Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (Based on Japanese GAAP)

May 13, 2021

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 of ordinary general meeting of shareholders: June 22, 2021
Scheduled date to file Securities Report: June 23, 2021
Scheduled date to commence dividend payments: June 23, 2021
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	23,204	(48.6)	(2,890)	–	(321)	–	(569)	–
Year ended March 31, 2020	45,180	10.8	6,454	8.0	6,475	7.7	4,100	3.2

	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 March 31, 2021	(18.30)	–	(2.8)	(1.2)	(12.5)
Year ended March 31, 2020	131.76	–	20.8	24.5	14.3

(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, 2021	25,052	19,341	77.2	621.53
As of March 31, 2020	26,814	21,164	78.9	680.11

(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, 2021	82	(605)	(462)	7,309
Year ended March 31, 2020	6,578	(2,446)	(1,499)	8,291

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, 2020	–	0.00	–	40.00	40.00	1,244	30.4	6.3
Year ended March 31, 2021	–	0.00	–	30.00	30.00	933	–	4.6
Year ending March 31, 2022 (Forecast)	–	–	–	–	–		–	

3. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2021 (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 March 31, 2021	31,121,520 shares	As of March 31, 2020	31,121,520 shares

Number of treasury shares at the end of the period

As of March 31, 2021	2,164 shares	As of March 31, 2020	1,905 shares

Average number of shares during the period

Year ended March 31, 2021	31,119,517 shares	Year ended March 31, 2020	31,119,638 shares

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	8,291,162	7,309,405
Notes and accounts receivable - trade	2,761,061	2,889,677
Merchandise and finished goods	1,439,981	861,540
Work in process	40,902	61,368
Raw materials and supplies	597,887	580,020
Other	313,941	913,470
Allowance for doubtful accounts	(745)	(667)
Total current assets	13,444,189	12,614,813
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,706,266	11,729,258
Accumulated depreciation	(7,052,795)	(7,461,133)
Buildings and structures, net	4,653,471	4,268,125
Machinery, equipment and vehicles	6,970,901	7,194,065
Accumulated depreciation	(4,165,291)	(4,783,250)
Machinery, equipment and vehicles, net	2,805,610	2,410,815
Tools, furniture and fixtures	1,979,235	1,940,171
Accumulated depreciation	(1,547,067)	(1,591,046)
Tools, furniture and fixtures, net	432,168	349,125
Land	2,887,139	2,887,139
Leased assets	8,826	12,216
Accumulated depreciation	(8,091)	(1,629)
Leased assets, net	735	10,587
Construction in progress	14,899	2,312
Total property, plant and equipment	10,794,022	9,928,103
Intangible assets		
Other	154,243	151,437
Total intangible assets	154,243	151,437
Investments and other assets		
Investment securities	128,748	133,354
Deferred tax assets	1,295,908	1,380,170
Other	1,008,338	859,913
Allowance for doubtful accounts	(11,235)	(15,507)
Total investments and other assets	2,421,759	2,357,930
Total non-current assets	13,370,024	12,437,470
Total assets	26,814,213	25,052,283

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	635,316	838,006
Current portion of long-term borrowings	180,017	239,880
Accounts payable - other	866,114	668,485
Income taxes payable	900,009	99,040
Provision for bonuses	606,358	697,316
Provision for point card certificates	8,052	8,675
Other	650,382	525,578
Total current liabilities	3,846,248	3,076,980
Non-current liabilities		
Long-term borrowings	–	725,860
Retirement benefit liability	1,616,529	1,711,820
Asset retirement obligations	55,245	55,809
Deferred tax liabilities	8,328	8,328
Other	123,062	131,737
Total non-current liabilities	1,803,164	2,633,554
Total liabilities	5,649,412	5,710,534
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	16,841,423
Treasury shares	(2,376)	(3,852)
Total shareholders' equity	21,194,420	19,378,532
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3,221)	(20)
Foreign currency translation adjustment	(15,157)	(23,868)
Remeasurements of defined benefit plans	(11,241)	(12,895)
Total accumulated other comprehensive income	(29,619)	(36,783)
Total net assets	21,164,801	19,341,749
Total liabilities and net assets	26,814,213	25,052,283

