Consolidated Financial Summary for Baroque Japan Limited Financial Information for the year ended February 28 2021

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	2
(3) Cash flows review	3
(4) Future prospect	3
2. Basic approach for the selection of accounting standards	3
3. Consolidated financial statements	4
(1) Consolidated balance sheet	4
(2) Consolidated income statement and consolidated statement of comprehensive income	6
(3) Consolidated statement of changes in equity	8
(4) Consolidated statement of cash flows	9
(5) Notes to the consolidated financial statements	10
(Note on going concern)	10
(Change in accounting policy)	10
(Additional information)	10
(Segment accounting)	10
(Per share information)	10
(Subsequent events)	11

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 fiscal year ended February 28, 2021, due to the effects of the Covid-19 epidemic globally, the Japanese economy remained in a difficult situation with both economic activity stagnating and sluggish personal consumption. Although regarding future economic outlooks, due to the effects of various policies and improvement of various national economies, it is expected that the domestic economy will return to pace, it is necessary to pay close attention to the potential impact of downside risks in domestic and overseas economies due to resurgence of infection. In that sense, uncertainty still remains in the current situation.

Under these circumstances, the spread of the Covid-19 epidemic has had a significant impact on the business performance of the Group's domestic business across the entire fiscal year. While sales showed a recovery trend from the beginning of autumn when the 2nd wave of Covid-19 infections subsided, domestic sales slowed again due to the effect of curtailed business hours and the public refraining from going out due to the reissuing of a State of Emergency from January onwards. Domestic sales were illustrated having decreased year on year. In addition, however, it should be noted that domestic EC sales are growing significantly by both strengthening and promoting EC operations such as through the adaptation of Staff Start, working to improve live commerce capabilities, et cetera. Subsequently, in addition to thorough proper sales and inventory control, we worked vigorously to reduce SG & A expenses such as business consignment expenses, advertising expenses, and through reduction of personnel expenses such as reduction of executive compensation - allowing domestic business to maintain profitability.

As a measure to strengthen customer contact points in line with the new normal situation in Covid-19 epidemic, we are promoting efforts to improve convenience for customers by strengthening EC contacts with various tools such as remote customer service. Furthermore, we will strengthen our efforts and further work on sustainability from three aspects which are environment, society and people by manufacturing that does not overproduce and actively utilize environmentally friendly materials.

Regarding the Chinese Joint Venture with Belle International Holdings Limited (hereon, Belle), our strategic business partner within the Joint Venture, the Chinese market is recovering quickly, and the sales of both retail companies (equity method affiliates) and wholesale companies (consolidated subsidiaries) have been on a recovery trend since May, in line with the return of personal consumption in China. As live commerce in China has become more sophisticated, EC sales in China are increasing. Additionally, in regards to our US business operations, MOUSSY VINTAGE, which was able to capture the growing need for denim within the market, was able to achieve strong sales.

As for the number during the fiscal year ended February 28, 2021, the number of domestic stores was 370 (285 directly managed, 85 through franchise) and the number of overseas stores was 5 (5 directly managed) – for a total of 375 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle has reached 299.

As a result of the above, in the fiscal year ended February 28, 2021, consolidated turnover was 50,590 million yen (23.2% decrease from prior year), operating profit was 1,312 million yen (71.5% decrease from prior year), recurring profit was 1,187 million yen (74.1% decrease from prior year), and net income attributable to shareholders of the Parent Company was 375 million yen (86.9% decrease from prior year).

(2) Financial review

Total assets, liabilities and equity as of the year ended February 28, 2021 are as follows:

(Total assets)

Total assets at the end of the current consolidated fiscal year increased by 60 million yen from the end of the previous consolidated fiscal year to 38,343 million yen.

This was mainly due to the decrease in Cash and cash equivalents by 208 million yen, the increase in Notes and trade receivables by 545 million yen and the decrease in Inventories by 245 million yen.

(Liabilities)

Liabilities increased by 641 million yen to 17,431 million yen from the end of the previous fiscal year. This was

mainly due to the increase in Notes and trade payables by 430 million yen, the increase Interest-bearing borrowings in by 2,017 million yen, and the decrease in Other payables by 922 million yen, and the decrease in Current tax payable by 788 million yen.

(Equity)

Equity decreased by 580 million yen to 20,911 million yen. This was mainly due to the decrease in Retained earnings by 1,374 million yen for the payment of dividends, the increase in Retained earnings by 375 million yen from net profit, the decrease in Treasury stock by 56 million yen, and the increase in Non-controlling interests by 334 million yen.

(3) Cash flows review

Cash and cash equivalents decreased by 208 million yen to 15,924 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 142 million yen, mainly due to profit before taxation of 836 million yen, depreciation of 945 million yen, and income taxes paid of 1,212 million yen.

(Cash flows from investing activities)

Net cash flows used by investing activities totaled 920 million yen, mainly due to purchase of property, plant and equipment of 548 million yen, and purchase of intangible assets of 411 million yen.

