

The
GYMBOREE[®]
Corporation

financial highlights

(In thousands, except stores and per-share amounts)

Fiscal Year	2003	2002	2001
Statement of Income Data			
Net sales			
Retail	\$566,346	\$534,049*	\$509,069*
Play & Music	11,647	14,940	13,977
Total net sales	577,993	548,989	523,046
Operating income	40,644	35,825	11,053
Net income	\$25,706	\$21,830	\$4,580
Net income as a percentage of sales	4.4%	4.0%	0.9%
Diluted income per share	\$0.83	\$0.71	\$0.16
Balance Sheet Data			
Working capital	\$111,271	\$76,739	\$49,268
Total assets	298,711	255,136	219,629
Long-term debt	—	—	8,830
Stockholders' equity	203,748	169,418	142,429
Number of stores at end of period	619	584	580

* Prior year amounts were reclassified to conform to the 2003 presentation.

to our shareholders, customers and employees:

At the core of our business is this simple principle: most people value quality and prefer to buy something that doesn't look the same as everything else. They want to be treated nicely. And they are extraordinarily gratified when they find a store that provides all of this. At The Gymboree Corporation, we're not trying to be all things to all people. Instead, we're focusing on developing retail brands that target specific niches in the marketplace with special products and great customer service – and we are seeing our strategy pay off.

In 2003 we hit record revenues of \$578.0 million and grew earnings by 18 percent overall. We opened 43 new stores this year – 22 Gymboree stores and 21 Janie and Jack shops – and ended the year with 619 retail locations, the largest store base in the history of our company. We also continued to build our cash reserves, ending the year with cash balances of \$89.6 million. This capital will allow us to invest in new specialty retail concepts, grow our current brands, and further build and maximize our company's infrastructure.

Our strategy for the launch and development of the Janie and Jack brand was validated in 2003 by strong comparable sales from our first shops and, due to positive customer response, a more aggressive store roll-out than originally planned. Balancing a mix of art and science, the Janie and Jack brand is a good example of the approach we plan to take in executing new concepts. The product, store environment, customer service, collateral, packaging and Web site all work together to create a shopping experience that resonates with our customers and differentiates us from our competitors.

E-commerce was another 2003 success story. We saw a substantial increase in traffic and sales due to improvements in site functionality and navigation, an emphasis on cross-selling to create outfits, and a focus on positioning each of our Web sites as extensions of the retail experience.

Not everything we did in 2003 made a positive impact. Early in the year, we pursued a strategy for our Gymboree boy business that emphasized more basics and less fashion product. The results were disappointing and we heard loudly and clearly from our customers (as we always do) that they wanted and needed our boy fashion product because they couldn't find it anywhere else. We immediately began re-designing lines and are now happy to report that our Gymboree boy business is making a strong comeback.

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looking forward

We are in an exciting position as we head into 2004.

For our flagship brand, we will be upgrading numerous Gymboree retail stores with new fixturing, merchandising techniques and graphics to better and more consistently display our products. We will be launching a co-branded Gymboree® Visa® card with a compelling rewards program for our customers. We also will continue to create cross-promotional marketing programs between Gymboree retail and Gymboree Play & Music in order to strengthen both brands and reach untapped customers.

The Gymboree Corporation will become a multi-brand retailer for the first time in our history with the continued growth of Gymboree, the expansion of Janie and Jack and the launch of our newest specialty retail concept, Janeville. Janeville is positioned as a lifestyle brand offering 30-something women modern, comfortable apparel and accessories. We are well on our way to delivering on our strategy of creating brands that articulate a clear vision to the customer and break through the monotony of mass retail.

We set a course in 2000 to first turn the company around, then stabilize it and make it more productive through inventory optimization and investment in our people, processes and systems. With the introduction of Janie and Jack and now Janeville, the company has entered into its growth phase. We believe that it is imperative for The Gymboree Corporation to remain innovative, customer-focused and design-driven. This strategy will support the dynamic, long-term growth of the company and will provide an excellent return for our shareholders.



Lisa Harper

Chair of the Board and Chief Executive Officer
The Gymboree Corporation

The Gymboree Corporation

The Gymboree Corporation was established when an entrepreneurial mom discovered a need for what became the first parent-child developmental play program – a program that remains the category leader 26 years later. Gymboree Play Programs grew quickly as new curriculum, play equipment and toys were constantly being developed and new franchise markets tested. Out of this creative environment came the idea for the first Gymboree retail store, opened in 1986, which sold unisex play clothing for children. In just three years, retail sales surpassed the \$10 million mark as the company focused on producing clothing and accessories made from high quality fabrics and original designs.

Today, The Gymboree Corporation is evolving into a family of brands with the introduction of Janie and Jack in 2002 and Janeville in 2004. Each brand maintains its distinct character but is linked by core company principles of creating unique, high-quality products, paying careful attention to the details that make each of our products special and creating positive, memorable brand experiences.

