



BAROQUE JAPAN LIMITED

FY2023/02 Third Quarter


Financial Results and Supplementary Information

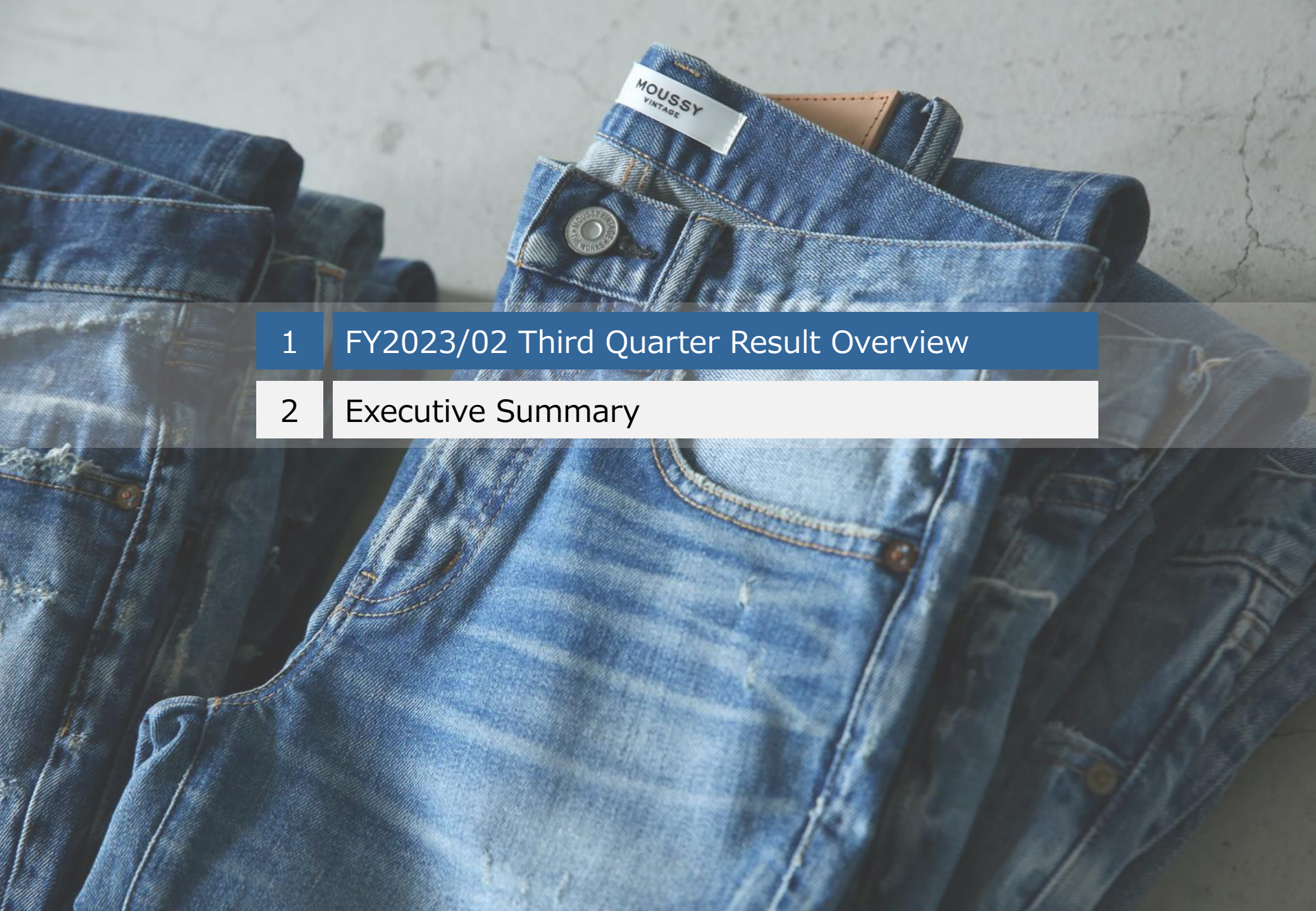
English Translation of the original Japanese-Language Report

January 16, 2023

Tokyo Stock Exchange Prime Market

Section: 3548





1 FY2023/02 Third Quarter Result Overview

2 Executive Summary

- Even after the lifting of a harsh lockdown in Shanghai, personal consumption stagnated significantly as restrictions on movement continued in China. Store closures occurred intermittently in various places due to the closure of commercial facilities. Significant impact on business in China.
- Regarding the domestic business, we continue full-price strategy.
- The US business continued being strong.

