

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Year Ended October 31, 2019 (Based on Japanese GAAP)

December 13, 2019

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
 Director & General Manager, Administration Division Norihiko Suehiro TEL 042-860-7182
 Inquiries: Administration Division
 Scheduled date of ordinary general meeting of shareholders: January 30, 2020
 Scheduled date to file Securities Report: January 31, 2020
 Scheduled date to commence dividend payments: January 31, 2020
 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, 2019 (from November 1, 2018 to October 31, 2019)

(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, 2019	9,052	29.8	1,006	29.8	1,023	31.6	524	15.2
Year ended October 31, 2018	6,971	24.2	775	23.7	777	22.0	455	108.1

	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, 2019	107.23	106.42	18.0	20.4	11.1
Year ended October 31, 2018	111.61	109.08	26.3	23.5	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, 2019	5,781	3,141	54.3	634.90
As of October 31, 2018	4,232	2,684	63.4	549.45

(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, 2019	1,074	(1,253)	320	1,875
Year ended October 31, 2018	798	(1,057)	1,201	1,739

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, 2018	—	0.00	—	18.00	18.00	87	16.1	4.9
Year ended October 31, 2019	—	0.00	—	30.00	30.00	148	28.0	5.1
Year ending October 31, 2020 (Forecast)	—	0.00	—	30.00	30.00		23.2	

3. Forecast of consolidated financial results for the year ending October 31, 2020 (from November 1, 2019 to October 31, 2020)

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, 2020	5,585	28.9	560	1.9	570	2.6	365	3.0	73.76
Full year	11,825	30.6	1,185	17.7	1,200	17.3	640	22.0	129.33

4. Notes

(1) Changes in significant subsidiaries during the year ended October 31, 2019

(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, 2019	4,948,400 shares	As of October 31, 2018	4,885,600 shares
------------------------	------------------	------------------------	------------------

Number of treasury shares at the end of the period

As of October 31, 2019	– shares	As of October 31, 2018	– shares
------------------------	----------	------------------------	----------

Average number of shares during the period

Year ended October 31, 2019	4,894,032 shares	Year ended October 31, 2018	4,083,056 shares
-----------------------------	------------------	-----------------------------	------------------

Consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of October 31, 2018	As of October 31, 2019
Assets		
Current assets		
Cash and deposits	1,739,814	1,875,855
Accounts receivable - trade	183,279	221,384
Merchandise and finished goods	24,655	55,666
Raw materials and supplies	17,990	46,705
Other	78,013	106,602
Allowance for doubtful accounts	(2,929)	(1,996)
Total current assets	2,040,822	2,304,217
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,222,590	2,168,150
Accumulated depreciation	(172,994)	(553,692)
Buildings and structures, net	1,049,596	1,614,457
Machinery, equipment and vehicles	283,916	450,007
Accumulated depreciation	(88,367)	(142,874)
Machinery, equipment and vehicles, net	195,548	307,133
Tools, furniture and fixtures	214,651	396,745
Accumulated depreciation	(119,467)	(282,179)
Tools, furniture and fixtures, net	95,183	114,565
Land	639	80,716
Other	79,342	26,018
Accumulated depreciation	(8,911)	(10,819)
Other, net	70,430	15,199
Total property, plant and equipment	1,411,398	2,132,072
Intangible assets		
Goodwill	–	166,302
Other	33,288	25,787
Total intangible assets	33,288	192,090
Investments and other assets		
Long-term loans receivable	108,841	220,007
Deferred tax assets	105,679	169,409
Leasehold and guarantee deposits	455,651	643,026
Other	77,347	120,846
Allowance for doubtful accounts	(588)	(588)
Total investments and other assets	746,931	1,152,701
Total non-current assets	2,191,619	3,476,864
Total assets	4,232,441	5,781,082

(Thousands of yen)

	As of October 31, 2018	As of October 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	201,094	297,964
Short-term loans payable	156,828	470,537
Current portion of long-term loans payable	236,384	347,996
Accounts payable - other	147,063	245,713
Income taxes payable	229,297	282,664
Provision for bonuses	43,183	45,654
Asset retirement obligations	2,725	2,164
Other	183,018	429,390
Total current liabilities	1,199,595	2,122,083
Non-current liabilities		
Long-term loans payable	223,070	332,556
Deferred tax liabilities	—	7,394
Asset retirement obligations	119,925	171,088
Other	5,451	6,233
Total non-current liabilities	348,446	517,272
Total liabilities	1,548,042	2,639,356
Net assets		
Shareholders' equity		
Capital stock	763,469	776,409
Capital surplus	1,015,597	1,028,537
Retained earnings	903,245	1,340,105
Total shareholders' equity	2,682,312	3,145,052
Accumulated other comprehensive income		
Foreign currency translation adjustment	2,086	(3,326)
Total accumulated other comprehensive income	2,086	(3,326)
Total net assets	2,684,399	3,141,725
Total liabilities and net assets	4,232,441	5,781,082

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

(Thousands of yen)

