



Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2021 [IFRS] (Consolidated)

February 12, 2021

Company name: QB Net Holdings Co., Ltd.

Listed on: Tokyo Stock Exchange

Code number: 6571

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Scheduled date of commencement of dividend payment: —

Supplementary explanatory materials for financial results: Yes

Financial results briefings: Yes

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year ending June 30, 2021 (July 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results (Cumulative) (Percentages indicate changes from the same period of the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Q2 FYE June 2021	9,300	(16.3)	358	(70.5)	266	(76.7)	228	(69.9)	228	(69.9)	194	(75.5)
Q2 FYE June 2020	11,111	10.1	1,214	43.0	1,145	41.3	761	30.7	761	30.7	794	35.4

	Basic earnings per share		Diluted earnings per share	
	yen		yen	
Q2 FYE June 2021	17.95		17.16	
Q2 FYE June 2020	60.79		57.03	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	million yen	million yen	million yen	%
Q2 FYE June 2021	30,840	10,006	10,006	32.4
FYE June 2020	32,721	9,786	9,786	29.9

2. Dividends

	Annual dividends				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FYE June 2020	—	0.00	—	0.00	0.00
FYE June 2021	—	0.00			
FYE June 2021(Forecast)			—	—	—

(Note) Revision from the last announcement of dividend forecast: No
The forecast of the year-end dividend for the fiscal year ending June 30, 2021 has not yet been determined.

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(Percentages indicate changes from the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	20,774	8.8	1,000	317.4	814	729.5	557	433.4	557	433.4	42.92

(Note) Revision from the last announcement of earnings forecast: No

*Notes

- (1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries with changes in the scope of consolidation): No
Newly consolidated - companies (Company names) -, Excluded - companies (Company names) -

- (2) Changes in accounting policies and accounting estimates
(i) Changes in accounting policies required by IFRS: No
(ii) Changes in accounting policies other than (i): No
(iii) Changes in accounting estimates: No

- (3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of the period (including treasury shares)	Q2 FYE June 2021	12,769,700 shares	FYE June 2020	12,735,300 shares
(ii) Number of treasury shares at the end of the period	Q2 FYE June 2021	123 shares	FYE June 2020	123 shares
(iii) Average number of shares outstanding during the period (cumulative)	Q2 FYE June 2021	12,757,372 shares	Q2 FYE June 2020	12,528,618 shares

* Quarterly financial results are not subject to quarterly review by certified public accountants or audit firms.

- * Explanation on the appropriate use of earnings forecasts and other special notes
(Notes on forward-looking statements)

Forward-looking statements and others included in this document, including earnings forecasts, are based on information currently available to and certain premises deemed to be rational by the Company, which is not committed to achieving such. Actual earnings and others may differ due to various factors.

(How to obtain supplementary explanatory materials for financial results)

From the perspective of preventing the spread of novel coronavirus infections, the Company plans to distribute a video explaining financial results on its website on February 18, 2021, in place of the earnings briefing that was usually held. Supplementary explanation materials for financial results to be used in the video will also be posted on the Company website on the same day.

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1. Qualitative Information Regarding the Quarterly Financial Results Under Review

(1) Explanation of Operating Results

During the first half of the fiscal year under review (July 1, 2020 to December 31, 2020), the spread of the novel coronavirus could not be contained, causing economic activities to stagnate and consumer confidence to decline. Under these circumstances, the Company Group has been operating its stores while taking all possible measures to prevent infection.

Revenue decreased by 1,810 million yen year on year due to a decline in the number of customers visiting our stores caused by the impact of the novel coronavirus. The status of the novel coronavirus and its impact on revenue in each country is as described below.

<Domestic operations>

New infections continue to occur, causing us to remain taking measures such as telework and self-restraint from going out. The number of customers visiting the Company's stores is decreasing year on year due to the impact of lengthening of hair-cut cycle and other factors under the circumstances.

Year-on-year comparison of the number of customers in Japan

(Unit: %)

	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	(Reference) January 2021
All	74.5	83.4	81.1	86.7	86.0	82.6	81.8
Existing stores	73.9	82.5	79.8	85.3	84.8	81.6	80.8

<Hong Kong>

As the number of newly infected persons has resurged since late November 2020, preventive measures, such as teleworking and self-restraint on going out, have continued, causing some impact on the business. Consequently, the number of customers visiting our stores has declined compared with the level of the previous year.

