# Consolidated Financial Summary for Baroque Japan Limited Financial Information for the year ended February 29, 2020

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 | 3 |
| (3) Cash flows review | 3 |
| (4) Future prospect | 3 |
| 2. Management policies | 4 |
| (1) Basic management policy | 4 |
| (2) Performance target | 5 |
| (3) Medium- to long-term business strategy | 5 |
| (4) Challenges | 6 |
| 3. Basic approach for the selection of accounting standards | 8 |
| 4. Consolidated financial statements | 9 |
| (1) Consolidated balance sheet | 9 |
| (2) Consolidated income statement and consolidated statement of comprehensive income | 11 |
| (3) Consolidated statement of changes in equity | 13 |
| (4) Consolidated statement of cash flows | 14 |
| (5) Notes to the consolidated financial statements | 15 |
| (Note on going concern) | 15 |
| (Change in accounting policy) | 15 |
| (Change in methods of presentation) | 15 |
| (Segment accounting) | 15 |
| (Per share information) | 15 |
| (Subsequent events) | 16 |


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 fiscal year ended February 28, 2019 was 13 months, which is different from that of the fiscal year ended February 29, 2020. As a result, there is no comparison with the previous fiscal year.

During the year ended February 29, 2020, Japan's economy showed patches of robustness, due to improvements in the employment and income environment and an increase in capital investment, although there were also signs of stagnation with a decline in consumption due to consumption tax hikes and a series of natural disasters. Overseas, there are many uncertain events, such as tensions between the USA and China over trade issues and the UK's Brexit. In addition, a sense of uncertainty about the world economy is growing with the global spread of coronavirus disease 2019 (COVID-19).

The casual wear specialty store industry, to which we belong, continued to face a challenging environment due to the impact of the consumption tax hikes and the natural disasters mentioned above, as well as customers' changing needs for autumn and winter clothes due to milder winter weather from the early autumn.

Against this backdrop, in our domestic business, we continued to strive to develop products in line with demand, while suppressing excessive discounts that would damage our brand image, aiming to increase product sales at list prices." In addition, we have been working "to provide more attractiveness and convenience through NEW RETAIL solution under the innovation concept," one of our priority strategies under the new mid-term (5 year) plan "GLOBAL NEW RETAIL 1ST STAGE 2024." Specifically, we are engaged in initiatives to promote more efficient operations and enhance customer satisfaction, such as introducing RFID (Radio Frequency Identification) product tags for AZUL BY MOUSSY, strengthening collaboration between our e-commerce platform and stores, and introducing marketing automation, which automatically provides customers with personalized content based on the analysis of their behaviors.

By brand categories, our department store brands performed well, led by some brands that have not spent much time since they were created, despite some impacts of the consumption tax hikes and the warm winter. Sales of our shopping center brands began to recover in the second half of the fiscal year, thanks to measures such as controlled purchasing of winter clothes, strengthening the product appeal of mid-clothing (jackets, blouses, shirts, pants, etc.) and selling products at appropriate prices. However, sales of fashion buildings and railway station building brands struggled to grow, partly due a shortage of hit products that sold better than those of the previous year, in addition to the effect of the consumption tax hikes and seasonal factors mentioned above. These conditions drove our company's same store sales for the year ended February 29, 2020 slightly below the previous year's level, despite a recovery during the second half.

With regard to the gross profit, we achieved an improvement in the domestic gross profit margin through a reduction in the purchase cost ratio resulting from the ongoing reforms of the supply chain management (SCM) and the promotion of a company-wide proprietary sales strategy. Regarding domestic SG&A expenses, although personnel expenses were greater than planned due to increasing the number of store staffs with the aim of promoting work style reforms, we worked to control costs through review of outsourcing expenses, and reductions in commission rent, sales outsourcing and other expenses.

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

As a result, as at February 29, 2020, we have 356 stores in Japan (direct-operated 268, franchise 88), and 5 stores overseas (direct-operated 5), totaling 361 stores. In addition, we have 285 stores in China with our joint venture partner Belle International Holdings Limited.

Consolidated turnover is 65,880 million yen, operating profit is 4,604 million yen, recurring profit is 4,586 million yen, and net profit is 2,871 million yen.

