

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

October 3, 2024

Summary of Consolidated Financial Results for the Six Months Ended August 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 Semi-annual Securities Report: October 11, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2024 (from March 1, 2024 to August 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 | % |
| Six months ended August 31, 2024 | 17,602 | 4.1 | 708 | 10.9 | 697 | 12.3 | 420 | 123.0 |
| Six months ended August 31, 2023 | 16,909 | 7.4 | 639 | 126.2 | 621 | 194.4 | 188 | 110.1 |

Note: Comprehensive income Six months ended August 31, 2024: 419 million yen (123.3%)
 Six months ended August 31, 2023: 188 million yen (128.8%)

| | Earnings per share | Diluted earnings per share |
|----------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Six months ended August 31, 2024 | 42.83 | – |
| Six months ended August 31, 2023 | 19.05 | – |

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 August 31, 2024 | 13,229 | 6,025 | 45.5 |
| As of February 29, 2024 | 14,160 | 6,008 | 42.4 |

Reference: Shareholders' equity As of August 31, 2024: 6,025 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 | – | 0.00 | | | |
| Fiscal year ending February 28, 2025 (Forecast) | | | – | 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) Significant changes in the scope of consolidation during the six months ended August 31, 2024: No
- (2) Application of special accounting methods for preparing semi-annual 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 August 31, 2024 | 10,122,830 shares | As of February 29, 2024 | 10,122,830 shares |
|-----------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-----------------------|----------------|-------------------------|----------------|
| As of August 31, 2024 | 305,122 shares | As of February 29, 2024 | 305,122 shares |
|-----------------------|----------------|-------------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|----------------------------------|------------------|----------------------------------|------------------|
| Six months ended August 31, 2024 | 9,817,708 shares | Six months ended August 31, 2023 | 9,897,274 shares |
|----------------------------------|------------------|----------------------------------|------------------|

Note 1: The current semi-annual financial report is not subject to 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. Overview of Operating Results (3) Explanation of consolidated earnings forecasts and other forward-looking information" on page 3 of the attached material.

Attached Material

| | |
|---|----|
| 1. Overview of Operating Results | 2 |
| (1) Overview of Operating Results for the Six Months Ended August 31, 2024 | 2 |
| (2) Overview of Financial Position | 2 |
| (3) Explanation of consolidated earnings forecasts and other forward-looking information | 3 |
| 2. Semi-annual Consolidated Financial Statements and Significant Notes..... | 4 |
| (1) Consolidated balance sheets | 4 |
| (2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)..... | 6 |
| Consolidated statements of income (cumulative) | 6 |
| Consolidated statements of comprehensive income (cumulative) | 7 |
| (3) Consolidated statements of cash flows | 8 |
| (4) Notes concerning semi-annual consolidated financial statements | 9 |
| Notes regarding significant changes in the amount of shareholders' equity..... | 9 |
| Going concern assumptions | 9 |
| Additional information | 9 |
| Notes to significant subsequent events | 10 |

1. Overview of Operating Results

(1) Overview of Operating Results for the Six Months Ended August 31, 2024

While the Japanese economy during the six months ended August 31, 2024 showed a gradual recovery trend against the backdrop of an improved employment and income environment, the future of the economy remained uncertain due to soaring raw material prices, continued price hikes caused by the weak yen, and concerns about a decline in consumer confidence as a result of these factors.

In the apparel industry, to which we belong, the industry overall showed a recovery trend due to the contribution of strong fashion consumerism and expanding inbound demand. On the other hand, the business environment remains challenging due to the rising cost of raw materials and yen depreciation, including a labor shortage of sales staff in the apparel industry and rising purchase prices and logistics costs.

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, while demand for collaboration products and occasional products such as swimsuits, yukata, and jinbei is on the rise, sales remained strong due to measures such as sales of limited edition new items of Narumiya Characters, which drove the Heisei girls’ boom, at the Company’s own stores in department stores and own e-commerce sites. In addition, as a digital strategy, we actively implemented promotional measures linking our own e-commerce site “NARUMIYA ONLINE” with physical sites and OMO (Online Merge with Offline) measures aimed at integrating online and offline operations, resulting in net sales of 17,602 million yen (104.1% on the same period of the previous fiscal year).

On the cost front, selling, general and administrative expenses were 9,807 million yen (103.5% on the same period of the previous fiscal year), mainly due to an increase in sales-linked expenses and an increase in personnel expenses associated with investments in human capital, mainly for improved compensation.

