BAROQUE JAPAN LIMITED

FY2018/01 3rd Quarter Result Announcement

December 14, 2017

Tokyo Stock Exchange 1st Section: 3548

Contents

1 FY2018/01 3Q Result Overview

2 FY2018/01 Full Year Outlook and 4Q Strategy

FY2018/01 3Q for Japan: August to October 2017
FY2017/01 3Q for Oversea: July to September 2017

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FY2018/01 3Q TOPICS

Slide 3

TOPIC 1 : SHEL'TTER PASS Launched in Oct 2017

◆APP for customers to accumulate "mileage" when spending at stores/company owned EC sites
◆Customers receive 1 mile per JPY100 purchase which can be used as JPY1 from next purchase.
◆Multiple membership cards issued by each brand can be stored in the APP

⇒ **Developing customer database for the future marketing usage**





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We would like to start off with 3 new topics for FY2018/01 3Q.

1st, we launched SHEL'TTER PASS, the app which aims to strengthen the connection between customers and brands in Oct 2017.

Previously each brand offer different membership privileges(mostly only applicable for the purchase at the stores) and issue multiple membership cards. In order to simplify the process and encourage the customers to enjoy shopping at different brands/stores and ECs, the SHEL'TTER PASS combines the membership cards from all the brands and consolidated the rebate system among brands/store and ECs. We can also develop the customer database which we will be using for our future marketing activities.

As of the end of 3Q, we had 178,000 downloads and currently 1 in 3 customer at stores uses SHEL'TTER PASS.

FY2018/01 3Q TOPICS

Slide 4

TOPICS 2 : New brand「STOOGE」launced! Collaboration with SHIMAMURA Co., Ltd

◆Design inspired by Baroque's brands, produced utilizing SHIMAMURA's mass production network at reasonable cost.
◆「STOOGE」is available at「Avail」shops, SHIMAMURA's young and fashion conscious brand.
◆SNS marketing (mostly instagram) headed by Baroque



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Our 2nd topic is the launch of new brand「STOOGE」, through collaboration with SHIMAMURA Co., Ltd.

「STOOGE」aims to combine the strength of two companies, Baroque and SHIMAMURA.

The designs are inspired by Baroque's brands such as MOUSSY/SLY which are mostly located in urban cities. Then the production is done utilizing SHIMAMURA's larger production background with reasonable cost.

「STOOGE」are sold at 44 out of 306「AVAIL」shops (as of Nov 2017), SHIMAMURA's young and fashion conscious brand and target to expand to all「AVAIL」shops in the near future.

FY2018/01 3Q TOPICS

Slide 5

TOPIC 3 : Strong Wholesale Performance in the US

◆Wholesale order received for 2017 FW recorded 368% yoy
◆Buyers include Barneys New York, RON HERMAN etc.



Barneys New York Madison store



Barneys New York Madison store



Barneys New York Lookbook

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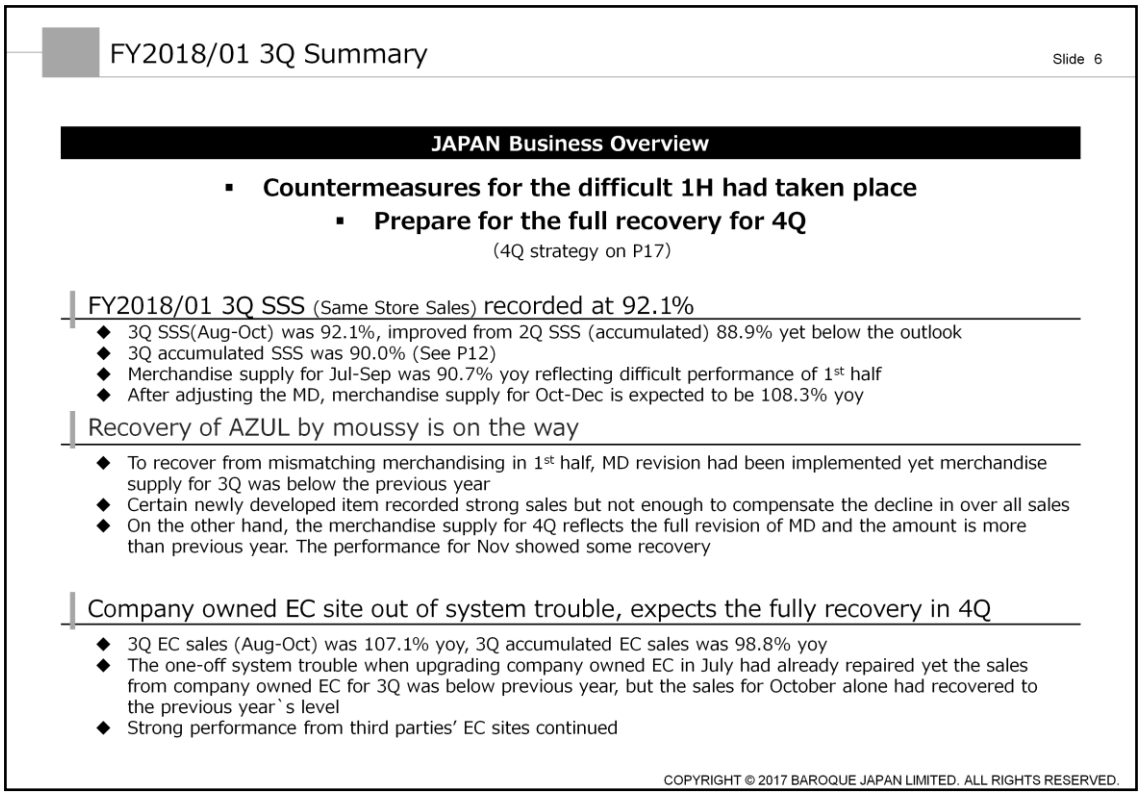
3rd topic is our positively surprising strong wholesale performance in the US.

The wholesale order received for 2017FW (Fall and Winter) season recorded 368% yoy, and buyers include Barneys New York, RON HERMAN etc, covering many of the prestigious department store/stand alone store/EC site across the US.