## (2) Financial review

Total assets, liabilities and equity as of the year ended February 29, 2020 are as follows:

(Total assets)

Total assets at the end of the current consolidated fiscal year decreased by 2,432 million yen from the end of the previous consolidated fiscal year to 38,282 million yen.

This was mainly due to the decrease in Cash and deposits by 2,370 million yen, the increase in Notes and trade receivables, by 143 million yen and the decrease in Inventories by 275 million yen.

(Liabilities)

Liabilities decreased by 3,559 million yen to 16,790 million yen from the end of the previous fiscal year. This was mainly due to the decrease in Notes and trade payables by 1,430 million yen, the increase in Other payables and Accrued expenses by 513 million yen, and the repayments of Interest-bearing borrowings by 2,901 million yen.

(Equity)

Equity increased by 1,127 million yen to 21,492 million yen. This was mainly due to the decrease in Retained earnings by 1,391 million yen for the payment of dividends, the increase in Retained earnings by 2,871 million yen from net profit, the increase in Treasury stock by 490 million yen, and the increase in Non-controlling interests by 214 million yen.

## (3) Cash flows review

Cash and cash equivalents decreased by 2,370 million yen to 16,133 million yen.

A summary of cash flows during the year is as follows:

（Cash flows from operating activities）

Net cash flows provided by operating activities totaled 3,593 million yen, mainly due to profit before taxation of 4,446 million yen, depreciation of 926 million yen, decrease in trade and other payables of 1,366 million yen, and income taxes paid of 1,014 million yen.

（Cash flows from investing activities）

Net cash flows used by investing activities totaled 1,085 million yen, mainly due to purchase of property, plant and equipment of 857 million yen, and purchase of intangible assets of 257 million yen.

（Cash flows from financing activities）

Net cash flows used by financing activities totaled 4,853 million yen, mainly due to repayment of long-term borrowings amounted to 2,901 million yen, purchase of treasury stock amounted to 497 million yen, and payment for dividend amounted to 1,391 million yen.

## (4) Future prospect

Due to factors including the effects of COVID-19 spreading across the globe, we cannot present an optimistic outlook currently. In light of these conditions, in the fiscal year ending February 28, 2021, we are giving top priority to securing profits with aiming to manage inventories and costs thoroughly in Japan and overseas. We also aim to expand our overseas business including China in a sustained manner, which is a medium- to long-term challenge, promote our NEW RETAIL strategy, advance and expand our brands business, and improve profitability.

Although the COVID-19 spreading had had significant impact on our stores in China since mid-January (Lunar New Year), making them to temporarily close, those operations gradually resumed afterwards. As of the end of March, excluding 7 stores in Wuhan, all stores have resumed operations, and sales have rapidly recovered. Meanwhile, as of the end of March, there were 162 stores in Japan operating in a short time period, which is expected to have an impact on our business performance, including the impact of temporary suspension of operations at commercial facilities due to the emergency announcement from the Japanese government.

For our domestic business, we aim to increase the gross profit ratio with a more detailed approach to

merchandising, with emphases on mid-weight clothing in anticipation of a warm winter, and strengthening sales of products at list prices by cultivating more timely and well-measured product launches. Also, we will invest in MOUSSY, our strategy brand, with initiatives such as expanded and enhanced product lines. In the e-commerce business, in addition to enhancing our e-commerce platform, we will strengthen collaboration with other companies' e-commerce platforms that are expected to acquire new customers.

For our SHEL'TTER PASS, a membership point app, we will enhance service by promoting measures to improve new customer acquisition and active user rates. Based on the app, we will further advance collaboration between our e-commerce website and stores, promote the transition to omnichannel while offering greater appeal and convenience to our customers with the aim of improving profitability and grow sales.

We will perform more efficient store operations with the strategic scrap and build of our stores, which will open stores in popular commercial facilities, and the streamlining of our logistics using RFID (Radio Frequency Identification) product tags. In addition, we will promote efficient operations through the use of ICT (Information and Communication Technology) and respond to the reforms of working styles.

As for new businesses, we will realize and begin operating a business model based on the themes of social networking services and sustainability. In addition, as part of our NEW RETAIL strategies, we are preparing to launch showrooms that do not have any inventory at stores.

