

# Consolidated Financial Results for the Fiscal Year Ended August 31, 2019 [Japanese GAAP]



October 11, 2019

Company name: ANAP INC.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3189

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

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Scheduled date of General Meeting of Shareholders: November 28, 2019

Scheduled date of commencing dividend payments: November 29, 2019

Scheduled date of filing annual securities report: November 29, 2019

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, 2019 (September 1, 2018 to August 31, 2019)

(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, 2019	6,261	(5.5)	88	(74.7)	91	(73.0)	62	(75.6)
August 31, 2018	6,627	-	349	-	340	-	255	-

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

Fiscal year ended August 31, 2018: ¥253 million [- %]

	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, 2019	14.39	14.08	3.6	3.2	1.4
August 31, 2018	58.53	55.67	15.5	12.4	5.3

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

Fiscal year ended August 31, 2019: ¥- million

Fiscal year ended August 31, 2018: ¥- million

Note: As the Company began preparing consolidated financial statements from the fiscal year ended August 31, 2018, changes from the previous corresponding period for the fiscal year ended August 31, 2018 are not stated.

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2019	2,888	1,672	57.7	388.08
As of August 31, 2018	2,903	1,848	63.3	404.55

Reference: Equity: As of August 31, 2019: ¥1,665 million

As of August 31, 2018: ¥1,836 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, 2019	Million yen (222)	Million yen (200)	Million yen (47)	Million yen 897
August 31, 2018	394	168	(51)	1,368

### 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, 2018	Yen -	Yen 0.00	Yen -	Yen 6.00	Yen 6.00	Million yen 27	% 10.3	% 0.4
August 31, 2019	-	0.00	-	6.00	6.00	25	41.7	1.5
Fiscal year ending August 31, 2020 (Forecast)	-	0.00	-	6.00	6.00		21.0	

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2020 (September 1, 2019 to August 31, 2020)

(% 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
Full year	6,958	11.1	159	80.0	157	71.5	123	98.6	28.58

Note: Since the Company manages its financial results on an annual basis, the consolidated financial forecast (cumulative) for the first half of the fiscal year is omitted. For details, please refer to P. 4 "1. Overview of Business Results, etc., (4) Future Outlook" of the Appendix.

\*At the Board of Directors meeting held on August 20, 2019, the Company resolved to conduct a share exchange by allocating some of its treasury shares to shareholders of a subsidiary. The figure for the basic earnings per share for the consolidated financial results forecast for the fiscal year ending August 31, 2020 was calculated by taking into account the impact of the decrease in the number of treasury shares.

#### \* 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, 2019: 4,760,000 shares  
August 31, 2018: 4,760,000 shares
  - 2) Total number of treasury shares at the end of the period:  
August 31, 2019: 469,339 shares  
August 31, 2018: 219,339 shares
  - 3) Average number of shares during the period:  
Fiscal year ended August 31, 2019: 4,324,354 shares  
Fiscal year ended August 31, 2018: 4,364,100 shares

(Reference) Summary of Non-consolidated Financial Results

**1. Non-consolidated Financial Results for the Fiscal Year Ended August 31, 2019 (From September 1, 2018 to August 31, 2019)**

(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, 2019	6,248	(5.7)	89	(75.5)	98	(72.5)	65	(75.6)
August 31, 2018	6,626	(3.2)	364	79.7	358	77.5	270	44.1

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
August 31, 2019	15.25	14.92
August 31, 2018	62.03	59.00

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2019	2,891	1,677	58.0	390.99
As of August 31, 2018	2,900	1,845	63.7	406.49

Reference: Equity: As of August 31, 2019: ¥1,677 million

As of August 31, 2018: ¥1,845 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. 4 "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 Friday, October 25, 2019. The financial results briefing materials for the briefing session will be posted on the Company's website immediately after the session.

