

**Translation**

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**Summary of Consolidated Financial Results  
for the Six Months Ended August 31, 2020  
(Based on Japanese GAAP)**

October 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  
 Inquiries: Executive Managing Director Chief Financial Officer Chiaki Ueda TEL 03-6430-3405  
 Scheduled date to file Quarterly Securities Report: October 12, 2020  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2020 (from March 1, 2020 to August 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	%
Six months ended August 31, 2020	11,953	(21.4)	(690)	–	(688)	–	(679)	–
Six months ended August 31, 2019	15,205	–	402	–	368	–	172	–

Note: Comprehensive income As of August 31, 2020: (676)million yen As of August 31, 2019: 172 million yen

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2020	(67.16)	–
Six months ended August 31, 2019	17.17	17.10

Note: 1. Since quarterly consolidated financial statements have been prepared since the 1Q of the term ending February 2020, year-on-year changes for the 2Q of the term ending February 2020 are not presented.

2. Diluted quarterly net income per share for the 2Q of the fiscal year ending February 2021 is not shown due to net loss per share and no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2020	14,797	3,314	22.4
As of February 29, 2020	15,310	4,335	28.3

Reference: Shareholders' equity As of August 31,2020: 3,314million 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	–	0.00	–	–	–
Year ending February 28, 2021 (Forecast)	–	–	–	–	–

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. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

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	30,776	(6.6)	452	(72.8)	433	(73.3)	106	(89.3)	10.53

Note: Revision to the most recently announced consolidated forecast: None

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 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 August 31, 2020	10,122,830 shares	As of February 29, 2020	10,122,830 shares
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Number of treasury shares at the end of the period

As of August 31, 2020	– shares	As of February 29, 2020	– shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2020	10,122,830 shares	Six months ended August 31, 2019	10,027,394 shares
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※ 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 results of operations

In the 2Q of the current fiscal year, the Japanese economy continued to deteriorate rapidly due to the spread of the coronavirus.

Looking ahead, the government will take measures to prevent the spread of infections, while gradually raising the level of socio-economic activities. However, the situation is expected to remain extremely severe for the time being.

The apparel industry, to which we belong, was also extremely challenging due to temporary closures of stores, shorter operating hours, a sharp decline in inbound demand, and a decline in consumer sentiment caused by self-restraint to go out.

In addition, the children's apparel industry was affected by the shortening of summer holidays and the cancellation of ceremonies and events.

In this environment, we have been implementing appropriate measures to prevent the spread of infectious diseases, such as the installation of a disinfectant and infectious disease prevention sheet in its stores and daily physical checks of employees in our stores. We have continued sales after giving top priority to the safety and health of customers and employees.

Meanwhile, as a sales strategy, we launched 4 GRAZOS stores at shopping centers and introduced Lycée mine., a junior brand that inherits the concept of petit main .

At department stores, we suspended 3 brands for junior and launched Paul Smith JUNIOR stores ,foreign- affiliated licensed brand.

However, due to the temporary closure of stores and the reduction of operating hours in the 1Q ,the self-restraint on outings under the second wave of the spread of infections from July to August and extreme weather conditions in the 2Q, sales at directly managed stores were negative compared with the previous fiscal year.

In e-commerce, in addition to transferring inventory and human resources from directly managed stores under the Emergency Declaration, we focused management resources on measures such as introducing mechanisms to improve customer satisfaction through click-and-collect and chat service. As a result of aggressive measures of online sales, combined with demand for web sites, net sales increased significantly compared with the previous fiscal year.

In new business, photo studio LOVST, we opened 1 photo studio in addition to our existing store which have steadily recovered from the impact of the coronavirus infectious disease.

In the cumulative 2Q, we opened 15 stores at department stores, 4 stores at shopping centers, and 1 outlet store, and closed 150 stores at department stores and 1 store at shopping center. (Note)

In addition, we opened 4 GRAZOS stores managed by Heartfeel Co.,Ltd. and 1 photo studio.

As a result, during the 2Q of the fiscal year under review, we recorded sales of 11,953 million yen(down 21.4% from the same period of the previous fiscal year), an operating loss of 690 million yen(operating profit of 402 million yen in the same quarter of the previous fiscal year), an ordinary loss of 688 million yen (ordinary profit of 368 million yen in the same quarter of the previous fiscal year), and a loss attributable to parent company owners of 679 million yen (a profit attributable to parent company owners of 172 million yen in the same quarter of the previous fiscal year).

(Note) 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.

