



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

November 13, 2020

Company name: QB Net Holdings Co., Ltd.

Listed on: Tokyo Stock Exchange

Code number: 6571

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Scheduled date for quarterly report submission: November 13, 2020

Scheduled date for commencement of dividend payment: -

Supplementary explanatory materials for financial results: Yes

Financial results briefings: No

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year ending June 30, 2021 (July 1, 2020 to September 30, 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	%
Q1 FYE June 2021	4,615	(18.8)	445	(41.9)	398	(45.6)	284	(41.7)	284	(41.7)	266	(44.2)
Q1 FYE June 2020	5,684	11.6	765	61.2	731	60.4	487	55.7	487	55.7	477	34.3

	Basic earnings per share		Diluted earnings per share	
	yen		yen	
Q1 FYE June 2021	22.31		21.29	
Q1 FYE June 2020	39.03		36.56	

(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	%
Q1 FYE June 2021	33,701	10,070	10,070	29.9
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	—				
FYE June 2021 (Forecast)		0.00	—	—	—

(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 same period of 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
First six months	9,840	(11.4)	360	(70.3)	266	(76.8)	182	(76.1)	182	(76.1)	14.22
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)	Q1 FYE June 2021	12,762,700 shares	FYE June 2020	12,735,300 shares
(ii) Number of treasury shares at the end of the period	Q1 FYE June 2021	123 shares	FYE June 2020	123 shares
(iii) Average number of shares outstanding during the period (cumulative)	Q1 FYE June 2021	12,748,297 shares	Q1 FYE June 2020	12,498,550 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)

Supplementary explanatory materials for financial results are disclosed on TDnet on the same date. They will also be posted on the Company website.

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1. Qualitative Information Regarding the Quarterly Financial Results Under Review

(1) Explanation of Operating Results

During the cumulative first quarter under review (July 1, 2020 to September 30, 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 1,068 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	(Reference) October 2020
All	74.5	83.4	81.1	86.7
Existing stores	73.9	82.5	79.8	85.3

<Hong Kong>

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

<Singapore>

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

<Taiwan>

The number of newly infected persons has been contained and the government has not implemented any preventive measures. Therefore, the impact of telework, self-restraint from going out, etc. has been minimal and the number of customers visiting our stores has been increasing year on 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 124 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 39 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 three months of the fiscal year under review were as follows: Revenue amounted to 4,615 million yen (down 18.8% year on year), operating profit was 445 million yen (down 41.9%), profit before tax was 398 million yen (down 45.6%), and profit attributable to owners of parent came to 284 million yen (down 41.7%).

In terms of our store network, we opened 9 stores. This includes 6 stores in Japan and three stores in Taiwan. Moreover, since we closed 5 stores mainly due to relocation and integration with neighboring stores, we had 719 stores as of the end of the first 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 first quarter under review were as follows:

Current assets increased by 1,158 million yen from the end of the previous fiscal year to 7,703 million yen. This was mainly due to an increase of 1,171 million yen in cash and cash equivalents and a decrease of 11 million yen in income taxes receivable. Non-current assets decreased by 178 million yen from the end of the previous fiscal year to 25,998 million yen. This was mainly due to a decrease of 83 million yen in right-of-use assets and a decrease of 43 million yen in other non-current assets. As a result, assets increased by 979 million yen from the end of the previous fiscal year to 33,701 million yen.

Current liabilities increased by 952 million yen from the end of the previous fiscal year to 9,736 million yen. This was mainly due to a decrease of 48 million yen in trade and other payables and an increase of 1,002 million yen in borrowings. Non-current liabilities decreased by 257 million yen from the end of the previous fiscal year to 13,893 million yen. This was mainly due to a decrease of 171 million yen in borrowings and a decrease of 91 million yen in lease obligations. As a result, liabilities increased by 694 million yen from the end of the previous fiscal year to 23,630 million yen.

