

# BAROQUE JAPAN LIMITED

## FY2018/01 Full Year Result Announcement

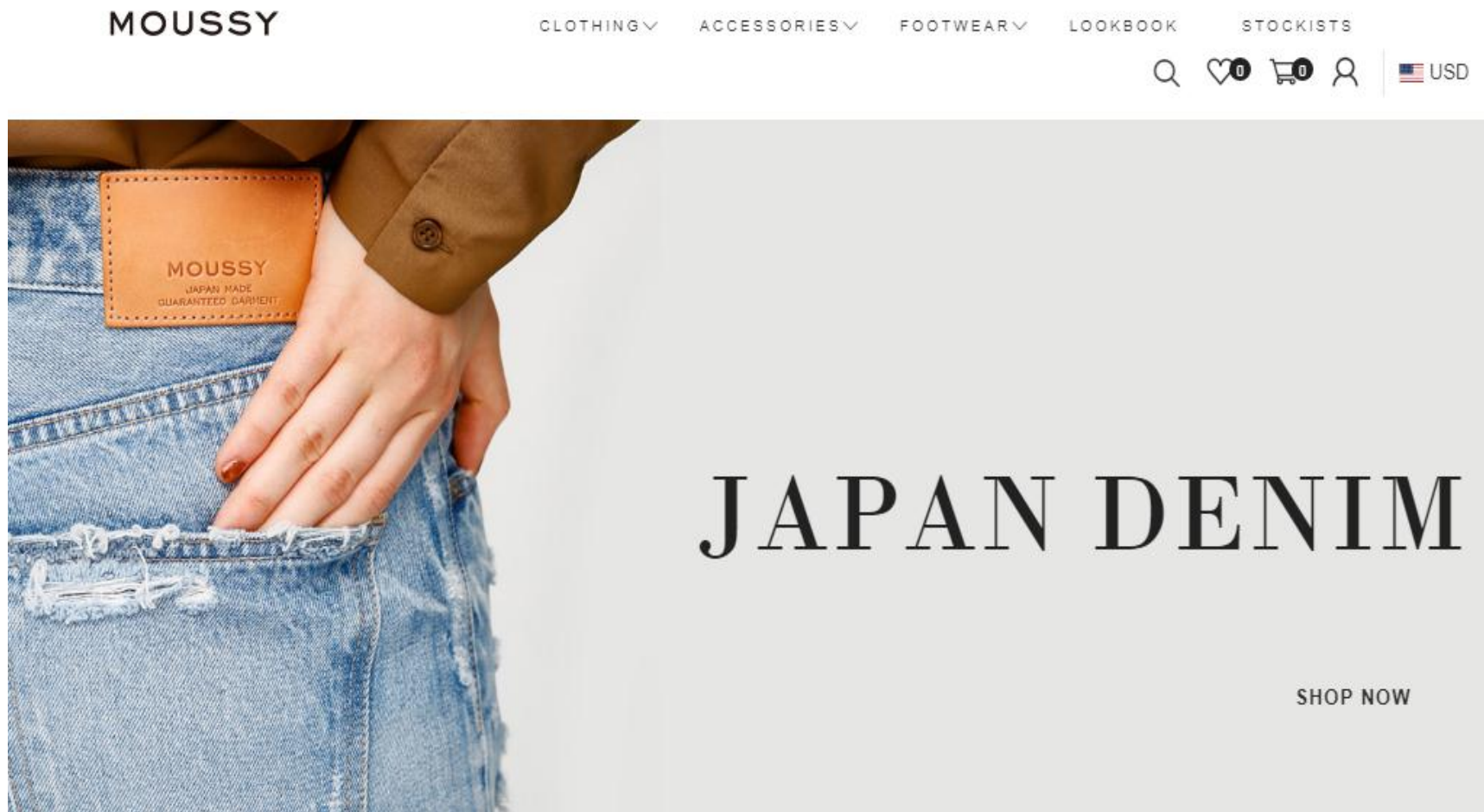
**March 16, 2018**

Tokyo Stock Exchange 1<sup>st</sup> Section: 3548

- 1 FY2018/01 4Q TOPICS
- 2 FY2018/01 Full Year Result Overview
- 3 FY2019/01 Outlook and Strategy

## TOPIC 1 : MOUSSY GLOBAL EC launched

- ◆ Delivery within few days for the US customers.
- ◆ Customers outside the US can also purchase (except Japan, China, HK and Macau)



**TOPICS 2 : Winners of 「NEXT IS YOU」 contest announced**

- ◆ Winner for 「Fashion Icon」 division: Ms Ayaka Murohara. Launching new brand in 2018.
- ◆ Winner for 「Business Plan」 division: Mr Hiroyuki Maruya. Launching a new brand 「R4G」(Respect For Geeks), the collaboration of Fashion and Anime on March 31<sup>st</sup>.



Ms Ayaka Murohara

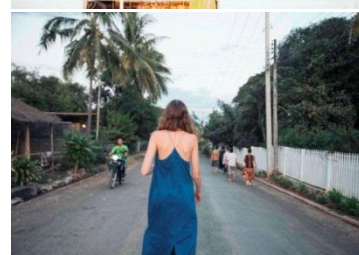
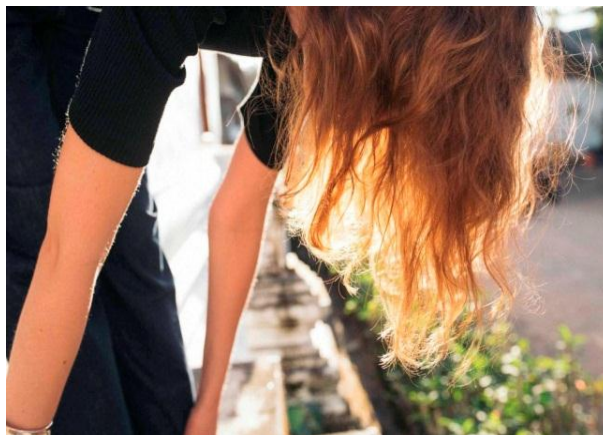


「R4G」 1st season brand visual with Ms Sayuri Muramatsu from 乃木坂46



**TOPIC 3 : New Brand 「någonstans」 launched by 「ENFÖLD」 creative team**

- ◆ 2017 Summer Holiday collection from ENFÖLD was very popular. New brand 「någonstans」 focuses on the styles for holiday and travel
- ◆ 「någonstans」 means “somewhere” in Swedish
- ◆ Isetan Shinjuku store opened on Feb 21<sup>st</sup>, JR Nagoya Takashimaya store opened on Feb 28<sup>th</sup>.



