

Ryohin Keikaku Europe Limited

**Directors' report and financial statements
for the 52 weeks ended 28 January 2012**

Registered no: 2906861

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Ryohin Keikaku Europe Limited

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Ryohin Keikaku Europe Limited

Directors' Report for the 52 weeks ended 28 January 2012

The directors present their directors' report and financial statements for the 52 weeks ended 28 January 2012

Business review and principal activities

The company's principal activity is the retail sale of merchandise conforming to the Mujirushi Ryohin concept

The profit and loss account for the financial year is set out on page 8

The company has 10 Stores throughout the UK, 2 concessions within the Selfridges Department Stores in London and Trafford and 1 concession within the House of Fraser Department Store in Victoria

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks affecting the company are considered to relate to competition from both national and independent retailers especially in the fashion sector and the development and sourcing of new products

Key performance indicators ('KPI's')

The company has made its first profit for the financial year in four years and the directors believe this profitability will continue in 2012

Turnover has increased in the year despite difficult economic conditions and the closure of the company's Kingston store in October 2011

In November 2011 the company opened a new store in Guildford which is the first new regional store for over 10 years

A provision has been made for the closure of the company's Leeds store

Future developments

The company is actively looking to open new stores in the UK, especially in London, and will aim to increase the number of own stores it operates

Results and dividends

The Company's profit for the financial year is £33,645 (*2011 loss £655,960*) The directors do not recommend the payment of a dividend (*2011 £nil*).

Ryohin Keikaku Europe Limited

Directors' Report (*continued*) for the 52 weeks ended 28 January 2012

Financial risk factors and financial instruments

The company's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The company's operations expose it to a variety of financial risks including market price risk, credit risk and liquidity risk. Overall responsibility for the management of these risks is vested in the board of directors who monitor them on an ongoing basis.

Market price risk - the company co-ordinates the handling of foreign exchange risks by netting off naturally occurring opposite exposures wherever possible.

Credit risk - the company's client base is predominantly customer retail and the historical incidence of default is low.

Liquidity risk – the company maintains sufficient liquid assets ensuring debtors and creditors are actively monitored.

Directors and their interests

The directors who held office during the year are set out below.

H Ok1
S Matsuzaki (appointed 16 June 2011)
M Furuta (resigned 16 June 2011)
D Brice
M Dowd

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

Disabled Persons

The Company supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

Employee Involvement

The Company consults its employees on matters of concern to them in the context of their employment.

Subsequent Events

There have been no material post balance sheet events that would require disclosure in, or any adjustments to, these financial statements.

Ryohin Keikaku Europe Limited

Directors' Report (*continued*) for the 52 weeks ended 28 January 2012

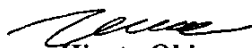
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board


Hiroto Oki
Director

8 – 12 Leeke Street
London
WC1X 9HT

29 March 2012

Ryohin Keikaku Europe Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditor's report to the members of Ryohin Keikaku Europe Limited

We have audited the financial statements of Ryohin Keikaku Europe Limited for the 52 weeks ended 28 January 2012 set out on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 January 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of Ryohin Keikaku Europe Limited *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Matt Lewis
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

29 March 2012

Ryohin Keikaku Europe Limited

Profit and loss account for 52 weeks ended 28 January 2012

	Notes	52 weeks ended 28 January 2012 £	52 weeks ended 29 January 2011 £
Turnover		20,353,914	20,200,398
Cost of sales		(9,752,657)	(9,741,417)
Gross profit		10,601,257	10,458,981
Distribution costs		(1,219,046)	(1,200,174)
Administrative expenses		(9,296,038)	(9,923,838)
Operating profit/(loss)	5	86,173	(655,031)
Interest receivable and similar income	4	7,725	12,599
Profit/(loss) on ordinary activities before taxation		93,898	(652,432)
Tax on profit/(loss) on ordinary activities	6	(60,253)	(3,528)
Profit/(loss) for the financial year	14,15	33,645	(655,960)

All amounts above relate to continuing operations

The company has no recognised gains or losses other than the profit/(loss) above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the period stated above, and their historical cost equivalents

The notes on pages 10 to 19 form part of these financial statements

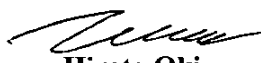
Ryohin Keikaku Europe Limited

Balance sheet at 28 January 2012

	Notes	28 January 2012 £	29 January 2011 £
Fixed assets			
Tangible assets	7	857,458	874,160
Current assets			
Stock – goods for resale		1,131,777	1,036,584
Debtors	8	3,444,472	3,757,526
Cash at bank and in hand		4,915,075	3,357,581
		<u>9,491,324</u>	<u>8,151,691</u>
Creditors: amounts falling due within one year	9	(6,082,444)	(5,499,735)
Net current assets		<u>3,408,880</u>	<u>2,651,956</u>
Total assets less current liabilities		4,266,338	3,526,116
Provisions for liabilities	12	(1,938,896)	(1,232,319)
Net assets		<u><u>2,327,442</u></u>	<u><u>2,293,797</u></u>
Capital and reserves			
Called up share capital	13	12,000,000	12,000,000
Profit and loss account	14	(9,672,558)	(9,706,203)
Shareholders' funds	15	<u><u>2,327,442</u></u>	<u><u>2,293,797</u></u>

