

Consolidated Financial Results for the Fiscal Year Ended August 31, 2020 [Japanese GAAP]

October 12, 2020

Company name: ANAP INC.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3189

URL: <https://www.anap.co.jp/>

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Scheduled date of General Meeting of Shareholders: November 27, 2020

Scheduled date of commencing dividend payments: November 30, 2020

Scheduled date of filing annual securities report: November 30, 2020

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2020 (September 1, 2019 to August 31, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2020	5,659	(9.6)	(329)	-	(284)	-	(371)	-
August 31, 2019	6,261	(5.5)	88	(74.7)	91	(73.0)	62	(75.6)

Note: Comprehensive income: Fiscal year ended August 31, 2020: ¥(371) million [(-%)]

Fiscal year ended August 31, 2019: ¥58 million [(77.1) %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
August 31, 2020	(85.47)	-	(24.5)	(10.1)	(5.8)
August 31, 2019	14.39	14.08	3.6	3.2	1.4

Reference: Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended August 31, 2020: ¥- million

Fiscal year ended August 31, 2019: ¥- million

Note: Diluted earnings per share for the fiscal year ended August 31, 2020 are not stated because it was a loss per share, despite the existence of dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2020	2,728	1,362	50.0	304.07
As of August 31, 2019	2,888	1,672	57.7	388.08

Reference: Equity: As of August 31, 2020: ¥1,362 million

As of August 31, 2019: ¥1,665 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended August 31, 2020	Million yen (44)	Million yen (119)	Million yen 125	Million yen 858
August 31, 2019	(222)	(200)	(47)	897

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended August 31, 2019	Yen -	Yen 0.00	Yen -	Yen 6.00	Yen 6.00	Million yen 25	% 41.7	% 1.5
August 31, 2020	-	0.00	-	3.00	3.00	13	-	0.9
Fiscal year ending August 31, 2021 (Forecast)	-	0.00	-	4.00	4.00		22.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2021 (September 1, 2020 to August 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	3,230	9.5	(51)	-	(52)	-	(58)	-	(13.07)
Full year	6,701	18.4	93	-	92	-	81	-	18.13

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of shares issued (common shares)
 - 1) Total number of shares issued at the end of the period (including treasury shares):
August 31, 2020: 4,815,800 shares
August 31, 2019: 4,760,000 shares
 - 2) Total number of treasury shares at the end of the period:
August 31, 2020: 333,507 shares
August 31, 2019: 469,339 shares
 - 3) Average number of shares during the period:
Fiscal year ended August 31, 2020: 4,346,422 shares
Fiscal year ended August 31, 2019: 4,324,354 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended August 31, 2020 (From September 1, 2019 to August 31, 2020)

(1) Non-consolidated Operating Results

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2020	5,652	(9.5)	(330)	-	(279)	-	(376)	-
August 31, 2019	6,248	(5.7)	89	(75.5)	98	(72.5)	65	(75.6)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
August 31, 2020	(86.63)	-
August 31, 2019	15.25	14.92

Note: Diluted earnings per share for the fiscal year ended August 31, 2020 are not stated because it was a loss per share, despite the existence of dilutive shares.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2020	2,746	1,382	50.3	308.35
As of August 31, 2019	2,891	1,677	58.0	390.99

Reference: Equity: As of August 31, 2020: ¥1,382 million

As of August 31, 2019: ¥1,677 million

* These financial results are outside the scope of audit by certified public accountants or audit firms.

* Explanation on the proper use of the financial results forecast and other notes

Note on forward-looking statements, etc.

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document. The Company makes no warranty as to the achievability of these forecasts. Actual results may differ significantly from these forecasts due to various factors. Please refer to P. 5 “1. Overview of Business Results, etc. (4) Future Outlook” of the Appendix.

