



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [J-GAAP]

May 15, 2024

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 21, 2024  
 Scheduled date of the start of dividends distribution: June 24, 2024  
 Scheduled date of the filing of the financial report: June 24, 2024  
 Supplementary documents for this summary of financial statements: Yes  
 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, 2024 (April 1, 2023 – March 31, 2024)

(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, 2024	42,850	(0.8)	2,654	(25.7)	2,724	(22.9)	1,462	(22.0)
Year ended March 31, 2023	43,209	6.9	3,573	18.3	3,534	16.3	1,874	55.7

Note: Comprehensive income: Year ended March 31, 2024: ¥1,785 million (-8.4%)

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

	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, 2024	44.99	44.40	5.6	5.6	6.2
Year ended March 31, 2023	58.00	57.29	7.5	7.5	8.3

(Reference) Equity in earnings of affiliates: Year ended March 31, 2024: ¥– million

Year ended March 31, 2023: ¥– 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, 2024	49,851	26,870	53.3	817.17
As of March 31, 2023	47,956	25,927	53.5	790.26

(Reference) Equity capital: As of March 31, 2024: ¥26,582 million

As of March 31, 2023: ¥25,662 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, 2024	2,137	(2,165)	(919)	19,208
Year ended March 31, 2023	2,927	(1,417)	(924)	20,082

## 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, 2023	–	14.00	–	14.00	28.00	908	48.3	3.6
Year ended March 31, 2024	–	14.00	–	14.00	28.00	910	62.2	3.5
Year ending March 31, 2025 (forecast)	–	14.00	–	14.00	28.00		60.3	

### 3. Consolidated financial forecast for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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	45,001	5.0	2,911	9.7	2,949	8.3	1,509	3.2	46.41

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:  | Yes  |
| 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 estimates)."

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

1) Number of shares issued and outstanding (including treasury shares)	As of March 31, 2024	34,393,200	shares	As of March 31, 2023	34,393,200	shares
2) Number of treasury shares	As of March 31, 2024	1,863,139	shares	As of March 31, 2023	1,919,239	shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2024	32,512,200	shares	Year ended March 31, 2023	32,321,935	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 2024, which ended March 31, 2024, the Japanese economy saw a recovery in consumer spending and inbound tourist demand, given the normalization of economic activities attributable partly to the reclassification of COVID-19 in May 2023 under the Infectious Diseases Control Law. However, it continued to face an uncertain situation, partly reflecting a rise in the cost of living due chiefly to the weakening of the yen and surges in raw material and energy prices.

Against this backdrop, the Group formulated the ARTNATURE Advance Plan, a new medium-term management plan, and began to implement it in the current fiscal year. The Group has been leveraging its strengths and tackling a range of issues to enhance its business performances and increase its market share in the haircare industry, while simultaneously promoting its business activities by expanding businesses acquired in new areas with a view to taking a significant leap for the creation of a new ARTNATURE capable of opening up the next phase.

As a result, consolidated net sales in fiscal 2024 declined 0.8% year on year to ¥42,850 million. In terms of profits, operating income and ordinary income stood at ¥2,654 million (down 25.7% year on year) and ¥2,724 million (down 22.9% year on year), respectively, due to a decrease in net sales and increases in the cost of sales, sales expenses and general and administrative expenses. Similarly, net income attributable to owners of the parent company came to ¥1,462 million (down 22.0% year on year).

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

Sales in the men's business fell to ¥22,814 million (down 1.8% year on year) as a result of a year-on-year decline in sales to new customers although sales to repeat customers remained almost flat year on year due to the implementation of customer retention programs and other measures.

#### **Ladies' business**

Sales in the ladies' business declined 1.8% year on year, to ¥12,788 million due to a fall in sales to new customers, despite there was a year-on-year increase in sales to repeat customers, which reflected a rise in the number of customers visiting the Company's stores.

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

Sales in the ladies' ready-made wigs business rose 9.4% year on year, to ¥5,658 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 ¥49,851 million, an increase of ¥1,895 million compared with the end of the previous fiscal year. Current assets decreased ¥472 million, mainly due to a fall in cash and deposits, while non-current assets increased ¥2,367 million due in part to a change to the estimated amount of asset retirement obligations.

