Financial Results for the Fiscal Year Ended June 30, 2020 [IFRS] (Consolidated)

August 13, 2020

Company name: QB Net Holdings Co., Ltd. Listed on: Tokyo Stock Exchange
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Scheduled date of the Ordinary General Meeting of Shareholders: September 25, 2020
Scheduled date for commencement of dividend payment: －
Scheduled date for securities report submission: September 28, 2020
Supplementary explanatory materials for financial results: Yes
Financial results briefings: Yes

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year ended June 30, 2020 (July 1, 2019 to June 30, 2020)

(1) Consolidated Operating Results (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	%
FYE June 2020	19,089	(8.5)	239	(87.8)	98	(94.8)	104	(91.8)	104	(91.8)	100	(91.8)
FYE June 2019	20,864	8.2	1,969	20.0	1,895	21.5	1,272	22.2	1,272	22.2	1,232	22.1

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Profit before tax to total assets ratio	Operating profit margin
	yen	yen	%	%	%
FYE June 2020	8.29	7.81	1.1	0.3	1.3
FYE June 2019	102.64	95.66	13.8	7.9	9.4

(Reference) Share of profit (loss) of entities accounted for using equity method FYE June 2020 - million yen FYE June 2019 - million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	million yen	million yen	million yen	%	yen
FYE June 2020	32,721	9,786	9,786	29.9	768.46
FYE June 2019	24,282	9,797	9,797	40.3	784.54

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
FYE June 2020	2,747	(838)	721	5,117
FYE June 2019	2,370	(961)	(916)	2,489

2. Dividends

	Annual dividends					Total amount of dividends	Dividend payout ratio (Consolidated)	Dividend payout ratio to equity attributable to owners of parent (Consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FYE June 2019	－	0.00	－	19.00	19.00	237	18.5	2.6
FYE June 2020	－	0.00	－	0.00	0.00	－	－	－
FYE June 2021 (Forecast)	－	0.00	－	－	－		－	

(Note) 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

*Notes

(1) Changes in significant subsidiaries during the period: No
(Changes in specific subsidiaries with changes in the scope of consolidation):
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: Yes
(ii) Changes in accounting policies other than (i): No
(iii) Changes in accounting estimates: Yes

(Note) For details, see “3. Consolidated Financial Statements and Main Notes, (6) Notes on the Consolidated Financial Statements (Changes in accounting policies)” on page 12 of the Attachment and “3. Consolidated Financial Statements and Main Notes, (6) Notes on the Consolidated Financial Statements (Changes in accounting estimates)” on page 13 of the Attachment.

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of the period (including treasury shares)	FYE June 2020	12,735,300 shares	FYE June 2019	12,488,000 shares
(ii) Number of treasury shares at the end of the period	FYE June 2020	123 shares	FYE June 2019	123 shares
(iii) Average number of shares outstanding during the period	FYE June 2020	12,598,525 shares	FYE June 2019	12,400,296 shares

* Financial results are not subject to audit 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. For information on earnings forecasts, please refer to “1. Overview of Operating Results, (4) Forecasts” on page 5 of the Attachment.

(How to obtain supplementary explanatory materials for financial results and the content of the financial results briefing)
From the perspective of preventing the spread of the novel coronavirus, the Company will post a video explaining its financial results on the Company website on August 20, 2020, instead of holding the conventional financial results briefing. Supplementary explanatory materials used for this video will also be posted on the Company website on the same day.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended June 30, 2020

Revenue for the first half of the fiscal year under review (July 1, 2019 to December 31, 2019) increased by 1,019 million yen year on year, due to favorable revenue at existing stores in Japan that exceeded that of the same period of the previous fiscal year, as well as a rise in the unit price of service because of price revisions at all QB HOUSE stores in Japan and Hong Kong. Meanwhile, in the second half of the fiscal year under review (January 1, 2020 to June 30, 2020), our business was affected by a decline in the number of customers caused by temporary closures of stores, shortened operating hours, and consumers' self-restraint on going out because of the spread of the novel coronavirus. Particularly in Japan, due to the declaration of a state of emergency announced by the Japanese government and the subsequent expansion of the target area, all stores in Japan were temporarily closed from April 18 to May 12. As a result, the number of customers visiting our stores in April and May declined significantly from the level of the previous fiscal year. As a result of these factors, the Group as a whole saw a year-on-year decrease in revenue of 2,794 million yen in the second half of the fiscal year. Consequently, in the fiscal year under review (July 1, 2019 to June 30, 2020), revenue decreased by 1,774 million yen year on year.

