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November 12, 2024

Consolidated Financial Results for the Nine Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: INTERMESTIC INC.
Listing: Tokyo Stock Exchange
Securities code: 262A
URL: https://www.zoff.com/
Representative: Hiroshi Ueno, President
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	33,620	-	5,426	-	5,369	-	3,731	-
September 30, 2023	-	-	-	-	-	-	-	-

Note: Comprehensive income For the nine months ended September 30, 2024: ¥3,711 million [-%]
For the nine months ended September 30, 2023: - [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	174.23	-
September 30, 2023	-	-

Notes 1: As the Company did not prepare consolidated quarterly financial statements for the third quarter of the fiscal year ending December 2023, the figures for the third quarter of the fiscal year ending December 2023 and the year-on-year percentage change for the third quarter of the fiscal year ending December 2024 are not stated.
2: Diluted net income per share for the third quarter of the fiscal year ending December 2024 is not stated because, although there are dilutive shares, the average share price during the period cannot be determined because the Company's shares were unlisted.
3. As the Company carried out a 2,000-for-1 stock split for its common shares on April 23, 2024, “Earnings per share” is calculated on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	23,160	9,187	39.7
Fiscal year ended December 31, 2023	20,070	6,374	31.8

Reference: Equity
As of September 30, 2024: ¥9,187 million
As of December 31, 2023: ¥6,374 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	0.00	-	83,700.00	83,700.00
Fiscal year ending December 31, 2024	-	0.00	-		
Fiscal year ending December 31, 2024 (Forecast)				27.86	27.86

Notes 1: Revisions to the forecast of cash dividends most recently announced: None

2: The company carried out a stock split on April 23, 2024, at a ratio of 2,000 shares per share of common stock. For the fiscal year ending December 2023, the actual dividend amount before the stock split is stated. For the fiscal year ending December 2024 (forecast), the dividend per share is calculated based on the assumption that the stock split was carried out at the beginning of the fiscal year ending December 2023.

2. Consolidated financial results forecast for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	43,489	9.1	4,206	20.3	4,036	17.8	2,720	6.2	118.00

Notes 1: Revisions to the financial results forecast most recently announced: None

2: The earnings per share for the fiscal year ending December 2024 in the consolidated financial results forecast are calculated based on the assumption that the stock split was carried out at the beginning of the fiscal year ending 2023

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 company (INTERMESTIC SINGAPORE PTE. LTD.)
Excluded: 1 company (ZOFF I SINGAPORE PTE. LTD.)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Notes on accounting procedures specific to the preparation of quarterly consolidated financial statements)" on page 9 of this document.

(3) Changes in accounting policies, changes in accounting estimates, and restatement
(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
(ii) Changes in accounting policies due to reasons other than (i): None
(iii) Changes in accounting estimates: None
(iv) Restatement: None

(4) Number of issued shares (common shares)
(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	30,600,000 shares
As of December 31, 2023	30,600,000 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2024	9,180,000 shares
As of December 31, 2023	9,180,000 shares

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

Nine months ended September 30, 2024	21,420,000 shares
Nine months ended September 30, 2023	- shares

Notes 1: As the Company carried out a stock split on April 23, 2024, whereby each share of common stock was divided into 2,000 shares, the “number of shares issued at the end of the period,” “number of treasury shares at the end of the period” and “average number of shares during the period” are calculated on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.
Notes 2: The Company has not prepared quarterly consolidated financial statements for the third quarter of the fiscal year ending December 2023, so the average number of shares during the period is not stated.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

The financial results forecast and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and they are not intended to be a promise by the Company that they will be achieved. Actual results may differ significantly from those forecasts due to a wide range of factors. For the above-mentioned financial results forecast, please refer to page 3 of the attached documents, “1. Overview of Operating Performance and Other Matters, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.”

(How to obtain Quarterly Financial Results Supplementary Information)
Quarterly Financial Results Supplementary Information is disclosed on the same day on TDnet.

