



# QB Net Holdings Co., Ltd.

Q1 FYE June 2021

Financial Results Briefing Material

November 13, 2020

**I Results for Q1 FYE June 2021**

**II Impact of the Novel  
Coronavirus (COVID-19)**

# Consolidated Group Earnings for Q1 FYE June 2021 (Summary)

- Revenue and profit decreased in the first quarter of the fiscal year ending June 2021 mainly due to the impact of the novel coronavirus (COVID-19).
- Earnings forecast remains unchanged.

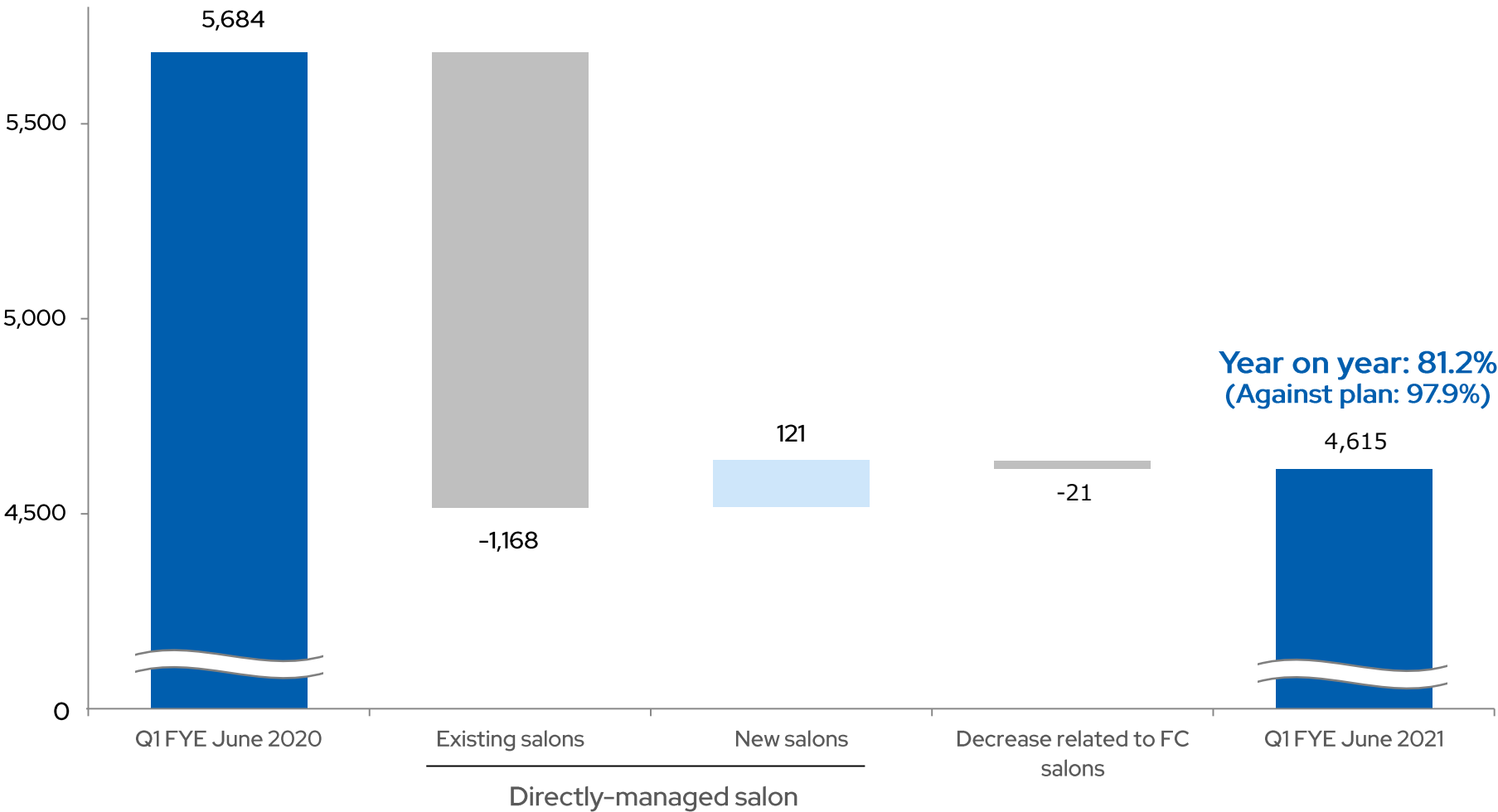
## Full-year Consolidated Group Earnings (Summary)

Unit: million yen	Q1 FYE June 2021		First half FYE June 2021 Forecast			Full year FYE June 2021 Forecast		
	Actual	Year on year (%)	Forecast	Year on year (%)	Progress rate	Forecast	Year on year (%)	Progress rate
Revenue	4,615	81.2%	9,840	88.6%	46.9%	20,774	108.8%	22.2%
Operating profit	445	58.1%	360	29.7%	123.7%	1,000	417.4%	44.5%
Profit before tax	398	54.4%	266	23.2%	149.7%	814	829.5%	48.9%
Profit	284	58.3%	182	23.9%	156.3%	557	533.4%	51.1%
Basic earnings per share	22.31 yen		14.22 yen			42.92 yen		
Dividends per share	—		—			TBD		

# Analysis of Changes in Revenue

- Revenue decreased 1,068 million yen year on year mainly due to the impact of the novel coronavirus.

Unit: million yen



\* New salons are those less than 13 months since opening

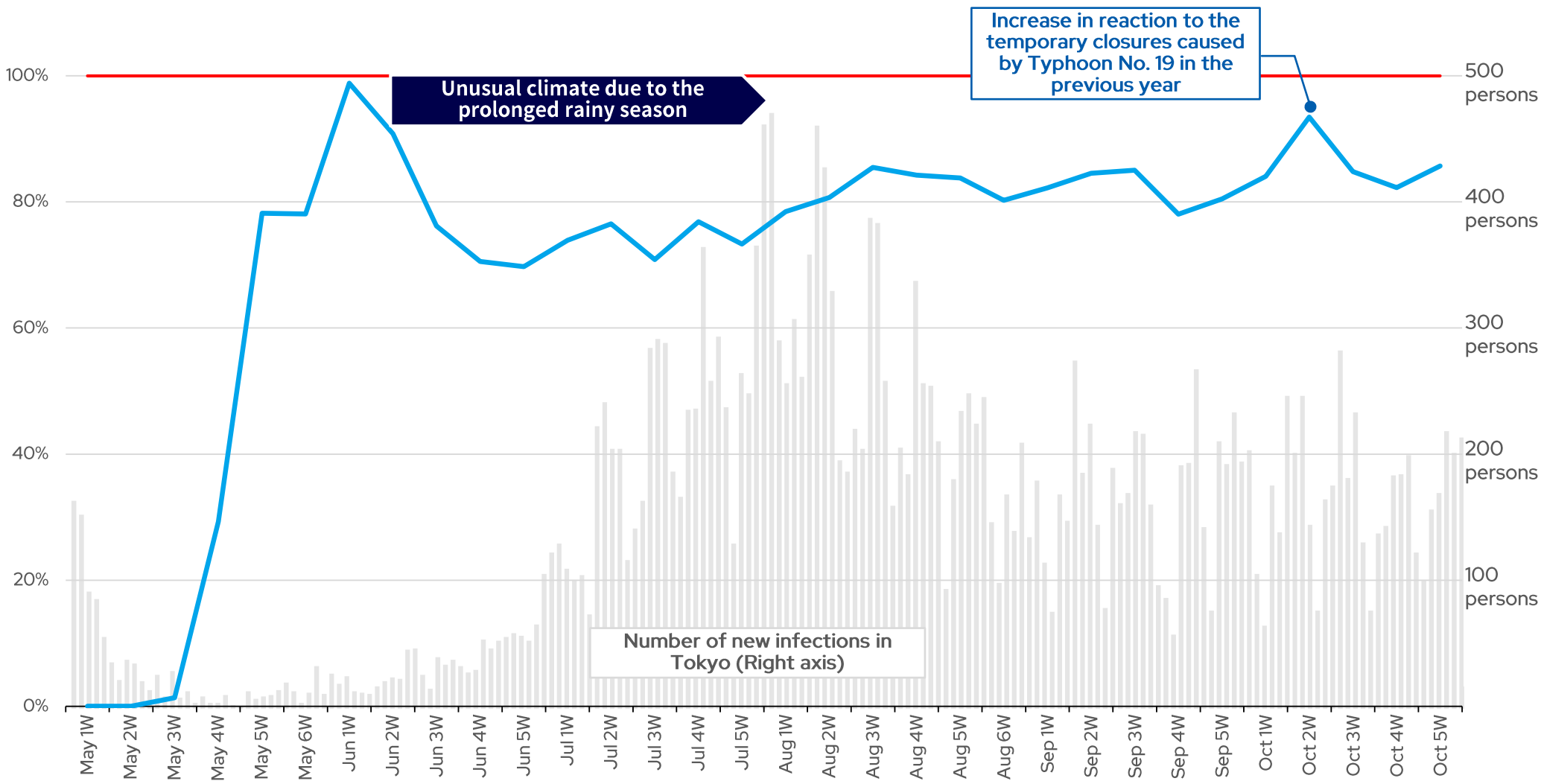
# Developments Following the Spread of the Novel Coronavirus (COVID-19)

Developments in society		The Company (in Japan)	
July 4	The Tokyo Governor requested residents to refrain from leaving Tokyo unless necessary and urgent.	July 1	Resumed normal operating hours in about 80% of the salons.
July 15	Tokyo Metropolitan Government declared the most serious level 4 "infections are spreading."		
July 23 to 26	Tokyo Metropolitan Government requested residents to refrain from going out unless necessary and urgent.	July 31	Shorter operating hours at 87 salons (about 15%)
July 31 to August 8	Over 400 new infections in Tokyo	Aug 31	Shorter operating hours at 76 salons (about 13%)
Sept 10	Tokyo Metropolitan Government lowered the virus alert by one level.	Sept 30	Shorter operating hours at 63 salons (about 11%)
Oct 1	Tokyo included in the GO TO Travel campaign. GO TO Eat campaign launched.	Oct 31	Shorter operating hours at 55 salons (about 9%)

Developments in society		The Company (overseas)	
July 4-	Number of daily infections in Hong Kong increased to double digits.	Mar 24-	One salon at Hong Kong Airport continued to be under a business suspension order.
July 30	Number of daily infections in Hong Kong: 149 → Sept 15: 0		
June 2-	Singapore Phase 1 began.	The impact of the novel coronavirus is primarily in Singapore's business areas.	
June 19-	Singapore shifted to Phase 2.		
July 1-	Number of daily infections in Taiwan: 0 to 7 persons	Taiwan is almost under normal operation; 2 new salons	
The U.S. has the highest number of infections and deaths: Over 10 million infections and 238,000 deaths.		June 22	Price revision (\$20 to \$23, up 15%)
Number of passengers on New York's subways is down 70% year on year.		Sept 1	Introduced an online appointment system.

