

**Consolidated Financial Summary for  
Baroque Japan Limited**  
**Quarterly Financial Information for the period ended November 30, 2019**  
Tokyo Stock Exchange First Section, 3548

English Translation of the original Japanese-Language Report

## Contents

|  |   |
|--|---|
| 1. Management discussion and analysis  | 2 |
| (1) Summary of the business  | 2 |
| (2) Financial review   | 2 |
| 2. Consolidated financial statements and notes                                       | 3 |
| (1) Consolidated balance sheet   | 3 |
| (2) Consolidated income statement and consolidated statement of comprehensive income | 5 |
| (3) Notes to the consolidated financial statements                                   | 7 |
| (Note on going-concern)  | 7 |
| (Change in shareholders' equity)   | 7 |
| (Change in accounting policy)  | 7 |
| (Segment accounting)   | 7 |
| (Additional information)   | 7 |
| (Subsequent events)  | 7 |

### 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

Due to a change in the fiscal year-end, the period for the previous consolidated fiscal year was 13 months from February 1, 2018 to February 28, 2019. As a result, the consolidated cumulative period for the current third quarter (from March 1, 2019 to November 30, 2019) is different from the consolidated cumulative period for the previous third quarter (from February 1, 2018 to October 31, 2018). Hence, there is no comparison with the consolidated cumulative period for the previous fiscal year.

During the consolidated cumulative third quarter of the current fiscal year (from March 1, 2019 to November 30, 2019), Japan's economy remained relatively robust, due to improvements in the employment and income environment, increase in personal consumption and corporates' capital investment, despite a temporary domestic decline due to a series of natural disasters and consumption tax hikes. On the other hand, there are many uncertain events overseas, such as tensions over trade issues, the outlook for the Chinese economy, and the outlook for the UK's Brexit. Therefore, developments should continue to be watched closely.

In the casual wear specialty store industry in which we belong, although we experienced brisk purchasing due to the large holidays in May and the intense summer heat in August, the environment remained challenging because the temperature remained high from the beginning of autumn and factors such as natural disasters and an increase in the consumption tax affected consumer sentiment.

Against this backdrop, in our domestic business, sales and customer numbers began to recover from August onward as a result of strong performance by many department store brands and the success of timely product launches at AZUL BY MOUSSY, our shopping center brand. However, overall sales of fashion buildings and railway station building brands declined year on year due to the aforementioned climate and a shortage of hit products, which drove our company's same store sales below the previous year's level.

With regard to the gross profit, domestic gross profit margin improved substantially in consolidated cumulative period, due to the effects of the reduction in the purchase cost ratio resulting from ongoing SCM reforms and the promotion of a company-wide proprietary sales strategy.

With regard to SG&A expenses, although salaries increased mainly at stores with the aim of promoting work style reforms, review of outsourcing expenses and reductions in commission rent and sales outsourcing expenses led domestic operating income above the plan.

In the overseas business, sales of retail company (equity-method affiliates) in the Chinese joint venture with Belle, a strategic business partner, were favorable in spring and summer apparel at both stores and e-commerce contributed by the increase of the Japan originated product mix. The wholesale company's (consolidated subsidiaries) profit, which is included in Consolidated income statement, also increased significantly, despite the impact of the depreciation of the renminbi. In the U.S. business of MOUSSY, we are continuing to cultivate new sales channels in Europe and other regions around the world using New York as our sales base. We are also cultivating new wholesale customers around the world with ENFÖLD, which is originated from Japan.

As a result, as at November 30, 2019, we have 363 stores in Japan (direct-operated 273, franchise 90), and 4 stores overseas (direct-operated 4), totaling 367 stores. In addition, we have another 267 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 48,292 million yen, operating profit is 3,944 million yen, recurring profit is 3,903 million yen, and net profit is 2,423 million yen.

### (2) Financial review

During the 9 months' period ended November 30, 2019, assets decreased by 835 million yen to 39,879 million yen, mainly due to the decrease in Cash and cash equivalents by 4,942 million yen, the increase in Trade and other receivables by 1,373 million yen, and the increase in Inventories by 2,453 million yen.

Liabilities decreased by 1,230 million yen to 19,119 million yen, mainly due to the increase in Trade and other payables by 212 million yen, the increase in Other payables and Accrued expenses by 492 million yen, and the repayments of Interest-bearing borrowings by 2,143 million yen.

