

BAROQUE JAPAN LIMITED

FY2020/02 First Quarter Result Announcement

July 16, 2019

Tokyo Stock Exchange First Section: 3548

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 28, 2020. The overseas business which we incorporate is 12-months 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 we use data of two months before.

In this material, in order to compare with the current accounting period (March 1, 2019 to May 31, 2019), we presented the previous fiscal year figures (March 1, 2018 to May 31, 2018) as unaudited Reference Results stated below.

Description in this material	Consolidated Accounting Period	Period of overseas business to be incorporated
Fiscal Year (FY) Actual	March 1, 2019 to May 31, 2019	January 1, 2019 to March 31, 2019
Reference (Ref) Actual (Unaudited)	March 1, 2018 to May 31, 2018	January 1, 2018 to March 31, 2018

- 1 FY2020/02 First Quarter Result Overview
- 2 Business Highlights
- 3 FY2020/02 Outlook

“OP: yoy+37.0%*, OP Margin: +11.3%”

GP Margin continued to improve, resulting in significant yoy increase below OP level
Effect of leveling progress rate by changing fiscal year-end

Item	Actual	Ref Actual	YoY*	Movement*
<u>Consolidated Sales</u> :	¥16.60 bil	¥16.78 bil	-1.1%	¥-0.17 bil
<u>Consolidated Operating Profit</u> :	¥1.88 bil	¥1.37 bil	+37.0%	¥+0.50 bil
<u>Consolidated Net Profit</u> :	¥0.97 bil	¥0.55 bil	+75.8%	¥+0.42 bil

*vs Reference Actual

Domestic business

- ◆ Sales were driven by MOUSSY and Department Store Brands (such as ENFÖLD). As such, first quarter domestic SSS were almost the same as yoy.
- ◆ GP margin continued to increase significantly by controlling selling price and improving purchase cost ratio. Profits improved by controlling major SG&A expense items.

Overseas business

- ◆ China JV sales came into a recovering trend amid steady sales of spring clothing, after experiencing sluggish sales for winter clothing.
- ◆ Sales in HK business decreased due to the decrease in the number of stores, resulting from the shift to direct management. US business steadily secured profits by expansion of overseas wholesale business.

Japan Business Overview

- Sales were driven by MOUSSY and Department Store Brands (such as ENFÖLD). As such, first quarter domestic SSS were almost the same as yoy.
- GP margin continued to increase significantly by controlling selling price and improving purchase cost ratio. Profits improved by controlling major SG&A expense items.

Domestic Sales: ¥14.75 bil (Ref Result: ¥14.75 bil, ±0% yoy*)

- ◆ MOUSSY, ENFÖLD, STACCATO and others pushed up our sales throughout first quarter. However, first quarter SSS (including EC) were 99.8% due to delayed slump brands recovery and selling price control at 3rd party EC. In addition, inbound demand declined due to the impact of Chinese economy.
- ◆ “SHEL'TTER PASS” membership exceeded 1 million.

Domestic GP: ¥9.67 bil (Ref Result ¥9.39 bil, +3.0% yoy*)

- ◆ Continued to improve profitability by Supply Chain Management reforms since FY2019/02. As a result of utilizing factory idle period and expanding direct trades, purchasing cost ratio improved. By controlling selling price & inventories, domestic GP Margin recovered significantly to 65.6% (+1.9pt yoy*).

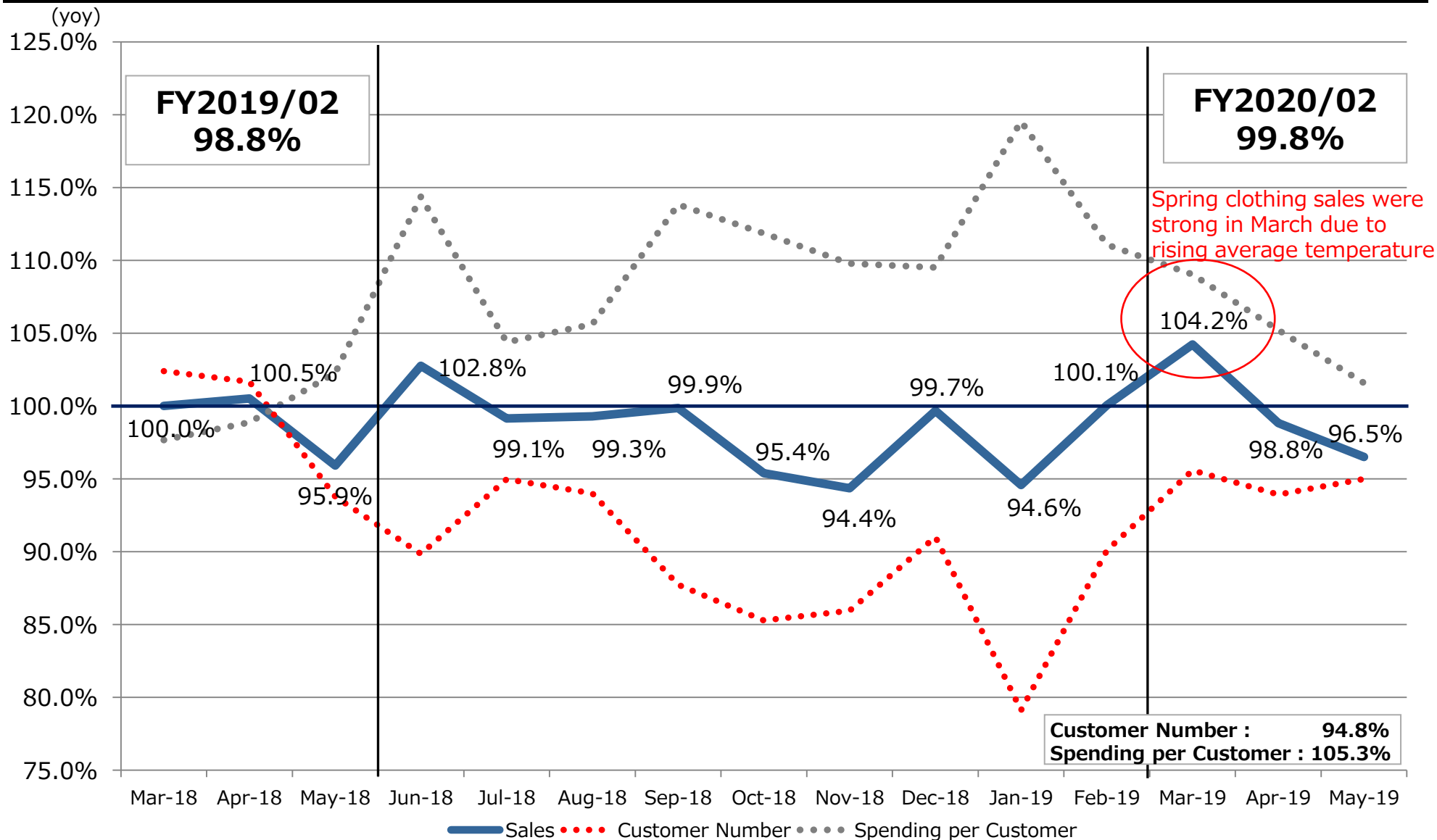
Domestic SG&A: ¥8.06 bil (Ref Result ¥8.18 bil, -1.4% yoy*) Increased efficiency

