



Financial Results for the Fiscal Year Ended June 2022 [IFRS] (Consolidated)

August 15, 2022

Company name: QB Net Holdings Co., Ltd.

Listed on: Tokyo Stock Exchange

Code number: 6571

URL: <http://www.qbnet.jp/>

Representative: Yasuo Kitano, President CEO

Contact: Osamu Matsumoto, Director and General Manager of Administration Department

Tel.: +81-3-6418-9190

Scheduled date of the Ordinary General Meeting of Shareholders: September 28, 2022

Scheduled date for commencement of dividend payment: September 29, 2022

Scheduled date for securities report submission: September 29, 2022

Supplementary explanatory materials for financial results: Yes

Financial results briefings: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 2022)

(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 2022	20,564	8.6	1,398	201.6	1,250	336.6	856	251.4	856	251.4	1,160	272.1
FYE June 2021	18,933	(0.8)	463	93.5	286	191.9	243	133.5	243	133.5	311	209.7

	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 2022	66.55	64.09	8.0	4.1	6.8
FYE June 2021	19.09	18.27	2.4	0.9	2.4

(Reference) Share of profit (loss) of entities accounted for using equity method
 FYE June 2022 - million yen
 FYE June 2021 - 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	%	%
FYE June 2022	29,736	11,387	11,387	38.3	879.85
FYE June 2021	30,634	10,156	10,156	33.2	792.22

(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	%
FYE June 2022	4,706	(558)	(5,245)	3,724
FYE June 2021	4,050	(393)	(4,216)	4,601

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 2021	-	0.00	-	0.00	0.00	-	-	-
FYE June 2022	-	0.00	-	10.00	10.00	129	15.0	1.2
FYE June 2023 (forecast)	-	0.00	-	12.00	12.00		17.3	

(Note) All dividends for the fiscal year ended June 2022 are paid out of capital surplus. For details, please refer to "Breakdown of Dividends from Capital Surplus" to be mentioned later.

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(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	10,700	5.1	840	4.4	747	2.7	512	3.8	512	3.8	39.41
Full year	21,670	5.4	1,500	7.3	1,328	6.2	907	5.9	907	5.9	69.54

* 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): 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)	FYE June 2022	12,942,600 shares	FYE June 2021	12,820,900 shares
(ii) Number of treasury shares at the end of the period	FYE June 2022	123 shares	FYE June 2021	123 shares
(iii) Average number of shares outstanding during the period	FYE June 2022	12,875,181 shares	FYE June 2021	12,771,218 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)

The Company plans to hold a financial results briefing for institutional investors and analysts on August 18, 2022 through live audio streaming. Supplementary explanatory materials for financial results used at the financial results briefing will be disclosed on TDnet and posted on the Company's website on the day of the briefing.

The content of the financial results briefing will be posted on the Company's website on or after August 23, 2022.

Breakdown of Dividends from Capital Surplus

The following provides a breakdown of the part of dividends for the fiscal year ended June 2022 that is paid out of capital surplus.

Record date	Year-end	Total
Dividend per share	10.00 yen	10.00 yen
Total amount	129 million yen	129 million yen

(Note) The ratio of decrease in net assets pursuant to the provisions of law is zero.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended June 30, 2022

During the fiscal year under review (July 1, 2021 to June 30, 2022), 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 negative impact on the number of customers visiting stores as people teleworked and refrained from going out.

Under this business environment, by taking all possible measures to prevent infections to ensure the safety of customers and employees, the Company Group operated its stores in a way that enabled the Group to continuously provide services that customers could use with a sense of security. Mainly due to a significant recovery in the number of customers visiting stores in Japan resulting from the continued store operation, both revenue and profit increased year on year despite a decrease in income from employment adjustment subsidies and others in Japan.

Revenue increased 1,630 million yen year on year to 20,564 million yen despite the continued 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, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)	Changes	Changes (Excluding foreign exchange effects)
Domestic operations	15,705	17,119	1,414	-
Overseas operations	3,228	3,444	216	(116)
Hong Kong	1,769	1,795	25	(157)
Singapore	836	897	61	(19)
Taiwan	513	549	35	(21)
United States	108	202	94	82
Consolidated	18,933	20,564	1,630	(116)

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

<Domestic operations>

A state of emergency was declared in July 2021, and semi-emergency coronavirus measures were also put in effect in January 2022. However, the Group continued business with infection-preventive measures and hygiene control practiced thoroughly. Revenue increased 1,414 million yen year on year. The background is that the number of salons with shortened business hours decreased from the previous year and the number of customers visiting our salons started picking up as foot traffic increased due to the easing of the self-restraint mood resulting from a rise in the vaccination rate.

