

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2021 (Based on Japanese GAAP)

January 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 050-2018-7864
 Scheduled date to file Quarterly Securities Report: January 14, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2021 (from March 1, 2021 to November 30, 2021)

(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 | % |
| Nine months ended November 30, 2021 | 7,296 | – | 1,600 | – | 1,619 | – | 1,102 | – |
| Nine months ended November 30, 2020 | – | – | – | – | – | – | – | – |

(Note) Comprehensive income: Nine months ended November 30, 2021: 1,099 million yen [–%]
 Nine months ended November 30, 2020: – million yen [–%]

| | Earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Nine months ended November 30, 2021 | 7.93 | – |
| Nine months ended November 30, 2020 | – | – |

(Note) As the Company began preparing quarterly consolidated financial statements from the three months ended May 31, 2021, consolidated operating results for the nine months ended November 30, 2020 and changes from the previous corresponding period 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 November 30, 2021 | 7,043 | 5,903 | 83.8 | 42.47 |
| As of February 28, 2021 | – | – | – | – |

(Note) As the Company began preparing quarterly consolidated financial statements from the three months ended May 31, 2021, consolidated financial position for the year ended February 28, 2021 is not provided.

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, 2021 | – | 1.80 | – | 1.20 | 3.00 |
| Year ending February 28, 2022 | – | 1.30 | – | – | – |
| Year ending February 28, 2022 (Forecast) | – | – | – | 1.40 | 2.70 |

3. Forecast of consolidated financial results for the year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

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 | 9,486 | – | 2,036 | – | 2,054 | – | 1,404 | – | 10.10 |

(Note) As the Company began preparing quarterly consolidated financial statements from the three months ended May 31, 2021, 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: No

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: Yes

Restatement of prior period financial statements: No

(Note) Article 10-5 of the “Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” is applied. Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes on Quarterly Consolidated Financial Statements (Change in accounting estimates)” 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 November 30, 2021 | 141,072,000 shares | As of February 28, 2021 | 141,072,000 shares |
|-------------------------|--------------------|-------------------------|--------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|------------------|-------------------------|------------------|
| As of November 30, 2021 | 2,083,000 shares | As of February 28, 2021 | 2,105,200 shares |
|-------------------------|------------------|-------------------------|------------------|

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

| | | | |
|-------------------------------------|--------------------|-------------------------------------|--------------------|
| Nine months ended November 30, 2021 | 138,979,636 shares | Nine months ended November 30, 2020 | 138,966,800 shares |
|-------------------------------------|--------------------|-------------------------------------|--------------------|

(Reference)

1. Non-consolidated financial results for the nine months ended November 30, 2021 (cumulative) (from March 1, 2021 to November 30, 2021)

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 | % |
| Nine months ended November 30, 2021 | 6,785 | (3.2) | 1,614 | 2.6 | 1,645 | 4.0 | 1,128 | 3.9 |
| Nine months ended November 30, 2020 | 7,012 | (7.1) | 1,573 | (27.9) | 1,582 | (27.7) | 1,086 | (26.9) |

2. Forecast of non-consolidated financial results for the year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

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 | 8,699 | (6.2) | 2,051 | 1.0 | 2,090 | 2.0 | 1,415 | 2.0 | 10.18 |

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

As of November 30, 2021

| | |
|---|-----------|
| Assets | |
| Current assets | |
| Cash and deposits | 4,616,440 |
| Notes and accounts receivable - trade | 540,112 |
| Merchandise and finished goods | 843,379 |
| Work in process | 805 |
| Raw materials and supplies | 59,092 |
| Other | 124,584 |
| Allowance for doubtful accounts | (2,714) |
| Total current assets | 6,181,700 |
| Non-current assets | |
| Property, plant and equipment | 222,958 |
| Intangible assets | |
| Goodwill | 296,714 |
| Other | 37,619 |
| Total intangible assets | 334,334 |
| Investments and other assets | 304,204 |
| Total non-current assets | 861,496 |
| Total assets | 7,043,197 |
| Liabilities | |
| Current liabilities | |
| Accounts payable - trade | 174,341 |
| Accounts payable - other | 372,585 |
| Income taxes payable | 217,381 |
| Provision for sales promotion expenses | 38,138 |
| Provision for sales returns | 12,387 |
| Other | 149,286 |
| Total current liabilities | 964,118 |
| Non-current liabilities | |
| Provision for retirement benefits for directors (and other officers) | 7,905 |
| Retirement benefit liability | 11,423 |
| Asset retirement obligations | 86,765 |
| Other | 69,539 |
| Total non-current liabilities | 175,633 |
| Total liabilities | 1,139,752 |
| Net assets | |
| Shareholders' equity | |
| Share capital | 273,992 |
| Capital surplus | 254,891 |
| Retained earnings | 5,805,539 |
| Treasury shares | (430,978) |
| Total shareholders' equity | 5,903,444 |
| Non-controlling interests | - |
| Total net assets | 5,903,444 |
| Total liabilities and net assets | 7,043,197 |