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

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	45,180,501	23,204,841
Cost of sales	18,478,205	11,564,509
Gross profit	26,702,296	11,640,332
Selling, general and administrative expenses	20,247,730	14,530,518
Operating profit (loss)	6,454,566	(2,890,186)
Non-operating income		
Interest income	98	33
Dividend income	4,935	4,003
Purchase discounts	960	339
Rental income from land and buildings	18,766	47,224
Subsidy income	–	2,409,841
Other	54,270	118,636
Total non-operating income	79,029	2,580,076
Non-operating expenses		
Interest expenses	1,532	753
Sales discounts	2,909	1,087
Depreciation	3,829	3,634
Loss on store closings	21,355	–
Other	28,816	6,207
Total non-operating expenses	58,441	11,681
Ordinary profit (loss)	6,475,154	(321,791)
Extraordinary income		
Gain on sale of non-current assets	116	7,937
Total extraordinary income	116	7,937
Extraordinary losses		
Loss on sale of non-current assets	289	6
Loss on retirement of non-current assets	15,855	45,333
Impairment losses	264,855	115,001
Loss on valuation of inventories	248,252	–
Total extraordinary losses	529,251	160,340
Profit (loss) before income taxes	5,946,019	(474,194)
Income taxes - current	2,056,358	182,404
Income taxes - deferred	(210,768)	(86,970)
Total income taxes	1,845,590	95,434
Profit (loss)	4,100,429	(569,628)
Profit (loss) attributable to owners of parent	4,100,429	(569,628)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit (loss)	4,100,429	(569,628)
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,454)	3,201
Foreign currency translation adjustment	12,031	(8,711)
Remeasurements of defined benefit plans, net of tax	27,572	(1,654)
Total other comprehensive income	15,149	(7,164)
Comprehensive income	4,115,578	(576,792)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,115,578	(576,792)

Consolidated statements of changes in equity

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 (loss) 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 (loss) 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

Fiscal year ended March 31, 2021

(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	18,655,835	(2,376)	21,194,420
Changes during period					
Dividends of surplus			(1,244,784)		(1,244,784)
Profit (loss) attributable to owners of parent			(569,628)		(569,628)
Purchase of treasury shares				(1,476)	(1,476)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(1,814,412)	(1,476)	(1,815,888)
Balance at end of period	1,217,800	1,323,161	16,841,423	(3,852)	19,378,532

	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	(3,221)	(15,157)	(11,241)	(29,619)	21,164,801
Changes during period					
Dividends of surplus					(1,244,784)
Profit (loss) attributable to owners of parent					(569,628)
Purchase of treasury shares					(1,476)
Net changes in items other than shareholders' equity	3,201	(8,711)	(1,654)	(7,164)	(7,164)
Total changes during period	3,201	(8,711)	(1,654)	(7,164)	(1,823,052)
Balance at end of period	(20)	(23,868)	(12,895)	(36,783)	19,341,749

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	5,946,019	(474,194)
Depreciation	1,459,205	1,420,044
Impairment losses	264,855	115,001
Increase (decrease) in allowance for doubtful accounts	4,278	4,160
Increase (decrease) in provision for bonuses	(189,322)	90,958
Increase (decrease) in retirement benefit liability	123,904	75,575
Interest and dividend income	(5,033)	(4,036)
Interest expenses	1,532	753
Increase (decrease) in provision for point card certificates	(2,780)	623
Loss (gain) on sale of non-current assets	173	(7,931)
Loss on retirement of non-current assets	15,855	45,333
Loss on store closings	21,355	–
Subsidy income	–	(2,409,841)
Decrease (increase) in trade receivables	2,135,189	(124,562)
Loss on valuation of inventories	248,252	–
Decrease (increase) in inventories	(14,882)	577,405
Decrease (increase) in other current assets	17,260	(291,012)
Increase (decrease) in trade payables	(699,489)	202,570
Increase (decrease) in other current liabilities	(347,218)	(122,710)
Increase (decrease) in other non-current liabilities	(16,571)	532
Increase (decrease) in accrued consumption taxes	(75,274)	(147,122)
Other, net	73,909	1,957
Subtotal	8,961,217	(1,046,497)
Interest and dividends received	5,033	4,036
Interest paid	(1,527)	(681)
Subsidies received	–	2,281,864
Income taxes paid	(2,386,224)	(1,155,821)
Net cash provided by (used in) operating activities	6,578,499	82,901
Cash flows from investing activities		
Purchase of investment securities	(3,550)	–
Purchase of property, plant and equipment	(2,265,370)	(588,280)
Proceeds from sale of property, plant and equipment	72,707	27,233
Purchase of intangible assets	(43,266)	(75,082)
Proceeds from divestments	262	50
Payments of leasehold and guarantee deposits	(101,204)	(17,092)
Proceeds from refund of leasehold and guarantee deposits	61,573	122,903
Net cash provided by (used in) investing	(167,503)	(74,820)
Net cash provided by (used in) investing activities	(2,446,351)	(605,088)

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Proceeds from long-term borrowings	–	1,000,000
Repayments of long-term borrowings	(252,729)	(214,277)
Repayments of finance lease obligations	(1,905)	(2,364)
Purchase of treasury shares	(313)	(1,476)
Dividends paid	(1,244,786)	(1,244,784)
Net cash provided by (used in) financing activities	(1,499,733)	(462,901)
Effect of exchange rate change on cash and cash equivalents	(870)	3,331
Net increase (decrease) in cash and cash equivalents	2,631,545	(981,757)
Cash and cash equivalents at beginning of period	5,659,617	8,291,162
Cash and cash equivalents at end of period	8,291,162	7,309,405