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1. Overview of Operating Performance and Other Matters

(1) Overview of Operating Performance for the Cumulative Consolidated Period of the Quarter

During the first nine months of the current fiscal year, the Japanese economy showed a gradual recovery as the effects of the new coronavirus infection subsided and the normalization of economic and social activities progressed. On the other hand, there are concerns about the risk of downward pressures on the Japanese economy from a downturn in overseas economies, such as the effects of continued high interest rate levels in Europe and the United States and concerns about the outlook for the Chinese economy. The economic outlook in Japan and abroad remains uncertain, with the need to pay close attention to the effects of rising prices, the situation surrounding the Middle East region, and fluctuations in financial and capital markets.

In this economic environment, the Group has been promoting its brand strategy, "Eye Performance," aiming to become a brand that is needed by society and people's daily lives by presenting new value not only as a vision correction device but also as a fashion item and a tool to expand human possibilities. We have been working to become a brand that is needed by society and people's daily lives.

In terms of product measures, we have been actively developing new products such as the "EYE LOVE TRAD" series, which combines the essence of classical and traditional fashion with modernity, an eyewear collection with the popular multi-brand store "UNITED ARROWS," new models for the "Disney Collection created by Zoff "PRINCESS", and sunglasses in collaboration with the outdoor creator "YURIE".

With regard to advertising development, a nationwide TV commercial featuring Lars Nootbaar was launched to promote the attractiveness of Zoff products and the richness of the product lineup.

With regard to store development, the number of stores during the period under review totaled 305 stores in Japan (all operated by subsidiary Zoff Co., Ltd.) and 20 stores overseas (all franchisees, 16 in Hong Kong and 4 in Singapore).

As a result of the above, net sales, operating profit, ordinary profit, and net income attributable to owners of the parent for the third quarter of the current fiscal year totaled 33,620,527 thousand yen, 5,426,382 thousand yen, 5,369,643 thousand yen, and 3,731,910 thousand yen, respectively.

A summary of results by segment is as follows.

Domestic Business

In the domestic business, sales of standard products such as "Zoff SMART" remained strong, and seasonal products such as sunglasses and colored lenses drove sales. Tax-free sales by foreign visitors to Japan also showed a recovery, especially in urban areas.

With respect to store development, the number of stores in Japan totaled 305 (16 stores opened and 5 stores closed).

As a result of the above, the domestic business segment reported segment sales of 33,198,055 thousand yen and segment operating profit of 5,435,746 thousand yen.

Overseas Business

With regard to overseas business, in Hong Kong, we saw the effects of economic stagnation, which had an impact on our business performance.

In Singapore, sales have been affected by the economic slowdown, but have recently been recovering.

Store development totaled 20 stores: 16 in Hong Kong (2 opened and 1 closed) and 4 in Singapore (none opened and 1 closed).

As a result of the above, the overseas business posted segment sales of 644,065 thousand yen and segment operating loss of 21,859 thousand yen.

(2) Overview of Financial Position for the Cumulative Consolidated Period of the Quarter

(Assets)

Total assets at the end of the third quarter of the current fiscal year increased 3,090,136 thousand yen from the end of the previous fiscal year to 23,160,430 thousand yen.

Current assets increased 2,391,737 thousand yen to 16,758,106 thousand yen. This was mainly due to a 3,173,198 thousand yen increase in cash and deposits resulting from an increase in sales, despite a 395,249 thousand yen decrease in deposits received.

Noncurrent assets increased 698,398 thousand yen to 6,402,324 thousand yen. This was mainly due to a 523,532 thousand yen increase in property, plant and equipment resulting from new store openings and renovations.

(Liabilities)

Total liabilities at the end of the third quarter of the current consolidated fiscal year increased by 277,010,000 yen compared to the end of the previous consolidated fiscal year to 13,973,241,000 yen.

