BAROQUE JAPAN LIMITED

FY2020/02 Full Year Result Announcement

April 14, 2020

Tokyo Stock Exchange First Section: 3548

Notes Related to FY 2019/02 end Change

Due to the change in the fiscal year-end, consolidated accounting period of fiscal year February 2019 was 13-month from February 1, 2018 to February 28, 2019. The overseas business (China JV, US, HK) which we incorporated into our consolidated financial statements were 12-months from January 1, 2018 to December 31, 2018.

Current fiscal year of February 2020 is 12-month from March 1, 2019 to February 29, 2020. The overseas business which we incorporate is 12-month from January 1, 2019 to December 31, 2019. Until the previous fiscal year, we used financial data one month before for consolidation of overseas business but now use data of two months before.

In this material, in order to compare with the current accounting period (March 1, 2019 to February 29, 2020), we presented the previous fiscal year figures (March 1, 2018 to February 28, 2019) as unaudited Reference Results stated below.

Description in this material	Consolidated Accounting Period	Period of overseas business to be incorporated
Fiscal Year (FY) Actual	2019/3/1～2020/2/29	2019/1/1～2019/12/31
Reference (Ref) Actual (Unaudited)	2018/3/1～2019/2/28	2018/1/1～2018/12/31

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1	FY2020/02 Full Year Result Overview
2	Business Highlights
3	FY2021/02 Outlook
4	New Medium-Term Plan: Result of the 1st Year and Key Initiatives after the 2nd Year

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FY2020/02 Full Year Summary

- **"Domestic Sales in 4Q steadily increased. However, Profit was below our forecast due to the sales of remaining domestic inventories, inventory adjustments in China Business and RMB depreciation"**
- **"Consolidated Sales became -3.0% vs forecast, and the items below OP were slightly below our forecast"**

Item	Fiscal Year (FY) Actual (2019/3/1～2020/2/29)			Reference (Ref) Actual (2018/3/1～2019/2/28)	
	Forecast	Actual	vs Forecast	Ref Actual*	YoY*
Consolidated Sales	67.94 bil	**65.88 bil**	-3.0%	67.78 bil	-2.8%
Consolidated Operating Profit	4.66 bil	**4.60 bil**	-1.4%	5.04 bil (4.83 bil)	-8.7% (-4.7%)
Consolidated Recurring Profit	4.72 bil	**4.58 bil**	-2.9%	4.89 bil (4.72 bil)	-6.3% (-3.0%)
Consolidated Net Profit	2.89 bil	**2.87 bil**	-0.8%	3.18 bil (2.78 bill)	-9.7% (+3.2%)

* vs Reference Actual. In FY2019/02 figures, the return of write-down was recorded in gross profit. The figures after deducting the effects together with the extraordinary profit in FY2019/02 are shown as () figures

Domestic Business

- Although our early brands grew through the year and SC brands recovered in 2H led by customer number increase, unstable climates, the consumption tax hike in autumn and decrease of inbound demand in February affected our business. As a result, domestic sales became -1.4% YoY*
- While domestic GP rate improvements decreased due to promoting sales of remaining inventories, we spent efforts on selling at list price and lowering product cost rate through the year

Overseas Business

- China Retail Sales steadily increased after March (EC sales ratio reached 10%). However, sales and profit of China wholesales, which we incorporate into our consolidated financial statements, decreased due to the RMB depreciation and inventory adjustments in 2H
- MOUSSY wholesales based in the US and ENFÖLD wholesales based in Japan continued to expand. On the other hand, Hong Kong business earnings deteriorated due to the impact of demonstrations

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Japan Business Overview

- **Although our early brands grew through the year and SC brands recovered in 2H led by customer number increase, unstable climates, the consumption tax hike in autumn and decrease of inbound demand in February affected our business. As a result, domestic sales became -1.4% YoY***
- **While domestic GP rate improvements decreased due to promoting sales of remaining inventories, we spent efforts on selling at list price and lowering product cost rate through the year**

Domestic Sales: ¥59.11 bil (Ref Result: ¥59.97 bil, -1.4% YoY*)

- ◆ Although our early brands and EC brands grew through the year and SC brands recovered in 2H by increasing the number of customers, FB/SB brands sales struggled. As a result, same store sales became 99.1% (including EC sales)
- ◆ We controlled purchase of outer for warm winter trend in 2H and strengthened middle clothing
- ◆ EC business was slow in 1H but recovered in 2H by implementing marketing automation and the cross-sales between our Own EC and directly operated stores

Domestic GP: ¥35.57 bil (Ref Result: ¥36.07 bil, -1.4% YoY*)

- ◆ Focused on domestic GP under difficult business environments by lowering product cost rate by SCM reform and list price sales promotion
- ◆ While domestic sales increased by sale of remaining inventories in 4Q, it is still a challenge to improve the balance between sales at list price and discount price
- ◆ Domestic GP Margin became 60.2% ±0pt YoY (improved by 0.4pt, 59.8%→60.2% excluding the impact of the change in the fiscal year-end)

Domestic SG&A Expense: ¥31.71 bil (Ref Result: ¥31.59, +0.4% YoY*)

- ◆ Although we decreased outsourcing expense, the ratio of variable costs (sales commission costs, logistic costs) and depreciation expense increased in 4Q. Salaries and wages increased due to work style reform. As a result, domestic SG&A Expense became slightly higher YoY*

As a result, domestic OP ¥3.86 bil (Ref Result: ¥4.48 bil, -13.9% YoY*).
4.27 bil, -9.7% YoY* excluding the impact of the change in the fiscal year-end

*vs Reference Actual

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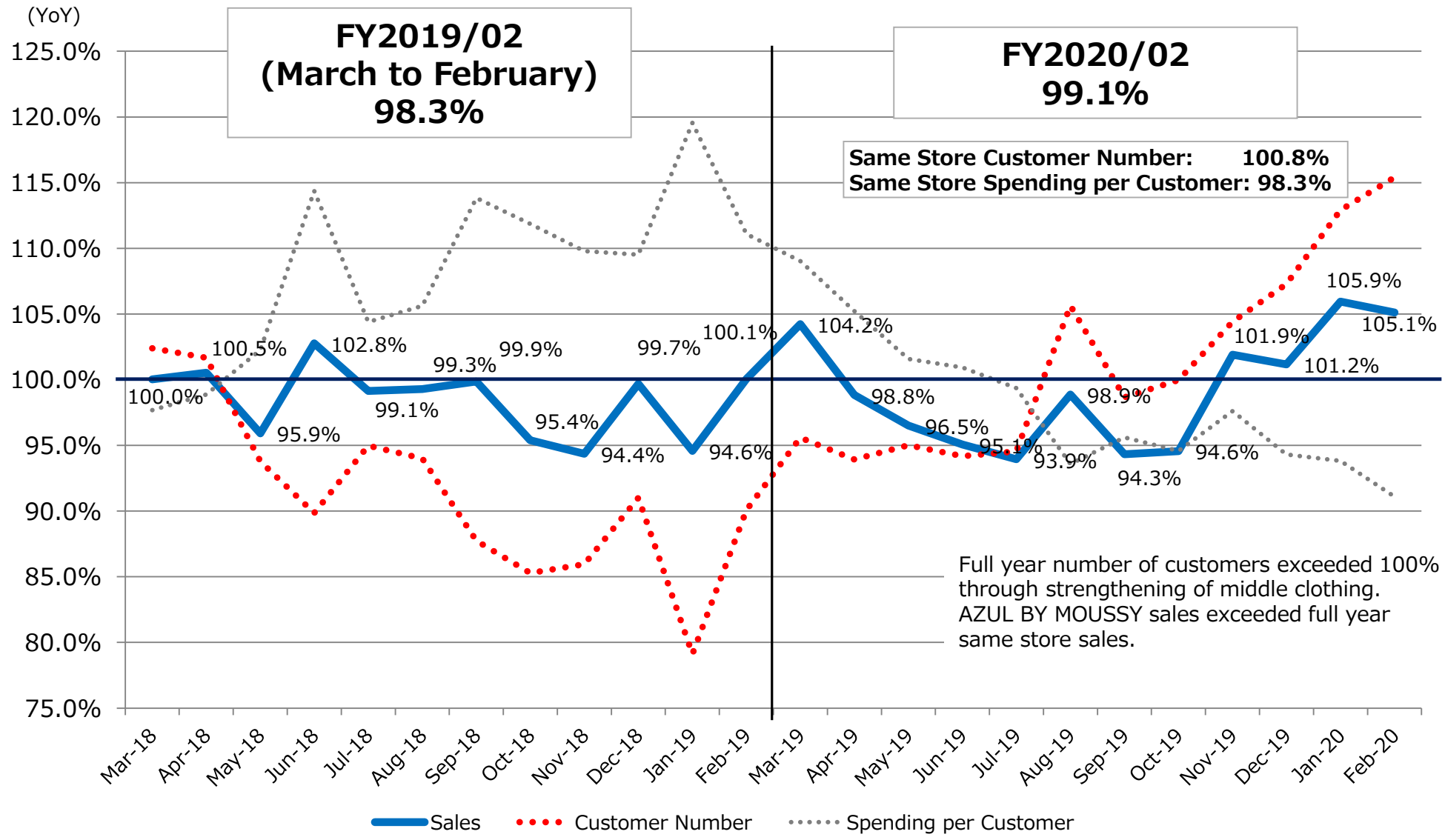
Japan Business Same Store Sales Performance

Japan Business Same Store Sales



Full year number of customers exceeded 100% through strengthening of middle clothing.
AZUL BY MOUSSY sales exceeded full year same store sales.

