

# Annual Report

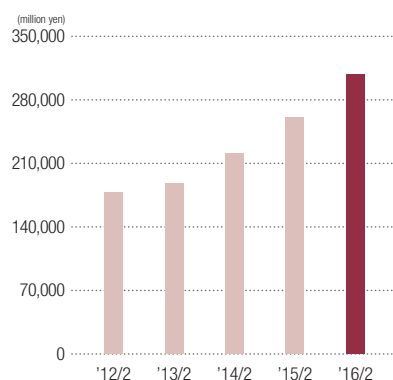
**RYOHIN KEIKAKU CO., LTD.**

# Financial Highlights

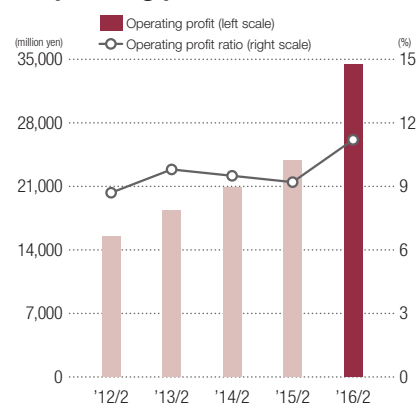
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	2012/2	2013/2	2014/2	2015/2	2016/2
<b>1 Revenue from operations</b> (million yen)	178,186	188,350	220,620	260,254	<b>307,532</b>
<b>2 Operating profit</b> (million yen)	15,438	18,351	20,916	23,846	<b>34,439</b>
<b>2 Operating profit ratio</b> (%)	8.7	9.8	9.5	9.2	<b>11.2</b>
<b>3 Ordinary profit</b> (million yen)	16,135	19,760	23,047	26,602	<b>32,700</b>
<b>3 Ordinary profit ratio</b> (%)	9.1	10.5	10.5	10.2	<b>10.6</b>
<b>4 Net income</b> (million yen)	8,850	10,970	17,096	16,623	<b>21,718</b>
<b>4 Net income ratio</b> (%)	5.0	5.8	7.8	6.4	<b>7.1</b>
Net assets per share (yen)	3,055.61	3,488.03	4,071.86	4,723.72	<b>5,247.93</b>
Net income per share (yen)	330.35	409.45	644.60	627.54	<b>818.44</b>
<b>5 Total assets</b> (million yen)	102,293	119,360	140,229	186,947	<b>200,919</b>
<b>5 Net assets</b> (million yen)	83,528	96,050	111,015	128,670	<b>143,173</b>
<b>5 Capital adequacy ratio</b> (%)	80.0	78.3	76.9	67.0	<b>69.4</b>
<b>6 Return on equity (ROE)</b> (%)	11.1	12.5	17.0	14.3	<b>16.4</b>
Return on assets (ROA) (%)	16.2	17.8	17.8	16.3	<b>16.9</b>
Number of employees	2,734	3,069	4,101	4,795	<b>5,653</b>

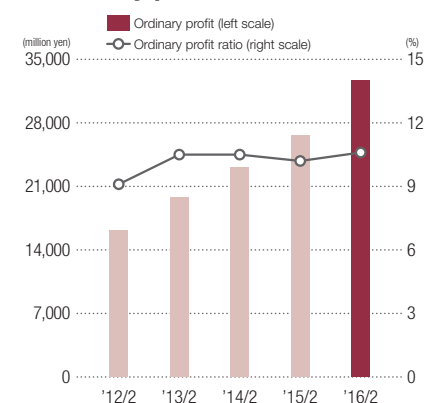
## 1 Revenue from operations



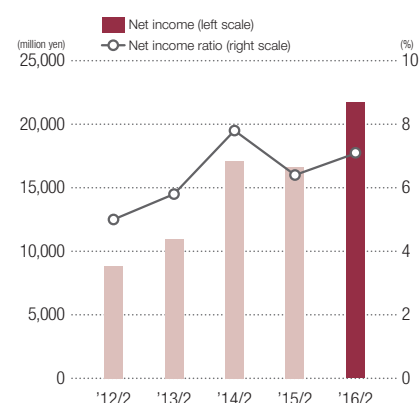
## 2 Operating profit and operating profit ratio



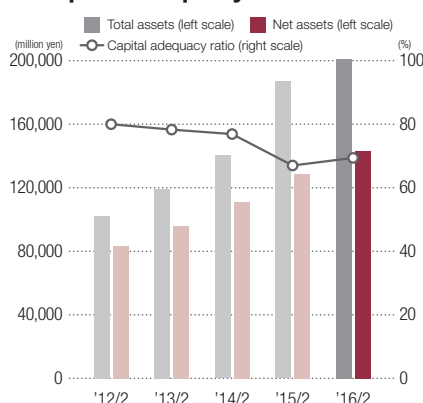
## 3 Ordinary profit and ordinary profit ratio



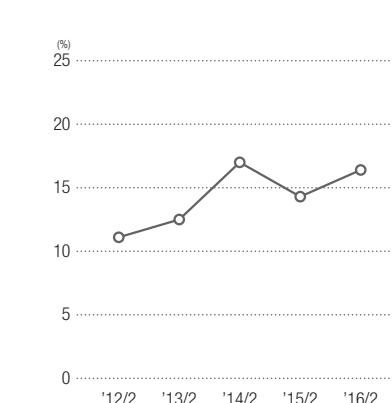
## 4 Net income and net income ratio



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



## 6 Return on equity (ROE)



# Message from the President

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2015.03.01–2016.02.29

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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 Matayoshi*

President and Representative Director

I would like to begin by expressing my deep appreciation to our shareholders for their valued support and patronage.

We made great strides in FY2015, touching record highs for consolidated revenue from operations and operating profit. We posted revenue from operations of 307,532 million yen, a growth of 18.2% YOY, and operating profit of 34,439 million yen, an increase of 44.4%. In light of this, we realized our medium-term management plan goal for FY2016 revenue from operations of 300,000 million (which includes overseas sales of 100,000 million yen) a year earlier than planned. We also target ordinary profit of 35,000 million yen and an ROE of 15% or higher in our medium-term management plan.

During FY2015, performance trended steadily in the domestic business reflecting contribution from sales of accessories, such as stationery and health & beauty items, and a sharp growth in sales in the living space category, which includes unit shelves and a sofa that fits to one's body contour. We believe this reflects benefits from improved customer service capabilities owing to the establishment of the interior advisors system, and demand from inbound tourists visiting Japan, which increased owing mainly to the duty-free sales service we introduced at 64 stores nationwide. In addition, we also made steady progress in the unveiling of new sales floors, including the complete renewal of MUJI Yurakucho and renovations to other stores.

Meanwhile, performance continued to trend favorably in the overseas business. We considerably enhanced consumer recognition of MUJI by opening large stores in major cities globally which showcase MUJI's lifestyle and world-view. We opened MUJI Shanghai Huaihai 755, our largest flagship store in China, MUJI Fifth Avenue in the US, and MUJI PARAGON in Singapore. We now have 160 stores in China, which is adding impetus to our net sales and profits.

In FY2016, our objective as a sustainable global company is to continue contributing to society by delivering products and services which are trusted by consumers around the world. I ask you for your continual support as we move forward.