In addition, profit attributable to owners of parent significantly exceeded the previous year’s level, partly because a one-time amortization of goodwill of 166 million yen was recorded as extraordinary losses in the first six months of the previous fiscal year in connection with a review of the business plan of consolidated subsidiary Heartfeel Co., Ltd.

As a result of the above, for the first six months of the current fiscal year, we recorded net sales of 17,602 million yen (104.1% on the same period of the previous fiscal year), operating profit of 708 million yen (110.9%), ordinary profit of 697 million yen (112.3%), and profit attributable to owners of parent of 420 million yen (223.0%).

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

(2) Overview of Financial Position

Assets

Assets at the end of the first six months of the current fiscal year decreased by 931 million yen from the end of the previous fiscal year to 13,229 million yen. This was mainly due to an increase of 215 million yen in buildings and structures, as well as decreases of 1,003 million yen in cash and deposits and 170 million yen in notes and accounts receivable - trade.

Liabilities

Liabilities at the end of the first six months of the current fiscal year decreased by 948 million yen from the end of the previous fiscal year to 7,204 million yen. This was mainly due to decreases of 307 million yen in accounts payable - other, 348 million yen in income taxes payable, and 358 million yen in long-term borrowings.

Net assets

Total net assets at the end of the first six months of the current fiscal year increased by 17 million yen from the end of the previous fiscal year to 6,025 million yen. This was mainly due to an increase of 17 million yen in retained earnings as a result of the recording of 420 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. Semi-annual Consolidated Financial Statements and Significant Notes

(1) Consolidated balance sheets

(Thousands of yen)

| | As of February 29, 2024 | As of August 31, 2024 |
|---------------------------------------|-------------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,892,352 | 1,888,672 |
| Notes and accounts receivable - trade | 2,527,138 | 2,356,947 |
| Merchandise | 3,162,672 | 3,251,214 |
| Prepaid expenses | 165,124 | 165,429 |
| Other | 63,757 | 86,594 |
| Allowance for doubtful accounts | (535) | (508) |
| Total current assets | 8,810,510 | 7,748,350 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,455,943 | 1,736,945 |
| Accumulated depreciation | (1,258,623) | (1,324,108) |
| Buildings and structures, net | 197,320 | 412,837 |
| Tools, furniture and fixtures | 118,624 | 183,361 |
| Accumulated depreciation | (95,055) | (106,561) |
| Tools, furniture and fixtures, net | 23,568 | 76,799 |
| Land | 5,940 | 5,940 |
| Leased assets | 3,068,669 | 3,025,564 |
| Accumulated depreciation | (2,579,725) | (2,632,493) |
| Leased assets, net | 488,944 | 393,070 |
| Total property, plant and equipment | 715,773 | 888,648 |
| Intangible assets | | |
| Goodwill | 2,271,487 | 2,179,126 |
| Software | 351,552 | 414,505 |
| Leased assets | 8,277 | 5,307 |
| Other | 366 | 326 |
| Total intangible assets | 2,631,684 | 2,599,266 |
| Investments and other assets | | |
| Investment securities | 32,447 | 32,447 |
| Distressed receivables | 99,073 | 108,675 |
| Long-term prepaid expenses | 24,206 | 20,505 |
| Guarantee deposits | 1,172,734 | 1,246,898 |
| Deferred tax assets | 539,493 | 438,306 |
| Other | 238,500 | 249,457 |
| Allowance for doubtful accounts | (103,426) | (102,820) |
| Total investments and other assets | 2,003,029 | 1,993,469 |
| Total non-current assets | 5,350,487 | 5,481,384 |
| Total assets | 14,160,997 | 13,229,734 |

(Thousands of yen)

