



Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [J-GAAP]

May 13, 2022

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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Scheduled date of the ordinary general meeting of shareholders: June 23, 2022
 Scheduled date of the start of dividends distribution: June 24, 2022
 Scheduled date of the filing of the financial report: June 24, 2022
 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, 2022 (April 1, 2021 – March 31, 2022)

(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, 2022	40,437	12.7	3,020	56.3	3,038	51.5	1,204	43.3
Year ended March 31, 2021	35,868	(9.2)	1,932	(33.8)	2,005	(33.3)	840	(45.5)

Note: Comprehensive income: Year ended March 31, 2022: ¥1,259 million (28.5%)

Year ended March 31, 2021: ¥980 million (-37.7%)

	Net income per share	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, 2022	37.51	37.09	4.9	6.6	7.5
Year ended March 31, 2021	25.99	25.75	3.3	4.6	5.4

(Reference) Equity in earnings of affiliates: Year ended March 31, 2022: ¥– million

Year ended March 31, 2021: ¥– million

Note: The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the fiscal year under review and the figures for the year ended March 31, 2022 are figures after application of the standard.

(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, 2022	46,510	24,596	52.4	758.47
As of March 31, 2021	44,919	25,255	55.8	781.00

(Reference) Equity capital: As of March 31, 2022: ¥24,367 million

As of March 31, 2021: ¥25,066 million

Note: The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the fiscal year under review and the figures for the year ended March 31, 2022 are figures after application of the standard.

(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, 2022	2,505	(1,183)	(924)	19,452
Year ended March 31, 2021	4,232	(885)	(1,112)	18,984

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, 2021	–	14.00	–	14.00	28.00	902	107.7	3.6
Year ended March 31, 2022	–	14.00	–	14.00	28.00	899	74.7	3.6
Year ending March 31, 2023 (forecast)	–	14.00	–	14.00	28.00		79.1	

3. Consolidated financial forecast for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	41,991	3.8	2,105	(30.3)	2,155	(29.1)	1,137	(5.6)	35.40

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.: | Yes |
| 2) Changes in accounting policies other than 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatement of revisions: | None |

Note: More information is provided on page 14 of the supplementary materials, "4. Consolidated financial statements and related notes, (5) Notes on consolidated financial statements (Changes in accounting policies)."

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

1) Number of shares issued and outstanding (including treasury shares)	As of March 31, 2022	34,393,200	shares	As of March 31, 2021	34,393,200	shares
2) Number of treasury shares	As of March 31, 2022	2,266,339	shares	As of March 31, 2021	2,297,539	shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2022	32,110,073	shares	Year ended March 31, 2021	32,340,543	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 2022, which ended March 31, 2022, the Japanese economy saw a gradual recovery in economic activity, despite the effects of the COVID-19 pandemic, which has raged since last fiscal year, mainly thanks to the rollout of vaccinations. However, the outlook remains more uncertain than ever due to the global instability caused by Russia's invasion of Ukraine, concerns about inflation fueled by rising energy prices and the sudden depreciation of the yen, and other factors.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) saw the ARTNATURE Challenge Plan, the medium-term management plan, mark its second year. Under the plan, we have been implementing six priority challenge initiatives, as we did in the first year: (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, with the aim of strengthening the ARTNATURE Group's position in existing businesses and further expanding new businesses to build the foundations for a new ARTNATURE capable of opening up the next phase in the Group's history. At the same time, we have continued to take comprehensive measures to prevent COVID-19 infections in our business activities since the previous fiscal year.

As a result, consolidated net sales in fiscal 2022 increased 12.7% year on year to ¥40,437 million. In terms of profits, operating income stood at ¥3,020 million (increasing 56.3% year on year), and ordinary income came to ¥3,038 million (increasing 51.5% year on year) due to an increase in net sales. Net income attributable to owners of the parent company was ¥1,204 million (increasing 43.3% year on year).

Men's business

Sales in the men's business increased 6.3% year on year, to ¥22,660 million, as a result of eliminating the significant fall in sales in the previous fiscal year that had been caused by the temporary closure of production sites in the Philippines associated with the COVID-19 pandemic and other factors, in addition to strong sales of new products.

