

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2013 – February 28, 2014)	Current consolidated fiscal year (March 1, 2014 – February 28, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	26,003	26,494
Depreciation	3,530	4,076
AmortizationOfSogwareAndOthers	804	1,002
Amortization of goodwill	14	771
Increase (decrease) in allowance for doubtful accounts	(6)	48
Increase (decrease) in provision for directors' bonuses	(4)	7
Increase (decrease) in provision for loss on store closing	13	(32)
IncreaseDecreaseInProvisionForLossOn NoncancellableLeasing	(4)	58
Increase (decrease) in provision for sales returns	18	31
Interest and dividend income	(369)	(371)
Interest expenses	20	35
Foreign exchange losses (gains)	(156)	(537)
Loss (gain) on sales of investment securities	—	(236)
Share of (profit) loss of entities accounted for using equity method	(424)	—
Loss (gain) on step acquisitions	(3,540)	—
Loss on retirement of non-current assets	311	192
Impairment loss	356	285
Decrease (increase) in notes and accounts receivable - trade	1,178	(2,854)
Decrease (increase) in inventories	(5,271)	(12,400)
Increase (decrease) in notes and accounts payable - trade	487	7,338
Decrease (increase) in other assets	(307)	(1,457)
Increase (decrease) in other liabilities	641	876
SubscriptionRightsToShares	65	65
Other, net	1	(183)
Subtotal	23,364	23,213
Interest and dividend income received	466	371
Interest expenses paid	(23)	(34)
Income taxes paid	(8,690)	(8,930)
Net cash provided by (used in) operating activities	15,117	14,619
Cash flows from investing activities		
Payments into time deposits	(179)	(2,068)
Proceeds from withdrawal of time deposits	126	13
Purchase of property, plant and equipment	(10,474)	(16,490)
PurchaseOfLeasehold Rights,LeasedepositsAndOthers	(1,275)	(1,684)
CollectionOfLeasedepositsAndOthers	1,111	1,430
Purchase of intangible assets	(1,346)	(2,196)
Proceeds from sales of investment securities	—	1,206
Purchase of shares of subsidiaries and associates	(609)	—
Purchase of newly consolidated subsidiaries	(4,917)	—
Other, net	(277)	(2,404)
Net cash provided by (used in) investing activities	(17,842)	(22,193)

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2013 – February 28, 2014)	Current consolidated fiscal year (March 1, 2014 – February 28, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(280)	4,271
Proceeds from long-term loans payable	1,150	11,500
Repayments of long-term loans payable	—	(457)
Repayments of lease obligations	(0)	—
Proceeds from share issuance to minority shareholders	230	31
Proceeds from sales of treasury shares	0	447
Purchase of treasury shares	(3,026)	(0)
Cash dividends paid	(3,458)	(4,384)
Cash dividends paid to minority shareholders	—	(31)
Net cash provided by (used in) financing activities	(5,385)	11,377
Effect of exchange rate change on cash and cash equivalents	1,714	1,660
Net increase (decrease) in cash and cash equivalents	(6,396)	5,463
Cash and cash equivalents at beginning of period	31,397	25,001
Cash and cash equivalents at end of period	25,001	30,464

# Corporate Information

Annual Report 2015  
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<b>Company name</b>	RYOHIN KEIKAKU CO., LTD.	
<b>Location</b>	4-26-3 Higashi-Ikebukuro, Toshima-ku, Tokyo, 170-8424	
<b>Establishment</b>	June 1989 (registration: May 1979)	
<b>Capital</b>	¥6,766,250,000	
<b>Accounts settlement date</b>	Last day of February every year	
<b>Major business</b>	Operation of exclusive MUJI stores / product planning / development / production / wholesale / retail	
<b>Management</b>	Chairman and Representative Director	Masaaki Kanai
	President and Representative Director	Satoru Matsuzaki
	Managing Director	Takashi Komori
	Director	Kei Suzuki
	Director	Satoshi Okazaki
	Director	Yuki Yamamoto
	Director	Satoshi Shimizu
	Outside Director	Hisashi Sakamaki
	Outside Director	Isao Endo
	Outside Director	Toshiaki Ito
	Corporate Auditor (full-time)	Takafumi Makita
	Corporate Auditor	Hitoshi Matsui
	Corporate Auditor	Masaru Hattori
	Corporate Auditor	Kuniaki Hara
	Senior Executive Officer	Tetsuo Kameya
	Executive Officer	Hiroto Oki
	Executive Officer	Yumiko Hagiwara
	Executive Officer	Kenji Takeuchi
	Executive Officer	Yoji Saito
	Executive Officer	Shoichi Saito (As of June 1, 2015)
<b>Advisory Board</b>	Advisor	Kazuko Koike
	Advisor	Takashi Sugimoto
	Advisor	Kenya Hara
	Advisor	Naoto Fukasawa (As of June 1, 2015)

