Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

April 12, 2023

Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 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	Toshiaki Ishii	
Inquiries:	General Manager of Accounting and Finance Department	Yoshiari Sakano	TEL 03-6430-3405

Scheduled date of annual general meeting of shareholders: May 23, 2023
Scheduled date to file Securities Report: May 24, 2023
Scheduled date to commence dividend payments: May 24, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(1) Consolidated operating results — 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	%
Fiscal year ended February 28, 2023	34,997	–	1,705	–	1,624	–	831	–
Fiscal year ended February 28, 2022	30,985	5.0	1,401	35.2	1,333	32.5	820	106.8

Note: Comprehensive income Fiscal year ended February 28, 2023: 811 million yen (–%)
Fiscal year ended February 28, 2022: 808 million yen (93.9%)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Fiscal year ended February 28, 2023	82.10	–	16.2	11.6	4.9
Fiscal year ended February 28, 2022	81.05	–	17.6	9.1	4.5

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended February 28, 2023: ¥–million
For the fiscal year ended February 28, 2022: ¥–million

Notes: 1. Diluted earnings per share is not stated, as there are no dilutive shares.
2. We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review. Each figure for the fiscal year ended February 28, 2023 are the amounts after applying the accounting standard and relevant ASBJ regulations, and year-on-year changes are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	%
As of February 28, 2023	13,438	5,382	40.1	531.73
As of February 28, 2022	14,521	4,901	33.8	484.23

Reference: Shareholders' equity As of February 28, 2023: 5,382 million yen As of February 28, 2022: 4,901 million yen

Note: We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review. Each figure for the fiscal year ended February 28, 2023 are the amounts after applying the accounting standard and relevant ASBJ regulations.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	%	%
Fiscal year ended February 28, 2023	1,735	(62)	(1,355)	3,047
Fiscal year ended February 28, 2022	2,608	(419)	(1,296)	2,724

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 28, 2022	–	0.00	–	31.00	31.00	313	38.2	6.7
Fiscal year ended February 28, 2023	–	0.00	–	31.00	31.00	313	37.8	6.1
Fiscal year ending February 29, 2024 (Forecast)	–	0.00	–	31.00	31.00		29.2	

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	106.29

4. Notes

(1) Changes in significant subsidiaries during the fiscal year ended February 28, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

Note: For details, refer to "3. Consolidated Financial Statements and Significant Notes (5) Notes concerning consolidated financial statements (Changes in accounting policies)" on page 14 of the attached material.

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2023	10,122,830 shares	As of February 28, 2022	10,122,830 shares

Number of treasury shares at the end of the period

As of February 28, 2023	122 shares	As of February 28, 2022	122 shares

Average number of shares during the period

Fiscal year ended February 28, 2023	10,122,708 shares	Fiscal year ended February 28, 2022	10,122,741 shares

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 28, 2023	34,223	–	1,783	–	1,713	–	764	–
Fiscal year ended February 28, 2022	30,080	5.8	1,405	40.8	1,354	39.2	844	115.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended February 28, 2023	75.54	–
Fiscal year ended February 28, 2022	83.43	–

Note: We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review. Each figure for the fiscal year ended February 28, 2023 are the amounts after applying the accounting standard and relevant ASBJ regulations, and year-on-year changes are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	%
As of February 28, 2023	13,327	5,381	40.4	531.65
As of February 28, 2022	14,441	4,947	34.3	488.76

Reference: Shareholders' equity As of February 28, 2023: 5,381 million yen As of February 28, 2022: 4,947 million yen

Note: We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review. Each figure for the fiscal year ended February 28, 2023 are the amounts after applying the accounting standard and relevant ASBJ regulations.

Note 1: The financial report is not subject to 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. Overview of Operating Results (4) Future Outlook" on page 4 of the attached material.

