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Financial Results for the Fiscal Year Ended June 2023 [IFRS] (Consolidated)

August 14, 2023

Company name:	QB Net Holdings Co., Ltd.	Listed on: Tokyo Stock Exchange
Code number:	6571	URL: https://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 27, 2023

Scheduled date for commencement of dividend payment: September 28, 2023

Scheduled date for securities report submission: September 28, 2023

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, 2023 (July 1, 2022 to June 30, 2023)

(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 2023	22,746	10.6	2,138	52.9	1,990	59.2	1,444	68.5	1,444	68.5	1,563	34.7
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

	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 2023	111.13	107.99	11.9	6.5	9.4
FYE June 2022	66.55	64.09	8.0	4.1	6.8

(Reference) Share of profit (loss) of entities accounted for using equity method FYE June 2023 - million yen
FYE June 2022 - 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 2023	31,108	12,874	12,874	41.4	986.96
FYE June 2022	29,736	11,387	11,387	38.3	879.85

(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 2023	4,694	(484)	(3,597)	4,432
FYE June 2022	4,706	(558)	(5,245)	3,724

2. Dividends

	Annual dividends					Total amount of dividends (Total)	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 2022	-	0.00	-	10.00	10.00	129	15.0	1.2
FYE June 2023	-	0.00	-	20.00	20.00	260	18.0	2.1
FYE June 2024 (forecast)	-	0.00	-	22.00	22.00		18.0	

(Note) All dividends for the fiscal year ended June 2023 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, 2024 (July 1, 2023 to June 30, 2024)

(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	12,310	11.3	1,305	21.1	1,237	22.4	868	27.1	868	27.1	66.29
Full year	24,730	8.7	2,400	12.3	2,264	13.7	1,600	10.8	1,600	10.8	121.89

*Notes

(1) Changes in significant subsidiaries during the period: No
(Changes in specified 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 2023	13,045,100	shares	FYE June 2022	12,942,600	shares
(ii) Number of treasury shares at the end of the period	FYE June 2023	123	shares	FYE June 2022	123	shares
(iii) Average number of shares outstanding during the period	FYE June 2023	12,994,542	shares	FYE June 2022	12,875,181	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 “(4) Forecasts” in “1. Overview of Operating Results” on page 8 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, 2023. This briefing session will also be planned 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 August 17, 2023.
The content of the financial results briefing will be posted on the Company’s website on August 21, 2023.

Breakdown of Dividends from Capital Surplus

The following provides a breakdown of the part of dividends for the fiscal year ended June 2023 that is paid out of capital surplus.

Record date	Year-end	Total
Dividend per share	20.00 yen	20.00 yen
Total amount of dividends	260 million yen	260 million yen

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

○ Table of Contents for the Attachment

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended June 30, 2023

(Explanation of Company's Initiative)

The Company Group has formulated a new Medium-term Management Plan "Reborn for 2027" (hereinafter referred to as the Medium-term Management Plan), which spans the coming five years starting in the fiscal year ended June 2023 (the fiscal year under review). This plan has been made in recognition of changes to the business environment, the recruitment of stylists and their working conditions, resulting from the spread of infections of the new coronavirus (hereinafter referred to as COVID-19).

The Medium-term Management Plan sets out our aspiration to become a company chosen by "Customers" and "Working people: Stylists," both of whom are sources of business growth, as the most important management policy. We intend to become a company that will be chosen by as many stylists as possible through boosting HR investment to improve stylists' treatment and workstyles, and expanding and reinforcing HR development bases, and we aim to build a business foundation for profit growth by widening a network of salons and enhancing the value of services.

The Company positions the fiscal year under review, which is the first year of the Medium-term Management Plan, as the period to firm up a system for achieving the goals, and accordingly, the Company has formulated a series of action plans including "Enhancement of the retention rate of stylists and strengthening of recruitment thereof." The following are action plans for the fiscal year under review and main efforts up to the date of the submission of this document.

