



# Financial Results for the Fiscal Year Ended June 2021 [IFRS] (Consolidated)

August 13, 2021

Company name: QB Net Holdings Co., Ltd.

Listed on: Tokyo Stock Exchange

Code number: 6571

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Scheduled date for commencement of dividend payment: -

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Supplementary explanatory materials for financial results: Yes

Financial results briefings: Yes

(Rounded down to the nearest million yen)

## Consolidated Financial Results for the Fiscal Year ended June 30, 2021 (July 1, 2020 to June 30, 2021)

(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 2021	18,933	(0.8)	463	93.5	286	191.9	243	133.5	243	133.5	311	209.7
FYE June 2020	19,089	(8.5)	239	(87.8)	98	(94.8)	104	(91.8)	104	(91.8)	100	(91.8)

  

	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 2021	19.09	18.27	2.4	0.9	2.4
FYE June 2020	8.29	7.81	1.1	0.3	1.3

(Reference) Share of profit (loss) of entities accounted for using equity method FYE June 2021 - million yen FYE June 2020 - 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 2021	30,634	10,156	10,156	33.2	792.22
FYE June 2020	32,721	9,786	9,786	29.9	768.46

## (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 2021	4,050	(393)	(4,216)	4,601
FYE June 2020	2,747	(838)	721	5,117

## 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 2020	—	0.00	—	0.00	0.00	—	—	—
FYE June 2021	—	0.00	—	0.00	0.00	—	—	—
FYE June 2022 (forecast)	—	0.00	—	—	—		—	

(Note) The forecast of the year-end dividend for the fiscal year ending June 30, 2022 has not yet been determined.

### 3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)

(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	10,140	9.0	480	33.9	390	46.2	270	17.9	270	17.9	21.02
Full year	20,840	10.1	1,100	137.3	920	221.2	640	162.4	640	162.4	49.09

#### \*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: No  
(ii) Changes in accounting policies other than (i): Yes  
(iii) Changes in accounting estimates: No  
(Note) For details, please refer to "3. Consolidated Financial Statements and Main Notes, (6) Notes on the Consolidated Financial Statements (Change in accounting policies)" on page 12 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 2021	12,820,900 shares	FYE June 2020	12,735,300 shares
(ii) Number of treasury shares at the end of the period	FYE June 2021	123 shares	FYE June 2020	123 shares
(iii) Average number of shares outstanding during the period	FYE June 2021	12,771,218 shares	FYE June 2020	12,598,525 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, and it 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 4 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 19, 2021, 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, 2021

During the fiscal year under review (July 1, 2020 to June 30, 2021), quarantine measures taken by administrative bodies in countries in the world remained in place due to the effect of the prolonged novel coronavirus (hereinafter referred to as "COVID-19"), causing a decrease in the number of customers visiting stores as people teleworked and refrained from going out.

Under these circumstances, the Company Group has proceeded with efforts from three viewpoints: the pandemic period, the post-pandemic period and the promotion of SDGs.

#### (Efforts during the pandemic period)

The Company Group took all possible measures to prevent infections to ensure the safety of customers and employees. To this end, the Group strove to ensure a system in which it could offer services, and customers could use its services with a sense of security continuously under the declaration of a state of emergency except stores that suspended business due to the temporary closure of the facilities that housed them. In addition, the Group reduced fixed costs through measures such as optimizing recruitment and lowering rents, and actively engaged in the integration and abolition of unprofitable stores. This successfully led to an improvement in its earning capacity.

#### (Efforts with an eye set on the post-pandemic period)

The Company Group has worked to improve customer convenience and satisfaction in anticipation of a recovery stage after COVID-19 is contained. The Company Group sought to enhance the accuracy and efficiency of hair cutting techniques by expanding and strengthening its unique technique training curriculum for beginners who have no prior experience in hair cutting, which the Group had put efforts into for years, and providing the opportunity for existing salon stylists to relearn the basics. Additionally, as part of service improvement, such as shortening waiting time, the Group developed a new app that allowed customers to make a reservation and advance payment and has introduced the app in salons of FaSS and QB PREMIUM. Going forward, the Group will continue endeavoring to further improve functions that help enhance convenience.