Availability of supplementary documents for the financial results and the annual financial results briefing session

The Company plans to hold a financial results briefing session for analysts on Thursday, October 22, 2020. The proceedings and content of the briefing, along with the financial results briefing materials for the briefing session, will be posted on the Company’s website immediately after the session.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

The Japanese economy during the fiscal year ended August 31, 2020 continued to follow a recovery trend, although moderate, on the back of the improvement in corporate earnings and the employment environment. However, with the start of 2020, society and people's lives have completely changed due to the spread of novel coronavirus disease (COVID-19), which led to the government's declaration of a nationwide state of emergency in April. As a result, economic activities were seriously impacted and the economy rapidly slowed down. Furthermore, as the impact of the COVID-19 pandemic is expected to continue going forward, the future of the country remained unclear and in a chaotic situation. The global economy was severely affected as well, and with political conflicts between the U.S. and China surfacing, the outlook for the economy remained serious and more unforeseeable than ever.

In the casual fashion industry where the Company operates, the operating environment continued to be severe due to labor shortages, soaring logistics costs, and a record warm winter in and after December even before the spread of COVID-19. In these difficult times, the spread of COVID-19 first affected production and logistics functions, and then stores were forced to shut down in accordance with the declaration of a state of emergency. As a result, the operating environment became unprecedentedly difficult.

Under these circumstances, the Company started closing one store after another in March, and decided to suspend business in all 28 stores in response to the declaration of a state of emergency in April. The Company also postponed the opening of a new store. In the Internet Retailing Business and headquarters functions, measures were taken including teleworking to manage the situation. Stores that reopened in May performed well backed by people's reaction to restraint fatigue, while new stores also made a steady start. However, in July, when the Company's sales usually peak, the number of infections, which had previously gone down, rose again, resulting in a decrease in the number of customers who visited the stores. Furthermore, due to the impact of bad weather, including a prolonged rainy season caused by a delay in the rise of temperatures, the Company once again found itself in a challenging operating environment.

In the unusual situation where the businesses of all stores were suspended, the Company's characteristic of having an e-commerce sales ratio of 50% or more played a positive role. Even though online sales could not completely offset the decrease in store sales, the damage was reduced, as evidenced by net sales in the third quarter, under the state of emergency declaration, marking 76.7% of that in the same period of the previous fiscal year. On the Company's website, the impact of self-restraint on outings and the effect of promotional measures such as advertisement distribution, which the Company has focused on since the end of the previous fiscal year with the objective of enhancing traffic to its website, started to be revealed from April. However, the impact of bad weather, as mentioned above, including a warm winter and a greatly prolonged rainy season, and the impact of lower sales of apparel caused by self-restraint on outings resulted in an extremely harsh operating environment throughout the entire year.

Store staff began new initiatives such as live commerce, which is to attend to customers online on social media, during the period of business suspension. Even though store operations were not allowed, the staff carried out sales promotional activities online including communicating the attraction of the Company's brands, and continued these activities after the stores were reopened. In addition, the Company is simultaneously proceeding on cutting costs by streamlining operations, primarily with regard to the Company's website. With respect to headquarters functions as well, the Company has decided to reduce officer's remuneration and suspend some of shareholder benefits. In order to survive this crisis, all members of the Company are working together to realize a business recovery.

Moreover, in September 2019 consolidated subsidiary ANAP Lab, Inc. (formerly "ATLAB") became a wholly owned subsidiary of the Company and changed its trade name to clarify its position as a member of the ANAP Group with the aim of continuous business expansion by advancing measures to integrate digital technologies with offline operations. In June, the Company concluded a subcontracting agreement with AS Medical Support Co., Ltd. regarding matters including the joint business concerning stem cell banking. This was part of the

Company's efforts to establish footholds in order to expand profitability in domains outside of the Company's existing businesses, as the Company develops its business to break out of this harsh environment.

As a result, for the fiscal year ended August 31, 2020, net sales decreased by 9.6% from the previous fiscal year to ¥5,659 million. Operating loss was ¥329 million compared to operating profit of ¥88 million in the previous fiscal year due to a decrease in gross profit resulting from decreases in net sales of stores and the Company's website. Ordinary loss was ¥284 million compared to ordinary profit of ¥91 million in the previous fiscal year affected by employment adjustment subsidies for stores that suspended business. Loss attributable to owners of parent was ¥371 million compared to profit attributable to owners of parent of ¥62 million in the previous fiscal year mainly as a result of recording impairment losses on the Internet Retailing Business, software as corporate assets and unprofitable stores.

Operating results by business segment are as follows.