Cost of sales increased by 232 million yen year on year due to an increase in personnel expenses resulting from an increase in store staff in Japan and overseas, as well as improvements in working conditions for store staff in Japan, despite lower rent for stores during the period of temporary closure.

Selling, general and administrative expenses decreased by 214 million yen year on year mainly due to a decline in year-end allowances in Japan.

As a result, consolidated earnings in the fiscal year under review were as follows: Revenue amounted to 19,089 million yen (down 8.5% year on year), operating profit was 239 million yen (down 87.8%), profit before tax was 98 million yen (down 94.8%), and profit attributable to owners of parent came to 104 million yen (down 91.8%).

Regarding the opening of stores, we opened 42 stores. As for store opening regions, we opened 31 stores in Japan, two in Singapore, five in Hong Kong, three in Taiwan and one in the United States. Moreover, since we closed 21 stores mainly due to renovation of shopping centers and stations, we had 715 stores as of the end 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) Overview of Financial Position for the Fiscal Year Ended June 30, 2020

Assets, liabilities and equity at the end of the fiscal year under review were as follows:

Current assets increased by 2,562 million yen from the end of the previous fiscal year to 6,544 million yen. This was mainly due to an increase of 2,628 million yen in cash and cash equivalents and a decrease of 385 million yen in trade and other receivables. Non-current assets increased by 5,877 million yen from the end of the previous fiscal year to 26,176 million yen. This was mainly due to the inclusion of right-of-use assets according to the application of IFRS 16 "Leases" (hereinafter referred to as "IFRS 16"). As a result, assets increased by 8,439 million yen from the end of the previous fiscal year to 32,721 million yen.

Current liabilities increased by 5,598 million yen from the end of the previous fiscal year to 8,784 million yen. This was mainly due to an increase in borrowings of 3,964 million yen and an increase in lease obligations in the application of IFRS 16. Non-current liabilities increased by 2,852 million yen from the end of the previous fiscal year to 14,151 million yen. This was mainly due to an increase in lease obligations in the application of IFRS 16. As a result, liabilities increased by 8,450 million yen from the end of the previous fiscal year to 22,935 million yen.

Equity decreased by 10 million yen from the end of the previous fiscal year to 9,786 million yen. This was mainly due to an increase in share capital of 76 million yen, a decrease in capital surplus of 160 million yen, and an increase in retained earnings of 74 million yen.

(3) Overview of Cash Flows for the Fiscal Year Ended June 30, 2020

Cash and cash equivalents (hereinafter referred to as "Cash") at the end of the fiscal year under review increased by 2,628 million yen from the end of the previous fiscal year to 5,117 million yen. Individual cash flows for the fiscal year under review and the factors behind them were as follows:

(Cash flows from operating activities)

Cash provided by operating activities was 2,747 million yen (2,370 million yen in the previous fiscal year). This was mainly attributable to a decrease in Cash, such as income taxes paid of 832 million yen, in contrast to an increase in Cash, such as depreciation and amortization of 3,205 million yen and a decrease (increase) in trade and other receivables of 529 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 838 million yen (961 million yen in the previous fiscal year). This was mainly attributable to decreasing factors of Cash, such as purchase of property, plant and equipment of 683 million yen and payment of security deposits of 118 million yen.

(Cash flows from financing activities)

Cash provided by financing activities was 721 million yen (916 million yen used in the previous fiscal year). This was mainly attributable to increasing factors of Cash, such as a net increase (decrease) in short-term borrowings of 3,982 million yen, in contrast to the decreasing factors, such as repayments of lease obligations of 2,559 million yen and repayments of long-term borrowings of 700 million yen.

