



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [J-GAAP]

May 12, 2023

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 22, 2023  
 Scheduled date of the start of dividends distribution: June 23, 2023  
 Scheduled date of the filing of the financial report: June 23, 2023  
 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, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	43,209	6.9	3,573	18.3	3,534	16.3	1,874	55.7
Year ended March 31, 2022	40,437	12.7	3,020	56.3	3,038	51.5	1,204	43.3

Note: Comprehensive income: Year ended March 31, 2023: ¥1,949 million (54.8%)

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

	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, 2023	58.00	57.29	7.5	7.5	8.3
Year ended March 31, 2022	37.51	37.09	4.9	6.6	7.5

(Reference) Equity in earnings of affiliates: Year ended March 31, 2023: ¥– million

Year ended March 31, 2022: ¥– 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, 2023	47,956	25,927	53.5	790.26
As of March 31, 2022	46,510	24,596	52.4	758.47

(Reference) Equity capital: As of March 31, 2023: ¥25,662 million

As of March 31, 2022: ¥24,367 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, 2023	2,927	(1,417)	(924)	20,082
Year ended March 31, 2022	2,505	(1,183)	(924)	19,452

## 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, 2022	–	14.00	–	14.00	28.00	899	74.7	3.6
Year ended March 31, 2023	–	14.00	–	14.00	28.00	908	48.3	3.6
Year ending March 31, 2024 (forecast)	–	14.00	–	14.00	28.00		42.5	

### 3. Consolidated financial forecast for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	44,763	3.6	3,743	4.8	3,821	8.1	2,140	14.2	65.92

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, 2023	34,393,200	shares	As of March 31, 2022	34,393,200	shares
2) Number of treasury shares	As of March 31, 2023	1,919,239	shares	As of March 31, 2022	2,266,339	shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2023	32,321,935	shares	Year ended March 31, 2022	32,110,073	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 2023, which ended March 31, 2023, although there were signs of a recovery in consumer spending due to the easing of restraints on a range of activities that had been enforced because of the spread of COVID-19, the situation surrounding the Japanese economy remained uncertain because of upward pressure on prices chiefly due to the surge in crude oil and raw material prices, which was attributable to the prolonged war in Ukraine, and changes in exchange rates affecting consumer spending.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) saw the ARTNATURE Challenge Plan, the medium-term management plan, mark its final year. Under the plan, we have been implementing six priority challenge initiatives, as we did in the previous 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.

As a result, consolidated net sales in fiscal 2023 increased 6.9% year on year to ¥43,209 million. In terms of profits, operating income stood at ¥3,573 million (increasing 18.3% year on year), and ordinary income came to ¥3,534 million (increasing 16.3% year on year) due to an increase in net sales. Net income attributable to owners of the parent company was ¥1,874 million (increasing 55.7% year on year).

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

Sales in the men's business increased 2.5% year on year, to ¥23,237 million, as a result of the sale of new products and the promotion of customer retention programs, among other initiatives.

#### **Ladies' business**

Sales in the ladies' business climbed 10.5% year on year, to ¥13,023 million, mainly reflecting strong sales of new products and an increase in the number of exhibition and trial fitting events held as well as that of products sold.

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

Sales in the ladies' ready-made wigs business rose 16.5% year on year, to ¥5,172 million, chiefly reflecting an increase in the number of products sold due to a rise in the number of customers visiting 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 ¥47,956 million, an increase of ¥1,445 million compared with the end of the previous fiscal year. Current assets increased ¥1,288 million, mainly due to increases in cash and deposits and merchandise and finished goods, and non-current assets increased ¥156 million, primarily reflecting an increase in investments and other assets.

#### **(Liabilities)**

As of the fiscal year-end, liabilities totaled ¥22,028 million, an increase of ¥114 million compared with the end of the previous fiscal year. This largely reflected an increase of ¥311 million in current liabilities mainly due to increases in contract liabilities and the provision of bonuses, partly offset by a decrease of ¥196 million in non-current liabilities due to a decline in other non-current assets and other factors.

#### **(Net assets)**

As of the fiscal year-end, net assets were ¥25,927 million, an increase of ¥1,331 million compared with the end of the previous fiscal year. This largely reflected an increase in retained earnings.

