

Consolidated Financial Results for the Three Months Ended November 30, 2019 [Japanese GAAP]



January 10, 2020

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3189
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 Scheduled date of filing quarterly securities report: January 14, 2020
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: None
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended November 30, 2019 (September 1, 2019 to November 30, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2019	1,514	1.7	(28)	-	(31)	-	(37)	-
November 30, 2018	1,489	-	49	-	55	-	47	-

Note: Comprehensive income: Three months ended November 30, 2019: ¥(37) million [- %]

Three months ended November 30, 2018: ¥43 million [- %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
November 30, 2019	(8.65)	-
November 30, 2018	10.63	10.38

Note: Diluted earnings per share for the three months ended November 30, 2019 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
	Million yen	Million yen	%
As of November 30, 2019	3,153	1,609	51.0
As of August 31, 2019	2,888	1,672	57.7

Reference: Equity: As of November 30, 2019: ¥1,609 million

As of August 31, 2019: ¥1,665 million

2. Dividends

	Annual dividends				
	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
Fiscal year ending August 31, 2020	-				
Fiscal year ending August 31, 2020 (Forecast)		0.00	-	6.00	6.00

Note: Revision to the most recently announced dividend forecast: No

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	28.44

Note: Revision to the most recently announced financial results forecast: No

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of the quarterly consolidated financial statements: No
- (3) 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
- (4) Total number of shares issued (common shares)
 - 1) Total number of shares issued at the end of the period (including treasury shares):
 - November 30, 2019: 4,760,000 shares
 - August 31, 2019: 4,760,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - November 30, 2019: 435,807 shares
 - August 31, 2019: 469,339 shares
 - 3) Average number of shares during the period:
 - Three months ended November 30, 2019: 4,320,540 shares
 - Three months ended November 30, 2018: 4,425,803 shares

* These quarterly financial results are outside the scope of quarterly review 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. 3 “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation on Consolidated Financial Results Forecast and Other Forward-looking Information” of the Appendix.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation on Business Results

The Japanese economy during the three months ended November 30, 2019 experienced a rising sense of alarm with regard to recession due to declining sentiment toward consumption on account of an increase in the consumption tax and frequently occurring natural disasters. In addition, a sense of uncertainty about the economic outlook persisted in the global economy as well, given the effects of an economic slowdown in China caused by prolonged trade friction between the U.S. and China, and other factors.

In the casual fashion industry where the Company operates, the operating environment continued to be severe due to labor shortages and soaring logistics costs, as well as noticeably cautious purchasing behavior by customers who had a diminished inclination toward consumption.

Under these circumstances, in the fiscal year under review the Company has continued to make investments for business expansion that it had focused on from the previous fiscal year.

Specifically, the Company has continued to implement promotional measures such as advertisement distribution via YouTube and Instagram with the objective of maximizing brand value and improving traffic to the Company's website, and also opened two new stores in October 2019, the first in roughly five years. The new stores have made a steady start, although realizing the maximum advertising impact of promotional measures will require a longer time than anticipated. In addition, the Company is simultaneously proceeding on cutting costs by streamlining operations, primarily with regard to the Company's website. 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 business expansion by advancing measures to integrate AI and other digital technologies with offline operations.

As a result, for the three months ended November 30, 2019, net sales increased by 1.7% from the previous corresponding period to ¥1,514 million, operating loss was ¥28 million against an operating profit of ¥49 million in the previous corresponding period, ordinary loss was ¥31 million compared to ordinary profit of ¥55 million in the previous corresponding period, and loss attributable to owners of parent was ¥37 million, compared to profit attributable to owners of parent of ¥47 million in the previous corresponding period.

Operating results by business segment are as follows.

Internet Retailing Business

In the Internet Retailing Business, as stated above, the Company continued to take measures with the goal of enhancing traffic to its website. However, net sales declined as the number of customers visiting the Company's website did not recover to the anticipated extent. 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 3.3% from the previous corresponding period to ¥831 million and segment profit decreased by 63.0% to ¥39 million.