Accounting items JPY mil	Current cumulative 3 Q Actual (2022/3/1~ 2022/11/30)	Previous cumulative 3 Q Actual (2021/3/1~ 2021/11/30)	YoY	Increase/ Decrease
<u>Consolidated Sales</u>	42,987	43,104	99.7%	△117
<u>Gross Profit</u>	25,085	24,562	102.1%	+522
<u>Operating Profit</u>	1,895	2,432	78.0%	△536
<u>Recurring Profit</u>	1,242	2,650	46.9%	△1,407
<u>Profit attributable to owners of the parent</u>	411	1,515	27.2%	△1,103

Domestic Business Overview

- Store sales increased to 103.9% YoY as movement restrictions have been eased and the flow of people began to recover. Sales methods that are conscious of full-price sales, and hence gross profit exceeded the results for the same period of last year despite the impact of soaring costs and depreciation of Japanese yen.
- Domestic EC sales ratio was 19.5%. In-house EC sales were 86.1% YoY while 3rd-party EC sales were 114.5% YoY.
- The SG&A sales ratio increased 0.6pt from the same period of last year.

Accounting items (JPY mil)	FY2023/02 cumulative 3 Q actual			FY2022/02 cumulative 3 Q actual	
	Actual	% of Sales	YoY	Previous year Actual	% of Sales
Domestic Sales	38,690		103.0%	37,576	
(Store Sales)	28,316	73.2%	103.9%	27,241	72.5%
(EC Sales)	7,557	19.5%	99.5%	7,598	20.2%
Gross Profit	23,165	59.9%	101.1%	22,919	61.0%
SG&A	21,972	56.8%	104.1%	21,105	56.2%
Operating Profit	1,192	3.1%	65.7%	1,814	4.8%
Recurring Profit	1,134	2.9%	61.5%	1,845	4.9%

Overseas Business Overview

U.S. Business

- Expanding business in U.S with a business model centred on EC and wholesale (to luxury department stores and select stores). Wealthy consumers' demand for high-end made-in Japan denim remained strong.
- The actual store is 1 store in NY.
- EC sales in the U.S. increased to 104.8% YoY while third quarter EC sales ratio was (including EC specialized wholesalers): 27.3%
- The FY2023/02 third quarter cumulative sales were 137.9% YoY.
- Sales compared to the same period 2019 were 253.0% and operating profit were 320.2% for the cumulative third quarter.

China JV

- Even after the lifting of Shanghai lockdown (March 28-May 31), when we closed up to 96 stores, movement restrictions occurred intermittently in various areas of China. Business in China was greatly impacted by store closures due to the closure of commercial facilities and the cooling of consumer sentiment. Cumulative 3Q sales related to joint ventures in China decreased to 70.5% YoY.
- EC sales in China was 109.1% YoY. (EC ratio: 19.8%).

Accounting items (JPY mil)	FY2023/02 cumulative 3Q Actual	FY2022/02 cumulative 3Q Actual	YoY	FY2021/02 cumulative 3Q Actual
Sales from China JV				
Wholesale	3,509	5,052	69.5%	3,964
Royalty	265	297	89.2%	301
Sales Total	3,774	5,350	70.5%	4,265

- Consolidated Sales decreased by 0.3pts YoY.
- Consolidated GP margin improved YoY (+1.4pts).
- Due to the impact of the slowdown of the China business, share of losses of associates of 728 million yen was recorded, and was considered as a major factor of profit deterioration below consolidated operating profit.

Accounting items (JPY mil)	FY2023/02 cumulative 3 Q			FY2022/02 cumulative 3 Q	
	Actual	% of Sales	YoY	Previous year Actual	% of Sales
Consolidated Sales	42,987		99.7%	43,104	
Gross Profit	25,085	58.4%	102.1%	24,562	57.0%
SG&A	23,189	53.9%	104.8%	22,130	51.3%
Operating Profit	1,895	4.4%	78.0%	2,432	5.6%
Recurring Profit	1,242	2.9%	46.9%	2,650	6.1%
Profit attributable to owners of the parent	411	1.0%	27.2%	1,515	3.5%

- Department store brand segment remained strong. Along with the recovery of the flow of people, FB/SB brand segment also exceed that of the same period of last year as well.

Accounting items (JPY mil)	FY2023/02 cumulative 3 Q			FY2022/02 cumulative 3 Q	
	Actual	Composition	YoY	Previous year Actual	Composition
Consolidated Sales	42,987		99.7%	43,104	
FB/SB Brands	12,583	29.3%	106.4%	11,823	27.4%
SC Brands	19,552	45.5%	100.2%	19,516	45.3%
Dept. Store Brands	4,611	10.7%	114.2%	4,038	9.4%
Overseas	5,697	13.3%	82.6%	6,893	16.0%
Others	542	1.3%	65.2%	832	1.9%