Attached Material

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended February 28, 2023

During the current fiscal year, there were signs that economic activity in Japan was recovering as progress was made with measures to combat COVID-19 infections and restrictions on movements were loosened. A full economic recovery, however, failed to materialize on account of the increase in prices for various reasons, including the invasion of Ukraine by Russia and the disruption in the flow of goods due to lockdowns in China since the first half of the current fiscal year. Furthermore, the outlook remains uncertain on account of downside risks related to Japan's economy, supply-side disruptions, and volatility in financial capital markets at a time of a continuing upward trend in prices and tighter monetary policy throughout the world.
In the apparel industry, to which we belong, there was an overall upward trend in earnings as restrictions on movement were further loosened and stores were not forced to temporarily close. Even so, high prices are stoking concerns about the economy.
In such a business environment, the Group was able not only to undertake timely product planning and purchasing that dovetailed with the loosening of restrictions on movements and families growing more activity, such as the relaunch of school events, but also to ensure that it captured sales opportunities. As a result, net sales rose year on year to 34,997 million yen. By undertaking creative product planning, revising retail prices, narrowing order volume, and holding timely sales, the Company could minimize the impact that higher purchasing costs due to the weak yen and rise in material prices had on earnings.

As for sales by channel, sales recovered throughout the year as customers returned to such physical outlets as department stores, shopping centers, and outlet malls, on account of progress in combating COVID-19 infections, looser restrictions on movement, and other developments, with sales hitting 9,310 million yen for the department store channel (6,425 million yen for the previous fiscal year), 13,213 million yen for the shopping center channel (11,731 million yen for the previous fiscal year), and 2,844 million yen for the outlet channel (2,455 million yen for the previous fiscal year). For the department store channel, we actively undertook planning, production, and sales activities in expectation of an increase in demand related to special occasions, such as graduations and school entrance ceremonies for toddlers. For the shopping center channel, we avoided running out of popular products and reduced lost sales opportunities by improving the precision of orders. Turning to the outlet channel, we opened new off-price stores and improved the discount rate. On the other hand, for the e-commerce channel, sales fell to 8,247 million yen (8,949 million yen for the previous fiscal year) because customers visited e-commerce sites less frequently as they enjoy shopping at physical outlets and we stopped coupon-related measures, which were actively implemented in the previous fiscal year. Moreover, sales by channel do not reflect the impact of revenue recognition accounting standard.

By brand, sales of the shopping center brand "petit main" rose year on year. Furthermore, eight of the nine department store brands recorded year-on-year growth in sales, with "kate spade NEW YORK" and "Paul Smith JUNIOR" brands continuing to make particularly strong contributions to sales growth.
The gross profit margin fell slightly on a wholesale price basis similar to the previous fiscal year. This was because of a slight increase in the weight of revenue generated from merchandise on sale as customers became more particular about shopping as a result of the deterioration in economic conditions due to increases in utility costs and sudden depreciation of the yen. However, the Group was able to achieve some successes as the inventory balance fell year on year.

As for extraordinary losses, for the consolidated subsidiary Heartfeel Co., Ltd., the business plan when the acquisition of the company initially was floated envisioned expanding the business by accelerating the opening of stores, but almost no new stores were opened on account of the COVID-19 pandemic. Therefore, we recorded a one-time amortization expense of 93 million yen in goodwill after reconsidering the business plan. A provision of allowance for doubtful accounts of 82 million yen was posted for losses expected from future uncollectable accounts for such reasons as unauthorized credit card use by third parties. Such losses are projected to dramatically decline in the future as security measures related to unauthorized credit card use were strengthened starting from the end of January 2023.

During the fiscal year ended February 28, 2023, we opened ten stores at department stores, five stores at shopping centers, three outlet stores, and two LOVST stores. Store closures totaled twenty-six at department stores, three at shopping centers, and one outlet store.
Moreover, because the number of stores at department stores is calculated by multiplying the number of places where things are sold by the number of brands, the number of stores opened and closed tends to increase.

As a result of the above, for the fiscal year ended February 28, 2023, we recorded net sales of 34,997 million yen (30,985 million yen for the previous fiscal year), an operating profit of 1,705 million yen (1,401 million yen for the previous fiscal year), an ordinary profit of 1,624 million yen (1,333 million yen for the previous fiscal year), and a profit attributable to owners of parent of 831 million yen (820 million yen for the previous fiscal year).
For details on the impact of the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Accounting Standard"), etc., on financial position and business results, see "3. Consolidated Financial Statements and Significant Notes (5) Notes concerning consolidated financial statements (Changes in accounting policies)."
As the Group has a single segment for planning and sales of kidswear, disclosure of operating results by segment has been omitted.