| | As of February 29, 2024 | As of August 31, 2024 |
|--|-------------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 2,382,933 | 2,381,321 |
| Current portion of long-term borrowings | 717,112 | 716,608 |
| Lease liabilities | 213,611 | 181,849 |
| Accounts payable - other | 752,298 | 444,670 |
| Accrued expenses | 573,366 | 655,470 |
| Income taxes payable | 571,993 | 223,891 |
| Accrued consumption taxes | 86,548 | 153,601 |
| Contract liabilities | 114,943 | 98,548 |
| Provision for bonuses | 330,947 | 274,709 |
| Provision for point card certificates | 11,216 | 11,789 |
| Other | 35,778 | 128,618 |
| Total current liabilities | <u>5,790,750</u> | <u>5,271,079</u> |
| Non-current liabilities | | |
| Long-term borrowings | 1,687,525 | 1,329,519 |
| Lease liabilities | 352,335 | 270,040 |
| Retirement benefit liability | 316,791 | 328,220 |
| Other | 5,155 | 5,155 |
| Total non-current liabilities | <u>2,361,807</u> | <u>1,932,934</u> |
| Total liabilities | <u>8,152,557</u> | <u>7,204,014</u> |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 255,099 | 255,099 |
| Capital surplus | 1,860,774 | 1,860,774 |
| Retained earnings | 4,170,467 | 4,188,422 |
| Treasury shares | (280,732) | (280,732) |
| Total shareholders' equity | <u>6,005,608</u> | <u>6,023,563</u> |
| Accumulated other comprehensive income | | |
| Remeasurements of defined benefit plans | 2,830 | 2,156 |
| Total accumulated other comprehensive income | <u>2,830</u> | <u>2,156</u> |
| Total net assets | <u>6,008,439</u> | <u>6,025,720</u> |
| Total liabilities and net assets | <u>14,160,997</u> | <u>13,229,734</u> |

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

Consolidated statements of income (cumulative)

(Thousands of yen)

| | Six months ended August 31, 2023 | Six months ended August 31, 2024 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 16,909,800 | 17,602,893 |
| Cost of sales | 6,791,891 | 7,086,541 |
| Gross profit | 10,117,909 | 10,516,351 |
| Selling, general and administrative expenses | 9,478,605 | 9,807,537 |
| Operating profit | 639,303 | 708,814 |
| Non-operating income | | |
| Interest and dividend income | 13 | 57 |
| Foreign exchange gains | 10,094 | – |
| Surrender value of insurance policies | 5,147 | 5,162 |
| Purchase discounts | 752 | 921 |
| Rental income | 5,380 | 24,106 |
| Miscellaneous income | 3,913 | 8,172 |
| Total non-operating income | 25,302 | 38,420 |
| Non-operating expenses | | |
| Interest expenses | 22,958 | 17,504 |
| Finance fee | 3,512 | 3,512 |
| Foreign exchange losses | – | 2,092 |
| Rental expenses | 4,338 | 20,147 |
| Commission for purchase of treasury shares | 1,403 | – |
| Miscellaneous losses | 11,243 | 6,735 |
| Total non-operating expenses | 43,455 | 49,991 |
| Ordinary profit | 621,150 | 697,243 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 1,921 | 5,844 |
| Amortization of goodwill | 166,165 | – |
| Total extraordinary losses | 168,087 | 5,844 |
| Profit before income taxes | 453,063 | 691,399 |
| Income taxes - current | 273,241 | 169,433 |
| Income taxes - deferred | (8,721) | 101,484 |
| Total income taxes | 264,519 | 270,918 |
| Profit | 188,543 | 420,480 |
| Profit attributable to owners of parent | 188,543 | 420,480 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Six months ended August 31, 2023 | Six months ended August 31, 2024 |
|--|-------------------------------------|-------------------------------------|
| Profit | 188,543 | 420,480 |
| Other comprehensive income | | |
| Remeasurements of defined benefit plans, net of tax | (533) | (673) |
| Total other comprehensive income | (533) | (673) |
| Comprehensive income | 188,010 | 419,806 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 188,010 | 419,806 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Consolidated statements of cash flows

(Thousands of yen)