Internet Retailing Business

In the Internet Retailing Business, promotional measures such as advertisement distribution are taking effect. However, as it took time to realize it, coupled with the above-mentioned impact of bad weather, full year net sales declined. Given these conditions, the Company is making ongoing efforts to raise operational efficiencies by streamlining its business and appropriately positioning personnel.

As a result, net sales decreased by 7.0% from the previous fiscal year to ¥3,257 million and segment profit decreased by 96.8% to ¥7 million.

Store Retailing Business

In the Store Retailing Business, with the closing of three stores and the opening of four stores since the end of the previous fiscal year, the Company's store count was 29 at the end of the fiscal year under review. Net sales benefited from both existing stores and newly established stores that performed well, but then declined as operations were suspended at one store after another in March, followed by all stores closing due to the declaration of a state of emergency in April, on top of the above-mentioned impact of bad weather and a resurgence of infections. Profit fell due to a decrease in gross profit resulting from a decrease in net sales despite positive factors such as the reduction or exemption of store rents during business suspension, which did not completely offset a profit decline.

As a result, net sales decreased by 12.7% from the previous fiscal year to ¥2,157 million and segment loss was ¥16 million, compared to segment profit for the previous fiscal year of ¥196 million.

Wholesale Distribution Business

In the Wholesale Distribution Business, net sales decreased, as the conditions of existing customers had also deteriorated due to the impact of the spread of COVID-19.

As a result, net sales decreased by 9.6% from the previous fiscal year to ¥207 million and segment loss was ¥18 million, compared to segment loss for the previous fiscal year of ¥14 million.

(2) Overview of Financial Position for the Period Under Review

Current assets

Current assets as of the end of the fiscal year under review decreased by ¥237 million from the end of the previous fiscal year to ¥2,012 million. This is mainly attributable to decreases in cash and deposits, notes and accounts receivable – trade and merchandise and finished goods by ¥38 million, ¥154 million and ¥78 million, respectively, in spite of an increase in other current assets by ¥32 million.

Non-current assets

Non-current assets as of the end of the fiscal year under review increased by ¥78 million from the end of the previous fiscal year to ¥715 million. This is mainly attributable to a decrease in software by ¥42 million, in spite

of increases in buildings and investment securities by ¥49 million and ¥59 million, respectively.

Deferred assets

Deferred assets as of the end of the fiscal year under review decreased by ¥0 million from the end of the previous fiscal year to ¥0 million.

Current liabilities

Current liabilities as of the end of the fiscal year under review increased by ¥116 million from the end of the previous fiscal year to ¥1,039 million. This is mainly attributable to decreases in accounts payable – trade and other by ¥20 million and ¥38 million, respectively, in spite of increases in short-term borrowings and income taxes payable by ¥150 million and ¥22 million, respectively.

Non-current liabilities

Non-current liabilities as of the end of the fiscal year under review increased by ¥32 million from the end of the previous fiscal year to ¥326 million. This is mainly attributable to a decrease in retirement benefit liability by ¥5 million, in spite of increases in long-term accounts payable – other, lease obligations and asset retirement obligations by ¥16 million, ¥6 million and ¥15 million, respectively.

Net assets

Net assets as of the end of the fiscal year under review decreased by ¥309 million from the end of the previous fiscal year to ¥1,362 million. This is mainly attributable to decreases in retained earnings in line with the posting of a loss attributable to owners of parent, and retained earnings from dividends paid by ¥371 million and ¥25 million, respectively, in spite of an increase of ¥79 million due to the disposal of treasury shares.

(3) Overview of Cash Flows for the Period Under Review

Cash and cash equivalents (hereinafter referred to as “net cash”) as of the end of the fiscal year under review decreased by ¥38 million from the end of the previous fiscal year to ¥858 million. Cash flows for the fiscal year under review and associated factors are described below.

Cash flows from operating activities

Net cash used in operating activities during the fiscal year under review amounted to ¥44 million, compared with ¥222 million used in operating activities during the previous fiscal year. This is mainly attributable to increases due to depreciation of ¥59 million, impairment loss of ¥81 million, an increase in provision for point card certificates of ¥16 million, a decrease in trade receivables of ¥154 million, a decrease in inventories of ¥78 million, and a decrease in consumption taxes refund receivable of ¥26 million, and decreases due to a loss before income taxes of ¥366 million, subsidy income of ¥49 million, a decrease in trade payables of ¥20 million, and a decrease in accounts payable – other of ¥20 million.

