

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended February 28, 2019 (Based on Japanese GAAP)

April 12, 2019

Company name: NARUMIYA INTERNATIONAL Co.,Ltd
 Stock exchange listing: Tokyo
 Stock code: 9275 URL <http://www.narumiya-net.co.jp/ir/>
 Representative: President, Representative Director and Chief Executive Officer Toshiaki Ishii
 Inquiries: Executive Managing Director Chief Financial Officer Chiaki Ueda TEL 03-6430-3405
 Scheduled date of ordinary general meeting of shareholders: May 30, 2019
 Scheduled date to file Securities Report: May 30, 2019
 Scheduled date to commence dividend payments: May 31, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended February 28, 2019 (from March 1, 2018 to February 28, 2019)

(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	%
Year ended February 28, 2019	29,700	—	1,625	—	1,505	154.3	1,802	202.8
Year ended February 28, 2018	—	—	(1)	—	591	—	595	—

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2019	184.67	181.76	63.1	18.4	5.5
Year ended February 28, 2018	62.96	—	22.5	22.3	—

(Note) 1. We implemented 1-to-30 share split for common stocks on June 29, 2018. Assuming the share split to be implemented at the beginning of the fiscal year ending February 2019, Earnings per share is calculated.

2. Although there are dilutive shares, no average share price can be determined because our shares are non-listed. Therefore, net income per share after adjustment for dilutive shares is not indicated. We were listed on the Second Section of the Tokyo Stock Exchange on September 6, 2018. Therefore, we regard the average share price over the period between the date on which we were listed on the stock exchange and the last day of the end of this fiscal year as the average share price of this fiscal year in order to calculate the Diluted earnings per share.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2019	14,182	3,556	25.1	358.86
As of February 28, 2018	2,162	2,162	99.9	228.58

(Note) We implemented 1-to-30 share split for common stocks on June 29, 2018. Assuming the share split to be implemented at the beginning of the fiscal year ending February 2019, Net assets per share is calculated.

(3) Non-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	Millions of yen	Millions of yen
Year ended February 28, 2019	1,551	(459)	(1,230)	1,847
Year ended February 28, 2018	—	—	—	—

(Note) We made only Consolidated cash flows of the fiscal year ended February 28, 2018

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2018	–	4,993.00	–	1,269.00	6,262.00	1,973	331.5	74.5
Year ended February 28, 2019	–	1,465.00	–	31.00	–	777	–	–
Year ending February 29, 2020 (Forecast)	–	0.00	–	31.00	31.00		30.5	

(Note) We implemented 1-to-30 share split for common stocks on June 29, 2018. The decision on the said share split was made on June 8, 2018, and became effective on the 29th of the same month. The split was made, however, on the premise of a revision in the Articles of Incorporation to be approved by the extraordinary Shareholders Meeting held on the same date as the effective date. Therefore, the interim dividend per share before the 1-to-30 share split is indicated that was paid based on the decision made at the extraordinary Board of Directors meeting held prior to the extraordinary Shareholders Meeting held on June 29, 2018.

3. Forecast of consolidated financial results for the year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

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	33,007	–	1,712	–	1,646	–	1,007	–	101.65

(Note) We acquired all shares of Heartfeel Co., Ltd. on March 29 2019.

4. Notes

(1) 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

(2) Number of issued shares (common shares)

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

As of February 28, 2019	9,906,830 shares	As of February 28, 2018	9,453,030 shares
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Number of treasury shares at the end of the period

As of February 28, 2019	– shares	As of February 28, 2018	– shares
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Average number of shares during the period

Year ended February 28, 2019	9,760,549 shares	Year ended February 28, 2018	9,453,030 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