- ◆ Domestic SG&A expense ratio improved to 54.7% (-0.8pt yoy*) by curving logistics cost, reducing rents and sales consignment expense etc..
- ◆ Improved efficiency in inventory distribution for lower logistics cost.

As a result, domestic OP ¥1.61 bil (Ref Result ¥1.21 bil, +32.6% yoy*)

*vs Reference Actual

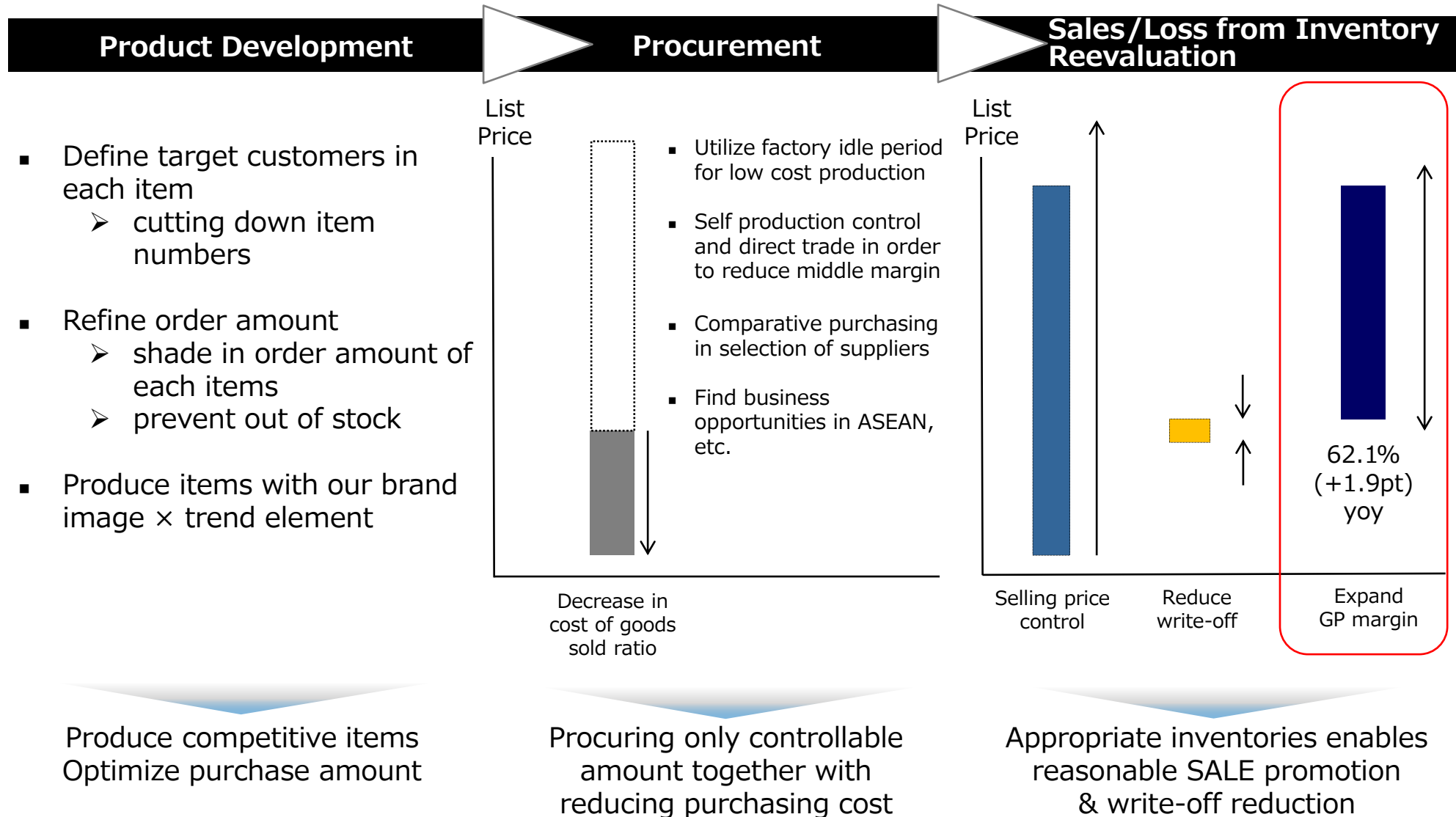
Japan Business Same Store Sales (yoy)



*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.

Consolidated Gross Profit Margin

- Our Initiatives to Improve Gross Margin = Supply Chain Management (SCM)



Overseas Business Overview

- China JV sales came into a recovering trend amid steady sales of spring clothing, after experiencing sluggish sales for winter clothing.
- Sales in HK business decreased due to a decrease in the number of stores, resulting from the shift to direct management. US business steadily secured profits by expansion of overseas wholesale business.

China JV Sales ¥1.74 bil (Ref Actual ¥1.76 bil, -0.7% yoy*)

- ◆ China wholesales (51% consolidated) were 100.5% on a yen basis* (RMB basis*103.9%), as to the completion of inventory adjustments by retail company.
- ◆ China retail sales (49% equity method) recovered starting from March, by virtue of the strong performance of spring closing launch, despite the impact of sluggish sales of winter closing in January & February (1Q yen-equivalent royalties were 85.1% yoy).
- ◆ The number of stores became 251 stores, a net increase of 2 stores (Open 5, Close 3).

