

# Annual Report

March 1, 2020 - August 31, 2020



# Serving People and Society

Ryohin Keikaku is aiming to become a world-class profitable company as a group of independently-managed stores that contribute globally to a “simple, pleasant life and society.”

Moreover, MUJI, which is formed with conscience and creativity, will develop the best and strongest “basics for life that can be used universally” for life going forward with customers who wish to live in a simple and beautiful life.

We are taking on the challenge of making MUJI the company with the highest level of brand association from customers in the basic areas of apparel, household and food products for daily life.

To work toward this, we will continue to refine MUJI’s quality, price and meaning, and will provide the most necessary basics for daily life through stores, online businesses, and other forms such as MUJI HOTEL and MUJI HOUSE.

However, in our current society, issues are piling up in our immediate surroundings such as public spaces that have been abandoned due to the declining birthrate, aging population and population concentration in urban areas, as well as resources that have been left behind without being used.

By developing peripheral businesses and services that are helpful in solving these local communities’ issues based on MUJI’s consistent ideology and operating them ourselves, we will contribute to the coexistence and development of life, culture and the environment.

As for the future of this concept, we are picturing the future of a “simple, pleasant society,” where business activities, no matter how small they are, and rich culture can be fostered, while those who are involved in local communities would appreciate the efforts of each other.

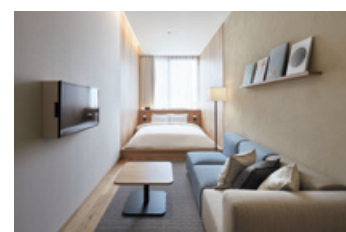
In order to realize this vision, we believe that it is necessary to proceed with transitioning to individual store administration where MUJI stores plan and act on their own, and that strong corporate governance due to the participation of all stakeholders is necessary.

By drawing the line on a consumption-based society driven by capitalistic logic and proceeding with businesses that prioritize humanistic logic, we will build a relationship where we work for the public interest, such as for the environment, our employees and local communities, in addition to gaining sufficient profits as a company and returning it to those participating as stable, continuous dividends, transactions and wages.

We are looking forward to many people participating in MUJI’s activities going forward.



MUJI GINZA



MUJI HOTEL GINZA



MUJI NAOETSU

# Our Vision

## The MUJI Vision: The Quest for the Good Product

There is no one answer to what a good product is. Simply asking the question, though, creates infinite possibilities, and we pursue them.



**Natural. Anonymous. Simple. Global.**

## Corporate Philosophy

### Quest Value

Identify and deliver MUJI value and appeal from the perspective of the people who use our products.

### Positive Spiral

Work toward global growth and development by operating a fair and transparent MUJI business.

### Best Partnership

Deliver the abundance inherent in good products by respecting associates and building relationships of trust with business partners.

## Code of Conduct

1. Quickly and carefully respond to customer needs
2. Think and act globally
3. Prosper together with local communities
4. Act sincerely and honestly
5. Be open to communication with all



## Our Ideals

### What is MUJI's Place in the World?

What is our place in the world? To pursue the essential nature of objects and ideas. To look at the world through new eyes, being aware of the intimate interactions between people and their surroundings. To be true to our commitment to elegant simplicity and conscientious design.

We make good products that exist for good reasons. Our products create an ideal sense of satisfaction in our customers, helping them understand the beauty of living in elegant simplicity.

## Our Goals

### Where are we headed for?

Our number one goal is the happiness of everyone who works at Ryohin Keikaku. Our ideal corporate culture is one in which all employees and staff are encouraged to try new challenges, to work hard, and to feel a sense of accomplishment. This is how we can embody the MUJI philosophy and become a company with world-class profits.

## Our Values

### What do we value the most?

What do we value the most at Ryohin Keikaku? Act sincerely and honestly. Respect associates. Build relationships of trust. Think and act globally. These values are the foundation to reach our goals.

# Message from the President

Annual Report 2020  
2020.03.01–2020.08.31

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As a sustainable global entity,  
we would like to contribute to society by  
delivering products and services that are  
trusted by people around the world.

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President and Representative Director

松崎 暁  
Satoru Matsuzaki

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

First launched in 1980 as a proprietary brand of Seiyu Store (now Seiyu GK) with 40 items focused on food, MUJI celebrated its 40th anniversary in 2020. During the past years, the number of products has been increased to around 7,000, and MUJI stores are now operating in 31 countries and regions including Japan. MUJI products, which are produced by constantly returning to the starting point of “manufacturing no-frills quality products” and always taking into consideration the producers as well as the environment, have been enjoying continuous support from our customers around the world.

The spread of novel coronavirus disease (COVID-19) has brought about significant changes in the lifestyles and values of people all over the world. Although the future is expected to remain uncertain, we will continue contributing to society as a sustainable global company that supplies products and services trusted by people worldwide and thereby through our business help create “a simple, pleasant life” and “a simple, pleasant society.”

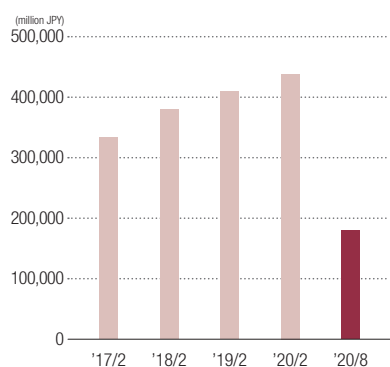
We would very much appreciate the continued support of our shareholders.

# Financial Highlights

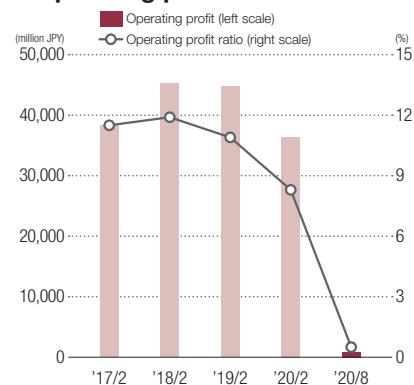
Annual Report 2020  
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	2017/2	2018/2	2019/2	2020/2	2020/8
<b>1 Revenue from operations</b> (million JPY)	333,281	379,551	409,697	438,713	<b>179,392</b>
<b>2 Operating profit</b> (million JPY)	38,278	45,286	44,743	36,380	<b>872</b>
<b>2 Operating profit ratio</b> (%)	11.5	12.0	10.9	8.3	<b>0.5</b>
<b>3 Ordinary profit</b> (million JPY)	38,582	45,985	45,861	36,377	<b>563</b>
<b>3 Ordinary profit ratio</b> (%)	11.6	12.1	11.2	8.3	<b>0.3</b>
<b>4 Profit (loss) attributable to owners of parent</b> (million JPY)	25,831	30,113	33,845	23,253	<b>△16,917</b>
<b>4 Return on sales</b> (%)	7.8	7.9	8.3	5.3	<b>△9.5</b>
Net assets per share (JPY)	579.18	647.68	725.83	775.77	<b>684.94</b>
Earnings (loss) per share (JPY)	97.50	114.70	128.92	88.47	<b>△64.32</b>
<b>5 Total assets</b> (million JPY)	214,705	238,313	258,309	306,512	<b>343,918</b>
<b>5 Net assets</b> (million JPY)	157,018	174,426	195,189	208,492	<b>182,992</b>
<b>5 Capital adequacy ratio</b> (%)	71.3	71.3	73.8	66.6	<b>52.4</b>
<b>6 Return on equity (ROE)</b> (%)	17.7	18.6	18.8	11.8	<b>△8.8</b>
Return on assets (ROA) (%)	18.6	20.3	18.4	12.9	<b>0.2</b>
Number of employees	6,992	8,128	9,137	9,615	<b>9,046</b>

