Ryohin Keikaku / 7453

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Research Coverage Report by Shared Research Inc.

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How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Executive summary

- Retail chain store operator selling apparel, household goods, and food under the Mujirushi Ryohin and MUJI brand names. Well known for simple designs that eschew excessive ornamentation and processing. Mujirushi Ryohin started out in 1980 a private label brand established by Seiyu, a large general merchandise store; in 1989 the brand was spun off from Seiyu and established as a separate company under the name Ryohin Keikaku. Ryohin Keikaku products are founded on three core principles: selection of materials, process streamlining, and simplification of packaging. It has loyal, repeat customers that value products that are low priced, simple, natural, anonymous, and conserve resources.
- As of end-FY08/20, the company had 975 stores in operation worldwide, of which 438 were in Japan. The company's 537 stores overseas are spread out across East Asia (mainly China), Europe, North America, Southwest Asia and Oceania, the Middle East, and other regions. Japan accounts for 68.2% of consolidated operating revenue, East Asia 25.3%, Europe and Americas 3.7%, and Southwest Asia and Oceania 2.8%. While its domestic business continues to grow, the more rapid growth outside Japan means the proportion of consolidated operating revenue coming from overseas is rising steadily.
- By merchandise category, apparel (including apparel, accessories, shoes, and handbags) accounted for 42.8% of sales, household goods (including cosmetics, furniture, and linens) 47.1%, food (including retort foods and snack food) 7.0%, and other products 3.1% (FY02/20).

Trends and outlook

- For FY08/20 (irregular six-month accounting period), Ryohin Keikaku reported consolidated operating revenue of JPY179.4bn (-17.2% YoY), operating profit of JPY872mn (-95.8% YoY), and net loss of JPY16.9bn (versus profit of JPY13.3bn in the same six-month period last year). The drop in top-line revenues reflected store closures and shortened operating hours the company was forced to implement at the stores around the world in the wake of the pandemic, which hit sales in Japan and China especially hard in Q1 and sales in the US and Europe especially hard in Q2. The company booked JPY18.7bn in extraordinary losses, JPY14.3bn of which were asset impairment charges (JPY5.1bn in Japan, JPY9.1bn overseas).
- For FY08/21, the company is projecting consolidated operating revenue of JPY487.6bn (+21.4% versus the same 12-month period the previous year), operating profit of JPY49.2bn (3.0x increase YoY), net income of JPY34.8bn (versus loss of JPY6.9bn), EPS of JPY132.3, and annual dividend of JPY40.0 per share (representing a dividend payout ratio of 30.2% on projected earnings). If it achieves these targets, operating profit will exceed the FY02/18 figure (JPY45.3bn) for an all-time record. The forecast assumes a gross profit margin (GPM) of 50.3% (+2.9pp YoY), SG&A expenses of JPY196.5bn (+12.8% YoY), and a 2% increase in domestic comparable-store sales versus the pre-pandemic figures of FY02/20. The company sees demand for the goods it sells being aided by the growing trend toward teleworking, which will lead to more people spending more time at home, and also its ongoing efforts to increase demand by finding the right level for its selling prices on products for which it has lowered its buying costs. Overseas, plans call for switching to a more balanced approach and concentrating resources in key markets such as China, Taiwan, and Thailand. In this relation, the company noted that all of its overseas subsidiaries will be using the same fiscal year as the parent company and domestic subsidiaries starting in FY08/21.
- The company provided an initial overview of its next medium-term business plan in April 2021, then followed up with more details in July. In terms of quantitative targets, under its next medium-term plan the company targets FY08/24 consolidated sales of JPY700bn (JPY450bn from Japan, JPY250bn from overseas) and operating profit of JPY75bn for an operating profit margin of 11% with targets for ROA and ROE of 15% or better. Long term, the company targets FY08/30 consolidated sales of JPY3.0tn and operating profit of JPY450bn, representing an operating profit margin of 15% with targets for ROA and ROE of 15% or higher. Looking out to FY08/30, the company has set its sights on making its products and stores an essential part of everyday life for consumers and becoming an active part of local communities, contributing to both community building and problem solving. By region, the medium-term plan calls for focusing the bulk of its resources on its operations in Japan and Mainland China, where it looks to grow earnings while at the same time laying the groundwork for a new business model centered around individually managed stores to meet the needs of local communities. In Southeast Asia and Oceania, plans call for price cuts and a broader lineup of everyday goods; in terms of store strategy, plans call for steadily increasing the size of stores in the region through a combination of new store openings and the remodeling/replacement of existing stores. In

India, Europe, and North America, the main focus during the period covered by the medium-term plan will be business restructuring.

Strengths and weaknesses

Shared Research believes the company's key strengths are 1) its unique brand, 2) its strong potential as a global retailer, and 3) management that is strong on execution. Major weaknesses include 1) a lack of internal manufacturing capabilities and limited ability to control the production costs of many of the items its sells, 2) a lack of a strong online presence and online retail strategy, and 3) inventory management. (See the "Strengths and weaknesses" section for details.)

Key financial data

Income statement (JPYmn)	FY02/12 Cons.	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.	FY08/21 Est.
Operating revenue	**178,186**	**188,350**	**220,620**	**260,254**	**307,532**	**333,281**	**379,551**	**409,697**	**438,713**	**179,392**	**487,600**
YoY	5.0%	5.7%	17.1%	18.0%	18.2%	8.4%	13.9%	7.9%	7.1%	-17.1%	21.4%
Sales	**177,532**	**187,693**	**220,029**	**259,655**	**307,199**	**332,581**	**378,801**	**408,848**	**437,775**	**178,933**	**486,600**
YoY	5.0%	5.7%	17.2%	18.0%	18.3%	8.3%	13.9%	7.9%	7.1%	-17.2%	21.4%
Gross profit	80,943	86,719	101,074	122,232	150,118	165,160	191,070	210,531	216,691	83,234	244,700
YoY	5.6%	7.1%	16.6%	20.9%	22.8%	10.0%	15.7%	10.2%	2.9%	-24.3%	28.8%
Gross profit margin	45.6%	46.2%	45.9%	47.1%	48.9%	49.7%	50.4%	51.5%	49.5%	46.5%	50.3%
Operating gross profit	81,593	87,376	101,665	122,831	150,451	165,861	191,819	211,380	217,628	83,694	245,700
YoY	5.6%	7.1%	16.4%	20.8%	22.5%	10.2%	15.7%	10.2%	3.0%	-24.2%	28.7%
Operating gross profit margin	46.0%	46.6%	46.2%	47.3%	49.0%	49.9%	50.6%	51.7%	49.7%	46.8%	50.5%
Operating profit	**15,438**	**18,351**	**20,916**	**23,846**	**34,439**	**38,278**	**45,286**	**44,743**	**36,380**	**872**	**49,200**
YoY	11.1%	18.9%	14.0%	14.0%	44.4%	11.1%	18.3%	-1.2%	-18.7%	-95.8%	195.4%
Operating profit margin	8.7%	9.8%	9.5%	9.2%	11.2%	11.5%	12.0%	10.9%	8.3%	0.5%	10.1%
Recurring profit	**16,135**	**19,760**	**23,047**	**26,602**	**32,700**	**38,582**	**45,985**	**45,861**	**36,377**	**563**	**49,800**
YoY	13.4%	22.5%	16.6%	15.4%	22.9%	18.0%	19.2%	-0.3%	-20.7%	-97.1%	189.5%
Recurring profit margin	9.1%	10.5%	10.5%	10.2%	10.6%	11.6%	12.1%	11.2%	8.3%	0.3%	10.2%
Net income	**8,850**	**10,970**	**17,096**	**16,623**	**21,718**	**25,831**	**30,113**	**33,845**	**23,253**	**-16,917**	**34,800**
YoY	12.6%	24.0%	55.8%	-2.8%	30.7%	18.9%	16.6%	12.4%	-31.3%	-	-
Net margin	5.0%	5.8%	7.8%	6.4%	7.1%	7.8%	7.9%	8.3%	5.3%	-9.5%	7.2%
Per-share data (split-adjusted; JPY)											
Shares issued (year-end; '000)	280,780	280,780	280,780	280,780	280,780	280,780	280,780	280,780	280,780	280,780	-
EPS	33.0	40.9	64.5	62.8	81.8	97.5	114.7	128.9	88.5	-64.3	132.3
EPS (fully diluted)	32.9	40.8	64.2	62.5	81.6	97.2	114.4	128.6	88.3	-	-
Dividend per share	11.0	11.0	15.5	19.0	24.6	29.3	34.5	38.7	36.4	5.0	40.0
Book value per share	305.6	348.8	407.2	472.4	524.8	579.2	647.7	725.8	775.8	684.9	-
Balance sheet (JPYmn)											
Cash and cash equivalents	25,045	31,586	25,226	33,044	43,692	38,555	50,875	55,444	38,814	92,308	
Total current assets	**59,833**	**72,556**	**77,290**	**106,316**	**119,547**	**131,435**	**149,329**	**170,206**	**171,279**	**224,005**	
Tangible fixed assets	11,743	14,236	22,178	35,252	37,712	38,613	41,225	46,167	82,463	67,810	
Investments and other assets	27,020	28,454	28,376	31,807	29,817	31,128	33,558	27,222	28,439	27,921	
Intangible assets	3,696	4,113	12,383	13,570	13,841	13,528	14,200	16,479	24,330	24,180	
Total assets	**100,293**	**119,360**	**140,229**	**186,947**	**200,919**	**214,705**	**238,313**	**260,075**	**306,512**	**343,918**	
Accounts payable	8,933	10,155	12,752	21,562	17,382	19,096	20,172	20,724	28,133	19,507	
Short-term debt	67	407	190	5,005	7,215	10,887	477	1,222	4,200	4,482	
Total current liabilities	**18,186**	**22,685**	**26,865**	**42,404**	**44,625**	**50,699**	**49,843**	**53,574**	**63,048**	**55,923**	
Long-term debt	-	-	1,150	11,692	7,913	-	1,614	557	873	71,963	
Total fixed liabilities	**578**	**625**	**2,349**	**15,872**	**13,120**	**6,987**	**14,043**	**11,312**	**34,971**	**105,001**	
Total liabilities	**18,765**	**23,310**	**29,214**	**58,276**	**57,746**	**57,686**	**63,886**	**64,886**	**98,019**	**160,925**	
Total net assets	**83,528**	**96,050**	**111,015**	**128,670**	**143,173**	**157,018**	**174,426**	**195,189**	**208,492**	**182,992**	
Total interest-bearing debt	67	407	1,340	16,697	15,128	10,887	2,091	1,779	5,073	76,445	
Cash flow statement (JPYmn)											
Cash flows from operating activities	9,729	13,176	15,117	14,619	26,133	19,742	46,982	23,680	24,452	-1,758	
Cash flows from investing activities	-4,747	-4,945	-17,842	-22,193	-8,647	-9,856	-14,290	-5,492	-31,435	-4,239	
Cash flows from financing activities	-3,120	-2,540	-5,385	11,377	-6,520	-14,361	-21,759	-9,505	-11,467	63,722	
Financial ratios											
ROA (RP-based)	16.3%	18.0%	17.8%	16.3%	16.9%	18.6%	20.3%	18.4%	12.8%	0.2%	
ROE	11.1%	12.5%	17.0%	14.3%	16.4%	17.7%	18.6%	18.8%	11.8%	-8.8%	
Equity ratio	81.6%	78.3%	76.9%	67.0%	69.4%	71.3%	71.3%	73.3%	66.6%	52.4%	

Source: Shared Research based on company data
Note: The company conducted a 10-for-1 stock split with an effective date of September 1, 2019. Per-share data has been retroactively adjusted to reflect the impact of this split. FY08/20 and FY08/21 figures are compared to the same 12-month period the previous year.

Recent updates

Highlights

On August 25, 2021, Shared Research updated the section of the report pertaining to the medium-term business plan after interviews with Ryohin Keikaku Co., Ltd.

On August 19, 2021, Shared Research updated the report following interviews with the company.

On August 10, 2021, the company announced monthly sales data (Overseas) for July 2021; see the monthly section for details.

On August 3, 2021, the company announced monthly sales data (Domestic) for July 2021; see the monthly section for details.

On July 21, 2021, the company announced its medium-term business plan covering the period from FY08/22 through FY08/24.

The company announced its medium-term business plan covering the period from FY08/22 through FY08/24, as detailed below.

Medium-term business plan: Quantitative targets

Medium-term targets (JPYmn)	FY08/21 Est.	FY08/24 Targets	FY08/30 Targets
Operating revenue	487,600	700,000	3,000,000
Comparable-store revenue growth	-	2.0%	-
Domestic	303,300	450,000	-
Overseas	184,300	250,000	-
Operating profit	49,200	75,000	450,000
Operating profit margin	10.1%	10.7%	15.0%
ROE	13%	15%	15%
ROA (RP-based)	18%	15%	15%
Store count	980	1,300	2,500
Average floor space (tsubo)	250	300	550
E-commerce ratio	10%	15%	30%

Source: Shared Research, based on company data

Overview of medium-term business plan

Looking out to FY08/30, the company has set its sights on making its stores and products an essential part of everyday life for consumers and becoming an active part of local communities, contributing to both community building and problem solving. To accomplish this goal, the company will implement the following regional strategies by FY08/24.

▷ Japan and Mainland China

Plans call for focusing the bulk of the company's resources on its operations in Japan and Mainland China, where it looks to grow earnings while at the same time laying the groundwork for a new business model centered around individually managed stores to meet the needs of local communities. In practice, this means fielding a core lineup of consumer products/services essential for everyday living for all stores nationwide, serving local communities, and accelerating store openings while maintaining profitability.

▷ Taiwan, Thailand, Hong Kong, and South Korea

Plans call for besting competitors with price cuts and a broader lineup of everyday goods to meet the needs of the average consumer in each market. In terms of store strategy, plans call for putting in place stores built to its new standard format with 600 *tsubo* (roughly 1,980sqm) of sales floorspace through a combination of new store openings and the remodeling/replacement of existing stores. With this working to reach more consumers, the company will then be in a better position to meet the needs of the local market and grow the business.

▷ Other countries in Southeast Asia/Oceania

Plans call for besting competitors with price cuts, putting in place stores built to its new standard (600 *tsubo* or roughly 1,980sqm) format that will be more profitable; putting in place the personnel structure needed to support the expansion of business in this region; and finishing the preparations for its store expansion plans that are expected to be implemented starting in 2024.

▷ India, Europe, and North America

Plans here center around business restructuring, with the company planning to push ahead with structural reforms, including closing unprofitable stores and revamping individual store operations. In Europe, the company is looking at the implications of the lifestyles and values for “super mature society”, where it will work together with local community stakeholders to contribute to local communities through such measures as adapting individual stores to local market needs.

To successfully implement these strategies, the company will undertake the following initiatives: 1) putting together the best core merchandise lineup of everyday goods and establishing related procurement and manufacturing networks; 2) creating a community-based business model centered around individually managed stores and accelerating the nationwide rollout of these stores while maintaining profitability; 3) fostering independent growth initiatives at the individual store, country, and regional level by encouraging companywide employee autonomy; and 4) putting in place the business infrastructure needed to support the changeover to individually managed stores that have adapted to local market needs.

On July 9, 2021, the company announced monthly sales data (Overseas) for June 2021.

On July 2, 2021, the company announced earnings results for Q3 FY08/21; see the results section for details.

On the same day, the company announced changes in its representative directors and executives.

Outline of changes

Name	New title	Current title
Satoru Matsuzaki	Vice Chairman and Director	President and Representative Director
Nobuo Domae	President and Representative Director	Senior Managing Director

Effective date

September 1, 2021

On the same day, the company announced monthly sales data (Domestic) for June 2021.

On June 10, 2021, the company announced monthly sales data (Overseas) for May 2021.

On June 2, 2021, the company announced monthly sales data (Domestic) for May 2021.

On May 26, 2021, the company announced the disposal of treasury shares through third-party allotment in association with its establishment of an employee benefit trust (J-ESOP).

The company has decided to dispose of treasury shares through a third-party allotment.

Summary of treasury share disposal

- Disposal date: June 11, 2021
- Type and number of shares slated for disposal: 11,231,000 shares of common stock
- Disposal price: JPY2,242 per share
- Total price of shares slated for disposal: JPY25.2bn
- Recipient of shares slated for disposal: Custody Bank of Japan, Ltd. (Trust Account E)

Goals of and reasons behind the treasury share disposal

The company will dispose of treasury shares through third-party allotment to a trust account established with Custody Bank of Japan (Trust Account E) to ensure proper retention and disposal of its own shares as it manages an employee benefit trust (J-ESOP). The quantity of shares to be disposed is equivalent to the number of shares the company plans to grant to its employees over the duration of the trust (10 financial years) in accordance with its regulations concerning share-based remuneration. In addition, the total number of shares to be disposed amounts to 4.0% of the company’s total number of shares outstanding in February 2021 (280,780,000 shares).

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Monthly trends and results

FY08/20	Mar	Apr	May	Jun	Jul	Aug	Q1	Q2	FY
Directly managed stores: Comparable	-15.3%	-58.7%	-46.3%	5.9%	10.5%	6.9%	-39.3%	7.7%	-17.6%
Licensed stores (incl. Seiyu): Comparable	-15.0%	-49.5%	-28.3%	4.4%	19.3%	14.4%	-30.2%	12.1%	-11.4%
Direct + Licensed (incl. Seiyu) + Online: Comp. stores	-14.6%	-47.6%	-30.3%	9.5%	14.8%	10.5%	-30.4%	11.5%	-11.3%
Directly managed: All stores	-9.4%	-56.7%	-43.7%	9.2%	15.7%	11.9%	-36.3%	12.2%	-13.7%
Direct + Licensed (incl. Seiyu) + Online: All stores	-9.5%	-46.9%	-29.6%	12.0%	18.9%	14.7%	-28.4%	15.1%	-8.4%

FY08/20	Mar	Apr	May	Jun	Jul	Aug	Q1	Q2	FY
Directly managed comparable stores									
Sales	-15.3%	-58.7%	-46.3%	5.9%	10.5%	6.9%	-39.3%	7.7%	-17.6%
Apparel items	-29.6%	-78.0%	-63.0%	2.9%	1.4%	-15.0%	-57.7%	-3.2%	-32.0%
Household goods	-12.7%	-47.3%	-35.4%	4.2%	11.1%	16.3%	-30.4%	10.2%	-12.3%
Food	20.6%	-36.7%	-20.4%	27.7%	47.0%	53.2%	-10.6%	41.8%	14.1%
Customer count	-4.6%	-59.7%	-45.1%	12.0%	18.7%	12.0%	-35.6%	14.2%	-11.3%
Apparel items	-15.2%	-72.0%	-60.2%	15.9%	22.0%	-2.4%	-50.2%	11.6%	-18.7%
Household goods	-2.0%	-54.6%	-35.0%	15.6%	23.8%	21.7%	-29.1%	20.2%	-5.7%
Food	3.6%	-51.9%	-32.5%	16.2%	34.0%	31.0%	-25.7%	26.7%	-0.7%
Customer spend	-11.2%	2.5%	-2.1%	-5.5%	-6.9%	-4.5%	-5.7%	-5.6%	-7.1%
Apparel items	-17.0%	-21.3%	-7.2%	-11.3%	-16.9%	-12.9%	-15.1%	-13.3%	-16.3%
Household goods	-10.8%	16.0%	-0.6%	-9.9%	-10.2%	-4.4%	-1.8%	-8.3%	-7.0%
Food	16.5%	31.6%	17.9%	9.8%	9.7%	16.9%	20.3%	11.9%	14.9%
Directly managed comparable stores + Licensed stores & Seiyu (comp.) + Online store									
Customer count	-7.7%	-54.6%	-37.5%	11.4%	20.5%	13.1%	-30.1%	14.9%	-8.2%
Apparel items	-18.1%	-67.6%	-47.8%	16.5%	19.4%	-1.8%	-42.4%	11.4%	-15.1%
Household goods	-5.2%	-49.0%	-30.0%	13.6%	23.0%	20.4%	-24.4%	18.8%	-3.8%
Food	4.2%	-49.0%	-28.9%	16.3%	34.9%	31.8%	-23.4%	27.3%	0.8%
Customer spend	-7.5%	15.4%	11.5%	-1.7%	-4.7%	-2.3%	-0.4%	-2.9%	-3.4%
Apparel items	-11.1%	-12.0%	-2.8%	-7.3%	-11.9%	-10.7%	-13.1%	-9.4%	-13.0%
Household goods	-8.5%	29.1%	16.2%	-5.7%	-5.7%	-0.8%	3.8%	-4.3%	-2.3%
Food	16.9%	42.1%	32.2%	12.3%	10.8%	18.8%	26.8%	13.7%	18.6%

Domestic FY08/21	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Q1	Q2	Q3	Q4	FY
Directly managed comparable stores + Online store																	
Sales	-1.1%	1.0%	-6.6%	9.4%	30.4%	26.9%	15.0%	41.3%	-8.6%	-14.8%	-1.2%		-1.8%	19.5%	14.1%		
Apparel items	-15.5%	6.5%	-9.8%	1.4%	-1.8%	-2.6%	23.6%	106.0%	-1.8%	-19.6%	-5.4%		-5.3%	-1.2%	30.4%		
Household goods	-7.9%	-11.7%	-10.8%	9.1%	46.4%	35.7%	6.3%	16.0%	-17.0%	-18.5%	-4.5%		-9.5%	26.3%	2.0%		
Food	90.5%	54.9%	27.7%	41.4%	63.3%	57.2%	39.8%	78.9%	18.4%	19.6%	22.9%		55.7%	51.3%	42.8%		
Customer count	9.1%	11.6%	6.9%	13.2%	18.9%	20.1%	20.9%	70.2%	11.4%	7.8%	11.1%		9.2%	17.0%	29.8%		
Customer spend	-9.3%	-9.5%	-12.6%	-3.3%	9.7%	5.7%	-4.9%	-17.0%	-17.9%	-21.0%	-11.1%		-10.1%	2.1%	-12.1%		
Directly managed stores total + Online store																	
Sales	-1.4%	3.7%	-3.4%	9.3%	22.4%	25.6%	24.2%	115.1%	48.4%	-5.7%	5.8%		-0.1%	16.6%	55.0%		
Apparel items	-15.7%	7.3%	-8.6%	2.7%	-6.1%	-0.9%	34.4%	236.0%	67.4%	-10.6%	1.8%		-4.7%	-1.8%	84.6%		
Household goods	-10.5%	-10.4%	-6.9%	5.7%	33.4%	30.3%	13.1%	67.9%	28.7%	-10.8%	1.3%		-9.0%	19.7%	33.6%		
Food	97.3%	59.3%	31.8%	49.7%	69.2%	64.5%	50.5%	169.6%	95.9%	31.1%	32.5%		60.3%	58.3%	93.4%		
Customer count	14.4%	16.7%	8.9%	16.1%	19.7%	24.8%	31.2%	178.7%	88.0%	10.8%	14.8%		13.3%	19.8%	80.1%		
Customer spend	-13.8%	-11.1%	-11.3%	-5.9%	2.3%	0.6%	-5.3%	-22.8%	-21.1%	-14.9%	-7.9%		-11.8%	-2.7%	-14.0%		

East Asia FY08/21	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Q1	Q2	Q3	Q4	FY
Directly managed comparable stores + Online store																	
Sales	-3.6%	4.9%	0.4%	-3.9%	1.8%	138.4%	40.8%	18.5%	-10.8%	-3.1%	2.5%		0.9%	17.7%	11.2%		
Customer count	-2.2%	11.7%	7.8%	-5.3%	3.6%	173.1%	58.5%	24.3%	-3.0%	4.9%	2.2%		6.1%	25.5%	21.6%		
Customer spend	-1.4%	-6.1%	-6.8%	1.5%	-1.7%	-12.7%	-11.2%	-4.7%	-8.0%	-7.6%	0.2%		-4.9%	-6.2%	-8.6%		
Directly managed stores total + Online store																	
Sales	-0.6%	7.9%	2.2%	-1.5%	6.1%	172.7%	52.1%	27.1%	-3.6%	1.7%	8.4%		3.4%	24.0%	19.7%		
Customer count	1.0%	14.5%	9.0%	-3.0%	7.2%	212.7%	72.0%	33.9%	5.6%	11.5%	10.8%		8.5%	32.1%	31.5%		
Customer spend	-1.6%	-5.8%	-6.2%	1.6%	-1.0%	-12.8%	-11.6%	-5.1%	-8.8%	-8.8%	-2.2%		-4.7%	-6.1%	-9.0%		

Europe and the Americas FY08/21	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Q1	Q2	Q3	Q4	FY
Directly managed comparable stores + Online store																	
Sales	-	-	-	-	-	-	-	-	-	-	-		-	-	-		
Customer count	-	-	-	-	-	-	-	-	-	-	-		-	-	-		
Customer spend	-	-	-	-	-	-	-	-	-	-	-		-	-	-		
Directly managed stores total + Online store																	
Sales	-29.6%	-33.3%	-56.0%	-47.3%	-58.5%	-63.5%	4.2%	916.3%	144.6%	67.5%	22.0%		-41.1%	-53.4%	115.3%		
Customer count	-28.7%	-21.1%	-46.8%	-36.9%	-51.8%	-55.4%	-10.8%	608.3%	218.6%	70.0%	31.9%		-33.0%	-59.1%	108.0%		
Customer spend	-1.3%	-15.5%	-17.3%	-16.6%	-13.9%	-18.3%	16.8%	43.5%	-23.2%	-1.5%	-7.5%		-12.0%	14.0%	3.5%		

West and South Asia, Oceania FY08/21	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Q1	Q2	Q3	Q4	FY
Directly managed comparable stores + Online store																	
Sales	-	-	-	-	-	-	-	-	-	-	-		-	-	-		
Customer count	-	-	-	-	-	-	-	-	-	-	-		-	-	-		
Customer spend	-	-	-	-	-	-	-	-	-	-	-		-	-	-		
Directly managed stores total + Online store																	
Sales	-28.9%	-24.1%	1.5%	-2.7%	-10.9%	-11.2%	43.1%	522.4%	75.7%	0.6%	-34.7%		-14.9%	-6.8%	110.7%		
Customer count	-37.0%	-24.8%	-6.8%	-3.3%	-19.5%	-13.5%	42.7%	784.5%	125.4%	3.4%	-38.5%		-20.6%	-12.3%	132.7%		
Customer spend	12.9%	0.9%	8.8%	0.6%	10.6%	2.7%	0.3%	-29.6%	-22.1%	-2.7%	6.3%		7.1%	6.3%	-9.4%		

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Comparable stores are considered those open for at least two years.
Note: Licensed stores are wholesale client firms other than FamilyMart and com KIOSK stores.
Note: Directly managed comparable stores are stores in operation for the full September 2019–August 2020 period. Stores closed for 30 or more days are excluded.

Quarterly trends and results

Cumulative (JPYmn)	FY02/19 Q1	FY02/19 Q2	FY02/19 Q3	FY02/19 Q4	FY02/20 Q1	FY02/20 Q2	FY02/20 Q3	FY02/20 Q4	FY08/20 Q1	FY08/20 Q2	FY08/21 Q1	FY08/21 Q2	FY08/21 Q3	FY08/21 % of Est.	FY08/21 Est.
Operating revenue	**106,521**	**201,275**	**304,215**	**409,697**	**112,328**	**216,451**	**328,203**	**438,713**	**78,753**	**179,392**	**114,960**	**228,353**	**345,049**	**70.8%**	**487,600**
Sales	106,307	200,815	303,546	408,848	112,124	215,978	327,516	437,775	78,509	178,933	114,637	227,748	344,025		486,600
YoY	9.6%	10.0%	8.7%	7.9%	5.5%	7.6%	7.9%	7.1%	-30.0%	-17.2%	2.8%	2.7%	14.6%		21.4%
Gross profit	53,311	102,830	155,999	210,531	56,203	109,925	164,102	216,691	36,616	83,234	57,138	112,034	168,961	69.0%	244,700
YoY	11.7%	12.8%	11.0%	10.2%	5.4%	6.9%	5.2%	2.9%	-34.9%	-24.3%	5.5%	4.9%	17.8%		28.8%
GPM (% of sales)	50.1%	51.2%	51.4%	51.5%	50.1%	50.9%	50.1%	49.5%	46.6%	46.5%	49.8%	49.2%	49.1%		50.3%
Operating gross profit	53,525	103,290	156,668	211,380	56,408	110,398	164,789	217,628	36,860	83,694	57,461	112,640	169,985	69.2%	245,700
YoY	11.7%	12.8%	11.0%	10.2%	5.4%	6.9%	5.2%	3.0%	-34.7%	-24.2%	5.6%	5.0%	18.0%		28.7%
Operating GPM (% of operating revenue)	50.2%	51.3%	51.5%	51.6%	50.2%	51.0%	50.2%	49.6%	46.8%	46.7%	50.0%	49.3%	49.3%		50.4%
SG&A expenses	40,206	79,729	121,808	166,636	46,053	89,802	134,989	181,248	39,760	82,821	44,307	89,247	134,787	68.6%	196,500
YoY	11.6%	13.2%	13.2%	13.7%	14.5%	12.6%	10.8%	8.8%	-13.7%	-7.8%	-1.9%	-2.4%	2.7%		12.8%
SG&A ratio (% of operating revenue)	37.7%	39.6%	40.0%	40.7%	41.0%	41.5%	41.1%	41.3%	50.5%	46.2%	38.5%	39.1%	39.1%		40.3%
Operating profit	**13,319**	**23,560**	**34,859**	**44,743**	**10,354**	**20,596**	**29,820**	**36,380**	**-2,899**	**872**	**13,154**	**23,393**	**35,197**	**71.5%**	**49,200**
YoY	12.2%	11.5%	3.9%	-1.2%	-22.3%	-12.6%	-14.5%	-18.7%	-	-95.8%	42.6%	48.2%	173.2%		195.4%
OPM (% of operating revenue)	12.5%	11.7%	11.5%	10.9%	9.2%	9.5%	9.1%	8.3%	-3.7%	0.5%	11.5%	10.3%	10.2%		10.1%
Recurring profit	**13,449**	**23,529**	**35,720**	**45,861**	**9,603**	**19,735**	**30,174**	**36,377**	**-3,665**	**563**	**13,478**	**25,399**	**38,378**	**77.1%**	**49,800**
YoY	16.7%	9.1%	3.7%	-0.3%	-28.6%	-16.1%	-15.5%	-20.7%	-	-97.1%	29.1%	52.6%	195.8%		189.5%
RPM (% of operating revenue)	12.7%	11.7%	11.8%	11.2%	8.6%	9.1%	9.2%	8.3%	-4.7%	0.3%	11.8%	11.2%	11.2%		10.2%
Net income	**9,542**	**18,101**	**30,309**	**33,845**	**6,594**	**13,270**	**20,503**	**23,253**	**-4,116**	**-16,917**	**12,248**	**20,373**	**29,125**	**83.7%**	**34,800**
YoY	21.7%	24.1%	30.2%	12.4%	-30.9%	-26.7%	-32.4%	-31.3%	-	-	69.3%	104.1%	396.5%		-
Net margin (% of operating revenue)	9.0%	9.0%	10.0%	8.3%	5.9%	6.1%	6.3%	5.3%	-5.2%	-9.5%	10.7%	8.9%	8.5%		7.2%

Quarterly (JPYmn)	FY02/19 Q1	FY02/19 Q2	FY02/19 Q3	FY02/19 Q4	FY02/20 Q1	FY02/20 Q2	FY02/20 Q3	FY02/20 Q4	FY08/20 Q1	FY08/20 Q2	FY08/21 Q1	FY08/21 Q2	FY08/21 Q3
Operating revenue	**106,521**	**94,753**	**102,940**	**105,481**	**112,328**	**104,122**	**111,752**	**110,509**	**78,753**	**100,639**	**114,960**	**113,392**	**116,697**
Sales	106,307	94,507	102,730	105,302	112,124	103,853	111,538	110,258	78,509	100,423	114,637	113,110	116,278
YoY	9.6%	10.4%	6.2%	5.9%	5.5%	9.9%	8.6%	4.7%	-30.0%	-3.3%	2.8%	2.6%	48.1%
Gross profit	53,311	49,519	53,168	54,532	56,203	53,721	54,177	52,588	36,616	46,617	57,138	54,896	56,927
YoY	11.7%	14.0%	7.6%	8.0%	5.4%	8.5%	1.9%	-3.6%	-34.9%	-13.2%	5.5%	4.4%	55.5%
GPM (% of sales)	50.1%	52.4%	51.8%	51.8%	50.1%	51.7%	48.6%	47.7%	46.6%	46.4%	49.8%	48.5%	49.0%
Operating gross profit	53,525	49,764	53,378	54,712	56,408	53,990	54,391	52,839	36,860	46,833	57,461	55,179	57,345
YoY	11.7%	14.0%	7.6%	8.0%	5.4%	8.5%	1.9%	-3.4%	-34.7%	-13.3%	5.6%	4.4%	55.6%
Operating GPM (% of operating revenue)	50.2%	52.5%	51.9%	51.9%	50.2%	51.9%	48.7%	47.8%	46.8%	46.5%	50.0%	48.7%	49.1%
SG&A expenses	40,206	39,523	42,079	44,828	46,053	43,748	45,167	46,278	39,760	43,061	44,307	44,939	45,541
YoY	11.6%	14.9%	13.1%	15.2%	14.5%	10.7%	7.3%	3.2%	-13.7%	-1.6%	-1.9%	-2.9%	14.5%
SG&A ratio (% of operating revenue)	37.8%	41.8%	41.0%	42.6%	41.1%	42.1%	40.5%	42.0%	50.6%	42.9%	38.6%	39.7%	39.2%
Operating profit	**13,319**	**10,241**	**11,299**	**9,883**	**10,354**	**10,242**	**9,223**	**6,560**	**-2,899**	**3,772**	**13,154**	**10,239**	**11,804**
YoY	12.2%	10.6%	-8.9%	-15.9%	-22.3%	0.0%	-18.4%	-33.6%	-	-63.2%	42.6%	56.1%	-
OPM (% of operating revenue)	12.5%	10.8%	11.0%	9.4%	9.2%	9.9%	8.3%	5.9%	-3.7%	3.8%	11.5%	9.1%	10.2%
Recurring profit	**13,449**	**10,079**	**12,190**	**10,140**	**9,603**	**10,132**	**10,439**	**6,202**	**-3,665**	**4,228**	**13,478**	**11,920**	**12,980**
YoY	16.7%	0.4%	-5.5%	-12.1%	-28.6%	0.5%	-14.4%	-38.8%	-	-58.3%	29.1%	92.2%	-
RPM (% of operating revenue)	12.7%	10.7%	11.9%	9.6%	8.6%	9.8%	9.4%	5.6%	-4.7%	4.2%	11.8%	10.5%	11.2%
Net income	**9,542**	**8,558**	**12,207**	**3,536**	**6,594**	**6,676**	**7,233**	**2,749**	**-4,116**	**-12,800**	**12,248**	**8,124**	**8,753**
YoY	21.7%	26.9%	40.5%	-48.3%	-30.9%	-22.0%	-40.7%	-22.3%	-	-	69.3%	195.5%	-
Net margin (% of operating revenue)	9.0%	9.1%	11.9%	3.4%	5.9%	6.4%	6.5%	2.5%	-5.2%	-12.7%	10.7%	7.2%	7.5%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: YoY changes for Q1 through Q4 FY08/21 are comparisons with Q3, Q4 of FY02/20 and Q1, Q2 of FY08/20, respectively.

