BAROQUE JAPAN LIMITED

FY2019/02 Third Quarter Result Announcement

December 14, 2018

Tokyo Stock Exchange First Section: 3548

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"Continuing Profitability Exceeding Budget"

OP & other profits substantially exceeding previous year
Aim to further concentrate on improving profit to the end of FY

Consolidated Sales : **JPY47.76Bil** yoy + 0.2% +0.1Bil

Consolidated Operating Profit : **JPY2.80Bil** yoy +185.3% +1.82Bil

Consolidated Net Profit : **JPY1.60Bil** yoy +819.9% +1.42Bil

Domestic business

- Although weak brands are weighting down our Sales (partially due to weather reasons), strong brands are pushing up our sales
- Nevertheless, profits are well achieved led by SCM management and SG&A reduction

Overseas business

- China JV profit behind previous year, mainly due to inventory control in retail company. Although Aiming to secure profit in the 4th Quarter, China economy slow down is the risk factor
- Overseas wholesale business continuing to expand to the world.

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Japan Business Overview

- **Although weak brands are weighting down, strong brands drove up our sales**
- **Profits are well achieved led by SCM management and SG&A reduction**

1-3Q Cumulative same store sales 98.5% (including e-commerce sales)

- ◆ Although AZUL is mainly weighting down our sales, MOUSSY, ENFÖLD, STACCATO and SLYs' recovery pushed up our sales
- ◆ All brands refining merchandise strategies & focusing on hot items reduced opportunity loss
- ◆ Although Customer No. decreasing led by weak brands & 3rd party EC (93.5%: 1-3Q cumulative) , Price per Customer increased to 105.4% (1-3Q cumulative) by selling price control
- ◆ Anchored our existing customers by enhancing our own EC channel + utilizing the point membership app "SHEL'TTER PASS" (Own EC site sales growth 121.5% yoy)

Improved profitability from Supply Chain Management

- ◆ As a result of utilizing factory idle period and expanding direct trades, purchasing cost ratio improved
- ◆ By controlling selling price & inventories, consolidated GP margin recovered significantly to 57.6% (+3.1pt yoy)
- ◆ Implementation of RFID for more efficient logistics going along schedule

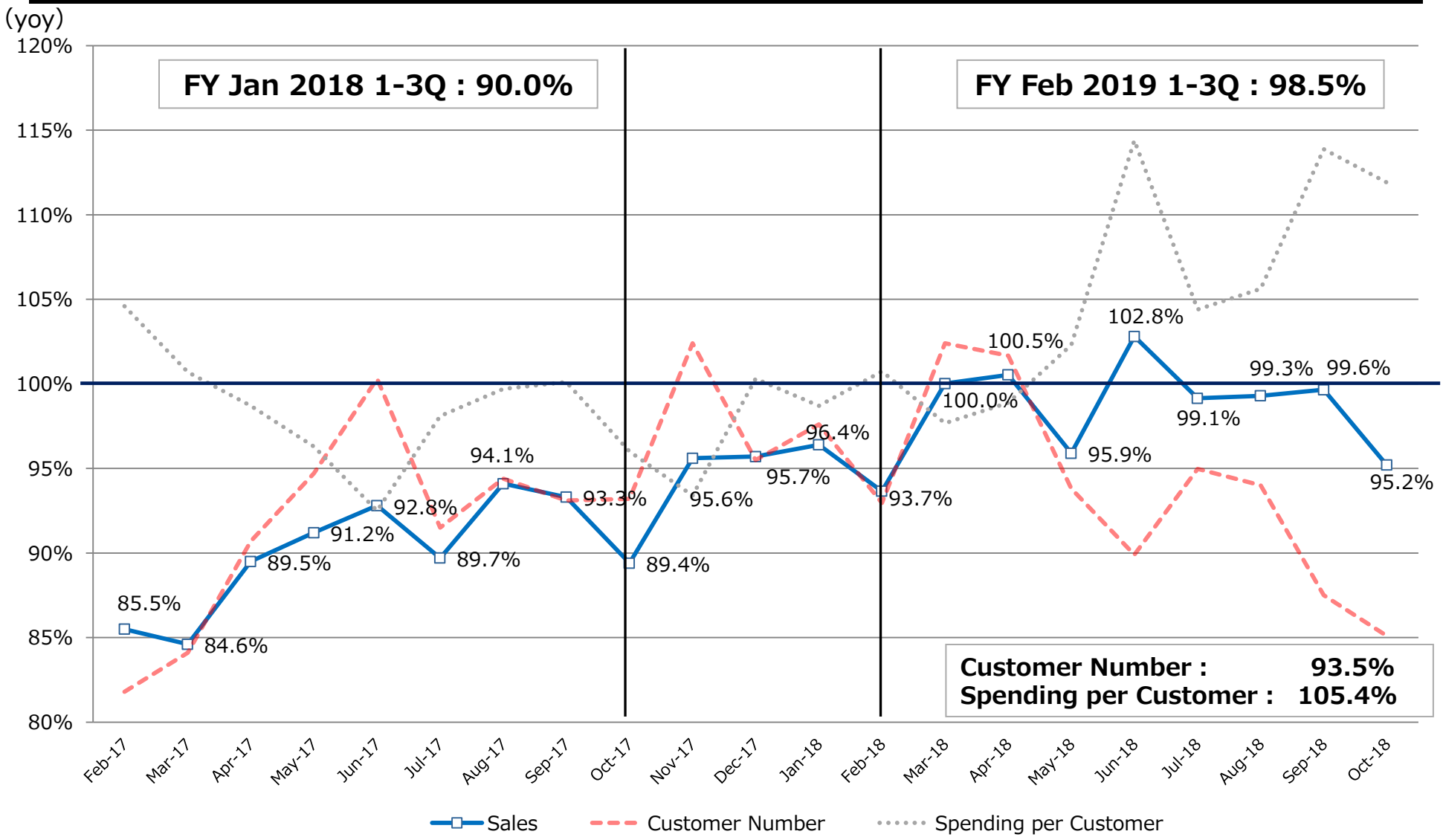
Improvement and Efficiency in SG&A expenses

- ◆ Consolidated SG&A expense ratio improved to 51.7% (-0.7pt yoy) by saving advertisement cost (utilizing digital marketing) and controlling personnel expense
- ◆ By improving own EC site cost structure, EC business OP & OP Margin increased significantly
- ◆ Improved efficiency in inventory distribution for lower logistics cost

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Japan Business Same Store Sales Performance

Japan Business Same Store Sales (yoy)

