




QB Net Holdings Co., Ltd.

Q3 FYE June 2021

Financial Results Briefing Material

May 14, 2021

3Q FYE June 2021 Executive Summary

- Revenue (first nine months) decreased 13.7% year on year to 13,951 million yen
 - Operating profit (first nine months) decreased 79.2% year on year to 281 million yen
 - Two major changes in customer trends due to the impact of COVID-19 are as follows.
 - ① Lengthening of haircut cycle
 - ② Change in customer behavior in urban areas and spheres of everyday life resulting mainly from continuing teleworking
 - Full-year earnings forecast has been revised downward (from operating profit forecast of 1,000 million yen to revised forecast of 321 million yen)
 - The Company has decided not to pay any dividends for the fiscal year under review.
 - The cash flow was almost balanced even under the second and third declaration of a state of emergency, and there will be no problem with cash for the time being with a short-term credit line of 3.2 billion yen established.
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- The Company analyzes that the number of customers visiting salons in Japan hit bottom in January 2021, which was a slack season.
 - We will further open salons in community-based facilities that are much closer to spheres of everyday life while continuing to consolidate existing salons and reduce costs.

- I Results for Q3 FYE June 2021
- II Impact of Novel Coronavirus (COVID-19) and Initiatives to Be Taken Going Forward

Consolidated Group Earnings for Q3 FYE June 2021 (Summary)

- We remained in the black, including domestic and overseas subsidies, in the amount of 674 million yen.
- Full-year earnings forecasts have been revised downward due to the impacts of the third and fourth waves of COVID-19 infections and the declaration of a state of emergency.
- The dividend forecast has been changed from pending to no payment by giving priority to financial stability and future growth investment.

Consolidated Group Earnings (Summary)

Unit: million yen	Q3 FYE June 2021		Full year FYE June 2021			
	Results	Year on year	Initial forecast	Revised forecast	Changes	Percentage changes
Revenue	13,951	86.3%	20,774	18,796	-1,977	-9.6%
Operating profit	281	20.8%	1,000	321	-678	-67.9%
Profit before tax	146	11.7%	814	141	-672	-82.6%
Profit	160	19.4%	557	154	-402	-72.3%
Basic earnings per share	12.61 yen		42.92 yen	12.12 yen		
Dividends per share	—		TBD	0.00 yen		

Initiatives Taken until Q3 FYE June 2021 (Summary)

Japan

- Reduced employment of stylists.
- Implemented various cost reductions.
- Closed four FC salons in the third quarter (impact on revenue is small because we closed only FC salons).
- Introduced a new app to QB PREMIUM Otemachi Metro pia (Tokyo) in April.
- Planned the promotion using *Atsugiri* Jason (an American comedian) from April.
- Strengthened haircut training (Number of trainees: 116 in Q3 and 58 in April).
- Currently reviewing our strategies for opening new salons and locations.

Overseas

- Implemented various cost reductions.
- Hong Kong **The number of new infections has currently fallen to single digits due to the Government's policy to keep quarantine measures in place.**
Opened three new salons and relocated one.
Closed QB PREMIUM at Hong Kong Airport.
- Taiwan: **The average number of new infections in seven days remains in single digits.**
Opened four new salons and relocated one.

Track Records of New, Relocated, and Closed Salons

- New salon openings in Japan are reduced temporarily due to the impact of COVID-19.

Unit: Salons	Business form at	End-FYE June 2020	New salon	Relocation	Change of business format	Closure (*1)	Change	End-Q3
Japan	QB HOUSE	568	8	3		-14	-3	565
	QB PREMIUM	1	0	0		0	0	1
	FaSS	13	1	0		-1	0	13
Subtotal in Japan		582	9	3		-15	-3	579
Singapore	QB HOUSE	26	0	0	-1	-1	-2	24
	QB HOUSE Premium	7	1	0	1	0	2	9
	Kids	3	0	0		-1	-1	2
Hong Kong	QB HOUSE	63	3	1		-1	3	66
	QB PREMIUM	1	0	0		-1	-1	0
Taiwan	QB HOUSE	29	4	1		-2	3	32
U.S.	QB HOUSE	4	0	0		0	0	4
Subtotal of overseas		133	8	2		-6	4	137
Consolidated group total		715	17	5		-21	1	716

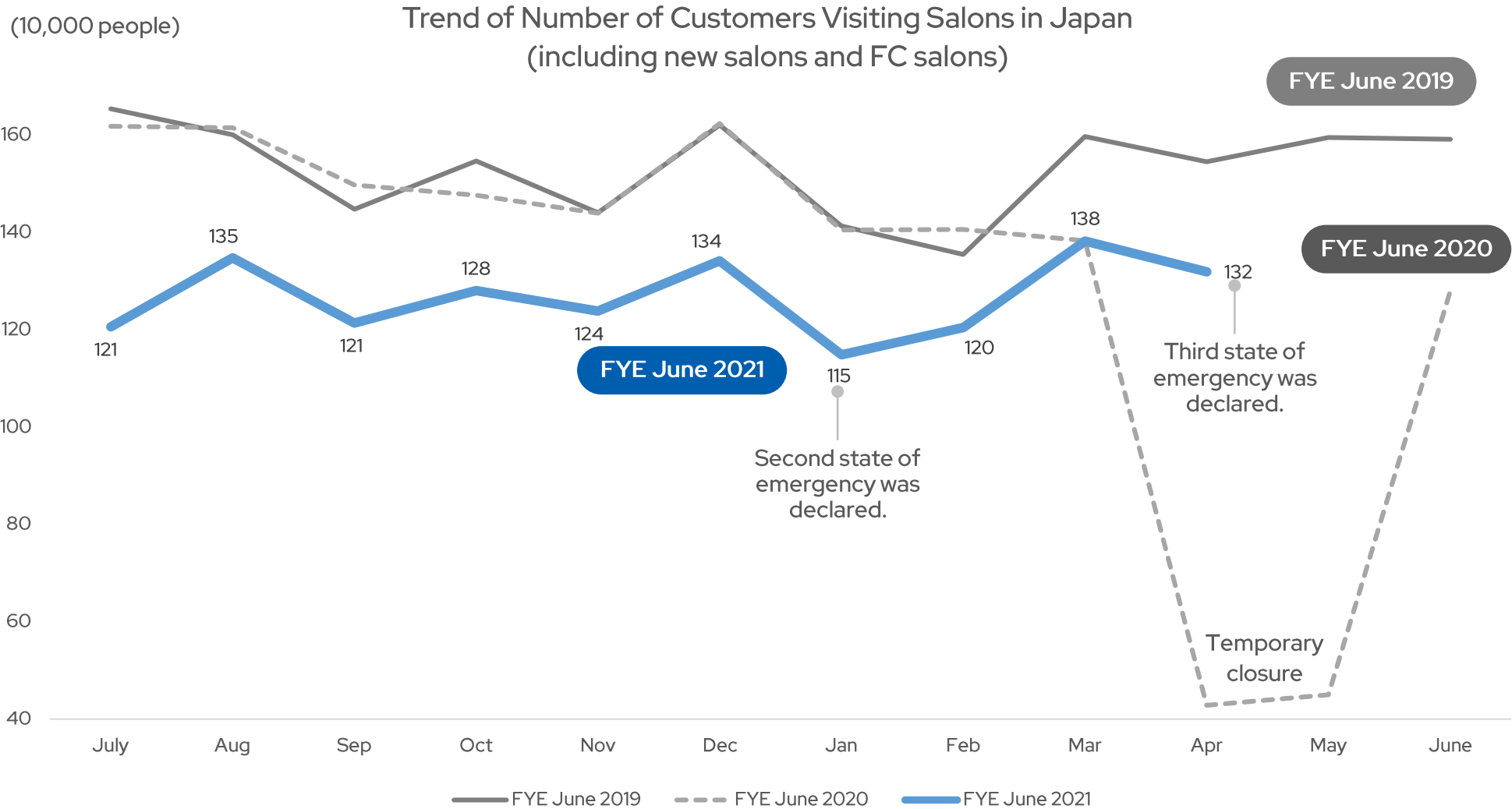
(*1) The number of closed salons includes closures resulting from relocation.