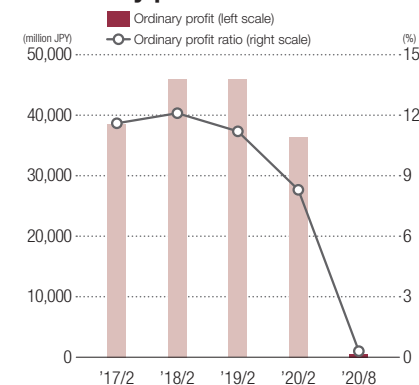
## 1 Revenue from operations



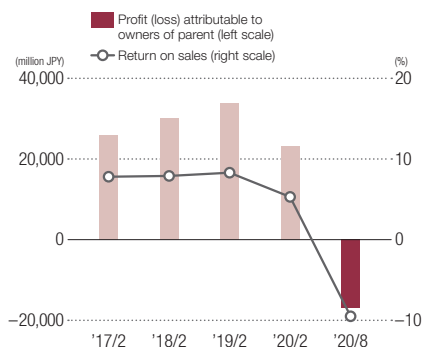
## 2 Operating profit and operating profit ratio



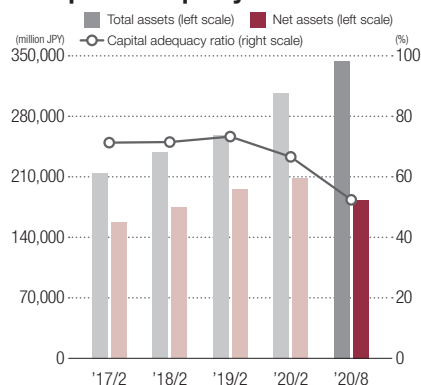
## 3 Ordinary profit and ordinary profit ratio



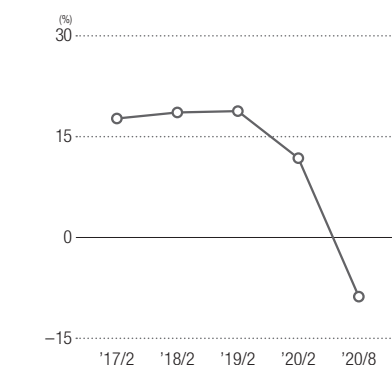
## 4 Profit (loss) attributable to owners of parent and return on sales



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



## 6 Return on equity (ROE)



\*Due to the change of business year, FY20 August covers a period of six months from March 1, 2020 to August 31, 2020.

# Business Segment Overview - 1

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## Number of stores in each country/region (end of FY20 August)

	Number	Open	Close	Net increase
Mainland China	275	7	△5	+2
HONG KONG	21	1	△1	
TAIWAN	51	2		+2
KOREA	40			
<b>East Asia Total</b>	<b>387</b>	<b>10</b>	<b>△6</b>	<b>+4</b>
U.K.	11			
FRANCE	7			
ITALY	8			
GERMANY	8	1		+1
SPAIN	5			
PORTUGAL	1			
IRELAND LS_*1	1			
SWEDEN LS_*1				
SWEDEN	1			
SWITZERLAND	1			
FINLAND	1			
DENMARK				
TURKEY LS_*1				
POLAND LS_*1	1			
U.S.A.	18		△1	△1
CANADA	9	1		+1
<b>Europe &amp; Americas Total</b>	<b>72</b>	<b>2</b>	<b>△1</b>	<b>+1</b>
SINGAPORE	10		△2	△2
MALAYSIA	9	1		+1
THAILAND	19			
INDIA	4			
AUSTRALIA	5			
INDONESIA LS_*3	6			
PHILIPPINES LS_*2	5			
VIETNAM				
KUWAIT LS_*3	3			
UAE LS_*3	7			
SAUDI ARABIA LS_*3	5			
BAHRAIN LS_*3	2			
QATAR LS_*3	2			
OMAN LS_*3	1			
<b>Asia West/South &amp; Oceania Total</b>	<b>78</b>	<b>1</b>	<b>△2</b>	<b>△1</b>
<b>Overseas Total</b>	<b>537</b>	<b>13</b>	<b>△9</b>	<b>+4</b>
<b>JAPAN</b>	<b>438</b>	<b>7</b>	<b>△6</b>	<b>+1</b>
<b>Grand Total</b>	<b>975</b>	<b>20</b>	<b>△15</b>	<b>+5</b>



MUJI NAOETSU (Japan)



MUJI Berlin Ku'damm (Germany)

### About overseas stores:

LS\_\*1 ..... The stores wholesaled by MUJI EUROPE HOLDINGS LIMITED

LS\_\*2 ..... The affiliated company accounted for by the equity method

LS\_\*3 ..... The stores wholesaled by RYOHIN KEIKAKU CO.,LTD.

No mark ... Directly managed stores by subsidiaries

..... This shows that LS converted into a subsidiary company.

## Japan

Revenue from operations

JPY 122,428 million

Segment profit

JPY 3,974 million

Percentage of revenue from operations  
**68.2%**

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

Sales at directly managed stores decreased by 13.7% compared to the period from March 1, 2019 to August 31, 2019 (the "prior comparable period") while online store sales increased by 37.9%.

Sales at directly managed stores were down on the prior comparable period due to the impact of requests for temporary closures and shortened opening hours caused by the spread of COVID-19. We have strengthened our online sales in a situation where most of our stores were closed.

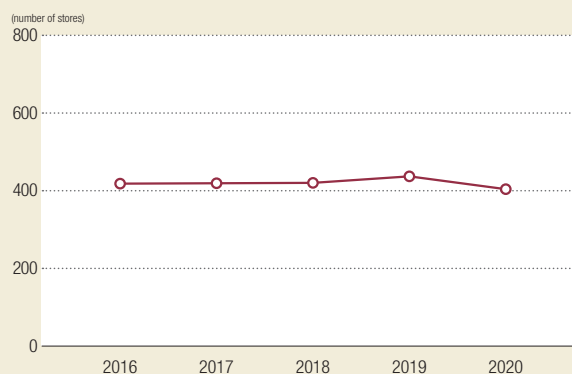
In the online store, sales of products related to "nesting" demand such as kitchenware products, storage products, and food products were solid.

In July 2020 we opened MUJI NAOETSU in Joetsu City, Niigata Prefecture, a store with the aim of "being in the middle of everyday living" in the region, and it is performing favorably.

Even after the reopening of stores, sales and customer numbers at most stores in central Tokyo tended to be lower than in the prior comparable period due to changes in mobility accompanying the "new lifestyle" and a decrease in the number of foreign tourists visiting Japan. Sales at Café&Meal MUJI stores were also sluggish due to a reduction in the number of seats as a protective measure against COVID-19. Although we reviewed our pricing policies and controlled expenses, we were unable to offset the decrease in revenue from operations due to the impact of temporary store closures, and segment profit totaled JPY3,974 million.

#### ► Trend in number of stores\* (FY20 August)

Previous year end	Openings	Closings	Total
401	9	△6	404



## East Asia

Revenue from operations

JPY 45,395 million

Segment profit

JPY 5,990 million

Percentage of revenue from operations  
**25.3%**

### Retail business and restaurant business in East Asia (by operational unit)

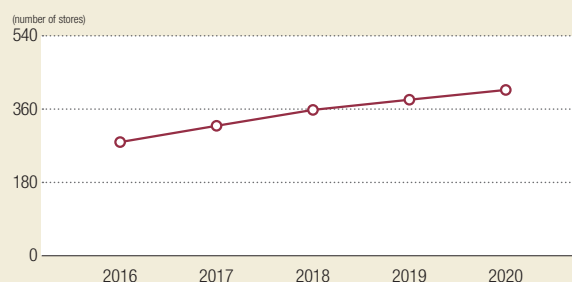
In Mainland China after the reopening of stores, we worked to recover sales with initiatives such as "MUJI Week" for MUJI passport members. However, over-the-counter sales fell short of plan due to the impact of temporary store closures that started from January 2020. On the other hand, online store sales were particularly strong.