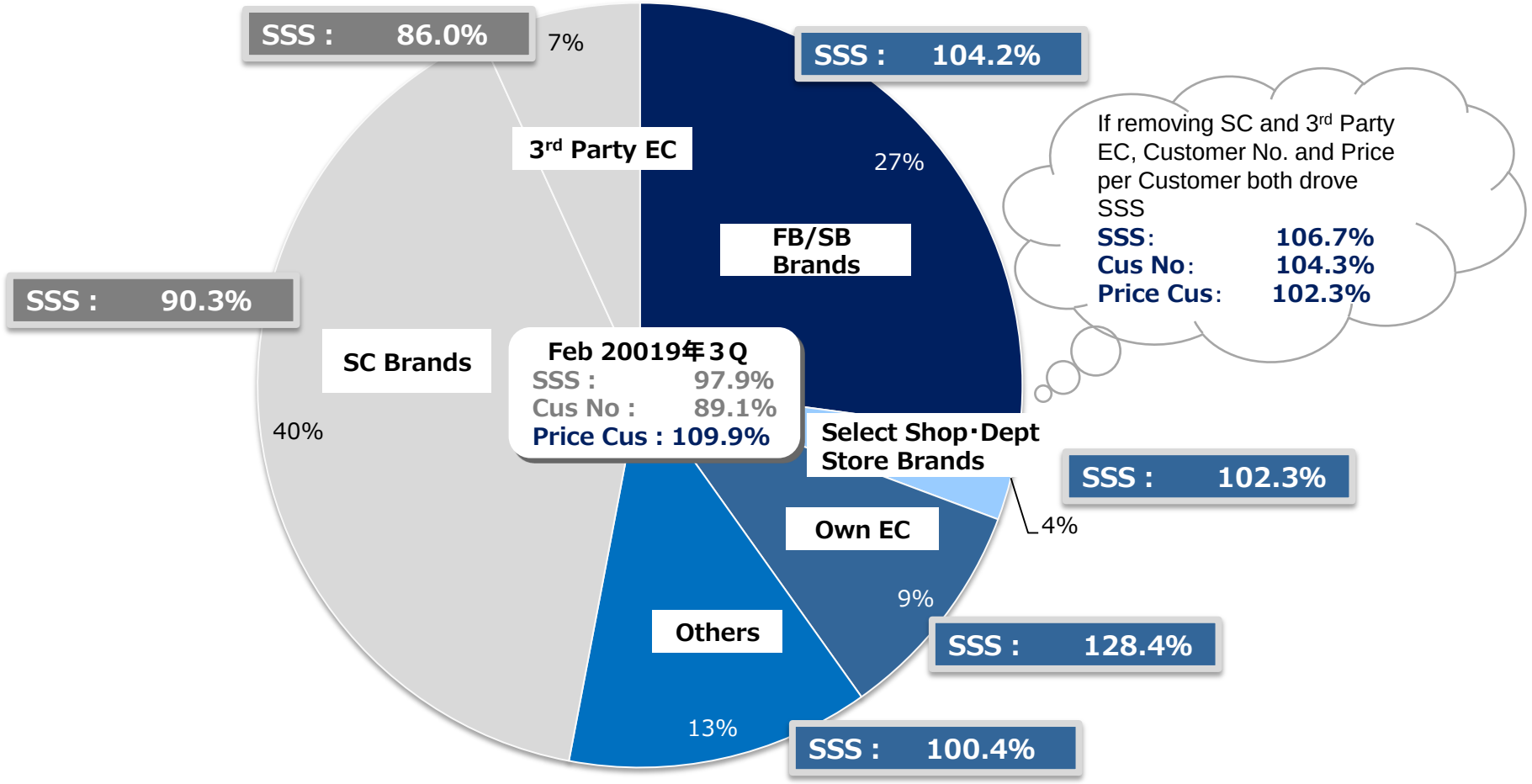


※Same Store : Stores and online stores operated fully through the previous year, excluding stores which closed more than 7 days in a month due to the renovation and other reason.

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(FYI) FY2019/02 Third Quarter Category SSS & Sales Composition (3Q only)

Same Store Sales : Stores and online stores operated fully through the previous year
Sales Composition : Category SSS ÷ Domestic SSS



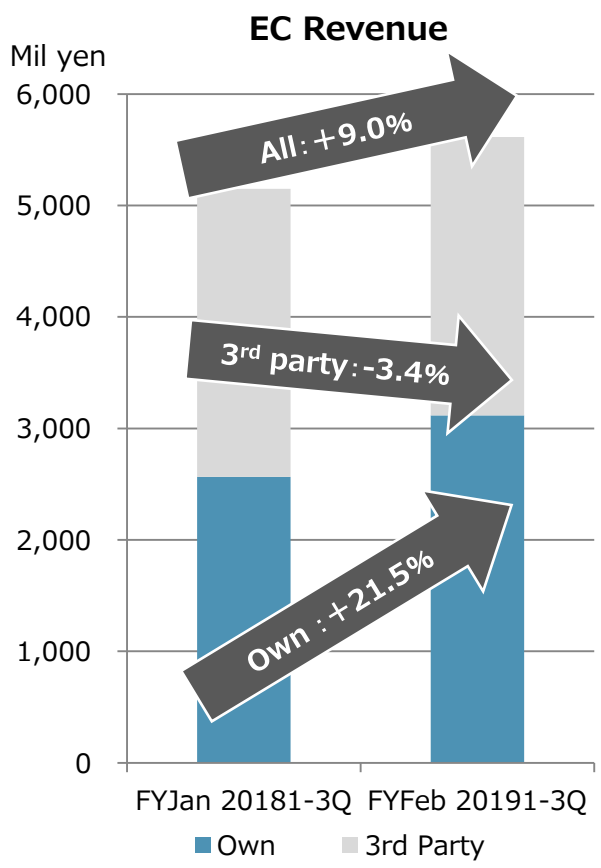
SSS of FB/SB, Select shop/Dept Store & Own EC led by customer number growth
SC & 3rd Party EC customers declined by discount price control etc.

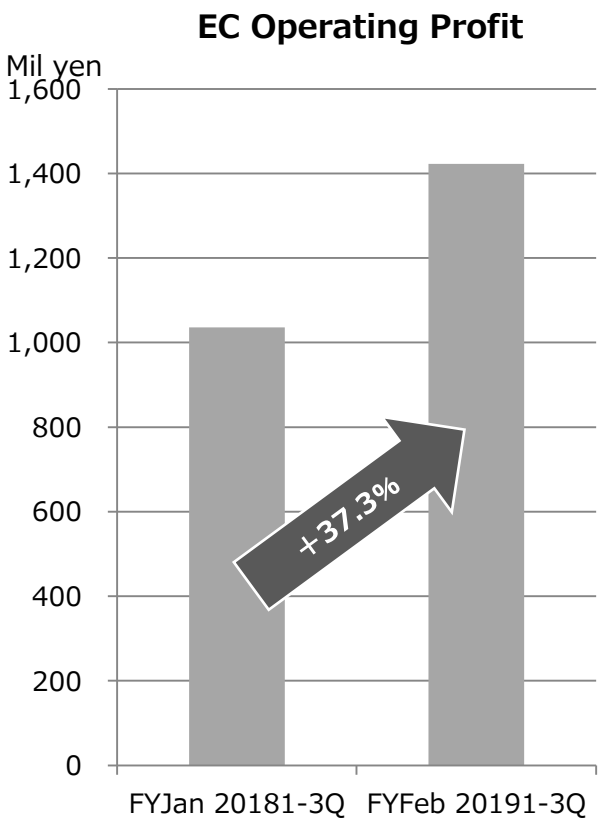
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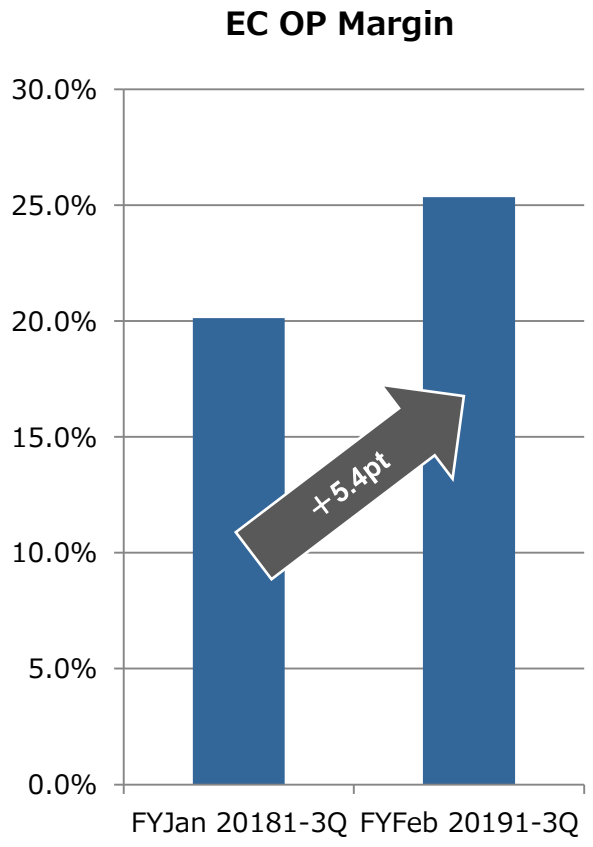
Domestic EC Revenue & Operating Profit

- Domestic EC business grew 9.0% yoy (Own EC:+21.5%、3rd Party EC:-3.4%)
- Own EC site reviewed cost structure to become more profitable
- Even though 3rd Party EC site revenue decreased, OP & OP margin grew significantly by sale price control

Domestic EC Business yoy (1-3Q)







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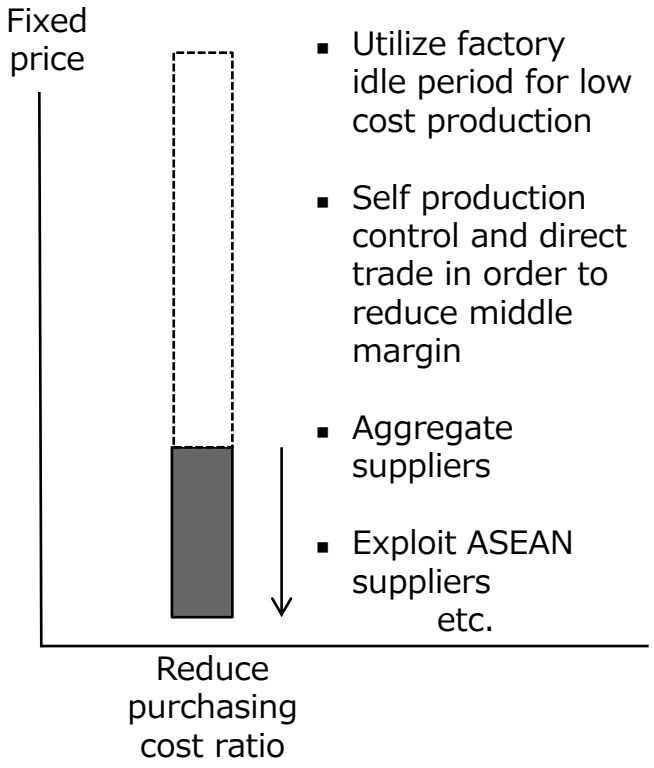
FY2019/02 Third Quarter (cumulative) Consolidated GP Margin Recover

