

Translation

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**Summary of Consolidated Financial Results  
for the Six Months Ended August 31, 2021  
(Based on Japanese GAAP)**

October 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: Financial Director Yoshiari Sakano TEL 03-6430-3405

Scheduled date to file Quarterly Securities Report: October 13, 2021

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, 2021 (from March 1, 2021 to August 31, 2021)

(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, 2021	13,533	13.2	(52)	—	(79)	—	(115)	—
Six months ended August 31, 2020	11,953	(21.4)	(690)	—	(688)	—	(679)	—

Note: Comprehensive income As of August 31, 2021: (123) million yen As of August 31, 2020: (676) million yen

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2021	(11.41)		—	
Six months ended August 31, 2020	(67.16)		—	

Note: Diluted quarterly net income per share for the 2Q of the fiscal year ending February 2022 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		Millions of yen	%
As of August 31, 2021	12,939		3,970		3,970	30.7
As of February 28, 2021	14,636		4,407		4,407	30.1

Reference: Shareholders' equity As of August 31, 2021: 3,970million yen As of February 28, 2021: 4,407million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended February 28, 2021	Yen —	Yen 0.00	Yen —	Yen 31.00	Yen 31.00
Year ending February 28, 2022	—	0.00	—	—	—
Year ending February 28, 2022 (Forecast)	—	—	—	31.00	31.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast of consolidated financial results for the year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

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	34,500	16.9	1,720	65.9	1,682	67.2	1,002	152.6	98.99

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

4. Notes

(1) Changes in significant subsidiaries during the six months ended August 31, 2021 (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, 2021	10,122,830 shares	As of February 28, 2021	10,122,830 shares
Number of treasury shares at the end of the period			
As of August 31, 2021	76 shares	As of February 28, 2021	34 shares
Average number of shares during the period (cumulative from the beginning of the fiscal year)			
Six months ended August 31, 2021	10,122,756 shares	Six months ended August 31, 2020	10,122,830 shares

Note1: The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.

Note2: Explanation 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 promise 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 of Results of Operations

A severe situation continued to haunt the Japanese economy during the six months ended August 31, 2021 as the COVID-19 pandemic lingered on and the state of emergency remained in place. As a result, personal consumption remained unchanged due to slumping consumption of services, including food, beverage and lodging services. Looking ahead, we expect the level of socio-economic activities will gradually rise as over 40% of the Japanese citizens had received the second vaccination by the end of August and the figure is expected to increase to about 70% by the end of November.

The apparel industry, to which we belong, continued to face a tough business environment in which many stores suspended operation or shortened business hours, obliged by the extended state of emergency and the priority measures to prevent the spread of disease introduced in response to a rapid spread of new coronavirus variants, and customer visits to stores dropped as school events were canceled and people refrained from going out.

In addition to these factors, a bad weather that affected wide areas of the nation, including the torrential rain in western and eastern Japan, in July and August negatively impacted our business.

In such an environment, in the shopping center channel, the “PTPR” sets, the last fiscal year’s hit under our mainstay “petit main” brand, maintained brisk sales and products in collaboration with the “Curious George” character contributed to sales. In addition, the “Lovetoxic” brand tied up with the “Merupuchi” YouTube channel, which commands popularity among the brand’s target customer segment. As a result, sales through the shopping center channel increased by 21.1% from the year-earlier level.

Despite the COVID-19-affected drop in customer visits, sales through the department store channel increased by 19.2% year on year. We plan to continue to put effort into structural reforms.

On the other hand, sales dropped by 2.3% from a year earlier for the e-commerce channel. The channel’s sales increased significantly in the previous fiscal year, as physical stores suspended operation across Japan, leading more customers to use the online channel. However, this fiscal year, temporary store closures remained minimal even under the state of emergency, making multiple shopping channels available to customer and resulting in a slight year-on-year drop in sales. Going forward, we plan to launch new services, including a rental service. The work to transfer operation to new logistic bases was completed, which we expect to contribute to cutting logistics costs.

The photo studio business opened an outlet each in May, June and August, bringing the total number to eight.

In the cumulative 2Q, we opened 2 stores at department stores and 6 at shopping centers, and closed 4 at department stores and 3 at shopping centers. (Note)

As a result, during the 2Q of the fiscal year under review, we recorded net sales of 13,533 million yen (up 13.2% from the same period of the previous fiscal year), an operating loss of 52 million yen (an operating loss of 690 million yen in the same quarter of the previous fiscal year), an ordinary loss of 79 million yen (an ordinary loss of 688 million yen in the same quarter of the previous fiscal year), and a loss attributable to parent company owners of 115 million yen (a loss attributable to parent company owners of 679 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.