FY2023/02 Third Quarter Consolidated SG&A Expense

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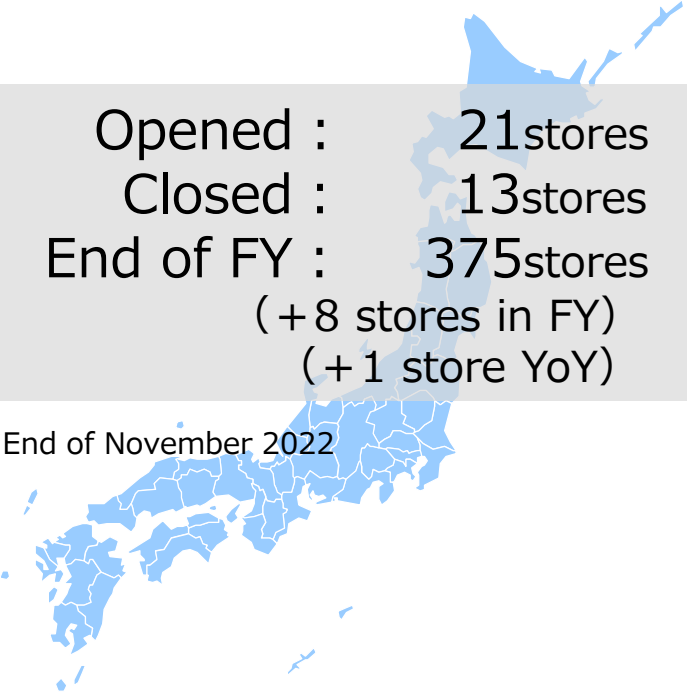
- Consolidated SG&A to sales ratio increased by 2.6 pts YoY. Mainly because the sales commissions linked to sales had increased. An increase in credit card fees due to an increase in cashless payments also had an impact.

Accounting items (JPY mil)	FY2023/02 cumulative 3 Q				FY2022/02 cumulative 3 Q	
	Actual	% of Sales	YoY	Movement vs % Sales	Previous year Actual	% of Sales
Consolidated Sales	42,987		99.7%		43,104	
SG&A Expense	23,189	53.9%	104.8%	2.6pt	22,130	51.3%
Advertising and promotional cost	1,180	2.7%	106.0%	0.2pt	1,113	2.6%
Salaries and wages	4,304	10.0%	105.7%	0.6pt	4,073	9.5%
Store rent and fee for franchisee	9,429	21.9%	105.3%	1.2pt	8,954	20.8%
Depreciation	547	1.3%	89.0%	△0.2pt	615	1.4%
Others	7,726	18.0%	104.8%	0.9pt	7,373	17.1%

- Inventories were controlled at 99.9% YoY, almost the same level.

Accounting items (JPY mil)	FY2023/02 (2022/11/30)			FY2022/02(2021/11/30)	
	Amount	Composition	YoY	Amount	Composition
Cash	11,579	29.5%	97.0%	11,931	29.9%
Notes and Trade Receivable	10,874	27.7%	100.4%	10,827	27.2%
Inventories	7,589	19.3%	99.9%	7,600	19.1%
Other Current Asset	744	1.9%	154.1%	483	1.2%
Non Current Asset	8,490	21.6%	94.0%	9,033	22.7%
Total Asset	39,279	100.0%	98.5%	39,877	100.0%
Liabilities	16,569	42.2%	93.0%	17,824	44.7%
Equity	22,709	57.8%	103.0%	22,052	55.3%

JAPAN



Opened : 21stores
Closed : 13stores
End of FY : 375stores
(+ 8 stores in FY)
(+ 1 store YoY)

*End of November 2022

CHINA JV



Opened : 35stores
Closed : 30stores
End of EY : 337stores
(+ 5 stores in FY)
(+ 24 stores YoY)

*As of end of September 2022, to be included in the consolidated financial statements.

