

**Consolidated Financial Summary for  
Baroque Japan Limited**  
**Quarterly Financial Information for the period ended November 30, 2022**  
Tokyo Stock Exchange, 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, despite the impact of the COVID-19 pandemic, signs of recovery showed in the domestic economy as the movement restrictions were removed and the flow of people was on the rise as well. However, amid continuing price increases due to soaring raw material, energy prices and the depreciation of the yen, it is difficult to expect an improvement in personal consumption, and the future of the business environment remains uncertain. And the impact of COVID-19 on economic activity in China is serious, and personal consumption is in a difficult situation as well.

Regarding the Group's domestic business, we can see a continual growth in department stores' brands and FB/SB brands, and shop sales increase to 103.9% year-on-year. Although purchase cost was affected by soaring raw material and the rapid depreciation of yen, domestic sales and domestic gross profit in the consolidated cumulative third quarter were higher than in the same period of the previous year due to continuing to focus on full price sales by reducing discounts.

And due to the increase in advertising and sales promotion expenses, sales-linked commissions, the selling, general and administrative expenses increased by 104.1% compared to the previous year despite the company-wide efforts to control expenses. Operating profit and recurring profit fell below the results for the same period of the previous fiscal year.

Regarding the US business in the overseas business, we are expanding our business with a business model centered on e-commerce and wholesale (for high-end department stores and select shops), and sales centered on high-end denim made in Japan remained strong. The U.S. business posted significant year-on-year increases in sales and profits.

As for the Chinese Joint Venture with Belle International Holdings Limited (hereon, "Belle"), in addition to store closures due to the lockdown in Shanghai, there have been intermittent restrictions on movement in various parts of China even after the lift of lockdown in Shanghai. We were greatly affected by the spread of the COVID-19 pandemic. The closure of stores due to the closure of commercial facilities and the cooling of consumer sentiment had a major impact on the Chinese business. Both sales and profit decreased significantly year-on-year. As a result of this, we have recorded share of loss of associates of 728 million yen from the joint venture in China.

As of November 30, 2022, we have 375 stores in Japan (282 directly operated, 93 through franchise) and 4 overseas stores (1 directly operated, 3 through franchise) totaling in 379 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle has reached 337.

As a result of the above, the current consolidated cumulative third quarter saw a consolidated turnover of 42,987 million yen (0.3% decrease from the same term last year), operating profit of 1,895 million yen (22.0% decrease from the same term last year), recurring profit of 1,242 million yen (53.1% decrease from the same term last year), and profit attributable to owners of parent was 411 million yen (72.8% decrease from the same term last year).

### (2) Financial review

During the 9 months' period ended November 30, 2022, assets increase by 647 million yen to 39,279 million yen, mainly due to the decrease in Cash and cash equivalents by 3,431 million yen, the increase in Notes and trade receivables by 2,004 million yen, and the increase in Inventories by 2,039 million yen.

Liabilities increase by 374 million yen to 16,569 million yen, mainly due to the increase in Notes and trade payables by 835 million yen, and the decrease in Current tax payable by 524 million yen.

Equity increase by 272 million yen to 22,709 million yen, mainly due to the decrease in Retained earnings by 1,376 million yen for the payment of dividends, the increase in Retained earnings by 411 million yen from profit attributable to owners of parent., the increase in Foreign currency translation reserve by 739 million yen, and the increase in Non-controlling interests by 490 million yen.

### (3) Explanation of consolidated performance forecast and other future predictions

Based on the recent trends in business performance, we have revised the forecast of the group's business results for the fiscal year ending February 2023 (March 1, 2022 to February 28, 2023) which announced on April 14, 2022. For details, please refer to the "Announcement of Revision to the Full-Year Financial Results Forecast" announced today (January 16, 2023).

## 2. Consolidated financial statements

### (1) Consolidated balance sheet

(Unit: million yen)

	As at February 28, 2022	As at November 30, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	15,010	11,579
Notes and trade receivables	8,869	10,874
Inventories	5,550	7,589
Consumables	71	84
Others	343	659
Total current assets	29,846	30,788
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,055	1,131
Land	350	350
Construction in progress	12	6
Others (net)	78	169
Total property, plant and equipment	1,496	1,657
Intangible assets		
Software	568	856
Others	402	291
Total intangible assets	970	1,147
Investments and other assets		
Investments in and advances to associates	1,603	1,126
Rental deposits	3,159	3,107
Deferred tax assets	1,503	1,394
Others	52	56
Total investments and other assets	6,318	5,685
Total non-current assets	8,785	8,490
<b>Total assets</b>	<b>38,632</b>	<b>39,279</b>

(Unit: million yen)