Equity increased by 394 million yen to 20,759 million yen, mainly due to the decrease in Retained earnings by 1,391 million yen for the payment of dividends, the increase in Retained earnings by 2,423 million yen from net profit, and the increase in Treasury stock by 490 million yen.

## 2. Consolidated financial statements and notes

### (1) Consolidated balance sheet

(Unit: million yen)

|  | As at February 28, 2019 | As at November 30, 2019 |
|--|-------------------------|-------------------------|
| <b>Assets</b>                              |                         |                         |
| <b>Current assets</b>                      |                         |                         |
| Cash and cash equivalents                  | 18,504                  | 13,562                  |
| Trade and other receivables                | 7,311                   | 8,684                   |
| Inventories                                | 5,438                   | 7,892                   |
| Consumables                                | 50                      | 72                      |
| Others                                     | 404                     | 463                     |
| <b>Total current assets</b>                | <b>31,710</b>           | <b>30,674</b>           |
| <b>Non-current assets</b>                  |                         |                         |
| <b>Property, plant and equipment</b>       |                         |                         |
| Building and leasehold improvements (net)  | 1,275                   | 1,623                   |
| Land                                       | 350                     | 350                     |
| Construction in progress                   | 17                      | 25                      |
| Others (net)                               | 119                     | 108                     |
| <b>Total property, plant and equipment</b> | <b>1,762</b>            | <b>2,107</b>            |
| <b>Intangible assets</b>                   |                         |                         |
| Software                                   | 513                     | 513                     |
| Others                                     | 57                      | 64                      |
| <b>Total intangible assets</b>             | <b>571</b>              | <b>578</b>              |
| <b>Investments and other assets</b>        |                         |                         |
| Investments in and advances to associates  | 1,631                   | 1,551                   |
| Rental deposits                            | 3,540                   | 3,580                   |
| Deferred tax assets                        | 1,356                   | 1,242                   |
| Others                                     | 125                     | 144                     |
| <b>Total investments and other assets</b>  | <b>6,654</b>            | <b>6,518</b>            |
| <b>Total non-current assets</b>            | <b>8,988</b>            | <b>9,204</b>            |
| <b>Deferred assets</b>                     |                         |                         |
| Stock delivery expenses                    | 15                      | —                       |
| <b>Total deferred assets</b>               | <b>15</b>               | <b>—</b>                |
| <b>Total assets</b>                        | <b>40,715</b>           | <b>39,879</b>           |

(Unit: million yen)

|                                      | As at February 28, 2019 | As at November 30, 2019 |
|--------------------------------------|-------------------------|-------------------------|
| <b>Liabilities</b>                   |                         |                         |
| Current liabilities                  |                         |                         |
| Trade and other payables             | 4,873                   | 5,086                   |
| Interest-bearing borrowings          | 2,901                   | 4,665                   |
| Other payables                       | 1,485                   | 1,724                   |
| Accrued expenses                     | 523                     | 776                     |
| Current tax payable                  | 1,246                   | 1,173                   |
| Deposits received                    | 5                       | 25                      |
| Provision for bonus                  | 260                     | 129                     |
| Provision for reinstatement costs    | 54                      | 104                     |
| Others                               | 192                     | 238                     |
| Total current liabilities            | 11,541                  | 13,923                  |
| Non-current liabilities              |                         |                         |
| Interest-bearing borrowings          | 7,107                   | 3,200                   |
| Other payables                       | 22                      | 206                     |
| Provision for retirement benefits    | 22                      | 18                      |
| Deposits received                    | 495                     | 485                     |
| Provision for reinstatement costs    | 1,038                   | 1,127                   |
| Deferred tax liabilities             | —                       | 62                      |
| Others                               | 120                     | 95                      |
| Total non-current liabilities        | 8,808                   | 5,195                   |
| Total liabilities                    | 20,349                  | 19,119                  |
| <b>Equity</b>                        |                         |                         |
| Shareholders' equity                 |                         |                         |
| Share capital                        | 8,234                   | 8,258                   |
| Share premium                        | 8,051                   | 8,075                   |
| Retained earnings                    | 3,374                   | 4,406                   |
| Treasury stock                       | △258                    | △749                    |
| Total shareholders' equity           | 19,401                  | 19,991                  |
| Other reserves                       |                         |                         |
| Deferred gains or losses on hedges   | △1                      | △0                      |
| Foreign currency translation reserve | △87                     | △358                    |
| Total other reserves                 | △88                     | △358                    |
| Non-controlling interests            | 1,052                   | 1,127                   |
| Total equity                         | 20,365                  | 20,759                  |
| Total liabilities and equities       | 40,715                  | 39,879                  |