Consolidated Gross Profit Margin

- Our strategy to improve GP margin = Supply Chain Management

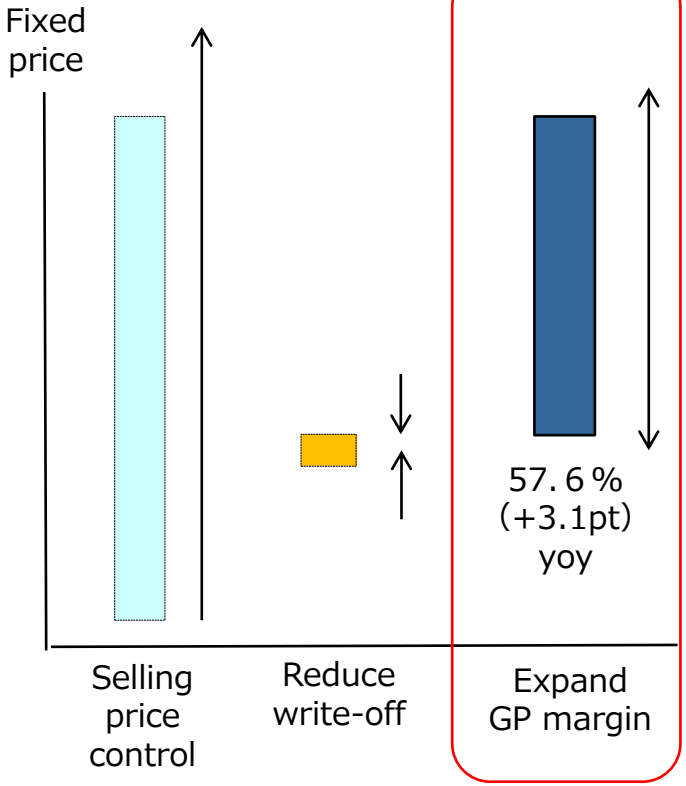
Product Development ▶ **Procurement** ▶ **Selling & Write down**

- Define target customers in each item
  - ➢ cutting down item numbers
- Refine order amount
  - ➢ shade in order amount of each items
  - ➢ prevent out of stock
- Produce items with our brand image × trend element



- Utilize factory idle period for low cost production
- Self production control and direct trade in order to reduce middle margin
- Aggregate suppliers
- Exploit ASEAN suppliers

etc.



Produce competitive items
Optimize purchase amount

Procuring only controllable amount together with reducing purchasing cost

Appropriate inventories enables reasonable SALE promotion & write-off reduction

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Overseas Business Overview

- China JV profit behind previous year, mainly due to controlling wholesale distribution. Although aiming to secure profit in the 4th Quarter, China economy slow down is the risk factor

◆ Although China wholesales (51% consolidate) slowed down to 83.8% by China retail JV's inventory control, China retail sales (49% associate) continued to perform (yen equivalent royalty revenue 113.5% yoy)

◆ 3Q period end 238 stores (3Q cumulative: Open 31, Close 20). Although store opening is as scheduled, net increase pace slowed down by unexpected store closing

◆ Although we expect that majority of Retail company's profit to come in 4Q, trade friction between US-China may cause China economy slow down

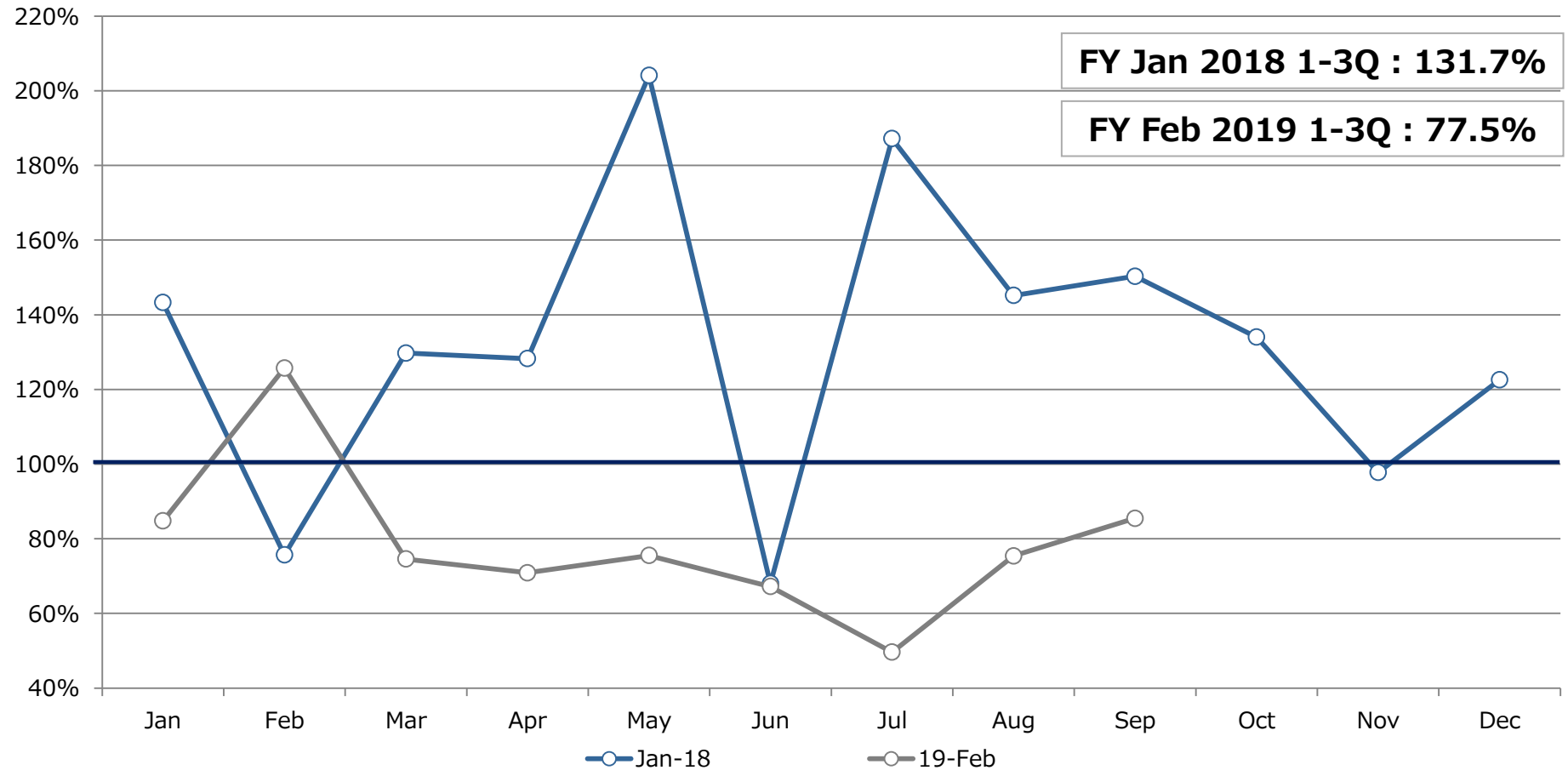
◆ Along with the MOUSSY Vintage Jeans recognition, US operation continues grow in both MOUSSY NY store and wholesale business. Together with ENFÖLD originated from Japan, whole sales to overseas expanding to 30countires (by accepting order base)

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FY2019/02 Third Quarter Summary (cumulative) China Wholesale

- As 3 years has past since China JV business started, we realized several problems such as merchandise composition and retail company's purchase optimization. Inventory excess will become risk of inventory write-off in 1Q and 3Q.
- In order to resolve this, we started to pursue inventory efficiency from this FY. We will continue the captioned strategy to the FY end.