Ladies' business

Sales in the ladies' business rose 26.1% year on year, to ¥11,786 million, as a result of eliminating the effect in the previous fiscal year that had been caused by the temporary closure of production sites and other factors, similarly to sales in men's business, in addition to strong sales of new products and the holding of exhibition and trial fitting events, among other measures.

Ladies' ready-made wigs business

Sales in the ladies' ready-made wigs business increased 19.5% year on year to ¥4,441 million, despite the impact of the temporary closure of the retail facilities in which the Company's stores are located due to the spread of COVID-19, because the impact was relatively limited compared with the previous fiscal year.

(2) Analysis of financial position

(Assets)

As of the fiscal year-end, total assets were ¥46,510 million, an increase of ¥1,590 million compared with the end of the previous fiscal year. Current assets increased ¥1,435 million, mainly due to increases in cash and deposits and merchandise and finished goods, and non-current assets increased ¥155 million, primarily reflecting an increase in investments and other assets.

(Liabilities)

As of the fiscal year-end, liabilities totaled ¥21,914 million, an increase of ¥2,249 million compared with the end of the previous fiscal year. Current liabilities rose ¥2,089 million, mainly due to increases in contract liabilities and refund liabilities associated with application of the Accounting Standard for Revenue Recognition, and non-current liabilities increased ¥159 million, primarily reflecting an increase in net defined benefit liability.

(Net Assets)

As of the fiscal year-end, net assets totaled ¥24,596 million, a decrease of ¥658 million compared with the end of the previous fiscal year. This largely reflected a decrease in retained earnings.

(3) Analysis of cash flows

As of the fiscal year-end, cash and cash equivalents (cash) totaled ¥19,452 million, an increase of ¥468 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 ¥2,505 million, compared with ¥4,232 million in the previous fiscal year. This mainly reflected income before income taxes of ¥2,322 million, depreciation of ¥911 million, impairment loss of ¥545 million, increase in net defined benefit liability of ¥185 million, versus income taxes paid of ¥1,433 million, increase in inventories of ¥754 million, and increase in note and accounts receivable-trade of ¥147 million.

(Cash flows from investing activities)

Investing activities used net cash of ¥1,183 million, compared with ¥885 million in the same period a year earlier. That mainly reflected purchase of property, plant and equipment of ¥787 million, payments for lease and guarantee deposits of ¥170 million, payments for long-term loans receivable of ¥150 million, and purchase of intangible assets of ¥96 million.

(Cash flows from financing activities)

Financing activities used net cash of ¥924 million, compared with ¥1,112 million in the previous fiscal year. This mainly reflected cash dividends paid of ¥898 million.

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

Year ended March 31,	2018	2019	2020	2021	2022
Equity ratio (%)	58.6	57.4	58.3	55.8	52.4
Market value-based equity ratio (%)	57.0	48.0	48.2	50.4	49.7
Cash flows to interest-bearing debt (%)	21.7	9.0	–	–	–
Interest coverage ratio (times)	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 2023, which ends March 31, 2023, 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.

For fiscal 2023, we forecast consolidated net sales of ¥41,991 million, up 3.8% year on year, operating income of ¥2,105 million, down 30.3%, ordinary income of ¥2,155 million, down 29.1%, and net income attributable to owners of the parent company of ¥1,137 million, down 5.6%.

(5) Basic policy for the distribution of profits and dividends for fiscal 2022 and fiscal 2023

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 2022, comprised of an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share.

For fiscal 2023, 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, and focuses 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 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. 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 ¥41,991 million, an ordinary margin of 5.1%, and ROE of 4.7% in fiscal 2023, which ends March 31, 2023.

