

Translation

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Summary of Consolidated Financial Results for the Year Ended February 29, 2020 (Based on Japanese GAAP)

April 13, 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
 Inquiries: Executive Managing Director Chief Financial Officer Chiaki Ueda TEL 03-6430-3405
 Scheduled date of ordinary general meeting of shareholders: May 22, 2020
 Scheduled date to file Securities Report: May 25, 2020
 Scheduled date to commence dividend payments: May 25, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

(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	%
Year ended February 29, 2020	32,962	—	1,664	—	1,622	—	999	—
Year ended February 28, 2019	—	—	—	—	—	—	—	—

(Note) Comprehensive income Fiscal year ended February 29, 2020 1,038 Million yen (- %) / ended February 28, 2019 — Million yen (- %)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 29, 2020	99.29	—	23.0	10.6	5.1
Year ended February 28, 2019	—	—	—	—	—

(Note) On March 29, 2019, the acquired all shares of Heartfeel Co., Ltd., and made it a consolidated subsidiary. To reflect this, the Company will announce its financial statements on a consolidated basis beginning the Fiscal Year Ended February 29, 2020.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2020	15,310	4,335	28.3	428.24
As of February 28, 2019	—	—	—	—

Reference: Shareholders' equity As of Feb.29, 2020 4,335 million yen /As of Feb.28, 2019 —million yen

(Note) On March 29, 2019, the acquired all shares of Heartfeel Co., Ltd., and made it a consolidated subsidiary. To reflect this, the Company will announce its financial statements on a consolidated basis beginning the Fiscal Year Ended February 29, 2020.

(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	Millions of yen	Millions of yen
Year ended February 29, 2020	2,319	(822)	(856)	2,488
Year ended February 28, 2019	—	—	—	—

(Note) On March 29, 2019, the acquired all shares of Heartfeel Co., Ltd., and made it a consolidated subsidiary. To reflect this, the Company will announce its financial statements on a consolidated basis beginning the Fiscal Year Ended February 29, 2020.

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	%	%
Year ended February 28, 2019	—	1,465.00	—	31.00	—	777	—	—
Year ended February 29, 2020	—	0.00	—	34.00	34.00	344	34.2	7.9
Year ending February 28, 2021 (Forecast)	—	0.00	—	—	—		—	

(Note) 1. On June 29, 2018, the Company implemented a stock split, at a ratio of 30 shares to one common share. The dividend per share for the three months ending August 31, 2019 was before the stock split.

2. The year-end dividend for the Fiscal Year ended February 29, 2020 was ¥34 per share, inclusive of ¥31 in ordinary dividends and ¥3 in commemorative dividends.

3. As the Fiscal Year ended February 29, 2020 was the first year in which consolidated financial statements were prepared, the Dividend on Equity was calculated based on the net assets as of the end of the Fiscal Year ended February 29, 2020.

4. As of today, the year-end dividends for the Fiscal Year Ending February 28, 2021 have yet to be determined.

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

Due to factors such as voluntary restrictions on mobility, temporary closing of commercial facilities and shortened business hours, which are all attributable to the spread of the coronavirus, Group sales have been under significant pressure. As this makes the preparation of a reasonable earnings forecast difficult as of the day of the publication of these Financial Results, the Company has decided not to announce a Consolidated Financial Results Forecast for the Fiscal Year ending February 28, 2021. The Company will issue such forecasts once the preparation thereof is feasible.

※. Notes

(1) Changes in significant subsidiaries during the year ended February 29, 2020

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Newly included: 1 (Company name: Heartfeel Co., Ltd.) Excluded: - (Company name: -)

Yes

(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:

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

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

As of February 29, 2020	10,122,830 shares	As of February 28, 2019	9,906,830 shares
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Number of treasury shares at the end of the period

As of February 29, 2020	— shares	As of February 28, 2019	— shares
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Average number of shares during the period

Year ended February 29, 2020	10,060,821 shares	Year ended February 28, 2019	9,760,549 shares
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(Note) 1. On June 29, 2018, the Company implemented a stock split, at a ratio of 30 shares to one common share. Total number of issued shares at the end of the period, total number of treasury shares at the end of the period and average number of shares during the period were calculated by assuming that the stock split was implemented at the beginning of the Fiscal Year ended February 28, 2019.