JAPAN Business Overview:

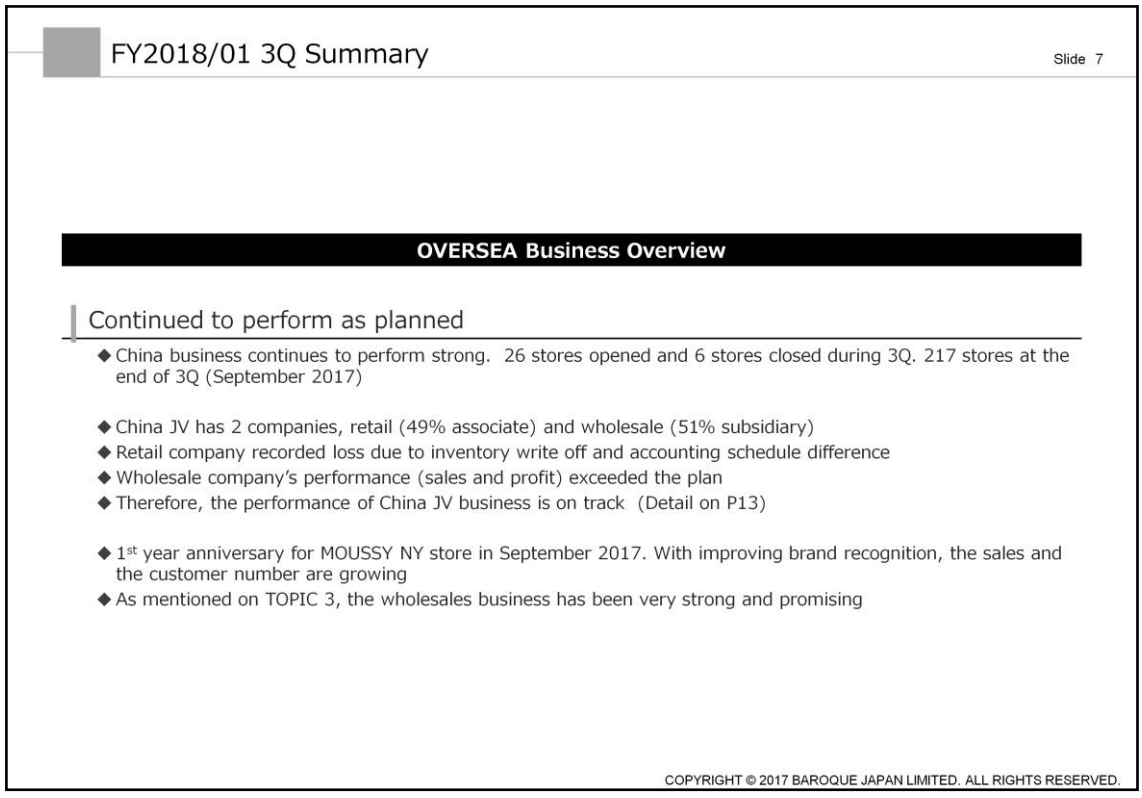
For the 3Q, multiple countermeasures of 1H's difficult result had taken place, yet the positive impact wasn't fully cultivated during 3Q.

3Q SSS(Aug-Oct) recorded 92.1% which showed the recovery from 2Q SSS(accumulated) of 88.9% yet still below the outlook. 3Q accumulate SSS was 90.0%. The main reason was the merchandise supply for Jul-Sep being 90.7% yoy reflecting difficult performance of 1H as multiple revisions had been made for the merchandise strategy. However, after the adjusting the MD(merchandising), merchandise supply for Oct-Dec is expected to be 108.3% yoy.

AZUL by moussy, which accounts for around 40% of total sales in Japan and one of the main reason for difficult performance of FY2018/01 so far is on the way of recovery. Multiple actions have been taken place yet the result has not been reflected fully to 3Q numbers. Mismatching merchandising for 1H was the biggest issue to be solved, but unfortunately we did not have enough time to fully revise the merchandise for 3Q thus the merchandise supply was less than previous year. However, we believe the merchandise supply for 4Q fully reflects the revision and the amount of supply is expected to exceed the level of previous year.

3Q EC sales(Aug-Oct) recorded 107.1% yoy and 3Q EC sales (accumulated) was

98.8%. The one off system trouble when upgrading company owned EC in July has already been taken care of by increasing the number of servers etc, yet due to the lack of merchandise EC sales from the company owned EC site was below previous year. However, we've seen the recovery trend and the sales for October alone was nearly the same level as previous year. Strong performance from third parties' EC sites continued.



OVERSEA Business Overview:

The overall performance continued to be on track.

For China, we opened 26 store and closed 6 store during 3Q and the store count for the end of 3Q is 217.

For the China JV business, there are 2 companies under our JV structure, retail (49% associate) and wholesale (51% subsidiary) Retail company recorded a loss due to inventory write off and accounting schedule difference but Wholesale company showed the strong performance, therefore, the performance of China JV business is on track (Detail on P13)

For US, we celebrated our 1st anniversary of MOUSSY NY store in September. With improving brand recognition throgh PR especially via SNS marketing, the sales and the customer number are growing. The Wholesale business recorded strong performance as mentioned on TOPICS 3.

FY2018/01 3Q Consolidate Income Statement

- Sales recorded 97.1% yoy, nearly achieving revised sales target for 3Q FY2018/01
- Gross profit margin for 3Q alone deteriorated 2.1pt yoy from 58.2% to 56.1% mainly due to the growth of China wholesale amount, approx. JPY1bln more than 3Q FY2017/01, 15.6% of total sales (3Q 2017/01 9.7%)
- SG&A for 3Q alone was 48.8%, improving 0.2pt yoy but not enough to cover the drop of GPM thus OPM for 3Q alone deteriorated 1.9pt yoy (9.2%→7.3%)
- OP for 3Q alone recorded JPY1.24bln, accumulated OP recorded JPY0.9mil

(JPY mil)	2018年1月期3Q実績 Actual	対売上 % of Sales	前年比 YoY
売上高/Sales	47,660	100.0%	97.1%
売上総利益/Gross Profit	25,962	54.5%	92.4%
販管費及び一般管理費/SG&A	24,979	52.4%	102.2%
営業利益/Operating Profit	982	2.1%	27.0%
経常利益/Recurring Profit	822	1.7%	24.0%
親会社株主に帰属する四半期純利益/Net Profit	174	0.4%	7.8%

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FY2018/01 3Q Consolidated Income Statement.

