# Consolidated Financial Summary for Baroque Japan Limited Quarterly Financial Information for the period ended October 31, 2017

Tokyo Stock Exchange First Section, 3548

English Translation of the original Japanese-Language Report

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Note:
If there is any inconsistency or conflict between English and Japanese versions of this information, the Japanese version shall prevail.

## 1. Management discussion and analysis

### (1) Summary of the business

During the 9 months period ended October 31, 2017, although domestic economy was recovering gradually, disposable income did not increase and personal spending was still weak.

Our Group's principal business is specialty store retailer of private label (SPA). We have a balanced portfolio of brands to match the needs and lifestyles of different target customers, and to expand our business in Japan, China, Hong Kong and United States markets.

Regarding our domestic business, our shopping center brands, which constituted over 50% of our turnover, had negative same store sales growth mainly due to less inventories were purchased as well as the typhoon in October. Our department store brand, ENFOLD, continued to perform well. Sales from our e-commerce business were recovering after certain one-off problems happened in July. The new "SHEL'TTER PASS" point system, which was introduced in October, had registered many new members. This could facilitate our user database marketing in the future.

Regarding our overseas business, we have been able to continue to expand our joint venture business with Belle International Holdings Limited, and to open new stores and develop new products to match the needs of customers in China to increase our turnover. We shall continue to open new stores and to further expand our business.

As a result, as at October 31, 2017, we have 370 stores in Japan (direct-operated 278, franchise 92), and 10 stores overseas (direct-operated 2, franchise 8), totaling 380 stores. In addition, we have another 217 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 47,660 million yen (decrease by 2.9% against prior year), operating profit is 982 million yen (decrease by 73% against prior year), recurring profit is 822 million yen (decrease by 76% against prior year), and net profit is 174 million yen (decrease by 92.2% against prior year).

### (2) Financial review

During the 9 months period ended October 31, 2017, assets increased by 2,911 million yen to 41,371 million yen, mainly due to the decrease in cash and cash equivalents by 1,651 million yen, the increase in trade and other receivables by 1,936 million yen, the increase in inventories by 1,903 million yen.

Liabilities increased by 2,773 million yen to 24,229 million yen, mainly due to the increase in interest-bearing borrowings by 1,967 million yen.

Equity increased by 138 million yen to 17,141 million yen, mainly due to the payment of dividends of 355 million yen, the increase in treasury stock by 263 million yen, the increase in share capital by 152 million yen and the increase in share premium by 152 million yen due to the exercise of stock options, the increase in net profit by 174 million yen, and the increase in non-controlling interests by 237 million yen.

2. Other summary information

(1) Significant change in subsidiary during the period

No significant change.

(2) Newly adopted specific accounting treatment during the period

Not applicable.

(3) Change or amendment in accounting policy or estimate

No such change.

(4) Additional information

| For the 9 months period ended October 31, 2017 |
| --- |
| "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26 March 28, 2016) has been applied from the beginning of the financial year.<br><br>Board Benefit Trust (BBT)<br>The Company introduced a new performance linked compensation system, Board Benefit Trust or BBT, for directors and senior executives on the 18th annual shareholders' meeting on April 26, 2017 in order to improve the performance of the Company over the longer term and to enhance corporate value.<br>The accounting method regarding BBT complies with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" of PITF No.30 March 26, 2015<br><br>1. Overview<br>The Company shall grant shares to directors and senior executives (excluding external directors) who meet certain conditions according to our internal rules.<br>The Company shall grants points to directors and senior executives according to performance achievements, and they shall receive the Company's shares when they retire. The Company shall acquire the shares which shall be managed separately as Trust property.<br><br>2. Company shares in the Trust<br>The book value (excluding incidental costs) of the Company shares held by the Trust are accounted for as treasury stock in the net assets section on balance sheet. As at October 31, 2017, the book value of treasure stock was 263 million yen, and total number of shares was 216,000 shares. |

3. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Unit: million yen)

| | As at January 31, 2017 | As at October 31, 2017 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 17,309 | 15,658 |
| Trade and other receivables | 6,172 | 8,109 |
| Inventories | 5,110 | 7,014 |
| Consumables | 111 | 50 |
| Deferred tax assets | 547 | 824 |
| Others | 783 | 1,347 |
| Provision for doubtful accounts | △1 | △0 |
| Total current assets | 30,034 | 33,003 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Building and leasehold improvements (net) | 1,425 | 1,426 |
| Land | 350 | 350 |
| Construction in progress | 30 | 5 |
| Others (net) | 232 | 202 |
| Total property, plant and equipment | 2,038 | 1,984 |
| Intangible assets | | |
| Software | 293 | 382 |
| Others | 12 | 39 |
| Total intangible assets | 305 | 422 |
| Investments and other assets | | |
| Investments in and advances to associates | 1,820 | 1,644 |
| Rental deposits | 3,471 | 3,510 |
| Deferred tax assets | 528 | 563 |
| Others | 193 | 194 |
| Total investments and other assets | 6,013 | 5,912 |
| Total non-current assets | 8,358 | 8,319 |
| Deferred assets | | |
| Stock delivery expenses | 66 | 48 |
| Total deferred assets | 66 | 48 |
| Total assets | 38,459 | 41,371 |