For our overseas business, especially our joint venture business with Belle International Holdings Limited in China, we will aim to increase its contribution to profits through a net increase of around 20 to 30 stores per year and by strengthening the e-commerce business, while also giving attention to optimizing our merchandizing structure. For our MOUSSY operations in the United States, which is seeing a steady expansion in the wholesale business, we will continue to develop sales channels in Europe and other parts for the world from our sales base in New York. Our wholesale brand ENFÖLD in Japan will also seek to increase orders from around the world.

The forecasts of financial results for the fiscal year under review remains to be determined at present, because it is not possible to make a rational estimate of factors having impacts on consumers' purchasing behavior in Japan and overseas as well as the supply situation, due to COVID-19. We will announce the forecasts as soon as it becomes possible to calculate the monetary impacts.

(Risk information due to the spread of COVID-19)

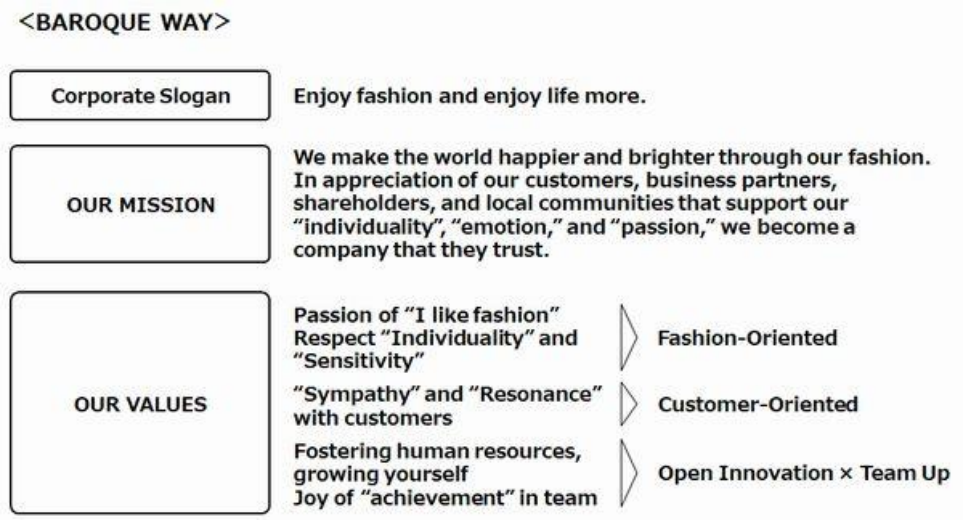
Due to the global outbreak of COVID-19 infections, it is anticipated that domestic and overseas retail facilities in which our group operates will take short-term or temporary closure of operations, which will result in a decrease in sales and may adversely affect our business results.

In addition, if this situation expands or lengthens, overall decline in sales may affect the profitability of the Group.

## 2. Management policies

### (1) Basic management policy

The company philosophy of Baroque Japan Limited is "Challenge". We are striving to "launch Baroque on the world stage as a leading Japanese fashion brand". As a concrete way of taking up this "challenge," we pursue the following objectives as "OUR MISSION" under our corporate slogan "Enjoy fashion and enjoy life more."



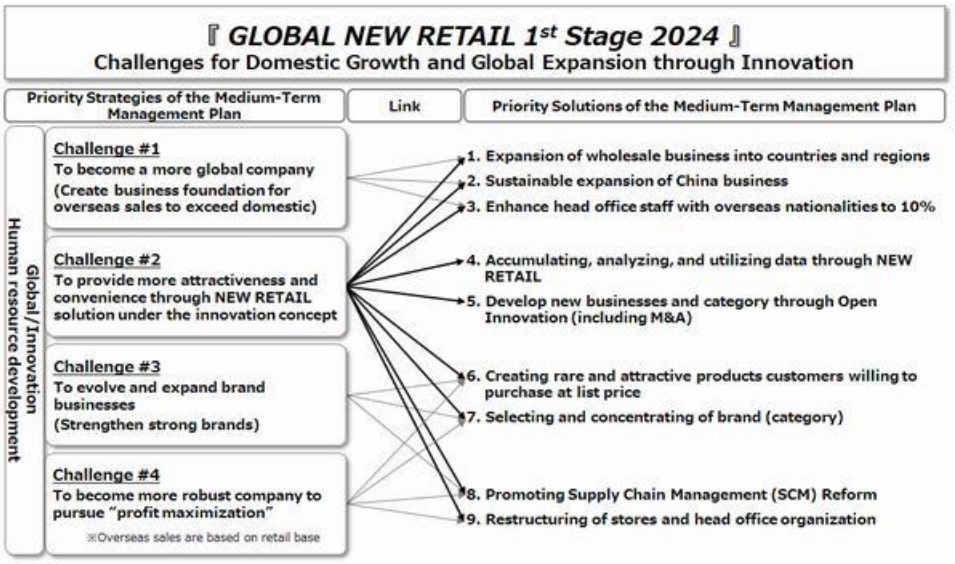

(2) Performance target

To continue enhancing corporate value going forward, we aim to increase consolidated operating profit, recurring profit and return on equity by raising our growth potential, focusing on the profitability of both the domestic business and the overseas business.

