

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)

October 14, 2022

Company name: Kitanotatsujin Corporation
 Stock exchange listing: Tokyo, Sapporo
 Stock code: 2930 URL <https://www.kitanotatsujin.com>
 Representative: Representative Director & President Katsuhisa Kinoshita
 Inquiries: Director and General Manager of Administration Department Takahito Kudo TEL 050-2018-6578
 Scheduled date to file Quarterly Securities Report: October 14, 2022
 Scheduled date to commence dividend payments: November 11, 2022
 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 August 31, 2022 (from March 1, 2022 to August 31, 2022)

(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	%
Six months ended August 31, 2022	4,308	–	522	–	540	–	355	–
Six months ended August 31, 2021	4,937	–	983	–	995	–	684	–

(Note) Comprehensive income: Six months ended August 31, 2022: 355 million yen [–%]
 Six months ended August 31, 2021: 681 million yen [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2022	2.56	–
Six months ended August 31, 2021	4.92	–

(Notes) 1. As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter ended May 31, 2022, figures for the six months ended August 31, 2022 are the figures after applying said accounting, etc. Year-on-year changes are not provided.

2. As the Company began preparing consolidated financial statements from the three months ended May 31, 2021, year-on-year changes for the six months ended August 31, 2021 are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2022	7,501	6,318	84.2	45.44
As of February 28, 2022	7,555	6,146	81.3	44.22

(Reference) Equity: As of August 31, 2022: ¥6,318 million

As of February 28, 2022: ¥6,146 million

(Note) As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter ended May 31, 2022, figures for the six months ended August 31, 2022 are the figures after applying said accounting, etc.

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 February 28, 2022	–	1.30	–	1.60	2.90
Year ending February 28, 2023	–	0.90	–	–	–
Year ending February 28, 2023 (Forecast)	–	–	–	0.60	1.50

(Note) Revision to the dividend forecast announced most recently: None

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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	9,064	–	1,241	–	1,260	–	834	–	6.00

(Notes) 1. Revision to the financial results forecast announced most recently: Yes

2. As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the year ending February 28, 2023, figures for the consolidated financial results forecast above are shown after applying said accounting standard, etc. Year-on-year changes are not provided.

4. Notes

(1) Changes in significant subsidiaries during the period (changes in certain subsidiaries resulting in change in the scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

(Note) Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes on Quarterly Consolidated Financial Statements (Application of special accounting methods for preparing quarterly consolidated financial statements)” on page 12 of the appendix (Japanese only) for details.

(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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: Yes

Restatement of prior period financial statements: No

(Note) Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes on Quarterly Consolidated Financial Statements (Application of special accounting methods for preparing quarterly consolidated financial statements)” on page 12 of the appendix (Japanese only) for details.

(4) Number of issued shares (common shares)

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

As of August 31, 2022	141,072,000 shares	As of February 28, 2022	141,072,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2022	2,018,000 shares	As of February 28, 2022	2,083,000 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2022	139,013,375 shares	Six months ended August 31, 2021	138,975,004 shares
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(Reference)

1. Non-consolidated financial results for the six months ended August 31, 2022 (cumulative) (from March 1, 2022 to August 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2022	3,758	—	527	—	563	—	382	—
Six months ended August 31, 2021	4,662	1.5	988	(4.1)	1,006	(2.7)	690	(3.9)

(Note) As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter ended May 31, 2022, figures for the six months ended August 31, 2022 are the figures after applying said accounting, etc. Year-on-year changes are not provided.

2. Forecast of non-consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,007	—	1,278	—	1,309	—	891	—	6.41

(Notes) 1. Revision to the financial results forecast announced most recently: Yes

2. As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the year ending February 28, 2023, figures for the non-consolidated financial results forecast above are shown after applying said accounting standard, etc. Year-on-year changes are not provided.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	5,210,952	5,254,877
Notes and accounts receivable - trade	476,559	–
Notes and accounts receivable - trade, and contract assets	–	545,407
Merchandise and finished goods	769,939	604,057
Work in process	594	8,676
Raw materials and supplies	68,900	48,017
Other	283,633	154,758
Allowance for doubtful accounts	(2,351)	(2,668)
Total current assets	6,808,227	6,613,126
Non-current assets		
Property, plant and equipment	122,862	228,847
Intangible assets		
Goodwill	280,230	247,262
Other	32,776	38,408
Total intangible assets	313,006	285,670
Investments and other assets	311,763	374,090
Total non-current assets	747,633	888,608
Total assets	7,555,860	7,501,735
Liabilities		
Current liabilities		
Accounts payable - trade	160,308	131,396
Accounts payable - other	328,504	501,336
Income taxes payable	453,491	199,478
Provision for sales promotion expenses	34,699	–
Provision for shareholder benefit	57,913	–
Provision for sales returns	10,666	–
Provision for loss on transfer	4,979	1,262
Asset retirement obligations	15,000	–
Other	170,160	126,970
Total current liabilities	1,235,723	960,442
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	8,135	3,375
Retirement benefit liability	11,765	13,037
Asset retirement obligations	86,765	152,511
Other	67,352	54,278
Total non-current liabilities	174,018	223,202
Total liabilities	1,409,742	1,183,645
Net assets		
Shareholders' equity		
Share capital	273,992	273,992
Capital surplus	257,638	253,992
Retained earnings	6,045,466	6,207,629
Treasury shares	(430,978)	(417,523)
Total shareholders' equity	6,146,118	6,318,090
Non-controlling interests		
	–	–
Total net assets	6,146,118	6,318,090
Total liabilities and net assets	7,555,860	7,501,735

