

**Consolidated Financial Summary for
Baroque Japan Limited**
Quarterly Financial Information for the period ended November 30, 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 third quarter, in regards to the Japanese economy, due to the frequent issuance of State of Emergency due to the spread of Covid-19 epidemic, economic activities were restricted and personal consumptions also remains in a severe situation. The economic outlook remains uncertain as the spread of new variant are seen all around the world.

Under these circumstances, the Group's domestic business was affected by refraining from going out until the first half of the year, however in the third quarter of the current fiscal year, the flow of people recovered due to the lift of the State of Emergency, and at the same time, the temperature dropped, and established price sales of outerwear and other items were strong. In addition, domestic EC sales also remains strong, growing 112.6% year-on-year. As a result, domestic sales and gross profit for the consolidated cumulative third quarter significantly exceeded the same period of the previous year.

In addition, as the company continues to work on cost reductions, SG&A expenses ratio improved year-on-year, and operating profit and recurring profit significantly exceeded 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, although the spread of Covid-19 epidemic was seen in some areas, the Chinese business was strong due to the growth of EC sales. Additionally, in regards to our US business operations, demand for mainstay high-end made in Japan denim remains strong, resulting in significant increases in sales and profits.

As of November 30, 2021, we have 374 stores in Japan (285 directly operated, 89 through franchise) and 6 overseas stores (5 directly operated) totaling in 380 stores. In addition, our Chinese retail business operations conducted alongside our joint venture partner Belle have grown to include 313 storefronts.

As a result of the above, the third quarter of the current consolidated cumulative period saw a consolidated turnover of 43,104 million yen (19.4% increase from the same term last year), operating profit of 2,432 million yen (105.1% increase from the same term last year), recurring profit of 2,650 million yen (200.1% increase from the same term last year), and net income attributable to shareholders of the parent company was 1,515million yen (579.1% increase from the same term last year).

(2) Financial review

During the 3 months' period ended November 30, 2021, assets increase by 1,534 million yen to 39,877 million yen, mainly due to the decrease in Cash and cash equivalents by 3,993 million yen, the increase in Notes and trade receivables by 2,826 million yen, and the increase in Inventories by 2,682 million yen.

Liabilities increase by 393 million yen to 17,824 million yen, mainly due to the decrease in Short-term interest-bearing borrowings by 1,000 million yen, the decrease in Interest-bearing borrowings by 125 million yen, while the increase in Notes and trade payables by 988 million yen, the increase in Other payables by 193 million yen, and the increase in Current tax payable by 316 million yen.

Equity increase by 1,140million yen to 22,052 million yen, mainly due to the decrease in Retained earnings by 1,158 million yen for the payment of dividends, the increase in Retained earnings by 1,515 million yen from net profit, the increase in Foreign currency translation reserve by 406 million yen, and the increase in Non-controlling interests by 378 million yen.

2. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 28, 2021	As at November 30, 2021
Assets		
Current assets		
Cash and cash equivalents	15,924	11,931
Notes and trade receivables	8,001	10,827
Inventories	4,918	7,600
Consumables	197	85
Others	348	397
Total current assets	29,390	30,843
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,317	1,300
Land	350	350
Construction in progress	32	7
Others (net)	74	88
Total property, plant and equipment	1,773	1,746
Intangible assets		
Software	701	586
Others	118	328
Total intangible assets	819	915
Investments and other assets		
Investments in and advances to associates	1,597	1,642
Rental deposits	3,232	3,170
Deferred tax assets	1,426	1,489
Others	102	68
Total investments and other assets	6,359	6,371
Total non-current assets	8,952	9,033
Total assets	38,343	39,877

(Unit: million yen)

	As at February 28, 2021	As at November 30, 2021
Liabilities		
Current liabilities		
Notes and trade payables	3,872	4,861
Short-term interest-bearing borrowings	3,000	2,000
Interest-bearing borrowings	125	3,000
Other payables	946	1,139
Accrued expenses	641	503
Current tax payable	550	866
Deposits received	10	5
Provision for bonus	297	295
Provision for reinstatement costs	9	12
Others	180	256
Total current liabilities	9,632	12,939
Non-current liabilities		
Interest-bearing borrowings	6,000	3,000
Other payables	15	15
Deferred tax liabilities	65	71
Deposits received	459	483
Provision for retirement benefits	17	19
Provision for reinstatement costs	1,120	1,123
Others	121	171
Total non-current liabilities	7,798	4,884
Total liabilities	17,431	17,824
Equity		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,059	8,059
Retained earnings	3,855	4,212
Treasury stock	△692	△692
Total shareholders' equity	19,480	19,837
Other reserves		
Foreign currency translation reserve	△170	235
Total other reserves	△170	235
Non-controlling interests	1,601	1,979
Total equity	20,911	22,052
Total liabilities and equities	38,343	39,877

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

Consolidated income statement

(Unit: million yen)

	For the 9 months period ended November 30,2020	For the 9 months period ended November 30, 2021
Turnover	36,092	43,104
Cost of goods sold	15,667	18,541
Gross profit	20,425	24,562
Selling, general and administrative expenses	19,239	22,130
Operating profit	1,186	2,432
Non-operating income		
Interest income	4	5
Gain on foreign exchange	18	142
Subsidy income	73	33
Share of profit of associates	—	23
Other income	27	100
Total non-operating income	123	305
Non-operating expenses		
Interest on bank and other loans	25	23
Finance charges	20	12
Loss on disposals of property, plant and equipment	4	26
Share of loss of associates	343	—
Other expenses	32	24
Total non-operating expenses	426	87
Recurring profit	883	2,650
Extraordinary income		
Subsidies for employment adjustment	221	100
Total Extraordinary income	221	100
Extraordinary expenses		
Loss due to temporary store closures	397	106
Impairment loss	79	114
Total extraordinary expenses	476	220
Profit before taxation	627	2,530
Corporation tax, inhabitants tax and business tax	557	857
Corporate tax refund	△168	△1
Deferred income tax	△188	△55
Total income tax	201	800
Profit for the period	426	1,729
Profit attributable to non-controlling interests	203	214
Net profit	223	1,515

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 9 months period ended November 30, 2020	For the 9 months period ended November 30, 2021
Profit for the period	426	1,729
Other comprehensive income		
Deferred gains or losses on hedges	0	—
Foreign currency translation	△28	378
Share of other comprehensive income of associates	△21	176
Other comprehensive income	△49	555
Comprehensive income	377	2,285
Attributable to:		
Equity shareholders	182	1,921
Non-controlling interests	194	363

(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 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, but the impact of it to the market and the situation of uncertainty to the future are expected to continue for one to two years, and it may affect business performance and financial situation of our group if it takes more time to settle.

(Subsequent events)

No significant subsequent events.