

Consolidated Financial Summary for
Baroque Japan Limited
Quarterly Financial Information for the period ended April 30, 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 3 months period ended April 30, 2018, although domestic economy and disposable income were recovering gradually, customers were very careful in their spending and the casual wear fashion market was still difficult.

Under such environment, for our domestic business, we strengthened our core product and product mix, utilized the point membership app SHEL'TTER PASS for digital marketing, so customer number and same store sales recovered for March and April. Furthermore, profitability was improved as a result of improved product cost, logistics cost, and sell-through from the supply chain management.

Regarding our overseas business, we have been able to continue to improve our product mix and to expand our joint venture business in China with Belle International Holdings Limited. We were also able to grow our MOUSSY wholesale business in the USA

As a result, as at April 30, 2018, we have 369 stores in Japan (direct-operated 275, franchise 94), and 9 stores overseas (direct-operated 1, franchise 8), totaling 378 stores. In addition, we have another 227 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 15,083 million yen (increase by 1.9% against prior year), operating profit is 606 million yen (increase by 59.4% against prior year), recurring profit is 298 million yen (increase by 99.2% against prior year), and net profit is 92 million yen (net loss of 93 million yen in prior year).

(2) Financial review

During the 3 months period ended April 30, 2018, assets decreased by 1,914 million yen to 39,403 million yen, mainly due to the decrease in cash and cash equivalents by 3,552 million yen, and the increase in inventories by 1,494 million yen.

Liabilities decreased by 579 million yen to 22,271 million yen, mainly due to the decrease in interest-bearing borrowings by 720 million yen.

Equity decreased by 1,335 million yen to 17,131 million yen, mainly due to the payment of dividends.

2. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Unit: million yen)

	As at January 31, 2018	As at April 30, 2018
Assets		
Current assets		
Cash and cash equivalents	18,743	15,191
Trade and other receivables	7,804	7,758
Inventories	4,514	6,008
Consumables	56	56
Deferred tax assets	831	814
Others	864	891
Provision for doubtful accounts	△0	△0
Total current assets	32,815	30,721
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,255	1,552
Land	350	350
Construction in progress	18	8
Others (net)	175	171
Total property, plant and equipment	1,800	2,082
Intangible assets		
Software	539	521
Others	12	15
Total intangible assets	551	537
Investments and other assets		
Investments in and advances to associates	1,848	1,690
Rental deposits	3,514	3,549
Deferred tax assets	585	591
Others	159	195
Total investments and other assets	6,108	6,025
Total non-current assets	8,460	8,645
Deferred assets		
Stock delivery expenses	42	36
Total deferred assets	42	36
Total assets	41,317	39,403

(Unit: million yen)

	As at January 31, 2018	As at April 30, 2018
Liabilities		
Current liabilities		
Trade and other payables	4,979	4,842
Short-term interest-bearing borrowings	1,500	1,000
Interest-bearing borrowings	2,123	2,123
Other payables	1,156	1,236
Accrued expenses	482	637
Current tax payable	633	414
Deposits received	41	—
Provision for bonus	133	272
Provision for reinstatement costs	50	22
Others	121	239
Total current liabilities	11,222	10,787
Non-current liabilities		
Interest-bearing borrowings	9,061	8,840
Other payables	84	70
Provision for retirement benefits	877	887
Deposits received	505	526
Provision for reinstatement costs	1,010	1,048
Others	89	111
Total non-current liabilities	11,628	11,484
Total liabilities	22,851	22,271
Equity		
Shareholders' equity		
Share capital	8,090	8,099
Share premium	8,016	7,917
Retained earnings	1,698	522
Treasury stock	△263	△263
Total shareholders' equity	17,542	16,276
Other reserves		
Deferred gains or losses on hedges	△3	△2
Foreign currency translation reserve	184	72
Remeasurements of defined benefit plans	△128	△118
Total other reserves	52	△48
Non-controlling interests	871	904
Total equity	18,466	17,131
Total liabilities and equities	41,317	39,403

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

Consolidated income statement

(Unit: million yen)

	For the 3 months period ended April 30, 2017	For the 3 months period ended April 30, 2018
Turnover	14,800	15,083
Cost of goods sold	6,227	6,161
Gross profit	8,572	8,922
Selling, general and administrative expenses	8,192	8,316
Operating profit	380	606
Non-operating income		
Interest income	0	0
Subsidy income	—	6
Others	5	0
Total non-operating income	5	7
Non-operating expenses		
Finance charges	5	6
Interest on bank and other loans	22	16
Loss on foreign exchange	72	99
Share of loss of associates	129	191
Other expenses	6	1
Total non-operating expenses	235	315
Recurring profit	149	298
Profit before taxation	149	298
Corporation tax, inhabitants tax and business tax	131	144
Deferred income tax	5	6
Total income tax	136	150
Profit for the period	13	148
Profit attributable to non-controlling interests	107	55
Net profit	Δ93	92

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 3 months period ended April 30, 2017	For the 3 months period ended April 30, 2018
Profit for the period	13	148
Other comprehensive income		
Deferred gains or losses on hedges	1	0
Foreign currency translation	Δ66	Δ81
Remeasurements of defined benefit plans	5	10
Share of other comprehensive income of associates	Δ59	Δ48
Other comprehensive income	Δ119	Δ120
Comprehensive income	Δ106	28
Attributable to:		
Equity shareholders	Δ199	Δ8
Non-controlling interests	93	36

(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)

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.