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January 8, 2025

Summary of Consolidated Financial Results for the Nine Months Ended November 30, 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
Inquiries: Executive Officer and General Manager of Administration Masayuki Ooya TEL 03-6430-3405

Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2024 (from March 1, 2024 to November 30, 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	%
Nine months ended November 30, 2024	27,462	4.1	1,400	(3.7)	1,349	(5.2)	825	14.3
Nine months ended November 30, 2023	26,388	7.0	1,454	39.7	1,424	47.8	721	24.5

Note: Comprehensive income Nine months ended November 30, 2024: 824 million yen (14.3%)
Nine months ended November 30, 2023: 721 million yen (26.9%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2024	84.07	–
Nine months ended November 30, 2023	73.13	–

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, 2024	16,114	6,430	39.9
As of February 29, 2024	14,160	6,008	42.4

Reference: Shareholders' equity As of November 30, 2024: 6,430 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 nine months ended November 30, 2024: Yes
Excluded: 1 company (Heartfeel Co., Ltd.)

Note: For details, refer to "2. Quarterly Consolidated Financial Statements and Significant Notes (3) Notes concerning quarterly consolidated financial statements (Notes regarding change in scope of consolidation or application of the equity method)" on page 8 of the attached material.

(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 November 30, 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 November 30, 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)

Nine months ended November 30, 2024	9,817,708 shares	Nine months ended November 30, 2023	9,870,945 shares

Note 1: Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an auditing firm: None

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.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Nine Months Ended November 30, 2024

Looking at Japan's economy during the first nine months of the current fiscal year, there was a gradual recovery trend due to a recovery in real wages, decreasing budget-mindedness among households, and an increase in the number of foreign visitors to Japan. On the other hand, the situation remains uncertain due to continued price hikes of daily necessities in line with rising raw material and energy costs, as well as heightened geopolitical risks from the growing tensions in the Middle East.

In the apparel industry, to which we belong, the industry overall showed a recovery trend mainly supported by the increased flow of people and expanding inbound demand. On the other hand, due to a further increase in the awareness of consumers to protect their lifestyles and the impacts of fluctuations in the climate and temperatures, it is necessary to continue to closely monitor factors that will have a negative effect on the business environment.

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, although sales had been strong until the first half of the current fiscal year, the prolonged lingering summer heat made it increasingly difficult to roll out fall season products such as outerwear and knit innerwear in the third quarter of the current fiscal year. Although products for the fall and winter seasons gradually began to move as temperatures dropped, conditions have been quite challenging overall in the fall and winter sales season in this fiscal year. Under such circumstances, during the first nine months of the current fiscal year, we opened more new stores than initially planned. In addition, as a digital strategy, we continued to actively implement promotional measures linking our own e-commerce site "NARUMIYA ONLINE" with physical stores and OMO (Online Merge with Offline) measures aimed at integrating online and offline operations, resulting in net sales of 27,462 million yen (104.1% on the same period of the previous fiscal year).

On the cost front, selling, general and administrative expenses were 15,220 million yen (103.8% on the same period of the previous fiscal year), mainly due to new store opening expenses being incurred in conjunction with the aforementioned aggressive opening of new stores that exceeded the initial plan, an increase in sales-linked expenses and an increase in personnel expenses associated with investments in human capital, mainly for improved compensation.

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

As a result of the above, for the first nine months of the current fiscal year we recorded net sales of 27,462 million yen (104.1% on the same period of the previous fiscal year), operating profit of 1,400 million yen (96.3% on the same period of the previous fiscal year), ordinary profit of 1,349 million yen (94.8% on the same period of the previous fiscal year), and profit attributable to owners of parent of 825 million yen (114.3% on the same period of the previous fiscal year).

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 third quarter increased by 1,953 million yen from the end of the previous fiscal year to 16,114 million yen. This was mainly due to increases of 1,160 million yen in notes and accounts receivable - trade, 2,055 million yen in merchandise, 454 million yen in buildings and structures, net, and 230 million yen in shares of subsidiaries and associates, as well as decreases of 1,867 million yen in cash and deposits and 120 million yen in deferred tax assets.

Liabilities

Liabilities at the end of the third quarter increased by 1,531 million yen from the end of the previous fiscal year to 9,684 million yen. This was mainly due to increases of 1,719 million yen in accounts payable - trade and 500

million yen in short-term borrowings, as well as decreases of 540 million yen in income taxes payable and 174 million yen in long-term borrowings.

Net assets

Total net assets at the end of the third quarter increased by 421 million yen from the end of the previous fiscal year to 6,430 million yen. This was mainly due to an increase of 422 million yen in retained earnings as a result of the recording of 825 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 November 30, 2024
Assets		
Current assets		
Cash and deposits	2,892,352	1,025,283
Notes and accounts receivable - trade	2,527,138	3,687,755
Merchandise	3,162,672	5,218,378
Prepaid expenses	165,124	189,768
Other	63,757	72,417
Allowance for doubtful accounts	(535)	(16,892)
Total current assets	8,810,510	10,176,712
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,455,943	1,991,556
Accumulated depreciation	(1,258,623)	(1,339,250)
Buildings and structures, net	197,320	652,306
Tools, furniture and fixtures	118,624	200,202
Accumulated depreciation	(95,055)	(116,107)
Tools, furniture and fixtures, net	23,568	84,095
Land	5,940	5,940
Leased assets	3,068,669	3,025,564
Accumulated depreciation	(2,579,725)	(2,678,303)
Leased assets, net	488,944	347,260
Total property, plant and equipment	715,773	1,089,602
Intangible assets		
Goodwill	2,271,487	2,132,945
Software	351,552	474,922
Leased assets	8,277	4,312
Other	366	306
Total intangible assets	2,631,684	2,612,487
Investments and other assets		
Investment securities	32,447	32,447
Shares of subsidiaries and associates	–	230,000
Distressed receivables	99,073	127,693
Long-term prepaid expenses	24,206	19,473
Guarantee deposits	1,172,734	1,273,126
Deferred tax assets	539,493	419,054
Other	238,500	255,897
Allowance for doubtful accounts	(103,426)	(121,838)
Total investments and other assets	2,003,029	2,235,855
Total non-current assets	5,350,487	5,937,944
Total assets	14,160,997	16,114,657

