

BAROQUE JAPAN LIMITED

Medium-Term Management Plan

“Re-orientation Plan”

Phase1 : Preparation for the Leap Forward

October 15, 2021

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I. The Previous Mid-term Plan in Retrospect: Motivations for the Next Mid-Term Plan

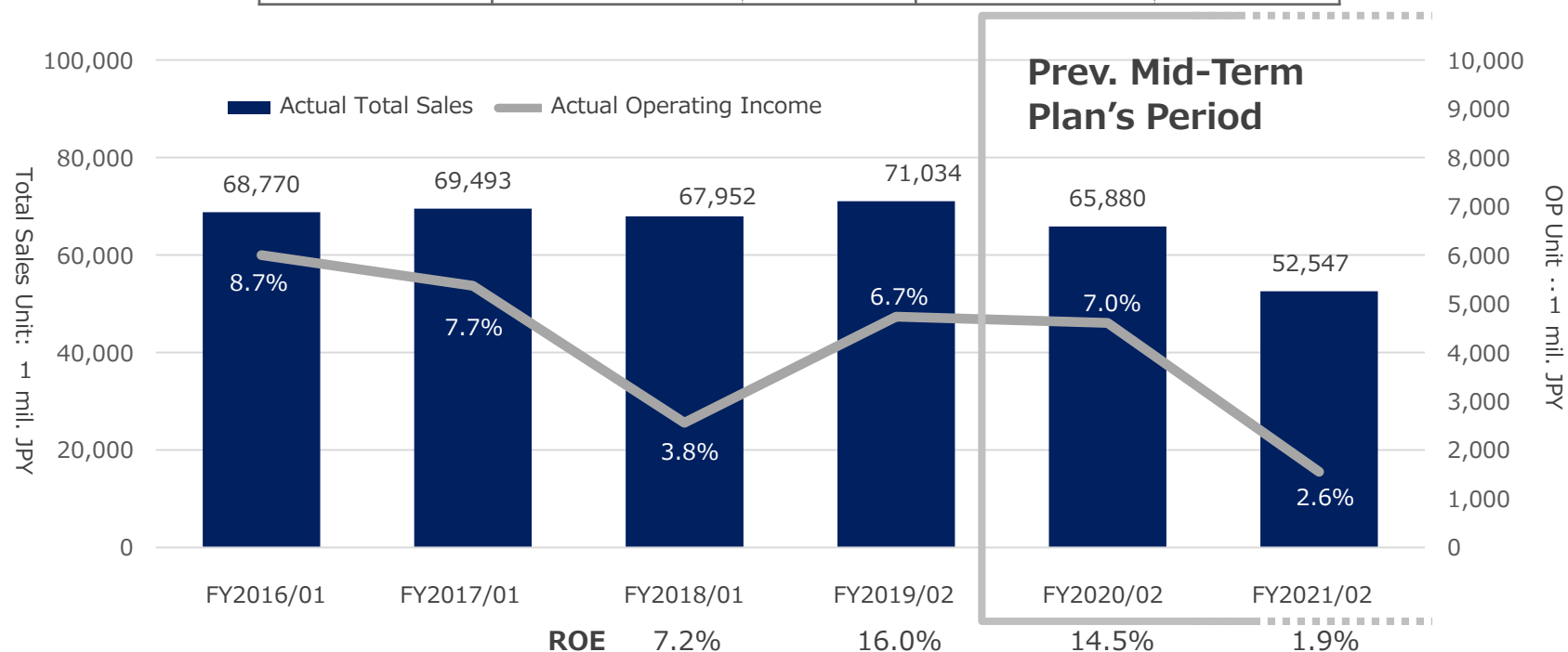
I. The Previous Mid-term Plan in Retrospect: Motivations for the Current Mid-Term Plan

1. Progress Across Planned Values

Slide 3

■ Under the current medium-term management plan, two fiscal periods have passed. Due to the influence of the Coronavirus epidemic, we have deviated from our planned target values resulting in a **need to reconstruct and replan**.

Unit : 1 Mil. JPY	FY 2020/02		FY 2021/02	
	Actual	Against Sales Target	Actual	Against Sales Target
Total Sales	65,880	100.0%	52,547	100.0%
Operating Income	4,604	7.0%	1,550	2.6%








I. The Previous Mid-term Plan in Retrospect: Motivations for the Current Mid-Term Plan

2. Status of Prioritized Measures (1 of 2)

Slide 4





■ In terms of our priority measures, we are in the 2nd year of adaptation and progress is in the **middle of the road**.

Prioritized Measures	Current Status	Achievement Lvl.
1. Aggressive Global Expansion	● Although we are pursuing aggressive expansion of wholesaling in various areas around the world to achieve the first stage of our vision, the Covid-19 pandemic has slowed down the speed of progress	
2. Sustainable Expansion of Chinese Business Operations	● Steady growth, with 46 stores added in 2 years – an average annual increase of 23 stores	
3. Increase Amount of Foreign Staff within Head Office Personnel to 10%	● Proactively conducting local information sessions, interviews, and recruitment overseas; currently 5% (Due to the Covid-19 pandemic these were not implemented in FY2020)	
4. Accumulation, Analysis, and Utilization of Data through New Retail Strategies	● We are currently implementing several measures such as store/EC inventory standardization, new methods of processing in-store orders, digital marketing, etc.	
5. New Business/New Business DevOps through Open Innovation	● Currently examining new businesses and new business structures and considering potential commercialization opportunities	

I. The Previous Mid-term Plan in Retrospect: Motivations for the Current Mid-Term Plan

2. Status of Prioritized Measures (2 of 2)

Slide 5

Prioritized Measures	Current Status	Achievement Lvl.
6. Creating Attractive Products at Full Price	●In response to damages incurred during the Covid-19 pandemic we are further promoting full-price sales by controlling production and inventory	
7. Brand Selection and Concentration	●Abolition of unprofitable brands according to newly established revision and abolition standards and enabled establishment of new brands at any time	
8. Promotion of SCM Reform	●In production, the ratio of direct trade has increased to 30%, and further inventory control by status and case has been achieved during inspection in logistics.	
9. Store Structure Reform and Streamlining of Head Office Operations	●Promotion of multiple measures such as reduction of inventory work through RFID tags in stores and a remote work system at the main office, etc.	



- ➔ In light of the ongoing contraction of domestic apparel business and the current situation of the Covid-19 pandemic, **the previous medium-term plan will be completed in 2 years and a new 3-year, medium-term management plan formulated.**
- ➔ This Medium-Term Management Plan does not limit itself to focusing only on sales, but positions itself as a period of **'Improvement of Profit Margin' and 'Conversion from Apparel Company to a Value-Proposing Company'.**

II. Baroque Japan's Vision

■ Our corporate philosophy, which is the premise of our vision of our future, is as follows.