2. The increase in issued shares during the Fiscal Year ended February 29, 2020 was due to the exercising of stock acquisition rights.

※ These financial results are outside the scope of the quarterly review by a certified public accountant or audit corporation.

※ Explanation of the proper use of financial results forecasts and other notes

Earnings forecasts and other forward-looking statements provided herein are based on information that is currently available to the Company and certain assumptions that the Company deems reasonable, and the Company does not in any way guarantee the achievement of the projections made herein. Actual results may differ significantly from the forecasts due to various factors.

1 . Overview of operating results

(1) Overview of operating results for the Fiscal Year Ended February 29, 2020

During the twelve months ending February 29, 2020, although the Japanese economy was on a mild recovery trend, uncertainty increased in the global economy due to trade conflicts. In addition, the outlook remained uncertain in the face of the October 2019 consumption tax hike and reduced inbound demand. With concerns over the impact of the spread of the coronavirus on global growth, economic conditions remain precarious.

In the apparel industry, to which the Company belongs, many companies struggled due to unusually warm weather and reduced inbound demand, in addition to consumer sentiment deteriorating due to the coronavirus epidemic.

Against this backdrop, the Company focused management resources on shopping centers and e-commerce stores, the growth drivers in the Group's multi-channel strategy. In particular, aggressive store opening at shopping centers marked this strategy, in addition to CRM enhancement through the integration of customer IDs across shopping center and e-commerce channels, and streamlining logistics operations thanks to the introduction of RFID. On top of this, the Group's boys brand was bolstered as Heartfeel became a wholly owned subsidiary.

In the department store channel, while the baby/toddler brand "ANNA SUI mini" and "X-girl STAGES" thrived, sales declined year-on-year, particularly in junior brands, which is partly attributable to climate warming and alienation of junior generations. For the Fiscal Year Ended February 29, 2020, with 20 stores opened and 30 stores closed (575 stores at fiscal year-end), sales from the department store channel were ¥9,060 million.

In the shopping center channel, "petit main" baby/toddler brand and "Lovetoxic" junior brand maintained solid sales throughout the year, each posting double-digit growth. For the Fiscal Year ended February 29, 2020, 24 stores opened and 2 stores closed (184 stores at fiscal year-end), sales from the shopping center channel were ¥13,634 million.

In the e-commerce channel, customer IDs were integrated with those in the shopping center channel, and a new customer acquisition campaign was implemented. With the aim of expanding business base, we made Heartfeel Co., Ltd. a wholly-owned subsidiary in order to fully utilize their "GLAZOS" boys brand. As this result, sales from the e-commerce channel amounted to ¥6,095 million.

Sales from other channels (Note 3) rose year-on-year by 5.1% and 10.6% for the outlet and wholesale channels, respectively, both solid growth. The photo studio business, which we started in summer 2018, performed solidly from increased capacity utilization and a rise in unit prices. Sales of "petit main" in China remained solid, despite the fact that the business is still conducted under a license agreement. As a result, sales from other channels amounted to ¥4,171 million.

(Note) 1: See the table below for the sales breakdown by sales channel and year-on-year growth.

Channel	FY ended Feb 2019 (non-consolidated)		FY ended Feb 2020 (consolidated)		YoY Change	
	Amount	Weighting	Amount	Weighting	Amount	Percentage change
	¥ million	%	¥ million	%	¥ million	%
Department store	9,796	33.0	9,060	27.5	△735	△7.5
Shopping center	11,770	39.6	13,634	41.4	1,863	15.8
e-commerce	4,286	14.4	6,095	18.5	1,809	42.2
Other	3,846	13.0	4,171	12.6	325	8.5
Total	29,700	100.0	32,962	100.0	3,262	11.0

2 . In the Fiscal Year ended February 29, 2020, four "petit main" stores were opened in department stores, which is our brand for shopping centers. Data from the four new stores are included in the shopping center channel.

3 . Including the Outlet, Wholesale, Photo Studio, License channel sales.

