Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2021 (Based on Japanese GAAP)

January 13, 2022

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: January 14, 2022
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: No
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, 2021 (from March 1, 2021 to November 30, 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	%
Nine months ended November 30, 2021	21,642	7.0	713	180.1	665	171.7	372	–
Nine months ended November 30, 2020	20,231	(13.1)	254	(77.2)	244	(77.0)	(77)	–

Note: Comprehensive income As of November 30, 2021: 345 million yen As of November 30, 2020: (74) million yen

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2021	36.76	–
Nine months ended November 30, 2020	(7.65)	–

Note: Diluted earnings per share is not stated, as there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2021	15,372	4,448	28.9
As of February 28, 2021	14,636	4,407	30.1

Reference: Shareholders' equity As of November 30, 2021: 4,448 million yen As of February 28, 2021: 4,407 million 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 28, 2021	–	0.00	–	31.00	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 nine months ended November 30, 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 November 30, 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 November 30, 2021	122 shares	As of February 28, 2021	34 shares

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2021	10,122,752 shares	Nine months ended November 30, 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

During the nine months ended November 30, 2021, movement of people gradually went back to normal as the state of emergency declared in response to the spread of the COVID-19 pandemic was canceled on September 30.

By the end of November, over 70% of the Japanese citizens received the second vaccination, and the Cabinet Office's most recent Consumer Confidence Survey indicated an overall assessment of consumer confidence continued to recover in November.

In the apparel industry, to which we belong, retail outlets operated as usual, except during a period until the end of September when they had to operate in reduced hours. As a result, there were increased opportunities for people to go out and consumer confidence was improving.

In the market for children's clothing, sales of products for the fall season got off to a slow start and we faced an uphill battle as school events, including school trips, and other events were downsized or canceled, temperature remained high in October in an impact from global warming, and bad weather prevailed throughout the country. After climate returned to seasonal levels starting in mid-October, however, store visitor numbers trended upward in November.

In such an environment, in the shopping center channel, the "PTPR" sets under our mainstay "petit main" brand maintained brisk sales, while products in collaboration with characters made a solid contribution to sales, although there was no rapid recovery in the number of store visitors. On the other hand, the "Lovetoxic" brand faced an uphill battle as school events were downsized or canceled and people's visits to shopping centers on weekends and holidays did not return to the previous levels of frequency.

In the department store channel, sales of occasion and gift products remained solid, which was not seen during the last year's pandemic period, as the number of customers visiting outlets with grandparents began to recover starting in mid-October.

On the other hand, sales through the e-commerce channel failed to achieve the levels seen last year as multiple shopping channels became available to customers after operation of physical stores returned to normal. Still, we completed the work to transfer operation to new logistic bases in September, which significantly increased operational efficiency and reduced the number of days required for us to ship products after we received orders from customers.

The photo studio business opened two new outlets in September, bringing the total number to 10. The business maintained relatively solid results in the nine months ended November 30, 2021, as the period fell in the *shichi-go-san* rite of passage and festival season.

During the period under review, we opened 11 stores at department stores, 6 at shopping centers, and an outlet store. Meanwhile, we closed 9 stores at department stores and 4 at shopping centers. (Note)

As a result of the above, in the nine months ended November 30, 2021, we recorded net sales of 21,642 million yen (up 7.0% from the same period of the previous fiscal year), an operating profit of 713 million yen (up 180.1% from the same period of the previous fiscal year), an ordinary profit of 665 million yen (up 171.7% from the same period of the previous fiscal year), and a profit attributable to owners of the parent of 372 million yen (a loss attributable to owners of the parent of 77 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 places where things are sold by the number of brands, the number of stores opened and closed tends to increase.

(2) Explanation of Financial Position

Assets

Assets at the end of the 3Q of the current fiscal year were 15,372 million yen, an increase of 736 million yen from the end of the previous fiscal year. This was due mainly to a decrease of 138 million yen in cash and deposits, an increase of 282 million yen in notes and accounts receivable-trade, an increase of 580 million yen in merchandise, and a decrease of 172 million yen in goodwill.

Liabilities

Liabilities at the end of the 3Q of the current fiscal year were 10,924 million yen, an increase of 696 million yen from the end of the previous fiscal year. This was due mainly to an increase of 677 million yen in accounts payable-trade, an increase of 500 million yen in short-term borrowings, an increase of 3,412 million yen in current portion of long-term borrowings, an increase of 219 million yen in provision for bonuses, and a decrease of 3,781 million yen in

long-term borrowings.