China JV Profit ¥-0.09 bil (Ref Actual -0.04bil)

- ◆ Equity method investment loss slightly increased due to sluggish sales of winter closing even though curving SG&A at China retail company.

Continued to expand our US wholesale business

- ◆ Total sales of Overseas business slightly decreased due to the decrease in the number of stores in HK by shifting the store operation.
- ◆ Along with the MOUSSY Vintage Jeans recognition, US operation continues to grow in both MOUSSY NY store and wholesale business. Together with ENFÖLD, wholesales continue to expand.

*vs Reference Actual

Consolidated Income Statement

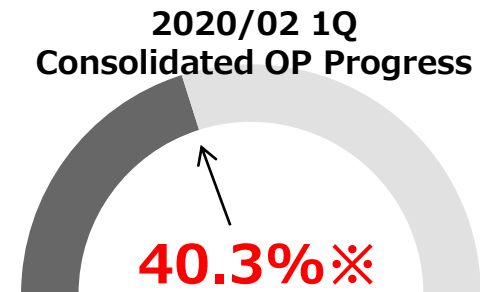
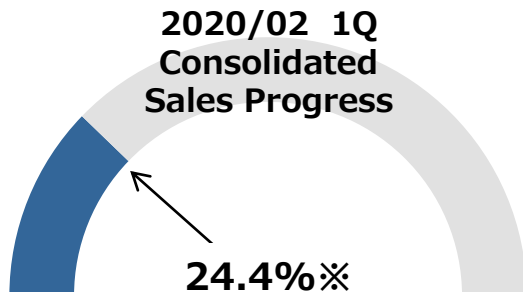
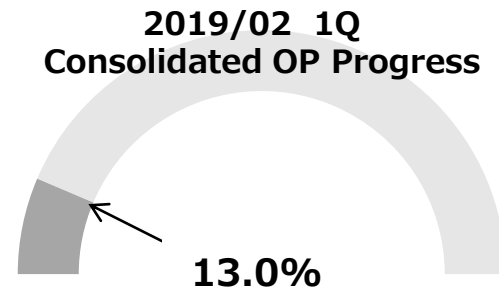
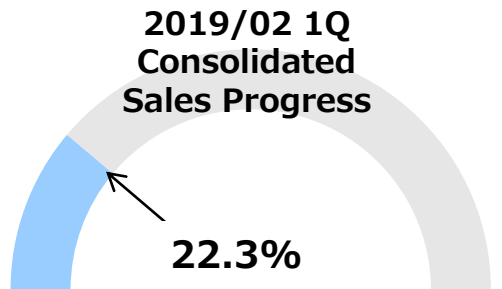
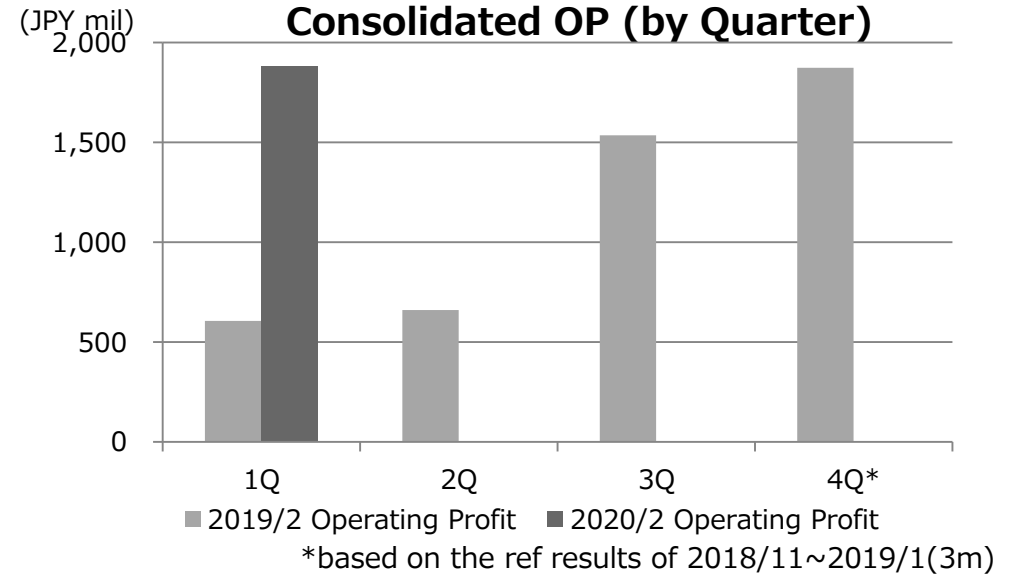
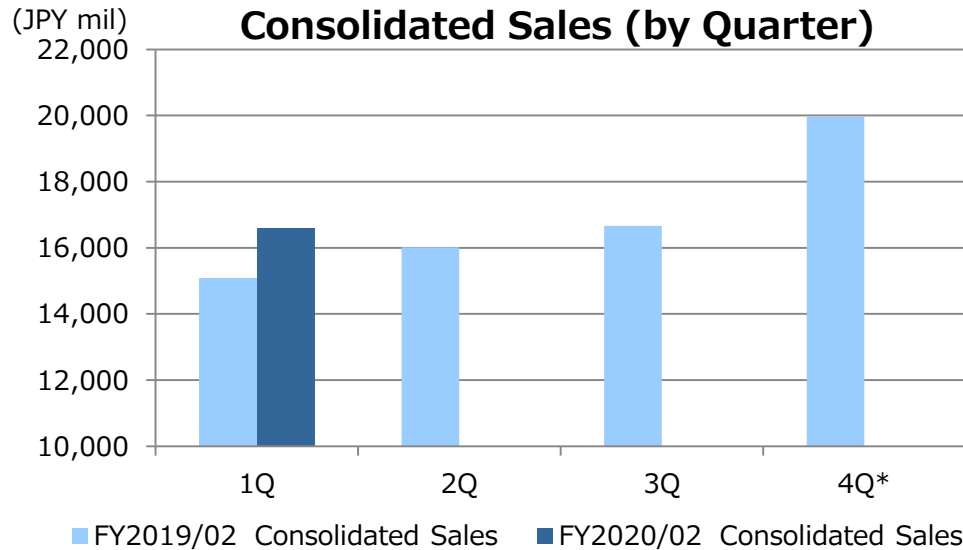
- Consolidated Sales decreased by 1.1% yoy*
- Consolidated GP Margin improved by 1.9pt (60.2%→62.1%)
- Consolidated SG&A expense ratio improved by -1.2pt (52.0%→50.8%)

