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January 12, 2024

Summary of Consolidated Financial Results for the Nine Months Ended November 30, 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
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Scheduled date to file Quarterly Securities Report: January 15, 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 nine months ended November 30, 2023 (from March 1, 2023 to November 30, 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	%
Nine months ended November 30, 2023	26,388	7.0	1,454	39.7	1,424	47.8	721	24.5
Nine months ended November 30, 2022	24,653	13.9	1,040	45.8	963	44.8	579	55.7

Note: Comprehensive income Nine months ended November 30, 2023: 721 million yen (26.9%)
Nine months ended November 30, 2022: 568 million yen (60.3%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2023	73.13	–
Nine months ended November 30, 2022	57.26	–

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 November 30, 2023	15,006	5,509	36.7
As of February 28, 2023	13,438	5,382	40.1

Reference: Shareholders' equity As of November 30, 2023: 5,509 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	–	0.00	–		
Year ending February 29, 2024 (Forecast)				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

4. Notes

(1) Changes in significant subsidiaries during the nine months ended November 30, 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 November 30, 2023	10,122,830 shares	As of February 28, 2023	10,122,830 shares

Number of treasury shares at the end of the period

As of November 30, 2023	305,122 shares	As of February 28, 2023	122 shares

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

Nine months ended November 30, 2023	9,870,945 shares	Nine months ended November 30, 2022	10,122,708 shares

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 nine months of the current fiscal year, although there was a recovery trend in corporate earnings, personal consumption and demand from inbound tourists, and economic and social systems are being rebuilt for the post-COVID-19 era, the outlook has remained uncertain for society as a whole due to the impact of unstable international conditions and the increase in prices.

In the apparel industry, to which we belong, there is a need for initiatives that address the change in values and new customer needs following the COVID-19 pandemic as homecoming visits, travel and opportunities for going out on a daily basis are increasing.

In such a business environment, the Group saw sales of products for the fall season get off to a slow start and faced an uphill battle due to a major typhoon that hit Japan in September and as temperatures remained high due to the impact of global warming. However, sales of products for the fall and winter seasons were firm as temperatures began to drop around the beginning of October. As a result, sales were strong in the department store channel, shopping center channel, and outlet channel.

Meanwhile, at the beginning of the period, 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 steadily and exceeded the previous year's level recently. 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 nine months of the current fiscal year, we opened 15 stores in department stores, seven stores in shopping centers, and one outlet store, and closed 11 stores in department stores, one store in a shopping center and three stores in LOVST photo studios. 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 nine months of the current fiscal year we recorded net sales of 26,388 million yen (7.0% increase year-on-year), operating profit of 1,454 million yen (39.7% increase year-on-year), ordinary profit of 1,424 million yen (47.8% increase year-on-year), and profit attributable to owners of parent of 721 million yen (24.5% 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 third quarter increased by 1,568 million yen from the end of the previous fiscal year to 15,006 million yen. This was mainly due to increases of 969 million yen in notes and accounts receivable - trade and 2,530 million yen in merchandise, as well as decreases of 1,853 million yen in cash and deposits and 319 million yen in goodwill.

Liabilities

Liabilities at the end of the third quarter increased by 1,442 million yen from the end of the previous fiscal year to 9,497 million yen. This was mainly due to increases of 1,638 million yen in accounts payable - trade and 422 million yen in provision for bonuses, as well as decreases of 405 million yen in long-term borrowings and 294 million yen in accrued consumption taxes.

