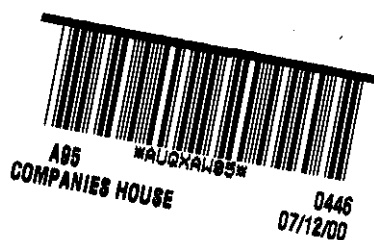


Ryohin Keikaku Europe Limited

**Annual report
for the year ended 29 January 2000**

Registered no: 2906861



Ryohin Keikaku Europe Limited

Directors' Report for the year ended 29 January 2000

The directors present their report and the audited financial statements for the year ended 29 January 2000.

Principal activities

The profit and loss account for the year is set out on page 6. The company's principal activity is the retail sale of merchandise conforming to the Mujirushi Ryohin concept.

Review of business and future developments

During this year, the company has opened five new shops and closed one shop. One of the shops, opened in central London, is the largest store outside Japan. The broadened range in this store is an excellent example of the widening market of *MUJI*. Two of the new stores are in new shopping centres – *Bluewater*, Kent and *The Oracle Centre*, Reading. In addition, the second regional store was launched in the busiest commercial street in Leeds. These new stores outside London demonstrate that *MUJI* is expanding its customer base as a nationwide retailer and building brand equity. We closed the oldest store, *West Soho*, upon expiration of the lease, and opened a new, larger store – *Carnaby Street* – on the same street to maximise market potential.

In addition to the expansion of store operations, the company upgraded information systems to meet demand for further growth. £192,730 is included within 'Administrative Expenses' (on page 6), mainly as a result of writing off old till systems in the stores.

However, even considering this loss for the system write-off, the directors regret the result for the year, mainly caused by third party logistic issues. The directors strongly believe current measures taken regarding the improvement of infrastructure will make the company robust. The economies of scale brought about by aforesaid achievements in store expansion will also contribute to make the business more profitable.

During the year, an additional 1,000,000 ordinary shares of £1 each were issued to the parent company.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The loss for the period of £874,964 (1999: £369,113 profit) will be transferred to reserves.

Ryohin Keikaku Europe Limited

Directors' Report (continued) for the year ended 29 January 2000

Directors

The names of persons who were directors of the company throughout the year are set out below:

E Douglas	
K Suzuki	
S Kawanokami	(Chairman)
M Kiuchi	(resigned 12 February 1999)
K Takahashi	(resigned 12 February 1999)
H Tanaka	(appointed 12 February 1999, resigned 21 May 1999)
H Azami	(appointed 12 February 1999)
H Oki	(appointed 21 May 1999)

None of the directors had any beneficial interest in the shares of the company during the period.

Finance

Ryohin Keikaku Europe Limited depends upon its parent company, Ryohin Keikaku Co Ltd, for financial support.

Year 2000

The company has experienced no disruption since the turn of the year arising from its own computer systems or equipment with embedded date-reliant computer chips. Similarly, this issue had no noticeable effect on our supply chain. This lack of disruption is principally due to the following issues:-

- i) a full analysis of the risks in early 1999;
- ii) the incidental benefits of installing new hardware and software during 1999, as part of the operational expansion plans outlined in the 'Review of Business and Future Developments' above.

The directors continue to monitor operations for any signs of disruption which may still occur as a result of this issue.

The costs of preparation for the Year 2000 have not been significant.

Introduction of the euro

The new systems (computer and tills) will be able to deal with transactions in the euro currency. We only have occasional purchases of stock from Europe.

Further analysis will be performed once the position of the UK regarding the euro becomes more defined.

Ryohin Keikaku Europe Limited

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 29 January 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, and hence for taking reasonable steps for safeguarding the assets of the company to prevent and detect fraud and other irregularities.

Auditors

The company has passed an elective resolution to dispense with the obligation to appoint auditors annually. The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

By order of the Board



K SUZUKI
Director

Ryohin Keikaku Europe Limited

Report of the auditors to the members of Ryohin Keikaku Europe Limited

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29 January 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

24 March 2000

Ryohin Keikaku Europe Limited

Profit and loss account for the year ended 29 January 2000

	Notes	29 January 2000	30 January 1999
		£	£
Turnover	1,2	15,161,284	10,541,627
Cost of sales		(7,699,786)	(5,169,486)
Gross Profit		7,461,498	5,372,141
Distribution costs		(881,092)	(533,038)
Administrative expenses		(7,328,547)	(4,418,770)
Other operating income		4,835	54,246
Operating (loss)/profit		(743,306)	474,579
Interest receivable and similar income	5	5,497	13,222
Interest payable and similar charges	6	(137,155)	(60,458)
(Loss)/profit on ordinary activities before taxation	7	(874,964)	427,343
Tax on (loss)/profit on ordinary activities	8	-	(58,230)
Retained (loss)/profit for the financial year	15	(874,964)	369,113

The company has no recognised gains or losses other than the losses (1999: gains) above and therefore no separate statement of total recognised gains and losses has been presented.