#### (Efforts to promote SDGs)

Based on the idea of avoiding any waste by specializing in hair cutting services, the Company has, since its founding, stuck to the stance of using no water resources for washing hair by replacing shampoo with suction devices (air washers). On the other hand, new combs had been used for each customer during hair treatment. However, as an approach to the recent plastic waste problem, the Company has changed to reusing combs after appropriately disinfecting them. Through this measure, the Company expects to save more than 15 million plastic combs each year.

In terms of our store network, we opened 25 stores. The breakdown is 15 stores in Japan, and overseas, one in Singapore, four in Hong Kong, and five in Taiwan. Moreover, since we closed 26 stores mainly due to integration and abolition of non-profitable stores, we had 714 stores as of the end of the fiscal year under review, a reduction of one store from the end of the previous fiscal year.

Revenue decreased by 155 million yen year on year to 18,933 million yen mainly due to a decline in the number of customers visiting our stores caused by the impact of COVID-19. The status of COVID-19 and its impact on revenue in each country is as described below.

				(Million yen)
	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)	Changes	Changes (Excluding foreign exchange effects)
Domestic operations	15,798	15,705	(93)	—
Overseas operations	3,290	3,228	(62)	(74)
Hong Kong	1,848	1,769	(79)	(56)
Singapore	836	836	0	(10)
Taiwan	489	513	24	(1)
Americas	116	108	(7)	(5)
Consolidated	19,089	18,933	(155)	(74)

(Note) Amounts are after deducting intercompany transactions among group companies.

<Domestic operations>

New infections continue to occur, causing us to remain taking measures such as teleworking and self-restraint from going out. During the first declaration of a state of emergency (from April to May 2020), all domestic stores were temporarily closed, resulting in a significant decrease in revenue. In the subsequent declarations of a state of emergency, with the exception of some stores that were temporarily closed or opened for shorter business hours due to the decision of the facilities that housed them, we managed to continue business with thorough measures against infection in place. As a result, we were able to report positive revenue in a stable manner, though on a level lower than the period prior to the spread of COVID-19. After bottoming out in January 2021 (January is an off-season each year), revenue has been on a recovery trend as the temperatures rise. On a full-year basis, revenue decreased by 93 million yen year on year.

<Hong Kong>

Revenue declined year on year due in part to the effects of teleworking and self-restraint in going out against the background of quarantine measures taken by administrative bodies in response to an increase in new infections. Most recently, revenue reached a monthly record high in May 2021 and is on a recovery path. For the full year, revenue fell by 79 million yen including foreign exchange effects.

<Singapore>

Revenue declined year on year due in part to the effects of teleworking and self-restraint in going out against the background of quarantine measures taken by administrative bodies in response to an increase in new infections. For the full year, revenue was generally unchanged from the same period of the previous fiscal year including foreign exchange effects.

<Taiwan>

Until mid-May 2021, the occurrence of newly infections was contained, and revenue outperformed the same period of the previous fiscal year. However, as the number of new cases surged in mid-May 2021, administrative bodies tightened quarantine measures, causing revenue to plunge. For the full year, revenue increased by 24 million yen year on year including foreign exchange effects.

<United States (New York)>

New infections were ongoing, and as the quarantine measures of administrative bodies continued, our business had been greatly affected by teleworking and the self-restraint on going out, etc. However, quarantine measures were relaxed due to the acceleration of the vaccine rollout, resulting in revenue picking up. For the full year, revenue decreased by 7 million yen year on year including foreign exchange effects.

Cost of sales increased by 188 million yen year on year to 16,433 million yen. The main changes are as follows.

(Million yen)

Item	Changes	Reason for change
Personnel expenses	471	The average number of salon stylists during the fiscal year under review rose partly because consigned salons in Japan joined the Company Group in the previous fiscal year.
Outsourcing fees	(382)	Decrease in the number of consigned salons due to the joining of the above consigned salons and a fall in revenue of the consigned salons

Selling, general and administrative expenses decreased by 162 million yen year on year to 2,466 million yen. The main changes are as follows.

(Million yen)

Item	Changes	Reason for change
Personnel expenses	53	Increase in in-house haircut school trainees and area managers, in particular
Recruitment expenses	(67)	Decrease accompanying optimization of the number of recruits in the face of a delayed recovery in revenue
Advertising expenses	(39)	Decrease in new store openings and curtailment of sales promotion activities
Travel and transportation expenses	(34)	Restraints on movement due to the spread of COVID-19

Other operating income increased by 612 million yen year on year to 742 million yen, mainly due to the recording of income from employment adjustment subsidies in Japan. Other operating expenses increased by 207 million yen year on year to 312 million yen, mainly due to the recording of impairment losses from stores whose earnings recovery was delayed for a short period by the effects of COVID-19, etc.