China Wholesale（FY Jan 2018 - FY Feb 2019）



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FY2019/02 Third Quarter (cumulative) Consolidated Income Statement

Consolidated Income Statement

- Sales recorded 100.2% yoy
- Gross profit margin improved by 3.1pt（54.5%→57.6%）
- SG&A expenses improved by 0.7pt（52.4%→51.7%）
- Operating Profit and Recurring Profit grew significantly (OP: +1,820Mil Yen, RP: +1,842Mil yen)

(百万円/JPY mil)	2019年２月期1-3Q			2018年1月期1-3Q	
	実績 Actual	対売上 % of Sales	前年同期比 YoY	実績 Actual	対売上 % of Sales
売上高/Sales	**47,767**	100.0%	100.2%	47,660	100.0%
売上総利益/Gross Profit	**27,501**	57.6%	105.9%	25,962	54.5%
販管費及び一般管理費/SG&A	**24,699**	51.7%	98.9%	24,979	52.4%
営業利益/Operating Profit	**2,802**	5.9%	285.3%	982	2.1%
経常利益/Recurring Profit	**2,664**	5.6%	324.0%	822	1.7%
親会社株主に帰属する四半期純利益/Net Profit	**1,602**	3.4%	919.9%	174	0.4%

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FY2019/02 Third Quarter Sales (cumulative) Breakdown

Consolidated Revenue Breakdown

- For our domestic business, MOUSSY(FB/SB brands) , ENFÖLD, STACCATO(Select Shop・Dept Store brands) and some other brands performed well
- AZUL BY MOUSSY had difficulties in selling outers, due to weather condition
- For our overseas business, China Sales slowed down by retail JV's inventory control

(百万円/JPY mil)	2019年２月期1-3Q			2018年1月期1-3Q	
	実績 Actual	構成比 Composition	前年比 YoY	実績 Actual	構成比 Composition
売上高/Sales	**47,767**	100.0%	100.2%	47,660	100.0%
FB/SBブランド/FB/SB Brands	**16,148**	33.8%	108.4%	14,892	31.2%
SCブランド/SC Brands	**21,672**	45.4%	95.6%	22,660	47.5%
セレクトショップ・百貨店ブランド/ Select Shop・Dept Store Brands	**4,112**	8.6%	116.3%	3,537	7.4%
海外/Oversesa	**5,334**	11.2%	88.7%	6,011	12.6%
その他/Others	**499**	1.0%	89.4%	558	1.2%

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FY2019/02 Third Quarter (cumulative) Consolidated SG&A Expense

Consolidated SG&A Expense

- Saved advertisement cost by utilizing digital marketing (instead of TV commercials spent in previous year) and controlling personnel expense
- Store rent and fee for franchisee also reduced by shutting down loss making stores

(百万円/JPY mil)	2019年２月期1-3Q 実績 Actual	2019年２月期1-3Q 対売上 % of Sales	2019年２月期1-3Q 前年比 YoY	2019年２月期1-3Q 売上比増減 Movement vs % Sales	2019年２月期1-3Q 前年同期実績 Actual	2019年２月期1-3Q 対売上 % of Sales
売上高/Sales	**47,767**	100.0%	100.2%	-	47,660	100.0%
販売管理費/SG&A Expense	**24,699**	51.7%	98.9%	△0.7pt	24,979	52.4%
広告費及び販売促進費/ Advertising and promotional cost	**1,562**	3.3%	95.2%	△0.2pt	1,640	3.4%
給与手当/Salaries and wages	**4,115**	8.6%	96.1%	△0.4pt	4,282	9.0%
販売手数料(店舗家賃及び販売委託手数料)/Store rent and fee for franchisee	**10,219**	21.4%	97.5%	△0.6pt	10,480	22.0%
減価償却費/Depreciation	**628**	1.3%	104.3%	0.1pt	602	1.3%
その他/Others	**8,172**	17.1%	102.5%	0.4pt	7,973	16.7%

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FY2019/02 Third Quarter Consolidated Balance Sheet

Consolidated balance Sheet

- Continuing Inventory control. Liabilities decreased by reducing debt.

(百万円/JPY mil)	2019年2月期3Q末 (2018/10/31)			2018年1月期3Q末 (2017/10/31)	
	金額 Amount	構成比 %	前年同期末対比 YoY	金額 Amount	構成比 %
現預金/Cash	**16,498**	40.6%	105.4%	15,658	37.8%
売掛金/Accounts Receivable	**7,699**	18.9%	94.9%	8,109	19.6%
商品/Inventories	**6,577**	16.2%	93.8%	7,014	17.0%
その他流動資産/ Other Current Asset	**1,451**	3.6%	65.3%	2,221	5.4%
固定資産/Non Current Asset	**8,443**	20.8%	100.9%	8,367	20.2%
総資産/Total Asset	**40,670**	100.0%	98.3%	41,371	100.0%
負債/Liabilities	**21,894**	53.8%	90.4%	24,229	58.6%
純資産/Equity	**18,776**	46.2%	109.5%	17,141	41.4%

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FY2019/02 Third Quarter Japan Business Income Statement

Japan Business Income Statement

- Sales from Japan recorded 101.9% yoy. Although having impact on warm winter, we benefited from strengthening core products and refining merchandise strategies
- EC sales recorded 109.0% yoy. Especially Own EC sales became 121.5% yoy. Although 3rd party EC sales was down due to sale price control, it supported OP growth
- Gross profit margin improved by 3.0pt（57.7%→60.7%）

(百万円/JPY mil)	2019年２月期1-3Q			2018年1月期1-3Q	
	実績 Actual	対売上 % of Sales	前年比 YoY	実績 Actual	対売上 % of Sales
売上高/Sales	**42,432**	100.0%	101.9%	41,649	100.0%
（店舗売上/Store Sales）	**33,961**	80.0%	101.0%	33,614	80.7%
（通販売上/EC Sales）	**5,615**	13.2%	109.0%	5,151	12.4%
売上総利益/Gross Profit	**25,770**	60.7%	107.2%	24,032	57.7%
販管費及び一般管理費/SG&A	**23,277**	54.9%	98.9%	23,546	56.5%
営業利益/Operating Profit	**2,492**	5.9%	512.8%	486	1.2%
経常利益/Recurring Profit	**2,325**	5.5%	461.6%	503	1.2%

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FY2019/02 Third Quarter China Business Sales and Profit

China Business Sales and Profit

- China wholesales slowed down to 83.8% by China retail JV's inventory control
- China retail sales continued to perform (yen equivalent royalty revenue 113.5% yoy)

JPY

(百万円/JPY mil)	2019年2月期 1-3Q実績 Actual	2018年1月期 1-3Q 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	**4,654**	5,555	83.8%
ロイヤリティ/Royalty	**347**	306	113.5%
売上合計/Sales Total	**5,001**	5,861	85.3%
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	△ **160**	△ 95	△167.9%
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	**148**	231	63.9%
ロイヤリティ税抜換算 Royalty after tax	**243**	214	113.5%
利益合計/Profit Total	**231**	350	66.0%

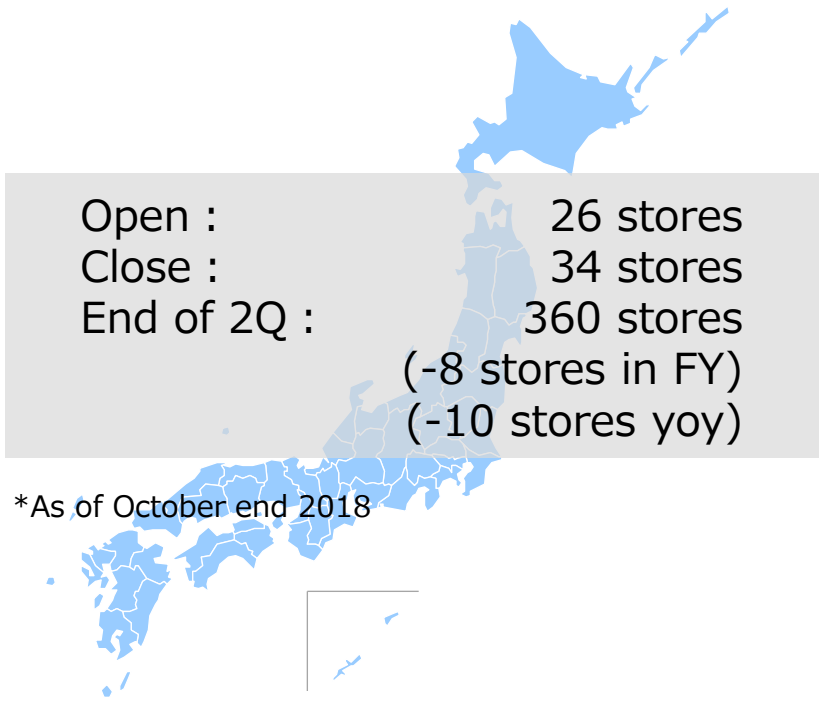
RMB

(単位:百万人民元)	2019年2月期 1-3Q実績 Actual	2018年1月期 1-3Q 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	**276**	337	81.9%
ロイヤリティ/Royalty	**20**	18	111.0%
売上合計/Sales Total	**297**	355	83.5%
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	△ **9**	△ 5	164.2%
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	**8**	14	62.5%
ロイヤリティ税抜換算 Royalty after tax	**14**	13	111.0%
利益合計/Profit Total	**13**	21	64.5%