(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 implementing diversity management, including acquiring Kurumin Mark certification as a company supporting childcare under the Act on Advancement of Measures to Support Raising Next-Generation Children. 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, 2022, 1,832 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	19,073	19,546
Accounts receivable – trade	2,914	3,066
Securities	22	23
Merchandise and finished goods	2,394	3,050
Work in process	172	182
Raw materials and supplies	1,084	1,195
Others	930	964
Allowance for doubtful accounts	(5)	(5)
Total current assets	26,586	28,021
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,199	13,604
Accumulated depreciation	(8,444)	(8,825)
Buildings and structures, net	4,755	4,779
Machinery equipment and vehicle	162	186
Accumulated depreciation	(111)	(126)
Machinery equipment and vehicle, net	51	60
Land	3,488	3,491
Construction in progress	1	7
Others	3,073	3,183
Accumulated depreciation	(2,694)	(2,827)
Others, net	378	356
Total property, plant and equipment	8,674	8,694
Intangible assets		
Goodwill	602	233
Others	519	441
Total intangible assets	1,121	674
Investments and other assets		
Investment securities	2,319	2,099
Deferred tax assets	3,291	3,944
Lease and guarantee deposits	2,451	2,551
Others	709	917
Allowance for doubtful accounts	(235)	(393)
Total investments and other assets	8,536	9,119
Total non-current assets	18,332	18,488
Total assets	44,919	46,510

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable – trade	327	320
Accounts payable – other	1,947	2,288
Income taxes payable	1,053	929
Contract liabilities	–	1,378
Refund liabilities	–	475
Advances received	6,464	6,502
Provision for bonuses	996	1,053
Provision for directors' bonuses	130	145
Provision for product warranties	31	36
Provision for point card certificates	107	–
Others	1,088	1,108
Total current liabilities	12,147	14,237
Non-current liabilities		
Net defined benefit liability	4,078	4,170
Asset retirement obligations	1,511	1,547
Others	1,927	1,959
Total non-current liabilities	7,517	7,676
Total liabilities	19,664	21,914
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,558	3,557
Retained earnings	19,075	18,307
Treasury shares	(1,289)	(1,272)
Total shareholders' equity	25,011	24,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	96	62
Foreign currency translation adjustment	(5)	14
Remeasurements of defined benefit plans	(35)	29
Total accumulated other comprehensive income	55	106
Subscription rights to shares	180	217
Non-controlling interests	8	12
Total net assets	25,255	24,596
Total liabilities and net assets	44,919	46,510

(2) Consolidated statements of income and comprehensive income

(Consolidated statements of income)

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	35,868	40,437
Cost of sales	11,956	12,698
Gross profit	23,911	27,739
Selling, general and administrative expenses	21,979	24,719
Operating income	1,932	3,020
Non-operating income		
Interest income	53	46
Foreign exchange gains	29	83
Commission fee	13	13
Subsidy income	168	19
Others	45	56
Total non-operating income	310	219
Non-operating expenses		
Interest expenses	8	–
Provision of allowance for doubtful accounts	180	157
Guarantee commission	30	27
Others	17	16
Total non-operating expenses	237	201
Ordinary income	2,005	3,038
Extraordinary income		
Gain on sales of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	359	545
Loss on valuation of investment securities	–	171
Total extraordinary losses	359	716
Income before income taxes	1,647	2,322
Income taxes – current	1,001	1,312
Income taxes – deferred	(189)	(197)
Total income taxes	811	1,114
Net income	835	1,207
Net income attributable to non-controlling interests	(4)	3
Net income attributable to owners of the parent company	840	1,204

(Consolidated statements of comprehensive income)

	(Millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Net income	835	1,207
Other comprehensive income		
Valuation difference on available-for-sale securities	146	(33)
Foreign currency translation adjustment	(42)	20
Remeasurements of defined benefit plans	40	65
Total other comprehensive income	144	51
Comprehensive income	980	1,259
(Comprehensive income attributable to)		
Owners of the parent company	985	1,255
Non-controlling interests	(4)	3

(3) Consolidated statements of changes in net assets

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 adjustment	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

