



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 [J-GAAP]

May 14, 2021

Name of listed company: ARTNATURE INC. Listed on: Tokyo Stock Exchange  
 Securities code: 7823 URL: <https://www.artnature.co.jp/english/index.html>  
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 Senior Corporate Officer  
 Scheduled date of the ordinary general meeting of shareholders: June 23, 2021  
 Scheduled date of the start of dividends distribution: June 24, 2021  
 Scheduled date of the filing of the financial report: June 24, 2021  
 Supplementary documents for this summary of financial statements: None  
 Financial results explanatory meeting: Yes (for institutional investors and analysts)

(Figures shown are rounded down to the nearest million yen.)

### 1. Consolidated results for the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

#### (1) Consolidated operating results

(Percentage figures show change from the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2021	35,868	(9.2)	1,932	(33.8)	2,005	(33.3)	840	(45.5)
Year ended March 31, 2020	39,484	3.9	2,919	(9.5)	3,006	(9.1)	1,542	(17.3)

Note: Comprehensive income: Year ended March 31, 2021: ¥980 million (-37.7%) Year ended March 31, 2020: ¥1,573 million (-10.7%)

	Net income per share	Fully diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2021	25.99	25.75	3.3	4.6	5.4
Year ended March 31, 2020	47.40	47.07	6.2	7.0	7.4

(Reference) Equity in earnings of affiliates: Year ended March 31, 2021: ¥– million Year ended March 31, 2020: ¥– million

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2021	44,919	25,255	55.8	781.00
As of March 31, 2020	43,163	25,337	58.3	777.92

(Reference) Equity capital: As of March 31, 2021: ¥25,066 million

As of March 31, 2020: ¥25,179 million

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2021	4,232	(885)	(1,112)	18,984
Year ended March 31, 2020	2,516	(2,299)	(1,463)	16,736

### 2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual			
Year ended March 31, 2020	–	14.00	–	14.00	28.00	908	59.1	3.6
Year ended March 31, 2021	–	14.00	–	14.00	28.00	902	107.7	3.6
Year ending March 31, 2022 (Forecast)	–	14.00	–	14.00	28.00		86.0	

### 3. Consolidated financial forecast for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentage figures show changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	40,363	12.5	2,023	4.7	2,088	4.1	1,045	24.3	32.56

Notes:

- (1) Significant changes to subsidiaries during the term (Transfers of specific subsidiaries with changes in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates and restatement of revisions
- 1) Changes in accounting policies due to revision of accounting standards, etc.: None
  - 2) Changes in accounting policies other than 1): None
  - 3) Changes in accounting estimates: None
  - 4) Restatement of revisions: None

(3) Number of outstanding shares (common stock):

1) Number of shares issued and outstanding (including treasury shares)	As of March 31, 2021	34,393,200 shares	As of March 31, 2020	34,393,200 shares
2) Number of treasury shares	As of March 31, 2021	2,297,539 shares	As of March 31, 2020	2,026,239 shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2021	32,340,543 shares	Year ended March 31, 2020	32,536,418 shares

\* **This kessan tanshin document is outside the scope of the audit procedures conducted by certified public accountants or the independent auditor.**

\* **Explanation of the appropriate use of financial results forecasts; other important items**

(Cautionary statement regarding forward-looking statements, etc.)

Forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed reasonable by the Company. Actual results may differ materially from forward-looking statements due to a number of factors. For more information about these assumptions and other conditions that form the basis of these forecasts, please see page 3 of the supplementary materials, "1. Analysis of operating results, etc., (4) Business forecasts."

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## 1. Analysis of operating results, etc.

### (1) Analysis of operating results

In fiscal 2021, which ended March 31, 2021, the COVID-19 pandemic significantly limited economic activity in Japan, leading to a deterioration in corporate earnings and business confidence and a slump in consumer spending. The economic outlook remains extremely uncertain because, despite the beginning of vaccination and the implementation of other measures, it is not yet possible to predict when the pandemic will end as the number of new infections continues to rise and fall in waves.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) formulated and began to implement ARTNATURE Challenge Plan, the new three-year medium-term management plan, starting in fiscal 2021. Under the plan, we aim to strengthen the ARTNATURE Group's position in existing businesses and further expand new businesses to build the foundations for a new ARTNATURE capable of opening up the next phase in the Group's history. Specifically, we are implementing six priority challenge initiatives: (1) grow the Group's earnings, (2) develop new business fields, (3) reinforce recruitment, (4) cultivate human resources, (5) encourage dialogue with capital markets, and (6) drive business innovation. At the same time, we have been taking thorough measures to prevent COVID-19 infections in the implementation of business activities.

