

Translation

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**Summary of Consolidated Financial Results
for the Three Months Ended May 31, 2019
(Based on Japanese GAAP)**

July 10, 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 to file Quarterly Securities Report: July 12, 2019

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, 2019 (from March 1, 2019 to May 31, 2019)

(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, 2019	7,725	—	554	—	540	—	332	—
Three months ended May 31, 2018	—	—	—	—	—	—	—	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2019	33.37	33.02
Three months ended May 31, 2018	—	—

The company acquired all shares in Heartfeel Co., Ltd. on March 29, 2019. As a result of the acquisition, Heartfeel Co., Ltd. became the company's consolidated subsidiary in March 2019. It will be included in the company's consolidated accounts starting in the first quarter of the year ending February 2020.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2019	14,700	3,611	24.6
As of February 28, 2019	—	—	—

The company acquired all shares in Heartfeel Co., Ltd. on March 29, 2019. As a result of the acquisition, Heartfeel Co., Ltd. became the company's consolidated subsidiary in March 2019. It will be included in the company's consolidated accounts starting in the first quarter of the year ending February 2020.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended February 28, 2019	Yen —	Yen 1,465.00	Yen —	Yen 31.00	Yen —
Year ending February 29, 2020	—	—	—	—	—
Year ending February 29, 2020 (Forecast)	0.00	—	—	31.00	31.00

We implemented 1-to-30 share split for common stocks 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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	33,007	–	1,712	–	1,646	–	1,007	–	101.65

The company acquired all shares in Heartfeel Co., Ltd. on March 29, 2019. As a result of the acquisition, Heartfeel Co., Ltd. became the company's consolidated subsidiary in March 2019. It will be included in the company's consolidated accounts starting in the first quarter of the year ending February 2020.

4. Notes

(1) Changes in significant subsidiaries during the three months ended May 31, 2019

Yes

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

(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, 2019	10,070,630 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 May 31, 2019	– shares	As of February 28, 2019	– shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2019	9,975,288 shares	Three months ended May 31, 2018	9,624,330 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

As of May 31, 2019

Assets	
Current assets	
Cash and deposits	934,940
Notes and accounts receivable - trade	2,467,460
Merchandise	4,291,376
Prepaid expenses	69,822
Other	51,979
Allowance for doubtful accounts	(5,782)
Total current assets	7,809,797
Non-current assets	
Property, plant and equipment	
Buildings and structures	1,329,892
Accumulated depreciation	(1,064,918)
Buildings and structures, net	264,973
Tools, furniture and fixtures	78,297
Accumulated depreciation	(59,034)
Tools, furniture and fixtures, net	19,262
Land	5,940
Leased assets	2,134,472
Accumulated depreciation	(1,188,973)
Leased assets, net	945,498
Total property, plant and equipment	1,235,675
Intangible assets	
Goodwill	3,531,698
Software	45,027
Software in progress	54,545
Leased assets	153,160
Other	15,747
Total intangible assets	3,800,179
Investments and other assets	
Investment securities	26,173
Shares of subsidiaries and associates	12,489
Claims provable in bankruptcy, claims provable in rehabilitation and other	49,131
Long-term prepaid expenses	22,077
Guarantee deposits	1,099,393
Deferred tax assets	462,107
Other	225,641
Allowance for doubtful accounts	(41,941)
Total investments and other assets	1,855,072
Total non-current assets	6,890,927
Total assets	14,700,724

(Thousands of yen)

As of May 31, 2019

Liabilities**Current liabilities**

Accounts payable - trade	1,987,944
Short-term loans payable	400,000
Current portion of long-term loans payable	480,048
Lease obligations	401,335
Accounts payable - other	354,859
Accrued expenses	606,034
Income taxes payable	207,502
Accrued consumption taxes	109,980
Provision for bonuses	195,428
Provision for sales returns	13,154
Provision for point card certificates	64,318
Other	132,739
Total current liabilities	4,953,345

Non-current liabilities

Long-term loans payable	5,036,572
Lease obligations	811,508
Net defined benefit liability	283,680
Other	3,755
Total non-current liabilities	6,135,515

Total liabilities

Net assets	
Shareholders' equity	
Capital stock	246,207
Capital surplus	1,851,883
Retained earnings	1,541,609
Total shareholders' equity	3,639,700
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	(5,127)
Remeasurements of defined benefit plans	(23,057)
Total accumulated other comprehensive income	(28,184)
Share acquisition rights	348
Total net assets	3,611,863
Total liabilities and net assets	14,700,724

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
Net sales	7,725,208
Cost of sales	3,232,213
Gross profit	4,492,995
Selling, general and administrative expenses	3,938,452
Operating profit	554,542
Non-operating income	
Interest and dividend income	1
Insurance premiums refunded cancellation	2,590
Purchase discounts	490
Rent income	6,042
Subsidy income	14,900
Miscellaneous income	3,775
Total non-operating income	27,799
Non-operating expenses	
Interest expenses	19,375
Foreign exchange losses	394
Commission fee	9,200
Rent expenses	4,829
Miscellaneous loss	8,080
Total non-operating expenses	41,878
Ordinary profit	540,463
Extraordinary losses	
Loss on retirement of non-current assets	81
Impairment loss	2,974
Total extraordinary losses	3,055
Profit before income taxes	537,408
Income taxes - current	189,308
Income taxes - deferred	15,152
Total income taxes	204,461
Profit	332,947
Profit attributable to owners of parent	332,947

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

Three months ended

May 31, 2019

Profit	332,947
Other comprehensive income	
Valuation difference on available-for-sale securities	(2,281)
Remeasurements of defined benefit plans, net of tax	2,086
Total other comprehensive income	(194)
Comprehensive income	<u>332,752</u>
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	332,752
Comprehensive income attributable to non-controlling interests	—