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

## Consolidated income statement

(Unit: million yen)

|  | For the 9 months period<br>ended October 31, 2018 | For the 9 months period<br>ended November 30, 2019 |
|--|---|--|
| Turnover   | 47,767  | 48,292   |
| Cost of goods sold                                 | 20,265  | 19,527   |
| Gross profit                                       | 27,501  | 28,765   |
| Selling, general and administrative expenses       | 24,699  | 24,820   |
| Operating profit                                   | 2,802   | 3,944  |
| Non-operating income                               |   |  |
| Interest income                                    | 2   | 5  |
| Subsidy income                                     | 113   | 80   |
| Refund of insurance premium                        | 45  | —  |
| Other income                                       | 3   | 16   |
| Total non-operating income                         | 164   | 102  |
| Non-operating expenses                             |   |  |
| Finance charges                                    | 19  | 20   |
| Interest on bank and other loans                   | 47  | 33   |
| Loss on foreign exchange                           | 55  | 30   |
| Loss on disposals of property, plant and equipment | 3   | 28   |
| Share of loss of associates                        | 160   | 9  |
| Other expenses                                     | 17  | 22   |
| Total non-operating expenses                       | 302   | 144  |
| Recurring profit                                   | 2,664   | 3,903  |
| Extraordinary expenses                             |   |  |
| Impairment loss                                    | 64  | 123  |
| Total extraordinary expenses                       | 64  | 123  |
| Profit before taxation                             | 2,600   | 3,780  |
| Corporation tax, inhabitants tax and business tax  | 1,018   | 1,016  |
| Deferred income tax                                | △162  | 178  |
| Total income tax                                   | 855   | 1,195  |
| Profit for the period                              | 1,744   | 2,584  |
| Profit attributable to non-controlling interests   | 142   | 160  |
| Net profit   | 1,602   | 2,423  |

Consolidated statement of comprehensive income

(Unit: million yen)

|  | For the 9 months period<br>ended October 31, 2018 | For the 9 months period<br>ended November 30, 2019 |
|--|---|--|
| Profit for the period                                | 1,744   | 2,584  |
| Other comprehensive income                           |   |  |
| Deferred gains or losses on hedges                   | 2   | 1  |
| Foreign currency translation                         | △120  | △206   |
| Remeasurements of defined benefit plans              | 30  | —  |
| Share of other comprehensive income of<br>associates | △104  | △140   |
| Other comprehensive income                           | △192  | △345   |
| Comprehensive income                                 | 1,551   | 2,238  |
| Attributable to:                                     |   |  |
| Equity shareholders                                  | 1,452   | 2,153  |
| Non-controlling interests                            | 99  | 84   |

### (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)

(Acquisition of treasury stock)

At the meeting of the Board of Directors held on July 16, 2019, we resolved to acquire its own shares pursuant to Articles 459-1 of the Japanese Companies Act.

#### 1. The reason for the acquisition

In order to enhance shareholder returns, improve capital efficiency and implement flexible capital policies in accordance with the business environment.

#### 2. Outline of the acquisition

|                                     |  |
|-------------------------------------|--|
| (1) Type of shares to be acquired   | Common shares  |
| (2) Number of shares to be acquired | Up to 1,100,000 shares<br>(3.00% of the total number of shares (excluding treasury stock)) |
| (3) Total amount of acquisition     | Up to JPY 1,000,000,000  |
| (4) Acquisition period              | From July 17, 2019 to October 31, 2019   |
| (5) Acquisition method              | Market purchase on the Tokyo Stock Exchange  |

#### 3. Results of the acquisition (From July 17, 2019 to October 31, 2019)

|                                 |                 |
|---------------------------------|-----------------|
| (1) Number of shares acquired   | 512,700 shares  |
| (2) Total amount of acquisition | JPY 497,372,100 |

(Change in accounting policy)

No such change.

(Segment accounting)

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

(Additional information)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, issued on February 16, 2018) has been applied from the beginning of the current period, deferred tax assets are presented under investment and other assets and deferred tax liabilities under non-current liabilities.

(Subsequent events)

No significant subsequent events.