- 1 FY2018/01 4Q TOPICS
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SALES : JPY**67.9**bln 97.8%yoy ▲JPY1.54bln

Operating Profit : JPY**2.5**bln 47.6%yoy ▲JPY2.81bln

Net Profit : JPY**1.2**bln 35.2%yoy ▲JPY2.27bln

**FY2018/01 Sales and Profit Decreased**  
**Tough domestic business**  
**Strong oversea business**

**FY2019/01 aiming for recovery by  
improving existing business  
and launching new business**

## JAPAN Business Overview

**Tough domestic business. Both sales and profit decreased**

**SALES 94.2% yoy, ▲JPY3.65bln**

**Operating Profit 35.7% yoy, ▲JPY3.21bln**

### FY2018/01 Sales decreased due to struggling Same Store Sales

- ◆ FY2018/01 SSS(incl EC) 91.6% Customer # 93.4% Customer Spending 98.1%
- ◆ MOUSSY and ENFÖLD performed well by offering new series of merchandise to attract new customers.
- ◆ AZUL BY MOUSSY (mainly in Shopping Centers), SLY/rienda/Rodeo Crowns at customer decreasing Fashion Buildings also struggled by missing customer demand
- ◆ EC sales 100.9% yoy. Company owned EC sales was 89.4% yoy due to the system trouble. Third party EC continued strong growth at 116.6% yoy

### Gross Profit decreased by JPY2.67bln, 92.7% yoy

- ◆ Cost of merchandise improved by 0.52pt from previous year due to continued SCM(supply chain management)
- ◆ However, higher discount rate was offered to lower down the inventory level, thus GPM was ▲0.9pt from previous year to 57.0%

### Operating Profit decreased by JPY3.21bln, 35.7% yoy

- ◆ Mainly due to the higher than previous year SG&A (+JPY540mil yoy)
  - ✓ Advertising expense: +JPY350mil from TV commercial etc
  - ✓ Salary expense: +JPY550mil from store expansion and switching FC to direct operation
  - ✓ Logistic expense: +JPY110mil to handle increased number of merchandise



**OVERSEA Business Overview**

Oversea business performed as planned

**◆CHINA**

- ✓ China opened 53 stores, closed 13 store for FY2018/01.
- ✓ Year end store number is 227.
- ✓ Opening store number slightly below the original plan yet strong store expansion continues.
- ✓ China JV has 2 companies, retail (49% associate) and wholesale (51% subsidiary). China business as a whole, 2 companies combined, performed well. Both sales and profit increased.
- ✓ Profit contribution from China business to BAROQUE was 113.2% yoy (see P15)

**◆US**

- ✓ US wholesale business showed very strong performance, growing double digit.
- ✓ Started wholesale business with non-US customers (Canada, Europe)

- Sales recorded 97.8% yoy and 98.7% to the revised outlook.
- Gross profit recorded 94.2% yoy and GPM 53.6% (55.6% for FY2017/01). Mainly due to tough domestic business.
- Operating profit was negatively impacted by higher SG&A from domestic business, recorded 47.6% yoy.

(JPY mil)	2018年1月期実績 Actual	対売上 % of Sales	前年比 YoY	修正計画比 % to revised outlook
売上高/Sales	67,952	100.0%	97.8%	98.7%
売上総利益/Gross Profit	36,396	53.6%	94.2%	95.3%
販管費及び一般管理費/SG&A	33,840	49.8%	101.8%	97.5%
営業利益/Operating Profit	2,556	3.8%	47.6%	73.5%
経常利益/Recurring Profit	2,556	3.8%	47.5%	69.6%
親会社株主に帰属する当期純利益 Net Profit	1,236	1.8%	35.2%	56.0%

- MOUSS, RIM.ARK(FB/SB brands) and ENFÖLD (Select Shop・Dept Store brands) performed well.
- FB/SB brands recorded 94.2% yoy. Stores at the customer decreasing fashion buildings struggled.
- SC brands recorded 93.7% yoy mainly due poor performance at AZUL BY MOUSSY but changes are being made and actions have been taken.
- Select Shop・Dept Store brands are slightly below previous year. ENFÖLD performed well, but one brand was terminated and few brands performed below previous year.
- Oversea sales recorded 132.4% yoy, mainly reflecting strong China wholesale.

(JPY mil)	2018年1月期実績 Actual	2017年1月期 Previous Year	前年比 YoY
FB/SBブランド FB/SB Brands	21,095	22,401	94.2%
SCブランド SC Brands	32,697	34,909	93.7%
セレクトショップ・百貨店ブランド Select Shop・Dept Store Brands	4,722	4,812	98.1%
海外 Overseas	8,634	6,523	132.4%
その他 Others	804	848	94.8%