Cash flows from investing activities

Net cash used in investing activities during the fiscal year under review amounted to ¥119 million, compared with ¥200 million used in investing activities during the previous fiscal year. This is mainly attributable to an increase due to proceeds from refund of leasehold and guarantee deposits of ¥14 million, and decreases due to purchase of property, plant and equipment of ¥72 million, payments for retirement of property, plant and equipment of ¥14 million, purchase of intangible assets of ¥26 million, and payments of leasehold and guarantee deposits of ¥14 million.

Cash flows from financing activities

Net cash provided by financing activities during the fiscal year under review amounted to ¥125 million, compared with ¥47 million used in financing activities during the previous fiscal year. This is mainly attributable to increases due to a net increase in short-term borrowings of ¥150 million, and proceeds from issuance of shares

resulting from exercise of share acquisition rights of ¥13 million, and decreases due to repayments of finance lease obligations of ¥10 million, and dividends paid of ¥25 million.

Reference: Trends in cash flow indicators

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019	Fiscal year ended August 31, 2020
Equity ratio (%)	40.1	56.3	63.3	57.7	50.0
Equity ratio based on market value (%)	43.9	118.4	148.1	85.0	94.6
Ratio of interest- bearing debt to cash flows (years)	2.3	1.5	0.8	—	—
Interest coverage ratio (times)	47.9	70.8	129.1	—	—

Equity ratio: equity/total assets

Equity ratio based on market value: market capitalization/total assets

Ratio of interest-bearing debt to cash flows: interest-bearing debt/cash flow

Interest coverage ratio: cash flow/interest payments

- Notes:
1. Indicators for the fiscal year ended August 31, 2017 and before are calculated using the non-consolidated financial statements, as there were no consolidated subsidiaries during that time.
 2. Market capitalization is calculated based on the number of outstanding shares, excluding treasury shares.
 3. The ratio of interest-bearing debt to cash flows and interest coverage ratio for the fiscal years ended August 31, 2019 and August 31, 2020 are not shown as the cash flow was negative in those years.
 4. Cash flow refers to operating cash flow.
 5. Interest-bearing debt refers to all liabilities recorded on the consolidated balance sheets (or non-consolidated balance sheets) on which interest is paid.

(4) Future Outlook

Due to concerns over the spread of COVID-19, economic trends as well as the employment and income environments are experiencing rapid changes. Acclimatization to lifestyles that incorporate a new way of life, and corporate activities that have adapted to the above, are sought after.

The fashion industry is currently facing an extremely difficult operating environment, and the negative effects are becoming more evident, as major apparel companies and famous brands close their stores one after another.

Through posting on social media and live commerce, the Group strives to further strengthen its shift to e-commerce sales. However, in consideration of the post-COVID-19 era, the Company has judged that the sales capabilities and brand penetration of physical stores cannot be disregarded. Therefore, the policy is to continue opening new stores in view of economic conditions and such. Even while people are being encouraged to avoid going out unless it is urgent and necessary, the Company views the pursuit of the enjoyment of fashion as its mission, with all employees sharing this view, and will continue to put an even greater level of effort into building the brand concept.

However, for both the COVID-19 era and post-COVID-19 era, in view of the conditions of the domestic market surrounding the fashion industry, it is risky to operate and expand only the existing businesses. The Company is taking a flexible and active stance in its efforts to seize new business opportunities, such as by entering the regenerative medicine field through the above-mentioned subsidiary, developing franchises overseas, and providing licenses both in Japan and overseas.

As it is extremely difficult to predict how COVID-19 will spread going forward, or when the pandemic will be contained, uncertainty over the future remains. However, based on the assumption that consumption will recover progressively as the pandemic approaches its conclusion, the Group has made calculations of the

consolidated financial results forecast for the next fiscal year.

For the fiscal year ending August 31, 2021 on a consolidated basis, the Company forecasts net sales of ¥6,701 million, operating profit of ¥93 million, ordinary profit of ¥92 million, and profit attributable to owners of parent of ¥81 million.