(Note) Revenue Recognition Accounting Standard, etc., were applied from the beginning of the current fiscal year. Therefore, the explanation of business results for the current fiscal year does not include absolute and percent change in items compared to the previous fiscal year. The noted amount for the previous fiscal year is the amount before that accounting standard was applied.

(2) Overview of Financial Position

Assets
Current assets fell by 266 million yen from the end of the previous fiscal year to 7,930 million yen. This was mainly due to an increase of 323 million yen in cash and deposits, a decrease of 155 million yen in notes and accounts receivable-trade, and a decline of 467 million yen in merchandise. Non-current assets decreased by 817 million yen from the end of the previous fiscal year to 5,507 million yen. This was primarily due to a decrease of 228 million yen in property, plant and equipment as a result of a decrease in leased assets, a decrease of 396 million yen in intangible assets as a result of a decrease in goodwill, and a decrease of 192 million yen in investments and other assets due to a decline in guarantee deposits. As a result, total assets as of the end of the fiscal year ended February 28, 2023, decreased by 1,083 million yen from the end of the previous fiscal year to 13,438 million yen.

Liabilities
Current liabilities decreased by 3,814 million yen from the end of the previous fiscal year to 4,896 million yen. This was mainly due to a decrease of 644 million yen in accounts payable-trade and a decrease of 3,056 million yen in current portion of long-term borrowings. Non-current liabilities increased by 2,250 million yen from the previous fiscal year to 3,159 million yen. This was primarily due to an increase of 2,368 million yen in long-term borrowings. As a result, total liabilities as of the end of the fiscal year ended February 28, 2023, decreased by 1,564 million yen from the end of the previous fiscal year to 8,055 million yen.

Net Assets
Net assets increased by 480 million yen from the end of the previous fiscal year to 5,382 million yen. This was mainly due to an increase of 500 million yen in retained earnings as a result of the recording profit attributable to owners of parent and the payment of dividends.

(3) Overview of Cash Flow

Cash and cash equivalents (hereinafter referred to as "net cash") at the end of the fiscal year ended February 28, 2023, was 3,047 million yen, an increase of 323 million yen compared to the end of the previous fiscal year.
Cash flows and factors that affected them in the fiscal year ended February 28, 2023, are described below.

Cash Flow from Operating Activities
Net cash provided by operating activities during the fiscal year ended February 28, 2023, resulted in a cash inflow of 1,735 million yen (compared to a cash inflow of 2,608 million yen in the previous fiscal year). This was primarily due to profit before income taxes of 1,443 million yen, depreciation of 510 million yen, a decrease in trade receivables of 151 million yen, a decrease in inventories of 467 million yen, a decrease in trade payables of 644 million yen, amortization of goodwill of 324 million yen, and income taxes paid of 592 million yen.

Cash Flow from Investing Activities
Net cash used in investing activities during the fiscal year ended February 28, 2023, resulted in a cash outflow of 62 million yen (compared to a cash outflow of 419 million yen in the previous fiscal year). This was primarily due to a cash outflow consisting of purchase of property, plant and equipment of 66 million yen, purchase of intangible assets of 32 million yen, payments of guarantee deposits of 54 million yen, and cash inflow of 61 million yen from the recovery of guarantee deposits.

Cash Flow from Financing Activities
Net cash used in financing activities during the fiscal year ended February 28, 2023, resulted in a cash outflow of 1,355 million yen (compared to a cash outflow of 1,296 million yen in the previous fiscal year). This was primarily due to a cash inflow of 3,100 million yen from long-term borrowings and cash outflow consisting of repayments of long-term borrowings of 3,787 million yen, repayments of lease liabilities of 354 million yen, and dividends paid of 314 million yen.

(4) Future Outlook

The below table shows consolidated earnings forecasts for the fiscal year ending February 29, 2024.