(百万円/JPY mil)	FY2020/02 1Q			FY2019/02 1Q	
	実績	対売上	前年同期比※	参考実績	対売上
	Actual	% of Sales	YoY	Ref Actual	% of Sales
売上高/Sales	16,609	100.0%	98.9%	16,788	100.0%
売上総利益/Gross Profit	10,317	62.1%	102.1%	10,109	60.2%
販管費及び一般管理費/SG&A	8,437	50.8%	96.6%	8,737	52.0%
営業利益/Operating Profit	1,880	11.3%	137.0%	1,372	8.2%
経常利益/Recurring Profit	1,661	10.0%	155.9%	1,065	6.3%
親会社株主に帰属する 四半期純利益/Net Profit	976	5.9%	175.8%	555	3.3%

*vs Reference Actual

(Reference) Stabilization of Progress Rate by Changing in Fiscal Year-End

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※Calculated based on FY2020/02 full-year forecast

Consolidated Revenue Breakdown

- For our domestic business, MOUSSY (FB/SB brand), ENFÖLD, någonstans and STACCATO (Dept Store brands) and others performed well.
- Sales in SC brands decreased yoy despite an increase in customer spend by controlling selling price.
- Although China and US Sales increased, overall sales in overseas business decreased due to the impact of the operation change in HK.

(百万円/JPY mil)	FY2020/02 1Q			FY2019/02 1Q	
	実績	構成比	前年同期比※	参考実績	構成比
	Actual	Composition	YoY*	Ref Actual	Composition
売上高/Sales	16,609	100.0%	98.9%	16,788	100%
FB/SBブランド/FB/SB Brands	5,550	33.4%	103.5%	5,363	32.0%
SCブランド/SC Brands	7,197	43.3%	94.8%	7,595	45.2%
セレクトショップ・百貨店ブランド/ Select Shop・Dept Store Brands	1,507	9.1%	108.1%	1,393	8.3%
海外/Overseas	2,094	12.6%	99.3%	2,108	12.6%
その他/Others	259	1.6%	79.5%	326	1.9%

*vs Reference Actual

Consolidated SG&A Expense

- Reduced store rent and fee for franchisee due to a decline in the number of stores in the domestic scrap-and-build process.
- Reduced SG&A by controlling logistics cost and others.

(百万円/JPY mil)	FY2020/02 1Q				FY2019/02 1Q	
	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※	Ref Actual	% of Sales
売上高/Sales	16,609	100.0%	98.9%	-	16,788	100.0%
販売管理費/SG&A Expense	8,437	50.8%	96.6%	△1.2pt	8,737	52.0%
広告費及び販売促進費/ Advertising and promotional cost	532	3.2%	100.6%	±0pt	528	3.2%
給与手当/Salaries and wages	1,448	8.7%	100.2%	0.1pt	1,445	8.6%
販売手数料（店舗家賃及び販売委託 手数料） Store rent and fee for franchisee	3,424	20.6%	95.3%	△0.8pt	3,592	21.4%
減価償却費/Depreciation	225	1.4%	106.7%	0.1pt	210	1.3%
その他Others	2,806	16.9%	94.9%	△0.7pt	2,958	17.6%

*vs Reference Actual

Consolidated Balance Sheet

- Inventories became 103.7%, compared to the end of May of the previous fiscal year (FY2019/02 ¥6,255 mil*)

(百万円/JPY mil)	FY2020/02 (2019/5/31)			FY2019/02 (2019/2/28)	
	金額	構成比	前期末比	金額	構成比
	Amount	%	% to previous year end	Amount	%
現預金/Cash	15,951	40.8%	86.2%	18,504	45.4%
売掛金/Accounts Receivable	7,382	18.9%	101.0%	7,311	18.0%
商品/Inventories	6,488	16.6%	119.3%	5,438	13.4%
その他流動資産/Other Current Asset	435	1.1%	95.8%	455	1.1%
固定資産/Non Current Asset	8,843	22.6%	98.2%	9,004	22.1%
総資産/Total Asset	39,102	100.0%	96.0%	40,715	100.0%
負債/Liabilities	19,009	48.6%	93.4%	20,349	50.0%
純資産/Equity	20,092	51.4%	98.7%	20,365	50.0%

*vs Reference Actual

Japan Business Income Statement

- Domestic sales were 100.0% yoy*.
- Domestic EC sales were 100.2% yoy*. Yoy growth of 105.2%* for our own EC. 3rd party EC declined to 93.9% yoy* due to restrained discount sales. Nevertheless, contributed to improve OP.
- Domestic GP Margin improved by 1.9pt yoy* (63.7%→65.6%).

(百万円/JPY mil)	FY2020/02 1Q			FY2019/02 1Q	
	実績	対売上	前年同期比※	参考実績	対売上
	Actual	% of Sales	YoY※	Ref Actual	% of Sales
売上高/Sales	14,751	100.0%	100.0%	14,755	100.0%
(店舗売上/Store Sales)	11,942	81.0%	99.2%	12,041	81.6%
(通販売上/EC Sales)	1,874	12.7%	100.2%	1,871	12.7%
売上総利益/Gross Profit	9,677	65.6%	103.0%	9,397	63.7%
販管費及び一般管理費/SG&A	8,066	54.7%	98.6%	8,182	55.5%
営業利益/Operating Profit	1,610	10.9%	132.6%	1,214	8.2%
経常利益/Recurring Profit	1,590	10.8%	144.9%	1,097	7.4%

*vs Reference Actual

China Business Sales and Profit

- China wholesales were 103.9% (RMB basis) yoy owing to the completion of inventory adjustments by retail companies.
- China Retail sales recovered from March, but sales in January and February were affected by products limited to China, leading to a yoy decline (yen-equivalent royalty of 85.1% yoy).