Consolidated statements of income (cumulative)

(Thousands of yen)

| | Nine months ended November 30, 2021 |
|--|--|
| Net sales | 7,296,790 |
| Cost of sales | 1,783,665 |
| Gross profit | 5,513,125 |
| Reversal of provision for sales returns | 11,456 |
| Provision for sales returns | 12,387 |
| Gross profit - net | 5,512,195 |
| Selling, general and administrative expenses | 3,911,766 |
| Operating profit | 1,600,428 |
| Non-operating income | |
| Interest income | 38 |
| Sample income | 1,558 |
| Repayment income | 3,238 |
| Foreign exchange gains | 9,013 |
| Royalty income | 4,175 |
| Other | 2,437 |
| Total non-operating income | 20,461 |
| Non-operating expenses | |
| Interest expenses | 1,848 |
| Other | 11 |
| Total non-operating expenses | 1,859 |
| Ordinary profit | 1,619,030 |
| Extraordinary income | |
| Gain on bargain purchase | 8,376 |
| Total extraordinary income | 8,376 |
| Extraordinary losses | |
| Loss on retirement of non-current assets | 913 |
| Dismantlement expenses | 555 |
| Total extraordinary losses | 1,468 |
| Profit before income taxes | 1,625,938 |
| Income taxes | 526,509 |
| Profit | 1,099,429 |
| Loss attributable to non-controlling interests | (3,129) |
| Profit attributable to owners of parent | 1,102,558 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Nine months ended November 30, 2021 |
|---------------------------------------|--|
| Profit | 1,099,429 |
| Comprehensive income | 1,099,429 |
| Comprehensive income attributable to: | |
| Owners of parent | 1,102,558 |
| Non-controlling interests | (3,129) |

Consolidated statements of cash flows

(Thousands of yen)

| | Nine months ended November 30, 2021 |
|--|--|
| Cash flows from operating activities | |
| Profit before income taxes | 1,625,938 |
| Depreciation | 29,205 |
| Amortization of goodwill | 32,968 |
| Gain on bargain purchase | (8,376) |
| Loss on retirement of non-current assets | 913 |
| Increase (decrease) in allowance for doubtful accounts | (804) |
| Increase (decrease) in provision for sales promotion expenses | (10,770) |
| Increase (decrease) in provision for shareholder benefit program | (37,442) |
| Increase (decrease) in provision for sales returns | 930 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 1,222 |
| Increase (decrease) in retirement benefit liability | 895 |
| Foreign exchange losses (gains) | (8,921) |
| Interest and dividend income | (38) |
| Interest expenses | 1,848 |
| Decrease (increase) in trade receivables | 139,989 |
| Decrease (increase) in inventories | 92,397 |
| Increase (decrease) in trade payables | (61,761) |
| Increase (decrease) in accounts payable - other | (133,896) |
| Other, net | 89,826 |
| Subtotal | 1,754,123 |
| Interest and dividend income received | 38 |
| Interest paid | (1,848) |
| Income taxes paid | (610,541) |
| Net cash provided by (used in) operating activities | 1,141,772 |
| Cash flows from investing activities | |
| Purchase of property, plant and equipment | (20,385) |
| Purchase of intangible assets | (9,014) |
| Payments of guarantee deposits | (15,417) |
| Proceeds from refund of guarantee deposits | 448 |
| 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 | 208,040 |
| Cash flows from financing activities | |
| Repayments of lease obligations | (11,332) |
| Dividends paid | (343,924) |
| Net cash provided by (used in) financing activities | (355,257) |
| Effect of exchange rate change on cash and cash equivalents | 8,910 |
| Net increase (decrease) in cash and cash equivalents | 1,003,466 |
| Cash and cash equivalents at beginning of period | 3,612,973 |
| Cash and cash equivalents at end of period | 4,616,440 |