Going forward, depending on the situation regarding the spread of COVID-19, the financial results may change. If revisions to the consolidated financial results forecast are required, they shall be promptly disclosed.

2. Basic Stance on Selection of Accounting Standards

As most of the Group's stakeholders are shareholders, creditors and business partners in Japan, it has little need to raise funds overseas. The Company, therefore, prepares its consolidated financial statements using Japanese GAAP.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of August 31, 2019	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	897,577	858,718
Notes and accounts receivable - trade	491,711	337,290
Merchandise and finished goods	788,528	710,428
Work in process	779	529
Raw materials and supplies	4,664	4,795
Other	71,614	103,645
Allowance for doubtful accounts	(4,517)	(3,008)
Total current assets	2,250,359	2,012,399
Non-current assets		
Property, plant and equipment		
Buildings	334,897	384,124
Accumulated depreciation	(212,464)	(198,501)
Buildings, net	122,432	185,622
Land	1,139	1,139
Leased assets	99,324	99,946
Accumulated depreciation	(86,017)	(73,687)
Leased assets, net	13,306	26,258
Construction in progress	2,616	—
Other	140,263	106,547
Accumulated depreciation	(117,693)	(86,752)
Other, net	22,570	19,795
Total property, plant and equipment	162,065	232,815
Intangible assets		
Leased assets	11,279	8,271
Software	68,700	26,366
Other	13,471	1,955
Total intangible assets	93,450	36,593
Investments and other assets		
Investment securities	41,317	100,669
Deferred tax assets	44,065	41,414
Leasehold and guarantee deposits	275,700	275,996
Other	21,140	28,472
Total investments and other assets	382,223	446,552
Total non-current assets	637,739	715,961
Deferred assets		
Organization expenses	187	125
Total deferred assets	187	125
Total assets	2,888,286	2,728,486

(Thousand yen)

	As of August 31, 2019	As of August 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	212,602	192,252
Short-term borrowings	450,000	600,000
Lease obligations	7,058	11,441
Income taxes payable	4,039	26,954
Provision for bonuses	28,000	21,000
Provision for point card certificates	—	16,777
Asset retirement obligations	11,328	—
Other	209,312	170,903
Total current liabilities	922,341	1,039,329
Non-current liabilities		
Long-term accounts payable - other	—	16,555
Lease obligations	20,145	26,854
Retirement benefit liability	172,432	166,918
Asset retirement obligations	100,777	115,870
Total non-current liabilities	293,354	326,197
Total liabilities	1,215,695	1,365,526
Net assets		
Shareholders' equity		
Share capital	393,188	407,339
Capital surplus	716,654	718,049
Retained earnings	830,123	432,877
Treasury shares	(275,013)	(195,430)
Total shareholders' equity	1,664,952	1,362,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	154	94
Total accumulated other comprehensive income	154	94
Share acquisition rights	—	29
Non-controlling interests	7,484	—
Total net assets	1,672,591	1,362,959
Total liabilities and net assets	2,888,286	2,728,486

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended August 31, 2019	For the fiscal year ended August 31, 2020
Net sales	6,261,081	5,659,810
Cost of sales	2,543,838	2,399,145
Gross profit	3,717,243	3,260,665
Selling, general and administrative expenses		
Salaries and allowances	829,667	832,301
Provision for bonuses	28,000	21,000
Retirement benefit expenses	26,651	17,618
Outsourcing expenses	879,693	839,187
Rent expenses on land and buildings	578,752	581,885
Provision of allowance for doubtful accounts	(145)	(1,508)
Other	1,286,244	1,300,057
Total selling, general and administrative expenses	3,628,863	3,590,541
Operating profit (loss)	88,379	(329,875)
Non-operating income		
Interest income	32	12
Dividend income	66	66
Compensation income	9,772	814
Foreign exchange gains	3,662	—
Subsidy income	—	49,438
Other	2,019	2,244
Total non-operating income	15,553	52,575
Non-operating expenses		
Interest expenses	1,884	2,497
Commission expenses	8,691	3,229
Other	1,417	1,375
Total non-operating expenses	11,992	7,102
Ordinary profit (loss)	91,940	(284,402)
Extraordinary losses		
Impairment loss	4,097	81,601
Total extraordinary losses	4,097	81,601
Profit (loss) before income taxes	87,842	(366,004)
Income taxes - current	12,648	2,820
Income taxes - deferred	16,698	2,677
Total income taxes	29,346	5,498
Profit (loss)	58,496	(371,502)
Loss attributable to non-controlling interests	(3,716)	—
Profit (loss) attributable to owners of parent	62,212	(371,502)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended August 31, 2019	For the fiscal year ended August 31, 2020
Profit (loss)	58,496	(371,502)
Other comprehensive income		
Valuation difference on available-for-sale securities	(466)	(59)
Total other comprehensive income	(466)	(59)
Comprehensive income	58,029	(371,561)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	61,746	(371,561)
Comprehensive income attributable to non-controlling interests	(3,716)	—