*Same Store: Stores and online stores operated fully through the previous year, excluding stores which closed more than 3 days in a month due to the renovation, natural disasters and other reason

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Overseas Business Overview

- **China Retail Sales steadily increased after March (EC sales ratio reached 10%). However, sales and profit of China wholesales, which we incorporate into our consolidated financial statements, decreased due to the RMB depreciation and inventory adjustments in 2H**
- **MOUSSY wholesales based in the US and ENFÖLD wholesales based in Japan continued to expand. On the other hand, Hong Kong business earnings deteriorated due to the impact of demonstrations**

China JV Sales ¥6.53 bil (Previous Year: ¥7.19 bil, 90.7% YoY)

- ◆ China wholesales (51% consolidated), which we incorporate into our consolidated financial statements, decreased due to the RMB depreciation and China Retail Company's inventory adjustments in 2H (RMB basis: 96.3% YoY, Yen basis: 90.7% YoY)
- ◆ RMB-equivalent royalty became 99.3%, Yen basis: 93.6%
- ◆ The number of stores became 285 stores at the end of the period, net increase of 36 stores (Open: 64, Close: 28)

China JV Profit ¥0.63 bil (Previous Year: 0.60 bil, 104.7% YoY)

- ◆ Profit on equity method (China Retail: 49% non-consolidated) improved YoY. On the other hand, China Wholesale profit slowed down in 2H

Continued to expand USA business, mainly wholesales

- ◆ In the U.S., profitability increased due to the accelerated worldwide expansion of MOUSSY VINTAGE wholesale business, in conjunction with the expansion of overseas wholesale business of Japan originated ENFÖLD

The anti-government demonstration in Hong Kong affected store openings

- ◆ Due to the impact of demonstrations, Hong Kong retail business has become unprofitable as a result of the closure of stores and the shortening of operating hours

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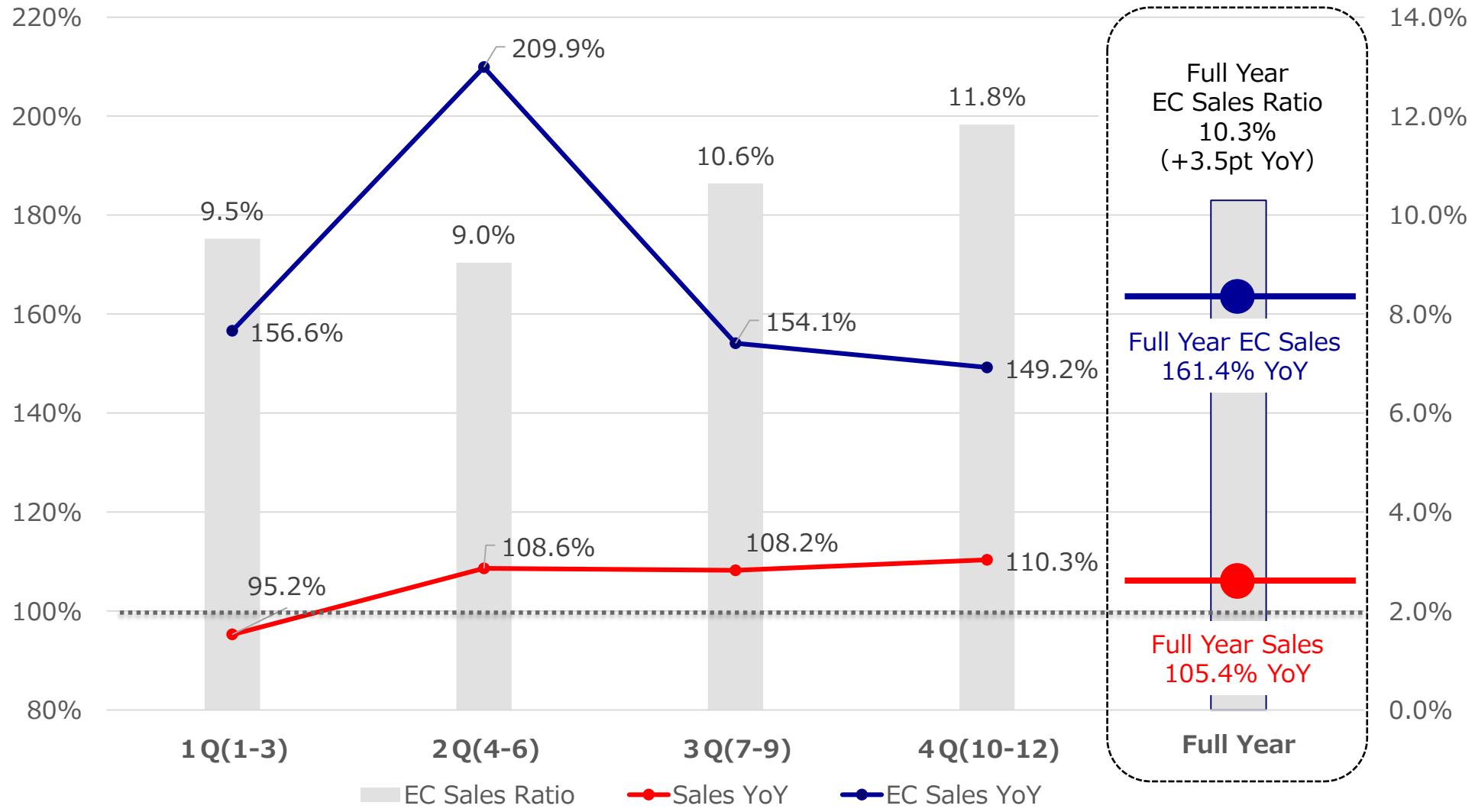
(Ref) FY2020/02 Full Year China Retail Store & EC Sales Performance

China Retail Sales & EC Sales YoY, EC Sales Ratio (RMB basis)



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FY2020/02 Full Year Consolidated Income Statement

Consolidated Income Statement

- Consolidated Sales became 97.2% YoY*
- Consolidated GP Margin improved by 0.8pt YoY* (56.7%→57.4%) and improved by 1.1pt (56.3%→57.4%) excluding the impact of the change in the fiscal year-end
- Consolidated SG&A Expense ratio increased by 1.2pt YoY (49.2%→50.4%) but decreased YoY* on actual basis
- Consolidated OP decreased by 0.4pt YoY* (7.4%→7.0%) and decreased by 0.1pt YoY* (7.1%→7.0%) excluding the impact of the change in the fiscal year-end

(百万円/JPY mil)	2020年２月期						
	当期実績/FY Actual (2019/3/1～2020/2/29)				参考実績/Ref Actual (2018/3/1～2019/2/28)		
	業績見通し Forecast	実績 Actual	対売上 % of Sales	見通し比 vs Forecast	実績 Actual	対売上 % of Sales	前年同期比* YoY
売上高/Sales	67,945	**65,880**	100.0%	97.0%	67,785	100.0%	97.2%
売上総利益/Gross Profit	38,596	**37,837**	57.4%	98.0%	38,408 (38,196)	56.7% (56.3%)	98.5% (99.1%)
販管費及び一般管理費/ SG&A	33,927	**33,232**	50.4%	98.0%	33,365	49.2%	99.6%
営業利益/Operating Profit	4,669	**4,604**	7.0%	98.6%	5,042 (4,830)	7.4% (7.1%)	91.3% (95.3%)
経常利益/Recurring Profit	4,725	**4,586**	7.0%	97.1%	4,896 (4,729)	7.3% (7.0%)	93.7% (97.0%)
親会社株主に帰属する純利益/Net Profit	2,895	**2,871**	4.4%	99.2%	3,181 (2,784)	4.7% (4.1%)	90.3% (103.2%)