Earnings in the first half of the fiscal year were significantly impacted by the suspension of production activities in the Philippines and by the temporary closure of some stores in Japan due to the COVID-19 pandemic, but sales and profits both increased year on year in the second half of the fiscal year as the impact of those factors waned. As a result, consolidated net sales in fiscal 2021 declined 9.2% year on year to ¥35,868 million. The Group took steps to curb advertising costs and other selling expenses and found savings in other administrative expenses, but that was insufficient to offset the impact of the decline in sales in the first half of the fiscal year. As a result, operating income declined 33.8% year on year to ¥1,932 million, ordinary income fell 33.3% to ¥2,005 million, and net income attributable to owners of the parent company declined 45.5% to ¥840 million.

#### **Men's business**

Sales in the men's business declined 4.7% year on year to ¥21,322 million, mainly reflecting a slump in sales of custom-made wigs due to the temporary closure of production sites in the Philippines during the COVID-19 pandemic and other factors.

#### **Ladies' business**

Sales in the ladies' business fell 20.4% year on year to ¥9,344 million. In addition to the temporary closure of production sites in the Philippines, the ladies' business was also affected by reduced store operating hours, a decline in customer traffic and other factors.

#### **Ladies' ready-made wigs business**

Sales in the ladies' ready-made wigs business declined 6.7% year on year to ¥3,715 million, reflecting factors such as the temporary closure of the retail facilities in which the Company's stores are located.

### (2) Analysis of financial position

#### **(Assets)**

As of the fiscal year-end, total assets were ¥44,919 million, an increase of ¥1,756 million compared with the end of the previous fiscal year. Current assets increased ¥2,033 million, mainly due to an increase in cash and deposits and merchandise and finished goods, while non-current assets declined ¥277 million, primarily reflecting a drop in property, plant and equipment and in intangible assets.

#### **(Liabilities)**

As of the fiscal year-end, liabilities totaled ¥19,664 million, an increase of ¥1,838 million compared with the end of the previous fiscal year. Although accounts payable – other declined, current liabilities rose ¥1,624 million, mainly due to increases in advances received and income taxes payable. In addition, non-current liabilities increased ¥214 million, primarily reflecting an increase in net defined benefit liability.

#### **(Net Assets)**

As of the fiscal year-end, net assets totaled ¥25,255 million, a decrease of ¥82 million compared with the end of the previous fiscal year. This largely reflected a decrease in retained earnings and an increase in treasury shares.

## (3) Analysis of cash flows

As of the fiscal year-end, cash and cash equivalents (cash) totaled ¥18,984 million, an increase of ¥2,247 million compared with the end of the previous fiscal year. The Company's cash flow position and factors behind the changes in cash flows were as follows:

**(Cash flows from operating activities)**

Operating activities provided net cash of ¥4,232 million, compared with ¥2,516 million in the previous fiscal year. This mainly reflected income before income taxes of ¥1,647 million, depreciation of ¥937 million, impairment loss of ¥359 million, increase in net defined benefit liability of ¥201 million and increase in advances received of ¥1,194 million, versus income taxes paid of ¥539 million and increase in inventories of ¥100 million.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥885 million, compared with ¥2,299 million in the previous fiscal year. This mainly reflected purchase of property, plant and equipment of ¥720 million, purchase of intangible assets of ¥134 million, and purchase of investment securities of ¥180 million.

**(Cash flows from financing activities)**

Financing activities used net cash of ¥1,112 million, compared with ¥1,463 million in the previous fiscal year. This mainly reflected purchase of treasury shares of ¥206 million and cash dividends paid of ¥905 million.

