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July 12, 2023

Summary of Consolidated Financial Results for the Three Months Ended May 31, 2023 (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
 General Manager of Accounting and Finance Department Yoshiari Sakano TEL 03-6430-3405
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 Scheduled date to file Quarterly Securities Report: July 13, 2023
 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, 2023 (from March 1, 2023 to May 31, 2023)

(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, 2023	8,860	4.8	749	30.1	747	36.0	479	35.0
Three months ended May 31, 2022	8,455	18.9	575	43.0	549	40.9	355	56.0

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

Three months ended May 31, 2022: 351 million yen (57.6%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2023	48.09	–
Three months ended May 31, 2022	35.11	–

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, 2023	13,867	5,267	38.0
As of February 28, 2023	13,438	5,382	40.1

Reference: Shareholders' equity As of May 31, 2023: 5,267 million yen As of February 28, 2023: 5,382 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
Year ended February 28, 2023	–	0.00	–	31.00	31.00
Year ending February 29, 2024	–				
Year ending February 29, 2024 (Forecast)		0.00	–	31.00	31.00

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

3. Forecast of consolidated financial results for the fiscal year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

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	36,227	3.5	1,800	5.6	1,772	9.1	1,075	29.5	109.15

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

Based on a resolution adopted by the Board of Directors at a meeting held on April 17, 2023, the Company purchased treasury shares.

“Earnings per share” in our forecast of consolidated financial results considers the impact of this purchase of treasury shares.

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2023
(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: Yes
 - 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, 2023	10,122,830 shares	As of February 28, 2023	10,122,830 shares
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Number of treasury shares at the end of the period

As of May 31, 2023	305,122 shares	As of February 28, 2023	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, 2023	9,976,839 shares	Three months ended May 31, 2022	10,122,708 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 2 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, the easing of restrictions on activities with Japan's downgrading of new coronavirus (COVID-19) infection to a class 5 disease led to a continued economic recovery. A full economic recovery, however, failed to materialize on account of the invasion of Ukraine by Russia and the global increase in prices. Furthermore, amid continued tighter monetary policy throughout the world, the yen again followed a track of depreciation in the foreign exchange market, leading to a large increase in import costs, and the future of the economy still remains unclear.

In the apparel industry, to which we belong, there was an overall upward trend in earnings as restrictions on movement were loosened. However, concern continues to mount over the economy due to the increase in prices. In such a business environment, the Group has experienced an increase in customers visiting physical outlets including department stores, shopping centers, and outlet malls. As a result, sales were strong in the department store channel, shopping center channel, and outlet channel. Moreover, with the increase in events for children, sales were strong for clothing for special occasions such as clothing for going out and swimsuits. Meanwhile, sales in the EC channel decreased year on year due to the reversal of the stay-at-home demand experienced during the COVID-19 pandemic. However, through appropriate inventory allocation to our own website and the websites of other companies, independent EC promotions, and the introduction of dedicated EC products, sales began to recover in May. We are also working to minimize impacts on our financial results from surging purchase prices caused by the depreciation of the yen and high raw materials prices through creative approaches to our specifications, designs, and sale prices.

Looking at the status of store openings and closings during the first three months of the current fiscal year, we opened eight stores in department stores, two stores in shopping centers, and one outlet store, and closed four stores in department stores and one store in a shopping center. As in the previous fiscal year, we carefully select regions and commercial zones in our store opening plan.

As a result of the above, in the first three months of the current fiscal year we recorded net sales of 8,860 million yen (4.8% increase year-on-year), operating profit of 749 million yen (30.1% increase year-on-year), ordinary profit of 747 million yen (36.0% increase year-on-year), and profit attributable to owners of parent of 479 million yen (35.0% increase year-on-year).

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 increased by 429 million yen from the end of the previous fiscal year to 13,867 million yen. This was mainly due to increases of 978 million yen in merchandise and 204 million yen in notes and accounts receivable - trade, as well as decreases of 689 million yen in cash and deposits, 53 million yen in goodwill, and 37 million yen in deferred tax assets.

Liabilities

Liabilities at the end of the first quarter increased by 544 million yen from the end of the previous fiscal year to 8,599 million yen. This was mainly due to increases of 790 million yen in accounts payable - trade and 143 million yen in provision for bonuses, as well as decreases of 119 million yen in accounts payable - other, 174 million yen in accrued consumption taxes, and 91 million yen in income taxes payable.

Net Assets

Total net assets at the end of the first quarter decreased by 114 million yen from the end of the previous fiscal year to 5,267 million yen. This was mainly due to the recording of 479 million yen in profit attributable to owners of parent, the payment of 313 million yen in dividends, and an increase in treasury shares of 280 million yen.