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

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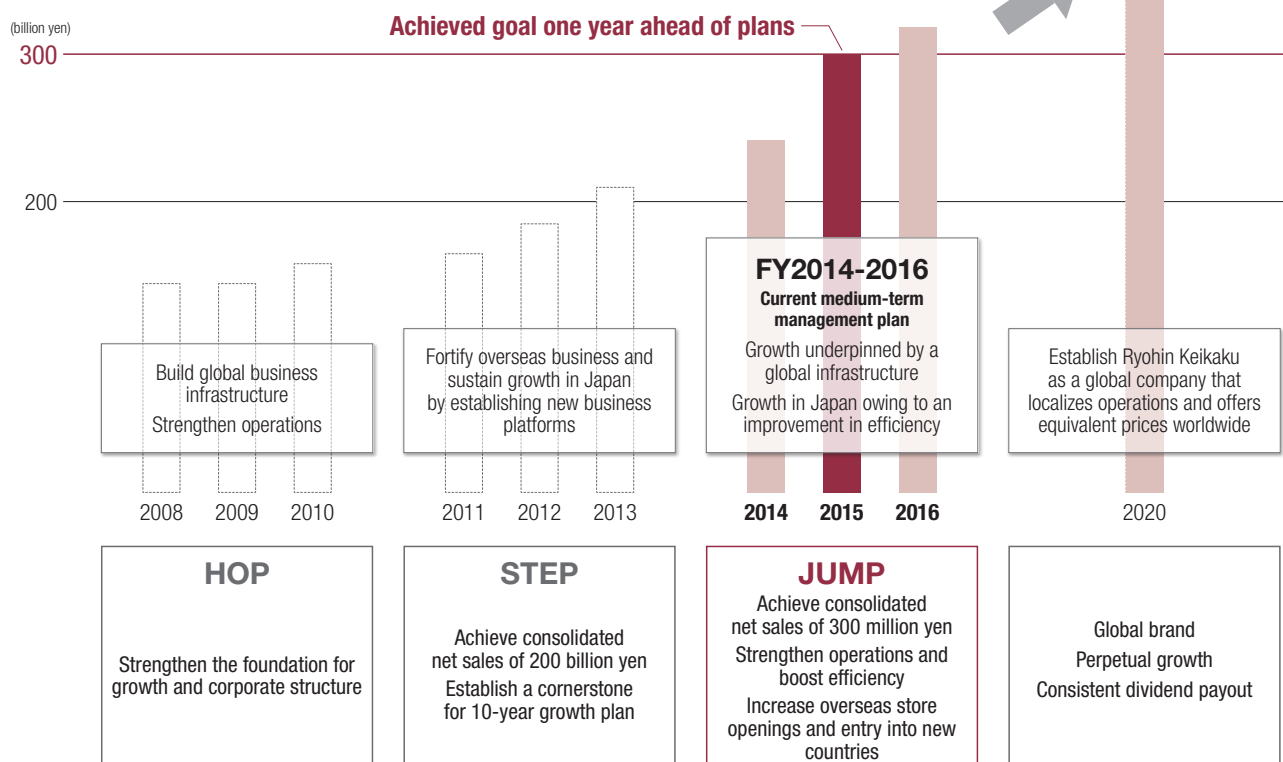
## Basic policy

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.

## Medium-term management plan: Numerical goals and achievements

Numerical goals for the end of FY2016	Initial goals	Revised goals	Evaluation	
Net sales	300 billion yen	336.3 billion yen	◎	Achieved goal in FY2015 owing to rise in percentage of sales in overseas business to total consolidated sales and depreciation in the yen's value against major currencies
Portion of overseas sales	100 billion yen	119.1 billion yen	◎	In the East Asia business, achieved goals in FY2015 owing to smooth progress in store openings in China
Ordinary profit	35 billion yen	38 billion yen	○	Improve in gross profit margin in overseas business offset negative impact in Japan from depreciation in yen's value
ROE	15 %-plus	15 %-plus	○	Within reach given expectations of ongoing double-digit profit growth in and after FY2017
Global network	888 stores	832 stores	×	Although store openings in Japan were on target, the net increase was 12 stores due to the closure of Seiyu. Abroad, we underperformed our store opening target reflecting store closures due to the reorganization of the Europe business and delayed entry into new countries

## Position 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)

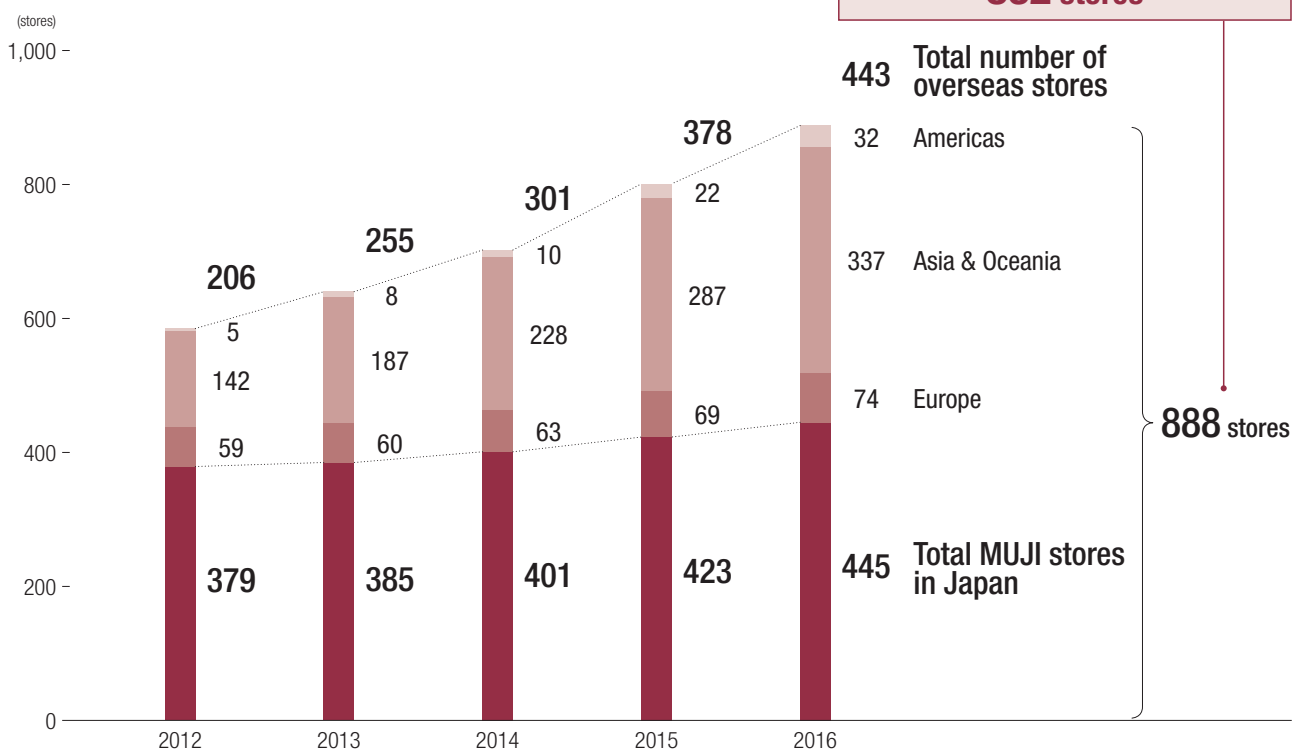
## 3 Further growth in the overseas business

