INITIATION

Ryohin Keikaku (TSE: 7453)

Hold: a stronger retailer, with less upside on offer

RECOMMENDATION	SHARE PRICE	12-MONTH TARGET	CAPITAL UPSIDE	FORECAST DIV. YIELD	12-MONTH TSR
Hold	**¥5,106.00**	**¥5,468.49**	**7.10%**	**0.74%**	**7.84%**

INTENDED FOR US READERS ONLY

¥ billions unless otherwise stated

Investment view

MUJI has become a more profitable retailer, not simply a bigger one. Revenue rose 17.7% in FY2026, yet operating profit climbed 40.1%, helped by better sourcing, fewer markdowns and stronger sales from existing stores. East Asia earned a 21.0% operating margin, showing what MUJI can achieve overseas when it gets the merchandise right.

The challenge now is to sustain those improvements across a much larger network. We forecast revenue of ¥2.26 trillion by FY2036 as MUJI expands in Asia and rebuilds its Western business. But new Japanese stores risk taking sales from existing ones, while developing the Western network will require leases, inventory and distribution investment long before many stores reach maturity. Keeping East Asia's margins near current levels will be demanding too.

We initiate coverage of Ryohin Keikaku Co., Ltd. (TSE: 7453) with a Hold recommendation and a ¥5,468.49 12-month price target. At ¥5,106, the shares offer an expected total shareholder return of 7.8%. MUJI has made real progress. At this price, investors are already paying for much of what comes next.

At a glance	FY2026A	FY2036E
Revenue	923.6	2,262.7
Operating profit	103.4	308.3
Operating margin	11.2%	13.6%
Attributable net profit	76.4	208.2
Operating cash flow	99.4	366.6
Diluted EPS ¥	143.84	391.74

Source: Ryohin Keikaku FY2026 results and Evermore Research forecasts. Financial years end in August. A denotes actuals and E Evermore estimates. Forecast reported operating profit from FY2028 reflects the assumed Japanese lease-accounting change.

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Company data

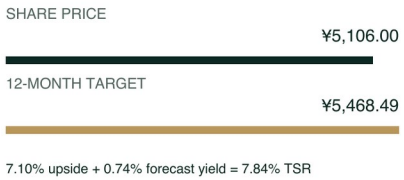
Exchange	Tokyo Stock Exchange (Prime)
Ticker	7453
Issued shares m	561.56
Shares ex treasury / trusts m	531.09
Market cap (¥tn)	2.87
Estimated free float	85.39%
52-week range (¥)	2,770–5,168

Free float: MarketScreener estimate. Market data: 5 November 2026 close. Market cap uses gross issued shares.

Company profile

The company behind MUJI, Ryohin Keikaku Co., Ltd. (TSE: 7453), operated 1,486 stores across Japan and international markets at the end of August 2026. Its assortment spans clothing, furniture, household essentials, skincare, stationery and food.

Share price versus 12-month target



¥5,468.49: target for 2 November 2027. Share price: 5 November 2026 closing.

Closing share price, 5 November 2026. Source: Evermore Research dividend-reconciled valuation dated 4 November 2026, with shareholder returns recalculated at ¥5,106. Expected dividend value of ¥38 per share comprises ¥19 anticipated in cash during the investment period and a further ¥19 of final-dividend entitlement expected to remain unpaid at the target date. Both amounts are forecasts.

1. Business Overview

A distinctive approach to everyday retail

MUJI has achieved something unusual in retail: its products are instantly recognisable without needing a prominent logo. A cotton shirt, a storage box and a packet of curry might seem to have little in common, yet each reflects the same philosophy of functional design, restrained presentation and everyday value. What began in Japan in 1980 as *mujirushi ryohin*, meaning "no-brand quality goods", has become an international retail business with a remarkably consistent identity.

The company behind MUJI, Ryohin Keikaku Co., Ltd. (TSE: 7453), operated 1,486 stores across Japan and international markets at the end of August 2026. Its assortment spans clothing, furniture, household essentials, skincare, stationery and food. On paper, these might look like unrelated product categories. Inside a MUJI store, however, they share a recognisable approach to design, quality and value. Customers familiar with the brand generally know what to expect, even when shopping for something they have never bought there before.

That consistency has commercial value. MUJI does not depend on persuading customers to embrace a new fashion trend or make an occasional large purchase. It can serve several everyday needs, giving shoppers reasons to return and introducing them to products they might not otherwise have considered.

An assortment designed for repeat business

Not everything in MUJI's range is bought at the same pace. Furniture and bedding are occasional purchases, clothing follows more regular replacement and seasonal patterns, while food, skincare and household consumables can bring customers back far more frequently.

Someone might first visit MUJI for a storage solution and subsequently return for clothing, stationery or groceries. Each visit gives the retailer another opportunity to earn the customer's spending without having to establish a new relationship or open another store.

Household goods represented 47.0% of FY2026 revenue, making them the company's largest product category. Apparel contributed 36.6%, followed by food at 13.4%. Other activities, including housing and food services, accounted for the balance.

FY2026 revenue by product category

Product category	Revenue	Share
Household goods	¥433.6bn	47.0%
Apparel	¥338.3bn	36.6%
Food	¥123.5bn	13.4%
Other	¥28.0bn	3.0%
Total	**¥923.6bn**	**100.0%**

Source: Ryohin Keikaku FY2026 results. Figures may not sum precisely due to rounding.

An extensive assortment is only an advantage if MUJI can manage it well. Furniture and household goods occupy considerable floor space, clothing requires careful seasonal buying, and food calls for different approaches to purchasing and stock management. Bringing these categories together creates opportunities to sell more, but it also gives management more ways to get its inventory decisions wrong.

We would rather see MUJI deepen its position in established categories than broaden the range simply because the brand can accommodate more products. The company is at its strongest when customers recognise the same practical philosophy across its shelves, not when it tries to compete in every corner of retail.

Control over the product and customer experience

MUJI's influence over its merchandise begins long before products reach the shelves. Ryohin Keikaku operates as a manufacturing retailer, controlling product planning, development, sourcing specifications and merchandising while working with external manufacturing partners.

Its emphasis on material selection, simpler production processes and minimal packaging is more than a design preference. These decisions also influence manufacturing costs, purchasing efficiency and the prices customers ultimately pay.

That control has become increasingly valuable. Better sourcing, inventory planning and fewer markdowns helped lift gross margin by 1.4 percentage points to 52.8% in FY2026. Group revenue increased 17.7% to ¥923.6 billion, while operating profit climbed 40.1% to ¥103.4 billion. Operating margin reached 11.2%, up from 9.4% in FY2025.

MUJI is making more profit from the merchandise it sells, not simply selling more of it. That improvement gives us greater confidence in the business than store openings alone would, because stronger buying and merchandising can benefit hundreds of existing locations without requiring another lease or store fit-out.

Physical stores remain MUJI's principal sales channel, supported by e-commerce. But those stores are not interchangeable, and choosing the right format is an important part of making the business profitable.

Larger suburban outlets can carry a broader assortment and serve customers making more substantial household purchases. Smaller urban stores provide access to busy shopping areas where space is expensive, while flagships introduce the brand and its wider product range to customers in newer markets.

Each format comes with its own compromises. Larger stores require more inventory and enough sales to justify the additional space. Compact city locations may attract considerable foot traffic, but their occupancy costs can be demanding. A flagship can make an excellent impression without necessarily producing an attractive return on the capital invested.

Getting that balance right will become increasingly important as MUJI expands. A well-designed store is one thing. A store that earns its keep is another.

A Japanese foundation with an increasingly international business

MUJI now operates across markets at markedly different stages of development. Japan has an extensive store network and established customer relationships. East Asia has become a substantial and highly profitable international business. Elsewhere, MUJI is still building the scale, distribution capabilities and regular customer demand needed to support a larger operation.

Japan remains the foundation. Its 723 stores generated ¥511.0 billion of revenue in FY2026, representing 55.3% of group sales. Operating profit reached ¥63.4 billion, equivalent to a 12.4% margin.

The domestic business benefits from a familiar brand, established distribution infrastructure and considerable purchasing scale. There are still opportunities to open stores and develop new products, but further expansion is taking place in a market where MUJI is already widely represented. Generating more sales from existing locations, while protecting their profitability, is increasingly important.

East Asia offers a striking contrast. The region generated almost as much operating profit as Japan from considerably less revenue. FY2026 sales reached ¥293.8 billion, while operating profit was ¥61.7 billion, giving the division a 21.0% margin.

Mainland China is the region's largest market, with 433 stores, alongside established operations in Taiwan, South Korea and Hong Kong. Stronger local merchandising and product development have helped MUJI build a profitable overseas business without abandoning the characteristics that make the brand recognisable. The 21.0% margin belongs to the wider East Asian division, rather than mainland China alone.

Beyond Japan and East Asia, MUJI is operating on a smaller scale.

Southeast Asia, Oceania and the Middle East generated ¥66.5 billion of revenue in FY2026, with stores across markets including Thailand, Malaysia, Vietnam, the Philippines and Australia. These countries offer room for expansion, although their different shopping habits, consumer preferences and operating costs mean the company cannot simply reproduce its Japanese store network unchanged.

Europe and North America remain less established. Together, they contributed ¥52.3 billion, or just 5.7% of group revenue. MUJI has built recognition in several major Western cities, but its history of restructuring and store closures shows how difficult it can be to turn an appealing retail concept into a consistently profitable operation.

FY2026 geographic revenue profile

Region	Revenue	Share of group
Japan	¥511.0bn	55.3%
East Asia	¥293.8bn	31.8%
Southeast Asia, Oceania and Middle East	¥66.5bn	7.2%
Europe and North America	¥52.3bn	5.7%
Total	**¥923.6bn**	**100.0%**

Source: Ryohin Keikaku FY2026 results. Figures may not sum precisely due to rounding.

These differences are central to MUJI's growth prospects. Japan provides the largest revenue base, while East Asia shows how profitable the brand can become when it establishes a substantial overseas presence. The smaller international markets have considerable room to develop, but far less history of delivering comparable financial results.

Ryohin Keikaku does not need to reinvent MUJI to pursue that growth. Its product philosophy, sourcing capabilities and brand are already established. The harder task is adapting them to local customers while making sure the additional stores justify their costs.