The Group's cash flow-related indicators are as follows:

Year ended March 31,	2017	2018	2019	2020	2021
Equity ratio (%)	58.5	58.6	57.4	58.3	55.8
Market value-based equity ratio (%)	59.2	57.0	48.0	48.2	50.4
Cash flows to interest-bearing debt (%)	27.9	21.7	9.0	–	–
Interest coverage ratio (times)	468.3	566.6	1,161.7	1,980.5	492.6

Notes: The above indicators are calculated as follows:

Equity ratio:	Equity capital / total assets
Market value-based equity ratio:	Market capitalization / total assets
Cash flow to interest-bearing debt:	Interest-bearing debt / cash flow from operating activities
Interest coverage ratio:	Cash flows from operating activities / interest payments

- \* All indicators are calculated using consolidated financial data.
- \* Market capitalization is calculated by multiplying the number of shares outstanding at the fiscal year end (excluding treasury shares) by the closing share price at the fiscal year end.
- \* Cash flow is "Cash flows from operating activities" shown on the consolidated statements of cash flows.
- \* Interest-bearing debt is all liabilities on which interest is paid shown under liabilities on the consolidated balance sheet. Interest payments are "Interest paid" shown on the consolidated statement of cash flows.

## (4) Business forecasts

In fiscal 2022, which ends March 31, 2022, the Group's operating environment is likely to remain challenging, due mainly to intensifying competition from companies in the same sector and from new market entrants from peripheral and other sectors.

Against this backdrop, the Group has formulated a new medium-term management plan, the ARTNATURE Challenge Plan, and began to implement it in fiscal 2021. During the three years of the plan, the Group aims to enhance our position in existing business fields and expand the reach of new businesses to build the foundation for a new ARTNATURE capable of opening up the next phase in the Group's history.

Based on these initiatives, for fiscal 2022, we forecast consolidated net sales of ¥40,363 million, up 12.5% year on year, operating income of ¥2,033 million, up 4.7%, ordinary income of ¥2,088 million, up 4.1%, and net income attributable to owners of the parent company of ¥1,045 million, up 24.3%.

## (5) Basic policy for the distribution of profits and dividends for fiscal 2021 and fiscal 2022

ARTNATURE Group believes that returning profits to shareholders is one of the most important management issues. The Company's basic policy is to pay stable dividends to shareholders while ensuring it retains sufficient internal reserves to reinforce the Group's management base and financial position and to invest in the future expansion of business.

In line with this policy, the Company will pay a full-year dividend of ¥28 per share for fiscal 2021, comprised of an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share.

For fiscal 2022, the Company plans to pay a full-year dividend of ¥28 per share, comprised of an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share.

## 2. Management policies

### (1) Basic management policy

As a comprehensive hair consultancy business, ARTNATURE strives to aid all of our customers and address their concerns about their hair by providing them with the highest-quality products and services that are tailored to their needs. Our management philosophy is to foster a culture of hair that satisfies customers.

To ensure the realization of this philosophy, the Group is reinforcing its product development capabilities, upgrading its manufacturing framework, and improving its sales service system in areas such as counseling, customer support and styling skills, while also striving to operate its business in a way that earns the trust of shareholders, investors and all other stakeholders by strengthening its compliance system and actively disclosing information about the Group.

### (2) Management indicators and targets

The Group is working to expand its comprehensive hair consultancy business and boost profitability and capital efficiency by increasing sales and promoting efficient management.

Therefore, we are focusing on three key performance indicators: sales, ordinary margin (ratio of ordinary income to net sales) and return on equity (ROE).

Our goal is to increase sales steadily in fiscal 2022 by steadily upgrading our sales structure.

We also aim to steadily increase the ordinary margin by overhauling our earnings structure to create an efficient and effective framework for earnings.

In addition, regarding ROE, we will make efficient use of the capital entrusted to us by shareholders with the goal of improving corporate value.

### (3) Medium- and long-term management strategy

Based on the above management indicators and targets, the Group has formulated the ARTNATURE Challenge Plan, its new three-year medium-term management plan that began to be implemented in fiscal 2021.

Specifically, the Group will steadily implement six priority challenge initiatives to build the foundations for a new ARTNATURE capable of opening up the next phase in the Group's history: (1) grow the Group's earnings, (2) develop new business fields, (3) reinforce recruitment, (4) cultivate human resources, (5) encourage dialogue with capital markets, and (6) drive business innovation. Based on these initiatives, the Group aims to achieve consolidated net sales of ¥44,098 million, an ordinary margin of 8.5%, and ROE of 9.1% in fiscal 2023, which ends March 31, 2023. These target values were calculated to reflect the effect of the application of the Accounting Standard for Revenue Recognition in the management indicators and targets to be achieved in the three years of the plan (to fiscal 2023, which ends March 31, 2023), which were announced on September 15, 2020.

