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Consolidated Financial Results

for the Nine Months Ended November 30, 2024

[Japanese GAAP]

January 14, 2025

Company name: BAROQUE JAPAN LIMITED
Listing: Tokyo
Securities code: 3548
URL: http://www.baroque-global.com
Representative: Hiroyuki Murai Chairman and CEO (Representative Director)
Inquiries: Tatsuya Seki Manager of Corporate Planning Department
Telephone: +81-3(5738)5775

Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended November 30, 2024 (March 1, 2024 to November 30, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2024	42,667	(3.5)	934	(48.1)	(45)	-	(464)	-
November 30, 2023	44,236	2.9	1,800	(5.1)	1,989	60.1	1,188	188.6

(Note) Comprehensive income: Nine months ended November 30, 2024: ¥ (165) million [-%]
Nine months ended November 30, 2023: ¥ 1,940 million [19.9%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2024	(12.92)	-
November 30, 2023	32.98	-

(Note)Diluted earnings per share is not presented since there is no dilutive share.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
November 30, 2024	37,068	20,620	47.4
February 29, 2024	37,261	22,202	51.8

(Reference) Equity: As of November 30, 2024: ¥ 17,557 million
As of February 29, 2024: ¥ 19,302 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	-	0.00	-	38.00	38.00
Fiscal year ending February 28, 2025	-	0.00	-		
Fiscal year ending February 28, 2025 (Forecast)				38.00	38.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025(March 1, 2024 to February 28, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	57,714	(4.3)	443	(77.3)	(676)	-	(1,090)	-	(30.31)

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

November 30, 2024: 36,676,300 shares
February 29, 2024: 36,676,300 shares

2) Number of treasury shares at the end of the period:

November 30, 2024: 710,400 shares
February 29, 2024: 650,400 shares

3) Average number of shares outstanding during the period:

Nine months ended November 30, 2024: 35,979,104 shares
Nine months ended November 30, 2023: 36,024,620 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

Descriptions regarding forward-looking statements, etc. contained in these materials are based on information currently available to the Company and certain assumptions judged reasonable. The Company makes no warranty as to the feasibility of its projections. Future results may differ materially from projections due to various factors.

Contents

1. Management discussion and analysis	2
(1) Summary of the business	2
(2) Financial review	2
(3) Cautionary note to consolidated financial statements and forward-looking statements	3
2. Quarterly consolidated financial statements	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and comprehensive income	6
(3) Notes to the quarterly consolidated financial statements	8
(Note on going concern)	8
(Significant change in shareholders' equity)	8
(Subsequent events)	8
(Note on segment accounting, etc.)	8
(Note on statement of cash flows)	8

1. Management discussion and analysis

(1) Summary of the business

During the nine months ended November 30, 2024, the Japanese economy was expected to continue its gradual recovery owing to an increase in inbound demand among other factors, amid an improved employment and income environment. Meanwhile, the future outlook remained uncertain, as energy prices and raw material costs remained high in response to heightened geopolitical risks due to the prolonged conflicts in Ukraine and the Middle East, and concerns arose over the impact of exchange rate fluctuations on the economy.

Regarding the group's domestic business, the average spend per customer was strong, but store sales for SC brands struggled, due to a decline in the number of customers, and were 93.5% year-on-year. On the other hand, sales of FB/SB brands increased 2.0% year-on-year, and sales of brands for department stores increased 1.0% year-on-year. EC sales increased 3.1% year-on-year due to growth in third party EC. As a result, domestic sales decreased 3.3% year-on-year. In addition, the soaring purchase cost ratio, sluggish growth in sales at bargain sales, and widening valuation losses on merchandise had an impact on domestic gross profit, which decreased 3.9% year-on-year.

Selling, general and administrative (SG&A) expenses were 99.0% year-on-year, and the SG&A-to-sales ratio rose 1.4 percentage points from the same period of the previous year. As a result of the above, the operating profit ratio declined 1.8 percentage points from the same period of the previous year to 1.3%, and operating profit experienced a year-on-year decline.

As for the China joint venture with strategic business partner Belle International Holdings Limited ("Belle"), the group maintained the number of stores, mainly in Beijing and Shanghai, and to actively scrapped unprofitable stores in regional areas. Nevertheless, profitability improvement at retail companies was unable to keep up with the impact of cooling personal consumption in China and an increase in valuation losses on merchandise, which caused both sales and profit to decline. As a result, the group has recorded a share of loss of associates of 834 million yen from the China joint venture in non-operating expenses.

As for the U.S. business, the group has been focusing on a business model primarily centered around e-commerce and wholesale distribution to high-end department stores and select shops, with a focus on selling Japanese-made high-end denim products. With the stabilization of product supply, orders showed a recovery trend, wholesale sales were strong, and in addition, e-commerce grew, resulting in year-on-year increases in sales and profit.

As of November 30, 2024, the group has 358 stores in Japan (271 directly operated, 87 through franchise) and 6 overseas stores (1 directly operated, 5 through franchise) – for a total of 364 stores. In addition, the number of stores in the Chinese retail business operated through the joint venture with Belle was 194 stores.

As a result of the above, the nine months ended November 30, 2024 saw consolidated net sales of 42,667 million yen (3.5% decrease from the same period last year), operating profit of 934 million yen (48.1% decrease from the same period last year), ordinary loss of 45 million yen (ordinary profit of 1,989 million yen for the same period last year), and loss attributable to owners of parent was 464 million yen (profit attributable to owners of parent of 1,188 million yen for the same period last year).