~ Acting from Baroque's culture of **Challenging** the status quo on the world stage

→ **The BAROQUE WAY** : The way we realize our Corporate Philosophy in the workplace

Enjoy life more.

~ In such providing a richer life for our customers.

Innovation. Changing the Future of Retail.

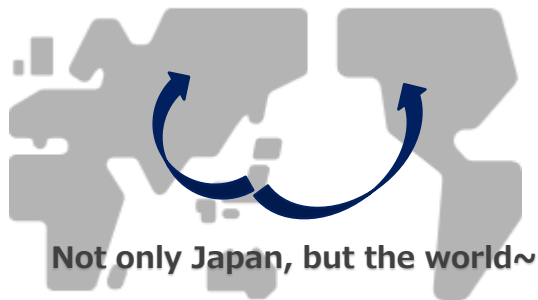
~ Through innovation, introduce the potential of a new society.

- ✓ **Inclusion** : Individuality. Sensitivity.
- ✓ **Customer-Oriented** : Empathizing and Resonating with Customers
- ✓ **Collaboration** : Taking Joy in Personal Development and That of Others. Taking Joy in Accomplishing as a Team.

The strengths of our company, which act as the second premise of our future goals, is as follows.

① Ability to Create New Value

- ✓ Bearing the MOUSSY brand name, achieved a scale of 50 Billion JPY across the brand group



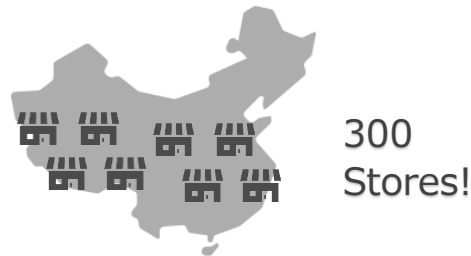
MOUSSY
AZUL
BY MOUSSY

MOUSSY
VINTAGE
BLACK
BY MOUSSY

- ✓ For 20 years, MOUSSY has consistently added new value, consistently producing and growing across the world.
- ✓ Of the 50 billion JPY, over 40% of those earnings were earned in overseas markets

② Chinese Expansion Ability

- ✓ Whereas other companies struggle in the Chinese market, we have over 300 stores.



- ✓ Our ability to expand within the industry*



* : Average Market Capitalization relative to wider apparel industry

③ Ability to Reach Customers

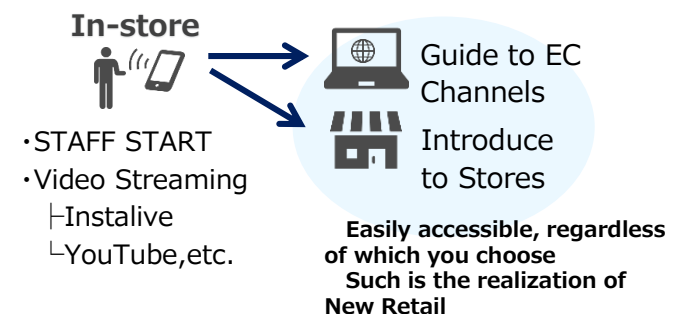
- ✓ Ability to connect and be supported by customers = Strong Sales Potential



