Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 19, 2020

Company name: Kotobuki Spirits Co., Ltd.
Stock exchange listing: Tokyo
Stock code: 2222 URL https://www.kotobukispirits.co.jp/
Representative: PRESIDENT Seigou Kawagoe
Inquiries: Managing Director, Corporate Planning Shinji Matsumoto TEL 0859-22-7477
Scheduled date of ordinary general meeting of shareholders: June 23, 2020
Scheduled date to file Securities Report: June 24, 2020
Scheduled date to commence dividend payments: June 24, 2020
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

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	%
Year ended March 31, 2020	45,180	10.8	6,454	8.0	6,475	7.7	4,100	3.2
Year ended March 31, 2019	40,768	9.1	5,975	19.2	6,012	19.1	3,972	12.4

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	131.76	–	20.8	24.5	14.3
Year ended March 31, 2019	127.64	–	23.5	24.9	14.7

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	26,814	21,164	78.9	680.11
As of March 31, 2019	25,953	18,294	70.5	587.87

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	6,578	(2,446)	(1,499)	8,291
Year ended March 31, 2019	4,697	(2,433)	(1,352)	5,659

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	–	0.00	–	40.00	40.00	1,244	31.3	7.4
Year ended March 31, 2020	–	0.00	–	40.00	40.00	1,244	30.4	6.3
Year ending March 31, 2021 (Forecast)	–	–	–	–	–		–	

3. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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:	Yes
Restatement of prior period financial statements:	No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2020	31,121,520 shares	As of March 31, 2019	31,121,520 shares

Number of treasury shares at the end of the period

As of March 31, 2020	1,905 shares	As of March 31, 2019	1,863 shares

Average number of shares during the period

Year ended March 31, 2020	31,119,638 shares	Year ended March 31, 2019	31,119,688 shares

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	5,659,617	8,291,162
Notes and accounts receivable - trade	4,897,052	2,761,061
Merchandise and finished goods	1,669,636	1,439,981
Work in process	84,750	40,902
Raw materials and supplies	560,709	597,887
Other	331,526	313,941
Allowance for doubtful accounts	(845)	(745)
Total current assets	13,202,445	13,444,189
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,780,789	11,706,266
Accumulated depreciation	(6,516,553)	(7,052,795)
Buildings and structures, net	4,264,236	4,653,471
Machinery, equipment and vehicles	6,254,447	6,970,901
Accumulated depreciation	(3,695,164)	(4,165,291)
Machinery, equipment and vehicles, net	2,559,283	2,805,610
Tools, furniture and fixtures	1,814,703	1,979,235
Accumulated depreciation	(1,359,034)	(1,547,067)
Tools, furniture and fixtures, net	455,669	432,168
Land	2,887,139	2,887,139
Leased assets	13,008	8,826
Accumulated depreciation	(10,368)	(8,091)
Leased assets, net	2,640	735
Construction in progress	222,010	14,899
Total property, plant and equipment	10,390,977	10,794,022
Intangible assets		
Other	158,089	154,243
Total intangible assets	158,089	154,243
Investments and other assets		
Investment securities	160,383	128,748
Deferred tax assets	1,086,509	1,295,908
Other	961,986	1,008,338
Allowance for doubtful accounts	(6,856)	(11,235)
Total investments and other assets	2,202,022	2,421,759
Total non-current assets	12,751,088	13,370,024
Total assets	25,953,533	26,814,213

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,336,926	635,316
Current portion of long-term borrowings	252,729	180,017
Accounts payable - other	1,373,043	866,114
Income taxes payable	1,229,875	900,009
Provision for bonuses	795,680	606,358
Provision for point card certificates	10,832	8,052
Other	805,132	650,382
Total current liabilities	5,804,217	3,846,248
Non-current liabilities		
Long-term borrowings	180,017	–
Retirement benefit liability	1,473,259	1,616,529
Asset retirement obligations	54,155	55,245
Deferred tax liabilities	8,867	8,328
Other	138,696	123,062
Total non-current liabilities	1,854,994	1,803,164
Total liabilities	7,659,211	5,649,412
Net assets		
Shareholders' equity		
Share capital	1,217,800	1,217,800
Capital surplus	1,323,161	1,323,161
Retained earnings	15,800,192	18,655,835
Treasury shares	(2,063)	(2,376)
Total shareholders' equity	18,339,090	21,194,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,233	(3,221)
Foreign currency translation adjustment	(27,188)	(15,157)
Remeasurements of defined benefit plans	(38,813)	(11,241)
Total accumulated other comprehensive income	(44,768)	(29,619)
Total net assets	18,294,322	21,164,801
Total liabilities and net assets	25,953,533	26,814,213

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	40,768,893	45,180,501
Cost of sales	16,886,547	18,478,205
Gross profit	23,882,346	26,702,296
Selling, general and administrative expenses	17,906,513	20,247,730
Operating profit	5,975,833	6,454,566
Non-operating income		
Interest income	588	98
Dividend income	5,033	4,935
Purchase discounts	3,487	960
Rental income from land and buildings	18,736	18,766
Surrender value of insurance policies	21,826	–
Other	29,760	54,270
Total non-operating income	79,430	79,029
Non-operating expenses		
Interest expenses	2,760	1,532
Sales discounts	2,508	2,909
Loss on store closings	–	21,355
Share of loss of entities accounted for using equity method	18,354	–
Other	19,421	32,645
Total non-operating expenses	43,043	58,441
Ordinary profit	6,012,220	6,475,154
Extraordinary income		
Gain on sales of non-current assets	732	116
Total extraordinary income	732	116
Extraordinary losses		
Loss on sales of non-current assets	196	289
Loss on retirement of non-current assets	23,539	15,855
Loss on valuation of investment securities	5,000	–
Impairment loss	38,783	264,855
Loss on disaster	37,543	–
Loss on valuation of inventories	–	248,252
Total extraordinary losses	105,061	529,251
Profit before income taxes	5,907,891	5,946,019
Income taxes - current	2,115,011	2,056,358
Income taxes - deferred	(179,348)	(210,768)
Total income taxes	1,935,663	1,845,590
Profit	3,972,228	4,100,429
Profit attributable to owners of parent	3,972,228	4,100,429