(Thousands of yen)

	As of February 29, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,382,933	4,102,011
Short-term borrowings	–	500,000
Current portion of long-term borrowings	717,112	716,396
Lease liabilities	213,611	180,646
Accounts payable - other	752,298	696,067
Accrued expenses	573,366	778,208
Income taxes payable	571,993	31,557
Accrued consumption taxes	86,548	–
Contract liabilities	114,943	144,547
Provision for bonuses	330,947	352,247
Provision for point card certificates	11,216	12,465
Other	35,778	99,668
Total current liabilities	5,790,750	7,613,817
Non-current liabilities		
Long-term borrowings	1,687,525	1,512,920
Lease liabilities	352,335	219,391
Retirement benefit liability	316,791	333,166
Other	5,155	5,080
Total non-current liabilities	2,361,807	2,070,558
Total liabilities	8,152,557	9,684,375
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	4,170,467	4,593,320
Treasury shares	(280,732)	(280,732)
Total shareholders' equity	6,005,608	6,428,461
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2,830	1,819
Total accumulated other comprehensive income	2,830	1,819
Total net assets	6,008,439	6,430,281
Total liabilities and net assets	14,160,997	16,114,657

(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, 2023	Nine months ended November 30, 2024
Net sales	26,388,192	27,462,761
Cost of sales	10,272,941	10,841,850
Gross profit	16,115,251	16,620,911
Selling, general and administrative expenses	14,661,175	15,220,450
Operating profit	1,454,075	1,400,460
Non-operating income		
Interest and dividend income	13	64
Surrender value of insurance policies	9,329	8,210
Purchase discounts	1,953	2,334
Rental income	10,316	35,066
Miscellaneous income	8,567	11,946
Total non-operating income	30,180	57,622
Non-operating expenses		
Interest expenses	33,259	26,434
Finance fee	4,260	4,260
Foreign exchange losses	2,266	7,009
Rental expenses	7,490	30,180
Commission for purchase of treasury shares	1,403	–
Miscellaneous losses	11,376	40,212
Total non-operating expenses	60,057	108,097
Ordinary profit	1,424,199	1,349,985
Extraordinary losses		
Loss on retirement of non-current assets	2,031	10,748
Amortization of goodwill	166,165	–
Total extraordinary losses	168,197	10,748
Profit before income taxes	1,256,002	1,339,237
Income taxes - current	586,759	392,973
Income taxes - deferred	(52,634)	120,885
Total income taxes	534,124	513,858
Profit	721,877	825,378
Profit attributable to owners of parent	721,877	825,378

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended November 30, 2023	Nine months ended November 30, 2024
Profit	721,877	825,378
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(799)	(1,010)
Total other comprehensive income	(799)	(1,010)
Comprehensive income	721,078	824,367
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	721,078	824,367
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes concerning quarterly consolidated financial statements

Notes regarding change in scope of consolidation or application of the equity method

In the third quarter of the current fiscal year, Heartfeel Co., Ltd. was excluded from the scope of consolidation due to an absorption-type merger in which the Company was the surviving company and Heartfeel Co., Ltd., which had been a consolidated subsidiary of the Company, was the disappearing company.

Notes regarding segment information, etc.

I Nine months ended November 30, 2023 (March 1, 2023 to November 30, 2023)

Segment information is omitted since the Group has a single segment for planning and sales of kidswear.

II Nine months ended November 30, 2024 (From March 1, 2024 to November 30, 2024)

Segment information is omitted since the Group has a single segment for planning and sales of kidswear.

Notes regarding significant changes in the amount of shareholders' equity

Not applicable.

Going concern assumptions

Not applicable.

Notes regarding quarterly consolidated statements of cash flows

The Company has not prepared consolidated statements of cash flows for the first nine months of the current fiscal year. In addition, the amounts of depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill (including extraordinary losses) for the first nine months of the current and previous fiscal years are as stated below.

(Thousands of yen)

	Nine months ended November 30, 2023 (March 1, 2023 to November 30, 2023)	Nine months ended November 30, 2024 (March 1, 2024 to November 30, 2024)
Depreciation	335,575	369,738
Amortization of goodwill	319,813	138,541

Notes regarding business combinations

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 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.

Notes to significant subsequent events

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"), and the payment was completed on November 7, 2024. In addition, on December 2, 2024, KP acquired all of the 150,000 shares of KP held by W&D Investment Design Co., Ltd. ("WDiD"), a shareholder of KP, from WDiD, thereby making KP a consolidated subsidiary of the Company on the same date.

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.

(3) Date of the business combination

November 7, 2024 (date of share acquisition)

December 2, 2024 (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 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 is the acquiring enterprise as it acquired 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

3. Details and amounts of major acquisition-related expenses

Not confirmed at this time.

4. Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

Not confirmed at this time.

5. Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Not confirmed at this time.