In Taiwan, the impact of the spread of COVID-19 was small, and sales remained favorable.

In Korea and Hong Kong, business performance was weak due also to the impact of social instability.

#### ► Trend in number of stores\* (FY20 August)

Previous year end	Openings	Closings	Total
403	13	△9	407



\*Directly Managed stores including MUJI stores, Café&Meal MUJI, MUJI Diner and IDÉE stores. In line with the change of business year, the number of stores reflects the number of stores as at August 31, 2020.

## Europe and Americas

Revenue from operations

JPY 6,585 million

Segment loss

JPY - 5,337 million

Percentage of revenue from operations  
**3.7%**

### Retail business in Europe and North America (by operational unit)

In Europe, lockdowns were implemented in various countries from March 2020 due to the spread of COVID-19, and most stores were temporarily closed. Even after the reopening of stores, customers did not return and sales fell significantly short of plan.

In North America, temporary store closures were also extended due to the spread of COVID-19 with some stores not reopening until July 2020.

Revenue from operations fell significantly short of plan due to temporary store closures and the segment loss totaled JPY5,337 million.

#### ► Trend in number of stores\* (FY20 August)

Previous year end	Openings	Closings	Total
69	2	△12	59



## Asia West/South & Oceania

Revenue from operations

JPY 4,981 million

Segment loss

JPY - 396 million

Percentage of revenue from operations  
**2.8%**

### Retail business and restaurant business in Asia West/South and Oceania (by operational unit)

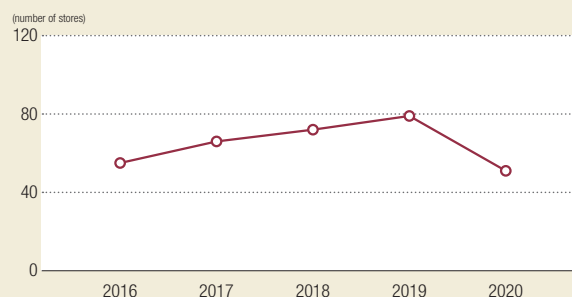
In Thailand, temporary store closures due to COVID-19 were relatively short, and business performance was favorable due to factors such as strong sales of products related to “nesting” driven by the pandemic.

On the other hand, in Singapore, even after the reopening of stores in mid-June, sales fell short of plan and business performance was weak due to the impact of factors such as restrictions on going out and the barring of tourists from entering the country.

Due to temporary store closures, revenue from operations fell short of plan, resulting in a segment loss of JPY396 million.

#### ► Trend in number of stores\* (FY20 August)

Previous year end	Openings	Closings	Total
51	2	△2	51



\*Directly Managed stores including MUJI stores, Café&Meal MUJI, MUJI Diner and IDÉE stores. In line with the change of business year, the number of stores reflects the number of stores as at August 31, 2020.

In April 2020, it was decided that the timing for achieving the business targets below would remain undecided, and these targets will be positioned as a checkpoint in the new mid-term business plan that will be announced in the future. The outlines of the new mid-term business plan that takes into account the changes in the social landscape resulting from the impact of the COVID-19 will be released in April 2021.

## POLICY

**Focus on employee proficiency, and develop a culture and systems that encourage Conscience and Creativity across our organization worldwide.**

## Targets and Priorities

### ■ Targets

- Unique items/Affordable prices
- Optimum quality & price for local lives
- Professional & diverse manpower
- Sustainable growth

### ■ Priorities

- Global Supply Chain Management
- Product Development
- Global HR Management
- Group Corporate Governance

### ■ Detail per priority

#### Global Supply Chain Management

- ▶ Improve planning accuracy to reduce in-store discounting ..... by 20% in Apparel
- ▶ Review sourcing process to decrease warehouse stock level ..... by 50% at distribution centers

#### Product Development

- ▶ Develop core items that fit to any local lifestyle ..... More flagship stores in major countries/regions  
Enlarge stores in Japan (100 stores with 1,600m<sup>2</sup> capacity)  
Renovate existing stores worldwide (20 stores/year renovated in mainland China)
- ▶ Narrow the price gap by location ... Same retail price for same strategic item

#### Global HR Management

- ▶ Set up a global HR system
- ▶ Start global incentive plan

#### Group Corporate Governance

- ▶ Apply same standards within the group

### ■ Develop a culture and systems

(Value Skill)

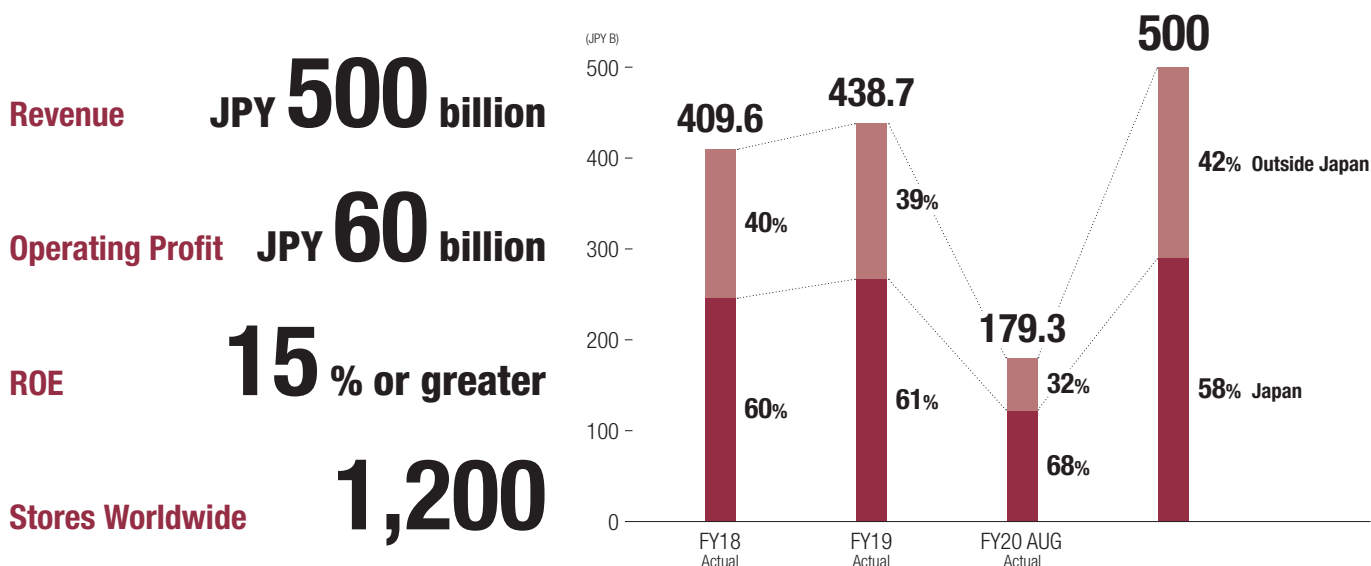


- First : install a system to standardize the same work done by various people and processes.
- Next : foster a culture of creativity and empowerment.
- Goal : Sustainable development of brand and corporate values.