The majority of store closures at department stores in the 2Q of the current fiscal year were due to the suspension of 3 brands for junior in August.

### (2) Explanation of Financial Position

#### Assets

Assets at the end of the 2Q of the current fiscal year were 14,797 million yen, a decrease of 513 million yen from the end of the previous fiscal year.

This was mainly due to an increase of 313 million yen in cash and deposits, a decrease of 390 million yen in notes and accounts receivable-trade, a decrease of 491 million yen in merchandise, a decrease of 111 million yen in goodwill, and an increase of 212 million yen in deferred tax assets.

#### Liabilities

Liabilities at the end of the 2Q of the current fiscal year were 11,483 million yen an increase of 507 million yen from the end of the previous fiscal year.

This was mainly due to of a decrease of 532 million yen in accounts payable-trade, an increase of 1,500 million yen in short-term borrowings, a decrease of 161 million yen in accounts payable-other, and a decrease of 310 million yen in long-term borrowings.

#### Net assets

Total net assets at the end of the 2Q under review amounted to 3,314 million yen, a decrease of 1,020 million yen from the end of the previous fiscal year.

This was due to of a loss attributable to owners of parent of 679 million yen and the payment of dividends of 344 million yen.

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

There are no changes to the full-year consolidated earnings forecasts announced on July 16, 2020.

The above forecasts were prepared based on information available as of the date of publication of this document and certain assumptions deemed to be reasonable. Actual results, etc. may differ from these forecasts due to a variety of factors going forward.

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

	(Thousands of yen)	
	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	2,488,139	2,801,935
Notes and accounts receivable - trade	2,607,970	2,217,495
Merchandise	3,394,957	2,903,332
Prepaid expenses	46,507	47,317
Other	52,422	63,361
Allowance for doubtful accounts	(9,177)	(8,075)
Total current assets	8,580,819	8,025,366
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,418,972	1,447,162
Accumulated depreciation	(1,139,077)	(1,185,033)
Buildings and structures, net	279,894	262,128
Tools, furniture and fixtures	95,144	104,075
Accumulated depreciation	(67,829)	(74,957)
Tools, furniture and fixtures, net	27,315	29,118
Land	5,940	5,940
Leased assets	2,260,522	2,426,374
Accumulated depreciation	(1,443,769)	(1,623,197)
Leased assets, net	816,753	803,176
Total property, plant and equipment	1,129,903	1,100,363
Intangible assets		
Goodwill	3,363,842	3,251,937
Software	117,262	107,964
Software in progress	-	13,430
Leased assets	126,462	108,663
Other	10,686	10,646
Total intangible assets	3,618,253	3,492,642
Investments and other assets		
Investment securities	33,577	33,784
Claims provable in bankruptcy, claims provable in rehabilitation and other	50,105	53,313
Long-term prepaid expenses	24,919	20,840
Guarantee deposits	1,195,355	1,181,833
Deferred tax assets	487,899	700,468
Other	240,106	240,649
Allowance for doubtful accounts	(50,105)	(51,502)
Total investments and other assets	1,981,857	2,179,387
Total non-current assets	6,730,014	6,772,394
Total assets	15,310,833	14,797,761

	(Thousands of yen)	
	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	2,488,577	1,956,016
Short-term borrowings	—	1,500,000
Current portion of long-term borrowings	595,048	620,048
Lease obligations	383,364	372,479
Accounts payable - other	583,959	422,634
Accrued expenses	618,930	558,391
Income taxes payable	417,298	470,339
Accrued consumption taxes	285,073	232,895
Provision for bonuses	101,183	224,792
Provision for sales returns	11,573	9,397
Provision for point card certificates	64,260	57,072
Other	107,286	65,697
Total current liabilities	5,656,555	6,489,764
Non-current liabilities		
Long-term borrowings	4,404,870	4,094,012
Lease obligations	661,068	634,274
Retirement benefit liability	249,574	261,389
Other	3,755	3,755
Total non-current liabilities	5,319,267	4,993,431
Total liabilities	10,975,822	11,483,195
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	2,207,693	1,183,666
Total shareholders' equity	4,323,567	3,299,540
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9,280)	(3,013)
Remeasurements of defined benefit plans	20,723	18,038
Total accumulated other comprehensive income	11,443	15,025
Total net assets	4,335,011	3,314,565
Total liabilities and net assets	15,310,833	14,797,761