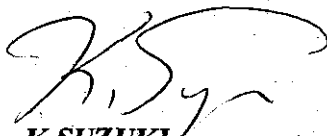
All amounts above relate to continuing operations.

Ryohin Keikaku Europe Limited

Balance Sheet at 29 January 2000

	Notes	29 January 2000 £	30 January 1999 £
Fixed assets			
Tangible assets	9	5,022,978	2,493,513
Current assets			
Stock – finished goods		3,280,999	2,126,628
Debtors	10	672,025	442,492
Cash at bank and in hand		110,723	710,131
		<u>4,063,747</u>	<u>3,279,251</u>
Creditors: amounts falling due within one year	11	(7,254,263)	(4,065,338)
Net current liabilities		<u>(3,190,516)</u>	<u>(786,087)</u>
Total assets less current liabilities		1,832,462	1,707,426
Provisions for liabilities and charges	13	(58,230)	(58,230)
Net assets		<u>1,774,232</u>	<u>1,649,196</u>
Capital and reserves			
Called up share capital	14	3,000,000	2,000,000
Profit and loss account	15	(1,225,768)	(350,804)
Equity shareholders' funds	16	<u>1,774,232</u>	<u>1,649,196</u>

The financial statements on pages 6 to 16 were approved by the board of directors on 24 March 2000 and were signed on its behalf by:


K SUZUKI
 Managing Director

Ryohin Keikaku Europe Limited

Notes to the financial statements for the year ended 29 January 2000

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The financial statements are prepared on a going concern basis. As explained in the Directors' Report the company depends upon its parent company for financial support.

Turnover

Turnover, which excludes value-added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on an actual cost basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to sterling at the rates of exchange ruling at the balance sheet date. Transactions are translated at the rate ruling at the date of transaction except transactions relating to forward foreign exchange agreements which are translated at agreed rates. Differences arising from trading transactions are taken to the profit and loss in the year in which they arise.

Cash flow

The company is a wholly owned subsidiary of Ryohin Keikaku Co Ltd and the cash flows of the company are included in the consolidated group cash flow statement of Ryohin Keikaku Co Ltd. Accordingly no separate cash flow statement has been prepared, as permitted under Financial Reporting Standard 1 (revised).

Ryohin Keikaku Europe Limited

1 Principal accounting policies (Continued)

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

Lease premiums are capitalised and amortised over the period to the first rent review or first break clause according to the lease agreement.

The principal annual rates used for these purposes are:

	%
Leasehold additions	20
Office equipment (non-computer)	20
Office equipment (computers)	33
Fixtures & fittings	20

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Pension scheme arrangements

The company operates a group personal pension plan, which is a money purchase scheme. Employer contributions are charged to the profit and loss account as incurred.

2 Analysis by geographical area

Less than 1% of the company's turnover is derived outside the United Kingdom.

3 Directors' emoluments

	2000 £	1999 £
Aggregate emoluments	78,387	75,313
Company pension contributions to money purchase schemes	4,340	4,118

Retirement benefits are accruing to 4 directors (1999: 4 directors) under the Saison Group defined benefit scheme.

Ryohin Keikaku Europe Limited

4 Employee Information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2000 Number	1999 Number
By activity:		
Selling and distribution	169	114
Administration	14	11
	<u>183</u>	<u>125</u>

	2000 £	1999 £
Staff costs (for the above persons)		
Wages and salaries	1,890,665	1,344,053
Social security costs	137,309	93,720
Other pension costs (see note 12)	27,706	21,125
	<u>2,055,680</u>	<u>1,458,898</u>

5 Interest receivable and similar income

	2000 £	1999 £
Bank interest receivable	4,697	13,222
Other income	800	-
	<u>5,497</u>	<u>13,222</u>

6 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	89,425	60,458
On loan from parent company	47,730	-
	<u>137,155</u>	<u>60,458</u>

Ryohin Keikaku Europe Limited

7 (Loss)/profit on ordinary activities before taxation

	2000 £	1999 £
The (loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation	888,302	445,825
Auditors' remuneration:		
- for services as auditors	46,765	36,876
- for other services	31,614	15,256
Operating lease rentals:		
- property	1,949,698	1,099,894

8 Tax on Profit on Ordinary Activities

	2000 £	1999 £
UK Corporation tax at 31.00%		
- Deferred	-	28,975
Under provision in respect of prior years		
- Deferred	-	29,255
	-	58,230