Equity increased by 284 million yen from the end of the previous fiscal year to 10,070 million yen. This was mainly due to an increase in retained earnings of 284 million yen.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “Cash”) at the end of the first quarter under review increased by 1,171 million yen from the end of the previous fiscal year to 6,288 million yen. Individual cash flows for the cumulative first quarter under review and the factors behind them were as follows:

(Cash flows from operating activities)

Cash provided by operating activities was 1,118 million yen (1,030 million yen provided in the same period of the previous fiscal year). This was mainly attributable to increasing factors of Cash, such as profit before tax of 398 million yen and depreciation and amortization of 817 million yen, in contrast to decreasing factors, such as a decrease in trade and other payables of 46 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 135 million yen (150 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 128 million yen and payments of guarantee deposits of 12 million yen.

(Cash flows from financing activities)

Cash provided by financing activities was 203 million yen (703 million yen used in the same period of the previous fiscal year). This was mainly attributable to increasing factors of Cash, such as a net increase in short-term borrowings of 1,000 million yen, in contrast to the decreasing factors, such as repayments of long-term borrowings of 175 million yen and repayments of lease obligations of 660 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)	Q1 of current fiscal year (September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	5,117	6,288
Trade and other receivables	775	786
Inventories	169	166
Income taxes receivable	279	268
Other current assets	202	193
Total current assets	6,544	7,703
Non-current assets		
Property, plant and equipment	1,857	1,819
Right-of-use assets	6,062	5,978
Goodwill	15,430	15,430
Intangible assets	172	159
Other financial assets	1,856	1,854
Deferred tax assets	639	639
Other non-current assets	158	115
Total non-current assets	26,176	25,998
Total assets	32,721	33,701
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	342	293
Borrowings	4,720	5,723
Lease obligations	2,322	2,292
Income taxes payable	60	107
Other financial liabilities	88	87
Other current liabilities	1,249	1,232
Total current liabilities	8,784	9,736
Non-current liabilities		
Borrowings	9,811	9,640
Lease obligations	3,671	3,579
Other financial liabilities	107	107
Deferred tax liabilities	26	26
Provisions	513	519
Other non-current liabilities	19	19
Total non-current liabilities	14,151	13,893
Total liabilities	22,935	23,630
Equity		
Share capital	1,214	1,224
Capital surplus	4,754	4,764
Retained earnings	3,885	4,170
Treasury shares	(0)	(0)
Other components of equity	(68)	(88)
Total equity attributable to owners of parent	9,786	10,070
Total equity	9,786	10,070
Total liabilities and equity	32,721	33,701

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(unit: million yen)

	Cumulative Q1 of previous fiscal year (From July 1, 2019 to September 30, 2019)	Cumulative Q1 of current fiscal year (From July 1, 2020 to September 30, 2020)
Revenue	5,684	4,615
Cost of sales	(4,216)	(4,091)
Gross profit	1,467	523
Other operating income	1	590
Selling, general and administrative expenses	(696)	(657)
Other operating expenses	(6)	(11)
Operating profit	765	445
Finance income	4	3
Finance costs	(38)	(50)
Profit before tax	731	398
Income tax expense	(243)	(113)
Profit	487	284
Profit attributable to Owners of parent	487	284
Profit	487	284
Earnings per share		
Basic earnings per share (yen)	39.03	22.31
Diluted earnings per share (yen)	36.56	21.29

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

	(unit: million yen)	
	Cumulative Q1 of previous fiscal year (From July 1, 2019 to September 30, 2019)	Cumulative Q1 of current fiscal year (From July 1, 2020 to September 30, 2020)
Profit	487	284
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(10)	(18)
Total of items that may be reclassified to profit or loss	(10)	(18)
Total other comprehensive income	(10)	(18)
Comprehensive income	477	266
Comprehensive income attributable to		
Owners of parent	477	266
Comprehensive income	477	266

