Consolidated Financial Summary for
Baroque Japan Limited
Quarterly Financial Information for the period ended May 31, 2021

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, due to the spread of Covid-19 epidemic, the third state of emergency were issued and because of that the economic activities were restricted and personal consumption was sluggish, and the outlook for the future continues to remain uncertain.

Under these circumstances, the Group's domestic business was affected by the closure of commercial facilities and shortened business hours due to the reissue of the state of emergency from April 25. However, in the previous year, all stores were closed in May, while this year the number of closed stores were 117 as of April 25. The number of closed stores has gradually decreased since then and compared to the previous year, and the impact to the store sales shrank. As a result, domestic sales and gross profit for the consolidated cumulative first quarter were significantly higher than in the same period of the previous year.

As of domestic EC sales, even during the store closure period, we actively launch measures such as live streaming on Instagram and the sales are continuing to grow more than the previous year.

In addition to thorough proper sales and inventory control, we further strengthen to reduce SG & A expenses such as percentage rent due to the closure, personnel expenses, business consignment expenses and advertising expenses, and due to the effect of increased sales, the SG&A expense ratio improved year-on-year, and operating profit and recurring profit became significantly improved compared to the same period of the previous year.

Regarding the Chinese Joint Venture with Belle International Holdings Limited (hereon, Belle), our strategic business partner within the Joint Venture, Chinese personal consumption remains strong and the sales of both retail companies (equity method affiliates) and wholesale companies (consolidated subsidiaries) have increased year-on-year. Additionally, in regards to our US business operations, while consumption is activating due to the spread of vaccines, demand for denim continued to grow year-on-year, and both wholesale and EC sales significantly grew year-on year.

As of May 31,2021, we have 375 stores in Japan (291 directly operated, 84 through franchise) and 5 overseas stores (5 directly operated) – for a total of 380 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle has reached 291.

As a result of the above, the current consolidated cumulative first quarter period saw a consolidated turnover of 13,208 million yen (54.2% increase from the same term last year), operating profit of 802 million yen (916.4% increase from the same term last year), recurring profit of 889 million yen (year-on-year loss of 376 million yen), and net income attributable to shareholders of the parent company was 402 million yen (year-on-year loss of 797 million yen).

(2) Financial review

During the 3 months' period ended May 31, 2021, assets decreased by 1,191 million yen to 37,151 million yen, mainly due to the decrease in Cash and cash equivalents by 2,897 million yen, the increase in Inventories by 1,287 million yen, and the increase in Notes and trade receivables by 418 million yen.

Liabilities decreased by 790 million yen to 16,640 million yen, mainly due to the decreased in Short-term interest-bearing borrowings by 1,000 million yen, the increase in Notes and trade payables by 259million yen.

Equity decreased by 401 million yen to 20,510 million yen, mainly due to the payment of dividends by 1,158 million yen , and the increase in Retained earnings by 402 million yen from net profit.

2. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 28, 2021	As at May 31, 2021
Assets		
Current assets		
Cash and cash equivalents	15,924	13,027
Notes and trade receivables	8,001	8,419
Inventories	4,918	6,205
Consumables	197	153
Others	348	357
Total current assets	29,390	28,164
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,317	1,307
Land	350	350
Construction in progress	32	16
Others (net)	74	86
Total property, plant and equipment	1,773	1,760
Intangible assets		
Software	701	675
Others	118	175
Total intangible assets	819	850
Investments and other assets		
Investments in and advances to associates	1,597	1,612
Rental deposits	3,232	3,216
Deferred tax assets	1,426	1,448
Others	102	97
Total investments and other assets	6,359	6,375
Total non-current assets	8,952	8,986
Total assets	38,343	37,151

(Unit: million yen)

	As at February 28, 2021	As at May 31, 2021
Liabilities		
Current liabilities		
Notes and trade payables	3,872	4,132
Short-term interest-bearing borrowings	3,000	2,000
Interest-bearing borrowings	125	50
Other payables	946	1,081
Accrued expenses	641	466
Current tax payable	550	434
Deposits received	10	5
Provision for bonus	297	367
Provision for reinstatement costs	9	11
Others	180	227
Total current liabilities	9,632	8,777
Non-current liabilities		
Interest-bearing borrowings	6,000	6,000
Other payables	15	15
Deferred tax liabilities	65	69
Deposits received	459	459
Provision for retirement benefits	17	17
Provision for reinstatement costs	1,120	1,159
Others	121	142
Total non-current liabilities	7,798	7,863
Total liabilities	17,431	16,640
Equity		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,059	8,059
Retained earnings	3,855	3,099
Treasury stock	△692	△692
Total shareholders' equity	19,480	18,724
Other reserves		
Foreign currency translation reserve	△170	△13
Total other reserves	△170	△13
Non-controlling interests	1,601	1,799
Total equity	20,911	20,510
Total liabilities and equities	38,343	37,151

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

Consolidated income statement

(Unit: million yen)

	For the 3 months period ended May 31, 2020	For the 3 months period ended May 31, 2021
Turnover	8,566	13,208
Cost of goods sold	3,630	5,297
Gross profit	4,935	7,910
Selling, general and administrative expenses	4,856	7,108
Operating profit	78	802
Non-operating income		
Interest income	1	1
Gain on foreign exchange	—	91
Subsidy income	25	3
Share of profit of associates	—	4
Other income	4	7
Total non-operating income	32	107
Non-operating expenses		
Interest on bank and other loans	8	8
Finance charges	6	5
Loss on foreign exchange	12	—
Loss on disposals of property, plant and equipment	0	0
Share of loss of associates	455	—
Other expenses	4	6
Total non-operating expenses	487	20
Recurring profit or loss (△)	△376	889
Extraordinary expenses		
Loss due to temporary store closures	397	106
Impairment loss	—	63
Total extraordinary expenses	397	170
Profit or loss (△) before taxation	△773	719
Corporation tax, inhabitants tax and business tax	59	245
Deferred income tax	△117	△18
Total income tax	△57	226
Profit or loss (△) for the period	△715	492
Profit attributable to non-controlling interests	81	90
Net profit or loss (△)	△797	402

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 3 months period ended May 31, 2020	For the 3 months period ended May 31, 2021
Profit or loss (△) for the period	△715	492
Other comprehensive income		
Deferred gains or losses on hedges	0	—
Foreign currency translation	△73	255
Share of other comprehensive income of associates	△40	0
Other comprehensive income	△113	255
Comprehensive income	△829	748
Attributable to:		
Equity shareholders	△880	560
Non-controlling interests	51	188

(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)

(About the uncertainty of accounting estimates)

The impact of Covid-19 epidemic on our group 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 current 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, there are no significant changes to the Group's assumptions regarding when Covid-19 epidemic will end, and it may affect business performance and financial situation of our Group.

(Subsequent events)

No significant subsequent events.