Opening more stores will undoubtedly make MUJI a larger retailer. Whether it makes MUJI a more valuable business will depend on the sales, profits and cash those stores generate after the cost of establishing and operating them.

2. Industry and Competitive Positioning

A distinctive brand in highly competitive markets

At first glance, MUJI appears to have created its own corner of retail. The products, store design and understated branding are unmistakable. Its competitors, however, have no obligation to play by MUJI's rules. A shopper can buy furnishings at Nitori, clothing at UNIQLO and most smaller household purchases online. In many cases, a cheaper alternative is readily available.

MUJI competes across several crowded categories without dominating any one of them. Its products are generally straightforward to imitate, customers face few switching costs, and even an admired brand can lose sales when its pricing or merchandise falls short of expectations. A competitor does not need to recreate the entire MUJI experience to take a sale. It only needs to offer a better alternative to the product a customer wants.

MUJI's strength lies in bringing those products together. Its consistent design philosophy, sourcing capabilities and recognisable shopping experience give customers something they cannot obtain simply by buying a similar storage box or cotton shirt elsewhere. The wider proposition is harder to reproduce than its individual products, although it offers no guarantee that customers will choose MUJI every time.

Strong competitors with different strengths

The competition is formidable, and several of MUJI's rivals have advantages it would struggle to match.

In Japan, Nitori is a major competitor in furniture, bedding, storage and household accessories. Its specialist assortment, substantial purchasing scale and integrated supply chain allow it to compete aggressively on price. IKEA presents a similar challenge internationally, combining global procurement, product development and an extensive distribution network with strong consumer recognition.

Neither retailer offers MUJI's broader lifestyle proposition, but a customer buying a sofa or storage cabinet may care more about price, quality and functionality than the philosophy behind the wider assortment. MUJI cannot assume that its brand will compensate for a meaningful disadvantage in any of those areas.

UNIQLO poses a different challenge. Both retailers offer understated, practical clothing, but UNIQLO has built a far more specialised apparel operation. Its investment in fabric technology, product development and global sourcing is supported by an extensive international store network. MUJI competes credibly in everyday basics, yet clothing is only one part of its business. It cannot devote the same resources to apparel without taking them away from its other categories.

At the lower-priced end of lifestyle retail, MINISO competes in accessories, gifts and inexpensive household products. Its formula is quite different: rapid product refreshment, licensed characters, accessible prices and a large, predominantly partner-operated network. MUJI places greater emphasis on consistency and products designed to remain relevant over time. Both, however, compete for purchases that customers can easily make elsewhere.

Online marketplaces and discount retailers add another layer of pressure. They give shoppers immediate access to alternatives across almost MUJI's entire assortment, often with transparent pricing and little inconvenience in switching suppliers.

Selected competitive positioning

Retailer	Principal overlap with MUJI	Main competitive pressure
Nitori	Furniture, bedding, storage and household goods	Specialist assortment, purchasing scale and value pricing
IKEA	Home furnishings and household accessories	Global sourcing, product development and distribution
UNIQLO	Everyday apparel and basics	Apparel expertise, fabric innovation and international scale
MINISO	Low-ticket lifestyle products and accessories	Low prices, frequent product refresh and extensive distribution
Online marketplaces and discount chains	Multiple product categories	Convenience, price transparency and low switching costs

Source: Competitor company disclosures and Evermore Research analysis.

The scale of these businesses is impressive, although headline store counts tell only part of the story. UNIQLO operated 2,499 stores worldwide at the end of August 2026, while MINISO reported 8,309 branded stores at the end of June 2026. Their ownership structures, formats and merchandise differ substantially from MUJI's, making direct comparisons of network size misleading.

What counts is how effectively each retailer turns customer demand into profit after paying for its merchandise, staff, property and distribution. MUJI does not need to beat Nitori at furniture or UNIQLO at clothing to succeed. It needs to give enough customers a reason to shop across its assortment while retaining a healthy profit on what they buy.

Where MUJI's differentiation has commercial value

Minimalist design is easy to admire and relatively easy to imitate. There are plenty of retailers capable of producing attractive, functional products without adopting MUJI's broader philosophy.

The harder part is achieving the consistency MUJI has established over decades. Its products, presentation and stores reinforce one another, giving customers a reasonably clear idea of what to expect even when considering an unfamiliar category. A shopper who trusts MUJI's household goods may be more willing to try its clothing, skincare or food.

That familiarity gives MUJI an advantage when introducing products and encouraging customers to explore the wider assortment. It can also help preserve full-price sales when shoppers value the overall experience rather than choosing every item solely on price.

But customers are not buying luxury goods, and MUJI cannot charge whatever it likes. Its merchandise still needs to represent reasonable value, perform as expected and suit local preferences. A beautiful store will not persuade customers to keep buying products that disappoint them.

Nor should management mistake the flexibility of the brand for permission to sell almost anything. MUJI's identity is strongest when its products belong together. Expanding into unrelated categories might bring in additional sales, but it could also weaken the consistency that makes the retailer distinctive. We would rather see the company deepen its position in everyday products than chase short-lived trends.

Turning brand strength into operating profits

Brand recognition attracts attention. Merchandise margins tell us more about whether MUJI is making money from it.

The company's recent performance is encouraging on that front. Better sourcing, inventory planning and merchandise selection helped reduce product costs and markdowns in FY2026. Group gross margin improved by 1.4 percentage points to 52.8%, allowing MUJI to retain more profit from each yen of sales.

East Asia offers further evidence that better execution can strengthen the business. Comparable store and e-commerce sales increased 15.6% in FY2026, including 16.3% growth in mainland China. Management has pointed to locally developed products, more relevant assortments and targeted store renovations as contributors.

MUJI is generating more demand from stores that are already open. That is an important achievement for a retailer with ambitious expansion plans. Better products and merchandising can improve sales and profitability without requiring another lease, fit-out or entirely new customer base.

East Asia's 21.0% operating margin is impressive, but it would be a mistake to credit the result entirely to brand strength. The region benefits from an established network, mature stores, sourcing arrangements and a merchandise mix suited to its markets. The figure is also a margin for the wider East Asian division, not a separately disclosed result for mainland China.

MUJI is becoming more capable at product development and merchandising. That does not mean it enjoys a permanent cost advantage over Nitori, IKEA or UNIQLO, all of which possess considerable purchasing and supply-chain capabilities of their own.

Its advantage has to be earned repeatedly through products customers want, sensible prices, good inventory decisions and efficient stores. Recent results suggest management is doing those things well. Maintaining that performance as the network grows will be the harder test.

The competitive challenge changes across markets

MUJI takes the same brand into very different retail markets, and the competition changes considerably from one country to the next.

In Japan, its established network and high brand recognition give it a strong starting position. But it operates in a mature market alongside well-resourced specialists, and further expansion introduces the risk of MUJI stores competing with one another. A new location that draws customers away from an existing branch does little to strengthen the group's competitive position, even if it reports respectable sales of its own.

Mainland China presents a different challenge. MUJI has achieved substantial scale and shown that locally developed products can generate strong demand. Yet Chinese shoppers have plenty of alternatives, from domestic lifestyle chains to international retailers and sophisticated e-commerce platforms.

Management's recent success with local merchandising is encouraging because it shows MUJI can adapt rather than simply export its Japanese assortment. That approach will need to continue. Competition will not stand still while MUJI expands, and the company cannot assume that products which sold well last year will remain equally appealing.

Europe and North America are less established markets for MUJI. The brand is recognised in selected major cities, but recognition is a long way from becoming part of customers' regular shopping habits.

A flagship store can attract attention and introduce shoppers to MUJI's range. Persuading those customers to return for everyday purchases is a more demanding task, especially when rent, staffing and local distribution are expensive. The company must compete not only for an initial visit, but for a lasting place in consumers' spending habits.

We regard MUJI as a differentiated retailer with genuine competitive strengths, rather than a business protected by an exceptionally deep economic moat. Its individual products face vigorous competition, but the combination of brand consistency, merchandising capabilities and customer familiarity is harder to replicate.

The company's strongest claim is not that it can charge more for ordinary products. It is that it can give customers enough reasons to keep buying them, while retaining an attractive share of the sales as profit. Recent results support that proposition in its established Asian markets. Whether MUJI can reproduce those economics across a much larger international network is the competitive question that will shape its next phase of growth.

3. Growth Strategy and International Expansion

A larger network, but not growth at any cost

MUJI has ambitious plans for the next decade, and the headline numbers are impressive. Hundreds of new stores, a much larger international business and the prospect of more than doubling revenue by FY2036. But those ambitions raise an important question: where will that growth come from, and will the economics justify the investment?

Ryohin Keikaku has two ways to grow. It can bring MUJI to more cities and neighbourhoods by opening stores, while also generating more sales from the locations it already operates. Better merchandising, locally developed products and a broader everyday assortment all offer ways to increase spending without adding another property to the network.

The second opportunity is every bit as important as the first. Opening a store requires capital, inventory and a long-term commitment to property. Improving sales at an established location can deliver additional earnings without repeating those costs. The strongest outcome would combine a growing network with better productivity across the existing estate.

Management is targeting approximately 1,850 MUJI stores by August 2029, up from 1,486 in FY2026. Revenue is expected to reach around ¥1.3 trillion, with operating profit exceeding ¥150 billion. Overseas markets should also contribute more than half of group revenue, a substantial change for a retailer that still generated approximately 55% of its sales in Japan in FY2026.

The plan calls for roughly 120 net store openings annually, including around 45 in Japan and 75 overseas. Mainland China should account for approximately 30 of the international additions each year. Management also assumes average annual comparable store and e-commerce sales growth of 2% in Japan and 5% internationally. MUJI must therefore keep existing customers returning while finding enough attractive locations to expand.

Its recent expansion record has been respectable, although not flawless. MUJI finished FY2024 with 1,305 stores, slightly ahead of its earlier 1,300-store ambition. The network subsequently reached 1,412 in FY2025 against 1,433 planned, followed by 1,486 in FY2026 against a target of 1,508.

These were modest shortfalls rather than serious setbacks. Securing attractive sites, completing fit-outs and obtaining local approvals rarely happens precisely to schedule, and we have allowed for similar delays in our forecasts.

