# Consolidated Financial Summary for
# Baroque Japan Limited
# Quarterly Financial Information for the period ended May 31, 2020

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 consolidated cumulative first quarter, in regards to the Japanese economy, business confidence has declined due to the spread of COVID-19 and consumer activity has also shrunk significantly. Similarly, in looking to the global economy the impact has been enormous and the outlook for the future continues to remain uncertain.

In the casualwear specialty store industry to which our company belongs, the wake of the declaration of a State of Emergency has resulted in a series of business suspensions at retail stores and reductions of business hours, this situation alongside the concurrent disappearance of inbound demand has contributed to a severely difficult consumer environment.

Under these circumstances, regarding domestic business operations across our group which have been affected by closures at retail facilities, department stores, shopping malls, fashion buildings, and railway station buildings, significant decline in store sales at commercial facilities within the cumulative period can be observed; resulting in year-on-year decline in both domestic same-store sales and domestic gross profit. Meanwhile, e-commerce sales which grasped onto stay-at-home consumption trends significantly exceeded the levels of those of the previous fiscal year, contributing to a gradual recovery in sales beginning in May alongside the tiered lifting of the business suspension request from the government. Regarding SG&A expenses, we are proceeding with working on efforts to reduce advertising costs, and percentage lease expenditure and consignment-commission sales fees decreased in line with the decrease in sales.

In terms of our overseas business operations, in regards to the Chinese joint venture which we conduct with our strategic business partner Belle International Holdings Limited (hereon, Belle), although e-commerce sales greatly exceeded those of the previous fiscal year and business operations by most physical stores had resumed at the end of March, due to the impact of business suspensions in January and February following the outbreak of COVID-19 infections both retail companies (equity-method affiliate companies) and wholesale companies (consolidated subsidiaries) experienced decreases across year-on-year sales. Additionally, in regards to United States business operations, there is only one directly operated store in New York and despite the mainstay wholesale business of 'MOUSSY' being impacted by adverse environment surrounding department stores in the United States, the financial results remained profitable.

As of May 31, 2020, we have 362 stores in Japan (277 directly operated, 85 through franchise) and 5 overseas stores (5 directly operated) totaling in 367 stores. In addition, our Chinese retail business operations conducted alongside our joint venture partner Belle have grown to include 287 storefronts.

As a result of the above, the first quarter of the current consolidated cumulative period saw a consolidated turnover of 8,566 million yen (down 48.4% from the same term last year), a operating profit of 78 million yen (down 95.8% from the same term last year), reoccurring loss of 376 million yen (year-on-year gains of 1,661 million yen), and net loss of 797 million yen (year-on-year gains of 976 million yen).

### (2) Financial review

During the 3 months' period ended May 31, 2020, assets decreased by 1,831 million yen to 36,451 million yen, mainly due to the decrease in Cash and cash equivalents by 3,716 million yen, the decrease in Notes and trade receivables by 458 million yen, and the increase in Inventories by 2,358 million yen.

Liabilities increased by 375 million yen to 17,165 million yen, mainly due to the increase in Short-term Interest-bearing borrowings by 3,000 million yen, the decrease in Other payables by 787million yen, and Current tax payable by 1,178 million yen, and Provision for bonus by 261 million yen

Equity decreased by 2,206 million yen to 19,285 million yen, mainly due to the decrease in Retained earnings by 1,374 million yen for the payment of dividends, the decrease in Retained earnings by 797 million yen from net loss.

2. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

| | As at February 29, 2020 | As at May 31, 2020 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 16,133 | 12,417 |
| Notes and trade receivables | 7,455 | 6,996 |
| Inventories | 5,163 | 7,522 |
| Consumables | 61 | 61 |
| Others | 472 | 679 |
| Provision for doubtful accounts | △0 | △0 |
| Total current assets | 29,285 | 27,675 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Building and leasehold improvements (net) | 1,544 | 1,633 |
| Land | 350 | 350 |
| Construction in progress | 7 | 64 |
| Others (net) | 104 | 100 |
| Total property, plant and equipment | 2,005 | 2,148 |
| Intangible assets | | |
| Software | 566 | 538 |
| Others | 74 | 70 |
| Total intangible assets | 640 | 608 |
| Investments and other assets | | |
| Investments in and advances to associates | 1,666 | 1,268 |
| Rental deposits | 3,334 | 3,271 |
| Deferred tax assets | 1,219 | 1,337 |
| Others | 130 | 141 |
| Total investments and other assets | 6,351 | 6,018 |
| Total non-current assets | 8,997 | 8,775 |
| Total assets | 38,282 | 36,451 |