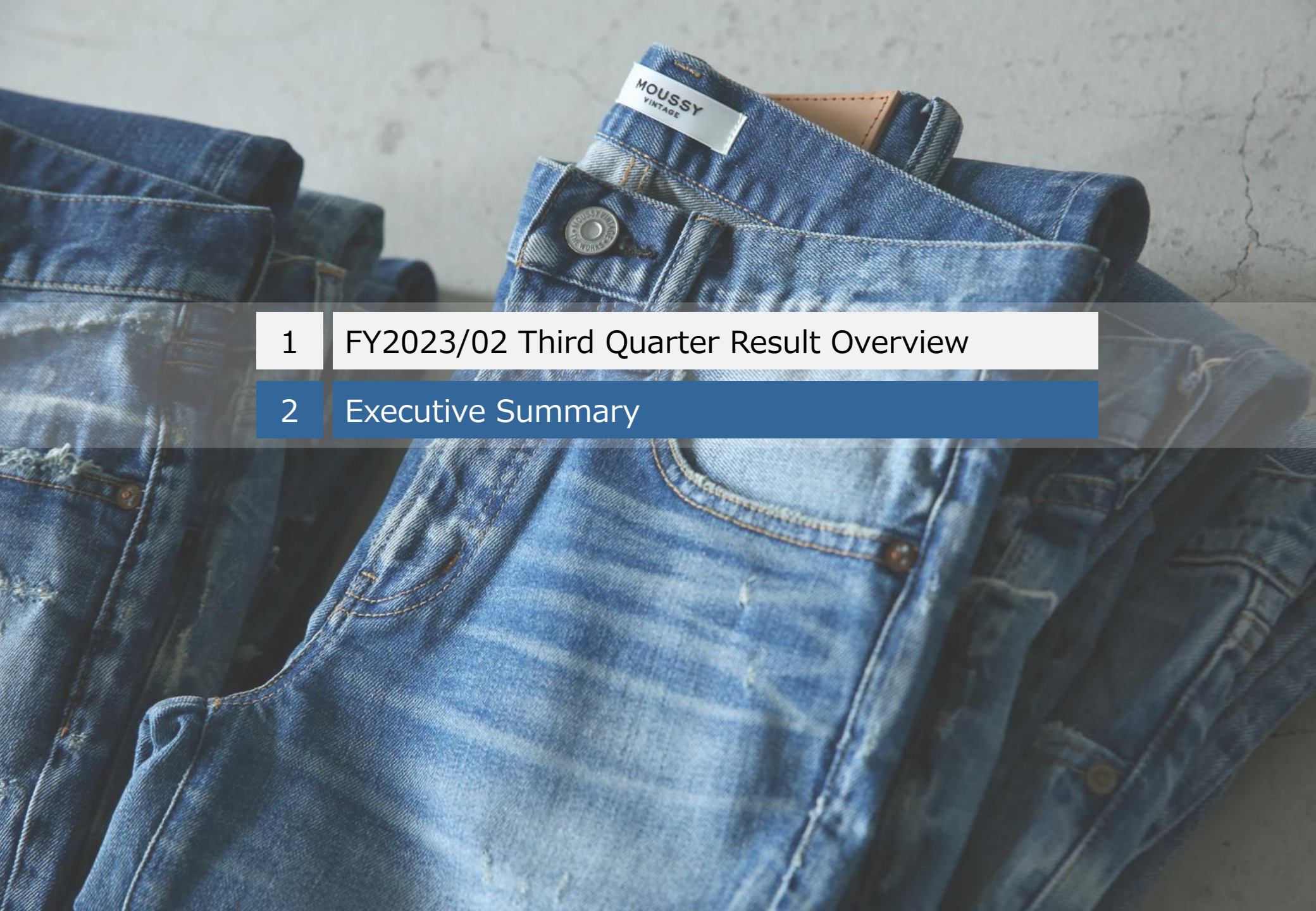
Accounting items (JPY mil)	FY2023/02 (Past Version)	% to Sales	FY2023/02 (Current Outlook)	% to Sales	Change vs previous	% to past version
Consolidated Sales	63,379		58,949		△4,430	93.0%
Gross Profit	36,814	58.1%	33,104	56.2%	△3,710	89.9%
SG&A	33,569	53.0%	31,323	53.1%	△2,246	93.3%
Operating Profit	3,245	5.1%	1,781	3.0%	△1,464	54.9%
Recurring Profit	3,088	4.9%	1,067	1.8%	△2,021	34.6%
Profit Attributable to Owners of the Parent	1,774	2.8%	179	0.3%	△1,595	10.1%
EPS	49.2		4.9		△44.3	—

- Full-year outlook revised downward based on recent performance.
- The spread of COVID-19 in China has had a major impact on the China business, and caused a downturn in consolidated financial results. The number of customers decreased not only due to the closure of stores during Shanghai lockdown, but also the restrictions on movement continued even after lifting of lockdown. The recording of share of losses of associates related to joint ventures in China had an impact on consolidated recurring profit and below.

Shareholder Dividends

- The annual dividend for FY2023/02 is planned to be 38 yen per share (year-end dividend) with no change.

The above earning forecast was prepared based on the available information at the time of publication. Actual earnings might be changed depending on various factors such as the end of the Covid-19 epidemic.



1 FY2023/02 Third Quarter Result Overview

2 Executive Summary

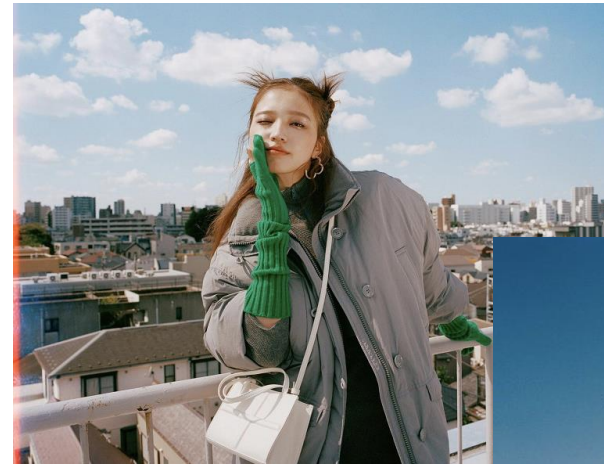
Business environment in China

- Due to the Shanghai lockdown (March 28 to May 31, 2022), up to 96 stores were forced to close, and business activities were greatly affected.
- Even after the Shanghai lockdown was lifted, the zero-covid policy was strictly enforced, and movement restrictions continued throughout China.
- The number of customers decreased associated with a significant decrease in the flow of people due to movement restrictions. The cooling of consumer sentiment is also accelerating.
- Starting with 618 Sale (June) and Double Eleven (November), we are focusing on regaining momentum through EC.