### (3) Analysis of cash flows

As of the fiscal year-end, cash and cash equivalents (cash) totaled ¥20,082 million, an increase of ¥629 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 ¥2,927 million, compared with ¥2,505 million in the previous fiscal year. This mainly reflected income before income taxes of ¥3,173 million, depreciation of ¥902 million, impairment loss of ¥360

million, an increase in the provision for bonuses of ¥199 million, an increase in net defined benefit liability of ¥132 million, versus income taxes paid of ¥1,464 million, an increase in inventories of ¥493 million, and a decrease in advances received of ¥317 million.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥1,417 million, compared with ¥1,183 million in the previous fiscal year. This mainly reflected purchase of property, plant and equipment of ¥1,000 million, purchase of intangible assets of ¥217 million, and payments of leasehold and guarantee deposits of ¥125 million.

**(Cash flows from financing activities)**

Financing activities used net cash of ¥924 million, compared with ¥924 million in the previous fiscal year. This mainly reflected cash dividends paid of ¥903 million.

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

Year ended March 31,	2019	2020	2021	2022	2023
Equity ratio (%)	57.4	58.3	55.8	52.4	53.5
Market value-based equity ratio (%)	48.0	48.2	50.4	49.7	53.1
Cash flows to interest-bearing debt (%)	9.0	—	—	—	—
Interest coverage ratio (times)	1,161.7	1,980.5	492.6	—	—

Notes: The above indicators are calculated as follows:

Equity ratio:  $\text{Equity capital} / \text{total assets}$

Market value-based equity ratio:  $\text{Market capitalization} / \text{total assets}$

Cash flow to interest-bearing debt:  $\text{Interest-bearing debt} / \text{cash flow from operating activities}$

Interest coverage ratio:  $\text{Cash flows from operating activities} / \text{interest payments}$

\* 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 2024, which ends March 31, 2024, 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 Advance Plan, and began to implement it in fiscal 2024. In the course of the three years of the plan, we will solidify our top-rated brand status in the hair industry, enhance the Group's business field to include new businesses associated with beauty and health care, and move forward to the next stage as we seek to create a new ARTNATURE capable of opening up the next phase in the Group's history.

For fiscal 2024, we forecast consolidated net sales of ¥44,763 million, up 3.6% year on year, operating income of ¥3,743 million, up 4.8%, ordinary income of ¥3,821 million, up 8.1%, and net income attributable to owners of the parent company of ¥2,140 million, up 14.2%.

**(5) Basic policy for the distribution of profits and dividends for fiscal 2023 and fiscal 2024**

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 2023, comprised of an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share.

For fiscal 2024, 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 Advance Plan, its medium-term management plan that began to be implemented in fiscal 2024. In the course of the three years of the plan, we will solidify our top-rated brand status in the hair industry, enhance the Group's business field to include new businesses associated with beauty and health care, and move ahead to the next stage as we seek to create a new ARTNATURE capable of opening up the next phase in the Group's history, thereby achieving consolidated net sales of ¥44,763 million, the ratio of ordinary income to net sales of 8.5% and ROE of 8.3% for the fiscal year ending March 31, 2024.

### (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. In the ladies' ready-made wigs business, we seek to further increase earnings by strengthening collaboration with the custom-made wig business. In hair care 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 take the necessary measures to make sure that the affordable wig business, pharmaceutical sales business and medical support business are on a steady path of growth, while also developing and enhancing businesses in new fields related to beauty and health care mainly by seeking M&A opportunities in Japan and overseas and launching new businesses, with a view to driving the Group's continued growth.

Third, from a human resources perspective, we will maintain and increase the number of highly capable employees. 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, 2023, 1,830 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 maintain and expand the value of the ARTNATURE Group over the medium- and long-term. The Group has been pursuing initiatives for sustainability. From a sales system perspective, we will improve labor productivity such as sales per employee through a range of means, such as improving operating efficiency through investments in systems. Similarly, from a production system perspective, we will bolster production stability through the decentralization of production bases and the stockpiling of raw materials, among other means. From a management perspective, we will improve the efficiency of administrative operations mainly through the renewal of systems and various internal programs. In addition, we will implement sustainability items (each item related to climate change, respect for human rights and human capital included in the corporate governance code, while also developing successors for key posts in headquarter departments.