Seat Addition, Relocation and Closed Salons in Japan (Summary)

Japan		
QB HOUSE	Added seats in four salons	Gransta Marunouchi, AEON MALL Sakai Teppochō, AEON MALL Itami, and AEON MALL Kobe Minami
	Relocated three salons	Shibuya Mark City, youme Town Higashi-Hiroshima, and JR Suita Station
	Closed 14 salons	<p>(5 FC salons)</p> <ul style="list-style-type: none"> • Yaesu, JR Osaka Station Umesankōji, Keisei Yachiyodai Station, Makuhari Hongo Station, Keisei Chiba Chuo Station <p>(9 directly managed salons)</p> <ul style="list-style-type: none"> • Closed three salons due to relocation • Ito-Yokado Tsurumi (due to planned relocation to the same facility) • AEON Higashi-Osaka (closure of the facility accompanying the extension work of the Osaka Monorail Line) • Park City Musashi-Koyama THE MALL (due to poor revenue) • MAGNET by SHIBUYA 109 (due to poor revenue) • Morioka FES"AN (due to poor revenue) • Hakata Ekimae-dori Street (due to poor revenue)
FaSS	Closed a salon	<ul style="list-style-type: none"> • Daikanyama 17dixsept (due to poor revenue)

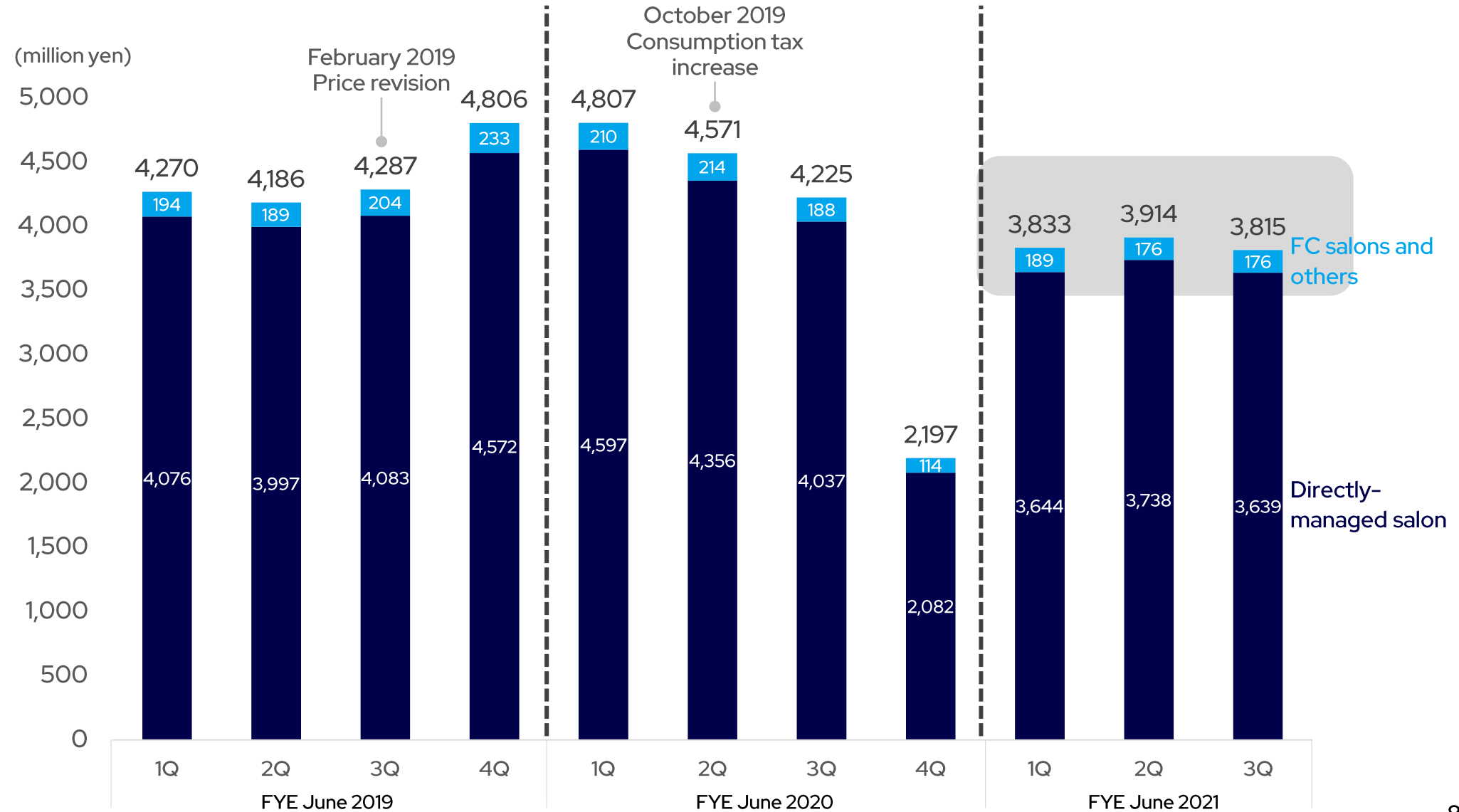
Trend of Number of Customers Visiting Salons in Japan Year-on-Year Comparison (including new salons and FC salons)

- The trend was firm as the temperature rose with the second declaration of a state of emergency (January 2021) as the bottom.