# Group Companies

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2014.03.01–2015.02.28

## RK TRUCKS CO., LTD.



Address : Toshima-ku, Tokyo  
Establishment : March 1993  
Primary business : Distribution

## MUJI HOUSE CO., LTD.



Address : Toshima-ku, Tokyo  
Establishment : May 2000  
Primary business : Retailing of living space project  
Mujirushi Ryohin no ie products

## IDÉE CO., LTD.



Address : Toshima-ku, Tokyo  
Establishment : August 2006  
Primary business : Planning, manufacturing and retailing  
of furniture, interior goods, etc.

## MUJI EUROPE HOLDINGS LIMITED



Address : London, U.K.  
Establishment : January 2007  
Primary business : Oversight of European region  
business

## RYOHIN KEIKAKU EUROPE LTD.



Address : London, U.K.  
Establishment : March 1994  
Primary business : Retailing of MUJI products

## RYOHIN KEIKAKU FRANCE S.A.S.



Address : Paris, France  
Establishment : April 1998  
Primary business : Retailing of MUJI products

## MUJI ITALIA S.p.A.



Address : Milan, Italy  
Establishment : September 2004  
Primary business : Retailing of MUJI products

## MUJI Deutschland GmbH



Address : Düsseldorf, Germany  
Establishment : July 2005  
Primary business : Retailing of MUJI products

## MUJI U.S.A. LIMITED



Address : New York, U.S.A.  
Establishment : October 2006  
Primary business : Retailing of MUJI products

## MUJI CANADA LIMITED



Address : Toronto, Canada  
Establishment : April 2014  
Primary business : Retailing of MUJI products

## MUJI (HONG KONG) CO., LTD.



Address : Hong Kong, China  
Establishment : March 2001  
Primary business : Retailing of MUJI products

## MUJI (SINGAPORE) PRIVATE LTD.



Address : Singapore  
Establishment : January 2003  
Primary business : Retailing of MUJI products

## MUJI (MALAYSIA) SDN. BHD.



Address : Kuala Lumpur, Malaysia  
Establishment : October 2011  
Primary business : Retailing of MUJI products

## MUJI Korea Co., Ltd.



Address : Seoul, South Korea  
Establishment : December 2004  
Primary business : Retailing of MUJI products

## MUJI (SHANGHAI) CO., LTD.



Address : Shanghai, China  
Establishment : May 2005  
Primary business : Retailing of MUJI products

## MUJI TAIWAN CO., LTD.



Address : Taipei, Taiwan  
Establishment : August 2003  
Primary business : Retailing of MUJI products

## MUJI Retail (Thailand) Co., Ltd.



Address : Bangkok, Thailand  
Establishment : November 2012  
Primary business : Retailing of MUJI products

## MUJI RETAIL (AUSTRALIA) PTY LTD



Address : Melbourne, Australia  
Establishment : March 2013  
Primary business : Retailing of MUJI products

## MUJI Global Sourcing Private Limited



Address : Singapore  
Establishment : April 2006  
Primary business : Product development,  
procurement, import and export

## MGS (SHANGHAI) TRADING CO., LTD.



Address : Shanghai, China  
Establishment : October 2009  
Primary business : Product development, procurement  
and wholesale in China

# History

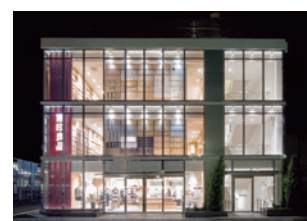
Annual Report 2015  
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MUJI was established in December 1980 as a private brand of The Seiyu, Ltd. with 40 products, and has grown into a brand with more than 7,000 products today. Ryohin Keikaku Co., Ltd. was established as an independent company from The Seiyu, Ltd. in 1989. As a manufacturer/retailer, it plans, develops, manufactures, distributes and sells the MUJI brand for all aspects of life, including clothing, household articles and food products.