* vs Reference Actual. In FY2019/02 figures, the return of write-down was recorded in gross profit. The figures after deducting the effects together with the extraordinary profit in FY2019/02 are shown as () figures

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FY2020/02 Full Year Sales Breakdown

Consolidated Sales Breakdown

- Dept. brands steadily remained strong. Although SC brands turned to a recovery trend by customer number increase from 3Q, FB/SB brands struggled with sales from summer to autumn
- China wholesales, which we incorporate into our consolidated financial statements, decreased due to the RMB depreciation through the year and China Retail Company's inventory adjustments in 2H. USA Wholesales continued to expand
- Our early brands (in Others) contributed to sales growth

(百万円/JPY mil)	2020年２月期			2019年２月期	
	実績	構成比	前年同期比*	参考実績	構成比
	Actual	Composition	YoY	Actual	Composition
売上高/Sales	**65,880**	100.0%	97.2%	67,785	100.0%
FB/SBブランド/FB/SB Brands	**20,564**	31.2%	95.0%	21,658	32.0%
SCブランド/SC Brands	**29,902**	45.4%	98.7%	30,302	44.7%
セレクトショップ・百貨店ブランド/ Select Shop・Dept. Store Brands	**5,727**	8.7%	104.4%	5,488	8.1%
海外/Overseas	**8,099**	12.3%	92.0%	8,802	13.0%
その他/Others	**1,585**	2.4%	103.4%	1,533	2.3%

*vs Reference Actual

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FY2020/02 Full Year Consolidated SG&A Expense

Consolidated SG&A Expense

- Consolidated SG&A Expense ratio increased by 1.2pt YoY* (49.2%→50.4%) but decreased YoY* on actual basis
- Salaries and wages increased YoY* due to the increase of store staff adjusting to work style reform
- Depreciation expense increased due to store renovations in 4Q, and the ratio of variable costs (sales commission costs, logistic costs) increased due to higher domestic sales in 4Q

(百万円/JPY mil)	2020年2月期				2019年２月期	
	実績	対売上	前年同期比*	売上比増減*	参考実績	対売上
	Actual	% of Sales	YoY*	Movement vs % Sales*	Actual	% of Sales
売上高/Sales	**65,880**	100.0%	97.2%	-	67,785	100.0%
販売管理費/SG&A Expense	**33,232**	50.4%	99.6%	+1.2Pt	33,365	49.2%
広告費及び販売促進費/ Advertising and promotional cost	**1,884**	2.9%	96.2%	± 0 .0Pt	1,959	2.9%
給与手当/Salaries and wages	**5,800**	8.8%	105.9%	+0.7Pt	5,477	8.1%
販売手数料(店舗家賃及び販売委託手数料)/Store rent and fee for franchisee	**13,677**	20.8%	97.1%	± 0 Pt	14,091	20.8%
減価償却費/Depreciation	**926**	1.4%	108.6%	+0.1Pt	853	1.3%
その他/Others	**10,943**	16.6%	99.6%	+0.4Pt	10,983	16.2%

*vs Reference Actual

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FY2020/02 Full Year Consolidated Balance Sheet (YoY)

Consolidated Balance Sheet

■ Inventories became 94.9% YoY by inventory efficiency

(百万円/JPY mil)	2020年2月期（2020/2/29）			2019年2月期（2019/2/28）	
	金額	構成比	前期末比	金額	構成比
	Amount	Composition	% to previous year end	Amount	Composition
現預金/Cash	**16,133**	42.1%	87.2%	18,504	45.4%
受取手形及び売掛金/Notes and Trade Receivables	**7,455**	19.5%	102.0%	7,311	18.0%
商品/Inventories	**5,163**	13.5%	94.9%	5,438	13.4%
その他流動資産/Other Current Asset	**532**	1.4%	117.0%	455	1.1%
固定資産/Non Current Asset	**8,997**	23.5%	99.9%	9,004	22.1%
総資産/Total Asset	**38,282**	100.0%	94.0%	40,715	100.0%
負債/Liabilities	**16,790**	43.9%	82.5%	20,349	50.0%
純資産/Equity	**21,492**	56.1%	105.5%	20,365	50.0%

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FY2020/02 Full Year Japan Business Income Statement

Japan Business Income Statement

- Domestic sales became 98.6% YoY
- Domestic EC sales became 98.2% and our Own EC sales became 101.1%
  3rd-party EC sales became 94.7% due to restrained discount sales but contributed to improve OP
- Domestic GP Margin became ±0pt (improved by 0.4pt, 59.8%→60.2% excluding the impact of the change in the fiscal year-end)

(百万円/JPY mil)	2020年２月期			2019年２月期	
	実績	対売上	前年同期比*	参考実績	対売上
	Actual	% of Sales	YoY*	Actual	% of Sales
売上高/Sales	**59,115**	100.0%	98.6%	59,974	100.0%
（店舗売上/Store Sales）	**47,381**	80.2%	98.7%	48,012	80.1%
（通販売上/EC Sales）	**7,787**	13.2%	98.2%	7,926	13.2%
売上総利益/Gross Profit	**35,578**	60.2%	98.6% (99.2%)	36,078 (35,866)	60.2% (59.8%)
販管費及び一般管理費/SG&A	**31,716**	53.7%	100.4%	31,590	52.7%
営業利益/Operating Profit	**3,862**	6.5%	86.1% (90.3%)	4,487 (4,275)	7.5% (7.1%)
経常利益/Recurring Profit	**3,771**	6.4%	88.6% (92.2%)	4,255 (4,088)	7.2% (6.8%)

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FY2020/02 Full Year China Business Sales and Profit

China Business Sales and Profit

- China wholesales became 96.3% (RMB basis) due to inventory adjustments in 2H
- RMB-equivalent royalty became 99.3% YoY

Japanese Yen

(百万円/JPY mil)	2020年2月期 実績 Actual	2019年2月期 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	**6,531**	7,198	90.7%
ロイヤリティ/Royalty	**488**	522	93.6%
売上合計/Sales Total	**7,020**	7,720	90.9%
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	**24**	-33	–
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	**263**	269	97.8%
ロイヤリティ税抜換算 Royalty after tax	**342**	365	93.6%
利益合計/Profit Total	**630**	602	104.7%

RMB

(単位:百万人民元)	2020年2月期 実績 Actual	2019年2月期 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	**414**	430	96.3%
ロイヤリティ/Royalty	**31**	31	99.3%
売上合計/Sales Total	**445**	462	96.5%
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	**1**	-1	–
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	**16**	16	100.0%
ロイヤリティ税抜換算 Royalty after tax	**21**	21	99.3%
利益合計/Profit Total	**40**	36	111.1%

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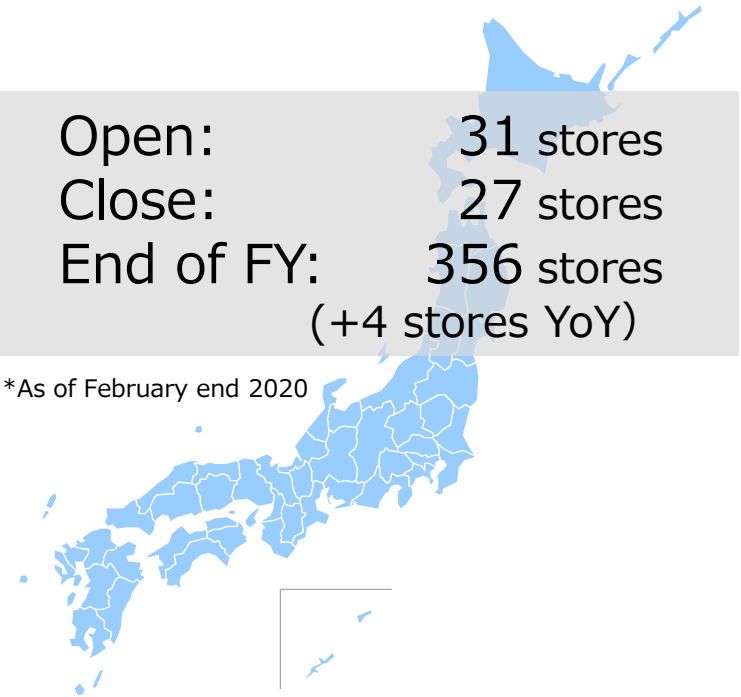
FY2020/02 Full Year Store Expansion

