

Consolidated Financial Summary for
Baroque Japan Limited
Quarterly Financial Information for the period ended May 31, 2023
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 first quarter of the consolidated fiscal year, the Japanese economy showed signs of moving toward more vigorous economic activity as the restrictions on economic and social activities caused by the Corona disaster eased. On the other hand, the business environment remained uncertain due to rising raw material prices, transportation costs, and foreign exchange risk.

Regarding the Group's domestic business, the reopening of the flagship store The SHEL'TTER TOKYO Tokyu Plaza Omotesando Harajuku, the increased flow of people due to the lifting of restrictions on activities and the recovery of inbound demand strengthened the recovery trend. Especially for FB and department store brands, with store sales increasing to 106.7% year on year, while EC sales increased to 108.6% year on year due to the growth of third-party EC. As a result, domestic sales and domestic gross profit for the first quarter of the current fiscal year exceeded those for the same period of the previous year.

Selling, general and administrative (SG&A) expenses increased compared to the prior year due to the reopening of the flagship store, which coincided with a recovery of social activities, and advertising expenses to increase promotion of key brands. These results were in line with the plan. Operating profit and recurring profit were higher than in the same period of the previous year.

With regard to the Chinese joint venture with Belle International Holdings Limited (hereon "Belle"), economic activity in China began to recover with the end of China's Zero-Covid policy, and the Chinese business recorded higher sales and profits compared to the same period of the previous fiscal year. As a result, both sales and profit of China business increased compared to the same period of the previous fiscal year.

As for the U.S. business, we are focusing on sales of Japanese-made high-end denim under a business model centered on EC and wholesale (for high-end department stores and select shops). Although sales expanded compared with the pre-Covid period, sales and profit declined compared with the same period of the previous fiscal year.

In addition, as part of our efforts to strengthen business in Asia, the group opened the first ENFÖLD store in Seoul, South Korea in September 2022. After that, the second store in Busan and the third store in Myeongdong, Seoul were opened in March and May 2023.

As of May 31, 2023, the Group have 365 stores in Japan (276 directly operated, 89 through franchise) and 6 overseas stores (1 directly operated, 5 through franchise) – for a total of 371 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle was 294 stores.

As a result of the above, the current consolidated cumulative first quarter period saw a consolidated turnover of 14,590 million yen (3.7% increase from the same term last year), operating profit of 1,225 million yen (12.4% increase from the same term last year), recurring profit of 1,101 million yen (31.5% increase from the same period last year), and profit attributable to owners of parent was 684 million yen (71.9% increase from the same term last year).

(2) Financial review

During the 3 months' period ended May 31, 2023, total assets increased by 89 million yen from the end of the previous consolidated fiscal year to 37,334 million yen. This was mainly due to the decrease in Cash and cash equivalents by 3,083 million yen, the increase in Trade receivables by 1,692 million yen, the increase in Inventories by 946 million yen, and the increase in Property, plant and equipment by 499 million yen.

Liabilities increased by 637 million yen to 15,796 million yen from the end of the previous fiscal year. This was mainly due to the increase in Notes and trade payables by 109 million yen, and the increase in Current tax payable by 248 million yen, and the increase in Provision for bonus by 91 million yen.

Equity decreased by 547 million yen to 21,538 million yen. This was mainly due to the decrease in Retained earnings by 1,376 million yen for the payment of dividends, the increase in Retained earnings by 684 million yen from Profit attributable to owners of parent, the increase in Foreign currency translation reserve by 39 million yen, and the increase in Non-controlling interests by 96 million yen.

2. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 28, 2023	As at May 31, 2023
Assets		
Current assets		
Cash and cash equivalents	14,744	11,661
Trade receivables	8,023	9,715
Inventories	5,917	6,863
Consumables	66	66
Others	432	389
Total current assets	29,184	28,695
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,027	1,509
Land	350	350
Construction in progress	17	—
Others (net)	157	193
Total property, plant and equipment	1,553	2,053
Intangible assets		
Software	824	799
Others	410	581
Total intangible assets	1,235	1,380
Investments and other assets		
Investments in and advances to associates	774	769
Rental deposits	3,150	3,038
Deferred tax assets	1,297	1,304
Others	51	93
Total investments and other assets	5,272	5,206
Total non-current assets	8,061	8,639
Total assets	37,245	37,334

(Unit: million yen)

	As at February 28, 2023	As at May 31, 2023
Liabilities		
Current liabilities		
Notes and trade payables	2,990	3,099
Short-term interest-bearing borrowings	2,000	2,000
Interest-bearing borrowings	3,000	1,000
Other payables	997	997
Accrued expenses	488	527
Current tax payable	196	444
Deposits received	33	20
Provision for bonus	292	383
Provision for reinstatement costs	18	8
Others	218	331
Total current liabilities	10,235	8,813
Non-current liabilities		
Interest-bearing borrowings	3,000	5,000
Other payables	7	7
Deferred tax liabilities	78	79
Deposits received	477	472
Provision for share awards for directors	221	226
Provision for retirement benefits	18	19
Provision for reinstatement costs	1,099	1,159
Others	21	19
Total non-current liabilities	4,924	6,983
Total liabilities	15,159	15,796
Equity		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,059	8,059
Retained earnings	3,036	2,344
Treasury stock	△686	△678
Total shareholders' equity	18,667	17,983
Other reserves		
Foreign currency translation reserve	854	894
Total other reserves	854	894
Non-controlling interests	2,563	2,660
Total equity	22,085	21,538
Total liabilities and equities	37,245	37,334

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

Consolidated income statement

(Unit: million yen)

	For the 3 months period ended May 31, 2022	For the 3 months period ended May 31, 2023
Turnover	14,071	14,590
Cost of goods sold	5,454	5,404
Gross profit	8,617	9,185
Selling, general and administrative expenses	7,527	7,959
Operating profit	1,090	1,225
Non-operating income		
Interest income	2	2
Gain on foreign exchange	7	—
Subsidy from regional bureau	19	—
Subsidy income	8	0
Other income	23	10
Total non-operating income	61	13
Non-operating expenses		
Interest on bank and other loans	7	7
Finance charges	2	1
Loss on foreign exchange	—	3
Loss on disposals of property, plant and equipment	0	—
Share of loss of associates	304	99
Other expenses	0	26
Total non-operating expenses	314	138
Recurring profit	837	1,101
Extraordinary expenses		
Impairment loss	30	—
Total extraordinary expenses	30	—
Profit before taxation	806	1,101
Corporation tax, inhabitants tax and business tax	363	356
Deferred income tax	△22	△7
Total income tax	341	348
Profit for the period	465	752
Profit attributable to non-controlling interests	66	68
Profit attributable to owners of parent	398	684

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 3 months period ended May 31, 2022	For the 3 months period ended May 31, 2023
Profit for the period	465	752
Other comprehensive income		
Foreign currency translation	957	53
Share of other comprehensive income of associates	123	13
Other comprehensive income	1,080	66
Comprehensive income	1,545	818
Attributable to		
Owners of parent	1,091	723
Non-controlling interests	454	94

(3) Notes to the consolidated financial statements

(Note on going concern)

Not applicable.

(Change in shareholders' equity)

Not applicable.

(Subsequent events)

Not applicable.