(Millions of yen)

	Fiscal year ended February 28, 2023 (actual)	Fiscal year ending February 29, 2024 (forecast)	Difference (amount)	Difference (%)
Net sales	34,997	36,227	1,229	3.5%
Operating profit	1,705	1,800	95	5.6%
Ordinary profit	1,624	1,772	147	9.1%
Profit attributable to owners of parent	831	1,075	244	29.5%

For both the apparel industry and kidswear industry, to which we belong, economic conditions recovered during the fiscal year ended February 28, 2023, for such reasons as the loosening of restrictions on movement and the relaunch of school events.
It is expected that people will return to their normal ways of living as COVID-19 will be recategorized as a class 5 disease in May 2023, and children’s daily lives are forecast to return to how they were before the pandemic.
As for economic trends, such as even higher prices, uncertainty will likely grow greater as a result of continuing high raw material prices accompanying Russia’s prolonged invasion of Ukraine and resulting higher purchase prices.
In such an environment, the Group will increase customer satisfaction and tie that to business growth by leveraging multi-channel marketing, one of its strengths, and responding to the purchasing behavior of customers in an even more timely manner. As for specifics, we would like to work to build mechanisms to share inventory information between e-commerce operations and physical outlets and make it possible to quickly provide merchandise to locations where customers want to purchase the items.
We will also move forward with introducing new brands and categories to meet the more fragmented needs of customers by further reinforcing our multi-brand strengths.

The following are issues we need to address in respective sales channels.
e-Commerce
During the current fiscal year, e-commerce sales declined because customers returned to physical outlets as restrictions on movement were loosened. Another reason was probably that coupon-related measures, which were strengthened in the previous fiscal year, were curbed during the current fiscal year. In addition, moving warehouses and updating logistics systems during the previous fiscal year contributed to reducing logistics costs and speeding up deliveries.
The “Lycée mine” brand, which was launched as an e-commerce only brand, recorded firm growth in the current fiscal year. In the next fiscal year, we aim to reignite growth by further increasing customer satisfaction through efforts such as expanding the lineup of e-commerce only products, further reinforcing limited brands, and introducing mechanisms to share inventory information with physical outlets.

Shopping centers
During the current fiscal year, shopping center channel sales rose. For the baby and toddler brand "petit main," existing store sales were firm during the current fiscal year. The brand also made strong contributions to sales and operating profit as four new stores were opened. There are plans to open two more stores in the next fiscal year, and consideration will be given to opening even more stores depending on future market conditions. As for the junior brand "Lovetoxic," which struggled during the pandemic, there are signs of a recovery, and in the next fiscal year, we will raise awareness of the brand as a casual sportswear brand and return the brand to a growth trajectory by strengthening MD based on the concept of dance, a new required class at schools.

Department stores
During the current fiscal year, department store channel sales rose as customers returned to physical outlets as a result of loosened restrictions on movement. Sales are expected to continue to grow in the next fiscal year. There are plans to open three new stores for the "kate spade New York" brand, which saw strong sales during the current fiscal year, and four new "Paul Smith JUNIOR" brand stores in the next fiscal year. Six new stores for the new golf brand JACK BUNNY will also be opened.
In the next fiscal year, we will not only show the brand portfolio as one easy for customers to understand by once again clarifying the role of each brand but also establish a composition of sales spaces and brands to extend the life-time value (LTV).

Outlet channel
During the current fiscal year, outlet channel sales rose. The channel, which helps reduce the merchandise wastage rate, has been positioned as one critical for lowering the discard rate. In addition to continuing to reduce the wastage rate of merchandise and materials in the next fiscal year, the channel will play a new role as an outlet for reused products collected from customers.

Efforts on ESG Management
As part of its SDGs efforts, the Group aims to continue undertaking support activities to ensure all children can have a dream and be happy.
In the current fiscal year, one aspect of our support for mothers and children consisted of running a program in collaboration with Meals on Wheels, General Incorporated Association (Meals on Wheels Japan), in which single-mother families were invited to LOVST photo studios, where they had their photos taken for free. In addition, as part of our efforts to provide children with exciting activities through direct interactions between children and the Group's employees, we held events at which Group employees gave lectures and participants made one-and-only T-shirts during summer vacation last year.
In the next fiscal year, we plan to again run a program in which our Group employees can have actual experiences of directly stimulating children's imagination and giving them happiness.