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FY2019/02 Third Quarter Store Expansion

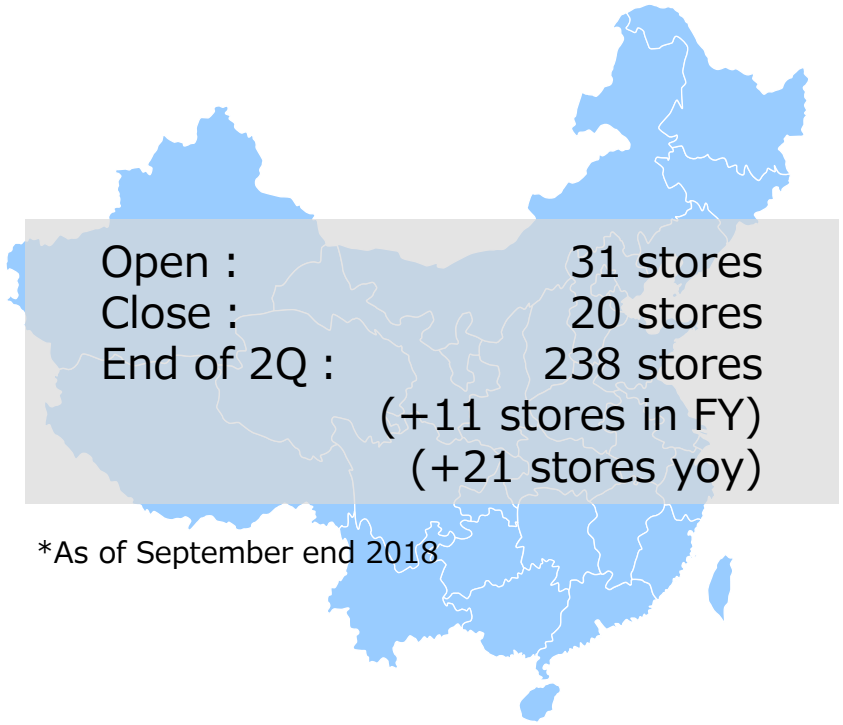
JAPAN



Open :	26 stores
Close :	34 stores
End of 2Q :	360 stores
	(-8 stores in FY)
	(-10 stores yoy)

*As of October end 2018

CHINA



Open :	31 stores
Close :	20 stores
End of 2Q :	238 stores
	(+11 stores in FY)
	(+21 stores yoy)

*As of September end 2018

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Japan: “STACCATO” Best Seller Awards

- STACCATO received Best Seller Award of “Department Stores Buyers Award Spring/Summer 2018: Ladies Category” sponsored by Senken-Shinbun













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Japan: “MOUSSY” New Lineup becoming Hot Sale

- MOUSSY offered various types of new lineups, such as “STUDIOWEAR” “Capsule Collection” and various collaboration.
- One of the reason MOUSSY becoming hot sale



「Disney SERIES CREATED by MOUSSY」 4th edition



Collaboration with RIEHATA (dancer and choreographer)



Capsule Collection 2018 winter



Original designed Sneaker for the first time

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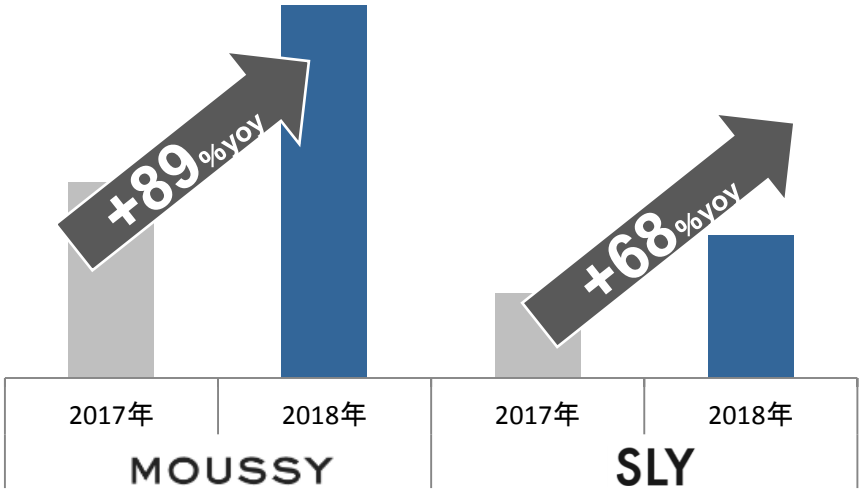
Overseas: China “TMALL Double 11” (11th November 2018)”

- Alibaba’s Sale on the biggest EC sales day “TMALL Double 11” reached to highest ever 213.5 Bil RMB, +26% yoy. Our China business also significantly exceeded last year sales
- Aiming to enhance EC ratio from this FY, reaching 5.3% (1-3Q)

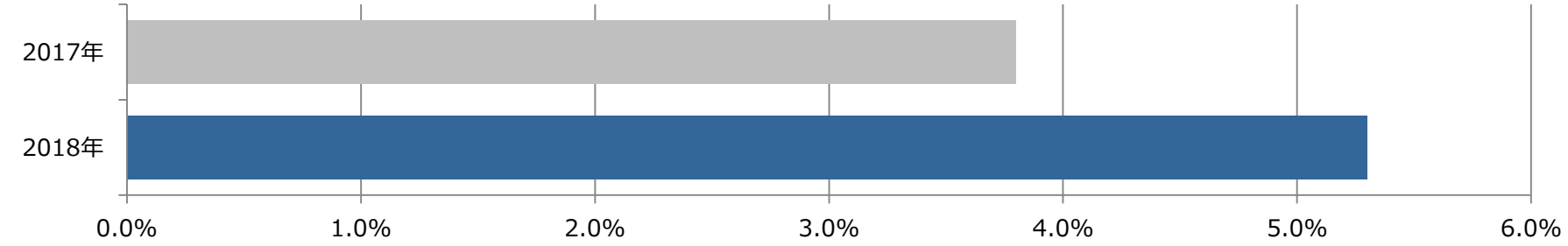


Source:Nikkei

TMALL Double 11 Sales



China Business EC Ratio（FY Jan 2018・FY Feb 2019 1-3Q)

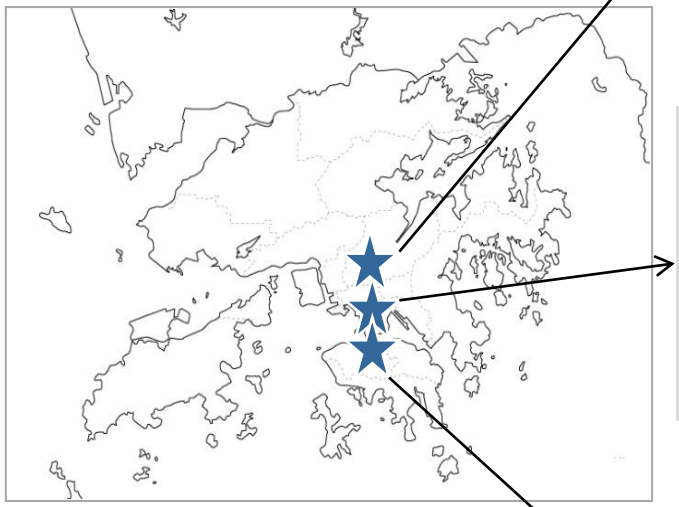


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Overseas: HK Renewing to Open “MOUSSY” Direct Stores