FB: Fashion Building SB: Station Building SC: Shopping Center

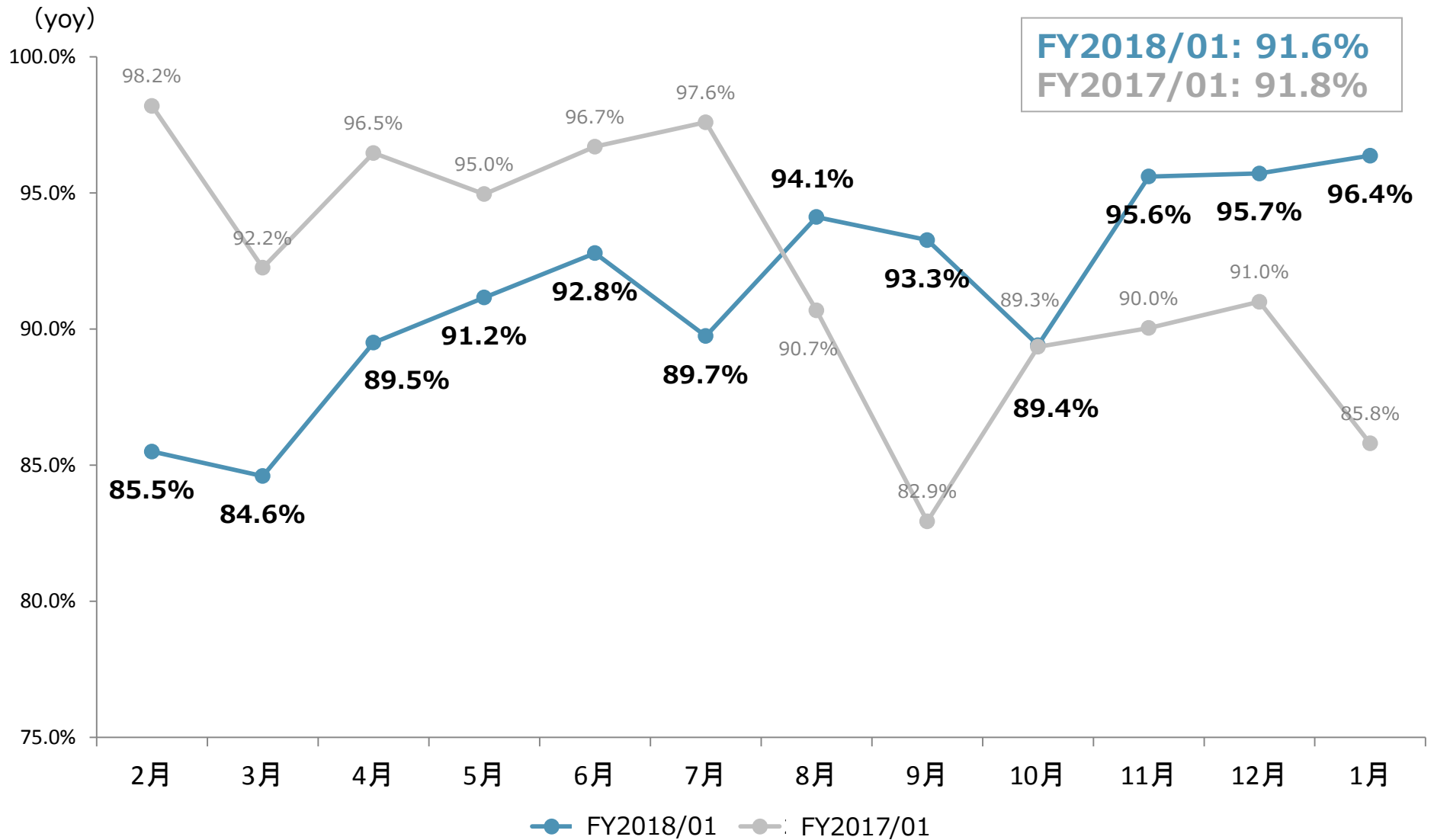
(JPY mil)	FY2018/01			FY2017/01	
	金額 Amount	構成比 %	前期末比 % to previous year end	金額 Amount	構成比 %
現預金 Cash	18,743	45.4%	108.3%	17,309	45.0%
売掛金 Accounts Receivable	7,804	18.9%	126.4%	6,172	16.0%
商品 Inventories	4,514	10.9%	88.3%	5,110	13.3%
その他流動資産 Other Current Asset	1,752	4.2%	121.4%	1,443	3.8%
固定資産 Non Current Asset	8,502	20.6%	100.9%	8,424	21.9%
総資産 Total Asset	41,317	100.0%	107.4%	38,459	100.0%
負債 Liabilities	22,851	55.3%	106.5%	21,456	55.8%
純資産 Equity	18,466	44.7%	108.6%	17,002	44.2%

- Sales from Japan recorded 94.2%. Struggling store sales (mainly from SC brands) negatively affected.
- EC sales recorded 100.9% yoy and 12.7% to sales. Sales from company owned site was 89.4% yoy due to the system trouble, but third party site was 116.6% yoy.
- Company owned site to recover by marketing promotion utilizing the data from SHEL'TTER PASS, our rebate system APP, and improving the user interface.

(JPY mil)	2018年1月期実績 Actual	対売上 % of Sales	前年比 YoY
売上高/Sales	59,318	100.0%	94.2%
店舗売上/Store Sales	47,995	80.9%	93.3%
通販売上/EC Sales	7,512	12.7%	100.9%
売上総利益/Gross Profit	33,831	57.0%	92.7%
販管費及び一般管理費/SG&A	32,047	54.0%	101.7%
営業利益/Operating Profit	1,784	3.0%	35.7%
経常利益/Recurring Profit	1,960	3.3%	42.1%



## SSS FY2018/01 and FY2017/01



※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.

- Total profit from China business recorded 113.2% yoy (JPY base) reflecting store expansion and strong performance at the existing stores

### JPY

(JPY mil)	2018年1月期 実績 Actual	2017年1月期 Previous Year	前期比 YoY
中国合併事業からの売上 Sales from China JV			
卸売/Wholesale	7,894	6,078	129.9%
ロイヤリティ/Royalty	468	357	131.1%
売上合計/Sales Total	8,362	6,435	129.9%
当期純利益に対する 中国合併事業による利益 Profit from China JV			
小売事業からの利益 (持分法投資利益) Equity method investment gain	82	270	30.4%
卸事業からの利益 (少数株主持分の51%相当) 51% of JV subsidiary	380	178	213.5%
ロイヤリティ税抜換算 Royalty after tax	328	250	131.2%
利益合計/Profit Total	790	698	113.2%

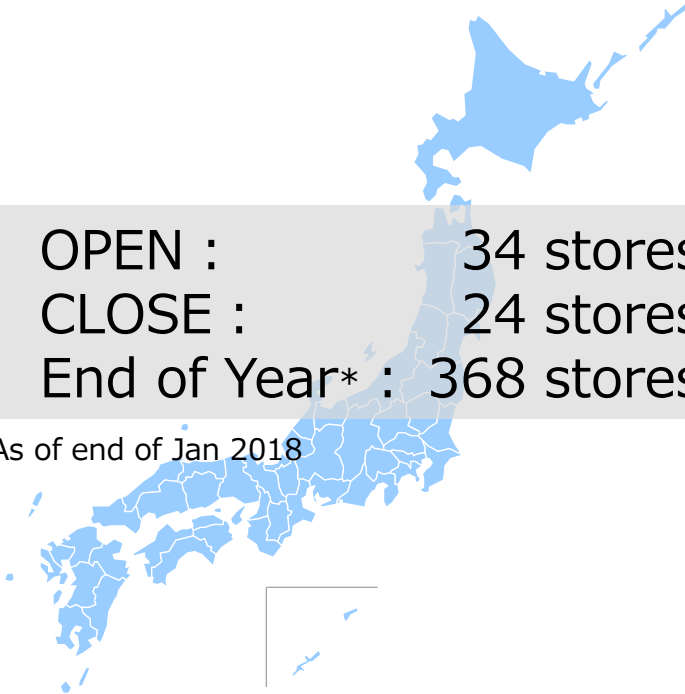
### RMB

(RMB mil)	2018年1月期 実績 Actual	2017年1月期 Previous Year	前期比 YoY
中国合併事業からの売上 Sales from China JV			
卸売/Wholesale	475	372	127.7%
ロイヤリティ/Royalty	28	22	128.0%
売上合計/Sales Total	503	394	127.7%
当期純利益に対する 中国合併事業による利益 Profit from China JV		0	
小売事業からの利益 (持分法投資利益) Equity method investment gain	5	17	29.0%
卸事業からの利益 (少数株主持分の51%相当) 51% of JV subsidiary	23	11	207.9%
ロイヤリティ税抜換算 Royalty after tax	20	15	131.6%
利益合計/Profit Total	48	43	110.5%