	Fiscal year ended October 31, 2018	Fiscal year ended October 31, 2019
Net sales	6,971,827	9,052,421
Cost of sales	2,142,235	2,729,550
Gross profit	4,829,592	6,322,871
Selling, general and administrative expenses	4,054,035	5,315,941
Operating profit	775,556	1,006,929
Non-operating income		
Interest income	1,903	5,587
Dividend income	1	1
Foreign exchange gains	2,523	—
Compensation income	203	—
Commission income	10,656	14,885
Subsidy income	1,140	—
Other	1,312	2,141
Total non-operating income	17,741	22,616
Non-operating expenses		
Interest expenses	3,658	1,713
Foreign exchange losses	—	4,392
Prepayment fee	1,123	—
Loss on cancellation of contracts	10,500	—
Other	182	174
Total non-operating expenses	15,465	6,280
Ordinary profit	777,832	1,023,265
Extraordinary income		
Gain on sales of non-current assets	—	6,754
Total extraordinary income	—	6,754
Extraordinary losses		
Impairment loss	47,950	128,952
Loss on retirement of non-current assets	5,351	21,025
Total extraordinary losses	53,301	149,977
Profit before income taxes	724,531	880,041
Income taxes - current	297,932	401,526
Income taxes - deferred	(29,093)	(46,285)
Total income taxes	268,839	355,241
Profit	455,692	524,800
Profit attributable to owners of parent	455,692	524,800

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended October 31, 2018	Fiscal year ended October 31, 2019
Profit	455,692	524,800
Other comprehensive income		
Foreign currency translation adjustment	(1,735)	(5,413)
Total other comprehensive income	(1,735)	(5,413)
Comprehensive income	453,957	519,387
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	453,957	519,387

Consolidated statements of changes in equity

Fiscal year ended October 31, 2018

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	35,025	287,153	453,582	775,761	3,822	3,822	779,583
Changes of items during period							
Issuance of new shares	728,444	728,444		1,456,888			1,456,888
Profit attributable to owners of parent			455,692	455,692			455,692
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation			(6,029)	(6,029)			(6,029)
Net changes of items other than shareholders' equity					(1,735)	(1,735)	(1,735)
Total changes of items during period	728,444	728,444	449,662	1,906,550	(1,735)	(1,735)	1,904,815
Balance at end of current period	763,469	1,015,597	903,245	2,682,312	2,086	2,086	2,684,399

Fiscal year ended October 31, 2019

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	763,469	1,015,597	903,245	2,682,312	2,086	2,086	2,684,399
Changes of items 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 of items other than shareholders' equity					(5,413)	(5,413)	(5,413)
Total changes of items during period	12,939	12,939	436,860	462,739	(5,413)	(5,413)	457,325
Balance at end of current period	776,409	1,028,537	1,340,105	3,145,052	(3,326)	(3,326)	3,141,725

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended October 31, 2018	Fiscal year ended October 31, 2019
Cash flows from operating activities		
Profit before income taxes	724,531	880,041
Depreciation	134,056	201,783
Impairment loss	47,950	128,952
Increase (decrease) in allowance for doubtful accounts	(528)	(932)
Interest and dividend income	(1,905)	(5,589)
Interest expenses	3,658	1,713
Loss on cancellation of contracts	10,500	–
Loss (gain) on sales of non-current assets	–	(6,754)
Loss on retirement of non-current assets	5,351	21,025
Decrease (increase) in notes and accounts receivable - trade	6,947	(22,237)
Decrease (increase) in inventories	(17,481)	(42,904)
Increase (decrease) in notes and accounts payable - trade	33,465	59,620
Increase (decrease) in accounts payable - other	3,588	8,505
Increase (decrease) in provision for bonuses	116	2,470
Other, net	24,389	198,249
Subtotal	974,640	1,423,943
Interest and dividend income received	902	1,494
Interest expenses paid	(3,622)	(1,734)
Income taxes paid	(173,189)	(349,307)
Net cash provided by (used in) operating activities	798,730	1,074,396
Cash flows from investing activities		
Purchase of property, plant and equipment	(864,909)	(844,685)
Proceeds from sales of property, plant and equipment	–	44,181
Payments of loans receivable	(23,945)	(160,992)
Collection of loans receivable	13,977	8,792
Payments for leasehold and guarantee deposits	(170,992)	(170,256)
Proceeds from collection of leasehold and guarantee deposits	8,951	3,187
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(110,347)
Other, net	(20,701)	(23,652)
Net cash provided by (used in) investing activities	(1,057,621)	(1,253,771)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(143,172)	299,354
Proceeds from long-term loans payable	169,000	375,000
Repayments of long-term loans payable	(278,513)	(290,258)
Proceeds from issuance of common shares	1,456,888	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	25,879
Cash dividends paid	–	(87,555)
Other, net	(2,406)	(1,908)
Net cash provided by (used in) financing activities	1,201,796	320,511
Effect of exchange rate change on cash and cash equivalents	2,722	(5,094)
Net increase (decrease) in cash and cash equivalents	945,628	136,041
Cash and cash equivalents at beginning of period	804,898	1,739,814
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(10,712)	–
Cash and cash equivalents at end of period	1,739,814	1,875,855