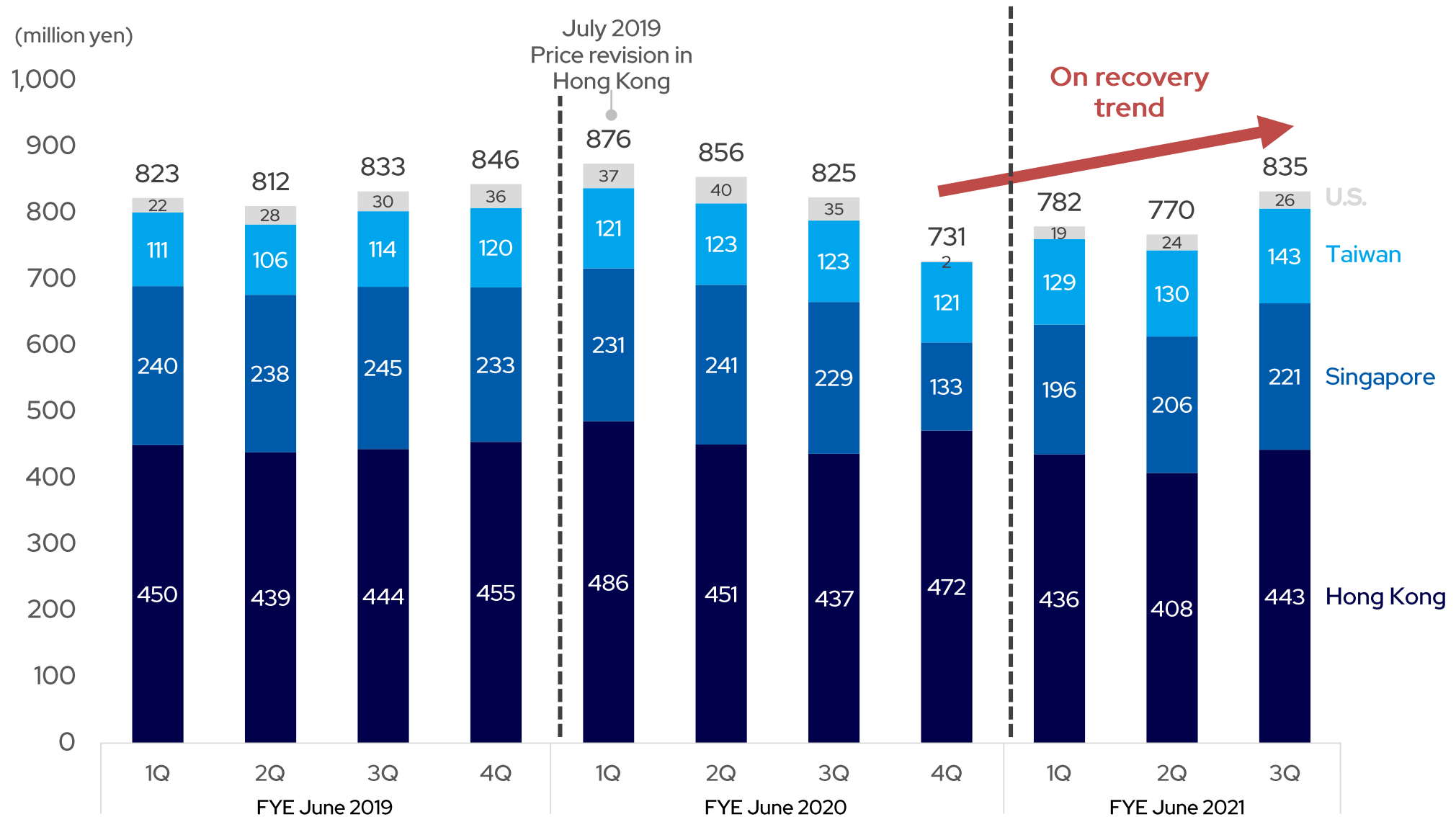
Trend of Quarterly Revenue in Japan (including new salons)

- Total domestic revenue remained almost unchanged
(in usual years, Q1 and Q4 are busy seasons, and their revenues are high).