By segment Quarterly (JPYmn)	FY02/19 Q1	FY02/19 Q2	FY02/19 Q3	FY02/19 Q4	FY02/20 Q1	FY02/20 Q2	FY02/20 Q3	FY02/20 Q4	FY08/20 Q1	FY08/20 Q2	FY08/21 Q1	FY08/21 Q2	FY08/21 Q3	FY08/21 % of Est.	FY08/21 FY Est.
Operating revenue	106,521	94,753	102,940	105,481	112,328	104,122	111,752	110,509	78,753	100,639	114,960	113,392	116,697	70.8%	487,600
YoY	9.7%	10.4%	6.2%	5.9%	5.5%	9.9%	8.6%	4.8%	-29.9%	-3.3%	2.9%	2.6%	48.2%		21.4%
Domestic business	68,830	55,820	64,347	57,271	72,141	61,791	73,117	62,784	51,829	70,598	74,106	73,056	79,443	74.7%	303,300
YoY	6.5%	5.8%	3.6%	3.6%	4.8%	10.7%	13.6%	9.6%	-28.2%	14.3%	1.4%	16.4%	53.3%		17.4%
Comparable-store sales YoY	4.6%	5.2%	1.9%	3.9%	1.5%	5.8%	8.5%	3.6%	-39.3%	7.6%	-1.8%	19.5%	14.1%		-
Overseas business	37,690	38,933	38,591	48,210	40,186	42,329	38,634	47,724	26,921	30,040	40,854	40,336	37,253	64.3%	184,300
YoY	16.0%	17.7%	10.7%	8.8%	6.6%	8.7%	0.1%	-1.0%	-33.0%	-29.0%	5.7%	-15.5%	38.4%		28.6%
Comparable-store sales YoY	1.0%	-0.5%	-1.7%	-1.6%	-1.2%	1.6%	-3.9%	4.9%	-38.6%	-36.2%	1.9%	17.4%	13.7%		-
East Asia	29,156	29,417	28,319	35,447	30,821	31,813	27,695	34,371	19,514	25,880	33,048	32,516	30,015	68.8%	139,000
YoY	15.6%	15.9%	9.9%	6.0%	5.7%	8.1%	-2.2%	-3.0%	-36.7%	-18.6%	19.3%	-5.4%	53.8%		29.4%
Comparable-store sales YoY	1.8%	-1.6%	-3.4%	-3.2%	-3.6%	0.3%	-5.8%	-8.0%	-42.6%	-25.1%	0.9%	17.7%	11.2%		-
Europe and the Americas	4,968	5,513	6,228	7,785	5,880	6,616	7,216	8,917	4,114	2,471	4,526	3,745	3,576	48.0%	24,700
YoY	13.1%	21.1%	12.7%	15.3%	18.4%	20.0%	15.9%	14.5%	-30.0%	-62.7%	-37.3%	-58.0%	-13.1%		8.7%
Comparable-store sales YoY	-0.4%	0.6%	0.6%	5.3%	2.9%	8.4%	2.9%	1.6%	-35.8%	-72.7%	-	-	-		-
Southwest Asia, and Oceania	3,565	4,002	4,044	4,977	3,485	3,899	3,723	4,434	3,292	1,688	3,279	4,074	3,664	53.5%	20,600
YoY	24.2%	26.9%	13.3%	20.4%	-2.2%	-2.6%	-7.9%	-10.9%	-5.5%	-56.7%	-11.9%	-8.1%	11.3%		56.8%
Comparable-store sales YoY	4.3%	4.5%	2.3%	-0.8%	10.0%	1.7%	-0.7%	-1.5%	-11.2%	-56.9%	-	-	-		-
Other	0	0	1	-	-	1	-	-	2	-	-	-	-		-
Operating profit	13,319	10,241	11,299	9,883	10,354	10,242	9,223	6,560	-2,899	3,772	13,154	10,239	11,804	71.5%	49,200
YoY	12.2%	10.6%	-8.9%	-15.9%	-22.3%	0.0%	-18.4%	-33.6%	-	-63.2%	42.6%	56.1%	-		195.4%
Operating profit margin	12.5%	10.8%	11.0%	9.4%	9.2%	9.8%	8.3%	5.9%	-3.7%	3.7%	11.4%	9.0%	10.1%		10.1%
Domestic business	8,882	5,576	7,114	3,511	7,001	4,570	6,520	909	-990	4,964	8,302	6,973	8,436	84.1%	28,200
YoY	1.3%	-10.6%	-20.0%	-24.6%	-21.2%	-18.0%	-8.3%	-74.1%	-	8.6%	27.3%	667.1%	-		147.3%
Operating profit margin	12.9%	10.0%	11.1%	6.1%	9.7%	7.4%	8.9%	1.4%	-1.9%	7.0%	11.2%	9.5%	10.6%		9.3%
Overseas business	4,181	4,568	4,095	6,329	3,194	5,302	2,527	5,582	-1,944	-1,382	4,646	3,229	3,350	52.9%	21,200
YoY	43.6%	57.3%	23.5%	-9.0%	-23.6%	16.1%	-38.3%	-11.8%	-	-	83.9%	-42.2%	-		343.2%
Operating profit margin	11.1%	11.7%	10.6%	13.1%	7.9%	12.5%	6.5%	11.7%	-7.2%	-4.6%	11.4%	8.0%	9.0%		11.5%
East Asia	4,399	4,792	4,144	6,477	4,683	7,152	3,884	7,247	1,441	4,548	6,423	5,721	5,670	67.0%	26,600
YoY	36.6%	23.8%	23.3%	1.1%	6.5%	49.2%	-6.3%	11.9%	-69.2%	-36.4%	65.4%	-21.1%	293.5%		55.4%
Operating profit margin	15.1%	16.3%	14.6%	18.3%	15.2%	22.5%	14.0%	21.1%	7.4%	17.6%	19.4%	17.6%	18.9%		19.1%
Europe and the Americas	-273	-336	-205	-337	-557	-41	-584	194	-1,991	-3,346	-574	-1,146	-835	-	-2,200
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Operating profit margin	-5.5%	-6.1%	-3.3%	-4.3%	-9.5%	-0.6%	-8.1%	2.2%	-48.4%	-135.4%	-12.7%	-30.6%	-23.4%		-8.9%
Southwest Asia, and Oceania	55	112	157	189	281	292	226	351	-103	-293	479	409	239	49.0%	2,300
YoY	161.9%	-	67.0%	-5.5%	410.9%	160.7%	43.9%	85.7%	-	-	111.9%	16.5%	-		1,170.7%
Operating profit margin	1.5%	2.8%	3.9%	3.8%	8.1%	7.5%	6.1%	7.9%	-3.1%	-17.4%	14.6%	10.0%	6.5%		11.2%
Unrealized gains, global SG&A expenses	-	-	-	-	-1,212	-2,100	-999	-2,211	-1,291	-2,291	-1,682	-1,755	-1,724	-	-5,500
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Other	132	59	218	76	155	189	144	57	69	119	45	31	21		-
Adjustments	122	37	-128	-33	2	179	31	10	-34	71	158	4	2		-

Source: Shared Research based on company data
Notes: Figures may differ from company materials due to differences in rounding methods.
Starting in Q1 FY08/20, the overseas wholesale business (handles export sales to licensed stores overseas) was moved from under the Southwest Asia, and Oceania business to the company's Domestic business.
Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia; Europe and the Americas; Southwest Asia, and Oceania; and Unrealized gains, global SG&A expenses. FY02/20 figures in the table above have been retroactively adjusted.
Note: YoY changes for Q1 through Q4 FY08/21 are comparisons with Q3, Q4 of FY02/20 and Q1, Q2 of FY08/20, respectively.

SG&A expenses and inventories

SG&A expenses	FY02/19				FY02/20				FY08/20		FY08/21		
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
SG&A expenses	40,206	39,523	42,079	44,828	46,053	43,748	45,167	46,278	39,760	43,061	44,307	44,939	45,541
YoY	11.6%	14.9%	13.1%	15.2%	14.5%	10.7%	7.3%	3.2%	-13.7%	-1.6%	-1.9%	-2.9%	14.5%
SG&A ratio (% of sales)	37.8%	41.8%	41.0%	42.6%	41.1%	42.1%	40.5%	42.0%	50.6%	42.9%	38.6%	39.7%	39.2%
Advertising	1,612	1,314	1,748	2,302	2,014	1,651	1,716	2,269	1,230	1,872	1,438	1,753	1,664
YoY	4.9%	12.0%	18.1%	32.4%	24.9%	25.6%	-1.8%	-1.4%	-38.9%	13.4%	-16.2%	-22.7%	35.3%
% of sales	1.5%	1.4%	1.7%	2.2%	1.8%	1.6%	1.5%	2.1%	1.6%	1.9%	1.3%	1.5%	1.4%
Logistics	4,549	3,908	4,562	4,825	5,729	4,905	5,354	5,400	5,533	5,648	6,951	6,626	6,887
YoY	7.9%	15.2%	20.3%	24.1%	25.9%	25.5%	17.4%	11.9%	-3.4%	15.1%	29.8%	22.7%	24.5%
% of sales	4.3%	4.1%	4.4%	4.6%	5.1%	4.7%	4.8%	4.9%	7.0%	5.6%	6.1%	5.9%	5.9%
Personnel	13,602	14,193	14,487	15,277	15,345	15,322	15,294	15,415	13,726	13,981	13,312	13,798	13,923
YoY	16.6%	15.7%	16.8%	13.1%	12.8%	8.0%	5.6%	0.9%	-10.6%	-8.8%	-13.0%	-10.5%	1.4%
% of sales	12.8%	15.0%	14.1%	14.5%	13.7%	14.8%	13.7%	14.0%	17.5%	13.9%	11.6%	12.2%	12.0%
Rents	10,046	9,560	10,223	10,826	9,604	8,550	10,054	9,047	6,314	7,316	8,825	8,478	8,725
YoY	11.0%	12.0%	10.2%	13.5%	-4.4%	-10.6%	-1.7%	-16.4%	-34.3%	-14.4%	-12.2%	-6.3%	38.2%
% of sales	9.4%	10.1%	10.0%	10.3%	8.6%	8.2%	9.0%	8.2%	8.0%	7.3%	7.7%	7.5%	7.5%
Depreciation and goodwill amortization	2,535	2,639	2,750	2,790	4,147	4,399	4,568	5,314	5,415	5,354	4,708	5,004	5,031
YoY	12.7%	13.6%	12.8%	11.7%	63.6%	66.7%	66.1%	90.5%	30.6%	21.7%	3.1%	-5.8%	-7.1%
% of sales	2.4%	2.8%	2.7%	2.6%	3.7%	4.2%	4.1%	4.8%	6.9%	5.3%	4.1%	4.4%	4.3%
Other	7,859	7,906	8,305	8,806	9,212	8,918	8,178	8,830	7,538	8,887	9,070	9,279	9,307
YoY	7.4%	17.8%	6.6%	14.1%	17.2%	12.8%	-1.5%	0.3%	-18.2%	-0.3%	10.9%	5.1%	23.5%
% of sales	7.4%	8.4%	8.1%	8.4%	8.2%	8.6%	7.3%	8.0%	9.6%	8.8%	7.9%	8.2%	8.0%

Inventories, forex	FY02/19				FY02/20				FY08/20		FY08/21		
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Inventories	71,802	75,567	86,818	88,266	95,955	99,877	110,524	105,415	112,731	105,285	101,076	98,235	102,477
YoY	4.5%	4.9%	14.1%	18.5%	33.6%	32.2%	27.3%	19.4%	17.5%	5.4%	-8.5%	-6.8%	-9.1%
Days in inventory	125.9	149.5	149.5	157.3	150.3	178.2	167.4	170.8	237.6	184.9	163.7	156.2	154.3
USD/JPY forex (quarter-end)	106.2	110.5	113.6	111.0	111.0	107.8	107.9	109.6	108.8	107.7	104.2	106.6	109.7
QoQ	-6.0%	4.0%	2.7%	-2.3%	-0.0%	-2.9%	0.1%	1.5%	-0.7%	-1.0%	-3.3%	2.3%	2.9%
CNY/JPY forex (quarter-end)	16.92	16.66	16.50	16.16	16.47	15.69	15.13	15.67	15.31	15.23	15.83	16.46	17.25
QoQ	-2.1%	-1.5%	-1.0%	-2.1%	1.9%	-4.7%	-3.6%	3.6%	-2.3%	-0.5%	4.0%	4.0%	4.8%

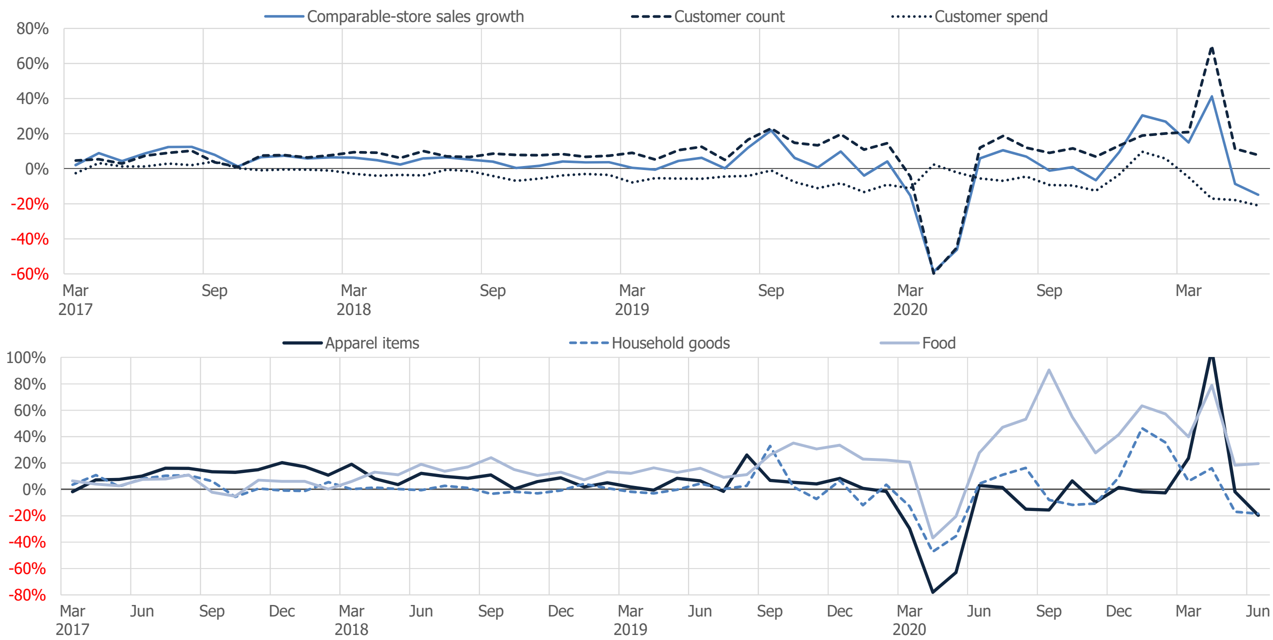
Source: Shared Research based on company data
Notes: Figures may differ from company materials due to differences in rounding methods.
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20).

Domestic business

Domestic business	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Operating revenue	68,830	55,820	64,347	57,271	72,141	61,791	73,117	62,784	51,829	70,598	74,106	73,056	79,443
YoY	6.5%	5.8%	3.6%	3.6%	4.8%	10.7%	13.6%	9.6%	-28.2%	14.3%	1.4%	16.4%	53.3%
Directly managed comparable-store sales YoY	4.6%	5.9%	1.9%	3.9%	1.5%	5.8%	8.5%	3.6%	-39.3%	7.7%	-1.8%	19.5%	14.1%
Apparel items	9.6%	10.3%	5.1%	5.5%	3.3%	8.9%	5.6%	3.5%	-57.7%	-3.2%	-5.3%	-1.2%	30.4%
Household goods	0.7%	1.1%	-2.7%	1.4%	-1.7%	2.4%	7.3%	-0.7%	-30.4%	10.2%	-9.5%	26.3%	2.0%
Food	9.8%	16.6%	15.9%	11.3%	13.9%	12.2%	30.8%	26.5%	-10.6%	41.8%	55.7%	51.3%	42.8%
Customer count	8.3%	7.9%	8.0%	7.5%	8.4%	11.3%	16.8%	15.1%	-35.6%	14.2%	9.2%	17.0%	29.8%
Customer spend	-3.4%	-1.9%	-5.7%	-3.4%	-6.4%	-4.9%	-7.1%	-1.0%	-5.7%	-5.6%	-10.1%	2.1%	-12.1%
Operating profit	8,882	5,576	7,114	3,511	7,001	4,570	6,520	909	-990	4,964	8,302	6,973	8,436
YoY	1.3%	-10.6%	-20.0%	-24.6%	-21.2%	-18.0%	-8.3%	-74.1%	-	8.6%	27.3%	667.1%	-
Operating profit margin	12.9%	10.0%	11.1%	6.1%	9.7%	7.4%	8.9%	1.4%	-1.9%	7.0%	11.2%	9.5%	10.6%
MUJI directly managed store count	340	341	348	348	359	359	362	361	360	363	366	367	376
Openings	5	1	7	4	11	2	4	1	4	3	6	2	9
Closures	-	-	-	-4	-	-2	-1	-2	-5	-	-3	-1	-
Floor space (period end; sqm)	262,059	263,303	271,392	270,568	290,835	291,710	304,440	305,162	313,191	321,714	334,170	338,469	356,322
YoY	6.7%	6.5%	6.4%	6.8%	11.0%	10.8%	12.2%	12.8%	7.7%	10.3%	9.8%	10.9%	13.8%
Floor space per store	771	772	780	777	810	813	841	845	870	886	913	922	948
YoY	4.2%	4.3%	3.4%	2.8%	5.1%	5.2%	7.8%	8.7%	7.4%	9.1%	8.6%	9.1%	8.9%
Floor space (period average)	258,908	260,554	262,499	264,547	282,601	286,529	290,557	293,733	309,867	314,385	325,791	338,469	347,774
YoY	6.6%	6.5%	6.3%	6.4%	9.2%	10.0%	10.7%	11.0%	9.6%	9.7%	12.1%	15.2%	12.2%
Inventory per sqm (JPY'000)	53	54	54	55	53	53	53	53	50	46	48	50	49
YoY	-3.6%	0.2%	-0.9%	-0.7%	-0.1%	-2.8%	-3.0%	-3.7%	-7.2%	-12.2%	-9.8%	-5.6%	-1.4%
Personnel expenses	8,300	8,496	8,678	9,001	9,277	9,195	9,454	9,402	8,590	9,419	8,301	8,488	8,719
YoY	24.1%	20.8%	21.1%	19.4%	11.8%	8.2%	8.9%	4.5%	-7.4%	2.4%	-12.2%	-9.7%	1.5%
Employees + part-timers	8,985	9,140	9,076	9,203	9,621	9,646	9,687	9,713	9,152	9,182	9,404	9,574	9,270
Employees	2,184	2,184	2,265	2,234	2,305	2,319	2,310	2,285	2,461	2,446	2,419	2,359	2,350
Part-timers (8-hour equivalent)	6,801	6,956	6,811	6,969	7,316	7,327	7,377	7,428	6,691	6,736	6,985	7,215	6,920
Personnel expenses per head (JPY'000)	924	914	970	939	964	951	968	960	939	1,022	883	871	1,007
YoY	3.0%	-2.4%	1.3%	11.2%	4.4%	4.0%	-0.2%	2.2%	-2.7%	7.5%	-8.8%	-9.3%	7.2%

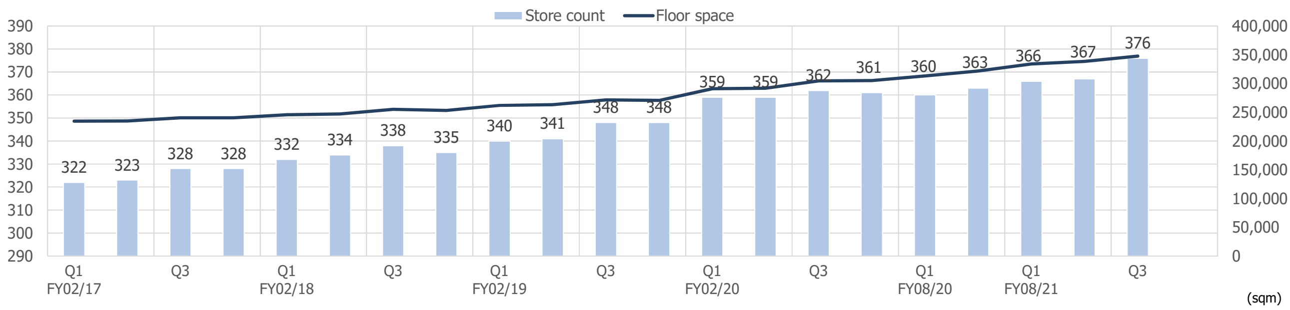
Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the overseas wholesale business (handles export sales to licensed stores overseas) was moved from under the Southwest Asia and Oceania business to the company's Domestic business. Figures for FY02/20 have been retroactively adjusted to reflect this change.
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20).
Starting in FY08/21, same-store sales figures will reflect sales at existing directly managed stores plus online sales.

Comparable-store sales



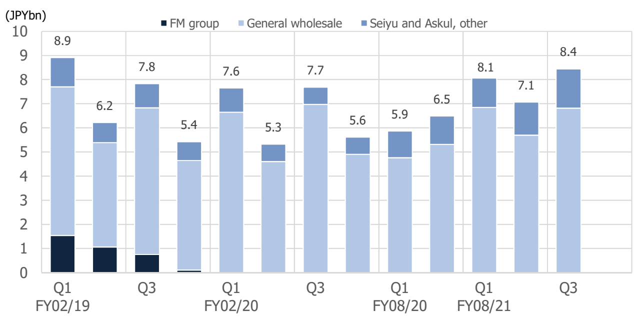
Source: Shared Research based on company data
Note: Starting FY08/21 (September 2020), same-store sales figures will reflect sales at existing directly managed stores plus online sales.

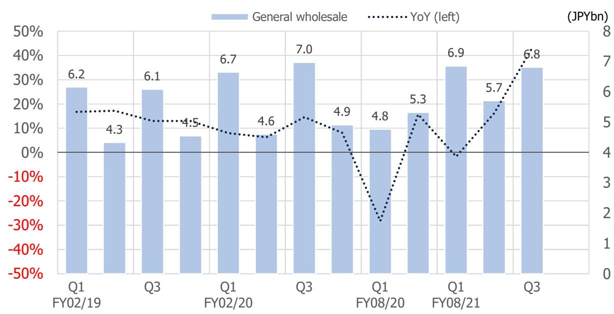
Number of directly managed stores and sales floor space



Source: Shared Research based on company data

Left: Domestic wholesale sales, right: wholesale sales to general customers





Source: Shared Research based on company data

Overseas business

Overseas business	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Operating revenue	37,690	38,933	38,591	48,210	40,186	42,329	38,634	47,724	26,921	30,040	40,854	40,336	37,253
YoY	16.0%	17.7%	10.7%	8.8%	6.6%	8.7%	0.1%	-1.0%	-33.0%	-29.0%	5.7%	-15.5%	38.4%
YoY (local currency)	13.9%	15.3%	10.4%	11.5%	11.5%	14.8%	7.1%	4.9%	-30.7%	-26.2%	2.0%	-17.4%	30.6%
YoY (local currency; comparable-store)	1.0%	-0.5%	-1.7%	-1.6%	-1.2%	1.6%	-3.9%	4.9%	-38.6%	-36.2%	1.9%	17.4%	13.7%
East Asia	29,156	29,417	28,319	35,447	30,821	31,813	27,695	34,371	19,514	25,880	33,048	32,516	30,014
YoY	15.6%	15.9%	9.9%	6.0%	5.7%	8.1%	-2.2%	-3.0%	-36.7%	-18.6%	19.3%	-5.4%	53.8%
YoY (local currency)	14.0%	12.6%	10.2%	8.8%	9.2%	13.6%	4.4%	2.0%	-34.5%	-15.3%	13.8%	-8.1%	44.9%
YoY (local currency; comparable-store)	1.8%	-1.6%	-3.4%	-3.2%	-3.6%	0.3%	-5.8%	-8.0%	-42.6%	-25.1%	0.9%	17.7%	11.2%
Europe and the Americas	4,968	5,513	6,228	7,785	5,880	6,616	7,216	8,917	4,114	2,471	4,526	3,745	3,575
YoY	13.1%	21.1%	12.7%	15.3%	18.4%	20.0%	15.9%	14.5%	-30.0%	-62.7%	-37.3%	-58.0%	-13.1%
YoY (local currency)	9.0%	19.8%	13.2%	18.3%	24.9%	20.3%	23.1%	18.9%	-27.6%	-61.7%	-37.8%	-58.1%	-17.5%
YoY (local currency; comparable-store)	-0.4%	0.6%	0.6%	5.3%	2.9%	8.4%	2.9%	1.6%	-35.8%	-72.7%	-	-	-
Southwest Asia, and Oceania	3,565	4,002	4,044	4,977	3,485	3,899	3,723	4,434	3,292	1,688	3,279	4,074	3,663
YoY	24.2%	26.9%	13.3%	20.4%	-2.2%	-2.6%	-7.9%	-10.9%	-5.5%	-56.7%	-11.9%	-8.1%	11.3%
YoY (local currency)	20.8%	31.3%	8.0%	21.7%	12.3%	15.6%	1.8%	3.6%	-2.1%	-54.2%	-12.2%	-7.8%	6.0%
YoY (local currency; comparable-store)	4.3%	4.5%	2.3%	-0.8%	10.0%	1.7%	-0.7%	-1.5%	-11.2%	-56.9%	-	-	-
Operating profit	4,181	4,568	4,095	6,329	3,194	5,302	2,527	5,582	-1,944	-1,382	4,646	3,229	3,350
YoY	43.6%	57.3%	23.5%	-9.0%	-23.6%	16.1%	-38.3%	-11.8%	-	-	83.9%	-42.2%	-
Operating profit margin	11.1%	11.7%	10.6%	13.1%	7.9%	12.5%	6.5%	11.7%	-7.2%	-4.6%	11.4%	8.0%	9.0%
East Asia	4,399	4,792	4,144	6,477	4,683	7,152	3,884	7,247	1,441	4,548	6,423	5,721	5,670
YoY	36.6%	23.8%	23.3%	1.1%	6.5%	49.2%	-6.3%	11.9%	-69.2%	-36.4%	65.4%	-21.1%	293.5%
Operating profit margin	15.1%	16.3%	14.6%	18.3%	15.2%	22.5%	14.0%	21.1%	7.4%	17.6%	19.4%	17.6%	18.9%
Europe and the Americas	-273	-336	-205	-337	-557	-41	-584	194	-1,991	-3,346	-574	-1,146	-835
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-5.5%	-6.1%	-3.3%	-4.3%	-9.5%	-0.6%	-8.1%	2.2%	-48.4%	-135.4%	-12.7%	-30.6%	-23.4%
Southwest Asia, and Oceania	55	112	157	189	281	292	226	351	-103	-293	479	409	239
YoY	161.9%	-	67.0%	-5.5%	410.9%	160.7%	43.9%	85.7%	-	-	111.9%	16.5%	-
Operating profit margin	1.5%	2.8%	3.9%	3.8%	8.1%	7.5%	6.1%	7.9%	-3.1%	-17.4%	14.6%	10.0%	6.5%
Unrealized income/global SG&A expenses	-	-	-	-	-1,212	-2,100	-999	-2,211	-1,291	-2,291	-1,682	-1,755	-1,724
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
Store count (including licensees)	456	468	482	497	502	515	524	533	535	537	532	535	541
East Asia	322	331	345	358	361	371	375	383	385	387	392	402	407
Europe and the Americas	68	68	66	67	68	68	70	71	71	72	61	59	59
Southwest Asia, and Oceania	66	69	71	72	73	76	79	79	79	78	79	74	75

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia, Europe and the Americas, Southwest Asia and Oceania, and Unrealized Gross Profit/Global SG&A expenses. Figures for FY02/20 have been retroactively adjusted to reflect this change.
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20).

East Asia

East Asia	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Operating revenue	29,156	29,417	28,319	35,447	30,821	31,813	27,695	34,371	19,514	25,880	33,048	32,516	30,015
YoY	15.6%	15.9%	9.9%	6.0%	5.7%	8.1%	-2.2%	-3.0%	-36.7%	-18.6%	19.3%	-5.4%	53.8%
YoY (local currency)	14.0%	12.6%	10.2%	8.8%	9.2%	13.6%	4.4%	2.0%	-34.5%	-15.3%	13.8%	-8.1%	44.9%
YoY (local currency; comparable-store)	1.8%	-1.6%	-3.4%	-3.2%	-3.6%	0.3%	-5.8%	-8.0%	-42.6%	-25.1%	0.9%	17.7%	11.2%
China	18,443	17,700	17,448	21,429	18,942	19,427	18,284	22,288	9,969	15,477	21,189	19,176	18,933
YoY	18.1%	16.5%	9.3%	5.0%	2.7%	9.8%	4.8%	4.0%	-47.4%	-20.3%	15.9%	-14.0%	89.9%
YoY (local currency)	14.8%	10.4%	10.8%	9.1%	7.2%	16.8%	12.0%	10.0%	-44.9%	-16.1%	13.4%	-17.1%	76.3%
YoY (local currency; comparable-store)	1.8%	-2.2%	-4.1%	-3.9%	-4.9%	2.0%	-0.1%	-3.8%	-53.6%	-28.8%	-2.2%	23.1%	17.6%
Operating profit	4,399	4,792	4,144	6,477	4,683	7,152	3,884	7,247	1,441	4,548	6,423	5,721	5,669
YoY	36.6%	23.8%	23.3%	1.1%	6.5%	49.2%	-6.3%	11.9%	-69.2%	-36.4%	65.4%	-21.1%	293.4%
Operating profit margin	15.1%	16.3%	14.6%	18.3%	15.2%	22.5%	14.0%	21.1%	7.4%	17.6%	19.4%	17.6%	18.9%
Store count (including licensed stores)	322	331	345	358	361	371	375	383	385	387	392	402	407
China	229	235	246	256	255	265	265	273	274	275	280	289	294
Taiwan	45	47	47	48	48	48	49	49	51	51	52	54	54
Hong Kong	19	19	19	20	21	20	21	21	20	21	21	20	20
South Korea	29	30	33	34	37	38	40	40	40	40	39	39	39

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia, Europe and Americas, Southwest Asia and Oceania, and Unrealized Gross Profit/Global SG&A expenses. Figures for FY02/20 have been retroactively adjusted to reflect this change.
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20). Prior to FY08/20, the fiscal term for the East Asia business ended in December. Comparable-store sales from FY08/21 include online store sales.

Europe and the Americas

Europe and the Americas	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Operating revenue	4,968	5,513	6,228	7,785	5,880	6,616	7,216	8,917	4,114	2,471	4,526	3,745	3,575
YoY	13.1%	21.1%	12.7%	15.3%	18.4%	20.0%	15.9%	14.5%	-30.0%	-62.7%	-37.3%	-58.0%	-13.1%
YoY (local currency)	9.0%	19.8%	13.2%	18.3%	24.9%	20.3%	23.1%	18.9%	-27.6%	-61.7%	-37.8%	-58.1%	-17.5%
YoY (local currency; comparable-store)	-0.4%	0.6%	0.6%	5.3%	2.9%	8.4%	2.9%	1.6%	-35.8%	-72.7%	-	-	-
Operating profit	-273	-336	-205	-337	-557	-41	-584	194	-1,991	-3,346	-574	-1,146	-834
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-5.5%	-6.1%	-3.3%	-4.3%	-9.5%	-0.6%	-8.1%	2.2%	-48.4%	-135.4%	-12.7%	-30.6%	-23.3%
Store count	68	68	66	67	68	68	70	71	71	72	61	59	59
UK	12	12	12	11	11	11	11	11	11	11	10	8	8
France	7	7	7	7	7	7	7	7	7	7	7	7	7
Italy	8	8	8	8	8	8	8	8	8	8	6	6	6
Germany	7	7	7	7	7	7	7	7	7	8	8	8	8
Spain	6	6	4	5	5	5	5	5	5	5	4	1	4
Portugal	1	1	1	1	1	1	1	1	1	1	1	1	1
Sweden	3	2	1	1	1	1	1	1	1	1	1	1	1
Switzerland	-	-	-	-	-	-	1	1	1	1	1	1	1
Finland	-	-	-	-	-	-	-	1	1	1	1	1	1
Denmark	-	-	-	-	-	-	-	-	-	-	1	1	1
US	15	15	16	17	18	18	19	19	19	18	10	10	10
Canada	7	8	8	8	8	8	8	8	8	9	9	9	9
Licensees	2	2	2	2	2	2	2	2	2	2	2	5	2

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia, Europe and the Americas, Southwest Asia and Oceania, and Unrealized Gross Profit/Global SG&A expenses. Figures for FY02/20 have been retroactively adjusted to reflect this change.
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20). Prior to FY08/20, the fiscal term ended in January for the Europe business and in December for the Americas business.

Southwest Asia, and Oceania

Southwest Asia, Oceania	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Operating revenue	3,565	4,002	4,044	4,977	3,485	3,899	3,723	4,434	3,292	1,688	3,279	4,074	3,663
YoY	24.2%	26.9%	13.3%	20.4%	-2.2%	-2.6%	-7.9%	-10.9%	-5.5%	-56.7%	-11.9%	-8.1%	11.3%
YoY (local currency)	20.8%	31.3%	8.0%	21.7%	12.3%	15.6%	1.8%	3.6%	-2.1%	-54.2%	-12.2%	-7.8%	6.0%
YoY (local currency; comparable-store)	4.3%	4.5%	2.3%	-0.8%	10.0%	1.7%	-0.7%	-1.5%	-11.2%	-56.9%	-	-	-
Operating profit	55	112	157	189	281	292	226	351	-103	-293	479	409	238
YoY	161.9%	-	67.0%	-5.5%	410.9%	160.7%	43.9%	85.7%	-	-	111.9%	16.5%	-
Operating profit margin	1.5%	2.8%	3.9%	3.8%	8.1%	7.5%	6.1%	7.9%	-3.1%	-17.4%	14.6%	10.0%	6.5%
Store count (including licensed stores)	66	69	71	72	73	76	79	79	79	78	79	74	75
Singapore	11	11	11	11	11	12	12	12	12	10	10	10	10
Malaysia	7	7	7	7	6	7	7	8	8	9	9	9	9
Thailand	16	17	17	17	18	18	19	19	19	19	20	20	22
India	4	4	4	4	4	4	4	4	4	4	4	4	4
Australia	4	4	5	5	5	5	5	5	5	5	5	5	5
Indonesia	7	7	7	7	7	7	7	6	6	6	6	1	-
Philippines	4	4	4	5	5	5	5	5	5	5	5	5	5
Vietnam	-	-	-	-	-	-	-	-	-	-	1	1	1
Kuwait	2	3	3	3	3	3	3	3	3	3	3	3	3
UAE	5	5	5	5	6	6	7	7	7	7	7	7	7
Saudi Arabia	2	3	4	4	4	4	5	5	5	5	4	4	4
Bahrain	2	2	2	2	2	2	2	2	2	2	2	2	2
Qatar	2	2	2	2	2	2	2	2	2	2	2	2	2
Oman	-	-	-	-	-	1	1	1	1	1	1	1	1

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia, Europe and the Americas, Southwest Asia and Oceania, and Unrealized Gross Profit/Global SG&A expenses. Figures for FY02/20 have been retroactively adjusted to reflect this change.
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20). Prior to FY08/20, the fiscal term for the South and West Asia, and Oceania business ended in December.

Reference data

Directly managed stores in Japan

Domestic directly managed business	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Sales	58,862	48,373	55,349	50,404	63,043	54,515	63,694	55,047	44,595	62,213	64,042	63,666	69,108
YoY	8.4%	11.5%	5.5%	7.0%	7.1%	12.7%	15.1%	9.2%	-29.3%	14.1%	0.5%	15.7%	55.0%
Directly managed and online stores	57,169	46,723	53,842	49,022	61,266	52,693	62,418	53,290	43,731	60,690	62,342	62,132	67,765
YoY	6.8%	10.0%	5.2%	7.1%	7.2%	12.8%	15.9%	8.7%	-28.6%	15.2%	-0.1%	16.6%	55.0%
Other	1,692	1,649	1,506	1,381	1,776	1,821	1,275	1,756	863	1,522	1,699	1,532	1,344
YoY	113.4%	81.6%	16.3%	5.0%	5.0%	10.4%	-15.3%	27.2%	-51.4%	-16.4%	33.3%	-12.8%	55.7%
Store count (directly managed stores)	340	341	348	348	359	359	362	361	360	363	366	367	376
Openings	5	6	13	17	11	13	17	18	4	7	6	8	3
Closures	-	-	-	-4	-	-2	-3	-5	-5	-5	-3	-1	-
Floor space (cumulative quarter avg.; sqm)	258,908	260,554	262,499	264,547	282,601	286,529	290,557	293,733	309,867	314,385	325,791	338,469	347,774
YoY	6.6%	6.5%	6.3%	6.4%	9.2%	10.0%	10.7%	11.0%	9.6%	9.7%	12.1%	15.2%	12.2%
Inventories per space (JPY'000/sqm)	53.5	54.0	54.3	54.5	53.4	52.5	52.7	52.5	49.6	46.1	47.5	49.6	48.9
YoY	-3.6%	0.2%	-0.9%	-0.7%	-0.1%	-2.8%	-3.0%	-3.7%	-7.2%	-12.2%	-9.8%	-5.6%	-1.4%
Inventories	13,839	14,156	14,469	14,646	15,096	15,250	15,734	15,763	15,361	14,675	15,485	16,782	17,023
YoY	2.7%	6.6%	4.9%	5.8%	9.1%	7.7%	8.7%	7.6%	1.8%	-3.8%	-1.6%	6.5%	10.8%
Store staff (cumulative quarter average)	7,173	7,312	7,391	7,462	7,840	7,852	7,883	7,925	7,313	7,378	7,659	7,903	8,351
YoY	12.0%	14.1%	14.2%	13.8%	9.3%	7.4%	6.7%	6.2%	-6.7%	-6.0%	-2.8%	-0.3%	14.2%

Source: Shared Research based on company data
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20).