<table>
<tr><th>Category</th><th>Action Plans</th><th>Main Efforts</th></tr>
<tr><td rowspan="4">Domestic operations</td><td>Enhancement of the retention rate of stylists and strengthening of recruitment thereof</td><td>• Improved the treatment of stylists by securing the funds for a wage raise in order to put more importance on the evaluation of their contribution at the frontlines, in addition to the usual funds for a wage raise.
• Achieved a number of new recruits that outnumbered that of the previous year by strengthening recruitment through measures including the diversification of recruitment channels, such as employment of new graduates, referral-based recruitment and the hiring of alumni (re-employment of former employees), and the introduction of incentives.
• Opened a training facility in Hiroshima in April 2023, becoming the seventh such facility in Japan (including satellites).</td></tr>
<tr><td>Earnings improvement by revising service prices</td><td>• The Company Group is in a situation where it cannot secure enough stylists to satisfy demand due to changes to the recruitment and working environment while the congestion rate in salons remains above the pre-COVID-19 level, resulting from a recovery in demand for haircuts. We decided on and carried out a revision of the regular prices of QB HOUSE, FaSS and QB PREMIUM, based on the conclusion that it was essential to make investments in further improving the treatment of stylists in order to provide services to customers in a stable manner.
<table>
<tr><th>Business format</th><th>Revision period</th><th>Overview of revisions (tax included)</th></tr>
<tr><td>QB HOUSE</td><td rowspan="3">April 2023</td><td>Regular price 1,200 yen to 1,350 yen</td></tr>
<tr><td>QB PREMIUM</td><td>Regular price 1,650 yen to 1,800 yen</td></tr>
<tr><td>FaSS</td><td>Regular price 2,200 yen to 2,400 yen</td></tr>
</table></td></tr>
<tr><td>Improvement of working conditions at consigned salons</td><td>• Thirty-three consigned salons were switched to direct management based on an agreement with the consignees, and the Company Group hired employees from the consigned salons of the consignees.
• Held regular meetings with consignees to improve the working environment</td></tr>
<tr><td>Changes in the policy to open salons (market penetration/market development)</td><td>• Opened salons in locations that would contribute to future revenue growth while consolidating existing salons with the aim of optimizing staffing in salons.
• Opened a FaSS and a salon designed for a narrow sales area and two salons of QB PREMIUM in order to accommodate a broad range of customers.</td></tr>
</table>

<table>
<tr><th>Category</th><th>Action Plans</th><th>Main Efforts</th></tr>
<tr><td rowspan="2">Overseas operations</td><td>Enhancement of the retention rate of stylists and strengthening of recruitment thereof</td><td>• The cost of living of stylists rose due to rapid inflation. Revised the salary and evaluation systems alongside the revision of service prices.
• Opened a training facility in Taiwan in December 2022, which was our second overseas training base (the first was in Hong Kong).</td></tr>
<tr><td>Earnings improvement by revising service prices</td><td>• Decided on and implemented the revision of service prices in each country where we operate to respond to changes in the economic environment, such as rapid inflation and a rise in minimum wages
<table>
<tr><th>Region</th><th>Business format</th><th>Revision period</th><th>Overview of revisions</th></tr>
<tr><td rowspan="2">Singapore</td><td>QB PREMIUM</td><td>August 2022</td><td>SG$15 to SG$18</td></tr>
<tr><td>QB HOUSE</td><td>October 2022</td><td>SG$12 to SG$14</td></tr>
<tr><td>Taiwan</td><td>QB HOUSE</td><td>January 2023</td><td>300 yuan to 350 yuan</td></tr>
<tr><td rowspan="2">United States</td><td rowspan="2">QB HOUSE</td><td>December 2022</td><td>$30 to $35 (Only for online booking)</td></tr>
<tr><td>January 2023</td><td>$25 to $30 (Regular price)</td></tr>
</table></td></tr>
</table>

(Explanation of Operating Results)
During the fiscal year under review (July 1, 2022 to June 30, 2023), with COVID-19 downgraded to a Class 5 infectious disease in Japan, infection preventive measures were lifted or considerably relaxed in Japan and overseas, and customer demand for haircuts was on a recovery trend. As a result, the number of customers visiting our salons in the entire Group grew year on year. Additionally, we implemented price revisions earlier than initially planned both in Japan and overseas for the main purpose of securing funds for improving the treatment of stylists.
Consequently, revenue increased 2,182 million yen year on year (of which, 544 million yen was from foreign exchange effects associated with the depreciation of the yen) to 22,746 million yen.