## Table of Contents

1. Overview of Business Results, etc. ....	2
(1) Overview of Business Results for the Period Under Review ....	2
(2) Overview of Financial Position for the Period Under Review ....	3
(3) Overview of Cash Flows for the Period Under Review ....	3
(4) Future Outlook ....	4
2. Basic Stance on Selection of Accounting Standards ....	5
3. Consolidated Financial Statements and Primary Notes ....	6
(1) Consolidated Balance Sheets ....	6
(2) Consolidated Statements of Income and Comprehensive Income ....	8
Consolidated Statements of Income ....	8
Consolidated Statements of Comprehensive Income ....	9
(3) Consolidated Statements of Changes in Net Assets ....	10
(4) Consolidated Statements of Cash Flows ....	12
(5) Notes to the Consolidated Financial Statements ....	14
Notes on going concern assumption ....	14
Segment information ....	15
Per share information ....	17
Significant subsequent events ....	17

## 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, 2019 continued to follow a recovery trend, although moderate, as corporate earnings and the employment environment continued to improve. Meanwhile, a sense of uncertainty about the economic outlook persisted amid unease in the global economy, due to international trade issues such as the intensification of trade friction between the U.S. and China and rising concerns about possible Brexit without a deal, as well as the effects of an economic slowdown in China and Europe.

In the casual fashion industry where the Company operates, the operating environment continued to be severe due to the effects of a cool summer and other unfavorable weather conditions, in addition to intensifying competition with excessive provision of services by other companies, labor shortages and soaring logistics costs.

Under these circumstances, the revitalization project launched in April 2016 has largely been completed in the previous fiscal year, and the Company steered toward a growth strategy for further business expansion in the fiscal year under review.

Specifically, the Company has been implementing measures such as system development and verification to improve the Company's online shopping site, which started in the previous fiscal year, enhancement of promotion activities to maximize brand value and utilization of AI to enhance operational efficiency, as well as expansion of the e-commerce support business operated by consolidated subsidiary ATLAB. Internalizing the app production process in May 2019, which was previously outsourced, led to improvements in the user interface and user experience of the Company's online shopping site, resulting in higher sales per customer. Meanwhile, although actions have been taken to step up promotion activities to maximize brand value, it is taking time to spread their effects. As a result, the number of visitors to the online shopping site is growing at a slower pace than expected. The Company is also making its personnel deployment more efficient, while working actively to recruit outstanding individuals, for acceleration of business growth in the future. Regarding consolidated subsidiary ATLAB, although its impact on the entire Group is not significant, its business expansion has been progressing as generally anticipated and its growth is likely to accelerate further going forward.

As a result, for the fiscal year ended August 31, 2019, net sales decreased by 5.5% from the previous fiscal year to ¥6,261 million, operating profit decreased by 74.7% to ¥88 million, ordinary profit decreased by 73.0% to ¥91 million, and profit attributable to owners of parent decreased by 75.6% to ¥62 million.

Operating results by business segment are as follows.

#### Internet Retailing Business

In the Internet Retailing Business, as a result of a systematic reconstruction of the Company's online shopping site using cutting-edge technology so as to keep competitors' services at bay, sales per customer improved. However, as stated above, slow growth in the number of website visitors resulted in a decrease in net sales. Meanwhile, forward investments for future innovative business expansion are still ongoing.

As a result, net sales decreased by 4.9% from the previous fiscal year to ¥3,505 million and segment profit decreased by 51.8% to ¥218 million.

#### Store Retailing Business

In the Store Retailing Business, with the closing of four stores since the end of the previous fiscal year, the Company's store count was 28 at the end of the fiscal year under review. Although the store closing still had an impact on sales, existing stores are performing well ever since the previous fiscal year. Profit declined as a result of factors such as the replacement of store equipment, as well as increasing personnel expenses and soaring logistics costs.

As a result, net sales decreased by 7.6% from the previous fiscal year to ¥2,471 million and segment profit decreased by 8.9% to ¥196 million.

## Wholesale Distribution Business

In the Wholesale Distribution Business, sales rose, with increased sales to existing customers.