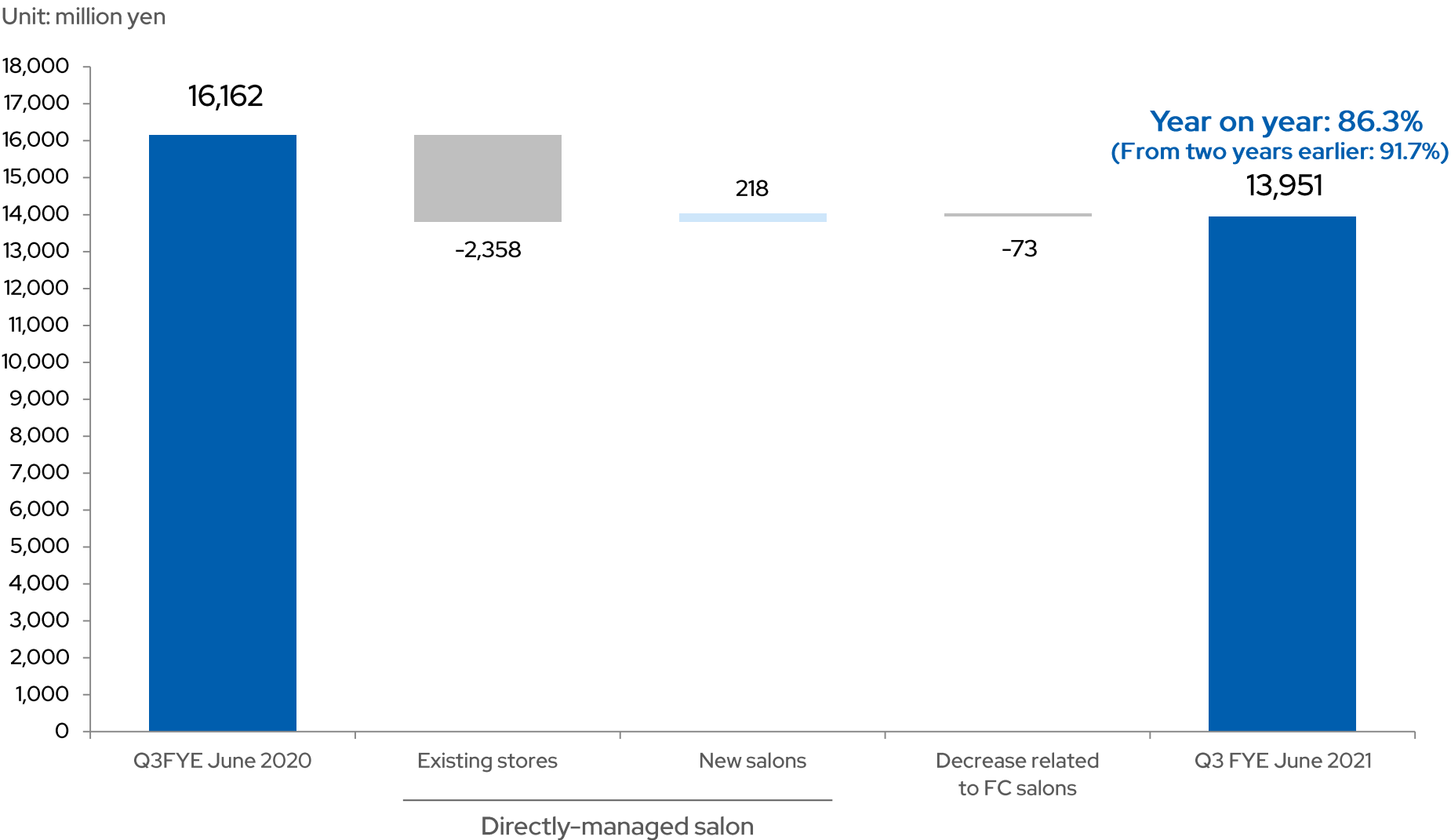
Trend of Quarterly Revenue Overseas (including new salons)

- Overseas total revenue was on a recovery trend after hitting bottom in the Q4 of the previous fiscal year (April to June 2020).



Breakdown of Changes in Revenue

- Revenue decreased by 2,211 million yen year on year due to the impact of COVID-19.

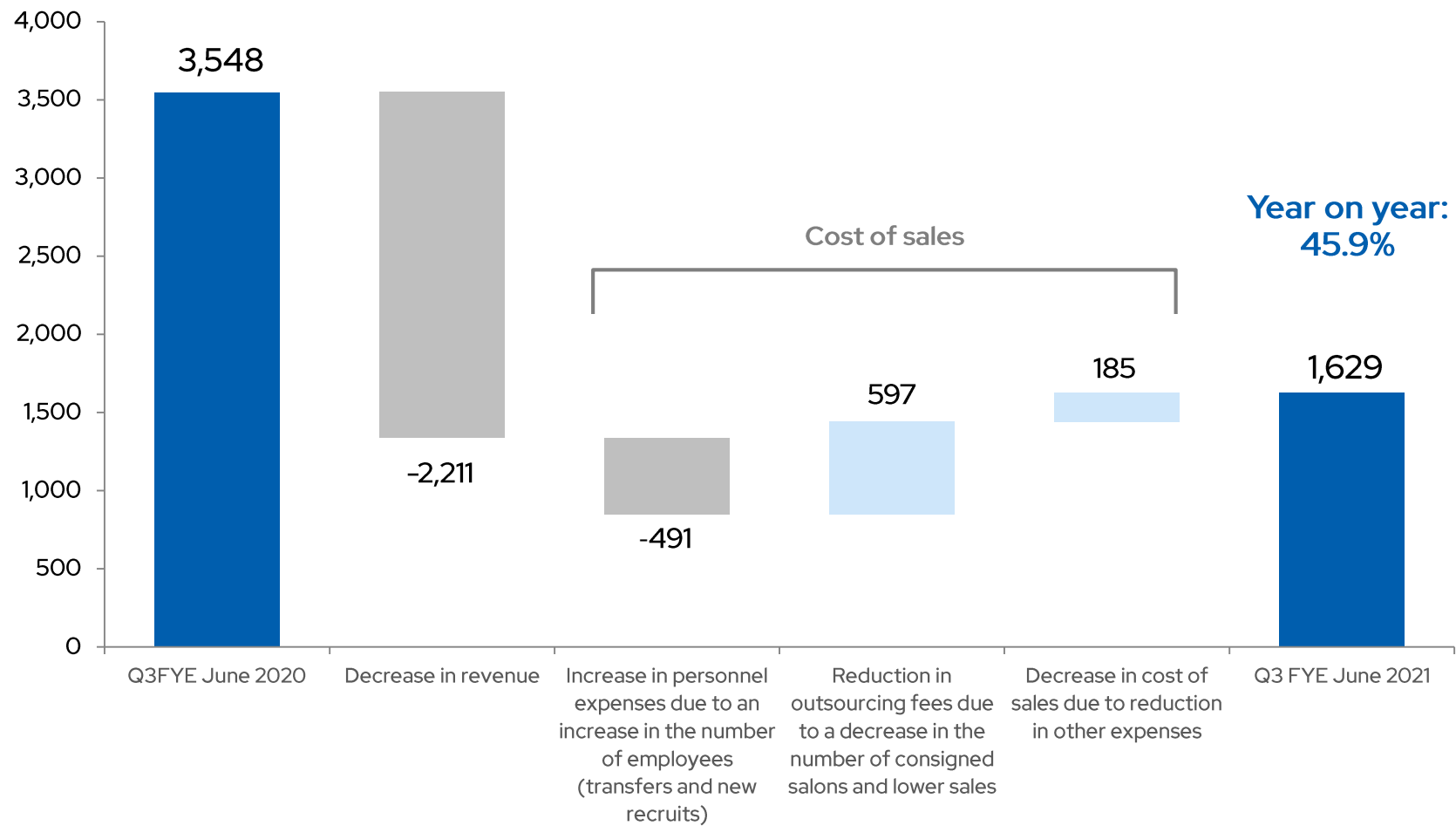


* New salons are those less than 13 months since opening

Breakdown of Changes in Gross Profit (Gross Margin)