(June–August 2020), FY08/20 being the irregular six-month accounting period used to facilitate the switch to a new fiscal year. Domestic wholesale business

Domestic wholesale business	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Sales	8,914	6,221	7,837	5,429	7,643	5,322	7,684	5,620	5,868	6,493	8,066	7,070	8,445
YoY	2.4%	-11.0%	-7.3%	-16.3%	-14.3%	-14.5%	-2.0%	3.5%	-23.2%	22.0%	5.0%	25.8%	43.9%
Licensed stores	6,159	4,330	6,083	4,542	6,650	4,600	6,970	4,908	4,768	5,320	6,851	5,703	6,817
YoY	16.7%	17.2%	13.0%	13.0%	8.0%	6.2%	14.6%	8.1%	-28.3%	15.7%	-1.7%	16.2%	43.0%
Other	2,755	1,891	1,754	887	993	722	714	712	1,100	1,173	1,214	1,365	1,630
YoY	-19.5%	-42.6%	-42.9%	-64.0%	-64.0%	-61.8%	-59.3%	-19.7%	10.8%	62.5%	70.0%	91.7%	48.2%

Source: Shared Research based on company data
Percentages of YoY change for FY08/21 have been measured using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20).

Sales by product

Sales by product	FY02/19				FY02/20				FY08/20		FY08/21		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
Sales	78,505	72,307	77,290	73,916	85,238	81,901	84,894	76,324	58,544	82,058	72,109	70,736	77,552
Apparel items	26,485	28,476	28,627	28,712	30,956	37,386	33,056	32,070	17,069	31,650	25,430	21,251	23,431
YoY	10.5%	9.1%	11.4%	17.0%	16.9%	31.3%	15.5%	11.7%	-44.9%	-15.3%	-23.1%	-33.7%	37.3%
% of total sales	33.7%	39.4%	37.0%	38.8%	36.3%	45.6%	38.9%	42.0%	29.2%	38.6%	35.3%	30.0%	30.2%
Menswear	3,854	5,335	4,641	5,355	5,271	7,308	5,869	6,313	3,108	6,087	4,154	3,628	4,078
YoY	15.7%	25.9%	14.7%	27.4%	36.8%	37.0%	26.5%	17.9%	-41.0%	-16.7%	-29.2%	-42.5%	31.2%
% of total sales	4.9%	7.4%	6.0%	7.2%	6.2%	8.9%	6.9%	8.3%	5.3%	7.4%	5.8%	5.1%	5.3%
Womenswear	10,953	10,467	11,610	10,155	11,990	14,086	12,539	11,768	6,561	12,398	9,732	7,724	8,990
YoY	12.6%	19.9%	12.1%	12.8%	9.5%	34.6%	8.0%	15.9%	-45.3%	-12.0%	-22.4%	-34.4%	37.0%
% of total sales	14.0%	14.5%	15.0%	13.7%	14.1%	17.2%	14.8%	15.4%	11.2%	15.1%	13.5%	10.9%	11.6%
Children's wear	2,381	1,935	2,458	2,243	2,354	2,327	1,784	1,363	771	1,364	1,295	846	1,107
YoY	-5.0%	-9.0%	-13.0%	-0.1%	-1.1%	20.3%	-27.4%	-39.2%	-67.2%	-41.4%	-27.4%	-37.9%	43.6%
% of total sales	3.0%	2.7%	3.2%	3.0%	2.8%	2.8%	2.1%	1.8%	1.3%	1.7%	1.8%	1.2%	1.4%
Accessories	3,272	3,305	3,439	3,441	3,701	4,508	4,289	4,116	1,857	3,841	3,650	3,440	3,180
YoY	4.1%	-3.2%	17.7%	9.8%	13.1%	36.4%	24.7%	19.6%	-49.8%	-14.8%	-14.9%	-16.4%	71.2%
% of total sales	4.2%	4.6%	4.4%	4.7%	4.3%	5.5%	5.1%	5.4%	3.2%	4.7%	5.1%	4.9%	4.1%
Bags and shoes	2,556	3,116	2,544	2,878	3,738	3,750	3,273	3,008	1,851	2,870	1,729	1,346	2,049
YoY	17.7%	6.9%	23.2%	26.6%	46.2%	20.3%	28.7%	4.5%	-50.5%	-23.5%	-47.2%	-55.3%	10.7%
% of total sales	3.3%	4.3%	3.3%	3.9%	4.4%	4.6%	3.9%	3.9%	3.2%	3.5%	2.4%	1.9%	2.6%
Inner wear	3,466	4,316	3,931	4,638	3,901	5,405	5,299	5,499	2,919	5,087	4,868	4,265	4,030
YoY	12.5%	-7.7%	12.8%	26.2%	12.6%	25.2%	34.8%	18.6%	-25.2%	-5.9%	-8.1%	-22.4%	38.1%
% of total sales	4.4%	6.0%	5.1%	6.3%	4.6%	6.6%	6.2%	7.2%	5.0%	6.2%	6.8%	6.0%	5.2%
Household goods	44,575	36,825	40,999	37,870	46,009	36,888	42,300	35,083	34,000	40,155	33,405	36,445	40,580
YoY	4.0%	7.7%	4.4%	6.9%	3.2%	0.2%	3.2%	-7.4%	-26.1%	8.9%	-21.0%	3.9%	19.4%
% of total sales	56.8%	50.9%	53.0%	51.2%	54.0%	45.0%	49.8%	46.0%	58.1%	48.9%	46.3%	51.5%	52.3%
Linens and interior goods	6,114	5,542	6,110	5,603	7,089	6,604	6,933	5,304	4,006	6,076	5,334	4,490	5,454
YoY	-3.8%	-3.6%	2.7%	0.1%	15.9%	19.2%	13.5%	-5.3%	-43.5%	-8.0%	-23.1%	-15.3%	36.1%
% of total sales	7.8%	7.7%	7.9%	7.6%	8.3%	8.1%	8.2%	6.9%	6.8%	7.4%	7.4%	6.3%	7.0%
Furniture	13,142	8,969	10,626	9,622	12,741	8,996	10,444	7,944	10,812	9,928	8,247	9,491	11,398
YoY	1.0%	4.0%	4.9%	10.3%	-3.1%	0.3%	-1.7%	-17.4%	-15.1%	10.4%	-21.0%	19.5%	5.4%
% of total sales	16.7%	12.4%	13.7%	13.0%	14.9%	11.0%	12.3%	10.4%	18.5%	12.1%	11.4%	13.4%	14.7%
Electronic appliances	1,863	1,483	1,649	1,593	2,051	1,356	1,429	1,289	1,232	1,494	1,168	1,384	1,738
YoY	-7.5%	-3.5%	-1.1%	-2.1%	10.1%	-8.6%	-13.3%	-19.1%	-39.9%	10.2%	-18.3%	7.4%	41.1%
% of total sales	2.4%	2.1%	2.1%	2.2%	2.4%	1.7%	1.7%	1.7%	2.1%	1.8%	1.6%	2.0%	2.2%
Housewares	4,371	3,676	4,074	3,909	4,506	3,809	4,640	3,915	3,912	5,113	4,034	4,731	5,074
YoY	0.3%	3.1%	5.8%	14.8%	3.1%	3.6%	13.9%	0.2%	-13.2%	34.2%	-13.1%	20.8%	29.7%
% of total sales	5.6%	5.1%	5.3%	5.3%	5.3%	4.7%	5.5%	5.1%	6.7%	6.2%	5.6%	6.7%	6.5%
Stationery	5,479	4,520	5,152	5,190	6,201	5,153	5,365	5,005	4,208	5,394	4,132	5,198	5,129
YoY	4.1%	1.2%	-0.1%	3.4%	13.2%	14.0%	4.1%	-3.6%	-32.1%	4.7%	-23.0%	3.9%	21.9%
% of total sales	7.0%	6.3%	6.7%	7.0%	7.3%	6.3%	6.3%	6.6%	7.2%	6.6%	5.7%	7.3%	6.6%
Health and beauty	13,468	12,544	13,305	11,882	13,280	10,884	13,405	11,557	9,693	12,037	10,405	11,057	11,637
YoY	15.0%	23.6%	6.9%	8.2%	-1.4%	-13.2%	0.8%	-2.7%	-27.0%	10.6%	-22.4%	-4.3%	20.1%
% of total sales	17.2%	17.3%	17.2%	16.1%	15.6%	13.3%	15.8%	15.1%	16.6%	14.7%	14.4%	15.6%	15.0%
Houseplants and flowers	135	87	80	69	139	83	81	65	134	110	83	90	153
YoY	-7.5%	-1.1%	3.9%	11.3%	3.0%	-4.6%	1.3%	-5.8%	-3.6%	32.5%	2.5%	38.5%	14.2%
% of total sales	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.2%
Food	5,976	5,479	6,162	5,902	6,570	5,892	7,787	7,577	6,612	8,699	11,636	11,287	11,876
YoY	11.0%	19.2%	16.3%	7.2%	9.9%	7.5%	26.4%	28.4%	0.6%	47.6%	49.4%	49.0%	79.6%
% of total sales	7.6%	7.6%	8.0%	8.0%	7.7%	7.2%	9.2%	9.9%	11.3%	10.6%	16.1%	16.0%	15.3%
Processed food	1,911	1,974	2,235	1,876	2,439	2,312	3,303	2,800	3,006	3,794	5,547	4,712	5,166
YoY	17.5%	35.4%	27.6%	21.3%	27.6%	17.1%	47.8%	49.3%	23.2%	64.1%	67.9%	68.3%	71.9%
% of total sales	2.4%	2.7%	2.9%	2.5%	2.9%	2.8%	3.9%	3.7%	5.1%	4.6%	7.7%	6.7%	6.7%
Confectionery	3,346	2,823	3,186	3,315	3,250	2,798	3,626	3,890	2,824	3,569	4,911	5,355	5,291
YoY	9.9%	12.6%	8.4%	-1.1%	-2.9%	-0.9%	13.8%	17.3%	-13.1%	27.6%	35.4%	37.7%	87.4%
% of total sales	4.3%	3.9%	4.1%	4.5%	3.8%	3.4%	4.3%	5.1%	4.8%	4.3%	6.8%	7.6%	6.8%
Beverages and chilled food	718	680	740	710	880	782	831	815	702	1,253	1,065	1,124	1,346
YoY	1.1%	7.8%	21.7%	17.0%	22.6%	15.0%	12.3%	14.8%	-20.2%	60.2%	28.2%	37.9%	91.7%
% of total sales	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.2%	1.5%	1.5%	1.6%	1.7%
Other	1,467	1,526	1,500	1,431	1,700	1,734	1,750	1,593	862	1,554	1,637	1,751	1,667
YoY	69.2%	57.5%	10.4%	3.4%	15.9%	13.6%	16.7%	11.3%	-49.3%	-10.4%	-6.5%	9.9%	93.4%

Source: Shared Research based on company data
Notes: The YoY changes shown for FY08/21 use Q3 FY02/20 (September–November 2019) as starting point and will run all the way through Q2 FY08/20 (June–August 2020), FY08/20 being the irregular six-month accounting period used to facilitate the switch to a new fiscal year.
Starting FY08/21, sales figures above reflect parent company domestic sales less sales made to subsidiaries for purposes of supply. Prior to FY08/20, sales figure reflects parent company sales; sales figures prior to FY08/20 have not been retroactively adjusted.

Consolidated results for cumulative Q3 FY08/21 (September 2020–May 2021)

Results summary

- ▷ Operating revenue: JPY345.0bn (+14.6% YoY)
- ▷ Sales: JPY344.0bn (+14.6% YoY)
- ▷ Operating profit JPY35.2bn (+173.2% YoY)
- ▷ Recurring profit: JPY38.4bn (+195.8% YoY)
- ▷ Net income*: JPY29.1bn (+396.5% YoY)

*Net income attributable to owners of the parent

Breakdown of results

- ▷ Operating revenue increased YoY, thanks largely to firm sales in the Domestic business. With the company working to keep SG&A expenses under control, earnings from the operating profit line down were up sharply. Operating revenue and operating profit both reached record highs on a cumulative Q3 basis. Despite firm performance by the Domestic business, operating profit only reached 71.5% of the company's full-year target, largely due to sluggishness in the Overseas business. However, the progress rate for net income attributable to owners of the parent came in at 83.7%, topping the rate for operating profit thanks to the booking of foreign exchange gains on foreign currency-denominated bonds issued to a subsidiary.
- ▷ Domestic business: Operating revenue and operating profit both grew YoY, with the former coming in at JPY226.6bn (+20.7% YoY) and the latter coming in at JPY23.7bn (+268.2% YoY). Despite the unexpected negative impact from store closures due to the government's declaration of a state of emergency at the beginning of Q3, sales remained firm thanks to the success of ongoing efforts to revise prices and boost food sales. The business also continued to exercise control over personnel and other SG&A expenses.
- ▷ Overseas business: Operating revenue and operating profit both grew YoY, with the former coming in at JPY118.4bn (+4.6% YoY) and the latter coming in at JPY11.2bn (+82.1 YoY). Despite weakness in Europe and the Americas, East Asia saw firm performance in mainland China, which was severely affected by the COVID-19 pandemic in the same period of the previous year. Operating profit also increased in Southwest Asia and Oceania.
  - ➢ East Asia business: Operating revenue was JPY95.6bn (+17.2% YoY) and operating profit was JPY17.8bn (+41.7% YoY). Recovering from the COVID-19 pandemic last year, comparable store sales (including e-commerce sales) in mainland China were up 10.7% YoY. By category, sales were up 14% YoY in apparel, 4% YoY in household goods, and 18% YoY in food. Sales were weak in face lotions, which are included in the household goods category, but firm in apparel and food. The business as of July 2021 is focused on expanding its lineup of locally developed products, particularly in the household goods category. By channel, sales grew just under 10% YoY at brick-and-mortar stores, and about 20% in e-commerce operations. Profit was up on the back of increased operating revenue and the positive effects stemming from the company's efforts to cut SG&A expenses, including distribution and personnel expenses. In Taiwan, the closure of stores in May due to the spread of COVID-19 impacted performance, though profit increased on favorable performance through April.
  - ➢ The Europe and the Americas business recorded operating revenue of JPY11.8bn (-41.5% YoY) and operating loss of JPY2.6bn (versus loss of JPY2.4bn one year ago). Impacted by the COVID-19 pandemic, the business was forced to temporarily close stores in both Europe and North America, though the US business moved into a gradual recovery in Q3.
  - ➢ The Southwest Asia and Oceania business recorded operating revenue of JPY11.0bn (-3.8% YoY) and operating profit of JPY1.1bn (+137.4% YoY). Despite the impact from the COVID-19 pandemic, mainly in Thailand and Malaysia, profit increased thanks to the business keeping SG&A expenses in check.
- ▷ Store count stood at 994 stores, including 453 in Japan and 541 overseas. The company in Q3 opened MUJI Konandai Birds in May, the first store in the Kanto region equipped with a large sales floor dedicated to food. It also opened the Tsuruya Shiojiri

Hirooka store adjacent to the Tsuruya supermarket operated by Tsuruya Co., Ltd., which is developing a supermarket business mainly in Nagano Prefecture. Globally, the company had 994 stores as of end-May 2021 and targets 1,000 before end-July 2021.

Full-year forecast

▷ The company made no change to its full-year forecasts. It intends to continue to focus on maximizing sales and profits in Q4 toward the launch of a new medium-term management plan beginning in FY08/22.

▷ Business is returning to normal in Japan following the government's lifting of the state of emergency. The outlook overseas is somewhat uncertain, as sales since May have been declining due to the spread of COVID-19 in Taiwan and Thailand. The company intends to continue to focus on gaining the support of its customers and maximizing sales and profit by providing quality products at reasonable prices while not relying excessively on sales promotions.

▷ The company expects to dispose of spring and summer apparel inventories in Q4 to avoid the carrying over of excess inventory into the next fiscal year. The company thinks that it can optimize inventory by the end of the fiscal year as initially targeted.

For details on previous quarterly, see the Historical performance section.

Company forecast for FY08/21

	FY02/19			FY02/20			FY08/20	FY08/21		
(JPYmn)	1H	2H	FY	1H	2H	FY	6mo Act.	1H Act.	2H Est.	FY Est.
Operating revenue	**201,275**	**208,422**	**409,697**	**216,451**	**222,262**	**438,713**	**179,392**	**228,353**	**259,247**	**487,600**
YoY	10.0%	6.0%	7.9%	7.5%	6.6%	7.1%	-17.1%	2.7%	44.5%	21.4%
Sales	**200,815**	**208,033**	**408,848**	**215,978**	**221,797**	**437,775**	**178,933**	**227,748**	**258,852**	**486,600**
YoY	10.0%	6.0%	7.9%	7.6%	6.6%	7.1%	-17.2%	2.7%	44.7%	21.4%
Gross profit	**102,830**	**107,701**	**210,531**	**109,925**	**106,766**	**216,691**	**83,234**	**112,034**	**132,666**	**244,700**
YoY	12.8%	7.8%	10.2%	6.9%	-0.9%	2.9%	-24.3%	4.9%	59.4%	28.8%
Gross profit margin	51.2%	51.8%	51.5%	50.9%	48.1%	49.5%	46.5%	49.2%	51.3%	50.3%
Operating gross profit	**103,290**	**108,090**	**211,380**	**110,398**	**107,230**	**217,628**	**83,694**	**112,640**	**133,060**	**245,700**
YoY	12.8%	7.8%	10.2%	6.9%	-0.8%	3.0%	-24.2%	5.0%	59.0%	28.7%
Operating gross profit margin	51.4%	52.0%	51.7%	51.1%	48.3%	49.7%	46.8%	49.5%	51.4%	50.5%
SG&A expenses	79,729	86,907	166,636	89,802	91,446	181,248	82,821	89,247	107,253	196,500
YoY	13.2%	14.2%	13.7%	12.6%	5.2%	8.8%	-7.8%	-2.4%	29.5%	12.8%
SG&A ratio	39.7%	41.8%	40.8%	41.6%	41.2%	41.4%	46.3%	39.2%	41.4%	40.4%
Operating profit	**23,560**	**21,183**	**44,743**	**20,596**	**15,784**	**36,380**	**872**	**23,393**	**25,807**	**49,200**
YoY	11.5%	-12.3%	-1.2%	-12.6%	-25.5%	-18.7%	-95.8%	48.2%	2859.5%	195.4%
Operating profit margin	11.7%	10.2%	10.9%	9.5%	7.1%	8.3%	0.5%	10.3%	10.0%	10.1%
Recurring profit	**23,529**	**22,332**	**45,861**	**19,735**	**16,642**	**36,377**	**563**	**25,399**	**24,401**	**49,800**
YoY	9.1%	-8.6%	-0.3%	-16.1%	-25.5%	-20.7%	-97.1%	52.6%	4234.1%	189.5%
Recurring profit margin	11.7%	10.7%	11.2%	9.1%	7.5%	8.3%	0.3%	11.2%	9.4%	10.2%
Net income	**18,101**	**15,744**	**33,845**	**13,270**	**9,983**	**23,253**	**-16,917**	**20,373**	**14,427**	**34,800**
YoY	24.1%	1.4%	12.4%	-26.7%	-36.6%	-31.3%	-	104.1%	-	-
Net margin	9.0%	7.6%	8.3%	6.1%	4.5%	5.3%	-9.5%	8.9%	5.6%	7.2%

Source: Shared Research based on company data
Figures may differ from company materials due to differences in rounding methods. FY08/20 and FY08/21 figures are compared to the same 12-month period the previous year.

Overview of FY08/21 company forecasts

Ryohin Keikaku's forecast calls for FY08/21 operating revenue of JPY487.6bn (+21.4% YoY, compared to Q3 FY02/20–FY08/20), operating profit of JPY49.2bn (3.0x), and net income of JPY34.8bn (loss of JPY6.9bn in Q3 FY02/20–FY08/20). Achievement rates in 1H versus the company's full-year forecasts were 46.8% for operating revenue, 47.5% for operating profit, and 58.5% for net income. Although business in Europe and North America fared worse than planned in 1H due to COVID-19, the company left its initial forecasts unchanged. In 2H, the company says it aims to compensate with sales growth in Japan and Southeast Asia and measures to improve profit margins. The company expects EPS of JPY132.3 and plans to pay an annual dividend of JPY40.0 per share (representing a dividend payout ratio of 30.2% on projected earnings).

The company notes that all of its overseas subsidiaries will be using the same fiscal year as the parent company and domestic subsidiaries starting in FY08/21 (except for those in countries that do not legally allow any fiscal year-end change, but even those will do a provisional settlement of accounts in August). The company will reflect July–August earnings for countries outside Europe and August earnings for Europe as adjustment of surplus at the start of FY08/21.

Operating revenue

Operating revenue came to 46.8% of the company's forecast. The company believes that as teleworking becomes more prevalent in the face of the pandemic, consumer behavior will change and people will spend more time at home, have fewer opportunities for dining out, and resort to local travel rather than taking longer trips. It thinks this will provide a tailwind for its food, apparel, and household products, which it has developed with a focus on quality, price, and significance, and optimized pricing through ongoing price revisions.

In formulating its FY08/21 forecast, the company has assumed that sales at directly managed store in Japan will grow 2.0% versus FY02/20, while online store sales will grow 60%. It says it still has room for sales growth via improvement to merchandise that has not yet fully met customer needs, strengthening of sales of hit merchandise, and expansion in its lineup of food merchandise.

GPM

Gross profit came to 45.8% of the company's forecast, and the GPM in 1H FY08/21 worked out to 49.2%. For the full year, the company expects GPM of 50.3%, a 2.9pp YoY improvement. It sees three factors underlying this improvement.

▷ Although it conducted an inventory write-down of about JPY2.5bn in FY08/20, it has been steadily resolving the issue of excess stock and doubts it will conduct any new write-down during FY08/21.

- ▷ The fall 2020 pricing adjustments differ from adjustments conducted in fall 2019 in that they are directly linked to cost reductions.
- ▷ It will limit discount sales such as “MUJI weeks” (that provide MUJI members a 10% discount on all products; membership is free).

Operating profit

Operating profit came to 47.5% of the company’s forecast. While conservatively factoring in the impact of COVID-19 and social conditions in various countries, the company anticipates growth in operating profit during the busy period of March–May, which new lifestyle demand is expected to increase, and therefore left its profit forecast unchanged.

The company expects amortization of intangible assets to increase with the operation of the new systems. Meanwhile, in Japan, it expects a reduction in the SG&A ratio thanks to a lower ratio of personnel cost ratio (through implementing in-depth management such as changing from monthly to weekly part-time job management), improved efficiency in e-commerce related operations (active utilization of outsourcing and other measures), and reduced logistics costs (as the effects of logistics reform completed in the 1H take effect). Overseas as well, it expects the SG&A ratio to decline thanks to reductions to rent and personnel expenses, budget revisions, and structural reform.

Key initiatives in FY08/21

Ryohin Keikaku plans to focus on five areas in 2H FY08/21: 1) optimization of selling prices; 2) infrastructure upgrades in e-commerce; 3) optimization of inventory levels; 4) steady development and integration of new systems; 5) revisions and adjustments to overseas strategies.

Optimization of selling prices

The company plans to actively conduct price adjustments with the aim of expanding its customer base. Indeed, there were times in the past when its efforts to find “the right price” were focused mainly on reducing selling prices. From now on, however, the company aims to maintain its GPM by optimizing pricing while simultaneously reducing procurement costs achieved via changes in materials used and cooperation with contract manufacturers. It will primarily apply these cost optimization efforts in China, Taiwan, Thailand, and other priority areas. Under its strategy, cutting costs while maintaining gross margins is inseparable from store expansion in living areas and outlying regions. The company will therefore carry out these measures with future growth strategies in mind.

E-commerce infrastructure upgrades

The company plans to capitalize on the increased demand for e-commerce resulting from the COVID-19 pandemic. It targets 60% growth in domestic online store sales (including Amazon and Rakuten) vs. FY02/20 (JPY22.2bn) (1H FY08/20 sales were JPY16.2bn). In 2H, in addition to improving consumer convenience, it plans to stimulate buying sentiment through website redesign, as well as expand its lineup of items. It also plans to start a “click & collect” service whereby customers shop online and pick up their purchases at real stores, and aims to assemble a mechanism for enticing online customers to real stores.

In mainland China as well, the company plans to continue to expand e-commerce. It will take steps such as boosting its ability to accept orders by enhancing e-commerce inventory management and transferring logistics centers.

Optimization of inventory levels

Fewer sales opportunities due to the pandemic caused excess stock to swell to about JPY36bn at end-Q1 FY08/20. The company plans to resolve the excess stock issue by end-FY08/21, and plans to keep inventories to within around JPY10bn.

Reductions are largely proceeding apace with targets thanks to measures to sell off seasonal products and restraint in procurement of mainstay products. Since the company has now achieved appropriate inventory levels in household goods, if it can sell out of the apparel items that missed sales opportunities in spring 2020 during 2H FY08/21, the company expects to achieve normal inventory levels of all merchandise by FY08/21 year-end. However, it now looks like sales could take a hit as the government issued another emergency declaration between April and May 2021. The company plans to avoid resorting to drastic discount sales to reduce inventories by instead curtailing purchases and selling mainstay items in the following fiscal year.

Steady development and integration of new systems

In January 2020, in Japan, Ryohin Keikaku installed a standardized global IT system (for accounting and merchandise/supply chain management). It initially planned to roll out the system at its overseas bases from the beginning of 2020 and achieve full integration in FY08/22. Once the new system is fully integrated, it will enable much faster payment processing, as well as confirm status versus targets on sales and inventory by individual merchandise items, countries, and regions.

However, due to COVID-19, preparations for overseas deployment have taken more time than anticipated. The company brought in external IT systems experts to review its plans, as a result of which it decided to commence overseas deployment in September 2021 and push back completion to FY08/23. The company will work to improve the system's usability, prepare user manuals, and organize a framework to ensure that installation at overseas bases proceeds with minimal disruption. It will begin the rollout with relatively small-scale and geographically nearby Taiwan, and proceed to China in January 2022.

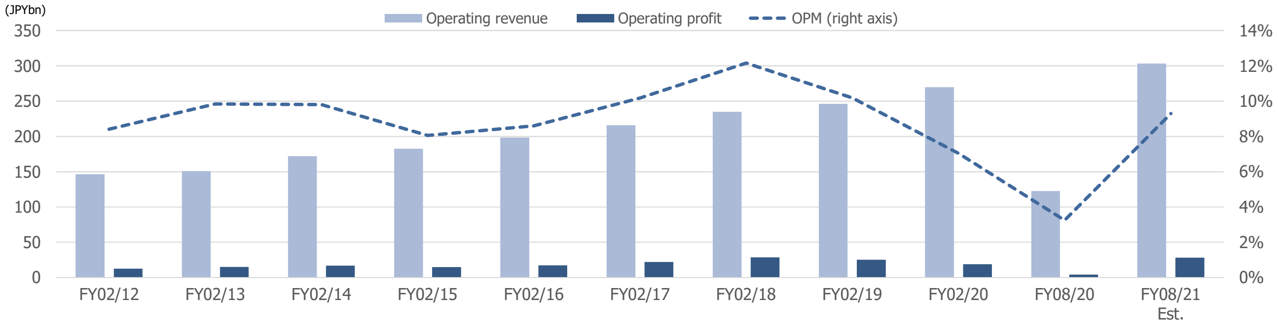
Revisions and adjustments to overseas strategies

Ryohin Keikaku will be working to expand the Overseas business by implementing price revisions as it is doing in Japan, and for the time being is positioning mainland China, Taiwan, and Thailand as growth drivers. On the other hand, it will restrain investment for growth in Europe and the Americas and other countries and will concentrate on revising its expenses and conducting restructuring. This is a major shift in policy from the company's past efforts to expand overseas in a holistic manner.

By segment	FY02/19			FY02/20			FY08/20	FY08/21		
(JPYmn)	1H	2H	FY	1H	2H	FY	6mo Act.	1H Act.	2H Est.	FY Est.
Operating revenue	201,275	208,422	409,697	216,450	222,263	438,713	179,392	228,353	259,247	487,600
YoY	10.0%	6.0%	7.9%	7.5%	6.6%	7.1%	-17.1%	2.7%	44.5%	21.4%
Domestic	124,650	121,619	246,269	133,932	135,903	269,835	122,428	147,162	156,138	303,300
YoY	6.2%	3.6%	4.9%	7.4%	11.7%	9.6%	-8.6%	8.3%	27.5%	17.4%
Overseas	76,623	86,802	163,425	82,515	86,360	168,875	56,961	81,190	103,110	184,300
YoY	16.9%	9.6%	12.9%	7.7%	-0.5%	3.3%	-31.0%	-6.0%	81.0%	28.6%
East Asia	58,573	63,767	122,340	62,634	62,067	124,701	45,395	65,564	73,436	139,000
YoY	15.8%	7.7%	11.4%	6.9%	-2.7%	1.9%	-27.5%	5.6%	61.8%	29.3%
Europe and the Americas	10,482	14,013	24,495	12,496	16,134	28,630	6,585	8,271	16,429	24,700
YoY	17.2%	14.1%	15.4%	19.2%	15.1%	16.9%	-47.3%	-48.7%	149.5%	8.7%
Southwest Asia, Oceania	7,567	9,022	16,589	7,384	8,159	15,543	4,981	7,353	13,247	20,600
YoY	25.6%	17.1%	20.8%	-2.4%	-9.6%	-6.3%	-32.5%	-9.9%	166.0%	56.8%
Other	0	2	2	1	1	2	2	-	-	-
Operating profit	23,560	21,183	44,743	20,596	15,784	36,380	872	23,393	25,807	49,200
YoY	11.5%	-12.3%	-1.2%	-12.6%	-25.5%	-18.7%	-95.8%	48.2%	2859.5%	195.4%
Operating profit margin	11.7%	10.2%	10.9%	9.5%	7.1%	8.3%	0.5%	10.2%	10.0%	10.1%
Domestic	14,459	10,625	25,084	11,571	7,431	19,002	3,974	15,276	12,924	28,200
YoY	-3.6%	-21.6%	-12.1%	-20.0%	-30.1%	-24.2%	-65.7%	105.6%	225.2%	147.3%
Operating profit margin	11.6%	8.7%	10.2%	8.6%	5.5%	7.0%	3.2%	10.4%	8.3%	9.3%
Overseas	8,749	10,426	19,175	8,496	8,110	16,606	-3,327	7,875	13,325	21,200
YoY	50.4%	1.5%	19.2%	-2.9%	-22.2%	-13.4%	-	-2.9%	-	343.2%
Operating profit margin	11.4%	12.0%	11.7%	10.3%	9.4%	9.8%	-5.8%	9.7%	12.9%	11.5%
East Asia	9,191	10,623	19,814	11,835	11,133	22,968	5,990	12,145	14,455	26,600
YoY	29.6%	8.7%	17.5%	28.8%	4.8%	15.9%	-49.4%	9.1%	141.3%	55.3%
Operating profit margin	15.7%	16.7%	16.2%	18.9%	17.9%	18.4%	13.2%	18.5%	19.7%	19.1%
Europe and the Americas	-609	-543	-1,152	-598	-391	-989	-5,337	-1,721	-479	-2,200
YoY	-	-	-	-	-	-	-	-	-	-
Operating profit margin	-5.8%	-3.9%	-4.7%	-4.8%	-2.4%	-3.5%	-81.0%	-20.8%	-2.9%	-8.9%
Southwest Asia, Oceania	167	346	513	573	578	1,151	-396	889	1,411	2,300
YoY	-	17.7%	300.8%	243.1%	67.1%	124.4%	-	53.8%	-	1163.7%
Operating profit margin	2.2%	3.8%	3.1%	7.8%	7.1%	7.4%	-8.0%	12.1%	10.7%	11.2%
Unrealized gains, global SG&A expenses	-	-	-	-3,312	-3,212	-6,524	-3,583	-3,438	-2,062	-5,500
YoY	-	-	-	-	-	-	-	-	-	-
Other	191	295	486	344	203	547	189	77	-	-
Adjustments	159	-161	-2	181	43	224	36	163	-	-

Source: Shared Research based on company data
Figures may differ from company materials due to differences in rounding methods.
Note: Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia, Europe and the Americas, Southwest Asia and Oceania, and Unrealized Gross Profit/Global SG&A expenses. Figures for FY02/20 have been retroactively adjusted to reflect this change. FY08/20 and FY08/21 figures are compared to the same 12-month period the previous year.

Domestic business



Source: Shared Research based on company data

In Japan, the company projects operating revenue of JPY303.3bn (+17.4% compared to results generated from September 1, 2019 [start of Q3 FY02/20] through August 31, 2020 [end of Q2 FY08/20]), and operating profit of JPY28.2bn (+150% YoY) in FY08/21. 1H FY08/21 results achieved 48.5% of the company's operating revenue target and 54.2% of its operating profit target. The company anticipates substantial recovery in results YoY because cumulative performance in Q2 FY08/20 dropped off substantially due in part to the COVID-19 pandemic. It is targeting a 12.4% increase in operating revenue compared to FY02/20, which ended before the pandemic began affecting performance. Meanwhile, the company projects that LFL sales will grow 2% compared to FY02/20, and it also expects to benefit from new store openings. It forecasts a net increase of 13 stores in FY08/21, increasing the total of directly managed stores in Japan to 376 by the end of the financial year. Compared to February 29, 2020 (end-FY02/20), when the company had 361 directly managed stores in Japan, the company projects an increase of 15 stores (+4.0%). As of end-February 2021, directly managed stores in Japan totaled 367 stores, a net increase of 4 stores. The company also plans to strengthen its online store sales and indicates that it is aiming to achieve a 60% increase in e-commerce sales generated by its online stores (including those associated with Amazon and Rakuten) compared to FY02/20, when online store sales were JPY22.2bn.

The company projects that OPM in Japan will recover to 9.3%, exceeding its level of 7.0% in FY02/20 but not quite reaching the 10.2% it attained in FY02/19. It also anticipates that its operating GPM and SG&A expense to sales ratio will improve compared to FY02/20. In FY02/20, profitability was impaired by price revisions for 1,100 items that the company prioritized over procurement cost reduction, effective discounts arising from the company's decision to leave its tax-included prices unchanged following a consumption tax hike, and several MUJI Week bargain sale campaigns that the company conducted with the goal of reducing excess stock. In FY08/21, the company will seek eliminate its dependence on bargain sales by cutting back on MUJI Week campaigns. Meanwhile, it projects that cost-reduction effects corresponding to price revisions it conducted ahead of adjustments to its procurement costs will begin to become apparent during FY08/21. With regard to SG&A expenses, the company aims to check personnel expenses by expanding staffing optimization efforts it has promoted thus far and reduce its advertising and promotional expenses. It projects increases in some categories of expense, including a temporary rise in transportation and delivery expenses incurred to strengthen performance from online stores, but targets a lower SG&A expense ratio overall.

East Asia

East Asia (JPYmn)	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.	FY08/21 Est.
Operating revenue	31,276	56,430	83,045	89,704	109,803	122,340	124,701	45,395	139,000
YoY	-	80.4%	47.2%	8.0%	22.4%	11.4%	1.9%	-27.5%	29.3%
YoY (local currency)			32.1%	24.7%	14.0%	11.2%	7.1%	-24.8%	-
YoY (local currency; comparable-store)	10.5%	10.1%	13.1%	4.1%	3.9%	-1.4%	-4.4%	-33.6%	-
China	18,863	30,601	49,867	54,952	67,174	75,020	78,941	25,446	-
YoY	106.1%	62.2%	63.0%	10.2%	22.2%	11.7%	5.2%	-33.7%	-
Operating profit	3,420	8,434	17,261	16,454	16,861	19,814	22,968	5,990	26,600
YoY	-	146.6%	104.6%	-4.7%	2.5%	17.5%	15.9%	-49.4%	55.3%
Operating profit margin	10.9%	14.9%	20.8%	18.3%	15.4%	16.2%	18.4%	13.2%	19.1%
Store count (including licensees)	153	189	227	279	319	358	383	387	416
China	100	128	160	200	229	256	273	275	302
Hong Kong	29	33	38	42	45	48	49	51	55
Taiwan	12	14	15	17	19	20	21	21	20
South Korea	12	14	14	20	26	34	40	40	39

Source: Shared Research based on company data
Note: For FY02/16 and earlier, operating revenue by country is actually sales by country. FY08/20 and FY08/21 figures are compared to the same 12-month period the previous year. Through FY08/20, the accounting period used to report financial results from East Asia ended on December 31.