(Cash flows from financing activities)

Net cash flows provided by financing activities totaled 615million yen, mainly due to the new short-term borrowings amounted to 3,000 million yen, long-term borrowings amounted to 3,000 million yen, and repayment of long-term borrowings amounted to 3,982 million yen, and payment for dividend amounted to 1,374million yen.

(4) Future prospect

With the Covid-19 epidemic still continuing to spread, although vaccination has started, restrictions on the economic activities in various countries – such as restrictions on going out as an infection prevention measure – have had a large impact on the economy and it seems that it will still take time for a full-scale recovery of the world economy. Even domestically in Japan, with continuing effects on employment and the income environment, it remains necessary to pay attention to the impact on the market in such an uncertain future.

In regards to our domestic business operations, we aim to improve profitability and brand competitiveness, using a strategic scrap-and-build process towards our stores and promoting efforts to ensure that we do not overproducing across our manufacturing process. In addition to these steps, to improve the foundation that supports our business operations, we aim to actively invest in the growth base of the company, renew core systems with New Retail principles and strategies at its base, and promote the strengthening of our digital marketing activities.

In regards to our overseas business operations, we will continue to position China as a strategically important region through striving to strengthen our business management system to maintain continuous growth of our business operations in China

2.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.

3. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 29, 2020	As at February 28, 2021
Assets		
Current assets		
Cash and cash equivalents	16,133	15,924
Notes and trade receivables	7,455	8,001
Inventories	5,163	4,918
Consumables	61	197
Others	472	348
Provision for doubtful accounts	△0	−
Total current assets	29,285	29,390
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,544	1,317
Land	350	350
Construction in progress	7	32
Others (net)	104	74
Total property, plant and equipment	2,005	1,773
Intangible assets		
Software	566	701
Others	74	118
Total intangible assets	640	819
Investments and other assets		
Investments in and advances to associates	1,666	1,597
Rental deposits	3,334	3,232
Deferred tax assets	1,219	1,426
Others	130	102
Total investments and other assets	6,351	6,359
Total non-current assets	8,997	8,952
Total assets	38,282	38,343

(Unit: million yen)

	As at February 29, 2020	As at February 28, 2021
Liabilities		
Current liabilities		
Notes and trade payables	3,442	3,872
Short-term interest-bearing borrowings	—	3,000
Interest-bearing borrowings	3,982	125
Other payables	1,868	946
Accrued expenses	653	641
Current tax payable	1,338	550
Deposits received	25	10
Provision for bonus	261	297
Provision for reinstatement costs	66	9
Others	211	180
Total current liabilities	11,849	9,632
Non-current liabilities		
Interest-bearing borrowings	3,125	6,000
Other payables	111	15
Provision for retirement benefits	18	17
Deposits received	470	459
Provision for reinstatement costs	1,056	1,120
Deferred tax liabilities	64	65
Others	93	121
Total non-current liabilities	4,940	7,798
Total liabilities	16,790	17,431
Equity		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,075	8,059
Retained earnings	4,854	3,855
Treasury stock	△749	△692
Total shareholders' equity	20,439	19,480
Other reserves		
Deferred gains or losses on hedges	△0	—
Foreign currency translation reserve	△213	△170
Total other reserves	△213	△170
Non-controlling interests	1,267	1,601
Total equity	21,492	20,911
Total liabilities and equities	38,282	38,343

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

Consolidated income statement

(Unit: million yen)

	For the year ended February 29, 2020	For the year ended February 28, 2021
Turnover	65,880	50,590
Cost of goods sold	28,043	22,742
Gross profit	37,837	27,847
Selling, general and administrative expenses	33,232	26,535
Operating profit	4,604	1,312
Non-operating income		
Interest income	7	6
Gain on foreign exchange	—	44
Share of profit of associates	24	—
Rent income	29	13
Subsidy income	93	81
Other income	17	24
Total non-operating income	173	170
Non-operating expenses		
Interest on bank and other loans	42	34
Finance charges	27	27
Loss on disposals of property, plant and equipment	34	9
Loss on foreign exchange	52	—
Share of loss of associates	—	177
Other expenses	35	48
Total non-operating expenses	19	296
Recurring profit	4,586	1,187
Extraordinary income		
Subsidies for employment adjustment	—	243
Total Extraordinary income	—	243
Extraordinary expenses		
Loss due to temporary store closures	—	397
Impairment loss	140	197
Total extraordinary expenses	140	594
Profit before taxation	4,446	836
Corporation tax, inhabitants tax and business tax	1,119	490
Corporate tax refund	—	△168
Deferred income tax	201	△170
Total income tax	1,321	152
Profit for the year	3,125	683
Profit attributable to non-controlling interests	253	307
Net profit	2,871	375

Consolidated statement of comprehensive income

(Unit: million yen)

	For the year ended February 29, 2020	For the year ended February 28, 2021
Profit for the year	3,125	683
Other comprehensive income		
Deferred gains or losses on hedges	1	0
Foreign currency translation	△94	43
Share of other comprehensive income of associates	△66	24
Other comprehensive income	△159	67
Comprehensive income	2,965	751
Attributable to		
Equity shareholders	2,746	419
Non-controlling interests	219	332