Sales recorded 97.1% yoy, nearly achieving revised sales target for 3Q FY2018/01

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SG&A for 3Q alone was 48.8%, improving 0.2pt yoy but not enough to cover the drop of GPM thus OPM for 3Q alone deteriorated 1.9pt yoy (9.2%→7.3%)

OP for 3Q alone recorded JPY1.24bln, accumulated OP recorded JPY982mil.

FY2018/01 3Q Sales Break Down

- Select Shop/Dept Store brands such as ENFÖLD continued to perform well
- FB/SB brands are mixed. MOUSSY store sales slowed in 3Q but EC continued to perform well
- Please refer to P6 for the performance of AZUL by moussy, the main SC brands
- Oversea sales recorded 142.5% yoy, mainly reflecting strong China wholesale

(JPY mil)	2018年1月期3Q実績 Actual	2017年1月期3Q Previous Year	前年比 YoY
FB/SBブランド FB/SB Brands	14,892	16,075	92.6%
SCブランド SC Brands	22,660	24,671	91.8%
セレクトショップ・百貨店ブランド Select Shop・Dept Store Brands	3,537	3,444	102.7%
海外 Oversesa	6,011	4,217	142.5%
その他 Others	560	654	85.6%

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Select Shop/Dept Store brands such as ENFÖLD continued to perform well.

We announced on Dec 11 about the launch of new brand, 「någonstans」 by the creative team of ENFÖLD. The 1st store is expected to open in Feb 2018 at Isetan Shinjuku.

FB/SB brands are mixed. MOUSSY store sales slowed in 3Q but EC continued to perform well.

Please refer to P6 for the performance of AZUL by moussy, the main SC brands.

Oversea sales recorded 142.5% yoy, mainly reflecting strong China wholesale.

FY2018/01 3Q Balance Sheet

(JPY mil)	2018年１月期3Q末				2017年1月期末		2017年1月期3Q末	
	金額 Amount	構成比 %	前期末比 % to previous year end	前年比 YoY	金額 Amount	構成比 %	金額 Amount	構成比 %
現預金 Cash	15,658	37.8%	90.5%	100.9%	17,309	45.0%	15,514	40.1%
売掛金 Accounts Receivable	8,109	19.6%	131.4%	133.1%	6,172	16.0%	6,094	15.7%
商品 Inventories	7,014	17.0%	137.3%	95.3%	5,110	13.3%	7,362	19.0%
その他流動資産Other Current Asset	2,222	5.4%	154.0%	129.9%	1,443	3.8%	1,710	4.4%
固定資産 Non Current Asset	8,367	20.2%	99.3%	104.1%	8,424	21.9%	8,039	20.8%
総資産 Total Asset	41,371	100.0%	107.6%	106.8%	38,459	100.0%	38,728	100.0%
負債 Liabilities	24,229	58.6%	112.9%	103.3%	21,456	55.8%	23,446	60.5%
純資産 Equity	17,141	41.4%	100.8%	112.2%	17,002	44.2%	15,281	39.5%

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For the balance sheet, since we hold most of the year end sales merchandise inventory by the end of 3Q, the inventory is 137.3% to previous year end, but 95.3% yoy which we believe is an appropriate level.

FY2018/01 3Q JAPAN Business Income Statement

- Sales was 92.9% yoy, below the outlook due to controlled merchandise supply
- EC sales was 12.4% of total sales, 98.8% yoy. Company owned EC is expected to fully recover in 4Q
- GPM for 3Q alone improved 0.3pt yoy from 61.5% to 61.8% due to strictly controlled discount offering. However it was not enough to cover the drop of GPM in 1H thus 3Q accumulated GPM deteriorated 1.6pt from 59.3% to 57.7%
- 3Q alone OP was JPY0.9bln, 3Q accumulated OP was JPY0.4bln

(JPY mil)	2018年1月期3Q実績 Actual	対売上 % of Sales	前年同期比 YoY
売上高/Sales	41,649	100.0%	92.9%
店舗売上/Store Sales	33,614	80.7%	91.9%
通販売上/EC Sales	5,151	12.4%	98.8%
売上総利益/Gross Profit	24,032	57.7%	90.3%
販管費及び一般管理費/SG&A	23,546	56.5%	101.4%
営業利益/Operating Profit	486	1.2%	14.4%
経常利益/Recurring Profit	503	1.2%	16.0%

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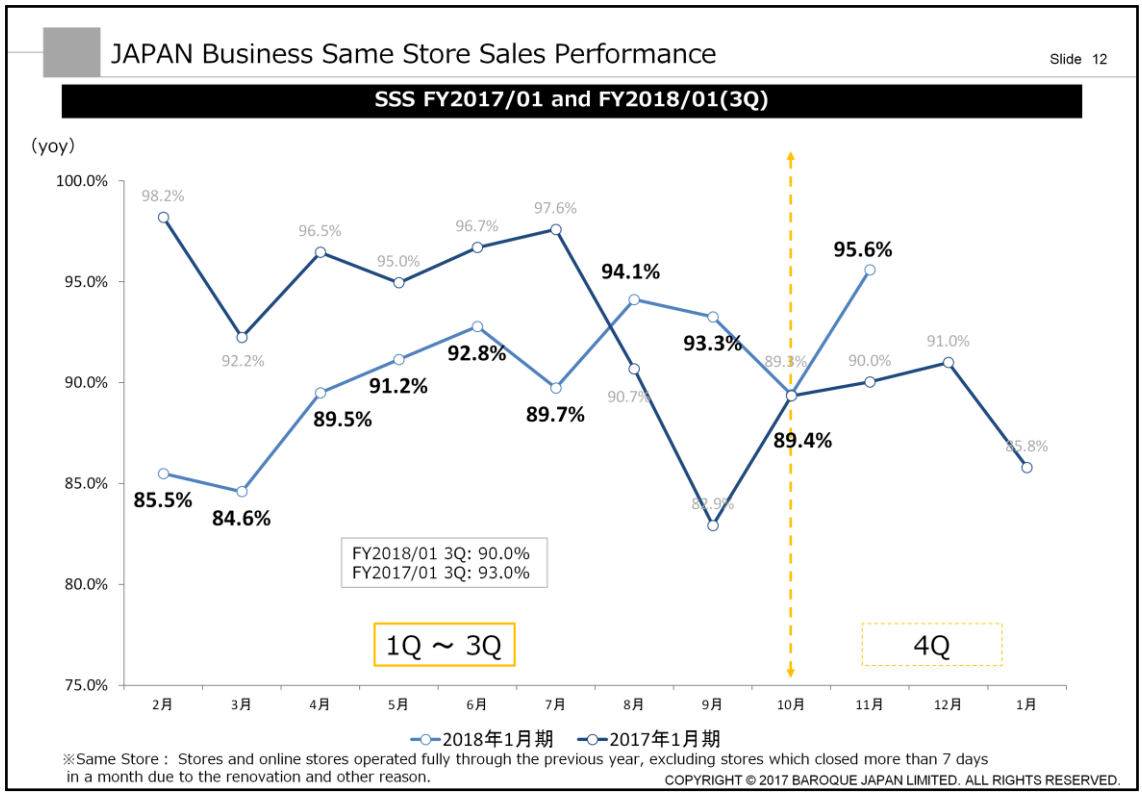
Sales was 92.9% yoy, below the outlook due to controlled merchandise supply.