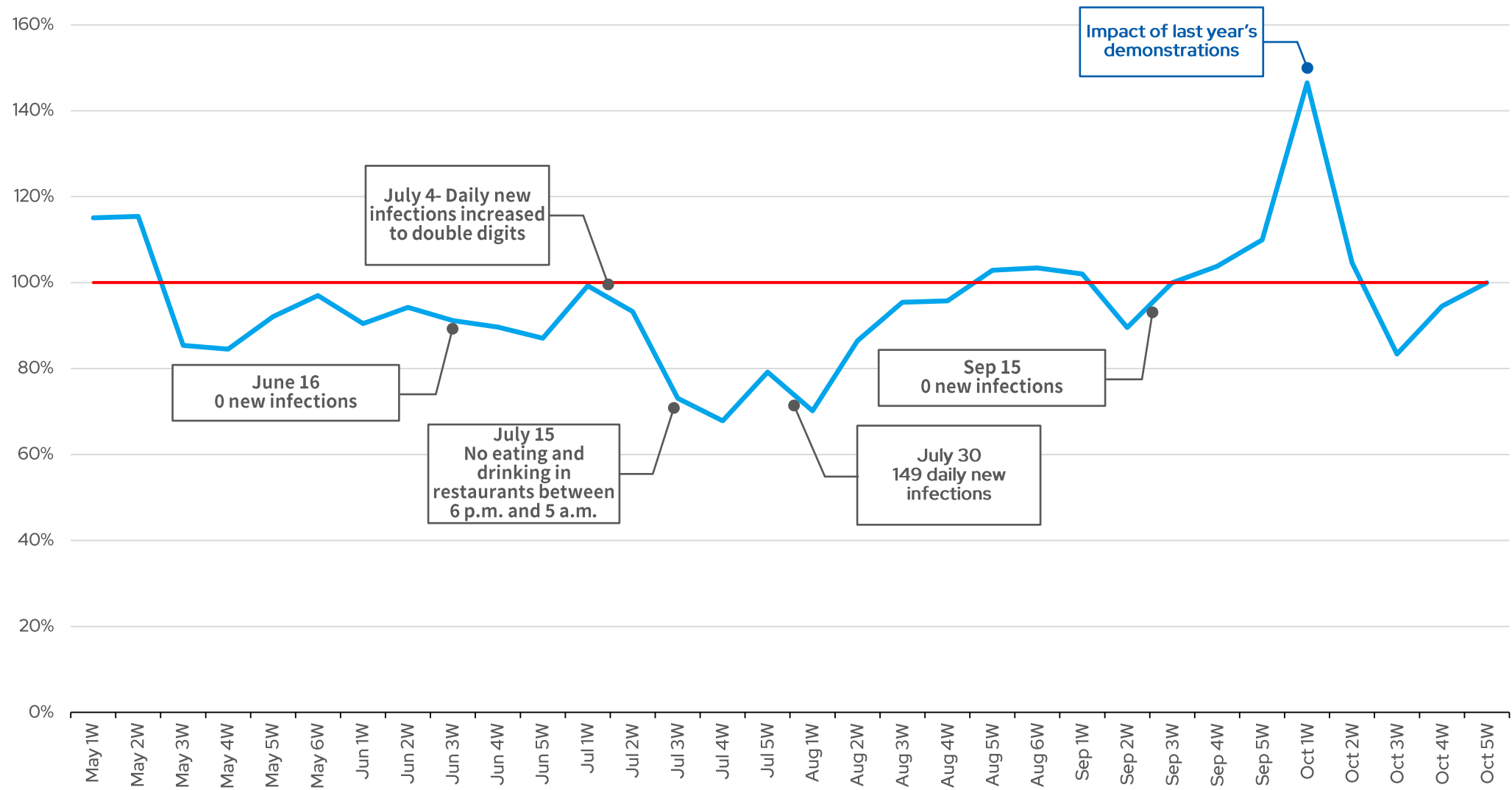
# Year-on-Year Comparison of Number of Customers in Japan (including new salons; compared on same days of the week)

— The haircut cycle is increasing mainly due to the continuation of telework and self-restraint from going out.



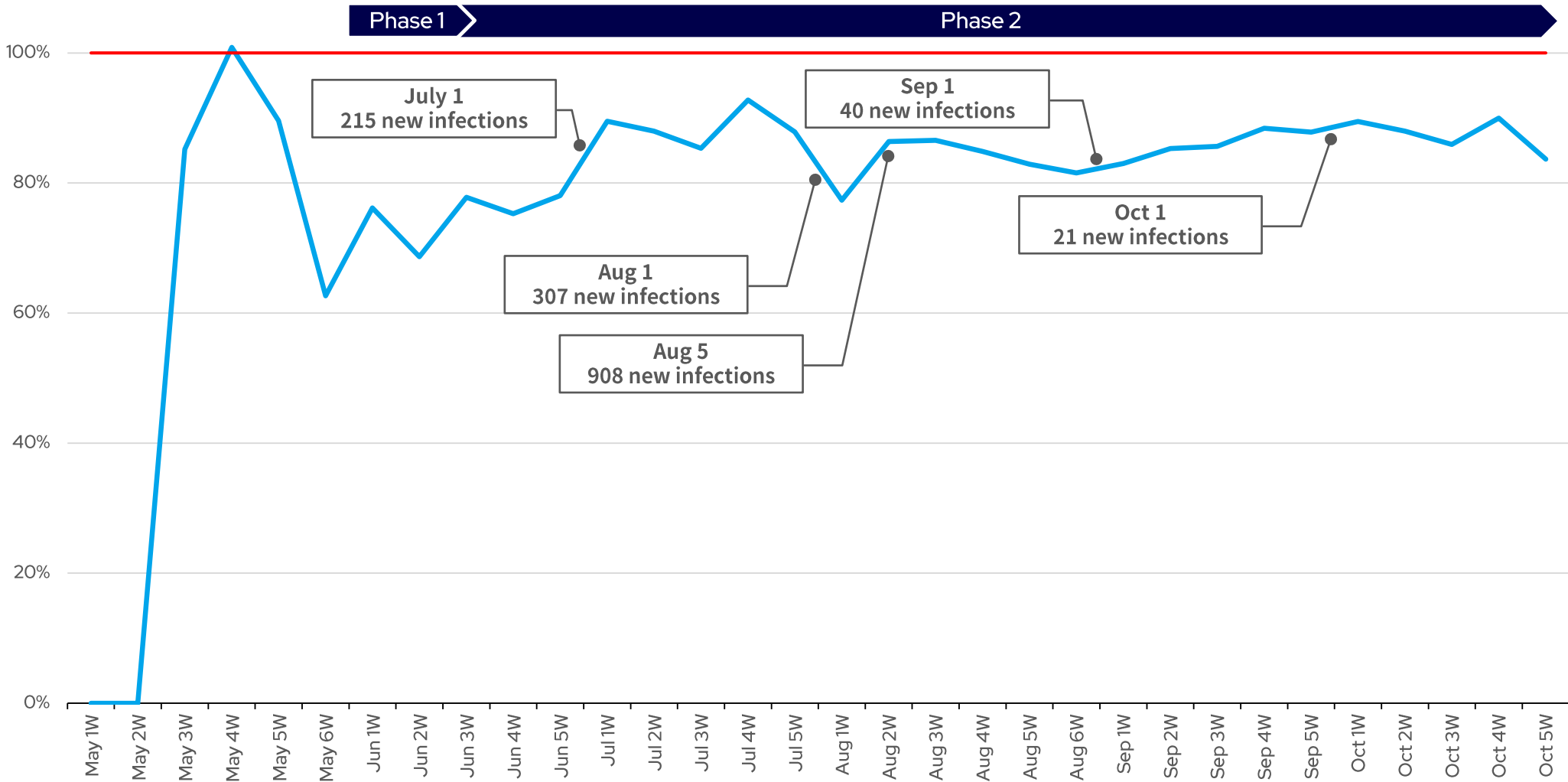
# Year-on-Year Comparison of Number of Customers in Hong Kong (including new salons; compared on same days of the week)

— Number of customers recovered steadily, and the impact of the novel coronavirus was limited.



# Year-on-Year Comparison of Number of Customers in Singapore (including new salons; compared on same days of the week)

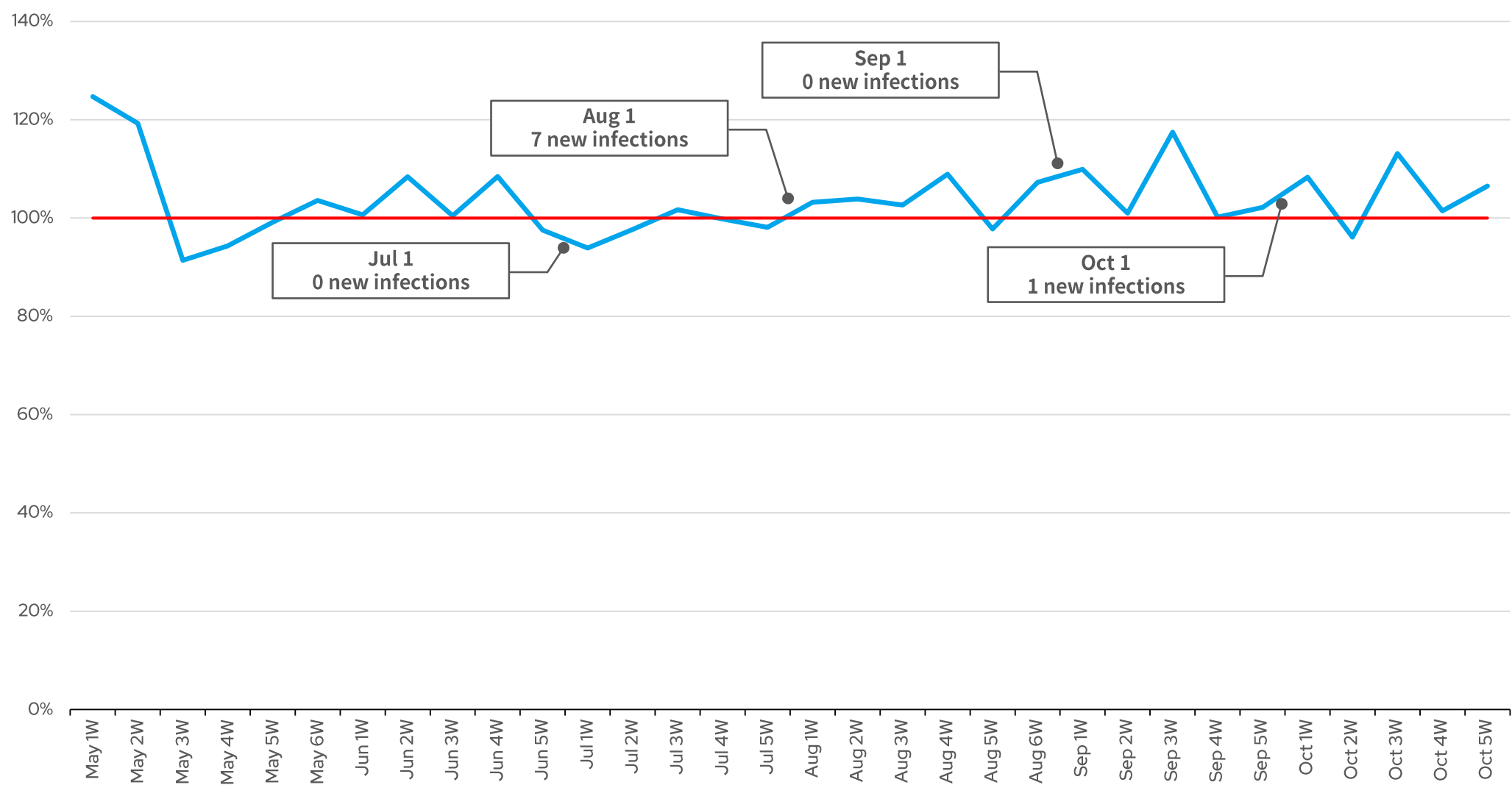
- Continuing activities such as temperature measurement and safe distancing.
- Greater impact of the novel coronavirus on salons in business areas (Central Business District).





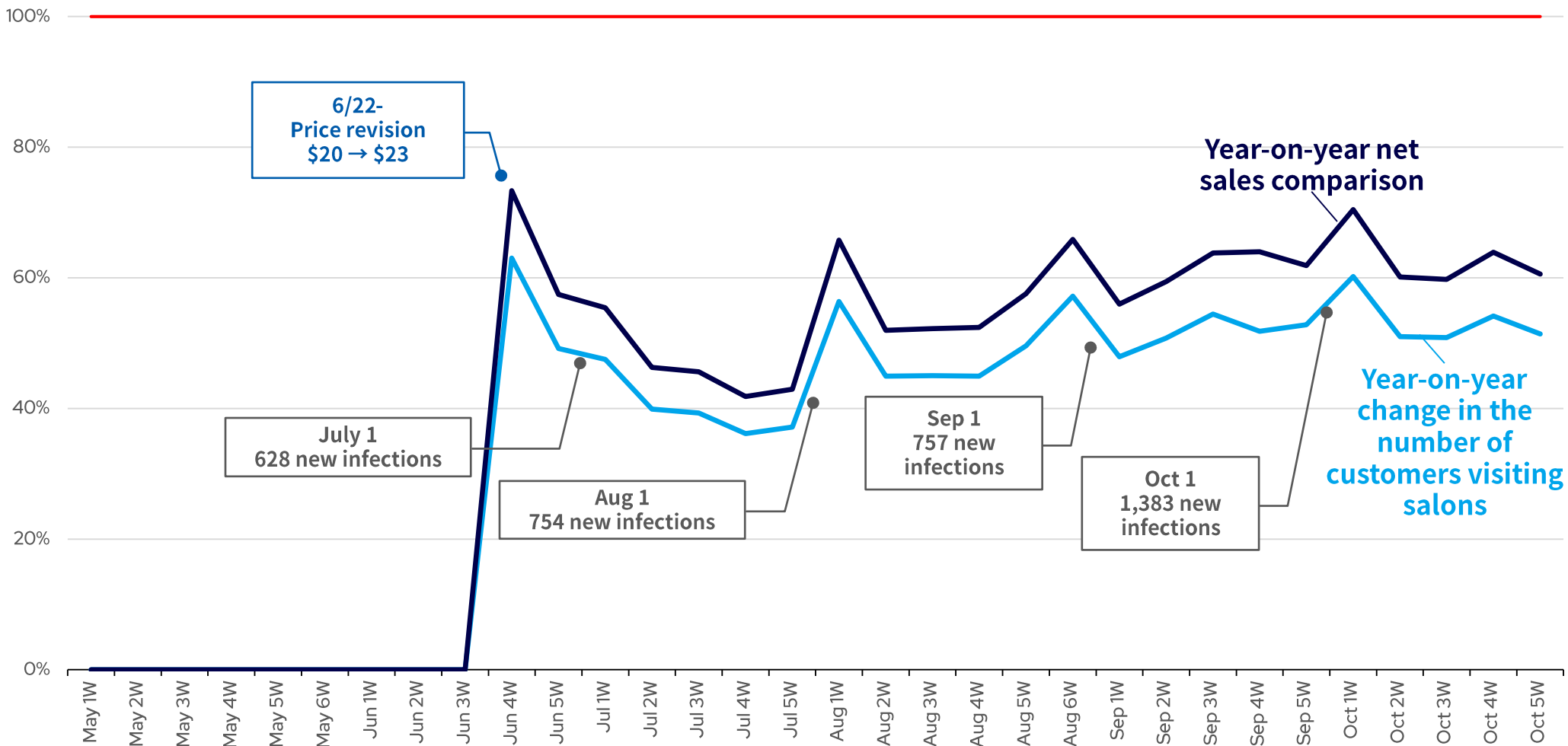
# Year-on-Year Comparison of Number of Customers in Taiwan (including new salons; compared on same days of the week)

— Impact of the novel coronavirus is limited.