As a result, the Company posted net sales of ¥32,962 million, an operating income of ¥1,664 million, an ordinary income of ¥1,622 million, and net income attributable to owners of parent companies of ¥999 million for the Fiscal Year Ended February 29, 2020.

On March 29, 2019, the Company acquired all the shares of Heartfeel Co., Ltd., and made it a consolidated subsidiary. To reflect this, the Company will announce its financial statements on a consolidated basis beginning the Fiscal Year ended February 29, 2020. Please see the table below for year-on-year comparison of business performance.

(YoY comparison of financial results)

	FY ended Feb 2019 (non-consolidated)	FY ended Feb 2020 (non-consolidated)	YoY Change(%)
Net sales (million yen)	29,700	32,044	7.9
Operating profit (million yen)	1,625	1,694	4.2
Ordinary profit (million yen)	1,505	1,665	10.6
Net income (million yen)	926	1,044	12.8
EBITDA (million yen)	2,398	2,508	4.6
Earnings per share (yen)	94.94	103.86	—

(注) 1. Net income for the Fiscal Year ended February 29, 2020 is adjusted for a gain on extinguishment of tie-in shares of ¥875 million.

2. On June 29, 2018, the Company implemented a stock split, at a ratio of 30 shares to one common share. Basic earnings per share for the Fiscal Year ended February 28, 2019 was calculated by assuming that the stock split was implemented at the beginning of the Fiscal Year ended February 28, 2019.

(2) Explanation of Financial Position

(Assets)

Total assets as of the end of the Fiscal Year ended February 29, 2020 were ¥15,310 million.

Current assets were ¥8,580 million, which primarily consists of ¥3,394 million in merchandise, ¥2,607 million in notes and accounts receivable and ¥2,488 million in cash and deposits.

Non-current assets were ¥6,730 million, which primarily includes goodwill in ¥3,363 million, ¥1,195 million in guarantee deposits and ¥816 million in leased assets-PPE.

(Liabilities)

Total liabilities as of the end of the Fiscal Year Ended February 29, 2020 were ¥10,975 million.

Current liabilities were ¥5,656 million, which primarily consists of ¥2,488 million in accounts payable-trade, ¥618 million in accrued expenses, and ¥595 million in the current portion of long-term loans payable.

Non-current liabilities were ¥5,319 million, which primarily consists of ¥4,404 million in long-term loans payable and ¥661 million in lease obligations.

(Net assets)

Net assets as of the end of the Fiscal Year Ended February 29, 2020 were ¥4,335 million. This primarily consists of ¥2,207 million in retained earnings and ¥1,860 million in capital surplus.

(3) Status of Cash Flow

Cash and cash equivalents (hereinafter referred to as “Funds”) at the end of the Fiscal Year ended February 29, 2020 were ¥2,488 million.

The status of cash flow and related factors are as described below.

(Cash flow from operating activities)

Funds provided by operating activities resulted in a cash inflow of ¥2,319 million. This was primarily due to profit before income taxes of ¥1,601 million, depreciation of ¥517 million, goodwill amortization of ¥223 million, an increase of ¥270 million in notes and accounts receivable-trade and a decrease of ¥506 million in inventories.

(Cash flow from investment activities)

Funds used in investment activities resulted in a cash outflow of ¥822 million. This was primarily due to purchase of property, plants and equipment of ¥266 million and ¥208 million in guarantee deposits.

(Cash flow from financing activities)

Funds used in financing activities resulted in a cash outflow of ¥856 million. This was mainly due to a net increase in long-term loans payable of ¥620 million, repayment of long-term loans of ¥871 million, repayment of lease obligations of ¥370 million and dividend payment of ¥307million.

(4) Future outlook

The business environment surrounding the Company, which runs kidswear businesses, is facing a series of challenges such as the novel coronavirus epidemic and global warming. Particularly, voluntary restrictions on mobility, temporary closing of commercial facilities and shortened business hours, which are attributable to the spread

of the novel coronavirus, have caused a decline in customer traffic to the Company's directly managed stores – our businesses will likely struggle in this environment. Considering these circumstances, which pose a number of uncertainties to the Group's earnings, the Company decided not to announce its Consolidated Financial Results Forecast for the Fiscal Year ending February 28, 2021. The Company will issue such forecasts once the preparation thereof is feasible.