(2) Financial review

During the nine months' period ended November 30, 2024, total assets decreased by 192 million yen from the end of the previous fiscal year to 37,068 million yen. This was mainly due to the decrease in cash and deposits by 4,264 million yen, the increase in accounts receivable - trade by 2,054 million yen, and the increase in merchandise by 1,737 million yen.

Liabilities increased by 1,389 million yen from the end of the previous fiscal year to 16,448 million yen. This was mainly due to the increase in notes and accounts payable - trade by 1,506 million yen, the increase in accounts payable - other by 269 million yen, and the decrease in income taxes payable by 425 million yen.

Net assets decreased by 1,582 million yen from the end of the previous fiscal year to 20,620 million yen. This was mainly due to decreases in retained earnings by 398 million yen and capital surplus by 977 million yen for the payment of dividends, the decrease in retained earnings by 464 million yen from loss attributable to owners of parent, the increase in foreign currency translation adjustment by 142 million yen, and the increase in non-controlling interests by 162 million yen.

(3) Cautionary note to consolidated financial statements and forward-looking statements

In light of recent business trends, we have revised our consolidated earnings forecasts for the fiscal year ending February 28, 2025 (March 1, 2024 to February 28, 2025), which we announced in the "Consolidated Financial Summary for Baroque Japan Limited Financial Information for the year ended February 29, 2024 (Japanese GAAP)" dated April 15, 2024. Please refer to the "Announcement of Revision to the Full-Year Financial Results Forecast" released today (January 14, 2025) for details.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2024	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	12,181	7,916
Accounts receivable - trade	9,613	11,667
Merchandise	5,489	7,227
Supplies	67	67
Other	301	392
Allowance for doubtful accounts	(2)	(2)
Total current assets	27,651	27,268
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,215	1,261
Land	350	350
Construction in progress	94	4
Other, net	264	359
Total property, plant and equipment	1,923	1,976
Intangible assets		
Software	803	710
Other	1,798	2,521
Total intangible assets	2,601	3,232
Investments and other assets		
Investment securities	539	-
Leasehold and guarantee deposits	3,139	3,153
Deferred tax assets	1,341	1,372
Other	64	65
Total investments and other assets	5,084	4,590
Total non-current assets	9,609	9,799
Total assets	37,261	37,068

(Millions of yen)

	As of February 29, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,272	3,779
Short-term borrowings	2,000	2,000
Accounts payable - other	1,092	1,362
Accrued expenses	477	623
Income taxes payable	595	169
Guarantee deposits received	5	15
Provision for bonuses	298	224
Asset retirement obligations	20	63
Other	255	270
Total current liabilities	7,017	8,508
Non-current liabilities		
Long-term borrowings	6,000	6,000
Long-term accounts payable - other	7	7
Deferred tax liabilities	81	84
Guarantee deposits received	476	438
Provision for share awards for directors (and other officers)	242	243
Retirement benefit liability	17	9
Asset retirement obligations	1,138	1,114
Other	76	41
Total non-current liabilities	8,040	7,939
Total liabilities	15,058	16,448
Net assets		
Shareholders' equity		
Share capital	8,258	8,258
Capital surplus	8,059	7,081
Retained earnings	2,605	1,742
Treasury shares	(678)	(724)
Total shareholders' equity	18,244	16,357
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,058	1,200
Total accumulated other comprehensive income	1,058	1,200
Non-controlling interests	2,900	3,062
Total net assets	22,202	20,620
Total liabilities and net assets	37,261	37,068

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended November 30, 2023	For the nine months ended November 30, 2024
Net sales	44,236	42,667
Cost of sales	18,558	17,889
Gross profit	25,678	24,777
Selling, general and administrative expenses	23,878	23,843
Operating profit	1,800	934
Non-operating income		
Interest income	6	25
Foreign exchange gains	225	-
Subsidy income	33	0
Other	25	25
Total non-operating income	290	52
Non-operating expenses		
Interest expenses	22	35
Commission expenses	4	4
Foreign exchange losses	-	134
Loss on retirement of non-current assets	6	3
Share of loss of entities accounted for using equity method	37	834
Other	30	19
Total non-operating expenses	101	1,031
Ordinary profit (loss)	1,989	(45)
Extraordinary losses		
Impairment losses	25	92
Total extraordinary losses	25	92
Profit (loss) before income taxes	1,964	(137)
Income taxes - current	701	287
Income taxes - deferred	(99)	(40)
Total income taxes	602	246
Profit (loss)	1,362	(384)
Profit attributable to non-controlling interests	174	80
Profit (loss) attributable to owners of parent	1,188	(464)

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Millions of yen)

	For the nine months ended November 30, 2023	For the nine months ended November 30, 2024
Profit (loss)	1,362	(384)
Other comprehensive income		
Foreign currency translation adjustment	496	167
Share of other comprehensive income of entities accounted for using equity method	81	50
Total other comprehensive income	578	218
Comprehensive income	1,940	(165)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,592	(322)
Comprehensive income attributable to non-controlling interests	348	157

(3) Notes to the quarterly consolidated financial statements

(Note on going concern)

Not applicable.

(Significant change in shareholders' equity)

Not applicable.

(Subsequent events)

Not applicable.

(Note on segment accounting, etc.)

[Segment accounting]

The Group is reporting as one segment with respect to apparel design and selling business. The disclosure of other business is omitted, since it is immaterial.

(Note on statement of cash flows)

The Group has not prepared a consolidated statement of cash flows for the nine months ended November 30, 2024. Depreciation (including amortization of intangible assets) for the nine months ended November 30, 2023 and 2024 is as follows:

	For the nine months ended November 30, 2023	For the nine months ended November 30, 2024
Depreciation	668 million yen	682 million yen