Store network and revenue: management versus Evermore

Period	MUJI stores	Revenue	Basis
FY2026	1,486	¥923.6bn	Reported
FY2027	1,584	¥1,014.0bn	Management plan
FY2027	1,584	¥1,016.8bn	Evermore forecast
FY2029	~1,850	~¥1,300bn	Management target
FY2029	1,834	¥1,257.7bn	Evermore forecast
FY2036	2,655	¥2,262.7bn	Evermore forecast

Source: Ryohin Keikaku management plans and Evermore Research forecasts. MUJI stores only, excluding separate Café&Meal MUJI and IDÉE formats. Management targets are rounded.

We forecast 1,834 stores by FY2029, just 16 below management's ambition, with revenue approximately ¥42 billion lower. Our comparable operating-profit forecast of ¥147.6 billion is also below management's ¥156 billion objective. The reported forecast is ¥151.1 billion, but the difference reflects an assumed Japanese lease-accounting change rather than additional cash earnings.

Beyond FY2029, we expect another 821 stores through FY2036, averaging approximately 117 net additions annually. That would maintain roughly the pace management is targeting rather than require an unprecedented acceleration.

Maintaining it for another seven years is still a considerable undertaking. MUJI will need suitable properties, reliable distribution, more inventory and local teams capable of supporting a much larger international business. The challenge will also look quite different from one market to the next.

Japan: finding room to grow in an established market

Japan remains MUJI's most familiar market, which is both its greatest advantage and an increasingly difficult challenge.

The company understands domestic customers, has established distribution infrastructure and can open new stores without first explaining the brand. Yet much of the obvious territory has already been covered. MUJI is looking for further growth in a country where it already operates hundreds of stores and the population is declining.

The Japanese network reached 723 locations in FY2026 following 40 net openings. Management expects 760 by FY2027 and envisages approximately 45 annual additions over its medium-term plan. We forecast around 855 stores in FY2029 and 1,138 by FY2036.

There is room for more stores, but we would not expect the next 400 to perform like the first 700.

Larger suburban formats can bring MUJI's household, clothing and food ranges to communities previously served by smaller city-centre locations. Their broader assortments encourage more substantial purchases, but they also require greater inventory and enough sales to justify the additional space. Smaller urban stores offer access to busy locations, although a narrower range and potentially expensive occupancy costs can leave little room for disappointing sales.

Then there is cannibalisation. A new MUJI store might generate respectable revenue while drawing a substantial proportion of its customers from an existing branch nearby. The company would have taken on another lease, funded another fit-out and purchased more inventory without gaining anything like the same amount of additional business.

That risk becomes harder to ignore as the domestic network grows. We expect later openings to take longer to mature and generate lower sales productivity than the established estate. Japan's declining population adds to the challenge.

Our Japanese store-economics analysis shows how quickly returns can deteriorate. With weaker sales productivity, slower maturation and greater cannibalisation, some later openings fall below attractive investment returns even while continuing to generate positive operating cash flow.

There is no evidence that MUJI's recent Japanese openings are experiencing widespread difficulties. Trading remains healthy, and the company continues to identify opportunities for expansion. But as the network moves beyond 1,000 locations, management will need to become more selective.

We would be considerably more concerned about MUJI accepting poor locations than missing its annual opening target. Knowing when not to open a store may become one of its more valuable skills.

China: expanding from a stronger operating platform

MUJI has spent years building its presence in mainland China. With 433 stores at August 2026, it already has substantial scale and brand recognition. What has changed more recently is how effectively the company is responding to Chinese customers.

Mainland Chinese comparable store and e-commerce sales increased 16.3% in FY2026, helped by locally developed products, better merchandise selection and targeted renovations. That is an exceptional result for an established retail network, and it has given management greater confidence in the market.

MUJI now plans to accelerate openings to approximately 30 net additions annually, compared with just 11 in FY2026.

The recent sales improvement gives that ambition a stronger foundation. Rather than assuming Japanese products will appeal unchanged to Chinese consumers, MUJI is developing assortments that reflect local preferences. Better merchandise can generate more sales from established stores while helping new locations attract customers sooner.

There is considerable potential in combining an expanding network with stronger existing-store performance. Another year of 16% comparable-sales growth would be a demanding expectation, however. Management's medium-term planning assumption is closer to 5%, and Chinese consumers have plenty of competing retailers to choose from.

More stores will bring familiar challenges. Openings in established cities could draw sales from neighbouring MUJI locations, while expansion into less familiar areas may produce lower initial productivity. A network that grows faster than customer demand could quickly undermine the benefits of stronger merchandising.

We would favour a measured rollout that protects merchandise margins and gives new stores time to establish themselves. Additional openings are welcome, but not if they leave the company carrying excessive inventory or relying on discounting to attract customers.

Taiwan, South Korea and Hong Kong also form part of MUJI's established East Asian business. These markets offer opportunities for selective openings and better merchandising, although recent periods of unusually strong trading should not be treated as permanent growth rates.

East Asia earned a 21.0% operating margin in FY2026, making it MUJI's most profitable region. The strength of that business gives management an excellent platform for further expansion. Preserving those economics as the network grows will be a more demanding achievement than simply adding stores.

Southeast Asia: turning successful flagships into a broader network

MUJI has established a recognisable presence across parts of Southeast Asia, but its networks remain small compared with Japan and China. Many consumers know the brand, yet relatively few have a MUJI store close enough to make it part of their regular shopping.

The wider Southeast Asia, Oceania and Middle East reporting region generated ¥66.5 billion of revenue in FY2026, an increase of 32.8%. Comparable store and e-commerce sales rose 8.7%, while the network reached 135 stores.

Markets including Thailand, Malaysia, Vietnam and the Philippines have supported that growth, with prominent flagships introducing customers to MUJI's extensive assortment.

A successful flagship can make a strong first impression. Customers encounter the full range, from furniture and clothing to food and household essentials, while management learns which products work locally. But a flagship in Bangkok or Ho Chi Minh City tells us relatively little about how a smaller store might perform in a less prominent shopping district.

That is the next challenge for the region. Smaller stores may be cheaper to open, but they cannot carry the entire assortment. Their customers may shop differently, and sales volumes may not support the same operating costs. Management will need to choose formats and product ranges that suit individual locations rather than reproduce the flagship formula on a smaller scale.

Distribution becomes more demanding as well. Supplying a handful of prominent stores is different from supporting a network spread across several cities and countries. Larger volumes should eventually justify stronger local sourcing and distribution infrastructure, but the investment will come before the full benefit.

We see considerable room for Southeast Asia to become a more meaningful contributor to earnings. Recent trading suggests the brand is gaining traction, and the relatively small store network leaves substantial territory to develop.

The financial benefits will take time, however. We expect these markets to grow into their networks rather than immediately match the profitability of MUJI's more established East Asian operations. India and the Middle East offer further longer-term opportunities, although neither needs to deliver substantial near-term earnings for our forecasts to be achieved.

Europe and North America: the opportunity is real, but so are the costs

Europe and North America may be MUJI's most intriguing expansion markets. The brand has an established following in selected major cities, yet its physical presence remains remarkably small relative to the size of the markets it serves.

At August 2026, MUJI operated just 30 stores in Europe and 19 in North America, following earlier closures and restructuring. There is plenty of room to rebuild, but the company's history is a reminder that attracting customers to an appealing store is not the same as operating a profitable retail network.

The Western business generated ¥52.3 billion of revenue and approximately ¥8.1 billion of operating profit in FY2026, giving it a reported margin of 15.5%. That is encouraging, but not a reliable guide to what the next wave of openings will earn. The network has been reshaped by earlier restructuring, while FY2026 profitability also benefited from US tariff refunds.

Management is reconsidering how MUJI should operate in these markets. Plans include a Paris flagship on Rue de Rivoli, with approximately 1,980 square metres of selling space, renewed openings in North America and greater emphasis on products developed for local customers.

The merchandising approach is promising. MUJI's experience in China shows that adapting products to local preferences can strengthen demand without abandoning the brand's identity. European and North American consumers have different housing needs, clothing preferences, shopping habits and expectations of value. The Japanese assortment provides a starting point, but it should not determine every product on the shelves.

Getting the merchandise right will only solve part of the problem.

Retail property in major Western cities can be expensive, staffing costs are substantial, and a relatively sparse store network makes efficient distribution difficult. Flagship stores can attract attention and establish a brand's credibility, but prominent locations are not inexpensive advertisements. They have to earn their keep.

The more revealing test will come beyond those flagship locations. MUJI needs ordinary stores, without the attention or foot traffic of a celebrated opening, to attract repeat customers and earn enough to cover rent, staffing, inventory and fit-out costs.

Its earlier Western experience deserves attention here. The company has demonstrated that its retail proposition can appeal to customers in these markets. What it has yet to establish is whether that appeal can support a much larger, consistently profitable network.

Management's willingness to reconsider store formats and merchandise is encouraging. After the difficulties of earlier expansion attempts, adapting its approach is essential.

We expect the renewed rollout to require considerable upfront investment, with stores taking time to develop a regular customer base. Our forecasts do not depend on Europe and North America reaching East Asia's exceptional margins.

There may eventually be a case for accelerating Western expansion. First, however, MUJI needs evidence that the initial wave of openings can deliver attractive returns. Proving the economics of a smaller network would be a greater achievement than opening dozens of stores before their profitability is established.

The discipline behind the expansion

MUJI has earned the right to pursue an ambitious expansion. Its product philosophy is established, the brand is recognised internationally, and recent results demonstrate that better merchandising can lift sales and margins without relying entirely on new stores.

The opportunities are far from equal. Japan offers an established business but increasingly difficult location decisions. China combines substantial scale with encouraging improvements in local merchandising. Southeast Asia has room to develop, while Europe and North America still need to establish that renewed expansion can produce dependable returns.

We expect MUJI to reach 2,655 stores by FY2036. That is achievable without moving far beyond management's planned annual opening pace, but it still requires nearly a decade of disciplined decisions about property, capital expenditure, merchandise and distribution.

The temptation will be to judge progress by the number of stores opened. We think the better test is what those stores earn.