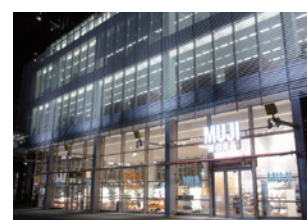
<b>1980</b>	MUJI established as a private brand of The Seiyu, Ltd. (household articles: 9, food products: 31).
<b>1981</b>	Started selling clothes.
<b>1982</b>	Started wholesaling to partner stores.
<b>1983</b>	Opened the first directly managed store, "MUJI Aoyama" (103 sq m).
<b>1984</b>	Opened outlets inside large Seiyu stores.
<b>1985</b>	Established MUJI Business Department.
<b>1986</b>	Started overseas production and procurement (comprehensive production in overseas countries).
<b>1987</b>	Accumulated know-how of overseas production and procurement including factory direct orders and original distribution channels.
<b>1988</b>	Developed materials globally.
<b>1989</b>	Established RYOHIN KEIKAKU CO., LTD. (capital: 100 million yen).
<b>1990</b>	MUJI business transferred from The Seiyu, Ltd.
<b>1991</b>	Opened the first overseas store in London (a partnership with Liberty & Co.).
<b>1992</b>	Started Blue MUJI for products with further enhanced quality.
<b>1993</b>	Established RK TRUCKS CO., LTD.; opened large one-floor store, "MUJI Lalaport."
<b>1994</b>	Established RYOHIN KEIKAKU EUROPE LTD.; opened Niigata Logistics Center.
<b>1995</b>	Opened first store in Singapore (closed down in 1998); opened "MUJI Tsunan Campsite;" Company shares registered on the over-the-counter market.
<b>1996</b>	Increased capital to ¥6,766.25 million; opened Fukuoka Logistics Center.
<b>1997</b>	Obtained ISO9001 certification.
<b>1998</b>	Listed on the second section of the Tokyo Stock Exchange; opened Kobe Logistics Center and Urayasu Logistics Center.
<b>1999</b>	Started com KIOSK business (operated by JR East Retail Net Co., Ltd.).
<b>2000</b>	Promoted to listing on the first section of the Tokyo Stock Exchange; established MUJI.net Co., Ltd.
<b>2001</b>	Opened MUJI (HONG KONG) CO., LTD.; opened MUJI Yurakucho and MUJI Namba stores.
<b>2002</b>	Opened first store in Ireland.
<b>2003</b>	Opened first store in Korea; started living space project Mujirushi Ryohin no ie.
<b>2004</b>	Opened first store in Taiwan; opened MUJI Tsumagoi Campground; opened Mujirushi Ryohin no ie Yurakucho; opened first store in Italy.
<b>2005</b>	Opened first store on Chinese mainland (Shanghai) and first store in Germany.
<b>2006</b>	Established MUJI Global Sourcing Private Limited in Singapore; opened first store in Spain; took over the business of IDÉE CO., LTD.
<b>2007</b>	Established subsidiary MUJI EUROPE HOLDINGS LIMITED to oversee European operations; opened MUJI Tokyo Midtown and first U.S.A. directly managed store.
<b>2008</b>	Opened MUJI to GO Hong Kong International Airport; opened U.S.A. flagship store MUJI Times Square; opened MUJI Shinjuku.
<b>2009</b>	Relocated and updated MUJI Ikebukuro Seibu; opened first store in Indonesia.
<b>2010</b>	Opened first store in Poland; 30th anniversary of MUJI; opened first store in Portugal.
<b>2011</b>	Opened Café&Meal MUJI Minami Aoyama; updated Mujirushi Ryohin Yurakucho and MUJI Canal City Hakata; established MUJI (MALAYSIA) SDN. BHD.; opened Found MUJI Aoyama.
<b>2012</b>	Opened first store in Malaysia; established MUJI Retail (Thailand) Co., Ltd.
<b>2013</b>	Opened first store in Kuwait; opened MUJI Grand Front Osaka; opened first store in Australia.
<b>2014</b>	Opened first store in Canada; Hatoyama Center; and MUJI Sino-Ocean Taikoo Li Chengdu, a global flagship store.



Forty debut items



Mujirushi Ryohin Shimokitazawa



MUJI Times Square



MUJI Yurakucho



MUJI Grand Front Osaka



MUJI Sino-Ocean Taikoo Li Chengdu