(Unit: million yen)

| | As at February 29, 2020 | As at May 31, 2020 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and trade payables | 3,442 | 3,246 |
| Short-term Interest-bearing borrowings | — | 3,000 |
| Interest-bearing borrowings | 3,982 | 1,920 |
| Other payables | 1,868 | 1,080 |
| Accrued expenses | 653 | 525 |
| Current tax payable | 1,338 | 160 |
| Deposits received | 25 | 5 |
| Provision for bonus | 261 | — |
| Provision for reinstatement costs | 66 | 60 |
| Others | 211 | 254 |
| Total current liabilities | 11,849 | 10,253 |
| Non-current liabilities | | |
| Interest-bearing borrowings | 3,125 | 5,050 |
| Other payables | 111 | 109 |
| Provision for retirement benefits | 18 | 18 |
| Deposits received | 470 | 483 |
| Provision for reinstatement costs | 1,056 | 1,089 |
| Deferred tax liabilities | 64 | 62 |
| Others | 93 | 98 |
| Total non-current liabilities | 4,940 | 6,911 |
| Total liabilities | 16,790 | 17,165 |
| Equity | | |
| Shareholders' equity | | |
| Share capital | 8,258 | 8,258 |
| Share premium | 8,075 | 8,075 |
| Retained earnings | 4,854 | 2,682 |
| Treasury stock | △749 | △749 |
| Total shareholders' equity | 20,439 | 18,267 |
| Other reserves | | |
| Deferred gains or losses on hedges | △0 | — |
| Foreign currency translation reserve | △213 | △296 |
| Total other reserves | △213 | △296 |
| Non-controlling interests | 1,267 | 1,315 |
| Total equity | 21,492 | 19,285 |
| Total liabilities and equities | 38,282 | 36,451 |

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

Consolidated income statement

(Unit: million yen)

| | For the 3 months period ended May 31, 2019 | For the 3 months period ended May 31, 2020 |
|---|---|---|
| Turnover | 16,609 | 8,566 |
| Cost of goods sold | 6,291 | 3,630 |
| Gross profit | 10,317 | 4,935 |
| Selling, general and administrative expenses | 8,437 | 4,856 |
| Operating profit | 1,880 | 78 |
| Non-operating income | | |
| Interest income | 2 | 1 |
| Gain on foreign exchange | 21 | － |
| Subsidy income | 7 | 25 |
| Other income | 7 | 4 |
| Total non-operating income | 38 | 32 |
| Non-operating expenses | | |
| Finance charges | 4 | 6 |
| Interest on bank and other loans | 12 | 8 |
| Loss on foreign exchange | － | 12 |
| Loss on disposals of property, plant and equipment | 10 | 0 |
| Share of loss of associates | 223 | 455 |
| Other expenses | 7 | 4 |
| Total non-operating expenses | 257 | 487 |
| Recurring profit or loss | 1,661 | △376 |
| Extraordinary expenses | | |
| Loss due to temporary store closures | － | 397 |
| Total extraordinary expenses | － | 397 |
| Profit or loss before taxation | 1,661 | △773 |
| Corporation tax, inhabitants tax and business tax | 328 | 59 |
| Deferred income tax | 306 | △117 |
| Total income tax | 634 | △57 |
| Profit or loss for the period | 1,026 | △715 |
| Profit attributable to non-controlling interests | 50 | 81 |
| Net profit or loss | 976 | △797 |

Consolidated statement of comprehensive income

(Unit: million yen)

| | For the 3 months period ended May 31, 2019 | For the 3 months period ended May 31, 2020 |
|---|---|---|
| Profit or loss for the period | 1,026 | △715 |
| Other comprehensive income | | |
| Deferred gains or losses on hedges | 0 | 0 |
| Foreign currency translation | 47 | △73 |
| Share of other comprehensive income of associates | 41 | △40 |
| Other comprehensive income | 89 | △113 |
| Comprehensive income | 1,115 | △829 |
| Attributable to: | | |
| Equity shareholders | 1,044 | △880 |
| Non-controlling interests | 71 | 51 |

## (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)

(Regarding the Uncertainty of Accounting Estimates)

Across our group, in order to prevent the spread of COVID-19, within our domestic business operations, as of May 6, 2020, all physical stores ceased business operations, but after the lifting of the State of Emergency, our store operation had since resumed, with the resumption of operation at all stores since the 9th of June. Additionally, as for overseas business operations, in China which has proactively resumed economic activity, sales are gradually recovering as of May 2020.

The impact of COVID-19 epidemic on our group has been illustrated in the decrease of customers due to stay-at-home orders and the request for the suspension of business. Assuming that we return to normal business operations by June 2020 and recover gradually hereafter, we are performing impairment assessment for fixed assets and determining the recoverability of deferred tax assets.

Note that currently, with the spread of COVID-19 unpredictable, if future trends deviate from existing assumptions and conditions, there is the possibility that it may affect the business performance and financial condition of the Group.

(Subsequent events)

No significant subsequent events.