(3) Medium- to long-term business strategy

Focusing on sustainable growth at home and abroad as well as obtaining high evaluation from stakeholders, we have formulated the new mid-term (5-year) plan "GLOBAL NEW RETAIL 1ST STAGE 2024" starting from the year ending February 29, 2020.

We aim to enhance corporate value under the following concept:




Our main target figures are as follows:

| Item | Year ended February 28,2019 | Year ending February 29, 2024 |
|---|---|---|
| Sales | 71.0billion yen | 100.0billion yen |
| Operating profit | 4.7billion yen | 8.5billion yen |
| Recurring profit | 4.5billion yen | 8.7billion yen |
| Net profit | 2.9billion yen | 5.7billion yen |
| Overseas sales ratio | 24.0% | 33.0% |
| Return on equity (ROE) | 16.0% | 20.0% |

(4) Challenges

The Group will give priority to the improvement of profitability of the domestic business and continuous expansion of our overseas business with a focus in China. At the same time, we will address challenges such as enhancing brand value, promoting sustainability initiatives, further improving product quality, developing human resources, strengthening company management, and improving ERP system.

① Improving profitability in the domestic business

a) Finding new customers through new businesses

Based on our founding principle "Create what we want to wear," we have provided customers of diverse individuality and sensitivity with a variety of brands. In addition, we have focused on acquiring customers through the development of unique and creative business models, through measures such as the launch of an e-commerce platform ahead of competitors.

In terms of new businesses, we will create new value not only through the enhancement of characteristic highly-fashionable brands, but also through new initiatives targeting potential customers. On the other hand, we will abolish unprofitable brands, and carry out brand selection and consolidation.

In addition, we are seeing new business models emerge such as sharing, custom-made fashion based on e-commerce, and cross-border e-commerce, mainly due to the diversification of personal values and the progress of IT and digitization. Grasping this trend accurately, we will promote investment in new businesses where we can expect to complement and strengthen our brand business so that we can provide customers with new values and more convenience.

We will cultivate and acquire new customers through these new brands and new businesses.

b) Initiatives to build sustainable customer relationships

For our domestic business, in addition to continuing to approach new and existing customers through digital marketing, we will utilize the "SHEL'TTER PASS" membership point app to enhance service through measures to increase active user rates. We will also strive to further strengthen collaboration between stores and e-commerce (the transition to omnichannel) through the app and build sustainable customer relationships.

The Group has already integrated the membership data of "SHEL'TTER PASS" and those on our e-commerce system, and delivered information on recommended products or information on deals such as coupons that match the customer's preferences, based on the customer's purchase and browsing history information. In addition to this function, we aim to evolve "SHEL'TTER PASS" into an app that has customers accessing it even when they do not buy any products, leading to the creation of its own community of users.

In the second half of the year ended February 29, 2020, we also began implementing measures to strengthen coordination between our e-commerce platform and all direct-operated stores by measures including displaying store inventory on the e-commerce website, linking store inventory and proprietary e-commerce inventory automatically, and facilitating the store settlement of e-commerce inventory.

Through these measures, we will work on increasing the volume of customers visiting our stores and our e-commerce website, while offering greater appeal and convenience to our customers.

c) Improving the gross profit ratio

For each brand's business, we will strengthen sales that does not rely on discounts, by developing mainstay products with clearly defined product strengths and taking a more detailed approach to merchandising, including setting selling prices in line with demand.

We will also endeavor to realize more reasonable product costs, through the promotion of direct trade that does not rely on trading companies for production in China, and supply chain management (SCM) reform that utilizes production in third countries such as those in the ASEAN region.