- ▶ 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

### 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

#### Ratio of “Kodawaritaine” sales down 1.7 points versus a year earlier

Segment	Kodawaritaine (High value-added product group)					
	No. of items	YOY change in sales breakdown	% of net sales	YOY	Unit price	YOY
Clothing and sundries	800	− 5.3	52.0%	− 3.5	3,028	+ 119
Housewares	1,960	+ 2.4	41.9%	+ 0.3	1,345	+ 70
Food	235	+ 4.0	52.3%	+ 0.2	255	− 28
Total	2,995	+ 0.4	45.9%	− 1.7	1,118	− 25

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

		Clothing and sundries	Housewares	Food	Total
2H 2015	% of net sales for product category	49.1%	51.7%	54.4%	51.0%
1H 2016	No. of items	365	1,003	145	1,513
	% of net sales for product category	59.3%	52.1%	56.3%	55.1%

- In the “Kodawaritaine” category, the sales ratio stood at 45.9%, down 1.7 points in contrast with the previous year, due to a reduction in the number of items for the fall/winter clothing and sundries lineup and an increase in markdowns

### 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).

#### The changeover to “new environment” sales floor enhanced the charm and appeal of sales floor development

Introduction of “new environment” sales floor	FY2013	FY2014	FY2015	FY2016 plan
New stores with “new environment” sales floor	9 stores	26 stores	42 stores	28 stores
Renovations featuring new sales floor environments	15 stores	26 stores	20 stores	49 stores
Number of domestic stores	385 stores	401 stores	414 stores	427 stores
Ratio of domestic stores with “new environment” sales floor	9%	22%	36%	51%
New stores	57 stores	56 stores	50 stores	65 stores
Renovations featuring new sales floor environments	0 stores	9 stores	12 stores	13 stores
Number of overseas stores	255 stores	301 stores	344 stores	403 stores
Ratio of overseas stores with new sales floor environments	22%	41%	54%	63%
Ratio of total domestic and overseas stores with new sales floor environments	14%	29%	44%	57%

## 3 Good information

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

### Improving sales techniques used in stores (training specialized sales staff)

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



		FY2013	FY2014	FY2015
Number of specialized sales staff in Japan	IA (Interior advisors)	79	88	87
	SA (Styling advisors)	32	48	35
	TA (Tasting advisors)	0	53	145

➔ Gap between change in the number of specialized sales staff at stores YOY and the change in the number of specialized sales staff at existing stores **IA: +7.5%, SA: +12.0%, TA: +3.1%**

### Unveiled a “MUJI passport” for the China and Taiwan markets

**Japan** : • Launched in May 2013; total of 6.1 million downloads (as of the end of February 2016)

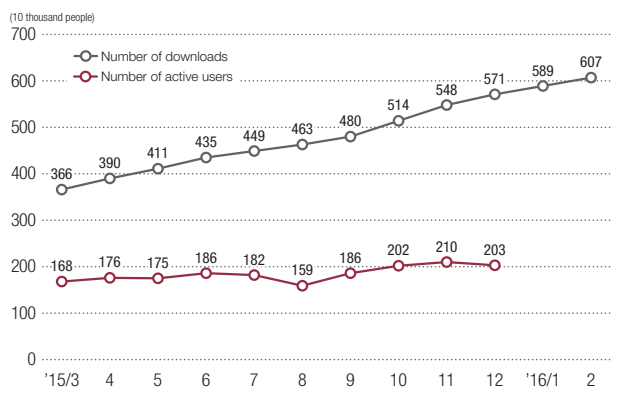
**Overseas** : • Rolled out services in China in May 2015 and in Taiwan in December 2015

App downloads stood at 2.5 million in China and 170,000 in Taiwan (as of the end of February 2016)

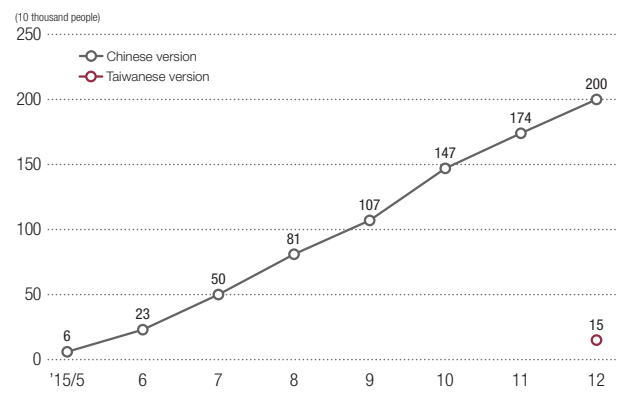
- Development of versions in various Asian languages underway in preparation for release in the Asia region.
- Develop for markets in the US and Europe scheduled for FY2017 and thereafter

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

#### Japanese version



#### Chinese and Taiwanese versions

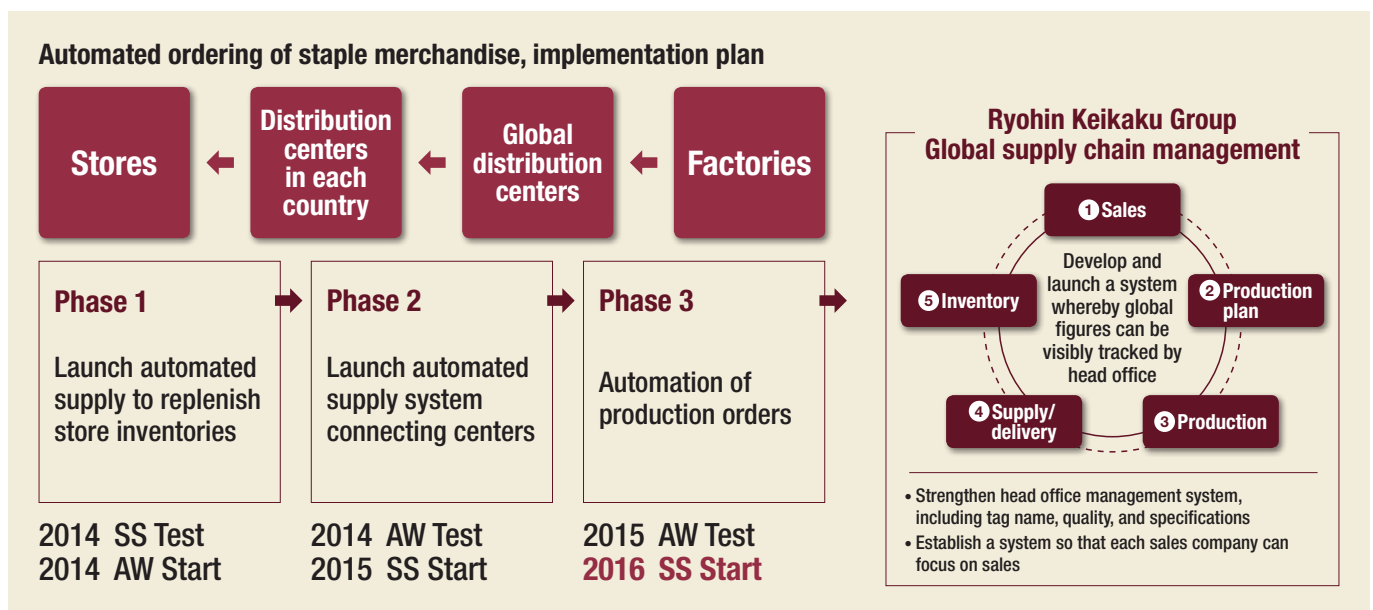




## 4 Building an infrastructure

- 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**

- In 2H 2015, started automated ordering for stores in Taiwan and the US. This completes implementation at all stores