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	3,972,228	4,100,429
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,226)	(24,454)
Foreign currency translation adjustment	(20,180)	12,031
Remeasurements of defined benefit plans, net of tax	(24,234)	27,572
Share of other comprehensive income of entities accounted for using equity method	(310)	–
Total other comprehensive income	(59,950)	15,149
Comprehensive income	3,912,278	4,115,578
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,912,278	4,115,578

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,217,800	1,323,161	12,917,154	(1,758)	15,456,357
Changes during period					
Dividends of surplus			(1,089,190)		(1,089,190)
Profit attributable to owners of parent			3,972,228		3,972,228
Purchase of treasury shares				(305)	(305)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,883,038	(305)	2,882,733
Balance at end of period	1,217,800	1,323,161	15,800,192	(2,063)	18,339,090

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	36,459	(6,698)	(14,579)	15,182	15,471,539
Changes during period					
Dividends of surplus					(1,089,190)
Profit attributable to owners of parent					3,972,228
Purchase of treasury shares					(305)
Net changes in items other than shareholders' equity	(15,226)	(20,490)	(24,234)	(59,950)	(59,950)
Total changes during period	(15,226)	(20,490)	(24,234)	(59,950)	2,822,783
Balance at end of period	21,233	(27,188)	(38,813)	(44,768)	18,294,322

Fiscal year ended March 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,217,800	1,323,161	15,800,192	(2,063)	18,339,090
Changes during period					
Dividends of surplus			(1,244,786)		(1,244,786)
Profit attributable to owners of parent			4,100,429		4,100,429
Purchase of treasury shares				(313)	(313)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,855,643	(313)	2,855,330
Balance at end of period	1,217,800	1,323,161	18,655,835	(2,376)	21,194,420

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	21,233	(27,188)	(38,813)	(44,768)	18,294,322
Changes during period					
Dividends of surplus					(1,244,786)
Profit attributable to owners of parent					4,100,429
Purchase of treasury shares					(313)
Net changes in items other than shareholders' equity	(24,454)	12,031	27,572	15,149	15,149
Total changes during period	(24,454)	12,031	27,572	15,149	2,870,479
Balance at end of period	(3,221)	(15,157)	(11,241)	(29,619)	21,164,801

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	5,907,891	5,946,019
Depreciation	1,233,650	1,459,205
Impairment loss	38,783	264,855
Increase (decrease) in allowance for doubtful accounts	(8,420)	4,278
Increase (decrease) in provision for bonuses	86,480	(189,322)
Increase (decrease) in retirement benefit liability	130,026	123,904
Interest and dividend income	(5,621)	(5,033)
Interest expenses	2,760	1,532
Share of loss (profit) of entities accounted for using equity method	18,354	–
Increase (decrease) in provision for point card certificates	(3,047)	(2,780)
Loss (gain) on sales of non-current assets	(536)	173
Loss on retirement of non-current assets	23,539	15,855
Loss (gain) on valuation of investment securities	5,000	–
Surrender value of insurance policies	(21,826)	–
Loss on disaster	37,543	–
Loss on store closings	–	21,355
Decrease (increase) in trade receivables	(747,973)	2,135,189
Loss on valuation of inventories	–	248,252
Decrease (increase) in inventories	(455,091)	(14,882)
Decrease (increase) in other current assets	(46,712)	17,260
Increase (decrease) in trade payables	(80,110)	(699,489)
Increase (decrease) in other current liabilities	315,494	(347,218)
Increase (decrease) in other non-current liabilities	18,127	(16,571)
Increase (decrease) in accrued consumption taxes	(16,601)	(75,274)
Other, net	(47,530)	73,909
Subtotal	6,384,180	8,961,217
Interest and dividends received	5,621	5,033
Interest paid	(2,741)	(1,527)
Income taxes paid	(1,689,930)	(2,386,224)
Net cash provided by (used in) operating activities	4,697,130	6,578,499
Cash flows from investing activities		
Purchase of investment securities	–	(3,550)
Purchase of property, plant and equipment	(2,238,877)	(2,265,370)
Proceeds from sales of property, plant and equipment	12,577	72,707
Purchase of intangible assets	(85,148)	(43,266)
Payments for investments in capital	(2,800)	–
Proceeds from divestments	317	262
Payments of leasehold and guarantee deposits	(125,468)	(101,204)
Proceeds from refund of leasehold and guarantee deposits	38,501	61,573
Proceeds from cancellation of insurance funds	68,974	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	59,969	–
Net cash provided by (used in) investing	(161,554)	(167,503)
Net cash provided by (used in) investing activities	(2,433,509)	(2,446,351)

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Repayments of long-term borrowings	(260,396)	(252,729)
Repayments of finance lease obligations	(2,602)	(1,905)
Purchase of treasury shares	(305)	(313)
Dividends paid	(1,089,190)	(1,244,786)
Net cash provided by (used in) financing activities	(1,352,493)	(1,499,733)
Effect of exchange rate change on cash and cash equivalents	(366)	(870)
Net increase (decrease) in cash and cash equivalents	910,762	2,631,545
Cash and cash equivalents at beginning of period	4,748,855	5,659,617
Cash and cash equivalents at end of period	5,659,617	8,291,162