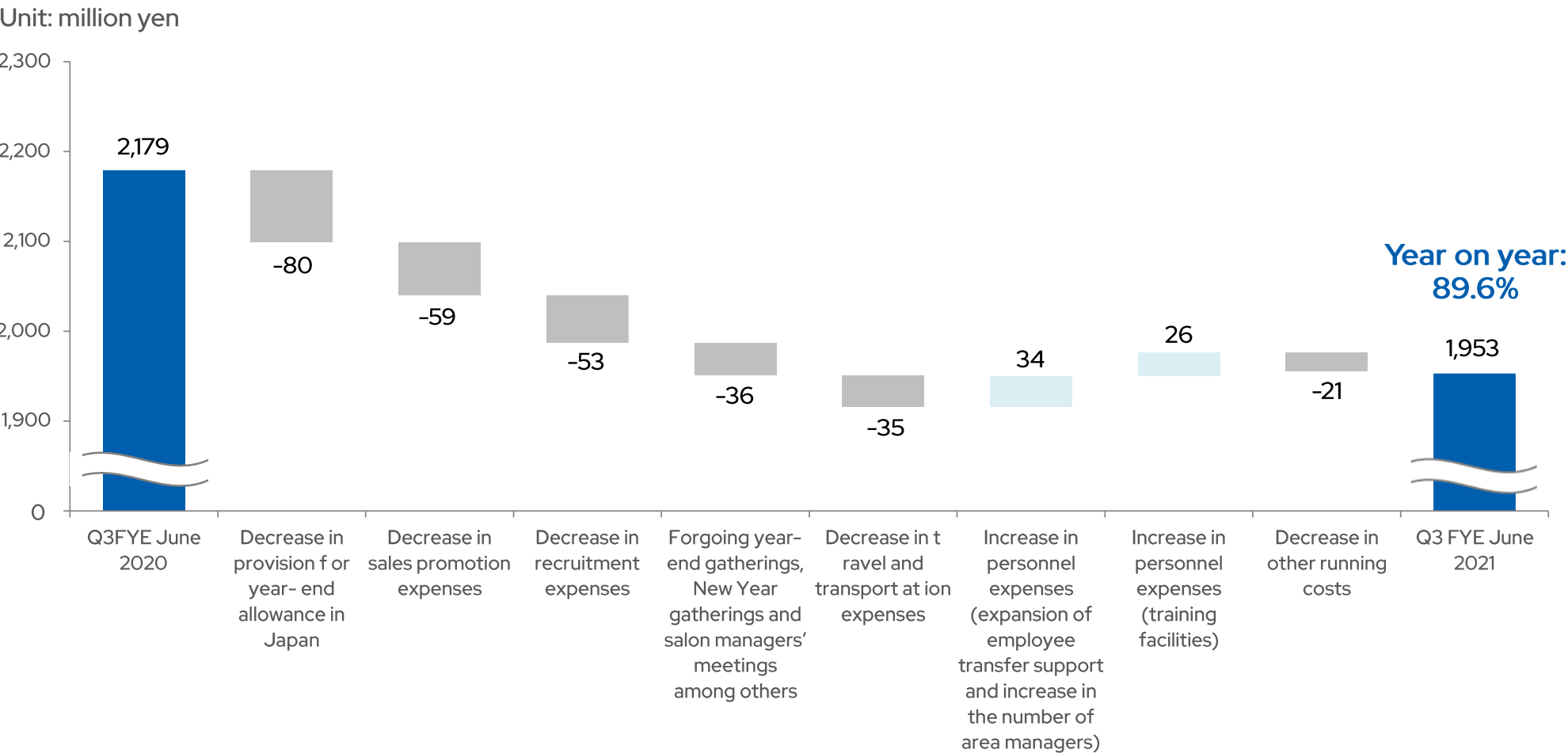
- Gross profit decreased by 1,919 million yen year on year mainly due to a decrease in revenue and reduction in various expenses.