- ✓ Industry-Leading Per Capita Sales of 38 million JPY

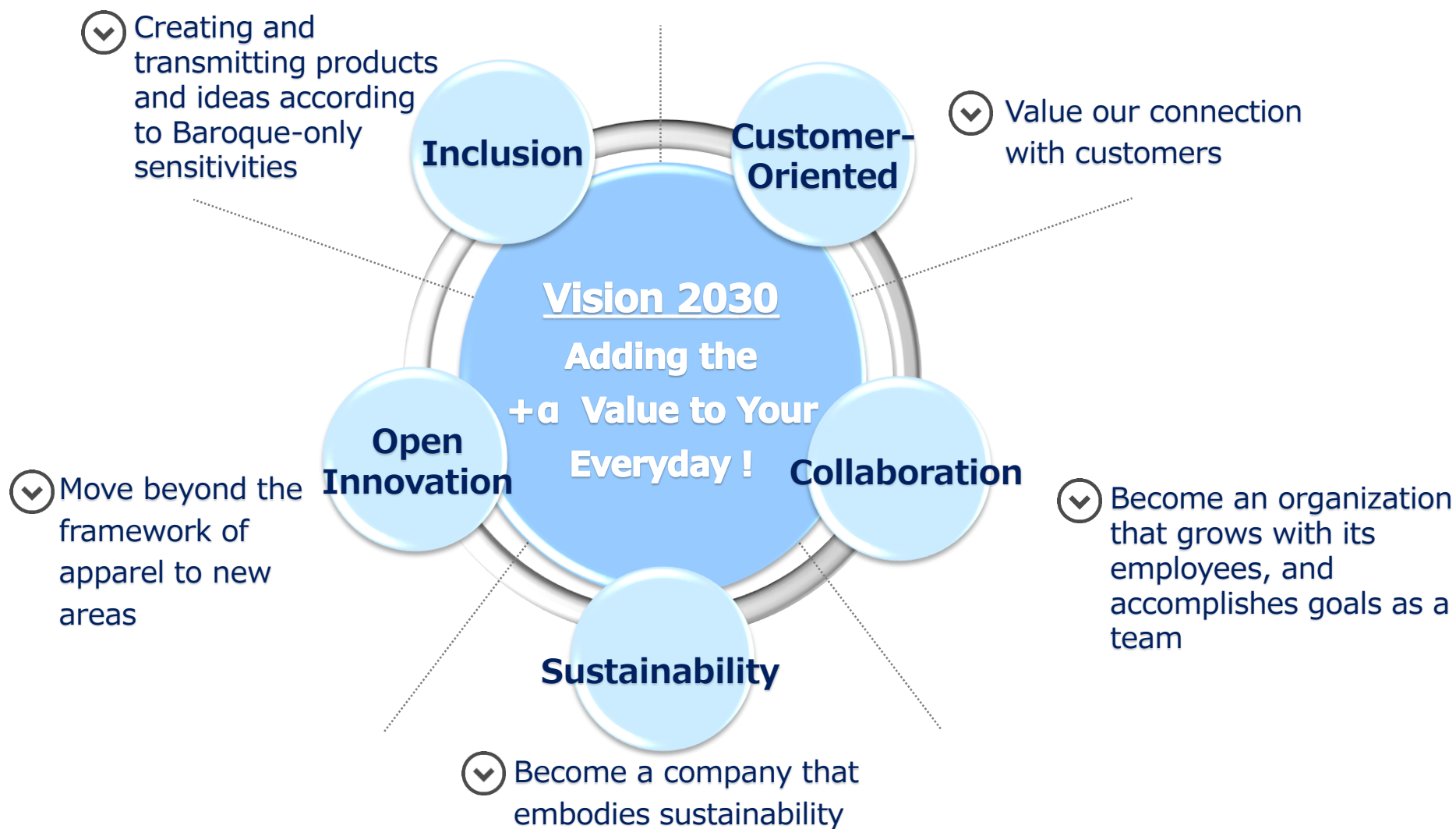


- ✓ Customer Service Ability Even When Customers Do Not Come

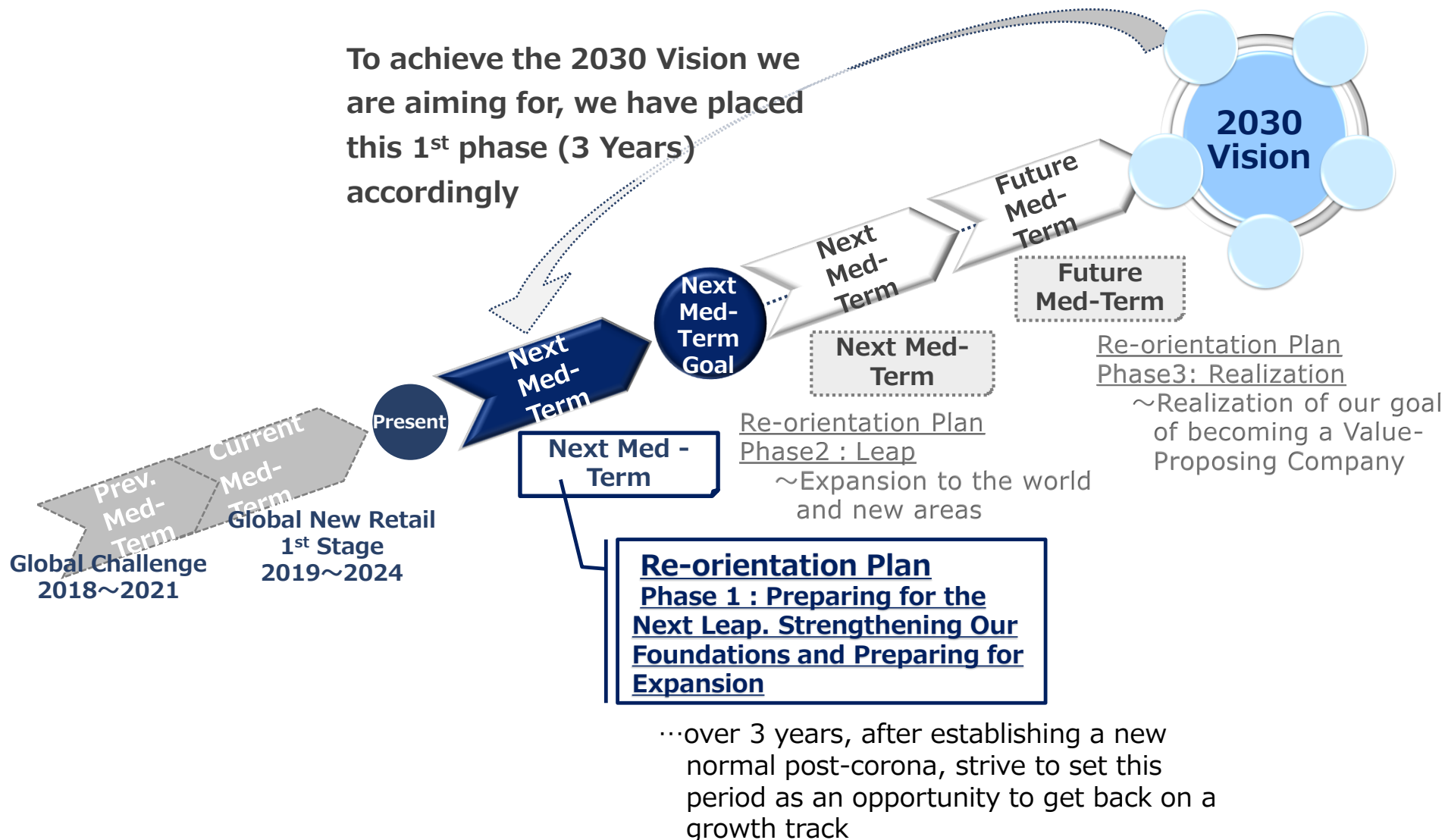


■ To develop in leveraging our strengths according to our Corporate Philosophy, **it is not essential that Baroque remains solely an Apparel Company.**

We aim to become a Value-Proposing Company that transmits “+α values unique to Baroque” across various content fields



- This Medium-Term Management Plan will be the **1st Phase** towards achieving our 2030 Vision



Ⅲ. Basic Policies of the Next Medium-Term Management Plan: Strategies for Actualizing Our Vision

III. Basic Policies of the Next Medium-Term Management Plan

1. Market Changes and Challenges Facing Our Company

Slide 12

Changes Encountered in the Market

Pre-Pandemic

1) Shrinking and Polarization of the Domestic Apparel Market

...as resulting from a declining birthrate, aging population, and shrinking mid-price market

2) Changes in Ways of Thinking Towards Apparel Consumption Practices

...thinking "I'll only buy what I really want/need"

3) Increasing Demand for Sustainability

...with sentiment pushing away from mass production and mass production

4) Decreased Flow of Traffic in Urban Areas

...resulting in a decrease in customer traffic to stores in metropolitan areas

5) Accelerated Shift to Online Purchasing

...accelerated adoption on top of previous conventional growth, characterized by EC purchases w/o visiting a store

6) Increased Difficulty of Inventory Control

...resulting from increased uncertainty regarding store traffic and consumer behavior

7) Need to Clarify the Core Values of Company Brands

...looking at point 2, this is particularly clear. Only brands providing top value, along with developing strong technological and manufacturing capabilities will remain (with powerful brands becoming stronger).