Future initiatives

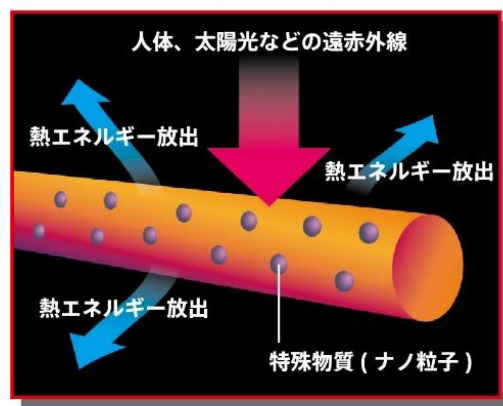
- The Chinese apparel market has been the largest market in the world since 2017 and even though it dropped to the second largest in the world due to the impact of COVID-19, it is still a huge market. With the rapid relaxation of the zero-covid policy in early December, the number of infected people in China is increasing explosively though, it is expected to peak out earlier than in other countries.
- China personal consumption is expected to show a rapid recovery after the peak out of COVID-19 infections despite an uncertain environment. We aim to improve brand recognition as open stores in promising areas where we have not yet developed, and we plan to increase customer touch points in EC channel to scaling our business.
- The position of the China business as a medium- to long-term growth driver remains unchanged, and we will continue to strengthen our efforts for continuous growth.

- Private consumption shrunk as China's 'COVID zero' policy continued. Last year's double eleven, down sales fell 27% YoY in T-mall women's fashion, while SLY's sales increased 37% YoY.
- 2022 marks the 20th anniversary of the brand's birth, and in addition to the regular lineup, it has a variety of lineups, such as the release of anniversary products. Furthermore, SLY's unique color scheme and gorgeous visuals for the Autumn/Winter season gave people in China a sense of anticipation for the holiday season, which led to purchases.
- The extensive use of product videos on the EC site and the active appeal of recommended products on SNS were a major factor in SLY's strong performance at Double Eleven.

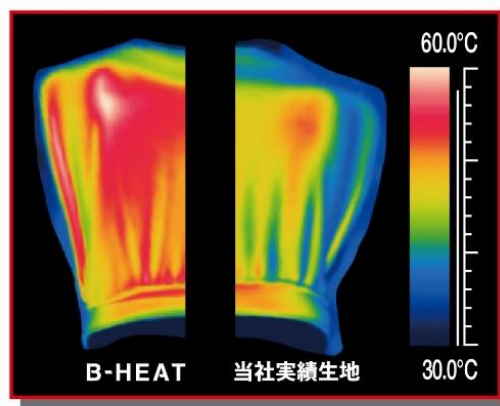


- As a result of our efforts to develop and commercialize original materials using our own production capabilities, "B-HEAT " is a functional material that has been developed with the keyword "warm material for the autumn and winter seasons".
- The cut-and-sew, denim material, which will be released as the first lineup this winter, contains a special chemical substances (known as nanoparticles) kneaded into the fiber that absorbs far infrared rays received from the environment (sun and human body) and stores heat by converting it into heat energy enable to bring heat-storage effect.
- Products using "B-HEAT " have been well received by a wide range of people, from young people to housewives, not only because of the functionality but also because of the design and color development that innerwear does not have.

メカニズム



サーモグラフィ



気温 20 度 / 晴れの天候下 60 分後



※Confirmed the heat-storage effect by comparing with our actual fabric
※"B-HEAT" is a general term for the heat-storage functional material originally developed by Baroque Japan Limited.

Products using "B-HEAT " will be released at AZUL BY MOUSSY and RODEO CROWNS WIDE BOWL from November 25, 2022.



Appendix

Leading in Women's Apparel and Accessories in Japan (SPA) *

- **375 stores in Japan, 337 stores in China, 1 store in U.S., 2 store in Taiwan, 1 store in South Korea** **
- **20 brands** in the portfolio**
- Stable Japanese Business + **Continuously Growing China Business**
- Aiming for a more sustainable business, focusing on the realization of manufacturing that does not produce too much

*Specialty store retailer of Private label Apparel.

**As of November 2022 for Japan, September 2022 for Overseas



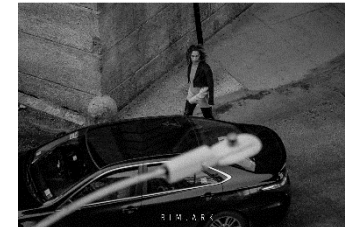
MOUSSY



SLY



AZUL
BY MOUSSY



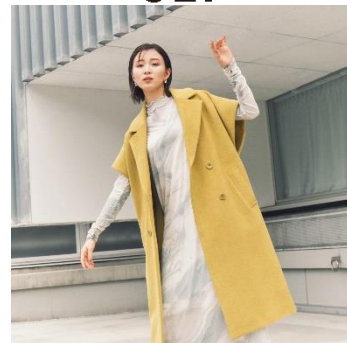
RIM . ARK



ENFÖLD



RODEO CROWNS
WIDE BOWL



r i e n d a



SHELTTER






SHELTTER GREEN



STACCATO

- Our founding spirit of “making what we want” has never changed, and our business has expanded globally – supported by our loyal customers both domestic and overseas.