A new location adds revenue as soon as it starts trading. Whether it creates shareholder value is another question entirely, and one that can take years to answer. MUJI has shown it knows how to build an appealing retail business. The next decade will test how well it can allocate capital to make that business larger.

Research basis: Ryohin Keikaku FY2026 results, regional trading disclosures and FY2027–FY2029 management plans; Evermore Research FY2036 operating model and regional store-economics analysis. Forecasts and scenario assessments are Evermore estimates rather than company guidance.

4. Store Economics and Operating Performance

What makes a MUJI store profitable?

MUJI's stores are designed to make shopping feel uncomplicated. Their economics are anything but. A large suburban outlet might generate considerably more revenue than a compact city-centre location yet deliver a lower return on investment. A flagship can attract enormous attention to the brand while taking years to recover its opening costs. Counting each as one additional store tells us remarkably little about its financial contribution.

Finding an attractive location is only the beginning. Each store needs enough customers to support its selling space, merchandise, staffing and rental commitments, while generating sufficient cash to recover the original investment and eventually pay for refurbishment.

Those economics vary considerably between formats and markets. Japan offers a long operating history and an established retail infrastructure. Mainland China has developed into a substantial international business, while MUJI's newer overseas markets face different rental costs, purchasing habits and distribution requirements. A store that works well in one location may be a poor investment in another.

What a new Japanese store might earn

MUJI's Japanese network provides a substantial record of store development, although the locations themselves vary considerably in size.

During its May 2026 briefing, management disclosed an average existing-store selling area of approximately 1,220 square metres. Among 63 Japanese openings for which selling-area figures were available, the median was approximately 1,481 square metres. The sample includes different formats and potentially relocations, but gives us a reasonable indication of the space required for new locations.

For stores opening in FY2029, we assume a weighted-average selling area of approximately 1,370 square metres, reflecting a mix of standard, compact and smaller formats. At mature sales productivity of around ¥534,000 per square metre, each store would generate approximately ¥732 million in annual revenue.

Illustrative economics of a new Japanese MUJI store

Measure	Evermore base case
Weighted-average selling area	~1,370 m²
Mature annual gross sales	~¥732m
Mature sales per selling m²	~¥534,000
Initial fit-out and enabling expenditure	~¥151m
Initial working capital and deposits	~¥96m
Year-four lease-adjusted return on invested capital	~13.6%
Undiscounted cash payback	~6.6 years

Source: Evermore Research FY2029 Japanese opening-cohort analysis. These are illustrative estimates for the blended new-store cohort, not actual store-level results disclosed by Ryohin Keikaku or the average performance of its existing Japanese stores. Returns include cash rent and allocated replacement investment.

Getting to that level of sales takes time. Rent and staffing costs begin before the store reaches maturity, inventory must be purchased, and fixtures and equipment will eventually need replacing.

The upfront commitment is also larger than the fit-out cost suggests. We estimate approximately ¥151 million for construction, fixtures and associated expenditure, alongside another ¥96 million tied up in inventory, deposits and working capital.

On these assumptions, a new store earns a lease-adjusted return on invested capital of approximately 13.6% by its fourth year, with undiscounted cash payback taking around 6.6 years.

That is an attractive enough return to support further investment in Japan, but hardly one that leaves management free to make expensive mistakes. A slower build-up in sales or a more costly lease can quickly undermine the economics. And while six to seven years may be a reasonable cash-payback period for a long-lived retail asset, the undiscounted measure does not capture the full cost of capital over that period.

Japan's expanding network leaves less room for error

MUJI's continued domestic expansion faces a complication that becomes harder to ignore with every new opening: Japan already has a great many MUJI stores.

The company operated 723 Japanese locations at August 2026, and we expect approximately 1,138 by FY2036. That is a substantial increase in a country with a declining population and an already extensive retail network.

There will still be attractive opportunities. Larger suburban locations can serve communities without convenient access to MUJI's full assortment, while smaller urban stores can reach customers who might not visit an existing branch.

But an opening in an underserved neighbourhood is a different investment from adding another store where MUJI is already well represented.

A new location might report perfectly respectable sales while drawing customers away from a nearby MUJI. The company has then paid for another lease, fit-out and inventory commitment without gaining nearly as much additional revenue as the new store's results suggest.

The damage to returns can be substantial even when the sales disappointment appears modest.

Our saturation analysis examines later Japanese openings achieving 5% to 10% lower sales productivity, taking longer to mature and drawing spending away from neighbouring MUJI stores.

Japanese store economics under saturation stress

Measure	Base case	Dense-network stress
Year-four lease-adjusted ROIC	~13.6%	~8.2%
Undiscounted cash payback	~6.6 years	~11.5 years

Source: Evermore Research Japanese saturation analysis. The downside combines lower productivity, slower maturation and customer cannibalisation. These are illustrative scenarios, not evidence of declining realised store returns, and are not formal sensitivities to the published group valuation.

Under those conditions, the estimated year-four return falls to 8.2%, while cash payback stretches to approximately eleven and a half years. A relatively modest shortfall in sales is enough to turn a worthwhile investment into a much less appealing one.

The fixed costs explain much of the damage. Rent, fit-out expenditure and a substantial portion of staffing costs do not decline in proportion to weaker revenue. Once a lease has been signed and a store fitted out, those commitments are difficult to undo.

Recent Japanese trading remains healthy, and there is no public evidence of widespread deterioration in new-store returns. The concern lies further into the expansion, when finding genuinely new customers becomes progressively harder.

A smaller format, a relocation or no additional store at all may produce a better outcome than another full-sized branch. The company will have to judge opportunities increasingly on their contribution to the wider network, not merely whether an individual store can make money.

Rent can make or break an otherwise promising store

A store can attract plenty of customers and still prove a disappointing investment if the rent is wrong.

Suburban locations may enjoy relatively low occupancy costs but need substantial sales volumes to support their larger floor areas. Compact urban stores can generate more revenue per square metre while paying considerably higher rents. In major international cities, prominent retail locations can be expensive enough to consume much of the profit from otherwise successful trading.

Ryohin Keikaku reported approximately ¥56.9 billion of selling and administrative rent expense in FY2025, equivalent to 7.25% of group revenue. That gives an indication of the cost across the established business, but individual leases can differ considerably.

A Paris flagship and a suburban Japanese store may face very different arrangements, including fixed rent, service charges, turnover-linked payments and landlord contributions to fit-out.

Whatever the arrangement, the commitment is generally made before management knows how successful the location will become. Strong sales may justify an expensive lease. If customer demand falls short, the landlord still expects to be paid.

MUJI's recognised lease liabilities were approximately ¥65.0 billion at FY2026, although that accounting balance does not capture the full economic burden of future occupancy costs.

Changes in lease accounting may alter where expenses appear in the financial statements, but they do not change what MUJI pays its landlords. We therefore assess store profitability after cash rent, rather than treating rental commitments as an accounting detail.

A prestigious address may be worth paying for if the store can sustain sufficient sales and profitability. Brand recognition and an attractive interior will not compensate indefinitely for a lease that costs more than the location can earn.

More sales from the space MUJI already occupies

MUJI does not have to take on another lease to generate additional revenue.

Across much of Japan and East Asia, it already has the stores, customer relationships and operating infrastructure in place. More relevant merchandise, better product availability and fewer unnecessary markdowns can increase sales from locations where a substantial portion of the costs has already been committed.

Recent trading demonstrates the opportunity. Japanese comparable store and e-commerce sales increased 2.4% in FY2026, while mainland China delivered growth of 16.3%.

China provides the clearest example. Locally developed products, improved assortments and targeted renovations have helped MUJI attract more spending from its established customer base. The company is getting more out of stores it already operates, rather than relying entirely on new openings.

There is a powerful economic advantage in doing so. Once rent, staffing and the original fit-out have been committed, additional full-price sales can contribute disproportionately to profit. Better inventory turnover and fewer markdowns can strengthen that benefit further.

Another year of 16.3% comparable growth in China would be difficult to sustain, but the gains from better merchandising need not disappear when sales growth moderates. A more relevant assortment and improved stock availability can continue helping the business earn more from its existing space.

Improvements are not free, of course. Renovations require capital, broader product ranges can absorb additional inventory, and refurbishment work can disrupt trading without delivering the expected increase in sales.

Even allowing for those costs, improving existing-store productivity offers an attractive complement to MUJI's expansion programme. It can strengthen earnings and cash generation without requiring the company to repeat the full investment involved in opening another location.

The capital commitment extends well beyond opening day

Opening a store is only the beginning of the investment required to support it.

As MUJI expands, the business will need more distribution capacity, inventory systems, technology infrastructure and people capable of managing local sourcing and merchandising. Supporting hundreds of stores across several countries is a considerably more demanding operation than supplying a concentrated domestic network.

We expect cash capital expenditure to rise from an estimated ¥31.3 billion in FY2026 to ¥43.0 billion in FY2027 and ¥50.7 billion in FY2028. That spending covers new stores, refurbishment and investment in the distribution and technology needed to support the growing business. By FY2036, we forecast annual expenditure of approximately ¥93.0 billion.

Some of that investment should produce benefits well beyond the stores opened in any one year. Better distribution infrastructure can improve replenishment, reduce unnecessary stockholding and support a much larger network without costs increasing at the same pace as sales.

The difficulty is that MUJI must often spend the money before the additional revenue arrives.

Working capital adds another demand on cash. Every new store needs merchandise, while expanding into more countries brings different product ranges, supply chains and inventory requirements.

That creates an important distinction between earnings growth and cash generation. Newly opened stores may begin contributing to operating profit while the wider expansion continues absorbing cash through construction, refurbishment, inventory and distribution investment.

The more efficiently MUJI uses that capital, the stronger its eventual cash returns should be. Better sales productivity reduces the investment required to support each additional yen of revenue. Poor inventory decisions or excessive store development do the opposite, leaving more cash tied up in the business.

We expect MUJI's expansion to generate substantial additional earnings. Turning those earnings into free cash flow will depend on whether management can apply the same discipline to capital spending that has recently improved its merchandise margins.

Overseas stores have more to prove

East Asia's 21.0% operating margin in FY2026 is impressive. It demonstrates that MUJI can earn strong profits outside Japan, but it tells us considerably less about the return on the next overseas store.