(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 12, 2023. 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 28, 2023	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	3,047,482	2,358,198
Notes and accounts receivable - trade	2,221,445	2,425,574
Merchandise	2,478,474	3,457,014
Prepaid expenses	110,410	152,391
Other	73,626	61,413
Allowance for doubtful accounts	(1,084)	(1,917)
Total current assets	7,930,356	8,452,675
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,365,493	1,369,684
Accumulated depreciation	(1,181,381)	(1,187,438)
Buildings and structures, net	184,111	182,245
Tools, furniture and fixtures	110,672	110,500
Accumulated depreciation	(84,220)	(86,532)
Tools, furniture and fixtures, net	26,452	23,967
Land	5,940	5,940
Leased assets	2,944,608	3,008,852
Accumulated depreciation	(2,348,313)	(2,411,017)
Leased assets, net	596,294	597,835
Total property, plant and equipment	812,798	809,988
Intangible assets		
Goodwill	2,637,481	2,583,748
Software	189,267	189,486
Leased assets	31,195	23,119
Other	446	426
Total intangible assets	2,858,390	2,796,779
Investments and other assets		
Investment securities	9,947	9,947
Distressed receivables	111,000	103,508
Long-term prepaid expenses	9,734	28,929
Guarantee deposits	1,148,048	1,137,472
Deferred tax assets	439,012	401,241
Other	229,776	230,241
Allowance for doubtful accounts	(111,000)	(103,508)
Total investments and other assets	1,836,519	1,807,831
Total non-current assets	5,507,708	5,414,600
Total assets	13,438,065	13,867,275

(Thousands of yen)

	As of February 28, 2023	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,874,019	2,664,451
Current portion of long-term borrowings	726,344	719,032
Lease liabilities	270,034	258,032
Accounts payable - other	538,953	418,964
Accrued expenses	540,045	613,934
Income taxes payable	347,893	256,406
Accrued consumption taxes	302,069	127,306
Contract liabilities	117,012	64,062
Provision for bonuses	117,186	260,836
Provision for point card certificates	9,613	11,378
Other	53,156	83,625
Total current liabilities	4,896,329	5,478,031
Non-current liabilities		
Long-term borrowings	2,404,637	2,357,786
Lease liabilities	445,511	448,371
Retirement benefit liability	303,857	310,210
Other	5,155	5,155
Total non-current liabilities	3,159,161	3,121,522
Total liabilities	8,055,490	8,599,554
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	3,267,507	3,433,520
Treasury shares	(132)	(280,732)
Total shareholders' equity	5,383,248	5,268,662
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(674)	(940)
Total accumulated other comprehensive income	(674)	(940)
Total net assets	5,382,574	5,267,721
Total liabilities and net assets	13,438,065	13,867,275

(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, 2022	Three months ended May 31, 2023
Net sales	8,455,337	8,860,270
Cost of sales	3,217,647	3,286,123
Gross profit	5,237,689	5,574,147
Selling, general and administrative expenses	4,661,834	4,824,677
Operating profit	575,854	749,469
Non-operating income		
Interest and dividend income	0	0
Foreign exchange gains	—	7,856
Surrender value of insurance policies	3,061	1,962
Purchase discounts	366	582
Rental income	5,497	2,716
Miscellaneous income	1,375	2,275
Total non-operating income	10,301	15,392
Non-operating expenses		
Interest expenses	14,131	11,651
Foreign exchange losses	4,103	—
Commission expenses	10,000	—
Rental expenses	4,788	2,169
Miscellaneous losses	3,338	3,424
Total non-operating expenses	36,362	17,244
Ordinary profit	549,793	747,617
Extraordinary income		
Grant income	17,479	—
Total extraordinary income	17,479	—
Extraordinary losses		
Loss on retirement of non-current assets	384	851
Total extraordinary losses	384	851
Profit before income taxes	566,888	746,765
Income taxes - current	136,863	229,059
Income taxes - deferred	74,574	37,888
Total income taxes	211,437	266,948
Profit	355,450	479,817
Profit attributable to owners of parent	355,450	479,817

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Profit	355,450	479,817
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(3,784)	(266)
Total other comprehensive income	(3,784)	(266)
Comprehensive income	351,666	479,550
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	351,666	479,550
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)

Based on a resolution by the Board of Directors at a meeting held on April 17, 2023, the Company purchased 305,000 shares of treasury shares. As a result of this purchase, the value of our treasury shares in the first three months of the current fiscal year increased by 280,600 thousand yen, totaling 280,732 thousand yen at the end of the first three months.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

We started to apply the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ASBJ Guidance No. 31, June 17, 2021) from the start of the first three months of the current fiscal year. According to the transitional handling provided in Article 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, we have decided to apply the new accounting policy provided in the guidance into the future.

Furthermore, there is no impact on the quarterly financial statements resulting from the application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.