As a result, consolidated earnings in the fiscal year under review were as follows: revenue amounted to 18,933 million yen (down 0.8% year on year), operating profit was 463 million yen (up 93.5% year on year), profit before tax was 286 million yen (up 191.9% year on year), and profit attributable to owners of parent came to 243 million yen (up 133.5% year on year).

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, 2021

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

Current assets decreased by 903 million yen from the end of the previous fiscal year to 5,641 million yen. This was mainly due to a decrease of 515 million yen in cash and cash equivalents and a decrease of 256 million yen in income taxes receivable. Non-current assets decreased by 1,183 million yen from the end of the previous fiscal year to 24,992 million yen. This was mainly due to a decrease of 355 million yen in property, plant and equipment and a decrease of 748 million yen in right-of-use assets. As a result, assets decreased by 2,087 million yen from the end of the previous fiscal year to 30,634 million yen.

Current liabilities decreased by 1,084 million yen from the end of the previous fiscal year to 7,699 million yen. This was mainly due to a decrease of 139 million yen in trade and other payables and a decrease of 1,002 million yen in borrowings. Non-current liabilities decreased by 1,373 million yen from the end of the previous fiscal year to 12,777 million yen. This was mainly due to a decrease of 686 million yen in borrowings and a decrease of 655 million yen in lease obligations. As a result, liabilities decreased by 2,457 million yen from the end of the previous fiscal year to 20,477 million yen.

Equity increased by 370 million yen from the end of the previous fiscal year to 10,156 million yen. This was mainly due to an increase of 243 million yen in retained earnings and an increase of 64 million yen in other components of equity.

(3) Overview of Cash Flows for the Fiscal Year Ended June 30, 2021

Cash and cash equivalents (hereinafter referred to as "Cash") at the end of the fiscal year under review decreased by 515 million yen from the end of the previous fiscal year to 4,601 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 4,050 million yen (2,747 million yen provided in the previous fiscal year). This was mainly attributable to factors causing an increase in cash, such as depreciation and amortization of 3,254 million yen and income tax refund of 271 million yen, in contrast to decreasing factors, such as interest paid of 151 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 393 million yen (838 million yen used in the previous fiscal year). This was mainly attributable to decreasing factors of cash, such as purchase of property, plant and equipment of 377 million yen.

(Cash flows from financing activities)

Cash used in financing activities was 4,216 million yen (721 million yen provided in the previous fiscal year). This was mainly attributable to decreasing factors of cash, such as a net decrease in short-term borrowings of 1,018 million yen and repayments of lease obligations of 2,599 million yen.

(4) Forecasts

At the moment, quarantine measures taken by administrative bodies in countries in the world remain in place due to the prolonged effects of COVID-19, causing a decrease in the number of customers visiting stores as people telework and refrain from going out. We assume that the impact of COVID-19 on the next fiscal year (ending June 2022, running from July 1, 2021 to June 30, 2022) will gradually improve mainly due to an increase in the vaccination rate, and then revenue, etc. will recover moderately.

In the next fiscal year, we will further improve the *number of customers* and the *number of stores* in particular out of the three business KPIs of the number of customers, the number of stores and the unit price. In addition to improving

these business KPIs, we will continue to reduce costs, and in this way we strive to reinforce our earnings structure so as to exceed the profit level of the pre-pandemic period.

As a measure for attracting customers to increase the number of customers, we will improve the function of the app already introduced to FaSS and QB PREMIUM and will develop electronic haircut charts for QB HOUSE in efforts to enhance customer convenience. Moreover, we will make online touch points, such as Google My Business and our website, better so that we will be able to prepare an environment that allows customers to obtain the necessary information on stores in a timely manner.

As a measure for opening stores to add to the number, we will proceed with opening stores in new locations, including ones in which we could not make a profit in the past. We will do so by revising our criteria for locations when we recognize that the sphere of everyday life has dispersed from town centers near railway stations where a great number of people gather to areas surrounding them mainly due to teleworking and self-restraint on going out. The number of new stores to be opened in the plan for the next fiscal year is 43 (32 stores in Japan and 11 overseas) as the entire group, indicating an increase from 20 new stores of the fiscal year under review (12 stores in Japan and eight overseas) excluding relocations.