Employees take these values to heart. This year, for example, there was a store employee who hemmed several pairs of pants for a customer's child so that they would be ready in time for their vacation. There was also a customer service representative who had a take-out dinner delivered to a family because the mom had gone out of her way to shop late at one of our Gymboree stores and was unable to find the product we mistakenly had said was available. And there was a merchant who brought enough fabric home with her from Hong Kong so that a customer could sew a mom-sized matching coat.

It's this pervasive culture that encourages a creative, open work environment, fosters innovative ideas and risk-taking and encourages employees to be solutions-oriented and entrepreneurial. In turn, we benefit from a flat organizational structure that promotes efficiency and allows us to leverage our core operating platform to support all brands.

This open work environment transcends the way we approach creating new businesses today. The constant generation of new ideas – we deliver hundreds of unique designs to our stores every *month* – lends itself naturally to researching, developing and testing new specialty retail concepts in order to grow the company.



Gymboree ret





ail



Gymboree is known for high quality, whimsical, colorful, kid-appropriate clothing and accessories, complemented by great customer service.

In 2003, Gymboree retail focused on combining the creativity of our employees with feedback from our customers in order to create collections that resonated with parents and gift-givers. We offered more variety by delivering new lines approximately every three weeks. We expanded our size options, added several coordinating adult items to our holiday lines and rolled out a baby basics line to all stores.

We refined our “Matchmatics” strategy of designing mix and match outfits and accessories, and created lines in tune with fashion trends that also included the fun icons and graphics our customers love. In addition, we continued to streamline our merchandise assortment strategy by delivering additional product to our largest, most productive stores and designing unique product to be sold exclusively online.

The boy business faced some challenges in 2003 after we changed our strategy and began designing collections with a heavy emphasis on basics. In order to turn the business around, we hired some new talent, re-energized the team and focused on providing more fashion and novelty for our boy customers. The response has been positive and we look forward to growing this business in 2004.

Our e-commerce site, www.gymboree.com, grew sales significantly in 2003 by improving functionality and navigation and better aligning with the Matchmatics shopping philosophy promoted in our stores. Customers now can easily create matching outfits with any item selected through our “Complete the Look” option. The Web site also continues to be an important partner to stores, serving as a resource to provide customers with styles or sizes not available at certain stores. One of the most exciting online developments in 2003 was the expansion of our international shipping capabilities. We now can ship directly from www.gymboree.com to 10 foreign countries, including Canada, France, Germany, Ireland, Italy, Japan, Mexico, Spain, the United Kingdom and Venezuela.



Janie



Janie and Jack offers distinctive, finely crafted clothing and accessories for babies aged newborn to 3 years. Janie and Jack customers respond with delight to the heirloom quality and unexpected details of our apparel as well as the special boutique-like shopping experience.

In response to customer feedback, in 2003 we were able to further refine our business. We right-sized our departments after identifying our strongest contributors – both boys and girls apparel outperformed our expectations – and further built upon their strengths. We initially launched Janie and Jack with a more basic approach to layette but quickly learned that our customer, whether buying for her own child or as a gift, was interested in styles that offered more fashion. In 2004, we will offer monthly flows of layette fashion apparel and accessories. In addition, we will be adding sizes 2T and 4T to accommodate our customers' requests for more and larger sizes.

As the Janie and Jack shop base grew to 32 locations in just 18 months, we restructured our internal organization to better support the shop employees and accommodate the brand's future growth. In 2004 we'll continue to grow and realign staffing and internal operations to support our vision for the brand.

2003 was also a year of building initial brand recognition in the marketplace and developing a synergy between our shops and www.janieandjack.com. We focused on creating compelling messages and images for direct marketing campaigns, as well as unique window displays that reinforced the messaging and drew new customers into our shops.



and Jack

Gymboree play &



music



GYMBOREE 

Learning is fun at Gymboree Play & Music! In our play, music and arts classes, parents and children explore, experiment and imagine together. The activities in our classes help children develop self-esteem, coordination and social skills while encouraging their creative spirit and means of self-expression.

In 2003, Gymboree Play & Music continued to develop and roll out new programming ideas, including Gymboree Arts classes that feature arts, crafts, movement games, and hands-on experiences from the “tactile table” to life-size drawings on the wall. In addition, Play & Music introduced new birthday party programming options, including basic and themed Play parties, Music parties and Arts parties. The new options reflect the variety and diversity in Play & Music programming, offer customization options to meet our customers’ needs and increase the profitability of the program.

Gymboree Play & Music continues to be a market leader, interacting with more than 100,000 families each week. Our brand and franchise business is ranked 77th out of the top 500 franchise businesses overall and first in the Children’s Services category by *Entrepreneur* magazine. No competitor comes close to the number of locations or program offerings in our market segment.