# Year-on-Year Comparison of Number of Customers in the U.S. (including new salons; compared on same days of the week)

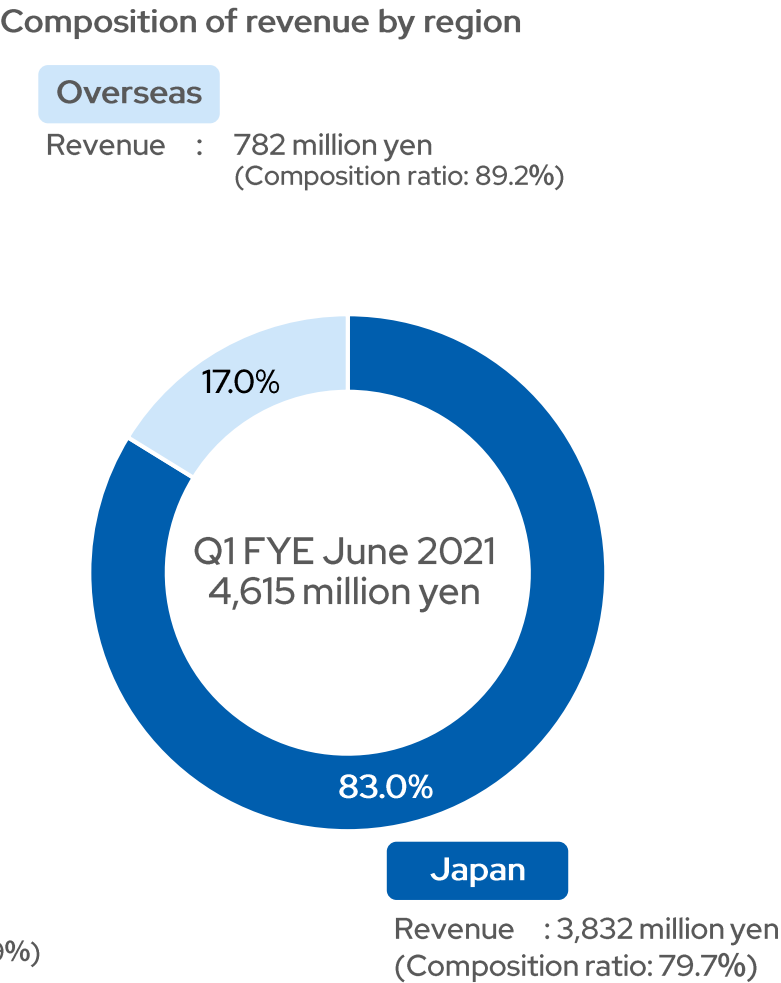
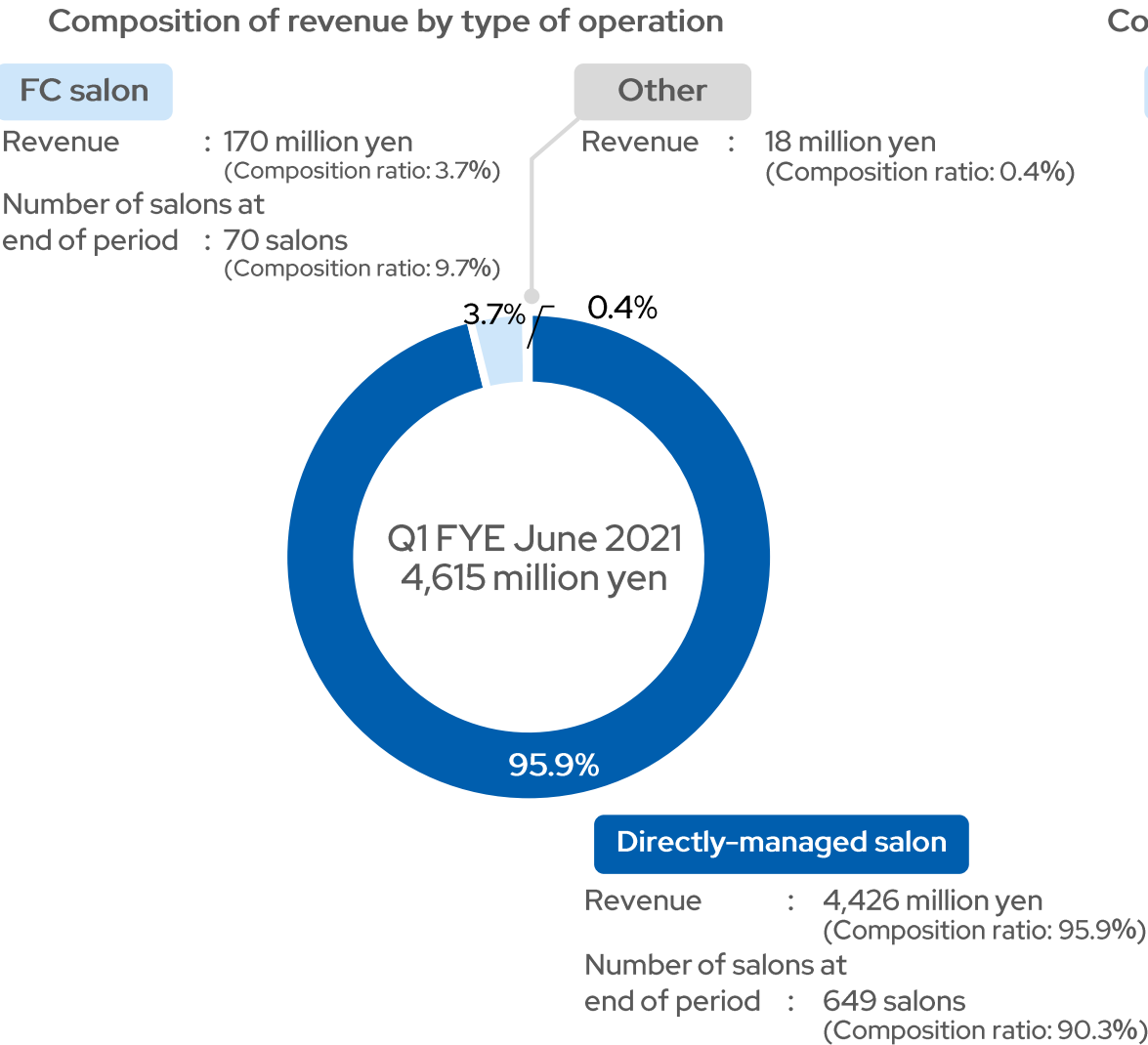
- With the spread of remote work, a lifestyle where businesspersons come to Manhattan only once or twice a week has become established.
- Revised the price (\$20 → \$23, up 15%) and introduced an online system for appointments and designation of stylist.



\* The number of new infections shows the figures in New York State only.

# Composition of Revenue

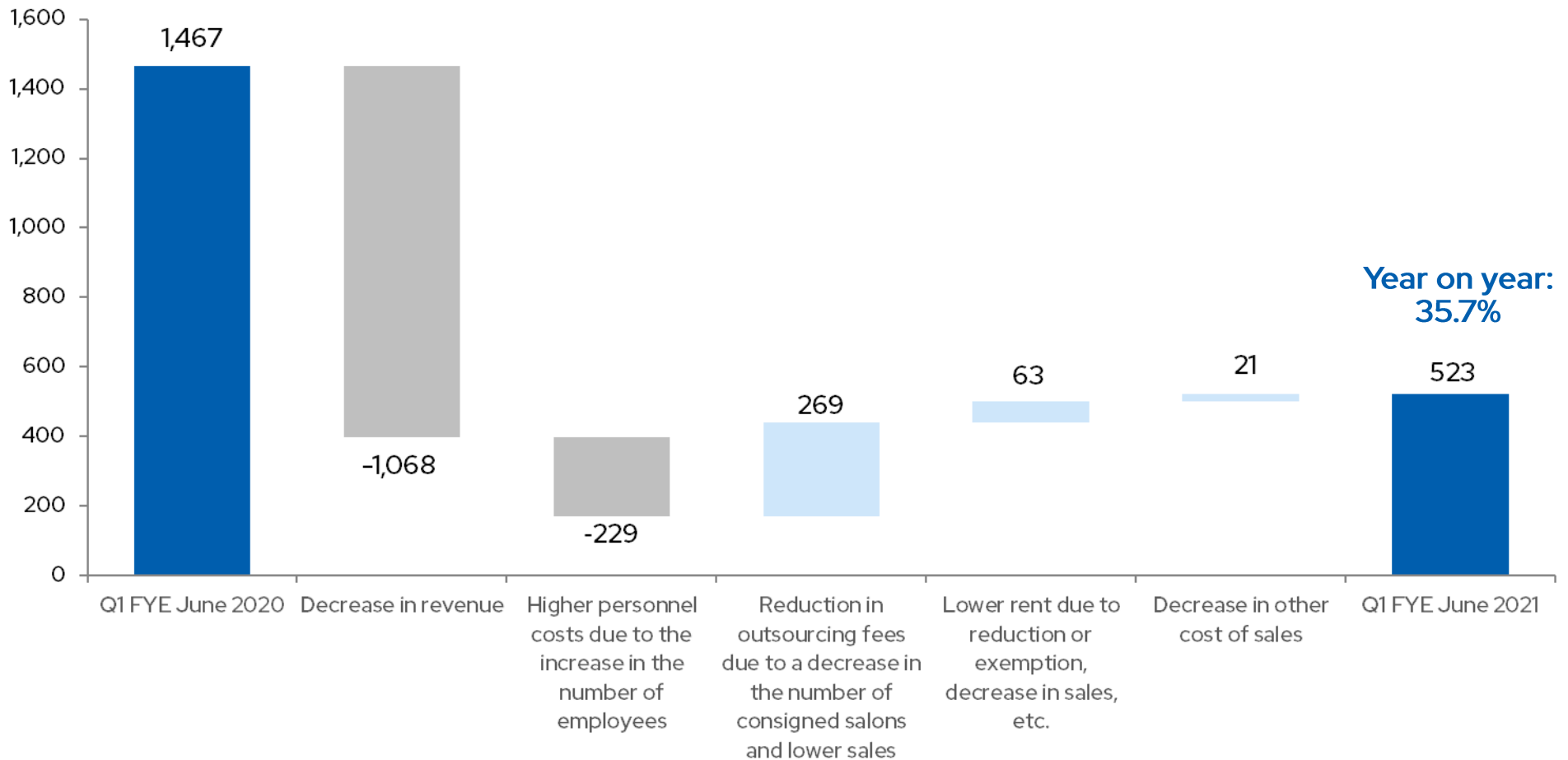
- Directly managed salons account for 95.9% of revenue while overseas for 17.0%.