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

	(Thousands of yen)	
	Six months ended August 31, 2019	Six months ended August 31, 2020
Net sales	15,205,704	11,953,745
Cost of sales	7,027,221	5,965,576
Gross profit	8,178,482	5,988,168
Selling, general and administrative expenses	7,775,572	6,678,682
Operating profit (loss)	402,909	(690,513)
Non-operating income		
Interest and dividend income	116	177
Foreign exchange gains	–	216
Surrender value of insurance policies	5,640	5,318
Purchase discounts	603	458
Rental income	12,163	11,413
Subsidy income	14,900	–
Gain on adjustment of account payable	–	39,031
Miscellaneous income	4,679	8,283
Total non-operating income	38,103	64,899
Non-operating expenses		
Interest expenses	38,687	37,226
Foreign exchange losses	573	–
Commission expenses	9,200	10,000
Rental expenses	9,617	9,576
Moving to the first section expenses	8,490	–
Miscellaneous loss	5,449	6,407
Total non-operating expenses	72,018	63,210
Ordinary profit (loss)	368,994	(688,823)
Extraordinary income		
Grant income	–	291,150
Total extraordinary income	–	291,150
Extraordinary losses		
Loss on retirement of non-current assets	187	4,393
Impairment loss	7,225	1,324
Loss on valuation of investment securities	–	9,501
Temporary closure loss	–	462,794
Total extraordinary losses	7,412	478,014
Profit (loss) before income taxes	361,582	(875,687)
Income taxes - current	176,004	18,314
Income taxes - deferred	13,334	(214,150)
Total income taxes	189,338	(195,835)
Profit (loss)	172,244	(679,851)
Profit (loss) attributable to owners of parent	172,244	(679,851)

**Consolidated statements of comprehensive income (cumulative)**

	(Thousands of yen)	
	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit (loss)	172,244	(679,851)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,850)	6,267
Remeasurements of defined benefit plans, net of tax	4,172	(2,685)
Total other comprehensive income	322	3,581
Comprehensive income	172,566	(676,269)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	172,566	(676,269)
Comprehensive income attributable to non-controlling interests	-	-

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	361,582	(875,687)
Depreciation	250,381	225,769
Amortization of guarantee deposits	45,551	42,617
Amortization of goodwill	111,904	111,904
Subsidy income	–	(291,150)
Loss on retirement of non-current assets	187	4,393
Impairment loss	7,225	1,324
Loss (gain) on valuation of investment securities	–	9,501
Temporary closure loss	–	462,794
Increase (decrease) in allowance for doubtful accounts	12,647	296
Increase (decrease) in provision for bonuses	73,487	123,609
Increase (decrease) in provision for sales returns	(275)	(2,175)
Increase (decrease) in provision for point card certificates	42,401	(7,188)
Increase (decrease) in retirement benefit liability	15,651	7,944
Interest and dividend income	(116)	(177)
Interest expenses	38,687	37,226
Decrease (increase) in trade receivables	(276,717)	386,702
Decrease (increase) in inventories	719,557	492,991
Increase (decrease) in trade payables	(723,420)	(532,560)
Increase (decrease) in accrued expenses	121,770	(63,097)
Increase (decrease) in accrued consumption taxes	70,965	(52,178)
Other, net	(89,433)	(172,344)
Subtotal	782,036	(89,483)
Interest and dividends received	116	177
Interest paid	(37,282)	(34,667)
Income taxes paid	(299,574)	–
Income taxes refund	–	1,774
Proceeds from subsidy income	–	289,473
Payments for temporary closure	–	(421,601)
Net cash provided by (used in) operating activities	445,296	(254,327)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	22,381	–
Purchase of property, plant and equipment	(177,379)	(28,626)
Purchase of intangible assets	(49,919)	(19,985)
Purchase of investment securities	(598)	(674)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(234,852)	–
Purchase of insurance funds	(15,867)	(15,941)
Payments of guarantee deposits	(61,228)	(47,647)
Proceeds from refund of guarantee deposits	3,737	17,591
Other, net	(6,027)	(3,028)
Net cash provided by (used in) investing activities	(519,755)	(98,311)



	(Thousands of yen)	
	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100,000	1,500,000
Proceeds from long-term borrowings	620,000	–
Repayments of long-term borrowings	(586,208)	(285,858)
Repayments of lease obligations	(170,256)	(203,530)
Dividends paid	(307,111)	(344,176)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	58,717	–
Net cash provided by (used in) financing activities	(284,858)	666,435
Net increase (decrease) in cash and cash equivalents	(359,317)	313,796
Cash and cash equivalents at beginning of period	1,847,006	2,488,139
Cash and cash equivalents at end of period	1,487,689	2,801,935