

Consolidated Financial Summary for  
Baroque Japan Limited  
Financial Information for the year ended February 29, 2024  
Tokyo Stock Exchange, 3548

English Translation of the original Japanese-Language Report

## Contents

1. Management discussion and analysis	2
(1) Summary of the business	2
(2) Financial review	3
(3) Cash flows review	3
(4) Future outlook	3
2. Basic approach for the selection of accounting standards	4
3. Consolidated financial statements	5
(1) Consolidated balance sheet	5
(2) Consolidated income statement and consolidated statement of comprehensive income	7
(3) Consolidated statement of changes in equity	9
(4) Consolidated statement of cash flows	10
(5) Notes to the consolidated financial statements	11
(Note on going concern)	11
(Segment accounting)	11
(Per share information)	11
(Subsequent events)	11

### 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 fiscal year under review, the Japanese economy showed signs of recovery amid the normalization of economic activities following the shift of the new coronavirus infection to category 5 and an increase in inbound demand. However, the business environment remained uncertain due to concerns about a slowdown in consumption caused by rising raw material and energy prices. As for the Chinese economy, private consumption lacked strength due to the worsening property recession and the tightening employment environment.

Regarding the group's domestic business, although the warm winter slowed demand for winter items, demand for summer items increased due to higher-than-normal temperatures. As a result, both store sales were 104.5% year-on-year, and e-commerce sales 100.6%. Both were higher than previous fiscal year. In addition, the group promoted initiatives such as curbing sales and focusing on sales at appropriate prices, as well as reducing the purchase cost ratio. As a result, gross profit from domestic operations in the current fiscal year was 104.0% year-on-year. Although gross profit increased year on year, it was not enough to cover the increase in selling, general and administrative expenses associated with increased promotion of core brands, etc., and operating profit fell below the level 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 105.3% 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 82 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 selected 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 February 29, 2024, we have 361 stores in Japan (272 directly operated, 89 through franchise) and 6 overseas stores (1 directly operated, 5 through franchise) – for a total of 367 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle has reached 244.

As a result of the above, in the fiscal year ended February 29, 2024, consolidated turnover of 60,290 million yen (2.5% increase from the prior year), operating profit of 1,954 million yen (9.1% decrease from the prior year), recurring profit of 2,022 million yen (67.0% increase from the prior year), and profit attributable to owners of the parent was 945 million yen (287.7% increase from the prior year).

## (2) Financial review

Total assets, liabilities and equity as of the year ended February 29, 2024 are as follows:

### (Total assets)

Total assets at the end of the current consolidated fiscal year increased by 15 million yen from the end of the previous consolidated fiscal year to 37,261 million yen.

This was mainly due to the decrease in Cash and cash equivalents by 2,563 million yen, the increase in Trade receivables by 1,590 million yen, the decrease in Inventories by 427 million yen and the increase in Intangible assets by 1,366 million yen.

### (Liabilities)

Liabilities decreased by 101 million yen to 15,058 million yen from the end of the previous fiscal year. This was mainly due to the decrease in Notes and trade payables by 717 million yen, and the increase in Other payables by 95 million yen, and the increase in Current tax payable by 398 million yen.

### (Equity)

Equity increased by 116 million yen to 22,202 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 945 million yen from Profit attributable to owners of parent, the increase in Foreign currency translation reserve by 203 million yen, and the increase in Non-controlling interests by 336 million yen.

## (3) Cash flows review

Cash and cash equivalents decreased by 2,563 million yen to 12,181 million yen.

A summary of cash flows during the year is as follows:

### (Cash flows from operating activities)

Net cash flows provided by operating activities totaled 1,562 million yen, mainly due to profit before taxation of 1,738 million yen, depreciation of 862 million and the increase in trade and other receivables by 1,381 million yen.

### (Cash flows from investing activities)

Net cash flows used by investing activities totaled 2,870 million yen, mainly due to purchase of property, plant and equipment of 990 million yen, and purchase of intangible assets of 1,815 million yen.

### (Cash flows from financing activities)

Net cash flows used by financing activities totaled 1,428 million yen, mainly due to the payment for dividend amounted to 1,376 million yen.

## (4) Future outlook

The Medium-Term Management Plan originally called for Phase 1 to take three years to establish a new post-Covid-19 normal and get the group back on track, but due to the difficult performance in Japan and overseas, the period for preparing for the leap forward has been extended.

Regarding the domestic business, the group will focus on narrowing down and strengthening the structure as a priority strategy, and promote each of the following measures: selection and concentration, improvement of profit margins, and enhancement of brand competitiveness.

As for overseas business, the group will continue to position China as a key strategic region over the medium to long term and work on measures to maintain sustainable growth and strengthen the business operating structure.

Regarding new businesses, the group will further clarify the new business policy, including the markets to be entered and the scale of investment, and use the flagship store in a prime location in Omotesando as a test marketing base for new businesses.