	(Thousands of yen)	
	As of February 28, 2018	As of February 28, 2019
Assets		
Current assets		
Cash and deposits	14,241	1,847,006
Notes and accounts receivable - trade	–	2,309,354
Merchandise	–	3,694,897
Prepaid expenses	–	43,640
Income taxes receivable	402,803	–
Deferred tax assets	4,294	302,141
Other	–	43,356
Allowance for doubtful accounts	–	(6,466)
Total current assets	421,338	8,233,931
Non-current assets		
Property, plant and equipment		
Buildings and structures	–	1,174,534
Accumulated depreciation	–	(1,037,620)
Buildings and structures, net	–	136,914
Tools, furniture and fixtures	–	69,314
Accumulated depreciation	–	(57,400)
Tools, furniture and fixtures, net	–	11,913
Land	–	5,940
Leased assets	–	2,051,828
Accumulated depreciation	–	(1,106,413)
Leased assets, net	–	945,414
Total property, plant and equipment	–	1,100,182
Intangible assets		
Goodwill	–	3,129,211
Software	–	56,064
Leased assets	–	120,575
Other	–	15,766
Total intangible assets	–	3,321,618
Investments and other assets		
Investment securities	–	29,163
Shares of subsidiaries and associates	1,740,914	12,489
Claims provable in bankruptcy, claims provable in rehabilitation and other	–	49,431
Long-term prepaid expenses	–	23,052
Guarantee deposits	–	1,076,400
Insurance funds	–	153,937
Deferred tax assets	–	155,412
Other	–	69,526
Allowance for doubtful accounts	–	(42,241)
Total investments and other assets	1,740,914	1,527,170
Total non-current assets	1,740,914	5,948,972
Total assets	2,162,253	14,182,903

(Thousands of yen)

	As of February 28, 2018	As of February 28, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	–	2,698,661
Current portion of long-term loans payable	–	450,000
Lease obligations	–	383,799
Accounts payable - other	–	489,736
Accrued expenses	–	533,324
Income taxes payable	–	381,526
Accrued consumption taxes	–	68,547
Provision for bonuses	–	89,062
Provision for sales returns	–	12,814
Provision for point card certificates	–	39,124
Other	–	116,654
Total current liabilities	–	5,263,251
Non-current liabilities		
Long-term loans payable	–	4,325,000
Lease obligations	–	792,162
Provision for retirement benefits	–	242,075
Other	–	3,755
Total non-current liabilities	–	5,362,993
Total liabilities	–	10,626,245
Net assets		
Shareholders' equity		
Capital stock	10,000	218,307
Capital surplus		
Legal capital surplus	10,000	266,271
Other capital surplus	1,557,710	1,557,710
Total capital surpluses	1,567,710	1,823,982
Retained earnings		
Other retained earnings		
Retained earnings brought forward	583,103	1,515,773
Total retained earnings	583,103	1,515,773
Total shareholders' equity	2,160,813	3,558,063
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	–	(2,845)
Total valuation and translation adjustments	–	(2,845)
Share acquisition rights	1,440	1,440
Total net assets	2,162,253	3,556,657
Total liabilities and net assets	2,162,253	14,182,903

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Net sales	–	29,700,888
Cost of sales	–	13,763,377
Gross profit	–	15,937,510
Selling, general and administrative expenses	1,247	14,312,492
Operating profit (loss)	(1,247)	1,625,018
Non-operating income		
Interest and dividend income	593,099	155
Insurance premiums refunded cancellation	–	7,496
Purchase discounts	–	2,648
Rent income	–	3,029
Miscellaneous income	–	6,782
Total non-operating income	593,099	20,112
Non-operating expenses		
Interest expenses	–	72,704
Financial commission	–	4,206
Merger expenses	–	15,954
IPO expense	–	40,019
Foreign exchange losses	–	436
Rent expenses	–	2,573
Miscellaneous loss	–	4,060
Total non-operating expenses	–	139,956
Ordinary profit	591,852	1,505,174
Extraordinary income		
Gain on extinguishment of tie-in shares	–	875,840
Total extraordinary income	–	875,840
Extraordinary losses		
Loss on retirement of non-current assets	–	17,831
Impairment loss	–	45,754
Cancellation penalty	–	550
Total extraordinary losses	–	64,135
Profit before income taxes	591,852	2,316,879
Income taxes - current	950	576,680
Income taxes - deferred	(4,294)	(62,323)
Total income taxes	(3,344)	514,357
Profit	595,196	1,802,522