<Hong Kong>

Revenue increased 25 million yen year on year due to foreign exchange effects associated with a depreciation of the yen. However, the number of customers visiting our salons declined as a result of the business suspension of all our salons for about one month due to pandemic preventive measures that were triggered in February 2022 by a surge in new infections and that remained in effect even after the resumption of business activities.

<Singapore>

Revenue increased 61 million yen year on year due to foreign exchange effects associated with the depreciation of the yen although the number of customers visiting our salons decreased due to an increase in new infections throughout the year.

<Taiwan>

Revenue increased 35 million yen year on year due to foreign exchange effects associated with the depreciation of the yen although the number of customers visiting our salons declined as the number of new infections rose throughout the year.

<United States (New York)>

Revenue increased by 94 million yen year on year as the number of customers has recovered due to the lifting of the quarantine measures that were put into effect in the previous year although new infections occur intermittently. The revenue increase was also boosted by price revisions and foreign exchange effects associated with the depreciation of the yen.

Cost of sales increased 104 million yen year on year to 16,537 million yen. The main changes are as follows.

(Million yen)		
Item	Changes	Main reasons for change
Rent, etc.	136	Rise in percentage rent due to increase in revenue
Outsourcing fees	126	Increase in revenue at consigned salons
Depreciation (impaired stores)	(71)	Decrease due to impairment of stores in the previous fiscal year
Supplies expenses (combs)	(61)	Decrease in the number of purchases due to the start of reusing combs

Selling, general and administrative expenses increased 155 million yen year on year to 2,621 million yen. The main changes are as follows.

(Million yen)		
Item	Changes	Main reasons for change
Bonus	166	Increase in term-end allowance in Japan
Recruitment expenses	36	Increase in the cost of stylist-job offer advertisements on domestic websites
Advertising expenses	13	Increase in sales promotional expenses at the time of store opening due to a rise in the number of new openings
Personnel expenses	(78)	Decrease in in-house haircut school trainees and personnel in the head office

Other operating income was 156 million yen, down 585 million yen from the same period of the previous fiscal year when we recorded income from employment adjustment subsidies in Japan. Other operating expenses were 163 million yen, down 148 million yen from the same period of the previous fiscal year mainly due to a decrease in impairment losses of store assets.

As a result, consolidated earnings in the fiscal year under review were as follows: Revenue amounted to 20,564 million yen (up 8.6% year on year), operating profit was 1,398 million yen (up 201.6% year on year), profit before tax was 1,250 million yen (up 336.6% year on year), and profit attributable to owners of parent came to 856 million yen (up 251.4% year on year).

In terms of our store network, we opened 30 stores. The breakdown was 26 stores in Japan, and overseas, two in Hong Kong, one in Taiwan and one in the U.S. There were a total of 24 closures. The breakdown was, in Japan, 14 closures due to train station redevelopment and renovation of facilities housing our salons, and overseas, 10 closures mainly due to consolidation of stores associated with a review of location evaluation in consideration of the impact of the pandemic. As a result, the number of stores at the end of the fiscal year under review increased by six from the end of the previous fiscal year to 720.

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, 2022

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

Current assets decreased 728 million yen from the end of the previous fiscal year to 4,912 million yen. This was mainly due to a decrease of 877 million yen in cash and cash equivalents and an increase of 133 million yen in trade and other receivables. Non-current assets decreased 169 million yen from the end of the previous fiscal year to 24,823 million yen. This was mainly due to a decrease of 141 million yen in property, plant and equipment and a decrease of 197 million yen in right-of-use assets. As a result, assets fell 898 million yen from the end of the previous fiscal year to 29,736 million yen.

Current liabilities decreased 1,359 million yen from the end of the previous fiscal year to 6,340 million yen. This was mainly due to a decrease of 2,009 million yen in borrowings and an increase of 441 million yen in income taxes payable. Non-current liabilities dropped 769 million yen from the end of the previous fiscal year to 12,008 million yen. This was mainly due to a decrease of 686 million yen in borrowings and a decrease of 110 million yen in lease obligations. As a result, liabilities decreased by 2,128 million yen from the end of the previous fiscal year to 18,348 million yen.

Equity increased 1,230 million yen from the end of the previous fiscal year to 11,387 million yen. This was mainly due to an increase of 857 million yen in retained earnings and an increase of 284 million yen in other components of equity.

(3) Overview of Cash Flows for the Fiscal Year Ended June 30, 2022

Cash and cash equivalents (hereinafter referred to as “Cash”) at the end of the fiscal year under review decreased 877 million yen from the end of the previous fiscal year to 3,724 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 4,706 million yen (4,050 million yen provided in the previous fiscal year). This was mainly attributable to factors causing an increase in cash, such as the recording of profit before tax of 1,250 million yen and depreciation and amortization of 3,168 million yen, in contrast to decreasing factors, such as interest paid of 146 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 558 million yen (393 million yen used in the previous fiscal year). This was mainly attributable to factors causing a decrease in cash, such as purchase of property, plant and equipment of 447 million yen and payments of guarantee deposits of 95 million yen.