Apparent Post-Pandemic

Challenges facing Baroque

Active Promotion of the Next Driver of Growth

① Growth of Chinese Business

(Corresponds to 1 on the left)

② Selection/Concentration of Stores and Brands

(Corresponds to 1,4 on the left)

③ Improving Brand Competitiveness

(Corresponds to 2,7 on the left)

④ Realization of Manufacturing without Overproduction

(Corresponds to 2,3,6,7 on the left)

⑤ Full-scale Sustainability Initiatives

(Corresponds to 3 on the left)

⑥ Realization/Promotion of New Retail

(Corresponds to 4,5 on the left)

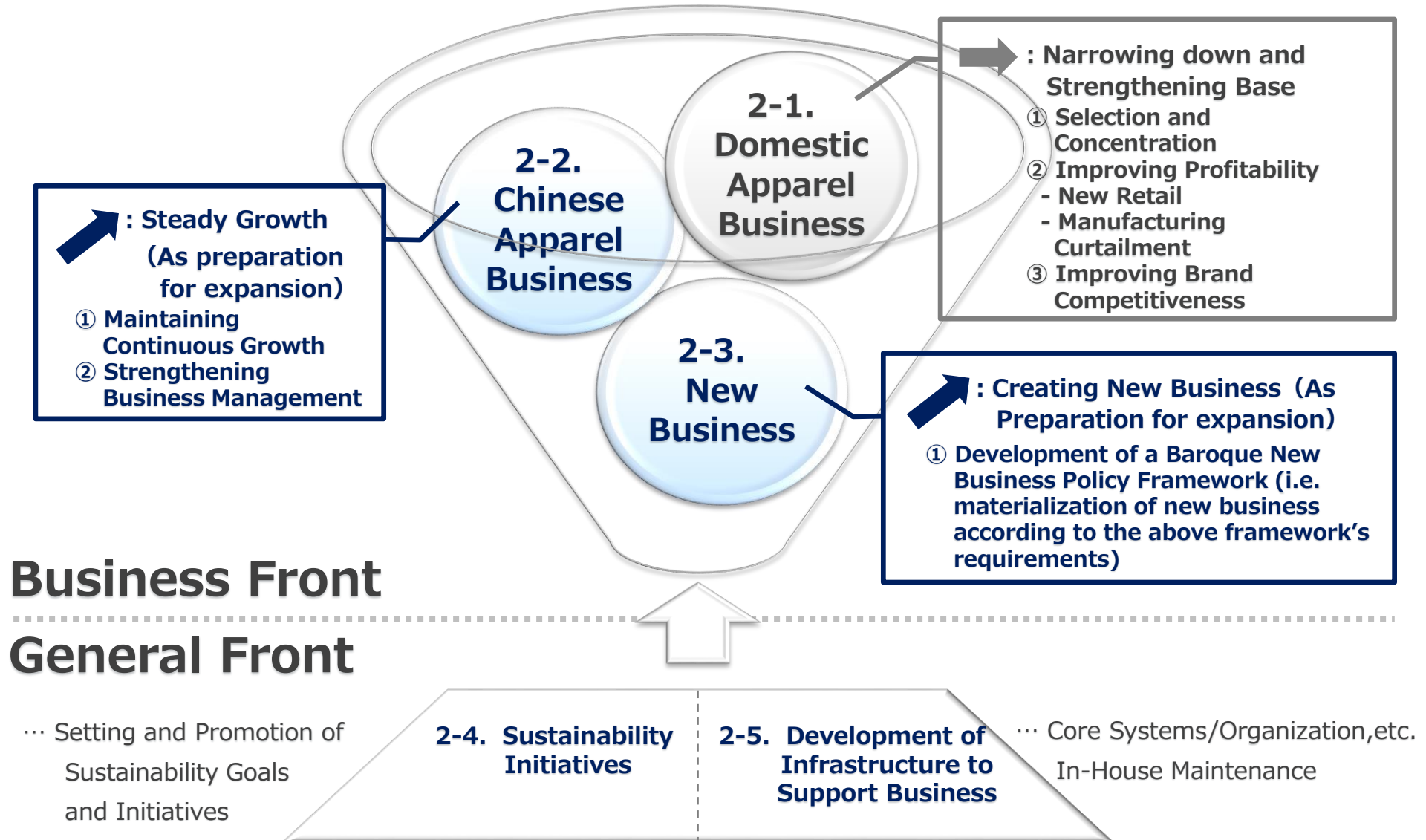
Refinement of Basic Business Practices

Realization of 2030 Vision

⑦ Creation of New Business

(Corresponds to 1,3 on the left)

■ In light of the challenges facing Baroque, the present management plan is designed to strengthen our footing by addressing the following three business fields and two general fields



■ The following is a list of key strategies and measures across the 5 areas below (detailed explanation continues next page).



3. Key Strategies for the Next Medium-Term Management Plan, Point 3 - 1. Narrowing Down and Strengthening Domestic Apparel Business (1/4)

■ To maintain its position in a shrinking market, our company has set **Narrowing Down** and **Strengthening** as key strategies for the domestic market

Key Strategies

Narrowing Down

① Selection and Concentration

... rebranding to match needs while adapting a scrap-and-build store policy
... concentrate resources on areas that need to be strengthened

Strengthening

Post-Corona State of Business

② Improvement of Profit Margin

③ Improvement of Brand Competitiveness

Manufacturing Curtailment



Reduction of Product Number, QR System Strengthening, Etc.

Realization Of New Retail Practices



OMO Improvement

Brand Value And Recognition



Rebranding, Opening of Flagship Stores, etc.

Strengthen Initiatives by Brand, by Sales Channel



Strengthening of EC Sales Channels, Strengthening of Planning Capabilities, etc.

Sustainability Initiatives



Use of Recycled Materials, Ethical as a Style, etc.