### (4) Issues to be resolved

In the domestic hair products and services market, the ARTNATURE Group's main business field, we forecast rising demand due to trends such as the aging of the population, delayed retirement, growth in the number of women in the workplace and rising interest in anti-aging treatments. However, we anticipate intensifying competition from companies in the same sector and from companies in peripheral sectors. In this environment, we plan to work on the following key issues to generate stable growth and boost corporate value.

First, we will increase the number of customers in domestic and overseas markets. We will generate new demand by developing and regularly launching the highest-quality products and services in line with customer needs, and by devising advertising campaigns that resonate more closely with customers. In both the men's category and the ladies' category, our goal is to generate stable growth by focusing on improving customer satisfaction to increase the number of true ARTNATURE fans, while also implementing a range of initiatives to strengthen customer retention. The ladies' ready-made wigs business aims to increase earnings by stepping up its efforts to provide personalized products and services to each customer. In hair dressing product sales, we also plan to increase earnings by broadening the lineup with new products and widening the choice that we provide, and by expanding sales channels, such as increasing the number of e-commerce sites that sell our products. In overseas markets, we will work to expand our business by increasing brand awareness and implementing sales initiatives tailored to local markets in China, Singapore, Thailand and Malaysia to capture potential demand.

Second, we will target business opportunities in new fields outside the Group's existing businesses. We will continue to work to put new businesses on track, such as the affordable wig business, pharmaceutical sales business and medical support business, while also seeking M&A opportunities in Japan and overseas and launching new businesses as part of our efforts to establish our presence in new fields that will drive the Group's future growth.

Third, we aim to retain high-level human resources. We have developed a range of initiatives to increase the motivation of all our employees and ensure they reach their maximum potential. We are promoting diversity management, illustrated by ARTNATURE's certification as an Eruboshi company, which recognizes the Company's efforts to promote the active involvement of female employees in line with the Act on Promotion of Women's Participation and Advancement in the Workplace. Also, amid the current focus on workstyle reforms, we emphasize work-life balance through initiatives such as eliminating long overtime hours and providing support that enables employees to balance work with family commitments, while also actively promoting health management. We plan to introduce more initiatives to foster a shared sense of unity with our employees and create more rewarding workplaces.

Fourth, we are working to enhance our ability to meet the diverse needs of our customers and strengthen the planning and management capabilities of our head office departments. As of March 31, 2021, 1,856 employees, or roughly 80% of the Company's permanent employees, were qualified barbers or hairdressers. We aim to improve the basic capabilities of these employees – their technical skills, customer service skills and product proposal capabilities – to better address customer needs and cultivate human resources who empathize with and earn the trust of customers. It is our goal to cultivate a workforce of employees working in non-sales divisions that are capable of formulating a wide range of business plans and managing the Group companies. To develop experts in these fields, we will establish training programs and create a framework that supports employees in their own education and improvement efforts.

Fifth, our goal is to increase the value of the ARTNATURE Group over the medium- and long-term. The Group is already implementing a range of initiatives related to the SDGs, but we will also begin reducing the use of plastic in our business and build a new customer service framework, while also increasing dialogue with capital markets through IR activities and other approaches.

Sixth, we will switch to a business structure that enables the Group to generate stronger earnings. We will overhaul the Group's earnings structure and rigorously eliminate waste in all areas of our business to reduce fixed costs and lower the breakeven point, resulting in an efficient and effective earnings structure. We will also drive innovation in our business by adopting paperless processes, systemization and other approaches to improve productivity.

### **3. Basic position on the selection of accounting standards**

The Group uses Japanese accounting standards, as many of its shareholders, creditors, business partners and other stakeholders are based in Japan, and there is limited need for the Group to procure funds from overseas.