Japanese Yen

(百万円/JPY mil)	2020年2月期 1Q実績 Actual	2019年2月期 1Q Previous Year	前年同期比 YoY
中国合併事業からの売上 Sales from China JV			
卸売/Wholesale	1,637	1,630	100.5%
ロイヤリティ/Royalty	111	131	85.1%
売上合計/Sales Total	1,748	1,761	99.3%
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/Profit from Retail company (持分法投資利益) Equity method investment gain	△ 223	△ 191	—
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	52	58	91.1%
ロイヤリティ税抜換算 Royalty after tax	77	91	85.1%
利益合計/Profit Total	△ 92	△ 42	—

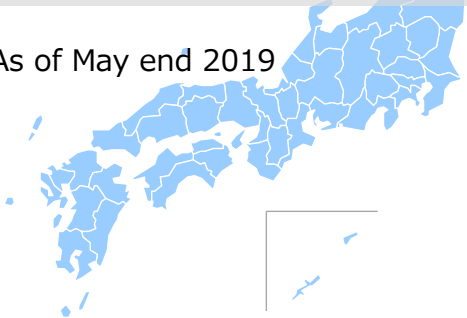
RMB

(百万人民币/RMB mil)	2019年2月期 1Q実績 Actual	2018年1月期 1Q Previous Year	前年同期比 YoY
中国合併事業からの売上 Sales from China JV			
卸売/Wholesale	99	96	103.9%
ロイヤリティ/Royalty	7	8	87.9%
売上合計/Sales Total	106	103	102.7%
当期純利益に対する 中国合併事業による利益 Profit from China JV			
小売事業からの利益/Profit from Retail company (持分法投資利益) Equity method investment gain	△ 14	△ 11	—
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	3	3	93.3%
ロイヤリティ税抜換算 Royalty after tax	5	5	87.5%
利益合計/Profit Total	△ 6	△ 2	—

JAPAN

Open: 8 stores
Close: 5 stores
End of FY: 355 stores
(+3 stores in FY)
(-13 stores yoy)

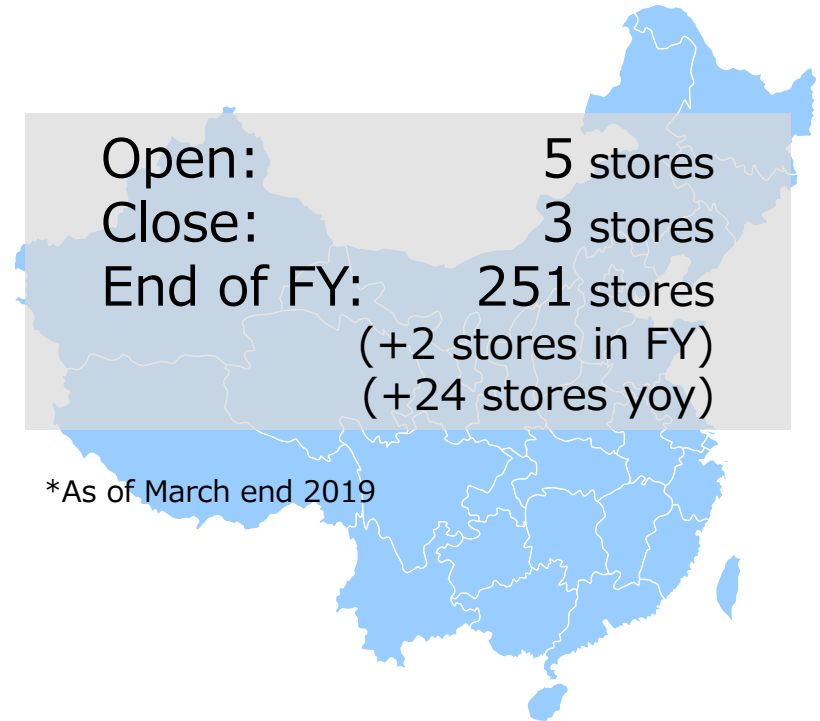
*As of May end 2019



CHINA

Open: 5 stores
Close: 3 stores
End of FY: 251 stores
(+2 stores in FY)
(+24 stores yoy)

*As of March end 2019



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Launched “BEGE COLLECTION” (Azul)

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- “BEGE COLLECTION”, a new collection line that offers simple and rough casual fashion for adult women, launched on April 22 2019 (Mon).



- R4G × “CODE GEASS Lelouch of the Rebellion” Second-line Item (February 15, 2019)
- R4G × “HYPNOSISMIC” Item Release (March 4, 2019)
- R4G × “HYPNOSISMIC” Start pre-order for Second-line Item (April 9, 2019)
- R4G × “Shoumetsutoshi” Item Release (May 28, 2019)



- Japanese local fashion newspaper (Senken Shinbun) introduced our “STAFF SNAP” program.



As of June 24, 2019



MOUSSY official Mymen flagship store received “Gold Standard: Fitting Room Innovation Award” at Tmall Apparel Content Ceremony

Slide 20

- MOUSSY received the award at the fashion festival for apparel EC content providers sponsored by Tmall in Shanghai on May 23, 2019.



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- No changes from the forecast set on 15th April 2019.

(百万円/JPY mil)	2020年2月期計画 FY2020/02 Outlook			2019年2月期 参考実績 FY2019/02(Ref Actual)	
	見通し Forecast	対売上 % to Sales	前年同期比* YoY	実績 Actual	対売上 % to Sales
売上高/Sales	67,945	100.0%	100.3%	67,734	100.0%
売上総利益/Gross Profit	38,596	56.8%	101.4%	38,057	56.2%
販管費/SG&A	33,927	49.9%	101.6%	33,380	49.3%
営業利益/Operating Profit	4,669	6.9%	99.8%	4,676	6.9%
経常利益/Recurring Profit	4,725	7.0%	101.1%	4,674	6.9%
親会社株主に帰属する当期純利益 /Net Profit (2019年2月期の特別利益除く)/(exclude Extraordinary Profit)	2,895	4.3%	95.0% (102.9%)	3,048 (2,813)	4.5% (4.2%)
1株当たり当期純利益/EPS	79.06			84.30 (77.80)	

*vs Reference Actual

Dividend

- ◆ Dividend outlook for FY2020/02: JPY38/share.
- ◆ Dividend payout policy (30%~40% payout ratio) unchanged
- ◆ In order to promote long-term investment, we made certain changes to our incentive scheme
- ◆ The new scheme came effective 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 (4,000 yen in total) First half 1, Second half 1, Total 2

【After change】

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 half 2, Second half 2, Total 4

※Coupons are averrable for our actual store and EC site.

