

# Consolidated Financial Results for the Three Months Ended November 30, 2020 [Japanese GAAP]

January 12, 2021

Company name: ANAP INC.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 3189  
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 Scheduled date of filing quarterly securities report: January 14, 2021  
 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, 2020 (September 1, 2020 to November 30, 2020)

(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, 2020	1,439	(5.0)	(23)	-	(18)	-	(21)	-
November 30, 2019	1,514	1.7	(28)	-	(31)	-	(37)	-

Note: Comprehensive income: Three months ended November 30, 2020: ¥(21) million [-%]

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

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
November 30, 2020	(4.88)	-
November 30, 2019	(8.65)	-

Note: Diluted earnings per share 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, 2020	2,826	1,327	47.0
As of August 31, 2020	2,728	1,362	50.0

Reference: Equity: As of November 30, 2020: ¥1,327 million

As of August 31, 2020: ¥1,362 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended August 31, 2020	Yen -	Yen 0.00	Yen -	Yen 3.00	Yen 3.00
Fiscal year ending August 31, 2021	-				
Fiscal year ending August 31, 2021 (Forecast)		0.00	-	4.00	4.00

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

## 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)	-
Full year	6,701	18.4	93	-	92	-	81	-
								18.03

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, 2020: 4,815,800 shares
    - August 31, 2020: 4,815,800 shares
  - 2) Total number of treasury shares at the end of the period:
    - November 30, 2020: 333,507 shares
    - August 31, 2020: 333,507 shares
  - 3) Average number of shares during the period:
    - Three months ended November 30, 2020: 4,482,293 shares
    - Three months ended November 30, 2019: 4,320,540 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, 2020 faced very challenging conditions due to the constraints on economic activity caused by the spread of the novel coronavirus disease (COVID-19). There was an aim to achieve both economic activity and measures to prevent the spread of infections, and despite evidence of some recovery in consumer spending, there is still no projection for when the spread will be contained as evident by the renewed increase in the number of infections in Japan. The outlook remains uncertain.

In the casual fashion industry where the Company operates, the operating environment continued to be very severe as it was in the previous fiscal year due to the impact on demand for fashion apparel caused by self-restraint on outings and the loss of inbound demand to prevent the spread of COVID-19 as well as the wider adoption of teleworking and changes to the living environment.

Under these circumstances, the Company continued to take measures in the Internet Retailing Business and headquarters functions including teleworking to manage the situation. In the Internet Retailing Business, there has also been impact of the measures to enhance traffic to the website, which the Company has focused on since the previous fiscal year, and the number of new customers visiting the website is firm. On the other hand, fierce competition in service on fashion e-commerce sites and overheated discounting to dispose of stock amid the COVID-19 pandemic are also having an impact, while the number of existing customers is falling and responding to such situation has become urgent. Communication by the Company's staff on social media and by attending to customers online has further promoted the attraction of the Company's brand and the Company's e-commerce site, while progressing the business. In the Store Retailing Business, three new stores were opened in the three months ended November 30, 2020. The strategy for opening new stores is progressing steadily with a policy to actively pursue this initiative while ensuring thorough management of profit.

Regarding the sales trend since the beginning of the period, the trend had been relatively firm compared to the previous corresponding period, but the renewed increase in the number of COVID-19 cases, as noted above, has led to a gradual decline. The drop in the number of customers visiting physical stores plummeted from mid to late November, which also coincided with the impact of higher temperatures than usual, so sales for the three months ended November 30, 2020 were weak.

Given these circumstances, the Company is simultaneously proceeding on cutting costs by streamlining operations and in order to survive this crisis, all members of the Company are working together to realize a business recovery. Consolidated subsidiary ANAP Lab, Inc. (formerly "ATLAB") continues to aim for expansion of business including new businesses unlike the traditional fashion business.

As a result, for the three months ended November 30, 2020, net sales decreased by 5.0% from the previous corresponding period to ¥1,439 million. Operating loss was ¥23 million compared to operating loss of ¥28 million in the previous corresponding period due to a decrease in gross profit resulting from the decrease in net sales, despite the progress in cutting costs. Ordinary loss was ¥18 million compared to ordinary loss of ¥31 million in the previous corresponding period. In addition, loss attributable to owners of parent was ¥21 million compared to loss attributable to owners of parent of ¥37 million in the previous corresponding period as a result of recording impairment losses on software in the Internet Retailing Business.

Operating results by business segment are as follows.

#### Internet Retailing Business

In the Internet Retailing Business, as stated above, net sales declined in part because of fierce competition in service on fashion e-commerce sites. 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 14.6% from the previous corresponding period to ¥710 million and segment profit decreased by 76.4% to ¥9 million.

#### Store Retailing Business

In the Store Retailing Business, with the opening of three stores since the end of the previous fiscal year,

the Company's store count was 32 at the end of the first quarter. Net sales benefited from good performance of both existing stores and newly established stores and increased due to the impact of the newly established stores, as stated above, despite the impact of the renewed increase in the number of COVID-19 cases.

As a result, net sales increased by 2.3% from the previous corresponding period to ¥643 million and segment profit increased by 51.2% to ¥56 million.

#### Wholesale Distribution Business

In the Wholesale Distribution Business, net sales increased in line with an increase in sales to existing customers.