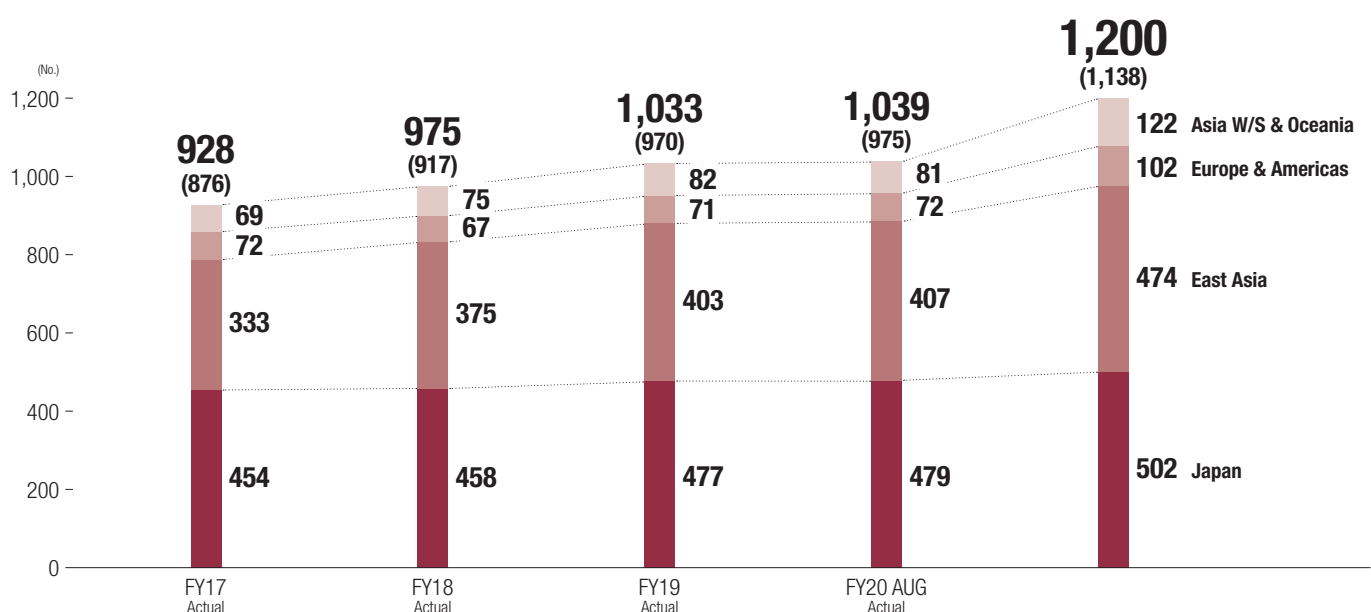
# Medium-Term Business Plan (released in April, 2017) - 2

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## Business Plan Announced in April 2017, revised to “timing for achievement undecided” in April 2020



## No. of Stores including Café&Meal MUJI and IDÉE (MUJI stores in parentheses)



## Shareholder Return Policy

- We are committed to returning profits to our shareholders through an annual payout ratio of 30% of consolidated earnings, after making investment in store openings and renovations to increase communication with our customers, and making IT investment to support backbone systems and digital marketing for future development.

	FY16	FY17	FY18	FY19	FY20*2
Dividend/share (JPY)*1	29.3	34.5	38.7	36.4	5.0
Dividend Total (JPY M)	7,768	9,089	10,201	9,595	1,318
Dividend payout ratio (consolidated)	30.1%	30.1%	30.0%	41.1%	—
ROE	17.7%	18.6%	18.8%	11.8%	△8.8%

\*1 The Company conducted a 10-for-1 share split of its common shares on September 1, 2019. The amounts of dividends are presented assuming that the share split was conducted at the beginning of FY16.

\*2 In the Ordinary General Meeting of Shareholders held on May 27, 2020, the proposal of “partial amendments to the Articles of Incorporation” was approved, and the company amended the end of its fiscal year from the end of February to August 31st. As a result, FY20 August covers a period of six months from March 1, 2020 to August 31, 2020.

## Contribute to the Society through Business 1

Ryohin Keikaku aims to be a front runner in ESG management.

We will continue to respond sensitively to both social and global issues and take various initiatives to solve them in a better direction based on conscience and creativity through MUJI products and services.

### Society

#### Social Initiatives



Disaster assistance



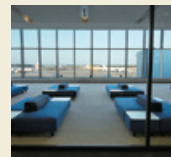
Initiatives with developing countries



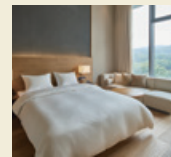
Shokoku Ryohin  
(Good products across Japan)



Local Nippon



Airports and stations



MUJI HOTEL



Capitalizing on Untapped Resources



Producer assistance



Shopping assistance in mountainous areas



Embedding stores in communities



Café&Meal MUJI



Parks



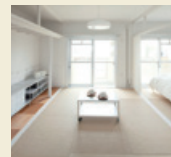
Nursing home facilities



School repurposing



Satoyama conservation



Housing complex renovation

### Environment

#### Selection of Materials



Organic cotton



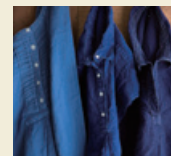
Organic linen



Irregular series



Retort series



ReMUJI



BRING Project



Campsite operation



Non-mulesed wool



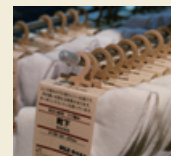
Reclaimed cotton and reclaimed wool



Ochiwata series



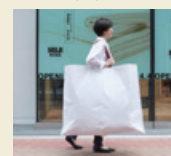
Fabric



Review of packaging material



Water refilling service



Shopping bag

For more information, please refer to the Ryohin Keikaku website. <https://ryohin-keikaku.jp/eng/>

## Contribute to the Society through Business 2

## Society

## Activities with Local Communities

## Official Start of the “Sakata Project”

Aiming to help create “a simple, pleasant life” and a “simple, pleasant society,” MUJI is involved in a variety of initiatives led by local governments and community residents to revitalize local areas.

In June 2020, we officially started the Sakata Project in cooperation with Sakata City in Yamagata Prefecture, and our employees launched mobile sales by lightweight trucks. Focusing on mountainous areas with declining birthrates and an aging population, we are delivering basic items for daily life developed by MUJI, such as food products, cosmetics, stationery, and cooking products, as well as listening to the daily needs of local residents to help solve local issues. We aim to form connections among people through our business and create a sustainable community where people can help each other – one that is easy to live in.



Photo provided by Sakata City

## MUJI Berlin Ku’damm Initiatives

MUJI Berlin Ku’damm, MUJI’s flagship store as well as the largest store in Germany, opened on June 18, 2020. This store is conducting various initiatives with the aim of becoming a platform in the local community.

At the opening, as the first initiative of its kind in Germany, we collaborated with more than 20 German companies sharing an interest in addressing social issues to sell their locally produced pastries, sweets, and homeware. Based on the concept of “connecting people, connecting community,” for the first time in Germany we also held a Community Market, a limited-time market developed and operated together with people from the local community. We are also undertaking other initiatives such as inviting local creators for workshops.

MUJI stores around the world are expanding their efforts to connect with local communities.



©ChristopherPuttins

## Society

## Social Initiatives

### Good Products Connecting Farms and Production Areas

MUJI is selling fruit and vegetable as well as grocery in some of its stores with the aim of providing an opportunity for customers to think about the producers as well as the production sites, to reexamine the relationship between food and people, and to actually meet and make connections.

In 2020, with the aim of supporting producers greatly affected by the spread of COVID-19, we sold fresh flowers which became surplus due to the cancellation, postponement, or downsizing of ceremonies and events, as well as vegetables which became surplus due to the closure of roadside stations and direct sales shops for agricultural products across Japan.