	As at February 28, 2022	As at November 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and trade payables	3,329	4,165
Short-term interest-bearing borrowings	2,000	2,000
Interest-bearing borrowings	3,000	3,000
Other payables	1,131	1,060
Accrued expenses	483	489
Current tax payable	809	284
Deposits received	5	10
Provision for bonus	293	302
Provision for reinstatement costs	18	24
Others	242	262
<b>Total current liabilities</b>	<b>11,313</b>	<b>11,601</b>
Non-current liabilities		
Interest-bearing borrowings	3,000	3,000
Other payables	7	7
Deferred tax liabilities	74	83
Deposits received	488	500
Provision for share awards for directors	182	236
Provision for retirement benefits	20	17
Provision for reinstatement costs	1,106	1,098
Others	2	22
<b>Total non-current liabilities</b>	<b>4,881</b>	<b>4,968</b>
<b>Total liabilities</b>	<b>16,194</b>	<b>16,569</b>
<b>Equity</b>		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,059	8,059
Retained earnings	4,168	3,204
Treasury stock	△692	△686
<b>Total shareholders' equity</b>	<b>19,793</b>	<b>18,835</b>
Other reserves		
Foreign currency translation reserve	459	1,198
<b>Total other reserves</b>	<b>459</b>	<b>1,198</b>
<b>Non-controlling interests</b>	<b>2,184</b>	<b>2,675</b>
<b>Total equity</b>	<b>22,437</b>	<b>22,709</b>
<b>Total liabilities and equities</b>	<b>38,632</b>	<b>39,279</b>

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

## Consolidated income statement

(Unit: million yen)

	For the 9 months period ended November 30,2021	For the 9 months period ended November 30, 2022
Turnover	43,104	42,987
Cost of goods sold	18,541	17,902
Gross profit	24,562	25,085
Selling, general and administrative expenses	22,130	23,189
Operating profit	2,432	1,895
Non-operating income		
Interest income	5	6
Gain on foreign exchange	142	—
Subsidy from regional bureau	40	20
Subsidy income	33	100
Share of profit of associates	23	—
Other income	60	51
Total non-operating income	305	178
Non-operating expenses		
Interest on bank and other loans	23	23
Finance charges	12	5
Loss on foreign exchange	—	61
Loss on disposals of property, plant and equipment	26	0
Share of loss of associates	—	728
Other expenses	24	13
Total non-operating expenses	87	832
Recurring profit	2,650	1,242
Extraordinary income		
Subsidies for employment adjustment	100	—
Total Extraordinary income	100	—
Extraordinary expenses		
Loss due to temporary store closures	106	—
Impairment loss	114	88
Total extraordinary expenses	220	88
Profit before taxation	2,530	1,154
Corporation tax, inhabitants tax and business tax	856	436
Deferred income tax	△55	126
Total income tax	800	563
Profit for the period	1,729	591
Profit attributable to non-controlling interests	214	179
Profit attributable to owners of parent.	1,515	411

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 9 months period ended November 30, 2021	For the 9 months period ended November 30, 2022
Profit for the period	1,729	591
Other comprehensive income		
Foreign currency translation	378	797
Share of other comprehensive income of associates	176	229
Other comprehensive income	555	1,027
Comprehensive income	2,285	1,618
Attributable to:		
Owners of parent	1,921	1,151
Non-controlling interests	363	467

### (3) Notes to the consolidated financial statements

(Note on going concern)

Not applicable.

(Change in shareholders' equity)

Not applicable.

(Change in accounting policy)

(Adoption of Accounting Standards for Revenue Recognition)

The Company has adopted "The Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020.) and relevant ASBJ guidance from the beginning of the first quarter of the current financial year, and it has recognized revenue when the control of promised goods or services is transferred to the customers at the transaction price expected to be received upon exchange of said those goods or services.

The company granted customer loyalty program in connection with the sale of goods to customers, and the company previously provided provisions for the points granted which were expected to be used in the future and recorded corresponding expense in selling, general and administrative expenses. The company has changed to recognize the points as a performance obligation and defer the recognition of revenue when they provide a significant right to the customer.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ guidance is subject to the transitional treatment provided in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result, the impact of this change in accounting policy on the quarterly consolidated financial statements is negligible, and there is no impact on the beginning balance of retained earnings.

(Adoption of Accounting Standards for Fair Value Measurement)

The Company has adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019.) and relevant ASBJ regulations from the beginning of the first quarter of the current financial year. In accordance with the transitional treatment prescribed by the Accounting Standard for Fair Value Measurement No. 19 and the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), paragraph 44-2, the Company will prospectively adopt the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Additional information)

(About the uncertainty of accounting estimates)

The impact of the Covid-19 epidemic on our Group was mainly 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. The assumptions used in the related accounting estimates have not changed materially from those described in "Notes (Additional Information) (Uncertainty in accounting estimates)" in "No. 5 Accounting" in the Annual Securities Report for the previous fiscal year.

The uncertain situation is expected to continue for a certain period of time, including the infection set to surge in China after giving up on zero-covid policy, and it may affect business performance and financial situation of our group if it takes more time to settle.



(Segment accounting)

There is one reportable segment of the Group with respect to apparel design and selling business. The other operating segment is omitted, since it is immaterial.

(Subsequent events)

Not applicable.