EC sales was 12.4% of total sales, 98.8% yoy. Company owned EC is expected to fully recover in 4Q.

GPM for 3Q alone improved 0.3pt yoy from 61.5% to 61.8% due to strictly controlled discount offering. However it was not enough to cover the drop of GPM in 1H thus 3Q accumulated GPM deteriorated 1.6pt from 59.3% to 57.7%.

3Q alone OP was JPY0.9bln, 3Q accumulated OP was JPY0.4bln.



Japan SSS for 3Q accumulated was 90.0% (FY2017/01 3Q was 93.0%)

Department store brands such as ENFÖLD continued to exceed 100% but SC brands such as AZUL by moussy are still on the way for the full recovery.

We announced SSS for November as 95.6%, narrowing the negative impact.

FY2018/01 3Q CHINA Business Sales and Profit

Slide 13

- Both wholesale and retail sales are on track
- Expect a profit contribution from retail company for full year FY2018/01

JPY

(JPY mil)	2018年1月期 3Q実績 Actual	2017年1月期 3Q Previous Year	前年同期比 YoY
中国合弁事業からの売上 Sales from China JV			
卸売/Wholesale	5,555	4,094	135.7%
ロイヤリティ/Royalty	306	232	131.9%
売上合計/Sales Total	5,861	4,326	135.5%
当期純利益に対する 中国合弁事業による利益 Profit from China JV			
小売事業からの利益/Profit from Retail company (持分法投資利益) Equity method investment gain	△ 95	88	-108.0%
卸事業からの利益・Profit from Wholesale company (少数株主持分の51%相当) 51% of JV subsidiary	231	100	231.0%
ロイヤリティ税抜換算 Royalty after tax	214	162	132.1%
利益合計/Profit Total	350	351	99.7%

RMB

(RMB mil)	2018年1月期 3Q実績 Actual	2017年1月期 3Q Previous Year	前年同期比 YoY
中国合弁事業からの売上 Sales from China JV			
卸売/Wholesale	337	248	136.0%
ロイヤリティ/Royalty	19	14	132.7%
売上合計/Sales Total	356	262	135.8%
当期純利益に対する 中国合弁事業による利益 Profit from China JV			
小売事業からの利益/Profit from Retail company (持分法投資利益) Equity method investment gain	△ 6	5	-115.4%
卸事業からの利益/Profit from Wholesale company (少数株主持分の51%相当) 51% of JV subsidiary	14	6	233.8%
ロイヤリティ税抜換算 Royalty after tax	13	10	129.9%
利益合計/Profit Total	21	21	101.2%

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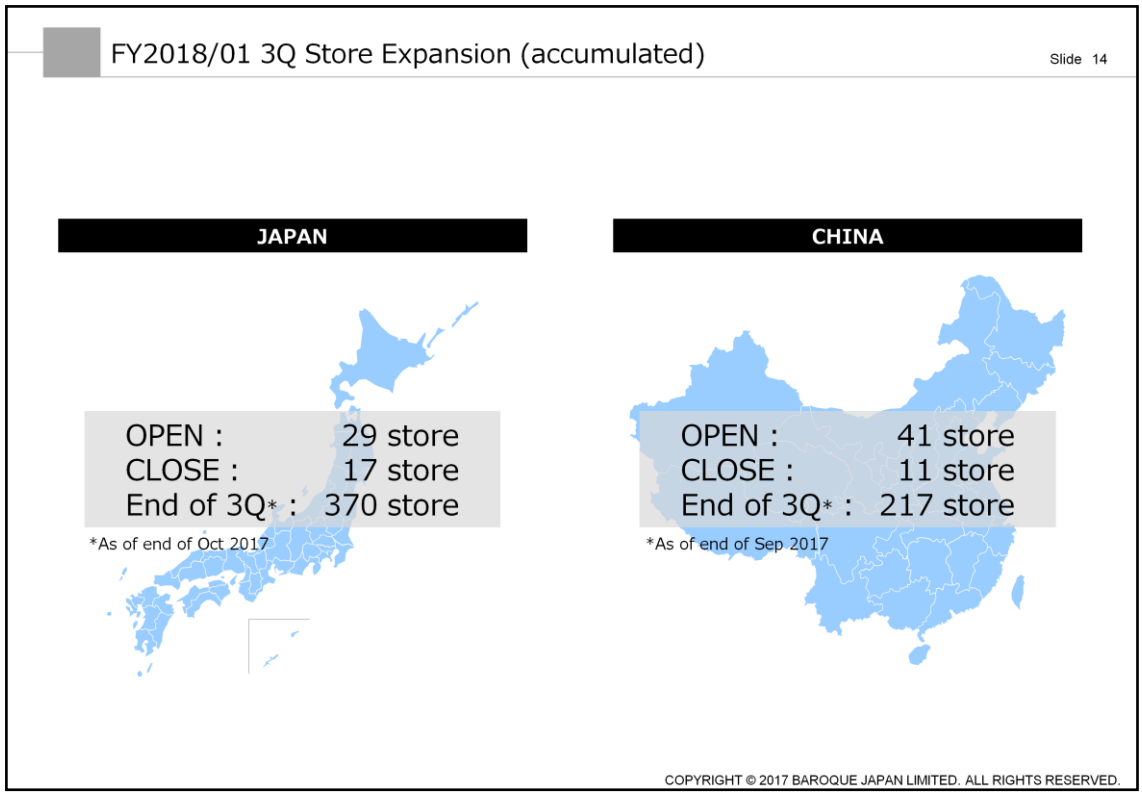
For China JB business, both wholesale and retail sales(recorded in our JV partner's PL) are on track.

