FY2021(1Q-2Q)
(Second quarter of the fiscal year ending March 31, 2021)
Consolidated Business Results

November 5, 2020

Kotobuki Spirits Co.,Ltd.

喜びを創り喜びを提供する
寿スピリッツ

Company Overview

Firm name	Kotobuki Spirits Co.,Ltd.
Securities code	2222（Tokyo Stock Exchange 1st section）
Address	2028, Hatagasaki, Yonago-shi, Tottori, 683-0845, Japan
Establishment	April 25th,1952
Capital	1.2 Billion 17.8 Million yen
President	Seigo Kawagoe
Employees	Kotobuki Spirits 8people/Group Total 1,635 people
Group companies	Consolidated subsidiary 18companies（domestic 16・overseas 2）
Net sales	45.2 Billion Yen（FY2020）

September 30th,2020

The Impact of COVID-19 on business performance

The Impact of COVID-19 on business performance

＜FY2021(1Q-2Q)＞

- In terms of sales, although the recovery trend began in June after the declaration of an emergency, the recovery slowed down in July due to the re-expansion of COVID-19.Although the self-restraint mind is still strong, there are signs of a gradual recovery in September, with the GoTo travel campaign effect recovering the number of tourists.

Net sales（YoY） ＜Except for overseas companies＞

	Apr	May	Jun	Jul	Aug	Sep
YoY	△82.4%	△79.0%	△61.5%	△56.7%	△60.8%	△48.6%

- Gross profit margin deteriorated due to decreased sales and restraint of production operation. As a result, a quarterly net loss was recorded.Recorded subsidy income of 1.4 billion yen as non-operating income, including employment adjustment subsidies.
- Cash and deposits decreased by 3.66 billion yen from the beginning of the period to 4.63 billion yen.No borrowing from the overdraft limit. (7.8 billion yen) We will continue to strive to improve cash flow by curbing capex, reducing inventories, utilizing employment adjustment subsidies, and

＜FY2021(3Q～)＞

- After October, the trend has been on a gradual recovery due to GoTo Travel Campaign of departures and arrivals in Tokyo and the deregulation of restrictions on admission to events.

＜Forecast FY2021 and Dividend＞

- Based on the first half results and the current business environment, we made a budget assuming a gradual recovery.Dividend forecast is 30 yen.(FY2020 was 40 yen)※This forecast may fluctuate significantly due to changes in the COVID-19 situation in the future.

FY2021(2Q) Highlight

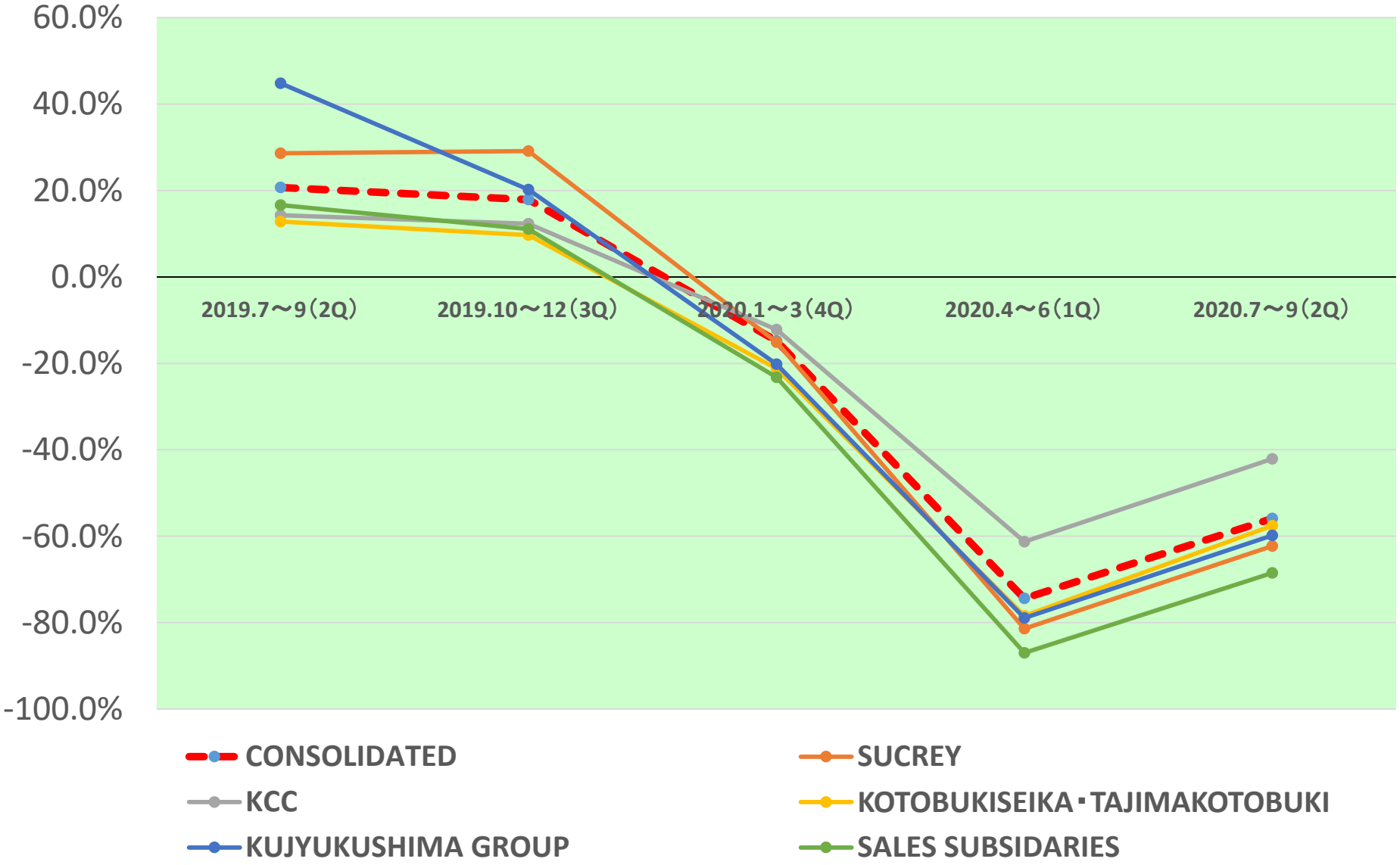
（1Q-2Q）Net sales 64.7% down/Net loss1.29billion yen