#### **(Liabilities)**

As of the fiscal year-end, liabilities totaled ¥22,981 million, an increase of ¥952 million compared with the end of the previous fiscal year. Current liabilities decreased ¥789 million, partly reflecting decreases in income taxes payable, advances received, and provision for bonuses, while non-current liabilities increased ¥1,741 million due in part to a change to the estimated amount of asset retirement obligations.

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

As of the fiscal year-end, net assets were ¥26,870 million, an increase of ¥942 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 ¥19,208 million, a decrease of ¥873 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 ¥2,137 million, compared with ¥2,927 million in the previous fiscal year. This mainly reflected income before income taxes of ¥1,786 million, depreciation of ¥1,096 million, impairment loss of ¥856 million, increase in net defined benefit liability of ¥276 million, versus income taxes paid of ¥1,614 million, decrease in

provision for bonuses of ¥192 million, increase in inventories of ¥205 million, and decrease in advances received of ¥148 million.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥2,165 million, compared with ¥1,417 million in the previous fiscal year. This mainly reflected purchase of property, plant and equipment of ¥1,134 million, purchase of intangible assets of ¥855 million, and payments of leasehold and guarantee deposits of ¥74 million.

**(Cash flows from financing activities)**

Financing activities used net cash of ¥919 million, compared with ¥924 million in the previous fiscal year. This mainly reflected cash dividends paid of ¥909 million.

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

	2020	2021	2022	2023	2024
Equity ratio (%)	58.3	55.8	52.4	53.5	53.3
Market value-based equity ratio (%)	48.2	50.4	49.7	53.1	50.9
Cash flows to interest-bearing debt (%)	–	–	–	–	–
Interest coverage ratio (times)	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 2025, 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 2025, we forecast consolidated net sales of ¥45,001 million, up 5.0% year on year, operating income of ¥2,911 million, up 9.7%, ordinary income of ¥2,949 million, up 8.3%, and net income attributable to owners of the parent company of ¥1,509 million, up 3.2%.

**(5) Basic policy for the distribution of profits and dividends for fiscal 2024 and fiscal 2025**

ARTNATURE Group believes that returning profits to shareholders is one of the most important management issues. Under a basic policy of paying stable dividends to shareholders while making sure to retain sufficient internal reserves to reinforce the Group's management base and financial position and to invest in the future expansion of business, the Company has adopted the following dividend policy.

[Dividend policy] Based on a consolidated payout ratio of 40% or higher, we will strive to increase dividends in line with consolidated performance (increase in increments of 1 yen), with the current annual dividend of 28 yen as the minimum limit. However, until we achieve an ROE of over 10%, the consolidated payout ratio will be set to 50% or higher. If consolidated net income fluctuates significantly, we may adjust the dividends to account for these fluctuations.

In line with the basic policy and dividend policy, the Company will pay a full-year dividend of ¥28 per share for the fiscal year ended March 31, 2024, comprising an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share.

For the fiscal year ending March 31, 2025, 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 ¥45,001 million, the ratio of ordinary income to net sales of 6.6% and ROE of 5.7% for the fiscal year ending March 31, 2025.

### (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 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, 2024, 1,859 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. To decentralize production bases, we have established a subsidiary in Bangladesh and are constructing a new plant that is scheduled to commence operation in the fiscal year ending March 31, 2026. 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, 2023	As of March 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	20,180	19,317
Accounts receivable – trade	3,044	3,108
Securities	25	28
Merchandise and finished goods	3,379	3,361
Work in process	203	178
Raw materials and supplies	1,364	1,648
Others	1,116	1,203
Allowance for doubtful accounts	(4)	(9)
Total current assets	29,310	28,838
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,859	15,401
Accumulated depreciation	(9,183)	(9,765)
Buildings and structures, net	4,675	5,635
Machinery equipment and vehicle	210	236
Accumulated depreciation	(151)	(185)
Machinery equipment and vehicle, net	58	51
Land	3,495	3,501
Construction in progress	–	14
Others	3,535	3,698
Accumulated depreciation	(2,969)	(3,168)
Others, net	566	529
Total property, plant and equipment	8,795	9,732
Intangible assets		
Goodwill	54	–
Others	504	1,280
Total intangible assets	558	1,280
Investments and other assets		
Investment securities	2,023	2,133
Deferred tax assets	4,150	4,618
Lease and guarantee deposits	2,545	2,578
Others	1,119	1,250
Allowance for doubtful accounts	(547)	(581)
Total investments and other assets	9,291	9,999
Total non-current assets	18,645	21,012
Total assets	47,956	49,851