Store Retailing Business

In the Store Retailing Business, with the closing of one store, and the opening of two stores since the end of the previous fiscal year, the Company's store count was 29 at the end of the first quarter. Net sales benefitted from existing stores that continued to perform well from the previous fiscal year, and together with this, the newly established stores also demonstrated a favorable performance. Profit fell on the impact of initial costs associated with the establishment of the new stores, including for promotional activities, as well as due to the replacement of equipment at existing stores.

As a result, net sales increased by 13.7% from the previous corresponding period to ¥628 million and segment profit decreased by 43.6% to ¥37 million.

Wholesale Distribution Business

In the Wholesale Distribution Business, net sales decreased in line with a decline in sales to existing customers.

As a result, net sales decreased by 39.1% from the previous corresponding period to ¥41 million and segment loss was ¥2 million, compared to segment loss for the previous corresponding period of ¥2 million.

(2) Explanation on Financial Position

Current assets

Current assets as of the end of the first quarter increased by ¥191 million from the end of the previous fiscal year to ¥2,441 million. This is mainly attributable to an increase of ¥276 million in merchandise and finished goods, in spite of decreases in cash and deposits and notes and accounts receivable – trade by ¥52 million and ¥27 million, respectively.

Non-current assets

Non-current assets as of the end of the first quarter increased by ¥74 million from the end of the previous fiscal year to ¥711 million. This is mainly attributable to increases in property, plant and equipment and intangible assets by ¥63 million and ¥8 million, respectively.

Deferred assets

Deferred assets as of the end of the first quarter 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 first quarter increased by ¥306 million from the end of the previous fiscal year to ¥1,228 million. This is mainly attributable to increases in accounts payable – trade, short-term borrowings, provision for point card certificates, and other current liabilities by ¥127 million, ¥150 million, ¥12 million and ¥43 million, respectively, in spite of a decline in provision for bonuses of ¥24 million.

Non-current liabilities

Non-current liabilities as of the end of the first quarter increased by ¥22 million from the end of the previous fiscal year to ¥315 million. This is mainly attributable to increases in asset retirement obligations and other non-current liabilities, by ¥7 million and ¥15 million, respectively.

Net assets

Net assets as of the end of the first quarter decreased by ¥63 million from the end of the previous fiscal year to ¥1,609 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 cash dividends paid of ¥37 million and ¥25 million, respectively.

(3) Explanation on Consolidated Financial Results Forecast and Other Forward-looking Information

No revisions have been made to the full year consolidated financial results forecast released in the “Consolidated Financial Results for the Fiscal Year Ended August 31, 2019 [Japanese GAAP]” on October 11, 2019.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of August 31, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	897,577	844,823
Notes and accounts receivable - trade	491,711	464,383
Merchandise and finished goods	788,528	1,064,916
Work in process	779	103
Raw materials and supplies	4,664	3,230
Other	71,614	67,268
Allowance for doubtful accounts	(4,517)	(3,186)
Total current assets	2,250,359	2,441,538
Non-current assets		
Property, plant and equipment	162,065	226,014
Intangible assets	93,450	101,928
Investments and other assets		
Leasehold and guarantee deposits	275,700	281,700
Other	106,522	102,240
Total investments and other assets	382,223	383,940
Total non-current assets	637,739	711,884
Deferred assets	187	172
Total assets	2,888,286	3,153,594
Liabilities		
Current liabilities		
Accounts payable - trade	212,602	339,798
Short-term borrowings	450,000	600,000
Income taxes payable	4,039	7,242
Provision for bonuses	28,000	4,000
Provision for point card certificates	—	12,495
Asset retirement obligations	11,328	5,546
Other	216,370	259,578
Total current liabilities	922,341	1,228,660
Non-current liabilities		
Retirement benefit liability	172,432	171,756
Asset retirement obligations	100,777	108,263
Other	20,145	35,437
Total non-current liabilities	293,354	315,458
Total liabilities	1,215,695	1,544,118
Net assets		
Shareholders' equity		
Share capital	393,188	393,188
Capital surplus	716,654	704,409
Retained earnings	830,123	766,998
Treasury shares	(275,013)	(255,377)
Total shareholders' equity	1,664,952	1,609,218
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	154	257
Total accumulated other comprehensive income	154	257
Non-controlling interests	7,484	—
Total net assets	1,672,591	1,609,475
Total liabilities and net assets	2,888,286	3,153,594