(4) Forecasts

Earnings forecasts for the next fiscal year (July 1, 2020 to June 30, 2021) are as follows: Revenue of 20,774 million yen (up 8.8% year on year), operating profit of 1,000 million yen (up 317.4% year on year), profit before tax of 814 million yen (up 729.5% year on year), and profit attributable to owners of parent of 557 million yen (up 433.4% year on year). Assumptions regarding the impact of the novel coronavirus on earnings forecasts are as follows.

(Domestic operations)

- Consumers continue to refrain from going out due to a rise in the number of infected people after the lifting of the declaration of a state of emergency, and the number of customers visiting the Company’s stores is decreasing year on year. In particular, revenue at domestic stores in July 2020 were 73.3% of the level of July 2019 due to lower fluid population in business districts caused mainly by remote working.
- Although domestic store revenue is expected to improve gradually from July 2020 onwards, we project that a recovery to the level prior to the spread of the novel coronavirus will take until June 2021.
- The Company Group provided employees with compensation, including estimated overtime pay, during the period of temporary business closure in April and May 2020. The subsidy income from the national government is expected to be recorded in the next fiscal year as the decision for payment and the actual payment will be made in the next fiscal year.

(Overseas operations)

- In Hong Kong, the spread of the novel coronavirus had been controlled by the government's quarantine measures, but the number of new infections has been increasing since around the end of June 2020, and preventive measures have been implemented again. We expect the impact to continue until around autumn of 2020.
- In Singapore, the spread of the novel coronavirus has been curbed by quarantine measures taken by administrative organs. However, given the outbreak of a certain number of new cases, we expect that the impact will continue until around autumn of 2020.
- In Taiwan, the spread of the novel coronavirus has been curbed by the government's quarantine measures, and the situation is now under control. Therefore, we do not anticipate any impact from the novel coronavirus.
- In the United States, the number of newly infected people in New York is declining due to preventive measures taken by administrative organizations. However, since it will take time before preventive measures are eased, the impact is expected to continue until June 2021.

For details, please refer to the supplementary explanatory materials for financial results to be disclosed on August 20, 2020.

2. Basic Approach to the Selection of Accounting Standards

The Company Group has adopted the International Accounting Standards (IFRS) effective from the fiscal year ended June 30, 2017 with a view to enhancing the international comparability and convenience of financial information in the capital market.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Statement of Financial Position

(unit: million yen)

	Previous fiscal year (June 30, 2019)	Current fiscal year (June 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	2,489	5,117
Trade and other receivables	1,160	775
Inventories	116	169
Income taxes receivable	―	279
Other current assets	215	202
Total current assets	3,982	6,544
Non-current assets		
Property, plant and equipment	2,327	1,857
Right-of-use assets	―	6,062
Goodwill	15,430	15,430
Intangible assets	150	172
Other financial assets	1,773	1,856
Deferred tax assets	519	639
Other non-current assets	98	158
Total non-current assets	20,299	26,176
Total assets	24,282	32,721
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	273	342
Borrowings	755	4,720
Lease obligations	161	2,322
Income taxes payable	503	60
Other financial liabilities	168	88
Other current liabilities	1,323	1,249
Total current liabilities	3,185	8,784
Non-current liabilities		
Borrowings	10,498	9,811
Lease obligations	304	3,671
Other financial liabilities	117	107
Deferred tax liabilities	19	26
Provisions	348	513
Other non-current liabilities	11	19
Total non-current liabilities	11,299	14,151
Total liabilities	14,484	22,935
Equity		
Share capital	1,137	1,214
Capital surplus	4,914	4,754
Retained earnings	3,811	3,885
Treasury shares	(0)	(0)
Other components of equity	(66)	(68)
Total equity attributable to owners of parent	9,797	9,786
Total equity	9,797	9,786
Total liabilities and equity	24,282	32,721

(2) Consolidated Statement of Profit or Loss

(unit: million yen)