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Net sales	4,937,484	4,308,501
Cost of sales	1,179,441	1,111,347
Gross profit	3,758,042	3,197,154
Reversal of provision for sales returns	11,456	–
Provision for sales returns	14,441	–
Gross profit - net	3,755,057	3,197,154
Selling, general and administrative expenses	2,771,498	2,675,096
Operating profit	983,558	522,058
Non-operating income		
Interest income	36	59
Foreign exchange gains	4,513	6,236
Repayment income	2,353	826
Sample income	1,225	4,288
Royalty income	2,776	3,889
Gain on receipt of donated non-current assets	1,800	3,600
Other	277	720
Total non-operating income	12,982	19,620
Non-operating expenses		
Interest expenses	1,191	1,074
Other	10	73
Total non-operating expenses	1,201	1,147
Ordinary profit	995,339	540,530
Extraordinary income		
Gain on bargain purchase	8,376	–
Total extraordinary income	8,376	–
Extraordinary losses		
Loss on retirement of non-current assets	913	371
Total extraordinary losses	913	371
Profit before income taxes	1,002,802	540,158
Income taxes	321,601	184,868
Profit	681,200	355,289
Loss attributable to non-controlling interests	(3,129)	–
Profit attributable to owners of parent	684,330	355,289

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	681,200	355,289
Comprehensive income	681,200	355,289
Comprehensive income attributable to:		
Owners of parent	684,330	355,289
Non-controlling interests	(3,129)	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,002,802	540,158
Depreciation	18,429	43,611
Amortization of goodwill	16,484	32,968
Gain on bargain purchase	(8,376)	–
Loss on retirement of non-current assets	913	371
Increase (decrease) in allowance for doubtful accounts	(322)	8,110
Increase (decrease) in provision for sales promotion expenses	(6,347)	–
Increase (decrease) in provision for shareholder benefit program	(37,442)	(57,913)
Increase (decrease) in provision for sales returns	2,985	–
Increase (decrease) in provision for retirement benefits for directors (and other officers)	878	(4,760)
Increase (decrease) in retirement benefit liability	556	1,272
Increase (decrease) in provision for loss on transfer	–	(3,717)
Foreign exchange losses (gains)	(5,034)	(6,925)
Interest and dividend income	(36)	(59)
Interest expenses	1,191	1,074
Decrease (increase) in trade receivables	76,638	(45,411)
Decrease (increase) in inventories	134,321	191,581
Increase (decrease) in trade payables	(43,398)	(28,912)
Increase (decrease) in accounts payable - other	(35,388)	153,108
Other, net	73,175	(90,252)
Subtotal	1,192,030	734,305
Interest and dividend income received	36	59
Interest paid	(1,191)	(1,074)
Compensation for damage received	–	82,262
Income taxes paid	(248,463)	(390,330)
Net cash provided by (used in) operating activities	942,412	425,221
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,721)	(75,850)
Purchase of intangible assets	(6,276)	(5,683)
Payments of guarantee deposits	(15,417)	(76,837)
Proceeds from refund of guarantee deposits	448	33
Purchase of shares of subsidiaries and associates	(10,000)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	262,409	–
Net cash provided by (used in) investing activities	214,442	(158,339)
Cash flows from financing activities		
Repayments of lease obligations	(7,043)	(7,938)
Dividends paid	(166,775)	(221,911)
Net cash provided by (used in) financing activities	(173,819)	(229,849)
Effect of exchange rate change on cash and cash equivalents	5,031	6,891
Net increase (decrease) in cash and cash equivalents	988,067	43,924
Cash and cash equivalents at beginning of period	3,612,973	5,210,952
Cash and cash equivalents at end of period	4,601,041	5,254,877