Year on year comparison of fiscal first half operating results (Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021	Changes (%)
Net sales	11,953	13,533	13.2%
Operating loss	(690)	(52)	-
Ordinary loss	(688)	(79)	-
Loss attributable to owners of parent	(679)	(115)	-
EBITDA	(294)	365	-

### (2) Explanation of Financial Position

#### Assets

Assets at the end of the 2Q of the current fiscal year were 12,939 million yen, a decrease of 1,696 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 892 million yen in notes and accounts receivable-trade and a decrease of 725 million yen in merchandise.

#### Liabilities

Liabilities at the end of the 2Q of the current fiscal year were 8,968 million yen, a decrease of 1,259 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 813 million yen in accounts payable-trade, a decrease of 259 million yen in accounts payable-other, and a decrease of 340 million yen in income taxes payable.

#### Net assets

Total net assets at the end of the 2Q of the current fiscal year amounted to 3,970 million yen, a decrease of 436 million yen from the end of the previous fiscal year. This was mainly due to a loss attributable to owners of parent of 115 million yen and the payment of dividends of 313 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 April 12, 2021.

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 28, 2021	As of August 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,831,755	1,827,605
Notes and accounts receivable - trade	2,813,646	1,921,335
Merchandise	3,409,102	2,683,501
Prepaid expenses	68,311	92,609
Other	53,883	73,796
Allowance for doubtful accounts	(12,690)	(7,903)
<b>Total current assets</b>	<b>8,164,008</b>	<b>6,590,944</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	1,375,313	1,391,230
Accumulated depreciation	(1,104,705)	(1,150,787)
Buildings and structures, net	270,608	240,443
Tools, furniture and fixtures	105,321	90,950
Accumulated depreciation	(81,493)	(64,109)
Tools, furniture and fixtures, net	23,828	26,841
Land	5,940	5,940
Construction in progress	–	9,366
Leased assets	2,495,350	2,570,896
Accumulated depreciation	(1,782,933)	(1,936,150)
Leased assets, net	712,417	634,745
<b>Total property, plant and equipment</b>	<b>1,012,794</b>	<b>917,336</b>
Intangible assets		
Goodwill	3,192,406	3,077,123
Software	167,768	217,338
Leased assets	110,104	90,315
Other	606	566
<b>Total intangible assets</b>	<b>3,470,886</b>	<b>3,385,343</b>
Investments and other assets		
Investment securities	39,977	17,791
Distressed receivables	97,627	101,149
Long-term prepaid expenses	17,969	11,751
Guarantee deposits	1,168,137	1,222,646
Deferred tax assets	466,312	467,594
Other	271,982	301,044
Allowance for doubtful accounts	(73,624)	(76,374)
<b>Total investments and other assets</b>	<b>1,988,383</b>	<b>2,045,603</b>
<b>Total non-current assets</b>	<b>6,472,063</b>	<b>6,348,283</b>
<b>Total assets</b>	<b>14,636,072</b>	<b>12,939,228</b>

	(Thousands of yen)	
	As of February 28, 2021	As of August 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,643,420	1,829,717
Short-term borrowings	–	400,000
Current portion of long-term borrowings	620,048	627,452
Lease obligations	357,779	337,871
Accounts payable - other	663,882	403,986
Accrued expenses	563,311	507,531
Income taxes payable	417,683	76,921
Accrued consumption taxes	73,319	173,105
Provision for bonuses	88,907	195,435
Provision for sales returns	10,255	5,418
Provision for shareholder benefit program	–	14,188
Provision for point card certificates	74,476	96,677
Other	69,454	53,173
<b>Total current liabilities</b>	<b>5,582,539</b>	<b>4,721,478</b>
<b>Non-current liabilities</b>		
Long-term borrowings	3,826,446	3,504,707
Lease obligations	562,194	473,857
Retirement benefit liability	249,574	260,820
Other	7,755	7,755
<b>Total non-current liabilities</b>	<b>4,645,970</b>	<b>4,247,139</b>
<b>Total liabilities</b>	<b>10,228,509</b>	<b>8,968,617</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	2,260,233	1,830,891
Treasury shares	(33)	(78)
<b>Total shareholders' equity</b>	<b>4,376,073</b>	<b>3,946,686</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,442	(2,251)
Remeasurements of defined benefit plans	30,046	26,175
<b>Total accumulated other comprehensive income</b>	<b>31,489</b>	<b>23,923</b>
<b>Total net assets</b>	<b>4,407,562</b>	<b>3,970,610</b>
<b>Total liabilities and net assets</b>	<b>14,636,072</b>	<b>12,939,228</b>