We will continue to help connect producers and customers with the aim of serving the local communities through our business.



### Respect Human Rights in the Supply Chain

In order to ensure respect for the human rights of all people working not only in our company but throughout the entire supply chain, and a safe and fair working environment, we outsource the manufacture of products only to factories that pledge to comply with our “Code of Conduct for Production Partners.”

In addition, based on our Code of Conduct, we have engaged a third-party specialist organization to conduct audits in our final product factories since FY2019 in areas such as human rights infringements, working environment, health and safety, and environmental preservation. We aim to build the best partnership by sharing the audit results with each factory and providing support to help them make improvements.



# Contribute to the Society through Business 4

## Environment

## Initiatives to Reduce Waste

### “Water Refilling Service” Started at MUJI Stores

MUJI, which aims for a better relationship with the nature, has spared no effort in promoting the recycling of natural resources and the reduction of waste.

From July 1, as part of its efforts to reduce plastic waste, MUJI started a free water refilling service by installing water refill stations in its stores. At the same time, we have also started selling “My Bottle for Water,” which can be refilled and used repeatedly, and launched the application “Water – MUJI LIFE” which makes drinking water something fun for everyday life.

Tap water is used at the water refill station. Instead of buying new beverages in PET bottles, everyone can easily access drinking water if they bring their own bottles.

We believe that even by reducing one bottle per day, we can help reduce the amount of PET bottle waste. MUJI is working with customers to think about environmental and health-related issues through drinking water.



### Review of Packaging Materials and Display Materials

Since the brand's establishment in 1980, MUJI has manufactured products with a focus on the selection of materials, streamlining of processes, and simplification of packaging. MUJI's product manufacturing aims to provide customers with what they truly need in the form they truly need it.

Thus, all MUJI products appear on store shelves in simple packaging bearing only product-related information and a price tag. We are also reviewing our packaging materials and display materials, and are working to eliminate plastic-based packaging, such as sock display hooks and essential oil packaging, or replace them with alternative materials such as recycled paper.

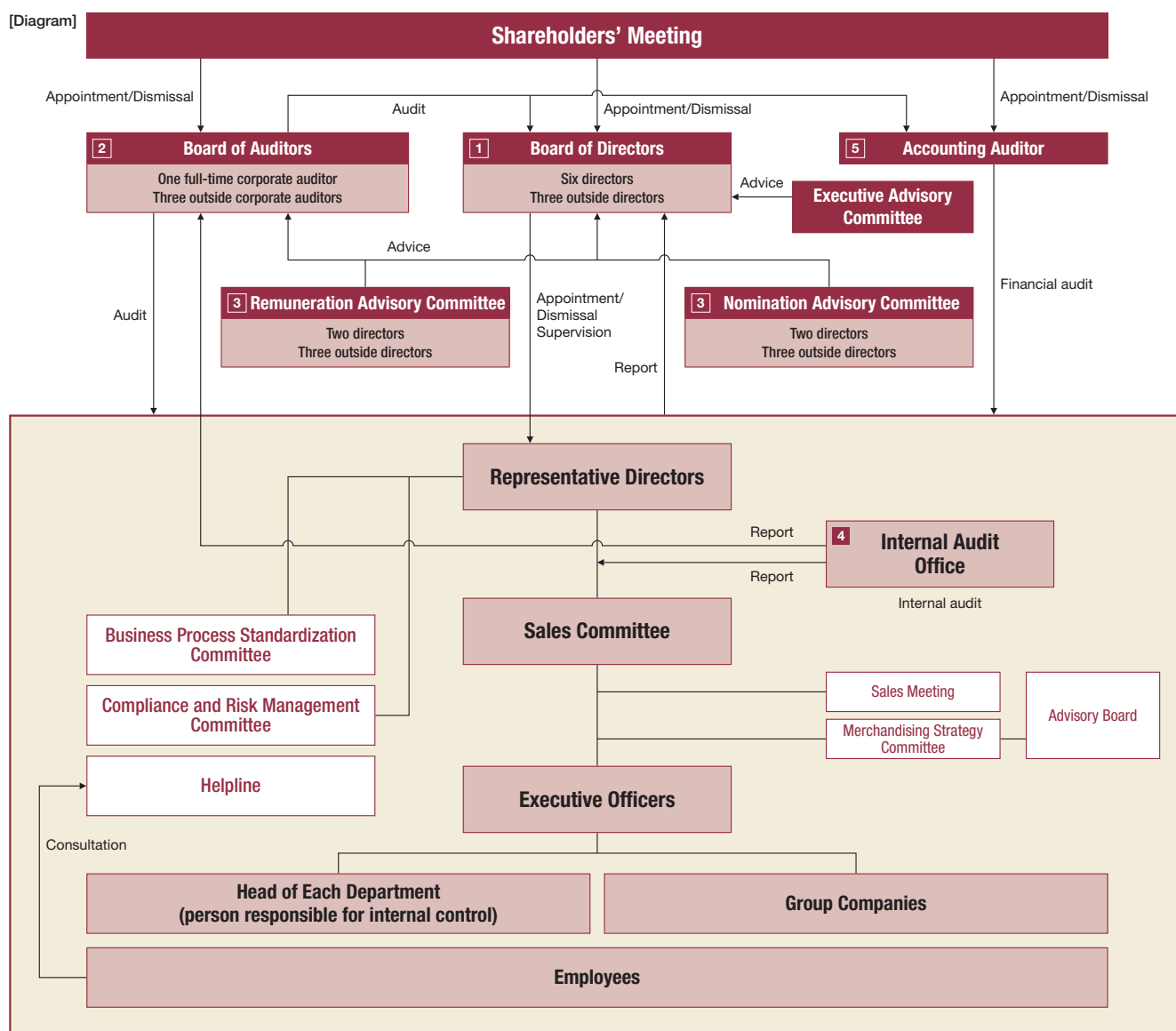


## 1. Basic Policy

We aim to establish good relationships with all stakeholders (shareholders, customers, employees, society and business partners), 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 associates, we will work together to achieve our company’s goals and establish an open and stimulating corporate culture so that they 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. Organization and structure for management decision-making, execution duties and monitoring



(As of February 29, 2020)

## **1 Board of Directors**

Taking into account the size, organizational status and mobility of our company, the Board of Directors consists of six directors (all of which doubling as executive officers) and three outside directors (appointed and registered as independent directors in accordance with rules stipulated by the Tokyo Stock Exchange). The supervisory functions and managerial responsibility of the Board of Directors are clearly stipulated. We also promote delegation of authority in order to accelerate the execution of operations, by reviewing the system and rules as appropriate.

## **2 Board of Auditors**

Our company has adopted an audit board system. The Board of Auditors consists of four members (including one full-time corporate auditor). Three of them are appointed and registered as independent directors in accordance with rules stipulated by the Tokyo Stock Exchange. They audit the directors' execution of duties by attending Board meetings and checking important documents. In addition, they regularly liaises with the Internal Audit Office which conducts internal audits, and with the accounting auditor who conducts accounting audits.

## **3 Remuneration Advisory Committee**

The Remuneration Advisory Committee (consisting of three outside directors, one of which is a chairperson, and two directors) advises the Board of Directors on the remuneration of directors.

## **3 Nomination Advisory Committee**

The Nomination Advisory Committee (consisting of three outside directors, one of which is a chairperson, and two directors) advises the Board of Directors on the appointment of directors.

## **4 Internal Audit Office**

The Internal Audit Office, which currently consists of ten members, conducts internal audits. The department audits the status of compliance with internal rules and manuals at stores and headquarters, the appropriateness and effectiveness of overall business activities and procedures, etc. Audit results are regularly reported to the representative directors and the Board of Directors.