（2Q）Net sales 55.9%down/Net loss 127million yen

In April to May ,due to the spread of COVID-19, the "emergency declaration" was issued, the movement was reduced due to the request to refrain from going out, and many commercial facilities were temporarily closed. The number of COVID-19 test-positive persons re-expanded in July, and the result was severe due to the drop in demand for souvenirs.

(Unit：Million of yen)	FY2020			FY2021		
	2Q (Jul-Sep)	3Q (Oct-Dec)	4Q (Jan-Mar)	1Q (Apr-Jun)	2Q (Jul-Sep)	1Q-2QTotal (Apr-Sep)
Net sales (YoY)	11,761 (＋20.7%)	13,287 (＋17.9%)	9,506 (△14.8%)	2,716 (△74.4%)	5,189 (△55.9%)	7,905 (△64.7%)
Ordinary Profit (YoY)	1,981 (＋ 49.8%)	2,694 (＋22.9%)	233 (△86.0%)	△ 1,755 (－)	△ 201 (－)	△ 1,956 (－)
Net profit (YoY)	1,246 (＋ 52.3%)	1,702 (＋12.4%)	130 (△88.5%)	△ 1,163 (－)	△ 127 (－)	△ 1,290 (－)

Sales change in quarterly



FY2021 1Q-2Q Topics ①

SUCREY opened 4 new shops at Tokyo station(Aug)



COCORIS（GRANSTA TOKYO ）



Peach shop by FRANÇAIS（TOKYO GIFT PALETTE）



FRANÇAIS（TOKYO GIFT PALETTE）



neko chef（TOKYO GIFT PALETTE）

FY2021 1Q-2Q Topics ②

KCC opened 3 new shops at Tokyo station(Aug)



PISTA&TOKYO（TOKYO GIFT PALETTE）



Now on Cheese♪Hello, Tokyo Station!（GRANSTA TOKYO）

ピスタ アンド トーキョー
PISTA & TOKYO

now on Cheese♪
Hello, Tokyo Station!

TOKYO THE POWER OF BUTTER TAISU
岡田謹製
あんバタ屋



ANBATAYA（TOKYO GIFT PALETTE）

Results of FY2021 1Q-2Q（YonY）

Due to significant sales decreasing and production adjustment gross margin down

(Million of Yen,%)	FY2020(1Q-2Q)		FY2021(1Q-2Q)				FY2020(1Q-4Q)	
	amount	To-sales rate	amount	To-sales rate	YoY(Change)	YoY(%)	amount	To-sales rate
Net sales	22,388	—	7,905	—	△ 14,483	△ 64.7	45,181	—
Gross profit	13,260	59.2	3,001	38.0	△ 10,259	△ 77.4	26,702	59.1
SG&A expenses	9,741	43.5	6,422	81.2	△ 3,320	△ 34.1	20,248	44.8
Operating profit	3,519	15.7	△ 3,421	—	△ 6,940	—	6,455	14.3
Ordinary profit	3,548	15.9	△ 1,956	—	△ 5,504	—	6,475	14.3
Net profit	2,268	10.1	△ 1,290	—	△ 3,559	—	4,100	9.1
EPS(Yen)	72.89		△ 41.46		△ 114.35		131.76	

Results of FY2021 1Q-2Q(SEGMENTS)

(Million of Yen,%)	Net sales				Operating profit		
	FY2020 (1Q-2Q)	FY2021 (1Q-2Q)	YoY(Change)	YoY(%)	FY2020 (1Q-2Q)	FY2021 (1Q-2Q)	YoY(Change)
SUCREY	7,830	2,259	△ 5,571	△ 71.1	1,031	△ 1,129	△ 2,160
KCC	5,771	2,789	△ 2,982	△ 51.7	589	△ 739	△ 1,328
KOTOBUKISEIKA TAJIMAKOTOBUKI	5,778	1,889	△ 3,890	△ 67.3	882	△ 728	△ 1,609
SALES SUBSIDIARIES	3,330	752	△ 2,578	△ 77.4	350	△ 403	△ 753
KUJYUKUSHIMA GROUP	2,318	729	△ 1,588	△ 68.5	269	△ 464	△ 733
OTHERS	460	250	△ 210	△ 45.7	△ 60	△ 1	59
SEGMENTS TOTAL	25,487	8,668	△ 16,819	△ 66.0	3,061	△ 3,464	△ 6,524
ADJUSTMENT	△ 3,100	△ 764	2,336	△ 75.4	458	43	△ 415
TOTAL	22,388	7,905	△ 14,483	△ 64.7	3,519	△ 3,421	△ 6,940