Year ended March 31, 2022

(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	19,075	(1,289)	25,011
Cumulative effects of changes in accounting policies			(1,072)		(1,072)
Restated balance	3,667	3,558	18,002	(1,289)	23,938
Change of items during the period					
Dividends from surplus			(898)		(898)
Net income attributable to owners of the parent company			1,204		1,204
Disposal of treasury shares		(0)		17	16
Net changes of items other than shareholders' equity					
Total change of items during the period	-	(0)	305	17	321
Balance at the end of the period	3,667	3,557	18,307	(1,272)	24,260

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	96	(5)	(35)	55	180	8	25,255
Cumulative effects of changes in accounting policies							(1,072)
Restated balance	96	(5)	(35)	55	180	8	24,182
Change of items during the period							
Dividends from surplus							(898)
Net income attributable to owners of the parent company							1,204
Disposal of treasury shares							16
Net changes of items other than shareholders' equity	(33)	20	65	51	37	3	92
Total change of items during the period	(33)	20	65	51	37	3	414
Balance at the end of the period	62	14	29	106	217	12	24,596

(4) Consolidated statements of cash flows

	(Millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Income before income taxes	1,647	2,322
Depreciation	937	911
Impairment loss	359	545
Amortization of goodwill	172	172
Increase (decrease) in allowance for doubtful accounts	178	157
Increase (decrease) in provision for bonuses	42	57
Increase (decrease) in provision for directors' bonuses	30	15
Increase (decrease) in provision for product warranties	(6)	4
Increase (decrease) in provision for point card certificates	11	(107)
Increase (decrease) in net defined benefit liability	201	185
Interest income	(53)	(46)
Interest expenses	8	–
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	(1)	(0)
Decrease (increase) in notes and accounts receivable – trade	(27)	(147)
Decrease (increase) in inventories	(100)	(754)
Increase (decrease) in notes and accounts payable – trade	109	(9)
Loss (gain) on valuation of investment securities	–	171
Subsidy income	(168)	(19)
Increase (decrease) in advances received	1,194	37
Others	(26)	377
Subtotal	4,508	3,871
Interest income received	55	48
Interest expenses paid	(8)	–
Income taxes paid	(539)	(1,433)
Income taxes refund	48	0
Subsidies received	168	19
Net cash provided by (used in) operating activities	4,232	2,505
Cash flows from investing activities		
Payments into time deposits	(111)	(116)
Proceeds from withdrawal of time deposits	374	115
Purchase of property, plant and equipment	(720)	(787)
Proceeds from sales of property, plant and equipment	54	0
Purchase of intangible assets	(134)	(96)
Purchase of investment securities	(180)	–
Long-term loan advances	(50)	(150)
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(78)	(170)
Proceeds from collection of lease and guarantee deposits	37	70
Others	(76)	(50)
Net cash provided by (used in) investing activities	(885)	(1,183)

	(Millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	3,000	–
Repayments of short-term borrowings	(3,000)	–
Repayments of lease obligations	–	(26)
Purchase of treasury shares	(206)	–
Cash dividends paid	(905)	(898)
Net cash provided by (used in) financing activities	(1,112)	(924)
Effect of exchange rate change on cash and cash equivalents	12	70
Net increase (decrease) in cash and cash equivalents	2,247	468
Cash and cash equivalents at beginning of period	16,736	18,984
Cash and cash equivalents at end of period	18,984	19,452

(5) Notes on consolidated financial statements

(Notes on the going concern assumption)

There is no related information.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year under review and recognize revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer. Major changes as a result of the application are as follows.

(1) Sales of hair-addition products

With regard to sales of hair-addition products, in the past we recognized revenue for unused hair-addition products at the time of sale and revised the amount if products were returned subsequently. However, for the products that are expected to be returned, we have changed it to a method of not recognizing revenue at the time of sale but recognizing refund liabilities at the amount of consideration received for the products, in accordance with the provisions for variable consideration.

(2) Periodic check service of custom-made wigs for ladies and ready-made wigs for ladies

For the periodic check service of custom-made wigs for ladies and ready-made wigs for ladies, in the past we recognized revenue including consideration for the service at the time of sale of products, but we have changed it to a method of identifying the service separately from the sale of products and recording net sales when we provide customers with the check service.