<Singapore>

Although the number of newly infected persons has been almost contained, preventive measures, such as teleworking and self-restraint from going out, have continued, causing some impact on the business. Consequently, the number of customers visiting our stores has declined compared with the level of the previous year.

<Taiwan>

The number of newly infected persons has been almost contained, and preventive measures are limited. Therefore, the impact of teleworking, self-restraint on going out and others is minor, and the number of customers visiting our stores has increased compared with the level of the previous year.

<United States (New York)>

New infections continue to occur and preventive measures, such as telework and self-restraint from going out, remain intact, causing a significant impact on the business, and the number of customers visiting our stores has been declining considerably compared to the level of the previous year. However, the impact on the consolidated results is minimal.

Cost of sales decreased by 182 million yen year on year mainly due to a decrease in the number of subcontracted stores and a decrease in outsourcing fees due to lower sales, although personnel expenses increased due to an increase in staff members at stores in Japan and abroad.

Selling, general and administrative expenses decreased by 119 million yen year on year mainly due to a decrease in the amount of provision for year-end allowances in Japan.

As a result, consolidated earnings in the first six months of the fiscal year under review were as follows: Revenue amounted to 9,300 million yen (down 16.3% year on year), operating profit was 358 million yen (down 70.5%), profit before tax was 266 million yen (down 76.7%), and profit attributable to owners of parent came to 228 million yen (down 69.9%).

In terms of our store network, we opened 16 stores. The breakdown is nine stores in Japan, and overseas, one in Singapore, two in Hong Kong, and four in Taiwan. Moreover, since we closed eight stores mainly due to relocation and integration with neighboring stores, we had 723 stores as of the end of the second quarter of the fiscal year under review.

The description by segment is omitted because the Company Group engages in a single segment of the haircut business.

(2) Explanation of Financial Position

(i) Assets, liabilities and equity

Assets, liabilities and equity at the end of the second quarter under review were as follows:

Current assets decreased by 1,422 million yen from the end of the previous fiscal year to 5,122 million yen. This was mainly due to a decrease of 1,355 million yen in cash and cash equivalents and a decrease of 268 million yen in income taxes receivable. Non-current assets decreased by 458 million yen from the end of the previous fiscal year to 25,718 million yen. This was mainly due to a decrease of 103 million yen in property, plant and equipment and a decrease of 308 million yen in right-of-use assets. As a result, assets decreased by 1,881 million yen from the end of the previous fiscal year to 30,840 million yen.

Current liabilities decreased by 1,473 million yen from the end of the previous fiscal year to 7,310 million yen. This was mainly due to a decrease of 1,485 million yen in borrowings and an increase of 96 million yen in other current liabilities. Non-current liabilities decreased by 628 million yen from the end of the previous fiscal year to 13,523 million yen. This was mainly due to a decrease of 343 million yen in borrowings and a decrease of 284 million yen in lease obligations. As a result, liabilities decreased by 2,101 million yen from the end of the previous fiscal year to 20,834 million yen.

Equity increased by 220 million yen from the end of the previous fiscal year to 10,006 million yen. This was mainly due to an increase in retained earnings of 228 million yen.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “Cash”) at the end of the second quarter under review decreased by 1,355 million yen from the end of the previous fiscal year to 3,762 million yen. Individual cash flows for the first half of the fiscal year under review and the factors behind them were as follows:

(Cash flows from operating activities)

Cash provided by operating activities was 2,050 million yen (2,204 million yen provided in the same period of the previous fiscal year). This was mainly attributable to increasing factors of Cash, such as depreciation and amortization of 1,639 million yen and income taxes refund of 271 million yen, in contrast to decreasing factors, such as an increase in trade and other receivables of 243 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 281 million yen (471 million yen used in the same period of the previous fiscal year). This was mainly attributable to decreasing factors of Cash, such as purchase of property, plant and equipment of 254 million yen and payments of guarantee deposits of 28 million yen.

(Cash flows from financing activities)

Cash used in financing activities was 3,093 million yen (1,706 million yen used in the same period of the previous fiscal year). This was mainly attributable to decreasing factors of Cash, such as a net decrease in short-term borrowings of 1,500 million yen and repayments of lease obligations of 1,313 million yen.