Sales channel

Mail order sales, mainly for LeTAO, are strong due to an increase in private demand due to refraining from going out

(millions of yen,%)	FY2020(1Q-2Q) amount	FY2020(1Q-2Q) To-sales rate	FY2021(1Q-2Q) amount	FY2021(1Q-2Q) To-sales rate	YoY (Change)	YoY (%)
Net sales	22,388	—	7,905	—	△ 14,483	△ 64.7
Mail Order	1,063	4.7	1,539	19.5	476	44.8
(LeTAO Mail Order)	773	3.5	1,210	15.3	436	56.4
Retail ※1	9,068	40.5	2,975	37.6	△ 6,094	△ 67.2
Wholesale	11,344	50.7	2,722	34.4	△ 8,622	△ 76.0
Overseas	893	4.0	635	8.0	△ 258	△ 28.9
Others ※2	19	0.1	34	0.4	14	73.9

※1 Retail are shops and Pop up stores.
※2 Others are health food business and property insurance agency business.

Cost of sales・Gross profit

Gross profit rate 21.2 point down (YoY)

(Million of Yen,%)	FY2020(1Q-2Q)		FY2021(1Q-2Q)				FY2020(1Q-4Q)	
	amount	To-sales rate	amount	To-sales rate	YoY(Change)	YoY(%)	amount	To-sales rate
Net sales	22,388	—	7,905	—	△ 14,483	△ 64.7	45,181	—
Material cost	5,227	23.3	1,660	21.0	△ 3,567	△ 68.2	10,291	22.8
Labor cost	2,282	10.2	1,752	22.2	△ 530	△ 23.2	4,510	10.0
Expense	1,227	5.5	874	11.1	△ 353	△ 28.8	2,646	5.9
Manufacturing cost	8,735	39.0	4,285	54.2	△ 4,450	△ 50.9	17,446	38.6
Others	392	1.8	619	7.8	227	57.8	1,032	2.3
Cost of sales	9,127	40.8	4,904	62.0	△ 4,223	△ 46.3	18,478	40.9
Gross profit	13,260	59.2	3,001	38.0	△ 10,259	△ 77.4	26,702	59.1

SG&A expenses /Operating profit

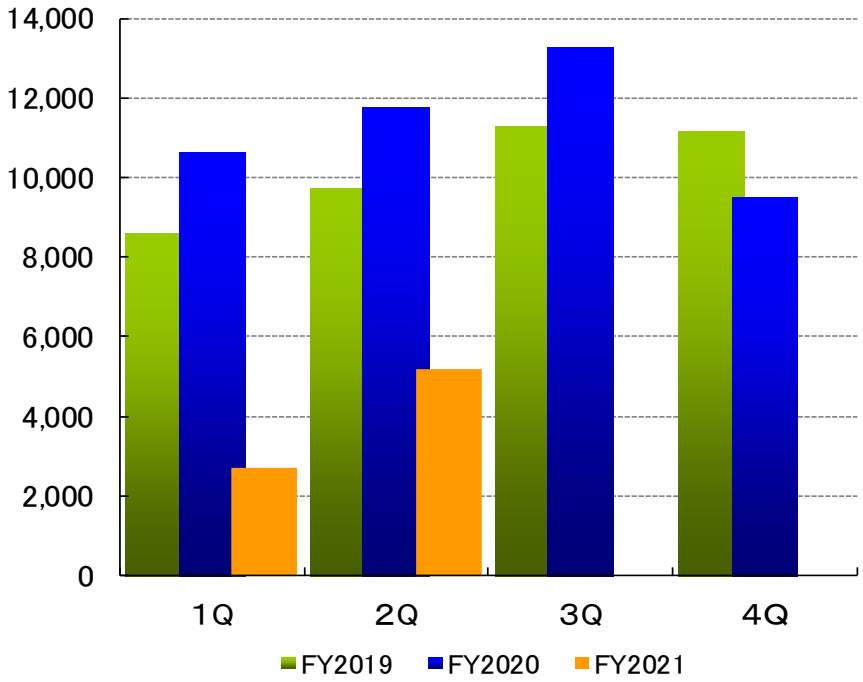
Personal expenses down 20.3% (YoY)

(Million of Yen,%)	amount	To-sales rate	amount	To-sales rate	YoY(Change)	YoY(%)	amount	To-sales rate
Gross profit	13,260	59.2	3,001	38.0	△ 10,259	△ 77.4	26,702	59.1
Personal expenses	3,881	17.3	3,092	39.1	△ 789	△ 20.3	7,695	17.0
Promotion	1,549	6.9	735	9.3	△ 814	△ 52.5	3,567	7.9
Freight	970	4.3	555	7.0	△ 415	△ 42.8	2,026	4.5
Advertising	127	0.6	124	1.6	△ 3	△ 2.2	294	0.7
Rent	1,518	6.8	751	9.5	△ 767	△ 50.5	3,116	6.9
Depreciation	264	1.2	256	3.2	△ 9	△ 3.3	570	1.3
Traveling and transportation expenses	320	1.4	77	1.0	△ 243	△ 75.9	621	1.4
Others	1,112	5.0	831	10.5	△ 280	△ 25.2	2,359	5.2
SG&A expenses	9,741	43.5	6,422	81.2	△ 3,320	△ 34.1	20,248	44.8
Operating profit	3,519	15.7	△ 3,421	−	△ 6,940	−	6,455	14.3