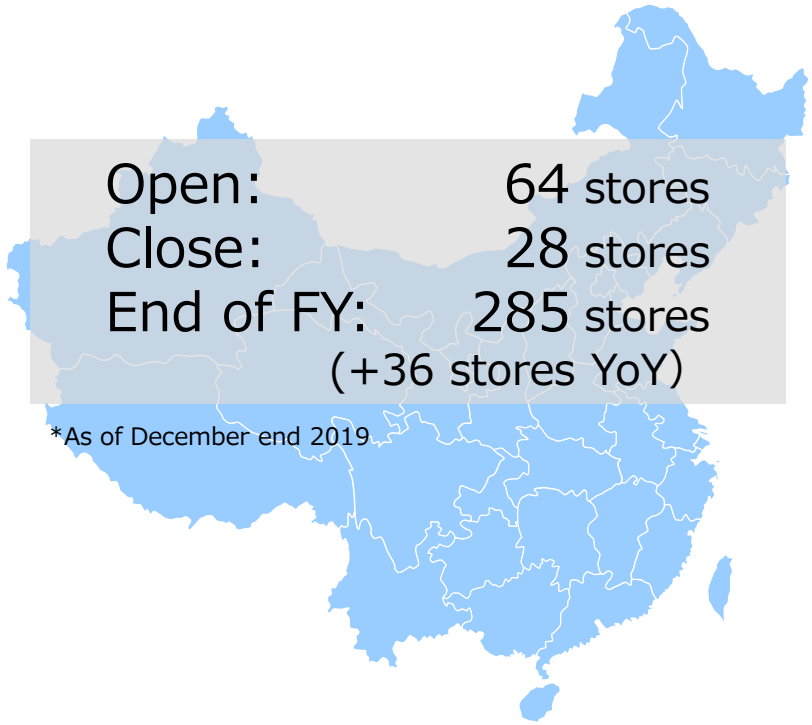
JAPAN



Open: 31 stores
Close: 27 stores
End of FY: 356 stores
(+4 stores YoY)

*As of February end 2020

CHINA



Open: 64 stores
Close: 28 stores
End of FY: 285 stores
(+36 stores YoY)

*As of December end 2019

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Strengthening of product lineups along with the 20th anniversary of MOUSSY

■ Collaborating with various brands and artists for the 20th anniversary of MOUSSY
- All made in Japan's new jeans "PLAIN JEANS": Released March 19, 2020









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AZUL BY MOUSSY received the Tenant Grand Prize Power Up Award selected by the developer (Senken Shinbun)

■ Developer appraised AZUL BY MOUSSY for sales strategy and strengthening of originality

- Number of customers increased by launching middle clothing for the warm winter trend, clarifying the customer image based on the big data and introducing new line
- Sales for FY2020/02 exceeded same store sales by improving product quality and attracting customers with less dependent on sales at discount price



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Launched STYLE MIXER men's line on Wednesday, March 4, 2020

- STYLEMIXER with the theme of “HIGH DESIGN LOW PRICE”, starting in the spring of 2018, launched men’s line on Wednesday, March 4, 2020
- The direction members of the men's line is a design team who has been in the apparel and advertising industry for many years, worn about 300 brands of used clothes and street mode, and known all about clothes





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At present, it is difficult to estimate FY2021/02 Outlook due to uncertainties of Coronavirus, such as the impact on domestic and foreign consumers buying behavior, balance of product purchase, etc.

Therefore, we will release FY2021/02 Outlook as soon as we are able to estimate the impact of Coronavirus.

Thank you for your understanding.

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Impact of Coronavirus and Response Measures

■ **In 1H, amid the Coronavirus storm, we will emphasize on “Defensive Management” by eliminating waste at all points**

Recent China Store Operations

◆ Under Chinese government's guidance, store operations were significantly affected between mid January (Chinese New Year) to February end
◆ After mid-February, the operations were gradually resumed, and almost all stores resumed as of April 13, 2020
◆ At present, sales is recovering at rapid pace



Impact on Domestic Store Operations

◆ Decrease of inbound demand and close of department stores affecting our Dept. brands
◆ Sales declined due to the voluntary restraint of commercial facilities nationwide. Sales additionally decreased due to the emergency declration



Impact on Domestic Purchase Products

◆ Although delivery delay about 2-3 weeks, there is a concern that product may become off season
◆ We plan to control inventory levels in 1H by lowering the volume of product purchase order



China sales have turned to a recovery.
To recover domestic store sales, Coronavirus has to end and consumer buying sentiment has to get back to normal.
Under the circumstances, “we aim to secure profits through inventory management and SG&A expenses control”

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Full Year Initiatives

■ **We maximize profit through the timely introduction of products and control SG&A Expense along with MOUSSY 20th anniversary while increasing sales by controlling sales price, strengthening of EC business, promoting NEWRETAIL, etc.**

Products & MD

- ◆ Due to the postponement of the Tokyo Olympics, some part of MOUSSY's 20th anniversary promotion/events and Olympics related promotion will be delayed
- ◆ Launch “crie conforto (former of ASCP) ” AZUL BY MOUSSY”
- ◆ Open real store for EC brand “STYLEMIXER”
- ◆ Maximize product value through the timely introduction of outer and middle clothing and sales price control
- ◆ Improve GP rate and inventory through refinement of MD strategy
- ◆ Expand products with recycling materials and environmentally friendly materials

20, MOUSSY

SM STYLEMIXER

NEW RETAIL

- ◆ Improve the usability of our Own EC and develop infrastructure for next-generation environments (NEW RETAIL, 5G, etc.)
- ◆ Enhance cross-sales between our Own EC and directly operated stores and Omni-Channel
- ◆ Improve repeat rate of our Own EC and attract new customers by marketing automation
- ◆ Implement semi-automatic merchandising tool for some brands





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Dividends

■ **Dividend outlook for FY2020/02: JPY38/share. FY2021/02 is to be decided**

■ **Dividend payout policy (30%~40% payout ratio) unchanged**

◆ Partial changes to the shareholder benefit program in FY2019/02 made in order to further increase the attractiveness of investing in our stock and to allow more shareholders to hold our stock over the long term

1. Who is entitled

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

2. When to receive

◆ Schedule to distribute by late May and late November

3. Details of shareholder benefits

Who	Incentive
100 shares or more (no change)	2 coupons (4,000 yen in total) First half 1, Second half 1, Total 2
200 shares or more	3 coupons (6,000 yen in total) First half 2, Second half 1, Total 3
500 shares or more	4 coupons (8,000 yen in total) First half2, Second half 2, total 4

*Available for use of the coupon at our stores and our Own EC site

Extension of the expiry date of the “Shareholder Special Coupon (as of August 2019)” due to the spread of the Corona virus

<Changes>

Stated on the coupon: Expiry date until the end of May 2020

After change: Effective date to the end of August 2020

The extended coupon can be used in conjunction with the Shareholder Special Coupon that will be sent in late May 2020.

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Key Strategy of New Medium-Term Management Plan

■ New Medium-Term Management Plan aims to increase corporate value based on the following four challenges

『 GLOBAL NEW RETAIL 1st Stage 2024 』
Challenges for Domestic Growth and Global Expansion through Innovation

Priority Strategies of the Medium-Term Management Plan	Link	Priority Solutions of the Medium-Term Management Plan
Challenge #1 To become more global (Create business foundation for overseas sales to exceed domestic) *Overseas sales are based on retail base		1. Active global expansion (Wholesale + Store Opening) 2. Sustainable expansion of China business 3. Enhance head office staff with overseas nationalities to 10%
Challenge #2 To provide more attractiveness and convenience through NEW RETAIL solution under the innovation concept		4. Accumulating, analyzing and utilizing data through NEW RETAIL 5. Develop new businesses and categories through Open Innovation (including M&A)
Challenge #3 To evolve and expand brand businesses (Strengthen our competitive brands)		6. Creating attractive products customers willing to purchase at list price 7. Brand selection and concentration
Challenge #4 To become more robust company to pursue "profit maximization"		8. Promoting Supply Chain Management (SCM) Reforms 9. Restructuring stores and head office organization

Global/Innovation
Human resource development

*Cite from our "New Medium-Term Management Plan" (Released as of April 15th, 2019)

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Consolidated Performance Targets