## **5 Accounting Auditor**

Accounting audits of our company are conducted by KPMG AZSA LLC certified public accountant Miho Kawabata (with three years of continuous auditing service), Yosuke Sato (with one year of continuous auditing service), six assistant certified public accountants, and 15 other members. An environment for fair auditing is established.

# Analysis of Operating Results and Cash Flows

Annual Report 2020  
2020.03.01–2020.08.31

## Business performance analysis for current fiscal year

### 1. Net sales and operating gross profit

Revenue from operations was JPY179,392 million, a decrease of JPY37,058 million or 17.1% compared to the period from March 1, 2019 to August 31, 2019 (the “prior comparable period”).

The main factors for the decrease in revenue from operations were requests for temporary store closures and decreases in sales at directly managed stores with shortened business hours due to the spread of COVID-19 in Japan and overseas.

Operating gross profit totaled JPY83,694 million, a decrease of JPY26,704 million on the prior comparable period. Operating gross profit as a percentage of revenue from operations was 46.7%, a decrease of 4.3 percentage points on the prior comparable period.

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

Selling, general and administrative expenses were JPY82,821 million, a decrease of JPY6,980 million or 7.8% on the prior comparable period. Selling, general and administrative expenses as a percentage of revenue from operations was 46.2%, an increase of 4.7 percentage points on the prior comparable period.

As a result, operating profit was JPY872 million, a decrease of JPY19,723 million on the prior comparable period. Operating profit as a percentage of revenue from operations was 0.5%, a decrease of 9.0 percentage points on the prior comparable period.

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

Non-operating income was JPY637 million, an increase of JPY1 million on the prior comparable period. Meanwhile, non-operating expenses were JPY946 million, a decrease of JPY549 million on the prior comparable period.

Accordingly, our ordinary profit totaled JPY563 million, a decrease of JPY19,172 million on the prior comparable period. Ordinary profit as a percentage of revenue from operations was 0.3%, a decrease of 8.8 percentage points on the prior comparable period.

### 4. Extraordinary income/losses and profit attributable to owners of parent

We booked extraordinary losses of JPY18,677 million, an increase of JPY18,536 million on the prior comparable period. This is mainly attributable to an increase in impairment loss of JPY14,265 million.

Accordingly, the loss before income taxes was JPY18,113 million compared to a profit of JPY19,594 million for the prior comparable period. Loss attributable to owners of parent totaled JPY16,917 million, compared with a profit of JPY13,270 million for the prior comparable period, while the loss per share amounted to JPY64.32, compared with a profit of JPY50.50 for the prior comparable period.

### 5. Cash flow

Cash and cash equivalents at the end of the fiscal year stood at JPY91,599 million, an increase of JPY57,573 million on the balance at the end of the prior fiscal year. This mainly reflects the following operating activities, investing activities (including new store openings), and financing activities.

#### ■ Cash flows from operating activities

Net cash used by operating activities totaled JPY1,758 million (cf. JPY10,328 million provided for the prior comparable period).

This is primarily attributable to loss before income taxes of JPY18,113 million, impairment loss of JPY14,265 million, depreciation of JPY8,655 million, decrease in notes and accounts payable-trade of JPY8,139 million, and payment of income taxes of JPY3,026 million.

#### ■ Cash flows from investment activities

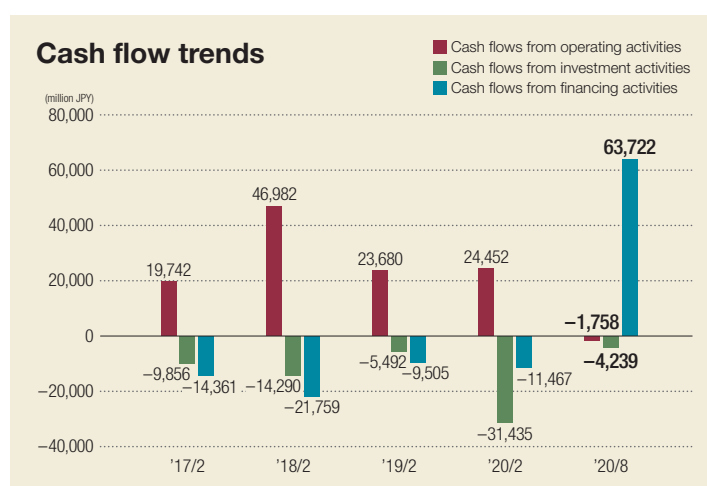
Net cash used in investment activities totaled JPY4,239 million (cf. JPY15,534 million for the prior comparable period).

This was mainly due to payments of JPY4,991 million for the acquisition of property, plant and equipment such as stores, payments of JPY781 million for lease deposits for stores, and payments of JPY3,261 million for the acquisition of intangible fixed assets such as software investments.

#### ■ Cash flows from financing activities

Net cash provided by financing activities totaled JPY63,722 million (cf. JPY7,114 million used for the prior comparable period).

This mainly reflects proceeds from long-term loans payable of JPY71,466 million, dividends paid of JPY4,796 million, and repayment of lease obligations totaling JPY3,511 million.



# Consolidated Balance Sheets

Annual Report 2020  
2020.03.01-2020.08.31

	(Millions of JPY)	
	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	38,814	92,308
Notes and accounts receivable-trade	10,010	9,215
Merchandise	105,148	104,988
Work in process	217	233
Supplies	49	63
Accounts receivable-other	11,598	11,930
Other	5,440	5,304
Allowance for doubtful accounts	-	△40
Current assets	171,279	224,005
Non-current assets		
Property, plant and equipment		
Buildings and structures	63,337	57,314
Accumulated depreciation-buildings and structures	△28,246	△30,051
Buildings and structures, net	35,090	27,262
Machinery, equipment and vehicles	4,851	4,799
Accumulated depreciation-machinery, equipment and vehicles	△2,642	△2,830
Machinery, equipment and vehicles, net	2,209	1,968
Tools, furniture and fixtures	25,554	23,661
Accumulated depreciation-tools, furniture and fixtures	△14,482	△14,712
Tools, furniture and fixtures, net	11,072	8,948
Land	1,866	1,866
Leased assets	88	78
Accumulated depreciation-lease assets	△27	△21
Leased assets, net	61	57
Right of Use Asset	37,695	36,775
Accumulated depreciation for right of use asset	△6,428	△9,773
Right of use asset-net	31,267	27,002
Construction in progress	896	704
Property, plant and equipment	82,463	67,810
Intangible assets		
Goodwill	3,432	2,819
Software	18,896	19,267
Other	2,001	2,094
Intangible assets	24,330	24,180
Investments and other assets		
Investment securities	4,097	4,108
Deferred tax assets	1,711	2,110
Leasehold and guarantee deposits	18,694	18,624
Other	4,055	3,195
Allowance for doubtful accounts	△119	△116
Investments and other assets	28,439	27,921
Non-current assets	135,233	119,912
Assets	306,512	343,918