(3) Points

For points given to customers at the time of selling products and providing services, in the past we recorded unused points which were expected to be used in the future as provision for point card certificates and recognized expenses, but we have changed it to a method of identifying the given points as performance obligations separately from the sale of products and the provision of services and recognizing them as net sales when customers used the points (or when the points disappeared).

The application of the Revenue Recognition Accounting Standard follows the provisional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the fiscal year under review are adjusted in retained earnings at the beginning of the fiscal year, and the new accounting policy is applied from this initial balance.

As a result, net sales in the fiscal year under review decreased ¥199 million, and operating income, ordinary income and income before income taxes decreased ¥199 million, respectively. In addition, the beginning balance of retained earnings decreased ¥1,072 million.

As a result of applying the Revenue Recognition Accounting Standard, we have decided to present the provision for point card certificates and others, which were presented in current liabilities in consolidated balance sheet for the previous fiscal year, by including them in contract liabilities, refund liabilities and others of current liabilities from the fiscal year under review. However, in accordance with the provisional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made to the consolidated financial statements for the previous fiscal year based on the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review and apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) into the future. The application of the Fair Value Measurement Accounting Standard, etc. has no impact on the financial statements.

(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.

As stated in "Changes in Accounting Policies," the Company began applying the Revenue Recognition Accounting Standard, etc., and changed the method of accounting in connection with revenue recognition from the consolidated financial statements for the fiscal year under review. Accordingly, the Company changed the method of calculating income and losses for its business segments. As a result, net sales in the men's business for the fiscal year under review were decreased ¥25 million, and the segment income was reduced ¥25 million, compared with the values obtained using the previous method. Net sales in the ladies' business were reduced ¥189 million, and the segment income was reduced ¥189 million; net sales in the ladies' ready-made wigs business were reduced ¥7 million, and the segment income was reduced ¥7 million; and net sales in the others business were increased ¥22 million, and the segment income was increased ¥22 million, all compared with the values obtained using the previous method.

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

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

Year ended March 31, 2022

(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	22,660	11,786	4,441	38,888	1,548	40,437	–	40,437
Intersegment sales and transfers	–	–	–	–	2,230	2,230	(2,230)	–
Total	22,660	11,786	4,441	38,888	3,779	42,667	(2,230)	40,437
Segment income	14,775	8,106	3,645	26,527	1,331	27,858	(119)	27,739

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, 2021	Year ended March 31, 2022
Intersegment eliminations*	(73)	(119)
Total	(73)	(119)

* 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, 2021	Year ended March 31, 2022
Total for reportable segments	22,857	26,527
Others ^{Note 1}	1,128	1,331
Total	23,985	27,858
Adjustment ^{Note 2}	(73)	(119)
Gross profit in consolidated financial statements	23,911	27,739
Selling, general and administrative expenses	21,979	24,719
Operating income in consolidated financial statements	1,932	3,020

(Per share information)

(Yen)

Year ended March 31, 2021		Year ended March 31, 2022	
Net assets per share	781.00	Net assets per share	758.47
Net income per share	25.99	Net income per share	37.51
Diluted net income per share	25.75	Diluted net income per share	37.09

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

	Year ended March 31, 2021	Year ended March 31, 2022
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	840	1,204
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)	840	1,204
Average number of shares of common stock during fiscal year (thousands of share)	32,340	32,110
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)	300	356
[of which, subscription rights to shares]	(300)	(356)
Summary of residual shares not included in calculations of diluted net income per share due to no dilutive effect	–	–

Note: 1. 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) (528,000 shares as of March 31, 2021, 515,400 shares as of March 31, 2022).

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 “Diluted net income per share,” include shares of the Company held by Custody Bank of Japan, Ltd. (trust account E) (513,428 shares during fiscal year ended March 31, 2021, 522,898 shares during fiscal year ended March 31, 2022).

2. As stated in “Changes in Accounting Policies,” the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the fiscal year under review and has followed the provisional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. As a result, net assets per share, net income per share and diluted net income per share for the fiscal year under review decreased by ¥6.20, ¥6.20 and ¥6.13 respectively.

(Significant subsequent events)

There is no related information.