	Previous fiscal year (From July 1, 2018 to June 30, 2019)	Current fiscal year (From July 1, 2019 to June 30, 2020)
Revenue	20,864	19,089
Cost of sales	(16,012)	(16,245)
Gross profit	4,851	2,843
Other operating income	44	129
Selling, general and administrative expenses	(2,844)	(2,629)
Other operating expenses	(81)	(104)
Operating profit	1,969	239
Finance income	15	16
Finance costs	(89)	(157)
Profit before tax	1,895	98
Income tax expense	(623)	6
Profit	1,272	104
Profit attributable to		
Owners of parent	1,272	104
Profit	1,272	104
Earnings per share		
Basic earnings per share (yen)	102.64	8.29
Diluted earnings per share (yen)	95.66	7.81

(3) Consolidated Statement of Comprehensive Income

(unit: million yen)

	Previous fiscal year (From July 1, 2018 to June 30, 2019)	Current fiscal year (From July 1, 2019 to June 30, 2020)
Profit	1,272	104
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(40)	(3)
Total of items that may be reclassified to profit or loss	(40)	(3)
Total other comprehensive income	(40)	(3)
Comprehensive income	1,232	100
Comprehensive income attributable to		
Owners of parent	1,232	100
Comprehensive income	1,232	100

(4) Consolidated Statement of Changes in Equity

Previous fiscal year (From July 1, 2018 to June 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, 2018	1,103	5,103	2,538	—	(134)	85	(49)
Profit	—	—	1,272	—	—	—	—
Other comprehensive income	—	—	—	—	(40)	—	(40)
Total comprehensive income	—	—	1,272	—	(40)	—	(40)
Issuance of new shares (exercise of share acquisition rights)	34	34	—	—	—	(19)	(19)
Share-based remuneration expenses	—	—	—	—	—	42	42
Dividends of surplus	—	(223)	—	—	—	—	—
Purchase of treasury shares	—	—	—	(0)	—	—	—
Total transactions with owners	34	(188)	—	(0)	—	23	23
Balance at June 30, 2019	1,137	4,914	3,811	(0)	(175)	109	(66)

(unit: million yen)

	Total equity attributable to owners of parent	Total equity
Balance at July 1, 2018	8,695	8,695
Profit	1,272	1,272
Other comprehensive income	(40)	(40)
Total comprehensive income	1,232	1,232
Issuance of new shares (exercise of share acquisition rights)	49	49
Share-based remuneration expenses	42	42
Dividends of surplus	(223)	(223)
Purchase of treasury shares	(0)	(0)
Total transactions with owners	(130)	(130)
Balance at June 30, 2019	9,797	9,797

Current fiscal year (From July 1, 2019 to June 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, 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	–	–	104	–	–	–	–
Other comprehensive income	–	–	–	–	(3)	–	(3)
Total comprehensive income	–	–	104	–	(3)	–	(3)
Issuance of new shares (exercise of share acquisition rights)	76	76	–	–	–	(25)	(25)
Share-based remuneration expenses	–	–	–	–	–	26	26
Dividends of surplus	–	(237)	–	–	–	–	–
Total transactions with owners	76	(160)	–	–	–	1	1
Balance at June 30, 2020	1,214	4,754	3,885	(0)	(179)	110	(68)

(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	104	104
Other comprehensive income	(3)	(3)
Total comprehensive income	100	100
Issuance of new shares (exercise of share acquisition rights)	128	128
Share-based remuneration expenses	26	26
Dividends of surplus	(237)	(237)
Total transactions with owners	(81)	(81)
Balance at June 30, 2020	9,786	9,786

(5) Consolidated Statement of Cash Flows

(unit: million yen)

