

Translation

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**Summary of Consolidated Financial Results
for the Nine Months Ended November 30, 2020
(Based on Japanese GAAP)**

January 12, 2021

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: January 13, 2021

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 nine months ended November 30, 2020 (from March 1, 2020 to November 30, 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	%
Nine months ended November 30, 2020	20,231	(13.1)	254	(77.2)	244	(77.0)	(77)	—
Nine months ended November 30, 2019	23,285	—	1,117	—	1,066	—	614	—

Note: Comprehensive income As of November 30, 2020: (74) million yen As of November 30, 2019: 620 million yen

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2020	(7.65)	—
Nine months ended November 30, 2019	61.20	61.01

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 3Q of the term ending February 2020 are not presented.

2. Diluted quarterly net income per share for the 3Q 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 November 30, 2020	16,744	3,916	23.4
As of February 29, 2020	15,310	4,335	28.3

Reference: Shareholders' equity As of November 30, 2020: 3,916million yen As of February 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
Year ended February 29, 2020	Yen —	Yen 0.00	Yen —	Yen 34.00	Yen 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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	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 nine months ended November 30, 2020

No

(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 November 30, 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 November 30, 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)

Nine months ended November 30, 2020	10,122,830 shares	Nine months ended November 30, 2019	10,046,880 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

During the nine months ended November 30, 2020, the Japanese economy showed signs of improvement in September and October thanks to government measures such as the Go To Travel and the Go To Eat campaigns as well as a moderate recovery in consumer confidence. However, consumer sentiment quickly dampened as the new coronavirus (COVID-19) infection once again spread across the country from November, and this harsh outlook is expected to continue for the time being.

In the apparel industry, to which we belong, despite the signs of recovery exhibited by the group companies in September and October, the situation has also remained harsh, due to mounting concerns, as the COVID-19 infection began to once again spread from November, compounded by higher-than-normal temperatures.

In such an environment, we have been implementing appropriate measures to prevent the spread of COVID-19, including the installation of disinfecting and infection-preventing sheets in our stores and daily physical checks of our employees, and have kept our stores open upon giving the highest priority to the health and safety of our customers and employees.

Sales at our directly managed stores struggled in the first half of the year due to the effects of the government-mandated voluntary restraints on business. However, recently, the number of customers has been growing, albeit moderately, and revenues in the third quarter of the current fiscal year have been on an overall recovery trend, driven primarily by the shopping center brand, “petit main.”

Meanwhile, e-commerce witnessed significant revenue growth, reflecting the growing demand of consumers staying at home and substitute purchasing for brick-and-mortar store purchases. New membership increased, and as of November 30, 2020, membership has increased by 159% compared to the previous year to 653,000. In the first half of the year, we released our new store pick-up service (click-and-collect) and chat service (reassignment of existing sales personnel), and in November we released our new smartphone app.

As for our new business, despite being impacted by the effects of the spread of COVID-19 in the first half of the year, the photo studio “LOVST BY NARUMIYA” has taken off and is currently performing strongly.

During the nine months ended November 30, 2020, we opened 25 stores at department stores, 12 stores at shopping centers, and two outlet stores. Meanwhile, we closed 150 stores at department stores (*) and two stores at shopping centers.

Furthermore, on December 1, 2020, we acquired all shares of LOVST Co., Ltd., our business alliance partner, and made it a consolidated subsidiary, which resulted in a total of five stores, including newly-opened stores, in our photo studio business.

Amid such a climate, we accelerated our efforts within the Group to optimize our business portfolio and carry out structural reforms of the department store channels, and as a result, despite the prevailing COVID-19 pandemic, both sales and operating profit in the third quarter of the current fiscal year recovered to levels exceeding those of the previous fiscal year, and together with the effects of cost reductions, operating profit increased significantly from the previous fiscal year. Consequently, in the period under review, we recorded sales of 8,278 million yen (up 2.5% from the same period of the previous fiscal year), an operating profit of 945 million yen (up 32.3% from the same period of the previous fiscal year), an ordinary profit of 933 million yen (up 33.8% from the same period of the previous fiscal year), and a profit attributable to owners of the parent of 602 million yen (up 36.1% from the same period of the previous fiscal year).

As a result of the above, in the nine months ended November 30, 2020, we recorded sales of 20,231 million yen (down 13.1% from the same period of the previous fiscal year), an operating profit of 254 million yen (down 77.2% from the same period of the previous fiscal year), an ordinary profit of 244 million yen (down 77.0% from the same period of the previous fiscal year), and a loss attributable to owners of the parent of 77 million yen (a profit attributable to owners of the parent of 614 million yen was recorded in the same period of the previous fiscal year).

(NOTE) Because the number of stores at department stores is calculated by multiplying the number of sales floors by the number of brands, the number of stores opened and closed tends to become larger. The majority of store closures at department stores during the nine months ended November 30, 2020 were due to the suspension of three brands for junior citizens in August.

(2) Explanation of Financial Position

Assets

Assets at the end of the 3Q of the current fiscal year were 16,744 million yen, an increase of 1,433 million yen from the end of the previous fiscal year.

This was mainly due to an increase of 206 million yen in cash and deposits, an increase of 328 million yen in notes and accounts receivable-trade, an increase of 1,056 million yen in merchandise, a decrease of 167 million yen in goodwill.

Liabilities

Liabilities at the end of the 3Q of the current fiscal year were 12,828 million yen an increase of 1,852 million yen from the end of the previous fiscal year.