**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, 2020	Six months ended August 31, 2021
Net sales	11,953,745	13,533,706
Cost of sales	5,965,576	6,125,888
Gross profit	5,988,168	7,407,817
Selling, general and administrative expenses	6,678,682	7,460,169
Operating loss	(690,513)	(52,352)
Non-operating income		
Interest and dividend income	177	4
Foreign exchange gains	216	—
Surrender value of insurance policies	5,318	4,340
Purchase discounts	458	475
Rental income	11,413	11,502
Gain on adjustment of account payable	39,031	—
Miscellaneous income	8,283	3,683
Total non-operating income	64,899	20,005
Non-operating expenses		
Interest expenses	37,226	30,597
Foreign exchange losses	—	3,378
Commission expenses	10,000	—
Rental expenses	9,576	9,576
Miscellaneous loss	6,407	3,419
Total non-operating expenses	63,210	46,972
Ordinary loss	(688,823)	(79,319)
Extraordinary income		
Grant income	291,150	59,908
Gain on sales of investment securities	—	1,961
Total extraordinary income	291,150	61,870
Extraordinary losses		
Loss on retirement of non-current assets	4,393	1,733
Impairment loss	1,324	999
Loss on valuation of investment securities	9,501	—
Temporary closure loss	462,794	61,026
Total extraordinary losses	478,014	63,760
Loss before income taxes	(875,687)	(81,209)
Income taxes - current	18,314	32,694
Income taxes - deferred	(214,150)	1,631
Total income taxes	(195,835)	34,326
Loss	(679,851)	(115,535)
Loss attributable to owners of parent	(679,851)	(115,535)

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

(Thousands of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Loss	(679,851)	(115,535)
Other comprehensive income		
Valuation difference on available-for-sale securities	6,267	(3,693)
Remeasurements of defined benefit plans, net of tax	(2,685)	(3,871)
Total other comprehensive income	3,581	(7,565)
Comprehensive income	(676,269)	(123,100)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(676,269)	(123,100)
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
<b>Cash flows from operating activities</b>		
Loss before income taxes	(875,687)	(81,209)
Depreciation	225,769	248,815
Amortization of guarantee deposits	42,617	40,113
Amortization of goodwill	111,904	115,283
Subsidy income	(291,150)	(59,908)
Loss on retirement of non-current assets	4,393	1,733
Impairment loss	1,324	999
Loss (gain) on sales of investment securities	–	(1,961)
Loss (gain) on valuation of investment securities	9,501	–
Temporary closure loss	462,794	61,026
Increase (decrease) in allowance for doubtful accounts	296	(2,037)
Increase (decrease) in provision for bonuses	123,609	106,528
Increase (decrease) in provision for sales returns	(2,175)	(4,836)
Increase (decrease) in provision for point card certificates	(7,188)	22,200
Increase (decrease) in provision for shareholder benefit program	–	14,188
Increase (decrease) in retirement benefit liability	7,944	5,666
Interest and dividend income	(177)	(4)
Interest expenses	37,226	30,597
Decrease (increase) in trade receivables	386,702	887,575
Decrease (increase) in inventories	492,991	725,601
Increase (decrease) in trade payables	(532,560)	(813,702)
Increase (decrease) in accounts payable - other	(43,385)	(275,446)
Increase (decrease) in accrued expenses	(63,097)	(55,362)
Increase (decrease) in accrued consumption taxes	(52,178)	99,786
Other, net	(128,958)	(61,676)
<b>Subtotal</b>	<b>(89,483)</b>	<b>1,003,970</b>
Interest and dividends received	177	4
Interest paid	(34,667)	(31,016)
Income taxes paid	–	(352,881)
Income taxes refund	1,774	–
Proceeds from subsidy income	289,473	59,908
Payments for temporary closure	(421,601)	(56,345)
<b>Net cash provided by (used in) operating activities</b>	<b>(254,327)</b>	<b>623,640</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(28,626)	(23,123)
Purchase of intangible assets	(19,985)	(75,341)
Purchase of investment securities	(674)	–
Proceeds from sales of investment securities	–	19,249
Purchase of insurance funds	(15,941)	(17,447)
Proceeds from maturity of insurance funds	–	6,850
Payments of guarantee deposits	(47,647)	(107,439)
Proceeds from refund of guarantee deposits	17,591	13,513
Other, net	(3,028)	(31,900)
<b>Net cash provided by (used in) investing activities</b>	<b>(98,311)</b>	<b>(215,639)</b>

	(Thousands of yen)	
	Six months ended August 31, 2020	Six months ended August 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,500,000	400,000
Repayments of long-term borrowings	(285,858)	(314,335)
Repayments of lease obligations	(203,530)	(183,791)
Purchase of treasury shares	—	(44)
Dividends paid	(344,176)	(313,678)
Net cash provided by (used in) financing activities	666,435	(411,849)
Net increase (decrease) in cash and cash equivalents	313,796	(3,849)
Cash and cash equivalents at beginning of period	2,488,139	1,831,435
Cash and cash equivalents at end of period	2,801,935	1,827,585