In East Asia, the company projects operating revenue of JPY139.0bn (+29.3% YoY) and operating profit of JPY26.6bn (+55.3% YoY) in FY08/21. It anticipates an OPM of 19.1%, an improvement of 0.7pp from the 18.4% it reported in FY02/20. 1H FY08/21 results achieved 47.2% of the company's operating revenue target and 45.7% of its operating profit target. LFL sales in mainland China (including those generated by online stores), a major performance driver for the company, are expected to grow 4–5% compared to FY02/20. Meanwhile, the company will strive to strengthen the competitiveness of its products by expanding its lineup of household goods for sale in China. It is also targeting a net increase of 28 stores in mainland China during FY08/21 and projects that it will have 302 stores in mainland China by the end of the financial year, up 29 stores, or 10.6%, compared to February 29, 2020 (end-FY02/20). As of end-February 2021, stores in mainland China totaled 289 stores, a net increase of 15 stores. In addition to mainland China, the company also views Taiwan as a growth driver and aims to increase its customer count there through measures such as price optimization.

The company anticipates that operating GPM will either remain level or improve slightly in comparison to FY02/20 in FY08/21. It projects that the primary contributors to this result will be discount curtailment and procurement cost reductions. Additionally, the company will strive to reduce its SG&A expense ratio through efforts such as staffing optimization.

Europe and the Americas

Europe and the Americas (JPYmn)	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.	FY08/21 Est.
Operating revenue	12,306	14,861	17,124	17,603	21,225	24,495	28,630	6,585	24,700
YoY	-	20.8%	15.2%	2.8%	20.6%	15.4%	16.9%	-47.3%	8.7%
YoY (local currency)			12.1%	19.0%	18.2%	15.3%	21.5%	-45.7%	-
YoY (local currency; comparable-store)			5.4%	3.7%	4.4%	1.9%	3.8%	-56.5%	-
Operating profit	268	93	-414	-852	-898	-1,152	-989	-5,337	-2,200
YoY	-	-65.4%	-	-	-	-	-	-	-
Operating profit margin	2.2%	0.6%	-	-	-	-	-	-	-
Store count	68	74	72	69	72	67	71	72	58
UK	11	12	12	12	12	11	11	11	8
France	12	12	9	9	7	7	7	7	7
Italy	7	9	9	9	8	8	8	8	6
Germany	9	8	8	7	7	7	7	8	7
Spain	-	-	-	6	6	5	5	5	4
Portugal	-	-	-	1	1	1	1	1	1
Sweden	-	-	-	-	8	1	1	1	1
Switzerland	-	-	-	-	-	-	1	1	1
Finland	-	-	-	-	-	-	1	1	1
Denmark	-	-	-	-	-	-	-	-	1
US	8	10	11	12	15	17	19	18	10
Canada	-	1	2	3	6	8	8	9	9
Licensees	21	22	21	10	2	2	2	2	2

Source: Shared Research based on company data
Note: For FY02/16 and earlier, operating revenue by country is actually sales by country. FY08/20 and FY08/21 figures are compared to the same 12-month period the previous year. Through FY08/20, January 31 marked the end of the accounting period in Europe while December 31 marked the same in North America.

In Europe and the Americas, the company forecasts operating revenue of JPY24.7bn (+8.7% YoY) and operating loss of JPY2.2bn (versus JPY5.7bn in September 2019–August 2020). 1H FY08/21 results achieved 33.5% of the company's operating revenue target, with an operating loss of JPY1.7bn. In view of impact associated with the COVID-19 pandemic, the company does not plan to invest in growth within Europe and the Americas and instead intends to focus on thorough cost management and structural reorganization in FY08/21. In Europe, the company aims to curb personnel expenses by optimizing its store staffing levels and will endeavor to minimize losses incurred by stores with underperforming sales caused by external environmental changes through active negotiations targeting rent reduction. Meanwhile, in North America, the company will conduct negotiations aimed at reducing rents for the company's US subsidiary, which filed for reorganization under Chapter 11 of the United States Bankruptcy Code, as well as other subordinate commercial businesses. At the same time, it plans to make major adjustments to HQ expenses. According to the company, a decline in CoGS for inventory at the top of FY08/21 caused by inventory write-downs conducted at the close of FY08/20 will help reduce the scale of operating loss.

Southwest Asia, Oceania

Southwest Asia, Oceania (JPYmn)	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.	FY08/21 Est.
Operating revenue	4,890	6,255	8,911	10,256	13,729	16,589	15,543	4,981	20,600
YoY	-	27.9%	42.5%	15.1%	33.9%	20.8%	-6.3%	-32.5%	56.8%
YoY (local currency)			37.3%	28.4%	25.9%	19.9%	7.9%	-29.4%	-
YoY (local currency; comparable-store)			12.7%	12.5%	4.7%	2.2%	1.0%	-34.3%	-
Operating profit	1	90	195	138	128	513	1,151	-396	2,300
YoY	-	-	116.7%	-29.2%	-7.2%	300.8%	124.4%	-	-
Operating profit margin	0.0%	1.4%	2.2%	1.3%	0.9%	3.1%	7.4%	-	11.2%
Store count (including licensees)	34	39	45	55	66	72	79	78	83
Singapore	7	9	9	10	11	11	12	10	10
Malaysia	2	4	5	5	7	7	8	9	9
Thailand	10	11	13	14	16	17	19	19	22
India	-	-	-	2	4	4	4	4	3
Australia	1	2	3	3	3	5	5	5	4
Indonesia	6	2	3	6	8	7	6	6	6
Philippines	6	7	7	7	4	5	5	5	5
Kuwait	1	1	2	2	2	3	3	3	3
UAE	1	3	3	4	5	5	7	7	9
Saudi Arabia	-	-	-	-	2	4	5	5	5
Bahrain	-	-	-	-	2	2	2	2	2
Qatar	-	-	-	-	2	2	2	2	2
Oman	-	-	-	-	-	-	1	1	1

Source: Shared Research based on company data
Note: For FY02/16 and earlier, operating revenue by country is actually sales by country. FY08/20 and FY08/21 figures are compared to the same 12-month period the previous year. Through FY08/20, December 31 marked the end of the accounting period used in Southwest Asia and Oceania.

In Southwest Asia and Oceania, the company forecasts sales of JPY20.6bn (+56.8% YoY) and operating profit of JPY2.3bn (versus JPY181mn in September 2019–August 2020) in FY08/21. 1H FY08/21 results achieved 35.7% of the company's operating revenue target and 38.7% of its operating profit target. The company anticipates that profit will rise primarily due to a decrease in CoGS for inventory at the top of FY08/21 caused by inventory write-downs conducted at end-FY08/20. The company aims to enhance performance in Thailand, which is positioned as the company's priority region in Southwest Asia and Oceania, and will strive to expand its customer base there through measures such as price optimization.

Historical forecast accuracy

(JPYmn)		FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Operating revenue	Intial Est.	190,810	206,260	252,700	290,100	336,500	373,900	424,300	462,000	174,500
	Results	188,350	220,620	260,254	307,532	333,281	379,551	409,697	438,713	179,392
	Difference	-1.3%	7.0%	3.0%	6.0%	-1.0%	1.5%	-3.4%	-5.0%	2.8%
Operating profit	Intial Est.	18,040	21,630	25,500	30,000	38,000	42,300	50,000	48,500	-2,000
	Results	18,351	20,916	23,846	34,439	38,278	45,286	44,743	36,380	872
	Difference	1.7%	-3.3%	-6.5%	14.8%	0.7%	7.1%	-10.5%	-25.0%	-
Recurring profit	Intial Est.	18,100	22,120	25,600	30,200	38,000	42,500	50,300	48,700	-2,900
	Results	19,760	23,047	26,602	32,700	38,582	45,985	45,861	36,377	563
	Difference	9.2%	4.2%	3.9%	8.3%	1.5%	8.2%	-8.8%	-25.3%	-
Net income	Intial Est.	10,690	13,600	15,400	18,800	24,300	28,500	33,300	31,800	-3,900
	Results	10,970	17,096	16,623	21,718	25,831	30,113	33,845	23,253	-16,917
	Difference	2.6%	25.7%	7.9%	15.5%	6.3%	5.7%	1.6%	-26.9%	-

Source: Shared Research based on company data

Medium-term business plan

In July 2021, the company announced its medium-term business plan covering the period from FY08/22 through FY08/24, as discussed below.

Medium-term business plan: Quantitative targets

Medium-term targets (JPYmn)	FY08/21 Est.	FY08/24 Targets	FY08/30 Targets
Operating revenue	487,600	700,000	3,000,000
Comparable-store revenue growth	-	2.0%	-
Domestic	303,300	450,000	-
Overseas	184,300	250,000	-
Operating profit	49,200	75,000	450,000
Operating profit margin	10.1%	10.7%	15.0%
ROE	13%	15%	15%
ROA (RP-based)	18%	15%	15%
Store count	980	1,300	2,500
Average floor space (tsubo)	250	300	550
E-commerce ratio	10%	15%	30%

Source: Shared Research, based on company data

Overview of medium-term business plan

The company has dubbed the period starting in FY08/22 as its "second founding". It has redefined its core principles to support the realization of its goal of "creating a better future" by designing its merchandise, services, and stores, and conducting its business in a manner that will contribute to the creation of desirable relationships between people, nature, and things, and the creation of a more spiritually rich society where people can enjoy pleasant lives.

The company has made it its mission to 1) be a provider of genuine quality and ethical goods and services that meet essential basic needs at prices that are readily affordable for all consumers; and 2) establish stores that can serve as a kind of community center, work together with stakeholders within the community on local issues, and have a positive impact on the community.

Looking out to FY08/30, the company has set its sights on making its stores and products an essential part of everyday life for consumers and becoming an active part of local communities, contributing to both community building and problem solving. To this end, the company plans to 1) move toward more individually managed stores and co-owned businesses (including introduction of an Employee Stock Ownership Plan [ESOP]); 2) provide a user-friendly online presence; and 3) adopt management practices that will help it secure a top-ranking on ESG metrics.

To accomplish the aforementioned goals by FY08/30, the company will implement the following regional strategies by FY08/24.

▷ Japan and Mainland China

Plans call for focusing the bulk of the company's resources on its operations in Japan and Mainland China, where it looks to achieve numerical results while laying the groundwork for a new business model centered around individually managed stores to meet the needs of local communities. In practice, this means fielding a core lineup of consumer products/services essential for everyday living for all stores nationwide, serving local communities, and accelerating store openings while maintaining profitability.

▷ Taiwan, Thailand, Hong Kong, and South Korea

Plans call for besting competitors with price cuts and a broader lineup of everyday goods to meet the needs of the average consumer in each market. In terms of store strategy, plans call for putting in place stores built to its new standard format with 600 *tsubo* (roughly 1,980sqm) of sales floorspace through a combination of new store openings and the remodeling/replacement of existing stores. With this working to reach more consumers, the company will then be in a better position to meet the needs of the local market and grow the business.

▷ Other countries in Southeast Asia/Oceania

Plans call for besting competitors with price cuts, putting in place stores built to its new standard (600 *tsubo* or roughly 1,980sqm) format that will be more profitable; putting in place the personnel structure needed to support the expansion of business in this region; and finishing the preparations for its store expansion plans that are expected to be implemented starting in 2024.

▷ India, Europe, and North America

Plans here center around business restructuring, with the company planning to push ahead with structural reforms, including closing unprofitable stores and revamping individual store operations. In Europe, the company is looking at the implications of the lifestyles and values for “super mature society”, where it will work together with local community stakeholders to contribute to local communities through such measures as adapting individual stores to local market needs.

Numerical targets for FY08/24

Ryohin Keikaku plans to achieve the following numerical targets in FY08/24 by implementing the aforementioned regional strategies.

FY08/24 sales target

The company is targeting sales of JPY700.0bn in FY08/24 and aims to boost comparable store sales by 2.0% YoY each fiscal year. It’s target store count by end-FY08/24 is 1,300 (versus 980 projected for end-FY08/21).

The company expects to increase the customer count by lowering prices, centering on the core merchandise lineup, to levels that allow ordinary customers to purchase items on a daily basis. It will also create an arrangement (including aspects such as product appeal, human resources, and headquarters functions) that will allow it to open 100 stores in Japan and 50 in China each year. As of July 2021, it had the capacity to open 50 stores in Japan, 20–30 in China, and 10–20 in other overseas locations, and expects to open stores at about these levels in FY08/22.

The company will increase the average floor space per store to 300 *tsubo* (from a projected 250 *tsubo* at end-FY08/21). Based on the belief that a store needs about 600 *tsubo* of floor space to provide the basic products customers need in their daily lives, it will increase the ratio of large stores among the new stores its opens (80% of planned domestic stores in FY08/22 will be at least 600 *tsubo*) and will renovate some existing stores inside and outside Japan to expand floor space, raising the per-store average.

The company aims to increase the ratio of e-commerce sales to total sales to 15% (from a projected 10% in FY08/21), but recognizes there are a number of issues with its e-commerce management system at present. In FY08/22, it will work on basic improvements such as enhancing e-commerce site usability, making sure products stay in stock, and reviewing delivery operations. The company plans to hire about 100 outside expects to work on these issues, but expects it to take some time before development of e-commerce-related human resources and a review of production processes can begin to bear fruit.

FY08/24 operating profit target

Ryohin Keikaku is targeting FY08/24 operating profit of JPY75.0bn and OPM of 10.7% (versus 10.1% projected in FY08/21). It aims to raise OPM by offsetting a strategic decrease in GPM with a lower SG&A ratio.

The company intends to reduce prices, centered on the core merchandise lineup, but plans to maintain GPM at about the FY08/21 level (projected to be 50.3%) by reducing procurement costs where possible. It expects the SG&A ratio to fall, with an increase in comparable store sales causing a drop in the burden of fixed costs. Positive factors will include a steady decline in logistics costs to appropriate levels due to reform of logistics systems, lower average rents as the ratio of stores in regional and suburban areas grows, and lower personnel expenses achieved through improved efficiency in store operations.

Initiatives during medium-term business plan (FY08/22–FY08/24)

Specific initiatives related to implementation of the regional strategies and achievement of numerical targets include the following: 1) putting together the best core merchandise lineup of everyday goods and establishing related procurement and manufacturing networks; 2) creating a community-based business model centered around individually managed stores and accelerating the nationwide rollout of these stores while maintaining profitability; 3) fostering independent growth initiatives at the individual store, country, and regional level by encouraging companywide employee autonomy; and 4) putting in place the business infrastructure needed to support business revolving around individually managed stores that have adapted to local market needs.

In accelerating the rollout of stores in regional and suburban areas, the company will promote reduction in procurement costs, accompanied by price optimization (price reduction) in order to attract a wide range of customers. To encourage regular use, it plans to open stores with a full product lineup in a space of some 600 *tsubo*, mainly adjacent to or near supermarkets or other commercial facilities frequented by customers, and achieve community-based store management by managing on a store-by-store basis.

1) Put together the best core merchandise lineup of everyday goods and establish related procurement and manufacturing networks

Ryohin Keikaku will review the quality, price, and lineup of products and establish a mass production system with the aim of becoming a store that ordinary consumers use on a daily basis.

Suitable quality for suitable prices

Out of its core merchandise lineup of daily necessities and featured products, the company will review the quality and prices of 100 items (including items for which it has already begun this process). It will seek to strike a suitable balance between quality and price that satisfies customers. The newly established Development & Production Division will take the lead in reviewing suppliers and raw materials to reduce production costs, and the president and other related departments will work together to set prices. The Development & Production Division is a 100-person team, which in the future is expected to step in to help solve social issues and support economic development in the places producing raw materials and finished products.

Supply chain

Ryohin Keikaku has no plants of its own, since it outsources all production. It does not manage details of production processes or utilization rates at the plants it contracts to do the work, so it is unable to fine-tune production volume or delivery dates when submitting additional orders, so issues with the mass production system remain. Going forward, Merchandising Planning Department will take the lead in strengthening supply chain management, reducing production costs by building a system covering everything from product development to mass production, optimizing inventory levels, and preventing product shortages.

2) Create a community-based business model centered around individually managed stores and accelerate the nationwide rollout of these stores while maintaining profitability

The company plans to build a system that allows it to open 100 stores a year in Japan by FY08/24. So far, it has opened stores mainly in cities with over 1 million people such as Tokyo, Osaka, and Nagoya. Going forward, it will continue to open stores in front of train stations and in within stations in urban areas, while also strengthening its opening of large stores in locations that are important transportation hubs and small stores in living zones such as rural and residential areas.

Individually managed stores

The company is working to systemize store operations, create manuals, establish a human resource training system, and build a system in which employees can be appointed to store manager positions even if they have been with the company as little as two or three years. Based on this system, the company intends to expand the discretionary authority of store managers and promote individual store management suiting each store and the region in which it is located, thereby reducing costs and achieving a community-based business model. It hopes eventually to build a human resources training system capable of developing dozens of human resources each year who can contribute to the local community in cooperation with the government and representatives of that community, and it expects individual store management to begin in earnest, led by these human resources.

Large number of store openings

By FY08/24, the company hopes to create an arrangement that will allow it to open 100 stores a year in Japan. In opening new stores, it will promote larger, community-based stores.

▷ Opening of large stores

The company aims to open five large stores of more than 1,000 *tsubo* annually, with a focus on expanding sales floors, product lineups, products, and services in locations that are important local transportation hubs. Model cases for these large stores include MUJI Tokyo Ariake in the Shopping City Ariake Garden mall (Koto Ward, Tokyo, opened in December 2020, floor space of 1,400 *tsubo*).

▷ Opening of “basics of life stores” in residential areas

With a focus on large-scale stores, the company plans to open “basics of life stores” with store area of about 600–800 *tsubo* in residential areas adjacent to or close to supermarkets. In order to more closely serve the needs of daily life, these stores will have enhanced lineups of basic lifestyle-related goods, including processed foods such as curry and confectioneries in the food category, shampoo and conditioner in the household goods category, and socks and underwear in the apparel category. The company will pursue a balance of quality and price to satisfy customers of its conveniently located stores.

In each region, Ryohin Keikaku plans to select supermarkets firmly rooted in their respective communities and that share its corporate philosophy. It does not anticipate opening large numbers of stores all at once via alliances with nationwide chain stores. It will take a reasonable amount of time before store openings proceed in earnest, as the company will negotiate on a case-by-case basis regarding renovations and openings at supermarkets that fulfill its requirements. It aims to create comfortable stores rather than luxurious ones, and expects to recover its investment in 12–18 months.

Model cases for “basics of life stores” include MUJI Nonoichi Meirin-dori on the premises of the Albis Meirin-dori supermarket (Nonoichi, Ishikawa Prefecture, opened in April 2019), and MUJI Ito-Yokado Hirosaki in the Ito-Yokado Hirosaki store (Hirosaki, Aomori Prefecture, opened in November 2020).

▷ Establishing stores throughout Japan

Ryohin Keikaku aims to open five or six “basics of life stores” in areas surrounding large stores. It aims eventually to have stores not just near train stations or linked to convenience stores, but to have a nationwide network of stores, even by working with local residents and the government to distribute its products to Michi-no-Eki stores (typically selling local produce and goods, but also carrying a range of other select goods; often located in relatively rural areas).

3) Foster independent growth initiatives at the individual store, country, and regional level by encouraging companywide employee autonomy

The company will build a management structure to support its “second founding.”

Training of human resources and enhancement of headquarters functions

Ahead of the opening of a large number of stores, Ryohin Keikaku will spend 6–12 months recruiting talented people, training potential store managers, and enhancing headquarters functions. About 18 months ago, it launched a human resources training project and has been developing store manager candidates. If all goes well, they will be able to take on the role of store manager in their second or third year with the company. The company will also enhance headquarters functions to ensure that it does not make poor management decisions, such as lowering prices unreasonably or opening new stores merely to meet quotas. It aims to achieve organizational strength by hiring executive and manager-level personnel from outside the company and by promoting relatively young people.

Autonomous growth of each country and region

Outside of Japan, store openings center on Mainland China, Taiwan, and Thailand, and the company plans to limit openings in other regions. Naturally, it may reassess its store network strategy when the COVID-10 crisis subsides and earnings start to show improvement.

▷ Mainland China

In Mainland China, the company plans to build a framework to enable opening 50 stores annually by FY08/24 (there were 275 stores at end-FY08/20, and the company plans on a net increase of 28 stores in FY08/21). In addition to sending personnel from Japan with expertise in store operation and product planning and management, it will train locally hired personnel to create a system that will allow independent development.

Currently, in Mainland China, the company's products are considered as high priced to be purchased on a daily basis for the locals, building a fashionable brand image which limits its customer base. Going forward, Ryohin Keikaku plans to meet wide range of demand by working on the following initiatives: 1) opening stores with larger floor space with a full lineup of daily necessities, 2) lower prices so that they are affordable on a daily basis, 3) expand product lineup in food and household goods categories that tend to be purchased more frequently than other categories, and 4) increase products developed and manufactured locally.

▷ Other areas for expansion

In areas other than Mainland China, Taiwan, Hong Kong, South Korea, and Thailand, issues with management structure remain. Ryohin Keikaku is training personnel in Japan so that by FY08/24 it can send three or four people with expertise in product planning and management to the various counties in which it wants to make inroads (total of 20 people).

4) Put in place the business infrastructure needed to support business revolving around individually managed stores adopting to local market needs

The company wants to provide the basics of life and promote community revitalization. The significance of brick-and-mortar stores is that they are conveniently located, providing easy access to products necessary in daily life, and they help to revitalize communities in cooperation with the people living there. To achieve its goals, the company will operate stores rooted in their local communities under individual management, aiming to improve its brand recognition. To promote the community-based approach, the newly established Regional Business Units will start by holding workshops and markets (providing sales space to individuals at no charge) and eventually will contribute to solving regional issues and revitalizing communities.

Business

Specialty retailer that plans, develops, distributes, and sells MUJI products

Ryohin Keikaku is a specialty retailer that sells apparel, household goods, and food under a single brand for which the company uses the two names of Mujirushi Ryohin in Japan and MUJI overseas. Handling processes from product planning and development to distribution and sales of its merchandise, the company operates in three segments: the Domestic business, Overseas business, and Other businesses. The Domestic business mainly comprises the operation of directly managed stores in Japan and wholesale sales. The Overseas business involves the operation of directly managed stores and wholesale sales in East Asia, Europe and the Americas, and Southwest Asia and Oceania. The FY08/20 sales breakdown by region was: Japan 68.2%, East Asia 25.3%, Europe and the Americas 3.7%, and Southwest Asia and Oceania 2.8%.

When analyzing the growth potential of Ryohin Keikaku both in Japan and overseas, Shared Research concludes that if investors want to truly understand the company, they must understand the history of the company and its brand evolution. Once that becomes clear, it is easier to grasp elements of the unique business model— including pricing, merchandising, and pace of expansion both in Japan and overseas.

MUJI brand: concept and origins

Seiji Tsutsumi, head of the Saison Group, created the Mujirushi Ryohin brand (MUJI) in 1980, together with such prominent figures in Japanese art and design as Ikko Tanaka, Kazuko Koike, and Takashi Sugimoto.

> Seiji Tsutsumi (1927–2013), a son of Yasujiro Tsutsumi, founder of the Seibu Railway Company, started his career at the Seibu Department Stores, a division of his father's business empire. After the father's death, he took over the department store business and proceeded to build it into a diversified group that included the Seiyu supermarkets (now a part of Walmart) and FamilyMart convenience stores (now a part of the Itochu Group). Famous for his "sensibility management" style, he launched the MUJI brand in 1980. Tsutsumi was active in arts and letters, both as a patron and author, writing under the pen names of Takashi Tsujii and Ikuo Yokose.

Ikko Tanaka (1930–2002) was a graphic designer who was renowned for creating simple designs. Tanaka said of the MUJI brand, "Simplicity is not inferior to opulence. Rather, there is a hidden side to simplicity that appeals both to our intellect and to our senses. If we build a world and system of values around such simplicity, we can enrich our lives even with only meager resources." The MUJI brand is built around a concept that may be expressed as "enough is as good as a feast"—people will never stop desiring things, but it is possible to be satisfied with what one has.

The MUJI brand is the antithesis of mass production consumer culture. It views products not from the producer (capital) viewpoint, but from the lifestyle viewpoint. Concentrating on techniques in materials inspection, process simplification, and packaging reassessment, the company exhaustively developed products that were true necessities and central to modern living.

In addition, by harnessing the power of the top Japanese creators at the time, Ryohin Keikaku developed a comprehensive business that spanned product specifications, store design, and communications design. Through this approach, the company was able to establish a unique position in an excessively competitive consumer marketplace to move its business forward.

Ryohin Keikaku became independent from Seiyu in 1990. Advanced SCM has allowed it to evolve into a global specialty store retailer of private label apparel (SPA) to create universal appeal while staying firmly rooted in is corporate roots. The company has attained global recognition not just by listening to customers, but showing concern for the planet's limited resources and placing emphasis on harmonious relationships with suppliers.

According to Masaaki Kanai, the chairman of Ryohin Keikaku, "Mujirushi Ryohin was built by designers, and then commercialized. We don't sell what consumers want, we remove all that is unnecessary and offer them what we believe will make their everyday life better. Although this may make it an odd brand since it leaves so much up to the consumer, we believe that it is this progressive and universal concept that makes the brand loved across the world."

The company's current focus is on providing a simple, pleasant life to people around the world. It is continuously reviewing materials, streamlining production processes, and simplifying packaging to offer simple, beautiful, and environmentally friendly products.

Ryohin Keikaku: corporate milestones

Early days

Mujirushi Ryohin (MUJI) was created in 1980 as a private brand of The Seiyu, a major general merchandise retailer and a part of the Saison group. The brand initially had a total of 40 products, made up of nine household goods and 31 food products. It was launched in 14 Seiyu department stores and six FamilyMart convenience stores (FamilyMart Co., Ltd.; TSE1: 8028), in addition to the food and household goods sections of Seiyu supermarkets.

Consumer spending in Japan fell into a deep depression in the wake of the second oil crisis of 1979. An appetite for value for money products grew among consumers, and general merchandise retailers rushed to meet this demand with private brands. For example, The Daiei, Inc. (TSE1: 8263) launched its NO BRAND label in 1978. MUJI was created later than many of those generic private brands.

Establishing Ryohin Keikaku Co., Ltd.

Between 1980 and 1988 the brand grew as it sold in various Seiyu retail locations. In 1983, Mujirushi Ryohin Aoyama opened its doors in Aoyama, Tokyo, as the first directly managed store stocking only MUJI goods. In the same year, The Seiyu opened MUJI outlets in the Seibu Shibuya department store (Tokyo) and the Hanshin Umeda department store (Osaka). In 1985, The Seiyu established a Mujirushi Ryohin division within the firm. It reported sales of about JPY14bn in its first year (1985) as a business unit. Then, four years later in 1989, Ryohin Keikaku Co., Ltd. was established as a standalone company. It was thought the new company would sell not just MUJI products but also other brands. The management therefore chose the name Ryohin Keikaku ("planning of good products"), rather than Mujirushi Ryohin. Ryohin Keikaku's history as a retailer began in 1990, after officially acquiring the rights to the business from its parent, Seiyu.

The bubble bursts

The first half of the 1990s saw the bursting of Japan's bubble economy and a subsequent decline in consumer spending. However, MUJI brand sales continued to grow, arguably because the brand concept was well-suited to consumer attitudes at the time, with its philosophy of creating "simple products by making the best use of the materials". In 1993, MUJI Lalaport opened its doors in Funabashi, Chiba. The size of this large store was over 1000sqm, making it between two to three times the size of existing Mujirushi Ryohin stores. This was a turning point for Ryohin Keikaku, and it began opening large-scale stores in shopping centers and department stores, such as the Parco department store in Shibuya, Tokyo; the Birds department store in Konandai, Yokohama; and Canal City Hakata, in Fukuoka.

Stagnation

However, earnings took a downward turn after hitting a peak in FY02/00. One of the reasons was that the company relied on a so-called product-out approach: develop the product and it will sell. Perhaps some complacency had set in in the course of a long period of success, and the company came to believe that consumers would always buy quality products. The company's strategy of pushing for rapid growth through new store openings also hurt earnings, as the company opened large-scale stores in shopping centers and department stores. The company accelerated this strategy to meet the expectations of investors after listing on the First Section of the Tokyo Stock Exchange in 2000. However, product development was unable to keep up with rapid growth in sales area, with the result that the efficiency of the company's retail space dropped. Ryohin Keikaku also soon suffered from the inefficiencies common in large firms as it grew and felt its business was safe. Its organization became less flexible as it embarked on a number of short-term measures designed to improve sluggish earnings. Another factor outside the company's control was the appearance of strong competitors within different types of product—from Uniqlo (by Fast Retailing Co., Ltd; TSE1: 9983), to 100-yen shops, to Nitori Co., Ltd. (TSE1: 9843)—a low-price vertically integrated furniture and household goods retailer.

Although the company recorded a JPY13.4bn operating profit in FY02/00, this figure significantly decreased in FY02/02 to JPY5.5bn.

Reform

In 2001, Tadamitsu Matsui took up his post as president of the company. Under his leadership, Ryohin Keikaku set about restructuring overseas operations, closing and downsizing unprofitable domestic stores, dealing with bad inventories, and implementing a complete management overhaul, including cutting back on management costs. The company curbed large-scale store openings, and made the criteria for opening new stores stricter with the introduction of a points-based system of evaluation. In 2003, the company began to emphasize personnel training. MUJIGRAM—a sales operation manual compiled with the aim of standardizing the business—and the Head Office Work Standards formed the foundation of its training initiatives.

In June 2002, fashion designer Yohji Yamamoto's company, Yohji Yamamoto Inc. agreed to oversee apparel design. The idea behind this agreement was that apparel is a type of luxury item and therefore must be constantly changing or it will lose consumers' interest. Thus, apparel must move with the times, even if its basic function does not change. Ryohin Keikaku therefore entered into the agreement with Yohji Yamamoto because it was able to come up with simple yet fashionable designs. This particular agreement has since expired.

In 2003, the company also launched Found MUJI and World MUJI (see note below). The above initiatives bore fruit from FY02/04 onward, when comparable store sales began trending north once again.

In FY02/05, following sales growth, Ryohin Keikaku set up the 30% Committee—aimed at cutting SG&A expenses with the then president, Tadamitsu Matsui, as chair. This committee aimed to keep SG&A expenses down to 30% or less of sales, acting on the principle that the seeds of decline are sown in times of success. The result was that profits rose sharply between FY02/04 and FY02/08.

World MUJI


Wall-mounted CD player

Digital calendar


Stainless steel kettle

Source: Shared Research based on Company materials

Found MUJI


Aluminium hanger

"Station clock", wall-mounted clock


Right-angled socks

Source: Shared Research based on company data

> Found MUJI: For this format the company sources household goods from across the globe that have continued to be used without becoming obsolete or falling out of favor. The company makes slight improvements to the products to adapt them to local culture and customs, before selling them at a fair price.
> World MUJI: For this brand the company sells products that take advantage of global knowledge and expertise, while also sharing the core concepts of the Mujirushi Ryohin brand.

Overseas

In 1991, Ryohin Keikaku opened its first overseas store, MUJI West Soho in partnership with Liberty Plc. However, the company ended its partnership with Liberty in 1997, before transferring its Overseas business to Ryohin Keikaku Europe Ltd. This was followed in 1998 by the establishment of Ryohin Keikaku France S.A.S. and the opening of the company's first store in France. In Asia, the company opened a store in Hong Kong in 1991, then one in Singapore in 1995. However, it closed these stores and pulled out of Asia following poor earnings results. The company reentered Asia in 2001 with the opening of a store in Hong Kong. This was followed by stores in Singapore in 2003, and Taiwan in 2004. In 2005 the company moved into the Chinese mainland, with the establishment of MUJI (Shanghai) Co., Ltd.

Domestic business

Consolidated domestic business, and Ryohin Keikaku (parent) (JPYmn)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Operating revenue (cons.)	178,186	188,350	220,620	260,254	307,532	333,281	379,551	409,697	438,713	179,392
YoY	5.0%	5.7%	17.1%	18.0%	18.2%	8.4%	13.9%	7.9%	7.1%	-
Domestic operating rev. (cons.)	**146,474**	**151,034**	**171,924**	**182,702**	**198,449**	**215,716**	**234,791**	**246,269**	**269,835**	**122,428**
YoY	3.0%	3.1%	13.8%	6.3%	8.6%	8.7%	8.8%	4.9%	9.6%	-
Operating revenue (parent)	150,919	158,021	178,704	206,591	232,012	255,818	284,955	309,906	336,247	143,777
YoY	3.5%	4.7%	13.1%	15.6%	12.3%	10.3%	11.4%	8.8%	8.5%	-
Domestic sales (parent)	**148,213**	**153,093**	**163,407**	**174,618**	**191,656**	**208,144**	**227,901**	**241,393**	**262,571**	**119,171**
YoY	3.0%	3.3%	6.7%	6.9%	9.8%	8.6%	9.5%	5.9%	8.8%	-
Export sales (parent)	1,169	3,186	12,998	27,707	34,954	41,370	49,512	60,627	65,787	21,432
YoY	40.0%	172.5%	308.0%	113.2%	26.2%	18.4%	19.7%	22.4%	8.5%	-
Operating profit (cons.)	15,438	18,351	20,916	23,846	34,439	38,278	45,286	44,743	36,380	872
YoY	11.1%	18.9%	14.0%	14.0%	44.4%	11.1%	18.3%	-1.2%	-18.7%	-
Operating profit margin	8.7%	9.7%	9.5%	9.2%	11.2%	11.5%	11.9%	10.9%	8.3%	0.5%
Domestic operating profit (cons.)	**12,318**	**14,868**	**16,859**	**14,708**	**17,062**	**21,953**	**28,551**	**25,084**	**19,002**	**3,974**
YoY	8.5%	20.7%	13.4%	-12.8%	16.0%	28.7%	30.1%	-12.1%	-24.2%	-
Operating profit margin	8.4%	9.8%	9.8%	8.1%	8.6%	10.2%	12.2%	10.2%	7.0%	3.2%
Operating profit (parent)	**12,797**	**15,669**	**16,472**	**17,491**	**19,530**	**20,831**	**31,351**	**26,134**	**20,762**	**2,490**
YoY	10.0%	22.4%	5.1%	6.2%	11.7%	6.7%	50.5%	-16.6%	-20.6%	-
Operating profit margin	8.5%	9.9%	9.2%	8.5%	8.4%	8.1%	11.0%	8.4%	6.2%	1.7%

Source: Shared Research based on company data

The Domestic business equates mostly to Ryohin Keikaku on a non-consolidated basis, as subsidiaries in Japan are small, so operating revenue for the Domestic business is essentially the same on both the non-consolidated and consolidated bases. Most export sales on a parent-only basis represent sales to overseas sales subsidiaries, and are eliminated in consolidation. Most operating profit from the Domestic business also derives from the parent. As profits on the export business (wholesaling to overseas subsidiaries) revert to Japan, operating profit for the Domestic business also partially reflects the expansion of the Overseas business.

Products

The company's main products are apparel, household goods, and food. Apparel includes womenswear, menswear, children's clothes, inner wear, accessories, shoes, and bags. Household goods include cosmetics and other health and beauty products, furniture, fabrics (such as sheets), stationery, and housewares (such as kitchen goods). Food includes mainstay seasonings, processed food (retort foods), snacks, and beverages. Apparel accounted for 42.8% of consolidated sales in FY02/20, household goods 47.1%, food 7.0%, and other products 3.1%. On a non-consolidated basis (including exports), the sales breakdown in FY08/20 was apparel 34.7%, household goods 52.7%, food 10.9%, and other products 1.7%. The product lineup includes about 8,000 items (variations in size and color counted as one item). There are many household goods, with the category accounting for more than 60% of the total. Apparel comprises over 20% of items, and food nearly 10%.