Current liabilities increased by 611,743,000 yen compared to the end of the previous consolidated fiscal year to 10,312,368,000 yen. This was mainly due to an increase in income taxes payable of 1,070,130,000 yen and an increase in long-term loans payable due within one year of 378,580,000 yen due to the scheduled repayment date falling within one year, while accrued expenses decreased by 269,379,000 yen and accounts payable decreased by 215,790,000 yen due to payments of social insurance premiums, etc.

Long-term liabilities decreased by 334,732 thousand yen compared to the end of the previous consolidated fiscal year to 3,660,872 thousand yen. This was mainly due to a decrease of 378,580 thousand yen in long-term loans payable due to the transfer to long-term loans payable due within one year.

(Net assets)

Total net assets at the end of the third quarter of the current consolidated fiscal year increased by 2,813,125 thousand yen from the end of the previous consolidated fiscal year to 9,187,189 thousand yen.

This was mainly due to an increase of 3,731,910 thousand yen from net income attributable to parent company shareholders for the quarter, while there was a decrease of 896,427 thousand yen due to dividend payments.

(3) Explanation of Financial Results Forecast and Other Forward-looking Information

There is no change to the earnings forecast for the fiscal year ending December 31, 2024, which was announced in the "Notice of Our Financial Results and Other Information in Connection with Listing on the Tokyo Stock Exchange Prime Market" dated October 18, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	Previous consolidated fiscal year As of December 31,2023	Current third quarter consolidated accounting period As of September 30, 2024
Assets		
Current assets		
Cash and deposits	6,268,044	9,441,242
Accounts receivable - trade	737,592	438,823
Goods	4,358,910	4,170,585
Deposits paid	2,621,712	2,226,463
Other	380,108	480,990
Total current assets	14,366,369	16,758,106
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,104,878	1,361,713
Tools, furniture and fixtures, net	599,126	832,755
Lease assets, net	329,772	366,705
Construction in progress	9,085	5,221
Total property, plant and equipment	2,042,863	2,566,396
Intangible fixed assets		
Software	540,475	548,640
Other	31,220	25,273
Total intangible fixed assets	571,696	573,913
Investments and other assets		
Investments in affiliates	57,203	27,203
Lease and guarantee deposits	2,205,000	2,204,871
Deferred tax assets	793,652	997,513
Other	45,766	44,318
Allowance for doubtful accounts	(12,256)	(11,892)
Total investments and other assets	3,089,365	3,262,014
Total non-current assets	5,703,925	6,402,324
Total assets	20,070,294	23,160,430

(Thousands of Yen)

	Previous consolidated fiscal year As of December 31,2023	Current third quarter consolidated accounting period As of September 30, 2024
Liabilities		
Current liabilities		
Accounts Payable	1,395,301	1,212,221
Short-term borrowings	2,900,000	2,900,000
Lease liabilities	122,023	115,298
Current portion of long-term borrowings	331,250	709,830
Accounts payable - other	2,339,840	2,124,049
Accrued expenses	390,021	120,641
Income taxes payable	456,062	1,526,192
Contract liabilities	1,081,606	897,861
Deposits received	153,133	61,086
Allowance for loss on business liquidation	121,649	14,922
Other	409,736	630,265
Total current liabilities	9,700,625	10,312,368
Non-current liabilities		
Long-term borrowings	3,643,750	3,265,170
Lease liabilities	279,255	310,228
Guarantee Deposit	72,600	73,480
Other	—	11,994
Total non-current liabilities	3,995,605	3,660,872
Total liabilities	13,696,230	13,973,241
Net assets		
Shareholders' equity		
Share capital	220,000	220,000
Capital surplus	150,000	150,000
Retained earnings	9,862,074	12,696,088
Treasury stock	△3,975,008	△3,975,008
Total shareholders' equity	6,257,065	9,091,079
Accumulated other comprehensive income		
Deferred gains or losses on hedges	—	△29,082
Foreign currency translation adjustments	116,997	125,192
Total accumulated other comprehensive income	116,997	96,109
Total net assets	6,374,063	9,187,189
Total liabilities and net assets	20,070,294	23,160,430