The notes on pages 10 to 19 form part of these financial statements

The financial statements on pages 8 to 19 were approved by the board of directors on 29 March 2012 and were signed on its behalf by


Hiroto Oki
Director

Ryohin Keikaku Europe Limited

Notes *(forming part of the financial statements)*

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Muji Europe Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The directors regard Ryohin Keikaku Co Ltd as the ultimate parent undertaking. The consolidated financial statements of Ryohin Keikaku Co Ltd, within which Muji Europe Holdings Limited is included, can be obtained from the address given in note 19

The financial year reported in these accounts represents the 52 weeks ended 28 January 2012 (prior financial year 52 weeks ended 29 January 2011) where the accounts are prepared for the year ended on the Saturday nearest to 29 January

Going concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with company's current liquidity in forming their opinion on the going concern basis. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Turnover

Turnover, which excludes value-added tax and trade discounts, represents the invoiced value of goods and services supplied in retail stores. Turnover is stated net of returns

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Ryohin Keikaku Europe Limited

Notes (continued)

1 Accounting policies (continued)

Stocks

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

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is more probable than not that there will be an outflow of resources and when a reliable estimate of that obligation can be made.

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.

The periods over which these assets are depreciated are

Leasehold additions	5 years
Office equipment (non-computer)	5 years
Office equipment (computers)	3 years
Fixtures & fittings	5 to 8 years

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of fixed assets may not be recoverable.

Ryohin Keikaku Europe Limited

Notes (*continued*)

1 Accounting policies (*continued*)

Operating leases

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

2 Remuneration of directors

	2012	2011
	£	£
Aggregate emoluments	96,507	93,489
Company contributions to money purchase pension schemes	9,651	9,349

Retirement benefits are accruing to 2 directors (*2011 2*) in respect of the company's money purchase pension scheme

Ryohin Keikaku Europe Limited

Notes (continued)

3 Staff numbers and costs

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

	Number of employees	
	2012	2011
Selling and distribution	133	141
Administration	31	30
	<u>164</u>	<u>171</u>

The aggregate payroll costs of these persons were as follows

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	2,456,568	2,532,692
Social security costs	182,611	192,971
Other pension costs (see note 10)	34,180	31,678
	<u>2,673,359</u>	<u>2,757,341</u>

4 Interest receivable and similar income

	2012	2011
	£	£
Bank interest receivable	7,725	12,599
	<u>7,725</u>	<u>12,599</u>

5 Notes to the profit and loss account

	2012	2011
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets – owned assets	333,647	479,386
Onerous Lease and Store Closure provision	706,577	(1,972,422)
Hire of other assets - operating leases	<u>3,243,685</u>	<u>3,418,470</u>
<i>Auditors' remuneration</i>		
Audit of these financial statements	<u>36,350</u>	<u>36,350</u>

Ryohin Keikaku Europe Limited

Notes (continued)

6 Taxation

	2012 £	2011 £
<i>UK corporation tax</i>		
Current tax charge on income for the year	60,253	3,528
Tax charge on loss on ordinary activities	60,253	3,528

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2011 higher) than the standard rate of corporation tax in the UK 26.32% (2011 28%). The differences are explained below

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before taxation	93,898	(652,432)
Profit/(loss) on ordinary activities multiplied by the rate of corporation tax at 26.32% (2011 28%)	24,717	(182,681)
<i>Effects of</i>		
Capital allowances (in excess of)/less than depreciation	(9,048)	36,665
Utilisation of brought forward losses	(272,611)	(33,985)
Expenses not deductible for tax purposes	317,195	180,937
Other short term timing differences	-	2,592
Total current tax charge (see above)	60,253	3,528

Ryohin Keikaku Europe Limited

Notes (continued)

7 Tangible fixed assets

	Leasehold Improvements £	Equipment £	Fixtures and Fittings £	Total £
Cost				
At 31 January 2011	2,832,867	607,947	2,803,508	6,244,322
Additions	272,795	26,679	17,471	316,945
Disposals	(19,934)	(14,494)	(183,618)	(218,046)
At 28 January 2012	3,085,728	620,132	2,637,361	6,343,221
Depreciation				
At 31 January 2011	2,062,533	555,297	2,752,332	5,370,162
Charge for year	264,060	47,012	22,575	333,647
Disposals	(19,934)	(14,494)	(183,618)	(218,046)
At 28 January 2012	2,306,659	587,815	2,591,289	5,485,763
Net book value				
At 28 January 2012	779,069	32,317	46,072	857,458
At 31 January 2011	770,334	52,650	51,176	874,160