Details of share buy-back announced on July 16 2019

Total number of Share buy-back	Up to 1.1 million shares (3.00% of the total number of issued shares (excluding treasury shares))
Total faire value of Share buy-back	Up to ¥1 billion
Period	July 17 2019 to October 31 2019
Method	Planning to purchase shares on the Tokyo Stock Exchange based on discretionary trading contracts

Background to the decision of share buy-back

- ◆ Strongly aiming for sales growth based on medium-term management plan and profitability improvement through business restructuring.
- ◆ Compared with other competitors, the current share price is considered as undervalued.
- ◆ Consider share buy-back as shareholder return and capital policies in the future, while considering the balance with capex.

Appendix

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

- **355** stores in Japan, **251** stores in China, 3 stores in HK, 1 store 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 February 2019 for Japan, December 2018 for Overseas



MOUSSY



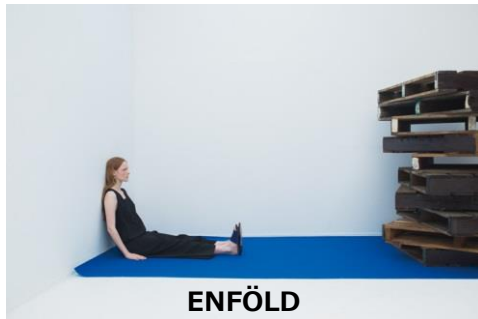
SLY



AZUL



RODEO CROWNS
WIDE BOWL



ENFÖLD



RIM.ARK








rienda



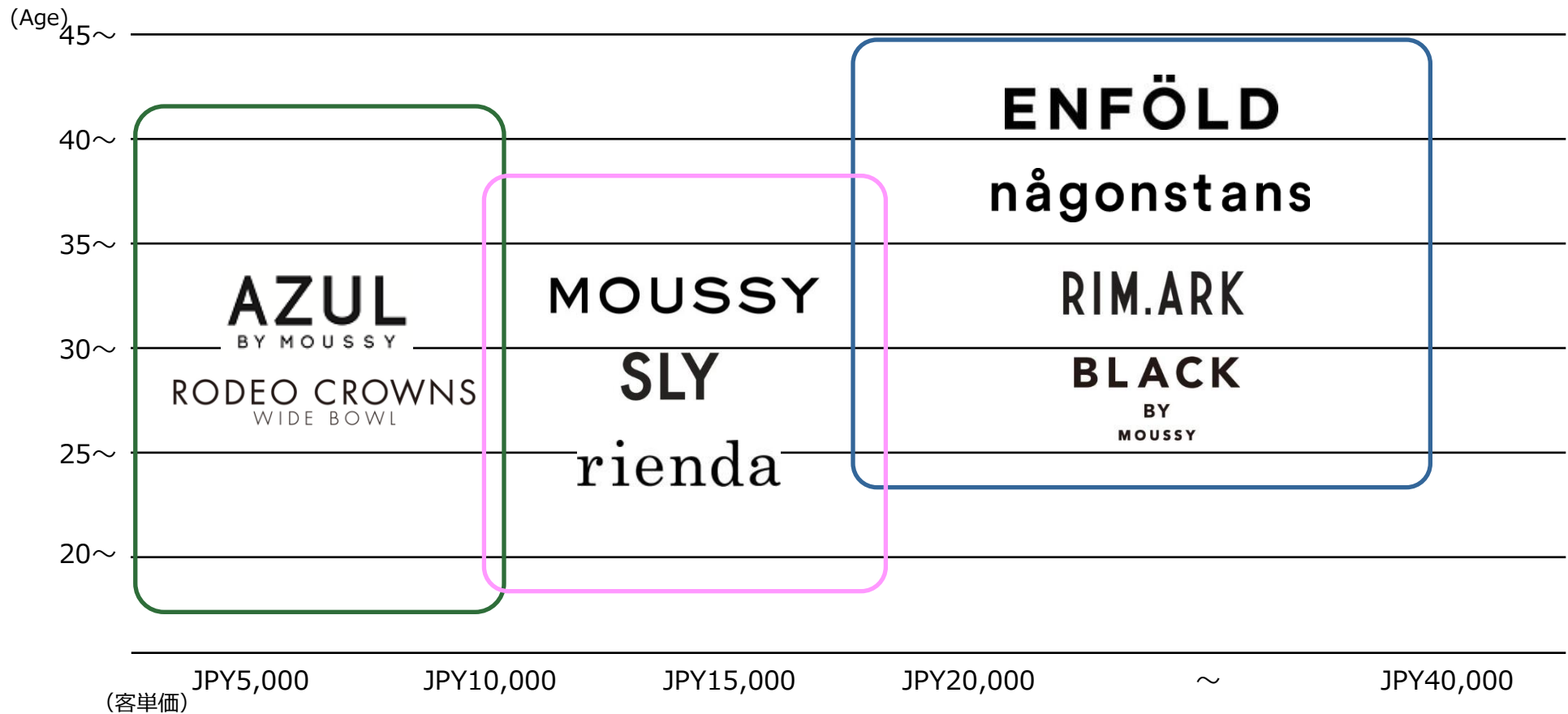
The SHELTER
TOKYO

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

Time	History	
2000	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> China business expert, Mr. Murai (current Chairman and CEO) joined the company 	
2007	<ul style="list-style-type: none"> MBO by CLSA and senior management 	
2008	<ul style="list-style-type: none"> [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	<ul style="list-style-type: none"> 1st MOUSSY store opened in China 	
2012	<ul style="list-style-type: none"> [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	<ul style="list-style-type: none"> CLSA sold all the shares to Belle and CDH Fund. China JV with Belle started 	
2016	<ul style="list-style-type: none"> [RIM.ARK] launched by a winner of an internal competition project. [MOUSSY][ENFÖLD] stores opened in Manhattan, NY 	