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended September 30, 2024

(Thousands of Yen)

	For the nine months ended September 30,2024
Net sales	33,620,527
Cost of goods sold	8,484,439
Gross profit	25,136,087
Selling, general and administrative expenses	19,709,705
Operating profit	5,426,382
Non-operating income	
Interest income	730
Other	4,075
Total non-operating income	4,805
Non-operating expenses	
Interest expense	25,691
Foreign exchange loss	25,246
Other	10,607
Total non-operating expenses	61,545
Ordinary profit	5,369,643
Extraordinary gains	
Gain on sales of fixed assets	13,671
Gain on sales of investments in affiliates	17,350
Compensation for relocation	49,877
Other	5,037
Total extraordinary gains	85,937
Extraordinary loss	
Loss on disposal of fixed assets	39,267
Other	137
Total extraordinary loss	39,405
Income before income taxes and minority interests	5,416,175
Corporate, inhabitant and enterprise taxes	1,879,580
Income taxes-deferred	(195,315)
Total income taxes	1,684,264
Quarterly net income	3,731,910
Net income attributable to owners of the parent	3,731,910

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30, 2024

(Thousands of Yen)

	For the nine months ended September 30,2024
Quarterly net income	3,731,910
Other comprehensive income	
Deferred hedge gains or losses	(29,082)
Foreign currency translation adjustment account	8,195
Total other comprehensive income	(20,887)
Quarterly comprehensive income	3,711,022
(Breakdown)	
Comprehensive income attributable to parent company shareholders	3,711,022

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on accounting procedures specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

The tax expenses for our company and some of our consolidated subsidiaries are calculated by making a reasonable estimate of the effective tax rate after the application of tax effect accounting for income before income taxes for the consolidated fiscal year, including the third quarter of the current consolidated fiscal year, and multiplying income before income taxes for the quarter by the estimated effective tax rate.

(Notes on Segment Information, etc.)

For the nine months ended September 30, 2024

1. Information on sales and profit or loss by reportable segment

(Thousands of Yen)

	Reportable Segment			Adjustments (Note1)	Quarterly Consolidated Statements of Income Amount (Note2)
	Domestic Business	Overseas Business	Total		
Net sales					
Sales to external customers	32,976,462	644,065	33,620,527	—	33,620,527
Inter-segment sales or transfers	221,593	—	221,593	(221,593)	—
Total	33,198,055	644,065	33,842,120	(221,593)	33,620,527
Segment income (loss)	5,435,746	(21,859)	5,413,887	12,494	5,426,382

Note 1: The adjustment amount for segment income (loss) is mainly the elimination of inter-segment transactions and the adjustment amount for unrealized income.

Note 2: Segment income (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on assets by reportable segment

In the third quarter of the current consolidated cumulative period, the sale of Zoff I Singapore Pte. Ltd. shares and their removal from the scope of consolidation resulted in a decrease of 235,851 thousand yen in segment assets in the “Overseas Business” segment compared to the end of the previous consolidated fiscal year.

3. Information on impairment loss of fixed assets or goodwill, etc. by reportable segment

Not applicable

(Notes in the Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumption)

Not applicable.

(Notes on the Cash Flow Statement)

A quarterly cash flow statement for the third quarter of the current consolidated cumulative period has not been prepared. Depreciation (including amortization of intangible fixed assets) for the third quarter of the current consolidated cumulative period is as follows.

	For the nine months ended September 30,2024
Depreciation and amortization	568,736 thousand yen

(Business Combinations)

Business Separation

(Transfer of Subsidiary Shares)

(1) Overview of Business Separation

(i) Name of company to which business was transferred

Omni Beauty Retailing Limited

(ii) Name and business of consolidated subsidiary that was separated

Name: Zoff I SINGAPORE PTE. LTD.