Number of items

Number of items by product	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Number of items	7,413	7,419	7,332	6,477	8,155	7,553	7,600	7,411	7,829
YoY	2.1%	0.1%	-1.2%	-11.7%	25.9%	-7.4%	0.6%	-2.5%	5.6%
Apparel items	2,063	2,108	2,040	1,977	2,178	1,706	1,671	1,727	1,854
YoY	7.7%	2.2%	-3.2%	-3.1%	10.2%	-21.7%	-2.1%	3.4%	7.4%
Household goods	4,710	4,680	4,663	3,970	5,467	5,328	5,436	5,148	5,340
YoY	0.4%	-0.6%	-0.4%	-14.9%	37.7%	-2.5%	2.0%	-5.3%	3.7%
Food	640	631	629	530	510	519	493	536	635
YoY	-1.8%	-1.4%	-0.3%	-15.7%	-3.8%	1.8%	-5.0%	8.7%	18.5%

Source: Shared Research based on company data

Sales by product (parent)

Sales by product (JPYmn)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Total sales	149,385	156,281	176,405	202,325	226,611	249,515	277,414	302,020	328,358	140,603
YoY	3.2%	4.6%	12.9%	14.7%	12.0%	10.1%	11.2%	8.9%	8.7%	-
Apparel items	49,644	54,621	60,650	74,598	83,184	88,313	100,331	112,301	133,469	48,719
YoY	4.7%	10.0%	11.0%	23.0%	11.5%	6.2%	13.6%	11.9%	18.8%	-
% of total sales	33.2%	35.0%	34.4%	36.9%	36.7%	35.4%	36.2%	37.2%	40.6%	34.7%
Comparable-store sales growth	1.5%	7.2%	3.6%	5.0%	2.1%	-1.6%	11.9%	7.5%	5.1%	-32.0%
Menswear	6,195	7,020	8,544	11,762	12,370	13,442	15,811	19,187	24,758	9,190
YoY	11.5%	13.3%	21.7%	37.7%	5.2%	8.7%	17.6%	21.4%	29.0%	-
% of total sales	4.1%	4.5%	4.8%	5.8%	5.5%	5.4%	5.7%	6.4%	7.5%	6.5%
Womenswear	16,203	18,298	21,197	27,628	31,633	33,238	37,802	43,187	50,586	19,065
YoY	-2.8%	12.9%	15.8%	30.3%	14.5%	5.1%	13.7%	14.2%	17.1%	-
% of total sales	10.8%	11.7%	12.0%	13.7%	14.0%	13.3%	13.6%	14.3%	15.4%	13.6%
Children's wear	5,641	6,394	6,778	7,691	8,472	8,608	9,698	9,019	6,501	2,124
YoY	14.0%	13.3%	6.0%	13.5%	10.2%	1.6%	12.7%	-7.0%	-27.9%	-
% of total sales	3.8%	4.1%	3.8%	3.8%	3.7%	3.4%	3.5%	3.0%	2.0%	1.5%
Accessories	8,652	8,688	9,070	10,463	10,716	11,873	12,609	13,459	16,818	5,674
YoY	8.0%	0.4%	4.4%	15.4%	2.4%	10.8%	6.2%	6.7%	25.0%	-
% of total sales	5.8%	5.6%	5.1%	5.2%	4.7%	4.8%	4.5%	4.5%	5.1%	4.0%
Bags and shoes	4,212	4,672	5,345	6,551	8,396	8,163	9,420	11,095	14,100	4,701
YoY	-3.1%	10.9%	14.4%	22.6%	28.2%	-2.8%	15.4%	17.8%	27.1%	-
% of total sales	2.8%	3.0%	3.0%	3.2%	3.7%	3.3%	3.4%	3.7%	4.3%	3.3%
Inner wear	8,662	9,324	9,628	10,500	11,594	12,986	14,920	16,352	20,705	7,962
YoY	10.0%	7.6%	3.3%	9.1%	10.4%	12.0%	14.9%	9.6%	26.6%	-
% of total sales	5.8%	6.0%	5.5%	5.2%	5.1%	5.2%	5.4%	5.4%	6.3%	5.7%
Household goods	82,690	84,719	95,849	108,304	123,460	138,353	151,787	160,271	160,281	74,155
YoY	2.7%	2.5%	13.1%	13.0%	14.0%	12.1%	9.7%	5.6%	0.0%	-
% of total sales	55.4%	54.2%	54.3%	53.5%	54.5%	55.4%	54.7%	53.1%	48.8%	52.7%
Comparable-store sales growth	-3.5%	-2.8%	2.5%	3.1%	8.1%	4.2%	3.7%	0.3%	1.7%	-12.3%
Linens and interior goods	17,546	18,052	19,702	21,193	21,614	22,063	23,647	23,372	25,933	10,452
YoY	10.2%	2.9%	9.1%	7.6%	2.0%	2.1%	7.2%	-1.2%	11.0%	-
% of total sales	11.7%	11.6%	11.2%	10.5%	9.5%	8.8%	8.5%	7.7%	7.9%	7.4%
Furniture	24,729	25,685	28,416	31,558	37,744	40,335	40,467	42,356	40,128	20,518
YoY	-1.2%	3.9%	10.6%	11.1%	19.6%	6.9%	0.3%	4.7%	-5.3%	-
% of total sales	16.6%	16.4%	16.1%	15.6%	16.7%	16.2%	14.6%	14.0%	12.2%	14.6%
Electronic appliances	6,009	5,319	5,419	5,521	5,981	5,855	6,842	6,589	6,125	2,779
YoY	-1.0%	-11.5%	1.9%	1.9%	8.3%	-2.1%	16.9%	-3.7%	-7.0%	-
% of total sales	4.0%	3.4%	3.1%	2.7%	2.6%	2.3%	2.5%	2.2%	1.9%	2.0%
Housewares	8,193	8,395	10,048	10,980	11,827	14,336	15,168	16,032	16,871	8,947
YoY	4.4%	2.5%	19.7%	9.3%	7.7%	21.2%	5.8%	5.7%	5.2%	-
% of total sales	5.5%	5.4%	5.7%	5.4%	5.2%	5.7%	5.5%	5.3%	5.1%	6.4%
Stationery	10,807	10,582	12,918	14,292	15,813	17,888	19,901	20,344	21,722	9,493
YoY	-3.4%	-2.1%	22.1%	10.6%	10.6%	13.1%	11.3%	2.2%	6.8%	-
% of total sales	7.2%	6.8%	7.3%	7.1%	7.0%	7.2%	7.2%	6.7%	6.6%	6.8%
Health and beauty	15,247	16,416	18,873	24,428	30,109	37,487	45,282	51,202	49,127	21,719
YoY	6.5%	7.7%	15.0%	29.4%	23.3%	24.5%	20.8%	13.1%	-4.1%	-
% of total sales	10.2%	10.5%	10.7%	12.1%	13.3%	15.0%	16.3%	17.0%	15.0%	15.4%
Houseplants and flowers	157	267	322	329	369	386	375	373	370	242
YoY	-6.5%	70.1%	20.6%	2.2%	12.2%	4.6%	-2.8%	-0.5%	-0.8%	-
% of total sales	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%
Food	14,680	14,367	17,331	16,620	16,626	19,377	20,792	23,520	27,828	15,311
YoY	2.0%	-2.1%	20.6%	-4.1%	0.0%	16.5%	7.3%	13.1%	18.3%	-
% of total sales	9.8%	9.2%	9.8%	8.2%	7.3%	7.8%	7.5%	7.8%	8.5%	10.9%
Comparable-store sales growth	-2.0%	-5.9%	14.9%	-7.3%	-2.7%	4.8%	4.2%	13.2%	21.3%	14.1%
Processed food	3,742	2,682	4,626	4,586	4,696	5,867	6,382	7,998	10,857	6,803
YoY	-3.8%	-28.3%	72.5%	-0.9%	2.4%	24.9%	8.8%	25.3%	35.7%	-
% of total sales	2.5%	1.7%	2.6%	2.3%	2.1%	2.4%	2.3%	2.6%	3.3%	4.8%
Confectionery	8,477	9,309	10,319	9,639	9,412	10,862	11,843	12,672	13,565	6,329
YoY	4.4%	9.8%	10.8%	-6.6%	-2.4%	15.4%	9.0%	7.0%	7.0%	-
% of total sales	5.7%	6.0%	5.8%	4.8%	4.2%	4.4%	4.3%	4.2%	4.1%	4.5%
Beverages and frozen food	2,460	2,376	2,385	2,394	2,517	2,648	2,557	2,850	3,309	2,013
YoY	3.6%	-3.4%	0.4%	0.4%	5.1%	5.2%	-3.4%	11.5%	16.1%	-
% of total sales	1.6%	1.5%	1.4%	1.2%	1.1%	1.1%	0.9%	0.9%	1.0%	1.4%
Other	2,369	2,572	2,573	2,802	3,340	3,470	4,502	5,926	6,779	2,417
YoY	-0.6%	8.6%	0.0%	8.9%	19.2%	3.9%	29.7%	31.6%	14.4%	-
% of total sales	1.6%	1.6%	1.5%	1.4%	1.5%	1.4%	1.6%	2.0%	2.1%	1.7%

Source: Shared Research based on company data

Household goods

Household goods make up a large share of products at stores. These products have been at the core of the MUJI brand since its inception. Household goods cover a wide range of products, including furniture, fabrics, health and beauty products, and stationery. While maintaining a unified design esthetic, the company offers consumers the choice of a wide range of convenient, easy-to-use products. The company has priced some products such as notebooks and pens below JPY100. Ryohin Keikaku aims to increase repeat customers by providing frequently used consumables at low prices and reasonable quality.

Apparel

Apparel mainly includes womenswear, inner wear, accessories, and menswear. MUJI brand clothes have a focus on natural materials such as organic cotton, hemp, and wool. By interweaving high-quality materials with more common materials, Ryohin Keikaku is able to provide products that capture the essence of the material, but at noticeably lower prices. In general, natural materials and fabric spinning can be problematic for mass production and short lead times. However, the company is able to cope with these constraints by steady production of standard products according to a schedule, enabling it to maintain its individuality. The company is able to offer a high-quality material at a reasonable price because it is involved in the process even down to visiting the place where the wool is produced and selecting the raw materials, as in the case of cashmere sweaters.

Food

The company offers frozen foods, snacks, confectionery ingredients, and beverages that embody the MUJI brand image, as well as a range of curries and other retort packaged foods and seasonings. The company says that it traveled around India and Thailand to study the local curry culture and infused its findings in its retort curries. In addition, the company has devised ways to bring out the flavor and umami of the ingredients by changing how the spices and herbs are chopped and heated depending on the type of curry. The company's retort curries do not use any chemical seasonings, or artificial colorings or fragrances.

Product development

When developing products, Ryohin Keikaku works with a concept of “marketing to ourselves” (i.e., Ryohin Keikaku employees and designers). The idea is to “produce products that we want, or that will appeal to us as a solution to our problems”. Furthermore, the company conducts research and liaises with consumers to ensure that customer feedback is accounted for and it is not just trying to force products out onto shelves. For example, product developers came up with the idea of see-through square containers for bathing products, after noticing that shampoos, conditioners, and body washes were all in different shapes and sizes of container. Square, see-through containers would be easier to line up on a shelf or rack, as well as allowing the consumer to see the contents. According to the company, this type of research—which it calls “observation”—helps it to develop new products that meet the needs of consumers. Product developers visit the homes of consumers to take photographs and conduct “observation” when designing when new products. Ryohin Keikaku also utilizes its website to communicate with its fan base and conduct test marketing.

Wall-mounted fixtures-designed following “observation”

Source: Shared Research based on company data

The company is also talking to its customers. It has developed a website, MUJI Laboratory for Living, in order to communicate with consumers. After forming a hypothesis from observations and feedback from stores, the company invites opinions and product proposals from customers. This serves to allow the company to continue to maintain its position as a provider of comfortable lifestyles.

The Ryohin Keikaku parent company is primarily responsible for product development. In 2018, it set up a product development department in China to create merchandise in sizes appropriate for the Chinese market as well as global products originating in China that could be rolled out worldwide. This operation in China handles the entire process from product development through materials procurement and contracting. The company is also generating cost savings by collaborating with Chinese contract manufacturers. It also started developing products in India in 2020. This entails those responsible for Indian business within the household goods department at the parent company collaborating with Indian subsidiaries.

Production outsourced to outside factories

Ryohin Keikaku contracts factories for manufacturing instead of owning its own factories. Over 90% of apparel is manufactured overseas, mainly in Vietnam and other parts of ASEAN. Procurement is about half in Japan and half overseas for household goods. Virtually all of its food is procured in Japan. The company has not disclosed the names of its suppliers specifically. However, its FY02/20 annual securities report indicated that Ryohin Keikaku had strategic shareholdings in NOF (TSE1: 4403), Nittetsu Bussan (TSE1: 9810), Mitsubishi Pencil (TSE1: 7976), and Dynic (TSE1: 3551), and that it procured goods from each of these companies.

Ryohin Keikaku (JPYmn)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Operating revenue	150,919	158,021	178,704	206,591	232,012	255,818	284,955	309,906	336,247	143,777
YoY	3.5%	4.7%	13.1%	15.6%	12.3%	10.3%	11.4%	8.8%	8.5%	-
Sales	149,385	156,281	176,405	202,325	226,611	249,515	277,414	302,020	328,358	140,603
YoY	3.2%	4.6%	12.9%	14.7%	12.0%	10.1%	11.2%	8.9%	8.7%	-
Apparel items	49,644	54,621	60,650	74,598	83,184	88,313	100,331	112,301	133,469	48,719
YoY	4.7%	10.0%	11.0%	23.0%	11.5%	6.2%	13.6%	11.9%	18.8%	-
Household goods	82,690	84,719	95,849	108,304	123,460	138,353	151,787	160,271	160,281	74,155
YoY	2.7%	2.5%	13.1%	13.0%	14.0%	12.1%	9.7%	5.6%	0.0%	-
Food	14,680	14,367	17,331	16,620	16,626	19,377	20,792	23,520	27,828	15,311
YoY	2.0%	-2.1%	20.6%	-4.1%	0.0%	16.5%	7.3%	13.1%	18.3%	-
Other	2,369	2,572	2,573	2,802	3,340	3,470	4,502	5,926	6,779	2,417
YoY	-0.6%	8.6%	0.0%	8.9%	19.2%	3.9%	29.7%	31.6%	14.4%	-
Gross profit	65,570	69,188	73,432	77,513	85,472	94,059	112,151	118,219	124,071	54,923
YoY	3.9%	5.5%	6.1%	5.6%	10.3%	10.0%	19.2%	5.4%	5.0%	-
Gross profit margin (% of sales)	43.9%	44.3%	41.6%	38.3%	37.7%	37.7%	40.4%	39.1%	37.8%	39.1%
SG&A expenses	54,307	55,260	59,258	64,288	71,343	79,531	88,340	99,971	111,196	55,606
YoY	3.2%	1.8%	7.2%	8.5%	11.0%	11.5%	11.1%	13.2%	11.2%	-
% of sales	36.4%	35.4%	33.6%	31.8%	31.5%	31.9%	31.8%	33.1%	33.9%	39.5%
Advertising	3,632	3,260	2,707	3,300	3,733	3,879	4,235	4,981	5,433	2,425
YoY	-18.1%	-10.2%	-17.0%	21.9%	13.1%	3.9%	9.2%	17.6%	9.1%	-
% of sales	2.4%	2.1%	1.5%	1.6%	1.6%	1.6%	1.5%	1.6%	1.7%	1.7%
Logistics	6,448	6,860	7,622	8,351	9,070	10,520	11,062	10,320	12,975	7,594
YoY	-1.6%	6.4%	11.1%	9.6%	8.6%	16.0%	5.2%	-6.7%	25.7%	-
% of sales	4.3%	4.4%	4.3%	4.1%	4.0%	4.2%	4.0%	3.4%	4.0%	5.4%
Personnel	16,700	17,201	18,484	20,560	23,123	26,028	28,423	34,475	37,328	18,009
YoY	6.9%	3.0%	7.5%	11.2%	12.5%	12.6%	9.2%	21.3%	8.3%	-
% of sales	11.2%	11.0%	10.5%	10.2%	10.2%	10.4%	10.2%	11.4%	11.4%	12.8%
Rents	15,196	15,456	15,918	16,630	17,226	18,467	20,200	22,440	24,446	9,619
YoY	5.1%	1.7%	3.0%	4.5%	3.6%	7.2%	9.4%	11.1%	8.9%	-
% of sales	10.2%	9.9%	9.0%	8.2%	7.6%	7.4%	7.3%	7.4%	7.4%	6.8%
Depreciation and amortization	2,486	2,376	2,811	2,758	3,953	4,421	4,959	5,766	6,690	4,027
YoY	-1.7%	-4.4%	18.3%	-1.9%	43.3%	11.8%	12.2%	16.3%	16.0%	-
% of sales	1.7%	1.5%	1.6%	1.4%	1.7%	1.8%	1.8%	1.9%	2.0%	2.9%
Other	9,843	10,105	11,713	12,686	14,235	16,213	19,459	21,987	24,321	13,930
YoY	9.2%	2.7%	15.9%	8.3%	12.2%	13.9%	20.0%	13.0%	10.6%	-
% of sales	6.6%	6.5%	6.6%	6.3%	6.3%	6.5%	7.0%	7.3%	7.4%	9.9%
Operating profit	12,797	15,669	16,472	17,491	19,530	20,831	31,351	26,134	20,762	2,490
YoY	10.0%	22.4%	5.1%	6.2%	11.7%	6.7%	50.5%	-16.6%	-20.6%	-
OPM (% of sales)	8.6%	10.0%	9.3%	8.6%	8.6%	8.3%	11.3%	8.7%	6.3%	1.8%
Inventories	15,995	17,628	21,067	25,212	25,498	34,091	33,777	40,435	45,951	47,099
Days in inventory	65.3	70.5	68.6	67.7	65.6	70.0	74.9	73.7	77.2	99.1

Source: Shared Research based on company data

Sales channels

Sales by business format

Sales by format (parent) (JPYmn)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Total sales	149,385	156,281	176,405	202,325	226,611	249,515	277,414	302,020	328,358	140,603
YoY	3.2%	4.6%	12.9%	14.7%	12.0%	10.1%	11.2%	8.9%	8.7%	-
Domestic	148,213	153,093	163,407	174,618	191,656	208,144	227,901	241,393	262,571	119,171
YoY	3.0%	3.3%	6.7%	6.9%	9.8%	8.6%	9.5%	5.9%	8.8%	-
Domestic directly managed business	121,299	126,557	135,976	146,600	163,980	177,729	197,268	212,989	236,301	106,809
YoY	5.0%	4.3%	7.4%	7.8%	11.9%	8.4%	11.0%	8.0%	10.9%	-
Directly managed stores	109,712	113,421	121,029	130,527	145,061	156,965	174,788	186,758	207,433	88,234
YoY	4.3%	3.4%	6.7%	7.8%	11.1%	8.2%	11.4%	6.8%	11.1%	-
Online store	9,689	10,923	12,446	13,268	15,665	17,486	18,166	20,001	22,237	16,189
YoY	13.1%	12.7%	13.9%	6.6%	18.1%	11.6%	3.9%	10.1%	11.2%	-
Other	1,898	2,213	2,500	2,804	3,254	3,276	4,312	6,229	6,630	2,385
YoY	3.8%	16.6%	13.0%	12.2%	16.0%	0.7%	31.6%	44.5%	6.4%	-
Domestic wholesale business	26,914	26,536	27,430	28,017	27,676	30,415	30,633	28,403	26,269	12,361
YoY	-4.9%	-1.4%	3.4%	2.1%	-1.2%	9.9%	0.7%	-7.3%	-7.5%	-
Licensed stores	13,833	13,924	14,302	15,070	16,037	17,178	18,376	21,116	23,130	10,089
YoY	-5.8%	0.7%	2.7%	5.4%	6.4%	7.1%	7.0%	14.9%	9.5%	-
Seiyu	6,053	5,725	6,009	5,715	4,288	2,832	2,253	1,650	880	238
YoY	-7.4%	-5.4%	5.0%	-4.9%	-25.0%	-34.0%	-20.4%	-26.8%	-46.7%	-
FamilyMart Group	5,960	5,893	6,041	5,884	5,806	8,774	8,285	3,461	-7	-
YoY	4.6%	-1.1%	2.5%	-2.6%	-1.3%	51.1%	-5.6%	-58.2%	-	-
com KIOSK	560	473	411	399	365	77	-	-	-	-
YoY	-36.0%	-15.5%	-13.1%	-2.9%	-8.5%	-78.9%	-	-	-	-
Askul Corporation	506	519	666	946	1,178	1,551	1,718	2,100	2,124	1,510
YoY	-2.9%	2.6%	28.3%	42.0%	24.5%	31.7%	10.8%	22.2%	1.1%	-
Other			-	-	-	-	-	75	141	523
YoY			-	-	-	-	-	-	88.0%	-
Export	1,169	3,186	12,998	27,707	34,954	41,370	49,512	60,627	65,787	21,432
YoY	40.0%	172.5%	308.0%	113.2%	26.2%	18.4%	19.7%	22.4%	8.5%	-
Export (to subsidiaries)	1,131	2,698	10,168	26,779	33,847	40,206	48,029	58,259	63,586	20,824
YoY	50.6%	138.5%	276.9%	163.4%	26.4%	18.8%	19.5%	21.3%	9.1%	-
Export (other)	38	488	2,830	928	1,106	1,164	1,482	2,367	2,200	607
YoY	-54.8%	1,184.2%	479.9%	-67.2%	19.2%	5.2%	27.3%	59.7%	-7.1%	-

Source: Shared Research based on company data

The bulk of consolidated domestic sales comes from the Domestic business of the parent company. The domestic directly managed business, including directly managed store sales and online store sales through the company's proprietary e-commerce website, accounts for about 90% of this. The remaining roughly 10% comes from the domestic wholesale business under which the company wholesales Mujirushi Ryohin brand products. The domestic wholesale business includes sales to Askul, Amazon, and other external e-commerce operators.

Domestic directly managed business

In the domestic directly managed business, the company sells products through its directly managed stores in Japan and its online store (proprietary e-commerce website). The company only has a few road-side stores. Most of its stores are in shopping centers or station shopping malls, with many in shopping centers near stations. The company does not purchase real estate for its stores, but leases all real estate. As of end-FY08/20, the domestic directly managed store network had 363 stores. Store count is gradually rising although the company maintains its scrap and build approach.

Domestic directly managed business

Domestic directly managed business (JPYmn)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Operating revenue	121,299	126,557	135,976	146,600	163,980	177,729	197,268	212,989	236,301	106,809
YoY	5.0%	4.3%	7.4%	7.8%	11.9%	8.4%	11.0%	8.0%	10.9%	-
Directly managed stores	109,712	113,421	121,029	130,527	145,061	156,965	174,788	186,758	207,433	88,234
YoY	4.3%	3.4%	6.7%	7.8%	11.1%	8.2%	11.4%	6.8%	11.1%	-
Online store	9,689	10,923	12,446	13,268	15,665	17,486	18,166	20,001	22,237	16,189
YoY	13.1%	12.7%	13.9%	6.6%	18.1%	11.6%	3.9%	10.1%	11.2%	-
Other	1,898	2,213	2,500	2,804	3,254	3,276	4,312	6,229	6,630	2,385
Number of directly managed stores	256	262	269	284	312	328	335	348	361	363
Openings	23	16	18	24	39	21	14	17	18	7
Closures	-5	-10	-11	-9	-11	-5	-7	-4	-5	-5
Renovations	16	7	15	24	23	21	21	5	7	7
Comparable-store sales growth	-1.7%	0.4%	3.8%	2.7%	4.9%	2.1%	6.8%	4.1%	4.8%	-17.6%
Customer count	-5.1%	-4.2%	0.9%	-0.9%	-2.6%	0.3%	6.1%	7.9%	12.9%	-11.3%
Customer spend	3.6%	4.8%	2.9%	3.6%	7.7%	1.8%	0.6%	-3.5%	-7.2%	-7.1%
Apparel items	1.5%	7.2%	3.6%	5.0%	2.1%	-1.6%	11.9%	7.5%	5.1%	-32.0%
Household goods	-3.5%	-2.8%	2.5%	3.1%	8.1%	4.2%	3.7%	0.3%	1.7%	-12.3%
Food	-2.0%	-5.9%	14.9%	-7.3%	-2.7%	4.8%	4.2%	13.2%	21.3%	14.1%
Floor space (directly managed stores; sqm)	187,716	190,123	196,661	208,143	226,229	240,305	253,409	270,568	305,162	321,714
YoY	3.4%	1.3%	3.4%	5.8%	8.7%	6.2%	5.5%	6.8%	12.8%	-
Sales per sqm (JPY'000)	591	593	621	636	660	666	703	706	706	281
YoY	-2.1%	0.3%	4.7%	2.4%	3.8%	1.0%	5.5%	0.4%	0.0%	-
Floor space (annual average; sqm)	185,626	191,267	194,969	205,319	219,837	235,567	248,634	264,547	293,733	314,385
YoY	6.5%	3.0%	1.9%	5.3%	7.1%	7.2%	5.5%	6.4%	11.0%	-
Inventories per sqm (JPY'000)	49.7	58.0	60.2	63.6	57.5	56.4	55.7	55.4	53.7	47.4
YoY	18.3%	16.8%	3.7%	5.6%	-9.6%	-1.9%	-1.2%	-0.5%	-3.1%	-
Inventories	9,224	11,099	11,735	13,055	12,633	13,276	13,839	14,646	15,763	14,895
YoY	26.0%	20.3%	5.7%	11.2%	-3.2%	5.1%	4.2%	5.8%	7.6%	-
Sales per employee (JPY'000)	25,544	25,801	26,089	25,679	26,142	25,155	26,661	25,028	26,175	11,959
YoY	1.3%	1.0%	1.1%	-1.6%	1.8%	-3.8%	6.0%	-6.1%	4.6%	-
Store staff (annual average)	4,295	4,396	4,639	5,083	5,549	6,240	6,556	7,462	7,925	7,378
YoY	3.0%	2.4%	5.5%	9.6%	9.2%	12.5%	5.1%	13.8%	6.2%	-
Floor space per store (sqm)	733	726	731	733	725	733	756	777	845	886
YoY	-3.8%	-1.0%	0.7%	0.2%	-1.1%	1.0%	3.2%	2.8%	8.7%	-

Source: Shared Research based on company data

Upsizing the stores

The company's stores are becoming larger. The average floor space at directly managed stores was 845sqm at end-FY02/20. In the past, the company had opened smaller stores of 150–300 sqm featuring mainly travel products such as MUJI to Go and MUJI COM in high foot traffic locations such as the lower levels of station buildings and transport hubs such as airports. It also focused on small stores with practical products in frequent use. However, in recent years the company has been opening stores with more selling space in locations such as station buildings, areas around terminal stations, and shopping centers.

Large stores attract more customers as they have a higher local profile. For consumers, they offer a space where it is easy to find and select products, boosting average customer spend. The company's productivity is in a broad uptrend, partly on the increase in store size. In FY02/20, sales per sqm were JPY706,000, and sales per employee were JPY26.2mn. Ryohin Keikaku said that developers are increasingly aware that its stores attract customers, and are increasingly requesting the company to become a core tenant in their commercial centers.

With the stores becoming larger, the company has brought diversity to its selling areas by strengthening product and service offerings that make use of the increased floor space. Such efforts include MUJI BOOKS, MUJI INFILL, ReMUJI, Café&Meal, and OpenMUJI. Among these, OpenMUJI (event space) holds periodic events such as exhibitions for local creators and artists, and workshops hosted by Ryohin Keikaku sales specialists. While increasing brand recognition, such events also work to strengthen ties with local communities.

MUJI BOOKS: Present customers with books from MUJI's unique perspective, to encourage customers to "find something new"
MUJI INFILL +: With a concept of freedom in living and customization, provide products and services in lifestyle goods with renovation products at the core
MUJI INFILL 0: In addition to MUJI INFILL +, provide services in cooperation with MUJI HOUSE to break down existing spaces and renovate in the customer's vision
ReMUJI: Sale of clothing such as shirts and cut and sew garments that are produced from used clothing that is collected by the company
OpenMUJI: Event spaces that share discoveries and hits to enrich lifestyles, with an emphasis on participative communication

Ryohin Keikaku aggressively opened large stores in Japan around 2000. At that time, the rapid increase in large stores reduced store efficiency and required a change in strategy. The company said that its latest foray into large store openings is based on more precise store opening standards, so differs with the previous phase. The company said that it ensures that rents are not too high in order to avoid similar mistakes.

"MUJI passport" to expand fields of business

In Japan, the MUJI passport app has been downloaded 16.8mn times (FY02/20). Consumers who show the MUJI passport at checkout account for more than 40% of in-store sales, making the app an important tool for retaining customers and boosting their shopping frequency. The app allows Ryohin Keikaku's headquarters to communicate with customers on daily basis, sending them information about new products and workshops. Each week, it introduces seasonal products and key lifestyle items. The company is also increasing the frequency with which information is disseminated from individual stores, working to provide consumers with the most recent information about the stores nearest to them. By encouraging consumers to view the app more frequently, the company intends to increase shopping frequency and boost the number of items sold.

MUJI passport

MUJI passport KPI	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20
Cumulative downloads (mn)	6.12	8.46	10.92	13.40	16.76
Annual downloads YoY	40.6%	-15.0%	4.9%	1.6%	38.0%
Memberships YoY	38.2%	24.5%	21.2%	20.2%	33.3%
Unique member traffic YoY	27.0%	28.0%	20.3%	17.2%	28.5%
Average visits per year (times)	5.75	5.59	5.63	5.78	6.00
Customer count YoY (directly managed comparable stores)	-12.6%	0.3%	6.1%	7.9%	12.9%

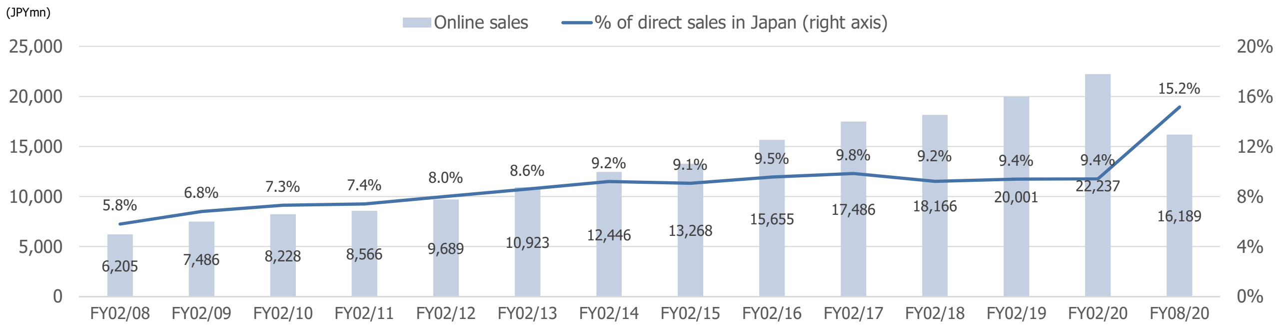
Source: Shared Research based on company data

MUJI.net online store

Sales at the company's online store have been growing each year, reaching JPY20.0bn in FY02/19. Online sales account for about 10% of sales in Japan. Ryohin Keikaku sells its products on the MUJI.net e-commerce site. Most products available in-store are also available online. However, the share of smaller items in sales is lower than in brick-and-mortar stores and that of large items such as furniture is higher. The average customer spend thus tends to be higher online. In June 2020, the company opened the Mujirushi Ryohin Rakuten Ichiba Online Shop on Rakuten Ichiba, an online marketplace. Sales through this online shop are also included in the company's online store sales.

Online sales have a high operating profit margin because although logistics expenses eat up around 10% of sales (5% for stores), there are no sales-related personnel or rent costs.

Online sales



Source: Shared Research based on company data

Domestic wholesale business

Domestic wholesale business (JPYmn)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Sales	26,914	26,536	27,430	28,017	27,676	30,415	30,633	28,403	26,269	12,361
YoY	-4.9%	-1.4%	3.4%	2.1%	-1.2%	9.9%	0.7%	-7.3%	-7.5%	-
Licensed stores	13,833	13,924	14,302	15,070	16,037	17,178	18,376	21,116	23,130	10,089
YoY	-5.8%	0.7%	2.7%	5.4%	6.4%	7.1%	7.0%	14.9%	9.5%	-
Seiyu	6,053	5,725	6,009	5,715	4,288	2,832	2,253	1,650	880	238
YoY	-7.4%	-5.4%	5.0%	-4.9%	-25.0%	-34.0%	-20.4%	-26.8%	-46.7%	-
FM Group	5,960	5,893	6,041	5,884	5,806	8,774	8,285	3,461	-7	-
YoY	4.6%	-1.1%	2.5%	-2.6%	-1.3%	51.1%	-5.6%	-58.2%	-	-
com KIOSK	560	473	411	399	365	77	-	-	-	-
YoY	-36.0%	-15.5%	-13.1%	-2.9%	-8.5%	-78.9%	-	-	-	-
Askul	506	519	666	946	1,178	1,551	1,718	2,100	2,124	1,510
YoY	-2.9%	2.6%	28.3%	42.0%	24.5%	31.7%	10.8%	22.2%	1.1%	-
Other	506	519	-	-	-	-	-	75	141	523
YoY	-2.9%	2.6%	-	-	-	-	-	-	88.0%	-
Licensee store count	116	117	116	117	102	90	84	84	84	84
Licensed stores	60	61	61	63	65	67	67	67	67	67
Seiyu	56	56	55	54	37	23	17	17	17	17
Licensee floor space (sqm)	75,461	74,915	73,589	73,940	63,670	56,697	52,907	49,130	49,132	49,134
YoY	-5.6%	-0.7%	-1.8%	0.5%	-13.9%	-11.0%	-6.7%	-7.1%	0.0%	-
Licensed stores	41,870	41,272	40,971	42,115	43,257	44,053	44,072	48,228	48,229	48,230
YoY	-4.6%	-1.4%	-0.7%	2.8%	2.7%	1.8%	0.0%	9.4%	0.0%	-
Seiyu	33,591	33,643	32,618	31,825	20,413	12,644	8,835	902	903	904
YoY	-7.0%	0.2%	-3.0%	-2.4%	-35.9%	-38.1%	-30.1%	-89.8%	0.1%	-

Source: Shared Research based on company data

Licensed companies' selling areas are small-scale compared to directly managed stores, which tend to be less than 800sqm. These are composed of Seiyu stores, the company's former parent, and stores operated by licensing partners from early in the company's history. Ryohin Keikaku has not been actively cultivating new partners in recent years, focusing instead on growing business it manages directly.

Shipments to Circle K and Sunkus increased temporarily due to the management integration between FamilyMart and UNY Group Holdings. After that point, however, FamilyMart changed its procurement policies, and shipments to FamilyMart ended in January 2019.

The company supplied products for sale at seven com KIOSK stores (just under 66sqm) located inside JR rail stations, thanks to an agreement made in 1999 between Ryohin Keikaku, the East Japan Railway Company (TSE1: 9020), and JR East Retail Net Co., Ltd. (unlisted; formerly East Japan Kiosk Co., Ltd.), but terminated this business in FY02/17.

In addition, the company has supplied MUJI brand products to Askul Corporation for sale on its website, ASKUL, since 2002. This may be an effective method for B2B market sales that are difficult for simple store expansion to produce. Furthermore, it began supplying Amazon Japan in May 2020. It is increasing the number of B2C channels by using Amazon instead of limiting itself to its proprietary website. However, for management purposes, sales through Rakuten Ichiba are included with the company's online store sales in the domestic directly managed business.

Profitability

Gross profit margin (GPM) is high for apparel, and low for food. According to the non-consolidated GPM by product category the company disclosed until FY02/18, the GPM was 44.6% for apparel, 38.0% for household goods, and 33.6% for food. The company could be seen as aiming at maintaining/improving the profitability of high margin apparel while using food to increase the frequency of customer visits.

Parent company results include exports, primarily to overseas subsidiaries. The export business comprises wholesale sales to subsidiaries, so the GPM is comparatively low. In other words, GPM for the Domestic business alone is higher than the above figures suggest.