### **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, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	19,546	20,180
Accounts receivable – trade	3,066	3,044
Securities	23	25
Merchandise and finished goods	3,050	3,379
Work in process	182	203
Raw materials and supplies	1,195	1,364
Others	964	1,116
Allowance for doubtful accounts	(5)	(4)
Total current assets	28,021	29,310
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,604	13,859
Accumulated depreciation	(8,825)	(9,183)
Buildings and structures, net	4,779	4,675
Machinery equipment and vehicle	186	210
Accumulated depreciation	(126)	(151)
Machinery equipment and vehicle, net	60	58
Land	3,491	3,495
Construction in progress	7	–
Others	3,183	3,535
Accumulated depreciation	(2,827)	(2,969)
Others, net	356	566
Total property, plant and equipment	8,694	8,795
Intangible assets		
Goodwill	233	54
Others	441	504
Total intangible assets	674	558
Investments and other assets		
Investment securities	2,099	2,023
Deferred tax assets	3,944	4,150
Lease and guarantee deposits	2,551	2,545
Others	917	1,119
Allowance for doubtful accounts	(393)	(547)
Total investments and other assets	9,119	9,291
Total non-current assets	18,488	18,645
Total assets	46,510	47,956



	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	320	318
Accounts payable – other	2,288	2,205
Income taxes payable	929	995
Contract liabilities	1,378	1,635
Refund liabilities	475	474
Advances received	6,502	6,184
Provision for bonuses	1,053	1,252
Provision for directors' bonuses	145	145
Provision for product warranties	36	43
Others	1,108	1,292
Total current liabilities	14,237	14,548
Non-current liabilities		
Net defined benefit liability	4,170	4,165
Asset retirement obligations	1,547	1,545
Others	1,959	1,769
Total non-current liabilities	7,676	7,480
<b>Total liabilities</b>	<b>21,914</b>	<b>22,028</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,557	3,613
Retained earnings	18,307	19,278
Treasury shares	(1,272)	(1,077)
Total shareholders' equity	24,260	25,481
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62	10
Foreign currency translation adjustment	14	46
Remeasurements of defined benefit plans	29	124
Total accumulated other comprehensive income	106	181
Subscription rights to shares	217	251
Non-controlling interests	12	12
<b>Total net assets</b>	<b>24,596</b>	<b>25,927</b>
<b>Total liabilities and net assets</b>	<b>46,510</b>	<b>47,956</b>

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

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	40,437	43,209
Cost of sales	12,698	14,053
Gross profit	27,739	29,156
Selling, general and administrative expenses	24,719	25,582
Operating income	3,020	3,573
Non-operating income		
Interest income	46	53
Foreign exchange gains	83	62
Others	89	44
Total non-operating income	219	160
Non-operating expenses		
Provision of allowance for doubtful accounts	157	154
Guarantee commission	27	23
Others	16	21
Total non-operating expenses	201	199
Ordinary income	3,038	3,534
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	545	360
Loss on valuation of investment securities	171	-
Total extraordinary losses	716	360
Income before income taxes	2,322	3,173
Income taxes – current	1,312	1,525
Income taxes – deferred	(197)	(228)
Total income taxes	1,114	1,296
Net income	1,207	1,877
Net income attributable to non-controlling interests	3	2
Net income attributable to owners of the parent company	1,204	1,874

(Consolidated statements of comprehensive income)

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Net income	1,207	1,877
Other comprehensive income		
Valuation difference on available-for-sale securities	(33)	(52)
Foreign currency translation adjustments	20	29
Remeasurements of defined benefit plans	65	95
Total other comprehensive income	51	72
Comprehensive income	1,259	1,949
(Comprehensive income attributable to)		
Owners of the parent company	1,255	1,949
Non-controlling interests	3	0

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

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

Year ended March 31, 2023

(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	18,307	(1,272)	24,260
Change of items during the period					
Dividends from surplus			(903)		(903)
Net income attributable to owners of the parent company			1,874		1,874
Disposal of treasury shares		55		194	250
Net changes of items other than shareholders' equity					
Total change of items during the period	–	55	970	194	1,221
Balance at the end of the period	3,667	3,613	19,278	(1,077)	25,481

	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	62	14	29	106	217	12	24,596
Change of items during the period							
Dividends from surplus							(903)
Net income attributable to owners of the parent company							1,874
Disposal of treasury shares							250
Net changes of items other than shareholders' equity	(52)	31	95	74	34	0	109
Total change of items during the period	(52)	31	95	74	34	0	1,331
Balance at the end of the period	10	46	124	181	251	12	25,927

