

Consolidated Financial Summary for
Baroque Japan Limited
Quarterly Financial Information for the period ended May 31, 2024
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 continued its gradual recovery from the long-lasting deflation to a cyclical mechanism in which prices and wages are rising. At the same time, however, the business environment remains uncertain due to the ongoing depreciation of the yen and the risk of downward pressure on personal consumption caused by the rising cost of living due to the soaring prices of resources and energy.

Regarding the group's domestic business, store sales were 94.3% year-on-year due to a lack of growth in spring outerwear. On the other hand, EC sales increased to 100.5% year-on-year due to growth in third party EC. In addition, although the group focused on sales at proper prices, a decline in the conversion rate had an impact on domestic gross profit. As a result of the above, domestic sales and domestic gross profit for the first quarter of the current fiscal year were lower than the same period last year.

Selling, general and administrative (SG&A) expenses were restrained to 98.9% year-on-year, but the SG&A-to-sales ratio rose 2.3 percentage points from the same period of the previous year. As a result, the operating profit ratio declined 3.0 percentage points from the same period last year to 3.8%.

As for the China joint venture with strategic business partner Belle International Holdings Limited ("Belle"), while promoting store scrap and build, the previous fiscal year's cooling of consumer spending in China and other factors caused an increase in inventory provision in the China business, resulting in a decrease in both sales and profit. As a result, the group have recorded share of loss of associates of 464 million yen from the China joint venture.

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. With the stabilization of product supply, orders showed a recovery trend, wholesale sales were strong, and in addition, e-commerce grew, resulting in a year-on-year increase in sales.

As of May 31, 2024, the group have 363 stores in Japan (274 directly operated, 89 through franchise) and 6 overseas stores (1 directly operated, 5 through franchise) – for a total of 369 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle was 222 stores.

As a result of the above, the current consolidated first quarter period saw a consolidated turnover of 13,859 million yen (5.0% decrease from the same period last year), operating profit of 646 million yen (47.3% decrease from the same period last year), recurring profit of 254 million yen (76.9% decrease from the same period last year), and profit attributable to owners of parent was 3 million yen (99.5% decrease from the same period last year)

(2) Financial review

During the 3 months' period ended May 31, 2024, total assets increased by 717 million yen from the end of the previous consolidated fiscal year to 37,978 million yen. This was mainly due to the decrease in Cash and cash equivalents by 1,972 million yen, the increase in Trade receivables by 1,550 million yen, the increase in Inventories by 800 million yen, and the increase in Intangible assets by 348 million yen.

Liabilities increased by 1,692 million yen to 16,750 million yen from the end of the previous fiscal year. This was mainly due to the increase in Notes and trade payables by 639 million yen, and the increase in Other payables by 865 million yen, and the decrease in Current tax payable by 189 million yen, and the increase in Provision for bonus by 157 million yen.

Equity decreased by 974 million yen to 21,228 million yen. This was mainly due to the decrease in Retained earnings by 398 million yen and Share premium by 977 million yen for the payment of dividends, the increase in Retained earnings by 3 million yen from Profit attributable to owners of parent, the increase in Foreign currency translation reserve by 266 million yen, and the increase in Non-controlling interests by 177 million yen.

2. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 29, 2024	As at May 31, 2024
Assets		
Current assets		
Cash and cash equivalents	12,181	10,208
Trade receivables	9,613	11,164
Inventories	5,489	6,290
Consumables	67	67
Others	301	331
Allowance for doubtful accounts	△2	△2
Total current assets	27,651	28,059
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,215	1,420
Land	350	350
Construction in progress	94	2
Others (net)	264	397
Total property, plant and equipment	1,923	2,170
Intangible assets		
Software	803	854
Others	1,798	2,095
Total intangible assets	2,601	2,949
Investments and other assets		
Investments in and advances to associates	539	205
Rental deposits	3,139	3,152
Deferred tax assets	1,341	1,359
Others	64	81
Total investments and other assets	5,084	4,798
Total non-current assets	9,609	9,918
Total assets	37,261	37,978

(Unit: million yen)

	As at February 29, 2024	As at May 31, 2024
Liabilities		
Current liabilities		
Notes and trade payables	2,272	2,912
Short-term interest-bearing borrowings	2,000	2,000
Other payables	1,092	1,958
Accrued expenses	477	512
Current tax payable	595	406
Deposits received	5	5
Provision for bonus	298	455
Provision for reinstatement costs	20	25
Others	255	423
Total current liabilities	7,017	8,698
Non-current liabilities		
Interest-bearing borrowings	6,000	6,000
Other payables	7	7
Deferred tax liabilities	81	85
Deposits received	476	481
Provision for share awards for directors	242	240
Provision for retirement benefits	17	16
Provision for reinstatement costs	1,138	1,151
Others	76	68
Total non-current liabilities	8,040	8,051
Total liabilities	15,058	16,750
Equity		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,059	7,081
Retained earnings	2,605	2,210
Treasury stock	△678	△724
Total shareholders' equity	18,244	16,825
Other reserves		
Foreign currency translation reserve	1,058	1,324
Total other reserves	1,058	1,324
Non-controlling interests	2,900	3,077
Total equity	22,202	21,228
Total liabilities and equities	37,261	37,978

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

Consolidated income statement

(Unit: million yen)

	For the 3 months period ended May 31, 2023	For the 3 months period ended May 31, 2024
Turnover	14,590	13,859
Cost of goods sold	5,404	5,268
Gross profit	9,185	8,591
Selling, general and administrative expenses	7,959	7,945
Operating profit	1,225	646
Non-operating income		
Interest income	2	3
Gain on foreign exchange	—	74
Subsidy income	0	0
Other income	10	6
Total non-operating income	13	84
Non-operating expenses		
Interest on bank and other loans	7	9
Finance charges	1	1
Loss on foreign exchange	3	—
Share of loss of associates	99	464
Other expenses	26	1
Total non-operating expenses	138	477
Recurring profit	1,101	254
Profit before taxation	1,101	254
Corporation tax, inhabitants tax and business tax	356	228
Deferred income tax	△7	△14
Total income tax	348	214
Profit for the period	752	39
Profit attributable to non-controlling interests	68	36
Profit attributable to owners of parent	684	3

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 3 months period ended May 31, 2023	For the 3 months period ended May 31, 2024
Profit for the period	752	39
Other comprehensive income		
Foreign currency translation	53	352
Share of other comprehensive income of associates	13	45
Other comprehensive income	66	398
Comprehensive income	818	438
Attributable to		
Owners of parent	723	270
Non-controlling interests	94	168

(3) Notes to the consolidated financial statements

(Note on going concern)

Not applicable.

(Change in shareholders' equity)

Not applicable.

(Subsequent events)

Not applicable.