Net sales

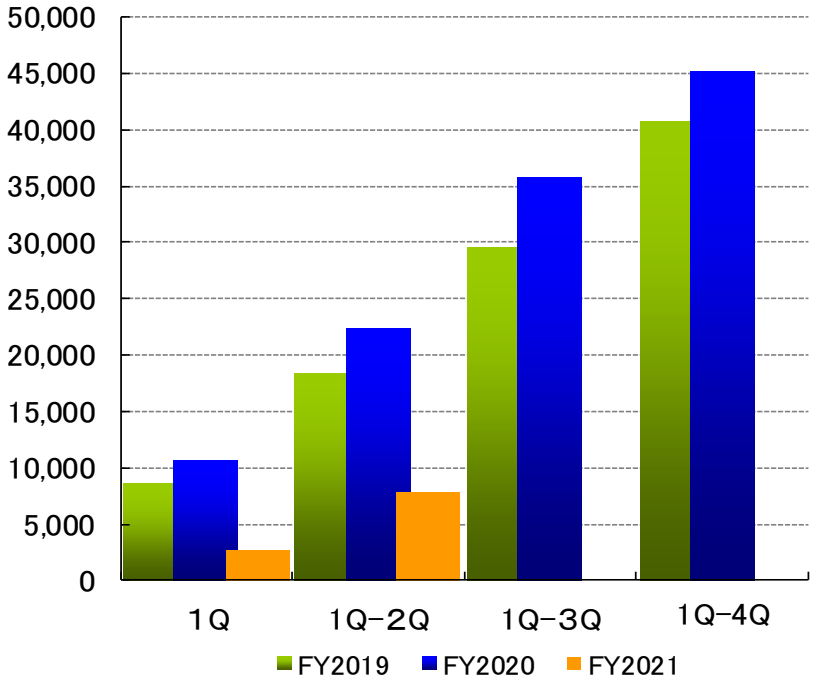
Net sales (Quarter)

(Three periods comparison)



Net sales (Cumulative)

(Three periods comparison)



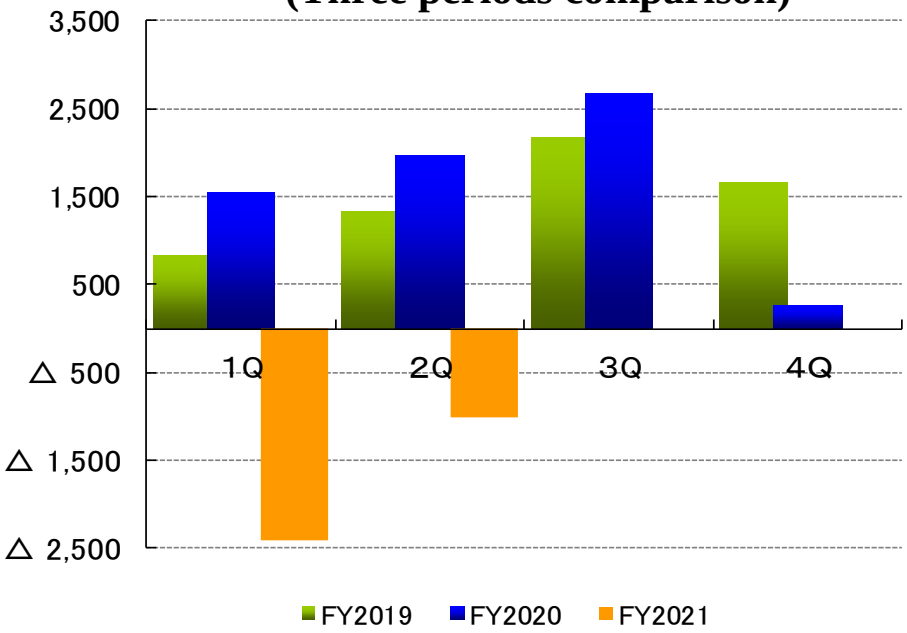
(Millions of yen)

	Quarter				Cumulative Quarter			
	1Q	2Q	3Q	4Q	1Q	1Q-2Q	1Q-3Q	1Q-4Q
FY2019	8,601	9,747	11,268	11,153	8,601	18,348	29,616	40,769
FY2020	10,627	11,761	13,287	9,506	10,627	22,388	35,675	45,181
FY2021	2,716	5,189			2,716	7,905		
YoY	△74.4%	△55.9%			△74.4%	△64.7%		

Operating profit

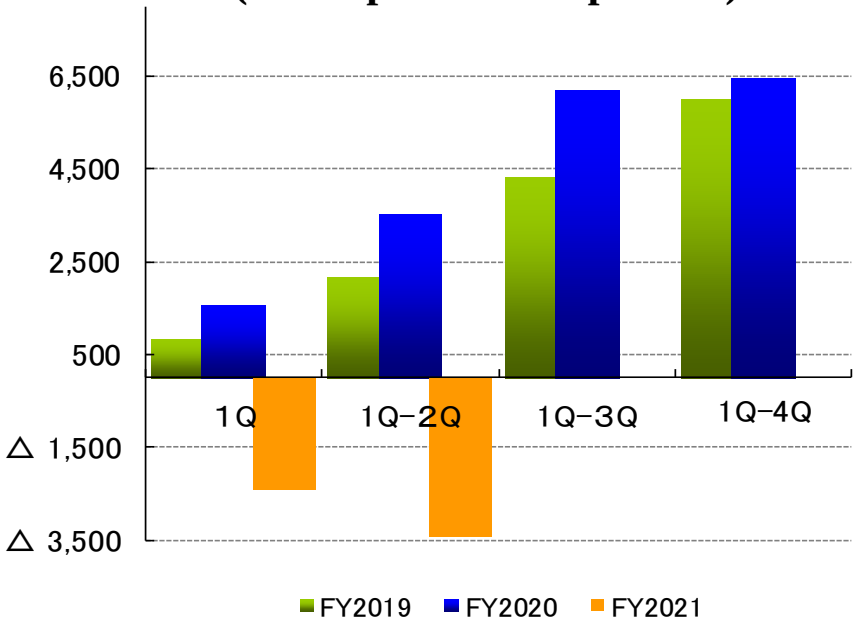
Operating profit (Quarter)