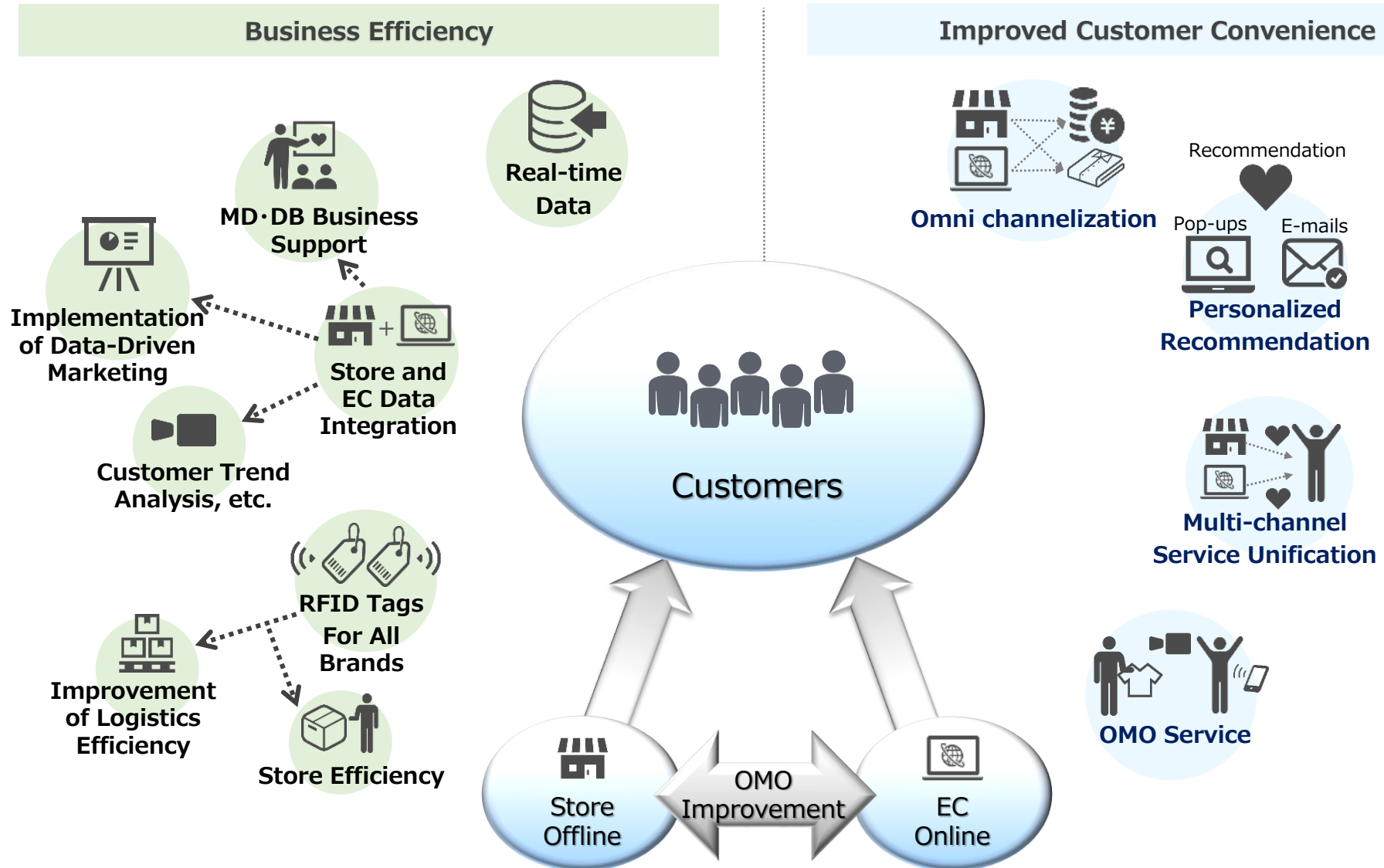
Key Policies

Ⓢ Overproduction Curtailment = Sustainable

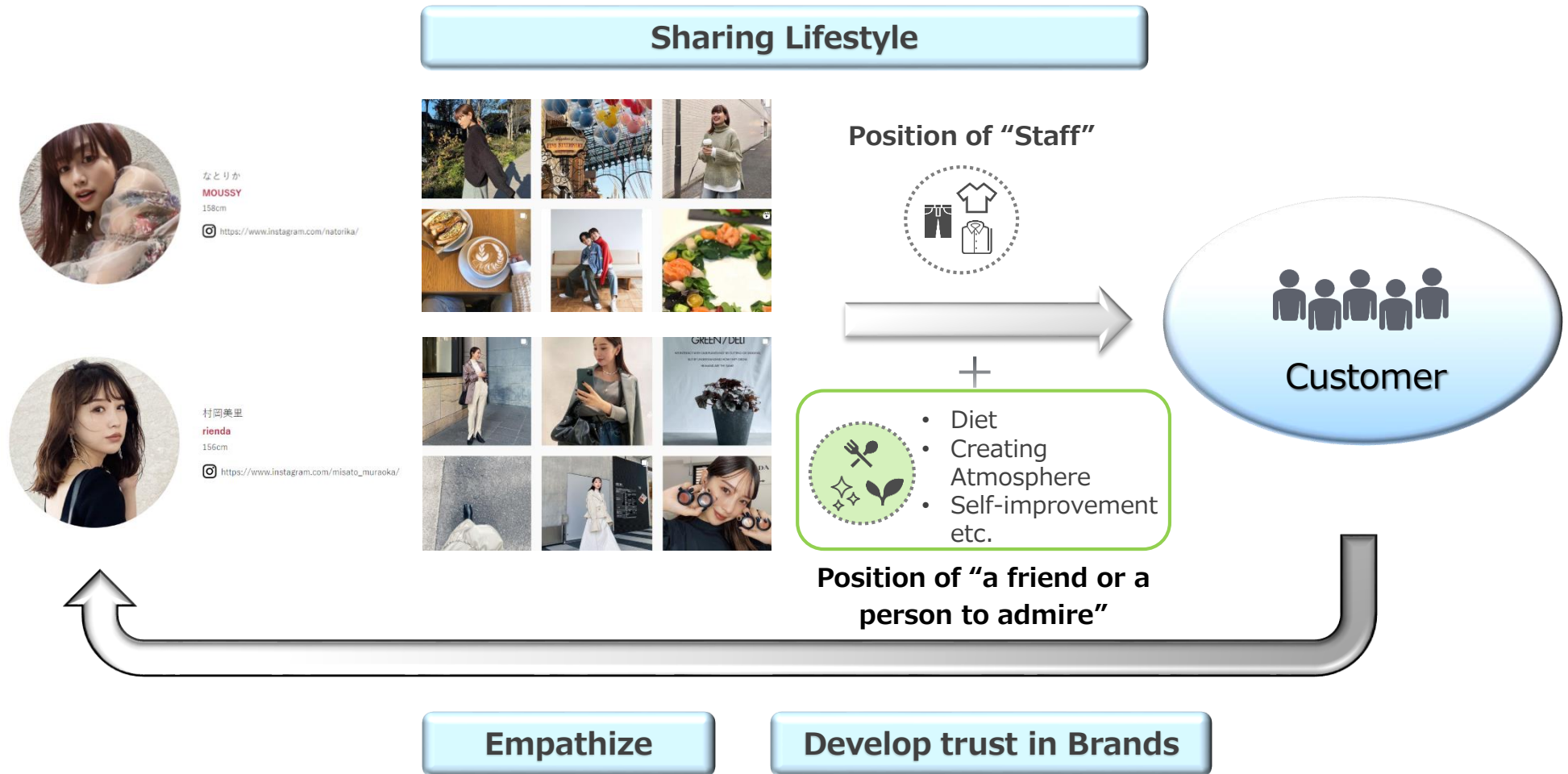
Key Strategy 2-5
Dev. Of Infrastructure
to Support Business

...renewal of core systems around new retail principles as a platform, and strengthening of digital market organization/initiatives