That margin belongs to an established regional business, with mature locations, purchasing arrangements, distribution infrastructure and years of customer familiarity. It is not a separately disclosed measure of what newly opened stores in mainland China earn.

The distinction becomes more important as MUJI enters markets where those advantages are less developed.

Mainland China's scale provides a strong foundation for further openings. Southeast Asia offers considerable room to expand, but the economics will depend on whether the company can move beyond successful flagships into smaller, less prominent locations while developing the distribution network needed to support them.

Europe and North America present an even greater test.

MUJI has demonstrated that its stores can attract customers in major Western cities. What remains less certain is whether a much larger network can consistently generate attractive profits after local property, staffing and distribution costs.

A flagship may achieve strong sales while carrying an expensive lease. A smaller suburban store could have lower occupancy costs but struggle to generate the traffic and purchasing frequency needed to support its assortment. Both may have a place in the network, yet their returns could be quite different.

Earlier Western closures and restructuring are reminders of how difficult those decisions can be. MUJI's stronger merchandising and renewed emphasis on local products are encouraging, but the economics of a larger Western business still have to be demonstrated.

The evidence we want is straightforward: ordinary stores attracting repeat customers, maintaining healthy merchandise margins and covering their occupancy and operating costs once the excitement surrounding an opening has faded.

MUJI has already shown that its retail concept can travel successfully beyond Japan. Its next challenge is to show that the economics can travel with it.

Research basis: Ryohin Keikaku FY2026 results, FY2025 financial statements and May 2026 East Asia briefing; Evermore Research integrated financial forecasts, Japanese opening-area analysis, domestic saturation scenarios and Western store-economics assessments. Company disclosures, Evermore forecasts and illustrative sensitivity scenarios are distinguished throughout.

5. Financial Performance and Forecasts

A stronger business, with a demanding year to follow

MUJI has emerged from the past two years with a much more profitable business. The improvement has been striking: revenue climbed from ¥661.7 billion in FY2024 to ¥923.6 billion in FY2026, while operating profit rose from ¥56.1 billion to ¥103.4 billion. That is not simply the result of opening more stores. Existing locations are selling more, merchandise costs have improved and fewer products are being marked down to clear stock.

In FY2026 alone, revenue increased 17.7%, but operating profit grew 40.1%. Gross margin reached 52.8%, and the operating margin climbed to 11.2%, compared with 8.5% two years earlier. MUJI is making more profit from each yen of sales, while its larger revenue base helps absorb costs that do not rise at the same pace.

FY2026 will be a tough act to follow. Another 40% increase in operating profit looks unlikely as MUJI absorbs higher material costs, expands distribution capacity and commits more money to its Western business. Currency movements will also affect profitability. The progress of the past two years is real, but investors should not mistake an exceptional year for a sustainable annual growth rate.

The bottom line needs some care as well. Attributable net profit rose 50.3% to ¥76.4 billion in FY2026, helped by asset-disposal and foreign-exchange gains. Those gains added to an excellent result, but they are not a dependable source of future earnings. We put more weight on the improvement in merchandise margins and store productivity, which has a better chance of lasting.

FY2027: a pause in margins, not in expansion

Management expects FY2027 revenue of ¥1,014 billion, operating profit of ¥114 billion and attributable net profit of ¥73 billion. We are close on sales, forecasting ¥1,016.8 billion, but expect operating profit of ¥111.2 billion. That implies a margin of 10.9%, down from 11.2% in FY2026.

A modest margin decline after such a strong year would not be surprising. Revenue should still grow by around 10%, but new stores and investment in Europe and North America will bring costs before the full benefit appears in sales. Higher raw-material expenses and less favourable hedged exchange rates add further pressure.

Our attributable net profit forecast is ¥77.0 billion, approximately ¥4 billion above management's guidance despite our lower operating-profit estimate. That difference comes from financing, other income and tax assumptions, rather than a more optimistic view of store trading.

We expect revenue to reach ¥1,125.7 billion in FY2028, with operating profit rising to ¥128.4 billion as newer stores contribute more sales and some of the cost pressure eases. The operating margin recovers to 11.4%, while diluted earnings per share reach ¥159.39. It is a steadier progression than FY2026's exceptional performance, but one that provides a more realistic foundation for MUJI's longer-term expansion.

By FY2029, management is targeting approximately ¥1,298 billion of revenue and ¥156 billion of operating profit. We forecast sales of ¥1,257.7 billion, around 3.1% below that ambition, reflecting a slightly smaller network and a measured view of store productivity.

Our comparable operating-profit forecast is ¥147.6 billion, ¥8.4 billion below management's target. The reported figure is ¥151.1 billion because an assumed Japanese lease-accounting change from FY2028 lifts operating profit without generating additional cash.

Evermore financial forecasts

¥bn unless stated	FY2026A	FY2027E	FY2028E	FY2029E	FY2031E	FY2036E
Revenue	923.6	1,016.8	1,125.7	1,257.7	1,525.8	2,262.7
Operating profit, reported basis	103.4	111.2	128.4	151.1	191.0	308.3
Operating margin	11.2%	10.9%	11.4%	12.0%	12.5%	13.6%
Attributable net profit	76.4	77.0	84.7	100.6	127.7	208.2
Diluted EPS (¥)	143.84	144.78	159.39	189.30	240.25	391.74
Operating cash flow	99.4	104.8	152.8	175.4	228.3	366.6
Cash capital expenditure	31.3	43.0	50.7	55.2	63.0	93.0
Free cash flow after cash rent	n.a.	44.2	49.4	60.7	92.4	165.7

Source: Ryohin Keikaku FY2026 results and Evermore Research forecasts. Financial years end in August. A denotes actuals and E Evermore estimates. Forecast reported operating profit from FY2028 reflects the assumed Japanese lease-accounting change. Free cash flow to the firm is calculated after cash rent, capital expenditure and working-capital investment.

Reported operating cash flow rises sharply to ¥152.8 billion in FY2028, although the assumed lease-accounting change accounts for part of that increase. After rent, cash generation improves more gradually.

Where the next trillion yen of sales comes from

MUJI's international business is growing quickly, but Japan will remain its largest individual market throughout our forecast.

We expect Japanese revenue to reach ¥649.6 billion in FY2029 and just over ¥1 trillion by FY2036. Much of that growth comes from a larger store network, alongside modest improvements in existing-store sales. Later openings are expected to generate lower productivity as the network becomes denser, preventing revenue from growing quite as quickly as the store count.

East Asia is almost as important to the increase in group sales, and arguably more important to the earnings outlook. We forecast regional revenue rising from ¥293.8 billion in FY2026 to ¥415.8 billion in FY2029 and ¥768.9 billion by FY2036.

The region's 21.0% operating margin in FY2026 provides an excellent starting point. Maintaining profitability near that level across a much larger network, however, will require continued success in local merchandising, pricing and inventory management. MUJI has demonstrated that it can respond to changing Chinese consumer preferences, but competitors will be trying to win the same customers.

The smaller international businesses grow rapidly from their comparatively modest starting positions. We expect revenue across Southeast Asia, Oceania and the Middle East to reach ¥317.7 billion by FY2036, compared with ¥66.5 billion in FY2026. Europe and North America increase from ¥52.3 billion to ¥160.5 billion over the same period.

Their contribution to group sales becomes much more meaningful, but their earnings will take longer to develop. We expect the Western business to improve without approaching East Asia's exceptional margins, given its higher occupancy, staffing and distribution costs and the investment needed to establish a larger network.

Regional revenue forecasts

Revenue (¥bn)	FY2026A	FY2029E	FY2036E
Japan	511.0	649.6	1,015.6
East Asia	293.8	415.8	768.9
Southeast Asia, Oceania and Middle East	66.5	113.0	317.7
Europe and North America	52.3	79.3	160.5
Total	**923.6**	**1,257.7**	**2,262.7**

Source: Ryohin Keikaku FY2026 results and Evermore Research forecasts. Figures may not sum precisely due to rounding.

Management wants overseas revenue to exceed half of group sales by FY2029. We expect a contribution of approximately 48% at that point, with international revenue overtaking Japan's later in the decade.

Reaching that milestone a little later would be preferable to expanding aggressively at the expense of margins and store returns.

Currency movements will complicate the reported numbers. A weaker yen can make overseas revenue look stronger even when customers are buying no more in local currency, while a stronger yen can conceal healthy underlying growth. Local-currency sales trends and regional margins will give a clearer picture of MUJI's progress than translated revenue alone.

Making more profit from a larger business

MUJI does not need another exceptional leap in merchandise margins to deliver substantial earnings growth.

We expect gross margin to edge from 52.8% in FY2026 to 53.5% by FY2036. The larger improvement comes at the operating level, where we forecast margins rising from 11.2% to 13.6% on the reported basis.

As sales grow, MUJI should benefit from greater purchasing scale while spreading its distribution, technology and central costs across a larger business. Better replenishment and fewer markdowns offer further opportunities to improve margins.

Expansion will also bring a much larger cost base. We forecast cash rent increasing from approximately ¥80.8 billion in FY2026 to ¥205.6 billion by FY2036, with staffing, distribution and refurbishment expenditure rising alongside the store network.

Those higher costs should still leave MUJI with substantially more profit. On a comparable accounting basis, we expect operating profit to reach approximately ¥300.9 billion by FY2036, nearly three times the ¥103.4 billion earned in FY2026. The reported forecast is slightly higher at ¥308.3 billion, reflecting an assumed change in Japanese lease accounting rather than additional earnings from the stores themselves.

We forecast attributable net profit reaching ¥100.6 billion in FY2029 and ¥208.2 billion by FY2036. Diluted earnings per share rise from ¥143.84 in FY2026 to ¥391.74 in FY2036, equivalent to approximately 10.5% annual growth.

Earnings per share rise because we expect MUJI to earn more, not because we assume large share buybacks.

Strong earnings are only half the achievement

By FY2036, MUJI could generate more than ¥2.2 trillion in sales and ¥300 billion in operating profit. The cash left over will tell us whether that growth has been worth the investment.