	(Millions of JPY)	
	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	28,133	19,507
Short-term borrowings	4,200	4,482
Current portion of long-term borrowings	-	360
Accounts payable-other	9,250	9,323
Accrued expenses	5,450	5,389
Income taxes payable	2,631	1,536
Provision for bonuses	1,334	964
Lease obligations	7,431	7,253
Provision for bonuses for directors (and other officers)	38	0
Provision for point card certificates	231	198
Lease Termination Liability	-	3,220
Other	4,345	3,686
Current liabilities	63,048	55,923
Non-current liabilities		
Long-term borrowings	873	71,963
Deferred tax liabilities	3,334	1,970
Provision for retirement benefits for directors (and other officers)	40	47
Lease obligations	25,266	25,551
Other	5,456	5,470
Non-current liabilities	34,971	105,001
Liabilities	98,019	160,925
Net assets		
Shareholders' equity		
Share capital	6,766	6,766
Capital surplus	10,875	10,900
Retained earnings	199,590	177,874
Treasury shares	△13,984	△13,965
Shareholders' equity	203,246	181,574
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,604	1,605
Deferred gains or losses on hedges	1,652	674
Foreign currency translation adjustment	△2,462	△3,699
Valuation and translation adjustments	794	△1,419
Share acquisition rights	754	931
Non-controlling interests	3,696	1,905
Net assets	208,492	182,992
Liabilities and net assets	306,512	343,918

# Consolidated Income Statements

Annual Report 2020  
2020.03.01-2020.08.31

	(Millions of JPY)	
	Fiscal year ended February 29, 2020	Fiscal year ended August 31, 2020
Net sales	437,775	178,933
Cost of sales	221,084	95,698
Gross profit (loss)	216,691	83,234
Operating revenue-2	937	459
Operating gross profit (loss)	217,628	83,694
Selling, general and administrative expenses		
Advertising expenses	7,488	3,135
Delivery and freight expense	21,390	11,182
Employees' salaries and bonuses	51,867	23,362
Provision for bonuses for directors (and other officers)	16	△0
Rent expenses on land and buildings	37,257	13,631
Depreciation	17,622	10,358
Provision for point card certificates	164	△33
Other	45,442	21,185
Selling, general and administrative expenses	181,248	82,821
Operating profit (loss)	36,380	872
Non-operating income		
Interest income	566	123
Dividend income	113	73
Sponsorship money income	68	26
Subsidy income	43	89
Rental income	115	57
Foreign exchange gains	-	67
Reversal of allowance for doubtful accounts	6	-
Share of profit of entities accounted for using equity method	76	8
Other	223	189
Non-operating income	1,214	637
Non-operating expenses		
Interest expenses	892	710
Commission expenses	0	0
Foreign exchange losses	126	-
Loss on cancellation of contracts	-	170
Other	199	66
Non-operating expenses	1,218	946
Ordinary profit (loss)	36,377	563
Extraordinary income		
Gain on sales of investment securities	18	-
Gain on sales of non-current assets	0	0
Extraordinary income	19	0
Extraordinary losses		
Impairment loss	1,181	14,265
Loss on retirement of non-current assets	567	1,169
Loss on cancellation of leases	-	3,236
Other	42	5
Extraordinary losses	1,792	18,677
Profit (loss) before income taxes	34,603	△18,113
Income taxes-current	12,717	1,845
Income taxes-deferred	△807	△1,344
Income taxes	11,910	500
Profit (loss) (after amendment dated 2014-03-28)	22,693	△18,614
Profit (loss) attributable to non-controlling interests	△559	△1,697
Profit (loss) attributable to owners of parent	23,253	△16,917

# Consolidated Statements of Changes in Net Assets

Annual Report 2020  
2020.03.01-2020.08.31

Current consolidated fiscal year (March 1, 2020 – August 31, 2020)

(Millions of JPY)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	6,766	10,875	199,590	△ 13,984	203,246
Cumulative effects of changes in accounting policies					–
Restated balance	6,766	10,875	199,590	△ 13,984	203,246
Changes during period [abstract]					
Dividends of surplus			△ 4,797		△ 4,797
Profit (loss) attributable to owners of parent			△ 16,917		△ 16,917
Purchase of treasury shares				–	–
Disposal of treasury shares				18	18
Increase by share-based payments		24			24
Net changes in items other than shareholders' equity					
Total changes during period	–	24	△ 21,715	18	△ 21,671
Net assets	6,766	10,900	177,874	△ 13,965	181,574

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Valuation and translation adjustments			
Net assets	1,604	1,652	△ 2,462	794	754	3,696	208,492
Cumulative effects of changes in accounting policies							–
Restated balance	1,604	1,652	△ 2,462	794	754	3,696	208,492
Changes during period [abstract]							
Dividends of surplus							△ 4,797
Profit (loss) attributable to owners of parent							△ 16,917
Purchase of treasury shares							–
Disposal of treasury shares							18
Increase by share-based payments							24
Net changes in items other than shareholders' equity	0	△ 978	△ 1,236	△ 2,214	177	△ 1,790	△ 3,828
Total changes during period	0	△ 978	△ 1,236	△ 2,214	177	△ 1,790	△ 25,500
Net assets	1,605	674	△ 3,699	△ 1,419	931	1,905	182,992

# Consolidated Cash Flow Statements

Annual Report 2020  
2020.03.01–2020.08.31

	(Millions of JPY)	
	Fiscal year ended February 29, 2020	Fiscal year ended August 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	34,603	△18,113
Depreciation	15,328	8,655
Amortization of software and others	2,716	1,854
Amortization of goodwill	807	411
Increase (decrease) in allowance for doubtful accounts	△9	37
Increase (decrease) in provision for bonuses for directors (and other officers)	△36	△37
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	6
Increase (decrease) in provision for sales returns	△43	0
Interest and dividend income	△680	△197
Interest expenses	892	710
Foreign exchange losses (gains)	199	△81
Loss (gain) on sales of investment securities	△18	–
Share of loss (profit) of entities accounted for using equity method	△76	△8
Loss on retirement of non-current assets	567	1,169
Impairment loss	1,181	14,265
Decrease (increase) in trade receivables	△3,156	△225
Decrease (increase) in inventories	△18,023	△1,497
Increase (decrease) in trade payables	7,792	△8,139
Decrease (increase) in other assets	1,041	△235
Increase (decrease) in other liabilities	2,570	2,963
Subscription rights to shares	320	177
Other, net	△263	△57
Subtotal	45,715	1,658
Interest and dividends received	624	278
Interest paid	△894	△668
Income taxes paid	△20,992	△3,026
Net cash provided by (used in) operating activities	24,452	△1,758
Cash flows from investing activities		
Payments into time deposits	△3,296	–
Proceeds from withdrawal of time deposits	57	4,177
Purchase of property, plant and equipment	△16,834	△4,991
Purchase of leasehold rights, leasedeposits and others	△1,691	△781
Collection of leasedeposits and others	1,575	591
Purchase of intangible assets	△11,488	△3,261
Proceeds from sales of investment securities	22	–
Other, net	218	26
Net cash provided by (used in) investing activities	△31,435	△4,239
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,386	485
Proceeds from long-term borrowings	483	71,466
Repayments of long-term borrowings	△557	–
Repayments of lease obligations	△5,707	△3,511
Proceeds from share issuance to non-controlling shareholders	344	69
Proceeds from sales of treasury shares	675	9
Purchase of treasury shares	△0	–
Dividends paid	△9,960	△4,796
Dividends paid to non-controlling interests	△132	–
Net cash provided by (used in) financing activities	△11,467	63,722
Effect of exchange rate change on cash and cash equivalents	△1,280	△151
Net increase (decrease) in cash and cash equivalents	△19,731	57,573
Cash and cash equivalents	53,756	34,025
Cash and cash equivalents	34,025	91,599