## JAPAN

OPEN : 34 stores  
CLOSE : 24 stores  
End of Year\* : 368 stores

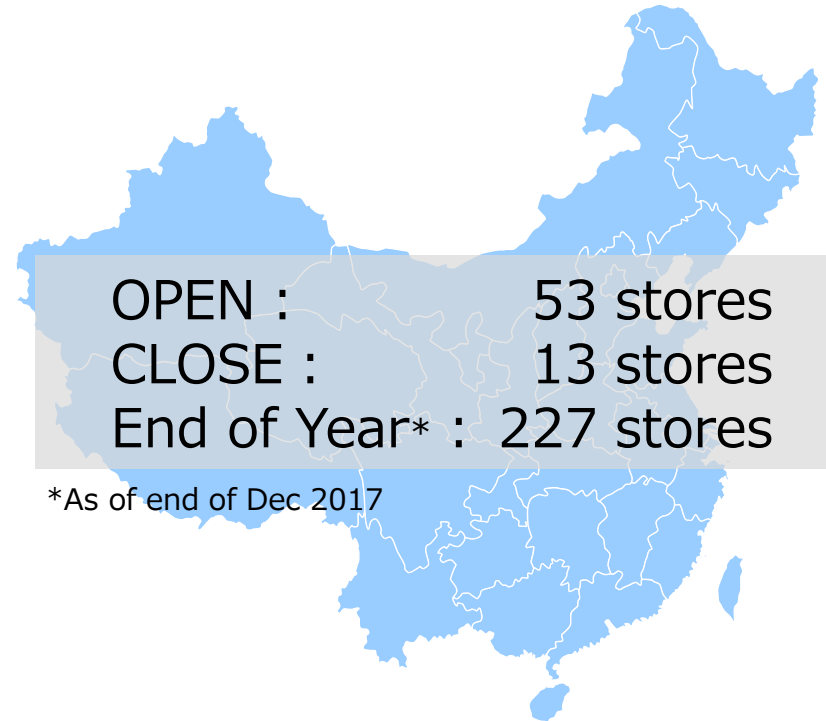
\*As of end of Jan 2018



## CHINA

OPEN : 53 stores  
CLOSE : 13 stores  
End of Year\* : 227 stores

\*As of end of Dec 2017



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- Target sales JPY71.3bln, 104.9% yoy, operating profit JPY4.2bln, 165.6% yoy.
- Focus for Japan: Strengthen EC business by utilizing SHE'TTER PASS APP and influencers (who are our employees), strengthen existing brands, launching new business
- Focus for Oversea: China and US. Entry to South East Asia market.

(JPY mil)	2019年1月期計画 FY2019/01 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	71,306	100.0%	104.9%	67,952	100.0%
売上総利益/Gross Profit	39,788	55.8%	109.3%	36,396	53.6%
販管費/SG&A	35,554	49.9%	105.1%	33,840	49.8%
営業利益/Operating Profit	4,233	5.9%	165.6%	2,556	3.8%
経常利益/Recurring Profit	4,780	6.7%	187.0%	2,556	3.8%
親会社株主に帰属する当期純利益 Net Profit	3,287	4.6%	265.9%	1,236	1.8%
1株当たり当期純利益/EPS	90.71			34.51	

\* EPS for FY2019/01 outlook is calculated based on the shares outstanding by the end of FY2018/01(36,240,600 shares)



## Japan Strategy

### 1 Maximize CLTV, Customer Life Time Value

◆ Strategy to increase customer number

- 1) 「SHEL'TTER PASS」, our rebate system APP, launched in Oct 2017 (370K downloads as of Jan 2018)
  - incentivize customers by recommendation/automatically generated coupon based on customer data
  - launch marketing automation
- 2) Picture posting APP service 「Staff Start」: Utilize shop staff's styling ability and influencer status on SNS, 「Staff Start」 aims to induce customers to store/company own EC site
- 3) Improve the user interface of company own EC site for higher purchase rate

### 2 New Brand and New Business

- ◆ New brand from ENFÖLD creative team : någonstans (resort/holiday style)
- ◆ From winner of the business idea competition : R4G (Anime x Fashion)
- ◆ Brands by BAROQUE's top instagramers : Leory x EBLÓA (sophisticated elegance)
- ◆ Platform to work with internal/external, domestic/international influencers : STYLEMIXER (New EC platform)

### 3 Maximize Gross Profit

- ◆ Revise Merchandising strategy: concentrate the purchase order on core items.
- ◆ Strategic promotion on core items via store/EC/web → Less discount
- ◆ Continued SCM (Supply Chain Management) to lower the purchasing cost

### 4 Control SG&A

- ◆ Implement RFID and SCM label, standardizing the size of cartons (Logistic)
- ◆ Proactive store crap and build, optimizing staff cost (Salary)
- ◆ Advertising expense optimization by PDCA cycle for digital marketing

## Oversea Strategy

### 1 CHINA

- ◆Target the store number net increase of around 50.
- ◆China exclusive items, reflecting feedback from local staff, sell well.  
Continue to further strengthen the relationship between teams in China and Japan.
- ◆EC sales: 4% of total sales. Big growth opportunity.
- ◆Our JV partner, Belle, was delisted from HK Stock Exchange in 2017 after MBO.
- ◆Hillhouse Capital Group is now the biggest shareholder.
- ◆Hillhouse is an investment management firm, specialized in investing IT industry.  
Their portfolio company includes Tencent Holdings (social media), JD.com (luxury EC site) and many other major IT companies in China.
- ◆With Hillhouse's IT expertise, working on to grow China EC business

### 2 US

- ◆Continue to expand the wholesale account beyond US.
- ◆SNS marketing to increase the traffic to MOUSSY GLOBAL EC

### 3 Others

- ◆South East Asia: Planning to open stores in Thailand and Philippines within this year
- ◆Launch 「SHEL'TTER GLOBAL EC」, company own EC site for global customers

## Dividend

- Dividend outlook for FY2019/01: JPY38/share. 42% payout ratio.
- Dividend payout policy (30%~40% payout ratio) unchanged.