Ryohin Keikaku Europe Limited

9 Tangible Fixed Assets

	Leasehold Additions £	Equipment £	Fixtures and fittings £	Total £
Cost				
At 30 January 1999	1,582,971	436,222	1,015,350	3,034,543
Additions	1,080,995	726,312	1,812,214	3,619,521
Disposals	(69,174)	(333,019)	-	(402,193)
At 29 January 2000	2,594,792	829,515	2,827,564	6,251,871
Depreciation				
At 30 January 1999	285,493	158,801	96,736	541,030
Charge for year	341,875	218,114	328,313	888,302
Disposals	(16,717)	(183,722)	-	(200,439)
At 29 January 2000	610,651	193,193	425,049	1,228,893
Net book value				
At 29 January 2000	1,984,141	636,322	2,402,515	5,022,978
At 30 January 1999	1,297,478	277,421	918,614	2,493,513

10 Debtors

	2000 £	1999 £
Amounts due within one year		
Trade debtors		
- Amounts owed by third parties	148,161	118,528
- Amounts owed by fellow subsidiaries	54,150	44,930
Other debtors	10,415	929
Prepayments and accrued income	459,299	278,105
	672,025	442,492

Ryohin Keikaku Europe Limited

11 Creditors: amounts falling due within one year

	2000 £	1999 £
Overdraft	454,600	-
Trade creditors		
- Amounts owed to third parties	935,949	323,880
- Amounts owed to parent company	1,729,064	1,404,747
Other taxation and social security	52,764	423,996
Accruals and deferred income	558,146	222,959 *
Loan Accounts		
- Amounts owed to third parties	1,380,000	1,380,000
- Loan from Parent Company	1,700,000	-
Other creditors - amount owed to parent company	443,740	309,756 *
	<u>7,254,263</u>	<u>4,065,338</u>

* In the prior year, an amount of £100,344 was included within 'Accruals and deferred income' which has now been reclassified to 'Other creditors - amount owed to parent company'.

The overdraft facility with Barclays Bank plc is secured by a debenture on the bank's standard form, by way of a fixed and floating charge over the company's assets.

The loan owed to third parties is secured by guarantees issued by the parent company, Ryohin Keikaku Co Ltd.

The parent company has confirmed that it will continue to provide financial support for the foreseeable future.

12 Pension obligations

The company operates a group personal pension scheme. The scheme is a defined contribution scheme. The pension cost for the year amounted to £27,706 (1999: £21,125). Included in creditors is £4,132 (1999: £NIL) in respect of contributions to the scheme.

Ryohin Keikaku Europe Limited

13 Provisions for liabilities and charges

The movements in provisions for deferred taxation during the current and previous years are as follows:

	2000 £	1999 £
At 30 January 1999	58,230	-
Charge for year	-	58,230
At 29 January 2000	<u>58,230</u>	<u>58,230</u>

The deferred tax figures above comprise:

	2000 £	2000 £	1999 £	1999 £
	Cumulative provided	Cumulative unprovided	Cumulative provided	Cumulative unprovided
Excesses of capital allowances over depreciation	165,230	-	58,230	360
Losses	(107,000)	-	-	-
	<u>58,230</u>	<u>-</u>	<u>58,230</u>	<u>360</u>

14 Called up share capital

	2000 £	1999 £
Authorised		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>2,000,000</u>

During the year, an additional 1,000,000 ordinary shares of £1 each were issued.

Ryohin Keikaku Europe Limited

15 Profit and loss account

	2000 £	1999 £
At 30 January 1999	(350,804)	(719,917)
(Loss)/profit for the year	(874,964)	369,113
At 29 January 2000	<u>(1,225,768)</u>	<u>(350,804)</u>

16 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Opening shareholders' funds	1,649,196	1,280,083
(Loss)/profit for the year	(874,964)	369,113
Share capital issued in the year	1,000,000	-
Closing shareholders' funds	<u>1,774,232</u>	<u>1,649,196</u>

17 Financial commitments

At 29 January 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000 Land and buildings £	1999 Land and Buildings £
Expiring within one year	34,426	8,750
In two to five years	9,000	93,000
In over five years	3,029,250	1,382,250
	<u>3,072,676</u>	<u>1,484,000</u>

At 29 January 2000, the total commitment under non-cancellable operating leases was £48,360,255.

Ryohin Keikaku Europe Limited

18 Related party disclosure

As a subsidiary member of Ryohin Keikaku Co Ltd, the company has taken advantage of the exemption under FRS8 from disclosing transactions with other members of the group headed by Ryohin Keikaku Co Ltd, 90% or more of whose voting rights are controlled within the group.

19 Ultimate Parent Company

The directors regard Ryohin Keikaku Co., Ltd, a company incorporated in Japan, as the ultimate parent company. A copy of the consolidated accounts of Ryohin Keikaku Co Ltd is available from Nikko Ikebukuro Building, 4-26-3, Higashiikebukuro, Toshima-ku, Tokyo 170, Japan.

The smallest and largest group in which the results of the company are included is that headed by Ryohin Keikaku Co., Ltd.

