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MEMBERSHIP  
July 12, 2022

## Summary of Consolidated Financial Results for the Three Months Ended May 31, 2022 (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 Toshiaki Ishii  
 Inquiries: Financial Director Yoshiari Sakano TEL 03-6430-3405  
 Scheduled date to file Quarterly Securities Report: July 13, 2022  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

#### (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, 2022	8,455	18.9	575	43.0	549	40.9	355	56.0
Three months ended May 31, 2021	7,113	53.8	402	–	390	–	227	–

Note: Comprehensive income As of May 31, 2022: 351 million yen (57.6%) / As of May 31, 2021: 223 million yen (–%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2022	35.11	–
Three months ended May 31, 2021	22.51	–

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, 2022	14,198	4,922	34.7
As of February 28, 2022	14,521	4,901	33.8

Reference: Shareholders' equity As of May 31, 2022: 4,922 million yen As of February 28, 2022: 4,901 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, 2022	–	0.00	–	31.00	31.00
Year ending February 28, 2023	–				
Year ending February 28, 2023 (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 year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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	34,500	–	1,450	3.4	1,404	5.4	830	1.2	82.06

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

As the Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 31, 2020), etc. from the beginning of the first three months of the current fiscal year, the above forecasts of consolidated financial results are the amounts after these are applied, and year-on-year changes of net sales are not indicated.

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2022  
(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, 2022	10,122,830 shares	As of February 28, 2022	10,122,830 shares
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Number of treasury shares at the end of the period

As of May 31, 2022	122 shares	As of February 28, 2022	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, 2022	10,122,708 shares	Three months ended May 31, 2021	10,122,758 shares
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Note1: The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.

Note2: 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 3 of the attachment.

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## 1. Qualitative information on quarterly consolidated financial performance

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Accounting Standard”), etc. from the start of the first quarter consolidated fiscal period. As a result, the accounting method differs between the first three months of the previous fiscal year and the entire period. For this reason, in the description of operating results below, the amount and percentage of year-on-year change are not included.

### (1) Explanation of Results of Operations

Looking at Japan’s economy during the first three months of the current fiscal year, despite no abatement in the spread of new coronavirus (COVID-19) infection, a state of emergency was not declared, and gradual recovery was seen in the economy. However, rises in global energy prices and in wide-ranging product prices became apparent following the invasion of Ukraine by Russia in February 2022, leading to global increases in prices of goods. The yen trended downward against the dollar, reaching the 130 yen/dollar range for the first time in approximately 20 years in 2002, leading to an increase in import costs.

The major trading port of Shanghai, China, was placed under lockdown for about two months from the end of March, with severe impacts on trade.

In the apparel industry to which the Group belongs, delays in deliveries occurred due to the effects of production and logistics in China. We believe that recovery is still underway in supply chains.

Amid this environment, turmoil related to delivery delays occurred in the Group, for reasons including the status of China as the Group’s main supplier. Through cooperation with supplier trading companies, however, delivery dates are returning to normal. While purchase prices have risen due to depreciation of the yen, we are making efforts to minimize impacts through refinements to specifications, designs, and selling prices. As in the previous year, we planned carefully selected store openings and are proceeding according to schedule.

Unlike in the previous consolidated fiscal year, during the first three months of the current fiscal year we implemented no large-scale store closures, shortening of business hours, etc., and sales at physical outlets recovered under normal business operation. However, e-commerce sales remain sluggish due to the division of customer purchasing behavior between physical outlets and e-commerce.

Looking at the status of store openings and closings during the first three months of the current fiscal year, we opened three stores in department stores, three stores in shopping centers, and two outlet stores. There were six store closings. Our subsidiary LOVST opened two outlets.

As a result of the above, in the first three months of the current fiscal year we recorded net sales of 8,455 million yen (7,113 million yen in the same quarter in the previous fiscal year), operating profit of 575 million yen (402 million yen in the same quarter in the previous fiscal year), ordinary profit of 549 million yen (390 million yen in the same quarter in the previous fiscal year), and profit attributable to owners of parent of 355 million yen (227 million yen in the same quarter in the previous fiscal year).

