

Consolidated Financial Summary for
Baroque Japan Limited
Quarterly Financial Information for the period ended November 30, 2020
Tokyo Stock Exchange First Section, 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 remained in an extremely difficult position due to economic downturn caused by restrictions on economic activities resulting from the spread of the COVID-19 epidemic. Although there were some signs of a gradual recovery in personal consumption and consumer activity as restrictions on economic activities eased, the number of infected persons is on an upward trend again, and as such future outlooks are still in a state of uncertainty.

Under these circumstances, regarding domestic business, although consumption began to recover due to government measures, domestic sales and domestic gross profit saw a decline year-on-year as this recovery trend slowed down with the subsequent reemergence of the COVID-19 epidemic. Additionally, it should be noted that domestic EC sales grew year-on-year. In regards to SG&A expenses, we are further working on curbing SG&A expenses by reducing advertising expenses, commission rent, and sales consignment expenses.

Regarding our Chinese joint venture which we conduct with our strategic business partner Belle International Holdings Limited (hereon, Belle), both sales by retail companies (equity-method affiliate companies) and wholesale companies (consolidated subsidiaries) showed signs of recovery as the spread of COVID-19 in China has halted to a certain extent and personal consumption and consumer activity has been recovering. In addition, due to the growth of live commerce and other business activities, EC sales in China are increasing. In terms of United States business operations, sales of MOUSSY VINTAGE were stable and continued to be strong.

As of the end of the third quarter of the current fiscal year, we have 373 stores in Japan (287 directly operated, 86 through franchise) and 5 overseas stores (5 directly operated), totaling in 378 stores. In addition, our Chinese retail business operations conducted alongside our joint venture partner Belle have grown to include 292 storefronts.

As a result of the above, the third quarter of the current consolidated cumulative period saw consolidated turnover of 36,092 million yen (down 25.3% year-on-year); operating income was 1,186 million yen (down 69.9% year-on-year); recurring income was 883 million yen (down 77.4% year-on-year); and net income attributable to shareholders of the parent company was 223 million yen (down 90.8% year-on-year).

(2) Financial review

During the 9 months' period ended November 30, 2020, assets increased by 338 million yen to 38,620 million yen, mainly due to the decrease in Cash and cash equivalents by 1,505 million yen, the increase in Notes and trade receivables by 1,206 million yen, and the increase in Inventories by 724 million yen.

Liabilities increased by 1,296 million yen to 18,086 million yen, mainly due the increase in Short-term interest-bearing borrowings by 3,000 million yen, the increase in Notes and trade payables by 812 million yen, while the decrease in Interest-bearing borrowings by 907 million yen, the decrease in Other payables by 791 million yen, and the decrease in Current tax payable by 779 million yen.

Equity decreased by 958 million yen to 20,534 million yen, mainly due to the decrease in Retained earnings by 1,374 million yen for the payment of dividends, the increase in Retained earnings by 223 million yen from net profit.

2. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: million yen)

	As at February 29, 2020	As at November 30, 2020
Assets		
Current assets		
Cash and cash equivalents	16,133	14,628
Notes and trade receivables	7,455	8,661
Inventories	5,163	5,888
Consumables	61	149
Others	472	388
Provision for doubtful accounts	△0	—
Total current assets	29,285	29,716
Non-current assets		
Property, plant and equipment		
Building and leasehold improvements (net)	1,544	1,565
Land	350	350
Construction in progress	7	2
Others (net)	104	84
Total property, plant and equipment	2,005	2,003
Intangible assets		
Software	566	654
Others	74	91
Total intangible assets	640	745
Investments and other assets		
Investments in and advances to associates	1,666	1,400
Rental deposits	3,334	3,198
Deferred tax assets	1,219	1,425
Others	130	130
Total investments and other assets	6,351	6,154
Total non-current assets	8,997	8,904
Total assets	38,282	38,620

(Unit: million yen)