Furthermore, as part of our NEW RETAIL initiative, we will promote the strategic linkage of data and people by utilizing digital technologies to design merchandising based on big data and introducing tools to optimize

distribution.

Through these measures, we will work on improving the gross profit ratio.

d) Controlling selling and administrative expenses and raising efficiency

While maintaining our basic strategy of pursuing growth by proactively investing in new businesses and brands requiring enhancement, we will strive to reform our cost structure by utilizing ICT, enhance the efficiency of store operations, and optimize personnel deployment at the stores and the head office with the aim of controlling and improving the efficiency of major SG&A expenses, including expenses for advertising and promotion, and human resources.

Specifically, we aim to improve the efficiency of using promotion costs, by promoting digital marketing and strengthening analysis by inflow channel, which is not possible through a paper medium.

In addition, by introducing RFID (Radio Frequency Identification) product tags, registering the product data of each carton, introducing a system that manages the location information during shipment, and adopting a standardized carton to improve the container load factor, we endeavor to improve the efficiency of logistics.

Furthermore, by introducing RFID management systems for stores, we aim to streamline inventory operations, cash register operations, and other operations, and promote efficient store management. Also, we will work on improving the efficiency of staff members in the stores through strategic scrap and build of the stores.

Through these efforts, we will work on reducing expenses for advertising and promotion, logistics, and human resources.

Through these measures, we will endeavor to improve profitability in the domestic business.

② Expanding the overseas business

For our business in China, besides strengthening the e-commerce business on the back of greater brand recognition, we will aim at a stable business growth, limiting the net increase in the number of stores to around 20 to 30 per year.

For our business in the United States, we will develop the robust wholesale business of MOUSSY not only within the United States but to other countries across the world.

We are also expanding the overseas wholesale business of ENFÖLD brand from Japan. We will monitor the reputation and evaluation of the brand in each country through these wholesale operations, and will link this to opening of stores in Southeast Asia and other countries to accelerate our global expansion.

Through the above, we will work on expanding the overseas business.

③ Enhancing brand value

We are designing and producing edgy apparel products mainly for customers and fans in Japan and China with sophisticated fashion sense. Moving forward, we will continue to cater to customer preferences and seek to expand our customer base through enhanced product development and introduction of new businesses, with a view to further enhancing our brand value.

④ Sustainability response

The repeated cycle of "mass production, mass consumption, and mass disposal" characterizes the apparel industry. We recognize this cycle as a challenge risking not only the sustainability of the apparel industry but also that of the entire globe. As part of our efforts to enhance corporate value sustainably, we will focus on initiatives to overcome the challenge.

Specifically, in addition to taking a more detailed approach to merchandizing to produce only products that will not be wasted, we will work to develop products using recycled down, a mixture of recovered and new down, and polyester material made recycled PET bottles as part of our efforts to use environmentally-friendly materials.

Based on these measures, we will endeavor to provide a rich and expansive future to all our stakeholders.

⑤ Further improving product quality

We will further improve the quality of our products by carefully selecting production contractors with a focus on quality, inspecting products, and managing logistics and inventory.

⑥ Developing human resources

At our stores, we build relationships with our customers by offering personalized suggestions for outfit coordination of highly fashionable products. As a means of attracting customers, we develop original products by appointing members of our sales staff to participate in product development, and for marketing, make frequent use of information disseminated by our sales staff via digital media.

We will augment these efforts to secure and develop human resources, which are important management resources for the Company. In addition, we will promote efficient operations through the use of ICT and respond to the reforms of working styles.

⑦ Strengthening company management

We believe that a strong corporate governance system is essential to our business expansion. We will continue to enforce thorough regulatory compliance and appropriate implementation of internal control systems to ensure the appropriateness of our business operations and reliability of our financial reports.

⑧ Improving ERP system

We use a number of POS, accounting and e-commerce systems in our business operations. Stable operation of these systems is essential for the continuity and growth of our business. We will strengthen our framework for system development, maintenance and inspection of our ERP system and other business systems to ensure stable operation.

## 3. Basic approach for the selection of accounting standards

The Group prepares its consolidated financial statements based on the generally accepted accounting principles in Japan to allow comparisons with prior years and other companies.

Regarding the adoption of International Financial Reporting Standards, we shall continue to evaluate both internal and external environments before making a decision.

4. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

| | As at February 28, 2019 | As at February 29, 2020 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 18,504 | 16,133 |
| Notes and trade receivables | 7,311 | 7,455 |
| Inventories | 5,438 | 5,163 |
| Consumables | 50 | 61 |
| Others | 404 | 472 |
| Provision for doubtful accounts | － | △0 |
| Total current assets | 31,710 | 29,285 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Building and leasehold improvements (net) | 1,275 | 1,544 |
| Land | 350 | 350 |
| Construction in progress | 17 | 7 |
| Others (net) | 119 | 104 |
| Total property, plant and equipment | 1,762 | 2,005 |
| Intangible assets | | |
| Software | 513 | 566 |
| Others | 57 | 74 |
| Total intangible assets | 571 | 640 |
| Investments and other assets | | |
| Investments in and advances to associates | 1,631 | 1,666 |
| Rental deposits | 3,540 | 3,334 |
| Deferred tax assets | 1,356 | 1,219 |
| Others | 125 | 130 |
| Total investments and other assets | 6,654 | 6,351 |
| Total non-current assets | 8,988 | 8,997 |
| Deferred assets | | |
| Stock delivery expenses | 15 | － |
| Total deferred assets | 15 | － |
| Total assets | 40,715 | 38,282 |

(Unit: million yen)

| | As at February 28, 2019 | As at February 29, 2020 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and trade payables | 4,873 | 3,442 |
| Interest-bearing borrowings | 2,901 | 3,982 |
| Other payables | 1,485 | 1,868 |
| Accrued expenses | 523 | 653 |
| Current tax payable | 1,246 | 1,338 |
| Deposits received | 5 | 25 |
| Provision for bonus | 260 | 261 |
| Provision for reinstatement costs | 54 | 66 |
| Others | 192 | 211 |
| Total current liabilities | 11,541 | 11,849 |
| Non-current liabilities | | |
| Interest-bearing borrowings | 7,107 | 3,125 |
| Other payables | 22 | 111 |
| Provision for retirement benefits | 22 | 18 |
| Deposits received | 495 | 470 |
| Provision for reinstatement costs | 1,038 | 1,056 |
| Deferred tax liabilities | — | 64 |
| Others | 120 | 93 |
| Total non-current liabilities | 8,808 | 4,940 |
| Total liabilities | 20,349 | 16,790 |
| Equity | | |
| Shareholders' equity | | |
| Share capital | 8,234 | 8,258 |
| Share premium | 8,051 | 8,075 |
| Retained earnings | 3,374 | 4,854 |
| Treasury stock | △258 | △749 |
| Total shareholders' equity | 19,401 | 20,439 |
| Other reserves | | |
| Deferred gains or losses on hedges | △1 | △0 |
| Foreign currency translation reserve | △87 | △213 |
| Total other reserves | △88 | △213 |
| Non-controlling interests | 1,052 | 1,267 |
| Total equity | 20,365 | 21,492 |
| Total liabilities and equities | 40,715 | 38,282 |

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

Consolidated income statement

(Unit: million yen)

| | For the year ended February 28, 2019 | For the year ended February 29, 2020 |
|---|---|---|
| Turnover | 71,034 | 65,880 |
| Cost of goods sold | 30,693 | 28,043 |
| Gross profit | 40,341 | 37,837 |
| Selling, general and administrative expenses | 35,605 | 33,232 |
| Operating profit | 4,736 | 4,604 |
| Non-operating income | | |
| Interest income | 4 | 7 |
| Share of profit of associates | — | 24 |
| Subsidy income | 116 | 93 |
| Refunds of cancelled insurance premium | 45 | — |
| Other income | 9 | 47 |
| Total non-operating income | 176 | 173 |
| Non-operating expenses | | |
| Interest on bank and other loans | 65 | 42 |
| Finance charges | 25 | 27 |
| Loss on disposals of property, plant and equipment | 45 | 34 |
| Loss on foreign exchange | 171 | 52 |
| Share of loss of associates | 33 | — |
| Other expenses | 29 | 35 |
| Total non-operating expenses | 370 | 192 |
| Recurring profit | 4,542 | 4,586 |
| Extraordinary income | | |
| Gain on revision of retirement benefit plan | 340 | — |
| Total extraordinary income | 340 | — |
| Extraordinary expenses | | |
| Impairment loss | 120 | 140 |
| Total extraordinary expenses | 120 | 140 |
| Profit before taxation | 4,762 | 4,446 |
| Corporation tax, inhabitants tax and business tax | 1,556 | 1,119 |
| Deferred income tax | 2 | 201 |
| Total income tax | 1,558 | 1,321 |
| Profit for the year | 3,203 | 3,125 |
| Profit attributable to non-controlling interests | 259 | 253 |
| Net profit | 2,944 | 2,871 |

