Consolidated Financial Summary for Baroque Japan Limited Quarterly Financial Information for the period ended May 31, 2019

Tokyo Stock Exchange First Section, 3548

English Translation of the original Japanese-Language Report

Contents

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

The previous fiscal year was prepared for 13 months from February 1, 2018 to February 28, 2019 due to the fiscal year-end changed from 31 January to the end of February. As a result, the figures stated in the financial statement of the first quarter of the current fiscal year (from March 1, 2019 to May 31, 2019) are not comparable with the ones of the first quarter of the previous fiscal year (from February 1, 2018 to April 30, 2018).

During the first quarter of the fiscal year (from March 1, 2019 to May 31, 2019), Japanese economy maintained a gradual recovery trend supported by a solid employment and income environment, despite concerns of worsening consumer sentiment, slump in corporate earnings and capital investment that had been showing a steady growth.

Looking at the global economy, there are persistent uncertainties about the future due to trade friction between the United States and China, and there are concerns that a downturn in the U.S. and China economies will spill over to the global economy.

In the casual wear specialty store industry, where we belong, there have been signs of a pickup in spring apparel in March due to the rise in average temperature. In May, consumer spending was stimulated during the large scale Golden Week period. Nevertheless, consumer spending in apparel remained severe over all, due to concerns over sluggish real income and a continued preference for selection of products.

Under these circumstances, in the Group's domestic business, as a result to strengthen core products development and product mix (with the aim of making products that can be purchased at list price), although sales of shopping center related apparel brands such as "AZUL BY MOUSSY" fell below the previous year, sales of our founding brand "MOUSSY," our department store related apparel brands "ENFÖLD ", "någonstans," and specialty shoe brand "STACCATO," drove up the sales. As a result, domestic same-store sales remained almost unchanged from the same period of the previous fiscal year.

On the other hand, continuing from the previous fiscal year, we promoted supply chain management (SCM) in companywide base, such as improvement of purchase cost ratio and restraint on discount sales, leading to a significant improvement in the gross profit margin. In addition, we succeeded in curbing SG&A expenses by thoroughly reviewing distribution costs, reducing rents and sales consignment expenses. As a result, the operating income margin reached to double digits.

Regarding our overseas business, in China joint venture with Belle International Holdings Limited, our retail companies (equity-method affiliates) showed a recovery trend thanks to the strong sales of spring apparel, although winter products sales were sluggish. Also, our wholesale companies (consolidated subsidiaries) sales increased since our retail companies strengthened the sales of spring apparel. For our “MOUSSY” operations in the United States, which seeing a steady expansion in the wholesale business, we have been making efforts to develop wholesale partners in the United States, and to develop sales channels in Europe and other parts of the world from our sales base in New York. “ENFÖLD,” which engages in wholesale operations from Japan, also posted an increase in orders from around the world.

As a result, as at May 31, 2019, we have 355 stores in Japan (direct-operated 267, franchise 88), and 4 stores overseas (direct-operated 4), totaling 359 stores. In addition, we have another 251 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 16,609 million yen, operating profit is 1,880 million yen, recurring profit is 1,661 million yen, and net profit is 976 million yen.

(2) Financial review

During the 3 months period ended May 31, 2019, assets decreased by 1,612 million yen to 39,102 million yen, mainly due to the decrease in cash and cash equivalents by 2,553 million yen, and the increase in inventories by 1,050 million yen.

Liabilities decreased by 1,340 million yen to 19,009 million yen, mainly due to the decrease in Trade and other payables by 796 million yen, and the decrease in Current tax payable by 715 million yen .

Equity decreased by 272 million yen to 20,092 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 976 million yen due to net profit, and the increase in Non-controlling interests by 74million yen.

2. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 28, 2019	As at May 31, 2019
Assets		
Current assets		
Cash and cash equivalents	18, 504	15, 843
Trade and other receivables	7, 311	7, 245
Inventories	5, 438	6, 488
Consumables	50	50
Others	404	385
Total current assets	31, 710	30, 014
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1, 275	1, 543
Land	350	350
Construction in progress	17	30
Others (net)	119	124
Total property, plant and equipment	1, 762	2, 049
Intangible assets		
Software	513	481
Others	57	60
Total intangible assets	571	542
Investments and other assets		
Investments in and advances to associates	1, 631	1, 515
Rental deposits	3, 540	3, 527
Deferred tax assets	1, 356	1, 118
Others	125	148
Total investments and other assets	6, 654	6, 310
Total non-current assets	8, 988	8, 901
Deferred assets		
Stock delivery expenses	15	9
Total deferred assets	15	9
Total assets	40, 715	38, 925

(Unit: million yen)

	As at February 28, 2019	As at May 31, 2019
Liabilities		
Current liabilities		
Trade and other payables	4, 873	4, 076
Interest-bearing borrowings	2, 901	4, 817
Other payables	1, 485	1, 343
Accrued expenses	523	619
Current tax payable	1, 246	530
Deposits received	5	5
Provision for bonus	260	135
Provision for reinstatement costs	54	53
Others	192	284
Total current liabilities	11, 541	11, 867
Non-current liabilities		
Interest-bearing borrowings	7, 107	4, 970
Other payables	22	224
Provision for retirement benefits	22	16
Deposits received	495	484
Provision for reinstatement costs	1, 038	1, 065
Deferred tax liabilities	—	67
Others	120	136
Total non-current liabilities	8, 808	6, 965
Total liabilities	20, 349	18, 832
Equity		
Shareholders' equity		
Share capital	8, 234	8, 234
Share premium	8, 051	8, 051
Retained earnings	3, 374	2, 958
Treasury stock	△258	△258
Total shareholders' equity	19, 401	18, 985
Other reserves		
Deferred gains or losses on hedges	△1	△0
Foreign currency translation reserve	△87	△19
Total other reserves	△88	△20
Non-controlling interests	1, 052	1, 127
Total equity	20, 365	20, 092
Total liabilities and equities	40, 715	38, 925

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

Consolidated income statement

(Unit: million yen)

	For the 3 months period ended April 30, 2018	For the 3 months period ended May 31, 2019
Turnover	15, 083	16, 609
Cost of goods sold	6, 161	6, 291
Gross profit	8, 922	10, 317
Selling, general and administrative expenses	8, 316	8, 437
Operating profit	606	1, 880
Non-operating income		
Interest income	0	2
Gain on foreign exchange	—	21
Subsidy income	6	7
Other income	0	7
Total non-operating income	7	38
Non-operating expenses		
Finance charges	6	4
Interest on bank and other loans	16	12
Loss on foreign exchange	99	—
Loss on disposals of property, plant and equipment	—	10
Share of loss of associates	191	223
Other expenses	1	7
Total non-operating expenses	315	257
Recurring profit	298	1, 661
Profit before taxation	298	1, 661
Corporation tax, inhabitants tax and business tax	144	328
Deferred income tax	6	306
Total income tax	150	634
Profit for the period	148	1, 026
Profit attributable to non-controlling interests	55	50
Net profit	92	976

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 3 months period ended April 30, 2018	For the 3 months period ended May 31, 2019
Profit for the period	148	1, 026
Other comprehensive income		
Deferred gains or losses on hedges	0	0
Foreign currency translation	△81	47
Remeasurements of defined benefit plans	10	—
Share of other comprehensive income of associates	△48	41
Other comprehensive income	△120	89
Comprehensive income	28	1, 115
Attributable to:		
Equity shareholders	△8	1, 044
Non-controlling interests	36	71

(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.

(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 first quarter, deferred tax assets are presented under investment and other assets and deferred tax liabilities under non-current liabilities.

(Subsequent events)

(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 （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