	Previous fiscal year (From July 1, 2018 to June 30, 2019)	Current fiscal year (From July 1, 2019 to June 30, 2020)
Cash flows from operating activities		
Profit before tax	1,895	98
Depreciation and amortization	769	3,205
Impairment losses	74	78
Finance income	(15)	(16)
Finance costs	89	157
Decrease (increase) in trade and other receivables	(93)	529
Decrease (increase) in inventories	(22)	(52)
Increase (decrease) in trade and other payables	21	18
Other	249	(307)
Subtotal	2,968	3,712
Interest received	4	4
Interest paid	(78)	(137)
Income taxes paid	(524)	(832)
Cash flows from operating activities	2,370	2,747
Cash flows from investing activities		
Purchase of property, plant and equipment	(826)	(683)
Purchase of intangible assets	(25)	(39)
Payments of guarantee deposits	(130)	(118)
Proceeds from refund of guarantee deposits	41	31
Other	(20)	(28)
Cash flows from investing activities	(961)	(838)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	―	3,982
Repayments of long-term borrowings	(700)	(700)
Proceeds from sale and leaseback transactions	191	135
Repayments of lease obligations	(192)	(2,559)
Proceeds from exercise of share acquisition rights	49	128
Dividends paid	(221)	(237)
Other	(44)	(28)
Cash flows from financing activities	(916)	721
Exchange differences of cash and cash equivalents	(21)	(1)
Net increase (decrease) in cash and cash equivalents	471	2,628
Cash and cash equivalents at beginning of period	2,018	2,489
Cash and cash equivalents at end of period	2,489	5,117

(6) Notes on the Consolidated Financial Statements

(Notes on going concern assumptions)

There are no applicable items.

(Changes in accounting policies)

The Company Group adopted IFRS 16, “Leases” (announced in January 2016) (hereinafter referred to as “IFRS 16”) effective from the fiscal year under review.

IFRS 16 is the standard replacing the existing IAS 17 “Leases” (hereinafter referred to as “IAS 17”) and IFRIC 4 “Determining whether an Arrangement Contains a Lease” (hereinafter referred to as “IFRIC 4”). This new standard requires that a single accounting model be used to recognize, in principle, for all leases of the lessee, right-of-use assets representing the right to use the underlying assets, and lease obligations representing the obligation to pay the lease payments in the consolidated statement of financial position.

In applying IFRS 16, we have adopted the method of recognizing the cumulative effect of the application of this standard at the commencement date of application, which is allowed as a transitional measure.

Upon transition to IFRS 16, the Company has selected the practical expedient of IFRS 16 C3 as to whether leases are included in arrangements, and succeeds the judgment under IAS 17 and IFRIC 4. We have been determining in accordance with provisions of IFRS 16 since the effective date of application.

Leases as the lessee that had been classified as operating leases under IAS 17 in the past were recognized as right-of-use assets and lease obligations on the effective date of application, with the exception of short-term leases and small asset leases. Lease payments under short-term leases and small asset leases are recognized as expenses over the lease period by the straight-line method.

The lease period is determined by considering the non-cancelable period for leases as well as periods for which the extension is reasonably certain and for which no cancelation is reasonably certain.

Right-of-use assets are depreciated regularly over the lease period.

Lease obligations are measured at present value, the residual lease payments discounted using the lessee’s incremental borrowing rate of interest or the lessor's implicit rate of interest as of the effective date of application. The weighted average of the incremental borrowing rate of interest is 1.3%.

The adjustments table for the non-cancelable operating lease agreements to which IAS 17 was applied at the end of the previous fiscal year and the lease obligations recognized in the consolidated statement of financial position as of the effective date of application is as follows:

(unit: million yen)

Non-cancelable operating lease agreements (June 30, 2019)	5,396
Amount affected by changes in lease period estimates	567
Amount discounted using the borrowing rate of interest as of the effective date of application	(127)
Finance lease obligations (June 30, 2019)	465
Lease obligations (July 1, 2019)	6,303

As a result, compared to the amount that would have been reported if the previous accounting standard had been applied, the right-of-use assets, deferred tax assets, and lease obligations at the beginning of the fiscal year under review increased by 5,794 million yen, 12 million yen, and 5,837 million yen, respectively, while retained earnings decreased by 29 million yen. Since lease obligations, which had been included in “Other financial liabilities” in the previous fiscal year, became increasingly significant in value, they have been itemized separately from the fiscal year under review and the consolidated statement of financial position for the previous fiscal year was reclassified.