(3) Explanation of Information on Future Forecasts Including Consolidated Earnings Forecast

The full-year earnings forecast for the fiscal year ending June 30, 2021 announced on August 13, 2020 remains unchanged. Please note that forward-looking statements and others included in this document, including earnings forecasts, are based on information available to and certain premises deemed to be rational by the Company, which is not committed to achieving such. Actual earnings and others may differ due to various factors.

2. Condensed Quarterly Consolidated Financial Statements and Main Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(unit: million yen)

	Previous fiscal year (June 30, 2020)	Q2 of current fiscal year (December 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	5,117	3,762
Trade and other receivables	775	1,010
Inventories	169	138
Income taxes receivable	279	10
Other current assets	202	200
Total current assets	6,544	5,122
Non-current assets		
Property, plant and equipment	1,857	1,754
Right-of-use assets	6,062	5,754
Goodwill	15,430	15,430
Intangible assets	172	154
Other financial assets	1,856	1,864
Deferred tax assets	639	638
Other non-current assets	158	122
Total non-current assets	26,176	25,718
Total assets	32,721	30,840
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	342	255
Borrowings	4,720	3,235
Lease obligations	2,322	2,275
Income taxes payable	60	54
Other financial liabilities	88	142
Other current liabilities	1,249	1,346
Total current liabilities	8,784	7,310
Non-current liabilities		
Borrowings	9,811	9,468
Lease obligations	3,671	3,386
Other financial liabilities	107	102
Deferred tax liabilities	26	25
Provisions	513	522
Other non-current liabilities	19	16
Total non-current liabilities	14,151	13,523
Total liabilities	22,935	20,834
Equity		
Share capital	1,214	1,227
Capital surplus	4,754	4,766
Retained earnings	3,885	4,114
Treasury shares	(0)	(0)
Other components of equity	(68)	(102)
Total equity attributable to owners of parent	9,786	10,006
Total equity	9,786	10,006
Total liabilities and equity	32,721	30,840

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(unit: million yen)

	Cumulative Q2 of previous fiscal year (From July 1, 2019 to December 31, 2019)	Cumulative Q2 of current fiscal year (From July 1, 2020 to December 31, 2020)
Revenue	11,111	9,300
Cost of sales	(8,443)	(8,261)
Gross profit	2,668	1,039
Other operating income	2	670
Selling, general and administrative expenses	(1,443)	(1,323)
Other operating expenses	(13)	(27)
Operating profit	1,214	358
Finance income	8	6
Finance costs	(76)	(97)
Profit before tax	1,145	266
Income tax expense	(384)	(37)
Profit	761	228
Profit attributable to Owners of parent	761	228
Profit	761	228
Earnings per share		
Basic earnings per share (yen)	60.79	17.95
Diluted earnings per share (yen)	57.03	17.16

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

	(unit: million yen)	
	Cumulative Q2 of previous fiscal year (From July 1, 2019 to December 31, 2019)	Cumulative Q2 of current fiscal year (From July 1, 2020 to December 31, 2020)
Profit	761	228
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	33	(34)
Total of items that may be reclassified to profit or loss	33	(34)
Total other comprehensive income	33	(34)
Comprehensive income	794	194
Comprehensive income attributable to		
Owners of parent	794	194
Comprehensive income	794	194

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

Cumulative Q2 of previous fiscal year (From July 1, 2019 to December 31, 2019)

(unit: million yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Share acquisition rights	Total
Balance at July 1, 2019	1,137	4,914	3,811	(0)	(175)	109	(66)
Effect of changes in accounting policies	—	—	(29)	—	—	—	—
Restated balance at July 1, 2019	1,137	4,914	3,781	(0)	(175)	109	(66)
Profit	—	—	761	—	—	—	—
Other comprehensive income	—	—	—	—	33	—	33
Total comprehensive income	—	—	761	—	33	—	33
Issuance of new shares (exercise of share acquisition rights)	47	47	—	—	—	(9)	(9)
Share-based remuneration expenses	—	—	—	—	—	13	13
Dividends of surplus	—	(237)	—	—	—	—	—
Total transactions with owners	47	(189)	—	—	—	4	4
Balance at December 31, 2019	1,185	4,725	4,542	(0)	(142)	113	(28)

(unit: million yen)