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended November 30

(Thousand yen)

	For the three months ended November 30, 2018	For the three months ended November 30, 2019
Net sales	1,489,528	1,514,578
Cost of sales	568,530	603,566
Gross profit	920,997	911,012
Selling, general and administrative expenses	871,554	939,030
Operating profit (loss)	49,443	(28,017)
Non-operating income		
Interest income	4	0
Compensation income	9,713	—
Interest on tax refund	5	151
Gain on sales of goods	9	198
Other	359	334
Total non-operating income	10,091	683
Non-operating expenses		
Interest expenses	587	528
Foreign exchange losses	1,757	3,142
Commission expenses	897	—
Other	1,002	159
Total non-operating expenses	4,245	3,830
Ordinary profit (loss)	55,290	(31,165)
Extraordinary losses		
Impairment loss	1,810	—
Total extraordinary losses	1,810	—
Profit (loss) before income taxes	53,480	(31,165)
Income taxes – current	11,169	1,752
Income taxes – deferred	(1,443)	4,464
Total income taxes	9,725	6,216
Profit (loss)	43,754	(37,381)
Loss attributable to non-controlling interests	(3,293)	—
Profit (loss) attributable to owners of parent	47,047	(37,381)

Quarterly Consolidated Statements of Comprehensive Income
Three Months Ended November 30

(Thousand yen)

	For the three months ended November 30, 2018	For the three months ended November 30, 2019
Profit (loss)	43,754	(37,381)
Other comprehensive income		
Valuation difference on available-for-sale securities	(61)	103
Total other comprehensive income	(61)	103
Comprehensive income	43,693	(37,278)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,986	(37,278)
Comprehensive income attributable to non-controlling interests	(3,293)	—

(3) Notes to the Quarterly Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes in the case of significant changes in shareholders' equity

Not applicable.

Additional information

(Provision for point card certificates)

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

Segment information

I. For the three months ended November 30, 2018

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Quarterly Consolidated Financial Statements (Note 3)
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Net sales							
Net sales to outside customers	859,634	552,868	67,530	1,480,033	9,495	—	1,489,528
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	859,634	552,868	67,530	1,480,033	9,495	—	1,489,528
Segment profit (loss)	106,925	66,067	(2,990)	170,002	(473)	(120,085)	49,443

- Notes:
1. “Other” is a segment for businesses that do not fall under any reportable segments such as the license business.
 2. The adjustment for segment profit (loss) includes corporate expenses of ¥120,085 thousand not allocated to reportable segments. These corporate expenses are mainly general and administrative expenses at the Company’s administrative departments, etc. which do not belong to any reportable segments.
 3. Segment profit (loss) is reconciled with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Information is omitted due to lack of materiality.

II. For the three months ended November 30, 2019

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Quarterly Consolidated Financial Statements (Note 3)
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Net sales							
Net sales to outside customers	831,032	628,621	41,125	1,500,778	13,799	—	1,514,578
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	831,032	628,621	41,125	1,500,778	13,799	—	1,514,578
Segment profit (loss)	39,542	37,279	(2,459)	74,362	5,230	(107,610)	(28,017)

- Notes:
1. “Other” is a segment for businesses that do not fall under any reportable segments such as the license business.
 2. The adjustment for segment profit (loss) includes corporate expenses of ¥107,610 thousand not allocated to reportable segments. These corporate expenses are mainly general and administrative expenses at the Company’s administrative departments, etc. which do not belong to any reportable segments.
 3. Segment profit (loss) is reconciled with operating loss in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Not applicable.