Capital Tie-up with World Co., Ltd.
On February 21, 2022, the Company became a consolidated subsidiary of World Co., Ltd. In the current fiscal year, we started to participate in a scheme established by World Co., Ltd., as part of our reuse/recycling activities. We would like to generate even greater results starting in the next fiscal year by taking part in the planning of and jointly undertaking various initiatives, such as further increasing the efficiency of administrative division operations, contributing to achieving SDGs, reducing losses from the disposal of unsaleable merchandise, and cutting CO2 emissions. We will also accelerate initiatives in order to generate synergies, and these efforts include leveraging the e-commerce mechanisms developed by World Co., Ltd., and holding joint events with junior brand physical outlets.

2. Basic Approach Regarding Choice of Accounting Standards

Considering the burden of establishing the framework for preparing consolidated financial statements in compliance with IFRS, the Group uses Japanese accounting standards.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated balance sheet

(Thousands of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	2,724,291	3,047,482
Notes and accounts receivable - trade	2,377,200	2,221,445
Merchandise	2,945,951	2,478,474
Prepaid expenses	114,165	110,410
Other	44,303	73,626
Allowance for doubtful accounts	(8,848)	(1,084)
Total current assets	8,197,063	7,930,356
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,367,900	1,365,493
Accumulated depreciation	(1,131,264)	(1,181,381)
Buildings and structures, net	236,636	184,111
Tools, furniture and fixtures	107,681	110,672
Accumulated depreciation	(70,984)	(84,220)
Tools, furniture and fixtures, net	36,697	26,452
Land	5,940	5,940
Leased assets	2,856,236	2,944,608
Accumulated depreciation	(2,094,277)	(2,348,313)
Leased assets, net	761,958	596,294
Total property, plant and equipment	1,041,232	812,798
Intangible assets		
Goodwill	2,961,840	2,637,481
Software	221,556	189,267
Leased assets	70,526	31,195
Other	526	446
Total intangible assets	3,254,450	2,858,390
Investments and other assets		
Investment securities	12,489	9,947
Distressed receivables	102,865	111,000
Long-term prepaid expenses	9,974	9,734
Guarantee deposits	1,232,002	1,148,048
Deferred tax assets	484,810	439,012
Other	289,955	229,776
Allowance for doubtful accounts	(102,865)	(111,000)
Total investments and other assets	2,029,232	1,836,519
Total non-current assets	6,324,915	5,507,708
Total assets	14,521,978	13,438,065

(Thousands of yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,518,351	1,874,019
Current portion of long-term borrowings	3,782,452	726,344
Lease liabilities	345,657	270,034
Accounts payable - other	649,529	538,953
Accrued expenses	526,393	540,045
Income taxes payable	397,985	347,893
Accrued consumption taxes	218,953	302,069
Contract liabilities	–	117,012
Provision for bonuses	96,893	117,186
Provision for sales returns	129	–
Provision for point card certificates	105,033	9,613
Other	69,924	53,156
Total current liabilities	8,711,303	4,896,329
Non-current liabilities		
Long-term borrowings	35,981	2,404,637
Lease liabilities	586,447	445,511
Retirement benefit liability	278,688	303,857
Other	7,755	5,155
Total non-current liabilities	908,872	3,159,161
Total liabilities	9,620,176	8,055,490
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	2,766,903	3,267,507
Treasury shares	(132)	(132)
Total shareholders' equity	4,882,645	5,383,248
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	19,157	(674)
Total accumulated other comprehensive income	19,157	(674)
Total net assets	4,901,802	5,382,574
Total liabilities and net assets	14,521,978	13,438,065