<Domestic operations>
More and more salons needed to set regular holidays or close temporarily partly due to a delay in solving stylist shortages, resulting from changes to the recruitment and working environment that was caused by a recovery in demand in the service industry. The supply side of total operational seats for haircuts decreased year on year mainly due to the implementation of salon consolidation aimed at improving the working conditions by optimizing salon operating staff. On the other hand, as customer demand for haircuts remained on a recovery trend in the wake of the easing of COVID-19 preventive measures and others, the congestion rate in salons remained above the pre-COVID-19 level, resulting in an increase in the number of customers visiting our salons. Additionally, there was a revenue increase by implementing a price revision in April 2023 for the main purpose of securing funds for improving the treatment of stylists. Consequently, revenue grew 1,374 million yen year on year.

<Hong Kong>
The number of customers visiting salons rose only slightly year on year due to the impact of stylist shortages, closures and others, although COVID-19 preventive measures were totally lifted in December 2022, following which customer demand for haircuts started recovering. As a result, revenue in foreign currency rose only slightly year on year. However, revenue in yen terms increased 332 million yen due to a revenue increase from foreign exchange effects associated with the depreciation of the yen.

<Singapore>
Although COVID-19 preventive measures have been completely lifted, the impact of the pandemic on salons in city centers is lingering partly due to teleworking becoming standard practice. Revenue increased due to the price revisions implemented in August and October 2022 although the number of customers visiting salons decreased year on year due to a shortage of stylists and the effects of salon closures and others. As a result, revenue in foreign currency rose year on year. Accordingly, revenue in yen terms increased 190 million yen partly due to a revenue increase from foreign exchange effects associated with the depreciation of the yen.

<Taiwan>
The number of customers visiting salons recovered steadily since COVID-19 preventive measures were fully lifted. Furthermore, revenue was pushed up by the price revision implemented in January 2023. As a result, revenue in foreign currency rose year on year. Accordingly, revenue in yen terms increased 168 million yen partly due to a revenue increase from foreign exchange effects associated with the depreciation of the yen.

<United States (New York)>

The number of customers visiting salons recovered steadily since COVID-19 preventive measures were lifted earlier than in Japan and Asia. Furthermore, revenue was pushed up by the price revision implemented in January 2023. As a result, revenue in foreign currency rose year on year. Accordingly, revenue in yen terms increased 116 million yen partly due to a revenue increase from foreign exchange effects associated with the depreciation of the yen.

(unit: million yen)

		Previous fiscal year (From July 1, 2021 to June 30, 2022)	Current fiscal year (From July 1, 2022 to June 30, 2023)	Changes	Changes (Excluding foreign exchange effects)
Domestic operations		17,119	18,493	1,374	–
Overseas operations		3,444	4,253	808	263
	Hong Kong	1,795	2,127	332	35
	Singapore	897	1,088	190	36
	Taiwan	549	717	168	120
	United States	202	319	116	71
Consolidated		20,564	22,746	2,182	263

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

Cost of sales increased 923 million yen year on year (of which, 439 million yen was from foreign exchange effects associated with the depreciation of the yen) to 17,460 million yen. The main changes are as follows.

(Million yen)

Item	Changes	Major reasons for changes other than foreign exchange effects
Personnel expenses	689 (249)	Increase in the number of stylists due to consigned salons changing to direct management
Rent	250 (134)	Increase in sales-linked rent in the wake of a rise in revenue

(Note) Figures in parentheses indicate changes caused by the impact of the depreciation of the yen.

Selling, general and administrative expenses increased 499 million yen year on year (of which, 69 million yen was from foreign exchange effects associated with the depreciation of the yen) to 3,121 million yen. The main changes are as follows.

(Million yen)

Item	Changes	Major reasons for changes other than foreign exchange effects
Personnel expenses	147 (31)	Increase in in-house haircut school trainees
Bonus	113 (2)	Increase in domestic performance allowance
Recruiting expenses	113 (0)	Increase in stylist recruiting expenses associated with the strengthening of hiring in Japan

(Note) Figures in parentheses indicate changes caused by the impact of the depreciation of the yen.

Other operating income decreased 91 million yen year on year to 65 million yen. Other operating expenses decreased 71 million yen to 91 million yen year on year mainly due to a decrease in impairment losses of salon assets.