	FY2020/02 (1st Year)	FY2024/02 (5th Year)
Sales	¥65.88 billion	**¥100 billion**
Gross Profit	¥37.83 billion	**¥56 billion**
Operating Profit	¥4.60 billion (Operating Profit Ratio 7.0%)	**¥8.5 billion (Operating Profit Ratio 8.5%)**
Recurring Profit	¥4.58 billion	**¥8.7 billion**
Net Profit	¥2.87 billion	**¥5.7 billion**
Overseas Sales Ratio (Overseas sales are based on retail sales base)	25.0%	**33.0%**
ROE	14.5%	**20.0%**

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Progress by Key Initiatives (1/4)

■ While enhancing our structure for overseas expansion, we aim to expand business scale and maximize profits by improving business efficiency and customer convenience through ICT, developing new businesses, clarifying brand strategy, reducing costs and increasing sales at list price

1. Active global expansion (Wholesale + Store Opening)

the 1st Year (FY2020/02)

- Developed overseas wholesale business partners to improve ENFÖLD brand awareness in countries and regions other than China

After the 2nd Year (FY2021/02~)

- Continue to develop overseas wholesale business partners and further improve MOUSSY and ENFÖLD brand awareness, mainly in Europe and US
- Open 90 stores in countries and regions other than China in the final year of the Medium-Term Management plan

2. Sustainable expansion of China business

the 1st Year (FY2020/02)

- Expanded store openings of our existing brands
- Improved product appeal by increasing the proportion of Japan-Planned Products
- Increased EC sales by expanding EC specialized products and strengthening collaboration with major EC companies

After the 2nd Year (FY2021/02~)

- Continue to expand China business by maintaining store opening pace (annual net increase of 20-30 stores)
- Increase EC sales by expanding EC specialized products and strengthen collaboration with major EC companies
- Improve MOUSSY brand awareness by expanding store openings of MOUSSY VINTAGE and MOUSSY STUDIOWEAR in China

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Progress by Key Initiatives (2/4)

3. Enhance head office staff with overseas nationalities to 10%

the 1st Year (FY2020/02)

- Held company briefings and interviews at overseas universities
- Recruited new graduates from overseas universities

After the 2nd Year (FY2021/02~)

- Continue company briefings and interviews at overseas universities
- Post job information on international student employment network
- Have screening of international students at domestic universities
- Provide study support program, including international students, by BROQUE Hiroyuki Murai Foundation to find talented foreigners

4. Accumulating, analyzing and utilizing data through NEW RETAIL

the 1st Year (FY2020/02)

- Promoted Omni-Channel (released inventory display, centralized inventories and settlement of EC inventories at stores)
- Improved business efficiency by implementing RFID to our main brands
- Implemented marking automation on EC suitable for individual user from the viewpoint of popup, recommendation and email

After the 2nd Year (FY2021/02~)

- Accumulate, analyze and use big data of consumer buying patterns, products and customer attributes using the data from EC, POS and RFID as inputs
- Provide new services using user activities data from SHEL'TTER PASS app
- Improve MD design and DB accuracy based on huge amount of historical sales data in our core system
- Visualize customer behavior and improve buying experience

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Progress by Key Initiatives (3/4)

5. Develop new businesses and categories through Open Innovation (including M&A)

the 1st Year (FY2020/02)

- Developing a sustainable new business utilizing unsold inventories (expected to launch soon)

After the 2nd Year (FY2021/02~)

- Develop new apparel brand businesses, entirely different from existing business model
- Develop new business models, mainly focusing on apparel peripheral businesses
- Collaborate with tech venture companies

6. Creating attractive products customers willing to purchase at list price

the 1st Year (FY2020/02)

- Controlled sales at discount price by introducing products that meet actual demand

After the 2nd Year (FY2021/02~)

- Expand attractive product lineup by introducing special planned products for the 20th anniversary of MOUSSY and our main FB/SB brand-lines
- Develop product with our original concept of “we make what we want”

7. Brand selection and concentration

the 1st Year (FY2020/02)

- Categorized each brand into company-defined growth stage and determined management strategy by stage after next fiscal year

After the 2nd Year (FY2021/02~)

- Determine investment strategy for existing brands based on the past performance and the future potential growth in order to maximize profitability

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Progress by Key Initiatives (4/4)

8. Promoting Supply Chain Management (SCM) Reforms

the 1st Year (FY2020/02)

- Reduced product purchase costs by increasing direct trade and ASEAN production, lower than in China

After the 2nd Year (FY2021/02~)

- Continued to reduce product purchase costs by increasing direct trade and ASEAN production, lower than in China
- Determine sales and production strategies through integration of brand strategy and production. Also, optimize the balance between quality and production costs
- Design more stable logistic infrastructure and reduce logistic costs through labor savings

9. Restructuring stores and head office organization

the 1st Year (FY2020/02)

- Mainly optimized outsourcing and advertising costs

After the 2nd Year (FY2021/02~)

- Expand store scrap & build, focusing on operating profit
- Improve labor productivity per employee by standardizing business process of store and head office

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Overall Picture of Future Global Expansion

- We further expand overseas wholesale business. In order to achieve it, we further improve MOUSSY and ENFÖLD brand awareness through increasing wholesale of MOUSSY (original line), MOUSSY VINTAGE men's line and MOUSSY STUDIOWEAR globally and ENFÖLD in Asia
- We aim to open 90 stores in countries and regions other than China, in the final year of the Medium-Term Management plan

Europe
- Improve brand awareness through expanding wholesale business and open store (JV)




ENFÖLD MOUSSY

North America
- Improve brand awareness through expanding wholesale business

Middle East
- Expand wholesale business

Asia (Excluding China)
- Open new stores in countries and regions other than China (mainly Asia)
- New openings through direct store, JV, etc.
- Expand wholesale business





- Plan to open MOUSSY VINTAGE with men's line and MOUSSY STUDIOWEAR in North America and Europe

MOUSSY VINTAGE

MOUSSY STUDIOWEAR

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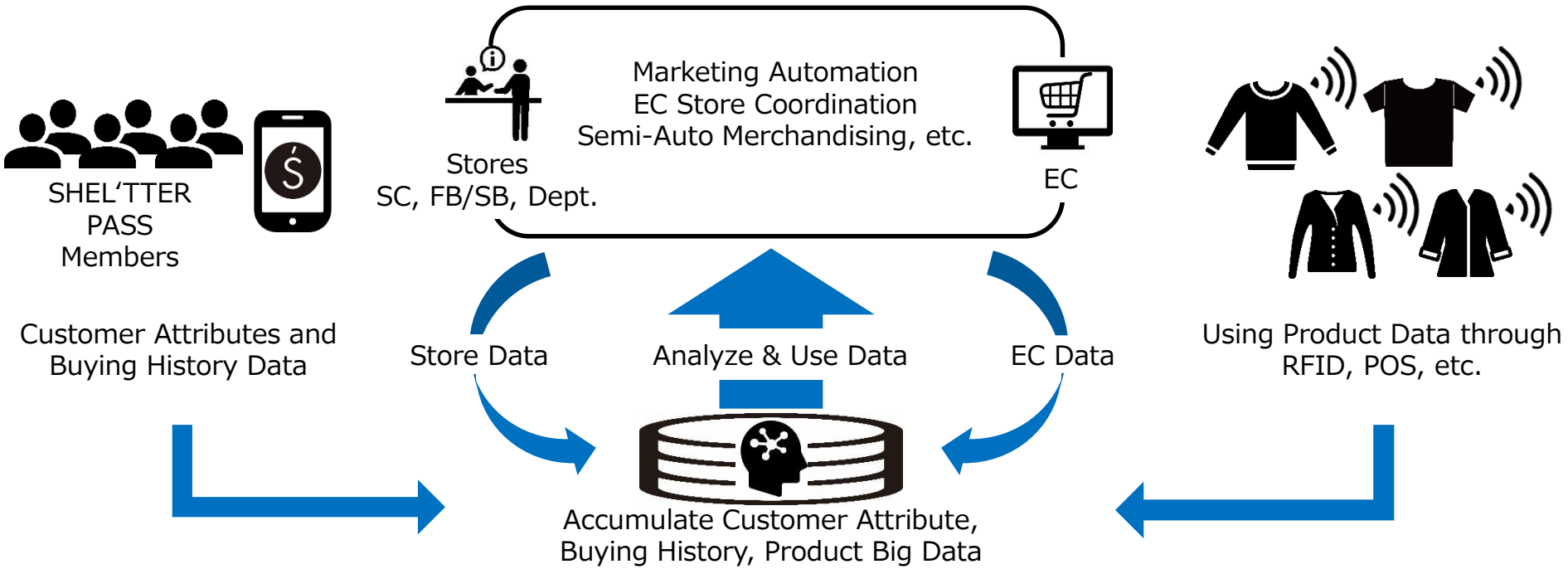
Our NEW RETAIL

