

Translation

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Summary of Non-Consolidated Financial Results for the Three Months Ended May 31, 2019 (Based on Japanese GAAP)

July 12, 2019

Company name: Kitanotatsujin Corporation
 Stock exchange listing: Tokyo, Sapporo
 Stock code: 2930 URL <https://www.kitanotatsujin.com>
 Representative: Representative Director & President Katsuhisa Kinoshita
 Inquiries: Senior Managing Director Shigeatsu Shimizu TEL 050-2018-7864
 Scheduled date to file Quarterly Securities Report: July 12, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the three months ended May 31, 2019 (from March 1, 2019 to May 31, 2019)

(1) Non-consolidated operating results (cumulative)

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	%
Three months ended May 31, 2019	2,387	25.2	553	22.3	553	22.2	385	22.1
Three months ended May 31, 2018	1,907	118.5	452	99.6	453	99.9	315	100.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2019	2.77		–	
Three months ended May 31, 2018	2.28		2.26	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2019	4,037	3,049	75.5	21.94
As of February 28, 2019	4,240	2,942	69.4	21.17

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, 2019	–	1.60	–	2.00	3.60
Year ending February 29, 2020	–	–	–	–	–
Year ending February 29, 2020 (Forecast)	–	2.00	–	2.10	4.10

3. Forecast of non-consolidated financial results for the year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

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
Six months ending August 31, 2019	5,296	34.1	1,288	35.1	1,289	35.1	901	35.9	6.49
Full year	10,939	31.6	2,702	45.2	2,703	45.2	1,890	46.2	13.60

4. Notes

(1) Application of special accounting methods for preparing quarterly non-consolidated financial statements: 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 May 31, 2019	141,072,000 shares	As of February 28, 2019	141,072,000 shares
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Number of treasury shares at the end of the period

As of May 31, 2019	2,105,200 shares	As of February 28, 2019	2,105,200 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2019	138,966,800 shares	Three months ended May 31, 2018	138,614,974 shares
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Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of February 28, 2019	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	2,687,645	2,589,868
Accounts receivable - trade	518,641	312,546
Finished goods	572,664	670,561
Work in process	13,300	–
Raw materials and supplies	127,772	115,562
Other	46,574	36,980
Allowance for doubtful accounts	(7,695)	(4,638)
Total current assets	3,958,904	3,720,881
Non-current assets		
Property, plant and equipment	32,842	106,069
Intangible assets	31,538	30,546
Investments and other assets	217,347	179,834
Total non-current assets	281,729	316,449
Total assets	4,240,633	4,037,331
Liabilities		
Current liabilities		
Accounts payable - trade	163,622	214,117
Accounts payable - other	445,203	407,199
Current portion of long-term loans payable	74,943	41,604
Income taxes payable	333,482	148,989
Accrued consumption taxes	142,710	59,969
Advances received	2,608	2,543
Provision for sales promotion expenses	61,026	56,954
Provision for shareholder benefit program	38,051	–
Provision for sales returns	14,344	14,093
Asset retirement obligations	1,120	–
Other	21,227	42,264
Total current liabilities	1,298,339	987,736
Total liabilities	1,298,339	987,736
Net assets		
Shareholders' equity		
Capital stock	273,992	273,992
Capital surplus	253,992	253,992
Retained earnings	2,849,883	2,957,184
Treasury shares	(435,574)	(435,574)
Total shareholders' equity	2,942,293	3,049,595
Total net assets	2,942,293	3,049,595
Total liabilities and net assets	4,240,633	4,037,331

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Net sales	1,907,003	2,387,187
Cost of sales	416,559	555,403
Gross profit	1,490,444	1,831,783
Reversal of provision for sales returns	6,728	14,344
Provision for sales returns	8,766	14,093
Gross profit - net	1,488,406	1,832,034
Selling, general and administrative expenses	1,035,722	1,278,364
Operating profit	452,683	553,669
Non-operating income		
Interest income	–	0
Sample income	148	148
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Repayment income	–	982
lecture fee-NOI	–	29
Other	–	39
Total non-operating income	1,622	1,201
Non-operating expenses		
Interest expenses	118	33
Provision of allowance for doubtful accounts	60	–
Foreign exchange losses	685	1,296
Share issuance cost	428	–
Total non-operating expenses	1,291	1,330
Ordinary profit	453,015	553,540
Extraordinary losses		
Loss on retirement of non-current assets	–	30
Head office transfer cost	–	2,650
Total extraordinary losses	–	2,680
Profit before income taxes	453,015	550,859
Income taxes - current	122,550	140,872
Income taxes - deferred	14,881	24,752
Total income taxes	137,431	165,625
Profit	315,583	385,234

Non-consolidated statements of cash flows

(Thousands of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Cash flows from operating activities		
Profit before income taxes	453,015	550,859
Depreciation	2,925	5,625
Increase (decrease) in allowance for doubtful accounts	1,524	(3,056)
Increase (decrease) in provision for sales promotion expenses	7,431	(4,072)
Increase (decrease) in provision for shareholder benefit program	(23,264)	(38,051)
Increase (decrease) in provision for sales returns	2,037	(250)
Foreign exchange losses (gains)	759	1,433
Interest and dividend income	–	(0)
Interest expenses	118	33
Share issuance cost	428	–
Loss on retirement of non-current assets	–	30
Head office relocation expenses	–	2,650
Decrease (increase) in notes and accounts receivable - trade	(65,523)	206,094
Decrease (increase) in inventories	36,698	(72,385)
Decrease (increase) in other assets	(25,044)	9,593
Increase (decrease) in notes and accounts payable - trade	31,965	50,494
Increase (decrease) in accounts payable - other	138,781	(58,243)
Increase (decrease) in advances received	1,137	(64)
Increase (decrease) in other liabilities	(28,478)	(70,079)
Subtotal	534,513	580,611
Interest and dividend income received	–	0
Interest expenses paid	(118)	(33)
Income taxes paid	(389,773)	(316,989)
Payments for head office removal expenses	–	(2,650)
Net cash provided by (used in) operating activities	144,621	260,939
Cash flows from investing activities		
Purchase of property, plant and equipment	(374)	(75,726)
Purchase of intangible assets	(335)	(1,921)
Payments for guarantee deposits	(413)	–
Proceeds from collection of guarantee deposits	–	12,104
Payments for asset retirement obligations	–	(500)
Net cash provided by (used in) investing activities	(1,123)	(66,043)
Cash flows from financing activities		
Repayments of long-term loans payable	(33,339)	(33,339)
Cash dividends paid	(202,618)	(257,936)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	120,531	–
Net cash provided by (used in) financing activities	(115,426)	(291,275)
Effect of exchange rate change on cash and cash equivalents	(758)	(1,397)
Net increase (decrease) in cash and cash equivalents	27,313	(97,776)
Cash and cash equivalents at beginning of period	2,508,142	2,687,645
Cash and cash equivalents at end of period	2,535,456	2,589,868