Translation

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

December 15, 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 of ordinary general meeting of shareholders: January 28, 2021
Scheduled date to file Securities Report: January 29, 2021
Scheduled date to commence dividend payments: January 29, 2021
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended October 31, 2020 (from November 1, 2019 to October 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 October 31, 2020	10,982	21.3	461	(54.2)	512	(50.0)	112	(78.5)
Year ended October 31, 2019	9,052	29.8	1,006	29.8	1,023	31.6	524	15.2

	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 October 31, 2020	11.36	11.29	3.6	8.1	4.2
Year ended October 31, 2019	53.62	53.21	18.0	20.4	11.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2020	6,872	3,107	45.2	312.97
As of October 31, 2019	5,781	3,141	54.3	317.45

(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 October 31, 2020	409	(1,564)	1,089	1,791
Year ended October 31, 2019	1,074	(1,253)	320	1,875

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 October 31, 2019	–	0.00	–	30.00	30.00	148	28.0	5.1
Year ended October 31, 2020	–	0.00	–	10.00	10.00	99	88.0	3.2
Year ending October 31, 2021 (Forecast)	–	0.00	–	15.00	15.00		25.3	

(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, 2021 (from November 1, 2020 to October 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
Six months ending April 30, 2021	7,100	33.9	400	36.8	450	41.2	280	63.6	28.20
Full year	15,150	37.9	1,080	134.1	1,130	120.7	590	423.7	59.41

4. Notes

(1) Changes in significant subsidiaries during the year ended October 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:	No
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 October 31, 2020	9,930,362 shares	As of October 31, 2019	9,896,800 shares

Number of treasury shares at the end of the period

As of October 31, 2020	62 shares	As of October 31, 2019	– shares

Average number of shares during the period

Year ended October 31, 2020	9,918,164 shares	Year ended October 31, 2019	9,788,064 shares

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of October 31, 2019	As of October 31, 2020
Assets		
Current assets		
Cash and deposits	1,875,855	1,791,976
Accounts receivable - trade	221,384	232,455
Merchandise and finished goods	55,666	50,358
Raw materials and supplies	46,705	39,489
Other	106,602	139,238
Allowance for doubtful accounts	(1,996)	(409)
Total current assets	2,304,217	2,253,109
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,168,150	2,869,600
Accumulated depreciation	(553,692)	(676,375)
Buildings and structures, net	1,614,457	2,193,224
Machinery, equipment and vehicles	450,007	669,760
Accumulated depreciation	(142,874)	(201,982)
Machinery, equipment and vehicles, net	307,133	467,778
Tools, furniture and fixtures	396,745	469,217
Accumulated depreciation	(282,179)	(309,621)
Tools, furniture and fixtures, net	114,565	159,595
Land	80,716	149,501
Other	26,018	66,550
Accumulated depreciation	(10,819)	(11,021)
Other, net	15,199	55,528
Total property, plant and equipment	2,132,072	3,025,629
Intangible assets		
Goodwill	166,302	145,515
Other	25,787	24,123
Total intangible assets	192,090	169,638
Investments and other assets		
Long-term loans receivable	220,007	306,674
Deferred tax assets	169,409	203,280
Leasehold and guarantee deposits	643,026	733,594
Other	120,846	180,615
Allowance for doubtful accounts	(588)	(435)
Total investments and other assets	1,152,701	1,423,731
Total non-current assets	3,476,864	4,618,998
Total assets	5,781,082	6,872,108

(Thousands of yen)

	As of October 31, 2019	As of October 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	297,964	298,396
Short-term borrowings	470,537	754,861
Current portion of long-term borrowings	347,996	547,192
Accounts payable - other	245,713	270,115
Income taxes payable	282,664	67,141
Provision for bonuses	45,654	68,166
Asset retirement obligations	2,164	1,251
Other	429,390	395,397
Total current liabilities	2,122,083	2,402,521
Non-current liabilities		
Long-term borrowings	332,556	1,093,332
Deferred tax liabilities	7,394	20,197
Asset retirement obligations	171,088	241,030
Other	6,233	7,135
Total non-current liabilities	517,272	1,361,696
Total liabilities	2,639,356	3,764,217
Net assets		
Shareholders' equity		
Share capital	776,409	786,345
Capital surplus	1,028,537	1,038,473
Retained earnings	1,340,105	1,304,314
Treasury shares	–	(88)
Total shareholders' equity	3,145,052	3,129,044
Accumulated other comprehensive income		
Foreign currency translation adjustment	(3,326)	(21,154)
Total accumulated other comprehensive income	(3,326)	(21,154)
Total net assets	3,141,725	3,107,890
Total liabilities and net assets	5,781,082	6,872,108