**4. Consolidated financial statements and related notes**

## (1) Consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	17,096	19,073
Accounts receivable – trade	2,887	2,914
Securities	22	22
Merchandise and finished goods	2,095	2,394
Work in process	143	172
Raw materials and supplies	1,312	1,084
Others	1,003	930
Allowance for doubtful accounts	(6)	(5)
Total current assets	24,553	26,586
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,228	13,199
Accumulated depreciation	(8,212)	(8,444)
Buildings and structures, net	5,015	4,755
Machinery equipment and vehicle	147	162
Accumulated depreciation	(94)	(111)
Machinery equipment and vehicle, net	52	51
Land	3,526	3,488
Construction in progress	8	1
Others	3,018	3,073
Accumulated depreciation	(2,522)	(2,694)
Others, net	496	378
Total property, plant and equipment	9,099	8,674
Intangible assets		
Goodwill	774	602
Others	648	519
Total intangible assets	1,422	1,121
Investments and other assets		
Investment securities	1,928	2,319
Deferred tax assets	3,181	3,291
Lease and guarantee deposits	2,411	2,451
Net defined benefit asset	33	–
Others	588	709
Allowance for doubtful accounts	(55)	(235)
Total investments and other assets	8,087	8,536
Total non-current assets	18,610	18,332
<b>Total assets</b>	<b>43,163</b>	<b>44,919</b>



	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	218	327
Accounts payable – other	2,140	1,947
Income taxes payable	574	1,053
Advances received	5,270	6,464
Provision for bonuses	954	996
Provision for directors' bonuses	100	130
Provision for product warranties	38	31
Provision for point card certificates	96	107
Others	1,130	1,088
Total current liabilities	10,523	12,147
Non-current liabilities		
Net defined benefit liability	3,935	4,078
Asset retirement obligations	1,452	1,511
Others	1,914	1,927
Total non-current liabilities	7,302	7,517
Total liabilities	17,825	19,664
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,558	3,558
Retained earnings	19,141	19,075
Treasury shares	(1,099)	(1,289)
Total shareholders' equity	25,268	25,011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(49)	96
Foreign currency translation adjustment	37	(5)
Remeasurements of defined benefit plans	(76)	(35)
Total accumulated other comprehensive income	(89)	55
Subscription rights to shares	145	180
Non-controlling interests	13	8
Total net assets	25,337	25,255
Total liabilities and net assets	43,163	44,919

(2) Consolidated statements of income and comprehensive income  
(Consolidated statements of income)

	(Millions of yen)	
	Year ended March 31, 2020	Year ended March 31, 2021
Net sales	39,484	35,868
Cost of sales	12,320	11,956
Gross profit	27,163	23,911
Selling, general and administrative expenses	24,243	21,979
Operating income	2,919	1,932
Non-operating income		
Interest income	70	53
Foreign exchange gains	–	29
Commission fee	15	13
Compensation income	19	–
Subsidy income	–	168
Others	42	45
Total non-operating income	146	310
Non-operating expenses		
Interest expenses	1	8
Foreign exchange losses	11	–
Provision of allowance for doubtful accounts	–	180
Guarantee commission	37	30
Others	10	17
Total non-operating expenses	60	237
Ordinary income	3,006	2,005
Extraordinary income		
Gain on sales of non-current assets	–	1
Total extraordinary income	–	1
Extraordinary losses		
Loss on sales of non-current assets	0	–
Loss on retirement of non-current assets	0	0
Impairment loss	438	359
Total extraordinary losses	438	359
Income before income taxes	2,567	1,647
Income taxes – current	1,166	1,001
Income taxes – deferred	(140)	(189)
Total income taxes	1,025	811
Net income	1,542	835
Net income (loss) attributable to non-controlling interests	0	(4)
Net income attributable to owners of the parent company	1,542	840

(Consolidated statements of comprehensive income)

	(Millions of yen)	
	Year ended March 31, 2020	Year ended March 31, 2021
Net income	1,542	835
Other comprehensive income		
Valuation difference on available-for-sale securities	(51)	146
Foreign currency translation adjustment	40	(42)
Remeasurements of defined benefit plans	41	40
Total other comprehensive income	30	144
Comprehensive income	1,573	980
(Comprehensive income attributable to)		
Owners of the parent company	1,572	985
Non-controlling interests	0	(4)

## (3) Consolidated statements of changes in net assets

Year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	3,667	3,557	18,510	(960)	24,775
Change of items during the period					
Dividends from surplus			(911)		(911)
Net income attributable to owners of the parent company			1,542		1,542
Purchase of treasury shares				(146)	(146)
Disposal of treasury shares		0		7	8
Net changes of items other than shareholders' equity					
Total change of items during the period	-	0	630	(138)	492
Balance at the end of the period	3,667	3,558	19,141	(1,099)	25,268

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	1	(3)	(117)	(119)	99	12	24,767
Change of items during the period							
Dividends from surplus							(911)
Net income attributable to owners of the parent company							1,542
Purchase of treasury shares							(146)
Disposal of treasury shares							8
Net changes of items other than shareholders' equity	(51)	40	41	30	46	0	77
Total change of items during the period	(51)	40	41	30	46	0	569
Balance at the end of the period	(49)	37	(76)	(89)	145	13	25,337