	Total equity attributable to owners of parent	Total equity
Balance at July 1, 2019	9,797	9,797
Effect of changes in accounting policies	(29)	(29)
Restated balance at July 1, 2019	9,767	9,767
Profit	761	761
Other comprehensive income	33	33
Total comprehensive income	794	794
Issuance of new shares (exercise of share acquisition rights)	86	86
Share-based remuneration expenses	13	13
Dividends of surplus	(237)	(237)
Total transactions with owners	(136)	(136)
Balance at December 31, 2019	10,425	10,425

Cumulative Q2 of current fiscal year (From July 1, 2020 to December 31, 2020)

(unit: million yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Share acquisition rights	Total
Balance at July 1, 2020	1,214	4,754	3,885	(0)	(179)	110	(68)
Profit	—	—	228	—	—	—	—
Other comprehensive income	—	—	—	—	(34)	—	(34)
Total comprehensive income	—	—	228	—	(34)	—	(34)
Issuance of new shares (exercise of share acquisition rights)	12	12	—	—	—	(6)	(6)
Share-based remuneration expenses	—	—	—	—	—	7	7
Total transactions with owners	12	12	—	—	—	0	0
Balance at December 31, 2020	1,227	4,766	4,114	(0)	(213)	111	(102)

(unit: million yen)

	Total equity attributable to owners of parent	Total equity
Balance at July 1, 2020	9,786	9,786
Profit	228	228
Other comprehensive income	(34)	(34)
Total comprehensive income	194	194
Issuance of new shares (exercise of share acquisition rights)	18	18
Share-based remuneration expenses	7	7
Total transactions with owners	25	25
Balance at December 31, 2020	10,006	10,006

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(unit: million yen)

	Cumulative Q2 of previous fiscal year (From July 1, 2019 to December 31, 2019)	Cumulative Q2 of current fiscal year (From July 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Profit before tax	1,145	266
Depreciation and amortization	1,581	1,639
Impairment losses	5	18
Finance income	(8)	(6)
Finance costs	76	97
Subsidy income	—	(648)
Decrease (increase) in trade and other receivables	6	(243)
Decrease (increase) in inventories	(0)	30
Increase (decrease) in trade and other payables	(8)	(51)
Other	(43)	205
Subtotal	2,754	1,309
Interest received	2	0
Interest paid	(69)	(79)
Proceeds from subsidy income	—	593
Income taxes refund	—	271
Income taxes paid	(483)	(45)
Cash flows from operating activities	2,204	2,050
Cash flows from investing activities		
Purchase of property, plant and equipment	(391)	(254)
Purchase of intangible assets	(15)	(9)
Payments of guarantee deposits	(71)	(28)
Proceeds from refund of guarantee deposits	14	13
Other	(8)	(2)
Cash flows from investing activities	(471)	(281)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(1,500)
Repayments of long-term borrowings	(350)	(350)
Proceeds from sale and leaseback transactions	63	52
Repayments of lease obligations	(1,269)	(1,313)
Proceeds from exercise of share acquisition rights	86	18
Dividends paid	(236)	(0)
Cash flows from financing activities	(1,706)	(3,093)
Exchange differences of cash and cash equivalents	23	(30)
Net increase (decrease) in cash and cash equivalents	49	(1,355)
Cash and cash equivalents at beginning of period	2,489	5,117
Cash and cash equivalents at end of period	2,539	3,762

(6) Notes on the Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

There are no applicable items.

(Additional information)

Assumptions including the timing of the cessation of the novel coronavirus infection have not changed from those stated in the financial results for the previous fiscal year.

(Segment information)

The description is omitted because the Company Group engages in a single segment of the haircut business.

(Per share information)

Basis of the calculation of basic and diluted earnings per share is as follows:

	Cumulative Q2 of previous fiscal year (From July 1, 2019 to December 31, 2019)	Cumulative Q2 of current fiscal year (From July 1, 2020 to December 31, 2020)
Profit attributable to owners of parent (million yen)	761	228
Average number of common shares outstanding during the period (shares)	12,528,618	12,757,372
Number of common shares with dilutive effects		
Increase due to share options (shares)	825,346	585,397
Diluted average number of common shares outstanding during the period (shares)	13,353,964	13,342,769
Basic earnings per share (yen)	60.79	17.95
Diluted earnings per share (yen)	57.03	17.16

(Significant subsequent events)

There are no applicable items.