

Consolidated Financial Summary for Baroque Japan Limited

Quarterly Financial Information for the period
ended October 31, 2016

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, 2016, we saw a recovery of the domestic employment market. However, affected by the change in fiscal policy of United States as well as the slowing down of economic growth in China and other Asian countries, the future is full of uncertainties.

The general decrease in customer spending and the unstable weather also added to the uncertainties for the casualwear apparel industry.

Under the current business situation, even though the domestic business of Baroque Japan Limited experienced a tough environment for same store sales growth, we were able to continue to grow our store number. Furthermore, our ecommerce and outlet stores businesses recorded a healthy growth.

We have been consistently improving our supply chain to strengthen our product development, reducing product cost and logistic cost.

Regarding our overseas business, we have been able to continue to expand our joint venture business for MOUSSY and SLY in China with Belle International Holdings Limited.

As a result, as at October 31, 2016, we have 360 stores in Japan (direct-operated 265, franchise 95), and 10 stores overseas (direct-operated 2, franchise 8), totaling 370 stores. In addition, we have another 176 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 49.0 billion, operating profit is 3.6 billion, recurring profit is 3.4 billion, and net profit is 2.2 billion during the 9 months period ended October 31, 2016.

(2) Financial review

During the 9 months period ended October 31, 2016, assets increased by 10.4 billion to 38.7 billion, mainly due to the increase in cash and cash equivalents by 7.6 billion and inventories by 2.0 billion.

Liabilities increased by 1.0 billion to 23.4 billion, mainly due to the increase in interest-bearing borrowings by 1.5 billion.

Equity increased by 9.4 billion to 15.2 billion, mainly due to the increase in share capital by 3.9 billion, share premium by 3.9 billion and retained earnings by 2.2 billion.

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

(Change in accounting policy)

(Newly applicable accounting standards on business combinations)

Accounting Standard for Business Combinations (Accounting Standards Board of Japan ("ASBJ") Statement No.21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ No.22, September 13, 2013) and Accounting Standard for Business Divestiture (ASBJ No.7, September 13, 2013) have been adopted since the first quarter ended April 30, 2016.

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the Group has applied the "Practical Solution on a Change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the first quarter ended April 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect on the consolidated financial statements for the 9 months period ended October 31, 2016 is immaterial.

3. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: thousand yen)

	As at January 31, 2016	As at October 31, 2016
Assets		
Current assets		
Cash and cash equivalents	7,845,953	15,514,344
Trade and other receivables	6,145,635	6,094,391
Inventories	5,348,708	7,362,810
Consumables	76,758	84,325
Deferred tax assets	702,355	704,379
Others	382,310	935,158
Provision for doubtful accounts	△11,250	△13,631
Total current assets	20,490,471	30,681,778
Non-current assets		
Property, plant and equipment		
Land and buildings(net)	1,127,814	1,511,975
Others(net)	621,188	582,348
Total property, plant and equipment	1,749,002	2,094,323
Intangible assets		
Software	142,930	305,619
Others	13,277	11,543
Total intangible assets	156,208	317,162
Investments and other assets		
Investments in and advances to associates	1,895,535	1,486,994
Deferred tax assets	565,961	517,368
Rental deposits	3,238,880	3,401,419
Others	202,690	221,881
Total investments and other assets	5,903,068	5,627,663
Total non-current assets	7,808,279	8,039,149
Deferred assets		
Stock delivery expenses	-	7,203
Total deferred assets	-	7,203
Total assets	28,298,751	38,728,132

(Unit: thousand yen)

	As at January 31, 2016	As at October 31, 2016
Liabilities		
Current liabilities		
Trade and other payables	5,330,564	6,135,205
Interest-bearing borrowings	2,722,500	4,623,324
Other payables	1,691,824	1,521,070
Accrued expenses	578,716	493,628
Current tax payable	1,194,125	422,139
Deposits received	393,854	380,329
Provision for bonus	299,645	271,195
Provision for reinstatement costs	27,285	20,022
Others	177,239	174,236
Total current liabilities	12,415,755	14,041,152
Non-current liabilities		
Interest-bearing borrowings	7,402,500	7,025,568
Other payables	447,638	167,954
Provision for directors' retirement benefits	129,494	-
Provision for retirement benefits	545,473	599,086
Provision for reinstatement costs	846,675	980,437
Deposits received	610,119	599,261
Others	47,564	33,366
Total non-current liabilities	10,029,466	9,405,674
Total liabilities	22,445,222	23,446,826
Equity		
Shareholders' equity		
Share capital	3,914,375	7,904,375
Share premium	3,911,375	7,901,375
Retained earnings	Δ2,761,852	Δ540,377
Total shareholders' equity	5,063,897	15,265,372
Other reserves		
Deferred gains or losses on hedges	Δ17,554	Δ10,559
Foreign currency translation reserve	486,154	Δ301,487
Remeasurements of defined benefit plans	Δ13,762	Δ14,214
Total other reserves	454,837	Δ326,261
Non-controlling interests	334,793	342,193
Total equity	5,853,528	15,281,305
Total liabilities and equities	28,298,751	38,728,132

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

Consolidated income statement

For the 9 months period ended October 31, 2016

(Unit: thousand yen)

	For the 9 months period ended October 31, 2016
Turnover	49,059,709
Cost of goods sold	20,974,484
Gross profit	28,085,224
Selling, general and administrative expenses	24,449,020
Operating profit	3,636,203
Non-operating income	
Interest income	3,865
Share of profit of associates	88,440
Subsidy income	43,935
Other income	6,659
Total non-operating income	142,900
Non-operating expenses	
Interest on bank and other loans	94,038
Finance charges	21,617
Loss on foreign exchange	180,430
Loss on disposals of property, plant and equipment	44,446
Other expenses	6,479
Total non-operating expenses	347,012
Recurring profit	3,432,091
Extraordinary income	
Reversal of provision for directors' retirement benefits	129,494
Total extraordinary income	129,494
Extraordinary expenses	
Impairment loss	17,124
Total extraordinary expenses	17,124
Profit before taxation	3,544,461
Corporation tax, inhabitants tax and business tax	1,185,135
Deferred income tax	41,922
Total income tax	1,227,058
Profit for the period	2,317,403
Profit attributable to non-controlling interests	95,927
Net profit	2,221,475

Consolidated statement of comprehensive income
For the 9 months period ended October 31, 2016

(Unit: thousand yen)	
	For the 9 months period ended October 31, 2016
Profit for the period	2,317,403
Other comprehensive income	
Deferred gains or losses on hedges	6,995
Foreign currency translation	△608,665
Share of other comprehensive income of associates	△235,249
Remeasurements of defined benefit plans	△452
Other comprehensive income	△837,371
Comprehensive income	1,480,031
Attributable to:	
Equity shareholders	1,440,376
Non-controlling interests	39,654

(3) Notes to the consolidated financial statements

(Note on going concern)

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

(Note on significant movement in shareholders' equity)

The Company newly issued 4,200,000 shares on October 31, 2016 and was listed in the first section of the Tokyo Stock Exchange on November 1, 2016.

Therefore, share capital and share premium were increased by 3,990,000 thousand yen to 7,904,375 thousand yen and 7,901,375 thousand yen, respectively, during the period ended October 31, 2016.

(Segment accounting)

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