The Groups has been promoting its multi-channel and multi-brand strategies in the kidswear industry. In the near term, we will focus on reducing costs and concentrate management resources on e-commerce operations to drive growth. Over the medium term, while paying attention to optimizing our business portfolio of sales channels and brands, the Group will invest selectively in high profitability businesses. As part of its business strategy, the Group will enhance its competitiveness in the ever changing kidswear market by developing new business fields and categories as well as advancing into overseas markets.

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.

Consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

As of February 29, 2020

Assets

Current assets

Cash and deposits	2,488,139
Notes and accounts receivable - trade	2,607,970
Merchandise	3,394,957
Prepaid expenses	46,507
Other	52,422
Allowance for doubtful accounts	(9,177)
Total current assets	8,580,819

Non-current assets

Property, plant and equipment

Buildings and structures	1,418,972
Accumulated depreciation	(1,139,077)
Buildings and structures, net	279,894
Tools, furniture and fixtures	95,144
Accumulated depreciation	(67,829)
Tools, furniture and fixtures, net	27,315

Land 5,940

Leased assets 2,260,522

Accumulated depreciation (1,443,769)

Leased assets, net 816,753

Total property, plant and equipment 1,129,903

Intangible assets

Goodwill 3,363,842

Software 117,262

Leased assets 126,462

Other 10,686

Total intangible assets 3,618,253

Investments and other assets

Investment securities 33,577

Claims provable in bankruptcy, claims provable in rehabilitation and other 50,105

Long-term prepaid expenses 24,919

Guarantee deposits 1,195,355

Deferred tax assets 487,899

Other 240,106

Allowance for doubtful accounts (50,105)

Total investments and other assets 1,981,857

Total non-current assets

6,730,014

Total assets

15,310,833

(Thousands of yen)

As of February 29, 2020

Liabilities	
Current liabilities	
Accounts payable - trade	2,488,577
Current portion of long-term loans payable	595,048
Lease obligations	383,364
Accounts payable - other	583,959
Accrued expenses	618,930
Income taxes payable	417,298
Accrued consumption taxes	285,073
Provision for bonuses	101,183
Provision for sales returns	11,573
Provision for point card certificates	64,260
Other	107,286
Total current liabilities	5,656,555
Non-current liabilities	
Long-term loans payable	4,404,870
Lease obligations	661,068
Retirement benefit liability	249,574
Other	3,755
Total non-current liabilities	5,319,267
Total liabilities	10,975,822
Net assets	
Shareholders' equity	
Capital stock	255,099
Capital surplus	1,860,774
Retained earnings	2,207,693
Total shareholders' equity	4,323,567
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	(9,280)
Remeasurements of defined benefit plans	20,723
Total accumulated other comprehensive income	11,443
Total net assets	4,335,011
Total liabilities and net assets	15,310,833

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended February 29, 2020
Net sales	32,962,986
Cost of sales	15,169,151
Gross profit	17,793,834
Selling, general and administrative expenses	16,128,954
Operating profit	1,664,879
Non-operating income	
Interest income	41
Dividend income	87
Insurance premiums refunded cancellation	9,934
Purchase discounts	2,306
Rent income	24,475
Subsidy income	14,900
Gain on adjustment of account payable	20,768
Miscellaneous income	9,219
Total non-operating income	81,733
Non-operating expenses	
Interest expenses	73,679
Commission expenses	9,200
Rent expenses	19,194
Foreign exchange losses	563
Moving to the first section expenses	11,740
Miscellaneous loss	9,669
Total non-operating expenses	124,046
Ordinary profit	1,622,566
Extraordinary losses	
Loss on retirement of non-current assets	5,328
Impairment loss	15,991
Total extraordinary losses	21,320
Profit before income taxes	1,601,246
Income taxes - current	630,343
Income taxes - deferred	(28,128)
Total income taxes	602,214
Profit	999,031
Profit attributable to owners of parent	999,031

Consolidated statements of comprehensive income

(Thousands of yen)

Fiscal year ended
February 29, 2020

Profit	999,031
Other comprehensive income	
Valuation difference on available-for-sale securities	(6,434)
Remeasurements of defined benefit plans, net of tax	45,867
Total other comprehensive income	39,433
Comprehensive income	1,038,464
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,038,464
Comprehensive income attributable to non-controlling interests	—

