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July 3, 2024

Summary of Consolidated Financial Results for the Three Months Ended May 31, 2024 (Based on Japanese GAAP)

Company name: NARUMIYA INTERNATIONAL Co., Ltd
 Stock exchange listing: Tokyo
 Stock code: 9275 URL <https://www.narumiya-net.co.jp/ir/>
 Representative: President, Representative Director and Chief Executive Officer Hirotaka Kunikyo
 Executive Officer
 Inquiries: Executive Officer and General Manager of Administration Masayuki Ooya TEL 03-6430-3405
 Scheduled date to file Quarterly Securities Report: July 12, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of quarterly financial results meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2024	9,212	4.0	733	(2.1)	724	(3.1)	482	0.5
Three months ended May 31, 2023	8,860	4.8	749	30.1	747	36.0	479	35.0

Note: Comprehensive income Three months ended May 31, 2024: 482 million yen (0.5%)
 Three months ended May 31, 2023: 479 million yen (36.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2024	49.13	–
Three months ended May 31, 2023	48.09	–

Note: Diluted earnings per share is not stated, as there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2024	14,057	6,087	43.3
As of February 29, 2024	14,160	6,008	42.4

Reference: Shareholders' equity As of May 31, 2024: 6,087 million yen As of February 29, 2024: 6,008 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	–	0.00	–	41.00	41.00
Fiscal year ending February 28, 2025	–				
Fiscal year ending February 28, 2025 (Forecast)		0.00	–	53.00	53.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

Percentages indicate year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	40,323	7.6	2,350	11.6	2,329	12.4	1,486	22.1	151.37

Note: Revision to the most recently announced consolidated forecast: None

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2024
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2024	10,122,830 shares	As of February 29, 2024	10,122,830 shares
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Number of treasury shares at the end of the period

As of May 31, 2024	305,122 shares	As of February 29, 2024	305,122 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2024	9,817,708 shares	Three months ended May 31, 2023	9,976,839 shares
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Note 1: The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or an auditing firm.

Note 2: Explanation and other special notes concerning the appropriate use of business performance forecasts

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and are not promise by the Company regarding their achievement. Actual results may differ materially from the forecast depending on a range of factors. For the assumptions that form the basis of the earnings forecasts and notes on the use of the earnings forecasts, refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Explanation of consolidated earnings forecasts and other forward-looking information" on page 3 of the attached material.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of results of operations

Looking at Japan's economy during the first three months of the current fiscal year, there was a gradual recovery trend in the economy amid improved employment and income situations, despite signs of personal consumption stalling. The outlook, however, has remained uncertain due to rising overall prices as well as concerns about a global economic recession caused by the prolonged geopolitical risks and tighter monetary policy in the United States and European countries.

In the apparel industry, to which we belong, despite concerns of a slowdown in personal consumption driven by a further increased awareness to defend daily lives of consumers, the industry overall showed a recovery trend due to the expanding inbound demand against a backdrop of the depreciation of the yen. On the other hand, the business environment remains challenging due to a labor shortage of sales staff in the apparel industry and rising purchase prices and logistics costs as well as concerns about the frugal mindset and desire for lower prices among consumers due to rising prices.

In such a business environment, the Group formulated the medium-term management plan (consolidated), which targets the period from the fiscal year ending February 28, 2025 to the fiscal year ending February 28, 2027. Under this plan, the Group aims to operate the brand portfolio based on the concept of "multi-brand evolution," integrate channels and new locations based on the concept of "deepening multi-channels," and expanding our fanbase and maximizing LTV (lifetime value) by shifting focus from single brand to multiple brands based on the concept of "enhancing CRM (customer relationship management)." With the aim of opening new stores for major brands and enhancing brand value as part of building a stable business foundation, the Group has been proposing sales opportunities by strengthening in-store customer service and VMD (visual merchandising) and promoting product planning for special occasions, etc.

Looking at financial results, net sales continued to show a recovery trend as customers returned to such physical outlets as department stores, shopping centers, and outlet malls, on account of lifting of restrictions on activities since the previous fiscal year. Mainly due to an increase in demand for collaboration products and special occasions, such as graduations and school entrance ceremonies, swimsuits, *yukata*, and *jinbei*, net sales were firm, resulting in 9,212 million yen (104.0% on the same period of the previous fiscal year).