In addition to twice-yearly sales campaigns (spring/summer sales and fall/winter sales), the company also gives its MUJI Card/MUJI.net members 10% off the price of all products four times a year (the dates vary). These periods are called "MUJI weeks." Average markdown is low at around 10–15% because many of the company's products are standard items with simple designs that can be sold at full price again the next season. Many apparel companies book product valuation losses after a certain number of years has passed, but this is very rare in the case of Ryohin Keikaku. Valuation losses are prevented because of the simplicity of the design.

Parent SG&A expenses

Ryohin Keikaku (JPYmn)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
SG&A expenses	54,307	55,260	59,258	64,288	71,343	79,531	88,340	99,971	111,196	55,606
YoY	3.2%	1.8%	7.2%	8.5%	11.0%	11.5%	11.1%	13.2%	11.2%	-
% of sales	36.4%	35.4%	33.6%	31.8%	31.5%	31.9%	31.8%	33.1%	33.9%	39.5%
Advertising	3,632	3,260	2,707	3,300	3,733	3,879	4,235	4,981	5,433	2,425
YoY	-18.1%	-10.2%	-17.0%	21.9%	13.1%	3.9%	9.2%	17.6%	9.1%	-
% of sales	2.4%	2.1%	1.5%	1.6%	1.6%	1.6%	1.5%	1.6%	1.7%	1.7%
Logistics	6,448	6,860	7,622	8,351	9,070	10,520	11,062	10,320	12,975	7,594
YoY	-1.6%	6.4%	11.1%	9.6%	8.6%	16.0%	5.2%	-6.7%	25.7%	-
% of sales	4.3%	4.4%	4.3%	4.1%	4.0%	4.2%	4.0%	3.4%	4.0%	5.4%
Personnel	16,700	17,201	18,484	20,560	23,123	26,028	28,423	34,475	37,328	18,009
YoY	6.9%	3.0%	7.5%	11.2%	12.5%	12.6%	9.2%	21.3%	8.3%	-
% of sales	11.2%	11.0%	10.5%	10.2%	10.2%	10.4%	10.2%	11.4%	11.4%	12.8%
Rents	15,196	15,456	15,918	16,630	17,226	18,467	20,200	22,440	24,446	9,619
YoY	5.1%	1.7%	3.0%	4.5%	3.6%	7.2%	9.4%	11.1%	8.9%	-
% of sales	10.2%	9.9%	9.0%	8.2%	7.6%	7.4%	7.3%	7.4%	7.4%	6.8%
Depreciation and amortization	2,486	2,376	2,811	2,758	3,953	4,421	4,959	5,766	6,690	4,027
YoY	-1.7%	-4.4%	18.3%	-1.9%	43.3%	11.8%	12.2%	16.3%	16.0%	-
% of sales	1.7%	1.5%	1.6%	1.4%	1.7%	1.8%	1.8%	1.9%	2.0%	2.9%
Other	9,843	10,105	11,713	12,686	14,235	16,213	19,459	21,987	24,321	13,930
YoY	9.2%	2.7%	15.9%	8.3%	12.2%	13.9%	20.0%	13.0%	10.6%	-
% of sales	6.6%	6.5%	6.6%	6.3%	6.3%	6.5%	7.0%	7.3%	7.4%	9.9%
Operating profit	12,797	15,669	16,472	17,491	19,530	20,831	31,351	26,134	20,762	2,490
YoY	10.0%	22.4%	5.1%	6.2%	11.7%	6.7%	50.5%	-16.6%	-20.6%	-
OPM (% of sales)	8.6%	10.0%	9.3%	8.6%	8.6%	8.3%	11.3%	8.7%	6.3%	1.8%
Inventories	15,995	17,628	21,067	25,212	25,498	34,091	33,777	40,435	45,951	47,099
Days in inventory	65.3	70.5	68.6	67.7	65.6	70.0	74.9	73.7	77.2	99.1

Source: Shared Research based on company data

Personnel, rents, and distribution make up the bulk of the company's SG&A expenses. Due to the absorption of a logistics subsidiary, in FY02/19 some distribution expenses were transferred to personnel expenses. The company has curtailed advertising expenses through efforts to increase efficiency by focusing on online promotions.

Profit margins (JPYmn)	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Gross profit	87,376	101,665	122,831	150,451	165,861	191,819	211,380	217,628	83,694
Gross profit margin	46.2%	45.9%	47.1%	48.9%	49.7%	50.4%	51.5%	49.5%	46.5%
Operating profit	18,351	20,916	23,846	34,439	38,278	45,286	44,743	36,380	872
Operating profit margin	9.7%	9.5%	9.2%	11.2%	11.5%	11.9%	10.9%	8.3%	0.5%
EBITDA	21,692	25,264	29,695	42,288	46,879	55,150	55,864	55,231	11,792
EBITDA margin	11.5%	11.5%	11.4%	13.8%	14.1%	14.5%	13.6%	12.6%	6.6%
Net margin	5.8%	7.7%	6.4%	7.1%	7.8%	7.9%	8.3%	5.3%	-9.4%
Financial ratios									
ROA (RP-based)	18.0%	17.8%	16.3%	16.9%	18.6%	20.3%	18.4%	12.8%	0.2%
ROE	12.5%	17.0%	14.3%	16.4%	17.7%	18.6%	18.8%	11.8%	-8.8%
Total asset turnover	171.5%	170.0%	159.1%	158.6%	160.4%	167.6%	164.4%	154.9%	55.2%
Inventory turnover	411.3%	371.5%	309.1%	288.2%	258.4%	255.2%	243.7%	228.3%	90.8%
Days in inventory	89	98	118	127	141	143	150	160	201
Working capital (JPYmn)	23,131	31,061	39,398	46,827	61,503	63,428	76,461	87,291	94,992
Current ratio	319.8%	287.7%	250.7%	267.9%	259.2%	299.6%	317.7%	271.7%	400.6%
Quick ratio	192.2%	141.7%	122.5%	135.6%	111.7%	145.4%	145.1%	95.8%	202.8%
OCF / Current liabilities	38.3%	41.7%	36.3%	61.6%	44.2%	92.7%	69.4%	68.1%	-4.1%
OCF / Total liabilities	56.5%	51.7%	25.1%	45.3%	34.2%	73.5%	36.5%	24.9%	-1.1%
Cash conversion cycle (days)	65	74	84	91	110	113	120	127	165
Change in working capital	5,168	7,930	8,337	7,429	14,676	1,925	13,033	10,830	7,701

Source: Shared Research based on company data

Overseas business

Overseas business (JPYmn)	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Operating revenue	48,472	77,547	109,080	117,563	144,758	163,425	168,875	56,961
YoY	70.1%	60.0%	40.7%	7.8%	23.1%	12.9%	3.3%	-66.3%
YoY (local currency)	-	-	28.9%	24.1%	18.0%	12.7%	9.3%	-28.4%
YoY (local currency; comparable-store)	5.8%	6.8%	11.7%	4.6%	4.1%	-0.5%	-2.5%	-37.4%
East Asia	31,276	56,430	83,045	89,704	109,803	122,340	124,701	45,395
YoY	-	80.4%	47.2%	8.0%	22.4%	11.4%	1.9%	-63.6%
YoY (local currency)	-	-	32.1%	24.7%	14.0%	11.2%	7.1%	-24.8%
YoY (local currency; comparable-store)	10.5%	10.1%	13.1%	4.1%	3.9%	-1.4%	-4.4%	-33.6%
Europe and the Americas	12,306	14,861	17,124	17,603	21,225	24,495	28,630	6,585
YoY	-	20.8%	15.2%	2.8%	20.6%	15.4%	16.9%	-77.0%
YoY (local currency)	-	-	12.1%	19.0%	18.2%	15.3%	21.5%	-45.7%
YoY (local currency; comparable-store)	-1.0%	-2.0%	5.4%	3.7%	4.4%	1.9%	3.8%	-56.5%
Southwest Asia, and Oceania	4,890	6,255	8,911	10,256	13,729	16,589	15,543	4,981
YoY	-	27.9%	42.5%	15.1%	33.9%	20.8%	-6.3%	-68.0%
YoY (local currency)	-	-	37.3%	28.4%	25.9%	19.9%	7.9%	-29.4%
YoY (local currency; comparable-store)	0.1%	5.5%	12.7%	12.5%	4.7%	2.2%	1.0%	-34.3%
Operating profit	3,689	8,618	17,042	15,740	16,090	19,175	16,606	-3,327
YoY	-	133.6%	97.8%	-7.6%	2.2%	19.2%	-13.4%	-
Operating profit margin	7.6%	11.1%	15.6%	13.4%	11.1%	11.7%	9.8%	-5.8%
East Asia	3,420	8,434	17,261	16,454	16,861	19,814	22,968	5,990
YoY	-	146.6%	104.6%	-4.7%	2.5%	17.5%	15.9%	-73.9%
Operating profit margin	10.9%	14.9%	20.8%	18.3%	15.4%	16.2%	18.4%	13.2%
Europe and the Americas	268	93	-414	-852	-898	-1,152	-989	-5,337
YoY	-	-65.4%	-	-	-	-	-	-
Operating profit margin	2.2%	0.6%	-2.4%	-4.8%	-4.2%	-4.7%	-3.5%	-81.0%
Southwest Asia, and Oceania	2	91	195	138	128	513	1,151	-396
YoY	-	5,797.0%	114.6%	-29.2%	-7.2%	300.8%	124.4%	-
Operating profit margin	0.0%	1.5%	2.2%	1.3%	0.9%	3.1%	7.4%	-8.0%
Southwest Asia, and Oceania	-	-	-	-	-	-	-6,524	-3,583
YoY	-	-	-	-	-	-	-	-
No. of stores (including licensees)	255	302	344	403	457	497	533	537
East Asia	153	189	227	279	319	358	383	387
Europe and the Americas	68	74	72	69	72	67	71	72
Southwest Asia, and Oceania	34	39	45	55	66	72	79	78

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the overseas wholesale business (handles export sales to licensed stores overseas) was moved from under the Southwest Asia, and Oceania business to the company's Domestic business.
Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia; Europe and the Americas; Southwest Asia, and Oceania; and Unrealized gains, global SG&A expenses. FY02/20 figures in the table above have been retroactively adjusted.

In FY08/20, Overseas business logged operating revenue of JPY57.0bn (31.8% of consolidated operating revenue). The company manages the business by regions: East Asia (mainland China, Hong Kong, Taiwan, and South Korea); Europe and the Americas (Europe, the US, and Canada); and Southwest Asia and Oceania. East Asia accounts for 25.3% of operating revenue, Europe and the Americas 3.7%, and Southwest Asia and Oceania 2.8%. For food, the company generally sells the same products as in Japan around the world, although it also offers products catered to certain regions as preferences vary from place to place.

East Asia

East Asia (JPYmn)	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Operating revenue	31,276	56,430	83,045	89,704	109,803	122,340	124,701	45,395
YoY	-	80.4%	47.2%	8.0%	22.4%	11.4%	1.9%	-27.5%
YoY (local currency)			32.1%	24.7%	14.0%	11.2%	7.1%	-24.8%
YoY (local currency; comparable-store)	10.5%	10.1%	13.1%	4.1%	3.9%	-1.4%	-4.4%	-33.6%
China	18,863	30,601	49,867	54,952	67,174	75,020	78,941	25,446
YoY	106.1%	62.2%	63.0%	10.2%	22.2%	11.7%	5.2%	-33.7%
Operating profit	3,420	8,434	17,261	16,454	16,861	19,814	22,968	5,990
YoY	-	146.6%	104.6%	-4.7%	2.5%	17.5%	15.9%	-49.4%
Operating profit margin	10.9%	14.9%	20.8%	18.3%	15.4%	16.2%	18.4%	13.2%
Store count (including licensees)	153	189	227	279	319	358	383	387
China	100	128	160	200	229	256	273	275
Hong Kong	29	33	38	42	45	48	49	51
Taiwan	12	14	15	17	19	20	21	21
South Korea	12	14	14	20	26	34	40	40

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the overseas wholesale business (handles export sales to licensed stores overseas) was moved from under the Southwest Asia, and Oceania business to the company's Domestic business.
Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia; Europe and the Americas; Southwest Asia, and Oceania; and Unrealized gains, global SG&A expenses. FY02/20 figures in the table above have been retroactively adjusted.

In FY08/20 (January–June 2020 for individual subsidiaries), the East Asia business reported operating revenue of JPY45.4bn (25.3% of consolidated operating revenue). The company has 387 stores in the region. In contrast with other regions, the East Asia business generates solid operating profit, with OPM of 13.2% in FY08/20. Starting with FY08/21, the parent and its subsidiaries have coordinated their fiscal years.

The company opened the MUJI Ocean Centre (floor space: 291sqm) in Hong Kong—its first overseas store in Asia—in November 1991 in collaboration with the Wing On Group. In 1995 it entered Singapore, and had seven stores by 1998. However, it closed all stores in Asia in 1999 and temporarily pulled out of Asia due to poor earnings results. In 2001 the company established a local subsidiary in Hong Kong and opened a domestic shop there, before doing the same in Singapore in 2003. In 2005, the company entered mainland China with the establishment of MUJI (Shanghai) Co. Ltd.

Mainland China

In FY08/20 (January–June 2020), the mainland China business reported operating revenue of JPY25.4bn (14.2% of consolidated operating revenue). In China, apparel and household goods each account for nearly 50% of sales, with food accounting for a small proportion. It is noteworthy that roughly 40% of household goods sales comes from health and beauty products such as face lotions and basic skincare products. The company has 275 stores in China, making it the company's largest overseas store network.

Ryohin Keikaku entered mainland China in 2005, later than the competition, because it had concerns over the prevalence of copies and counterfeit products. To combat the problem, the company posted a declaration in the People's Daily to bring the issue to light and warn consumers about counterfeits, and opened its first store in Shanghai in July 2005. In FY02/09, the company began rolling out additional stores in mainland China, but the pace has been moderate, with the store count reaching just 13 at end-FY02/20.

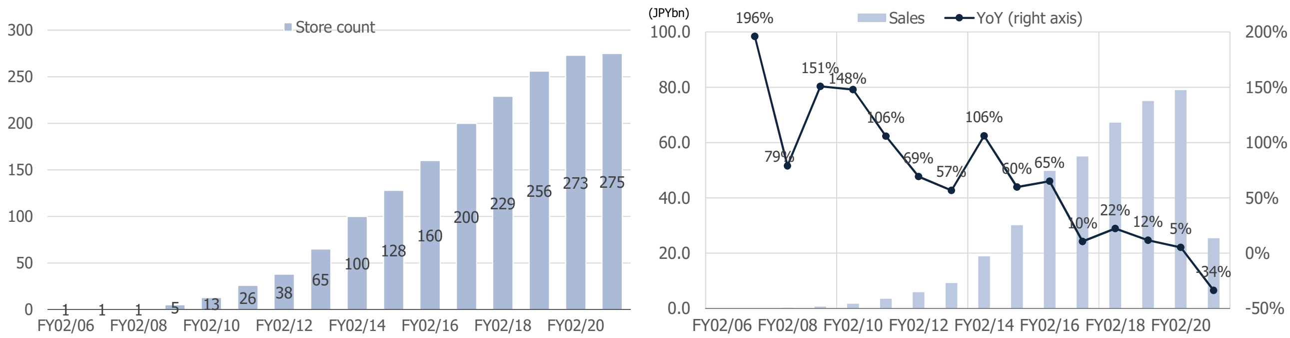
In 1994, Jet Best Investment (JBI), a company based in Hong Kong, registered trademarks for fashion and clothing items under the "Mujirushi Ryohin" and "MUJI" brands. JBI also operated stores in mainland China with kanji signage that was strikingly similar to Mujirushi Ryohin. In May 2000, Ryohin Keikaku filed in Chinese court to have the trademarks canceled. Seven years later, in December 2007, the Beijing Higher People's Court awarded victory to the company. However, the "Mujirushi Ryohin" trademark is still held by copycat Chinese companies for certain categories of products such as select foods, sheets, and covers. The company has decided to get around this by using the MUJI (alphabetic) logo on these products, and it appears that this issue no longer presents a major obstacle to the company's business in China.

From FY02/11, the company started opening at least 10 stores yearly. In its medium-term plan announced in April 2011 (covering FY02/12–14), the company saw growth coming from strengthening the Overseas business. At that time, it had 135 stores overseas, of which only 26 were in mainland China. However, the plan that held high hopes for China targeted 247 stores overseas by end-FY02/14, including 100 in mainland China (net increase of 25 stores yearly). The company felt that consumption would broaden from food to apparel and finally to household goods as living standards rose. The positive consumer reception of its health and beauty products such as cosmetics (launched in mainland China in FY02/11) appears to have given the company's confidence a shot in the arm.

Pursuing store expansion in mainland China, the company took these measures: 1) Strengthen sales capabilities (have the same product lineup as Japan; promotions centering on strategic products and standardization of operations); 2) Train human resources (hire staff to negotiate store openings and foster store employees by training them at stores in Japan; and 3) Strengthen inventory management capabilities. The company achieved its end-FY02/14 target of 100 stores in mainland China, and booked sales of JPY18.9bn that year.

In the medium-term plan unveiled in April 2014 (covering FY02/15–17), mainland China was again positioned as an important growth driver, with a target of 200 stores (net increase of 30 stores yearly) by end-FY02/17. In FY02/15, comparable store sales slowed temporarily due to delayed deliveries of seasonal merchandise, but subsequently recovered. A lack of competitors in household goods in particular gave the company an edge, and it continued to grow without getting caught up in excessive price competition. The store count at end-FY02/17 reached the 200 target, and sales reached JPY55.0bn.

Mainland China store count (left) and sales (right)



Source: Shared Research based on company data

However, in FY02/17, comparable store sales growth was 4.7% YoY, decelerating from its previous double-digit pace, partly due to slowing economic growth in China. Comparable store sales increased 4.6% YoY in FY02/18 and fell 2.1% YoY in FY02/19. Against this backdrop, the company slowed down its store openings from a net increase of 40 in FY02/17 to 29 in FY02/18, 27 in FY02/19, and 17 in FY02/20. It also shifted its strategy to launch products tailored to local market needs (it had previously sold the same products as in Japan and other countries) to rekindle comparable store sales growth. It established a China product development department in 2018, and in 2019 launched products developed locally starting with beds and sheets that came in local sizes.

FY02/18 Hygiene License issue: Following their full-scale launch in 2013, skincare products became one of the key categories for the company in mainland China. Selling skincare products there requires a hygiene license (valid for four years). The company submitted materials for renewal and extension to the China Food and Drug Administration (CFDA) in advance, and received a receipt for the application, and also applied to change the name of some items. However, all reviews were halted as the CFDA reconsidered the review criteria. Normally, it would be possible to clear customs upon presenting the receipt for the application, but some of the items were deemed to be new products due to the name change. These required an original hygiene license, so customs clearance was delayed. In light of this experience, the company now builds up inventories of the relevant items before renewing its hygiene license.

Hong Kong, Taiwan, and South Korea

In East Asia, apart from mainland China, the company runs businesses in Taiwan, Hong Kong, and South Korea. Operating revenue from this region was JPY47.3bn in FY02/19 (11.5% of consolidated operating revenue), roughly JPY45.8bn in FY02/20 (10.4%), and about JPY20bn in FY08/20 (11.1%).

The company entered Taiwan by establishing an equity-method affiliate, MUJI Taiwan Co., Ltd. in 2003, making it a wholly owned subsidiary in 2004 through additional share purchases. In FY02/19, operating revenue from the Taiwan business was JPY17.0bn. The company said its performance was solid in FY02/20 with 51 stores in Taiwan as of end-FY08/20.

In 2001, the company established MUJI (Hong Kong) Co., Ltd. to re-enter the market (it had operated a business starting in 1991, but withdrew due to poor earnings). In FY02/19, operating revenue from the Hong Kong business was JPY16.5bn. In FY02/20 consumption slumped amid protests regarding the application of the one country, two systems policy, affecting the company's sales in Hong Kong. Store count in Hong Kong stood at 21 as of end-FY08/20.

In 2004, the company established MUJI Korea Co., Ltd. to enter the market there. In FY02/19, operating revenue from the South Korea business came to JPY13.9bn. In FY02/20 earnings suffered from the movement to boycott Japanese products. The company had 40 stores in South Korea at end-FY08/20.

Europe and the Americas

Europe and the Americas (JPYmn)	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Operating revenue	12,306	14,861	17,124	17,603	21,225	24,495	28,630	6,585
YoY	-	20.8%	15.2%	2.8%	20.6%	15.4%	16.9%	-47.3%
YoY (local currency)			12.1%	19.0%	18.2%	15.3%	21.5%	-45.7%
YoY (local currency; comparable-store)			5.4%	3.7%	4.4%	1.9%	3.8%	-56.5%
Operating profit	268	93	-414	-852	-898	-1,152	-989	-5,337
YoY	-	-65.4%	-	-	-	-	-	-
Operating profit margin	2.2%	0.6%	-	-	-	-	-	-
Store count	68	74	72	69	72	67	71	72
UK	11	12	12	12	12	11	11	11
France	12	12	9	9	7	7	7	7
Italy	7	9	9	9	8	8	8	8
Germany	9	8	8	7	7	7	7	8
Spain	-	-	-	6	6	5	5	5
Portugal	-	-	-	1	1	1	1	1
Sweden	-	-	-	-	8	1	1	1
Switzerland	-	-	-	-	-	-	1	1
Finland	-	-	-	-	-	-	1	1
Denmark	-	-	-	-	-	-	-	-
US	8	10	11	12	15	17	19	18
Canada	-	1	2	3	6	8	8	9
Licensees	21	22	21	10	2	2	2	2

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the overseas wholesale business (handles export sales to licensed stores overseas) was moved from under the Southwest Asia, and Oceania business to the company's Domestic business.
Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia; Europe and the Americas; Southwest Asia, and Oceania; and Unrealized gains, global SG&A expenses. FY02/20 figures in the table above have been retroactively adjusted.

In Europe and the Americas, operating revenue was JPY6.6bn in FY08/20 (3.7% of consolidated operating revenue). Of FY02/20 operating revenue in the Europe and the Americas business, 48% was from Europe and 52% from North America. Excluding the impact of the abrupt drop in sales due to the COVID-19 pandemic, Europe generally stayed at the breakeven point, but North America fell into the red due to expenses for store openings and other fixed costs. In July 2020, the company filed for Chapter 11 protection for its US subsidiary in order to drastically rebuild the operations. The company had 72 stores in the region at end-FY08/20. It had 43 directly managed stores in Europe, and 27 in North America (18 in the US and 9 in Canada), and two licensed stores (one each in Ireland and Poland). Note: Since the European subsidiaries have January year-ends, their results from February through January the next year are reflected in the company's consolidated earnings; subsidiaries in the Americas have December year-ends, so their results from January through December are reflected in the company's consolidated earnings. Starting with FY08/21, the parent and its subsidiaries have coordinated their fiscal years.

Europe

In July 1991, Ryohin Keikaku opened its first overseas store—MUJI West Soho (floor space: 155sqm)—in one of London's central shopping districts. This store was opened in partnership with the British department store Liberty Ltd. This partnership came about because at the time, in 1991, Liberty had an agreement with the former Saison Group (a large Japanese department store group). Liberty then took an interest in Ryohin Keikaku's business and offered to provide sales space. Liberty and the company split the initial investment equally, with Ryohin Keikaku supplying the products and Liberty taking charge of sales. However, it became difficult to maintain the business with Liberty in light of rising inventory and logistics costs in 1997. The company considered closing the store, but decided against it due to strict rules concerning rent in the UK and the fact that the lease on the shop was a long-term one, as is usual in the UK. In the end, Liberty and Ryohin Keikaku ended their partnership, and the business was transferred to Ryohin Keikaku Europe Ltd., with the company buying out the remaining inventory. Then the company expanded its store network in Europe, opening 13 stores in the UK and nine stores in France in 2000. However, it moved to restructure unprofitable overseas stores from FY02/01 onward, in light of poor earnings results. It closed five unprofitable stores, such as that in Lyon, France.

Subsequently the company opened directly managed stores in the UK, France, Italy, and Germany, and started providing merchandise to licensed stores in other countries. These moves have gradually boosted the brand awareness in Europe. As of end-FY02/12, the company operated directly managed stores in the UK (13), France (eight), Italy (six), and Germany (five), and licensed stores reached 21 locations in seven countries. In FY02/15, the company started operating directly managed stores in Spain, where it had previously supplied merchandise via licensed companies, and started operating directly managed stores in Portugal in FY02/16. At end-FY02/20, the company had 39 directly managed stores in nine countries in Europe. Meanwhile it was selling to licensed companies in two countries (Ireland and Poland) with one store each.

The company once again turned to operating losses in Europe in FY02/15. It crafted a revitalization plan and took steps to return to the black. The main moves were: 1) Strengthen management arrangements by installing a standardized global IT system; 2) Refresh stores through remodeling; and 3) Close unprofitable stores and suspend/control new store openings. Until then, each country in Europe had different operations management systems and accounting systems, which hindered product procurement and speedy decision-making. The standardized global IT system enabled the monitoring of day-to-day situations in each country from Japan. The company started refreshing its stores by remodeling the No. 1 flagship store in each country, followed by the No. 2 flagship stores. In FY02/19, the company started opening new stores again as its European business returned to the black and the rebuilding phase was over.

North America

Ryohin Keikaku expanded into the US in 2007, and opened the first store in Canada in 2014. In the US, in November 2015, it opened the store Fifth Avenue store in New York, which was positioned as its flagship store in the region. The company used a distinctive marketing strategy, such as working with designers and creators in specialist areas to host talk shows and hold exhibitions to capture a core customer audience. This was in contrast to more traditional advertising, such as those utilizing billboards, taxis, and subways.

Subsequently it opened one to three stories yearly in the US, as it aimed to boost its profile and grow sales. However, the US has high fixed costs, and it takes time to achieve enough sales to cover them. Furthermore, the operations posted significant operating losses of over JPY1.0bn in FY02/19, partly due to disrupted logistics. Ryohin Keikaku formulated a restructuring plan for the US business in May 2019, and cut management headcount and optimized store employee numbers with a view to moving into the black.

However, sales plunged from March 2020 onward due to the COVID-19 pandemic, derailing hopes of a near-term improvement in earnings. On July 10, 2020 the company filed for Chapter 11 bankruptcy for its US subsidiary. It realized it had to quickly implement a drastic business restructuring including the closure of unprofitable stores and negotiating rent reductions.

Southwest Asia, Oceania

Southwest Asia, Oceania (JPYmn)	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY08/20 Act.
Operating revenue	4,890	6,255	8,911	10,256	13,729	16,589	15,543	4,981
YoY	-	27.9%	42.5%	15.1%	33.9%	20.8%	-6.3%	-32.5%
YoY (local currency)			37.3%	28.4%	25.9%	19.9%	7.9%	-29.4%
YoY (local currency; comparable-store)			12.7%	12.5%	4.7%	2.2%	1.0%	-34.3%
Operating profit	1	90	195	138	128	513	1,151	-396
YoY	-	-	116.7%	-29.2%	-7.2%	300.8%	124.4%	-
Operating profit margin	0.0%	1.4%	2.2%	1.3%	0.9%	3.1%	7.4%	-
Store count (including licensees)	34	39	45	55	66	72	79	78
Singapore	7	9	9	10	11	11	12	10
Malaysia	2	4	5	5	7	7	8	9
Thailand	10	11	13	14	16	17	19	19
India	-	-	-	2	4	4	4	4
Australia	1	2	3	3	3	5	5	5
Indonesia	6	2	3	6	8	7	6	6
Philippines	6	7	7	7	4	5	5	5
Kuwait	1	1	2	2	2	3	3	3
UAE	1	3	3	4	5	5	7	7
Saudi Arabia	-	-	-	-	2	4	5	5
Bahrain	-	-	-	-	2	2	2	2
Qatar	-	-	-	-	2	2	2	2
Oman	-	-	-	-	-	-	1	1

Source: Shared Research based on company data
Notes: Starting in Q1 FY08/20, the overseas wholesale business (handles export sales to licensed stores overseas) was moved from under the Southwest Asia, and Oceania business to the company's Domestic business.
Starting in Q1 FY08/20, the breakdown of the Overseas business has been changed to include East Asia; Europe and the Americas; Southwest Asia, and Oceania; and Unrealized gains, global SG&A expenses. FY02/20 figures in the table above have been retroactively adjusted.

In Southwest Asia and Oceania, the company runs directly operated stores in ASEAN countries such as Singapore, Malaysia, Thailand, and Vietnam, as well as Australia and India. In the Philippines it operates via an equity-method affiliate and in the Middle East it sells via licensed companies (the parent Ryohin Keikaku company wholesales). Operating revenue from the region was JPY16.6bn (4.0% of consolidated operating revenue) in FY02/19, JPY15.5bn (3.5%) in FY02/20, and JPY5.0bn in FY08/20 (2.8%). In FY02/19, Singapore led in operating revenue (JPY5.4bn), followed by Thailand (JPY3.4bn), Australia (3.0bn), Malaysia (1.8bn), and India (JPY490mn). The store count in the region is growing at a rate of five–ten stores annually on a net basis.

Entry into India: In 2016, the company established Ryohin-Keikaku Reliance India Private Limited (51% ownership) in cooperation with Reliance, and was the first Japanese retailing firm to receive FDI approval from India's Foreign Investment Promotion Board. The first and second stores opened in August 2016. For India, however, it appears that the company is estimating startup costs of about JPY30-40mn for standard stores, and annual sales of between JPY200mn and JPY300mn. For the foreseeable future, the business scale in India will remain small, and there is no expected contribution to profits. Unlike developed markets and China, India has a large population of young consumers, and the company sees this as an attractive condition. In FY02/20, joint product development arrangements were established between the joint venture and the Ryohin Keikaku parent company. It aims to develop products making best use of local suppliers, primarily in fabrics and stationery. Moving forward, it plans to sell to ASEAN and other countries.

Other businesses

The other businesses segment comprises the overseas supply business, the beverage business, the housing sales business, and the MUJI campsite operation business (the company operates summer camps for children on its land).

In the overseas supply business, the company supplies products to overseas entities.

The beverage business refers to the operation of "Café&Meal MUJI"—a line of restaurants and cafeterias, and the company currently has outlets both within and outside of Japan.

In the housing sales business, the company manages residences—mainly under the "MUJI House" name via its subsidiary, MUJI House Co., Ltd. The company also conducts a networking business, plans and develops products, and carries out wholesale operations.

The MUJI House business is a collaboration between New Constructor's Network Co., Ltd. (NCN) and Ryohin Keikaku, who provide the MUJI brand (as MUJI House) and in return receive licensing fees. NCN use a special method of construction called "SE Construction" (Safety Engineering construction) to construct the houses. As of FY02/14, there are three different types of MUJI House available—the "Wood House", which has an airy, open feel; the "Window House", with large windows; and the "Morning House", designed to aid communication between family members.
According to the company, the light, airy feel to the Wood House is achieved by the lack of supporting pillars and walls between rooms that SE construction makes possible. The company has designed the houses around the idea that the layout can be changed whenever the residents wish, by using MUJI furniture to create temporary boundaries between rooms. The company provides consulting about the best way to divide the rooms in this way, and has also linked up with the Urban Renaissance Agency in its renovation business.

Main group companies

As of end-August 2020, the company's main subsidiaries were as follows (Ryohin Keikaku's stake in parentheses):

- MUJI House Co., Ltd. (60%): Housing sales
- MUJI (Shanghai) Co., Ltd. (100%): Local subsidiary for sales of MUJI products in China
- MUJI (Hong Kong) Co., Ltd. (100%): Local subsidiary for sales of MUJI products in Hong Kong
- MUJI Korea Co., Ltd. (60%): Local subsidiary in South Korea. The remaining stake is held by Lotte Shoji Co., Ltd.
- MUJI Taiwan Co., Ltd. (100%): Local subsidiary for sales of MUJI products in Taiwan
- MUJI Europe Holdings Ltd. (66%): Supplies products to local subsidiaries in Europe. The remaining stake is held by Mitsubishi Corporation (TSE1: 8058)
- Ryohin Keikaku Europe Ltd. (66%): Local subsidiary for sales of MUJI products in the UK
- Ryohin Keikaku France S.A.S. (66%): Local subsidiary for sales of MUJI products in France
- MUJI Italia S.p.A. (66%): Local subsidiary for sales of MUJI products in Italy
- MUJI Deutschland GmbH (66%): Local subsidiary for sales of MUJI products in Germany
- MUJI SPAIN, S.L. (66%): Local subsidiary for sales of MUJI products in Spain
- MUJI PORTUGAL, LDA (66%): Local subsidiary for sales of MUJI products in Portugal
- MUJI Sweden Aktiebolag (66%): Local subsidiary for sales of MUJI products in Sweden
- MUJI Switzerland AG (66%): Local subsidiary in Switzerland
- MUJI Finland Oy (66%): Local subsidiary in Finland
- MUJI Denmark ApS (66%): Local subsidiary in Denmark
- MUJI U.S.A. Ltd. (100%): Local subsidiary for sales of MUJI products in the US
- MUJI CANADA LIMITED (100%): Local subsidiary for sales of MUJI products in Canada
- MUJI (Malaysia) Sdn. Bhd (100%): Local subsidiary for sales of MUJI products in Malaysia
- MUJI Retail (Thailand) Co., Ltd. (50%): Local subsidiary for sales of MUJI products in the Kingdom of Thailand. The remaining stake is held by the Central Group
- MUJI Retail (VIETNAM) Limited Liability Company (100%): Local subsidiary in Vietnam
- MUJI Retail (Australia) Pty., Ltd. (100%): Local subsidiary for sales of MUJI products in Australia
- Ryohin-Keikaku Reliance India Private Limited (51%): Local subsidiary for sales of MUJI products in India (as of February 2016)

- MUJI Global Sourcing Private, Ltd. (100%): Supplies products
- MGS (Shanghai) Trading Co., Ltd. (100%): Product procurement

Strengths and weaknesses

Strengths

- **Distinctive MUJI brand:** The MUJI (Mujirushi Ryohin) brand is one of the most recognized brands in Japan (ranked 3rd among all consumer brands in the Brand Japan 2020 survey by Nikkei BP Consulting, which targeted general consumers). The brand concepts of being eco, low priced, simple, anonymous, and natural are well accepted and the company has many loyal customers in Japan. Unobtrusive, timeless features of MUJI, while distinctly Japanese, also make the brand readily appreciated and intuitively understood by consumers worldwide.
- **Global niche powerhouse potential:** SR believes Ryohin Keikaku has one of the most exportable business models among Japanese retailers. Basic design easily translated in any culture. Combination of household goods, apparel, and food under one roof, allowing for flexibility in merchandising approaches. Affordable pricing for high quality products that lend themselves to both global and local sourcing. Distinctive stores that fit well in a multitude of real estate locations worldwide. Low absolute overseas markets penetration but extensive experience of operations in various markets. All this makes overseas growth a high-probability scenario.
- **Strong management execution:** Ryohin Keikaku went through a substantial evolution and transformation over the years. The company grew from an experimental design brand to a focused and disciplined firm, implementing programs ranging from MUJIGRAM, a comprehensive store operation manual, to IT systems, to logistics. Although there are issues to be tackled, its proven track record reflects Ryohin Keikaku's ability to execute.

Weaknesses

- **Many different items + no own manufacturing = limited ability to control product cost:** Ryohin Keikaku does not own or control manufacturing facilities. While that makes it asset-light and allows it to avoid issues, such as managing capacity utilization, it also reduces the degree of control over the cost. In addition, Ryohin Keikaku sells a wide variety of items in several categories. It means that even as the company grows overseas, its order lot size will remain small and as such, fundamentally difficult to optimize. Products for different countries require localization to account for issues such as differing cultures and body types. So far, the brand value more than compensates for this cost gap. However, SR is concerned that category specialists gain scale and at the same time become better imitators of MUJI design, the proliferation of online retailing also allows small high design value-added brands to prosper and eat away on Ryohin Keikaku's pie in small increments.
- **Lack of sound online retail strategy or presence:** SR believes that as more consumers move online for both their essential and discretionary shopping, it is essential for retailers—especially those with strong brands—to recognize this tectonic trend shift and go where customers go. Instead, Ryohin Keikaku hopes that the consumer will never abandon its brick-and-mortar stores. Online sales currently account for only about 10% of the company's domestic sales.
- **Inventory management:** While the company is committed to the Mujirushi Ryohin and MUJI brands, it is also eager to increase its sales. As a result, it sometimes sets overzealous targets when entering new markets, launching new products, or attempting to capture demand after conducting price adjustments. Such excessive targets can lead to excessive levels of purchasing, which can result in excess stock and prolonged inventory adjustment. The company therefore needs to improve the accuracy of its inventory management by enforcing global inventory rules and establishing a means for visualizing the status of orders and inventories.