(Three periods comparison)



Operating profit (Cumulative)

(Three periods comparison)



(Millions of yen)

	Quarter				Cumulative Quarter			
	1Q	2Q	3Q	4Q	1Q	1Q-2Q	1Q-3Q	1Q-4Q
FY2019	830	1,321	2,167	1,658	830	2,151	4,318	5,976
FY2020	1,555	1,964	2,672	264	1,555	3,519	6,191	6,455
FY2021	△ 2,409	△ 1,012			△ 2,409	△ 3,421		
YoY	–	–			–	–		

Balance Sheet

Decrease in current assets are mainly due to decrease in cash and deposits and account receivable

(Millions of yen,%)	FY2019		FY2020		FY2021(2Q)		(Change)	(%)
	amount	rate	amount	rate	amount	rate		
Current assets	13,202	50.9	13,444	50.1	8,815	38.9	△ 4,629	△ 34.4
Non-current assets	12,751	49.1	13,370	49.9	13,828	61.1	458	3.4
Assets	25,954	100.0	26,814	100.0	22,643	100.0	△ 4,172	△ 15.6
Current liabilities	5,804	22.4	3,846	14.3	1,872	8.3	△ 1,975	△ 51.3
Non-current liabilities	1,855	7.1	1,803	6.7	2,151	9.5	348	19.3
Liabilities	7,659	29.5	5,649	21.1	4,023	17.8	△ 1,627	△ 28.8
Net assets	18,294	70.5	21,165	78.9	18,620	82.2	△ 2,545	△ 12.0
Liabilities and net assets	25,954	100.0	26,814	100.0	22,643	100.0	△ 4,172	△ 15.6
BPS(Yen)	587.87		680.11		598.33		△ 81.78	△ 12.0
CAPEX	2,185		2,041		415			
Depreciation	1,234		1,459		695			
Overdraft limit	3,250		3,250		7,800		4,550	140.0

Statements of Cash Flows

Cash and deposits decreased by 3.66 billion yen from the beginning of the period to 4.63 billion yen

(Millions of yen,%)	FY2019	FY2020		FY2021	YoY(Change)	YoY(%)
	1Q-4Q	1Q-2Q	1Q-4Q	1Q-2Q		
Cash flows from operating activities	4,697	3,063	6,578	△ 2,045	△ 5,108	△ 166.8
Cash flows from investing activities	△ 2,434	△ 998	△ 2,446	△ 526	472	△ 47.3
Free Cash flows	2,264	2,065	4,132	△ 2,571	△ 4,636	△ 224.5
Cash flows from financing activities	△ 1,352	△ 1,378	△ 1,500	△ 1,087	292	△ 21.2
Effect of exchange rate change on cash and cash equivalents	△ 0	△ 4	△ 1	1	4	△ 113.8
Cash increase / decrease	911	687	2,632	△ 3,657	△ 4,344	△ 632.7
Cash and cash equivalents(Beginning of period)	4,749	5,660	5,660	8,291	2,632	46.5
Cash and cash equivalents(End of period)	5,660	6,342	8,291	4,634	△ 1,708	△ 26.9
Interest-bearing debt	433	300	180	340	40	13.2

Business Forecast for FY2021

(million of yen,%)	FY2020 amount	FY2020 To-sales rate	FY2021(Forecast) amount	FY2021(Forecast) To-sales rate	YoY(Change)	YoY(%)
Net sales	45,181	–	23,140	–	△ 22,041	△ 48.8
Gross profit	26,702	59.1	11,100	48.0	△ 15,602	△ 58.4
SG&A expenses	20,248	44.8	14,500	62.7	△ 5,748	△ 28.4
Operating profit	6,455	14.3	△ 3,400	–	△ 9,855	–
Ordinary profit	6,475	14.3	△ 1,370	–	△ 7,845	–
Net profit	4,100	9.1	△ 900	–	△ 5,000	–
EPS(yen)	131.76		△ 28.92		△ 160.68	–
Dividend/stock (yen)	40.00		30.00		△ 10.00	△ 25.0
CAPEX	2,041		500		△ 1,541	△ 75.5
Depreciation	1,459		1,400		△ 59	△ 4.1

Business Forecast for FY2021(3Q-4Q)

We aim to be profitable in the second half of the year!