We expect capital expenditure to reach ¥55.2 billion in FY2029 and ¥93.0 billion by FY2036. Even with that spending, free cash flow after rent and reinvestment should rise from ¥44.2 billion in FY2027 to ¥60.7 billion in FY2029, ¥92.4 billion in FY2031 and ¥165.7 billion by FY2036.

The earlier years will consume considerable cash as MUJI opens stores, builds distribution capacity and expands inventories. The larger financial benefit comes later, as those investments begin producing sales without requiring the same initial expenditure again.

Our FY2036 operating cash-flow forecast of ¥366.6 billion looks impressive, but some rental payments are classified elsewhere, and MUJI still has substantial investment to fund. After rent and reinvestment, the ¥165.7 billion free-cash-flow forecast gives a clearer picture of what the business can generate.

MUJI's ability to fund its expansion and generate increasing free cash flow is central to the investment case. Stronger reported earnings are welcome, but shareholders will ultimately benefit from what the company earns after paying for the stores, merchandise and infrastructure needed to produce them.

Research basis: Ryohin Keikaku FY2026 results and FY2027–FY2029 plans; Evermore Research financial forecasts through FY2036. Company guidance and independent forecasts are identified in the text and tables.

6. Valuation

A good business still has to justify its share price

MUJI has become a more profitable retailer, with room to open hundreds of stores and earn more from those already trading. The market has noticed. At ¥5,106, its shares trade at around 32 times our FY2028 earnings forecast, a demanding price for growth that will require substantial investment over the next decade.

We initiate coverage with a Hold recommendation and a ¥5,468.49 12-month price target, offering 7.1% capital upside and an expected total shareholder return of 7.8%. We remain positive about MUJI's prospects, but the share price already anticipates considerable success.

Our valuation gives equal weight to discounted cash flow and forward earnings. The DCF values MUJI at ¥5,995.98 per share on a 12-month basis, reflecting the cash we expect from a much larger international business. Applying 31 times forecast FY2028 earnings produces a lower value of ¥4,940.99, below the current share price.

The difference is substantial. MUJI has the potential to generate considerably more cash as its network matures, but much of that opportunity lies years ahead. The earnings valuation offers a more restrained assessment of what investors should pay for that future growth.

Evermore's 12-month valuation

Valuation component	Value
DCF value at 2 November 2027	¥5,995.98
FY2028 diluted EPS	¥159.39
Applied FY2028 P/E	31.0x
Earnings-based value	¥4,940.99
DCF / earnings weighting	50% / 50%
12-month price target	**¥5,468.49**
Share price, 5 November 2026 (close)	¥5,106.00
Capital upside	7.10%
Expected cash dividend plus unpaid final entitlement	¥38.00
Expected total shareholder return	**7.84%**

Source: Evermore Research dividend-reconciled valuation dated 4 November 2026, with returns recalculated at ¥5,106 per share. Target date: 2 November 2027. Per-share calculations use unrounded inputs. The expected ¥38 dividend value comprises ¥19 anticipated in cash and ¥19 of final-dividend entitlement expected to remain unpaid at the target date. Neither payment has been declared. Excluding the unpaid entitlement, the cash-received-only return is 7.5%.

How much cash can the expansion produce?

The strongest argument for MUJI's valuation is the cash its expanded business could generate once many of the planned stores have matured.

We expect revenue to reach approximately ¥2.26 trillion by FY2036, supported by 2,655 stores. Free cash flow after rent and reinvestment should rise from ¥44.2 billion in FY2027 to ¥165.7 billion by FY2036, as the larger network becomes more productive.

Growth will eventually slow. Our forecasts extend to FY2041, with annual revenue growth easing from 6.5% in FY2037 to 2.5% by FY2041. Beyond that, we assume long-term free-cash-flow growth of 1.5%.

On those assumptions, our DCF values MUJI's operations at approximately ¥2.91 trillion. Almost 63% of that value comes from cash flows beyond FY2041. That leaves a substantial amount riding on the profitability of stores that have yet to open and the cash they can generate many years from now.

The valuation also assumes MUJI can eventually spend less aggressively on expansion. We expect free cash flow to rise 7.8% to ¥226.8 billion in FY2042 as investment associated with the rollout begins to normalise. Rent and replacement expenditure remain in our forecasts, but MUJI is no longer expected to reinvest at the same intensity.

If maintaining the larger network proves more expensive than anticipated, MUJI would generate less free cash flow than we forecast. That risk becomes more significant when so much of the valuation depends on earnings beyond the next decade.

Principal DCF assumptions

Assumption	Value
Weighted average cost of capital	6.4%
Long-term free-cash-flow growth	1.5%
Explicit forecast period	Through FY2041
FY2036 free cash flow after rent and reinvestment	¥165.7bn
FY2042 terminal-year free cash flow	¥226.8bn
Value attributable to cash flows after FY2041	~63%
Japanese government bond yield	2.817%
Equity beta	0.79
Mature-market equity risk premium	4.20%

Source: Evermore Research valuation assumptions. The bond yield, beta and equity risk premium inform the selected discount rate, which also reflects MUJI's international operating risks.

Our 6.4% discount rate reflects MUJI's established Japanese business, strong profitability in East Asia and relatively modest conventional borrowing, alongside the risks of international expansion. With so much value dependent on distant cash flows, even a modest increase in that rate can take a substantial amount off the valuation.

After allowing for cash, conventional borrowing, minority interests and unpaid dividend obligations, the DCF produces an equity value of ¥5,690.24 per share as at 2 November 2026, rising to ¥5,995.98 on a 12-month basis.

DCF value and balance-sheet adjustments

¥bn, except per-share values	2 Nov 2026	2 Nov 2027
Enterprise value	2,912.4	3,053.8
Add cash, after unpaid dividend reserves	164.3	187.7
Less conventional debt	(30.8)	(30.8)
Less minority interests	(21.1)	(23.3)
Equity value, approximately	**3,024.8**	**3,187.4**
Diluted shares (million)	531.58	531.58
DCF value per share	**¥5,690.24**	**¥5,995.98**

Source: Evermore Research dividend-reconciled valuation. Small differences between displayed equity values and per-share figures reflect rounding. Expected unpaid final dividends are reserved against cash. Operating lease liabilities are excluded from debt because cash rent has already been deducted from operating cash flows.

A demanding price for future earnings

Our earnings-based valuation applies 31 times forecast FY2028 diluted earnings per share of ¥159.39, producing a value of ¥4,940.99 per share.

MUJI has a credible case for trading at a premium. Its Japanese business provides an established earnings base, East Asia has demonstrated impressive profitability, and there is considerable room for further international expansion. We expect earnings per share to increase approximately 14.7% annually between FY2028 and FY2031.

That growth is attractive for a retailer of MUJI's size. But 31 times earnings is already a generous multiple, and at ¥5,106 the market is paying closer to 32 times our FY2028 forecast. Investors are not being offered a bargain simply because MUJI has more stores to open.

Our selected multiple remains above MUJI's longer-run trading norms, but slightly below its current market valuation. It gives credit for the company's growth prospects without assuming investors will pay an even higher multiple in the future.

The earnings-based figure also anchors our price target in profits MUJI is expected to generate over the next few years, rather than relying entirely on cash flows many years beyond that.

Valuation convention: The 31-times multiple is applied to earnings for the year ending August 2028, which will already have begun by the November 2027 target date. It is not a strict rolling next-12-month earnings measure.

How much room is there for disappointment?

At the current share price, not a great deal.

Even reducing our discount rate from 6.4% to 6.0% would lift the blended price target to approximately ¥5,771 and expected total return to 13.8%. That would still fall short of our 15% Buy threshold.

At a 6.8% discount rate, expected return falls to around 2.8%, without changing our operating forecasts or the earnings multiple. The longer-term cash flows that support the higher DCF valuation also make it sensitive to the returns investors demand.

12-month target sensitivity to the discount rate

Discount rate	Blended price target	Expected total return
6.0%	¥5,771	13.8%
6.4%	**¥5,468**	**7.8%**
6.8%	¥5,213	2.8%
7.2%	¥4,995	(1.4%)
8.28%	¥4,539	(10.4%)

Source: Evermore Research valuation sensitivities dated 4 November 2026, with returns recalculated at ¥5,106 per share. Assumes a 31x FY2028 P/E, 1.5% perpetual cash-flow growth, unchanged operating forecasts and ¥38 of forecast dividend value, including the unpaid entitlement. Returns are rounded to one decimal place.

The earnings multiple presents a similar challenge. At 28 times FY2028 earnings, the blended target falls to approximately ¥5,229, offering just 3.2% expected return. Even at 35 times earnings, a target of around ¥5,787 produces an expected return of 14.1%.

With our existing target and dividend assumptions, MUJI would need to trade at approximately ¥4,788 to offer the 15% expected return required for a Buy.

The company's growth prospects remain attractive. We expect MUJI to become a larger and more profitable retailer, supported by a strong Asian business and a growing international presence. But sustaining East Asia's exceptional profitability while committing substantial capital to new stores will require consistent execution.

At ¥5,106, investors are already paying for much of that success. The business can keep improving without its shares offering an equally attractive return from here.

Research basis: Evermore Research dividend-reconciled valuation dated 4 November 2026, with shareholder returns recalculated at ¥5,106 per share; Ryohin Keikaku FY2026 results and management plans; Japanese government bond data, Damodaran equity risk premium estimates and market valuation comparisons. Dividend amounts and valuation outcomes are forecasts, not declared future payments.

7. Investment Risks

Growth can disappoint without stopping

MUJI does not need a major setback for the shares to disappoint. A few ordinary retail problems could be enough: new stores attracting fewer customers than expected, merchandise margins giving back some of their recent gains, or expansion absorbing cash long after the initial investment was supposed to pay off.

The business is better placed to handle those challenges than it was several years ago. Profitable Asian operations and stronger merchandising give management options that weaker retailers rarely enjoy. Yet the current share price leaves little room for a larger store network to produce disappointing returns. Our greatest concern is not that MUJI stops growing. It is that growth becomes progressively less profitable.

Japan's next store may compete with another MUJI

Japan remains an attractive market for MUJI, but the opportunities available to a retailer with 723 stores are not necessarily the same as those available to one with more than 1,100. We expect approximately 1,138 Japanese locations by FY2036, in a country with a declining population and an already extensive MUJI network.