For details on the impact of the application of the Revenue Recognition Accounting Standards on financial position and business results, see “2. Quarterly consolidated financial statements (3) Notes Concerning Quarterly Consolidated Financial Statements (Changes in Accounting Policies).”

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

### (2) Explanation of Financial Position

#### Assets

Assets at the end of the first quarter decreased by 323 million yen from the end of the previous fiscal year to 14,198 million yen. This was mainly due to decreases of 514 million yen in cash and deposits, 45 million yen in notes and accounts receivable-trade, 57 million yen in goodwill, and 65 million yen in deferred tax assets, as well as an increase of 405 million yen in merchandise.

#### Liabilities

Liabilities at the end of the first quarter decreased by 344 million yen from the end of the previous fiscal year to 9,275 million yen. This was mainly due to decreases of 200 million yen in accounts payable-other and 236 million yen in income taxes payable, and an increase of 123 million yen in provision for bonuses.

#### Net assets

Total net assets at the end of the first quarter increased by 21 million yen from the end of the previous fiscal year to 4,922 million yen. This was mainly due to the recording of 355 million yen in profit attributable to owners of parent and the payment of 313 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 12, 2022. 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

### (1) Consolidated balance sheets

(Thousands of yen)

	As of February 28, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	2,724,291	2,210,109
Notes and accounts receivable - trade	2,377,200	2,332,108
Merchandise	2,945,951	3,351,910
Prepaid expenses	114,165	118,108
Other	44,303	74,932
Allowance for doubtful accounts	(8,848)	(11,472)
Total current assets	8,197,063	8,075,696
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,367,900	1,379,126
Accumulated depreciation	(1,131,264)	(1,155,866)
Buildings and structures, net	236,636	223,260
Tools, furniture and fixtures	107,681	108,910
Accumulated depreciation	(70,984)	(74,154)
Tools, furniture and fixtures, net	36,697	34,755
Land	5,940	5,940
Leased assets	2,856,236	2,908,364
Accumulated depreciation	(2,094,277)	(2,168,449)
Leased assets, net	761,958	739,915
Total property, plant and equipment	1,041,232	1,003,871
Intangible assets		
Goodwill	2,961,840	2,904,198
Software	221,556	213,092
Leased assets	70,526	60,632
Other	526	506
Total intangible assets	3,254,450	3,178,429
Investments and other assets		
Investment securities	12,489	12,489
Distressed receivables	102,865	102,432
Long-term prepaid expenses	9,974	11,132
Guarantee deposits	1,232,002	1,197,631
Deferred tax assets	484,810	419,325
Other	289,955	299,911
Allowance for doubtful accounts	(102,865)	(102,432)
Total investments and other assets	2,029,232	1,940,489
Total non-current assets	6,324,915	6,122,791
Total assets	14,521,978	14,198,487

(Thousands of yen)

	As of February 28, 2022	As of May 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,518,351	2,534,154
Current portion of long-term borrowings	3,782,452	3,737,252
Lease obligations	345,657	335,389
Accounts payable - other	649,529	449,311
Accrued expenses	526,393	593,762
Income taxes payable	397,985	161,242
Accrued consumption taxes	218,953	161,099
Provision for bonuses	96,893	220,386
Provision for sales returns	129	–
Provision for point card certificates	105,033	14,512
Other	69,924	190,048
<b>Total current liabilities</b>	<b>8,711,303</b>	<b>8,397,158</b>
<b>Non-current liabilities</b>		
Long-term borrowings	35,981	26,818
Lease obligations	586,447	560,696
Retirement benefit liability	278,688	283,086
Other	7,755	7,755
<b>Total non-current liabilities</b>	<b>908,872</b>	<b>878,356</b>
<b>Total liabilities</b>	<b>9,620,176</b>	<b>9,275,514</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	2,766,903	2,791,858
Treasury shares	(132)	(132)
<b>Total shareholders' equity</b>	<b>4,882,645</b>	<b>4,907,599</b>
<b>Accumulated other comprehensive income</b>		
Remeasurements of defined benefit plans	19,157	15,373
<b>Total accumulated other comprehensive income</b>	<b>19,157</b>	<b>15,373</b>
<b>Total net assets</b>	<b>4,901,802</b>	<b>4,922,972</b>
<b>Total liabilities and net assets</b>	<b>14,521,978</b>	<b>14,198,487</b>