| | Six months ended August 31, 2023 | Six months ended August 31, 2024 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 453,063 | 691,399 |
| Depreciation | 226,126 | 232,013 |
| Amortization of guarantee deposits | 35,974 | 33,626 |
| Amortization of goodwill | 273,632 | 92,361 |
| Loss on retirement of non-current assets | 1,921 | 5,844 |
| Increase (decrease) in allowance for doubtful accounts | (9,731) | (633) |
| Increase (decrease) in provision for bonuses | 170,620 | (56,238) |
| Increase (decrease) in provision for point card certificates | 2,374 | 572 |
| Increase (decrease) in retirement benefit liability | 8,763 | 10,457 |
| Interest and dividend income | (13) | (57) |
| Interest expenses | 22,958 | 17,504 |
| Decrease (increase) in trade receivables | (100,019) | 163,180 |
| Decrease (increase) in inventories | (801,069) | (88,542) |
| Increase (decrease) in trade payables | 931,394 | (1,611) |
| Increase (decrease) in accounts payable - other | (26,495) | (321,546) |
| Increase (decrease) in accrued expenses | 27,665 | 82,082 |
| Increase (decrease) in accrued consumption taxes | (286,942) | 67,053 |
| Other, net | (28,551) | 45,969 |
| Subtotal | 901,674 | 973,436 |
| Interest and dividends received | 13 | 57 |
| Interest paid | (22,915) | (17,462) |
| Income taxes paid | (290,792) | (504,531) |
| Net cash provided by (used in) operating activities | 587,979 | 451,499 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (29,494) | (353,906) |
| Purchase of intangible assets | (57,080) | (98,521) |
| Purchase of insurance funds | (14,174) | (17,097) |
| Proceeds from maturity of insurance funds | 7,913 | 7,087 |
| Payments of guarantee deposits | (7,001) | (133,072) |
| Proceeds from refund of guarantee deposits | 7,673 | 30,760 |
| Other, net | (70,957) | (28,714) |
| Net cash provided by (used in) investing activities | (163,120) | (593,464) |
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | (367,642) | (358,510) |
| Repayments of lease liabilities | (147,878) | (114,057) |
| Purchase of treasury shares | (280,600) | - |
| Dividends paid | (313,628) | (402,274) |
| Net cash provided by (used in) financing activities | (1,109,749) | (874,841) |
| Effect of exchange rate change on cash and cash equivalents | 1,378 | 13,445 |
| Net increase (decrease) in cash and cash equivalents | (683,511) | (1,003,361) |
| Cash and cash equivalents at beginning of period | 2,943,532 | 2,738,480 |
| Cash and cash equivalents at end of period | 2,260,021 | 1,735,119 |

(4) Notes concerning semi-annual consolidated financial statements

Notes regarding significant changes in the amount of shareholders' equity

Not applicable.

Going concern assumptions

Not applicable.

Additional information

Business combination through acquisition

At a meeting of the Board of Directors held on August 26, 2024, the Company resolved to subscribe to a third-party allotment of new shares to be conducted by KP Co., Ltd. (headquartered in Minato-ku, Tokyo; hereinafter "KP").

1. Overview of business combination

(1) Name and business description of the acquiree

| | |
|----------------------|--|
| Name of the acquiree | KP Co., Ltd. |
| Business description | Planning and wholesale business for baby and children's clothing and goods |

(2) Main reasons for the business combination

Operating under our slogan "to become an enterprise that is loved by all generations," which is also our business philosophy, we are committed to becoming a corporate group that continually achieves growth while contributing to society. In April 2024, we formulated a medium-term management plan (consolidated) for the period from the fiscal year ending February 28, 2025 to the fiscal year ending February 28, 2027 in order to clarify our three-year growth strategy policy from the fiscal year ending February 28, 2025 and to strengthen our business promotion.

KP is engaged in the planning and wholesale of baby and children's clothing, and has developed four brands featuring basic European casual wear, which have been supported by many customers nationwide for 50 years since its establishment. The four brands developed by KP are brands unlike those held by the Group in terms of taste and target, and we believe that they can be expected to expand their market position and serve as a foothold to revitalize the overall market, leading to further expansion of our business in Japan. Accordingly, the Company has decided to subscribe to the third-party allotment of new shares.

In addition, the Company plans to acquire 115,000 shares of KP's common stock (ratio to total shareholder voting rights: 43.40%) by way of subscribing to a third-party allotment of new shares to be conducted by KP on November 7, 2024 (planned), and KP plans to acquire all 150,000 shares of KP held by W&D Investment Design Co., Ltd. ("WDiD"), a shareholder of KP, from WDiD on December 2, 2024 (planned).

(3) Date of the business combination

November 7, 2024 (planned date of share acquisition)
December 2, 2024 (planned date of acquisition of control)

(4) Legal form of the business combination

Share acquisition in consideration for cash

(5) Name of entity after the business combination

No change in name.

(6) Percentage of voting rights to be acquired

| | |
|--|---------|
| Percentage of voting rights at the time of subscription to the third-party allotment of new shares | 43.40% |
| Percentage of voting rights after acquisition by KP of KP shares held by WDiD | 100.00% |

(7) Main reason for deciding the acquiring enterprise

The Company plans to acquire the shares in consideration for cash.

2. Acquisition cost for the acquiree and breakdown by type of consideration

| | | |
|-------------------------------|-------------------|--------------------|
| | | (Thousands of yen) |
| Consideration for acquisition | Cash and deposits | 230,000 |
| Acquisition cost | | 230,000 |

Notes to 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, and entered into an absorption-type merger agreement as of July 18, 2024. Pursuant to the agreement, the merger was completed as 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

(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 has accounted for the business combination as a transaction under common control.