- Preparing to open MOUSSY direct stores

Hong Kong Store Opening Plan within FY Feb 2019



九龍塘
（Kowloon Tong）





尖沙咀
（Tsim Sha Tsui）





銅鑼湾
（Causeway Bay）



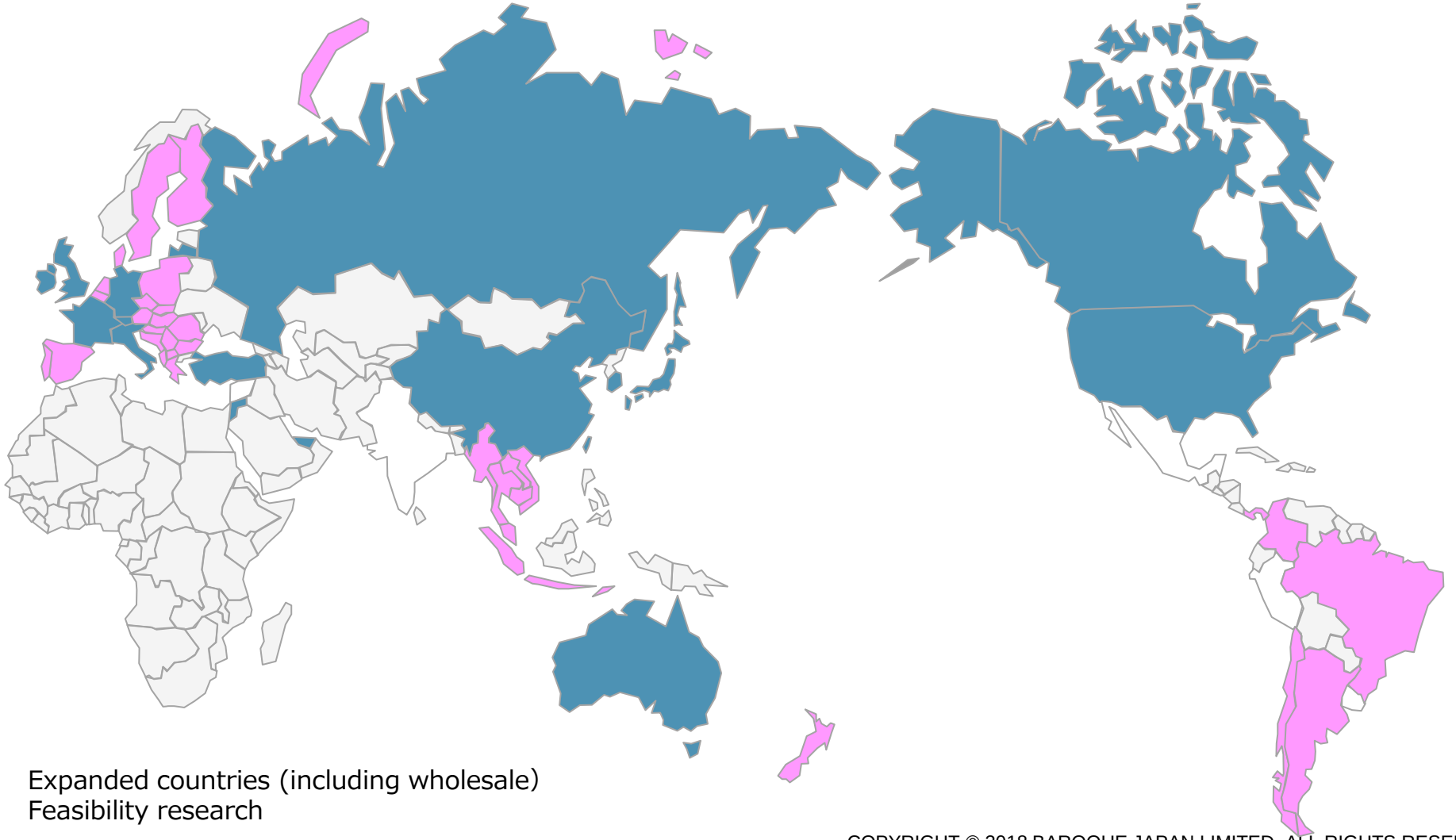


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Overseas: Accelerate Global Expansion

- Our wholesale business by “MOUSSY VINTAGE” and “ENFÖLD” expanded to receive orders in 30 countries, such as England, France, Italy, Swiss, Australia, Russia and Middle East etc.

  2018 FW season: 29 countries / 275 AC, 2019 SS season 30 Countries / 325 AC
- For retail business, feasibility studying in SEA countries



- Expanded countries (including wholesale)
- Feasibility research

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FY2019/01 Outlook (No Change)

- No change from the forecast set on 14th September 2018
- Extraordinary gain related to introducing DC pension expected to be 359 Mil Yen (announced on 31st October 2018)

(Note) With the approval from the annual general meeting on April 25, 2018, our financial year changed to February end

(単位:百万円)	2019年2月期計画 FY2019/02 Outlook			2018年1月期 FY2018/01	
	見通し Forecast	対売上 % to Sales	前年比 YoY	実績 Actual	対売上 % to Sales
売上高/ Sales	**72,086**	100.0%	-	67,952	100.0%
売上総利益/Gross Profit	**40,492**	56.2%	-	36,396	53.6%
販管費/ SG&A	**36,400**	50.5%	-	33,840	49.8%
営業利益/Operating Profit	**4,092**	5.7%	-	2,556	3.8%
経常利益/Recurring Profit	**4,293**	6.0%	-	2,556	3.8%
親会社株主に帰属する当期純利益/Net Profit	**2,700**	3.7%	-	1,236	1.8%
1株当たり当期純利/EPS	74.35			34.51	

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Return to Shareholders

Dividend

- Dividend outlook for FY2019/02: JPY38/share.
- Dividend payout policy (30%～40% payout ratio) unchanged

Shareholder Incentives

- In order to promote long-term investment, we made certain changes to our incentive scheme
- The new scheme will be applicable for shareholders on record as of July 31, 2018 with 100 shares and more

1. Who is entitled

- Shareholders on record as of February end and August end with 100 shares and more

(Note) For FY2019/02, shareholders on record as of July 2018 and February 2019 with 100 shares and more

2. When to receive

- Schedule to distribute by late May and late November

(Note) For FY2019/02, already distributed once in April 2018, the next one will be distributed in late October 2018

3. What are the incentives

【Before change】

Who	Incentive
100 shares or more	2 coupons (4000 yen in total) First half 1, Second half 1, Total 2

Changing policy:
Available to use 2 or more coupons per order in the stores.
Pls be noted that Our EC site can only use 1 coupon per order. However, we are now preparing to change the EC system so that it can be used more than 2 from the next session.

【After change】

Who	Incentive
100 shares or more (no change)	2 coupons (4000 yen in total) First half 1, Second half 1, Total 2
200 shares or more	3 coupons (6000 yen in total) First half 2, Second half 1, Total 3
500 shares or more	4 coupons (8000 yen in total) First half 2, Second half 2, Total 4

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Appendix

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

- **360** stores in Japan, **238** stores in China, 3 stores in HK/Macau, 1 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 2018 for Japan



MOUSSY



SLY







ENFÖLD







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History

- Our philosophy “we make what we want” never changes, 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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History

Time	History
2017年	● China JV reached 200 stores
2018年	● Launched「adidas ×MOUSSY」together with Adidas Japan
	● **Launched the point membership app「SHEL'TTER PASS」, which can be used in both actual stores and ec site**
	● MOUSSY launched「MOUSSY GLOBAL EC」site for US and other overseas customers
	● Launched the resort wear line「någonstans」, targeting customers at 30s and 40s
	● Two popular Instagramers from "rienda girls", @corina_718 and @wadaarisa, launched two brands「Leory x EBLÓA」for Shibuya style ladies
	● Winner for「Business Plan」division, Mr Hiroyuki Maruya, launched a new brand「R4G」(Respect For Geeks), integrating the cultures for both Shibuya and Akihabara
	● Launched「STYLEMIXER」official site, created by influential Instagramers
	● Ayaka Murohaya (ex SLY sales staff) winner of "2017 NEXT IS YOU - Fashion Icon section ", launched "LAGUNA GEM"