As mentioned on P7, Retail company recorded a loss due to inventory write off and accounting schedule difference but Wholesale company's performance (sales and profit) exceeded the plan thus overall profit contribution from China JV business achieved the target.

In China, we record inventory write off in 1Q and 3Q, so the profit from 4Q has the significant impact on the full year performance. With the positive SSS and steady increase in the store number, we expect the Retail company will turn profitable in 4Q and the profit contribution from China JV will achieve the outlook.



3Q accumulated Store Expansion.

In Japan, opened 29 stores, closed 17 stores, reaching 370 store by the end of 3Q.

In China, opened 41 stores, closed 11 stores, reaching 217 store by the end of 3Q.

In other area (HK/Macau/US) there are no store opening/closing and we operate 10 stores at the end of 3Q.

(8 for HK/Macau, 2 for US)

Contents

1 FY2018/01 3Q Result Overview

2 FY2018/01 Full Year Outlook and 4Q Strategy

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FY2018/01 Outlook (Revised in Sep 2017)

- Strict control on discount offering for year-end sales, Early-Spring merchandise after the year end sales, outlet and lucky bag sales to clear the previous season inventory to maximize the sales and gross profit. Strict control on SG&A to secure the operating profit
- Outlook of Sales JPY68.8bln, Recurring Profit JPY3.6bln, Net Profit JPY2.2bln unchanged
- No change for full year dividend outlook of JPY38

(JPY mil)	修正後通期計画 FY2018/01 Plan after Revision				修正前通期計画 FY2018/01 Plan before Revision		
	見通し Forecast	差異額 Difference	対修正前% % to before revision	前年比 YoY	見通し Forecast	対売上 % to Sales	前年比 YoY
売上高/Sales	68,842	▲ 7,366	90.3%	99.1%	76,208	100.0%	109.7%
売上総利益/Gross Profit	38,174	▲ 5,906	86.6%	98.9%	44,080	57.8%	114.1%
販管費/SG&A	34,695	▲ 3,071	91.9%	104.4%	37,767	49.6%	113.6%
営業利益/Operating Profit	3,478	▲ 2,834	55.1%	64.8%	6,312	8.3%	117.6%
経常利益/Recurring Profit	3,674	▲ 2,971	55.3%	68.2%	6,645	8.7%	123.4%
親会社株主に帰属する当期純利益/Net Profit	2,208	▲ 2,270	49.3%	63.0%	4,479	5.9%	127.7%
1株当たり当期純利益/EPS	61円14銭				126円17銭		

＊1株当たり当期純利益は2018年1月期第2四半期末の発行済み株数(36,125,000株）で計算

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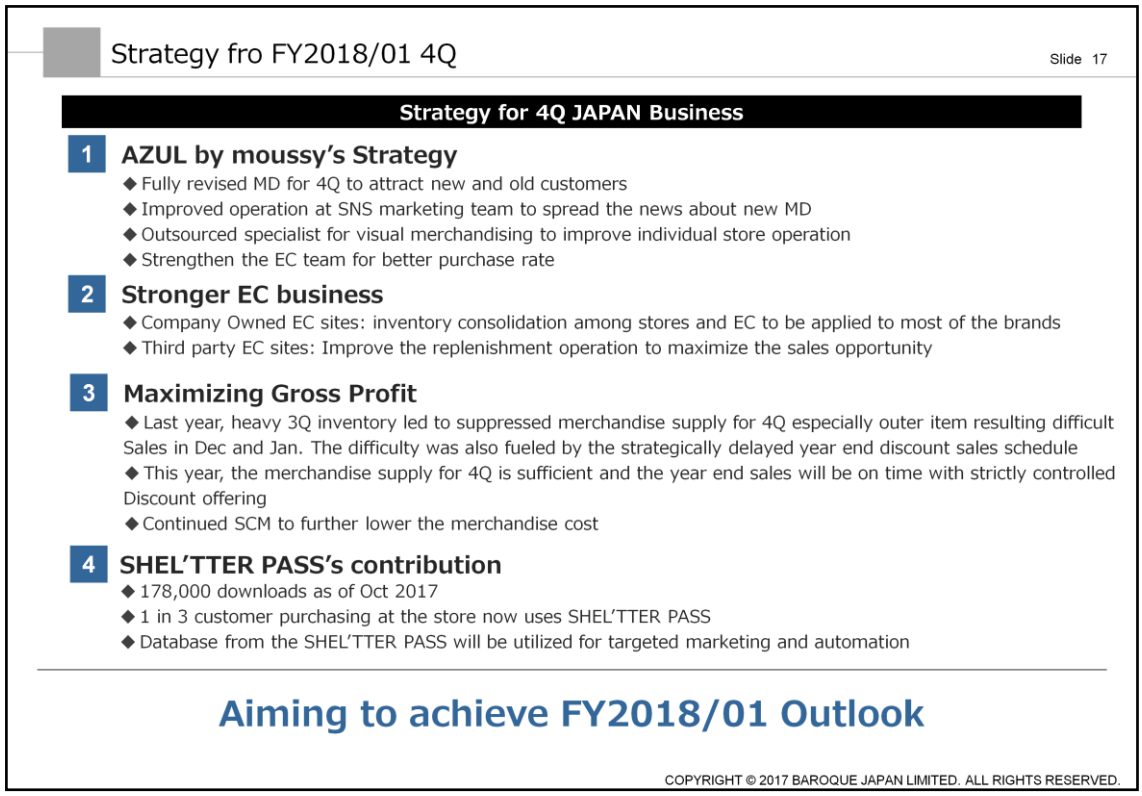
Strict control on discount offering for year-end sales, Early-Spring merchandise after the year end sales, outlet and lucky bag sales to clear the previous season inventory to maximize the sales and gross profit. Strict control on SG&A to secure the operating profit.