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended August 31, 2019

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	393,188	716,654	795,154	(68,678)	1,836,318
Changes during period					
Dividends of surplus			(27,243)		(27,243)
Profit (loss) attributable to owners of parent			62,212		62,212
Purchase of treasury shares				(206,334)	(206,334)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	34,969	(206,334)	(171,365)
Balance at end of period	393,188	716,654	830,123	(275,013)	1,664,952

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	620	620	11,200	1,848,140
Changes during period				
Dividends of surplus				(27,243)
Profit (loss) attributable to owners of parent				62,212
Purchase of treasury shares				(206,334)
Net changes in items other than shareholders' equity	(466)	(466)	(3,716)	(4,183)
Total changes during period	(466)	(466)	(3,716)	(175,548)
Balance at end of period	154	154	7,484	1,672,591

For the fiscal year ended August 31, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	393,188	716,654	830,123	(275,013)	1,664,952
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6,894	6,894			13,788
Issuance of new shares-restricted stock	7,256	7,256			14,513
Dividends of surplus			(25,743)		(25,743)
Profit (loss) attributable to owners of parent			(371,502)		(371,502)
Purchase of treasury shares				(91)	(91)
Disposal of treasury shares		(1,082)		79,674	78,592
Issuance of share acquisition rights					
Change in ownership interest of parent due to transactions with non-controlling interests		(11,673)			(11,673)
Net changes in items other than shareholders' equity					
Total changes during period	14,150	1,395	(397,246)	79,582	(302,117)
Balance at end of period	407,339	718,049	432,877	(195,430)	1,362,835

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	154	154	—	7,484	1,672,591
Changes during period					
Issuance of new shares - exercise of share acquisition rights					13,788
Issuance of new shares-restricted stock					14,513
Dividends of surplus					(25,743)
Profit (loss) attributable to owners of parent					(371,502)
Purchase of treasury shares					(91)
Disposal of treasury shares					78,592
Issuance of share acquisition rights			29		29
Change in ownership interest of parent due to transactions with non-controlling interest					(11,673)
Net changes in items other than shareholders' equity	(59)	(59)		(7,484)	(7,543)
Total changes during period	(59)	(59)	29	(7,484)	(309,631)
Balance at end of period	94	94	29	—	1,362,959

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended August 31, 2019	For the fiscal year ended August 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	87,842	(366,004)
Depreciation	54,621	59,954
Share-based remuneration expenses	—	82
Impairment loss	4,097	81,601
Amortization of long-term prepaid expenses	3,415	3,682
Increase (decrease) in provision for bonuses	(7,000)	(7,000)
Increase (decrease) in retirement benefit liability	(19,324)	(5,513)
Increase (decrease) in allowance for doubtful accounts	(145)	(1,508)
Increase (decrease) in provision for sales returns	(300)	—
Increase (decrease) in provision for point card certificates	—	16,777
Interest and dividend income	(98)	(78)
Amortization of deferred assets	62	62
Interest expenses	1,884	2,497
Subsidy income	—	(49,438)
Foreign exchange losses (gains)	116	(17)
Decrease (increase) in trade receivables	(63,020)	154,421
Decrease (increase) in inventories	(225,341)	78,219
Decrease (increase) in advance payments - trade	112	(83)
Decrease (increase) in consumption taxes refund receivable	(24,890)	26,026
Increase (decrease) in trade payables	14,866	(20,349)
Increase (decrease) in accounts payable - other	26,858	(20,712)
Increase (decrease) in accrued expenses	6,662	(16,659)
Increase (decrease) in deposits received	(15,143)	(14,902)
Other, net	(27,249)	31,425
Subtotal	(181,975)	(47,515)
Interest and dividends received	98	78
Interest paid	(1,907)	(2,453)
Proceeds from compensation	9,772	814
Income taxes paid	(48,321)	4,285
Net cash provided by (used in) operating activities	(222,333)	(44,790)
Cash flows from investing activities		
Purchase of investment securities	(1)	(1)
Purchase of property, plant and equipment	(58,267)	(72,168)
Payments for retirement of property, plant and equipment	(14,277)	(14,126)
Purchase of intangible assets	(55,993)	(26,829)
Payments of leasehold and guarantee deposits	(107,604)	(14,317)
Proceeds from refund of leasehold and guarantee deposits	41,295	14,021
Purchase of long-term prepaid expenses	(5,347)	(6,094)
Net cash provided by (used in) investing activities	(200,196)	(119,514)