Year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	3,667	3,558	19,141	(1,099)	25,268
Change of items during the period					
Dividends from surplus			(906)		(906)
Net income attributable to owners of the parent company			840		840
Purchase of treasury shares				(206)	(206)
Disposal of treasury shares		(0)		15	15
Net changes of items other than shareholders' equity					
Total change of items during the period	-	(0)	(65)	(190)	(257)
Balance at the end of the period	3,667	3,558	19,075	(1,289)	25,011

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	(49)	37	(76)	(89)	145	13	25,337
Change of items during the period							
Dividends from surplus							(906)
Net income attributable to owners of the parent company							840
Purchase of treasury shares							(206)
Disposal of treasury shares							15
Net changes of items other than shareholders' equity	146	(42)	40	144	34	(4)	174
Total change of items during the period	146	(42)	40	144	34	(4)	(82)
Balance at the end of the period	96	(5)	(35)	55	180	8	25,255

## (4) Consolidated statements of cash flows

	(Millions of yen)	
	Year ended March 31, 2020	Year ended March 31, 2021
<b>Cash flows from operating activities</b>		
Income before income taxes	2,567	1,647
Depreciation	970	937
Impairment loss	438	359
Amortization of goodwill	90	172
Increase (decrease) in allowance for doubtful accounts	(1)	178
Increase (decrease) in provision for bonuses	75	42
Increase (decrease) in provision for directors' bonuses	(32)	30
Increase (decrease) in provision for product warranties	2	(6)
Increase (decrease) in provision for point card certificates	2	11
Increase (decrease) in net defined benefit liability	280	201
Interest income	(70)	(53)
Interest expenses	1	8
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	0	(1)
Decrease (increase) in notes and accounts receivable – trade	313	(27)
Decrease (increase) in inventories	(562)	(100)
Increase (decrease) in notes and accounts payable – trade	(7)	109
Subsidy income	–	(168)
Increase (decrease) in advances received	499	1,194
Others	(351)	(26)
Subtotal	4,217	4,508
Interest income received	72	55
Interest expenses paid	(1)	(8)
Income taxes paid	(1,772)	(539)
Income taxes refund	–	48
Subsidies received	–	168
Net cash provided by (used in) operating activities	2,516	4,232
<b>Cash flows from investing activities</b>		
Payments into time deposits	(323)	(111)
Proceeds from withdrawal of time deposits	268	374
Purchase of property, plant and equipment	(787)	(720)
Proceeds from sales of property, plant and equipment	0	54
Purchase of intangible assets	(154)	(134)
Purchase of investment securities	–	(180)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,055)	–
Long-term loan advances	(225)	(50)
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(114)	(78)
Proceeds from collection of lease and guarantee deposits	55	37
Others	36	(76)
Net cash provided by (used in) investing activities	(2,299)	(885)

	(Millions of yen)	
	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from financing activities		
Proceeds from short-term borrowings	–	3,000
Repayments of short-term borrowings	–	(3,000)
Repayments of long-term borrowings	(398)	–
Repayments of lease obligations	(7)	–
Purchase of treasury shares	(146)	(206)
Cash dividends paid	(910)	(905)
Net cash provided by (used in) financing activities	(1,463)	(1,112)
Effect of exchange rate change on cash and cash equivalents	(3)	12
Net increase (decrease) in cash and cash equivalents	(1,249)	2,247
Cash and cash equivalents at beginning of period	17,986	16,736
Cash and cash equivalents at end of period	16,736	18,984

- (5) Notes on consolidated financial statements  
 (Notes related to the going concern assumption)  
 There is no related information.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

The Group's reportable segments are the components of the Group for which separate financial information is available. These segments are regularly reviewed to enable the Company's Board of Directors to decide how to allocate resources and assess operating performance.

The Group develops business strategies and conducts business activities related to hair products and services for general customers based on the gender of the customer.

Consequently, the Group has classified its operations into three reportable segments: the men's business, the ladies' business and the ladies' ready-made wigs business. In the men's business, the Company supplies male customers with custom-made wigs and other products and services. In the ladies' business, the Company supplies female customers with custom-made wigs and other products and services. In the ladies' ready-made wigs business, the Company supplies female customers with ready-made wigs and other products and services.