As a result, net sales increased by 6.3% from the previous fiscal year to ¥230 million and segment loss was ¥14 million, while segment loss for the previous fiscal year was ¥13 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 ¥151 million from the end of the previous fiscal year to ¥2,250 million. This is mainly attributable to a decrease in cash and deposits by ¥470 million, in spite of increases in notes and accounts receivable – trade, merchandise and finished goods and other current assets by ¥63 million, ¥224 million and ¥30 million, respectively.

### Non-current assets

Non-current assets as of the end of the fiscal year under review increased by ¥136 million from the end of the previous fiscal year to ¥637 million. This is mainly attributable to increases in buildings, software, and leasehold and guarantee deposits by ¥48 million, ¥34 million, and ¥66 million, respectively, in spite of a decrease in deferred tax assets by ¥16 million.

### 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 ¥171 million from the end of the previous fiscal year to ¥922 million. This is mainly attributable to decreases in income taxes payable and other current liabilities by ¥38 million and ¥111 million, respectively, in spite of increases in accounts payable – trade, and short-term loans payable by ¥14 million and ¥310 million, respectively.

### Non-current liabilities

Non-current liabilities as of the end of the fiscal year under review decreased by ¥11 million from the end of the previous fiscal year to ¥293 million. This is mainly attributable to decreases in lease obligations and retirement benefit liability by ¥7 million and ¥19 million, respectively, in spite of an increase in asset retirement obligations by ¥15 million.

### Net assets

Net assets as of the end of the fiscal year under review decreased by ¥175 million from the end of the previous fiscal year to ¥1,672 million. This is mainly attributable to decreases in retained earnings from cash dividends paid and purchase of treasury shares of ¥27 million and ¥206 million, respectively, in spite of an increase in retained earnings from profit attributable to owners of parent of ¥62 million.

## (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 ¥470 million from the end of the previous fiscal year to ¥897 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 ¥222 million, compared with ¥394 million provided by operating activities during the previous fiscal year. This is mainly attributable to increases due to profit before income taxes of ¥87 million, depreciation of ¥54 million, and an increase in

accounts payable – other of ¥26 million, and decreases due to a decrease in the retirement benefit liability of ¥19 million, an increase in notes and accounts receivable – trade of ¥63 million, an increase in inventories of ¥225 million, an increase in consumption taxes refund receivable of ¥24 million, a decrease in deposits received of ¥15 million, and income taxes paid of ¥48 million.

#### Cash flows from investing activities

Net cash used in investing activities during the fiscal year under review amounted to ¥200 million, compared with ¥168 million provided by investing activities during the previous fiscal year. This is mainly attributable to an increase due to proceeds from collection of leasehold and guarantee deposits of ¥41 million, and decreases due to purchase of property, plant and equipment of ¥58 million, payments for retirement of property, plant and equipment of ¥14 million, purchase of intangible assets of ¥55 million, and payments for leasehold and guarantee deposits of ¥107 million.

#### Cash flows from financing activities

Net cash used in financing activities during the fiscal year under review amounted to ¥47 million, compared with ¥51 million used in financing activities during the previous fiscal year. This is mainly attributable to an increase due to a net increase in short-term loans payable of ¥310 million, and decreases due to repayments of long-term loans payable of ¥116 million, repayments of finance lease obligations of ¥7 million, purchase of treasury shares of ¥206 million, and cash dividends paid of ¥26 million.

#### Reference: Trends in cash flow indicators

	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Equity ratio (%)	35.8	40.1	56.3	63.3	57.7
Equity ratio based on market value (%)	30.2	43.9	118.4	148.1	85.0
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, 2015 and August 31, 2019 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

Among the projects that the Company invested in the fiscal year under review, it plans in the next fiscal year to continue to invest mainly in those that require more time for their effects to become visible.

Specifically, the Company will focus on strengthening the promotions aimed at maximizing brand value.

Large-scale investments are planned for this purpose and expected to bring about an effective recovery in performance, particularly for the Company's online shopping site. In addition, the Company will proceed to enhance operational efficiency, leveraging the investments made in the previous fiscal year, while simultaneously gaining new sources of revenue through the Company's consolidated subsidiary ATLAB.