(million of yen,%)	FY2020(3Q-4Q)		FY2021(3Q-4Q)			
	amount	To-sales rate	amount	To-sales rate	YoY(Change)	YoY(%)
Net sales	22,793	-	15,235	-	△ 7,558	△ 33.2
Gross profit	13,442	59.0	8,099	53.2	△ 5,343	△ 39.7
SG&A expenses	10,506	46.1	8,078	53.0	△ 2,428	△ 23.1
Operating profit	2,936	12.9	21	0.1	△ 2,915	△ 99.3
Ordinary profit	2,927	12.8	586	3.8	△ 2,341	△ 80.0
Net profit	1,832	8.0	390	2.6	△ 1,442	△ 78.7

Business Forecast for FY2021 (SEGMENTS)

(Million of Yen,%)	Net sales				Operating profit		
	FY2020	FY2021 (Forecast)	YoY(Change)	YonY(%)	FY2020	FY2021 (Forecast)	YoY(Change)
SUCREY	16,199	7,286	△ 8,913	△ 55.0	2,059	△ 1,164	△ 3,223
KCC	12,700	8,201	△ 4,499	△ 35.4	1,292	△ 617	△ 1,909
KOTOBUKISEIKA TAJIMAKOTOBUKI	10,572	5,002	△ 5,570	△ 52.7	1,352	△ 867	△ 2,219
SALES SUBSIDIARIES	6,176	2,444	△ 3,732	△ 60.4	523	△ 469	△ 992
KUJYUKUSHIMA GROUP	4,522	1,983	△ 2,539	△ 56.1	374	△ 693	△ 1,067
OTHERS	812	508	△ 304	△ 37.4	△ 177	8	185
SEGMENTS TOTAL	50,980	25,424	△ 25,556	△ 50.1	5,423	△ 3,802	△ 9,225
ADJUSTMENT	△ 5,800	△ 2,284	3,516	△ 60.6	1,032	402	△ 630
TOTAL	45,181	23,140	△ 22,041	△ 48.8	6,455	△ 3,400	△ 9,855

Strategy (consideration of influence of COVID-19)

1. First step of early recovery, we aim to profitable in the second half of the year.

① Under the Covid-19 epidemic , respond quickly to changes in consumer needs and improve brand power.

●**Products**：Strengthen sales private demand and eat on the spot
Growth of main brands and main sweets
Development of new brands・new sweets

●**Shops**： Strengthen product appeal by improving displays, POP, etc.
Go To Travel countermeasures

●**Sales**： level up of customer service

●**EC/Mail order** :Royal customer , EC mall , SNS and Catalog gift countermeasures

●**Other channel**：Suburban store, SA and Department store

○Strengthening measures seasonal event sales (Christmas, New Year holidays, Valentine's day and White day, etc.)

Strategy (consideration of influence of COVID-19)

1. First step of early recovery, we aim to profitable in the second half of the year.

② Improve loss and cash flow by reducing costs, etc.

● **Reduction of labor costs**

- Reduction of officer compensation , employee bonus and other expenses
- Improve business efficiency

● **Ensuring proper inventory**

- Top priority is selling fresh and delicious sweets to our customers

● **Restraint of Capex**

○ **Overdraft limit is 7.8 Billion yen. (FY2020 3.25 Billion yen)**
Confirm the recovery of business performance, Consider additional measures.

Strategy (consideration of influence of COVID-19)

2. To the next growth stage, we prepare for after end of Covid-19.

＜Strategic measures＞

①Tokyo area expansion

② Inbound countermeasures

③ Overseas expansion

Tokyo area



EXPASA Ebina

Inbound



Multilingual POP

Overseas



Cow Cow Kitchen
Thailand Siam Paragon

Corporate Philosophy

寿心

To create happiness, provide happiness

Policy

Today, I make an enthusiastic fan

Vision

General Producer of the Sweets








Philosophy Management of KOZUCHI

We have introduced a business management method of Amoeba Management since FY1996.

We made a Management philosophy notebook “KOZUCHI” in 2003.

Every person who works for Kotobuki Spirits Group put KOZUCHI philosophy into practice in everyday work.

≪KOZUCHI national convention≫

KOZUCHI national convention is held once a year for the purpose of sharing achievements with fellows.

