Consolidated Financial Summary for
Baroque Japan Limited
Quarterly Financial Information for the period ended July 31, 2018

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 6 months period ended July 31, 2018, domestic economy had been recovering, corporate investments were active, and the employment market was also improved. However, with the protectionism policies of Donald Trump administration, we still had uncertainty about domestic economy.

The consumer market environment was still difficult for casual wear retailers, especially with the rainstorm happened in June and July.

Under such environment, for our domestic business, we strengthened our core product and product mix, and MOUSSY, ENFÖLD and STACCATO were performing well. Even though our same store sales were slightly decreased, we significantly improved our profitability by increasing gross profit margin through product cost reduction, decreasing promotion expenses by making use of digital marketing, and reducing staff cost by rearranging our shifts.

Regarding our overseas business, together with our strategic partner Belle International Holdings Limited, sales of our wholesale joint venture in China decreased due to purchase quantity adjustment, but sales of our retail joint venture increased favorably. We were also able to grow our MOUSSY wholesale business in the USA and Europe, through our team in New York.

As a result, as at July 31, 2018, we have 363 stores in Japan (direct-operated 269, franchise 94), and 7 stores overseas (direct-operated 1, franchise 6), totaling 370 stores. In addition, we have another 236 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 31,104 million yen (increase by 1.6% against prior year), operating profit is 1,266 million yen (operating loss of 262 million yen in prior year), recurring profit is 1,128 million yen (recurring loss of 377 million yen in prior year), and net profit is 619 million yen (net loss of 520 million yen in prior year).

(2) Financial review

During the 6 months period ended July 31, 2018, assets decreased by 3,830 million yen to 37,486 million yen, mainly due to the decrease in cash and cash equivalents by 2,285 million yen, and the decrease in trade and other receivables by 1,811 million yen.

Liabilities decreased by 3,027 million yen to 19,823 million yen, mainly due to the decrease in trade and other payables by 1,456 million yen, and the decrease in interest-bearing borrowings by 1,561 million yen.

Equity decreased by 803 million yen to 17,663 million yen, mainly due to the payment of dividends.

(3) Profit estimate

According to the recent performance, we changed our financial year end to February, with 13 months for this financial year, and adjusted our profit estimate announced on March 15, 2018.

For details, please refer to the relevant announcement.

2. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Unit: million yen)

	As at January 31, 2018	As at July 31, 2018
Assets		
Current assets		
Cash and cash equivalents	18,743	16,458
Trade and other receivables	7,804	5,993
Inventories	4,514	4,876
Consumables	56	67
Deferred tax assets	831	901
Others	864	611
Provision for doubtful accounts	△0	△0
Total current assets	32,815	28,908
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,255	1,390
Land	350	350
Construction in progress	18	11
Others (net)	175	141
Total property, plant and equipment	1,800	1,893
Intangible assets		
Software	539	559
Others	12	27
Total intangible assets	551	587
Investments and other assets		
Investments in and advances to associates	1,848	1,794
Rental deposits	3,514	3,493
Deferred tax assets	585	614
Others	159	166
Total investments and other assets	6,108	6,068
Total non-current assets	8,460	8,548
Deferred assets		
Stock delivery expenses	42	30
Total deferred assets	42	30
Total assets	41,317	37,486

(Unit: million yen)

	As at January 31, 2018	As at July 31, 2018
Liabilities		
Current liabilities		
Trade and other payables	4,979	3,522
Short-term interest-bearing borrowings	1,500	1,000
Interest-bearing borrowings	2,123	3,095
Other payables	1,156	921
Accrued expenses	482	518
Current tax payable	633	586
Deposits received	41	10
Provision for bonus	133	258
Provision for reinstatement costs	50	26
Others	121	217
Total current liabilities	11,222	10,156
Non-current liabilities		
Interest-bearing borrowings	9,061	7,027
Other payables	84	55
Provision for retirement benefits	877	903
Deposits received	505	518
Provision for reinstatement costs	1,010	1,040
Others	89	120
Total non-current liabilities	11,628	9,666
Total liabilities	22,851	19,823
Equity		
Shareholders' equity		
Share capital	8,090	8,114
Share premium	8,016	7,931
Retained earnings	1,698	1,049
Treasury stock	△263	△258
Total shareholders' equity	17,542	16,837
Other reserves		
Deferred gains or losses on hedges	△3	△2
Foreign currency translation reserve	184	28
Remeasurements of defined benefit plans	△128	△108
Total other reserves	52	△82
Non-controlling interests	871	908
Total equity	18,466	17,663
Total liabilities and equities	41,317	37,486