8 Debtors

	2012 £	2011 £
Trade debtors	445,715	408,610
Amounts owed by group undertakings	2,077,175	2,339,620
Taxation and social security	41,551	9,007
Other debtors and deposits	222,500	222,500
Prepayments and accrued income	657,531	777,789
	3,444,472	3,757,526

Ryohin Keikaku Europe Limited

Notes (continued)

9 Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	2,905,138	2,763,435
Amounts due to group undertakings	2,795,736	2,366,726
Taxation and social security	121,776	63,351
Accruals and deferred income	259,794	306,223
	<u>6,082,444</u>	<u>5,499,735</u>

The company's banking facility with Barclays Bank is secured by way of a fixed and floating charge over the company's assets

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment

10 Pension scheme

The company operates a group personal pension scheme operated by Scottish Equitable with assets held in a separately administered fund. The scheme is a defined contribution scheme. The pension cost for the year amounted to £34,180 (2011 £31,678). Included in creditors is £15,585 (2011 £9,257) in respect of contributions due to the scheme.

Ryohin Keikaku Europe Limited

Notes (continued)

11 Deferred Taxation

The company has the following unrecognised deferred tax asset

	2012 £	2011 £
Short-term timing differences	2,315	2,499
Difference between accumulated depreciation and capital allowances	124,234	143,454
Tax losses - trading	-	279,619
Tax losses - capital	-	51,134
Unrecognised deferred tax asset	<u>126,549</u>	<u>476,706</u>

In accordance with the guidelines set out in FRS 19 'Deferred tax' the company has not recognised the above deferred tax asset within these financial statements as the recoverability is uncertain in the foreseeable future.

The above deferred tax liability has been calculated at a rate of 25% (2011 27%) which is the future standard tax rate

12 Provisions for liabilities

	2012 £	2011 £
At beginning of year	(1,232,319)	(3,204,741)
(Charged)/credited to the profit and loss account	(706,577)	1,972,422
At end of year	<u>(1,938,896)</u>	<u>(1,232,319)</u>

The company has rental obligations under leases in respect of retail properties where the unavoidable costs associated with each lease are expected to exceed the income generated. A provision is made for the onerous element of the lease. A provision has also been made for reinstatement costs where necessary. A provision has also been made for the closure of the company's Leeds store.

13 Called up share capital

	2012 £	2011 £
Allotted, called up and fully paid		
12,000,000 (2011 12,000,000) ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>

Ryohin Keikaku Europe Limited

Notes (continued)

14 Reserves

	2012 £	2011 £
At beginning of year	(9,706,203)	(9,050,243)
Profit/(loss) for the year	33,645	(655,960)
At end of year	<u>(9,672,558)</u>	<u>(9,706,203)</u>

15 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit/(loss) for the financial year	33,645	(655,960)
Opening shareholders' funds	2,293,797	2,949,757
Closing shareholders' funds	<u>2,327,442</u>	<u>2,293,797</u>

16 Commitments under operating leases

At 28 January 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2012 £	2011 £
Operating leases which expire		
Within one year	-	218,121
In the second and fifth year inclusive	1,165,000	705,921
After five years	1,459,750	1,641,629
	<u>2,624,750</u>	<u>2,565,671</u>

Ryohin Keikaku Europe Limited

Notes (continued)

17 Guarantees

On 5 February 2007, a resolution was signed authorising the execution of a guarantee and debenture with Barclay's Bank. Under the agreement, Ryohin Keikaku Europe Limited and its parent, Muji Europe Holdings Limited (i) cross guarantee the liabilities to the Bank of each entity and (ii) each charge to the Bank all the assets and undertaking present and future of the entities as security for the liabilities. There are no bank liabilities outstanding at year end.

The following amount is guaranteed on behalf of the company by the Bank of Tokyo Mitsubishi: £400,000 to HM Customs and Excise for Import VAT and duty.

The company also has rent deposits on two of its other stores, Tottenham Court Road (£97,500) and Birmingham (£125,000), to their respective Landlords, Land Securities Properties Limited and Joseph Patrick, Peter K and Michael Cosgrave. These deposits are included in other debtors and deposits.

18 Related party transactions

The company has the following related party transactions:

Company Name	Relationship	Type of Transaction	Value of Transaction £	Year end creditor £
Mitsubishi Corporation (UK) Plc	Subsidiary of Shareholder	Purchase of Stock	2,863,659	479,144
Mitsubishi Corporation	Shareholder	Purchase of Stock	603,067	-

19 Ultimate parent undertaking

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

The smallest group in which these financial statements are included is that headed by Muji Europe Holdings Limited and largest group in which these financial statements are included is that headed by Ryohin Keikaku Co. Ltd.