# Analysis of Changes in Gross Profit (Gross Margin)

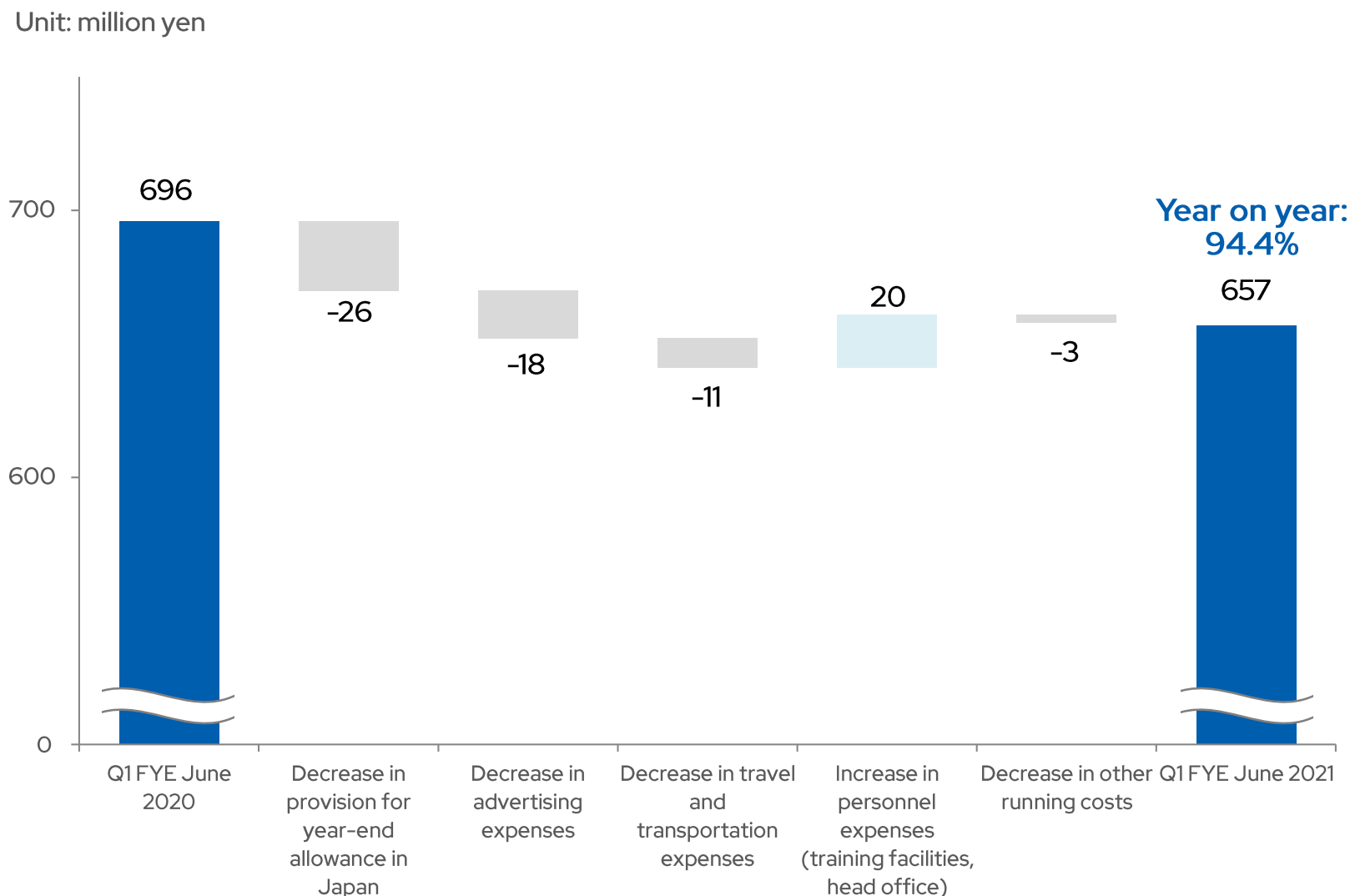
- Gross profit was 523 million yen as a result of reduced store operating costs, such as outsourcing fees and rent, despite a decrease in revenue due to the impact of the novel coronavirus.

Unit: million yen



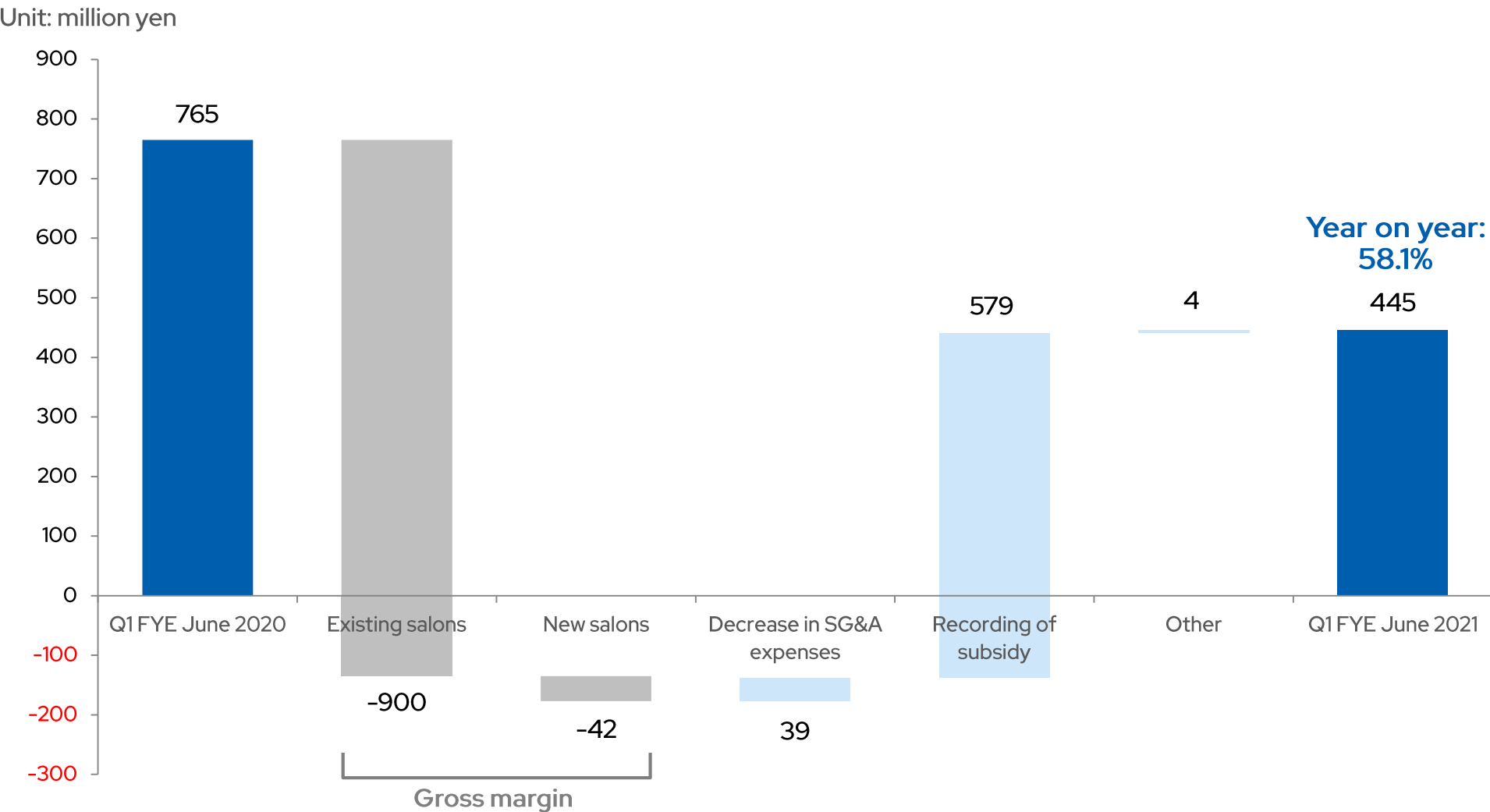
# Analysis of Changes in SG&A Expenses

- SG&A expenses decreased by 39 million yen year on year due to a review of headquarters operating costs, including curbing promotional activities (decrease in advertising expenses) and using an online meeting system (reduction in travel and transportation expenses).



# Analysis of Changes in Operating Profit

- Despite a decline in gross profit, operating profit was 445 million yen thanks to subsidy income in Japan and abroad as a result of paying salaries in full during the period of temporary suspension in operation and maintaining the employment of employees.

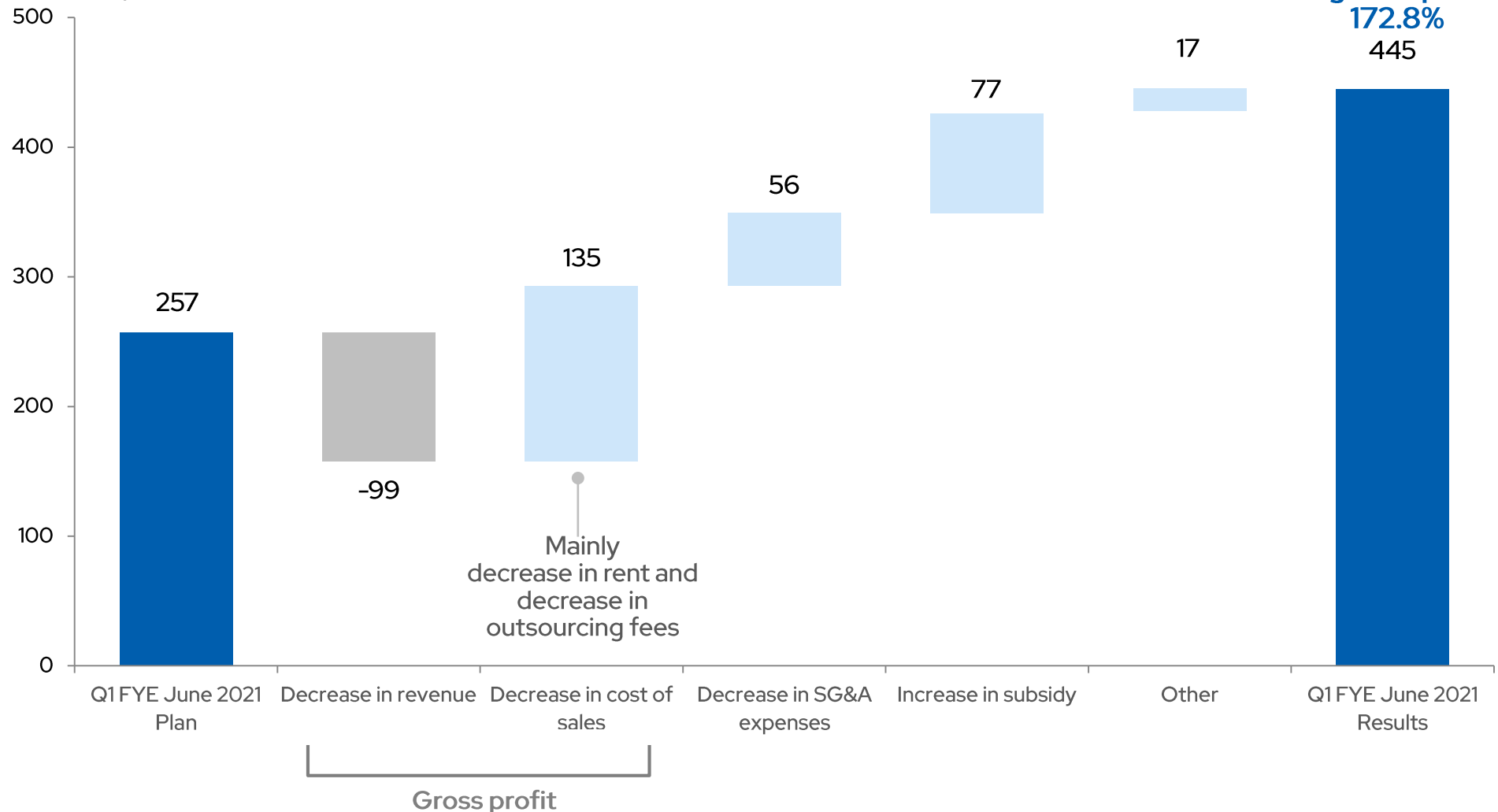


\* New salons are those less than 13 months since opening  
\* Recording of subsidy: 481 million yen in Japan, 82 million yen in Hong Kong, and 16 million yen in Singapore.