As a result, consolidated earnings in the fiscal year under review were as follows: Revenue amounted to 22,746 million yen (up 10.6% year on year), operating profit came to 2,138 million yen (up 52.9% year on year), profit before tax recorded 1,990 million yen (up 59.2% year on year), and profit attributable to owners of parent came to 1,444 million yen (up 68.5% year on year).

In terms of our salon network, we opened 18 salons. They were divided into 14 salons in Japan and, overseas, four in Taiwan. The number of salons at the end of the fiscal year under review decreased 19 from the end of the previous fiscal year to 701 salons due to the closure of 37 salons mainly because salons were consolidated as a measure for improving the working conditions.

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

(2) Overview of Financial Position for the Fiscal Year Ended June 30, 2023

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

Current assets increased 887 million yen from the end of the previous fiscal year to 5,800 million yen. This was mainly due to an increase of 708 million yen in cash and cash equivalents and an increase of 145 million yen in inventories. Non-current assets increased 485 million yen from the end of the previous fiscal year to 25,308 million yen. This was mainly due to a decrease of 147 million yen in property, plant and equipment and an increase of 488 million yen in right-of-use assets. As a result, assets increased 1,372 million yen from the end of the previous fiscal year to 31,108 million yen.

Non-current liabilities grew 268 million yen from the end of the previous fiscal year to 6,609 million yen. This was mainly due to an increase of 275 million yen in other current liabilities. Non-current liabilities dropped 383 million yen from the end of the previous fiscal year to 11,624 million yen. This was mainly due to a decrease of 724 million yen in borrowings, an increase of 162 million yen in lease obligations and an increase of 186 million yen in provisions. As a result, liabilities decreased 114 million yen from the end of the previous fiscal year to 18,233 million yen.

Equity increased 1,487 million yen from the end of the previous fiscal year to 12,874 million yen. This was mainly due to a decrease of 92 million yen in capital surplus and an increase of 1,444 million yen in retained earnings.

(3) Overview of Cash Flows for the Fiscal Year Ended June 30, 2023

Cash and cash equivalents (hereinafter referred to as “Cash”) at the end of the fiscal year under review increased 708 million yen from the end of the previous fiscal year to 4,432 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 4,694 million yen (4,706 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 1,990 million yen and depreciation and amortization of 3,284 million yen, in contrast to decreasing factors, such as income taxes paid of 710 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 484 million yen (558 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 390 million yen and payments of guarantee deposits of 158 million yen.

(Cash flows from financing activities)

Cash used in financing activities was 3,597 million yen (5,245 million yen used in the previous fiscal year). This was mainly attributable to factors causing a decrease in cash, such as a repayments of long-term borrowings of 700 million yen, repayments of lease obligations of 2,835 million yen and dividends paid of 130 million yen.

(4) Forecasts

The Company Group has formulated a new Medium-term Management Plan “Reborn for 2027,” which spans the coming five years starting in the fiscal year ended June 2023. The Medium-term Management Plan has been made in recognition of changes to the business environment, the recruitment of stylists and their working conditions, resulting from the spread of infections 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.

The Medium-term Management Plan positions our aspiration to become a company chosen by “Customers” and “Working people: Stylists,” both of whom are sources of business growth, as the most important management policy.

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 salons, such as raising our market share through opening salons 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 salons.

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 will further become a company that stylists choose by reallocating funds gained from revenue grown via salon expansion and higher service value, which will lead to higher revenue resulting from the next round of salon 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.

For the next term (the fiscal year ending June 2024) as the second year of the Medium-term Management Plan, we regard the top-priority management issue as being to have the net increase in stylists return to pre-pandemic levels. Accordingly, we will engage in effective steps for improving treatment and work styles and measures for human resource development with the aim of recruiting and retaining stylists. Through these efforts, we intend to realize a net increase in stylists at an early stage in order to strengthen shift assignments that can deal with strong demand for haircuts in existing salons. Simultaneously, we will increase the number of new openings in the latter part of the fiscal year, whereby we plan to build a system for stable growth through salon expansion.