(Thousand yen)

	For the fiscal year ended August 31, 2019	For the fiscal year ended August 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	310,000	150,000
Repayments of long-term borrowings	(116,800)	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	13,788
Proceeds from issuance of share acquisition rights	—	29
Repayments of finance lease obligations	(7,834)	(10,688)
Purchase of treasury shares	(206,334)	(91)
Dividends paid	(26,923)	(25,242)
Other, net	—	(2,366)
Net cash provided by (used in) financing activities	(47,892)	125,428
Effect of exchange rate change on cash and cash equivalents	(116)	17
Net increase (decrease) in cash and cash equivalents	(470,538)	(38,858)
Cash and cash equivalents at beginning of period	1,368,115	897,577
Cash and cash equivalents at end of period	897,577	858,718

(5) Notes to the Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Additional information

(Impact of the spread of COVID-19)

As a result of the government's declaration of a nationwide state of emergency in April in response to the spread of COVID-19, the Company closed all of its stores. However, starting from May 9, they gradually resumed business operation. The Company reopened all of its stores on June 1, following the complete lifting of the declaration of a state of emergency on May 25.

With the adverse impact of COVID-19 on the economy continuing, although there remain uncertainties over the spread of infection going forward, when COVID-19 will be settled, and the market and consumer trends after COVID-19 is contained, the Company has made accounting estimates regarding the impairment accounting of non-current assets and the recoverability of deferred tax assets, on the assumption that the current situation returns to almost normal within the next fiscal year.

Since this assumption is highly uncertain, the financial position and operating results in the future may be affected if the impact of the spread of COVID-19 is prolonged.

(Provision for point card certificates)

With regard to accounting treatment of points, given the increased importance of points remaining, the Company began posting estimated future usage amount as "provision for point card certificates" from the current fiscal year.

Segment information, etc.

Segment information

1. Summary of reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available, and regarding which the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess performance.

The Company is engaged in the apparel retailing business, and comprises three reportable segments: the Internet Retailing Business, which sells directly to general customers through the internet; the Store Retailing Business, which sells to general customers face-to-face; and the Wholesale Distribution Business, which sells to select shops.

2. Method for calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The methods of accounting applied in the reported business segments are consistent with the accounting policies adopted by the Company in the preparation of the Consolidated Financial Statements. The reported segment profit is calculated on an operating profit basis.

3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (from September 1, 2018 to August 31, 2019)

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Consolidated Financial Statements (Note 3)
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Net sales							
Net sales to outside customers	3,505,016	2,471,918	230,090	6,207,025	54,056	—	6,261,081
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	3,505,016	2,471,918	230,090	6,207,025	54,056	—	6,261,081
Segment profit (loss)	218,024	196,681	(14,219)	400,486	19,680	(331,786)	88,379
Segment assets	847,964	599,485	69,948	1,517,399	24,807	1,346,080	2,888,286
Other items							
Depreciation (Note 4)	18,288	18,567	—	36,855	75	21,105	58,036
Increase in property, plant and equipment and intangible assets (Note 4)	44,671	31,032	—	75,703	—	55,468	131,172

Notes: 1. "Other" is a segment for businesses that do not fall under any reportable segments such as the license business.