For the fiscal year ending August 31, 2020 on a consolidated basis, the Company forecasts net sales of ¥6,958 million, operating profit of ¥159 million, ordinary profit of ¥157 million, and profit attributable to owners of parent of ¥123 million.

The financial results forecast shown above is based on the information available at the time of publication. Actual results may differ from the forecast due to various factors.

## 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, 2018	As of August 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	1,368,115	897,577
Notes and accounts receivable - trade	428,691	491,711
Merchandise and finished goods	563,614	788,528
Work in process	1,248	779
Raw materials and supplies	3,769	4,664
Other	40,655	71,614
Allowance for doubtful accounts	(4,663)	(4,517)
Total current assets	2,401,431	2,250,359
Non-current assets		
Property, plant and equipment		
Buildings	296,191	334,897
Accumulated depreciation	(222,225)	(212,464)
Buildings, net	73,965	122,432
Land	1,139	1,139
Leased assets	99,324	99,324
Accumulated depreciation	(81,703)	(86,017)
Leased assets, net	17,620	13,306
Construction in progress	—	2,616
Other	139,516	140,263
Accumulated depreciation	(123,581)	(117,693)
Other, net	15,935	22,570
Total property, plant and equipment	108,661	162,065
Intangible assets		
Leased assets	15,461	11,279
Software	34,200	68,700
Other	9,781	13,471
Total intangible assets	59,442	93,450
Investments and other assets		
Investment securities	41,988	41,317
Deferred tax assets	60,558	44,065
Leasehold and guarantee deposits	209,391	275,700
Other	21,468	21,140
Total investments and other assets	333,406	382,223
Total non-current assets	501,510	637,739
Deferred assets		
Deferred organization expenses	250	187
Total deferred assets	250	187
Total assets	2,903,192	2,888,286

(Thousand yen)

	As of August 31, 2018	As of August 31, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	197,736	212,602
Short-term loans payable	140,000	450,000
Lease obligations	7,834	7,058
Income taxes payable	42,263	4,039
Provision for bonuses	35,000	28,000
Provision for sales returns	300	—
Asset retirement obligations	6,990	11,328
Other	320,326	209,312
Total current liabilities	750,452	922,341
Non-current liabilities		
Lease obligations	27,203	20,145
Retirement benefit liability	191,756	172,432
Asset retirement obligations	85,639	100,777
Total non-current liabilities	304,599	293,354
Total liabilities	1,055,052	1,215,695
<b>Net assets</b>		
Shareholders' equity		
Capital stock	393,188	393,188
Capital surplus	716,654	716,654
Retained earnings	795,154	830,123
Treasury shares	(68,678)	(275,013)
Total shareholders' equity	1,836,318	1,664,952
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	620	154
Total accumulated other comprehensive income	620	154
Non-controlling interests	11,200	7,484
Total net assets	1,848,140	1,672,591
Total liabilities and net assets	2,903,192	2,888,286

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

### Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended August 31, 2018	For the fiscal year ended August 31, 2019
Net sales	6,627,122	6,261,081
Cost of sales	2,675,414	2,543,838
Gross profit	3,951,707	3,717,243
Selling, general and administrative expenses		
Salaries and allowances	856,581	829,667
Provision for bonuses	35,000	28,000
Retirement benefit expenses	20,339	26,651
Business consignment expenses	875,472	879,693
Rents	584,842	578,752
Provision of allowance for doubtful accounts	(3,632)	(145)
Other	1,233,521	1,286,244
Total selling, general and administrative expenses	3,602,124	3,628,863
Operating profit	349,583	88,379
Non-operating income		
Interest income	93	32
Dividend income	63	66
Foreign exchange gains	–	3,662
Interest on securities	134	–
Compensation income	4,222	9,772
Settlement received	1,200	–
Gain on liquidation of lease and guarantee deposits	1,018	–
Other	2,373	2,019
Total non-operating income	9,106	15,553
Non-operating expenses		
Interest expenses	3,163	1,884
Commission expenses	2,249	8,691
Provision of allowance for doubtful accounts	10,000	–
Other	2,499	1,417
Total non-operating expenses	17,912	11,992
Ordinary profit	340,776	91,940
Extraordinary losses		
Impairment loss	12,296	4,097
Contractual termination penalties	13,912	–
Total extraordinary losses	26,209	4,097
Profit before income taxes	314,567	87,842
Income taxes - current	41,337	12,648
Income taxes - deferred	20,126	16,698
Total income taxes	61,464	29,346
Profit	253,102	58,496
Loss attributable to non-controlling interests	(2,311)	(3,716)
Profit attributable to owners of parent	255,414	62,212

# Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended August 31, 2018	For the fiscal year ended August 31, 2019
Profit	253,102	58,496
Other comprehensive income		
Valuation difference on available-for-sale securities	177	(466)
Total other comprehensive income	177	(466)
Comprehensive income	253,280	58,029
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	255,591	61,746
Comprehensive income attributable to non-controlling interests	(2,311)	(3,716)

(3) Consolidated Statements of Changes in Net Assets  
For the fiscal year ended August 31, 2018

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	339,760	644,244	560,929	(76,089)	1,468,844
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	53,428	53,428			106,857
Dividends of surplus			(21,188)		(21,188)
Profit attributable to owners of parent			255,414		255,414
Purchase of treasury shares				(96)	(96)
Disposal of treasury shares		12,493		7,506	20,000
Change in ownership interest of parent due to transactions with non-controlling interests		6,487			6,487
Net changes of items other than shareholders' equity					
Total changes of items during period	53,428	72,409	234,225	7,410	367,474
Balance at end of current period	393,188	716,654	795,154	(68,678)	1,836,318

	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 current period	442	442	—	1,469,287
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				106,857
Dividends of surplus				(21,188)
Profit attributable to owners of parent				255,414
Purchase of treasury shares				(96)
Disposal of treasury shares				20,000
Change in ownership interest of parent due to transactions with non-controlling interests				6,487
Net changes of items other than shareholders' equity	177	177	11,200	11,378
Total changes of items during period	177	177	11,200	378,852
Balance at end of current period	620	620	11,200	1,848,140

For the fiscal year ended August 31, 2019

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	393,188	716,654	795,154	(68,678)	1,836,318
Changes of items during period					
Dividends of surplus			(27,243)		(27,243)
Profit attributable to owners of parent			62,212		62,212
Purchase of treasury shares				(206,334)	(206,334)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	34,969	(206,334)	(171,365)
Balance at end of current 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 current period	620	620	11,200	1,848,140
Changes of items during period				
Dividends of surplus				(27,243)
Profit attributable to owners of parent				62,212
Purchase of treasury shares				(206,334)
Net changes of items other than shareholders' equity	(466)	(466)	(3,716)	(4,183)
Total changes of items during period	(466)	(466)	(3,716)	(175,548)
Balance at end of current period	154	154	7,484	1,672,591