**(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, 2021	Three months ended May 31, 2022
Net sales	7,113,559	8,455,337
Cost of sales	2,919,804	3,217,647
Gross profit	4,193,755	5,237,689
Selling, general and administrative expenses	3,791,091	4,661,834
Operating profit	402,663	575,854
Non-operating income		
Interest and dividend income	0	0
Surrender value of insurance policies	3,353	3,061
Purchase discounts	321	366
Rental income	5,647	5,497
Miscellaneous income	1,183	1,375
Total non-operating income	10,506	10,301
Non-operating expenses		
Interest expenses	15,393	14,131
Foreign exchange losses	2,008	4,103
Commission expenses	–	10,000
Rental expenses	4,788	4,788
Miscellaneous losses	908	3,338
Total non-operating expenses	23,098	36,362
Ordinary profit	390,071	549,793
Extraordinary income		
Grant income	44,083	17,479
Gain on sale of investment securities	1,961	–
Total extraordinary income	46,045	17,479
Extraordinary losses		
Loss on retirement of non-current assets	383	384
Impairment losses	999	–
Temporary closure loss	61,026	–
Total extraordinary losses	62,410	384
Profit before income taxes	373,707	566,888
Income taxes - current	125,873	136,863
Income taxes - deferred	19,964	74,574
Total income taxes	145,837	211,437
Profit	227,869	355,450
Profit attributable to owners of parent	227,869	355,450



**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	227,869	355,450
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,663)	–
Remeasurements of defined benefit plans, net of tax	(2,101)	(3,784)
Total other comprehensive income	(4,764)	(3,784)
Comprehensive income	223,104	351,666
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	223,104	351,666
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)

Not applicable.

(Changes in accounting policies)

#### 1. Application of Accounting Standard for Revenue Recognition, Etc.

We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter consolidated fiscal period, and recognize revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The main changes due to the application of the Revenue Recognition Accounting Standards, etc. are as follows.

#### (1) Revenue recognition related to in-house point program

Regarding points awarded based on purchase amount by members under our in-house point program, in the past, revenue was recognized at the time of sale, the amount of awarded points that were expected to be used in the future were recorded as a provision for points, and the provision for point card certificates was recorded as selling, general and administrative expenses. However, we are changing to a method by which awarded points are recognized as performance obligations, and allocation of transaction prices is performed based on independent sales prices calculated with consideration of prospects for future expiration of points, etc.

#### (2) Revenue recognition related to individual transactions

In the past, for internal consumption transactions targeting department stores, revenue was recognized as the net amount of consideration received from customers minus an amount equivalent to the commissions of dealers. However, for transactions in which the role of the Group in the provision of goods and services to customers is deemed to correspond to the individual, we are changing to a method of recognizing the total amount as income.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year, was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and the new accounting policy was applied based on said opening balance. However, the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, net sales and gross profit for the first three months of the current fiscal year each increased by 592,507,000 yen, and selling, general and administrative expenses increased by 544,616,000 yen. Operating profit, ordinary profit, and profit before income taxes each increased by 47,890,000 yen, and profit attributable to owners of parent increased by 40,404,000 yen. The balance of retained earnings at the beginning of the period decreased by 16,692,000 yen.

Furthermore, information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has not been disclosed, as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

2. Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the “Accounting Standard For Fair Value Measurement” and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.