(Cash flows from financing activities)

Cash used in financing activities was 5,245 million yen (4,216 million yen used in the previous fiscal year). This was mainly attributable to factors causing a decrease in cash, such as a net decrease in short-term borrowings of 2,020 million yen and repayments of lease obligations of 2,704 million yen.

(4) Forecasts

The Company Group formulated “Reborn for 2027,” the new medium-term management plan that covers five years by setting the fiscal year ending June 2023 as the first year, primarily based on changes to the business environment and the recruitment and the labor environment of stylists, resulting from the spread of COVID-19.

The medium-term management plan specifies management targets and management policies for establishing a foundation that can enhance corporate value in the long run and in a stable manner through adjusting the strengths that the Company Group has nurtured until now in line with changes to the business environment and evolving and developing them further.

This medium-term management plan also positions the most important management policy as becoming a company that is chosen by “Workers: Stylists,” who are the source of business growth. We aim to become a company that as many stylists as possible choose by improving employee satisfaction through stepping up the expansion and reinforcement of human resource development sites in Japan and overseas in addition to ramping up investments in HR toward improvements in the treatment of stylists and their workstyles.

We will improve the retention rate of stylists working in the Company Group and simultaneously, increase the number of new recruits through expanding and strengthening new recruitment channels. In this way, we will aim for business growth, based on the expansion of stores, such as raising our market share through opening stores in regions with room for new openings in Japan and restarting growth and expanding into new cities in overseas countries in which we already have stores.

In addition, we will realize business growth, based on enhancement of the value of service as well. To this end, we will increase the convenience of customers through broadening and stepping up services, for which we will introduce new ticket vending machines, and developing new apps in addition to upgrading the hair-cutting skill and customer service of stylists by means of expanding and reinforcing HR development sites.

We intend to further become a company that stylists choose by reallocating funds gained from revenue grown via store expansion and higher service value, which will lead to higher revenue resulting from the next round of store expansion and higher service value. By realizing this virtuous cycle that promotes business growth, we will build a foundation that can improve corporate value in the long run and in a stable manner.

Numerical targets in the medium-term management plan are as follows.

	FYE June 2022 (Actual)	FYE June 2023 (Forecast)	FYE June 2025 (Plan)	FYE June 2027 (Plan)
Revenue	20,564 million yen	21,670 million yen	26,100 million yen	30,000 million yen
Operating profit	1,398 million yen	1,500 million yen	2,500 million yen	3,000 million yen
Number of stores at the end of the period on a consolidated basis	720	723	809	917

For details, please refer to the supplementary explanatory materials for financial results to be disclosed on August 18, 2022.

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, 2021)	Current fiscal year (June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	4,601	3,724
Trade and other receivables	781	915
Other financial assets	-	29
Inventories	104	92
Income taxes receivable	23	-
Other current assets	129	152
Total current assets	5,641	4,912
Non-current assets		
Property, plant and equipment	1,502	1,360
Right-of-use assets	5,313	5,116
Goodwill	15,430	15,430
Intangible assets	130	116
Other financial assets	1,854	1,937
Deferred tax assets	654	748
Other non-current assets	107	113
Total non-current assets	24,992	24,823
Total assets	30,634	29,736
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	202	235
Borrowings	3,717	1,707
Lease obligations	2,350	2,292
Income taxes payable	47	489
Other financial liabilities	82	89
Other current liabilities	1,299	1,526
Total current liabilities	7,699	6,340
Non-current liabilities		
Borrowings	9,125	8,439
Lease obligations	3,016	2,905
Other financial liabilities	91	76
Deferred tax liabilities	15	22
Provisions	514	553
Other non-current liabilities	13	10
Total non-current liabilities	12,777	12,008
Total liabilities	20,477	18,348
Equity		
Share capital	1,245	1,289
Capital surplus	4,785	4,829
Retained earnings	4,129	4,987
Treasury shares	(0)	(0)
Other components of equity	(3)	281
Total equity attributable to owners of parent	10,156	11,387
Total equity	10,156	11,387
Total liabilities and equity	30,634	29,736