(3) Consolidated statement of changes in equity

For the year ended February 29, 2020

(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	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	△759	20,439	△0	△213	△213	1,267	21,492

For the year ended February 28, 2021

（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	Total other reserves		
Balance at beginning of year	8,258	8,075	4,854	△749	20,439	△0	△213	△213	1,267	21,492
Changes during year										
Dividend			△1,374		△1,374					△1,374
Disposal of treasury stock		△16		56	39					39
Net profit			375		375					375
Net changes other than shareholders' equity						0	43	43	334	377
Total changes during year	－	△16	△998	56	△958	0	43	43	334	△580
Balance at end of year	8,258	8,059	3,855	△692	19,480	－	△170	△170	1,601	20,911

(4) Consolidated statement of cash flows

(Unit: million yen)

	For the year ended February 29, 2020	For the year ended February 28, 2021
Cash from operating activities		
Profit before taxation	4,446	836
Depreciation	926	945
Impairment	140	197
Increase (△decrease) in provision for bonus	0	36
Interest income	△7	△6
Interest on bank and other loans	69	61
Foreign exchange losses (△gain)	13	6
Share of loss (△profit) of associates	△24	177
Loss on disposals of property, plant and equipment	34	9
Subsidies for employment adjustment	−	△243
Decrease (△increase) in trade and other receivables	△283	△474
Decrease (△increase) in inventories	274	239
Increase (△decrease) in trade and other payables	△1,366	458
Increase (△decrease) in other payables	421	△899
Increase (△decrease) in provision for retirement benefits	△4	△1
Others	17	△348
Subtotal	4,659	993
Interest and dividend income received	7	6
Interest expenses paid	△59	△57
Income taxes paid	△1,014	△1,212
Corporate tax refund	−	168
Subsidies for employment adjustment received	−	243
Net cash from operating activities	3,593	142
Cash from investing activities		
Purchase of property, plant and equipment	△857	△548
Purchase of intangible assets	△257	△411
Payments for rental deposits	△373	△336
Proceeds from collection of rental deposits	577	434
Payments for reinstatement	△175	△58
Net cash from investing activities	△1,085	△920
Cash from financing activities		
Proceeds from short-term borrowings	−	3,000
Proceeds from long-term borrowings	−	3,000
Repayment of long-term borrowings	△2,901	△3,982
Payments for treasury stock	△497	−
Payment for dividend	△1,391	△1,374
Repayment of fixed assets installment payables	△57	△22
Repayment of lease obligations	△5	△5
Net cash from financing activities	△4,853	615
Effect of exchange rate change on cash and cash equivalents	△25	△46
Net increase (△ decrease) in cash and cash equivalents	△2,370	△208
Cash and cash equivalents at beginning of year	18,504	16,133
Cash and cash equivalents at end of year	16,133	15,924

(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.

(Additional Information)

(About the uncertainty of accounting estimates)

The impact of Covid-19 epidemic can be seen in consumers refraining from going out and in a decrease of the number of customers visiting stores due to following requests for curtailment of business hours and operation. Given the current situation of the Covid-19 epidemic, we anticipate gradual recovery in business performance throughout regions where economic activity has resumed, but expect the impact of the Covid-19 epidemic on the Group to remain to a certain extent until the end of the next consolidated fiscal year. Under the assumption that business performance will recover by about 90% by year, we shall make accounting estimates for impairment of fixed assets and recoverability of deferred tax assets.

Moreover, it is unclear when Covid-19 pandemic will end and if it takes more time, it may affect business performance and financial situation of our Group.

(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 29, 2020	For the year ended February 28, 2021
Net assets per share	562.48 Yen	536.18 Yen
Net profit per share	79.22 Yen	10.44 Yen
Diluted net profit per share	79.10 Yen	－ Yen

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

Item	For the year ended February 29, 2020	For the year ended February 28, 2021
Net assets (million yen)	21,492	20,911
Deduction from net assets (million yen)	1,267	1,601
(Non-controlling interests) (million yen)	1,267	1,601
Net assets applicable to common stock shareholders (million yen)	20,225	19,310
Year-end number of shares of common stock used for calculation of net assets per share	35,957,400	36,014,300

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

Item	For the year ended February 29, 2020	For the year ended February 28, 2021
Net profit per share		
Net profit (million yen)	2,871	375
Amount not applicable to common stock shareholders (million yen)	—	—
Net profit applicable to common stock shareholders (million yen)	2,871	375
Average number of shares of common stock outstanding during the year	36,248,582	35,990,013
Diluted net profit per share		
Adjusted net profit (million yen)	—	—
Increase in number of common stock	52,604	—
(from restricted stock units)	(52,604)	—
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 performance linked compensation system, Board Benefit Trust or BBT. 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.

4. The diluted net profit per share is not disclosed for the current year because there are no potentially dilutive common shares.

(Subsequent events)

No significant subsequent events.