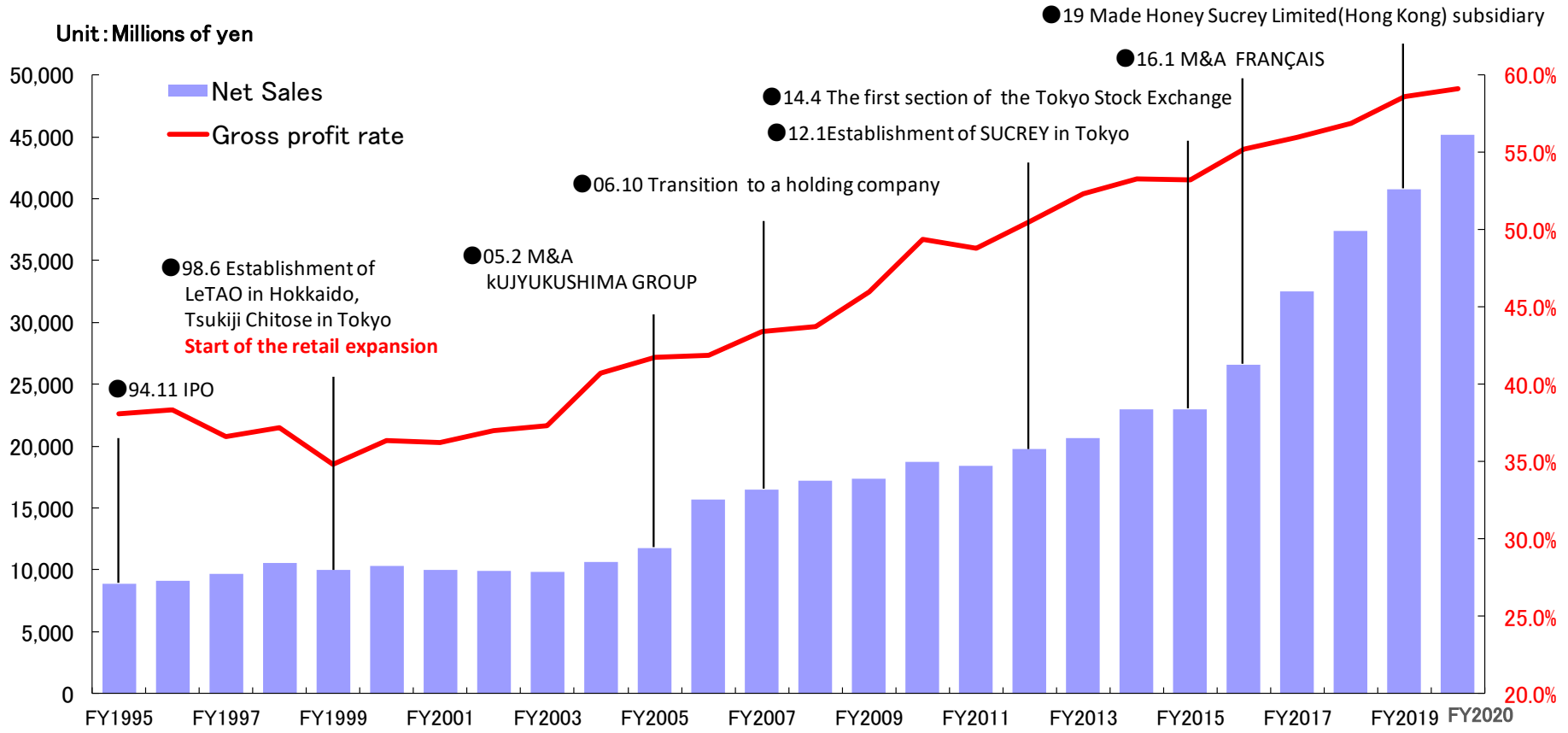




Transition of Kotobuki Spirits ①

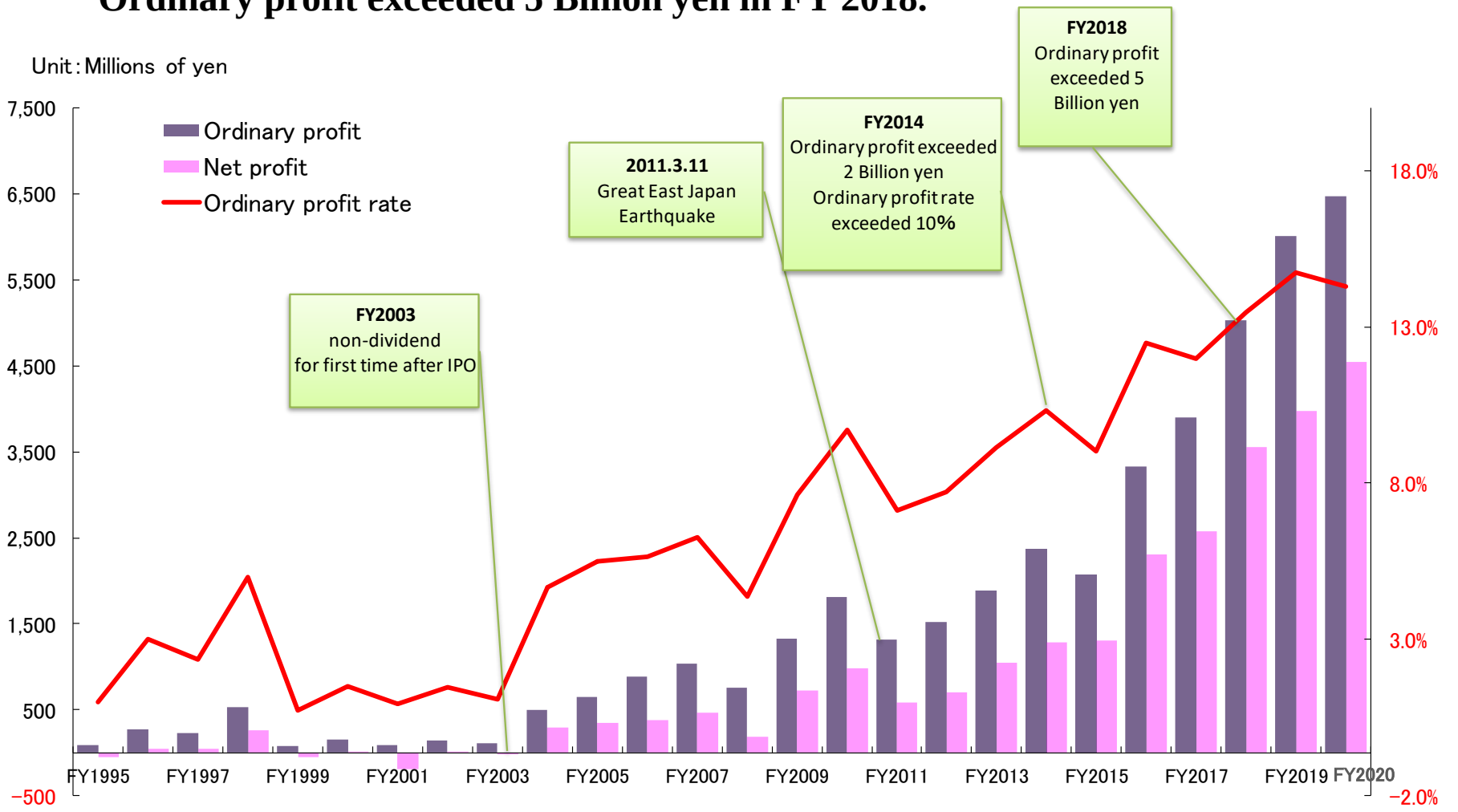
High profit management

Business model has changed from the manufacturing wholesale to the manufacturing retail.
We continue to challenge to organization reform ,business reconstruction and M&A.