(2) Consolidated Statement of Profit or Loss

(unit: million yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Revenue	18,933	20,564
Cost of sales	(16,433)	(16,537)
Gross profit	2,500	4,026
Other operating income	742	156
Selling, general and administrative expenses	(2,466)	(2,621)
Other operating expenses	(312)	(163)
Operating profit	463	1,398
Finance income	12	13
Finance costs	(189)	(161)
Profit before tax	286	1,250
Income tax expense	(42)	(393)
Profit	243	856
Profit attributable to		
Owners of parent	243	856
Profit	243	856
Earnings per share		
Basic earnings per share (yen)	19.09	66.55
Diluted earnings per share (yen)	18.27	64.09

(3) Consolidated Statement of Comprehensive Income

(unit: million yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Profit	243	856
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	68	304
Total of items that may be reclassified to profit or loss	68	304
Total other comprehensive income	68	304
Comprehensive income	311	1,160
Comprehensive income attributable to		
Owners of parent	311	1,160
Comprehensive income	311	1,160

(4) Consolidated Statement of Changes in Equity

Previous 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

Current fiscal year (From July 1, 2021 to June 30, 2022)

(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, 2021	1,245	4,785	4,129	(0)	(110)	107	(3)
Profit	-	-	856	-	-	-	-
Other comprehensive income	-	-	-	-	304	-	304
Total comprehensive income	-	-	856	-	304	-	304
Issuance of new shares (exercise of share acquisition rights)	44	44	-	-	-	(24)	(24)
Forfeiture of share acquisition rights	-	-	0	-	-	(0)	(0)
Share-based remuneration expenses	-	-	-	-	-	5	5
Total transactions with owners	44	44	0	-	-	(19)	(19)
Balance at June 30, 2022	1,289	4,829	4,987	(0)	193	88	281

(unit: million yen)

	Total equity attributable to owners of parent	Total equity
Balance at July 1, 2021	10,156	10,156
Profit	856	856
Other comprehensive income	304	304
Total comprehensive income	1,160	1,160
Issuance of new shares (exercise of share acquisition rights)	63	63
Forfeiture of share acquisition rights	-	-
Share-based remuneration expenses	5	5
Total transactions with owners	69	69
Balance at June 30, 2022	11,387	11,387

(5) Consolidated Statement of Cash Flows

(unit: million yen)

	Previous fiscal year (From July 1, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Cash flows from operating activities		
Profit before tax	286	1,250
Depreciation and amortization	3,254	3,168
Impairment losses	282	147
Finance income	(12)	(13)
Finance costs	189	161
Subsidy income	(690)	(107)
Decrease (increase) in trade and other receivables	(10)	(130)
Decrease (increase) in inventories	65	19
Increase (decrease) in trade and other payables	(113)	18
Other	138	274
Subtotal	3,390	4,788
Interest received	0	0
Interest paid	(151)	(146)
Proceeds from subsidy income	634	107
Income taxes refund	271	29
Income taxes paid	(95)	(73)
Cash flows from operating activities	4,050	4,706
Cash flows from investing activities		
Purchase of property, plant and equipment	(377)	(447)
Purchase of intangible assets	(10)	(33)
Payments of guarantee deposits	(55)	(95)
Proceeds from refund of guarantee deposits	55	41
Other	(6)	(22)
Cash flows from investing activities	(393)	(558)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,018)	(2,020)
Repayments of long-term borrowings	(700)	(700)
Proceeds from sale and leaseback transactions	73	105
Repayments of lease obligations	(2,599)	(2,704)
Proceeds from exercise of share acquisition rights	44	63
Dividends paid	0	0
Other	(16)	10
Cash flows from financing activities	(4,216)	(5,245)
Exchange differences of cash and cash equivalents	44	220
Net increase (decrease) in cash and cash equivalents	(515)	(877)
Cash and cash equivalents at beginning of period	5,117	4,601
Cash and cash equivalents at end of period	4,601	3,724

(6) Notes on the Consolidated Financial Statements

(Notes on going concern assumptions)

There are no applicable items.

(Additional information)

Regarding "Assumptions about the period in which revenue and the like will recover to their pre-pandemic levels" in accounting estimates concerning the impact of COVID-19, the Company Group assumed as of the end of the previous fiscal year that "Revenue and the like will gradually recover toward the end of June 2022." However, concluding that it will take more time than initially assumed for the pandemic to come to an end, we have changed to the assumption that "Revenue and the like will gradually recover toward the end of June 2023." 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, 2020 to June 30, 2021)	Current fiscal year (From July 1, 2021 to June 30, 2022)
Profit attributable to owners of parent (million yen)	243	856
Average number of common shares outstanding during the period (shares)	12,771,218	12,875,181
Number of common shares with dilutive effects		
Increase due to share options (shares)	575,946	494,344
Diluted average number of common shares outstanding during the period (shares)	13,347,164	13,369,525
Basic earnings per share (yen)	19.09	66.55
Diluted earnings per share (yen)	18.27	64.09

(Significant subsequent events)

There are no applicable items.