2. Details of the adjustment are as follows.

- (1) The adjustment for segment profit (loss) of ¥(331,786) thousand is composed of corporate expenses, mainly general and administrative expenses at the Company's administrative departments, etc. which do not belong to any reportable segments.
- (2) The adjustment for segment assets of ¥1,346,080 thousand is composed of corporate assets, mainly assets associated with the Company's administrative departments, etc. which do not belong to any reportable segments.
- (3) The adjustment for depreciation of ¥21,105 thousand is composed of depreciation associated with corporate assets.
- (4) The adjustment for the increase in property, plant and equipment and intangible assets of ¥55,468 thousand is

composed of capital expenditure associated with corporate assets.

3. Segment profit (loss) is reconciled with operating profit in the consolidated statements of income.

4. Depreciation and the increase in property, plant and equipment and intangible assets include long-term prepaid expenses and their associated amortization.

Fiscal year under review (from September 1, 2019 to August 31, 2020)

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Consolidated Financial Statements (Note 3)
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Net sales							
Net sales to outside customers	3,257,958	2,157,715	207,898	5,623,572	36,238	—	5,659,810
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	3,257,958	2,157,715	207,898	5,623,572	36,238	—	5,659,810
Segment profit (loss)	7,000	(16,897)	(18,622)	(28,519)	502	(301,859)	(329,875)
Segment assets	639,688	634,773	68,897	1,343,359	20,646	1,364,480	2,728,486
Other items							
Depreciation (Note 4)	13,385	24,360	—	37,745	—	25,890	63,636
Increase in property, plant and equipment and intangible assets (Note 4)	25,676	91,302	—	116,978	—	36,322	153,301

Notes: 1. "Other" is a segment for businesses that do not fall under any reportable segments such as the license business.

2. Details of the adjustment are as follows.

(1) The adjustment for segment profit (loss) of ¥(301,859) thousand is composed of corporate expenses, mainly general and administrative expenses at the Company's administrative departments, etc. which do not belong to any reportable segments.

(2) The adjustment for segment assets of ¥1,364,480 thousand is composed of corporate assets, mainly assets associated with the Company's administrative departments, etc. which do not belong to any reportable segments.

(3) The adjustment for depreciation of ¥25,890 thousand is composed of depreciation associated with corporate assets.

(4) The adjustment for the increase in property, plant and equipment and intangible assets of ¥36,322 thousand is composed of capital expenditure associated with corporate assets.

3. Segment profit (loss) is reconciled with operating loss in the consolidated statements of income.

4. Depreciation and the increase in property, plant and equipment and intangible assets include long-term prepaid expenses and their associated amortization.

Information on impairment loss on non-current assets by reportable segment

Previous fiscal year (from September 1, 2018 to August 31, 2019)

Information is omitted due to lack of materiality.

Fiscal year under review (from September 1, 2019 to August 31, 2020)

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Consolidated Financial Statements
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Impairment loss	70,812	3,823	—	74,635	—	6,966	81,601

Notes: 1. “Other” is a segment for businesses that do not fall under any reportable segments such as the license business.
2. The amount in “Adjustment” is corporate assets which do not belong to any reportable segments.

Per share information

	Previous fiscal year (from September 1, 2018 to August 31, 2019)	Fiscal year under review (from September 1, 2019 to August 31, 2020)
Net assets per share	¥388.08	¥304.07
Basic earnings (loss) per share	¥14.39	¥(85.47)
Diluted earnings per share	¥14.08	—

Notes: 1. Diluted earnings per share for the fiscal year under review are not stated because it was a loss per share, despite the existence of dilutive shares.
2. The basis for the calculation of basic earnings (loss) per share and diluted earnings per share is as follows.

	Previous fiscal year (from September 1, 2018 to August 31, 2019)	Fiscal year under review (from September 1, 2019 to August 31, 2020)
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent (thousand yen)	62,212	(371,502)
Amount not attributable to owners of common shares (thousand yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (thousand yen)	62,212	(371,502)
Average number of common shares during the fiscal year (shares)	4,324,354	4,346,422
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (thousand yen)	—	—
Increase in number of shares of common shares (shares)	94,854	—
[Number of share acquisition rights included in the increase above (shares)]	[94,854]	[—]
Overview of dilutive shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	—

Significant subsequent events

Not applicable.