Unit: million yen



Breakdowns of Changes in SG&A Expenses

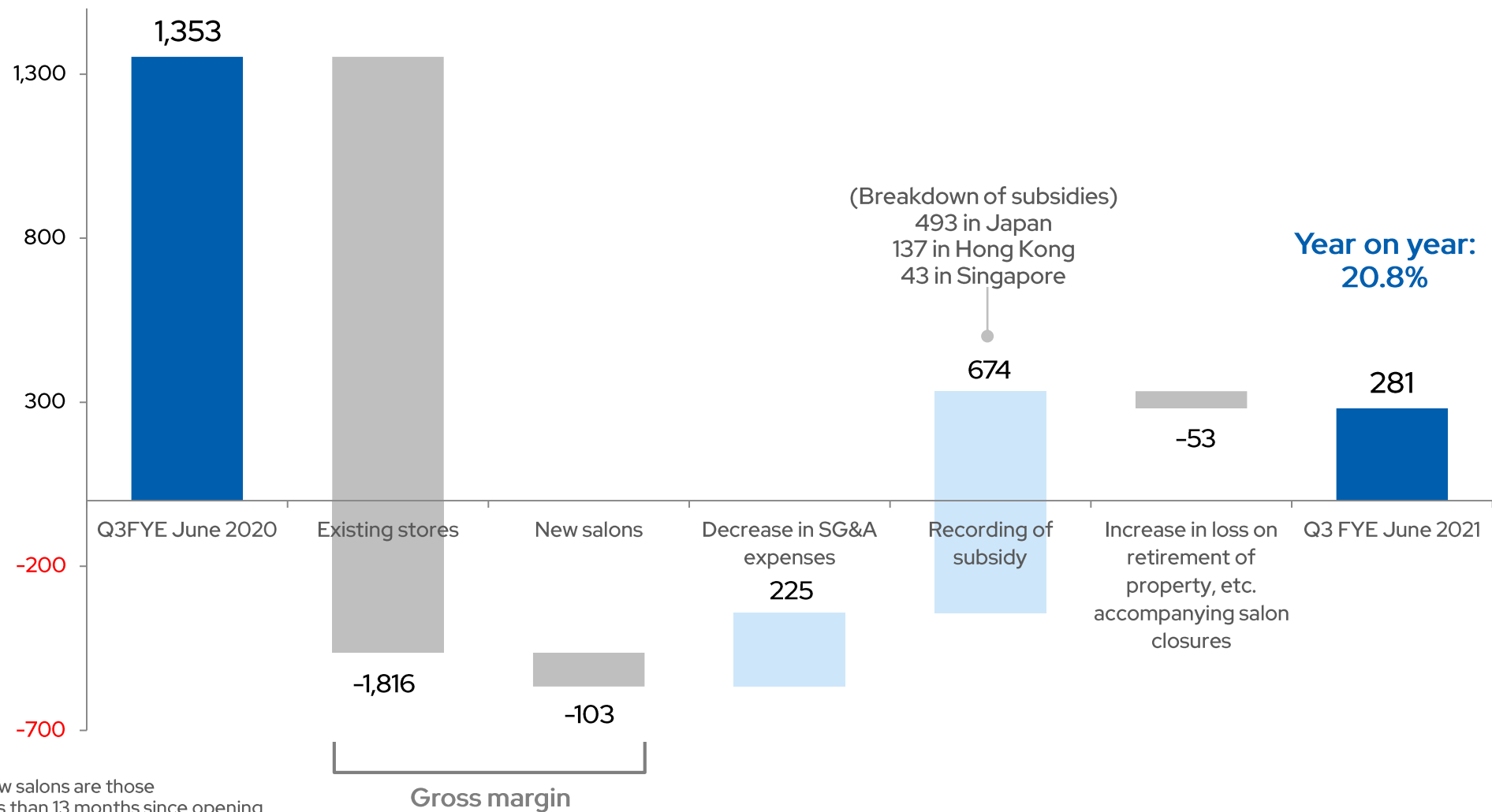
- SG&A expenses decreased by 225 million yen year on year as a result of efforts to reduce expenses, such as curbing promotional activities and recruitment, forgoing internal events and slashing travel expenses.



Breakdown of Changes in Operating Profit

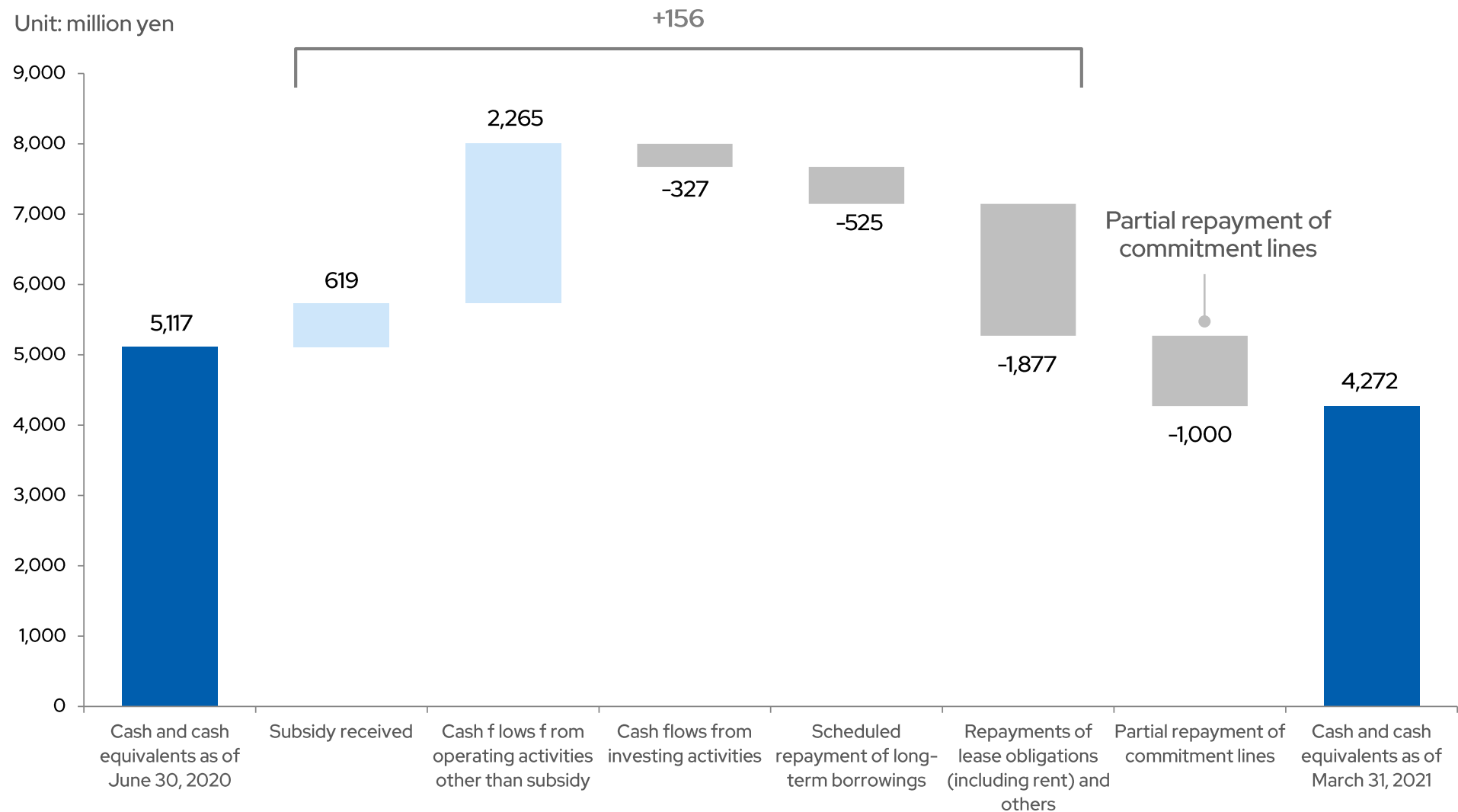
- Operating profit remained in the black at 281 million yen due to domestic and overseas subsidies of 674 million yen.