Time	History	
2017	<ul style="list-style-type: none"> ● China JV reached 200 stores 	
2018	<ul style="list-style-type: none"> ● Launched 「adidas xMOUSSY」 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 	
	<ul style="list-style-type: none"> ● 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 	
	<ul style="list-style-type: none"> ● Launched 「STYLEMIXER」 official site, created by influential Instagramers ● Ayaka Murohara (ex SLY sales staff) winner of “2017 NEXT IS YOU - Fashion Icon section “, launched “LAGUNA GEM” 	
2019	<ul style="list-style-type: none"> ● Launched "y/m" for women in their late 30s and 40s who are highly fashion-sensitive, offering simple, but detailed, and ingredients-focused clothes 	

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

Domestic Ranking	Company	Logo	Follower	Pose
8	UNIQLO		2,070,000	1,508
10	Comme des Garçons	COMME des GARÇONS	2,020,000	337
12	A Bathing Ape		1,920,000	7,478
13	KENZO		1,860,000	2,559
14	MUJI無印良品		1,630,000	1,419
23	GU		930,000	600
30	UNDERCOVER		810,000	1,656
37	Yoji Yamamoto		690,000	714
40	sacai		680,000	1,872
45	MOUSSY		630,000	7,536
63	LOWRYS FARM		510,000	1,969
89	SLY		407,000	7,738

Staff Instagrammer, YouTube

aoi186

- Baroque japan limited visual staff
- Follower #366,000
- YouTube 100K views



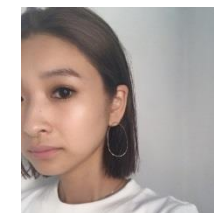
Koike weekend

- CEO Policy Secretary Office
- Follower #70,900
- YouTube 291K views



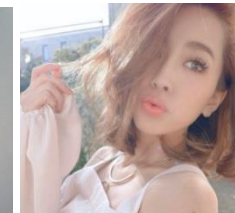
marinakamura

- RIM.ARK
- Follower# 110,000



Corina_718

- EBLÓA
- Follower # 96,400



wadaarisa

- la vie de Leory
- Follower # 82,600



As of end of June 2019, Instagram, Youtube

- In FY2019/02, opened 48 stores, closed 26 stores, net addition 22 stores
- Planning to open stores aggressively to increase net stores opening

■ Store number : 251 stores

- 1st tier city: 4 city 107 stores
- 2nd tier city: 21 city 120 stores
- 3rd tier city: 11 city 24 stores

■ Number of city: 36 city

(As of end of March, 2019)

西南エリア/West (45)

成都/Chengdu	19
重慶/Chongqing	12
西安/Xian	7
昆明/Kunming	4
貴陽/Guiyang	2
西寧/Xining	1

華南エリア/South (49)

深圳/Shenzhen	15
広州/Guangzhou	10
武漢/Wuhan	8
長沙/Changsha	5
福州/Fuzhou	2
南昌/Nanchang	2
南寧/Nanning	1
佛山/Foshan	2
廈門/Xiamen	2
珠海/Zhuhai	1
東莞/Dongguan	1

華北エリア/North (75)

北京/Beijing	38
天津/Tianjin	10
沈陽/Shenyang	8
太原/Taiyuan	5
石家荘/Shijiazhuang	2
長春/Changchun	4
哈爾濱/Harbin	3
大連/Dalian	3
唐山/Tangshan	1
秦皇島/Qinhuangdao	1

華東エリア/East (82)

上海/Shanghai	44
杭州/Hangzhou	15
南京/Nanjing	6
鄭州/Zhangzhou	3
合肥/Hefei	1
寧波/Ningbo	4
蘇州/Suzhou	6
青島/Qingdao	1
無錫/Wuxi	2