#### ► Phase 2:

**Launch automated supply system connecting centers**

- Stable operations in apparel and housewares
- Boost precision and instill operations by using a checklist that makes operations transparent in each country



#### ► Phase 3:

**Automation of production orders**

- Launched pilot program in housewares (February 2016); Underway after a delay of several months



➡ **We aim to boost precision in accordance with indicators and sales volume of products being deployed in each country**



# Business Segment Overview 1

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## Status of stores, by region (as of February 29, 2016)

### ► Stores in Japan

Directly managed stores .....	312
Licensed stores/Stores in Seiyu outlets .....	102
Total .....	414

### ► Camp sites

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

### ► Distribution centers

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

### ► Stores outside Japan

#### ■ East Asia

China .....	160
Hong Kong .....	15
Taiwan .....	38
Korea .....	14

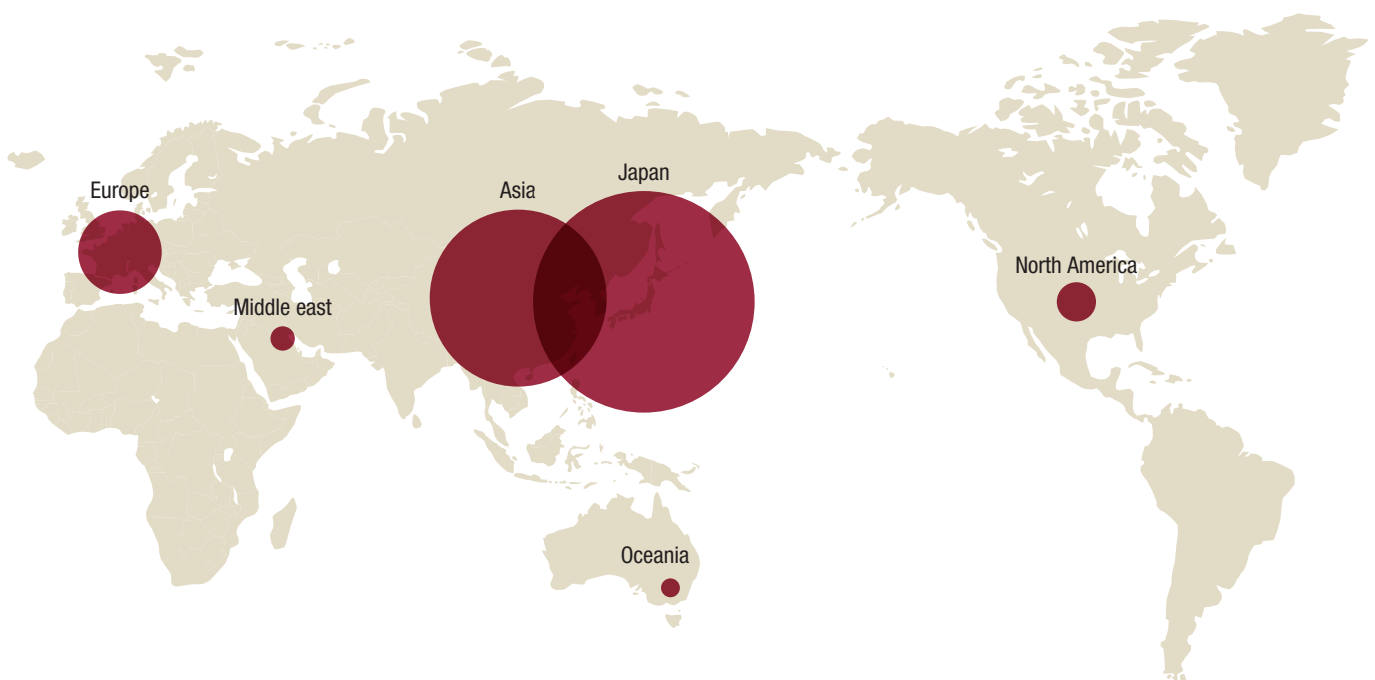
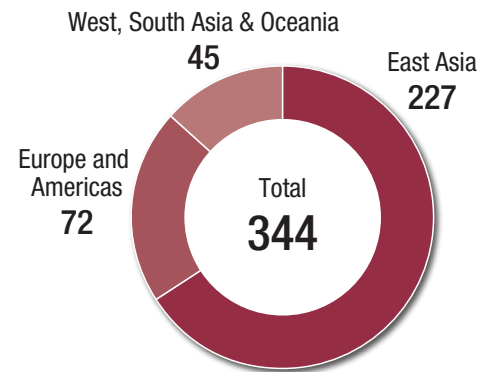
#### ■ West, South Asia & Oceania

Singapore .....	9
Malaysia .....	5
Thailand .....	13
Indonesia .....	3
Philippines .....	7
Kuwait .....	2
UAE .....	3
Australia .....	3

#### ■ Europe and Americas

United Kingdom .....	12
France .....	9
Italy .....	11
Germany .....	8
Spain .....	6
Portugal .....	1
Ireland .....	1
Sweden .....	8
Norway .....	2
Turkey .....	2
Poland .....	1
U.S.A. ....	9
Canada .....	2

### ► Breakdown of overseas stores



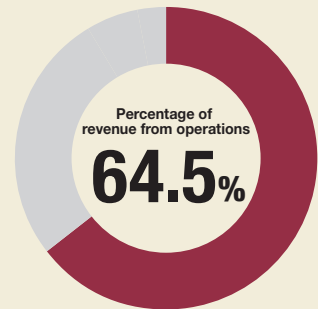
# Business Segment Overview 2

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## Domestic business

**Revenue from operations** 198,449 million yen ( up 8.6% YOY)

**Segment profit** 17,062 million yen ( up 16.0% YOY)



### Retail sales business at domestic stores and online stores, restaurant business, and sales business to licensed stores

In the domestic business, sales at directly managed stores rose 11.1% YOY and online store sales increased 18.1%, illustrating high growth.

As a major product in clothing and sundries, we employed the theme of cotton, particularly organic cotton, in our products. Sales trended briskly for shirts, cut & sew shirts, denim series products, and other items.