	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	318	292
Accounts payable – other	2,205	2,641
Income taxes payable	995	257
Contract liabilities	1,635	1,655
Refund liabilities	474	490
Advances received	6,184	6,036
Provision for bonuses	1,252	1,060
Provision for directors' bonuses	145	135
Provision for product warranties	43	43
Others	1,292	1,147
Total current liabilities	14,548	13,758
Non-current liabilities		
Net defined benefit liability	4,165	4,194
Asset retirement obligations	1,545	3,196
Others	1,769	1,830
Total non-current liabilities	7,480	9,222
Total liabilities	22,028	22,981
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,613	3,624
Retained earnings	19,278	19,831
Treasury shares	(1,077)	(1,045)
Total shareholders' equity	25,481	26,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	92
Foreign currency translation adjustment	46	116
Remeasurements of defined benefit plans	124	296
Total accumulated other comprehensive income	181	505
Subscription rights to shares	251	276
Non-controlling interests	12	11
Total net assets	25,927	26,870
<b>Total liabilities and net assets</b>	47,956	49,851

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

	(Millions of yen)	
	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	43,209	42,850
Cost of sales	14,053	14,134
Gross profit	29,156	28,715
Selling, general and administrative expenses	25,582	26,060
Operating income	3,573	2,654
Non-operating income		
Interest income	53	39
Foreign exchange gains	62	66
Others	44	45
Total non-operating income	160	151
Non-operating expenses		
Provision of allowance for doubtful accounts	154	37
Guarantee commission	23	21
Donations	10	10
Others	11	13
Total non-operating expenses	199	82
Ordinary income	3,534	2,724
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	2
Impairment loss	360	856
Loss on valuation of investment securities	–	8
Loss on liquidation of subsidiaries and associates	–	70
Total extraordinary losses	360	937
Income before income taxes	3,173	1,786
Income taxes – current	1,525	900
Income taxes – deferred	(228)	(577)
Total income taxes	1,296	323
Net income	1,877	1,462
Net income attributable to non-controlling interests	2	0
Net income attributable to owners of the parent company	1,874	1,462

(Consolidated statements of comprehensive income)

	(Millions of yen)	
	Year ended March 31, 2023	Year ended March 31, 2024
Net income	1,877	1,462
Other comprehensive income		
Valuation difference on available-for-sale securities	(52)	82
Foreign currency translation adjustment	29	69
Remeasurements of defined benefit plans	95	171
Total other comprehensive income	72	322
Comprehensive income	1,949	1,785
(Comprehensive income attributable to)		
Owners of the parent company	1,949	1,787
Non-controlling interests	0	(1)

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

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

Year ended March 31, 2024

(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	3,613	19,278	(1,077)	25,481
Change of items during the period					
Dividends from surplus			(909)		(909)
Net income attributable to owners of the parent company			1,462		1,462
Disposal of treasury shares		11		31	42
Net changes of items other than shareholders' equity					
Total change of items during the period	–	11	552	31	595
Balance at the end of the period	3,667	3,624	19,831	(1,045)	26,077

	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	10	46	124	181	251	12	25,927
Change of items during the period							
Dividends from surplus							(909)
Net income attributable to owners of the parent company							1,462
Disposal of treasury shares							42
Net changes of items other than shareholders' equity	82	70	171	324	24	(1)	347
Total change of items during the period	82	70	171	324	24	(1)	942
Balance at the end of the period	92	116	296	505	276	11	26,870