Financial statements

Income statement

Income statement (JPYmn)	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Operating revenue	**188,350**	**220,620**	**260,254**	**307,532**	**333,281**	**379,551**	**409,697**	**438,713**	**179,392**
YoY	5.7%	17.1%	18.0%	18.2%	8.4%	13.9%	7.9%	7.1%	-
Sales	187,693	220,029	259,655	307,199	332,581	378,801	408,848	437,775	178,933
YoY	5.7%	17.2%	18.0%	18.3%	8.3%	13.9%	7.9%	7.1%	-
Operating income	657	590	599	333	700	750	849	938	459
YoY	0.6%	-10.2%	1.5%	-44.4%	110.2%	7.1%	13.2%	10.5%	-
Cost of sales	100,974	118,955	137,423	157,080	167,420	187,731	198,317	221,084	95,698
Gross profit	**86,719**	**101,074**	**122,232**	**150,118**	**165,160**	**191,070**	**210,531**	**216,691**	**83,234**
YoY	7.1%	16.6%	20.9%	22.8%	10.0%	15.7%	10.2%	2.9%	-
GPM (% of sales)	46.2%	45.9%	47.1%	48.9%	49.7%	50.4%	51.5%	49.5%	46.5%
Operating gross profit	**87,376**	**101,665**	**122,831**	**150,451**	**165,861**	**191,819**	**211,380**	**217,628**	**83,694**
Op. GPM (% of operating revenue)	46.4%	46.1%	47.2%	48.9%	49.8%	50.5%	51.6%	49.6%	46.7%
SG&A expenses	69,024	80,749	98,984	150,451	165,861	191,819	211,380	217,628	83,694
SG&A ratio (% of operating revenue)	36.6%	36.6%	38.0%	48.9%	49.8%	50.5%	51.6%	49.6%	46.7%
Operating profit	**18,351**	**20,916**	**23,846**	**34,439**	**38,278**	**45,286**	**44,743**	**36,380**	**872**
YoY	18.9%	14.0%	14.0%	44.4%	11.1%	18.3%	-1.2%	-18.7%	-
OPM (% of operating revenue)	9.7%	9.5%	9.2%	11.2%	11.5%	11.9%	10.9%	8.3%	0.5%
Non-operating income (expenses)	1,409	2,131	2,756	-1,739	304	699	1,118	-3	-309
Non-operating income	1,427	2,182	2,855	1,075	1,172	1,462	1,957	1,214	637
Non-operating expenses	18	50	100	2,813	867	763	840	1,218	946
Net financial income	311	348	335	350	461	543	757	-213	-514
Foreign currency gains (losses)	739	813	2,174	-2,654	-764	-663	-744	-126	67
Equity in earnings of affiliates	145	424	-	-1	-	8	32		
Other non-operating income	214	546	247	566	608	819	1,105	335	136
Recurring profit	**19,760**	**23,047**	**26,602**	**32,700**	**38,582**	**45,985**	**45,861**	**36,377**	**563**
YoY	22.5%	16.6%	15.4%	22.9%	18.0%	19.2%	-0.3%	-20.7%	-
RPM (% of operating revenue)	10.5%	10.4%	10.2%	10.6%	11.6%	12.1%	11.2%	8.3%	0.3%
Extraordinary gains		3,727	475	1,240	704	16	8,635	19	-
Extraordinary losses	1,740	772	583	433	637	838	612	1,792	18,677
Income taxes	6,920	8,794	9,850	11,893	12,798	14,969	19,751	11,910	500
Implied tax rate	38.4%	33.8%	37.2%	35.5%	33.1%	33.1%	36.7%	34.4%	-2.8%
Net income attrib. to non-controlling interests	128	111	19	-104	19	80	286	-559	-1,697
Net income	**10,970**	**17,096**	**16,623**	**21,718**	**25,831**	**30,113**	**33,845**	**23,253**	**-16,917**
YoY	24.0%	55.8%	-2.8%	30.7%	18.9%	16.6%	12.4%	-31.3%	-
Net margin (% of operating revenue)	5.8%	7.7%	6.4%	7.1%	7.8%	7.9%	8.3%	5.3%	-

Per-share data (JPY)	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Shares issued (year-end; '000)	28,078	28,078	28,078	28,078	28,078	28,078	28,078	280,780	280,780
EPS	409.5	644.6	627.5	818.4	975.0	1,147.0	1,289.2	88.5	-64.3
EPS (fully diluted)	407.9	642.1	625.0	815.6	972.3	1,144.1	1,286.5	88.3	-
Dividend per share	110.0	155.0	190.0	246.0	293.0	345.0	387.0	36.4	5.0
Book value per share	3,488.0	4,071.9	4,723.7	5,247.9	5,791.8	6,476.8	7,258.3	775.8	684.9

Source: Shared Research based on company data
Note: The company conducted a 10-for-1 stock split effective on September 1, 2019.

Balance sheet

Balance sheet (JPYmn)	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Total current assets	**72,556**	**77,290**	**106,316**	**119,547**	**131,435**	**149,329**	**170,206**	**171,279**	**224,005**
Cash and deposits	21,563	25,206	33,044	43,692	38,555	50,875	55,444	38,814	92,308
Marketable securities	10,023	20	-	-	-	-	-	-	-
Accounts receivable	6,092	6,965	8,879	7,281	7,929	9,128	8,920	10,010	9,215
Inventories	27,194	36,848	52,081	56,928	72,670	74,472	88,265	105,414	105,284
Deferred tax assets	758	957	2,089	1,825	1,376	3,313	2,683	-	-
Accounts receivable–other	5,168	4,933	7,943	7,727	8,807	9,211	10,663	11,598	11,930
Allowance for doubtful accounts	-4	-7	-9	-8	-49	-36	-3	-	-40
Other	1,758	2,366	2,286	2,098	2,144	2,362	4,231	5,440	5,304
Total tangible fixed assets	**14,236**	**22,178**	**35,252**	**37,712**	**38,613**	**41,225**	**46,167**	**82,463**	**67,810**
Buildings and structures	8,671	11,392	24,617	26,336	26,598	28,176	30,421	35,090	27,262
Machinery, equipment, and vehicles	708	671	2,194	2,274	2,165	2,459	2,214	2,209	1,968
Tools, furniture, and fixtures	2,652	3,962	6,128	6,922	7,365	7,889	8,961	11,072	8,948
Lease assets	5	4	2	1	1	76	68	61	57
Land	1,324	1,350	1,891	1,890	1,931	1,907	1,907	1,866	1,866
Construction in progress	874	4,797	417	288	550	716	2,592	896	704
Total intangible assets	**4,113**	**12,383**	**13,570**	**13,841**	**13,528**	**14,200**	**16,479**	**24,330**	**24,180**
Goodwill	36	7,619	7,413	6,924	5,907	5,348	4,237	3,432	2,819
Other	4,077	4,764	6,157	6,917	7,620	8,851	2,022	2,001	2,094
Investments and other assets	**28,454**	**28,376**	**31,807**	**29,817**	**31,128**	**33,558**	**27,222**	**28,439**	**27,921**
Investments securities	12,047	12,183	12,918	10,204	10,917	12,526	4,422	4,097	4,108
Deferred tax assets	975	145	242	341	448	354	536	1,711	2,110
Lease and guarantee deposits	15,230	15,595	15,684	16,333	16,983	17,829	18,653	18,694	18,624
Allowance for doubtful accounts	-164	-155	-206	-143	-137	-131	-125	-119	-116
Other	366	609	3,168	3,082	2,916	2,979	3,735	4,055	3,195
Total fixed assets	**46,804**	**62,939**	**80,631**	**81,372**	**83,270**	**88,983**	**89,869**	**135,233**	**119,912**
Total assets	**119,360**	**140,229**	**186,947**	**200,919**	**214,705**	**238,313**	**260,075**	**306,512**	**343,918**
Total current liabilities	**22,685**	**26,865**	**42,404**	**44,625**	**50,699**	**49,843**	**53,574**	**63,048**	**55,923**
Accounts payable	10,155	12,752	21,562	17,382	19,096	20,172	20,724	28,133	19,507
Short-term debt	407	190	5,005	7,215	10,887	477	1,222	4,200	4,482
Accrued expenses	4,124	4,803	5,436	4,181	4,486	5,012	5,185	5,450	5,389
Income tax payable	4,446	4,017	4,391	4,929	5,711	9,127	11,166	2,631	1,536
Provision for bonuses	243	635	955	1,136	1,132	1,064	1,439	1,334	964
Provision for directors' bonuses	73	74	81	74	71	80	74	38	-
Provision for sales returns	46	64	96	37	33	22	46	-	-
Provision for points certificates	-	39	52	84	73	69	67	231	198
Provision for loss on store closures	19	32	-	-	-	-	-	-	-
Other	3,168	4,259	4,826	9,587	9,210	13,820	13,651	21,031	23,847
Total fixed liabilities	**625**	**2,349**	**15,872**	**13,120**	**6,987**	**14,043**	**11,312**	**34,971**	**105,001**
Long-term debt	-	1,150	11,692	7,913	-	1,614	557	873	71,963
Lease obligations	-	-	-	-	-	-	-	-	-
Provision for directors' retirement benefits	109	109	109	25	25	36	39	40	47
Provision for loss on break lease charges	50	46	105	-	-	-	-	-	-
Other	465	1,044	3,965	5,182	6,962	12,393	10,716	34,058	32,991
Total liabilities	**23,310**	**29,214**	**58,276**	**57,746**	**57,686**	**63,886**	**64,886**	**98,019**	**160,925**
Net assets	**96,050**	**111,015**	**128,670**	**143,173**	**157,018**	**174,426**	**195,189**	**208,492**	**182,992**
Capital stock	6,766	6,766	6,766	6,766	6,766	6,766	6,766	6,766	6,766
Capital surplus	10,116	10,825	10,825	10,807	10,785	10,791	10,826	10,875	10,900
Retained earnings	80,207	93,845	106,084	122,085	140,652	162,376	186,364	199,590	177,874
Treasury stock	-3,927	-7,578	-7,174	-6,849	-10,681	-15,334	-14,780	-13,984	-13,965
Valuation difference on marketable securities	1,192	1,641	2,739	2,102	3,963	4,937	1,885	1,604	1,605
Foreign currency translation adjustment	-870	2,291	5,978	4,469	1,543	3,348	-961	-2,462	-3,699
Subscription rights to shares	310	345	408	348	344	377	390	754	931
Non-controlling interests	2,254	2,876	3,042	3,442	3,645	4,103	4,128	3,696	1,905
Working capital	23,131	31,061	39,398	46,827	61,503	63,428	76,461	87,291	94,992
Total interest-bearing debt	407	1,340	16,697	15,128	10,887	2,091	1,779	5,073	76,445
Net cash	31,179	23,886	16,347	28,564	27,668	48,784	53,665	33,741	15,863

Source: Shared Research based on company data

Cash flow statement

Cash flow statement (JPYmn)	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Cash flows from operating activities (1)	13,176	15,117	14,619	26,133	19,742	46,982	23,680	24,452	-1,758
Pre-tax profit	18,019	26,003	26,494	33,507	38,649	45,163	53,883	34,603	-18,113
Depreciation	2,675	3,530	4,076	5,589	6,129	6,872	7,889	15,328	8,655
Amortization of software	665	804	1,002	1,415	1,674	2,126	2,384	2,716	1,854
Impairment losses	34	356	285	100	326	455	291	1,181	14,265
Amortization of goodwill	1	14	771	845	798	866	848	807	411
Change in working capital	-4,378	-3,606	-7,916	-8,199	-16,488	-1,014	-15,284	-13,387	-9,861
Income taxes	-6,290	-8,690	-8,930	-10,041	-11,067	-11,952	-18,049	-20,992	-3,026
Other	3,115	-2,490	-161	4,332	1,395	6,592	-5,898	6,912	5,911
Cash flows from investing activities (2)	-4,945	-17,842	-22,193	-8,647	-9,856	-14,290	-5,492	-31,435	-4,239
Acquisition of tangible/intangible fixed assets	-4,842	-11,820	-18,686	-9,751	-11,038	-12,620	-18,493	-28,322	-8,252
Proceeds from sale of tangible/intangible fixed assets	-	-	-	-	-	-	-	-	-
Purchase of shares in associates	-	-609	-	-	-	-190	-	1,575	591
Purchase of shares in associates affecting the scope of consolidation	-	-4,917	-	-521	-	-	-	-	-
Other	-103	-496	-3,507	1,625	1,182	-1,480	13,001	-4,688	3,422
FCF (1+2)	8,231	-2,725	-7,574	17,486	9,886	32,692	18,188	-6,983	-5,997
Cash flows from financing activities	-2,540	-5,385	11,377	-6,520	-14,361	-21,759	-9,505	-11,467	63,722
Net change in short-term borrowings	287	-280	4,271	-3,980	2,634	-2,552	382	3,386	485
Net change in long-term borrowings	-	1,150	11,043	2,174	-6,813	-6,310	-631	-74	71,466
Issuance and redemption of bonds	-	-	-	-	-	-	-	-	-
Acquisition of treasury stock	-	-3,026	-	-1	-4,475	-5,066	-	-	-
Dividends paid	-2,947	-3,458	-4,384	-5,717	-7,261	-8,385	-9,854	-9,960	-4,796
Other	120	-2,797	447	1,003	-2,921	-4,512	598	-4,819	-3,433
Other	849	1,714	1,660	-379	-1,186	1,008	-2,255	-1,280	-151
Change in cash and cash equivalents	6,539	-6,396	5,463	10,586	-5,662	11,941	6,427	-19,731	57,573
Cash and cash equivalents (year-end)	31,397	25,001	30,464	41,050	35,388	47,329	53,756	34,025	91,599
Depreciation and amortization (A)	3,341	4,348	5,849	7,849	8,601	9,864	11,121	18,851	10,920
Capital expenditures (B)	-4,842	-11,820	-18,686	-9,751	-11,038	-12,620	-18,493	-28,322	-8,252
Change in working capital (C)	-4,378	-3,606	-7,916	-8,199	-16,488	-1,014	-15,284	-13,387	-9,861
Simple FCF (NI+A+B-C)	20,896	22,137	21,573	39,804	52,700	43,421	61,795	38,519	-5,584

Source: Shared Research based on company data

Cash conversion cycle	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Accounts receivable turnover	34.0	33.8	32.9	38.1	43.8	44.5	45.4	46.4	18.7
Days in accounts receivable	**10.7**	**10.8**	**11.1**	**9.6**	**8.3**	**8.2**	**8.0**	**7.9**	**9.8**
Inventory turnover	4.1	3.7	3.1	2.9	2.6	2.6	2.4	2.3	0.9
Days in inventory	**88.7**	**98.3**	**118.1**	**126.6**	**141.3**	**143.0**	**149.8**	**159.9**	**200.9**
Accounts payable turnover	10.6	10.4	8.0	8.1	9.2	9.6	9.7	9.1	4.0
Days in accounts payable	**34.5**	**35.1**	**45.6**	**45.2**	**39.8**	**38.2**	**37.6**	**40.3**	**45.4**
Cash conversion cycle (days)	**65.0**	**73.9**	**83.6**	**91.0**	**109.8**	**113.1**	**120.2**	**127.4**	**165.3**

Source: Shared Research based on company data

ROE, ROA, ROIC

(JPYmn)	FY02/12 Cons.	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
ROE	**11.1%**	**12.5%**	**17.0%**	**14.3%**	**16.4%**	**17.7%**	**18.6%**	**18.8%**	**11.8%**	**-8.8%**
Net margin	5.0%	5.8%	7.7%	6.4%	7.1%	7.8%	7.9%	8.3%	5.3%	-9.4%
Total asset turnover	1.80	1.71	1.70	1.59	1.59	1.60	1.68	1.64	1.55	1.10
Financial leverage (equity multiplier)	1.25	1.25	1.29	1.40	1.47	1.42	1.40	1.38	1.44	1.69
ROA (RP-based)	**16.3%**	**18.0%**	**17.8%**	**16.3%**	**16.9%**	**18.6%**	**20.3%**	**18.4%**	**12.8%**	**0.2%**
ROIC	**11.3%**	**12.1%**	**12.4%**	**11.5%**	**14.6%**	**15.7%**	**18.2%**	**16.6%**	**12.3%**	**0.4%**
NOPAT	9,156	10,884	12,966	14,782	22,165	25,622	31,315	30,953	25,240	872
Interest-bearing debt + Net assets	81,171	90,026	104,406	128,861	151,834	163,103	172,211	186,743	205,267	236,501
ROIC (before tax)	19.0%	20.4%	20.0%	18.5%	22.7%	23.5%	26.3%	24.0%	17.7%	0.4%
Operating profit margin	8.7%	9.7%	9.5%	9.2%	11.2%	11.5%	11.9%	10.9%	8.3%	0.5%
Operating revenue / Invested capital	2.20	2.09	2.11	2.02	2.03	2.04	2.20	2.19	2.14	0.76

Source: Shared Research based on company data

Dividends

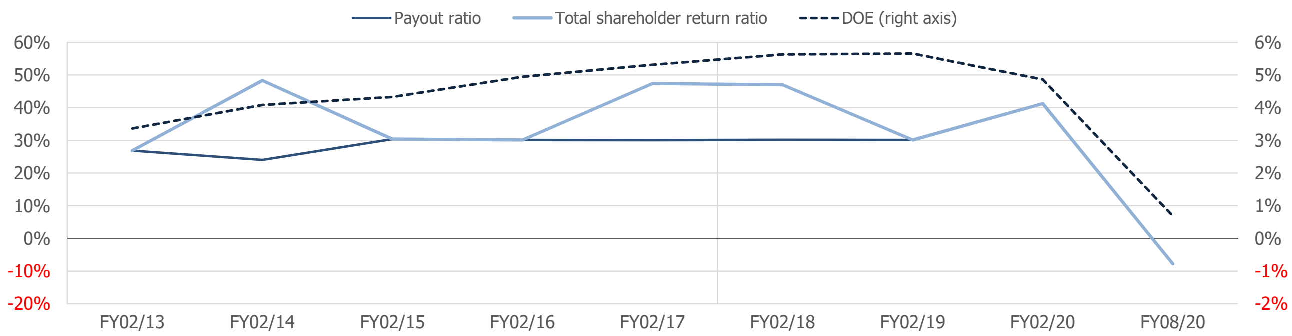
Basic policy

Aiming for an ROE of 15% or more as an important management index, the company is improving its corporate value. Its dividend policy is continuously returning profits to shareholders at an annual payout ratio of 30% calculated based on consolidated earnings since FY02/14.

Data related to dividends

(JPYmn)		FY02/12 Cons.	FY02/13 Cons.	FY02/14 Cons.	FY02/15 Cons.	FY02/16 Cons.	FY02/17 Cons.	FY02/18 Cons.	FY02/19 Cons.	FY02/20 Cons.	FY08/20 Cons.
Total dividends	a)	2,946	2,947	4,110	5,048	6,545	7,768	9,089	10,201	9,595	1,318
Total treasury stock acquired	b)	-	-	4,149	0	1	4,475	5,066	-	-	-
Total returns to shareholders	c) = a) + b)	2,946	2,947	8,259	5,048	6,546	12,243	14,155	10,201	9,595	1,318
Net income attributable to parent company sh	d)	8,850	10,970	17,096	16,623	21,718	25,831	30,113	33,845	23,253	-16,917
Dividend payout ratio	a) / d)	33.3%	26.9%	24.0%	30.4%	30.1%	30.1%	30.2%	30.1%	41.3%	-7.8%
Total shareholder return ratio	c) / d)	33.3%	26.9%	48.3%	30.4%	30.1%	47.4%	47.0%	30.1%	41.3%	-7.8%
Net assets available to common		81,862	93,486	107,794	125,220	139,383	153,029	169,946	190,671	204,042	180,156
Avg. of beginning and end of year	f)	79,388	87,674	100,640	116,507	132,302	146,206	161,488	180,309	197,357	192,099
Before deducting assets available to holders of Class A preferred shares		81,862	93,486	107,794	125,220	139,383	153,029	169,946	190,671	204,042	180,156
EPS	(JPY)	330.4	409.5	644.6	627.5	818.4	975.0	1,147.0	1,289.2	88.5	-64.3
Dividend per share	(JPY)	110.0	110.0	155.0	190.0	246.0	293.0	345.0	387.0	36.4	5.0
DOE	a) / f)	3.7%	3.4%	4.1%	4.3%	4.9%	5.3%	5.6%	5.7%	4.9%	0.7%

Source: Shared Research based on company data



Source: Shared Research based on company data

Other information

Corporate timeline

Year	Corporate event
1980	MUJI established as a private brand of The Seiyu, Ltd. with nine household items and 31 food products
1981	Started selling clothes
1982	Started wholesaling to affiliated stores
1983	Opened its first directly managed store, MUJI Aoyama (103sqm)
1984	Opened outlets inside large Seiyu stores
1985	Established the MUJI Business Department
1986	Started overseas production and procurement (integrated local production)
1987	Expanded expertise in overseas production and procurement to include factory direct ordering and original logistics channels
1989	Ryohin Keikaku Co., Ltd. established
1990	MUJI business transferred from The Seiyu, Ltd.
1991	Opened its first overseas store in London
1993	Established RK Truck Co., Ltd.; opened a large one-floor store, MUJI LaLaport
1994	Established Ryohin Keikaku Europe, Ltd.
1995	Shares registered with the Japan Securities Dealers Association for trading on the OTC market; opened the MUJI Tsunan Campsite
1998	Listed on the Second Section of the Tokyo Stock Exchange
1999	Opened MUJI comKIOSK Shinjuku-Minamiguchi store
2000	Listed on the First Section of the Tokyo Stock Exchange; established MUJI.net Co., Ltd.
2001	Opened MUJI Yurakucho and MUJI Namba, the stores designed to spread information
2003	Established MUJI (Singapore) Pte. Ltd.
2004	Established MUJI Italia S.p.A. and MUJI Korea Co., Ltd.
2005	Received five gold product design awards from the International Forum Design in Germany
2006	Held its first international design competition, the MUJI AWARD 01
2007	Opened MUJI Tokyo Midtown; opened its first store in the US, MUJI Soho
2008	Opened new flagship stores MUJI Shinjuku and MUJI Ginza Matsuzakaya, along with the first MUJI to GO format store
2009	Relocated and renewed the MUJI Ikebukuro Seibu store; established the MUJI Laboratory for Living
2011	Renewed its first store, MUJI Aoyama to become Found MUJI Aoyama
2012	Opened MUJI Pavilion, its first store in Malaysia; opened MUJI Soma on the west coast of the US
2013	Signed licensing agreement with Alshaya Trading Co.W.L.L. and opened its first store in the Middle East; set up Muji Retail (Australia) Pty Ltd.
2014	Acquired all shares in MUJI Taiwan Co., Ltd.; established MUJI Canada Limited
2015	Muji Europe Holdings Limited acquired shares in MuJi Spain S.L. and Muji Portugal LDA, making them into subsidiaries
2016	Established Ryohin-Keikaku Reliance India Private Limited
2017	Established MUJI Philippines Corp.
2017	Merged with IDÉE Co., Ltd. in an absorption-type merger
2018	Merged with RK Truck Co., Ltd. in an absorption-type merger
	Established MUJI Sweden Aktiebolag
2019	Established MUJI Switzerland AG
	Established MUJI Finland Oy
	Established MUJI Denmark ApS
	Established MUJI Retail (Vietnam) Limited Liability Company

Source: Shared Research based on company data

Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust account)	22,939	8.70%
Custody Bank of Japan, Ltd. (Trust account)	20,377	7.73%
Mitsubishi Corporation	10,783	4.09%
UBS AG Hong Kong	8,508	3.23%
Credit Saison Co., Ltd.	6,318	2.40%
Custody Bank of Japan, Ltd. (Trust account 5)	5,457	2.07%
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,393	2.05%
The Bank Of New York Melon As Depositary Bank For DR Holders	4,835	1.83%
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	4,815	1.83%
Custody Bank of Japan, Ltd. (Trust account 7)	4,293	1.63%
SUM	93,717	35.55%

Source: Shared Research based on company data (As of end-August 2020)

Top management

Chairman **Masaaki Kanai** (born 1957) joined the Seiyu Store Co., Ltd. in Nagano (now Seiyu GK) in 1976, before moving to Ryohin Keikaku in 1993. In 2000 he became General Manager of the Household Division and Sales Headquarters. Later he became Managing Director and General Manager of Sales Headquarters, then Executive Officer and Chief Director of Product, before becoming President in 2008, and chairman in 2015.

President **Satoru Matsuzaki** (born 1954) joined The Seiyu Store Co., Ltd. (now Seiyu GK) in 1978, where he worked in the Legal Department and the International Business Department. He joined Ryohin Keikaku in 2005, as General Manager of Regional Management for Asia, Overseas Operations Division. He later became General Manager of Regional Management for China, Overseas Operations Division, then Director and General Manager of Overseas Operations Division, before becoming president in 2015.
He is the fifth president, after Masao Kiuchi (served 1993–1997; the company's first president in the practical sense), Kaoru Ariga (1997–2000), Tadamitsu Matsui (2001–2008), and Masaaki Kanai (2009–2015, current chairman).

Corporate governance

Ryohin Keikaku's board of directors is composed of six directors (all of whom also serve as executive officers) and three outside directors (all of whom are registered with the Tokyo Stock Exchange as independent directors).

The company has been keen to strengthen corporate governance from an early stage, and invited Shuji Abe (President of Yoshinoya D&C Co., Ltd., now Yoshinoya Holdings; TSE1: 9861) and Hidejiro Fujiwara (President of Shimamura Co., Ltd.; TSE1: 8227) as outside directors in 2002.

Individuals serving as outside directors as of end-May 2020 were:

- Isao Endo (Chairman of Roland Berger Ltd., subsidiary of Roland Berger Strategy Consultants GmbH; unlisted);
- Masayoshi Yagyu (lengthy career at DENSO Corporation; TSE1: 6902);
- Atsushi Yoshikawa (formerly of Nomura Securities, Co., Ltd.)

The Compensation Advisory Committee, which reports to the Board of Directors regarding director compensation and similar matters, comprises three outside directors and two internal directors. The Nomination Advisory Committee, which reports to the Board of Directors regarding nomination of directors and related matters, also comprises three outside directors and two internal directors.

Employees

Ryohin Keikaku had 9,046 full-time employees on a consolidated basis as of end-FY08/20, and 2,446 on a parent-level basis. In addition, the company had 8,050 part-time employees on a consolidated basis and 6,736 part-time employees on a parent-level basis, assuming that the total number of part-time employees is converted based on an eight-hour working day.

By the way

Products that shaped MUJI

In 1980, the year of its inception, the MUJI brand began selling "Dried Shiitake Mushrooms." These mushrooms are more flavorsome dried than raw, but also more expensive. The creators of the MUJI brand got around this issue by including broken and irregular mushrooms in packs, thereby lowering the price. The copy on the packet of this early hit product—"They may be all different sizes, and some might be broken, but they all taste the same"—expressed the core concept of the MUJI brand, "Lower price for a reason."

Key MUJI products

1980	1990	2000	2010
Toilet paper (12 roll set)	Yunnan style indigo series	Business suit for work	Stacking cabinets
Kitchen wrap	Indian cotton parka	Indian cotton t-shirt	Thin wooden shelfing
Tissue paper refill	Army light twill down jacket	Modular sofa	Acrylic water filter pot
Fabric softener	Linen jacket	DVD player	Silicone kitchenware
Phosphorus free detergent	Poplin jumper	Flashlight	Toilet paper air freshener
Liquid detergent	Waterproof bag	Mousepad	Carpet cleaner (self-standing)
Washing up liquid	Oil leather Tyrolean shoes	Espresso maker	Compact ultrasound aroma diffuser
Tooth brush (5 colors)	Relaxing shoes	Stainless steel pot	Whitening skincare
Dried shiitake mushrooms	Handmade Indian bath towels	Bone china tableware	Denim tag stationery
Canned salmon	Wooden tables/chairs	PP placemat	Erasable pen
Instant coffee	Steel table, chairs, cabinet	Nail polish	26" shaft drive three-gear bicycle
Soy sauce	Palm frond boxes	Baby soap and shampoo	Wall-mounted cd player
Karinto (sweet crunch snack)	Congee	Stroller	DIY cardboard children's chair
Salad oil	Low-fat dressing	Custom color bicycle (20"/26")	Silk cotton cardigan
Ramen noodles (soy sauce/miso)	Seaweed for salads	Italian ingredients	Silk cotton sweater
Orange/grape/pineapple drinks	Dried spinach	Dashi (stock)	Slow weave cotton
Corn snack	Corn flakes	Breakfast cereal	Cut and sewn jacket
Flavored seaweed	Hard-baked bread	Genmai (brown rice)	Multi-cape
Flour	Handmade miso kit	Dried foods	Back mesh camisole warmth cups
Curry paste	Sliced seaweed (wakame)	Banana baum cake	Warm inners
Toasted tea			Sweat absorbing socks (children's)
Genmai (brown rice) tea			Make-it-yourself sweets
Peanuts (270g/400g)			Fair trade coffee
Dried bonito pack			
Canned peach			
Boiled red beans			
White miso			
Coffee beans			
Ceylon tea bags			
Honey			
Strawberry jam			
Butter peanuts			
Canned snow crab flakes			
Canned mushrooms			

Source: Shared Research based on company data

Historical performance

Consolidated results for Q2 FY08/21 (out April 14, 2021)

Results summary

▷ For 1H FY08/21, Ryohin Keikaku reported consolidated operating revenue of JPY228.4bn (+2.7% YoY), operating profit of JPY23.4bn (+48.2% YoY), and net income of JPY20.4bn (+2.0x YoY). Backed by increased sales and improved profitability on the curbing of excessive price-based promotions in line with the capturing of stay-at-home demand in Japan, as well as an expansion in sales in East Asia, mainly in China, operating profit was roughly comparable to that in 1H FY02/19.

▷ For standalone Q2, operating revenue was JPY113.4bn (+2.6% YoY) and operating profit was JPY10.2bn (+56.1% YoY), with OPM improving to 9.1% from 5.9% in Q2 FY08/20 (one year ago). Ongoing reductions in procurement costs as well as restraint in discount sales in Japan helped lift GPM to 48.5% from 47.7% in Q2 FY08/20. The SG&A ratio improved to 39.7% in Q2 FY08/21 from 42.0% in Q2 FY08/20, thanks largely to progress in the optimization of staffing in Japan and cost cuts in Europe and the Americas.

With its switch to a fiscal year ending in August, Ryohin Keikaku has eliminated the differences between the accounting periods used by the parent company and consolidated subsidiaries overseas; previously, there was a two-month difference between the quarters used when reporting results for the parent company and those used when reporting results for its subsidiaries in Asia and North America, and a one-month difference between the quarters used when reporting results for the parent and those used when reporting results for subsidiaries in Europe. Starting in FY08/21, he parent company and consolidated subsidiaries will be in sync, with all using the same fiscal year, but the YoY comparisons will not be made against the exact same periods one year earlier. As a general rule, percentages of YoY change indicated in this report for FY08/21 have been calculated using comparisons with figures recorded from September 1, 2019 (start of Q3 FY02/20) through February 29, 2020 (end of Q2 FY08/20).

▷ FY08/21 forecast: Having made no changes to its initial forecast, the company is still projecting full-year consolidated operating revenues of JPY487.6bn (+21.4% YoY, comparison with Q3 FY02/20–FY08/20), operating profit of JPY49.2bn (roughly three times its level in the previous year), and net income of JPY34.8bn (versus loss of JPY6.9bn in the previous year). Achievement rates in 1H versus the company's full-year forecasts were 46.8% for operating revenue, 47.5% for operating profit, and 58.5% for net income. Although 1H performance in Europe and the Americas fell short of the company's forecasts, management aims to make up for this through increased sales and the entrenchment of profitability improvement measures in Japan and East Asia. The company forecasts EPS of JPY132.3, and an annual dividend of JPY40.0 per share (representing a dividend payout ratio of 30.2% on projected earnings).

Domestic business

For its domestic business, the company reported Q2 FY08/21operating revenue of JPY73.1bn (+16.4% YoY), operating profit of JPY7.0bn (+7.7x YoY), and OPM of 9.5% (+8.1pp YoY).

Q2 comparable store sales (directly managed comparable stores + online stores) were up 19.5% YoY. The company opened three directly managed stores and closed one store, for a net increase in two stores. Stores at year-end totaled 443 stores (up 6 stores or 1.4% YoY).

Sales of household goods were JPY36.4bn (+20.6% YoY, accounting for 51.5% of total sales), apparel items JPY21.3bn (-2.2%, 30.0%), and food JPY11.3bn (+58.2%, 16.0%). Household goods saw brisk sales of stationery as price revisions and updates began to pay off. Consumables, daily supplies, and cooking utensils also had higher sales volumes thanks to sales of new merchandise. With people spending more time at time, sales were up in innerwear and house-wear, but apparel items sales nevertheless fell short of previous-year levels due to the restrictions the company placed on discount sales as well as the effects of the warm winter. Sales of retort-pouch curry and other food products were strong, benefitting from being featured on popular television programs as shelter-in-place consumption increased in response to the COVID-19 pandemic.

Previously, when the company reviewed (lowered) prices in anticipation of reduced procurement costs, it hurt the GPM. However, by 1H it had achieved the anticipated reduction in procurement costs, absorbed the setback in CoGS ratio and rectified its GPM.

The increased focus on e-commerce temporarily drove up logistics expenses, but rationalization of store staff headcounts and curbs on advertising and promotion expenditures helped improve profit margins. In the year-ago period, profit margins suffered as a result of sporadic discounts, but in Q2 FY08/21 the company clamped down on sales promotions involving discounts. Also, although the company finished restructuring logistics, there has not yet been any discernable reduction in shipping costs. Management noted that while reductions in shipping costs were in some respects lagging behind its forecasts, it was nevertheless making steady progress toward optimization in this area.

Upgrades to base in E-commerce

To capitalize on increased demand for e-commerce resulting from the COVID-19 pandemic, the company is taking a range of measures including the use of external human resources to provide greater convenience to consumers and stimulate shopping incentives through its “easy to view, easy to buy, and easy to read” website upgrades. E-commerce accounts for roughly 10% of domestic business. For FY08/12, the company is targeting 60% YoY growth in e-commerce sales, but as of end-1H it was lagging its target.

Amazon began selling the company’s products in May 2020, followed by Rakuten in June 2020. Sales are on the rise thanks to factors including expansion in furniture and other product lineups, increased inventory and reduced stock-outs, and the use of sponsor advertising. The company aims to boost sales with bulk purchases of food and increased inventories of apparel.

Logistics streamlining

The company directly operates its Hatoyama Center (Hiki County, Saitama Prefecture; supplies merchandise to the Tokyo area) and Niigata Center (Nagaoka, Niigata Prefecture; merchandise shipments for e-commerce). To improve logistics efficiency, the company made the decision to outsource the management of apparel, large items requiring special shipping, and e-commerce goods requiring shipment within a few days, and completed the changeover in December 2020. There was some confusion when transferring inventories from the Hatoyama and Niigata Centers to the warehouses of logistics operators in Eastern and Western Japan. Cost runups associated with the move also drove up logistics expenses. In late-February 2021, the company settled into an arrangement where it could conduct proper operations, and it says it expects its logistics cost ratio to decline going forward.

Overseas business

For its overseas business, the company reported Q2 FY08/21operating revenue of JPY40.3bn (-15.5% YoY), operating profit of JPY3.2bn (-42.2% YoY), and OPM of 8.0% (-3.7pp YoY). The impacts of COVID-19 caused sales decline in all areas. Operating revenue fell short of plan, but the company says that operating profit was basically on target thanks to progress on cost cutting including optimization of personnel allocation and ongoing rent reduction, as well as worldwide restrictions on discounts. It needs to be noted, however, that simple comparisons are not possible; due to the change in fiscal year, YoY comparisons do not correspond to the same time frame (October–December 2019 for Asia and North America, November 2019–January 2020 for Europe).

East Asia

East Asia reported Q2 FY08/21 operating revenue of JPY32.5bn (-5.4% YoY) and operating profit of JPY5.7bn (-21.1% YoY). Management noted continued firm performance in China and Taiwan, with a recovery exceeding expectations in Hong Kong and South Korea. OPM fell 3.5pp YoY to 17.6%, but this was largely due to the postponements during comparable periods. The company minimized the rate of decline by pursuing restricted discount sales and rationalized store staffing to curb personnel costs in each country.