(Unit: million yen)

| | As at January 31, 2017 | As at October 31, 2017 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 5,247 | 6,893 |
| Short-term interest-bearing borrowings | — | 500 |
| Interest-bearing borrowings | 4,373 | 2,123 |
| Other payables | 1,439 | 1,202 |
| Current tax payable | 845 | 218 |
| Accrued expenses | 490 | 486 |
| Provision for bonus | — | 203 |
| Provision for reinstatement costs | 32 | 19 |
| Deposits received | 297 | 66 |
| Others | 139 | 152 |
| Total current liabilities | 12,867 | 11,865 |
| Non-current liabilities | | |
| Interest-bearing borrowings | 6,184 | 9,902 |
| Other payables | 102 | 67 |
| Provision for reinstatement costs | 972 | 1,034 |
| Provision for retirement benefits | 723 | 768 |
| Deposits received | 567 | 525 |
| Others | 39 | 65 |
| Total non-current liabilities | 8,589 | 12,364 |
| Total liabilities | 21,456 | 24,229 |
| Equity | | |
| Shareholders' equity | | |
| Share capital | 7,904 | 8,056 |
| Share premium | 7,901 | 7,982 |
| Retained earnings | 746 | 636 |
| Treasury stock | — | △263 |
| Total shareholders' equity | 16,551 | 16,412 |
| Other reserves | | |
| Deferred gains or losses on hedges | △8 | △4 |
| Foreign currency translation reserve | 76 | 97 |
| Remeasurements of defined benefit plans | △87 | △70 |
| Total other reserves | △18 | 21 |
| Non-controlling interests | 469 | 707 |
| Total equity | 17,002 | 17,141 |
| Total liabilities and equities | 38,459 | 41,371 |

(2) Consolidated income statement and consolidated statement of comprehensive income

Consolidated income statement

(Unit: million yen)

| | For the 9 months period ended October 31, 2016 | For the 9 months period ended October 31, 2017 |
|---|---|---|
| Turnover | 49,059 | 47,660 |
| Cost of goods sold | 20,974 | 21,697 |
| Gross profit | 28,085 | 25,962 |
| Selling, general and administrative expenses | 24,449 | 24,979 |
| Operating profit | 3,636 | 982 |
| Non-operating income | | |
| Interest income | 3 | 0 |
| Subsidy income | 43 | 99 |
| Share of gain of associates | 88 | — |
| Others | 6 | 9 |
| Total non-operating income | 142 | 110 |
| Non-operating expenses | | |
| Finance charges | 21 | 17 |
| Interest on bank and other loans | 94 | 56 |
| Loss on foreign exchange | 180 | 58 |
| Loss on disposals of property, plant and equipment | 44 | 18 |
| Share of loss of associates | — | 95 |
| Other expenses | 6 | 23 |
| Total non-operating expenses | 347 | 269 |
| Recurring profit or loss | 3,432 | 822 |
| Extraordinary income | | |
| Reversal of provision for directors' retirement benefits | 129 | — |
| Total extraordinary income | 129 | — |
| Extraordinary expenses | | |
| Impairment loss | 17 | 80 |
| Total extraordinary expenses | 17 | 80 |
| Profit before taxation | 3,544 | 742 |
| Corporation tax, inhabitants tax and business tax | 1,185 | 666 |
| Deferred income tax | 41 | △320 |
| Total income tax | 1,227 | 345 |
| Profit for the period | 2,317 | 396 |
| Profit attributable to non-controlling interests | 95 | 222 |
| Net profit | 2,221 | 174 |

Consolidated statement of comprehensive income

(Unit: million yen)

| | For the 9 months period ended October 31, 2016 | For the 9 months period ended October 31, 2017 |
|---|---|---|
| Profit for the period | 2,317 | 396 |
| Other comprehensive income | | |
| Deferred gains or losses on hedges | 6 | 3 |
| Foreign currency translation | △608 | 10 |
| Remeasurements of defined benefit plans | △0 | 16 |
| Share of other comprehensive income of associates | △235 | 23 |
| Other comprehensive income | △837 | 53 |
| Comprehensive income | 1,480 | 450 |
| Attributable to: | | |
| Equity shareholders | 1,440 | 215 |
| Non-controlling interests | 39 | 235 |

## (3) Notes to the consolidated financial statements

(Note on going concern)

No significant doubt on the ability to continue as a going concern.

(Change in shareholders' equity)

For the 9 months period ended October 31, 2016

1 Dividend payment

Not applicable.

2 Dividend with reference date within but effective date after the 9 months period

Not applicable.

3 Significant movement in equity

Our Company was listed on the Tokyo Stock Exchange First Section on November 1, 2016, with payment date on October 31, 2016 and issued 4,200,000 shares.

As a result, share capital and share premium were increased by 3,990 million yen to 7,904 million yen and 7,901 million yen, respectively.

For the 9 months period ended October 31, 2017

1 Dividend payment

| Resolution | Share type | Total amount (million yen) | Dividend per share (yen) | Reference date | Effective date | Source of fund |
|---|---|---|---|---|---|---|
| Annual shareholders' meeting on April 26, 2017 | Common share | 355 | 10.00 | January 31, 2017 | April 27, 2017 | Share premium and retained earnings |

2 Dividend with reference date within but effective date after the 9 months period

Not applicable

3 Significant movement in equity

Not applicable.

(Change in accounting policy)

No such change.

(Segment accounting)

The Group is operating as one segment with respect to apparel design and selling business.