

Consolidated Financial Summary for  
Baroque Japan Limited  
Quarterly Financial Information for the period ended July 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 6 months period ended July 31, 2017, although we saw a recovery of enterprise production activities and domestic employment market as a result of government fiscal policy, personal spending is still weak as the future economy is full of uncertainties.

Under the current economic situation, our Group introduced a slogan “Challenge, Baroque to the world”, aiming to become a global enterprise supported by customers from around the world, and is prepared to expand our business and improve our efficiency.

Regarding our domestic business, we target to increase our market share in Tokyo area, to strengthen our product development and differentiation, and to improve our profitability through supply chain management improvement. As a result, our main brand MOUSSY and department store brand ENFÖLD have been performing well. However, our shopping center brands, which account for more than 50% of our total turnover, due to product and pricing strategy problems, recorded a decrease in same store sales. Our e-commerce platform renewal also experienced certain one-off problems in its initial launching, and our e-commerce business also recorded a decrease in sales.

Regarding our overseas business, we have been able to continue to expand our joint venture business mainly for MOUSSY and SLY in China with Belle International Holdings Limited, approximately 60 new stores per year.

As a result, as at July 31, 2017, we have 359 stores in Japan (direct-operated 264, franchise 95), and 10 stores overseas (direct-operated 2, franchise 8), totaling 369 stores. In addition, we have another 197 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 30,600 million yen (decrease by 5.2% against prior year), operating loss is 262 million yen (operating profit of 2,088 million yen in prior year), recurring loss is 377 million yen (recurring profit of 1,851 million yen in prior year), and net loss is 520 million yen (net profit of 1,214 million yen in prior year).

### (2) Financial review

During the 6 months period ended July 31, 2017, assets decreased by 2,700 million yen to 35,759 million yen, mainly due to the decrease in cash and cash equivalents by 3,198 million yen.

Liabilities decreased by 1,888 million yen to 19,567 million yen, mainly due to the decrease in trade and other payables by 806 million yen and the decrease in current tax payable by 454 million yen.

Equity decreased by 811 million yen to 16,191 million yen, mainly due to the payment of dividends.

### (3) Profit estimate

According to the recent performance, we adjusted our profit estimate announced on March 15, 2017.

For details, please refer to the relevant announcement.

## 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 6 months period ended July 31, 2017
<p>“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.</p> <p>Board Benefit Trust (BBT) The Company introduced a new performance linked compensation system, Board Benefit Trust or BBT, for directors and senior executives in order to improve the performance of the Company over the longer term and to enhance corporate value. 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</p> <p>1. Overview The Company shall grant shares to directors and senior executives (excluding external directors) who meet certain conditions according to our internal rules. 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.</p> <p>2. Company shares in the Trust 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 July 31, 2017, the book value of treasure stock was 263 million yen, and total number of shares was 216,000 shares.</p>

# 1. Consolidated financial statements

## (1) Consolidated balance sheet

(Unit: million yen)

	As at January 31, 2017	As at July 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	17,309	14,111
Trade and other receivables	6,172	6,062
Inventories	5,110	5,285
Consumables	111	50
Deferred tax assets	547	798
Others	783	1,089
Provision for doubtful accounts	△1	△0
Total current assets	30,034	27,397
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,425	1,374
Land	350	350
Construction in progress	30	1
Others (net)	232	209
Total property, plant and equipment	2,038	1,935
Intangible assets		
Software	293	359
Others	12	27
Total intangible assets	305	387
Investments and other assets		
Investments in and advances to associates	1,820	1,754
Rental deposits	3,471	3,478
Deferred tax assets	528	554
Others	193	195
Total investments and other assets	6,013	5,984
Total non-current assets	8,358	8,307
Deferred assets		
Stock delivery expenses	66	54
Total deferred assets	66	54
Total assets	38,459	35,759

(Unit: million yen)

	As at January 31, 2017	As at July 31, 2017
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	5,247	4,441
Short-term interest-bearing borrowings	—	1,000
Interest-bearing borrowings	4,373	2,123
Other payables	1,439	1,160
Current tax payable	845	391
Accrued expenses	490	503
Provision for bonus	—	135
Provision for reinstatement costs	32	16
Deposits received	297	126
Others	139	159
Total current liabilities	12,867	10,056
Non-current liabilities		
Interest-bearing borrowings	6,184	7,123
Other payables	102	63
Provision for reinstatement costs	972	988
Provision for retirement benefits	723	764
Deposits received	567	528
Others	39	43
Total non-current liabilities	8,589	9,511
Total liabilities	21,456	19,567
<b>Equity</b>		
Shareholders' equity		
Share capital	7,904	8,047
Share premium	7,901	7,973
Retained earnings	746	△58
Treasury stock	—	△263
Total shareholders' equity	16,551	15,699
Other reserves		
Deferred gains or losses on hedges	△8	△5
Foreign currency translation reserve	76	0
Remeasurements of defined benefit plans	△87	△84
Total other reserves	△18	△89
Non-controlling interests	469	581
Total equity	17,002	16,191
Total liabilities and equities	38,459	35,759