Unit: million yen



Breakdown of Cash Flow Change

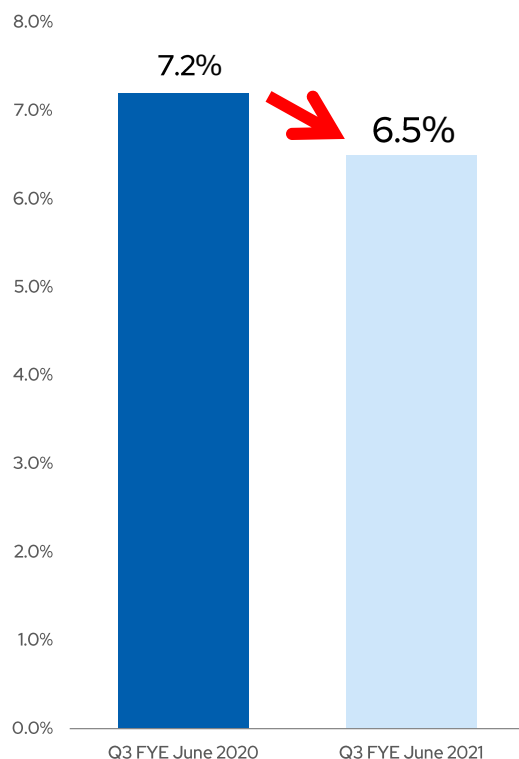
— Net cash provided by business activities remained positive.



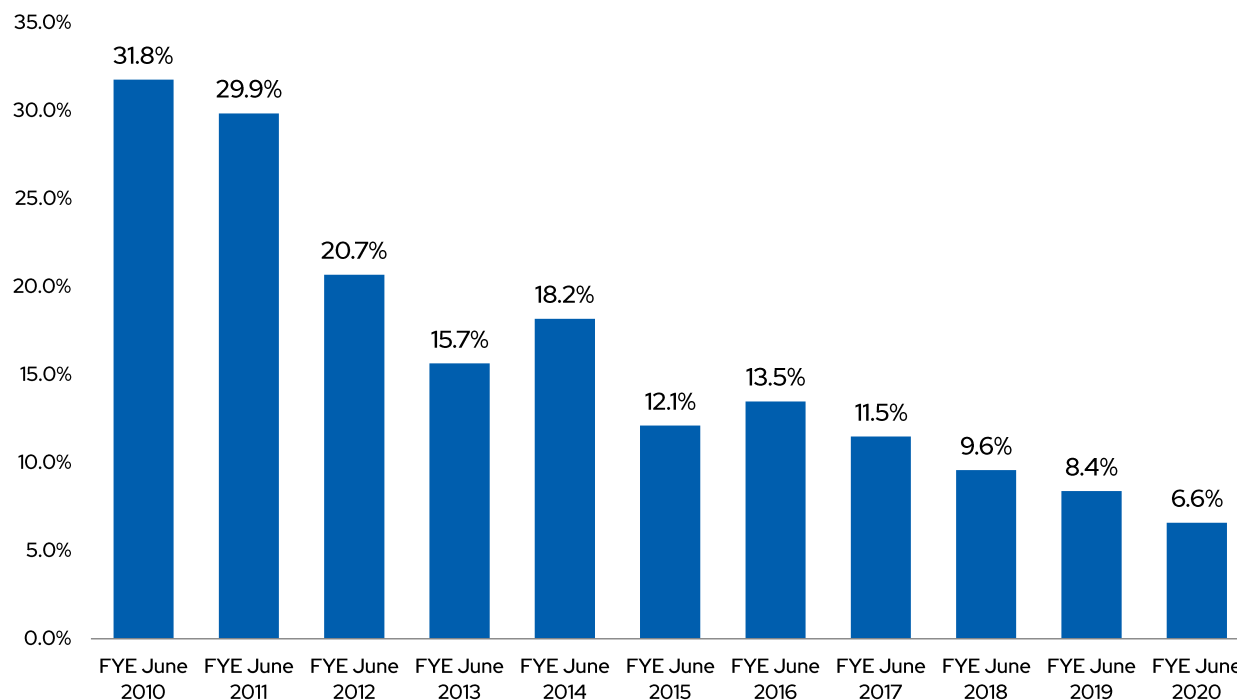
Trends in the Turnover Rate of Regular Employees in Japan

- Turnover rate of regular employees for the third quarter in Japan was 6.5% p.a. (down 0.7 percentage points year on year).
- The turnover rate has been improving thanks to various factors, including the wide acceptance of a new personnel evaluation system, the strengthening of the management system by increasing the number of managers, and the guarantee of full salary during the business suspension of the previous fiscal year.

Turnover rate (annualized rate) of regular employees in Q3 in Japan



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

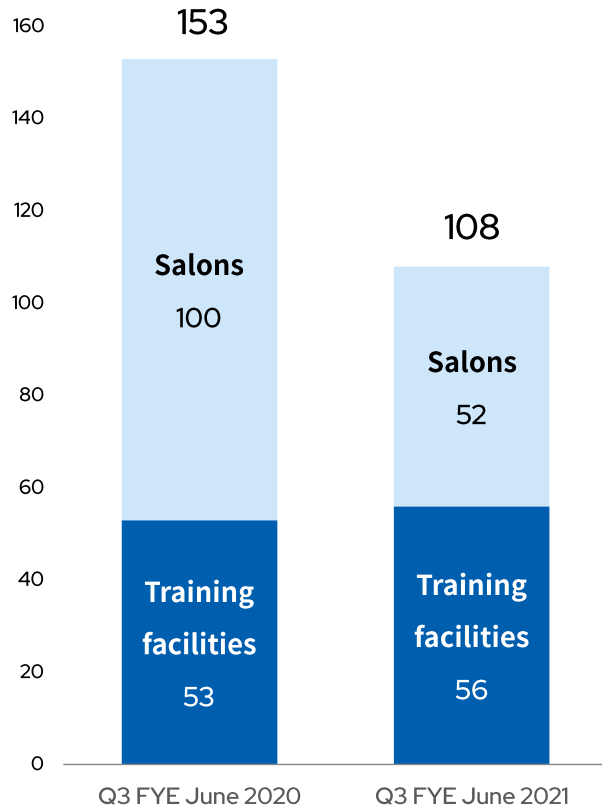


- * Excluding the head office.
- * Including training facilities (LogiTHcut Professional Stylist School).