## [Reference] Analysis of Changes in Operating Profit (against plan)

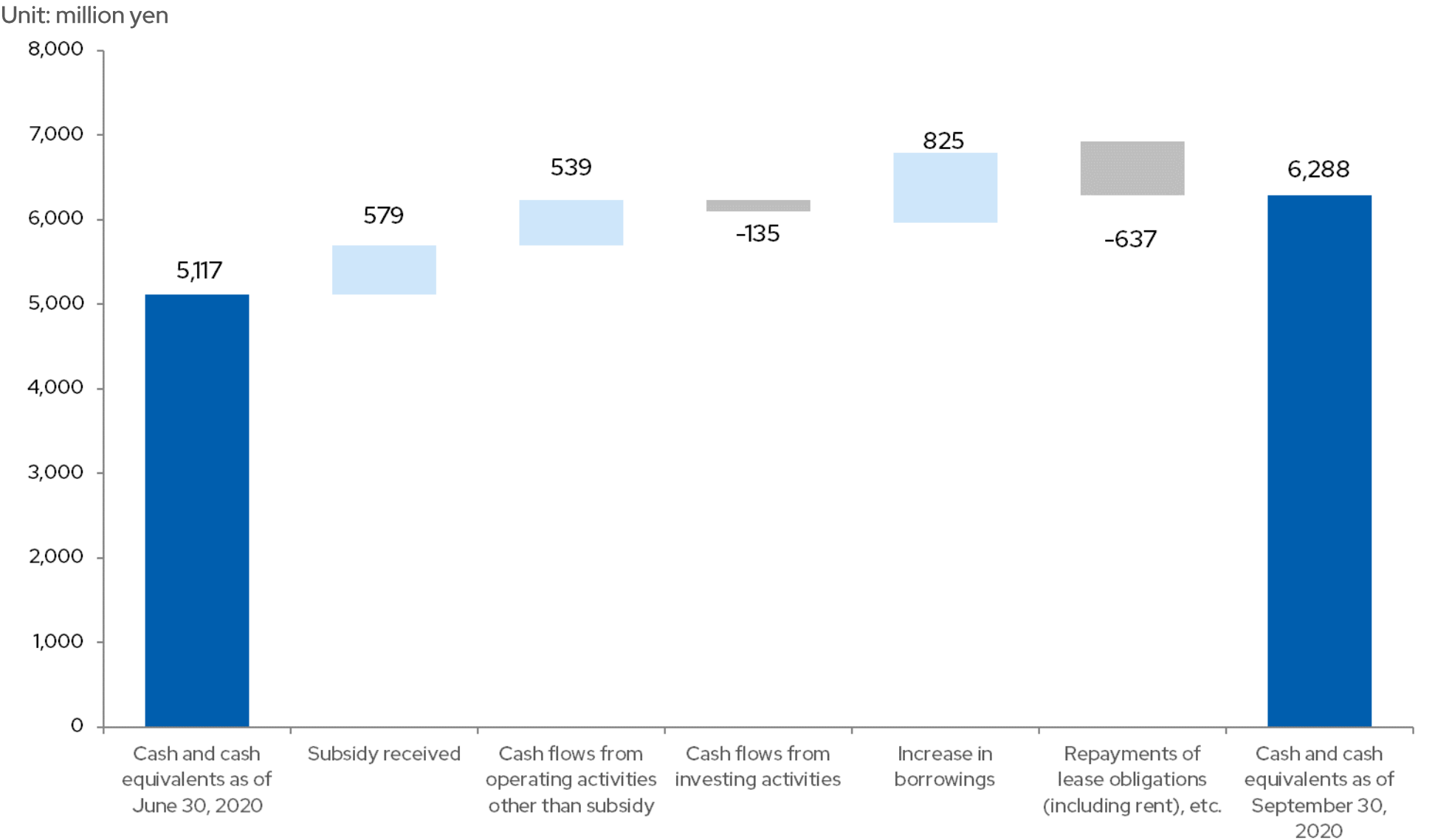
- Operating profit for the first quarter increased by 187 million yen over the plan mainly due to the additional subsidy received in addition to the reduced operating costs, such as cost of sales and SG&A expenses.
- Subsidy increased by 77 million yen (35 million yen in Japan, 25 million yen in Hong Kong, and 16 million yen in Singapore).

Unit: million yen



# [Reference] Cash Flows Change Analysis

- Cash on hand increased by 1,171 million yen mainly due to the execution of commitment lines and receipt of subsidies.





# Initiatives Taken in Q1 FYE June 2021 (Summary)

## Japan

- Opened 5 new QB HOUSE salons, relocated 1 salon, and closed 2 salons.
- Changed agreements to bring 1 outsourced salon to company-owned (direct employment).
- Opened LogiTHcut Professional Stylist School Satellite Yokohama School (6th in Japan) on August 1.
- Enhanced the system for supporting employee transfers from rural areas where human resources are well secured to the Tokyo metropolitan area with the aim of rationalizing labor costs for each block and reducing support transportation expenses.
- Pursued negotiations to reduce store rent and implemented various cost reductions.
- Closed the Yaesu Store (FC salon opened in 1997) for consolidation at the end of October.

## Overseas

- Hong Kong: No new salon openings/closures.
- Singapore: Closed 1 salon due to salon consolidation.
- Taiwan: Opened 2 new salons, relocated 1 salon, and closed 1 salon in connection with relocation.
- U.S.: No store openings/closures. Revised the price and introduced an online system for appointments and designation of stylist.

	Before COVID-19	June 22 Resumed operation	September	November
Normal price	\$20	\$23	\$23	\$25
Online appointment			\$25	

# New Salons

## New salon

### (Domestic operations)

JR Itabashi Station (Tokyo)

mi:ts Kokubunji (Tokyo)

GRANDUO Kamata (Kanagawa)

LaLaport Aichi Togo (Aichi)

JR Suita Station (Osaka)

### (Overseas operations)

Tamsui (Taiwan)

Nanjing Sanmin (Taiwan)



AEON MALL Ageo Store scheduled to open in December (new facade)



Nanjing Sanmin Store (Taiwan)

# Track Records of New, Relocated, and Closed Salons

- 7 new salons, 2 relocated salons, and 5 closed salons (including closing due to relocation)

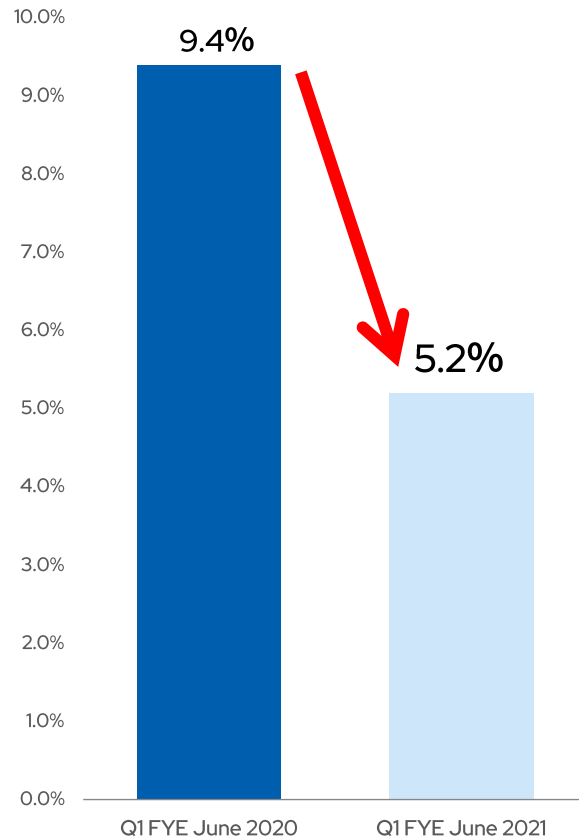
Unit: salon	Business format	End-FYE June			End-Q1 FYE		
		2020	New salon	Relocation	Closure (*1)	Change	June 2021
Japan	QB HOUSE	568	5	1	-2	4	572
	QB PREMIUM	1	0	0	0	0	1
	FaSS	13	0	0	-1	-1	12
Subtotal in Japan		582	5	1	-3	3	585
Singapore	QB HOUSE	26	0	0	-1	-1	25
	QB HOUSE Premium	7	0	0	0	0	7
	Kids	3	0	0	0	0	3
Hong Kong	QB HOUSE	63	0	0	0	0	63
	QB PREMIUM	1	0	0	0	0	1
Taiwan	QB HOUSE	29	2	1	-1	2	31
U.S.	QB HOUSE	4	0	0	0	0	4
Subtotal of overseas		133	2	1	-2	1	134
Consolidated group total		715	7	2	-5	4	719

(\*1) The number of closed salons includes those due to relocation.

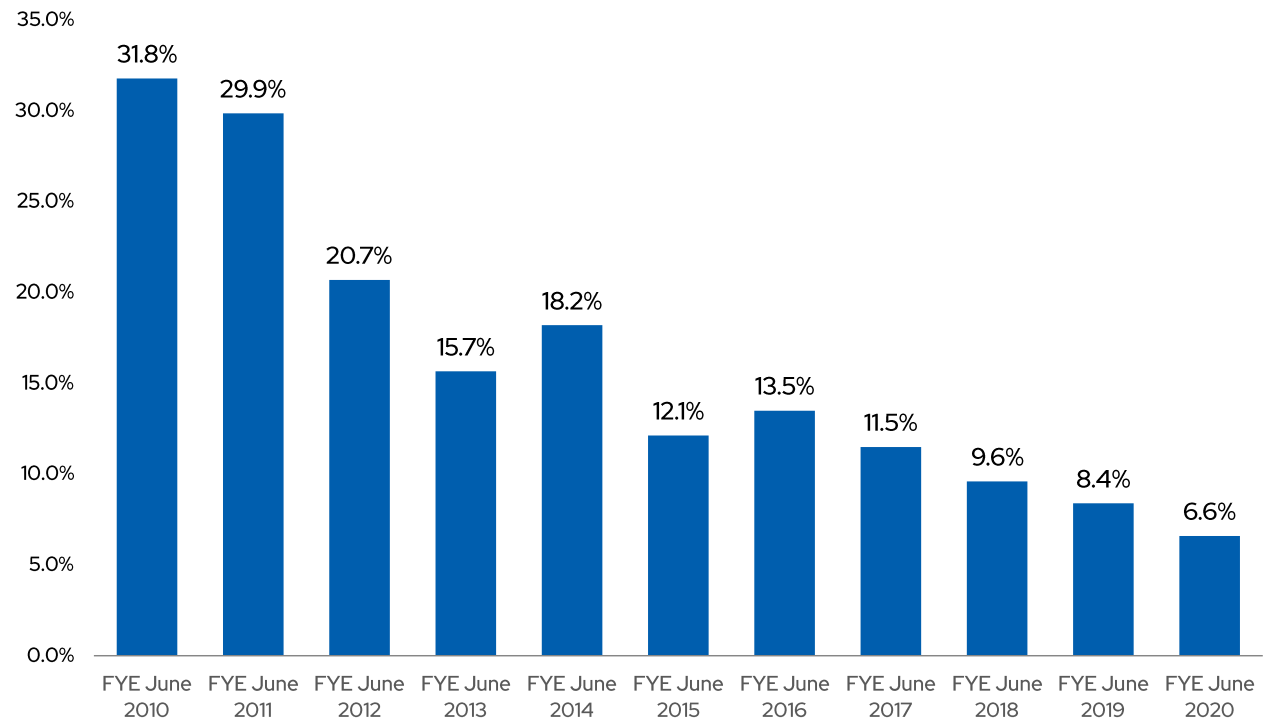
# Trends in the Turnover Rate of Regular Employees in Japan

- Turnover rate of regular employees for the first quarter in Japan was 5.2% p.a. (down 4.2 percentage points year on year).
- Focused on implementing measures to improve working conditions, innovated the personnel evaluation system, strengthened the follow-up system by breaking down areas, and **maintained employment of all employees, the source of the Company's value, while guaranteeing salaries, including overtime and portions for shorter working hours for all stylists (including part-time workers) during the period of temporary closures in the previous fiscal year.**

Turnover rate (annualized rate) of regular employees in Q1 in Japan



[Reference] Trends of turnover rate of regular employees in Japan (annual results)



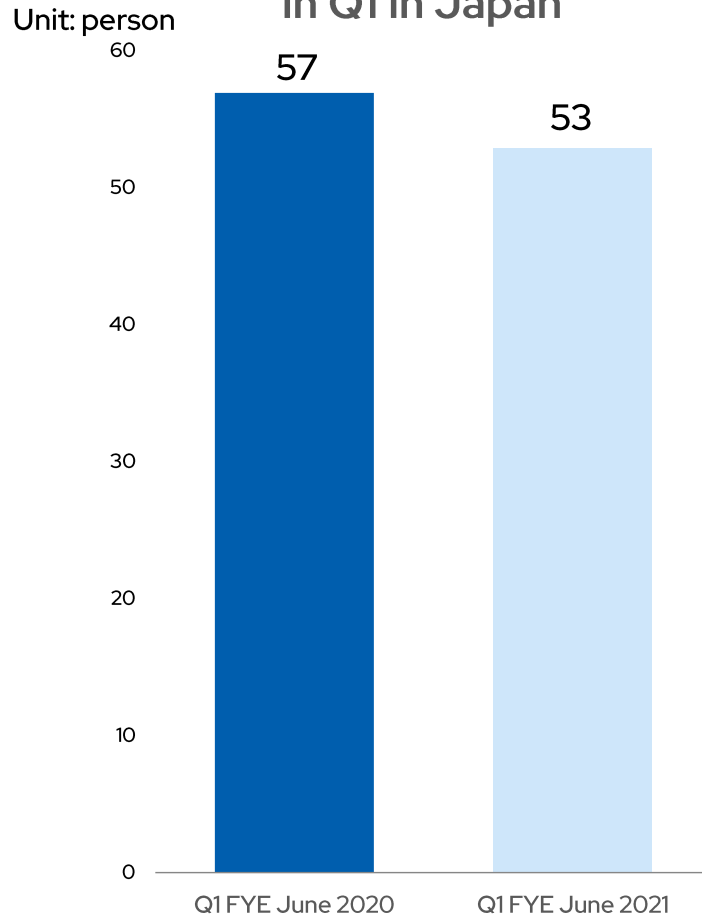
\* Excluding the head office.

\* Including training facilities (LogiTHcut Professional Stylist School).