Outlook of Sales JPY68.8bln, Recurring Profit JPY3.6bln, Net Profit JPY2.2bln unchanged.

No change for full year dividend outlook of JPY38.



Strategy for 4Q

1. Azul by moussy

◆ Fully revised MD for 4Q to attract new and old customers

◆ Improved operation at SNS marketing team to spread the news about new MD

◆ Outsourced specialist for visual merchandising to improve individual store operation

◆ Strengthen the EC team for better purchase rate

2. Stronger EC business

◆ Company Owned EC sites: inventory consolidation among stores and EC to be applied to most of the brands

◆ Third party EC sites: Improve the replenishment operation to maximize the sales opportunity

3. Maximizing Gross Profit

◆ Last year, heavy 3Q inventory led to suppressed merchandise supply for 4Q especially outer item resulting difficult

Sales in Dec and Jan. The difficulty was also fueled by the strategically delayed year end discount sales schedule

◆ This year, the merchandise supply for 4Q is sufficient and the year end sales will be on time with strictly controlled

Discount offering

◆ Continued SCM to further lower the merchandise cost

4. SHEL'TTER PASS's contribution

◆ 178,000 downloads as of Oct 2017

◆ 1 in 3 customer purchasing at the store now uses SHEL'TTER PASS

◆ Database from the SHEL'TTER PASS will be utilized for targeted marketing and automation

Return to Shareholders (No Change)

Dividend

- No change for full year dividend outlook of JPY38 for FY2018/01
- Exceeds original payout policy of 30-40% (62.1% after revision), but keep JPY38 since the main reason for the downward revision is the performance of 1st half and expects the recovery.

Shareholder Incentives

①who is entitled

■ Shareholders on record as of January 31st and July 31st with 100 shares and more

②when to receive

■ Schedule to distribute by late April and late October

③what are incentives

who	incentive
Shareholders with more than 100 shares	2,000 yen coupon to be used at stores and company EC site



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No change for full year dividend outlook of JPY38 for FY2018/01

Shareholder incentives is also not changed.

Appendix

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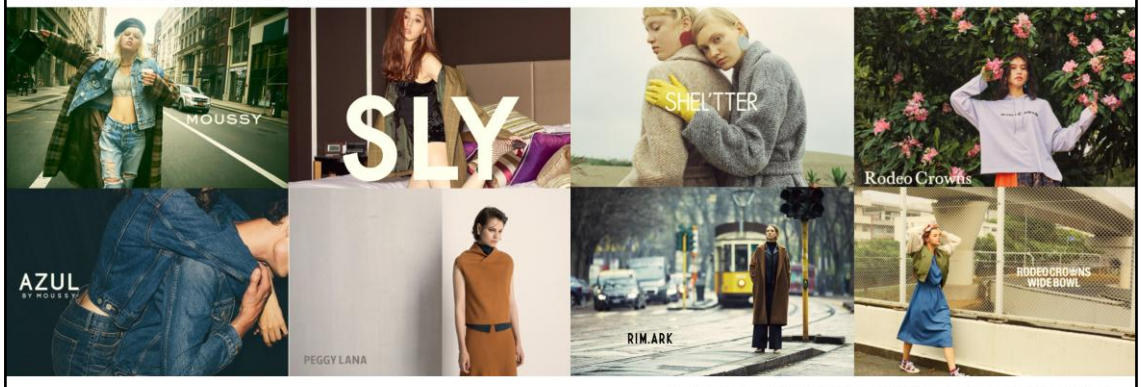
BAROQUE JAPAN LIMITED IS..

Leading SPA* for women's apparel & accessories in Japan

- **370** stores in Japan, **217** stores in China, 8 stores in HK/Macau, 2 stores in U.S**. **18 brands** in the portfolio
- Stable Japan Business + **Growing China Business**
- Efficient business model with **High Inventory Turnover and GPM**

*Specialty store retailer of Private label. A business model by companies with brands to take integrated way from design, production to retail sales.
**As of October 2017 for Japan, September 2017 for Oversea



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History

- Our philosophy “we make what we want” never changes
- Started from a 350 sqf store in Shibuya 109, expanded globally supported by our loyal customers

Time	History
2000年	● **6 founders started [MOUSSY] from “Shibuya 109”(shopping building) “we make what we want (because they don’t exist in the market!)”** ● As a denim brand, MOUSSY’s jeans were designed to accentuate the sexiness of women. ➢ **MOUSSY achieved sales of JPY10bil in just 4 years**
2006年	● China business expert, Mr. Murai (current Chairman and CEO) joined the company
2007年	● MBO by CLSA and senior management
2008年	● **[AZUL by moussy] launched.** Targeting customers at suburban shopping centers (reasonably priced item, offering women men and kids item), yet offering MOUSSY-style shopping experience and store atmosphere.
2010年	● 1st MOUSSY store opened in China
2012年	● **[ENFÖLD] launched. Targeting fashion conscious women in 30s and 40s** ➢ **Established “Domestic Contemporary market*”** *a market for brands with similar level of design, quality and branding as foreign contemporary brands(especially European and American brands) but pricing similar to domestic brands (more affordable)
2013年	● CLSA sold all the shares to Belle and CDH Fund. China JV with Belle started
2016年	● **[RIM.ARK] launched by a winner of an internal competition project.** ● [MOUSSY][ENFÖLD] stores opened in Manhattan, NY