The forecasts for consolidated financial results for the next fiscal year are as follows.

(Million yen)

	Consolidated Earnings Results for the Fiscal Year Ended June 2021	Consolidated Earnings Forecast for the Fiscal Year Ending June 2022	Year-on-year change
Revenue	18,933	20,840	10.1%
Operating profit	463	1,100	137.3%
Profit before tax	286	920	221.2%
Profit attributable to owners of parent	243	640	162.4%

For details, please refer to the supplementary explanatory materials for financial results to be disclosed on August 19, 2021.

## 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, 2020)	Current fiscal year (June 30, 2021)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,117	4,601
Trade and other receivables	775	781
Inventories	169	104
Income taxes receivable	279	23
Other current assets	202	129
Total current assets	6,544	5,641
Non-current assets		
Property, plant and equipment	1,857	1,502
Right-of-use assets	6,062	5,313
Goodwill	15,430	15,430
Intangible assets	172	130
Other financial assets	1,856	1,854
Deferred tax assets	639	654
Other non-current assets	158	107
Total non-current assets	26,176	24,992
Total assets	32,721	30,634
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	342	202
Borrowings	4,720	3,717
Lease obligations	2,322	2,350
Income taxes payable	60	47
Other financial liabilities	88	82
Other current liabilities	1,249	1,299
Total current liabilities	8,784	7,699
Non-current liabilities		
Borrowings	9,811	9,125
Lease obligations	3,671	3,016
Other financial liabilities	107	91
Deferred tax liabilities	26	15
Provisions	513	514
Other non-current liabilities	19	13
Total non-current liabilities	14,151	12,777
Total liabilities	22,935	20,477
Equity		
Share capital	1,214	1,245
Capital surplus	4,754	4,785
Retained earnings	3,885	4,129
Treasury shares	(0)	(0)
Other components of equity	(68)	(3)
Total equity attributable to owners of parent	9,786	10,156
Total equity	9,786	10,156
Total liabilities and equity	32,721	30,634



(2) Consolidated Statement of Profit or Loss

(unit: million yen)

	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
Revenue	19,089	18,933
Cost of sales	(16,245)	(16,433)
Gross profit	2,843	2,500
Other operating income	129	742
Selling, general and administrative expenses	(2,629)	(2,466)
Other operating expenses	(104)	(312)
Operating profit	239	463
Finance income	16	12
Finance costs	(157)	(189)
Profit before tax	98	286
Income tax expense	6	(42)
Profit	104	243
Profit attributable to Owners of parent	104	243
Profit	104	243
Earnings per share		
Basic earnings per share (yen)	8.29	19.09
Diluted earnings per share (yen)	7.81	18.27

(3) Consolidated Statement of Comprehensive Income

(unit: million yen)

	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
Profit	104	243
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3)	68
Total of items that may be reclassified to profit or loss	(3)	68
Total other comprehensive income	(3)	68
Comprehensive income	100	311
Comprehensive income attributable to		
Owners of parent	100	311
Comprehensive income	100	311

## (4) Consolidated Statement of Changes in Equity

Previous 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

Current fiscal year (From July 1, 2020 to June 30, 2021)

(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	—	—	243	—	—	—	—
Other comprehensive income	—	—	—	—	68	—	68
Total comprehensive income	—	—	243	—	68	—	68
Issuance of new shares (exercise of share acquisition rights)	30	30	—	—	—	(18)	(18)
Share-based remuneration expenses	—	—	—	—	—	15	15
Total transactions with owners	30	30	—	—	—	(3)	(3)
Balance at June 30, 2021	1,245	4,785	4,129	(0)	(110)	107	(3)

(unit: million yen)

	Total equity attributable to owners of parent	Total equity
Balance at July 1, 2020	9,786	9,786
Profit	243	243
Other comprehensive income	68	68
Total comprehensive income	311	311
Issuance of new shares (exercise of share acquisition rights)	43	43
Share-based remuneration expenses	15	15
Total transactions with owners	58	58
Balance at June 30, 2021	10,156	10,156

## (5) Consolidated Statement of Cash Flows

(unit: million yen)

