

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Three Months Ended May 31, 2020 (Based on Japanese GAAP)

July 9, 2020

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
 Executive Managing Director Chief Financial Officer
 Inquiries: Chiaki Ueda TEL 03-6430-3405
 Scheduled date to file Quarterly Securities Report: July 10, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly 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, 2020 (from March 1, 2020 to May 31, 2020)

(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, 2020	4,624	(40.1)	(435)	–	(419)	–	(452)	–
Three months ended May 31, 2019	7,725	–	554	–	540	–	332	–

Note: Comprehensive income As of May 31, 2020: (451)million yen As of May 31, 2019: 331 million yen

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2020	(44.66)	–
Three months ended May 31, 2019	33.37	33.02

Note: Diluted earnings per share for the 1 Q of the current fiscal year 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, 2020	14,915	3,539	23.7
As of February 29, 2020	15,310	4,335	28.3

Reference: Shareholders' equity As of May 31, 2020: 3,539million yen As of Feb 29, 2020: 4,335million 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 29, 2020	–	0.00	–	34.00	34.00
Year ending February 28, 2021	–				
Year ending February 28, 2021 (Forecast)		0.00	–	–	–

Note: 1 Revisions to the most recently announced dividend forecast: None

2 At the present time, year-end dividend for the fiscal year ending February 2021 is undetermined.

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 - February 28, 2021)

For the fiscal year ended February 2021, we have not yet determined the results because the effects of the spread of the new corona viruses on the results are largely undetermined and it is difficult to calculate the results rationally.

※ Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2020
(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: 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 May 31, 2020	10,122,830 shares	As of February 29, 2020	10,122,830 shares
--------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of May 31, 2020	– shares	As of February 29, 2020	– shares
--------------------	----------	-------------------------	----------

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

Three months ended May 31, 2020	10,122,830 shares	Three months ended May 31, 2019	9,975,288 shares
---------------------------------	-------------------	---------------------------------	------------------

※ The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.

※ Explanations 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 promises by the Company regarding their achievement. Actual results may differ materially from the forecast depending on a range of factors.

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the 1Q of FY2/21, the Japanese economy experienced a significant stagnation in economic activity due to restrictions on the movement of people and temporary shutdowns of stores due to the rapid expansion of new coronavirus infections worldwide and the declaration of urgency by the government.

In response, major countries such as Japan, the United States, and the EU are implementing drastic monetary and financial policies. However, the outbreak of infectious diseases is not predictable due to concerns about the second and third wave.

In the apparel industry, which our group belongs to, conditions were extremely severe due to factors such as temporary suspension of operations at commercial facilities and directly managed stores, shortening of business hours, and a decline in consumer spending caused by restrictions on going out of business.

Under these circumstances, we opened 4 stores of "GRAZOS" in SCs and launched a junior brand called "Lycée mine. ", which inherits the concept of "petit main"

However, sales at directly managed stores declined significantly from the previous year because of decrease in the number of customers due to the government's request to refrain from going outside, temporary suspension of operations at SCs and department stores, and shorter operating hours.

On the other hand, e-commerce sales under corona disaster increased sharply from the previous fiscal year as a result of concentrating management resources, such as by moving inventories of stores and transferring human resources, and implementing online sales and other measures.

In the 1Q, 4 department stores and 4 shopping centers opened and 1 department store closed.

In addition, we opened 4 directly managed stores for GRAZOS (brand for boys by Heartfeel Co., Ltd. consolidated subsidiary)

As a result, during the 1Q of FY2/21, sales were ¥4,624 million (down 40.1% from the same period of the previous year), operating loss was ¥435 million (operating profit ¥554 million in the same period of the previous year), ordinary loss was ¥419 million (ordinary profit ¥540 million in the same period of the previous year), and net loss attributable to parent company owners was ¥452 million (net profit was ¥332 million in the same period of the previous year).

As the Group is a single segment of the baby and child wear planning and sales business, disclosure of operating results by segment has been omitted.

(2) Explanation of Financial Position

Total assets at the end of the 1Q under review were ¥14,915 million, a decrease of ¥395 million from the end of the previous fiscal year.

This was due to a decrease of ¥1,431 million in cash and deposits, a decrease of ¥572 million in notes and accounts receivable-trade, an increase of ¥1,221 million in merchandise, and an increase of ¥150 million in deferred tax assets.

Total liabilities at the end of the 1Q under review were ¥11,376 million, an increase of ¥400 million from the end of the previous fiscal year.

This was due to a decrease of ¥189 million in accounts payable-trade, an increase of ¥1 billion in short-term loans payable, a decrease of ¥130 million in accounts payable-other, and a decrease of ¥229 million in accrued expenses.

Total net assets at the end of the 1Q under review were ¥3,539 million, a decrease of ¥795 million from the end of the previous fiscal year.

This was due to a net income attributable to owners of the parent of ¥452 million and payment dividends of ¥344 million.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

In the situations where new coronavirus infections have yet to converge, there are many uncertain factors that have an impact on business results. Therefore, it is considered difficult to reasonably calculate the business forecast for the fiscal year ending February 2021, and we have not yet decided.

