MUJI Denmark ApS

c/o Illum
Østergade 52
1100 København K

CVR No. 40675523

Annual Report 2020/21

2. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 28 January 2022

Toshihiko Tanaka
Chairman

Contents

Management's Statement

Today, Management has considered and adopted the Annual Report of MUJI Denmark ApS for the financial year 1 September 2020 - 31 August 2021.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 August 2021 and of the results of the Company's operations for the financial year 1 September 2020 - 31 August 2021.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 28 January 2022

Executive Board

Toshihiko Tanaka
Man. Director

Supervisory Board

Toshihiko Tanaka Chairman	Toshiaki Kojima Member	Masato Arai Member

Independent Auditors' Report

To the shareholders of MUJI Denmark ApS

Opinion

We have audited the financial statements of MUJI Denmark ApS for the financial year 1 September 2020 - 31 August 2021, which comprise an income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 August 2021 and of the results of its operations for the financial year 1 September 2020 - 31 August 2021 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under “Auditors' responsibility for the audit of the financial statements”. As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting in preparing the financial statements unless Management either intends to either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional skepticism throughout the audit. We also:

* Identify and assess the risk of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditors' Report

* Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.

* Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.

* Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control which we identify during our audit.

Statement on Management's Review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

Our responsibility in connection with our audit of the financial statements is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Copenhagen, 28 January 2022

KPMG Statsautoriseret Revisionspartnerselskab
CVR-no. 25578198

Morten Høgh-Petersen
State Authorised Public Accountant
mne34283

Company details

Company	MUJI Denmark ApS c/o Illum Østergade 52 1100 København K
CVR No.	40675523
Date of formation	24 July 2020
Registered office	København
Supervisory Board	Toshihiko Tanaka Toshiaki Kojima Masato Arai
Executive Board	Toshihiko Tanaka, Man. Director
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 Copenhagen CVR-no.: 25578198

Management's Review

The Company's principal activities
The Company's principal activities consist in import, purchase, distribution and marketing of clothing and accessories and other related business

Development in activities and financial matters
The Company's Income Statement of the financial year 1 September 2020 - 31 August 2021 shows a result of DKK -15.041.744 and the Balance Sheet at 31 August 2021 a balance sheet total of DKK 35.558.149 and an equity of DKK -9.039.527.

Financial resources
The company has lost more than 50% of the company's capital and is thus covered by the rules on capital losses in the Companies Act.

The COVID-19 pandemic has seen unprecedented economic impacts, with the retail sector being especially hard hit.

Since 11th May 2020, our retail store has resumed its operations ensuring the store is safe for the return of its customers. As with other retailers, we are experiencing the shift in customer demand towards the direct channel from the traditional brick and mortar store.

The business had made sure the store is safe and secure for the customer to visit. However, the business appreciates that the customers still are not confident to return to work or to central cities to continue their usual shopping habits. Thus, the business is now focusing on enhancing its online shopping experience by bringing the best of MUJI digitally to the customer.

The Company notes that the supply chain has continued to operate normally during this time as all our products are imported from Asia via the Netherlands. Due to the halting of production in China for several weeks, lower stock levels may be expected for some products. However, the company notes it has sufficient stock at the warehouse in the Netherlands. Thus, the business is not expecting to have a major disruption to its inventory levels. However, any disruptions to the operations at the warehouse would disrupt the supply. The business is working closely with its logistics partners in order to minimise the potential impact the business could have on such a down time.

Mitigating steps taken by the group include speaking with landlords, suppliers and service providers to negotiate possible delay of large payments. We have also used government provided furlough assistance wherever possible.

The ultimate parent company has financed the working capital deficit so that the group could overcome this turbulent time. At the time of filing the annual report the company has received a letter of support from its parent company in the UK which, will ensure the company has sufficient liquidity for its operation until the end of the next financial year, August 2022.

The ultimate parent company is RYOHIN KEIKAKU CO. LTD, 4-26-3. HIGASHI-IKEBUKURO, TOSHIMA-KU, TOKYO 170-8424, JAPAN.

Accounting Policies

Reporting Class
The Annual Report of MUJI Denmark ApS for 2020/21 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with the adoption of individual rules from class C.

Reporting currency
The Annual Report is presented in Danish kroner.

Translation policies
Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

General Information

Basis of recognition and measurement
The financial statement have been prepared under the historical cost princip.

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Gross profit/loss
The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Gross profit is a combination of the items of revenue, cost of raw and consumables and other external expenses.

Revenue
Revenue is recognised in the income statement if the goods have been delivered and the risk has passed to the byer before year-end and if the revenue can be reliably calculated and expected to be received. Revenue is recognised exclusive og VAT and net of sales discounts.

Raw materials and consumables used
Costs for raw materials and consumables comprise the cost of goods purchased less discounts, costs subcontractors and change in inventories for the year.

Other external expenses
Other external costs include costs for distribution, sales, advertising, administration, premises. loss of debitors, operating leasing costs etc.

Amortisation and impairment of tangible assets
Amortisation and impairment of tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life	Residual value
Equipment	5-10 years	0%
Leasehold improvements	3-10 years	0%

Profit or loss resulting from the sale of tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Financial income and expenses
Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial expenses include interest expenses, realised and unrealised transactions in foreign currencies and surcharges and allowances under the tax prepayment scheme.