This was mainly due to an increase of 914 million yen in accounts payable-trade, an increase of 1,200 million yen in short-term borrowings, a decrease of 97 million yen in accounts payable-other, an increase of 277 million yen in provision for bonuses and a decrease of 363 million yen in long-term borrowings.

Net assets

Total net assets at the end of the 3Q under review amounted to 3,916 million yen, a decrease of 418 million yen from the end of the previous fiscal year.

This was due to of a loss attributable to owners of parent of 77 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 November 30, 2020

Assets		
Current assets		
Cash and deposits	2,488,139	2,694,626
Notes and accounts receivable - trade	2,607,970	2,936,091
Merchandise	3,394,957	4,451,145
Prepaid expenses	46,507	72,925
Other	52,422	61,280
Allowance for doubtful accounts	(9,177)	(7,396)
Total current assets	8,580,819	10,208,673
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,418,972	1,472,391
Accumulated depreciation	(1,139,077)	(1,171,914)
Buildings and structures, net	279,894	300,476
Tools, furniture and fixtures	95,144	105,205
Accumulated depreciation	(67,829)	(78,554)
Tools, furniture and fixtures, net	27,315	26,650
Land	5,940	5,940
Leased assets	2,260,522	2,507,254
Accumulated depreciation	(1,443,769)	(1,710,260)
Leased assets, net	816,753	796,993
Total property, plant and equipment	1,129,903	1,130,060
Intangible assets		
Goodwill	3,363,842	3,195,985
Software	117,262	111,437
Software in progress	—	19,210
Leased assets	126,462	99,764
Other	10,686	10,626
Total intangible assets	3,618,253	3,437,025
Investments and other assets		
Investment securities	33,577	35,472
Claims provable in bankruptcy, claims provable in rehabilitation and other	50,105	52,881
Long-term prepaid expenses	24,919	20,692
Guarantee deposits	1,195,355	1,182,002
Deferred tax assets	487,899	490,825
Other	240,106	238,263
Allowance for doubtful accounts	(50,105)	(51,230)
Total investments and other assets	1,981,857	1,968,907
Total non-current assets	6,730,014	6,535,993
Total assets	15,310,833	16,744,666

(Thousands of yen)

As of February 29, 2020 As of November 30, 2020

Liabilities		
Current liabilities		
Accounts payable - trade	2,488,577	3,402,803
Short-term borrowings	–	1,200,000
Current portion of long-term borrowings	595,048	620,048
Lease obligations	383,364	369,774
Accounts payable - other	583,959	486,452
Accrued expenses	618,930	643,300
Income taxes payable	417,298	556,839
Accrued consumption taxes	285,073	173,942
Provision for bonuses	101,183	328,354
Provision for sales returns	11,573	12,726
Provision for point card certificates	64,260	59,525
Other	107,286	45,512
Total current liabilities	5,656,555	7,899,278
Non-current liabilities		
Long-term borrowings	4,404,870	4,041,500
Lease obligations	661,068	620,559
Retirement benefit liability	249,574	262,934
Other	3,755	3,755
Total non-current liabilities	5,319,267	4,928,748
Total liabilities	10,975,822	12,828,027
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	2,207,693	1,786,048
Total shareholders' equity	4,323,567	3,901,922
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9,280)	(1,978)
Remeasurements of defined benefit plans	20,723	16,695
Total accumulated other comprehensive income	11,443	14,716
Total net assets	4,335,011	3,916,639
Total liabilities and net assets	15,310,833	16,744,666

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Net sales	23,285,795	20,231,953
Cost of sales	10,296,712	9,240,672
Gross profit	12,989,083	10,991,280
Selling, general and administrative expenses	11,871,602	10,736,529
Operating profit	1,117,480	254,751
Non-operating income		
Interest and dividend income	116	177
Foreign exchange gains	–	163
Surrender value of insurance policies	9,153	9,340
Purchase discounts	1,790	1,234
Rental income	18,270	17,377
Subsidy income	14,900	–
Gain on adjustment of account payable	–	39,031
Miscellaneous income	6,361	11,297
Total non-operating income	50,591	78,623
Non-operating expenses		
Interest expenses	56,929	55,729
Foreign exchange losses	710	–
Commission expenses	9,200	10,000
Rental expenses	14,406	14,365
Moving to the first section expenses	11,740	–
Miscellaneous loss	8,299	8,381
Total non-operating expenses	101,285	88,476
Ordinary profit	1,066,787	244,898
Extraordinary income		
Grant income	–	291,150
Total extraordinary income	–	291,150
Extraordinary losses		
Loss on retirement of non-current assets	365	23,237
Impairment loss	12,549	1,324
Loss on valuation of investment securities	–	9,501
Temporary closure loss	–	462,794
Total extraordinary losses	12,914	496,858
Profit before income taxes	1,053,872	39,190
Income taxes - current	434,945	121,029
Income taxes - deferred	3,989	(4,370)
Total income taxes	438,934	116,659
Profit (loss)	614,937	(77,469)
Profit (loss) attributable to owners of parent	614,937	(77,469)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Profit (loss)	614,937	(77,469)
Other comprehensive income		
Valuation difference on available-for-sale securities	(650)	7,301
Remeasurements of defined benefit plans, net of tax	6,259	(4,028)
Total other comprehensive income	5,608	3,273
Comprehensive income	620,546	(74,195)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	620,546	(74,195)
Comprehensive income attributable to non-controlling interests	—	—