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 ¥ 10 bil 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, but with an emphasis on the brand’s world view – including store interiors, music, and fragrances 	
2010	<ul style="list-style-type: none"> ● 1st MOUSSY store opened in Shanghai, China 	
2012	<ul style="list-style-type: none"> ● [ENFÖLD] launched. Targeting fashion conscious women over 30s ➢ Established a domestic contemporary market (known as the Domecon market) with a style edgier than domestic carrier brands and more affordable than European and American import brands. 	
2013	<ul style="list-style-type: none"> ● CLSA sold all 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 ➢ Norm-Mode brand with a normal fashion style that further evolves the Normcore trend ● [MOUSSY] stores opened in Manhattan, NY 	

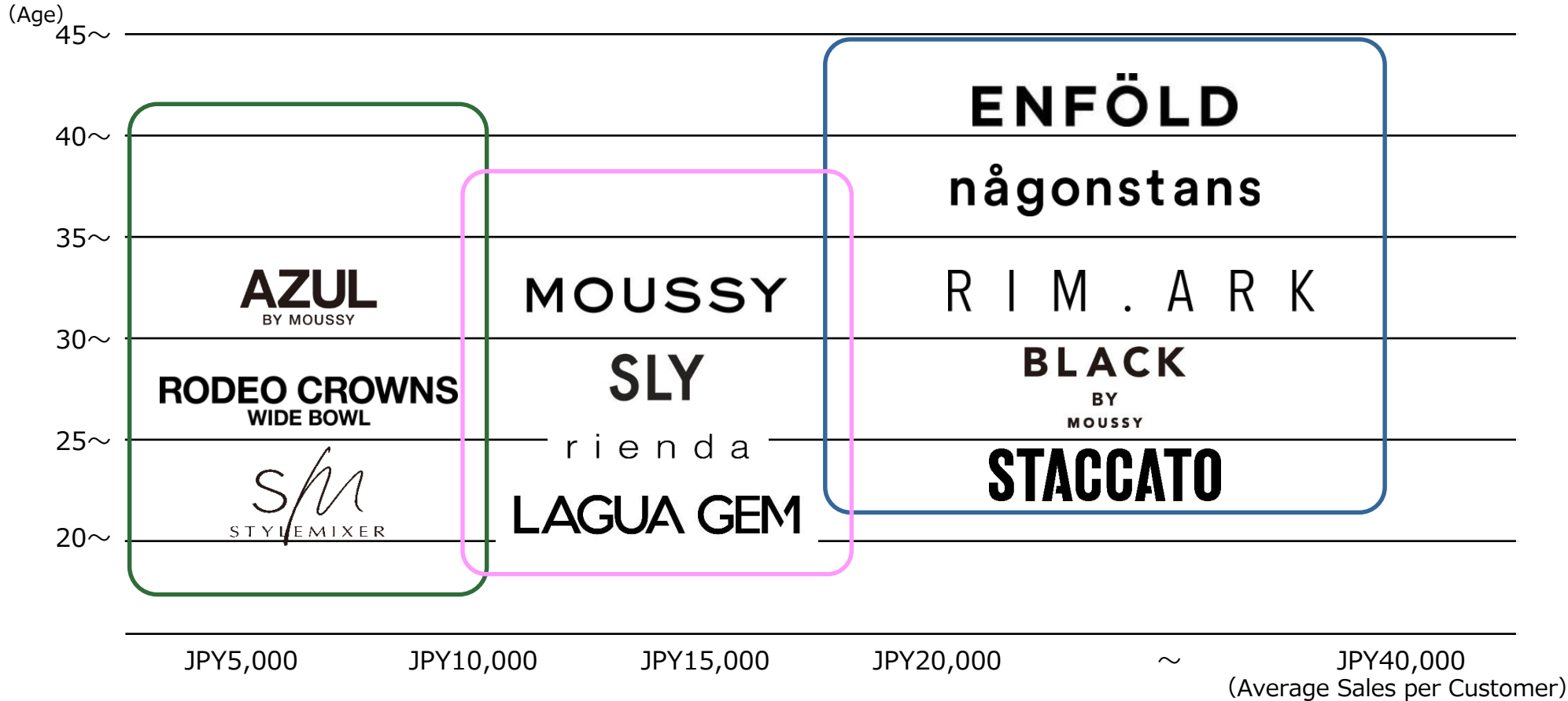
Time	History
2017	<ul style="list-style-type: none"> Achieved 200 stores in mainland China through the Chinese retail business developed in Joint Venture with Belle International Holdings Limited Started selling "adidas x MOUSSY", a collection jointly developed with Adidas Japan Co.,Ltd Started DoS for "SHEL'TTER PASS" a membership-based point service to accumulate "miles" for use in both in-store and EC(E-commerce)shopping
2018	<ul style="list-style-type: none"> [nagonstans] launched. Proposes and adult resort style for women in their 30s and 40s who are highly fashion-conscious. Born from the new business discovery contest "NEXT IS YOU", the brand "R4G" with a new concept of fusion of animation and fashion is developed from its on EC site Launched STYLEMIXER official website, an editorial EC platform curated by popular influencers Ayaka Murohara (ex SLY sales staff) winner of "2017 NEXT IS YOU – Fashion Icon section" launched "LAGUA 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 material-focused clothes
2020	<ul style="list-style-type: none"> Launched "HeRIN.CYE", a brand that maximizes the daily lives of women living in the modern age Launched "Crie Conforto" which presents warm "comfort" for adult women