Consolidated statement of comprehensive income

(Unit: million yen)

| | For the year ended February 28, 2019 | For the year ended February 29, 2020 |
|---|---|---|
| Profit for the year | 3,203 | 3,125 |
| Other comprehensive income | | |
| Deferred gains or losses on hedges | 2 | 1 |
| Foreign currency translation | △185 | △94 |
| Remeasurements of defined benefit plans | 128 | — |
| Share of other comprehensive income of associates | △152 | △66 |
| Other comprehensive income | △207 | △159 |
| Comprehensive income | 2,995 | 2,965 |
| Attributable to | | |
| Equity shareholders | 2,802 | 2,746 |
| Non-controlling interests | 192 | 219 |

## (3) Consolidated statement of changes in equity

For the year ended February 28, 2019

(Unit: million yen)

| | Shareholders' equity | | | | | Other reserves | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Retained earnings | Treasury stock | Total shareholders' equity | Deferred gains or losses on hedges | Foreign currency translation reserve | Remeasurements of defined benefit plans | Total other reserves | | |
| Balance at beginning of year | 8,090 | 8,016 | 1,698 | △263 | 17,542 | △3 | 184 | △128 | 52 | 871 | 18,466 |
| Changes during year | | | | | | | | | | | |
| Issuance of shares | 143 | 143 | | | 286 | | | | | | 286 |
| Dividend | | △108 | △1,268 | | △1,377 | | | | | | △1,377 |
| Disposal of treasury stock | | | | 4 | 4 | | | | | | 4 |
| Net profit | | | 2,944 | | 2,944 | | | | | | 2,944 |
| Net changes other than shareholders' equity | | | | | | 2 | △271 | 128 | △141 | 181 | 40 |
| Total changes during year | 143 | 34 | 1,675 | 4 | 1,858 | 2 | △271 | 128 | △141 | 181 | 1,898 |
| Balance at end of year | 8,234 | 8,051 | 3,374 | △258 | 19,401 | △1 | △87 | － | △88 | 1,052 | 20,365 |

For the year ended February 29, 2020

（単位：百万円）

| | Shareholders' equity | | | | | Other reserves | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Retained earnings | Treasury stock | Total shareholders' equity | Deferred gains or losses on hedges | Foreign currency translation reserve | Remeasurements of defined benefit plans | Total other reserves | | |
| Balance at beginning of year | 8,234 | 8,051 | 3,374 | △258 | 19,401 | △1 | △87 | － | △88 | 1,052 | 20,365 |
| Changes during year | | | | | | | | | | | |
| Issuance of shares | 24 | 24 | | | 48 | | | | | | 48 |
| Dividend | | | △1,391 | | △1,391 | | | | | | △1,391 |
| Purchase of treasury stock | | | | △497 | △497 | | | | | | △497 |
| Disposal of treasury stock | | | | 7 | 7 | | | | | | 7 |
| Net profit | | | 2,871 | | 2,871 | | | | | | 2,871 |
| Net changes other than shareholders' equity | | | | | | 1 | △126 | － | △125 | 214 | 89 |
| Total changes during year | 24 | 24 | 1,479 | △490 | 1,038 | 1 | △126 | － | △125 | 214 | 1,127 |
| Balance at end of year | 8,258 | 8,075 | 4,854 | △749 | 20,439 | △0 | △213 | － | △213 | 1,267 | 21,492 |

