Translation

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

June 12, 2020

Company name: GIFT INC.
Stock exchange listing: Tokyo
Stock code: 9279 URL http://www.gift-group.co.jp/
Representative: President and Representative Director Sho Tagawa
Inquiries: Managing Director & General Manager, Administration Division Norihiko Suehiro TEL 042-860-7182
Scheduled date to file Quarterly Securities Report: June 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 institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended April 30, 2020 (from November 1, 2019 to April 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 April 30, 2020	5,301	22.3	292	(46.8)	318	(42.6)	171	(51.7)
Six months ended April 30, 2019	4,333	–	549	–	555	–	354	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended April 30, 2020	17.28	17.16
Six months ended April 30, 2019	36.22	35.62

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of April 30, 2020	5,742	3,184	55.5
As of October 31, 2019	5,781	3,141	54.3

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 October 31, 2019	–	0.00	–	30.00	30.00
Year ending October 31, 2020	–	0.00			
Year ending October 31, 2020 (Forecast)			–	10.00	10.00

（Note） As of March 19, 2020, the Company conducted a split of its common shares 2 for 1. For the year ended October 31, 2019, the dividend amount is actual one before the stock split.

3. Forecast of consolidated financial results for the year ending October 31, 2020 (from November 1, 2019 to October 31, 2020)

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	10,880	20.2	569	(43.5)	616	(39.7)	132	(74.8)	13.36

4. Notes

(1) Changes in significant subsidiaries during the six months ended April 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 April 30, 2020	9,921,362 shares	As of October 31, 2019	9,896,800 shares

Number of treasury shares at the end of the period

As of April 30, 2020	– shares	As of October 31, 2019	– shares

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

Six months ended April 30, 2020	9,908,942 shares	Six months ended April 30, 2019	9,779,067 shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of October 31, 2019	As of April 30, 2020
Assets		
Current assets		
Cash and deposits	1,875,855	1,166,034
Accounts receivable - trade	221,384	160,955
Merchandise and finished goods	55,666	55,652
Raw materials and supplies	46,705	51,214
Other	106,602	148,956
Allowance for doubtful accounts	(1,996)	(1,191)
Total current assets	2,304,217	1,581,621
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,168,150	2,561,523
Accumulated depreciation	(553,692)	(622,788)
Buildings and structures, net	1,614,457	1,938,735
Land	80,716	80,716
Other	872,772	1,109,991
Accumulated depreciation	(435,873)	(483,079)
Other, net	436,898	626,911
Total property, plant and equipment	2,132,072	2,646,363
Intangible assets		
Goodwill	166,302	155,908
Other	25,787	31,362
Total intangible assets	192,090	187,271
Investments and other assets		
Leasehold and guarantee deposits	643,026	705,883
Other	510,263	621,880
Allowance for doubtful accounts	(588)	(435)
Total investments and other assets	1,152,701	1,327,329
Total non-current assets	3,476,864	4,160,963
Total assets	5,781,082	5,742,584

(Thousands of yen)

	As of October 31, 2019	As of April 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	297,964	223,976
Short-term borrowings	470,537	656,516
Current portion of long-term borrowings	347,996	265,829
Income taxes payable	282,664	164,450
Provision for bonuses	45,654	44,062
Asset retirement obligations	2,164	2,165
Other	675,103	701,896
Total current liabilities	2,122,083	2,058,896
Non-current liabilities		
Long-term borrowings	332,556	277,655
Asset retirement obligations	171,088	209,086
Other	13,627	12,504
Total non-current liabilities	517,272	499,246
Total liabilities	2,639,356	2,558,142
Net assets		
Shareholders' equity		
Share capital	776,409	785,789
Capital surplus	1,028,537	1,037,917
Retained earnings	1,340,105	1,362,807
Total shareholders' equity	3,145,052	3,186,514
Accumulated other comprehensive income		
Foreign currency translation adjustment	(3,326)	(2,072)
Total accumulated other comprehensive income	(3,326)	(2,072)
Total net assets	3,141,725	3,184,442
Total liabilities and net assets	5,781,082	5,742,584

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended April 30, 2019	Six months ended April 30, 2020
Net sales	4,333,644	5,301,513
Cost of sales	1,297,907	1,619,805
Gross profit	3,035,737	3,681,707
Selling, general and administrative expenses	2,485,934	3,389,302
Operating profit	549,802	292,404
Non-operating income		
Interest income	1,684	4,639
Commission income	5,909	9,281
Subsidy income	–	15,673
Other	752	1,268
Total non-operating income	8,345	30,862
Non-operating expenses		
Interest expenses	835	1,122
Foreign exchange losses	1,501	2,191
Prepayment fee	–	1,150
Other	23	–
Total non-operating expenses	2,359	4,464
Ordinary profit	555,789	318,803
Extraordinary income		
Gain on sales of non-current assets	6,754	–
Gain on liquidation of subsidiaries	–	10,771
Total extraordinary income	6,754	10,771
Extraordinary losses		
Loss on retirement of non-current assets	–	4,019
Loss on sales of non-current assets	–	17,576
Loss on temporary closing of stores	–	3,868
Total extraordinary losses	–	25,463
Profit before income taxes	562,543	304,110
Income taxes	208,345	132,919
Profit	354,198	171,190
Profit attributable to owners of parent	354,198	171,190

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended April 30, 2019	Six months ended April 30, 2020
Profit	354,198	171,190
Other comprehensive income		
Foreign currency translation adjustment	(4,741)	1,254
Total other comprehensive income	(4,741)	1,254
Comprehensive income	349,456	172,445
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	349,456	172,445

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended April 30, 2019	Six months ended April 30, 2020
Cash flows from operating activities		
Profit before income taxes	562,543	304,110
Depreciation	90,312	133,280
Amortization of goodwill	–	10,393
Increase (decrease) in allowance for doubtful accounts	(659)	(958)
Interest and dividend income	(1,684)	(4,639)
Interest expenses	835	1,122
Loss (gain) on sales of non-current assets	(6,754)	17,576
Loss on retirement of non-current assets	–	4,019
Decrease (increase) in trade receivables	(58,449)	60,442
Decrease (increase) in inventories	(44,423)	(4,483)
Increase (decrease) in trade payables	80,608	(74,052)
Increase (decrease) in provision for bonuses	(3,600)	(1,591)
Other, net	70,422	(212,305)
Subtotal	689,151	232,914
Interest and dividends received	7	1,925
Interest paid	(827)	(1,150)
Income taxes paid	(203,466)	(249,205)
Net cash provided by (used in) operating activities	484,866	(15,516)
Cash flows from investing activities		
Purchase of property, plant and equipment	(433,899)	(477,585)
Payments of leasehold and guarantee deposits	(70,568)	(94,173)
Other, net	(109,430)	(27,319)
Net cash provided by (used in) investing activities	(613,898)	(599,077)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	130,896	185,938
Repayments of long-term borrowings	(147,178)	(262,068)
Proceeds from long-term borrowings	–	125,000
Proceeds from issuance of shares resulting from exercise of share acquisition rights	450	2,771
Dividends paid	(53,480)	(147,548)
Other, net	(1,241)	(202)
Net cash provided by (used in) financing activities	(70,553)	(96,108)
Effect of exchange rate change on cash and cash equivalents	(1,043)	881
Net increase (decrease) in cash and cash equivalents	(200,628)	(709,820)
Cash and cash equivalents at beginning of period	1,739,814	1,875,855
Cash and cash equivalents at end of period	1,539,185	1,166,034