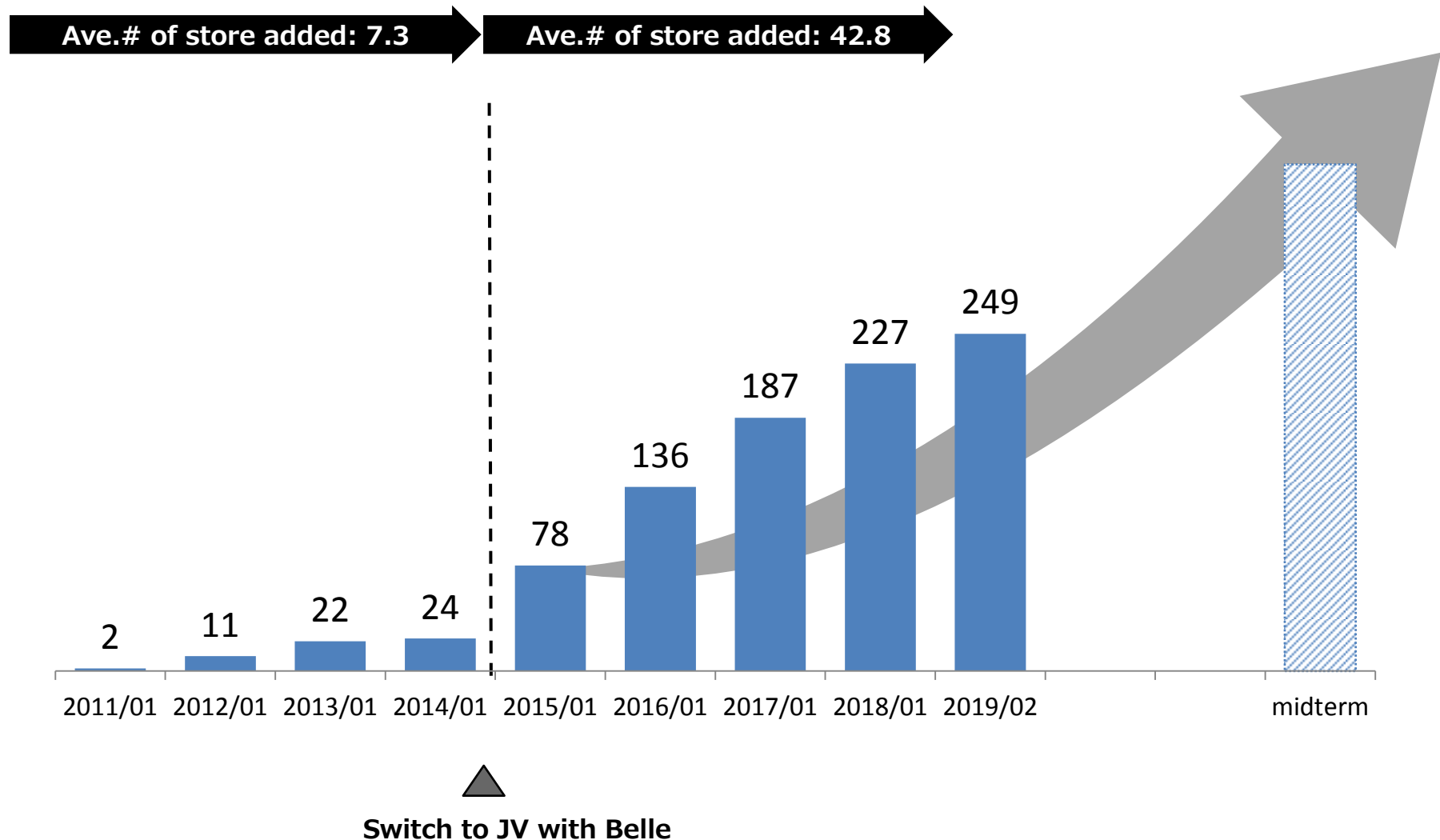
City Definition

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

2nd class cities (21 cities): Shenyang, Shijiazhuang, Taiyuan, Tianjin, Hangzhou, Hefei, Nanjing, Fuzhou, Nanchang, Nanning, Wuhan, Changsha, Zhengzhou, Xian, Xining, Chengdu, Chongqing, Guiyang, Kunming, Changchun, Harbin

3rd class Cities: Other Cities

- 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 FY2020/02 around 30 stores



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



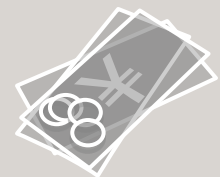
Logistic

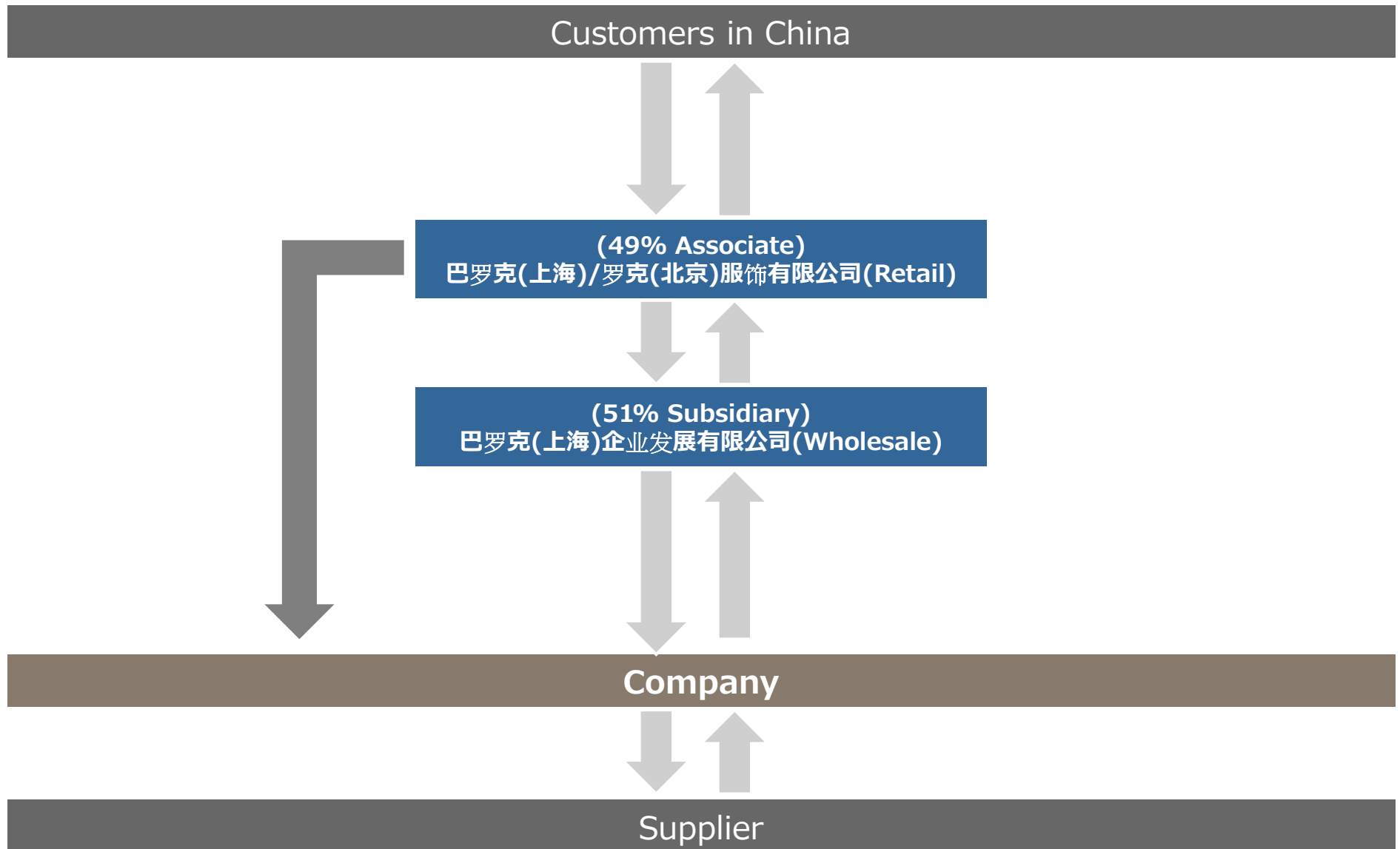
- Lower logistic and warehouse cost utilizing Belle's resource
- In-house inspection center



Sales

- Multiple training for shop staff
- Unique incentive scheme





↑ : 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.**