It needs to be noted that, due to the change in fiscal year, the year-ago period being compared (Q4 FY02/20) refers to October-December 2019, making simple comparison impossible. Crucially, the period in question was a busy period for mainland China, including the days surrounding China's founding day (October) and singles day (November) celebrations.

Q2 FY08/12 comparable store sales (directly managed comparable stores + online stores, local currency basis) were up 17.7% compared to December 2019–February 2020. Customer traffic was up 25.5%, while average ticket was down 6.2%. Stores at end-1H totaled 402 stores (289 in China, 20 in Hong Kong, 54 in Taiwan, 39 in South Korea), an increase of 19 stores from end-February 2020.

Q2 FY08/12 comparable store sales in mainland China (directly managed comparable stores + online stores, local currency basis, comparison to December 2019–February 2020) were up 23.1% vs. the three months through February 2020. The increase reflects the absence of store closures the company was forced to make a year ago due to COVID-19. Real store sales fell slightly short of target due to poor weather in December and travel restrictions for the Chinese Lunar New Year, but e-commerce continued to grow (e-commerce accounts for just under 20% of sales). While apparel items and food performed well, household goods, which account for around 50% of sales, declined, notably in cosmetics sales. Local cosmetic price ranges have become polarized, leading to weak demand for the company's mid-range priced merchandise, while a change in packaging ended up hurting brand value. Meanwhile, the company made progress on improving the CoGS ratio through revisions to CoGS setting and merchandising reforms, including an increase in locally developed merchandise.

Taiwan was mostly unaffected by COVID-19, and business did well. Sales were strong at local community-based supermarket chain PX Mart as well. In South Korea and Hong Kong, though political factors caused weak sales a year ago, sales have currently turned around.

Europe and the Americas

Europe and the Americas had Q2 FY08/21 operating revenue of JPY3.7bn (-58.0% YoY) and operating losses at JPY1.1bn (versus operating profit one year ago of JPY194mn). Restrictions on store operations due to the COVID-19 pandemic had a greater impact than the company expected.

It needs to be noted that, due to the change in fiscal year, the year-ago period being compared (Q4 FY02/20) refers to November 2019–January 2020 in Europe and October–December 2019 in North America, making simple comparison impossible.

Directly managed store sales (including online stores; local currency basis) were down 53.4% vs. December 2019–February 2020 (customer traffic was down 59.1%, while average ticket was up 14.0%). Stores at the end of the period totaled 59 stores (19 in North America, 40 in Europe), a reduction of 12 stores vs. end-February 2020. COVID-19 once again led to tough restrictions on store operations from November, and the company was forced to limit customer entry, temporarily close stores, and reduce business hours. 33 stores, more than half of all stores, were unable to open their doors in December 2020.

With little prospect of sales growth, the company placed its management priorities on rigorous curtailment of SG&A expenses, such as by optimizing store staffing and negotiating for lower rents. In the US, since end-February 2020 the company closed 9 stores, primarily those with poor prospects for bringing in earnings, bringing its total stores to 10 at end-February 2021. It also substantially reduced rents at the majority of remaining stores.

Southwest Asia, and Oceania

In Southwest Asia and Oceania, Q2 FY08/21 operating revenue was JPY4.1bn (-8.1% YoY) and operating profit was JPY409mn (+16.5% YoY). OPM was 10.0%. up 2.1pp YoY. The impact of the COVID-19 pandemic was heavier than initially anticipated, and the company has compensated for the decline in operating revenue by curtailing SG&A expenses. The improvement in OPM is attributable to the misaligned comparison periods, the effect of curbs on discount sales, and reduction in rents thanks to ongoing negotiations, as well as optimization in store staffing.

It needs to be noted that, due to the change in fiscal year, the year-ago period being compared (Q4 FY02/20) refers to October–December 2019, making simple comparison impossible.

Q2 FY08/21 sales at directly managed stores in Southwest Asia and Oceania (including online stores; local currency basis) fell 6.8% vs. December 2019–February 2020 (customer traffic down 12.3%, average ticket up 6.3%). Stores at end-Q2 totaled 74 stores, a decline of 5 stores from end-February 2020.

In Thailand, a priority region, although sales were down due to the COVID-19 pandemic, operating profit was on target thanks to rigorous SG&A expense controls. Sales in Vietnam, where the company commenced operations in November 2020, performed well.

Consolidated results for Q1 FY08/21 (out January 8, 2021)

Results summary

- For Q1 FY08/21 (September–November 2020), Ryohin Keikaku reported consolidated operating revenue of JPY115.0bn (+2.9% YoY), operating profit of JPY13.2bn (+42.6% YoY), and net income of JPY12.2bn (+69.3% YoY). The sales environment was less than perfect due to the COVID-19 pandemic. Still, quarterly operating profit improved to a level just behind that of Q1 FY02/19 (JPY13.3bn), although aided partially by one-off factors, such as a rise in GPM owing to the booking of a JPY2.5bn inventory valuation loss at end-FY08/20, an amount higher than in typical financial years. The operating revenue growth was driven by performance in Japan and East Asia, which effectively offset lower sales in Europe and the Americas. The success of the company's global efforts to limit its use of discount sales, together with reductions in purchases prices, helped boost its operating GPM to 50.0% (versus 48.7% in September–November 2019). The SG&A expense ratio at 38.6% was down from 40.5% in September–November 2019 despite a temporary increase in logistical costs incurred to strengthen e-commerce operations. The decline in the SG&A expense ratio occurred in part because the company benefited from better management of store staffing levels and negotiated reductions in rents. There was a sharp jump in the company's operating profit margin, which at 11.5% was up 3.2pp from 8.3% in September–November 2019.

With its switch to a fiscal year ending in August, Ryohin Keikaku has eliminated the differences between the accounting periods used by the parent company and consolidated subsidiaries overseas; previously, there was a two-month difference between the quarters used when reporting results for the parent company and those used when reporting results for its subsidiaries in Asia and North America, and a one-month difference between the quarters used when reporting results for the parent and those used when reporting results for subsidiaries in Europe. Starting in FY08/21, the parent company and consolidated subsidiaries will be in sync, with all using the same fiscal year. Accordingly, figures indicating YoY change in FY08/21 do not represent comparisons with the same periods of time in the previous fiscal year. For example, results from the peak season in mainland China (October–November) were included in Q4 figures through FY02/20, but will be reflected by Q1 figures starting in FY08/21. As a general rule, YoY changes for Q1 through Q4 FY08/21 are compared with Q3, Q4 of FY02/20 and Q1, Q2 of FY08/20, respectively.

FY08/21 forecast: Having made no changes to its initial forecast, the company is still projecting full-year consolidated operating revenues of JPY487.6bn (+21.4% YoY), operating profit of JPY49.2bn (roughly three times its level in the previous year), net income of JPY34.8bn (versus loss of JPY6.9bn in the previous year), EPS of JPY132.3, and an annual dividend of JPY40.0 per share (representing a dividend payout ratio of 30.2% on projected earnings). The company also made no changes to its forecast for 1H results calling for consolidated operating revenue of JPY244.8bn and operating profit of JPY26.2bn. Notwithstanding, Shared Research believes sales trends warrant close monitoring going forward, as even though the company stands to continue benefiting from shelter-in-place consumption associated with the COVID-19 pandemic, there is a chance store traffic in the Tokyo area will slow following the Japanese government's recent declaration of a state of emergency for the Tokyo metropolitan district and surrounding areas.

Progress of strategic initiatives

Integrate stores and products more closely into people's everyday lives: The company indicates that its sales are benefitting from changes in buying habits, as they have fewer opportunities to wear business attire and spend more time at home due to the widespread adoption of remote work arrangements. The company plans to actively conduct price adjustments with the aim of expanding its customer base. It says there were times in the past when its efforts to find "the right price" were focused mainly on reducing selling prices. In the future, however, the company will strive to optimize its pricing while simultaneously reducing procurement costs. It will primarily apply these cost optimization efforts in China, Taiwan, Thailand, and other priority areas. Meanwhile, the company will refrain from clearance campaigns for all goods, including MUJI Week. With respect to its store opening plans, the company says that its goal of integrating its stores and products more closely into people's everyday lives plays a guiding role here too, and that as a result, it will be stepping up the pace of store openings near supermarkets.

Expand e-commerce operations: The company indicates that, starting in November 2020, it now has two distribution centers for e-commerce using outside contractors, and that it is looking to further expand its order fulfillment capabilities while increasing efficiency going forward. In Q1, these factors led to a temporary increase in the ratio of logistical costs (transportation and delivery costs) to sales. The company will aim to expand online store sales and lower its logistical cost ratio starting in 2H, in part by expanding the quantity of items offered, improving usability for users, and enhancing collaborative operations with Muji Passport.

Reduce excess stock: The company is striving to reduce excess stock to JPY10.0bn by end-February 2021 (Q2 FY08/21), while reporting excess stock of JPY23.0bn as of end-FY08/20. As of end-Q1, efforts aimed at reducing excess stock were generally proceeding according to plan. In fact, inventories as of end-Q1 were JPY101.1bn, down JPY9.4bn YoY, and down JPY4.2bn compared to end-FY08/20. Currently, the company is facing the possibility that sales may weaken due to a second state of emergency declaration issued by the Japanese government in response to the COVID-19 pandemic. Moving forward, the company plans to avoid forcibly reducing its inventory through discount sales, instead implementing other measures, such as cutting back on procurement and postponing standard product sales until the following financial year.

Domestic business

Domestic business: For its domestic business, the company reported Q1 operating revenue of JPY74.1bn (+1.4% YoY) and an operating profit of JPY8.3bn (+27.3% YoY). The double-digit gain at the operating profit level reflected a marked rise in the operating profit margin, which at 11.2% was up 2.3pp YoY. LFL sales (directly managed existing stores + online stores) fell 1.8% YoY. At the same time during the previous year (September–November 2019), the company secured high overall sales thanks in part to a swell in sales that occurred ahead of a consumption tax hike; its decision to maintain its tax-included prices following the consumption tax hike; effectively implementing discounts and generating the impression of bargain pricing; and several clearance events covering all of the company's products, such as MUJI Week. However, the company notably achieved a level of sales in Q1 FY08/21 that was close to the sales it recorded in September–November 2019 while simultaneously holding back from conducting clearance sales (MUJI Week was not held even once). The company opened six directly managed stores and closed three, for a net increase of three stores. At the end of Q1, the company had 366 directly managed stores in total (up four, or 1.1%, compared to September–November 2019).

Food was the main driver of growth, generating JPY11.6bn in sales (+61.4% YoY) while apparel generated JPY25.4bn (-5.2% YoY) and household goods JPY33.4bn (-6.2% YoY). Sales of retort-pouch curry and other food products were strong, benefitting from being featured on popular television programs as shelter-in-place consumption increased in response to the COVID-19 pandemic. Despite higher sales of undergarments and housewares that occurred as consumers spent more time at home, sales of apparel and household goods did not reach the level they did in September–November 2019 in part because the company cut back on clearance sales.

The company's operating GPM improved by 1.6pp YoY. In September–November 2019, profitability deteriorated because the company did not adjust its prices following a consumption tax hike and conducted clearance sales at a rate that could be described as somewhat excessive. However, in Q1 FY08/21, profitability improved thanks to the company's decision to cut back on clearance sales. Procurement price reductions achieved through means such as procedural inspections are also gradually having an effect. Previously, the company's product mix would often deteriorate and its operating GPM would frequently decline when the ratio of food sales to overall sales grew. However, this effect has become smaller; the company indicates that the profitability of its food products has improved thanks to factors such as mass production of retort-pouch curry and other relatively high-margin seasoning and processed food products.

The company's SG&A-to-sales ratio fell 0.7pp YoY. This decline occurred because the benefits of ongoing efforts aimed at optimizing store staffing levels and curtailing advertising and promotional expenses more than offset a temporary increase in transportation and delivery costs associated with e-commerce enhancement and a rise in IT investment.

Overseas business

Overseas operating revenue in Q1 was FY40.9bn (+5.7% YoY), while operating profit was JPY4.6bn (+83.9% YoY), and OPM improved 4.9pp YoY to 11.4%. An increase in sales generated primarily within China and other East Asian nations absorbed a substantial decline in sales emanating from Europe and North America caused by the COVID-19 pandemic. Meanwhile, the company's overseas operating GPM improved 0.6pp YoY thanks in part to a global curtailment of price discounts. Additionally, OPM improved as the SG&A expense ratio fell 4.3pp YoY partly as a result of staffing optimization and ongoing negotiations for lower rent. However, the reader should note that percentages indicating YoY change in the Overseas business reflect comparisons with different target periods (July–September 2019 in Asia and North America and August–October 2019 in Europe), which is a factor that also played a substantial role in driving up both sales and profitability.

East Asia

In East Asia, operating revenue was JPY33.0bn (+19.3% YoY), and operating profit was JPY6.4bn (+65.4% YoY). OPM improved 5.4pp YoY to 19.4%, while operating GPM rose 1.4pp YoY, and the SG&A expense ratio fell 4.0pp YoY. However, the reader should note that YoY comparisons differ from previous fiscal years: namely, the quarter a year earlier (Q3 FY02/20) reflects results in East Asia during the July—September period, whereas Q1 FY08/21 represents results during the September—November period. Periods surrounding National Day (October) and Singles' Day (November) represent peak seasons for the company in mainland China, and the question regarding in which these holidays fall is of particular importance because any shifts that take place will result in substantial material differences. Shared Research believes that the company has secured a moderate level of profitability, given that the figure reported in Q1 FY08/21 falls between the OPM in Q4 FY02/19, which was 18.3% (reflecting impact incurred in October–December 2018), and the OPM in Q4 FY02/20, which was 21.1% (reflecting impact incurred in October–December 2019).

Based on local currencies, LFL store sales (directly managed comparable stores + online stores) in September–November 2020 rose 0.9% YoY (although LFL store sales in China fell 2.2% YoY), while sales generated by all stores rose 3.4% YoY. At end-Q1 FY08/21, the company had 392 stores in total (of which 280 were located in China). In mainland China, the COVID-19 pandemic is having an impact on store sales, which are fluctuating as a result. Despite this trend, online store sales have been favorable. Taiwan has been largely unaffected by the COVID-19 pandemic and continues to generate strong sales. Meanwhile, the company has begun selling through PX Mart, a chain of community supermarkets in the same country. In South Korea and Hong Kong, sales in September–November 2019 were sluggish due to political factors but are currently recovering. The company indicates that monthly operating GPM in East Asia is trending slightly higher YoY thanks in part to the curtailment of bargain sales.

Europe and the Americas

In Europe and the Americas, the COVID-19 pandemic led to many temporary store closures and tough results as operating revenue came to JPY4.5bn (-37.3% YoY), and the company reported an operating loss of JPY574mn (versus JPY584mn in September–November 2019). The ratio of operating loss to sales grew 4.6pp from 8.1% in September–November 2019 to 12.7%. Although operating GPM improved 10.3pp YoY, the decline in sales had a major impact and the SG&A expense to sales ratio rose 14.9pp YoY.

The company's decision to cut back on bargain sales apparently factored into the improvement of operating GPM. However, ostensibly, this improvement in profitability was also largely due to differences in the periods of time compared for the purpose of measuring YoY change (September–November 2020 has been compared to August–October 2019 in Europe and July–September 2019 in North America) and lower CoGS for inventory at the top of the financial year due to inventory write-downs conducted by the company at end-FY08/20.

The COVID-19 pandemic has had a tremendous impact in Europe and the Americas, and under these circumstances, the company's management is focusing on thorough curtailment of SG&A expenses. The company indicates that its results in Europe are on the rise as it strives to optimize store staffing levels and conducts negotiations aimed at lowering its rents to levels that better fit its business environment. In North America, where its US subsidiary has filed for reorganization under Chapter 11 of the United States Bankruptcy Code, the company has cut back on staffing at its headquarters and its rent has apparently declined substantially.

Based on local currencies, sales generated in Europe and the Americas (including those from online stores) during September–November 2020 fell 41.1% YoY (customer count declined 33.0% and average customer spend decreased 12.0%).

The subsidiary in the United States that had filed for reorganization under Chapter 11 of the United States Bankruptcy Code received approval for its recovery plan on December 21, 2020. In Q2, it will begin to conduct reconstruction efforts that are not subject to court supervision.

Southwest Asia, and Oceania

In Southwest Asia and Oceania, Q1 operating revenue was JPY3.3bn (-11.9% YoY) and operating profit was JPY479mn (+110% YoY). The corresponding OPM was 14.6%, up 8.5pp YoY. Meanwhile, operating GPM rose 6.9pp YoY while the SG&A expense to sales ratio declined 1.7pp. The main reasons for the improvement in operating GPM were the difference in periods compared for the purpose of calculating YoY change, the company's curtailment of discounted sales, and lower CoGS for inventory at the beginning of the financial year, which was caused by inventory write-downs the company conducted in FY08/20. Meanwhile, the decline in the SG&A expense to sales ratio was primarily due to optimization of staffing levels and rent reductions achieved through ongoing negotiations.

Sales in Thailand, one of the company's priority regions, were almost level YoY. Political demonstrations led to sluggish sales in inner-city areas, but sales generated in the suburbs were favorable. As in Japan, the company is optimizing its pricing in Thailand with the goal of expanding its customer base. It reports that these efforts are helping to drive up its customer count, especially at stores located in the suburbs.

Full-year consolidated results for FY08/20 (out October 8, 2020)

Results summary

- For FY08/20 (irregular six-month accounting period), Ryohin Keikaku reported consolidated operating revenue of JPY179.4bn (-17.2% YoY), operating profit of JPY872mn (-95.8% YoY), and net loss of JPY16.9bn (versus profit of JPY13.3bn in the same six-month period last year). The drop in revenue and earnings reflected store closures and shortened operating hours at the company's stores around the world in the wake of the pandemic, which hit sales in Japan and China especially hard in Q1 and sales in the US and Europe especially hard in Q2. The company booked JPY18.7bn in extraordinary losses, including JPY14.3bn in impairment losses centered on urban stores and restaurants (JPY5.1bn in Japan, JPY9.1bn overseas), JPY3.2bn loss on cancellation of leases, and JPY1.2bn loss on retirement of fixed assets. The company intends to pay a year-end dividend of JPY5.0 per share.
- For the three-month period of Q2 (June–August 2020), the company reported consolidated operating revenue of JPY100.6bn (-3.3% YoY), operating profit of JPY3.8bn (-63.2% YoY), and net loss of JPY12.8bn (versus profit of JPY6.7bn in the same quarter last year). In addition to the decline in operating revenue, operating profit was hurt by a decline in the gross profit margin, which at 46.4% was down from 51.7% in the same quarter last year. The company attributed the hit to its gross profit to a combination of a less-profitable sales mix (resulting from a decline in the proportion of sales accounted for by apparel and an increase in the proportion of sales accounted for by food), price markdowns to help get rid of excess inventories, and booking of some JPY2.5bn in loss on inventory valuation. SG&A expenses were JPY43.1bn (-1.6% YoY). Although depreciation, logistics expenses, and advertising expenses all increased, personnel expenses and rents decreased by an even greater amount.

- As of end-FY08/20, the company's balance sheet showed inventories of JPY105.3bn, up from JPY99.9bn at this time last year but down JPY7.4bn from JPY112.7bn at end-Q1 (March–May 2020). At end-FY02/20, the company deemed excess stock to be about JPY20bn, but as of end-Q1 FY08/20, that figure had swelled to about JPY36bn due to lost sales opportunities, before shrinking to JPY23bn in Q2 with the help of reduced procurement and measures to sell off seasonal products. As of Q1, the company had projected that excess stock would be about JPY25bn at end-Q2, so it was actually able to reduce the excess faster than anticipated. Of the excess stock at end-Q2, just JPY1.0bn was in seasonal products, and the company aims to limit purchasing of mainstay products and keep discounting under control as it further reduces excess stock. If sales are in line with projections, excess stock should be at just over JPY10bn by end-February 2021 and inventory should be back to normal by end-FY08/21.
- For FY08/21, the company is projecting consolidated operating revenue of JPY487.6bn (+21.4% versus the same 12-month period the previous year), operating profit of JPY49.2bn (3.0x increase YoY), net income of JPY34.8bn (versus loss of JPY6.9bn), and EPS of JPY132.3. The company plans to pay an annual dividend of JPY40.0 per share (representing a dividend payout ratio of 30.2% on projected earnings). It projects that operating profit will exceed the record set in FY02/18 (JPY45.3bn) and net income the record set in FY02/19 (JPY33.8bn).
- The company said it plans to provide an overview of its new medium-term business plan in April 2021. The new plan will take into consideration the various ways in which social conditions have changed in the wake of the pandemic, and will prioritize meeting the performance targets set under current medium-term plan (operating revenue of JPY500.0bn, operating profit of JPY60.0bn).

Domestic business

In the Domestic business, Q2 revenue and profit both rose YoY, with operating revenue of JPY70.6bn (+14.3% YoY) and operating profit of JPY5.0bn (+8.6% YoY). The parent company, which accounts for the bulk of the Domestic business, posted Q2 sales of JPY82.1bn (+0.2% YoY) and operating profit of JPY3.6bn (-27.9% YoY). Ignoring the impact of product write-downs, operating profit would have grown 27.9% YoY. Exports by the parent declined substantially to JPY13.4bn (-39.5% YoY), but this was offset as sales at the domestic directly managed business grew to JPY62.2bn (+14.1% YoY), online store sales grew a substantial 43.4% to JPY7.2bn (accounting for 10.5% of domestic sales), and sales at the domestic wholesale business reached JPY6.5bn (+22.0% YoY) on growth in sales to Askul and Amazon. Sales at directly managed stores grew 12.2% YoY. The store count at end-Q2 was 363 (+4 or +1.1% YoY).

By product category (including exports), food sales were JPY8.7bn (+47.6% YoY), driving growth. Sales of curry and other retort foods grew with increases in teleworking and stay-at-home consumption. Sales of household goods rose to JPY40.2bn (+8.9% YoY) on growth in health and beauty products, housewares, and stationery, and this helped to offset the decline in apparel sales (JPY31.7bn, -15.3% YoY).

The parent's GPM was 38.8% (+3.2pp YoY). The ratio of sales increased at relatively high-margin directly operated stores in Japan and the online store, while the ratio of exports (mainly wholesale to overseas subsidiaries) declined, giving a boost to GPM. The parent's SG&A expenses were JPY29.9bn (+14.5% YoY). System-related depreciation and advertising expenses rose YoY.

Overseas business

East Asia (fiscal year ending December)

In Q2 (April–June), the East Asia business generated operating revenue of JPY25.9bn (-18.6% YoY) and operating profit of JPY4.5bn (-36.4% YoY). Operating revenue in mainland China declined 16.1% YoY in Q2 (April–June) on a local currency basis, and comparable-store sales (local currency basis) fell 28.8% YoY. This was a smaller drop than in Q1 (-53.6% YoY), when the impact of pandemic-related lockdowns was greatest, but recovery has been modest overall in light of the risk of a second wave of infections in China. In the East Asia business, including countries other than China, overall operating revenue (local currency basis) declined 15.3% YoY and comparable-store sales (local currency basis) were down 25.1% YoY. Taiwan performed robustly, offsetting a slump in Hong Kong and South Korea.

Europe and the Americas (fiscal year ending January for Europe and December for the Americas)

In Q2, the Europe and the Americas business struggled, generating operating revenue of JPY2.5bn (-62.7% YoY) and operating loss of JPY3.3bn (loss of JPY41mn a year earlier). In Europe (May–July), weak consumption continued even after lockdowns ended. In North America (April–June), there were no sales in April or May due to the temporary closure of all stores, and customers failed to return to urban stores even after stores resumed operations in June. On July 10, 2020, the company's US subsidiary MUJI U.S.A. Limited filed for Chapter 11 protection. Of the 18 US stores at end-June, the company closed seven on the West Coast and one on the East Coast by end-August and is engaged in negotiations to lower rents for the remaining stores. It is working on a major review of US headquarters expenses, along with inventory clearance accompanying the store closures, which it aims to complete by end-February 2021. It then plans to launch efforts aimed as growing earnings once again from March 2021.

Southwest Asia, and Oceania (fiscal year ending December)

In Q2 (April–June), the Southwest Asia and Oceania business generated operating revenue of JPY1.7bn (-56.7% YoY) and operating loss of JPY293mn (profit of JPY292mn in April–June 2019). In Thailand, earnings were robust since temporary store closures related to the COVID-19 pandemic were relatively brief and sales of products related to stay-at-home demand were favorable. However, Singapore saw an ongoing slump in sales even after stores reopened in mid-June, due to restrictions on outings and tourists being unable to enter the country.

Unrealized gains and global SG&A expenses in the Overseas business were JPY2.3bn (+9.1% YoY).

Q1 FY08/20 results (out July 10, 2020)

Results summary

- For Q1 FY08/20 (March–May 2020), Ryohin Keikaku reported consolidated operating revenue of JPY78.8bn (-29.9% YoY), operating loss of JPY2.9bn and net loss of JPY4.1bn; this compares with operating profit of JPY10.4bn and net income of JPY6.6bn during the same quarter in FY02/20. In response to the coronavirus pandemic, the company moved to temporarily close stores or shorten operating hours at its many locations around the world. This cut deeply into sales, as did the voluntary decisions by many consumers to stay at home. At the gross profit level, the company realized a gross margin of 46.6%, down from 50.1% in the same quarter last year. The decline in the gross margin stemmed in large part from a less-profitable sales mix, as domestic sales of food products continued to grow both in absolute terms and as a percent of total sales; additional pressure on the gross margin also appears to have come from discount sales to help prevent inventory buildups at its stores around the world. SG&A expenses were JPY39.8bn (-13.7% YoY). Rents declined on lower sales-linked rent and discounts negotiated with landlords. Personnel and advertising expenses also declined. In the US, subsidiary MUJI U.S.A. Limited, which the company was working to regenerate, filed for Chapter 11 protection. The company plans to revitalize the business through major structural reform entailing closing unprofitable stores and negotiations to reduce rents.
- Increased contact points with customers: The company faced up to the reality that it will be unable to operate stores globally due to the coronavirus pandemic. It thus kicked off moves to open up new sales channels by increasing contact points with customers outside its own stores, to lessen the reliance on its own network. On May 1, 2020, for example, it began online sales through Amazon. Initially only 250 items were offered through Amazon but the number was already up to 1,500 by early July. On June 1, the company launched sales on Rakuten Ichiba, an online marketplace. On June 17, the company also began sales on a trial basis at three Lawson convenience stores in Tokyo.

- Excess Inventories: The company finished FY02/20 with roughly JPY20.0bn in excess inventory on its books. Following the pandemic-induced sharp downturn in sales in Q1, excess inventories ballooned to some JPY35.0bn as of end-Q1 FY08/20. With the help of cutbacks on both the production and purchasing fronts, the company is looking to bring excess inventories down to around JPY25.0bn by end-FY08/20. With the help of further cutbacks in new merchandise orders, the company is then looking to bring excess inventories down to JPY10.0bn to JPY11.0bn by end-February 2021, and then eliminate excess inventories and bring inventory levels back down to normal by end-FY08/21. Because most of the goods that are currently counted as excess inventory are standard goods that not at risk of becoming obsolete or going out of fashion, the company does not expect to have to use heavy discounting to work down its inventory levels.
- For FY08/20 (irregular six-month period), the company is projecting consolidated operating revenue of JPY174.5bn (-19.4% YoY), operating loss of JPY2.0bn and net loss of JPY3.9bn; this compares with operating profit of JPY20.6bn and net income of JPY13.2bn during the same six-month period in FY02/20. Given its forecast for FY08/20, the company's implied forecast for Q2 works out to consolidated operating revenue of JPY95.7bn (-8.0% YoY), operating profit of JPY899mn (-91.2% YoY), and net income of JPY216mn (-96.8% YoY). In short, in Q2 the company sees sales falling at a much slower rate and operations moving back into the black. At the gross profit level, the Q2 forecast assumes a gross margin of 44.7%, down sharply from 51.7% during the same quarter the previous year. The company plan to pay a dividend of JPY5.0 per share in FY08/20.

The Domestic business reported Q1 operating revenue of JPY51.8bn (-28.2% YoY) and operating loss of JPY990mn versus profit of JPY7.0bn in Q1 FY02/20. The parent company, which accounts for the bulk of the Domestic business, reported Q1 sales of JPY58.5bn (-31.3% YoY) and operating loss of JPY1.1bn versus profit of JPY7.8bn in Q1 FY02/20. Of the total for parent company sales, domestic sales were down 28.0% YoY to JPY50.9bn and export sales (mainly to overseas subsidiaries) were down 47.6% YoY to JPY7.6bn. At the directly managed domestic stores, Q1 comparable store sales dropped 39.3% YoY (customer count down 35.6% and average customer spend down 5.7%). Customer traffic fell as 352 stores were either closed or had shorter opening hours at one time due to the pandemic. At end-Q1, the number of directly managed stores stood at 360, representing a net increase of 13 stores (+3.7%) versus end-Q1 FY02/20. There were four store openings and five closures in Q1 FY08/20.

Online store sales were up 23.4% YoY, accounting for 14.1% of domestic sales versus 7.8% in Q1 FY02/20. However, issues in operating the online store came to the fore: the surge in demand resulted in delivery bottlenecks, with deliveries taking up to 16 days, and the stockout ratio rose as high as 13%.

The company had seen brick-and-mortar stores as its primary contact points with consumers, with directly managed stores central to its selling, and developed its online store as a supplementary offering. However, it realized the risk of relying almost exclusively on brick-and-mortar stores as many were simultaneously closed due to the coronavirus. The company has engineered a dramatic shift and intends to strengthen its points of contact outside of brick-and-mortar stores by providing new channels to consumers. It also intends to tap into customer bases it had not previously dealt with. It started selling on Amazon from May 1, 2020. It initially handled just 250 items, but the number had risen to 1,500 by early July. On June 1, the company launched sales on Rakuten Ichiba, an online marketplace. On June 17, the company also began sales on a trial basis at three Lawson convenience stores in Tokyo. While the Lawson stores are brick-and-mortar, they are less likely to be closed during an infectious disease outbreak than those in shopping malls or station buildings. The company expects to increase the number of Lawson stores handling its products depending on the results of the trial operations.

Sales (including exports) were JPY17.1bn (-44.9% YoY) for apparel, JPY34.0bn (-26.1% YoY) for household goods, and JPY6.6bn (+0.6% YoY) for food. Food sales continued to grow as consumers stayed home and the share of food in sales rose to 11.3% (7.7% in Q1 FY02/20).

Parent company GPM was 39.5%, down from 40.4% in Q1 FY02/20. The decline appears to stem from a higher share of food in sales. SG&A expenses were down 10.3% YoY to JPY25.7bn. Depreciation expenses rose with the launch of the global IT system in Japan, but there were substantial declines in advertising, logistics expenses, personnel expenses, and rents. As of early July, only

47 stores were operating as usual, with roughly 90% of stores in Japan operating on a schedule shortened by two to three hours a day. In June, sales at directly managed stores were up 5.9% YoY on a comparable store basis and up 12.0% YoY on an all-store basis (including online sales).

East Asia (fiscal year ending December)

For Q1, the company's East Asia business reported operating revenue of JPY19.5bn (-36.7% YoY) and operating profit of JPY1.4bn (-69.2% YoY).

In the key mainland China market, operating revenue in Q1 (January–March 2020) was JPY10.0bn (-47.4% YoY). Store closures started from January and peaked in February with 151 stores closed, leading to a 53.6% YoY drop in comparable store sales in local currency terms. With the aid of strong online sales, the drop in operating revenue was held to just 44.9%. As of end-Q1, the store count in mainland China was 274 (+7.5% YoY; net increase of 19). The company opened one and closed two stores in Q1. Winter merchandise sold less than expected during a warm winter in China, so the company stepped up its end-of-season sales. The company said it also sold food and online merchandise at a discount to trim inventories, resulting in a worsening of about 5pp in the mainland China GPM.

Preliminary estimates for Q2 (April–June 2020) show that comparable store sales in mainland China were down 29% YoY and down 17% YoY when including online sales. Sales appear to be recovering as the pace of decline is smaller than in Q1. However, the company says that it would be premature to be optimistic amid fears of a second pandemic wave in China. As of early July, 254 stores (93% of those in mainland China) had returned to normal operating hours.

In Q1, the company's East Asia business excluding China reported operating revenue of JPY9.5bn (-19.6% YoY). In South Korea, selling conditions remained tough due to the COVID-19 pandemic on top of a lingering impact from the move to boycott Japanese products. Conditions were also tough in Hong Kong as the political situation added to the impact from the pandemic. In Taiwan, there was minimal impact amid relatively few coronavirus infections; earnings fared well compared with other countries in the region.

Europe and the Americas (fiscal year ending January for Europe and December for the Americas)

For Q1, the company's Europe/Americas business reported operating revenue of JPY4.1bn (-30.0% YoY) and operating loss of JPY2.0bn versus loss of JPY557mn in Q1 FY02/20.

In Europe, there was no apparent impact from the pandemic through February, but the business was hit hard by lockdowns that saw all stores shut in all of the countries where the company operates except Sweden, starting with Italy in March. As of early July, all of the company's stores in Europe had been reopened although some were running reduced operating hours. In Q1, the company posted operating loss in Europe, albeit small (North America accounted for most of the losses in the Europe/Americas business). The company said that it was aiming for an early turn to the black by trying to grow sales at individual stores, reducing fixed costs by negotiating lower rents, and avoiding cannibalization between stores.

In North America, Q1 (January–March) sales, primarily in household goods, were relatively solid until February, but earnings deteriorated as lockdowns began in March and all stores were closed. Operations were affected amid demonstrations against human rights violations and COVID-19. As of early July, 19 of the company's 27 stores in North America had reopened with shortened operating hours; eight were still closed.

On July 10, 2020, the group's US subsidiary, MUJI U.S.A. Limited, filed for Chapter 11 protection. MUJI U.S.A. started its US business in 2006 and operated 18 stores, but incurred ongoing losses due to a high cost structure including steep rents. The company endeavored to expand its customer base and boost sales while negotiating rent reductions. However, all stores ceased operations on March 18 due to the spread of the coronavirus. In light of a steep deterioration in profits due to a sharp fall in sales, the company decided to try to reorganize the business under Chapter 11 protection. The company plans to drastically restructure the business by closing unprofitable stores and negotiating lower rents. Sales for MUJI U.S.A. in FY02/20 were

USD101mn. Given that it has already booked an impairment loss, the company said it did not expect any material impact on earnings from Q2 FY08/20 onward.

Southwest Asia, and Oceania (fiscal year ending December)

For Q1, the Southwest Asia and Oceania business reported operating revenue of JPY3.3bn (-5.5% YoY) and operating loss of JPY103mn versus operating profit of JPY281mn in Q1 FY02/20. In Southwest Asia, the company saw strong sales led by household goods up until late March. After that, many of its stores in the region were shut down by the lockdown measures put in place by local governments. Australia was hit first by the fallout from wildfires in January and then, not long after the smoke had cleared, by the COVID-19 pandemic.

News and topics

Profile

Company Name	Head Office
Ryohin Keikaku Co., Ltd.	4-26-3, Higashi-Ikebukuro, Toshima-ku, Tokyo, Japan 170-8424
Phone	**Listed On**
+81-3-3989-4403	Tokyo Stock Exchange 1st Section
Established	**Exchange Listing**
June 30, 1989	August 1, 1995
Website	**Fiscal Year-End**
https://ryohin-keikaku.jp/eng/	August
IR Contact	**IR Web**
-	https://ryohin-keikaku.jp/eng/ir/

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DIC Corporation	Kanamic Network Co., LTD.	P3, inc.	World Holdings Co., Ltd.
Digital Arts Inc.	KANEMATSU CORPORATION	QB Net Holdings Co., Ltd.	WOW WORLD Inc.
Digital Garage Inc.	kaonavi, inc.	RACCOON HOLDINGS, Inc.	YELLOW HAT LTD.
Doshisha Corporation	KFC Holdings Japan, Ltd.	Raysum Co., Ltd.	YOSHINOYA HOLDINGS CO., LTD.
			ZAPPALLAS, INC.

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Contact Details

Shared Research Inc.
3-31-12 Sendagi Bunkyo-ku Tokyo, Japan
https://sharedresearch.jp
Phone: +81 (0)3 5834-8787
Email: info@sharedresearch.jp