## (4) Consolidated statements of cash flows

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Income before income taxes	2,322	3,173
Depreciation	911	902
Impairment loss	545	360
Amortization of goodwill	172	93
Increase (decrease) in allowance for doubtful accounts	157	153
Increase (decrease) in provision for bonuses	57	199
Increase (decrease) in provision for directors' bonuses	15	–
Increase (decrease) in provision for product warranties	4	6
Increase (decrease) in provision for point card certificates	(107)	–
Increase (decrease) in net defined benefit liability	185	132
Interest income	(46)	(53)
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	(0)	(0)
Decrease (increase) in notes and accounts receivable – trade	(147)	28
Decrease (increase) in inventories	(754)	(493)
Increase (decrease) in notes and accounts payable – trade	(9)	(4)
Loss (gain) on valuation of investment securities	171	–
Increase (decrease) in advances received	37	(317)
Others	357	154
<b>Subtotal</b>	<b>3,871</b>	<b>4,336</b>
Interest income received	48	54
Income taxes paid	(1,433)	(1,464)
Income taxes refund	0	–
Subsidies received	19	1
<b>Net cash provided by (used in) operating activities</b>	<b>2,505</b>	<b>2,927</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(116)	(126)
Proceeds from withdrawal of time deposits	115	125
Purchase of property, plant and equipment	(787)	(1,000)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(96)	(217)
Long-term loan advances	(150)	(100)
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(170)	(125)
Proceeds from collection of lease and guarantee deposits	70	131
Others	(50)	(107)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,183)</b>	<b>(1,417)</b>

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from financing activities		
Repayments of lease obligations	(26)	(20)
Cash dividends paid	(898)	(903)
Net cash provided by (used in) financing activities	(924)	(924)
Effect of exchange rate change on cash and cash equivalents	70	43
Net increase (decrease) in cash and cash equivalents	468	629
Cash and cash equivalents at beginning of period	18,984	19,452
Cash and cash equivalents at end of period	19,452	20,082

## (5) Notes on consolidated financial statements

(Notes on the going concern assumption)

There is no related information.

## (Changes in accounting policies)

The Company decided to start applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") at the beginning of the fiscal year, while also implementing the new accounting policy stipulated in the Fair Value Measurement Implementation Guidance according to the provisional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance into the future. This application 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.

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

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



Year ended March 31, 2023

(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	23,237	13,023	5,172	41,433	1,775	43,209	–	43,209
Intersegment sales and transfers	–	–	–	–	2,419	2,419	(2,419)	–
Total	23,237	13,023	5,172	41,433	4,195	45,628	(2,419)	43,209
Segment income	14,888	8,803	4,150	27,842	1,443	29,286	(130)	29,156

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, 2022	Year ended March 31, 2023
Intersegment eliminations*	(119)	(130)
Total	(119)	(130)

\* 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)

	Year ended March 31, 2022	Year ended March 31, 2023
Total for reportable segments	26,527	27,842
Others <sup>Note 1</sup>	1,331	1,443
Total	27,858	29,286
Adjustment <sup>Note 2</sup>	(119)	(130)
Gross profit in consolidated financial statements	27,739	29,156
Selling, general and administrative expenses	24,719	25,582
Operating income in consolidated financial statements	3,020	3,573

(Per share information)

(Yen)

Year ended March 31, 2022		Year ended March 31, 2023	
Net assets per share	758.47	Net assets per share	790.26
Net income per share	37.51	Net income per share	58.00
Diluted net income per share	37.09	Diluted net income per share	57.29

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

	Year ended March 31, 2022	Year ended March 31, 2023
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	1,204	1,874
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)	1,204	1,874
Average number of shares of common stock during fiscal year (thousands of share)	32,110	32,321
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)	356	402
[of which, subscription rights to shares]	[356]	[402]
Summary of residual shares not included in calculations of 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) (515,400 shares as of March 31, 2022, 317,200 shares as of March 31, 2023). 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) (522,898 shares during fiscal year ended March 31, 2022, 443,809 shares during fiscal year ended March 31, 2023).

(Significant subsequent events)

There is no related information.