Time	History
2021	<ul style="list-style-type: none">● Opened MOUSSY OUTLET Store in the largest outlet in northern Taiwan● Development of new types of business through “SHEL'TTER GREEN ” and “SHEL'TTER DELI”.
2022	<ul style="list-style-type: none">● Opened ENFÖLD's first overseas store in Gangnam, South Korea



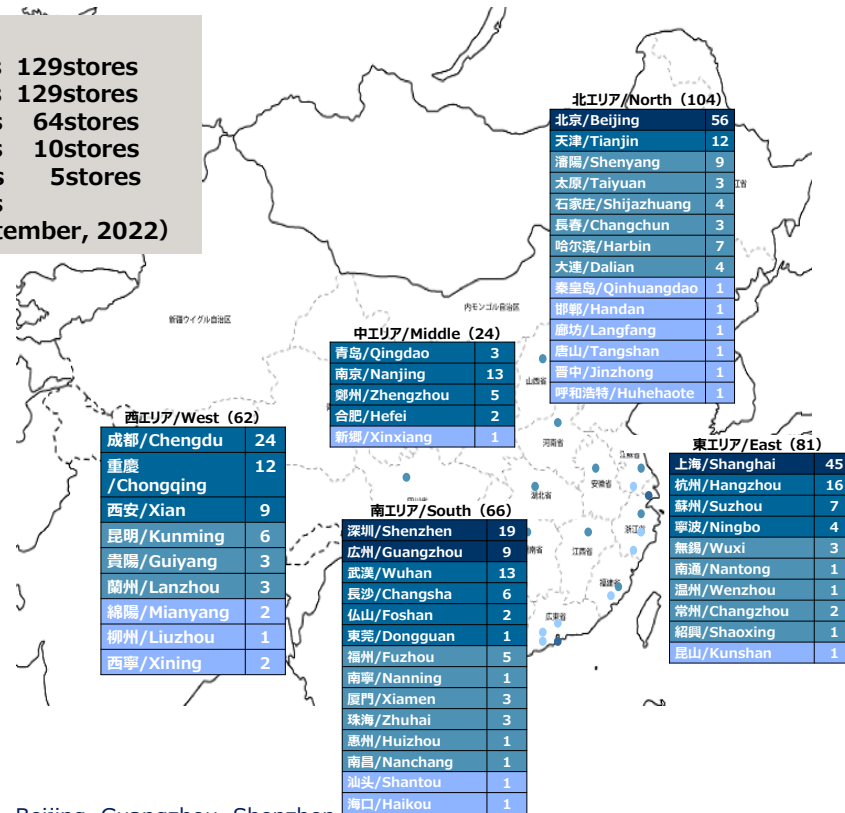
Brand Portfolio by Age Demographic and Segment Unit Price



% of Sales	50%	40%	10%
Avg. Store Size	40 ~ 150m ²	20 ~ 50m ²	15 ~ 20m ²
Global Comparison	TOPSHOP ZARA	ALLSAINTS rag & bone NEW YORK	STELLA McCARTNEY MARNI

- Number of stores in China: 337 stores (as of end of September, 2022)
- It is common to classify cities based on the "Ranking of Cities Business Attractiveness in China" published annually by The Rising Lab, the big data project of Yicai Media Group

- Store number : 337 stores
- 1st tier city: 4cities 129stores
- New 1st tier city: 15cities 129stores
- 2nd tier city: 20cities 64stores
- 3rd tier city: 9cities 10stores
- 4th tier city: 4cities 5stores
- Number of cities : 52cities
(As of end of September, 2022)



City Ranking Overview	
Selection Index	<ul style="list-style-type: none"> • Enrichment of commercial facilities • Functionality as a hub of the city • Citizen's activity • Diversity of lifestyle • Future possibilities, <p>Based on the above indicators, 337 cities in China are comprehensively ranked up to 1st grade, new 1st grade, 2nd grade, 3rd grade, 4th grade, and 5th grade.</p>
Start Year	2016- (announced once a year)
Notes	Rankings fluctuate every year, and the 2022 ranking is based on data from 2021 to the beginning of 2022. Hefei, which was excluded last time, is back in the new 1st tier city. Also, Shenyang was ranked down to level 2 for the first time, and the cities in the three northeastern provinces were all ranked below level 2.