## Shareholder Incentives

### ①who is entitled

- Shareholders on record as of January 31<sup>st</sup> and July 31<sup>st</sup> with 100 shares and more

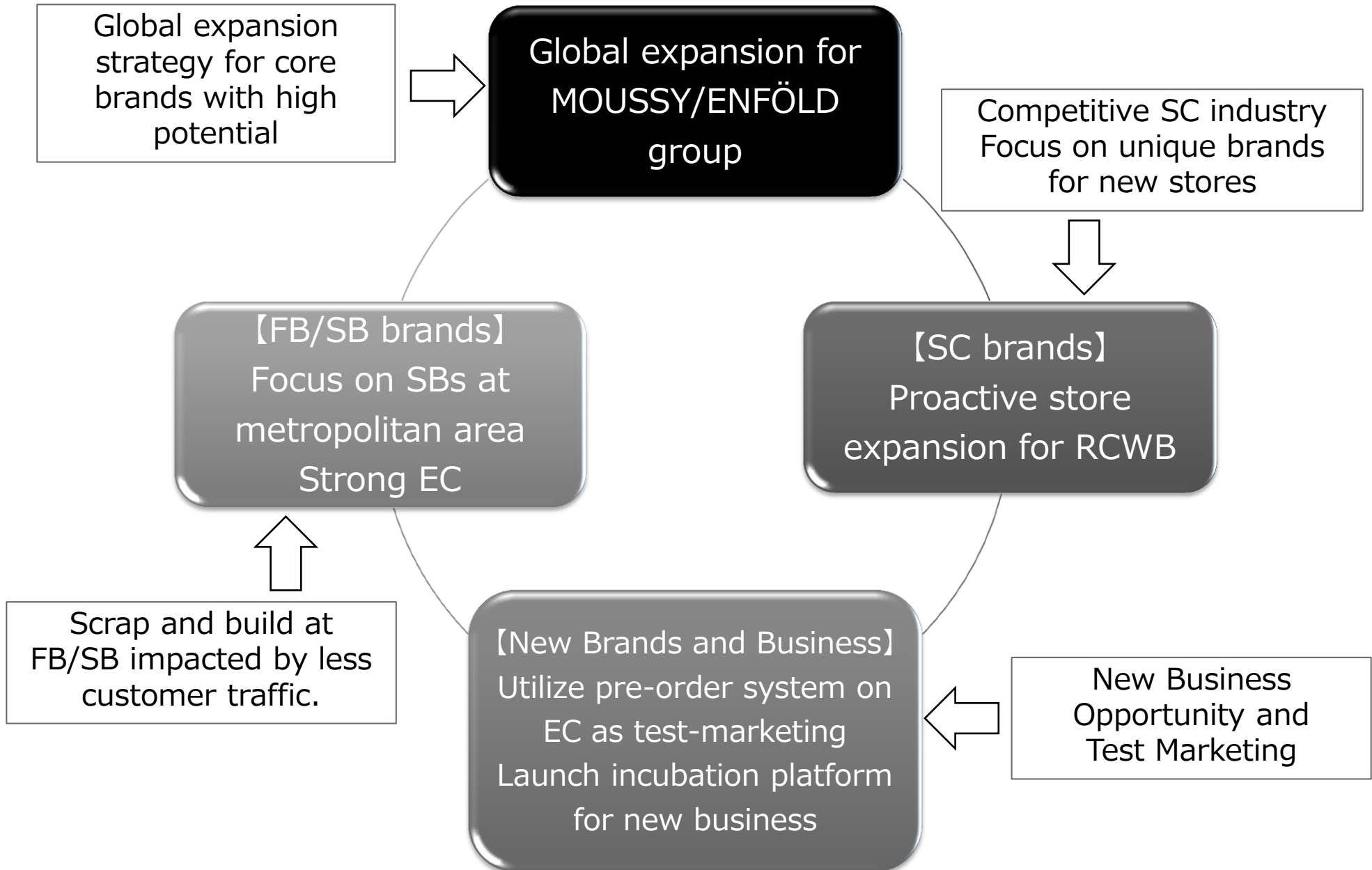
### ②when to receive

- 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





## Appendix

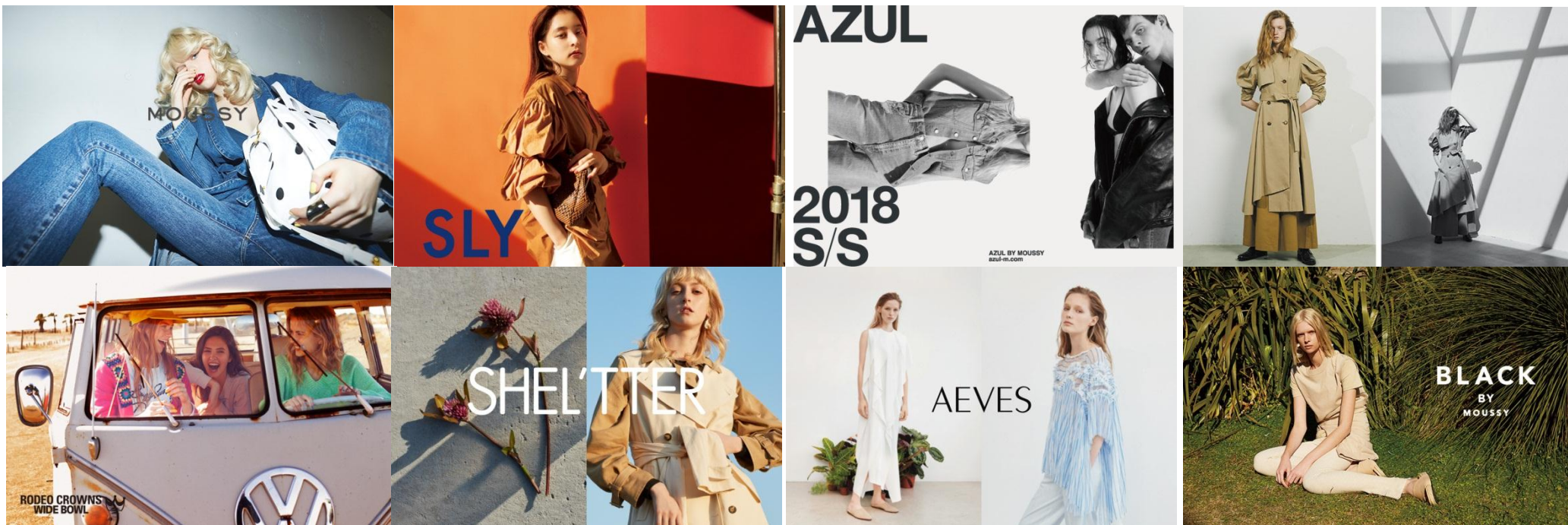


## Leading SPA\* for women's apparel & accessories in Japan





- **368** stores in Japan, **227** stores in China, 8 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.

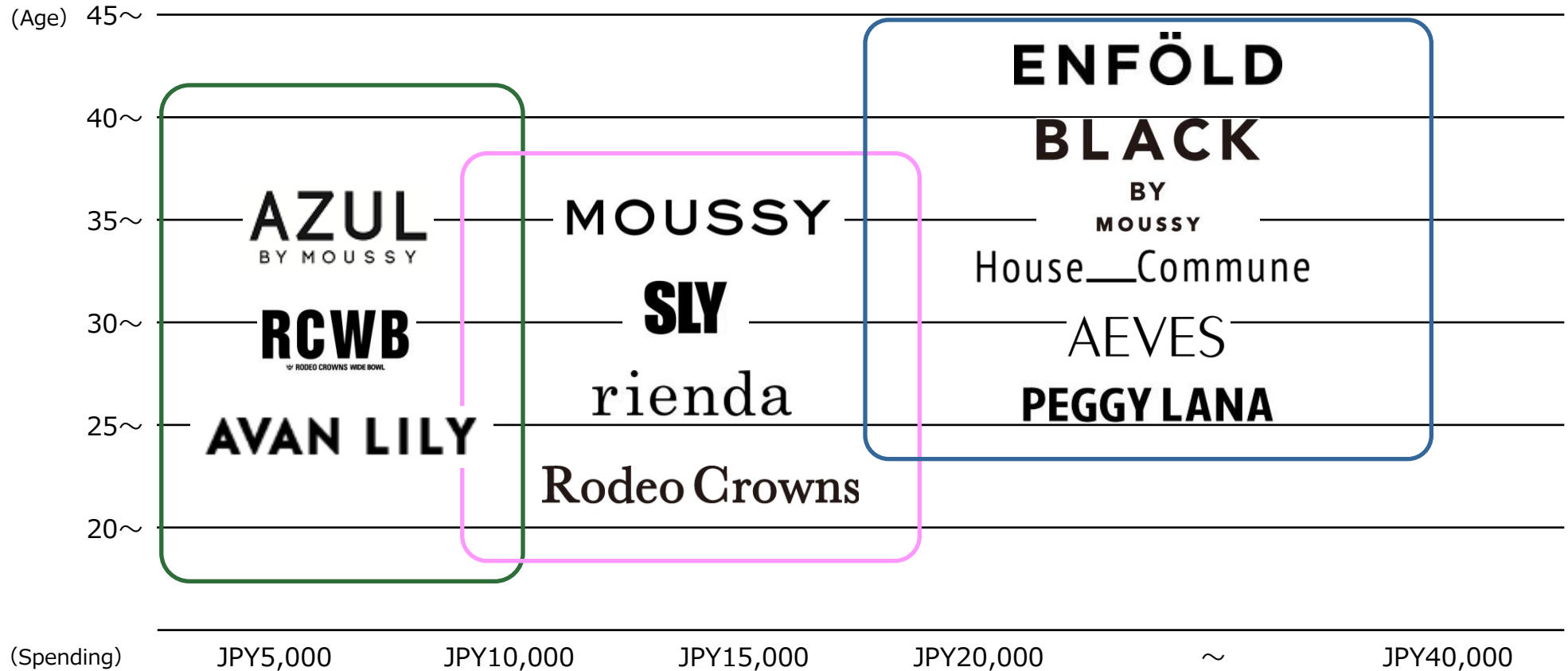
\*\*As of January 2018 for Japan, December 2017 for Oversea



- 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	<ul style="list-style-type: none"> <li>● <b>6 founders started [MOUSSY] from “Shibuya 109”(shopping building) “we make what we want (because they don’t exist in the market!)”</b></li> <li>● As a denim brand, MOUSSY’s jeans were designed to accentuate the sexiness of women.</li> <li>➢ <b>MOUSSY achieved sales of JPY10bil in just 4 years</b></li> </ul>	
2006年	<ul style="list-style-type: none"> <li>● China business expert, Mr. Murai (current Chairman and CEO) joined the company</li> </ul>	
2007年	<ul style="list-style-type: none"> <li>● MBO by CLSA and senior management</li> </ul>	
2008年	<ul style="list-style-type: none"> <li>● <b>[AZUL by moussy] launched.</b> Targeting customers at suburban shopping centers (reasonably priced item, offering women men and kids item), yet offering MOUSSY-style shopping experience and store atmosphere.</li> </ul>	
2010年	<ul style="list-style-type: none"> <li>● 1<sup>st</sup> MOUSSY store opened in China</li> </ul>	
2012年	<ul style="list-style-type: none"> <li>● <b>[ENFÖLD] launched. Targeting fashion conscious women in 30s and 40s</b></li> <li>➢ <b>Established “Domestic Contemporary market*”</b></li> <li>*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)</li> </ul>	
2013年	<ul style="list-style-type: none"> <li>● CLSA sold all the shares to Belle and CDH Fund. China JV with Belle started</li> </ul>	
2016年	<ul style="list-style-type: none"> <li>● <b>[RIM.ARK] launched by a winner of an internal competition project.</b></li> <li>● [MOUSSY][ENFÖLD] stores opened in Manhattan, NY</li> </ul>	