Tax on net profit for the year
Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Accounting Policies

Balance Sheet

Tangible assets
Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase priceand expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are seperately depreciated if the usefull lives of the individual components differ.

Deposits
Deposits are measured at cost.

Inventories
Merchandise are measured at cost comprising purchase price plus delivery costs.

Receivables
Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment of accounts receivables past due is established on individual assessment of receivables.

Accrued income, assets
Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand.

Deferred tax
Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Current tax liabilities
Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Accounting Policies

Other payables
Other payables are measured at amortised cost, which usually corresponds to the nominal value

Contingent assets and liabilities
Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

	Note	2020/21 kr.	2019/20 kr.
Gross profit		**-3.642.773**	**-2.476.262**
Employee expense	1	-8.632.634	0
Depreciation expense		-2.650.042	-161.003
Profit from ordinary operating activities		**-14.925.449**	**-2.637.265**
Other finance income		55.457	0
Other finance expenses		-171.752	-7.572
Profit from ordinary activities before tax		**-15.041.744**	**-2.644.837**
Tax expense on ordinary activities		0	581.864
Profit		**-15.041.744**	**-2.062.973**
Proposed distribution of results			
Retained earnings		-15.041.744	-2.062.973
Distribution of profit		**-15.041.744**	**-2.062.973**

Balance Sheet as of 31 August

	Note	2021 kr.	2020 kr.
Assets			
Equipment		549.410	106.806
Leasehold improvements		17.256.470	3.289.282
Leasehold improvements in progress		179.016	12.802.944
Fixed assets		**17.984.896**	**16.199.032**
Deposits, investments		91.130	33.545
Financial assets		**91.130**	**33.545**
Fixed assets		**18.076.026**	**16.232.577**
Goods for resale		4.045.817	996.990
Inventories		**4.045.817**	**996.990**
Trade receivables		732.484	523.970
Receivables from group enterprises		0	1.075.457
Current deferred tax		581.863	581.864
Other short-term receivables		1.265.719	1.577.099
Prepayments		111.263	15.773
Receivables		**2.691.329**	**3.774.163**
Cash and cash equivalents		**10.744.977**	**3.190.787**
Current assets		**17.482.123**	**7.961.940**
Assets		**35.558.149**	**24.194.517**

Balance Sheet as of 31 August

	Note	2021 kr.	2020 kr.
Liabilities and equity			
Contributed capital		51.000	50.000
Share premium		8.014.190	0
Retained earnings		-17.104.717	-2.062.973
Equity		**-9.039.527**	**-2.012.973**
Trade payables		196.959	4.710.300
Payables to group enterprises		42.518.128	21.396.467
Other payables		1.882.589	100.723
Short-term liabilities		**44.597.676**	**26.207.490**
Liabilities other than provisions within the business		**44.597.676**	**26.207.490**
Liabilities and equity		**35.558.149**	**24.194.517**
Contingent liabilities	3		
Other disclosures	4		

Statement of changes in Equity

	Contributed capital	Share premium	Retained earnings	Total
Equity 1 September 2020	50.000	0	-2.062.973	-2.012.973
Increase of capital by conversion of debt	1.000	8.014.190	0	8.015.190
Profit (loss)	0	0	-15.041.744	-15.041.744
Equity 31 August 2021	**51.000**	**8.014.190**	**-17.104.717**	**-9.039.527**

The share capital has developed as follows:

	2021	**2020**
Balance at the beginning of the year	50.000	50.000
Addition during the year	1.000	0
Balance at the end of the year	**51.000**	**50.000**

Notes

1. Employee expense

	2020/21	2019/20
Wages and salaries	7.946.788	0
Post-employement benefit expense	547.528	0
Social security contributions	138.318	0
	8.632.634	**0**
Average number of employees	27	0

2. Financial resources

The company has lost more than 50% of the company's capital and is thus covered by the rules on capital losses in the Companies Act.

The COVID-19 pandemic has seen unprecedented economic impacts, with the retail sector being especially hard hit.

Since 11th May 2020, our retail store has resumed its operations ensuring the store is safe for the return of its customers. As with other retailers, we are experiencing the shift in customer demand towards the direct channel from the traditional brick and mortar store.

The business had made sure the store is safe and secure for the customer to visit. However, the business appreciates that the customers still not confident to return to work or to central cities to continue their usual shopping habits. Thus, the business is now focusing on enhancing its online shopping experience by bringing the best of MUJI digitally to the customer.

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The ultimate parent company has financed the working capital deficit so that the group could overcome this turbulent time. At the time of filing the annual report the company has received a letter of support from its parent company in the UK which, will ensure the company has sufficient liquidity for its operation until the end of the next financial year, August 2022.

The parent company is MUJI Europe Holdings Limited, Bedford House 4th Floor, 21A John Street, London WC1N 2BF, United Kingdom.

The ultimate parent company is RYOHIN KEIKAKU CO. LTD, 4-26-3. HIGASHI-IKEBUKURO, TOSHIMA-KU, TOKYO 170-8424, JAPAN.

3. Contingent liabilities

The company has entered into a rental contract with earliest termination in October 2025, corresponding to a liability of DKK 53,328,009.

Notes

4. Special items

	2021	2020
Received compensation for fixed costs regarding COVID-19	1.215.719	182.934
Balance at the end of the year	**1.215.719**	**182.934**