# Number of Employees in Japan (Stylists)

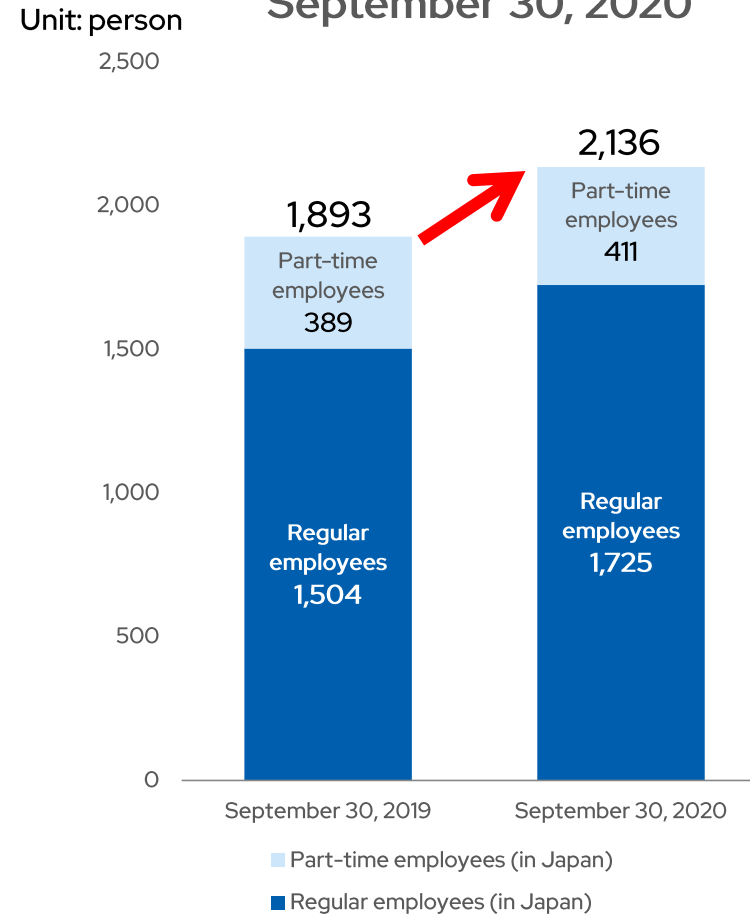
- Number of regular employees recruited in Japan was 53 (down 4 year on year; excluding transfers).
- The number of employees in Japan saw a net increase of 243 (221 regular employees and 22 part-time employees) including transfers in one year.

Number of regular employees hired in Q1 in Japan



\* Excluding transfers of regular employees from outsourced salons. Excluding the head office. Including training facilities (LogiTHcut Professional Stylist School).

Number of employees in Japan as of September 30, 2020



\* Including transfers from outsourced salons. Excluding the head office. Including training facilities (LogiTHcut Professional Stylist School).

# Overview of Consolidated Group Earnings for FYE June 2020

## Consolidated statement of profit or loss

Unit: million yen	Q1 FYE June 2020		Q1 FYE June 2021			
	Actual	Sales ratio	Actual	Sales ratio	Changes	Year on year
<b>Revenue</b>	5,684	100.0%	4,615	100.0%	-1,068	81.2%
Cost of sales	-4,216		-4,091		124	97.0%
<b>Gross profit</b>	1,467	25.8%	523	11.4%	-943	35.7%
Other operating income	1		590		589	
Selling, general and administrative expenses	-696		-657		39	94.4%
Other operating expenses	-6		-11		-5	
<b>Operating profit</b>	765	13.5%	445	9.6%	-320	58.1%
Finance income	4		3		-1	71.6%
Finance costs	-38		-50		-11	129.5%
<b>Profit before tax</b>	731	12.9%	398	8.6%	-333	54.4%
Income tax expense	-243		-113		129	46.7%
<b>Profit</b>	487	8.6%	284	6.2%	-203	58.3%

# Overview of Consolidated Group Finance for FYE June 2020

## Consolidated statement of financial position

Unit: million yen	End-Q4 FYE June 2020	End-Q1 FYE June 2021	Changes	
<b>Total current assets</b>	<b>6,544</b>	<b>7,703</b>	<b>1,158</b>	Securing of cash on hand to strengthen the financial base
Cash and cash equivalents	5,117	6,288	1,171	
Trade and other receivables	775	786	10	
Inventories	169	166	-3	
Other	482	461	-20	
<b>Total non-current assets</b>	<b>26,176</b>	<b>25,998</b>	<b>-178</b>	
Property, plant and equipment	1,857	1,819	-38	
Right-of-use assets	6,062	5,978	-83	
Goodwill	15,430	15,430	-	
Other financial assets	1,856	1,854	-1	
Deferred tax assets	639	639	0	
Other	330	274	-55	
<b>Total assets</b>	<b>32,721</b>	<b>33,701</b>	<b>979</b>	
<b>Total liabilities</b>	<b>22,935</b>	<b>23,630</b>	<b>694</b>	Repayments of long-term borrowings (-175 million yen) Increase in short-term borrowings (1,000 million yen)
Trade and other payables	342	293	-48	
Interest-bearing liabilities	14,532	15,363	831	
Lease obligations	5,993	5,872	-121	Decrease due to rent and lease payments
Other	2,066	2,100	34	
<b>Total equity</b>	<b>9,786</b>	<b>10,070</b>	<b>284</b>	
<b>Total liabilities and equity</b>	<b>32,721</b>	<b>33,701</b>	<b>979</b>	

# Overview of Consolidated Group Finance for FYE June 2020

## Consolidated statement of cash flows

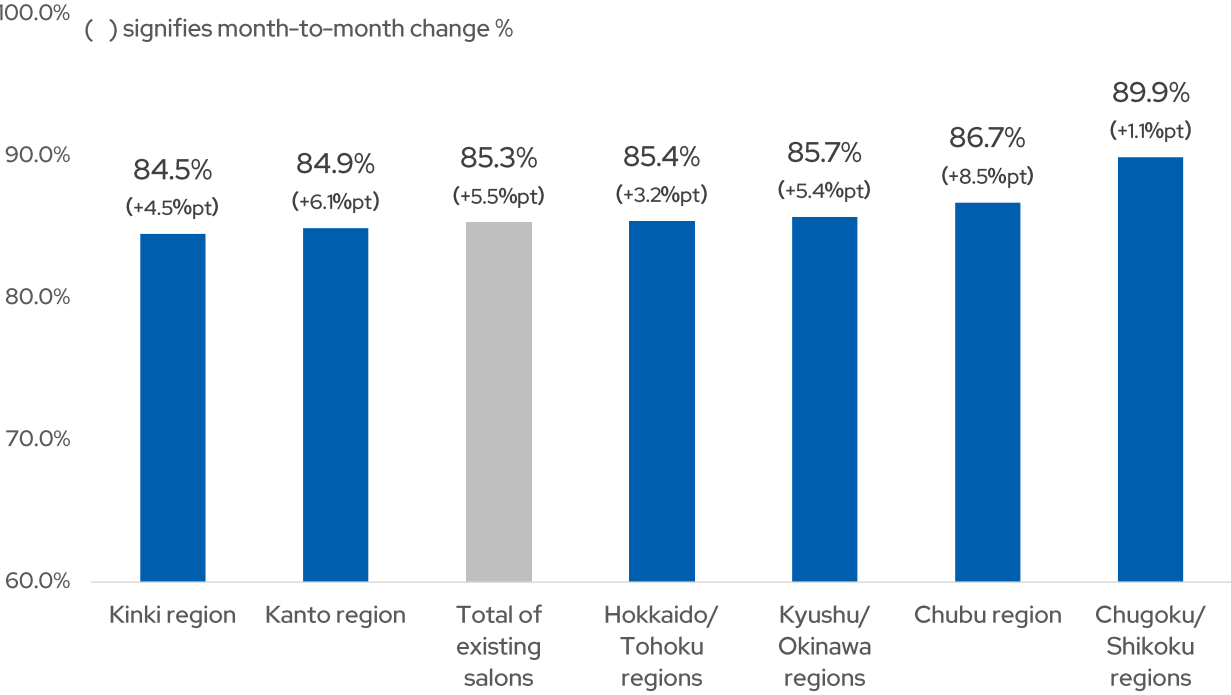
Unit: million yen	Q1 FYE June 2020	Q1 FYE June 2021	Changes	
<b>Cash flows from operating activities</b>	<b>1,030</b>	<b>1,118</b>	<b>88</b>	
Profit before tax	731	398	-333	
Depreciation and amortization	782	817	34	
Decrease (increase) in trade and other receivables	340	-6	-347	Difference in the timing of receivables collection due to bank holiday at period-end
Interest paid	-35	-34	0	
Subsidy received	-	579	579	Decreased payments due to a decrease in taxable income of QB Net for FYE June 2020 in Japan
Income taxes paid	-449	-43	406	
Other	-338	-591	-252	Subtractive adjustment of subsidies, etc.
<b>Cash flows from investing activities</b>	<b>-150</b>	<b>-135</b>	<b>15</b>	
Purchase of property, plant and equipment	-114	-128	-13	
Purchase of intangible assets	-0	-0	0	
Other	-35	-6	29	
<b>Free cash flows</b>	<b>879</b>	<b>983</b>	<b>104</b>	
<b>Cash flows from financing activities</b>	<b>-703</b>	<b>203</b>	<b>907</b>	Securing of cash on hand to strengthen the financial base (commitment line)
Net increase (decrease) in short-term borrowings	300	1,000	700	
Repayments of long-term borrowings	-175	-175	-	
Dividends paid	-224	-0	224	Dividends per share decreased from 19 yen to 0 yen
Repayments of lease obligations	-625	-660	-35	
Other	21	39	18	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>167</b>	<b>1,171</b>	<b>1,003</b>	
<b>Cash and cash equivalents at end of period</b>	<b>2,656</b>	<b>6,288</b>	<b>3,631</b>	