## 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



## Ranking of Instagram Follower# for Japanese Fashion Brands

Japanese Company Ranking	Name	Logo	Follower#	Post#
4	KENZO		1,647,893	1,987
8	Comme des Garçons		1,553,745	243
9	UNIQLO		1,505,587	1,115
10	A Bathing Ape		1,260,255	6,822
16	MUJI無印良品		943,925	740
21	GU		769,189	228
31	Yoji Yamamoto		553,273	542
32	MOUSSY		546,768	6,058
34	UNDERCOVER		530,156	1,295
52	SLY		391,821	6,561
56	sacai		391,258	1,478
52	EMODA		383,126	4,963

## Staff Instagrammer

**corina\_718**

- rienda
- Follower #96,800



**wadarisa**

- rienda
- Follower #88,200



**\_marinakamura\_**

- RIM.ARK
- Follower #74,800



**marie\_0905**

- MOUSSY
- Follower #63,400



As of March 2018, Instagram

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

## ■ Store Number : 227 store

- 1<sup>st</sup> tier city : 4 cities 92 store
- 2<sup>nd</sup> tier city : 20 cities 110 store
- 3<sup>rd</sup> tier city : 11 cities 25 store

## ■ # of cities : 35 cities

(as of end of Dec 2017)

### 華北エリア/North

北京/Beijing	31
天津/Tianjin	10
沈陽/Shenyang	7
太原/Taiyuan	3
石家荘/Shijiazhuang	2
長春/Changchun	3
大連/Dalian	2
唐山/Tangshang	1

### 西南エリア/West

成都/Chengdu	16
重慶/Chongqing	11
西安/Xian	8
昆明/Kunming	4
貴陽/Guiyang	2
西寧/Xining	1

### 華南エリア/South

深圳/Shenzhen	14
広州/Guangzhou	7
武漢/Wuhan	7
長沙/Changsha	5
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

### 華東エリア/East

上海/Shanghai	40
杭州/Hangzhou	13
南京/Nanjing	6
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

#### 当社グループ定義

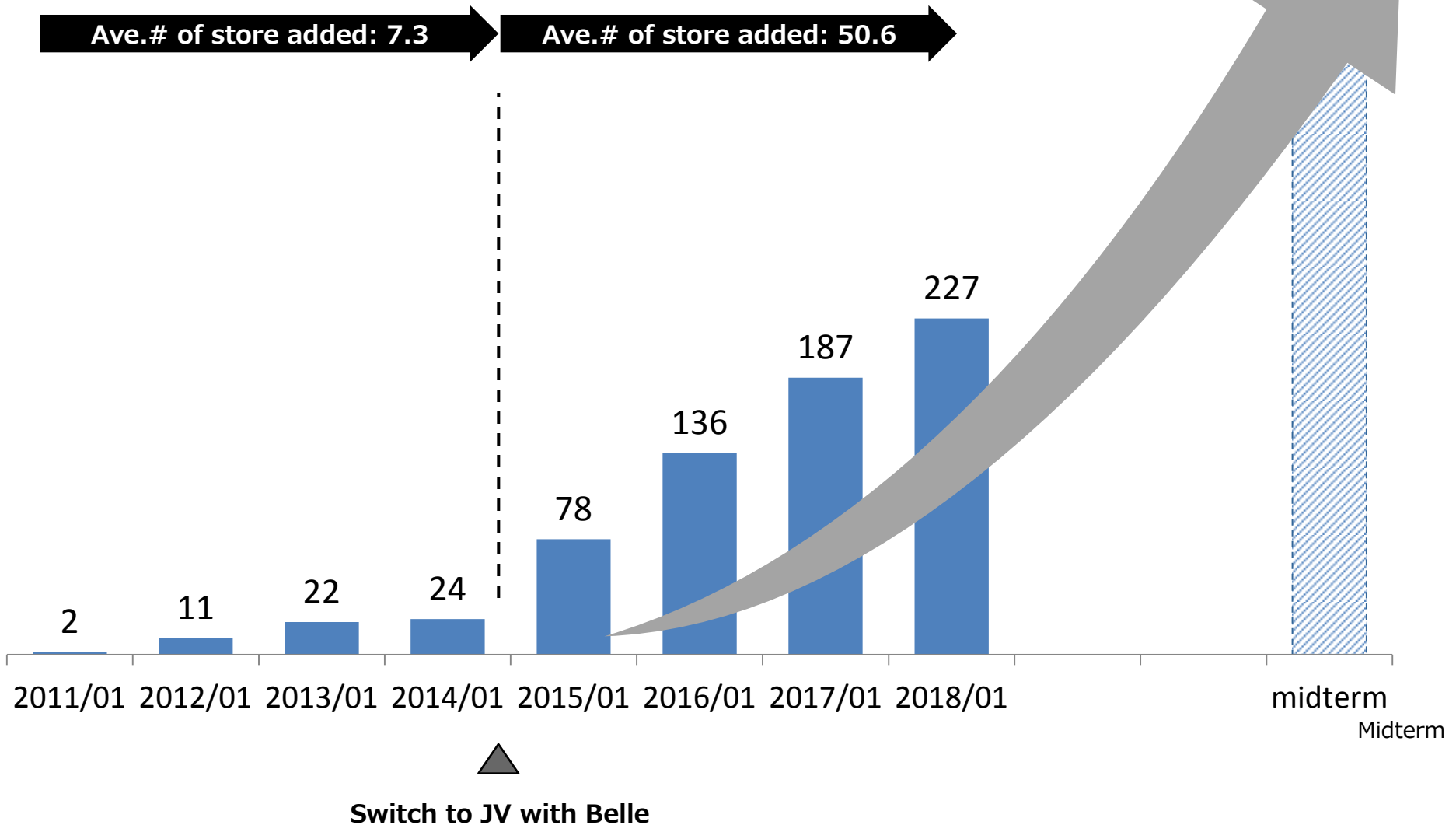
1級都市（4都市）：上海・北京・広州・深セン

2級都市（27都市）：ハルビン・沈陽・長春・フフホト・石家荘・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