	Previous fiscal year (From July 1, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before tax	98	286
Depreciation and amortization	3,205	3,254
Impairment losses	78	282
Finance income	(16)	(12)
Finance costs	157	189
Subsidy income	(117)	(690)
Decrease (increase) in trade and other receivables	529	(10)
Decrease (increase) in inventories	(52)	65
Increase (decrease) in trade and other payables	18	(113)
Other	(364)	138
Subtotal	3,538	3,390
Interest received	4	0
Interest paid	(137)	(151)
Proceeds from subsidy income	174	634
Income taxes refund	—	271
Income taxes paid	(832)	(95)
Cash flows from operating activities	2,747	4,050
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(683)	(377)
Purchase of intangible assets	(39)	(10)
Payments of guarantee deposits	(118)	(55)
Proceeds from refund of guarantee deposits	31	55
Other	(28)	(6)
Cash flows from investing activities	(838)	(393)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	3,982	(1,018)
Repayments of long-term borrowings	(700)	(700)
Proceeds from sale and leaseback transactions	135	73
Repayments of lease obligations	(2,559)	(2,599)
Proceeds from exercise of share acquisition rights	128	44
Dividends paid	(237)	0
Other	(28)	(16)
Cash flows from financing activities	721	(4,216)
Exchange differences of cash and cash equivalents	(1)	44
Net increase (decrease) in cash and cash equivalents	2,628	(515)
Cash and cash equivalents at beginning of period	2,489	5,117
Cash and cash equivalents at end of period	5,117	4,601

(6) Notes on the Consolidated Financial Statements

(Notes on going concern assumptions)

There are no applicable items.

(Change in Representation Methods)

(Consolidated Statement of Cash Flows)

In the previous fiscal year, "Income from subsidy" was included in "Profit before tax" and "Other" under "Cash flows provided by operating activities." However, income from subsidy is presented independently from the fiscal year under review as its monetary importance increased.

As a result of this change in presentation methods, the amount of 3,712 million yen, presented in "Subtotal" under "Net cash provided by operating activities" in Consolidated Statement of Cash Flows for the previous fiscal year, has been reclassified into "Income from subsidy" (minus 117 million yen), "Other" (minus 364 million yen), "Subtotal" (3,538 million yen), and "Amount of subsidy received" (174 million yen).

(Changes in accounting policies)

(Amendment to IFRS 16 "Leases": "COVID-19-related rent concessions")

The Company Group chose early adoption and has adopted Amendment to IFRS 16 "Leases" ("COVID-19-related Rent Concessions," announced in May 2020, revised in March 2021) from the fiscal year under review.

In applying this amendment, the Company treats rent concessions as variable lease fees, excluding some of subsidiaries. It does so by selecting the practical expedient to be exempted from assessing whether a COVID-19-related rent concession is a lease modification, specified in IFRS 16, in the case that rent concessions are caused directly by novel coronavirus infections and fulfill all of the following conditions.

- 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;
- The reduction of the lease fee affects only payments due on or before June 30, 2022 as the initial due date.
- 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 20 million yen.

(Additional information)

The impact of novel coronavirus is still ongoing. After the Japanese Government lifted the declaration of a state of emergency on May 25, 2020, revenues were on a moderate recovery trend. However, a state of emergency was declared repeatedly on January 7, April 23, and July 8 in 2021 resulting in the outlook staying uncertain.

Regarding accounting estimates concerning the impact of COVID-19, the Company Group assumed as of the end of the previous fiscal year that "It will take the time up to the end of June 2021 before revenue and the like return to pre-pandemic levels." However, we have concluded that it will take more time to recover than initially assumed, and have changed to the assumption that "Revenue and the like will gradually recover toward the end of June 2022." Accordingly, we have made accounting estimates including impairment tests of non-financial assets.

As a result of examining whether or not there needed to be an impairment loss of stores based on the above new assumption, we have recognized there are impairment losses of property, plant and equipment and right-of-use assets in some stores. On the other hand, no impairment loss on goodwill was recognized.

(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, 2019 to June 30, 2020)	Current fiscal year (From July 1, 2020 to June 30, 2021)
Profit attributable to owners of parent (million yen)	104	243
Average number of common shares outstanding during the period (shares)	12,598,525	12,771,218
Number of common shares with dilutive effects		
Increase due to share options (shares)	764,343	575,946
Diluted average number of common shares outstanding during the period (shares)	13,362,868	13,347,164
Basic earnings per share (yen)	8.29	19.09
Diluted earnings per share (yen)	7.81	18.27

(Significant subsequent events)

There are no applicable items.