- Our NEW RETAIL is to analyze and use customer activity data from SHEL'TTER PASS app and product data from RFID and to improve customer experience (UX) and business efficiency by combining various digital technologies
- Collect requirements from stores and EC, and then reflect into our NEW RETAIL
- In order to improve UX through integration between EC and stores, design a system to collect customer information and invest ahead of competitors to take various initiatives
- Launch step by step toward 2024 with repeating demonstration experiments and effect verification

Purpose of Our NEW RETAIL = Improve UX & Business Efficiency



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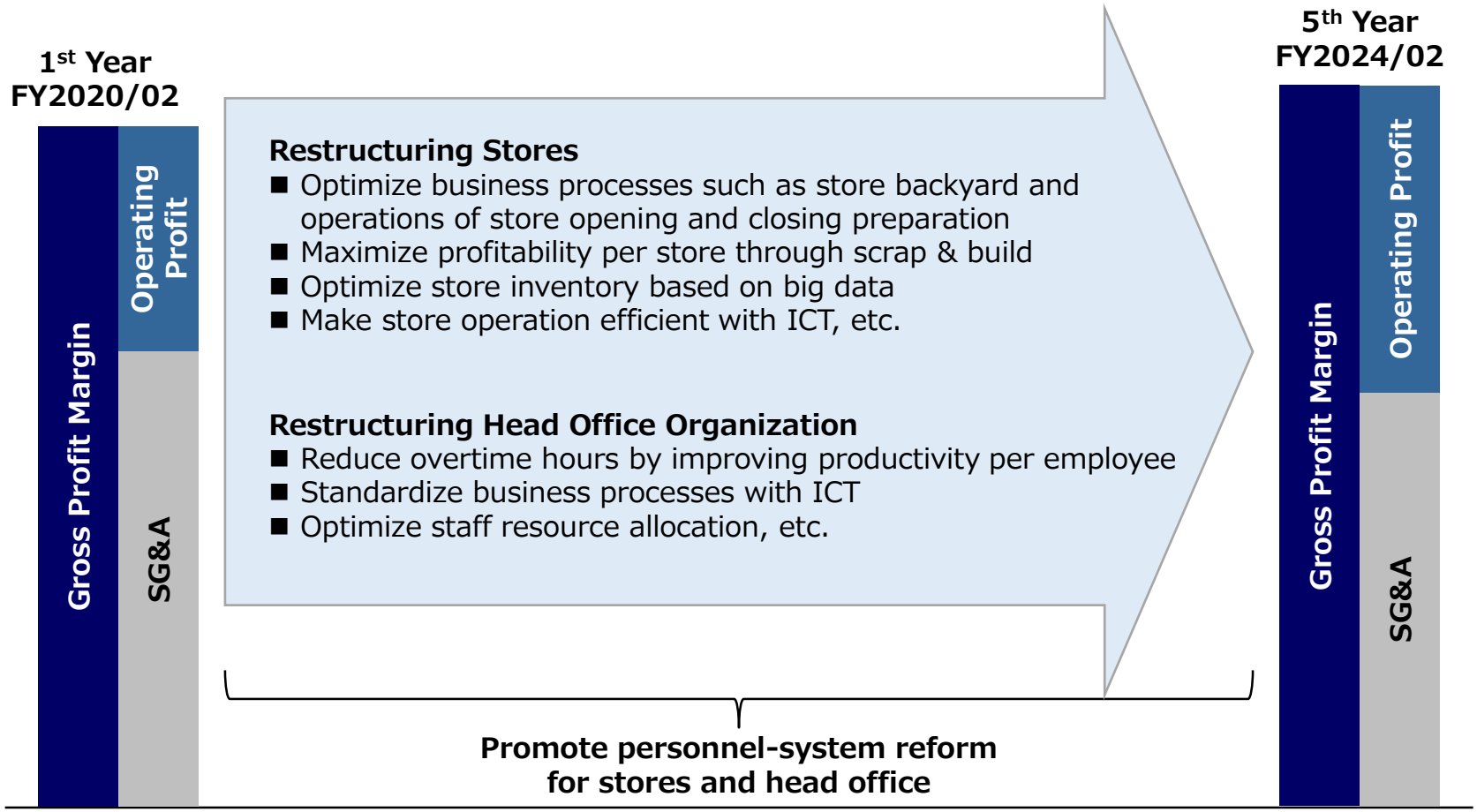
Restructuring Stores and Head Office Organization

■ Reduce SG&A Expenses by improving store gross profit through sales at list price and reducing product costs together with restructuring stores and head office organization



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Our Sustainable Activities

- We recognize issues in apparel industry from environment and society viewpoint, and promote sustainable activities through fashion with “sensitivity and individuality”

Our Sustainable Activities

- Raise employees' awareness of sustainability
- Develop personnel system for gender equality



- Reduce CO2 emissions in the supply chain
- Expand products using eco-friendly materials
- Expand sales materials using recycled materials
- Reduce inventory incineration



- Organize events to develop local community





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Appendix

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

- **356** stores in Japan, **285** stores in China, 4 stores in HK, 1 store in U.S., **18 brands** in our portfolio**
- Stable Japan Business + **Growing China Business**
- Efficient business model with **High Inventory Turnover and GP Margin**

*Specialty store retailer of Private label
**As of February 2020 for Japan, December 2019 for overseas



MOUSSY



SLY



AZUL BY MOUSSY



rienda



ENFÖLD



RODEO CROWNS WIDE BOWL



någonstans



SHEL'TTER



SM STYLEMIXER



STACCATO

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History

■ Our philosophy “we make what we want” never changes, expanded globally supported by our loyal customers

Time	History
2000	● **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 ¥10 bil in just 4 years**
2006	● China business expert, Mr. Murai (current Chairman and CEO) joined the company
2007	● MBO by CLSA and senior management
2008	● **Launched “AZUL by mousy”.** Targeting customers at suburban shopping centers (reasonably priced item, offering women men and kids item), yet offering MOUSSY-style shopping experience and store atmosphere (by store interior, music, fragrance, etc.)
2010	● 1st MOUSSY store opened in China
2012	● **“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	● CLSA sold all the shares to Belle and CDH Fund. China JV with Belle started
2016	● **“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	● China JV reached 200 stores
	● 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**
2018	● Launched the resort wear line ”någonstans”, targeting customers at 30s and 40s
	● With the concept of graduate from Shibuya style ladies to feel more like our true selves, two popular Instagramers from “rienda girls”, @corina_718 and @wadaarisa, launched two brands “Leory x EBLÓA” on official website
	● 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 Instagrammers
	● Ayaka Murohara (ex SLY sales staff) winner of “2017 NEXT IS YOU - Fashion Icon section “, launched “LAGUNA GEM”
2019	● Launched "y/m" for women in their late 30s and 40s who are highly fashion-sensitive, offering simple, but detailed, and ingredients-focused clothes