On the other hand, looking at costs for the first three months of the current fiscal year, in order to ensure the full-year consolidated earnings forecast, we resumed hiring of new graduates taking into account the recent labor shortages, as well as we implemented up-front investment to secure personnel for the planned new store openings in or after the second quarter and for store related expenses. As a result, selling, general and administrative expenses were 5,035 million yen (104.4% on the same period of the previous fiscal year).

As for tax expenses, we recorded deferred tax assets at the end of the first quarter regarding the subsidiary, Heartfeel Co., Ltd., whose recoverability was recognized due to turning a profit.

As a result of the above, for the first three months of the current fiscal year, we recorded net sales of 9,212 million yen (104.0% on the same period of the previous fiscal year), operating profit of 733 million yen (97.9%), ordinary profit of 724 million yen (96.9%), and profit attributable to owners of parent of 482 million yen (100.5%).

As the Group has a single segment for planning and sales of kidswear, disclosure of operating results by segment has been omitted.

(2) Explanation of financial position

Assets

Assets at the end of the first quarter decreased by 103 million yen from the end of the previous fiscal year to 14,057 million yen. This was mainly due to increases of 643 million yen in merchandise and 220 million yen in buildings and structures, as well as decreases of 855 million yen in cash and deposits, 65 million yen in notes and accounts receivable - trade, and 61 million yen in deferred tax assets.

Liabilities

Liabilities at the end of the first quarter decreased by 183 million yen from the end of the previous fiscal year to 7,969 million yen. This was mainly due to increases of 342 million yen in accounts payable - trade and 114 million yen in provision for bonuses, as well as decreases of 246 million yen in accounts payable - other and 362 million yen in income taxes payable.

Net assets

Total net assets at the end of the first quarter increased by 79 million yen from the end of the previous fiscal year to 6,087 million yen. This was mainly due to an increase of 79 million yen in retained earnings as a result

of the recording of 482 million yen in profit attributable to owners of parent and the payment of 402 million yen in dividends.

(3) Explanation of consolidated earnings forecasts and other forward-looking information

In the full-year consolidated earnings forecast, there is no change to the earnings forecast announced on April 3, 2024. The above forecasts were prepared based on information available as of the date of publication of this document and on certain assumptions deemed to be reasonable. Actual results, etc. may differ significantly from these forecasts due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Consolidated balance sheets

(Thousands of yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	2,892,352	2,036,672
Notes and accounts receivable - trade	2,527,138	2,461,555
Merchandise	3,162,672	3,806,290
Prepaid expenses	165,124	164,654
Other	63,757	83,306
Allowance for doubtful accounts	(535)	(508)
Total current assets	8,810,510	8,551,970
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,455,943	1,705,387
Accumulated depreciation	(1,258,623)	(1,287,548)
Buildings and structures, net	197,320	417,839
Tools, furniture and fixtures	118,624	148,102
Accumulated depreciation	(95,055)	(99,378)
Tools, furniture and fixtures, net	23,568	48,723
Land	5,940	5,940
Leased assets	3,068,669	3,025,564
Accumulated depreciation	(2,579,725)	(2,586,242)
Leased assets, net	488,944	439,321
Total property, plant and equipment	715,773	911,825
Intangible assets		
Goodwill	2,271,487	2,225,307
Software	351,552	390,779
Leased assets	8,277	6,302
Other	366	346
Total intangible assets	2,631,684	2,622,735
Investments and other assets		
Investment securities	32,447	32,447
Distressed receivables	99,073	108,887
Long-term prepaid expenses	24,206	31,040
Guarantee deposits	1,172,734	1,181,012
Deferred tax assets	539,493	478,327
Other	238,500	242,740
Allowance for doubtful accounts	(103,426)	(103,874)
Total investments and other assets	2,003,029	1,970,582
Total non-current assets	5,350,487	5,505,143
Total assets	14,160,997	14,057,113