Non-consolidated statements of changes in equity

Fiscal year ended February 28, 2018

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
					Retained earnings brought forward		
Balance at beginning of current period	10,000	10,000	3,131,010	3,141,010	(12,092)	(12,092)	3,138,917
Changes of items during period							
Dividends of surplus			(1,573,299)	(1,573,299)			(1,573,299)
Profit					595,196	595,196	595,196
Net changes of items other than shareholders' equity							
Total changes of items during period	–	–	(1,573,299)	(1,573,299)	595,196	595,196	(978,103)
Balance at end of current period	10,000	10,000	1,557,710	1,567,710	583,103	583,103	2,160,813

	Share acquisition rights	Total net assets
Balance at beginning of current period	–	3,138,917
Changes of items during period		
Dividends of surplus		(1,573,299)
Profit		595,196
Net changes of items other than shareholders' equity	1,440	1,440
Total changes of items during period	1,440	(976,663)
Balance at end of current period	1,440	2,162,253

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
					Retained earnings brought forward		
Balance at beginning of current period	10,000	10,000	1,557,710	1,567,710	583,103	583,103	2,160,813
Changes of items during period							
Increase by merger		47,964		47,964			47,964
Issuance of new shares	208,307	208,307		208,307			416,614
Dividends of surplus				–	(869,851)	(869,851)	(869,851)
Profit				–	1,802,522	1,802,522	1,802,522
Net changes of items other than shareholders' equity				–		–	–
Total changes of items during period	208,307	256,271	–	256,271	932,670	932,670	1,397,249
Balance at end of current period	218,307	266,271	1,557,710	1,823,982	1,515,773	1,515,773	3,558,063

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	–	–	1,440	2,162,253
Changes of items during period				
Increase by merger				47,964
Issuance of new shares				416,614
Dividends of surplus				(869,851)
Profit				1,802,522
Net changes of items other than shareholders' equity	(2,845)	(2,845)	–	(2,845)
Total changes of items during period	(2,845)	(2,845)	–	1,394,403
Balance at end of current period	(2,845)	(2,845)	1,440	3,556,657

Non-consolidated statements of cash flows

(Thousands of yen)

Fiscal year ended
February 28, 2019

Cash flows from operating activities	
Profit before income taxes	2,316,879
Depreciation	477,711
Amortization of guarantee deposits	86,142
Impairment loss	45,754
Amortization of goodwill	177,964
Loss (gain) on extinguishment of tie-in shares	(875,840)
Loss on retirement of non-current assets	17,831
Increase (decrease) in allowance for doubtful accounts	(382)
Increase (decrease) in provision for bonuses	(1,270)
Increase (decrease) in provision for sales returns	4,552
Increase (decrease) in provision for point card certificates	22,458
Increase (decrease) in provision for retirement benefits	18,442
Interest and dividend income	(155)
Interest expenses	72,704
Decrease (increase) in notes and accounts receivable - trade	(167,782)
Decrease (increase) in inventories	(699,245)
Increase (decrease) in notes and accounts payable - trade	139,432
Increase (decrease) in accrued expenses	12,252
Increase (decrease) in accrued consumption taxes	25,934
Other, net	111,137
Subtotal	1,784,521
Interest and dividend income received	155
Interest expenses paid	(69,816)
Income taxes paid	(566,687)
Income taxes refund	403,753
Net cash provided by (used in) operating activities	1,551,927
Cash flows from investing activities	
Purchase of securities	(153,077)
Purchase of intangible assets	(41,469)
Purchase of investment securities	(1,327)
Purchase of insurance funds	(29,627)
Payments for guarantee deposits	(213,860)
Proceeds from collection of guarantee deposits	12,960
Other, net	(33,072)
Net cash provided by (used in) investing activities	(459,474)
Cash flows from financing activities	
Repayments of long-term loans payable	(425,000)
Proceeds from issuance of common shares	416,614
Repayments of lease obligations	(352,020)
Cash dividends paid	(869,851)
Net cash provided by (used in) financing activities	(1,230,257)
Net increase (decrease) in cash and cash equivalents	(137,804)
Cash and cash equivalents at beginning of period	14,241
Increase in cash and cash equivalents resulting from merger	1,970,569
Cash and cash equivalents at end of period	1,847,006