Specifically, in light of the diverse needs of stylists, we will implement improvement measures from the multifaceted viewpoints of “income,” “holidays,” “ease of working,” “job satisfaction,” and “safety and security.” In particular, regarding the viewpoint of “income,” we plan to use cash obtained through price revisions as the fund for large-scale treatment improvements, such as in base salary rise, expansion and increase of various allowances, and wage increase by personnel performance evaluation, that will contribute to both recruitment and retention. Furthermore, in respect of the viewpoints of “holidays,” “ease of working,” “job satisfaction” and “safety and security,” not only will we improve and step up existing measures but we will also put measures under consideration into effect in phases. The following are the consolidated earnings forecast for the next fiscal year, based on the above efforts.

	FYE June 2023 (Actual)	FYE June 2024 (Plan)	FYE June 2027 (Plan)
Revenue	22,746 million yen	24,730 million yen	30,000 million yen
Operating profit	2,138 million yen	2,400 million yen	3,000 million yen
Profit attributable to owners of parent	1,444 million yen	1,600 million yen	1,900 million yen

For details, please refer to the supplementary explanatory materials for financial results to be disclosed on August 17, 2023.

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

(Million yen)

	Previous fiscal year (June 30, 2022)	Current fiscal year (June 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	3,724	4,432
Trade and other receivables	915	972
Other financial assets	29	15
Inventories	92	237
Income taxes receivable	-	13
Other current assets	152	129
Total current assets	4,912	5,800
Non-current assets		
Property, plant and equipment	1,360	1,213
Right-of-use assets	5,116	5,605
Goodwill	15,430	15,430
Intangible assets	116	120
Other financial assets	1,937	2,004
Deferred tax assets	748	822
Other non-current assets	113	112
Total non-current assets	24,823	25,308
Total assets	29,736	31,108
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	235	261
Borrowings	1,707	1,692
Lease obligations	2,292	2,397
Income taxes payable	489	372
Other financial liabilities	89	82
Other current liabilities	1,526	1,802
Total current liabilities	6,340	6,609
Non-current liabilities		
Borrowings	8,439	7,714
Lease obligations	2,905	3,067
Other financial liabilities	76	52
Deferred tax liabilities	22	39
Provisions	553	740
Other non-current liabilities	10	9
Total non-current liabilities	12,008	11,624
Total liabilities	18,348	18,233
Equity		
Share capital	1,289	1,326
Capital surplus	4,829	4,736
Retained earnings	4,987	6,431
Treasury shares	(0)	(0)
Other components of equity	281	379
Total equity attributable to owners of parent	11,387	12,874
Total equity	11,387	12,874
Total liabilities and equity	29,736	31,108

(2) Consolidated Statement of Profit or Loss

(Million yen)

	Previous fiscal year (From July 1, 2021 to June 30, 2022)	Current fiscal year (From July 1, 2022 to June 30, 2023)
Revenue	20,564	22,746
Cost of sales	(16,537)	(17,460)
Gross profit	4,026	5,285
Other operating income	156	65
Selling, general and administrative expenses	(2,621)	(3,121)
Other operating expenses	(163)	(91)
Operating profit	1,398	2,138
Finance income	13	18
Finance costs	(161)	(165)
Profit before tax	1,250	1,990
Income tax expense	(393)	(546)
Profit	856	1,444
Profit attributable to		
Owners of parent	856	1,444
Profit	856	1,444
Earnings per share		
Basic earnings per share (yen)	66.55	111.13
Diluted earnings per share (yen)	64.09	107.99

(3) Consolidated Statement of Comprehensive Income

(Million yen)

	Previous fiscal year (From July 1, 2021 to June 30, 2022)	Current fiscal year (From July 1, 2022 to June 30, 2023)
Profit	856	1,444
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	304	119
Total of items that may be reclassified to profit or loss	304	119
Total other comprehensive income	304	119
Comprehensive income	1,160	1,563
Comprehensive income attributable to		
Owners of parent	1,160	1,563
Comprehensive income	1,160	1,563

(4) Consolidated Statement of Changes in Equity

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

(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

(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

Current fiscal year (From July 1, 2022 to June 30, 2023)

(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, 2022	1,289	4,829	4,987	(0)	193	88	281
Profit	-	-	1,444	-	—	-	-
Other comprehensive income	-	-	-	-	119	-	119
Total comprehensive income	-	-	1,444	-	119	-	119
Issuance of new shares (exercise of share acquisition rights)	36	36	-	-	-	(20)	(20)
Forfeiture of share acquisition rights	-	-	0	-	-	(0)	(0)
Dividends of surplus	-	(129)	-	-	-	-	-
Total transactions with owners	36	(92)	0	-	-	(20)	(20)
Balance at June 30, 2023	1,326	4,736	6,431	(0)	312	67	379