(Thousands of yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,382,933	2,725,261
Current portion of long-term borrowings	717,112	716,860
Lease liabilities	213,611	196,013
Accounts payable - other	752,298	505,888
Accrued expenses	573,366	621,526
Income taxes payable	571,993	209,981
Accrued consumption taxes	86,548	131,195
Contract liabilities	114,943	66,496
Provision for bonuses	330,947	445,824
Provision for point card certificates	11,216	11,937
Other	35,778	61,015
Total current liabilities	5,790,750	5,692,000
Non-current liabilities		
Long-term borrowings	1,687,525	1,640,926
Lease liabilities	352,335	310,723
Retirement benefit liability	316,791	320,390
Other	5,155	5,155
Total non-current liabilities	2,361,807	2,277,195
Total liabilities	8,152,557	7,969,195
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	4,170,467	4,250,282
Treasury shares	(280,732)	(280,732)
Total shareholders' equity	6,005,608	6,085,424
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2,830	2,493
Total accumulated other comprehensive income	2,830	2,493
Total net assets	6,008,439	6,087,917
Total liabilities and net assets	14,160,997	14,057,113

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Net sales	8,860,270	9,212,281
Cost of sales	3,286,123	3,442,967
Gross profit	5,574,147	5,769,314
Selling, general and administrative expenses	4,824,677	5,035,578
Operating profit	749,469	733,735
Non-operating income		
Interest and dividend income	0	0
Foreign exchange gains	7,856	–
Surrender value of insurance policies	1,962	3,933
Purchase discounts	582	551
Rental income	2,716	13,081
Miscellaneous income	2,275	4,703
Total non-operating income	15,392	22,270
Non-operating expenses		
Interest expenses	11,651	9,064
Foreign exchange losses	–	6,076
Rental expenses	2,169	10,108
Miscellaneous losses	3,424	6,297
Total non-operating expenses	17,244	31,546
Ordinary profit	747,617	724,460
Extraordinary losses		
Loss on retirement of non-current assets	851	1,967
Total extraordinary losses	851	1,967
Profit before income taxes	746,765	722,492
Income taxes - current	229,059	178,836
Income taxes - deferred	37,888	61,314
Total income taxes	266,948	240,150
Profit	479,817	482,341
Profit attributable to owners of parent	479,817	482,341

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Profit	479,817	482,341
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(266)	(336)
Total other comprehensive income	(266)	(336)
Comprehensive income	479,550	482,004
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	479,550	482,004
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes concerning quarterly consolidated financial statements

Going concern assumptions

Not applicable.

Notes regarding significant changes in the amount of shareholders' equity

Not applicable.

Significant subsequent events

Transactions under common control

Absorption-type merger for a wholly owned subsidiary

The Company resolved, at a meeting of its Board of Directors held on June 18, 2024, to conduct an absorption-type merger of Heartfeel Co., Ltd., a wholly owned subsidiary of the Company, with the effective date of September 1, 2024.

1. Overview of transaction

(1) Name and business description of entity to be merged

Name of entity to be merged	Heartfeel Co., Ltd.
Business description	Planning, manufacturing and sales of kidswear, etc.

(2) Date of the business combination

September 1, 2024 (planned)

(3) Legal form of the business combination

Form of absorption-type merger in which the Company is the surviving company and Heartfeel Co., Ltd. is the disappearing company

(4) Name of entity after the business combination

NARUMIYA INTERNATIONAL Co., Ltd

(5) Other items regarding overview of transaction

In the medium-term management plan, whose final year is the fiscal year ending February 28, 2027, we are highlighting the slogan "to become an enterprise that is loved by all generations," which is also our business philosophy, and our aim is to be a corporate group that continually achieves growth while contributing to society.

As part of this plan, the Group company, Heartfeel Co., Ltd., has been carrying out a business of planning, manufacturing, and sales of kidswear, etc. under the brand "GLAZOS" for the Group's e-Commerce sales channel. We decided to merge the aforementioned company through an absorption-type merger based on the judgment that this merger will generate synergies by eliminating redundant operations and through online sales promotion measures, leading to more streamlined business operations and to the expansion of new business.

2. Overview of accounting treatment to be adopted

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company plans to account for the business combination as a transaction under common control.