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended August 31, 2018	For the fiscal year ended August 31, 2019
Cash flows from operating activities		
Profit before income taxes	314,567	87,842
Depreciation	44,632	54,621
Provision of allowance for doubtful accounts	10,000	–
Impairment loss	12,296	4,097
Amortization of long-term prepaid expenses	3,194	3,415
Increase (decrease) in provision for bonuses	3,500	(7,000)
Increase (decrease) in retirement benefit liability	9,067	(19,324)
Increase (decrease) in allowance for doubtful accounts	(3,990)	(145)
Increase (decrease) in provision for sales returns	100	(300)
Interest and dividend income	(156)	(98)
Interest income on securities	(134)	–
Amortization of deferred assets	62	62
Interest expenses	3,163	1,884
Foreign exchange losses (gains)	220	116
Decrease (increase) in notes and accounts receivable - trade	(30,840)	(63,020)
Decrease (increase) in inventories	8,801	(225,341)
Decrease (increase) in advance payments	7,741	112
Decrease (increase) in consumption taxes refund receivable	(1,135)	(24,890)
Increase (decrease) in notes and accounts payable - trade	22,700	14,866
Increase (decrease) in accounts payable - other	8,754	26,858
Increase (decrease) in accrued expenses	5,498	6,662
Increase (decrease) in deposits received	26,366	(15,143)
Other, net	1,582	(27,249)
Subtotal	445,992	(181,975)
Interest and dividend income received	284	98
Interest expenses paid	(3,058)	(1,907)
Proceeds from compensation	4,222	9,772
Penalty expenditure	(13,912)	–
Income taxes paid	(38,618)	(48,321)
Net cash provided by (used in) operating activities	394,909	(222,333)
Cash flows from investing activities		
Revenue from canceling collateral of time deposit	250,000	–
Purchase of investment securities	(30,000)	(1)
Purchase of property, plant and equipment	(20,143)	(58,267)
Payments for retirement of property, plant and equipment	(31,764)	(14,277)
Purchase of intangible assets	(26,716)	(55,993)
Payments for leasehold and guarantee deposits	(1,000)	(107,604)
Proceeds from collection of leasehold and guarantee deposits	36,474	41,295
Purchase of long-term prepaid expenses	(8,432)	(5,347)
Net cash provided by (used in) investing activities	168,415	(200,196)

(Thousand yen)

	For the fiscal year ended August 31, 2018	For the fiscal year ended August 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(10,000)	310,000
Repayments of long-term loans payable	(139,968)	(116,800)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	106,857	—
Repayments of finance lease obligations	(7,513)	(7,834)
Purchase of treasury shares	(96)	(206,334)
Cash dividends paid	(21,040)	(26,923)
Proceeds from consolidated subsidiary's third-party allotment of new shares	20,000	—
Net cash provided by (used in) financing activities	(51,760)	(47,892)
Effect of exchange rate change on cash and cash equivalents	(220)	(116)
Net increase (decrease) in cash and cash equivalents	511,344	(470,538)
Cash and cash equivalents at beginning of period	856,771	1,368,115
Cash and cash equivalents at end of period	1,368,115	897,577



(5) Notes to the Consolidated Financial Statements

Notes on going concern assumption

Not applicable

## 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, 2017 to August 31, 2018)

(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	3,686,608	2,675,930	216,415	6,578,953	48,168	—	6,627,122
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	3,686,608	2,675,930	216,415	6,578,953	48,168	—	6,627,122
Segment profit (loss)	452,076	215,930	(13,528)	654,479	25,097	(329,993)	349,583
Segment assets	666,247	501,081	72,732	1,240,061	29,642	1,633,488	2,903,192
Other items							
Depreciation (Note 4)	10,156	20,855	—	31,011	15	16,800	47,827
Increase in property, plant and equipment and intangible assets (Note 4)	34,774	10,755	—	45,529	1,220	53,999	100,749

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 ¥(329,993) 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 ¥1,633,488 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 ¥16,800 thousand is composed of depreciation associated with corporate assets.
- (4) The adjustment for the increase in property, plant and equipment and intangible assets of ¥53,999 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.

Fiscal year under review (from September 1, 2018 to August 31, 2019)

	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 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.

Per share information

	Previous fiscal year (from September 1, 2017 to August 31, 2018)	Fiscal year under review (from September 1, 2018 to August 31, 2019)
Net assets per share	¥404.55	¥388.08
Basic earnings per share	¥58.53	¥14.39
Diluted earnings per share	¥55.67	¥14.08

Note: The basis for the calculation of basic earnings per share and diluted earnings per share is as follows.

	Previous fiscal year (from September 1, 2017 to August 31, 2018)	Fiscal year under review (from September 1, 2018 to August 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent (thousand yen)	255,414	62,212
Amount not attributable to owners of common shares (thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (thousand yen)	255,414	62,212
Average number of common shares during the fiscal year (shares)	4,364,100	4,324,354
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (thousand yen)	—	—
Increase in number of shares of common shares (shares)	224,303	94,854
(Number of share acquisition rights included in the increase above (shares))	(224,303)	(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