## (4) Consolidated statements of cash flows

	(Millions of yen)	
	Year ended March 31, 2023	Year ended March 31, 2024
<b>Cash flows from operating activities</b>		
Income before income taxes	3,173	1,786
Depreciation	902	1,096
Impairment loss	360	856
Amortization of goodwill	93	36
Increase (decrease) in allowance for doubtful accounts	153	39
Increase (decrease) in provision for bonuses	199	(192)
Increase (decrease) in provision for directors' bonuses	–	(10)
Increase (decrease) in provision for product warranties	6	(0)
Increase (decrease) in net defined benefit liability	132	276
Interest income	(53)	(39)
Loss on retirement of non-current assets	0	2
Loss (gain) on sales of non-current assets	(0)	(0)
Decrease (increase) in notes and accounts receivable – trade	28	(57)
Decrease (increase) in inventories	(493)	(205)
Increase (decrease) in notes and accounts payable – trade	(4)	(29)
Loss (gain) on valuation of investment securities	–	8
Loss on liquidation of subsidiaries and associates	–	70
Increase (decrease) in advances received	(317)	(148)
Others	154	223
<b>Subtotal</b>	<b>4,336</b>	<b>3,711</b>
Interest income received	54	40
Income taxes paid	(1,464)	(1,614)
Subsidies received	1	–
<b>Net cash provided by (used in) operating activities</b>	<b>2,927</b>	<b>2,137</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(126)	(136)
Proceeds from withdrawal of time deposits	125	132
Purchase of property, plant and equipment	(1,000)	(1,134)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(217)	(855)
Long-term loan advances	(100)	–
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(125)	(74)
Proceeds from collection of lease and guarantee deposits	131	41
Others	(107)	(138)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,417)</b>	<b>(2,165)</b>

	(Millions of yen)	
	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from financing activities		
Repayments of lease obligations	(20)	(10)
Cash dividends paid	(903)	(909)
Net cash provided by (used in) financing activities	(924)	(919)
Effect of exchange rate change on cash and cash equivalents	43	74
Net increase (decrease) in cash and cash equivalents	629	(873)
Cash and cash equivalents at beginning of period	19,452	20,082
Cash and cash equivalents at end of period	20,082	19,208

## (5) Notes on consolidated financial statements

(Notes on the going concern assumption)

There is no related information.

## (Changes in accounting estimates)

## Change in estimates of asset retirement obligations

For restoration costs related to asset retirement obligations under real estate lease contracts for stores, the Group obtained new information such as recent actual examples for restoration costs. Based on this, we changed estimates for restoration costs necessary for store closings.

An increase reflecting this change in estimates, which is ¥1,607 million, was added to asset retirement obligations before the change.

As a result of this change, operating income and ordinary income each decreased ¥171 million and income before income taxes decreased ¥741 million.

## (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, 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



Year ended March 31, 2024

(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	22,814	12,788	5,658	41,260	1,589	42,850	—	42,850
Intersegment sales and transfers	—	—	—	—	2,681	2,681	(2,681)	—
Total	22,814	12,788	5,658	41,260	4,270	45,531	(2,681)	42,850
Segment income	14,502	8,378	4,559	27,441	1,442	28,884	(169)	28,715

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, 2023	Year ended March 31, 2024
Intersegment eliminations*	(130)	(169)
Total	(130)	(169)

\* 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, 2023	Year ended March 31, 2024
Total for reportable segments	27,842	27,441
Others <sup>Note 1</sup>	1,443	1,442
Total	29,286	28,884
Adjustment <sup>Note 2</sup>	(130)	(169)
Gross profit in consolidated financial statements	29,156	28,715
Selling, general and administrative expenses	25,582	26,060
Operating income in consolidated financial statements	3,573	2,654

(Per share information)

(Yen)

Year ended March 31, 2023		Year ended March 31, 2024	
Net assets per share	790.26	Net assets per share	817.17
Net income per share	58.00	Net income per share	44.99
Diluted net income per share	57.29	Diluted net income per share	44.40

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

	Year ended March 31, 2023	Year ended March 31, 2024
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	1,874	1,462
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)	1,874	1,462
Average number of shares of common stock during fiscal year (thousands of share)	32,321	32,512
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)	402	436
[of which, subscription rights to shares]	[402]	[436]
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) (317,200 shares as of March 31, 2023, 662,900 shares as of March 31, 2024). 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) (443,809 shares during fiscal year ended March 31, 2023, 425,496 shares during fiscal year ended March 31, 2024).

(Significant subsequent events)

There is no related information.