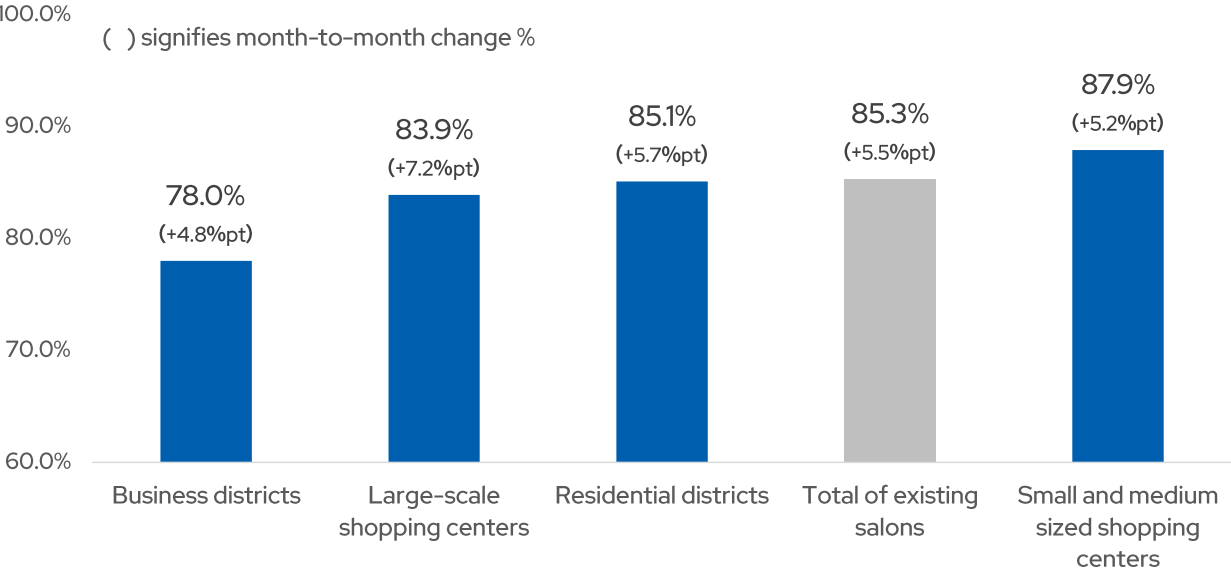
I Results for Q1 FYE June 2021

**II Impact of the Novel  
Coronavirus (COVID-19)**

# Year-on-Year Comparison of Number of Customers at Existing Salons in October 2020 (current situation)



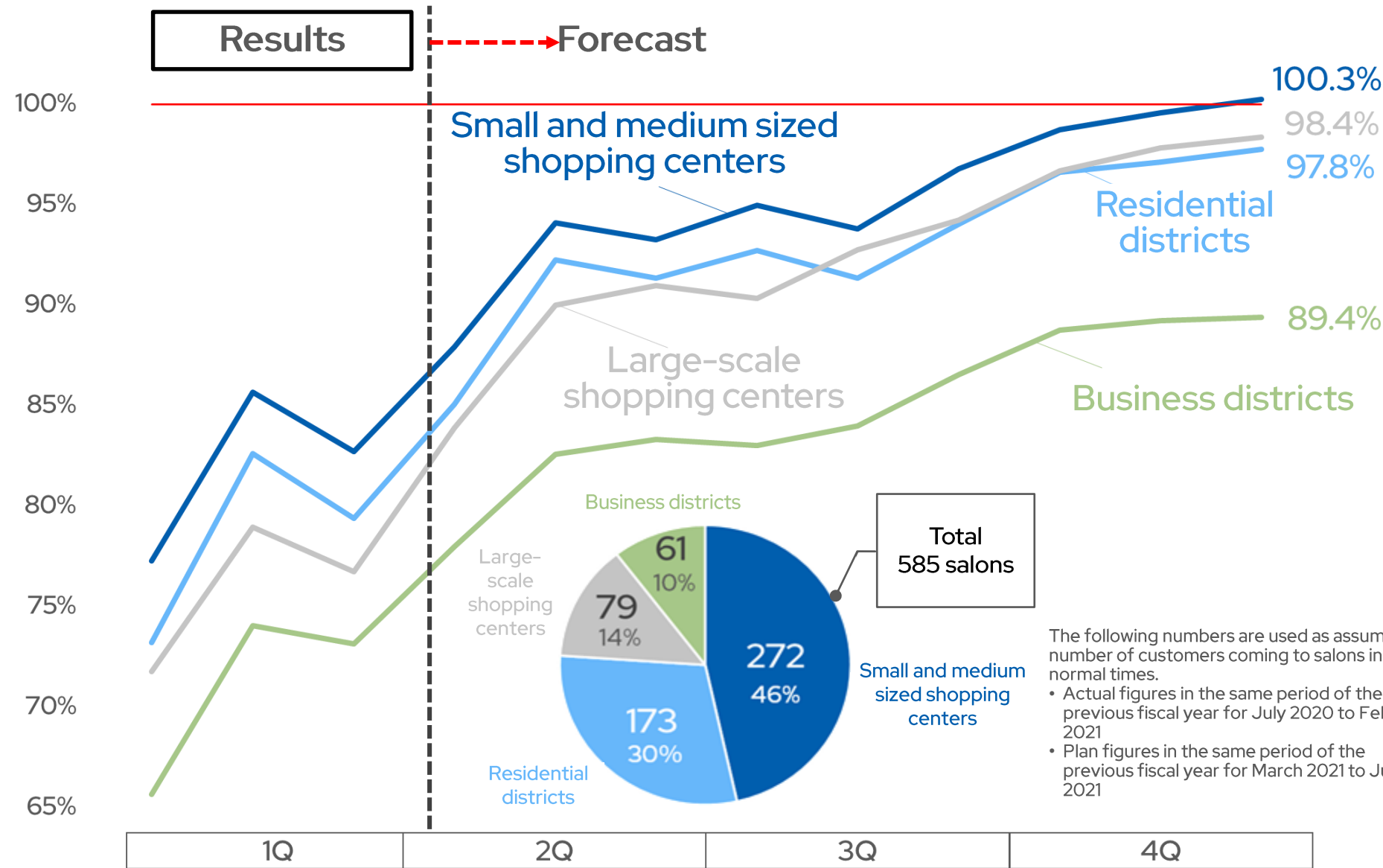
Looking at the results of October,



Improvements in all regions and locations compared to September

# Projected Recovery in the Number of Customers in Japan (by Location) in FYE June 2021

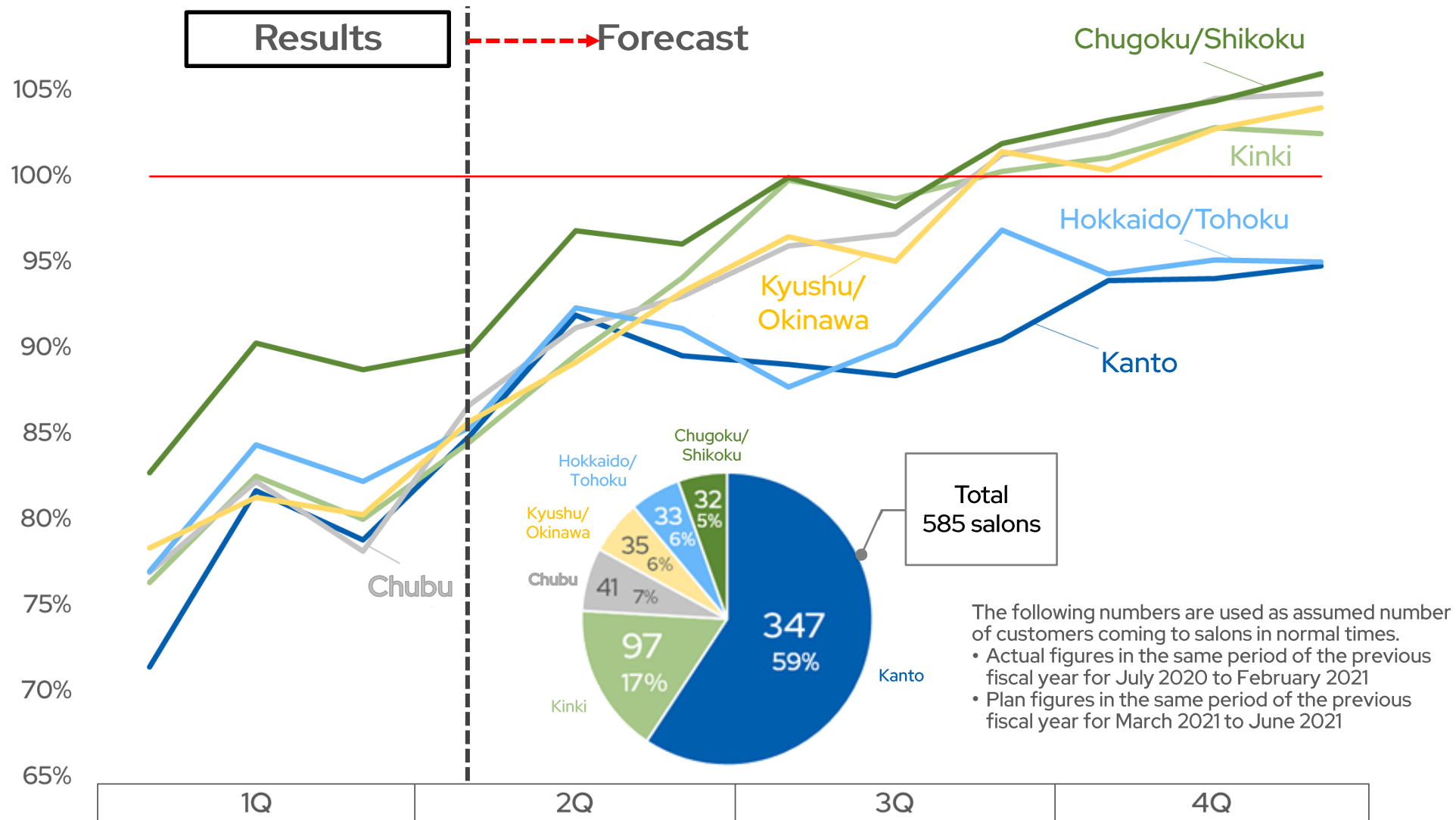
Salons in shopping centers where people visit regularly and in residential districts are expected to recover to near-normal levels by June 2021. (No changes in the projection)



# Projected Recovery in the Number of Customers in Japan (by Region)

## in FYE June 2021

Kanto and Hokkaido regions require time to recover. Chugoku/Shikoku, Chubu, Kyushu/Okinawa and Kinki regions, which are provincial, are expected to recover to 100% or more of normal levels by June 2021. (No changes in the projection)



(1) **Haircut cycles are getting longer** mainly due to telework and self-restraint from going out

(2) Decline due to cutting **children's** hair at home and self-restraint from going out by people **aged 60 or older**, in connection with continuing new infections

## Three Basic Policies until Containment of Novel Coronavirus (COVID-19)

- (i) Place the top priority on the safety of human life and implement thorough measures to prevent infection.
- (ii) Create new business opportunities through proactive innovation using digital technology.
- (iii) Secure additional funds and strengthen cash flows to prepare for a recurrence of the Novel Coronavirus outbreak this year.

# Countermeasures against the Spread: Measures against "Three Cs" (Closed Spaces, Crowded Places, and Close Contact)

Putting top priority on the safety of customers and employees, implementing measures to prevent the "Three Cs" (Closed Spaces, Crowded Places, and Close Contact)

## (1) Closed spaces

[Ventilation]

Installation of circulators and hybrid fans for periodic ventilation



Circulator



Hybrid fan

## (2) Crowded places

[Waiting seat]

[Waiting system]

Seating with space in between  
**Analog version waiting-order registration and queuing system and reservation system**

[Kids' space]

[Haircut chair]

Closed  
Droplet prevention sheet



Droplet prevention sheet



Analog version waiting-order registration system

## (3) Close contact

[During treatment]

Wearing mask and/or face guard, discarding disposable combs, no handing over, and disinfecting



Delivery tray



Face guard

# Initiatives Using IT: New App Reservation System at QB PREMIUM and FaSS

- Digitizing customer information and service quality
- Three FaSS stores are testing new apps  
(Appointments with cashless payment and electronic haircut charts)

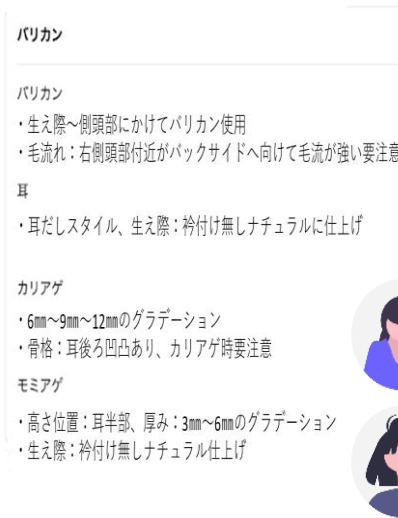
## Point 1

You can see **how many people are waiting and the waiting time** at the salon.



## Point 2

If you record your hairstyle in the **electronic haircut chart...**  
Your **hair style is shared** even at a salon you're visiting for the first time!



## Point 3

Without waiting...  
**"Specify the date and time"** to  
**"immediately make an appointment!"**

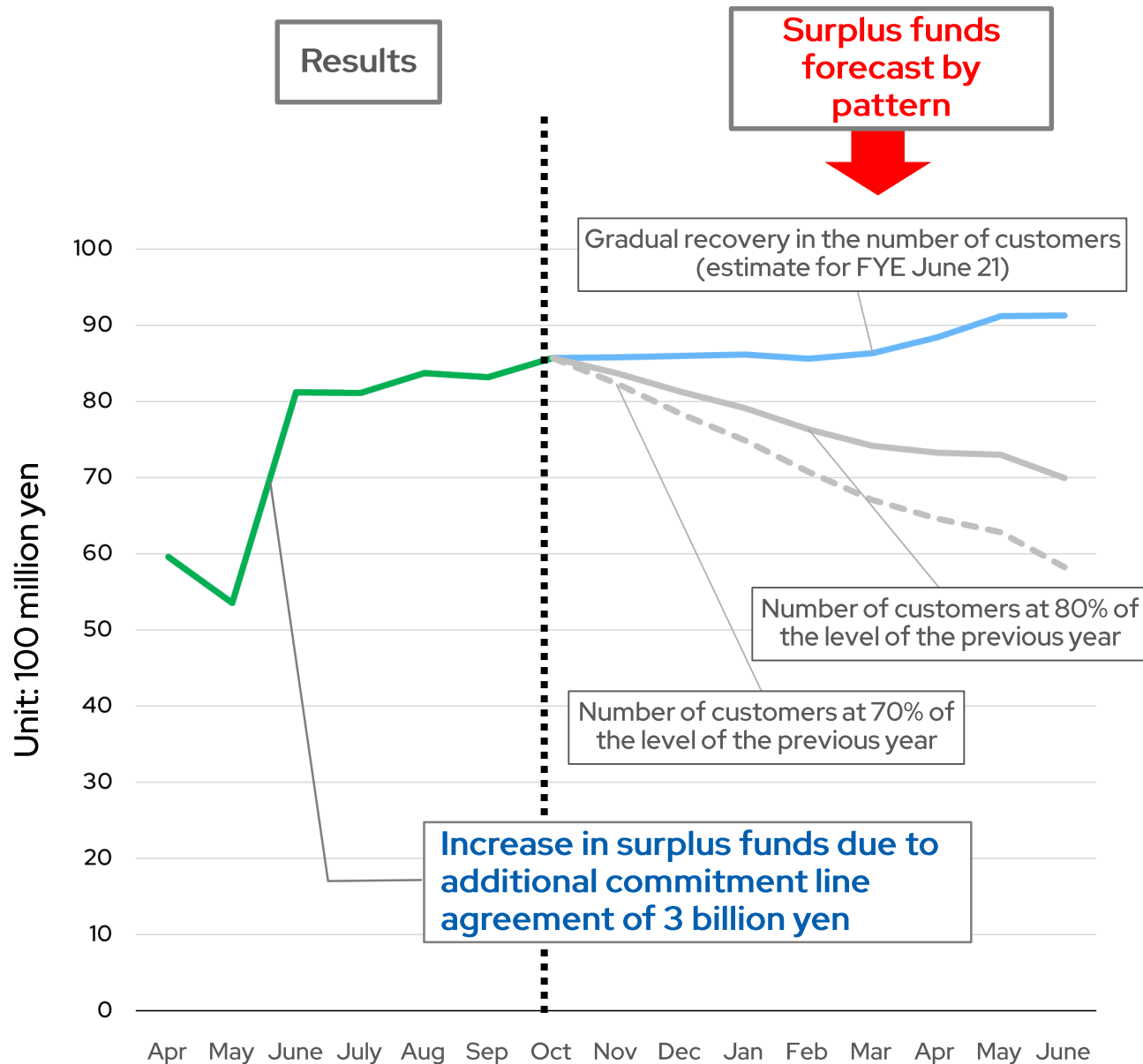


キャッシュレス決済

Preventing infections and enhancing services by offering "cashless support" and "fixed time (reduction in waiting time)"



# Funding Situation (Consolidated)



Cash moved generally in line with the initial plan.