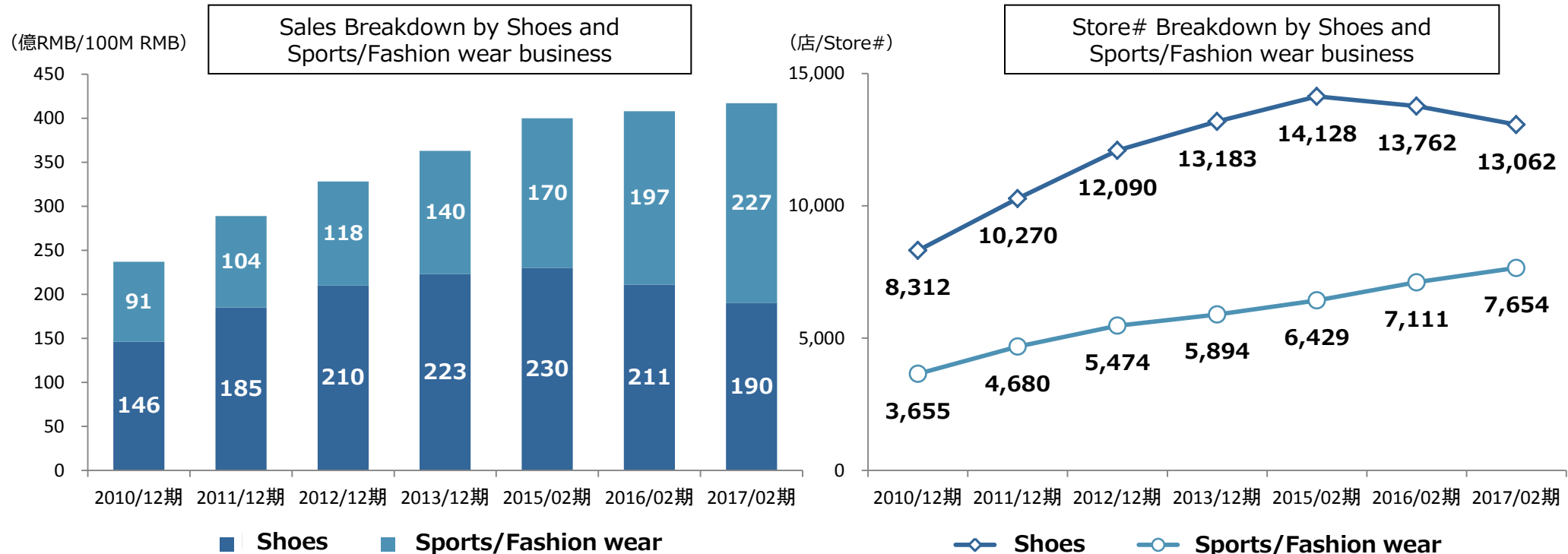
3級都市：その他の都市

- 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



- 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)





## 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

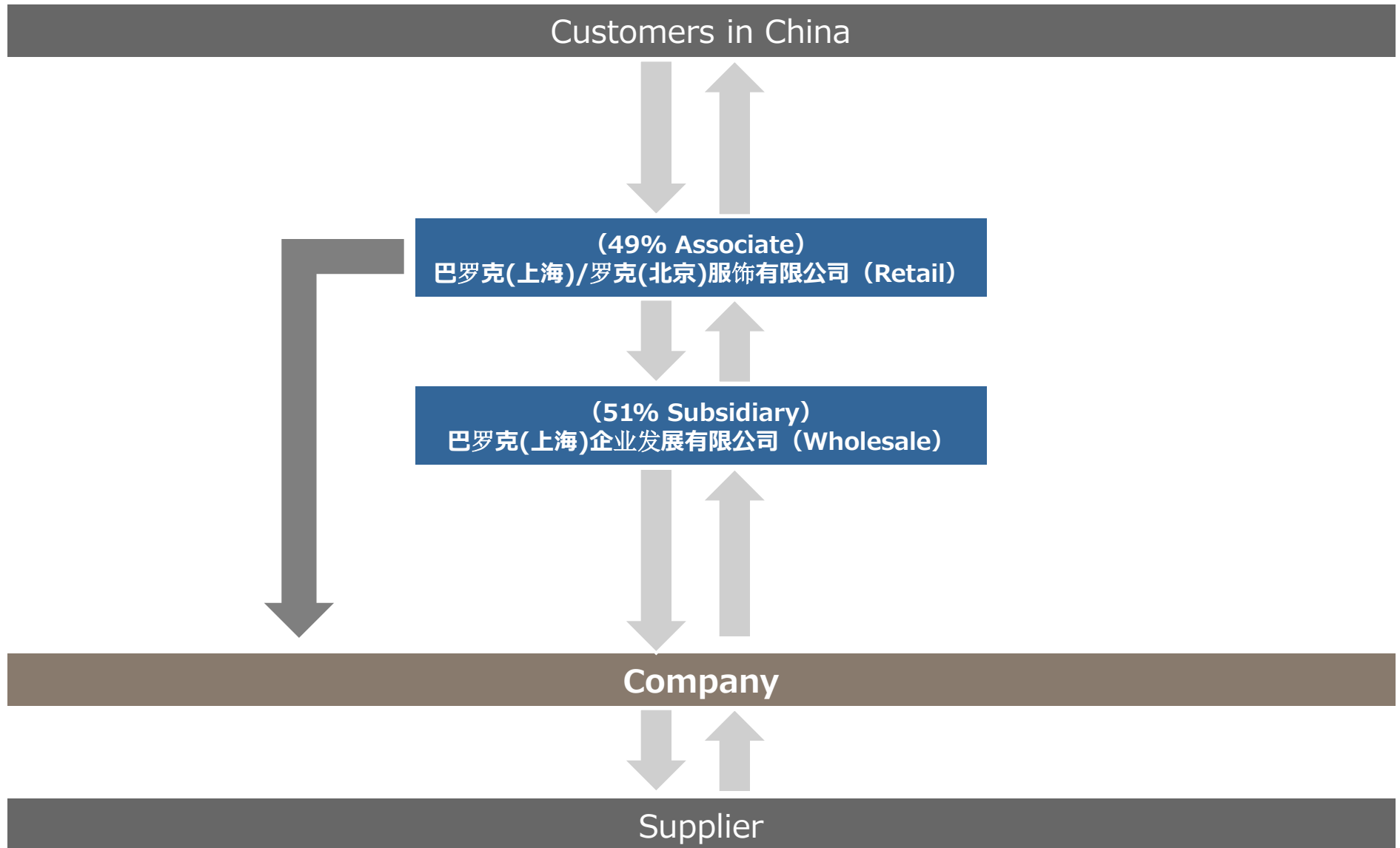
- Lower logistic and warehouse cost utilizing Belle's resource
- In-house inspection center



### Sales

- Multiple training for shop staff
- Unique incentive scheme





↑ : Merchandise

↓ : Order

↓ : Royalty

- This document contains forward-looking statements. All statements other than statements of historical fact included herein, including without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. Any such forward-looking statements are subject to risk and uncertainty and thus could differ materially from actual results.
- 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.