Net assets

Total net assets at the end of the third quarter increased by 126 million yen from the end of the previous fiscal year to 5,509 million yen. This was mainly due to the recording of 721 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 November 30, 2023
Assets		
Current assets		
Cash and deposits	3,047,482	1,193,797
Notes and accounts receivable - trade	2,221,445	3,191,206
Merchandise	2,478,474	5,008,688
Prepaid expenses	110,410	154,456
Other	73,626	172,034
Allowance for doubtful accounts	(1,084)	(315)
Total current assets	7,930,356	9,719,868
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,365,493	1,421,152
Accumulated depreciation	(1,181,381)	(1,231,634)
Buildings and structures, net	184,111	189,517
Tools, furniture and fixtures	110,672	114,359
Accumulated depreciation	(84,220)	(91,938)
Tools, furniture and fixtures, net	26,452	22,421
Land	5,940	5,940
Leased assets	2,944,608	3,068,669
Accumulated depreciation	(2,348,313)	(2,526,990)
Leased assets, net	596,294	541,679
Total property, plant and equipment	812,798	759,557
Intangible assets		
Goodwill	2,637,481	2,317,668
Software	189,267	274,458
Leased assets	31,195	11,297
Other	446	386
Total intangible assets	2,858,390	2,603,811
Investments and other assets		
Investment securities	9,947	32,447
Distressed receivables	111,000	99,355
Long-term prepaid expenses	9,734	24,194
Guarantee deposits	1,148,048	1,146,319
Deferred tax assets	439,012	492,000
Other	229,776	233,006
Allowance for doubtful accounts	(111,000)	(103,754)
Total investments and other assets	1,836,519	1,923,570
Total non-current assets	5,507,708	5,286,939
Total assets	13,438,065	15,006,807

(Thousands of yen)

	As of February 28, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,874,019	3,512,177
Current portion of long-term borrowings	726,344	717,364
Lease liabilities	270,034	230,045
Accounts payable - other	538,953	630,911
Accrued expenses	540,045	649,925
Income taxes payable	347,893	340,854
Accrued consumption taxes	302,069	7,503
Contract liabilities	117,012	92,523
Provision for bonuses	117,186	539,502
Provision for point card certificates	9,613	11,632
Other	53,156	43,650
Total current liabilities	4,896,329	6,776,090
Non-current liabilities		
Long-term borrowings	2,404,637	1,999,124
Lease liabilities	445,511	400,038
Retirement benefit liability	303,857	317,149
Other	5,155	5,155
Total non-current liabilities	3,159,161	2,721,467
Total liabilities	8,055,490	9,497,558
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	3,267,507	3,675,581
Treasury shares	(132)	(280,732)
Total shareholders' equity	5,383,248	5,510,722
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(674)	(1,473)
Total accumulated other comprehensive income	(674)	(1,473)
Total net assets	5,382,574	5,509,249
Total liabilities and net assets	13,438,065	15,006,807

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Net sales	24,653,447	26,388,192
Cost of sales	9,944,909	10,272,941
Gross profit	14,708,538	16,115,251
Selling, general and administrative expenses	13,668,031	14,661,175
Operating profit	1,040,506	1,454,075
Non-operating income		
Interest and dividend income	5	13
Surrender value of insurance policies	7,658	9,329
Purchase discounts	1,944	1,953
Rental income	11,991	10,316
Subsidy income	4,210	–
Miscellaneous income	7,003	8,567
Total non-operating income	32,814	30,180
Non-operating expenses		
Interest expenses	41,454	33,259
Finance fee	36,443	4,260
Foreign exchange losses	8,230	2,266
Commission expenses	10,000	–
Rental expenses	9,726	7,490
Commission for purchase of treasury shares	–	1,403
Miscellaneous losses	3,781	11,376
Total non-operating expenses	109,637	60,057
Ordinary profit	963,683	1,424,199
Extraordinary income		
Grant income	23,504	–
Total extraordinary income	23,504	–
Extraordinary losses		
Loss on retirement of non-current assets	2,484	2,031
Impairment losses	4,699	–
Amortization of goodwill	–	166,165
Total extraordinary losses	7,184	168,197
Profit before income taxes	980,003	1,256,002
Income taxes - current	344,956	586,759
Income taxes - deferred	55,449	(52,634)
Total income taxes	400,406	534,124
Profit	579,596	721,877
Profit attributable to owners of parent	579,596	721,877

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Profit	579,596	721,877
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(11,353)	(799)
Total other comprehensive income	(11,353)	(799)
Comprehensive income	568,243	721,078
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	568,243	721,078
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 nine months of the current fiscal year increased by 280,600 thousand yen, totaling 280,732 thousand yen at the end of the third quarter of the current fiscal year.

Changes in accounting policies

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 beginning of the first quarter of the current fiscal year. According to the transitional handing 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 consolidated financial statements resulting from the application of the Implementation Guidance on Accounting Standard for Fair Value Measurement.