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

(Thousands of yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Net sales	9,052,421	10,982,335
Cost of sales	2,729,550	3,212,572
Gross profit	6,322,871	7,769,762
Selling, general and administrative expenses	5,315,941	7,308,497
Operating profit	1,006,929	461,265
Non-operating income		
Interest income	5,587	9,165
Dividend income	1	–
Commission income	14,885	19,805
Foreign exchange gains	–	665
Subsidy income	–	36,050
Other	2,141	4,116
Total non-operating income	22,616	69,803
Non-operating expenses		
Interest expenses	1,713	2,729
Foreign exchange losses	4,392	–
Prepayment fee	–	1,150
Market change expenses	–	12,749
Other	174	2,421
Total non-operating expenses	6,280	19,050
Ordinary profit	1,023,265	512,017
Extraordinary income		
Gain on sales of non-current assets	6,754	1,194
Gain on liquidation of subsidiaries	–	10,771
Gain on insurance claims	–	9,331
Other	–	1,829
Total extraordinary income	6,754	23,126
Extraordinary losses		
Impairment loss	128,952	173,104
Loss on retirement of non-current assets	21,025	9,802
Loss on sales of non-current assets	–	20,775
Loss on temporary closing of stores	–	6,374
Other	–	255
Total extraordinary losses	149,977	210,311
Profit before income taxes	880,041	324,833
Income taxes - current	401,526	233,240
Income taxes - deferred	(46,285)	(21,067)
Total income taxes	355,241	212,172
Profit	524,800	112,660
Profit attributable to owners of parent	524,800	112,660

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Profit	524,800	112,660
Other comprehensive income		
Foreign currency translation adjustment	(5,413)	(17,827)
Total other comprehensive income	(5,413)	(17,827)
Comprehensive income	519,387	94,833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	519,387	94,833

Consolidated statements of changes in equity

Fiscal year ended October 31, 2019

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	763,469	1,015,597	903,245	2,682,312	2,086	2,086	2,684,399
Changes during period							
Issuance of new shares - exercise of share acquisition rights	12,939	12,939		25,879			25,879
Dividends of surplus			(87,940)	(87,940)			(87,940)
Profit attributable to owners of parent			524,800	524,800			524,800
Net changes in items other than shareholders' equity					(5,413)	(5,413)	(5,413)
Total changes during period	12,939	12,939	436,860	462,739	(5,413)	(5,413)	457,325
Balance at end of period	776,409	1,028,537	1,340,105	3,145,052	(3,326)	(3,326)	3,141,725

Fiscal year ended October 31, 2020

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	776,409	1,028,537	1,340,105	–	3,145,052	(3,326)	(3,326)	3,141,725
Changes during period								
Issuance of new shares - exercise of share acquisition rights	1,941	1,941			3,883			3,883
Issuance of new shares-Restricted Stock	7,994	7,994			15,989			15,989
Dividends of surplus			(148,452)		(148,452)			(148,452)
Profit attributable to owners of parent			112,660		112,660			112,660
Purchase of treasury shares				(88)	(88)			(88)
Net changes in items other than shareholders' equity						(17,827)	(17,827)	(17,827)
Total changes during period	9,936	9,936	(35,791)	(88)	(16,007)	(17,827)	(17,827)	(33,834)
Balance at end of period	786,345	1,038,473	1,304,314	(88)	3,129,044	(21,154)	(21,154)	3,107,890

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Cash flows from operating activities		
Profit before income taxes	880,041	324,833
Depreciation	201,783	290,432
Impairment loss	128,952	173,104
Amortization of goodwill	–	20,787
Increase (decrease) in allowance for doubtful accounts	(932)	(1,740)
Interest and dividend income	(5,589)	(9,165)
Subsidy income	–	(36,050)
Interest expenses	1,713	2,729
Market change expenses	–	12,749
Loss (gain) on liquidation of subsidiaries	–	(10,771)
Loss (gain) on sales of non-current assets	(6,754)	19,581
Loss on retirement of non-current assets	21,025	9,802
Gain on insurance claims	–	(9,331)
Decrease (increase) in trade receivables	(22,237)	(11,120)
Decrease (increase) in inventories	(42,904)	12,440
Increase (decrease) in trade payables	59,620	1,029
Increase (decrease) in accounts payable - other	8,505	37,439
Increase (decrease) in provision for bonuses	2,470	22,512
Other, net	198,249	(44,284)
Subtotal	1,423,943	804,978
Interest and dividends received	1,494	3,083
Proceeds from subsidy income	–	34,954
Interest paid	(1,734)	(2,826)
Proceeds from insurance income	–	15,070
Income taxes paid	(349,307)	(445,706)
Net cash provided by (used in) operating activities	1,074,396	409,553
Cash flows from investing activities		
Purchase of property, plant and equipment	(844,685)	(1,348,902)
Proceeds from sales of property, plant and equipment	44,181	38,827
Loan advances	(160,992)	(112,000)
Collection of loans receivable	8,792	13,233
Payments of leasehold and guarantee deposits	(170,256)	(156,734)
Proceeds from refund of leasehold and guarantee deposits	3,187	25,302
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(110,347)	–
Other, net	(23,652)	(23,900)
Net cash provided by (used in) investing activities	(1,253,771)	(1,564,173)

(Thousands of yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	299,354	284,720
Proceeds from long-term borrowings	375,000	1,372,000
Repayments of long-term borrowings	(290,258)	(410,544)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	25,879	3,883
Dividends paid	(87,555)	(147,585)
Payments for market change expenses	–	(12,749)
Other, net	(1,908)	(290)
Net cash provided by (used in) financing activities	320,511	1,089,433
Effect of exchange rate change on cash and cash equivalents	(5,094)	(18,691)
Net increase (decrease) in cash and cash equivalents	136,041	(83,878)
Cash and cash equivalents at beginning of period	1,739,814	1,875,855
Cash and cash equivalents at end of period	1,875,855	1,791,976