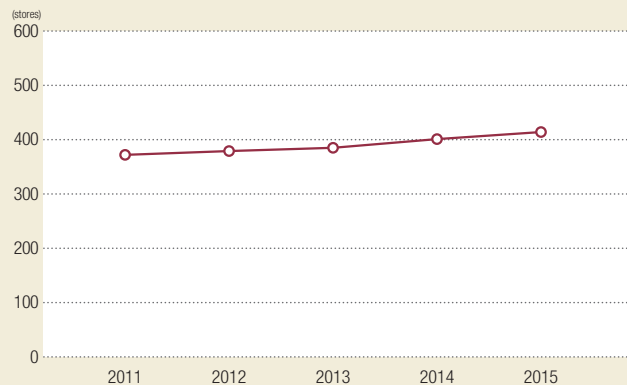
In housewares, we introduced the theme of storage. Sales rose sharply for various storage items, sofas that fit to one's body contour, ultrasonic aroma diffuser that moisturizes, and our skin care series products. This sharp sales growth contributed to overall performance.

In addition, curry-related products drove sales. The theme was splendid MUJI, a play on words as the pronunciation for the word curry and the Japanese word for splendor sound similar.



#### Trend in number of stores (FY2015)

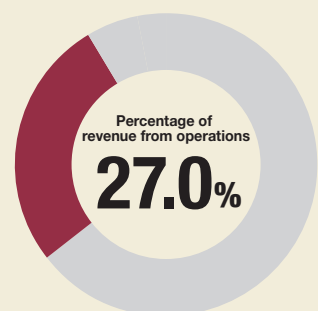
Number of stores at end of previous term	Openings	Closings	Total
401	43	30	414



## East Asia Business

**Revenue from operations** 83,045 million yen ( up 47.2% YOY)

**Segment profit** 17,261 million yen ( up 104.7% YOY)



### Sales business in East Asia

Carrying on momentum from the previous year, sales grew largely in China underpinned by the smooth acceleration in store openings.

In December 2015, we opened the MUJI Shanghai Huaihai 755. With approximately 2,776.86 square meters of floor space, this is the largest of our stores in China. This largest shored up our sales in the region.

Furthermore, we remodeled existing stores in Taiwan and Hong Kong, based on our belief that these markets are likely to enjoy additional growth further out. Profits increased owing to a substantial improvement in YOY growth ratio reflecting aggressively efficiency enhancements and other improvements.



#### Trend in number of stores (FY2015)

Number of stores at end of previous term	Openings	Closings	Total
189	39	–1	227



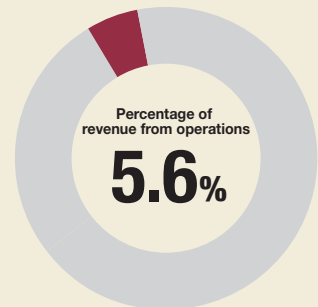
# Business Segment Overview 3

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## Europe and Americas Business

**Revenue from operations** 17,124 million yen ( up 15.2%YOY)

**Segment profit** –414 million yen (down 506 million yen YOY)



### Sales business in the US and Europe

In Europe, sales smoothly recovered reflecting the renovation of MUJI MUNICH (Germany) and MUJI TOTTENHAM COURT ROAD (UK). Conditions remained bleak in France, due mainly to the terrorist attacks. However, we steadily pushed forward with our reorganization plan, including the renovation of MUJI FRANCES BOURGEOIS.

In the US, sales growth was favorable at MUJI Fifth Avenue, which was opened in November 2015. Also, sales profits in Canada trended favorably.



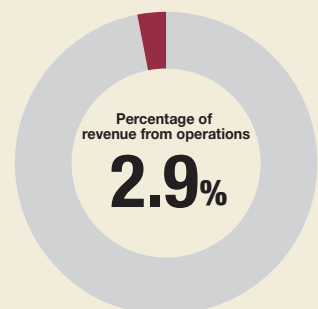
#### ► Trend in number of stores (FY2015)



## West, South Asia & Oceania Business

**Revenue from operations** 8,911 million yen ( up 42.5%YOY)

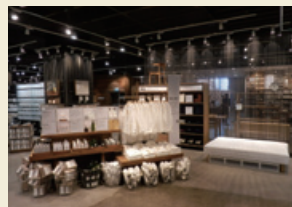
**Segment profit** 195 million yen ( up 115.4%YOY)



### Sales business in West, South Asia & Oceania

In countries in this region, we tackled various operational improvements, including automated inventory replenishment to ensure inventory availability, operational efficiency improvements, and standardization of operations.

In Thailand and Singapore, we launched new stores and renovated existing stores. However, we did not stop there, we also enhanced our sales capabilities, improved profit margins by curbing markdown sales, and stabilized inventory control to foster a higher level of management strength.