A new location might trade respectably while taking a sizeable share of its sales from an existing branch nearby. MUJI would then be paying for another lease, fit-out and inventory commitment without gaining anything close to the same amount of new business.

Our Japanese saturation analysis illustrates the potential damage. If later openings deliver 5% to 10% lower sales productivity, mature more slowly and draw customers from neighbouring MUJI stores, estimated year-four returns fall from 13.6% to 8.2%. Undiscounted cash payback stretches from roughly 6.6 years to 11.5 years.

These are illustrative downside scenarios, not evidence that MUJI's recent openings are performing poorly. Trading remains healthy. The concern lies further into the rollout, when attractive sites become harder to find and more locations begin serving the same customers.

A smaller store, a relocation or no opening at all may be better than another full-format branch with a marginal return. Missing an opening target would worry us far less than evidence that management is accepting weaker economics to meet one.

East Asia has an exceptional margin to defend

East Asia generated ¥61.7 billion of operating profit from ¥293.8 billion of sales in FY2026. Its 21.0% operating margin compares with 12.4% in Japan and makes the region a major contributor to MUJI's profitability.

Maintaining that performance will become more demanding as competition intensifies and the store network expands. East Asia has achieved impressive margins, but the next generation of stores may not benefit from the same locations, customer familiarity and operating efficiencies as those already established.

Mainland China's comparable store and e-commerce sales rose 16.3% in FY2026, helped by locally developed products, stronger assortments and renovations. It was an excellent year, although management's medium-term expectation is closer to 5% annual comparable growth.

MUJI does not need another 16% year to prosper. It does need customers to keep returning without sacrificing the merchandise margins that have contributed so much to its recent improvement.

Chinese shoppers have plenty of alternatives, from domestic lifestyle chains to international retailers and online marketplaces. Competition is intense, and further MUJI openings may also draw sales from neighbouring stores.

The 21.0% margin belongs to the wider East Asian division, not mainland China alone. A lasting decline in regional profitability would nevertheless weigh heavily on our earnings forecasts. Weakening comparable sales accompanied by persistent markdowns would be an early warning that MUJI's recent merchandising gains were proving harder to sustain.

Western expansion could become an expensive distraction

MUJI has proved it can attract customers in major Western cities. It has yet to prove that opening dozens more stores there is a good use of shareholders' money.

Europe and North America had only 49 stores between them at August 2026, following earlier closures and restructuring. Their combined FY2026 operating margin reached 15.5%, although US tariff refunds helped the result. That is encouraging progress, not a dependable guide to what the next wave of openings will earn.

A prominent flagship can introduce MUJI to a city, but the expensive lease remains after the opening crowds have gone home. Smaller stores may have lower occupancy costs yet struggle to build the same traffic or carry enough of the assortment to encourage repeat visits. Meanwhile, local product development, staffing and distribution absorb cash well before a network reaches meaningful scale.

We expect Western revenue to grow from ¥52.3 billion in FY2026 to ¥160.5 billion by FY2036. The danger is that it becomes a much larger operation without becoming a dependable source of cash. That would divert capital and management attention from markets where MUJI already has stronger operating economics.

We would be more encouraged by ordinary Western stores attracting repeat customers and producing worthwhile profits after rent, staffing and logistics costs than by another successful flagship opening.

Recent merchandise gains could prove difficult to protect

MUJI has worked hard to improve its merchandise margins. Gross margin reached 52.8% in FY2026, up from 50.8% two years earlier, supported by lower product costs and fewer markdowns. Poor inventory decisions could quickly undo some of that progress.

An unpopular range leaves cash sitting on shelves until discounts clear it. Run short of a bestselling product, meanwhile, and customers may simply buy it elsewhere. Neither outcome becomes easier to manage when supplying a growing network across markets with different climates, tastes and purchasing habits.

Raw materials, freight and wages present additional pressure. Competition may prevent MUJI from passing every cost increase to customers, while international growth makes demand forecasting more complicated.

Currency movements add another layer of uncertainty. A weaker yen can lift reported overseas sales while increasing the cost of some imported merchandise. A stronger yen can make healthy local trading look less impressive in the consolidated accounts. Currency hedges soften the timing of those effects but do not remove them, and management has already flagged higher raw-material costs and less favourable hedged exchange rates for FY2027.

A quarter of weaker gross margin would not concern us on its own. A pattern of swelling inventories, repeated markdowns and poorer merchandise availability would. Those are signs that managing the range is becoming harder as MUJI grows.

Keeping a simple proposition running at international scale

MUJI's understated stores conceal a demanding supply chain. Merchandise has to arrive in the right quantities, at the right locations and at a quality customers recognise. That becomes harder as the business adds more countries, store formats and online activity.

The domestic e-commerce system suspension in the first half of FY2026 and a North American warehouse relocation are reminders that operational changes can interrupt sales even when customers want the products. A delayed distribution centre or unreliable inventory system can leave popular products unavailable in one market while excess stock accumulates in another.

MUJI also depends on external manufacturing partners. Repeated quality problems or unreliable deliveries would chip away at the confidence customers have in the brand. Its appeal rests partly on knowing what you will get. The more complicated the operation becomes, the harder management must work to preserve the simplicity customers see in its stores.

Profit growth does not guarantee shareholder returns

MUJI has the financial strength to keep expanding. What concerns us is the possibility of spending billions of yen on stores that earn progressively weaker returns. Revenue could continue rising while shareholders see less benefit from each round of investment.

We forecast cash capital expenditure of approximately ¥93.0 billion by FY2036, alongside growing inventory, deposit and distribution requirements. The network will also carry a substantially larger cash-rent bill.

Free cash flow after rent and reinvestment should reach ¥165.7 billion by FY2036, but slower store maturation or more expensive infrastructure could delay that improvement considerably. Inventory growing faster than sales, or a widening gap between operating profit and cash retained after reinvestment, would be more troubling than a single disappointing quarter.

The share price increases the consequences of falling short. At ¥5,106, investors are paying around 32 times our forecast FY2028 earnings. Raising our discount rate from 6.4% to 6.8% would reduce expected total shareholder return from 7.8% to approximately 2.8%, even with unchanged operating forecasts.

MUJI could continue growing while investors reassess how much its shares are worth. Strong earnings alone will not protect the valuation if the company needs progressively more capital to generate them.

What would change our assessment?

Risk	Evidence that would concern us
Japanese network saturation	Falling new-store sales density, slower maturation or increasing overlap with existing locations
China and East Asia	Weakening comparable sales, persistent markdowns or a sustained decline in regional margins
Europe and North America	New stores struggling to earn satisfactory profits after occupancy and logistics costs
Merchandise and inventory	Stock building faster than sales, poorer availability or repeated discounting
Operating reliability	Recurring fulfilment disruption, product-quality problems or rising distribution costs
Cash generation	Capital spending and working capital absorbing an increasing share of earnings
Valuation	Lower expected earnings, a reduced market multiple or a higher required return

Research basis: Ryohin Keikaku FY2026 results and management plans; Evermore Research Japanese store-economics review, FY2036 financial forecasts and dividend-reconciled valuation of 4 November 2026. Store-level downside scenarios are illustrative, not realised results.

One disappointing quarter would not undo MUJI's progress. More telling would be Japanese stores increasingly taking sales from one another, East Asian margins slipping, and the Western business continuing to absorb cash without establishing reliable returns.

MUJI could meet its opening targets and still fall short as an investment. The business may be considerably larger in ten years without being nearly as valuable as we expect. That is the risk we would watch most closely.

8. Financial Statements and Supporting Analysis

Putting the numbers together

MUJI's financial statements show a retailer entering a costly expansion phase from a position of strength. The business generated ¥103.4 billion of operating profit in FY2026, held ¥169.2 billion in cash at year-end and had considerably less conventional borrowing than cash. That gives management room to invest. It does not mean every new store will prove worthwhile, or that the cash accumulated on the balance sheet can all be returned to shareholders.

Income statement: sales do most of the work

Consolidated income statement

¥bn unless stated	FY2024A	FY2025A	FY2026A	FY2027E	FY2029E	FY2036E
Revenue	661.7	784.6	923.6	1,016.8	1,257.7	2,262.7
Gross profit	336.4	403.0	487.7	537.7	667.2	1,209.4
Gross margin	50.8%	51.4%	52.8%	52.9%	53.0%	53.5%
Operating profit	56.1	73.8	103.4	111.2	151.1	308.3
Operating margin	8.5%	9.4%	11.2%	10.9%	12.0%	13.6%

¥bn unless stated	FY2024A	FY2025A	FY2026A	FY2027E	FY2029E	FY2036E
Profit before tax	59.9	66.0	102.7	108.9	142.3	294.5
Attributable net profit	41.6	50.8	76.4	77.0	100.6	208.2
Diluted EPS (¥)	78.36	95.81	143.84	144.78	189.30	391.74

Source: Ryohin Keikaku FY2024–FY2026 financial statements and Evermore Research forecasts. Years end in August. A denotes actuals and E denotes estimates. Historical EPS is shown on a split-adjusted basis following the 2-for-1 share split effective 1 September 2025. FY2028 onward operating-profit estimates incorporate the assumed Japanese lease-accounting change.

Revenue rose by nearly 40% between FY2024 and FY2026, while operating profit increased by about 84%. That difference captures the improvement in merchandise margins and operating efficiency more clearly than a store-opening count ever could. MUJI has become better at turning sales into profit, not merely better at generating sales.

We expect the next decade's earnings growth to come largely from a much bigger business, rather than another exceptional improvement in merchandise margins. Revenue reaches ¥2,262.7 billion by FY2036, while gross margin edges up from 52.8% to 53.5%. The operating margin reaches 13.6%, helped by growing sales across an infrastructure that should become more efficient as the network matures.

The profit forecasts do not move in a straight line. FY2027 attributable net profit of ¥77.0 billion is only slightly above FY2026's ¥76.4 billion, despite higher expected sales. FY2026 also benefited from asset-disposal and foreign-exchange gains that are unlikely to recur, while expansion costs and higher input prices will weigh on FY2027 earnings.