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

Cumulative Q1 of previous fiscal year (From July 1, 2019 to September 30, 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	—	—	487	—	—	—	—
Other comprehensive income	—	—	—	—	(10)	—	(10)
Total comprehensive income	—	—	487	—	(10)	—	(10)
Issuance of new shares (exercise of share acquisition rights)	9	9	—	—	—	(5)	(5)
Share-based remuneration expenses	—	—	—	—	—	6	6
Dividends of surplus	—	(237)	—	—	—	—	—
Total transactions with owners	9	(228)	—	—	—	1	1
Balance at September 30, 2019	1,146	4,686	4,269	(0)	(186)	111	(75)

(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	487	487
Other comprehensive income	(10)	(10)
Total comprehensive income	477	477
Issuance of new shares (exercise of share acquisition rights)	13	13
Share-based remuneration expenses	6	6
Dividends of surplus	(237)	(237)
Total transactions with owners	(217)	(217)
Balance at September 30, 2019	10,027	10,027

Cumulative Q1 of current fiscal year (From July 1, 2020 to September 30, 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	—	—	284	—	—	—	—
Other comprehensive income	—	—	—	—	(18)	—	(18)
Total comprehensive income	—	—	284	—	(18)	—	(18)
Issuance of new shares (exercise of share acquisition rights)	9	9	—	—	—	(5)	(5)
Share-based remuneration expenses	—	—	—	—	—	3	3
Total transactions with owners	9	9	—	—	—	(1)	(1)
Balance at September 30, 2020	1,224	4,764	4,170	(0)	(197)	109	(88)

(unit: million yen)

	Total equity attributable to owners of parent	Total equity
Balance at July 1, 2020	9,786	9,786
Profit	284	284
Other comprehensive income	(18)	(18)
Total comprehensive income	266	266
Issuance of new shares (exercise of share acquisition rights)	14	14
Share-based remuneration expenses	3	3
Total transactions with owners	18	18
Balance at September 30, 2020	10,070	10,070

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(unit: million yen)

	Cumulative Q1 of previous fiscal year (From July 1, 2019 to September 30, 2019)	Cumulative Q1 of current fiscal year (From July 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before tax	731	398
Depreciation and amortization	782	817
Impairment losses	4	7
Finance income	(4)	(3)
Finance costs	38	50
Subsidy income	—	(579)
Decrease (increase) in trade and other receivables	340	(6)
Decrease (increase) in inventories	(11)	2
Increase (decrease) in trade and other payables	19	(46)
Other	(387)	(22)
Subtotal	1,513	617
Interest received	1	0
Interest paid	(35)	(34)
Proceeds from subsidy income	—	579
Income taxes paid	(449)	(43)
Cash flows from operating activities	1,030	1,118
Cash flows from investing activities		
Purchase of property, plant and equipment	(114)	(128)
Purchase of intangible assets	(0)	(0)
Payments of guarantee deposits	(32)	(12)
Proceeds from refund of guarantee deposits	4	7
Other	(6)	(1)
Cash flows from investing activities	(150)	(135)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	300	1,000
Repayments of long-term borrowings	(175)	(175)
Proceeds from sale and leaseback transactions	8	25
Repayments of lease obligations	(625)	(660)
Proceeds from exercise of share acquisition rights	13	14
Dividends paid	(224)	(0)
Cash flows from financing activities	(703)	203
Exchange differences of cash and cash equivalents	(7)	(15)
Net increase (decrease) in cash and cash equivalents	167	1,171
Cash and cash equivalents at beginning of period	2,489	5,117
Cash and cash equivalents at end of period	2,656	6,288

(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 Q1 of previous fiscal year (From July 1, 2019 to September 30, 2019)	Cumulative Q1 of current fiscal year (From July 1, 2020 to September 30, 2020)
Profit attributable to owners of parent (million yen)	487	284
Average number of common shares outstanding during the period (shares)	12,498,550	12,748,297
Number of common shares with dilutive effects		
Increase due to share options (shares)	843,789	609,710
Diluted average number of common shares outstanding during the period (shares)	13,342,339	13,358,007
Basic earnings per share (yen)	39.03	22.31
Diluted earnings per share (yen)	36.56	21.29

(Significant subsequent events)

There are no applicable items.