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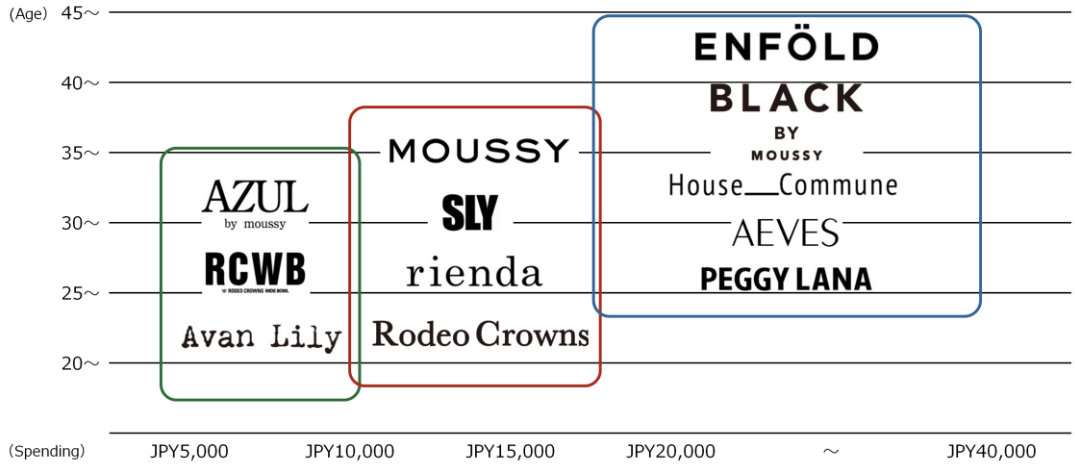
Brand Portfolio

Balanced Brand Portfolio across Wide Range of Customers



% of sales	50%	40%	10%
Ave. Store Size	40 ～ 150坪	20 ～ 50坪	15 ～ 20坪
Global Comparison	TOPSHOP ZARA	ALLSAINTS rag & bone NEW YORK	STELLA McCARTNEY MARNI

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SNS Marketing

Ranking of Instagram Follower# for Japanese Fashion Brands

Japanese Company Ranking	Name	Logo	Follower#	Post#
4	KENZO	KENZO	1,575,978	1,826
7	Comme des Garcons	COMME des GARÇONS	1,358,834	225
9	UNIQLO	UNIQLO	1,203,071	978
10	A Bathing Ape	A BATHING APE	1,114,506	6,428
15	MUJI無印良品	MUJI 無印良品	827,279	656
22	GU	GU	698,075	617
29	MOUSSY	MOUSSY	526,156	5,779
35	Yoji Yamamoto	Yoji Yamamoto	472,625	500
36	UNDERCOVER	U	471,900	1,220
45	SLY	SLY	384,419	6,292

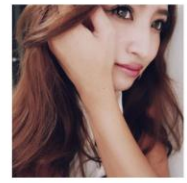
As of October 2017, User Local Instagram Ranking

Staff Instagrammer

corina_718
- rienda
- Follower #92,800



wadarisa
- rienda
- Follower #87,400



marinakamura
- RIM.ARK
- Follower #76,000



marie_0905
- MOUSSY
- Follower #63,400



As of October 2017, Instagram

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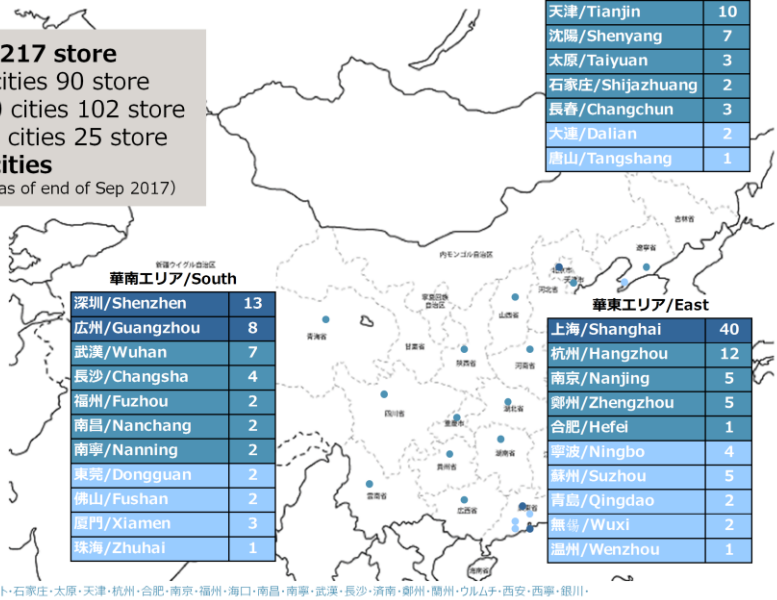
China Business

- In FY2017/01, Opened 56 stores, Closed 5 stores, Net Addition 51 stores.
- Plan to continue opening around 60 stores per year.

■Store Number : 217 store
- 1st tier city : 4 cities 90 store
- 2nd tier city : 20 cities 102 store
- 3rd tier city : 11 cities 25 store

■# of cities : 35 cities
(as of end of Sep 2017)



華北エリア/North

北京/Beijing	29
天津/Tianjin	10
沈陽/Shenyang	7
太原/Taiyuan	3
石家庄/Shijazhuang	2
長春/Changchun	3
大連/Dalian	2
唐山/Tangshang	1

華東エリア/East

上海/Shanghai	40
杭州/Hangzhou	12
南京/Nanjing	5
鄭州/Zhengzhou	5
合肥/Hefei	1
寧波/Ningbo	4
蘇州/Suzhou	5
青島/Qingdao	2
無錫/Wuxi	2
温州/Wenzhou	1

華南エリア/South

深圳/Shenzhen	13
広州/Guangzhou	8
武漢/Wuhan	7
長沙/Changsha	4
福州/Fuzhou	2
南昌/Nanchang	2
南寧/Nanning	2
東莞/Dongguan	2
佛山/Fushan	2
厦門/Xiamen	3
珠海/Zhuhai	1

西南エリア/West

成都/Chengdu	15
重慶/Chongqing	9
西安/Xian	6
昆明/Kunming	4
貴陽/Guiyang	2
西寧/Xining	1

当社グループ定義
1級都市（4都市）：上海・北京・広州・深セン
2級都市（27都市）：ハルビン・沈陽・長春・フフホト・石家庄・太原・天津・杭州・合肥・南京・福州・海口・南昌・南寧・武漢・長沙・済南・鄭州・蘭州・ウルムチ・西安・西寧・銀川・成都・重慶・貴陽・昆明
3級都市：その他の都市