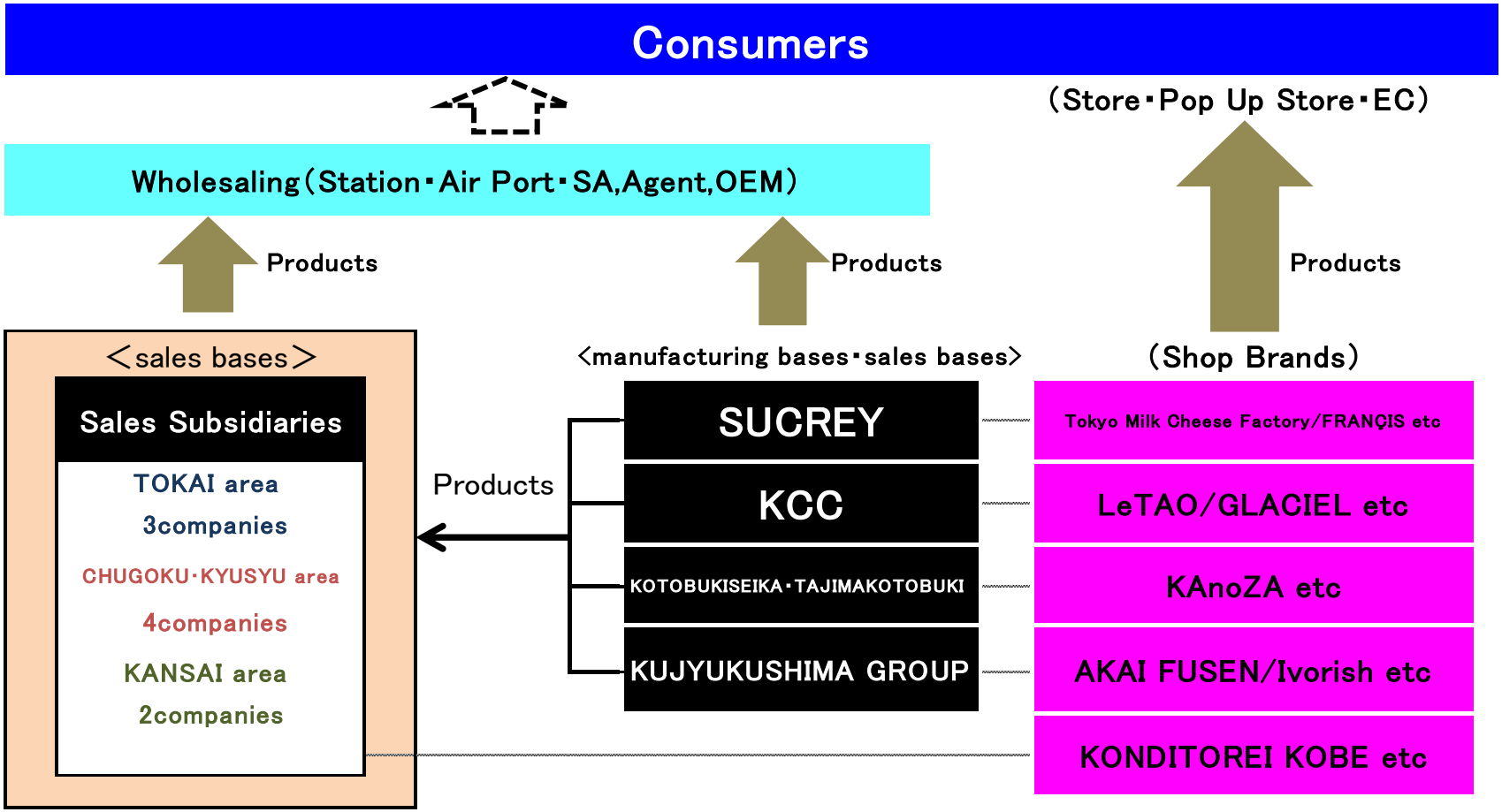
Transition of Kotobuki Spirits ②

Ordinary profit rate exceeded 10% in FY2014.
Ordinary profit exceeded 5 Billion yen in FY 2018.



Business Outline

Chart



※Except for KOTOBUKI SPIRITS (holding company)and OTHER segments.

Shop Brands

炎
KÄnoZA
IZUMO

Izumo

お菓子の壽城

Yonago

Nostalgic Modern.
LeTAO

Hokkaido

Ivorish
Premium French Toast

Fukuoka・Tokyo



TOKYO MILK CHEESE FACTORY
MADE IN JAPAN

Tokyo

Butter Butter

Akai Tusen

Sasebo・Fukuoka

The MAPLE MANIA

IN KOBE
VERLIEBTES GEMÜT IN DIE
SÜßWAREN
LEGEND.
"Meisterstück Glücksglück"
KONDITOREI
KOBE

Kobe

FRANÇAIS

Main Sweets



Nostalgic Modern LeTAO

Double Fromage



Inabano Shirousagi



Salt and Camembert Cookie



Mille Feuille



Butter Financier



Kujyukushima Senpei