2. Method used to calculate sales, income (loss), assets, liabilities and other items by reportable segment

Accounting policies for the reportable segments are the same as those described in "Basic important matters for preparing the consolidated financial statements."

Intersegment sales are based on prices determined through negotiations.

3. Information regarding sales, income (loss), assets, liabilities and other items by reportable segment

Year ended March 31, 2020

(Millions of yen)

	Reportable segment				Others Note 1	Total	Adjustment Note 2	Carried on consolidated financial statements Note 3
	Men's business	Ladies' business	Ladies' ready-made wigs business	Total				
Net sales								
Sales to external customers	22,369	11,737	3,982	38,090	1,394	39,484	–	39,484
Intersegment sales and transfers	–	–	–	–	1,919	1,919	(1,919)	–
Total	22,369	11,737	3,982	38,090	3,313	41,403	(1,919)	39,484
Segment income	14,619	7,959	3,535	26,115	1,118	27,233	(70)	27,163



Year ended March 31, 2021

(Millions of yen)

	Reportable segment				Others Note 1	Total	Adjustment Note 2	Carried on consolidated financial statements Note 3
	Men's business	Ladies' business	Ladies' ready-made wigs business	Total				
Net sales								
Sales to external customers	21,322	9,344	3,715	34,382	1,485	35,868	—	35,868
Intersegment sales and transfers	—	—	—	—	1,831	1,831	(1,831)	—
Total	21,322	9,344	3,715	34,382	3,316	37,699	(1,831)	35,868
Segment income	13,590	6,038	3,227	22,857	1,128	23,985	(73)	23,911

Notes: 1. Others is not a reportable segment and mainly includes manufacturing subsidiaries.

2. Details of adjustments are as follows:

Segment income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Intersegment eliminations*	(70)	(73)
Total	(70)	(73)

\* Intersegment eliminations are the elimination of inventory asset adjustments related to intersegment transactions, etc.

3. Segment income has been adjusted to reconcile with the gross profits in the consolidated financial statements.

4. Assets and liabilities have not been shown, as they are not allocated to each segment.

5. Adjustments to reconcile total segment income for reportable segments with operating income in the consolidated financial statements

(Millions of yen)

Income	Year ended March 31, 2020	Year ended March 31, 2021
Total for reportable segments	26,115	22,857
Others <sup>Note 1</sup>	1,118	1,128
Total	27,233	23,985
Adjustment <sup>Note 2</sup>	(70)	(73)
Gross profit in consolidated financial statements	27,163	23,911
Selling, general and administrative expenses	24,243	21,979
Operating income in consolidated financial statements	2,919	1,932

(Per share information)

(Yen)

Year ended March 31, 2020		Year ended March 31, 2021	
Net assets per share	777.92	Net assets per share	781.00
Net income per share	47.40	Net income per share	25.99
Fully diluted net income per share	47.07	Fully diluted net income per share	25.75

Note: The basis for calculating net income per share and fully diluted net income per share is as follows:

	Year ended March 31, 2020	Year ended March 31, 2021
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	1,542	840
Amounts not attributable to owners of common stock (millions of yen)	–	–
Net income attributable to owners of the parent company associated with common stock (millions of yen)	1,542	840
Average number of shares of common stock during fiscal year (thousands of share)	32,536	32,340
Fully diluted net income per share		
Adjustment to net income attributable to owners of the parent company (millions of yen)	–	–
Increase in number of shares of common stock (thousands of share)	231	300
[of which, subscription rights to shares]	(231)	(300)
Summary of residual shares not included in calculations of fully diluted net income per share due to no dilutive effect	–	–

Note: Treasury shares, which are excluded from the number of shares issued and outstanding at the end of the fiscal year for the purposes of calculating “Net assets per share,” include shares of the Company held by Custody Bank of Japan, Ltd. (trust account E) (394,300 shares as of March 31, 2020, 528,000 shares as of March 31, 2021).

In addition, treasury shares, which are excluded from the average number of shares during the fiscal year for the purposes of calculating “Net income per share” and “Fully diluted net income per share,” include shares of the Company held by Custody Bank of Japan, Ltd. (trust account E) (399,117 shares during fiscal year ended March 31, 2020, 513,428 shares during fiscal year ended March 31, 2021).

(Significant subsequent events)

There is no related information.