City Definition

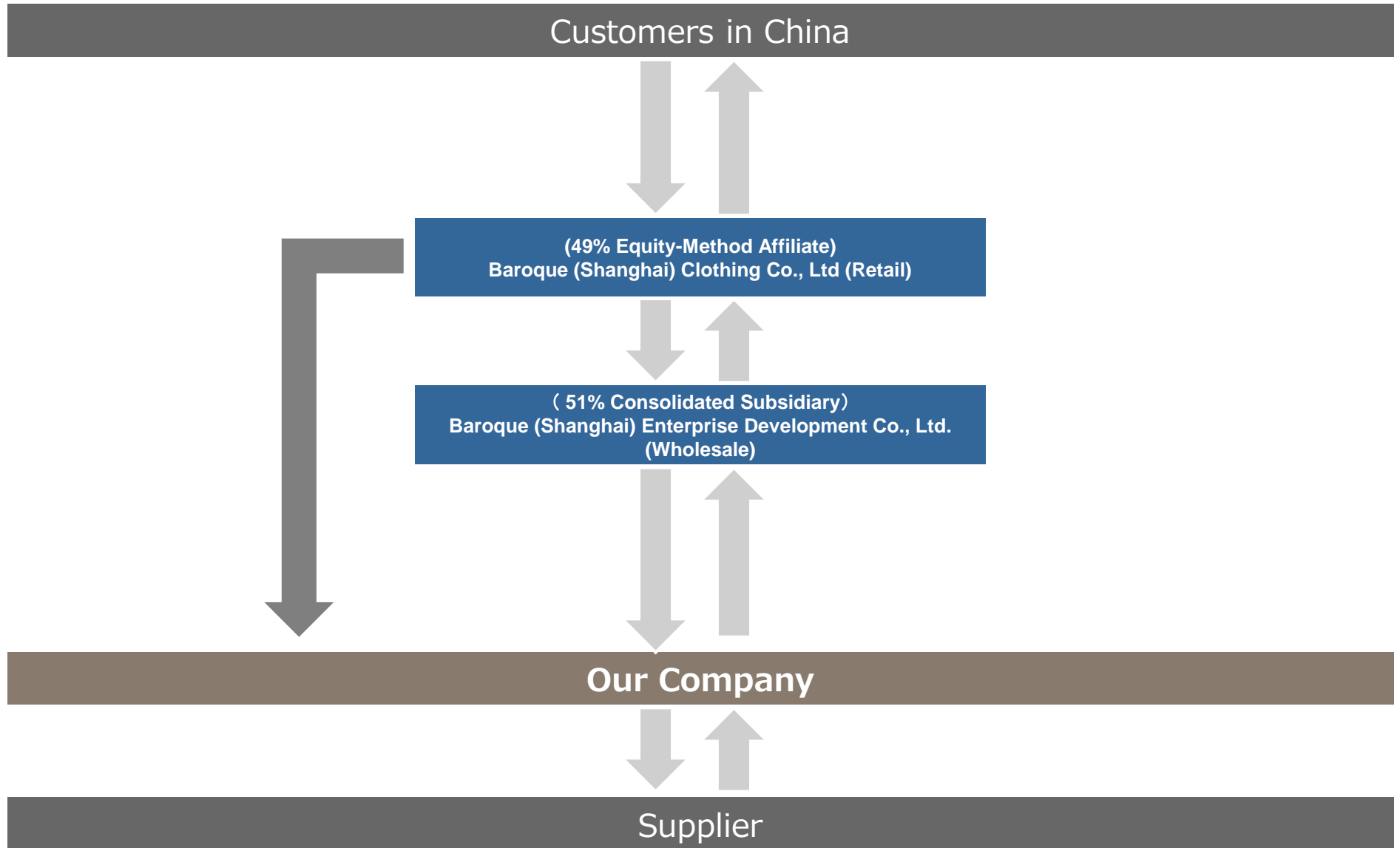
1st tier cities (4 cities): Shanghai, Beijing, Guangzhou, Shenzhen

New 1st tier cities (15 cities): Chengdu, Chongqing, Hangzhou, Xi'an, Wuhan, Suzhou, Zhengzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Buddha Mountain, Hefei, Qingdao

2nd tier cities (30 cities): Kunming, Shenyang, Jinan, Wuxi, Xiamen, Fuzhou, Wenzhou, Jinhua, Harbin, Dalian, Guiyang, Nanning, Quanzhou, Shijiazhuang, Changchun, Nanchang, Huizhou, Changzhou, Jiaxing, Xuzhou, Nantong, Taiyuan, Baoding, Zhuhai, Zhongshan, Lanzhou, Linyi, Weifang, Yantai, Shaoxing

3rd tier cities: Other Cities

* The above are grouped based on the "Ranking of cities 2022 Business Attractiveness in China" (The Rising Lab, the big data project of Yicai Media Group, announced on June 1, 2022).



↑ : Merchandise

↓ : Order

↩ : Royalty

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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**
- **The actual future business content and business results of Baroque Japan Limited Co., Ltd. May differ from the future outlook described in this document**
- **The statements regarding the future prospects in this material are made by Baroque Japan Limited based on currently available information; even if there is new information, future events, etc. going forward, we undertake no obligation to update or change any statement regarding future prospects contained within this material.**