

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

November 4, 2020

Company name: Kotobuki Spirits Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 2222 URL <https://www.kotobukispirits.co.jp/>
 Representative: PRESIDENT Seigo Kawagoe
 Inquiries: Managing Director, Corporate Planning Shinji Matsumoto TEL 0859-22-7477
 Scheduled date to file Quarterly Securities Report: November 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 analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 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	%
Six months ended September 30, 2020	7,904	(64.7)	(3,420)	–	(1,955)	–	(1,290)	–
Six months ended September 30, 2019	22,387	22.0	3,518	63.6	3,548	64.5	2,268	70.8

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	(41.46)	–
Six months ended September 30, 2019	72.89	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	22,642	18,619	82.2	598.33
As of March 31, 2020	26,814	21,164	78.9	680.11

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 March 31, 2020	–	0.00	–	40.00	40.00
Year ending March 31, 2021	–	0.00			
Year ending March 31, 2021 (Forecast)			–	30.00	30.00

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 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	23,140	(48.8)	(3,400)	–	(1,370)	–	(900)	–	(28.92)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 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: Yes
- (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 September 30, 2020	31,121,520 shares	As of March 31, 2020	31,121,520 shares
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Number of treasury shares at the end of the period

As of September 30, 2020	2,027 shares	As of March 31, 2020	1,905 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	31,119,571 shares	Six months ended September 30, 2019	31,119,657 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	8,291,162	4,634,316
Notes and accounts receivable - trade	2,761,061	1,780,412
Merchandise and finished goods	1,439,981	822,954
Work in process	40,902	83,592
Raw materials and supplies	597,887	627,407
Other	313,941	866,838
Allowance for doubtful accounts	(745)	(553)
Total current assets	13,444,189	8,814,966
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,653,471	4,548,331
Machinery, equipment and vehicles, net	2,805,610	2,721,045
Tools, furniture and fixtures, net	432,168	419,680
Land	2,887,139	2,887,139
Leased assets, net	735	11,808
Construction in progress	14,899	330
Total property, plant and equipment	10,794,022	10,588,333
Intangible assets	154,243	168,380
Investments and other assets		
Other	2,432,994	3,086,344
Allowance for doubtful accounts	(11,235)	(15,515)
Total investments and other assets	2,421,759	3,070,829
Total non-current assets	13,370,024	13,827,542
Total assets	26,814,213	22,642,508
Liabilities		
Current liabilities		
Notes and accounts payable - trade	635,316	565,135
Current portion of long-term borrowings	180,017	59,819
Accounts payable - other	866,114	434,139
Income taxes payable	900,009	8,952
Provision for bonuses	606,358	385,066
Provision for point card certificates	8,052	7,992
Other	650,382	410,545
Total current liabilities	3,846,248	1,871,648
Non-current liabilities		
Long-term borrowings	—	280,000
Retirement benefit liability	1,616,529	1,672,320
Other	186,635	198,882
Total non-current liabilities	1,803,164	2,151,202
Total liabilities	5,649,412	4,022,850

	(Thousands of yen)	
	As of March 31, 2020	As of September 30, 2020
Net assets		
Shareholders' equity		
Share capital	1,217,800	1,217,800
Capital surplus	1,323,161	1,323,161
Retained earnings	18,655,835	16,120,980
Treasury shares	(2,376)	(2,955)
Total shareholders' equity	21,194,420	18,658,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3,221)	1,628
Foreign currency translation adjustment	(15,157)	(32,944)
Remeasurements of defined benefit plans	(11,241)	(8,012)
Total accumulated other comprehensive income	(29,619)	(39,328)
Total net assets	21,164,801	18,619,658
Total liabilities and net assets	26,814,213	22,642,508

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

Consolidated statements of income (cumulative)

	(Thousands of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	22,387,514	7,904,784
Cost of sales	9,127,273	4,904,017
Gross profit	13,260,241	3,000,767
Selling, general and administrative expenses	9,741,426	6,421,732
Operating profit (loss)	3,518,815	(3,420,965)
Non-operating income		
Interest income	57	42
Dividend income	3,489	2,601
Rental income from land and buildings	10,325	20,612
Subsidy income	—	1,407,056
Other	23,747	41,122
Total non-operating income	37,618	1,471,433
Non-operating expenses		
Interest expenses	915	675
Other	7,043	5,781
Total non-operating expenses	7,958	6,456
Ordinary profit (loss)	3,548,475	(1,955,988)
Extraordinary income		
Gain on sales of non-current assets	116	7,277
Total extraordinary income	116	7,277
Extraordinary losses		
Loss on sales of non-current assets	—	5
Loss on retirement of non-current assets	7,036	5,986
Impairment loss	85,667	—
Total extraordinary losses	92,703	5,991
Profit (loss) before income taxes	3,455,888	(1,954,702)
Income taxes	1,187,452	(664,632)
Profit (loss)	2,268,436	(1,290,070)
Profit (loss) attributable to owners of parent	2,268,436	(1,290,070)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit (loss)	2,268,436	(1,290,070)
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,892)	4,849
Foreign currency translation adjustment	(9,018)	(17,787)
Remeasurements of defined benefit plans, net of tax	3,398	3,229
Total other comprehensive income	(15,512)	(9,709)
Comprehensive income	2,252,924	(1,299,779)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,252,924	(1,299,779)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	3,455,888	(1,954,702)
Depreciation	671,011	695,043
Increase (decrease) in allowance for doubtful accounts	(147)	4,082
Increase (decrease) in provision for bonuses	106,766	(221,292)
Increase (decrease) in retirement benefit liability	55,393	55,791
Interest and dividend income	(3,546)	(2,643)
Interest expenses	915	675
Increase (decrease) in provision for point card certificates	2,270	(60)
Loss (gain) on sales of non-current assets	(116)	(7,272)
Loss on retirement of non-current assets	7,036	5,986
Impairment loss	85,667	—
Subsidy income	—	(1,407,056)
Decrease (increase) in trade receivables	624,282	981,176
Decrease (increase) in inventories	(188,936)	545,032
Increase (decrease) in trade payables	45,156	(70,194)
Other, net	(577,625)	(1,016,594)
Subtotal	4,284,014	(2,392,028)
Interest and dividends received	3,546	2,643
Interest paid	(1,056)	(609)
Proceeds from subsidy income	—	1,237,775
Income taxes paid	(1,223,847)	(892,882)
Net cash provided by (used in) operating activities	3,062,657	(2,045,101)
Cash flows from investing activities		
Purchase of investment securities	(3,550)	—
Purchase of property, plant and equipment	(893,250)	(452,095)
Proceeds from sales of property, plant and equipment	3,668	9,698
Purchase of intangible assets	(14,922)	(66,272)
Payments of leasehold and guarantee deposits	(39,367)	(10,841)
Proceeds from refund of leasehold and guarantee deposits	29,131	34,836
Other, net	(79,506)	(40,876)
Net cash provided by (used in) investing activities	(997,796)	(525,550)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	280,000
Repayments of long-term borrowings	(132,531)	(120,198)
Repayments of finance lease obligations	(1,022)	(1,143)
Purchase of treasury shares	—	(579)
Dividends paid	(1,244,786)	(1,244,784)
Net cash provided by (used in) financing activities	(1,378,339)	(1,086,704)
Effect of exchange rate change on cash and cash equivalents	(3,685)	509
Net increase (decrease) in cash and cash equivalents	682,837	(3,656,846)
Cash and cash equivalents at beginning of period	5,659,617	8,291,162
Cash and cash equivalents at end of period	6,342,454	4,634,316