## 2. Basic approach for the selection of accounting standards

The Group prepares its consolidated financial statements based on the generally accepted accounting principles in Japan to allow comparisons with prior years and other companies.

Regarding the adoption of International Financial Reporting Standards, we shall continue to evaluate both internal and external environments before making a decision.

3. Consolidated financial statements  
(1) Consolidated balance sheet

(Unit: million yen)

	As at February 28, 2023	As at February 29, 2024
<b>Assets</b>		
Current assets		
Cash and cash equivalents	14,744	12,181
Trade receivables	8,023	9,613
Inventories	5,917	5,489
Consumables	66	67
Others	432	301
Allowance for doubtful accounts	—	△2
<b>Total current assets</b>	<b>29,184</b>	<b>27,651</b>
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,027	1,215
Land	350	350
Construction in progress	17	94
Others (net)	157	264
<b>Total property, plant and equipment</b>	<b>1,553</b>	<b>1,923</b>
Intangible assets		
Software	824	803
Others	410	1,798
<b>Total intangible assets</b>	<b>1,235</b>	<b>2,601</b>
Investments and other assets		
Investments in and advances to associates	774	539
Rental deposits	3,150	3,139
Deferred tax assets	1,297	1,341
Others	51	64
<b>Total investments and other assets</b>	<b>5,272</b>	<b>5,084</b>
<b>Total non-current assets</b>	<b>8,061</b>	<b>9,609</b>
<b>Total assets</b>	<b>37,245</b>	<b>37,261</b>

(Unit: million yen)

	As at February 28, 2023	As at February 29, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and trade payables	2,990	2,272
Short-term interest-bearing borrowings	2,000	2,000
Interest-bearing borrowings	3,000	—
Other payables	997	1,092
Accrued expenses	488	477
Current tax payable	196	595
Deposits received	33	5
Provision for bonus	292	298
Provision for reinstatement costs	18	20
Others	218	255
<b>Total current liabilities</b>	<b>10,235</b>	<b>7,017</b>
Non-current liabilities		
Interest-bearing borrowings	3,000	6,000
Other payables	7	7
Deferred tax liabilities	78	81
Deposits received	477	476
Provision for share awards for directors	221	242
Provision for retirement benefits	18	17
Provision for reinstatement costs	1,099	1,138
Others	21	76
<b>Total non-current liabilities</b>	<b>4,924</b>	<b>8,040</b>
<b>Total liabilities</b>	<b>15,159</b>	<b>15,058</b>
<b>Equity</b>		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,059	8,059
Retained earnings	3,036	2,605
Treasury stock	△686	△678
<b>Total shareholders' equity</b>	<b>18,667</b>	<b>18,244</b>
Other reserves		
Foreign currency translation reserve	854	1,058
<b>Total other reserves</b>	<b>854</b>	<b>1,058</b>
<b>Non-controlling interests</b>	<b>2,563</b>	<b>2,900</b>
<b>Total equity</b>	<b>22,085</b>	<b>22,202</b>
<b>Total liabilities and equities</b>	<b>37,245</b>	<b>37,261</b>

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

## Consolidated income statement

(Unit: million yen)

	For the year ended February 28, 2023	For the year ended February 29, 2024
Turnover	58,842	60,290
Cost of goods sold	25,432	26,026
Gross profit	33,410	34,264
Selling, general and administrative expenses	31,259	32,309
Operating profit	2,150	1,954
Non-operating income		
Interest income	8	12
Gain on foreign exchange	—	265
Rent income	14	15
Subsidy from regional bureau	20	—
Subsidy income	141	44
Other income	46	40
Total non-operating income	231	378
Non-operating expenses		
Interest on bank and other loans	30	29
Finance charges	6	5
Loss on foreign exchange	147	—
Loss on disposals of property, plant and equipment	16	12
Share of loss of associates	940	228
Other expenses	30	33
Total non-operating expenses	1,171	310
Recurring profit	1,211	2,022
Extraordinary expenses		
Impairment loss	138	283
Total extraordinary expenses	138	283
Profit before taxation	1,072	1,738
Corporation tax, inhabitants tax and business tax	379	618
Deferred income tax	217	△58
Total income tax	597	560
Profit for the year	474	1,178
Profit attributable to non-controlling interests	230	233
Profit attributable to owners of parent	243	945



Consolidated statement of comprehensive income

(Unit: million yen)

	For the year ended February 28, 2023	For the year ended February 29, 2024
Profit for the year	474	1,178
Other comprehensive income		
Foreign currency translation	384	252
Share of other comprehensive income of associates	147	46
Other comprehensive income	532	299
Comprehensive income	1,006	1,478
Attributable to		
Owners of parent	639	1,148
Non-controlling interests	367	329

## (3) Consolidated statement of changes in equity

For the year ended February 28, 2023

(Unit: million yen)