Net Assets

Total net assets at the end of the 3Q of the current fiscal year amounted to 4,448 million yen, an increase of 40 million yen from the end of the previous fiscal year. This was due mainly to of a profit attributable to owners of parent of 372 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 November 30, 2021
Assets		
Current assets		
Cash and deposits	1,831,755	1,693,176
Notes and accounts receivable - trade	2,813,646	3,096,016
Merchandise	3,409,102	3,989,135
Prepaid expenses	68,311	124,953
Other	53,883	50,261
Allowance for doubtful accounts	(12,690)	(10,540)
Total current assets	8,164,008	8,943,003
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,375,313	1,437,756
Accumulated depreciation	(1,104,705)	(1,178,205)
Buildings and structures, net	270,608	259,551
Tools, furniture and fixtures	105,321	105,814
Accumulated depreciation	(81,493)	(67,798)
Tools, furniture and fixtures, net	23,828	38,016
Land	5,940	5,940
Leased assets	2,495,350	2,758,809
Accumulated depreciation	(1,782,933)	(2,014,538)
Leased assets, net	712,417	744,271
Total property, plant and equipment	1,012,794	1,047,778
Intangible assets		
Goodwill	3,192,406	3,019,481
Software	167,768	225,525
Leased assets	110,104	80,420
Other	606	546
Total intangible assets	3,470,886	3,325,975
Investments and other assets		
Investment securities	39,977	17,830
Distressed receivables	97,627	103,346
Long-term prepaid expenses	17,969	14,823
Guarantee deposits	1,168,137	1,214,427
Deferred tax assets	466,312	471,960
Other	271,982	311,007
Allowance for doubtful accounts	(73,624)	(77,268)
Total investments and other assets	1,988,383	2,056,127
Total non-current assets	6,472,063	6,429,880
Total assets	14,636,072	15,372,883

(Thousands of yen)

	As of February 28, 2021	As of November 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	2,643,420	3,321,293
Short-term borrowings	–	500,000
Current portion of long-term borrowings	620,048	4,032,452
Lease obligations	357,779	351,586
Accounts payable - other	663,882	507,464
Accrued expenses	563,311	625,153
Income taxes payable	417,683	139,231
Accrued consumption taxes	73,319	68,085
Provision for bonuses	88,907	308,406
Provision for sales returns	10,255	4,301
Provision for shareholder benefit program	–	12,906
Provision for point card certificates	74,476	102,850
Other	69,454	50,413
Total current liabilities	5,582,539	10,024,145
Non-current liabilities		
Long-term borrowings	3,826,446	45,344
Lease obligations	562,194	567,869
Retirement benefit liability	249,574	279,619
Other	7,755	7,755
Total non-current liabilities	4,645,970	900,588
Total liabilities	10,228,509	10,924,734
Net assets		
Shareholders' equity		
Share capital	255,099	255,099
Capital surplus	1,860,774	1,860,774
Retained earnings	2,260,233	2,318,619
Treasury shares	(33)	(132)
Total shareholders' equity	4,376,073	4,434,360
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,442	(2,223)
Remeasurements of defined benefit plans	30,046	16,012
Total accumulated other comprehensive income	31,489	13,788
Total net assets	4,407,562	4,448,149
Total liabilities and net assets	14,636,072	15,372,883

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, 2020	Nine months ended November 30, 2021
Net sales	20,231,953	21,642,694
Cost of sales	9,240,672	9,321,616
Gross profit	10,991,280	12,321,077
Selling, general and administrative expenses	10,736,529	11,607,421
Operating profit	254,751	713,656
Non-operating income		
Interest and dividend income	177	4
Foreign exchange gains	163	–
Surrender value of insurance policies	9,340	7,523
Purchase discounts	1,234	1,419
Rental income	17,377	16,992
Gain on adjustment of account payable	39,031	–
Miscellaneous income	11,297	4,264
Total non-operating income	78,623	30,204
Non-operating expenses		
Interest expenses	55,729	45,874
Foreign exchange losses	–	11,194
Commission expenses	10,000	–
Rental expenses	14,365	14,365
Miscellaneous loss	8,381	6,930
Total non-operating expenses	88,476	78,364
Ordinary profit	244,898	665,496
Extraordinary income		
Grant income	291,150	103,834
Gain on sales of investment securities	–	1,961
Total extraordinary income	291,150	105,795
Extraordinary losses		
Loss on retirement of non-current assets	23,237	3,337
Impairment loss	1,324	999
Loss on valuation of investment securities	9,501	–
Temporary closure loss	462,794	61,026
werehouse transfer expenses	–	44,588
Total extraordinary losses	496,858	109,953
Profit before income taxes	39,190	661,338
Income taxes - current	121,029	287,406
Income taxes - deferred	(4,370)	1,738
Total income taxes	116,659	289,145
Profit (loss)	(77,469)	372,192
Profit (loss) attributable to owners of parent	(77,469)	372,192

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Profit (loss)	(77,469)	372,192
Other comprehensive income		
Valuation difference on available-for-sale securities	7,301	(3,666)
Remeasurements of defined benefit plans, net of tax	(4,028)	(14,034)
Total other comprehensive income	3,273	(17,700)
Comprehensive income	(74,195)	354,492
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(74,195)	354,492
Comprehensive income attributable to non-controlling interests	–	–