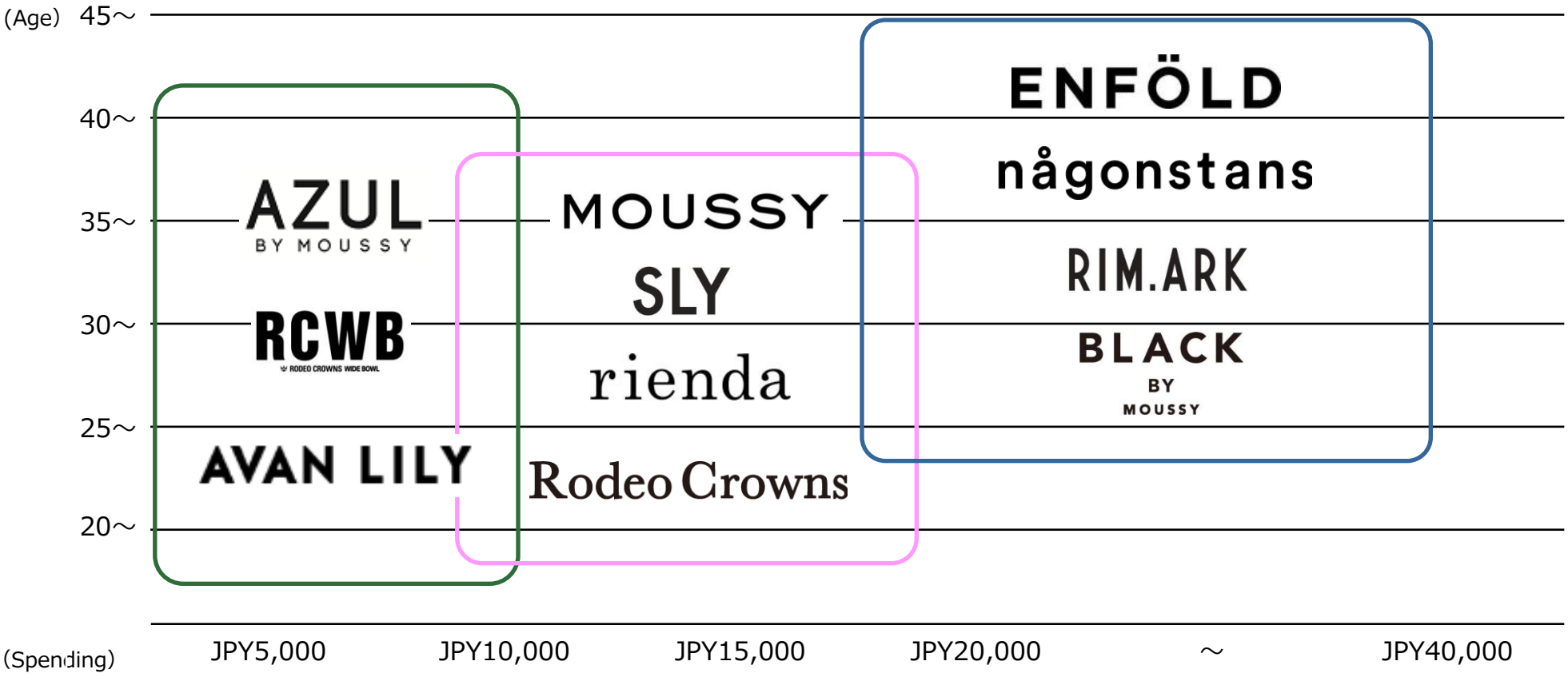




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Brand Portfolio

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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Ranking of Instagram Follower# for Japanese Fashion Brands

Company Ranking	Name	Logo	Follower	Pose
5	Comme des Garcons	COMME des GARÇONS	1,940,000	306
7	UNIQLO	UNIQLO	1,890,000	1,317
9	KENZO	KENZO	1,780,000	2,307
12	A Bathing Ape	A BATHING APE	1,530,000	7,208
14	MUJI無印良品	MUJI 無印良品	1,270,000	917
20	GU	GU	830,000	393
28	UNDERCOVER	U	620,000	1,412
33	Yoji Yamamoto	Yoji Yamamoto	700,000	1,500
38	MOUSSY	MOUSSY	600,000	6,917
51	sacai	sacai	510,000	1,709
62	LOWRYS FARM	LOWRYS FARM	452,000	1,720
72	SLY	SLY	406,000	7,244

Staff Instagrammer

aoi186

- Baroque japan limited vizual staff
- フォロワー #224,810



Corina_718

- EBLÓA
- フォロワー #100,528



marinakamura

- RIM.ARK
- フォロワー#87,926



wadaarisa

- la vie de Leory
- フォロワー #85,820



2018年12月3日時点, Instagram

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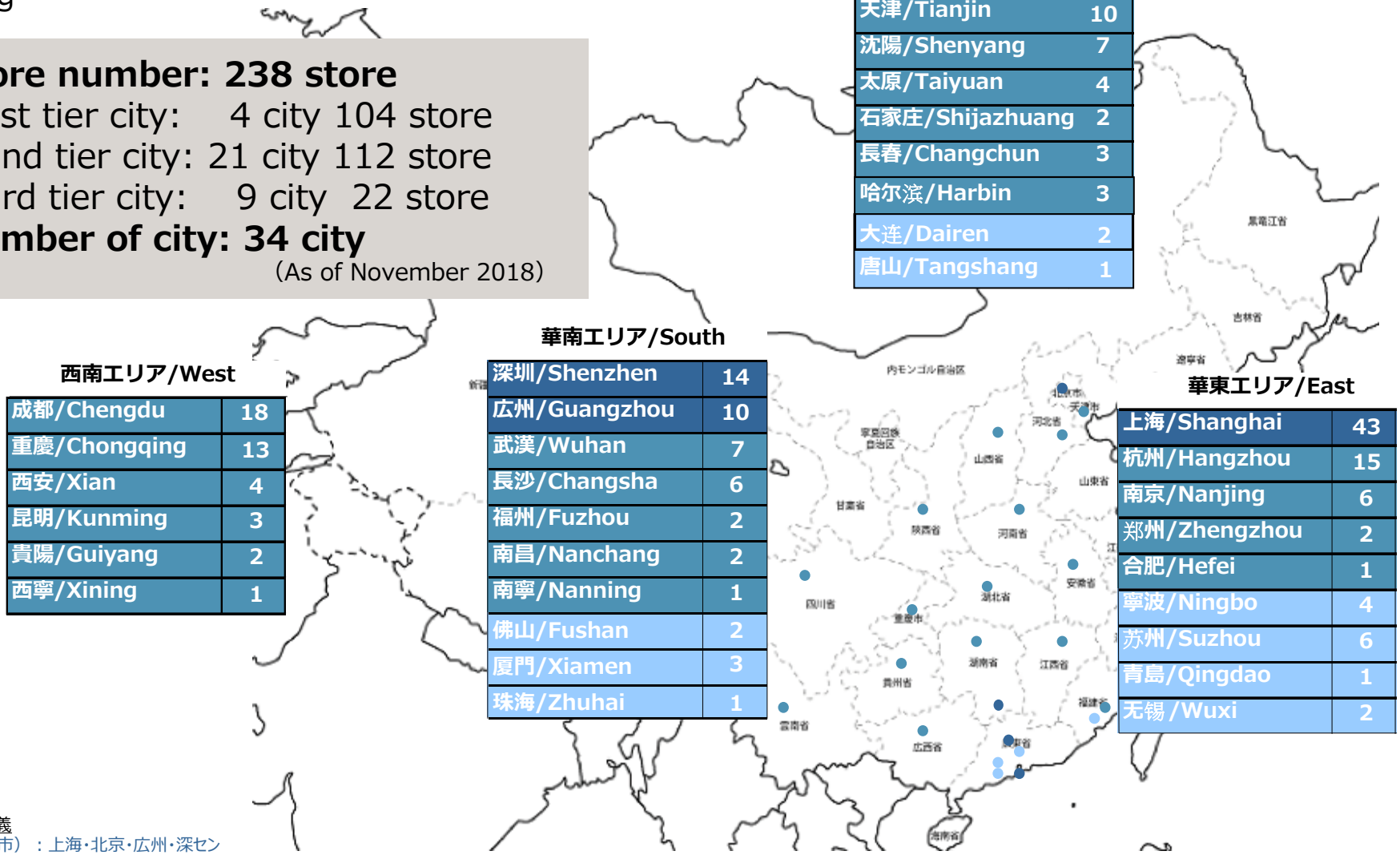
China Stores

- In FY2018/01, opened 53 stores, closed 13 stores, net addition 40 stores
- Planning to open stores aggressively to increase net stores opening

■ **Store number: 238 store**
- 1st tier city: 4 city 104 store
- 2nd tier city: 21 city 112 store
- 3rd tier city: 9 city 22 store

■ **Number of city: 34 city**

(As of November 2018)



華北エリア/North

北京/Beijing	37
天津/Tianjin	10
沈陽/Shenyang	7
太原/Taiyuan	4
石家庄/Shijazhuang	2
長春/Changchun	3
哈尔滨/Harbin	3
大连/Dairen	2
唐山/Tangshang	1

華南エリア/South

深圳/Shenzhen	14
広州/Guangzhou	10
武漢/Wuhan	7
長沙/Changsha	6
福州/Fuzhou	2
南昌/Nanchang	2
南寧/Nanning	1
佛山/Fushan	2
厦門/Xiamen	3
珠海/Zhuhai	1