As a result, net sales increased by 74.0% from the previous corresponding period to ¥71 million and segment loss was ¥0 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 ¥36 million from the end of the previous fiscal year to ¥2,049 million. This is mainly attributable to increases in notes and accounts receivable – trade and merchandise and finished goods by ¥38 million and ¥84 million, respectively, in spite of decreases in cash and deposits and notes and other current assets by ¥61 million and ¥24 million, respectively.

#### Non-current assets

Non-current assets as of the end of the first quarter increased by ¥61 million from the end of the previous fiscal year to ¥777 million. This is mainly attributable to increases in property, plant and equipment and investments and other assets by ¥24 million and ¥38 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 ¥127 million from the end of the previous fiscal year to ¥1,166 million. This is mainly attributable to increases in accounts payable – trade, short-term borrowings, and other current liabilities by ¥10 million, ¥100 million, and ¥50 million, respectively, in spite of decreases in income taxes payable and provision for bonuses by ¥18 million and ¥18 million, respectively.

#### Non-current liabilities

Non-current liabilities as of the end of the first quarter increased by ¥5 million from the end of the previous fiscal year to ¥332 million. This is attributable to increases in retirement benefit liability and asset retirement obligations by ¥3 million and ¥6 million, respectively, in spite of a decrease in other non-current liabilities by ¥4 million.

#### Net assets

Net assets as of the end of the first quarter decreased by ¥35 million from the end of the previous fiscal year to ¥1,327 million. This is 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 ¥21 million and ¥13 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, 2020 [Japanese GAAP]” on October 12, 2020.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of August 31, 2020	As of November 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	858,718	797,393
Notes and accounts receivable - trade	337,290	375,817
Merchandise and finished goods	710,428	794,430
Work in process	529	69
Raw materials and supplies	4,795	5,550
Other	103,645	78,743
Allowance for doubtful accounts	(3,008)	(2,890)
Total current assets	2,012,399	2,049,113
Non-current assets		
Property, plant and equipment	232,815	257,453
Intangible assets	36,593	34,891
Investments and other assets		
Leasehold and guarantee deposits	275,996	281,971
Other	170,556	203,163
Total investments and other assets	446,552	485,134
Total non-current assets	715,961	777,478
Deferred assets	125	109
Total assets	2,728,486	2,826,701
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	192,252	202,433
Short-term borrowings	600,000	700,000
Income taxes payable	26,954	8,059
Provision for bonuses	21,000	3,000
Provision for point card certificates	16,777	20,530
Other	182,344	232,930
Total current liabilities	1,039,329	1,166,954
Non-current liabilities		
Retirement benefit liability	166,918	170,127
Asset retirement obligations	115,870	122,657
Other	43,409	39,362
Total non-current liabilities	326,197	332,146
Total liabilities	1,365,526	1,499,100
<b>Net assets</b>		
Shareholders' equity		
Share capital	407,339	407,339
Capital surplus	718,049	718,049
Retained earnings	432,877	397,571
Treasury shares	(195,430)	(195,430)
Total shareholders' equity	1,362,835	1,327,529
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	94	41
Total accumulated other comprehensive income	94	41
Share acquisition rights	29	29
Total net assets	1,362,959	1,327,600
Total liabilities and net assets	2,728,486	2,826,701

(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, 2019	For the three months ended November 30, 2020
Net sales	1,514,578	1,439,544
Cost of sales	603,566	585,632
Gross profit	911,012	853,912
Selling, general and administrative expenses	939,030	877,035
Operating loss	(28,017)	(23,122)
Non-operating income		
Interest income	0	0
Interest on tax refund	151	—
Gain on sales of goods	198	—
Subsidy income	—	4,243
Other	334	1,168
Total non-operating income	683	5,411
Non-operating expenses		
Interest expenses	528	612
Foreign exchange losses	3,142	—
Commission expenses	—	220
Other	159	128
Total non-operating expenses	3,830	961
Ordinary loss	(31,165)	(18,672)
Extraordinary losses		
Impairment loss	—	4,822
Total extraordinary losses	—	4,822
Loss before income taxes	(31,165)	(23,494)
Income taxes - current	1,752	2,261
Income taxes - deferred	4,464	(3,897)
Total income taxes	6,216	(1,635)
Loss	(37,381)	(21,858)
Loss attributable to owners of parent	(37,381)	(21,858)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended November 30

(Thousand yen)

	For the three months ended November 30, 2019	For the three months ended November 30, 2020
Loss	(37,381)	(21,858)
Other comprehensive income		
Valuation difference on available-for-sale securities	103	(53)
Total other comprehensive income	103	(53)
Comprehensive income	(37,278)	(21,912)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(37,278)	(21,912)



(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

(Impact of the spread of COVID-19)

There is no significant change in the assumptions that include how COVID-19 will spread going forward and when the pandemic will be contained, which were noted as additional information in the previous fiscal year's securities report.

## Segment information

### I. 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

### II. For the three months ended November 30, 2020

#### 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	710,116	643,352	71,537	1,425,006	14,537	—	1,439,544
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	710,116	643,352	71,537	1,425,006	14,537	—	1,439,544
Segment profit (loss)	9,335	56,380	56	65,771	5,432	(94,327)	(23,122)

- 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 ¥94,327 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

Information is omitted due to lack of materiality.