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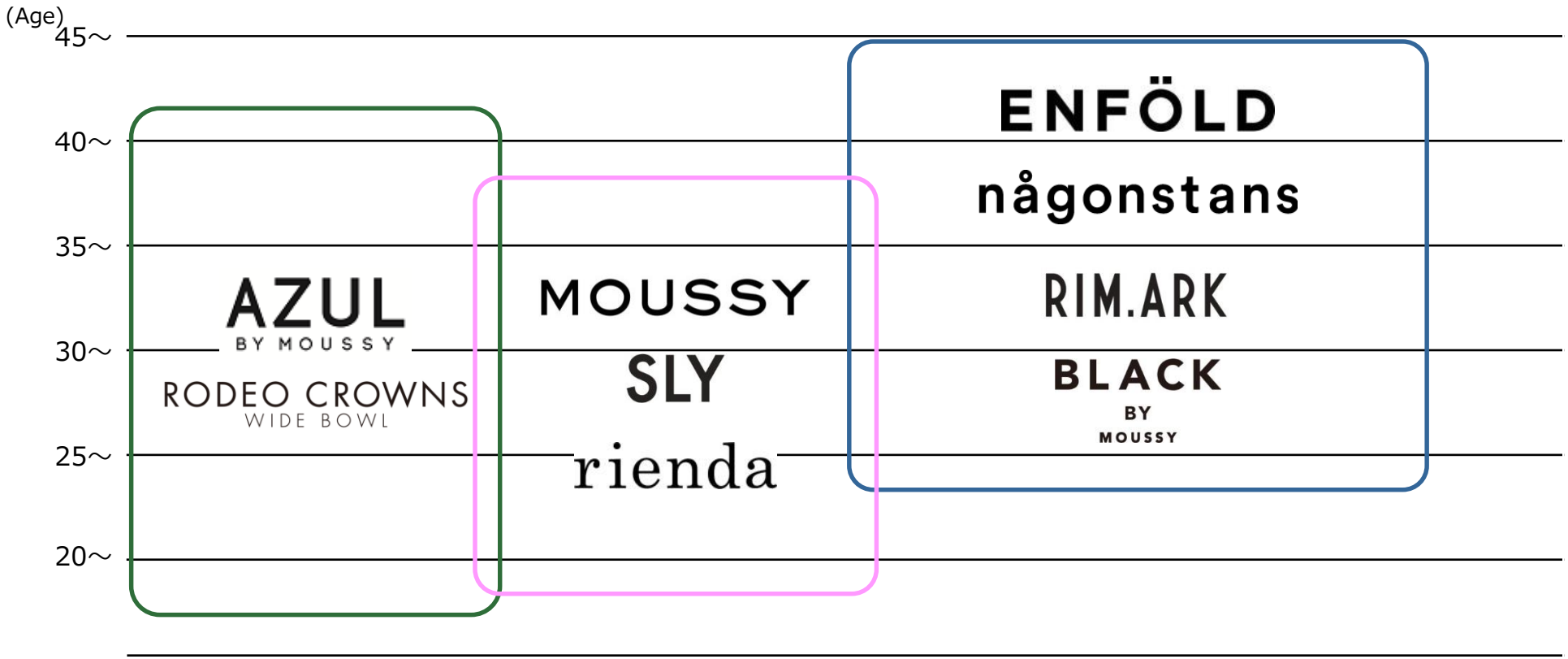
Brand Portfolio

Balanced Brand Portfolio across Wide Range of Customers



% of sales	50%	40%	10%
Ave. Store Size	132㎡ ～ 496㎡	66㎡ ～ 165㎡	50㎡ ～ 66㎡
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

Domestic Ranking	Company	Logo	Follower#	Pose
9	UNIQLO		2,320,000	1,814
10	A Bathing Ape		2,200,000	7,787
11	MUJI		2,120,000	2,100
14	KENZO		1,920,000	112
23	GU		1,140,000	712
29	UNDERCOVER		910,000	1,822
31	sacai		900,000	2,053
40	Yoji Yamamoto		760,000	791
45	MOUSSY		680,000	8,362
67	LOWRYS FARM		570,000	2,279
108	SLY		421,000	8,459

Instagrammer, YouTuber for BAROQUE

aoi186
- BAROQUE JAPAN LIMITED Visual Staff
- Follower# 476,000
- YouTube#340,000



Koike weekend
- CEO Policy Secretary Office
- Follower# 98,000
- YouTube# 302,000



__marinakamura_
- RIM.ARK
- Follower#137,000



Corina_718
- EBLÓA
- Follower# 95,400



wadaarisa
- la vie de Leory
- Follower# 82,200



As of March 31st, 2020, Instagram, YouTube

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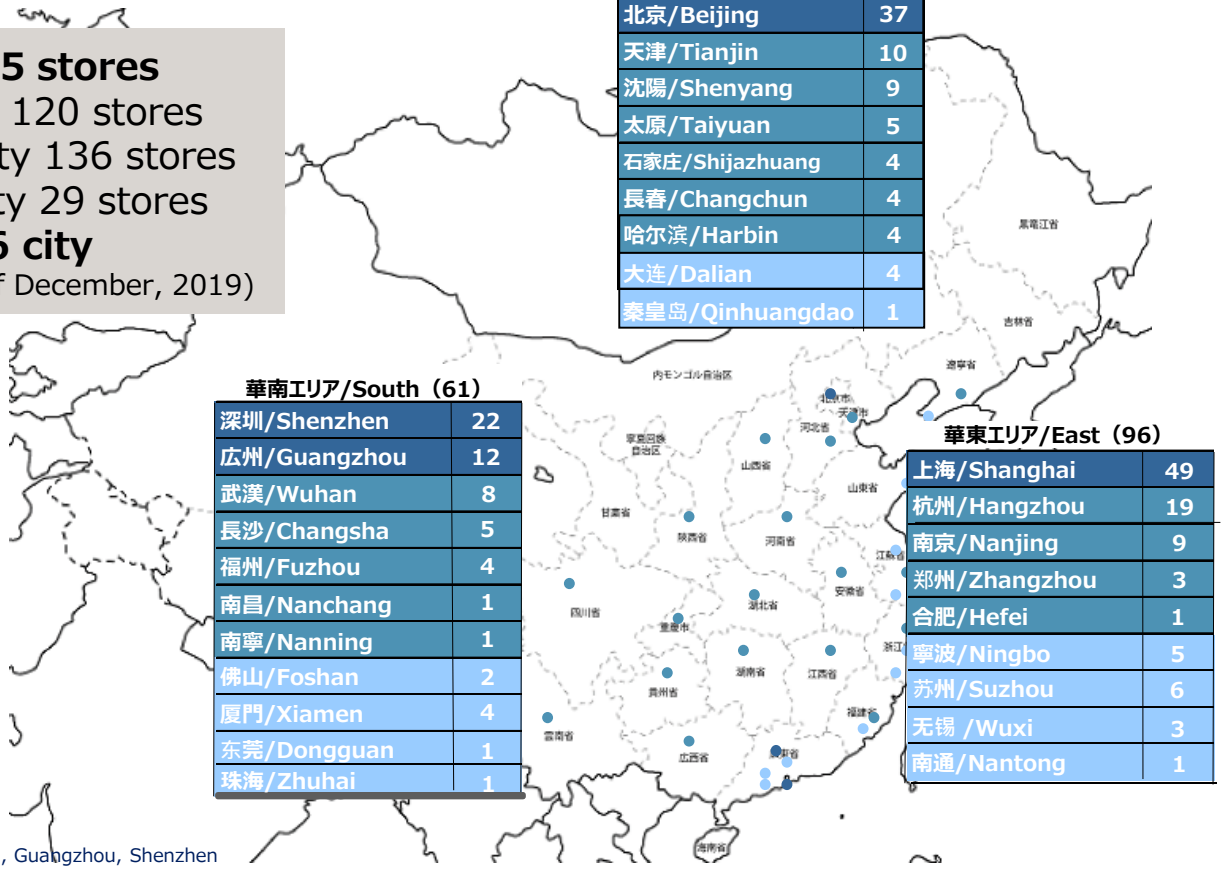
China Stores (1/2)

- In FY2020/02, opened 64 stores, closed 28 stores, net increase 36 stores
- Planning to open stores aggressively to increase net stores opening

- **Store number : 285 stores**
  - 1st tier city: 4 city 120 stores
  - 2nd tier city: 21 city 136 stores
  - 3rd tier city: 11 city 29 stores
- **Number of city: 36 city**

(As of end of December, 2019)



華北エリア/North（78）

北京/Beijing	37
天津/Tianjin	10
沈陽/Shenyang	9
太原/Taiyuan	5
石家庄/Shijazhuang	4
長春/Changchun	4
哈尔滨/Harbin	4
大连/Dalian	4
秦皇岛/Qinhuangdao	1

華南エリア/South（61）

深圳/Shenzhen	22
広州/Guangzhou	12
武漢/Wuhan	8
長沙/Changsha	5
福州/Fuzhou	4
南昌/Nanchang	1
南寧/Nanning	1
佛山/Foshan	2
厦門/Xiamen	4
东莞/Dongguan	1
珠海/Zhuhai	1

西南エリア/West（50）

成都/Chengdu	19
重慶/Chongqing	15
西安/Xian	8
昆明/Kunming	4
貴陽/Guiyang	2
西寧/Xining	1
綿阳/Mianyang	1

華東エリア/East（96）

上海/Shanghai	49
杭州/Hangzhou	19
南京/Nanjing	9
郑州/Zhangzhou	3
合肥/Hefei	1
寧波/Ningbo	5
苏州/Suzhou	6
无锡 /Wuxi	3
南通/Nantong	1

City Definition

1st class cities (4 cities): Shanghai, Beijing, Guangzhou, Shenzhen

2nd class cities (27 cities): Harbin, Shenyang, Changchun, Hohhot, Shijiazhuang, Taiyuan, Tianjin, Hangzhou, Hefei, Nanjing, Fuzhou, Haikou, Nanchang, Nanning, Wuhan, Changsha, Jinan, Zhengzhou, Lanzhou, Ürümqi, Xi'an, Xining, Yinchuan, Chengdu, Chongqing, Guiyang, Kunming