#### ► Trend in number of stores (FY2015)

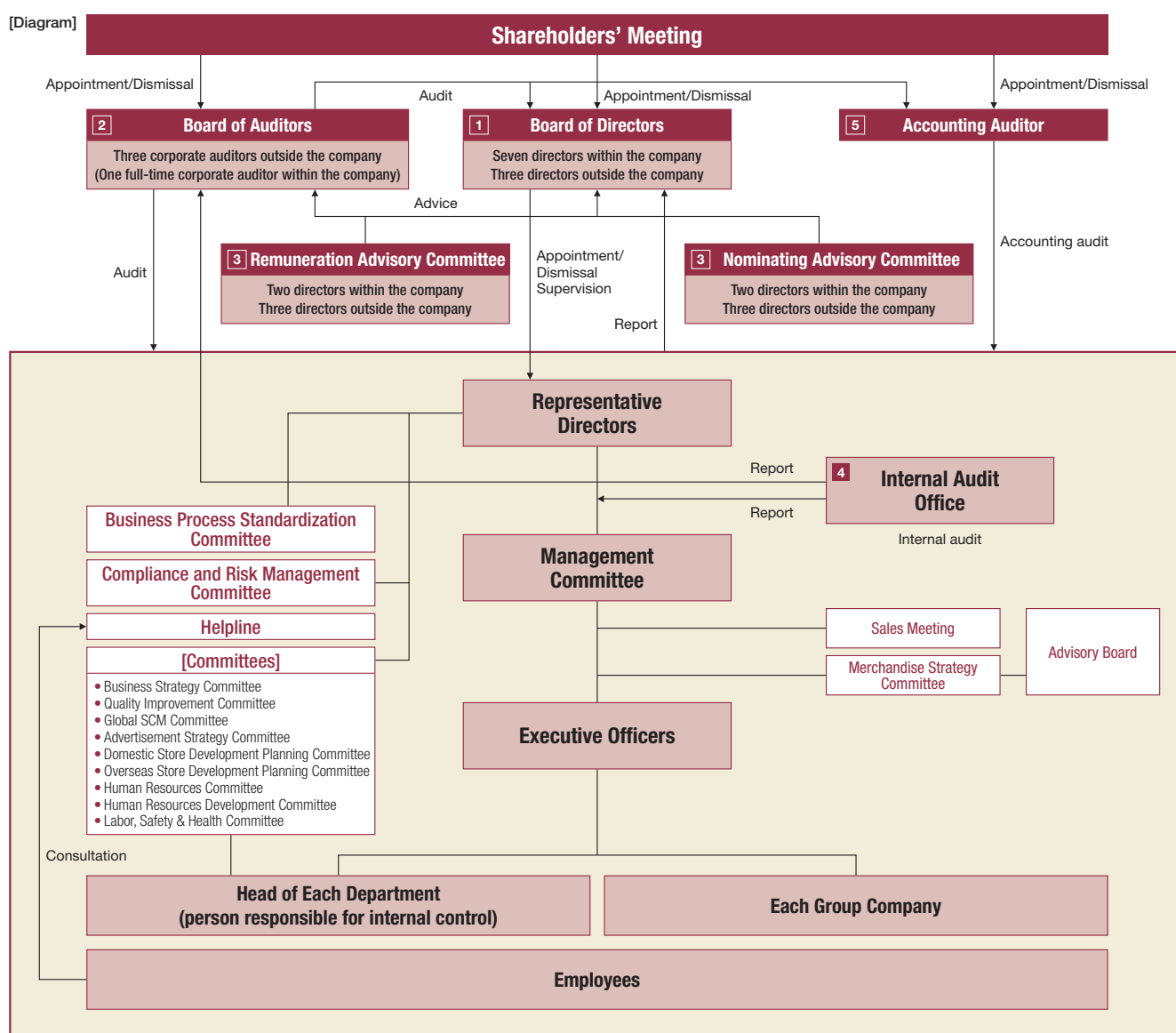


## 1. Basic Policy on Corporate Governance

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



(As of February 29, 2016)

## 1 Board of Directors

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 executive 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 Board of Auditors

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). 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 Internal Audit Office, which conducts internal audits, and with the accounting auditor, who conducts accountancy services.

## 3 Remuneration Advisory Committee

## 3 Nominating Advisory Committee

The Remuneration Advisory Committee (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 Nominating Advisory Committee (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 Internal Audit Office

The Internal Audit Office (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 Auditor

Accounting audits of our company are conducted by a team consisting of two certified public accountants with KPMG AZSA LLC, six assistant certified public accountants, and seven 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 four years of continuous auditing service) and Mr. Takushi Miyashita (with six years of continuous auditing service).

## 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. Selection of materials
2. Examination of 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/>



## Winner of Special Prize in the Mainichi Design Award

The Mainichi Design Award, sponsored by the Mainichi Newspapers, was established in 1955. Awards are given to designers and groups that significantly contribute to their industry with superior products within the past 12 months.

The award is highly praised as an international and cultural award that serves to energize Japan's design industry and to keep it moving down its path. This time around MUJI was awarded for its global expansion and design activities. We were recognized for developing and selling apparel, food, and household related products that are based on the theme of providing a "pleasant life" for our customers and which perpetuate MUJI's world-view. In addition, we were commended for our earnest craftsmanship which is deeply-rooted in a Japanese sense of beauty, and for our environmental activities.

**Mainichi Design Award (Japanese only)** <http://macs.mainichi.co.jp/design/m/>



## Introduction of consumption tax exemption at limited stores

We widely expanded our lineup of tax-free items, owing to revisions to the consumption tax exemption system for foreign tourists visiting Japan.

Starting April 2015, we rolled out consumption tax exemption services at a limited number of stores to provide a more comfortable and enjoyable shopping experience for inbound tourists. The service has been a big hit among customers travelling from overseas. Duty-free sales at the 64 stores that introduced the service accounted for roughly 2.9% of total sales at directly managed stores, and are continuing to rise.

### Summary of consumption tax exemption service

Started April 15, 2015 (limited number of stores)

Applicable products: Apparel, housewares, consumer electronics and other general goods, cosmetics, food and other consumable items

\*Required purchase amount for duty free products differs for each product

\*Applicable products must be for individual use and must be taken out of the country after purchase

## MUJI passport program begins in China and Taiwan

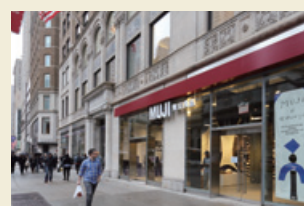
In May 2013, we released a free smartphone app dubbed MUJI passport. Consumers can accumulate miles with purchases at MUJI. In May 2015, a similar service was introduced in China and then in Taiwan in December. The

app is evolving into a valuable tool for communicating with our customers. Going forward, we plan to introduce the service into other countries and regions where there are MUJI stores to provide all our customers with the same services and experiences.



## MUJI Fifth Avenue, largest US flagship store, opens

On November 20, 2015, we opened our largest flagship store in the US on Fifth Avenue, in Manhattan, New York. MUJI Fifth Avenue is our 11th store in the US, and sixth in New York City. The store has two floors. The layout promotes smooth customer traffic and fixtures that give the store a bustling feel. We also introduced new services, including AROMA Labo, which mixes fragrances with light. Since its doors opened, the store has been welcomed by consumers.





# Analysis of Operating Results and Cash Flows

Annual Report 2016  
2015.03.01–2016.02.29

## Business performance analysis for FY2016

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

In FY2016, we posted net sales of 307,199 million yen, a growth of 47,543 million yen or 18.3% YOY. See 1 Earnings Summary, (1) Earnings for details on segment sales.

The growth in sales mainly reflects the increase in the number of MUJI stores in Japan (13 new stores), a growth in online store sales, and the addition of stores overseas (43 new stores).

Moreover, operating gross profit before S.G.A. totaled 150,451 million yen, an increase of 27,620 million yen versus a year earlier.

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

We recorded selling, general and administrative expenses of 116,012 million yen in FY2016, an increase of 17,028 million yen or 17.2% in compared with the previous fiscal year. Reflecting this result, our gross profit margin stood at 37.8%, a decline of 0.4 points.

In light of this, we booked operating profit of 34,439 million yen, an increase of 10,592 million yen versus a year earlier.

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

We posted non-operating income of 1,075 million yen, a decrease of 1,779 million yen in comparison with the previous fiscal year. This was mainly attributable to a drop in foreign exchange gains of 2,174 million yen. Meanwhile, non-operating expense came to 2,813 million yen, a rise of 2,713 million yen.

Accordingly, our ordinary profit totaled 32,700 million yen, a growth of 6,098 million yen versus the previous fiscal year.

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

In FY2016, we booked extraordinary income of 1,240 million yen, an increase of 765 million yen YOY. This is mainly attributable to the sale of investment securities in the fiscal year under review. Meanwhile, extraordinary losses came to 433 million yen, a decline of 149 million yen.

Reflecting this, we recorded income before income taxes of 33,507 million yen, an increase of 7,013 million yen in contrast with a year earlier. Net income totaled 21,718 million yen, an increase of 5,094 million yen. Accordingly, our net income per share was 818.44 yen, an increase from 627.54 yen.

### 5. Cash flow trends

Cash and cash equivalents at the end of the fiscal year under review stood at 41,050 million yen, an increase of 10,586 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 26,133 million yen, an increase of 11,514 million yen versus a year earlier. This is primarily attributable to an increase in inventories of 626 million yen, and income taxes paid of 10,041 million yen.