Business: Sale of eyeglasses

(iii) Main reason for business separation

Omni Beauty Retailing Limited, the company to which the business was transferred, is also developing the Zoff business in Hong Kong as a franchisee of the Company. In light of the company's network and development capabilities, the Company decided to transfer the business to Omni Beauty Retailing Limited as a franchisee in Singapore, believing that this would accelerate the growth of the Zoff business.

(iv) Date of business transfer

January 2, 2024 (deemed transfer date: January 1, 2024)

(v) Matters concerning the outline of the transaction, including the legal form

Share transfer in which the consideration received is limited to cash and other assets

(2) Summary of accounting treatment implemented

(i) Amount of profit or loss on transfer

Profit on sale of investment in affiliates: 17,350,000 yen

(Note) This is the amount after the final transfer price adjustment stipulated in the share transfer agreement has been completed and the price adjustment has been reflected.

(ii) Appropriate book value of assets and liabilities related to the transferred business and their main breakdown

Current assets	192,691,000 yen
Fixed assets	43,159,000 yen
Total assets	235,851,000 yen
Current liabilities:	458,857,000 yen
Total liabilities:	458,857,000 yen

(ⅲ) Accounting treatment

The transaction was processed in accordance with the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(3) Reporting segment that included the divested business

Overseas business

(4) Approximate amount of profit or loss related to the divested business recorded in the quarterly consolidated statement of income for the third quarter of the consolidated fiscal year

The business divestiture was conducted with the deemed transfer date being the beginning of the third quarter of the consolidated fiscal year, and the profit or loss related to the divested business is not included in the quarterly consolidated statement of income for the third quarter of the consolidated fiscal year.

(Significant Subsequent Events)

(Disposal of treasury stock through public offering)

The Company listed its shares on the Tokyo Stock Exchange Prime Market on October 18, 2024. In conjunction with this listing, the Company resolved to dispose of treasury stock at the Board of Directors meetings held on September 12, 2024 and September 30, 2024, as follows, and completed the payment on October 17, 2024.

(1) Method of offering: Public offering (offering by book-building method)

(2) Type and number of shares to be disposed of: 7,880,000 common shares

(3) Disposal price: 1,630 yen per share

The public offering was conducted at this price.

(4) Subscription price: 1,532.20 yen per share

This amount is the amount received by the Company from the underwriter as payment for the disposal of treasury stock per share.

The total difference between the disposal price and the subscription price is the amount received by the underwriter.

(5) Issue price: 1,275 yen per share

This amount is the amount paid in under the Companies Act and was decided at a meeting of the Board of Directors held on September 30, 2024.

(6) Total amount of disposal price: 12,844 million yen

(7) Total amount of payment: 12,073 million yen

(8) Payment date: October 17, 2024

(9) Use of funds: The funds will be used for (1) repayment of borrowings, (2) advertising, (3) capital investment in stores, and (4) recruitment.

(Additional Information)

(Disposal of treasury stock through third-party allotment)

The Company listed its shares on the Tokyo Stock Exchange Prime Market on October 18, 2024. In conjunction with the secondary offering by way of over-allotment to be conducted by SMBC Nikko Securities Inc. in connection with the listing of the Company's shares, the Company resolved at the meetings of the Board of Directors held on September 12, 2024 and September 30, 2024 to dispose of treasury shares by way of third-party allotment to SMBC Nikko Securities Inc. as follows, and the payment is scheduled to be made on November 13, 2024.

(1) Method of offering: Third-party allotment (secondary offering through over-allotment)

(2) Type and number of shares to be disposed of: 1,300,000 common shares

(3) Allotment price: 1,532.20 yen per share

(4) Amount to be paid: 1,275 yen per share

This amount is the amount to be paid in under the Companies Act and was decided at a meeting of the Board of Directors held on September 30, 2024.

(5) Total amount of the allotment price: 1,991 million yen

(6) Payment date: November 13, 2024

(7) Allottee: SMBC Nikko Securities Inc.

(8) Use of funds: The same as “(Disposal of treasury stock through public offering) (9) Use of funds”.