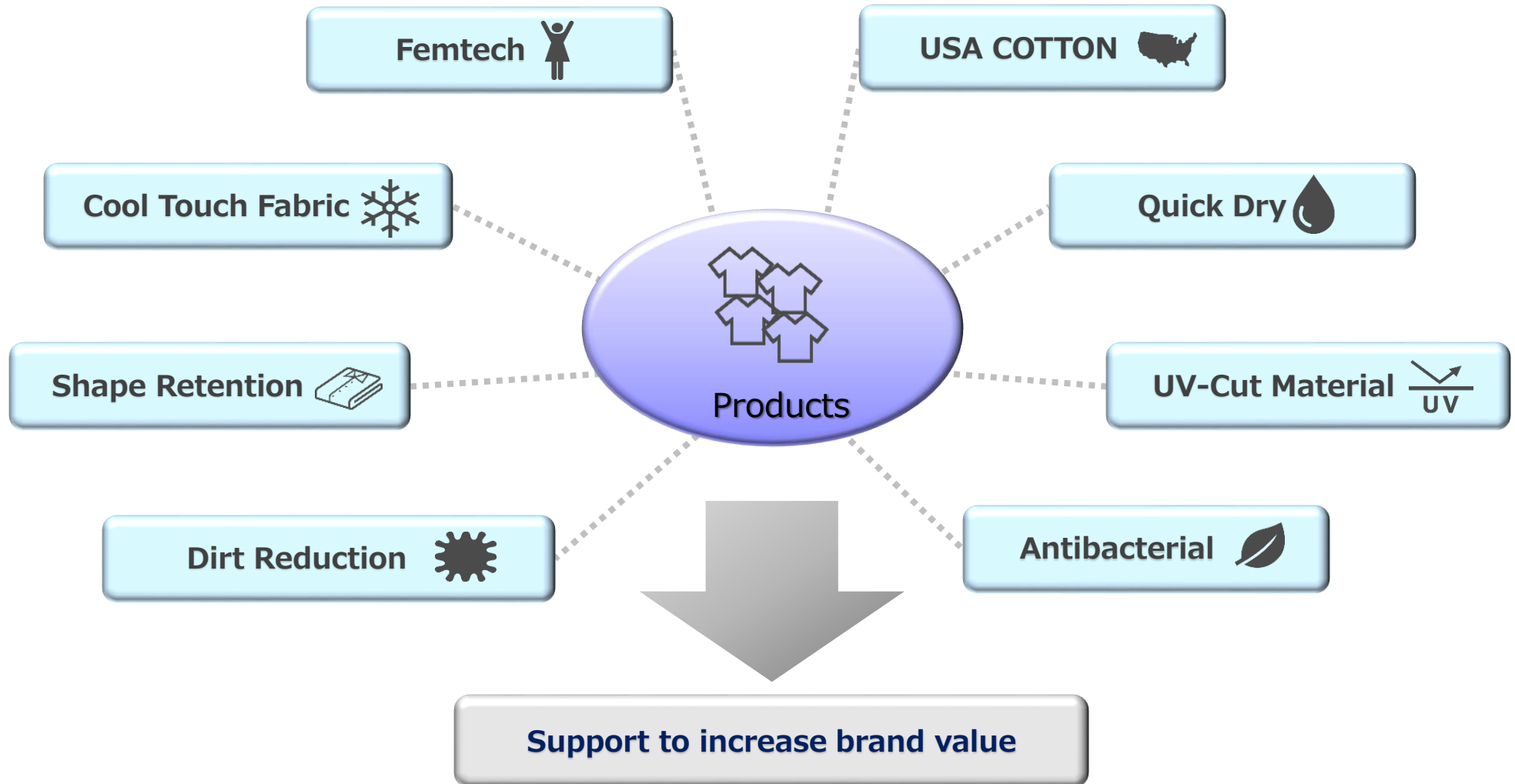
■ **New Retail Realization ...**Baroque's New Retail = Improve Business Efficiency and Customer Convenience



- To increase brand value and recognition by transmitting Baroque's new "Culture" and by proposing a prosperous life.



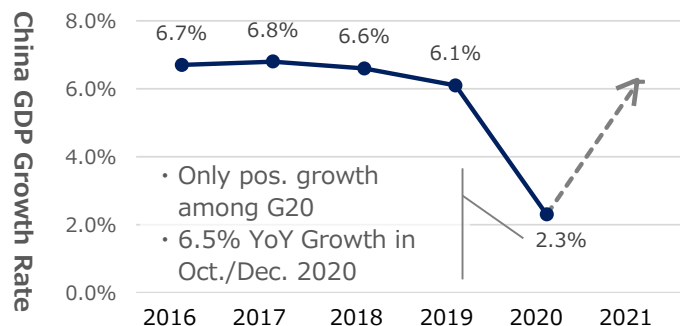
- Increase brand value by strengthening products using multifunctional materials.



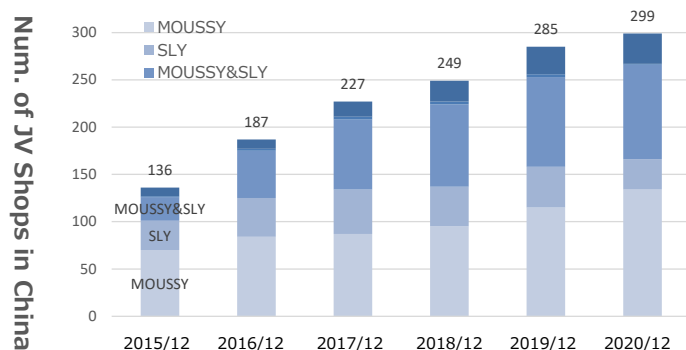
■ In terms of the Key Strategies for our China Apparel Business, we aim to **maintain continuous growth** while simultaneously **strengthening and restructuring our business operation structure**.

① Maintaining Continuous Growth

- Chinese Economic Growth has been in the 6% range in recent years
Although former momentum of over 10% has slowed, growth is expected to remain strong.



- Average annual growth rate of 17% in terms of number of stores, with continued growth of +20 stores/yr for existing brands over the next 3 years



② Strengthening Business Management System

~ **Establishing Chinese Operations' unique strength while balancing group management**

- Until now, business has been successful leaving to local management
- Building a new balance of 'center-outwards' and 'center-inwards' perspectives

A. Improving the Independence and Competitiveness of Chinese Local Subsidiaries

- 1) Redefine brand position
- 2) Improve China Business Profit Margin
- 3) Strengthen Product Planning Capabilities

Cn. Unique Strength

B. Strengthening of Group Management

1) Building a Group Management System

- ~Sharing of Strategies/Progress Management
- ~Periodic Monitoring of Status and Cooperation

Group Management

■ The following four items are initiatives towards '(2) Strengthening Business Management System' from the previous page.

A. Improving Independence and Competitiveness of Chinese Local Subsidiaries

1) Redefining Brand Position

Establish a brand position in China.

➔ Without being bound by the trends of the mass market, propose edgy and unique fashions.

