

**Consolidated Financial Summary for
Baroque Japan Limited**
Quarterly Financial Information for the period ended November 30, 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 consolidated cumulative third quarter, the Japanese economy experienced a gradual recovery due to the transition of the COVID-19 to Category V. Normalization of economic activities accompanied by increased inbound demand contributed to this recovery, and the overall economic situation was in a mild recovery trend. However, the outlook remains uncertain due to soaring raw material prices and exchange rate fluctuations.

Regarding the group's domestic business, although the warm winter has slowed the movement of demand for winter clothes, store sales increased by 104.5% year-on-year, and e-commerce sales increased by 101.7% year-on-year. In addition, we have promoted initiatives such as a focus on selling at appropriate price. Because of these efforts, both the sales and gross profit of the group's domestic operations for the consolidated cumulative third quarter exceeded those of the previous fiscal year. Additionally, increased advertising expenses due to the strengthening of advertising and promotion activities for our key brands led to an increase in selling, general and administrative (SG&A) expenses compared to the same period of the previous fiscal year. However, due to an increase in gross profit, operating profit and recurring profit were higher than in the same period of the previous fiscal year.

Regarding the Chinese joint venture with Belle International Holdings Limited (hereon, "Belle"), a strategic business partner, with the recovery of sales conditions, wholesale sales increased 115.6% year-on-year, and the business in China saw an increase in sales and profit compared to the same period of the previous fiscal year. Although the number of stores decreased by 58 compared to the previous year-end, this reduction was mainly due to the scrapping of unprofitable stores in regional areas, while maintaining store numbers in Beijing and Shanghai.

As for the U.S. business, the group have 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. The U.S. business experienced a decline in sales and profit year-on-year, mainly due to the contraction in U.S. consumer spending. However, we are currently implementing strategies and measures aimed at future recovery.

As of November 30, 2023, the group have 362 stores in Japan (274 directly operated, 88 through franchise) and 6 overseas stores (1 directly operated, 5 through franchise) – for a total of 368 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle was 268 stores.

As a result of the above, the current consolidated cumulative third quarter saw a consolidated turnover of 44,236 million yen (2.9% increase from the same period last year), operating profit of 1,800 million yen (5.1% decrease from the same period last year), recurring profit of 1,989 million yen (60.1% increase from the same period last year), and profit attributable to owners of parent was 1,188 million yen (188.6% increase from the same period of the last year).

(2) Financial review

During the 9 months' period ended November 30, 2023, total assets increased by 2,776 million yen from the end of the previous consolidated fiscal year to 40,022 million yen. This was mainly due to the decrease in Cash and cash equivalents by 4,440 million yen, the increase in Trade receivables by 3,886 million yen, the increase in Inventories by 1,992 million yen, the increase in Property, plant and equipment by 663 million yen and the increase in Intangible assets by 651 million yen.

Liabilities increased by 2,192 million yen to 17,351 million yen from the end of the previous fiscal year. This was mainly due to the increase in Notes and trade payables by 1,165 million yen, the increase in Other payables by 165 million yen and the increase in Current tax payable by 482 million yen.

Equity increased by 584 million yen to 22,670 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 1,188 million yen from Profit attributable to owners of parent, the increase in Foreign currency translation reserve by 403 million yen, and the increase in Non-controlling interests by 360 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 ended February 29, 2024 (March 1, 2023 to February 29, 2024), which we announced in the "Consolidated Financial Summary for Baroque Japan Limited Financial Information for the year ended February 28, 2023 (Japanese GAAP)" dated April 14, 2023. Please refer to the "Notice of Revision of Full-Year Earnings Forecasts" released today (January 15, 2024) for details.

2. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 28, 2023	As at November 30, 2023
Assets		
Current assets		
Cash and cash equivalents	14,744	10,304
Trade receivables	8,023	11,909
Inventories	5,917	7,909
Consumables	66	81
Others	432	430
Total current assets	29,184	30,635
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,027	1,514
Land	350	350
Construction in progress	17	44
Others (net)	157	306
Total property, plant and equipment	1,553	2,216
Intangible assets		
Software	824	867
Others	410	1,018
Total intangible assets	1,235	1,886
Investments and other assets		
Investments in and advances to associates	774	722
Rental deposits	3,150	3,078
Deferred tax assets	1,297	1,390
Others	51	91
Total investments and other assets	5,272	5,283
Total non-current assets	8,061	9,386
Total assets	37,245	40,022

(Unit: million yen)

	As at February 28, 2023	As at November 30, 2023
Liabilities		
Current liabilities		
Notes and trade payables	2,990	4,155
Short-term interest-bearing borrowings	2,000	2,000
Interest-bearing borrowings	3,000	—
Other payables	997	1,162
Accrued expenses	488	532
Current tax payable	196	679
Deposits received	33	13
Provision for bonus	292	453
Provision for reinstatement costs	18	26
Others	218	264
Total current liabilities	10,235	9,286
Non-current liabilities		
Interest-bearing borrowings	3,000	6,000
Other payables	7	7
Deferred tax liabilities	78	84
Deposits received	477	481
Provision for share awards for directors	221	235
Provision for retirement benefits	18	16
Provision for reinstatement costs	1,099	1,148
Others	21	92
Total non-current liabilities	4,924	8,065
Total liabilities	15,159	17,351
Equity		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,059	8,059
Retained earnings	3,036	2,848
Treasury stock	△686	△678
Total shareholders' equity	18,667	18,487
Other reserves		
Foreign currency translation reserve	854	1,258
Total other reserves	854	1,258
Non-controlling interests	2,563	2,924
Total equity	22,085	22,670
Total liabilities and equities	37,245	40,022

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

Consolidated income statement

(Unit: million yen)

	For the 9 months period ended November 30, 2022	For the 9 months period ended November 30, 2023
Turnover	42,987	44,236
Cost of goods sold	17,902	18,558
Gross profit	25,085	25,678
Selling, general and administrative expenses	23,189	23,878
Operating profit	1,895	1,800
Non-operating income		
Interest income	6	6
Gain on foreign exchange	—	225
Subsidy from regional bureau	20	—
Subsidy income	100	33
Other income	51	25
Total non-operating income	178	290
Non-operating expenses		
Interest on bank and other loans	23	22
Finance charges	5	4
Loss on foreign exchange	61	—
Loss on disposals of property, plant and equipment	0	6
Share of loss of associates	728	37
Other expenses	13	30
Total non-operating expenses	832	101
Recurring profit	1,242	1,989
Extraordinary expenses		
Impairment loss	88	25
Total extraordinary expenses	88	25
Profit before taxation	1,154	1,964
Corporation tax, inhabitants tax and business tax	436	701
Deferred income tax	126	△99
Total income tax	563	602
Profit for the period	591	1,362
Profit attributable to non-controlling interests	179	174
Profit attributable to owners of parent	411	1,188

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 9 months period ended November 30, 2022	For the 9 months period ended November 30, 2023
Profit for the period	591	1,362
Other comprehensive income		
Foreign currency translation reserve	797	496
Share of other comprehensive income of associates	229	81
Other comprehensive income	1,027	578
Comprehensive income	1,618	1,940
Attributable to		
Owners of parent	1,151	1,592
Non-controlling interests	467	348

(3) Notes to the consolidated financial statements

(Note on going concern)

Not applicable.

(Change in shareholders' equity)

Not applicable.

(Subsequent events)

Not applicable.