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net sales	30,985,787	34,997,783
Cost of sales	13,796,440	14,615,557
Gross profit	17,189,346	20,382,226
Selling, general and administrative expenses	15,787,505	18,677,140
Operating profit	1,401,840	1,705,086
Non-operating income		
Interest income	7	12
Dividend income	–	0
Surrender value of insurance policies	10,371	9,364
Purchase discounts	2,020	2,745
Rental income	22,478	14,675
Subsidy income	–	4,210
Miscellaneous income	8,687	13,050
Total non-operating income	43,566	44,059
Non-operating expenses		
Interest expenses	61,254	53,966
Foreign exchange losses	13,059	7,386
Commission expenses	10,000	10,000
Finance fee	–	37,515
Rental expenses	19,153	11,896
Miscellaneous losses	8,635	3,954
Total non-operating expenses	112,103	124,719
Ordinary profit	1,333,302	1,624,426
Extraordinary income		
Grant income	141,597	23,504
Total extraordinary income	141,597	23,504
Extraordinary losses		
Loss on retirement of non-current assets	14,361	5,879
Impairment losses	999	19,152
Loss on valuation of investments in capital	31,707	–
Loss on sale of investment securities	748	–
Temporary closure loss	61,026	–
Warehouse transfer expenses	44,588	–
Provision of allowance for doubtful accounts	–	*1 82,895
Loss on valuation of shares of subsidiaries	–	2,541
Amortization of goodwill	–	*2 93,792
Total extraordinary losses	153,432	204,261
Profit before income taxes	1,321,467	1,443,668
Income taxes - current	514,471	550,599
Income taxes - deferred	(13,480)	61,968
Total income taxes	500,990	612,568
Profit	820,477	831,100
Profit attributable to owners of parent	820,477	831,100

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	820,477	831,100
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,442)	–
Remeasurements of defined benefit plans, net of tax	(10,889)	(19,831)
Total other comprehensive income	(12,331)	(19,831)
Comprehensive income	808,145	811,268
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	808,145	811,268
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

Fiscal year ended February 28, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	255,099	1,860,774	2,260,233	(33)	4,376,073
Changes during period					
Dividends of surplus			(313,806)		(313,806)
Profit attributable to owners of parent			820,477		820,477
Purchase of treasury shares				(98)	(98)
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	506,670	(98)	506,571
Balance at end of period	255,099	1,860,774	2,766,903	(132)	4,882,645

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,442	30,046	31,489	4,407,562
Changes during period				
Dividends of surplus				(313,806)
Profit attributable to owners of parent				820,477
Purchase of treasury shares				(98)
Net changes in items other than shareholders' equity	(1,442)	(10,889)	(12,331)	(12,331)
Total changes during period	(1,442)	(10,889)	(12,331)	494,240
Balance at end of period	–	19,157	19,157	4,901,802

Fiscal year ended February 28, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	255,099	1,860,774	2,766,903	(132)	4,882,645
Cumulative effects of changes in accounting policies			(16,692)		(16,692)
Restated balance	255,099	1,860,774	2,750,211	(132)	4,865,952
Changes during period					
Dividends of surplus			(313,803)		(313,803)
Profit attributable to owners of parent			831,100		831,100
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	517,296	–	517,296
Balance at end of period	255,099	1,860,774	3,267,507	(132)	5,383,248

	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	19,157	19,157	4,901,802
Cumulative effects of changes in accounting policies			(16,692)
Restated balance	19,157	19,157	4,885,110
Changes during period			
Dividends of surplus			(313,803)
Profit attributable to owners of parent			831,100
Net changes in items other than shareholders' equity	(19,831)	(19,831)	(19,831)
Total changes during period	(19,831)	(19,831)	497,464
Balance at end of period	(674)	(674)	5,382,574

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	1,321,467	1,443,668
Depreciation	524,370	510,445
Amortization of guarantee deposits	80,715	81,615
Amortization of goodwill	230,566	324,358
Subsidy income	(141,597)	(23,504)
Loss on retirement of non-current assets	14,361	5,879
Impairment losses	999	19,152
Loss on valuation of shares of subsidiaries	–	2,541
Loss on valuation of investments in capital	31,707	–
Loss (gain) on sale of investment securities	748	–
Temporary closure loss	61,026	–
Increase (decrease) in allowance for doubtful accounts	25,398	371
Increase (decrease) in provision for bonuses	7,985	20,293
Increase (decrease) in provision for sales returns	(10,126)	–
Increase (decrease) in provision for point card certificates	30,556	(5,461)
Increase (decrease) in retirement benefit liability	13,419	(3,415)
Interest and dividend income	(7)	(12)
Interest expenses	61,254	53,966
Decrease (increase) in trade receivables	428,402	151,397
Decrease (increase) in inventories	463,151	467,476
Increase (decrease) in trade payables	(125,069)	(644,332)
Increase (decrease) in accounts payable - other	(18,733)	(110,508)
Increase (decrease) in accrued expenses	(34,753)	11,447
Increase (decrease) in accrued consumption taxes	145,634	83,116
Other, net	16,843	(32,366)
Subtotal	3,128,323	2,356,132
Interest and dividends received	7	12
Interest paid	(63,419)	(51,545)
Income taxes paid	(536,546)	(592,537)
Subsidies received	141,597	23,504
Payments for temporary closure	(61,026)	–
Net cash provided by (used in) operating activities	2,608,936	1,735,566
Cash flows from investing activities		
Purchase of property, plant and equipment	(100,731)	(66,012)
Purchase of intangible assets	(111,553)	(32,641)
Proceeds from sale of investment securities	25,087	–
Purchase of insurance funds	(31,779)	(27,980)
Proceeds from maturity of insurance funds	15,522	17,980
Payments of guarantee deposits	(161,306)	(54,539)
Proceeds from refund of guarantee deposits	25,418	61,022
Refund of guarantee deposits received	–	(2,600)
Other, net	(80,365)	42,500
Net cash provided by (used in) investing activities	(419,708)	(62,270)