2) Improving the China Business Profit Margin

Review and shore up Chinese customs of 'High Stocking Rates' and 'Generous Staffing' to Japanese standards/levels, and strengthen our EC site to be video compatible – in line with 5G development which is progressing faster than in Japan

➔ With these two initiatives, we will be able to promote higher profit margins

3) Strengthen Product Planning Capabilities

In order to establish a better brand position in the Chinese market, in China we will further strengthen "soft" operations such as product planning and design specifically for the Chinese market.

➔ Strengthen planning functions of our Chinese Joint Venture and establish a collaborative system with Japanese counterparts

B. Strengthening Group Management

1) Building a Group Management System

To now, we have been successful in increasing the degree of operational freedom locally and building a system that can be strongly promoted by Chinese counterparts alone. As such while maintaining the 'center-outwards' ability of group management...

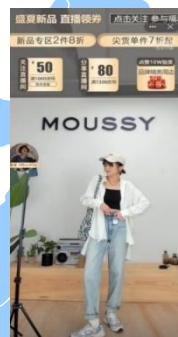
➔ Restructure the Group Management System to Link Strategy to Execution

■ As part of the continuous growth of the Chinese apparel business, we will further accelerate strengthening EC and expanding stores.

CHINA



Accelerating the strength of EC



Continuous Expansion of Stores

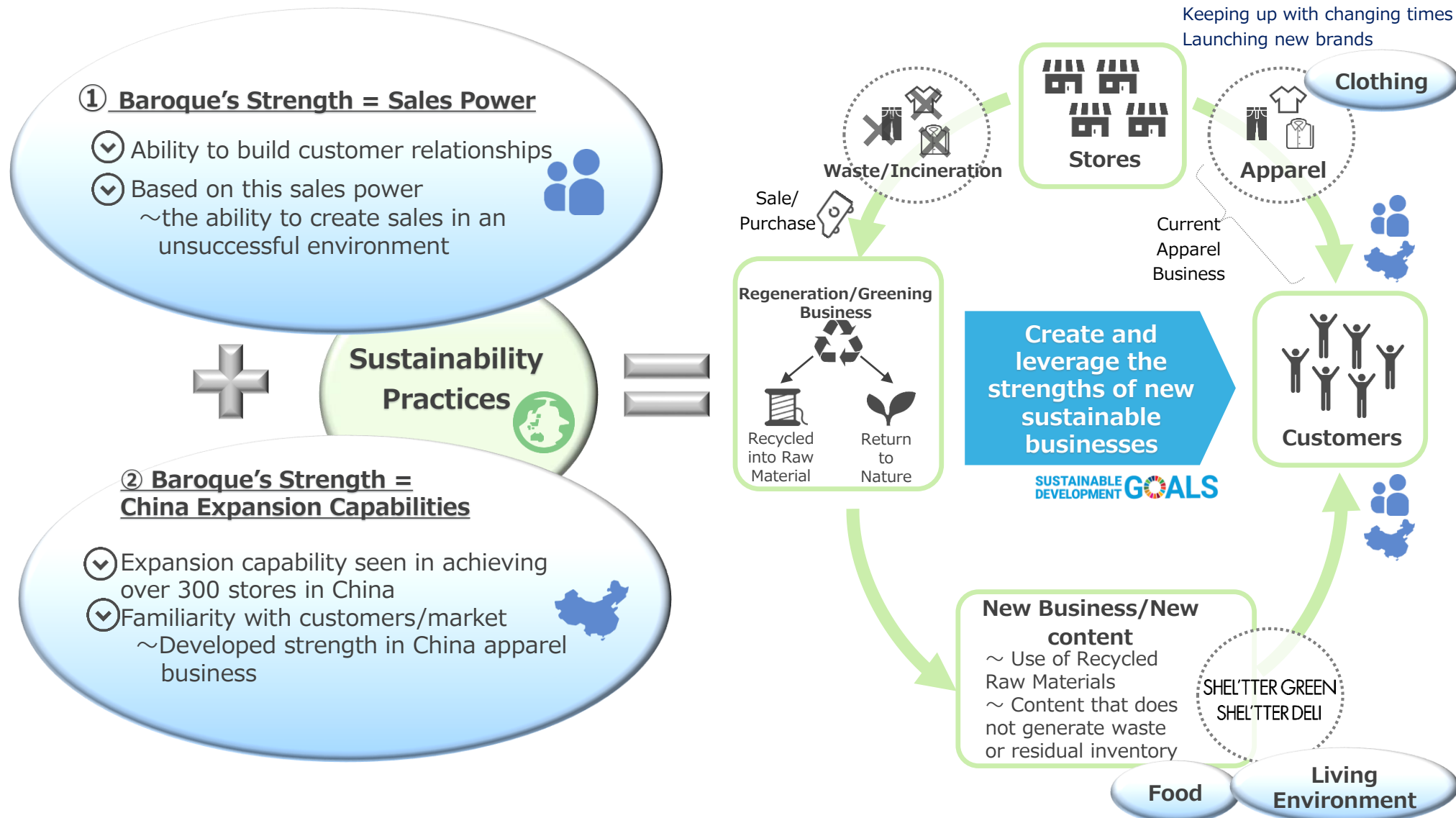
JAPAN

Sharing the know-how of EC sales



3. Key Strategies for the Next Medium-Term Management Plan, 3-3. New Business Creation

■ Building upon Baroque's 'Strengths', develop new businesses that meet the requirement of contributing to the realization of a sustainable society









■ We hope to set three goals towards our role in the **Environment, Society, and towards People**, and link them to specific initiatives



3. Key Strategies for the Next Medium-Term Management Plan, 3-4. Sustainability Initiatives (2/2)

■ By approaching our impact on **Environment, Society, and People**, we endeavor to work on sustainability.