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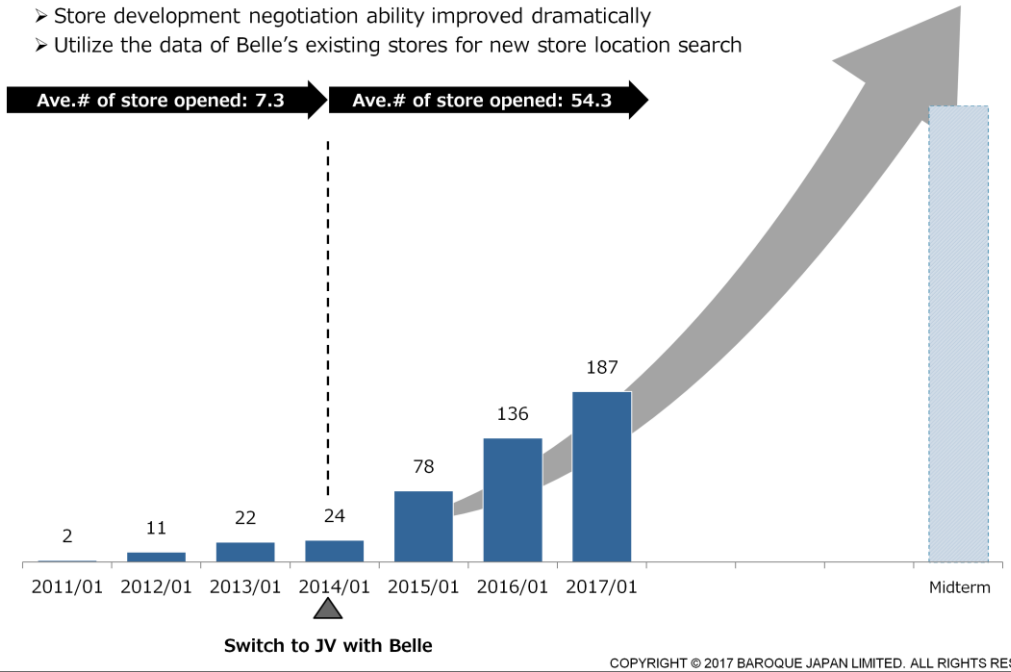
China Business

- Store opening accelerated after JV with Belle International Limited started in 2013
  - Store development negotiation ability improved dramatically
  - Utilize the data of Belle's existing stores for new store location search



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China JV Partner: Belle International Holdings Limited

- Established in Shenzhen China in 1991.
- Two business segments. Shoes business and Sports/Fashion wear business.
- FY2017/2 Store Number: 20,716 stores (13,062 stores for Shoes business, 7,654 stores for Sports/Fashion wear business)
- FY2017/2 Result
  Sales 41,706mil RMB, Operating Profit 3,555mil RMB, Net Profit 2,416mil RMB

(Brands operated by Belle International in China)

Sales Breakdown by Shoes and Sports/Fashion wear business



Store# Breakdown by Shoes and Sports/Fashion wear business



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High Inventory Turnover and Gross Profit Margin

High Inventory Turnover

- New merchandise arrives every week
- Ave. 13,000 to 14,000 item/year



- Sold out or move to Outlet stores/warehouse after 2 to 3 weeks
- Highly skilled shop staff



High Gross Profit Margin

Development

- Exclusive fabric development and sourcing by R&D team



Production

- Increase direct purchase from factories
- Develop new factory network with production team in China



Logistic

- Lower logistic and warehouse cost utilizing Belle's resource
- In-house inspection center



Sales

- Multiple training for shop staff
- Unique incentive scheme



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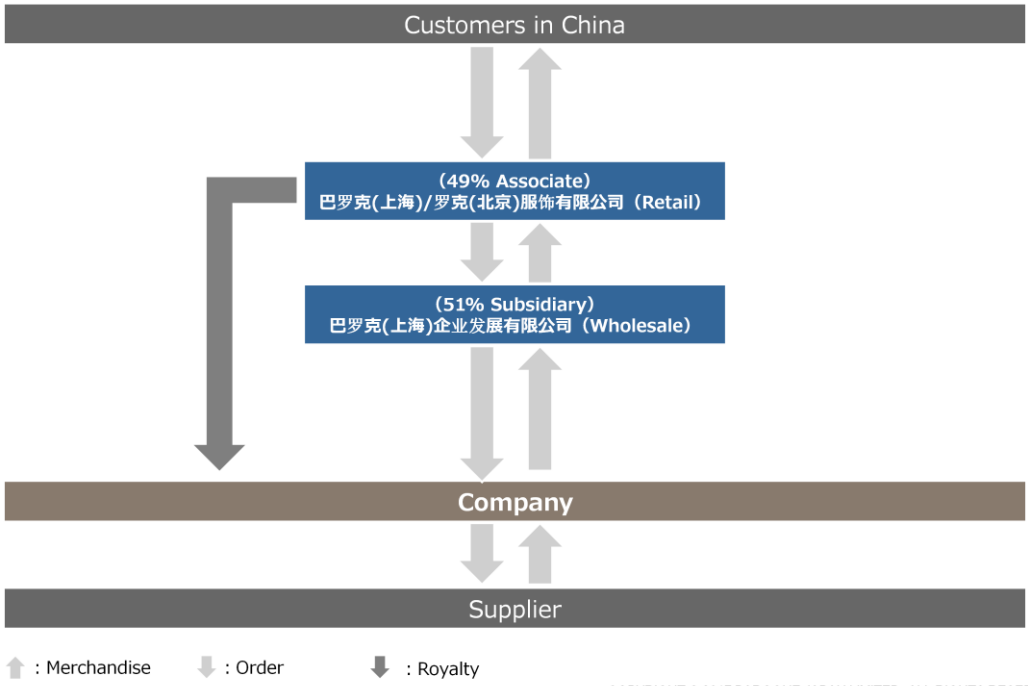
JV Structure in China



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- The risk and uncertainties that could affect the forward-looking statements are difficult to predict. The company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events, or circumstances that could affect them. Given the uncertainties of forward-looking statements, we caution readers not to place undue reliance on these statements.

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