We will promptly disclose the forecast when it becomes possible to calculate the forecast.

Quarterly consolidated financial statements
Consolidated balance sheets

	(Thousands of yen)	
	As of February 29, 2020	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	2,488,139	1,056,506
Notes and accounts receivable - trade	2,607,970	2,035,053
Merchandise	3,394,957	4,616,934
Prepaid expenses	46,507	58,598
Other	52,422	336,530
Allowance for doubtful accounts	(9,177)	(6,790)
Total current assets	8,580,819	8,096,833
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,418,972	1,434,032
Accumulated depreciation	(1,139,077)	(1,161,745)
Buildings and structures, net	279,894	272,286
Tools, furniture and fixtures	95,144	103,778
Accumulated depreciation	(67,829)	(71,378)
Tools, furniture and fixtures, net	27,315	32,399
Land	5,940	5,940
Leased assets	2,260,522	2,352,457
Accumulated depreciation	(1,443,769)	(1,533,125)
Leased assets, net	816,753	819,331
Total property, plant and equipment	1,129,903	1,129,958
Intangible assets		
Goodwill	3,363,842	3,307,890
Software	117,262	112,692
Software in progress	—	13,430
Leased assets	126,462	117,563
Other	10,686	10,666
Total intangible assets	3,618,253	3,562,242
Investments and other assets		
Investment securities	33,577	37,092
Claims provable in bankruptcy, claims provable in rehabilitation and other	50,105	49,993
Long-term prepaid expenses	24,919	21,341
Guarantee deposits	1,195,355	1,189,146
Deferred tax assets	487,899	638,739
Other	240,106	240,261
Allowance for doubtful accounts	(50,105)	(49,993)
Total investments and other assets	1,981,857	2,126,581
Total non-current assets	6,730,014	6,818,783
Total assets	15,310,833	14,915,616

	(Thousands of yen)	
	As of February 29, 2020	As of May 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	2,488,577	2,298,828
Short-term borrowings	—	1,000,000
Current portion of long-term borrowings	595,048	595,048
Lease obligations	383,364	378,765
Accounts payable - other	583,959	453,770
Accrued expenses	618,930	389,188
Income taxes payable	417,298	439,561
Accrued consumption taxes	285,073	167,957
Provision for bonuses	101,183	207,242
Provision for sales returns	11,573	12,697
Provision for point card certificates	64,260	52,819
Other	107,286	109,346
Total current liabilities	5,656,555	6,105,225
Non-current liabilities		
Long-term borrowings	4,404,870	4,352,358
Lease obligations	661,068	659,156
Retirement benefit liability	249,574	255,523
Other	3,755	3,755
Total non-current liabilities	5,319,267	5,270,793
Total liabilities	10,975,822	11,376,018
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	2,207,693	1,411,391
Total shareholders' equity	4,323,567	3,527,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9,280)	(7,048)
Remeasurements of defined benefit plans	20,723	19,380
Total accumulated other comprehensive income	11,443	12,332
Total net assets	4,335,011	3,539,598
Total liabilities and net assets	15,310,833	14,915,616

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, 2019	Three months ended May 31, 2020
Net sales	7,725,208	4,624,749
Cost of sales	3,232,213	2,155,797
Gross profit	4,492,995	2,468,951
Selling, general and administrative expenses	3,938,452	2,904,073
Operating profit (loss)	554,542	(435,122)
Non-operating income		
Interest and dividend income	1	0
Foreign exchange gains	—	740
Surrender value of insurance policies	2,590	2,452
Purchase discounts	490	321
Rental income	6,042	5,525
Subsidy income	14,900	—
Gain on adjustment of account payable	—	39,846
Miscellaneous income	3,775	2,145
Total non-operating income	27,799	51,031
Non-operating expenses		
Interest expenses	19,375	18,091
Foreign exchange losses	394	—
Commission expenses	9,200	10,000
Rental expenses	4,829	4,788
Miscellaneous loss	8,080	2,459
Total non-operating expenses	41,878	35,338
Ordinary profit (loss)	540,463	(419,429)
Extraordinary income		
subsidy income	—	290,308
Total extraordinary income	—	290,308
Extraordinary losses		
Loss on retirement of non-current assets	81	60
Impairment loss	2,974	1,324
Temporary closure loss	—	464,338
Total extraordinary losses	3,055	465,723
Profit (loss) before income taxes	537,408	(594,844)
Income taxes - current	189,308	8,514
Income taxes - deferred	15,152	(151,232)
Total income taxes	204,461	(142,718)
Profit (loss)	332,947	(452,126)
Profit (loss) attributable to owners of parent	332,947	(452,126)

Consolidated statements of comprehensive income (cumulative)

	(Thousands of yen)	
	Three months ended May 31, 2019	Three months ended May 31, 2020
Profit (loss)	332,947	(452,126)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,281)	2,232
Remeasurements of defined benefit plans, net of tax	2,086	(1,342)
Total other comprehensive income	(194)	889
Comprehensive income	332,752	(451,236)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	332,752	(451,236)
Comprehensive income attributable to non-controlling interests	—	—