(4) Consolidated statement of cash flows

(Unit: million yen)

| | For the year ended February 28, 2019 | For the year ended February 29, 2020 |
|---|---|---|
| Cash from operating activities | | |
| Profit before taxation | 4,762 | 4,446 |
| Depreciation | 909 | 926 |
| Impairment | 120 | 140 |
| Increase (△decrease) in provision for bonus | 126 | 0 |
| Interest income | △4 | △7 |
| Interest on bank and other loans | 90 | 69 |
| Foreign exchange losses (△gain) | △2 | 13 |
| Share of loss (△profit) of associates | 33 | △24 |
| Loss on disposals of property, plant and equipment | 45 | 34 |
| Decrease (△increase) in trade and other receivables | 190 | △283 |
| Decrease (△increase) in inventories | △929 | 274 |
| Increase (△decrease) in trade and other payables | 27 | △1,366 |
| Increase (△decrease) in other payables | 437 | 421 |
| Increase (△decrease) in provision for retirement benefits | △668 | △4 |
| Others | 496 | 17 |
| Subtotal | 5,635 | 4,659 |
| Interest and dividend income received | 4 | 7 |
| Interest expenses paid | △73 | △59 |
| Income taxes paid | △828 | △1,014 |
| Net cash from operating activities | 4,738 | 3,593 |
| Cash from investing activities | | |
| Purchase of property, plant and equipment | △635 | △857 |
| Purchase of intangible assets | △228 | △257 |
| Payments for rental deposits | △266 | △373 |
| Proceeds from collection of rental deposits | 192 | 577 |
| Payments for reinstatement | △57 | △175 |
| Net cash from investing activities | △995 | △1,085 |
| Cash from financing activities | | |
| Proceeds from short-term borrowings | 3,500 | — |
| Repayment of short-term borrowings | △5,000 | — |
| Proceeds from long-term borrowings | 1,000 | — |
| Repayment of long-term borrowings | △2,176 | △2,901 |
| Proceeds from issuance of shares | 286 | — |
| Payments for treasury stock | — | △497 |
| Payment for dividend | △1,377 | △1,391 |
| Repayment of fixed assets installment payables | △163 | △57 |
| Repayment of lease obligations | △22 | △5 |
| Net cash from financing activities | △3,953 | △4,853 |
| Effect of exchange rate change on cash and cash equivalents | △29 | △25 |
| Net increase (△ decrease) in cash and cash equivalents | △239 | △2,370 |
| Cash and cash equivalents at beginning of year | 18,743 | 18,504 |
| Cash and cash equivalents at end of year | 18,504 | 16,133 |

## (5) Notes to the consolidated financial statements

(Note on going concern)

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

(Change in accounting policy)

No such change.

(Change in methods of presentation)

"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 year, deferred tax assets are presented under investment and other assets and deferred tax liabilities under non-current liabilities.

(Segment accounting)

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

(Per share information)

| | For the year ended February 28, 2019 | For the year ended February 29, 2020 |
|---|---|---|
| Net assets per share | 530.41 Yen | 562.45 Yen |
| Net profit per share | 81.42 Yen | 79.21 Yen |
| Diluted net profit per share | 81.21 Yen | 79.10 Yen |

(Note) 1. The basis of calculating the net assets per share is as follows:

| Item | For the year ended February 28, 2019 | For the year ended February 29, 2020 |
|---|---|---|
| Net assets (million yen) | 20,365 | 21,492 |
| Deduction from net assets (million yen) | 1,052 | 1,267 |
| (Non-controlling interests) (million yen) | 1,052 | 1,267 |
| Net assets applicable to common stock shareholders (million yen) | 19,312 | 20,225 |
| Year-end number of shares of common stock used for calculation of net assets per share | 36,410,400 | 35,959,600 |

2. The basis of calculating the net profit and diluted net profit per share is as follows

| Item | For the year ended February 28, 2019 | For the year ended February 29, 2020 |
|---|---|---|
| Net profit per share | | |
| Net profit (million yen) | 2,944 | 2,871 |
| Amount not applicable to common stock shareholders (million yen) | — | — |
| Net profit applicable to common stock shareholders (million yen) | 2,944 | 2,871 |
| Average number of shares of common stock outstanding during the year | 36,159,876 | 36,250,055 |
| | | |
| Diluted net profit per share | | |
| Adjusted net profit (million yen) | — | — |
| Increase in number of common stock | 94,407 | 52,604 |
| (from convertible bond) | — | — |
| (from stock option) | — | — |
| Potential stock not included in the calculation of diluted net profit per share since there was no dilutive effect | Not applicable | Not applicable |

3. The Company has introduced a new performance linked compensation system, Board Benefit Trust or BBT, since the previous fiscal year. The treasury stock for that purpose was deducted from the total number of common stock when the net profit per share, diluted net profit per share, and net assets per share were calculated.

(Subsequent events)

No significant subsequent events.