	As at February 29, 2020	As at November 30, 2020
Liabilities		
Current liabilities		
Notes and trade payables	3,442	4,255
Short-term interest-bearing borrowings	—	3,000
Interest-bearing borrowings	3,982	200
Other payables	1,868	1,077
Accrued expenses	653	507
Current tax payable	1,338	558
Deposits received	25	5
Provision for bonus	261	301
Provision for reinstatement costs	66	64
Others	211	237
Total current liabilities	11,849	10,207
Non-current liabilities		
Interest-bearing borrowings	3,125	6,000
Other payables	111	107
Provision for retirement benefits	18	19
Deposits received	470	464
Provision for reinstatement costs	1,056	1,120
Deferred tax liabilities	64	63
Others	93	103
Total non-current liabilities	4,940	7,879
Total liabilities	16,790	18,086
Equity		
Shareholders' equity		
Share capital	8,258	8,258
Share premium	8,075	8,059
Retained earnings	4,854	3,703
Treasury stock	△749	△692
Total shareholders' equity	20,439	19,327
Other reserves		
Deferred gains or losses on hedges	△0	—
Foreign currency translation reserve	△213	△254
Total other reserves	△213	△254
Non-controlling interests	1,267	1,461
Total equity	21,492	20,534
Total liabilities and equities	38,282	38,620

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

Consolidated income statement

(Unit: million yen)

	For the 9 months period ended November 30, 2019	For the 9 months period ended November 30, 2020
Turnover	48,292	36,092
Cost of goods sold	19,527	15,667
Gross profit	28,765	20,425
Selling, general and administrative expenses	24,820	19,239
Operating profit	3,944	1,186
Non-operating income		
Interest income	5	4
Gain on foreign exchange	—	18
Subsidy income	80	73
Other income	16	27
Total non-operating income	102	123
Non-operating expenses		
Finance charges	20	20
Interest on bank and other loans	33	25
Loss on foreign exchange	30	—
Loss on disposals of property, plant and equipment	28	4
Share of loss of associates	9	343
Other expenses	22	32
Total non-operating expenses	144	426
Recurring profit	3,903	883
Extraordinary income		
Subsidies for employment adjustment	—	221
Total Extraordinary income	—	221
Extraordinary expenses		
Loss due to temporary store closures	—	397
Impairment loss	123	79
Total extraordinary expenses	123	476
Profit before taxation	3,780	627
Corporation tax, inhabitants tax and business tax	1,016	389
Deferred income tax	178	△188
Total income tax	1,195	201
Profit or loss for the period	2,584	426
Profit attributable to non-controlling interests	160	203
Net profit	2,423	223

Consolidated statement of comprehensive income

(Unit: million yen)

	For the 9 months period ended November 30, 2019	For the 9 months period ended November 30, 2020
Profit or loss for the period	2,584	426
Other comprehensive income		
Deferred gains or losses on hedges	1	0
Foreign currency translation	△206	△28
Share of other comprehensive income of associates	△140	△21
Other comprehensive income	△345	△49
Comprehensive income	2,238	377
Attributable to:		
Equity shareholders	2,153	182
Non-controlling interests	84	194

(3) Notes to the consolidated financial statements

(Note on going concern)

No significant doubt on the ability to continue as a going concern.

(Change in shareholders' equity)

No applicable.

(Change in accounting policy)

No such change.

(Segment accounting)

The Group is operating as one segment with respect to apparel design and selling business.

(Additional information)

(Regarding the Uncertainty of Accounting Estimates)

Due to the influence of the COVID-19 epidemic, the number of customers visiting our stores has decreased as a result of voluntary restraint by consumers and obliging with requests for closure or curtailment of business operations. At the end of the third quarter of the current fiscal year, in light of the current situation of the COVID-19 epidemic, we anticipate a gradual recovery in business performance in areas where economic activities have resumed, but not to the level of previous years, and expect the impact of the COVID-19 epidemic on the group will remain to an extent until the end of the current fiscal year. Under this assumption we, hereafter, are performing impairment assessment for fixed assets and to determine the recoverability of deferred tax assets.

Note that currently, it is difficult to predict when the spread of COVID-19 will end, and if it will take more time to end, there is the possibility that it may affect the business performance and financial conditions of the Group.

(Subsequent events)

No significant subsequent events.