#### ■ Cash flows from investment activities

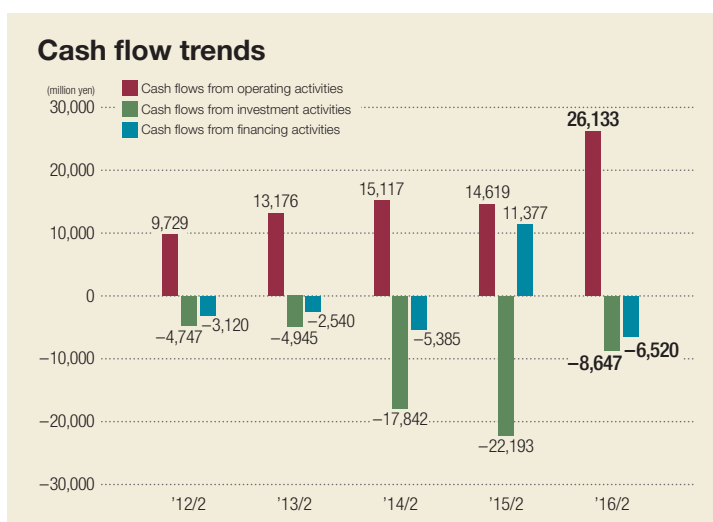
Net cash used in investment activities totaled 8,647 million yen, which was 13,546 million yen lower than in the previous fiscal year.

This chiefly reflects 7,527 million yen for the acquisition of property, plant and equipment, including stores, 1,390 million yen mainly for lease deposits for stores, 2,224 million yen for the purchase of intangible fixed assets, including software investment, and 2,516 million yen proceeds from sales of investment securities.

#### ■ Cash flows from financing activities

Net cash used in financing activities totaled 6,520 million yen, as opposed to 11,377 million yen in the previous year.

This mainly reflects cash dividends paid of 5,717 million yen.



# Consolidated Balance Sheets

Annual Report 2016  
2015.03.01-2016.02.29

(Unit: Million yen)

	Previous consolidated fiscal year (February 28, 2015)	Current consolidated fiscal year (February 29, 2016)
Assets		
Current assets		
Cash and deposits	33,044	43,692
Notes and accounts receivable - trade	8,879	7,281
Merchandise	51,924	56,840
Work in process	105	44
Supplies	52	44
Deferred tax assets	2,089	1,825
Accounts receivable - other	7,943	7,727
Other	2,286	2,098
Allowance for doubtful accounts	△ 9	△ 8
Total current assets	106,316	119,547
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,975	43,454
Accumulated depreciation	△ 15,358	△ 17,118
Buildings and structures, net	24,617	26,336
Machinery, equipment and vehicles	3,422	3,699
Accumulated depreciation	△ 1,228	△ 1,425
Machinery, equipment and vehicles, net	2,194	2,274
Tools, furniture and fixtures	15,242	16,042
Accumulated depreciation	△ 9,114	△ 9,119
Tools, furniture and fixtures, net	6,128	6,922
Land	1,891	1,890
Leased assets	51	47
Accumulated depreciation	△ 49	△ 46
Leased assets, net	2	1
Construction in progress	417	288
Total property, plant and equipment	35,252	37,712
Intangible assets		
Goodwill	7,413	6,924
Other	6,157	6,917
Total intangible assets	13,570	13,841
Investments and other assets		
Investment securities	12,918	10,204
Deferred tax assets	242	341
Lease and guarantee deposits	15,684	16,333
Other	3,168	3,082
Allowance for doubtful accounts	△ 206	△ 143
Total investments and other assets	31,807	29,817
Total non-current assets	80,631	81,372
Total assets	186,947	200,919

(Unit: Million yen)

	Previous consolidated fiscal year (February 28, 2015)	Current consolidated fiscal year (February 29, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	21,562	17,382
Short-term loans payable	4,505	402
Current portion of long-term loans payable	500	6,813
Accounts payable - other	5,203	6,402
Accrued expenses	3,676	4,181
Income taxes payable	4,391	4,929
Provision for bonuses	955	1,136
Provision for directors' bonuses	81	74
Provision for sales returns	96	37
Provision for point card certificates	52	84
Other	1,378	3,179
Total current liabilities	42,404	44,625
Non-current liabilities		
Long-term loans payable	11,692	7,913
Deferred tax liabilities	2,664	3,261
Provision for directors' retirement benefits	109	25
Provision for loss on non-cancellable leasing	105	—
Other	1,301	1,921
Total non-current liabilities	15,872	13,120
Total liabilities	58,276	57,746
Net assets		
Shareholders' equity		
Capital stock	6,766	6,766
Capital surplus	10,825	10,807
Retained earnings	106,084	122,085
Treasury shares	△7,174	△6,849
Total shareholders' equity	116,501	132,809
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,739	2,102
Foreign currency translation adjustment	5,978	4,469
Total accumulated other comprehensive income	8,718	6,572
Subscription rights to shares	408	348
Minority interests	3,042	3,442
Total net assets	128,670	143,173
Total liabilities and net assets	186,947	200,919

# Consolidated Income Statements

Annual Report 2016  
2015.03.01–2016.02.29

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2014 – February 28, 2015)	Current consolidated fiscal year (March 1, 2015 – February 29, 2016)
Net sales	259,655	307,199
Cost of sales	137,423	157,080
Gross profit	122,232	150,118
Operating revenue	599	333
Operating gross profit	122,831	150,451
Selling, general and administrative expenses		
Advertising expenses	4,276	4,967
Delivery and freight expense	10,731	11,699
Employees' salaries and bonuses	27,254	32,555
Provision for directors' bonuses	81	66
Leasehold and office rents	26,990	30,874
Depreciation	4,887	6,816
Provision for point card certificates	13	82
Other	24,748	28,949
Total selling, general and administrative expenses	98,984	116,012
Operating income	23,846	34,439
Non-operating income		
Interest income	91	152
Dividend income	279	255
Foreign exchange gains	2,174	–
Co-sponsor fee	92	66
Subsidy income	46	228
Rent income	10	122
Other	159	251
Total non-operating income	2,855	1,075
Non-operating expenses		
Interest expenses	35	57
Commission fee	49	51
Foreign exchange losses	–	2,654
Other	15	50
Total non-operating expenses	100	2,813
Ordinary income	26,602	32,700
Extraordinary income		
Gain on sales of investment securities	236	1,024
Gain on sales of non-current assets	168	54
Reversal of Onerous (loss-making) contract	47	105
Other	23	56
Total extraordinary income	475	1,240

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2014 – February 28, 2015)	Current consolidated fiscal year (March 1, 2015 – February 29, 2016)
Extraordinary losses		
Impairment loss	285	100
Loss on retirement of non-current assets	180	244
Loss on sales of investment securities	–	68
Provision for Onerous(loss-making)contract	92	–
Other	24	19
Total extraordinary losses	583	433
Income before income taxes and minority interests	26,494	33,507
Income taxes - current	9,142	10,558
Income taxes - deferred	707	1,335
Total income taxes	9,850	11,893
Income before minority interests	16,643	21,613
Minority interests in income (loss)	19	△ 104
Net income	16,623	21,718

# Consolidated Statements of Changes in Net Assets

Annual Report 2016  
2015.03.01-2016.02.29

Current consolidated fiscal year (March 1, 2015 – February 29, 2016)

(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	106,084	△7,174	116,501
Changes of items during period					
Dividends of surplus			△5,716		△5,716
Net income			21,718		21,718
Purchase of treasury shares				△1	△1
Disposal of treasury shares		△18		326	307
Net changes of items other than shareholders' equity					
Total changes of items during period	–	△18	16,001	325	16,307
Balance at end of current period	6,766	10,807	122,085	△6,849	132,809