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

## Consolidated income statement

(Unit: million yen)

	For the 6 months period ended July 31, 2016	For the 6 months period ended July 31, 2017
Turnover	32,281	30,600
Cost of goods sold	13,967	14,202
Gross profit	18,314	16,398
Selling, general and administrative expenses	16,225	16,661
Operating profit or loss	2,088	△262
Non-operating income		
Interest income	3	0
Subsidy income	16	64
Share of gain of associates	61	—
Others	3	7
Total non-operating income	86	71
Non-operating expenses		
Finance charges	14	9
Interest on bank and other loans	63	39
Loss on foreign exchange	196	44
Loss on disposals of property, plant and equipment	44	18
Share of loss of associates	—	58
Other expenses	4	15
Total non-operating expenses	323	186
Recurring profit or loss	1,851	△377
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 or loss before taxation	1,963	△457
Corporation tax, inhabitants tax and business tax	704	222
Deferred income tax	△3	△280
Total income tax	701	△57
Profit or loss for the period	1,262	△399
Profit attributable to non-controlling interests	48	120
Net profit or loss	1,214	△520

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 6 months period ended July 31, 2016	For the 6 months period ended July 31, 2017
Profit or loss for the period	1,262	Δ399
Other comprehensive income		
Deferred gains or losses on hedges	4	2
Foreign currency translation	Δ569	Δ46
Remeasurements of defined benefit plans	Δ0	2
Share of other comprehensive income of associates	Δ450	Δ35
Other comprehensive income	Δ1,016	Δ77
Comprehensive income	245	Δ476
Attributable to:		
Equity shareholders	243	Δ590
Non-controlling interests	2	114



## (3) Consolidated statement of cash flows

(Unit: million yen)

	For the 6 months period ended July 31, 2016	For the 6 months period ended July 31, 2017
<b>Cash from operating activities</b>		
Profit or loss before taxation	1,963	Δ457
Depreciation	426	396
Impairment	17	80
Increase (Δdecrease) in provision for bonus	Δ17	135
Interest income	Δ3	Δ0
Interest on bank and other loans	77	49
Foreign exchange losses (Δ gain)	Δ33	Δ3
Share of profit or loss of associates	Δ61	58
Loss on disposals of property, plant and equipment	44	18
Decrease (Δincrease) in trade and other receivables	701	11
Decrease (Δincrease) in inventories	Δ236	Δ186
Increase (Δdecrease) in trade and other payables	Δ742	Δ760
Increase (Δdecrease) in other payables	Δ254	Δ159
Decrease in provision for directors' retirement benefits	Δ129	—
Increase (Δdecrease) in provision for retirement benefits	34	44
Others	60	Δ432
Subtotal	1,847	Δ1,206
Interest income received	3	0
Interest expenses paid	Δ63	Δ44
Income taxes paid	Δ1,163	Δ664
Net cash from operating activities	624	Δ1,915
<b>Cash from investing activities</b>		
Purchase of property, plant and equipment	Δ526	Δ165
Purchase of intangible assets	Δ104	Δ130
Payments for rental deposits	Δ235	Δ155
Proceeds from collection of rental deposits	39	146
Proceeds for loans	Δ216	—
Others	—	Δ37
Net cash from investing activities	Δ1,043	Δ342
<b>Cash from financing activities</b>		
Proceeds from short-term borrowings	1,600	1,000
Repayment of short-term borrowings	Δ1,400	—
Proceeds from long-term borrowings	3,500	2,000
Repayment of long-term borrowings	Δ1,505	Δ3,311
Proceeds from issuance of shares	—	286
Purchase of treasury stock	—	Δ264
Dividends paid	—	Δ355
Repayment of lease obligations	Δ17	Δ18
Repayment of fixed assets installment payables	Δ266	Δ232
Net cash from financing activities	1,910	Δ895
Effect of exchange rate change on cash and cash equivalents	Δ116	Δ45
Net increase (Δ decrease) in cash and cash equivalents	1,375	Δ3,198
Cash and cash equivalents at beginning of period	7,845	17,309
Cash and cash equivalents at end of period	9,221	14,111

(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 such change.

(Change in accounting policy)

No such change.

(Segment accounting)

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