At the end of October, the balance of cash on hand (4.0 billion yen) and unused credit lines (4.5 billion yen) totaled 8.5 billion yen. Secured 5 times the level of cash against the normal monthly consolidated expenses of 1.6 billion yen.

While a sufficient level of cash is secured, 6 billion yen of the credit line is **due in the fourth quarter of the current fiscal year**.

Discussion with our correspondent bank is under way about replacing the commitment line (short-term borrowing) **with a term loan (long-term borrowing)**.

Assumptions of financing:

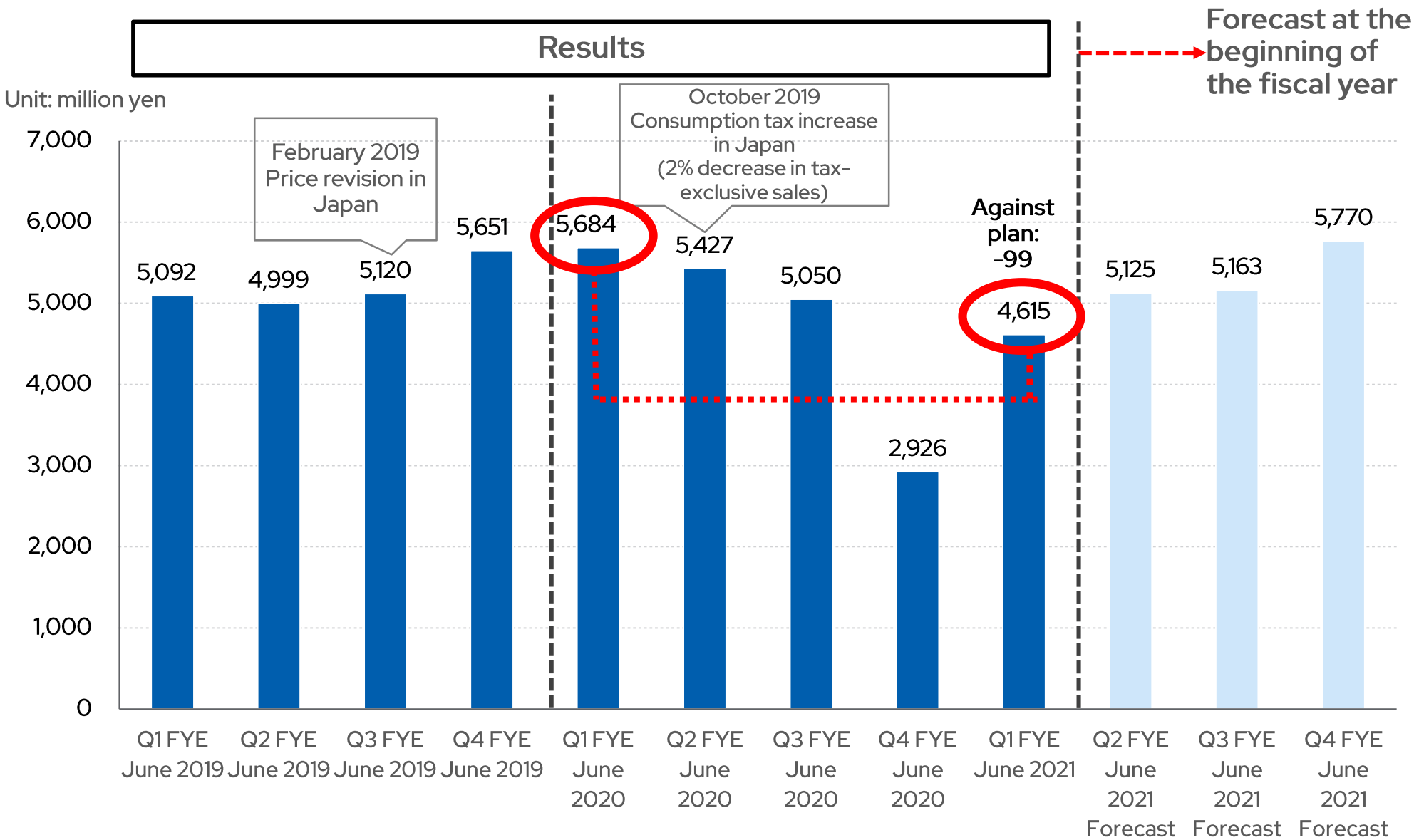
- Calculation of pattern-based simulation of "surplus funds" that combines cash on hand and unused amounts of commitment lines
- Use of assumptions applied for the forecast for FYE June 2021
- Constant figures for overseas
- Number of customers in Japan follows the three patterns below:
  - (i) A gradual recovery returning to levels of when not affected by Novel Coronavirus (COVID-19) in June next year
  - (ii) Remaining around the 80% level of the previous fiscal year mentioned above
  - (iii) Remaining around the 70% level of the previous fiscal year mentioned above

# Appendix

# Assumptions for Full-Year Earnings Forecast for FYE June 2021

In Japan/ Overseas	Assumptions
Japan	<p>[Sales forecast] In the first half of the year, the number of customers returning to salons in business districts is expected to be weak due to telecommuting and other factors. Forecast is based on <b>the assumption that the impact of the novel coronavirus (COVID-19) will gradually improve and that it will take until June 2021 for sales to recover to the levels prior to the spread of COVID-19.</b></p> <p>[Expenses] Implementation of cost reductions (reduce expenses for internal events, meetings, transportation, surveys, etc.) <b>No reductions in investment for future growth</b> (expenses for LogiTHcut training, development and testing expenses for new applications, brand project expenses, etc.)</p>
Overseas	<p>[Hong Kong] Thanks to the measures enforced by the government, there were days when the number of daily new infections was zero. Considering that from around late June there has been a tendency for infections to expand again and that the government banned eating and drinking in restaurants between 6 p.m. and 5 a.m. from July 15, <b>the impact of the novel coronavirus (COVID-19) is expected to continue until around the fall of 2020.</b></p> <p>[Singapore] Considering that the government's control system is thorough and the situation is on a recovery trend, <b>the impact of the novel coronavirus (COVID-19) is expected to continue until around the fall of 2020.</b></p> <p>[Taiwan] <b>Impact from the novel coronavirus (COVID-19) is not expected</b>, since the country continues to maintain a state of zero new infections with the exception of those who have traveled abroad, and our salons are in normal operation.</p> <p>[U.S.] <b>The impact of the novel coronavirus (COVID-19) is expected to continue until June 2021.</b></p>

# Quarterly Revenue (Consolidated) Trends

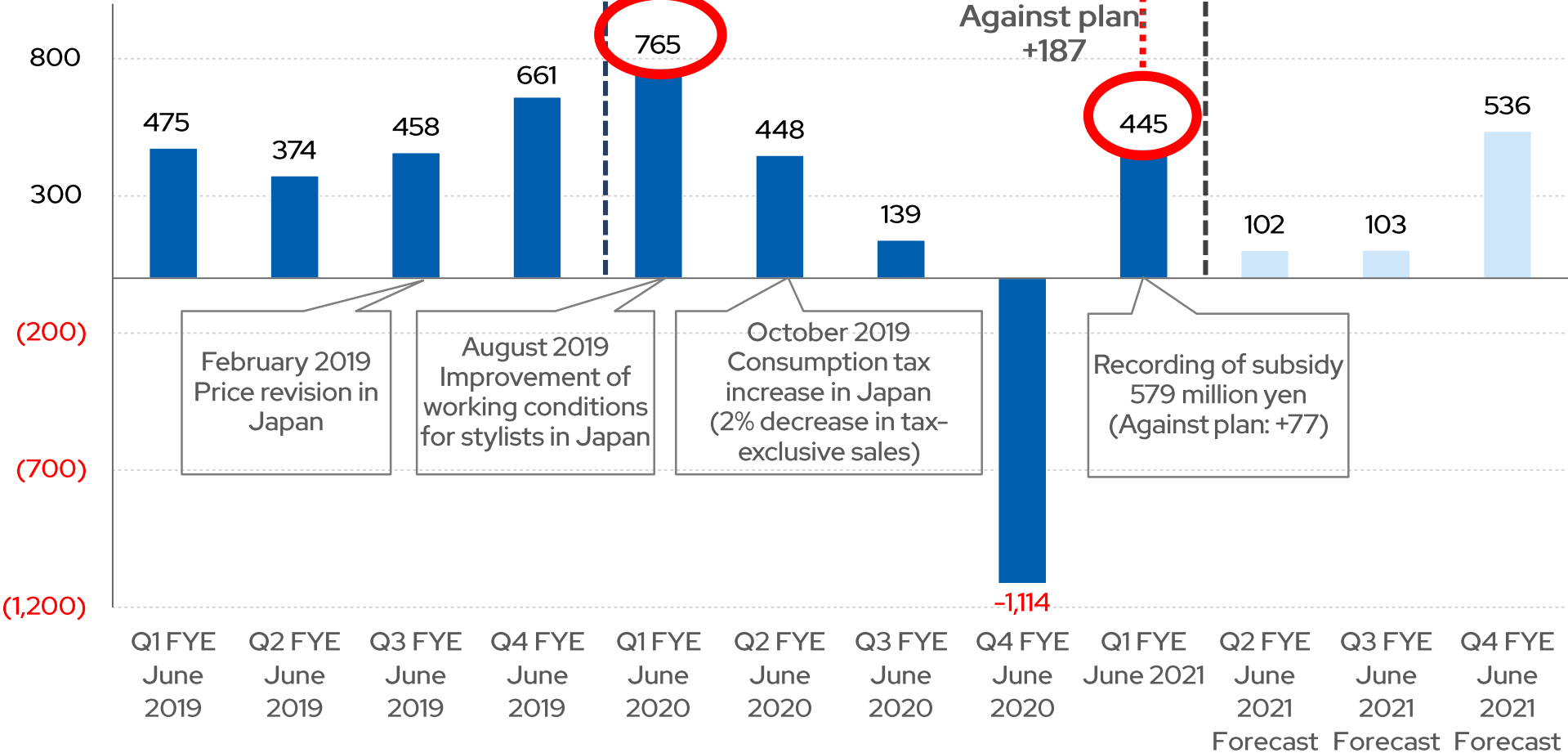


# Quarterly Operating Profit (Consolidated) Trends

Results

Forecast at the beginning of the fiscal year

Unit: million yen



# Salon Opening Plan for FYE June 2021

Unit: salon	Business format	End-FYE June 2020	New salon	Relocation	Change of business format	Closure	Change	End-FYE June 2021
Japan	QB HOUSE	568	13	4		-14	3	571
	QB PREMIUM	1	1	0		0	1	2
	FaSS	13	1	0		-1	0	13
Subtotal in Japan		582	15	4		-15	4	586
Singapore	QB HOUSE	26	0	0	-3	-1	-4	22
	QB HOUSE Premium	7	1	0	3	0	4	11
	Kids	3	0	0	0	0	0	3
Hong Kong	QB HOUSE	63	4	0		0	4	67
	QB PREMIUM	1	0	0		0	0	1
Taiwan	QB HOUSE	29	5	1		-2	4	33
U.S.	QB HOUSE	4	0	0		0	0	4
Subtotal of overseas		133	10	1		-3	8	141
Consolidated group total		715	25	5		-18	12	727

(\*) The number of closed salons includes those due to relocation.

This document has been created for the purpose of disclosure of information on the Company and its subsidiaries and does not constitute a solicitation to sell or buy.

The document contains forward looking statements related to the QB Group that are based on our assumptions and judgment made on the basis of information currently available to the Company and may include known and unknown risks, uncertainties and other factors. Due to such risks, uncertainties and other factors, the Company's actual results or financial position may differ materially from any future performance or financial position expressed or implied by these forward looking statements.



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