	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	2,739	5,978	8,718	408	3,042	128,670
Changes of items during period						
Dividends of surplus						△5,716
Net income						21,718
Purchase of treasury shares						△1
Disposal of treasury shares						307
Net changes of items other than shareholders' equity	△636	△1,509	△2,145	△59	400	△1,805
Total changes of items during period	△636	△1,509	△2,145	△59	400	14,502
Balance at end of current period	2,102	4,469	6,572	348	3,442	143,173

# Consolidated Cash Flow Statements

Annual Report 2016  
2015.03.01–2016.02.29

(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2014 – February 28, 2015)	Current consolidated fiscal year (March 1, 2015 – February 29, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	26,494	33,507
Depreciation	4,076	5,589
Amortization of software and others	1,002	1,415
Amortization of goodwill	771	845
Increase (decrease) in allowance for doubtful accounts	48	△64
Increase (decrease) in provision for directors' bonuses	7	△7
Increase (decrease) in provision for directors' retirement benefits	–	△83
Increase (decrease) in provision for loss on store closing	△32	–
Increase (decrease) in provision for loss on non-cancellable leasing	58	△105
Increase (decrease) in provision for sales returns	31	△59
Interest and dividend income	△371	△407
Interest expenses	35	57
Foreign exchange losses (gains)	△537	157
Loss (gain) on sales of investment securities	△236	△955
Loss on retirement of non-current assets	192	244
Impairment loss	285	100
Decrease (increase) in notes and accounts receivable - trade	△2,854	1,643
Decrease (increase) in inventories	△12,400	△6,206
Increase (decrease) in notes and accounts payable - trade	7,338	△3,636
Decrease (increase) in other assets	△1,457	276
Increase (decrease) in other liabilities	876	3,524
Subscription rights to shares	65	71
Other, net	△183	△81
Subtotal	23,213	35,825
Interest and dividend income received	371	399
Interest expenses paid	△34	△49
Income taxes paid	△8,930	△10,041
Net cash provided by (used in) operating activities	14,619	26,133
Cash flows from investing activities		
Payments into time deposits	△2,068	△120
Proceeds from withdrawal of time deposits	13	0
Purchase of property, plant and equipment	△16,490	△7,527
Purchase of leasehold rights, leasedeposits and others	△1,684	△1,390
Collection of leasedeposits and others	1,430	684
Purchase of intangible assets	△2,196	△2,224
Proceeds from sales of investment securities	1,206	2,516
Purchase of newly consolidated subsidiaries	–	△521
Other, net	△2,404	△64
Net cash provided by (used in) investing activities	△22,193	△8,647



(Unit: Million yen)

	Previous consolidated fiscal year (March 1, 2014 – February 28, 2015)	Current consolidated fiscal year (March 1, 2015 – February 29, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,271	△3,980
Proceeds from long-term loans payable	11,500	3,053
Repayments of long-term loans payable	△457	△879
Proceeds from share issuance to minority shareholders	31	707
Proceeds from sales of treasury shares	447	369
Purchase of treasury shares	△0	△1
Cash dividends paid	△4,384	△5,717
Cash dividends paid to minority shareholders	△31	△72
Net cash provided by (used in) financing activities	11,377	△6,520
Effect of exchange rate change on cash and cash equivalents	1,660	△379
Net increase (decrease) in cash and cash equivalents	5,463	10,586
Cash and cash equivalents at beginning of period	25,001	30,464
Cash and cash equivalents at end of period	30,464	41,050

# Corporate Information

Annual Report 2016  
2015.03.01–2016.02.29

<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	Isao Endo
	Outside Director	Toshiaki Ito
	Outside Director	Masayoshi Yagyu
	Corporate Auditor (full-time)	Takafumi Makita
	Corporate Auditor	Masaru Hattori
	Corporate Auditor	Kuniaki Hara
	Corporate Auditor	Yuji Inoue
	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 May 25, 2016)
<b>Advisory Board</b>	Advisor	Kazuko Koike
	Advisor	Takashi Sugimoto
	Advisor	Kenya Hara
	Advisor	Naoto Fukasawa (As of February 29, 2016)

## 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 SPAIN, S.L.



Address : Barcelona, Spain  
Establishment : June 2005  
Primary business : Retailing of MUJI products

## MUJI PORTUGAL, LDA



Address : Lisbon, Portugal  
Establishment : February 2010  
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 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 (MALAYSIA) SDN. BHD.



Address : Kuala Lumpur, Malaysia  
Establishment : October 2011  
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.



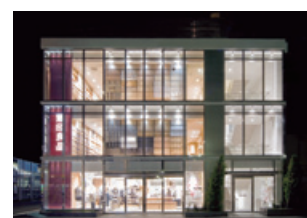
Address : Shanghai, China  
Establishment : October 2009  
Primary business : Product development, procurement  
and wholesale in China

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.

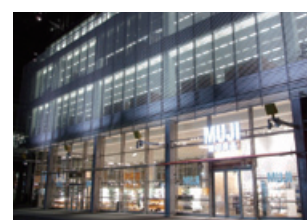
<b>1980</b>	MUJI established as a private brand of The Seiyu, Ltd. (household articles: 9, food products: 31).
<b>1983</b>	Opened the first directly managed store, “MUJI Aoyama” (103 sq m).
<b>1985</b>	Established MUJI Business Department.
<b>1989</b>	Established RYOHIN KEIKAKU CO., LTD. (capital: 100 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.); opened first store in Hong Kong (closed in 1998)
<b>1993</b>	Established RK TRUCKS CO., LTD.
<b>1994</b>	Established RYOHIN KEIKAKU EUROPE LTD.; opened Niigata Logistics Center.
<b>1995</b>	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>1998</b>	Opened Kobe Logistics Center; listed on the second section of the Tokyo Stock Exchange; opened Urayasu Logistics Center.
<b>1999</b>	Started com KIOSK business (operated by JR East Retail Net Co., Ltd.).
<b>2000</b>	Established MUJI.net Co., Ltd.; promoted to listing on the first section of the Tokyo Stock Exchange.
<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 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; took over the business of IDÉE CO., LTD.
<b>2007</b>	Established subsidiary MUJI EUROPE HOLDINGS LIMITED to oversee European operations; opened first U.S.A. directly managed store.
<b>2008</b>	Opened MUJI to GO Hong Kong International Airport; opened MUJI Times Square.
<b>2009</b>	Relocated and updated MUJI Ikebukuro Seibu; opened first store in Indonesia.
<b>2010</b>	Opened first store in Poland; opened first store in Portugal.
<b>2011</b>	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 first store in Australia.
<b>2014</b>	Opened Hatoyama Center; and MUJI Sino-Ocean Taikoo Li Chengdu, China flagship store.
<b>2015</b>	Opened remodeled global flagship store MUJI Yurakucho; opened US flagship store MUJI Fifth Avenue; opened MUJI Shanghai Huaihai 755, China flagship store.



Forty debut items



MUJI Shimokitazawa



MUJI Times Square



MUJI to GO Hong Kong International Airport



MUJI Sino-Ocean Taikoo Li Chengdu



MUJI Yurakucho