(Million yen)

	Total equity attributable to owners of parent	Total equity
Balance at July 1, 2022	11,387	11,387
Profit	1,444	1,444
Other comprehensive income	119	119
Total comprehensive income	1,563	1,563
Issuance of new shares (exercise of share acquisition rights)	53	53
Forfeiture of share acquisition rights	-	-
Dividends of surplus	(129)	(129)
Total transactions with owners	(75)	(75)
Balance at June 30, 2023	12,874	12,874

(5) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (From July 1, 2021 to June 30, 2022)	Current fiscal year (From July 1, 2022 to June 30, 2023)
Cash flows from operating activities		
Profit before tax	1,250	1,990
Depreciation and amortization	3,168	3,284
Impairment losses	147	71
Finance income	(13)	(18)
Finance costs	161	165
Subsidy income	(107)	(51)
Decrease (increase) in trade and other receivables	(130)	(41)
Decrease (increase) in inventories	19	(143)
Increase (decrease) in trade and other payables	18	(5)
Other	274	224
Subtotal	4,788	5,477
Interest received	0	3
Interest paid	(146)	(128)
Proceeds from subsidy income	107	51
Income taxes refund	29	-
Income taxes paid	(73)	(710)
Cash flows from operating activities	4,706	4,694
Cash flows from investing activities		
Purchase of property, plant and equipment	(447)	(390)
Purchase of intangible assets	(33)	(48)
Payments of guarantee deposits	(95)	(158)
Proceeds from refund of guarantee deposits	41	122
Other	(22)	(9)
Cash flows from investing activities	(558)	(484)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,020)	(22)
Repayments of long-term borrowings	(700)	(700)
Proceeds from sale and leaseback transactions	105	92
Repayments of lease obligations	(2,704)	(2,835)
Proceeds from exercise of share acquisition rights	63	53
Dividends paid	(0)	(130)
Other	10	(54)
Cash flows from financing activities	(5,245)	(3,597)
Exchange differences of cash and cash equivalents	220	95
Net increase (decrease) in cash and cash equivalents	(877)	708
Cash and cash equivalents at beginning of period	4,601	3,724
Cash and cash equivalents at end of period	3,724	4,432

(6) Notes on the Consolidated Financial Statements

(Notes on going concern assumptions)

There are no applicable items.

(Changes in accounting estimates)

We have an asset retirement obligation that we had reported as an obligation to restore sites to their original condition according to real estate leasing contracts for salons, etc. In this regard, in the fiscal year under review, we changed estimates of the cost of restoring sites to their original condition that was required at the time of moving out of the salons as we obtained new information mainly based on the latest status of fulfillment of the obligation to restore sites to their original condition. An increase of 173 million yen due to the change of estimates was added to the balance of asset retirement obligation (a provision) and right-of-use assets before the change.

Additionally, we recognized the additional amounts in right-of-use assets as impairment losses concerning some salons. As a result, operating profit and profit before tax each decreased by 5 million yen.

(Additional information)

Although it is difficult to predict the degree of the future impact of COVID-19 on the Company Group, we made accounting estimates such as impairment tests of non-financial assets, assuming there would be no material impact of COVID-19 after taking the latest number of customers visiting our salons into account.

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

These assumptions may be affected by fluctuations in uncertain economic conditions in the future, and if the need for revision arises, the consolidated financial statements for the following fiscal year and beyond may be significantly influenced.

(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, 2021 to June 30, 2022)	Current fiscal year (From July 1, 2022 to June 30, 2023)
Profit attributable to owners of parent (million yen)	856	1,444
Average number of common shares outstanding during the period (shares)	12,875,181	12,994,542
Number of common shares with dilutive effects		
Increase due to share options (shares)	494,344	377,580
Diluted average number of common shares outstanding during the period (shares)	13,369,525	13,372,122
Basic earnings per share (yen)	66.55	111.13
Diluted earnings per share (yen)	64.09	107.99

(Significant subsequent events)

There are no applicable items.