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	–	3,100,000
Repayments of long-term borrowings	(628,061)	(3,787,452)
Repayments of lease liabilities	(354,485)	(354,311)
Purchase of treasury shares	(98)	–
Dividends paid	(313,806)	(314,015)
Net cash provided by (used in) financing activities	(1,296,451)	(1,355,778)
Effect of exchange rate change on cash and cash equivalents	–	5,553
Net increase (decrease) in cash and cash equivalents	892,776	323,071
Cash and cash equivalents at beginning of period	1,831,435	2,724,211
Cash and cash equivalents at end of period	2,724,211	3,047,282

(5) Notes concerning consolidated financial statements

(Going concern assumptions)
Not applicable.

(Changes in accounting policies)

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

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 beginning of the current fiscal year, and recognizes 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 Standard, 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 point card certificates, and the provision for point card certificates was recorded as selling, general and administrative expenses. However, we have changed 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 transactions of entity acting as principal

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 an entity acting as a principal, we have changed to a method of recognizing the total amount as income.

The application of the Revenue Recognition Accounting Standard, etc., is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year, was added to or deducted from the opening balance of retained earnings 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 current fiscal year, by applying the method provided for in paragraph 86 of the Revenue Recognition Accounting Standard.
As a result, for the consolidated statements of income for the current fiscal year, net sales and gross profit each increased by 2,417,836,000 yen, and selling, general and administrative expenses increased by 2,441,334,000 yen compared to before the application of Revenue Recognition Accounting Standard, etc. Operating profit, ordinary profit, and profit before income taxes each increased by 23,498,000 yen, and profit attributable to owners of parent decreased by 30,916,000 yen.
In addition, because the cumulative effect was reflected in net assets as of the beginning of the current fiscal year, retained earnings at the beginning of the fiscal year in the consolidated statements of changes in equity decreased by 16,692,000 yen.

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), etc., from the beginning of the current fiscal year, 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 consolidated financial statements.

(Related to consolidated statements of income)

Fiscal year ended February 28, 2022

Not applicable.

Fiscal year ended February 28, 2023

*1 Provision of allowance for doubtful accounts

The expected loss for various reasons, including unauthorized credit card use by a third party, is recorded.

*2 Amortization of goodwill

This is one time-amortization of goodwill accompanying the recording of an impairment loss on shares of a subsidiary pursuant to paragraph 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA, Accounting Practice Committee Statement, No.7).

(Segment information)

Fiscal year ended February 28, 2022

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

Fiscal year ended February 28, 2023

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

(Per Share Information)

(Yen)

	Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)
Net assets per share	484.23	531.73
Earnings per share	81.05	82.10

(Notes) 1. Diluted profit per share is not stated because no potentially dilutive shares are outstanding.

2. The basis for calculating profit per share is as follows:

(Thousands of yen)

	Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)
Profit attributable to owners of parent	820,477	831,100
Amount not attributable to owners of common shares	–	–
Profit attributable to owners of parent related to common shares	820,477	831,100
Average number of common shares outstanding (shares)	10,122,741	10,122,708

(Significant subsequent events)

Not applicable.