Before the assumed Japanese lease-accounting change, we forecast operating profit of ¥147.6 billion in FY2029 and ¥300.9 billion in FY2036, compared with the reported figures of ¥151.1 billion and ¥308.3 billion shown above.

Regional earnings: East Asia carries considerable weight

Japan remains MUJI's largest market, but East Asia is almost as profitable despite generating considerably less revenue. That gives the region an influence over group earnings far greater than its share of sales might suggest.

Regional revenue and operating-profit bridge

Region	FY2026 revenue	FY2029E revenue	FY2036E revenue	FY2026 operating profit	FY2036E operating profit*
Japan	511.0	649.6	1,015.6	63.4	117.6
East Asia	293.8	415.8	768.9	61.7	163.2
Southeast Asia, Oceania and Middle East	66.5	113.0	317.7	9.2	60.4
Europe and North America	52.3	79.3	160.5	8.1	19.1
Group revenue	**923.6**	**1,257.7**	**2,262.7**		

Source: Ryohin Keikaku FY2026 results and Evermore Research forecasts. The FY2036 regional profit figures are before common corporate costs, eliminations and the assumed Japanese lease-accounting change. They cannot be added together to obtain consolidated operating profit. Figures are rounded.

By FY2036, we expect East Asia to generate approximately ¥163.2 billion in regional operating profit, almost 39% more than Japan despite producing around 24% less revenue. Maintaining that level of profitability as MUJI expands will be demanding, but the region's contribution is central to our earnings outlook.

Southeast Asia, Oceania and the Middle East should contribute more as their networks mature. We expect a slower improvement in the West, where the cost of establishing a broader presence will keep profits well below those of the more developed Asian operations.

The larger international business will also need more support from head office. We expect central costs to rise from around ¥39 billion in FY2026 to nearly ¥60 billion by FY2036 as MUJI invests in the people and systems needed to manage its growing network.

Cash flow: growth needs to pay its own way

Consolidated cash-flow summary

¥bn unless stated	FY2024A	FY2025A	FY2026A	FY2027E	FY2029E	FY2036E
Operating cash flow	58.5	73.4	99.4	104.8	175.4	366.6
Cash capital purchases	(34.6)	(38.3)	(31.3)	(43.0)	(55.2)	(93.0)
Net investing cash flow	(27.7)	(40.9)	(30.1)	(43.6)	(56.0)	(93.7)
Recognised lease-principal payments	(11.9)	(12.9)	(15.4)	(17.3)	(58.8)	(105.8)
Parent dividends paid / forecast	(11.0)	(11.6)	(16.7)	(22.8)	(29.1)	(62.4)
Closing cash and equivalents	125.5	135.4	169.2	189.9	245.9	769.3
Free cash flow after rent and reinvestment	n.a.	n.a.	n.a.	**44.2**	**60.7**	**165.7**

Source: Ryohin Keikaku FY2024–FY2026 cash-flow statements and Evermore Research forecasts. Cash capital purchases are gross expenditure rather than net investing cash flow. Lease-principal payments appear in financing cash flow under applicable accounting rules. Forecast free cash flow is calculated after the economic cost of cash rent; historical figures are not presented on that same basis.

We expect reported operating cash flow to rise from ¥99.4 billion in FY2026 to ¥366.6 billion by FY2036. Some of that improvement reflects the assumed lease-accounting change, which moves certain rental payments into financing cash flow from FY2028. MUJI still pays the same rent, regardless of where it appears in the accounts.

After rent and reinvestment, we forecast free cash flow rising from ¥44.2 billion in FY2027 to ¥165.7 billion by FY2036 as more of the expanded network matures. The increase is substantial, although it takes longer to develop than the growth in reported operating cash flow.

Free cash flow after cash rent and reinvestment

¥bn	FY2027E	FY2029E	FY2036E
Operating profit after cash rent and tax	78.2	104.3	214.0
Add depreciation and amortisation of owned assets	25.9	35.5	71.7
Less cash capital expenditure	(43.0)	(55.2)	(93.0)
Less additional working capital and deposits	(16.9)	(23.8)	(27.1)
Free cash flow to the firm	**44.2**	**60.7**	**165.7**

Source: Evermore Research forecasts. Totals may differ slightly because of rounding. Cash rent is already reflected in operating profit; the bridge therefore excludes depreciation of capitalised operating leases and does not deduct lease principal again. Free cash flow to the firm is before financing decisions and is not the same as cash immediately available for dividends.

MUJI may deliver strong earnings growth well before the full benefit appears in free cash flow. New stores and distribution infrastructure absorb cash upfront, while the profits from a mature network arrive over a much longer period.

Balance sheet: strong liquidity, growing commitments

Consolidated balance-sheet summary

¥bn unless stated	FY2024A	FY2025A	FY2026A	FY2027E	FY2029E	FY2036E
Cash and equivalents	125.5	135.4	169.2	189.9	245.9	769.3
Inventories	154.0	170.0	205.7	226.1	278.6	496.9
Owned property, equipment and intangibles	90.4	106.7	114.8	131.9	172.1	284.5
Recognised right-of-use assets	38.0	45.5	54.6	61.8	305.0	521.2
Total assets	**509.6**	**562.7**	**672.3**	**745.6**	**1,158.0**	**2,313.8**
Conventional borrowings and bonds	45.4	46.7	30.8	30.8	30.8	30.8
Recognised lease liabilities	46.6	55.4	65.0	71.5	321.5	565.8
Total equity	**297.0**	**335.9**	**419.3**	**474.4**	**609.3**	**1,404.3**

Source: Ryohin Keikaku FY2024–FY2026 financial statements and Evermore Research forecasts. The assumed FY2028 Japanese lease-accounting change brings additional existing rental commitments onto the balance sheet, increasing both right-of-use assets and lease liabilities. Forecast cash assumes no major acquisitions or large discretionary share buybacks.

MUJI ended FY2026 with ¥169.2 billion in cash and ¥30.8 billion of conventional borrowings and bonds. That is a comfortable starting position for an ambitious rollout. Inventories, however, were already ¥205.7 billion, and we expect them to approach ¥497 billion by FY2036. Every additional range and store adds to the discipline required in purchasing and replenishment.

We expect MUJI's cash balance to reach approximately ¥769.3 billion by FY2036, reflecting the substantial cash generation of the enlarged business. That assumes management retains surplus cash rather than pursuing major acquisitions or large-scale share buybacks.

Recognised lease liabilities rise from ¥71.5 billion in FY2027 to ¥321.5 billion in FY2029 as existing Japanese rental commitments come onto the balance sheet under the assumed accounting change. The increase largely reflects recognition of existing obligations rather than equivalent new borrowing.

Dividends: timing is as important as the headline amount

MUJI plans to pay ¥38 per share for FY2027, split equally between interim and final dividends. Those payments cross financial years, so we expect ¥22.8 billion in cash dividends during FY2027, covering the final FY2026 payment and the FY2027 interim dividend. From FY2028, we assume a payout of around 30% of earnings, consistent with management's longer-term objective.

Our expected shareholder return includes ¥19 per share anticipated to be received during the investment period and another ¥19 of final-dividend entitlement at the November 2027 target date. The latter is expected to be paid subsequently. Together, they contribute ¥38 per share to our expected 7.8% total shareholder return at ¥5,106. The FY2026 final dividend does not belong to an investor buying on 5 November 2026, after its August record date.

For earnings per share, we assume approximately 531.6 million diluted shares without a programme of sizeable discretionary buybacks. MUJI's forecast earnings growth therefore comes principally from the business, not a shrinking share count.

Research basis: Ryohin Keikaku FY2024–FY2026 financial statements, FY2027 dividend plan and Evermore Research reconciled FY2024–FY2036 forecasts dated 4 November 2026; shareholder returns use the ¥5,106 closing share price on 5 November 2026. The forecast cash, dividend timing and share-count assumptions are analyst estimates rather than a declared capital-allocation policy. Including only the ¥19 expected to be paid within the investment period gives a cash-received-only return of 7.5%; the additional ¥19 is an anticipated but undeclared final entitlement.

9. Research Disclosures

Research authorship and interests

This initiation report on Ryohin Keikaku Co., Ltd. (TSE: 7453) has been prepared by James Mickleboro for Evermore Research and is dated 5 November 2026. The investment recommendation, forecasts and valuation reflect Evermore Research's assessment of the company, based on publicly available information and independent analysis.

Neither Evermore Research nor the analyst holds shares in Ryohin Keikaku. There are no conflicts of interest to disclose.

Investment ratings

Evermore Research assigns ratings according to expected total shareholder return over the following 12 months, including anticipated dividends.

Rating	Expected 12-month total shareholder return
Buy	15% or greater
Hold	Greater than -10% but below 15%
Sell	-10% or lower

Our Hold recommendation is based on the ¥5,106.00 closing share price on 5 November 2026 and a price target of ¥5,468.49 for 2 November 2027.

The expected total shareholder return of 7.8% includes ¥19 per share in dividends anticipated to be received during the investment period and a further ¥19 of final-dividend entitlement expected to remain unpaid at the target date. The latter assumes continued ownership through the relevant August 2027 record date. It has not yet been declared, and its payment date remains unconfirmed.

Excluding that unpaid entitlement, the expected cash-received-only return is 7.5%. The FY2026 final dividend is not included because its record date preceded the 5 November 2026 share-price date.

These are forecast gross returns expressed in Japanese yen. They do not account for individual investor taxes, transaction costs or currency-conversion effects.

Valuation and forward-looking information

The ¥5,468.49 target gives equal weight to discounted cash flow and an earnings valuation based on 31 times forecast FY2028 diluted earnings per share.

The discounted cash-flow valuation uses a 6.4% weighted average cost of capital and 1.5% perpetual free-cash-flow growth. Cash flows reflect rental payments, taxation, working-capital requirements and the capital expenditure needed to operate and expand the business. Operating lease liabilities are not deducted a second time when calculating equity value.

Financial forecasts, valuation sensitivities and the price target reflect Evermore Research's estimates and judgement as at the report date. They are not company guidance unless explicitly identified as such.

Actual results may differ materially due to changes in consumer demand, competitive conditions, operating costs, exchange rates, store performance, capital requirements and other developments. Neither the target price nor the anticipated dividends are guaranteed. Opinions and estimates may change as new information becomes available.

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