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

Consolidated income statement

(Unit: million yen)

	For the 6 months period ended July 31, 2017	For the 6 months period ended July 31, 2018
Turnover	30,600	31,104
Cost of goods sold	14,202	13,321
Gross profit	16,398	17,782
Selling, general and administrative expenses	16,661	16,515
Operating profit or loss	△262	1,266
Non-operating income		
Interest income	0	0
Subsidy income	64	89
Others	7	1
Total non-operating income	71	91
Non-operating expenses		
Finance charges	9	12
Interest on bank and other loans	39	32
Loss on foreign exchange	44	92
Loss on disposals of property, plant and equipment	18	0
Share of loss of associates	58	77
Other expenses	15	14
Total non-operating expenses	186	230
Recurring profit or loss	△377	1,128
Extraordinary expenses		
Impairment loss	80	64
Total extraordinary expenses	80	64
Profit or loss before taxation	△457	1,063
Corporation tax, inhabitants tax and business tax	222	476
Deferred income tax	△280	△108
Total income tax	△57	367
Profit or loss for the period	△399	695
Profit attributable to non-controlling interests	120	76
Net profit or loss	△520	619

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 6 months period ended July 31, 2017	For the 6 months period ended July 31, 2018
Profit or loss for the period	△399	695
Other comprehensive income		
Deferred gains or losses on hedges	2	1
Foreign currency translation	△46	△105
Remeasurements of defined benefit plans	2	20
Share of other comprehensive income of associates	△35	△83
Other comprehensive income	△77	△167
Comprehensive income	△476	528
Attributable to:		
Equity shareholders	△590	484
Non-controlling interests	114	43

(3) Consolidated statement of cash flows

(Unit: million yen)

	For the 6 months period ended July 31, 2017	For the 6 months period ended July 31, 2018
Cash from operating activities		
Profit or loss before taxation	△457	1,063
Depreciation	396	416
Impairment	80	64
Increase (△decrease) in provision for bonus	135	124
Interest income	△0	△0
Interest on bank and other loans	49	45
Foreign exchange losses (△ gain)	△3	△1
Share of profit or loss of associates	58	77
Loss on disposals of property, plant and equipment	18	0
Decrease (△increase) in trade and other receivables	11	1,700
Decrease (△increase) in inventories	△186	△369
Increase (△decrease) in trade and other payables	△760	△1,411
Increase (△decrease) in other payables	△159	△149
Increase (△decrease) in provision for retirement benefits	44	55
Others	△432	150
Subtotal	△1,206	1,765
Interest income received	0	0
Interest expenses paid	△44	△36
Income taxes paid	△664	△409
Net cash from operating activities	△1,915	1,320
Cash from investing activities		
Purchase of property, plant and equipment	△165	△395
Purchase of intangible assets	△130	△112
Payments for rental deposits	△155	△111
Proceeds from collection of rental deposits	146	128
Others	△37	△66
Net cash from investing activities	△342	△557
Cash from financing activities		
Proceeds from short-term borrowings	1,000	500
Repayment of short-term borrowings	—	△1,000
Proceeds from long-term borrowings	2,000	—
Repayment of long-term borrowings	△3,311	△1,061
Proceeds from issuance of shares	286	47
Purchase of treasury stock	△264	—
Dividends paid	△355	△1,377
Repayment of lease obligations	△18	△18
Repayment of fixed assets installment payables	△232	△111
Net cash from financing activities	△895	△3,021
Effect of exchange rate change on cash and cash equivalents	△45	△27
Net increase (△ decrease) in cash and cash equivalents	△3,198	△2,285
Cash and cash equivalents at beginning of period	17,309	18,743
Cash and cash equivalents at end of period	14,111	16,458

(4) 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)

No 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.