In order to help streamline, standardize and augment franchisees’ communication with customers and prospects, we enhanced our Play & Music Intranet to include a new email marketing functionality. We also re-launched the Play & Music Web site with improved navigation, video to showcase our classes, and more information about our programs and our programming experts.

As the number of franchises continued to increase in 2003, including the first to open in Ecuador and mainland China, we reorganized the corporate team. We now have new regional field consultants in the U.S. and Canada and an international field consultant dedicated to meeting regularly with franchise owners in their regions to provide counsel on operations, marketing, programming, site build-out and more, in order to encourage brand consistency and to help franchise owners achieve business success more quickly and efficiently.



Jan



eville



◆◆ JANEVILLE ◆◆

Janeville, our newest retail concept, is a lifestyle-inspired brand for women in their mid-30s and older. The Janeville woman has an active lifestyle, embraces individuality and wants to be as stylish as she is comfortable.

Janeville clothing is modern and trend-infused, designed with high quality fabrics and flattering cuts and styling. Collections offering novelty and fashion are delivered to stores approximately every two weeks and are merchandised to make it easy for customers to put together outfits. Janeville also carries lines of more classic tops and bottoms on a seasonal basis.

Janeville stores create an unexpected residential environment with a cottage façade and front porch, evocative of a home in Sonoma, California or the Hamptons. Subtle feminine details are found throughout the store, such as slip-covered furniture, one-of-a-kind fixtures, antiques, flea market finds, distressed wood and contrasting, warm textures.

We launched Janeville as a test concept in April 2004 with three stores and plan to grow the brand to approximately 10 stores by year-end.

In 2004, we will focus on listening to our customers and refining and testing every aspect of the Janeville business from product selection and design, to store size and merchandising displays.

corporate profile

The Gymboree Corporation's specialty retail brands offer unique, high-quality products delivered with personalized customer service. As of January 31, 2004, the Company operated a total of 619 stores: 587 Gymboree® retail stores (536 in the United States, 28 in Canada, and 23 in Europe) and 32 Janie and Jack™ retail shops in the United States. The Company also operates online stores at gymboree.com and janieandjack.com, and offers directed parent-child developmental play programs at 532 franchised and company-operated centers in the United States and 25 other countries.

Board of Directors

Lisa Harper
*Chair of the Board and
Chief Executive Officer*

Stuart G. Moldaw
*Chairman Emeritus of the
Board of Directors*

Gary Heil
Director

Blair Lambert
Director

John Pound
Director

Barbara L. Rambo
Director

William U. Westerfield
Director

Officers

Lisa Harper
*Chair of the Board and
Chief Executive Officer*

Myles McCormick
*Chief Financial Officer,
Vice President and Secretary*

Lisa Bayne
Senior Vice President, Brand

Marina Armstrong
*Vice President, Human Resources
and Assistant Secretary*

Matthew K. McCauley
*Vice President,
Planning and Allocation*

Deborah J. Nash
*Vice President, General Merchandise
Manager, Gymboree Retail*

Shareholder Information

Annual Meeting

Shareholders are invited to attend our annual meeting at 9:00 a.m. on Wednesday, June 16, 2004, at the Embassy Suites Hotel, 150 Anza Boulevard, Burlingame, CA.

Common Stock Trading

Common stock of The Gymboree Corporation is traded on the Nasdaq National Market System under the symbol GYMB.

Fiscal 2003	High	Low
First quarter	\$17.50	\$11.79
Second quarter	18.32	13.36
Third quarter	18.32	12.62
Fourth quarter	\$18.38	\$14.13

Fiscal 2002	High	Low
First quarter	\$19.30	\$10.90
Second quarter	19.94	10.98
Third quarter	20.30	11.41
Fourth quarter	\$21.50	\$13.08

Registrar and Transfer Agent

Shareholders should direct inquiries regarding address changes and lost certificates to:

EquiServe Trust Company
P.O. Box 43010
Providence, RI 02940
Phone: 781-575-3120
equiserve.com

Investor Relations

Investor information is available at gymboree.com or by written request to:

The Gymboree Corporation
Investor Relations
700 Airport Boulevard, Suite 200
Burlingame, CA 94010

Independent Auditors

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50 Fremont Street
San Francisco, CA 94105
Phone: 415-783-4000

General Counsel

Perkins Coie LLP
1620 26th Street, Sixth Floor
Santa Monica, CA 90404
Phone: 310-788-9900

Corporate Information

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Brand Contact Information

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gymboree.com

Gymboree Play & Music
800-520-PLAY
gymboree.com

Janie and Jack Retail Shops
877-449-8800
janieandjack.com

Janeville Retail Stores
800-504-5596
janeville.com