Field	Initiative Themes		Contents	Related SDGs
Environment	Overproduction Curtailment	Overproduction Curtailment	<ul style="list-style-type: none"> Reduction of amount of items, sub-item SKU Realized Quantity Control through QR 	12 つくると減らす つかう減らす 
	Efficient Use/Re-use of Resources	Active Use of Environmentally Friendly Material	<ul style="list-style-type: none"> Use of recycled/environmentally-friendly materials Use of Environmentally-Certified Materials across Manu. 	6 安全な水とトイレ を世界中に  12 つくると減らす つかう減らす  14 海の豊かさ を増やす  15 陸の豊かさを 増やす 
		Environmentally-Friendly Production	<ul style="list-style-type: none"> Product Processing at Wastewater Recycling Plants Ozone Wash Processing(Reduction of Water Consumption) 	
		Use of Recycled Materials for Accessories	<ul style="list-style-type: none"> Use of Recycled Paper for Tags/Bags Use of Recycled Materials for Woven Tags 	
		Re-use of Store Interior Design	<ul style="list-style-type: none"> Opening Store: Effective Use of Previous Tenant's Features Closing Store: Leaving when the above is possible 	
		Reduction/Elimination of Plastic Materials	<ul style="list-style-type: none"> Abolition of Plastic Shoppers (Store Bags) 	
Society	'Disposable' to 'Non-Disposable'	Coordination and Sale of Deadstock Proposals/Sale of Remade Products	<ul style="list-style-type: none"> Deployment of AUNE EC Site Creation and sale of remade products across other brands 	8 働きがい も経済成長 を 
		Utilizing Recycled Fiber in a New Way	<ul style="list-style-type: none"> Development of a business that utilizes recycled soil 	
	Ethical as a Style	Business Development of the 'M_ ' Brand, Etc.	<ul style="list-style-type: none"> Development of a Brand that through focus on materials and processes is 'Ethical to wear and use' 	
People	Creating a Comfortable Workplace		<ul style="list-style-type: none"> Personnel System Reform(Training, Treatment, And Evaluation Improvement of Remote Work Environment 	

3. Key Strategies for the Next Medium-Term Management Plan, 3-5 Development of Infrastructure to Support Business

■ To strengthen the foundation that supports our business operations, we will work on the following 4 initiatives

① Promotion of Scrap-and-Build Store Dev. Strategy



- ✓ To act as customer contact points, **maintain a certain number of real stores**
- ✓ In the future, **without increasing the total number**, shift to a stronger structure through relocation, etc.

② Aggressive Investment as Preparation for Growth



- ✓ Even in a difficult market environment, to act as the basis for the next stage of growth **aggressively make investments**
- ✓ Specifically, during this period of the Medium-Term Management Plan, we expect to pursue various efforts and investments towards the realization of new retail, establishment of new marketing capabilities, operation of a new EC system, office renewal, renewal of core systems, and investment in new business test marketing, etc.

③ Supply Chain Updates



- ✓ Further cost reduction through **promotion of direct trade** with China
- ✓ Establishment of a system or mechanism for achieving both cost reduction and improved QR system

④ Strengthening Training and Placement Through Personnel System Reform



- ✓ **Emphasize Employee Development**, and enhance ability to respond to change
- ✓ “Achieving Optimal Placement” by adopting “Job-Based Pay
- ✓ Developing career by ensuring flexibility in transfers

IV. KGIs for the Next Medium-term Management Plan

■ During this medium-term management plan, the following goals have been set for the subsequent indicators.

At this stage of the medium-term management plan, financial outlooks remain uncertain in the immediate present (1 to 2 years), including the impact of the coronavirus epidemic on the market.

As such, during this stage, in order to prioritize strengthening our base ability to steadily generate profit and also to prepare for future expansion, we will promote an agenda to achieve the following index targets.

Management Indicators	FY2024/02 Target	Approach
Operating Profit Margin	7.5~8.0%	Key Indicator of Profitability Across Our Consolidated Group <ul style="list-style-type: none">✓ Improvement of our Profit Margin will also help realize improvements to Total Profit Amount
Inventory Turnover	5.5~6.0 Turnovers	Key Indicator to Measure Change and Evolution of our Business Structure <ul style="list-style-type: none">✓ Indicator to measure both improvement of our profit margin and manufacturing without overproduction✓ Verifies actualized efficiency and precision across MD

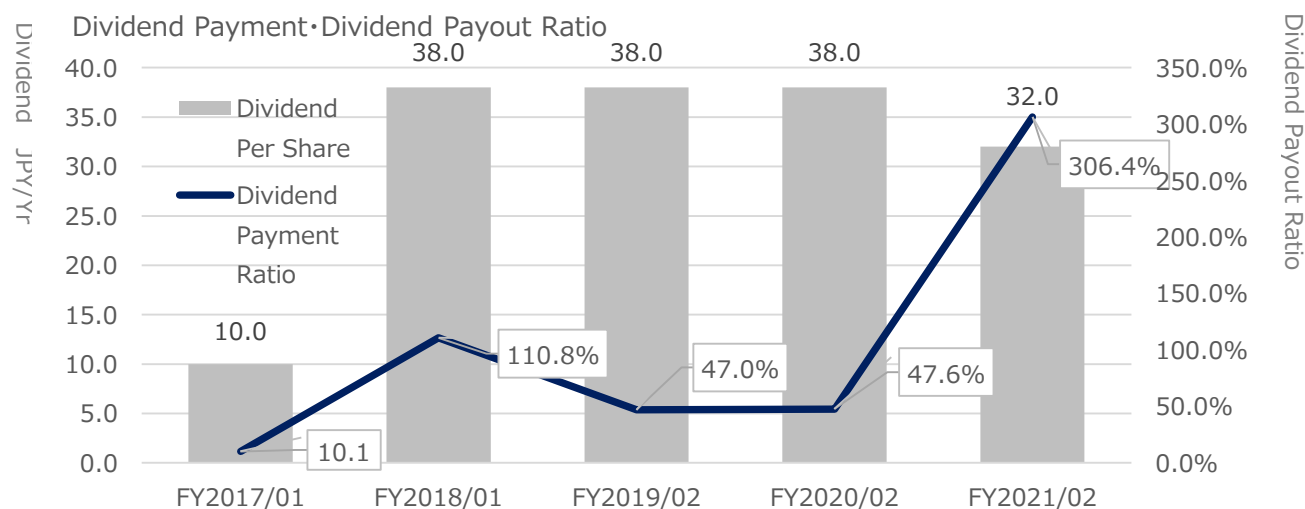
Management Indicators	FY2024/02 Target	Approach
Overseas Growth Index	① 20 Stores/Yr ② Launch in 30 Countries	Key Indicator of Growth across our Overseas Apparel Business <ul style="list-style-type: none">✓ First, we aim to achieve steady and continuous growth in China (Indicator 1)✓ Then we will expand the number of countries we have launched in to 30 (Indicator 2)
ROE	13~15%	Key Indicator of Profit Generation based on Capital <ul style="list-style-type: none">✓ Illustrates achieving a profitable structure and meeting the expectations of stakeholders

■ Dividend Policy will continue as followed.

We will continue to aim for stable and continuous dividends.

⓪ **In the present Medium-Term Management Plan, the current target is 38 yen per share, per year.**

This coming Medium-Term Management Plan is a period of transformation for our profit structure, in which we will continue to aim for stable shareholder returns by targeting a specific “amount” of dividends.



Realization of Stable & Continuous Dividends

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- Inherent to these forward-looking statements are various risks and uncertainties. Risks, uncertainties, and other factors either already known or yet unknown may cause results that differ from what is contained in said forward-looking statements
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