3rd class Cities: Other Cities

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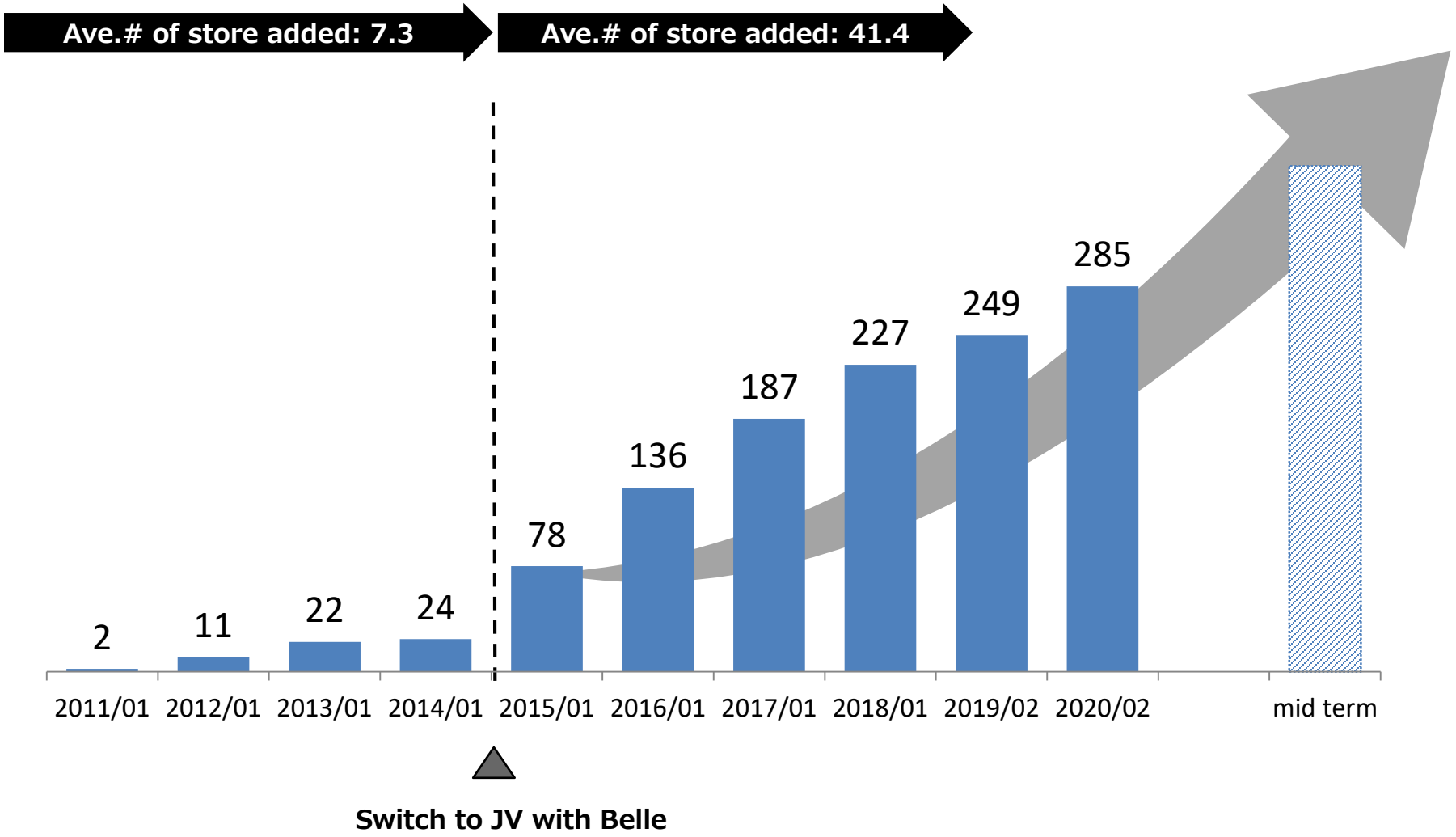
China Stores (2/2)

■ Store opening accelerated after JV with Belle International Limited started in 2013
- Use the data of Belle's existing stores for new store location search
- Expand 36 stores (net increase) for FY2020/02



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High Inventory Turnover and GP Margin

High Inventory Turnover

- New merchandise arrives every week
- Ave. 12,500 to 13,500 item /year



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



High GP Margin

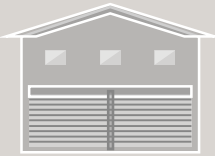
Development

- Exclusive fabric development and sourcing by R&D team



Production

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



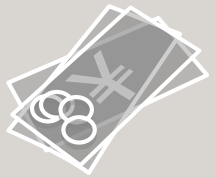
Logistic

- 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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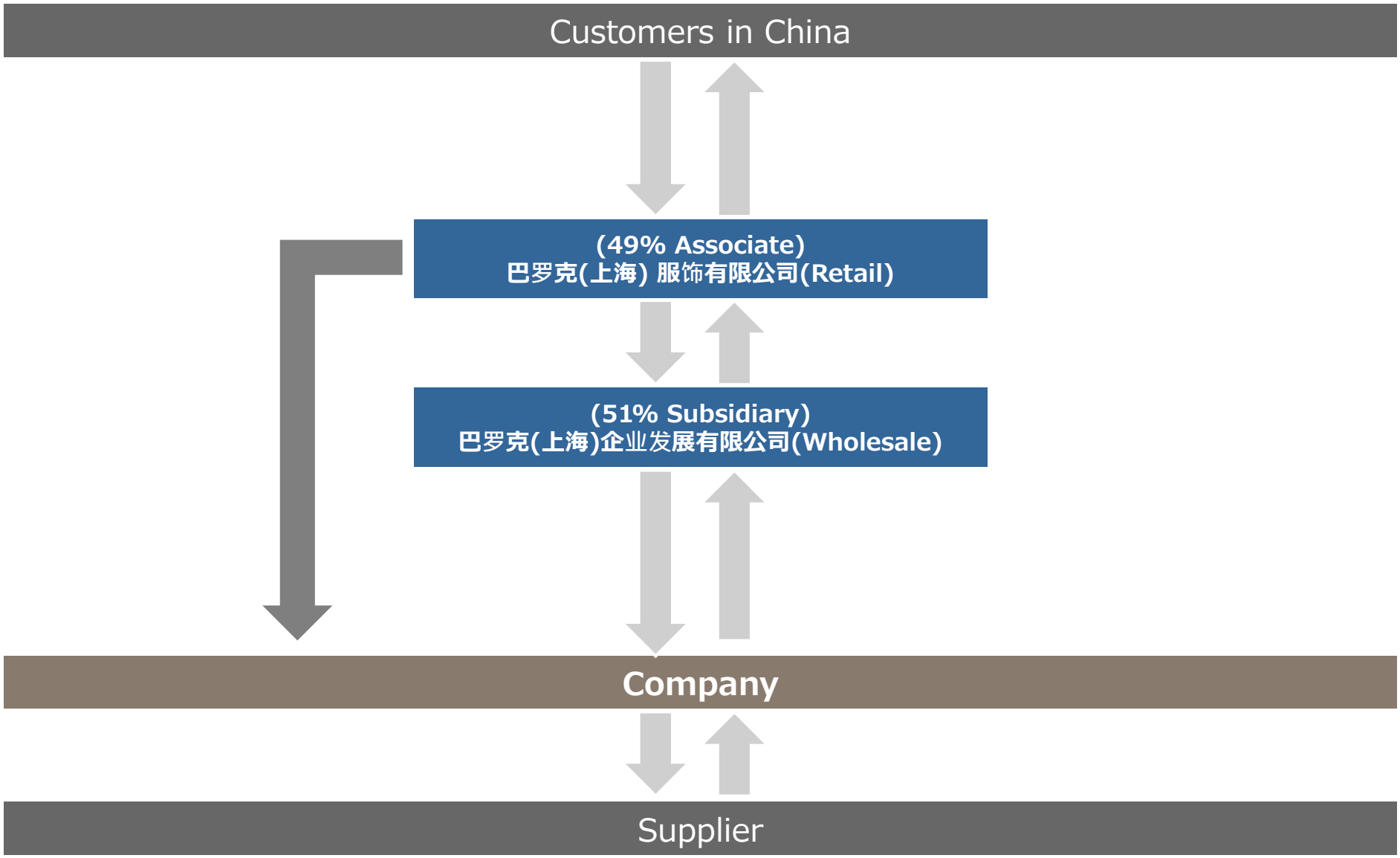
JV Structure in China



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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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