In the consolidated statement of cash flows, cash flows relating to leases of the lessee that had been previously reported as operating leases were included in cash flows from operating activities. However, excluding short-term leases and leases of small assets that are not included in the measurement of lease obligations, cash flows relating to leases of the lessee that had been previously reported as operating leases are presented as “Repayments of lease obligations” under cash flows from financing activities, including the repayments of lease obligations that were previously reported as finance leases.

Amendment to IFRS 16 “Leases”: “COVID-19-related rent concessions”

The Company has elected not to assess whether its status corresponds to “lease modifications” as specified in IFRS 16, by applying the amendment that permits lessees, as a practical expedient, not to make the assessment where rent concessions occur as a direct consequence of the novel coronavirus pandemic, and all of the following conditions are satisfied.

- The consideration after the revision of the lease resulting from a change in the lease payments is approximately equal to or less than the consideration for the lease immediately prior to the change;
- Reduced lease payments only affect payments originally due on or before June 30, 2021; and
- There is no substantial change in the other terms and conditions of the lease.

As a result of the adoption of this practical expedient, profit before tax for the fiscal year under review increased by 219 million yen.

(Changes in accounting estimates)

In the fiscal year under review, with regard to asset retirement obligations that were recorded as obligations to restore assets to their original state in connection with real estate lease contracts for stores, etc., the estimate for the costs for restoring assets to their original state that would be required upon the closing of a store was changed in connection with the obtainment of new information based on the most recent performance of obligations to restore assets to their original state. An increase of 143 million yen based on this change in the estimate has been added to the prior-to-change balance of asset retirement obligations and right-of-use assets.

It should be noted that since the amount added to the right-of-use assets was recognized as impairment loss with regard to some of the stores for which impairment loss was already recorded in the past, this change in the estimate resulted in operating profit and profit before tax for the fiscal year under review to decrease by 5 million yen, respectively.

(Additional information)

Due to the spread of the novel coronavirus, the Company Group temporarily closed all of its stores in Japan on April 18, 2020, but resumed operations sequentially from May 13, and all of its stores resumed operations from June onwards. As a result of this temporary closure, our business performance in April and May was significantly worse than in previous fiscal years.

In addition, the assumptions indicated in the “IV Accounting Status, Condensed Quarterly Consolidated Financial Statements, Notes on the Condensed Quarterly Consolidated Financial Statements, 4. Significant Accounting Estimates and Decisions” of the Quarterly Report for the Third Quarter of FYE June 30, 2020, including the timing of convergence of novel coronavirus, have been revised in light of the most recent circumstances. The revised viewpoint is as follows:

Although the Company Group expects a gradual improvement in its operating results from June onwards due to the resumption of operations at all stores following the lifting of the request to refrain from going out under the state of emergency on May 25, 2020, we have assumed that the recovery of revenue and other income to levels prior to the spread of the novel coronavirus will take until the end of the following fiscal year. It is based on this assumption that we have conducted accounting estimates, including impairment tests on non-financial assets and the recoverability of deferred tax assets.

There is no impairment loss on goodwill or intangible assets and no reversal of deferred tax assets recorded under the assumption noted above.

(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:

	Previous fiscal year (From July 1, 2018 to June 30, 2019)	Current fiscal year (From July 1, 2019 to June 30, 2020)
Profit attributable to owners of parent (million yen)	1,272	104
Average number of common shares outstanding during the period (shares)	12,400,296	12,598,525
Number of common shares with dilutive effects		
Increase due to share options (shares)	903,648	764,343
Diluted average number of common shares outstanding during the period (shares)	13,303,944	13,362,868
Basic earnings per share (yen)	102.64	8.29
Diluted earnings per share (yen)	95.66	7.81

(Significant subsequent events)

The Company and its consolidated subsidiary QB Net Co., Ltd. provided employees with compensation, including estimated overtime pay, during the period of temporary business closure in April and May 2020.

An application has been filed for an employment adjustment subsidy and emergency employment stabilization subsidy of 445 million yen for this compensation payment, and the amount will be recognized as income at the time the decision on payment of the subsidy is made. The amount of subsidy received between the financial closing date and August 13, 2020 was 437 million yen.