	Shareholders' equity					Other reserves		Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation reserve	Total other reserves		
Balance at beginning of year	8,258	8,059	4,168	△692	19,793	459	459	2,184	22,437
Changes during year									
Dividend			△1,376		△1,376				△1,376
Disposal of treasury stock				6	6				6
Profit attributable to owners of parent			243		243				243
Net changes other than shareholders' equity						395	395	379	774
Total changes during year	—	—	△1,132	6	△1,126	395	395	379	△351
Balance at end of year	8,258	8,059	3,036	△686	18,667	854	854	2,563	22,085

For the year ended February 29, 2024

(Unit: million yen)

	Shareholders' equity					Other reserves		Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation reserve	Total other reserves		
Balance at beginning of year	8,258	8,059	3,036	△686	18,667	854	854	2,563	22,085
Changes during year									
Dividend			△1,376		△1,376				△1,376
Disposal of treasury stock				7	7				7
Profit attributable to owners of parent			945		945				945
Net changes other than shareholders' equity						203	203	336	539
Total changes during year	—	—	△430	7	△423	203	203	336	116
Balance at end of year	8,258	8,059	2,605	△678	18,244	1,058	1,058	2,900	22,202

## (4) Consolidated statement of cash flows

(Unit: million yen)

	For the year ended February 28, 2023	For the year ended February 29, 2024
<b>Cash from operating activities</b>		
Profit before taxation	1,072	1,738
Depreciation	724	862
Impairment	138	283
Increase (Δdecrease) in provision for bonus	Δ1	6
Interest income	Δ8	Δ12
Interest on bank and other loans	36	35
Foreign exchange losses (Δgain)	7	3
Share of loss (Δprofit) of associates	940	228
Loss on disposals of property, plant and equipment	16	12
Decrease (Δincrease) in trade and other receivables	1,333	Δ1,381
Decrease (Δincrease) in inventories	Δ348	441
Increase (Δdecrease) in trade and other payables	Δ551	Δ790
Increase (Δdecrease) in other payables	Δ152	102
Increase (Δdecrease) in provision for retirement benefits	Δ1	Δ1
Others	Δ11	414
Subtotal	3,195	1,945
Interest and dividend income received	8	12
Interest expenses paid	Δ36	Δ33
Income taxes paid	Δ1,125	Δ362
Net cash from operating activities	2,041	1,562
<b>Cash from investing activities</b>		
Purchase of property, plant and equipment	Δ573	Δ990
Purchase of intangible assets	Δ659	Δ1,815
Payments for rental deposits	Δ154	Δ175
Proceeds from collection of rental deposits	177	188
Payments for reinstatement	Δ62	Δ76
Net cash from investing activities	Δ1,273	Δ2,870
<b>Cash from financing activities</b>		
Proceeds from short-term borrowings	2,000	2,000
Repayment of short-term borrowings	Δ2,000	Δ2,000
Proceeds from long-term borrowings	3,000	3,000
Repayment of long-term borrowings	Δ3,000	Δ3,000
Payment for dividend	Δ1,376	Δ1,376
Repayment of lease obligations	Δ4	Δ52
Net cash from financing activities	Δ1,381	Δ1,428
Effect of exchange rate change on cash and cash equivalents	346	172
Net increase (Δ decrease) in cash and cash equivalents	Δ266	Δ2,563
Cash and cash equivalents at beginning of year	15,010	14,744
Cash and cash equivalents at end of year	14,744	12,181

(5) Notes to the consolidated financial statements

(Note on going concern)

Not applicable.

(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.

(Per share information)

	For the year ended February 28, 2023	For the year ended February 29, 2024
Net assets per share	541.99 Yen	535.80 Yen
Earnings per share	6.77 Yen	26.24 Yen

(Note) 1. The diluted earnings per share is not disclosed because there are no potentially dilutive common shares.

2. The basis of calculating the net assets per share is as follows:

Item	As at February 28, 2023	As at February 29, 2024
Net assets (million yen)	22,085	22,202
Deduction from net assets (million yen)	2,563	2,900
(Non-controlling interests) (million yen)	2,563	2,900
Net assets applicable to common stock shareholders (million yen)	19,522	19,302
Year-end number of shares of common stock used for calculation of net assets per share	36,019,500	36,025,900

3. The basis of calculating the net profit and diluted earnings per share is as follows:

Item	For the year ended February 28, 2023	For the year ended February 29, 2024
Net profit per share		
Net profit (million yen)	243	945
Amount not applicable to common stock shareholders (million yen)	—	—
Net profit applicable to common stock shareholders (million yen)	243	945
Average number of shares of common stock outstanding during the year	36,016,023	36,024,938

4. The Company has introduced a performance linked stock compensation system, Board Benefit Trust or BBT. The treasury stock for that purpose was deducted from the total number of common stock when the earnings per share and net assets per share were calculated.

(Subsequent events)

Not applicable.