# Corporate Information

Annual Report 2020  
2020.03.01-2020.08.31

<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 JPY	
<b>Accounts settlement date</b>	August 31	
<b>Major business</b>	Management / merchandising / development / production / sales of MUJI SPA	
<b>Executives</b>	Chairman and Representative Director	Masaaki Kanai
	President and Representative Director	Satoru Matsuzaki
	Senior Managing Director	Nobuo Domae
	Managing Director	Satoshi Shimizu
	Director	Satoshi Okazaki
	Director	Kei Suzuki
	Outside Director	Isao Endo
	Outside Director	Masayoshi Yagyu
	Outside Director	Atsushi Yoshikawa
	Full-time Corporate Auditor	Shingo Kawanokami
	Outside Corporate Auditor	Masaru Hattori
	Outside Corporate Auditor	Sachiko Ichikawa
	Outside Corporate Auditor	Jun Arai
	Senior Executive Officer	Yuki Yamamoto
	Executive Officer	Yoji Saito
	Executive Officer	Shoichi Saito
	Executive Officer	Wai Lan Hung
	Executive Officer	Naoyuki Yamamoto
	Executive Officer	Takuo Nagahara
	Executive Officer	Yi Chia Liang
	Executive Officer	Hiroyoshi Azami
	Executive Officer	Asako Shimazaki
	Executive Officer	Akihiro Kamogari
	Executive Officer	Katsushi Onishi
	Executive Officer	Takuya Narukawa
	Executive Officer	Kenta Houchido
	Executive Officer	Tomoko Matsuoka
	Executive Officer	Feng Xia
	Executive Officer	Kouta Sugiyama
<b>Advisory Board</b>	Advisor	Kazuko Koike
	Advisor	Kenya Hara
	Advisor	Naoto Fukasawa
	Advisor	Reiko Sudo

(as of August 31, 2020)

# Group Companies

Annual Report 2020  
2020.03.01-2020.08.31



## MUJI HOUSE Co., Ltd.

Address : Tokyo      Establishment : May 2000  
Primary business : Home Sales (MUJI HOUSE)



## MUJI (Hong Kong) Company Limited

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



## MUJI KOREA CO., LTD.

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



## MUJI (Shanghai) Company Limited

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



## MUJI (Taiwan) Company Limited

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



## MUJI EUROPE HOLDINGS LIMITED

Address : London      Establishment : January 2007  
Primary business : European business headquarters



## RYOHIN KEIKAKU EUROPE LTD.

Address : London      Establishment : March 1994  
Primary business : Retailing of MUJI products



## RYOHIN KEIKAKU FRANCE S.A.S.

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



## MUJI ITALIA S.p.A.

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



## MUJI Deutschland GmbH

Address : Dusseldorf      Establishment : July 2005  
Primary business : Retailing of MUJI products



## MUJI SPAIN, S.L.

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



## MUJI PORTUGAL, LDA

Address : Lisbon      Establishment : February 2010  
Primary business : Retailing of MUJI products



## MUJI Sweden Aktiebolag

Address : Stockholm      Establishment : March 2018  
Primary business : Retailing of MUJI products



## MUJI Switzerland AG

Address : Zurich      Establishment : January 2019  
Primary business : Retailing of MUJI products



## MUJI Finland Oy

Address : Helsinki      Establishment : February 2019  
Primary business : Retailing of MUJI products



## MUJI Denmark ApS

Address : Copenhagen      Establishment : July 2019  
Primary business : Retailing of MUJI products



## MUJI U.S.A. Limited

Address : New York      Establishment : October 2006  
Primary business : Retailing of MUJI products



## MUJI CANADA LIMITED

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



## MUJI (SINGAPORE) PTE. LTD.

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



## MUJI (MALAYSIA) SDN. BHD.

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



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

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



## MUJI RETAIL (AUSTRALIA) PTY LTD

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



## Ryohin-Keikaku Reliance India Private Limited

Address : Mumbai      Establishment : February 2016  
Primary business : Retailing of MUJI products



## MUJI PHILIPPINES CORP.

Address : Manila      Establishment : February 2017  
Primary business : Retailing of MUJI products



## MUJI RETAIL (VIETNAM) LIMITED LIABILITY COMPANY

Address : Ho Chi Minh      Establishment : August 2019  
Primary business : Retailing of MUJI products



## MUJI Global Sourcing Private Limited

Address : Singapore      Establishment : April 2006  
Primary business : Procurement



## MGS (Shanghai) Trading Co., Ltd.

Address : Shanghai      Establishment : October 2009  
Primary business : Procurement

(as of August 31, 2020)

MUJI was established in December 1980 as a proprietary brand of Seiyu Store (now Seiyu GK) with 40 products. Today, it has grown into a brand of over 7,000 products. Ryohin Keikaku Co., Ltd. was established as an independent company from Seiyu in 1989 and took over the MUJI business. Since then we develop, manufacture and sell everyday goods including clothing, household goods and food items.

- 1980** MUJI established as a private brand of The Seiyu, Ltd. (household goods: 9, food items: 31)
- 1983** Opened the first directly managed store, MUJI Aoyama
- 1985** Established Mujirushi Ryohin Division
- 1989** Established Ryohin Keikaku Co., Ltd.
- 1990** MUJI business transferred from The Seiyu, Ltd.
- 1991** Opened first store in U.K.; opened first store in Hong Kong
- 1993** Established RK TRUCKS Co., Ltd.
- 1994** Niigata Distribution Center begins operation
- 1995** Opened first store in Singapore; opened MUJI Tsunan Campsite; Company shares registered on the over-the-counter market
- 1996** Increased capital to JPY6,766.25 million; opened MUJI Minami-Norikura Campsite; Fukuoka Distribution Center begins operation
- 1998** Kobe Distribution Center begins operation; listed on the second section of the Tokyo Stock Exchange; opened first store in France; withdrew from Hong Kong and Singapore market; Urayasu Distribution Center begins operation
- 2000** Established MUJI.net Co., Ltd. (now MUJI HOUSE Co., Ltd.); promoted to listing on the first section of the Tokyo Stock Exchange
- 2001** Reentered Hong Kong market; opened MUJI Yurakucho; opened MUJI Namba store
- 2002** Opened first store in Ireland
- 2003** Reentered Singapore market; opened first store in Korea
- 2004** Opened first store in Taiwan; opened MUJI Tsumagoi Campsite; opened first store in Sweden; opened first store in Italy
- 2005** Opened first store in mainland China (Shanghai) and in Germany
- 2006** Established MUJI Global Sourcing Private Limited in Singapore; opened first store in Spain; consolidated IDÉE CO., LTD.; opened first store in Thailand
- 2007** Established MUJI EUROPE HOLDINGS LIMITED as European headquarters; opened first store in U.S.A.
- 2008** Opened MUJI to GO Hong Kong International Airport
- 2009** Opened first store in Indonesia
- 2010** Opened first store in Poland, in the Philippines and in Portugal
- 2011** Opened Found MUJI Aoyama
- 2012** Opened first store in Malaysia
- 2013** Opened first store in Kuwait, UAE and Australia
- 2014** Hatoyama Distribution Center begins operation; closed Urayasu Distribution Center; opened first store in Canada; opened MUJI Sino-Ocean Taikoo Li Chengdu, global flagship store
- 2015** Remodeled MUJI Yurakucho global flagship store; opened MUJI Shanghai Huaihai 755 global flagship store
- 2016** Opened first store in Saudi Arabia; opened a store in India as the first Japanese retailer; opened first store in Bahrain
- 2017** Opened first store in Qatar; merged IDÉE CO., LTD. to Ryohin Keikaku
- 2018** Merged RK TRUCKS Co., Ltd. to Ryohin Keikaku; opened MUJI AEONMALL Sakaikitananada
- 2019** Opening of MUJI's global flagship store MUJI GINZA, MUJI Diner and Japan's First MUJI HOTEL GINZA



MUJI Aoyama



MUJI Tsunan Campsite



MUJI Sino-Ocean Taikoo Li Chengdu



MUJI Shanghai Huaihai 755



MUJI Yurakucho