西南エリア/West

成都/Chengdu	18
重慶/Chongqing	13
西安/Xian	4
昆明/Kunming	3
貴陽/Guiyang	2
西寧/Xining	1

華東エリア/East

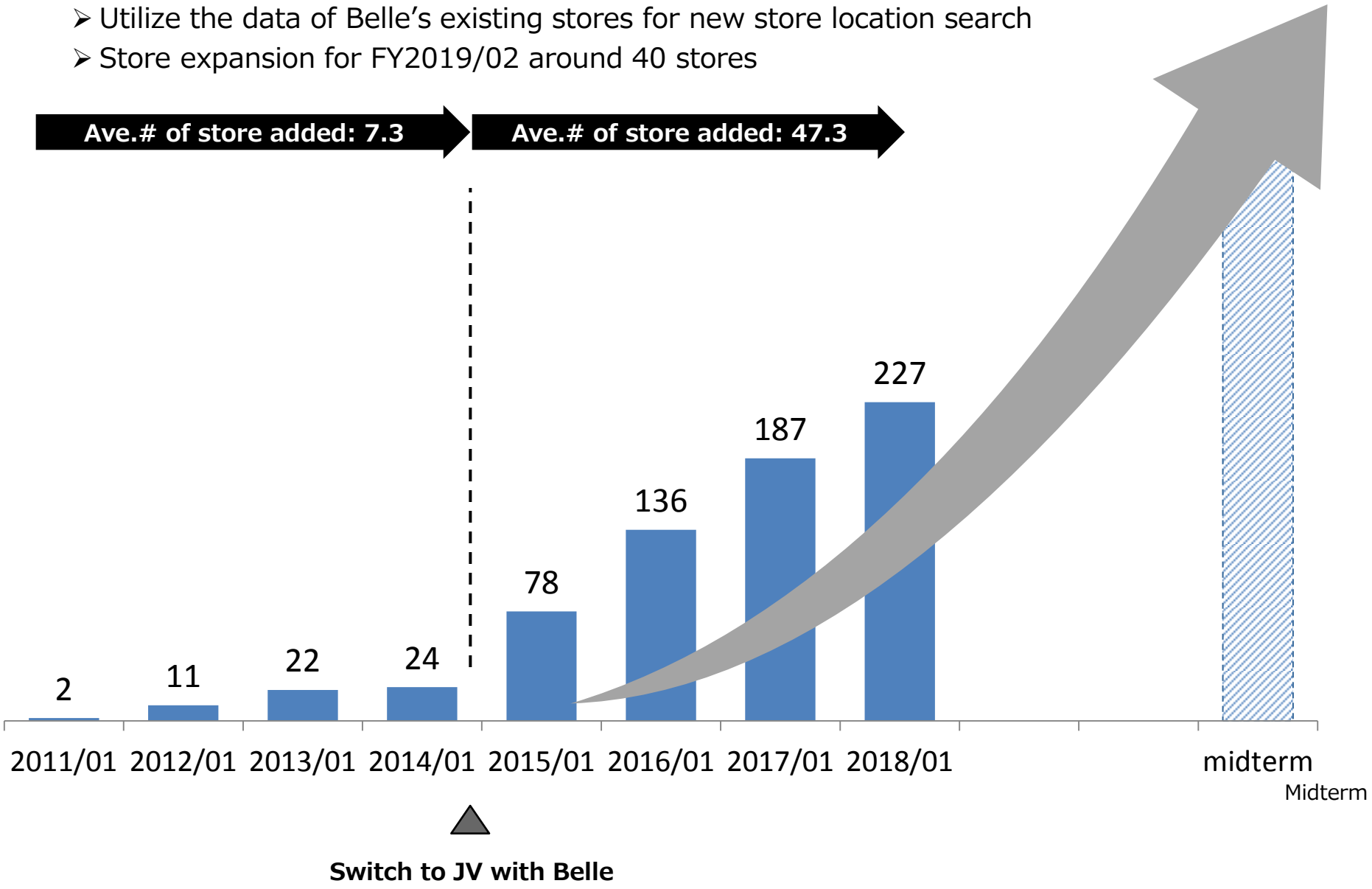
上海/Shanghai	43
杭州/Hangzhou	15
南京/Nanjing	6
郑州/Zhengzhou	2
合肥/Hefei	1
寧波/Ningbo	4
苏州/Suzhou	6
青島/Qingdao	1
无锡/Wuxi	2

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 Stores

- Store opening accelerated after JV with Belle International Limited started in 2013
  - Utilize the data of Belle's existing stores for new store location search
  - Store expansion for FY2019/02 around 40 stores



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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



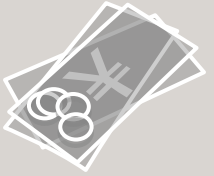
Logistic

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



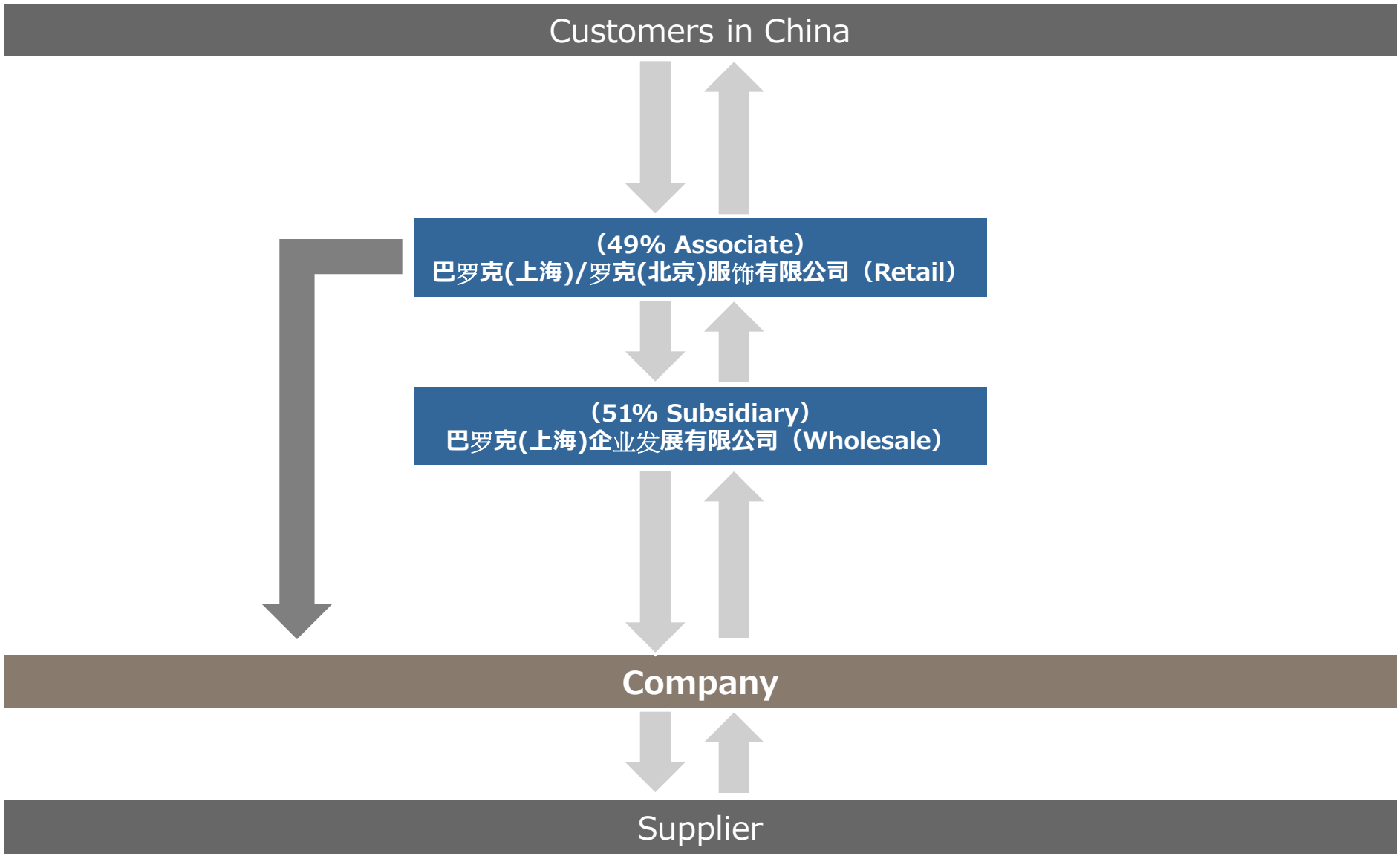
Sales

- Multiple training for shop staff
- Unique incentive scheme



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JV Structure in China



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