Consolidated statements of changes in equity

Fiscal year ended February 29, 2020

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	218,307	1,823,982	1,515,773	3,558,063
Changes of items during period				
Issuance of new shares	36,792	36,792		73,584
Dividends of surplus			(307,111)	(307,111)
Profit attributable to owners of parent			999,031	999,031
Net changes of items other than shareholders' equity				
Total changes of items during period	36,792	36,792	691,920	765,504
Balance at end of current period	255,099	1,860,774	2,207,693	4,323,567

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(2,845)	(25,143)	(27,989)	1,440	3,531,513
Changes of items during period					
Issuance of new shares					73,584
Dividends of surplus					(307,111)
Profit attributable to owners of parent					999,031
Net changes of items other than shareholders' equity	(6,434)	45,867	39,433	(1,440)	37,993
Total changes of items during period	(6,434)	45,867	39,433	(1,440)	803,497
Balance at end of current period	(9,280)	20,723	11,443	—	4,335,011

Consolidated statements of cash flows

(Thousands of yen)

Fiscal year ended
February 29, 2020

Cash flows from operating activities	
Profit before income taxes	1,601,246
Depreciation	517,071
Amortization of guarantee deposits	91,732
Impairment loss	15,991
Amortization of goodwill	223,808
Loss on retirement of non-current assets	5,328
Increase (decrease) in allowance for doubtful accounts	10,573
Increase (decrease) in provision for bonuses	10,369
Increase (decrease) in provision for sales returns	(1,241)
Increase (decrease) in provision for point card certificates	18,552
Increase (decrease) in retirement benefit liability	37,368
Interest and dividend income	(128)
Interest expenses	73,679
Decrease (increase) in notes and accounts receivable - trade	(270,565)
Decrease (increase) in inventories	506,985
Increase (decrease) in notes and accounts payable - trade	(247,162)
Increase (decrease) in accrued expenses	218,405
Increase (decrease) in accrued consumption taxes	216,526
Other, net	(122,462)
Subtotal	2,906,080
Interest and dividend income received	128
Interest expenses paid	(36,797)
Income taxes paid	(549,548)
Net cash provided by (used in) operating activities	2,319,863
Cash flows from investing activities	
Proceeds from withdrawal of time deposits	22,381
Purchase of property, plant and equipment	(266,606)
Purchase of intangible assets	(83,830)
Purchase of investment securities	(1,198)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(234,852)
Purchase of insurance funds	(31,899)
Payments for guarantee deposits	(208,281)
Proceeds from collection of guarantee deposits	3,783
Other, net	(21,848)
Net cash provided by (used in) investing activities	(822,354)
Cash flows from financing activities	
Proceeds from long-term loans payable	620,000
Repayments of long-term loans payable	(871,232)
Repayments of lease obligations	(370,176)
Cash dividends paid	(307,111)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	72,144
Net cash provided by (used in) financing activities	(856,376)
Net increase (decrease) in cash and cash equivalents	641,132
Cash and cash equivalents at beginning of period	1,847,006
Cash and cash equivalents at end of period	2,488,139

(5) Notes to consolidated financial statements

(Going concern assumptions)

Not applicable

(Segment information)

[Segment information]

Current consolidated cumulative period (from March 1, 2019 to February 29, 2020)

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

(Per Share Information)

	Current consolidated financial period (from March 1, 2019 to February 29, 2020)
Net assets per share	¥428.24
Profit (loss) per share	¥99.29

(Notes) 1 . Diluted profit per share for the current fiscal year is not stated because no potentially dilutive shares were outstanding.

2 . The basics for calculating profit (loss) per share is as follows:

	Current consolidated fiscal year (from March 1, 2019 to February 29, 2020)
Profit (loss) per share	
Profit (loss) attributable to owners of parent (in K yen)	999,031
Amount not attributable to owners of common shares (in K yen)	—
Profit (loss) attributable to owners of parent related to common shares (in K yen)	999,031
Average number of common shares outstanding (shares)	10,060,821

(Significant subsequent events)

Not applicable