Number of Employees in Japan (Stylists)

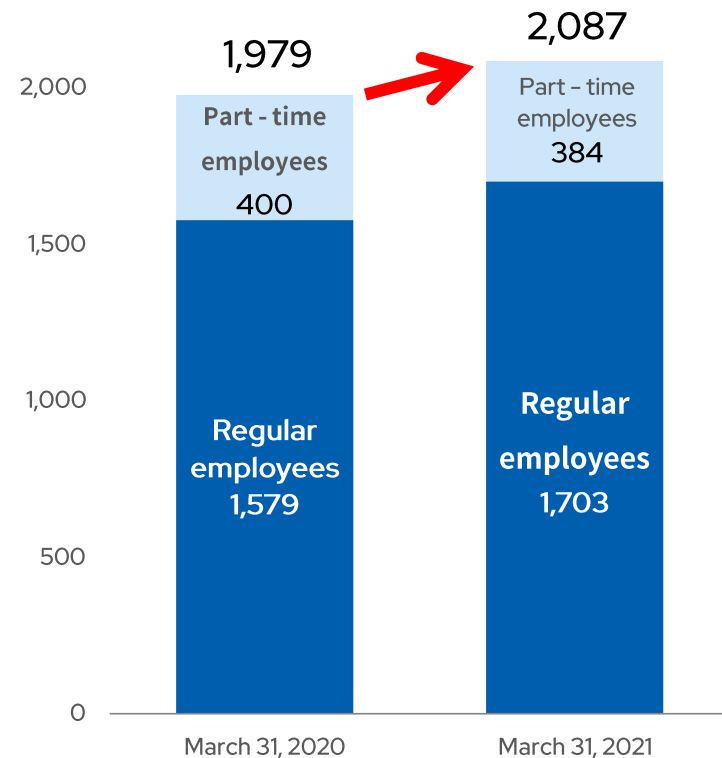
- The number of regular employees recruited in Japan was 108 (down 45 year on year) as a result of reducing employment.
- The number of employees in Japan saw a net increase of 108, including 81 transfers accompanying the turning of outsourced salons into directly managed ones.

Unit: person
180
Number of regular employees hired in Japan up to Q3



* Excluding 84 regular employees transferred from outsourced salons. Excluding the head office. Including training facilities (LogiTHcut Professional Stylist School).

Unit: person
2,500
Number of employees in Japan as of March 31, 2021



■ Part - time employees (in Japan) ■ Regular employees (in Japan)

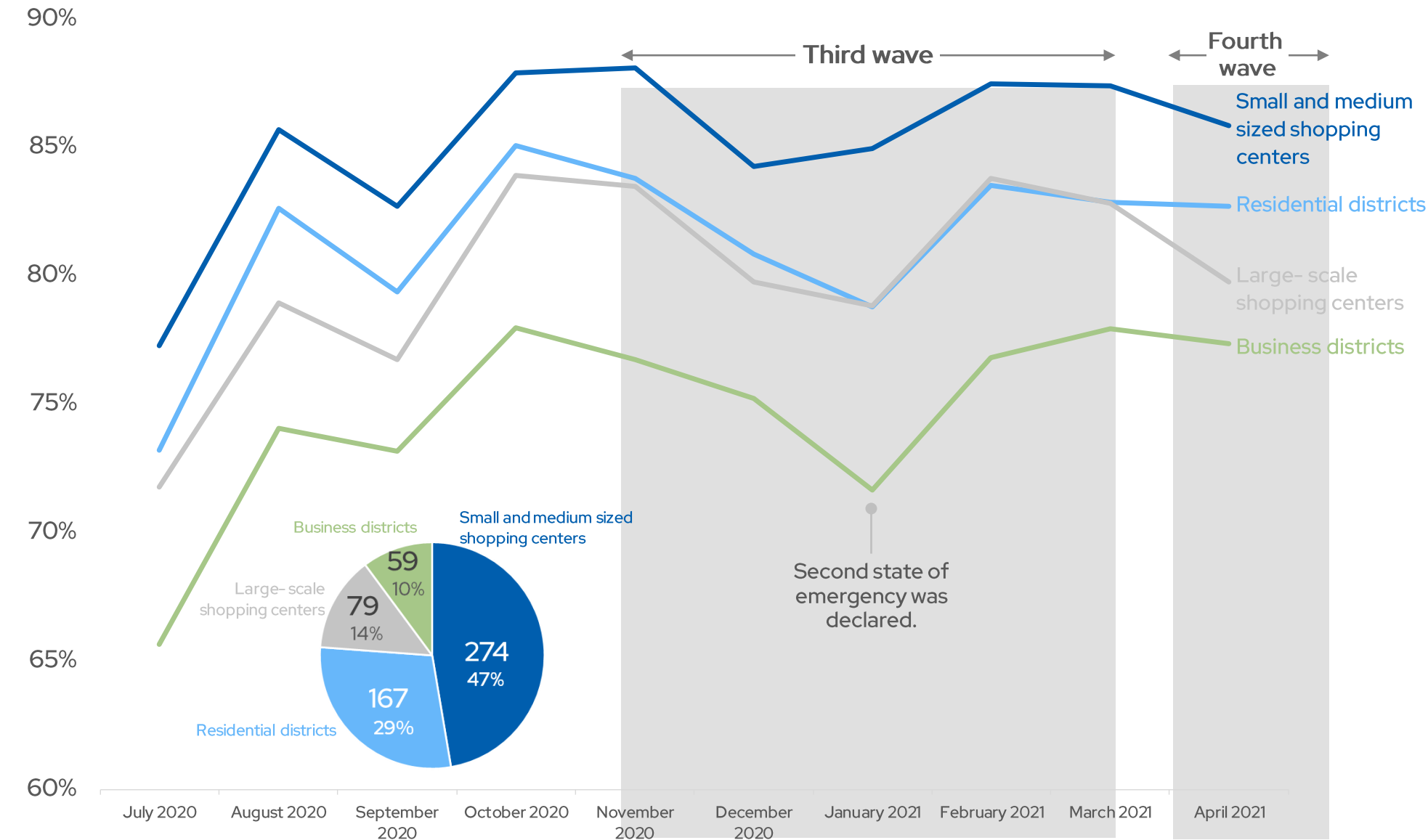
* Including transfers of 81 employees from outsourced salons. Excluding the head office. Including training facilities (LogiTHcut Professional Stylist School).

I Results for Q3 FYE June 2021

**II Impact of Novel Coronavirus
(COVID-19) and Initiatives to Be
Taken Going Forward**

Results of Recovery in the Number of Customers (Existing Salons) in Japan by Location

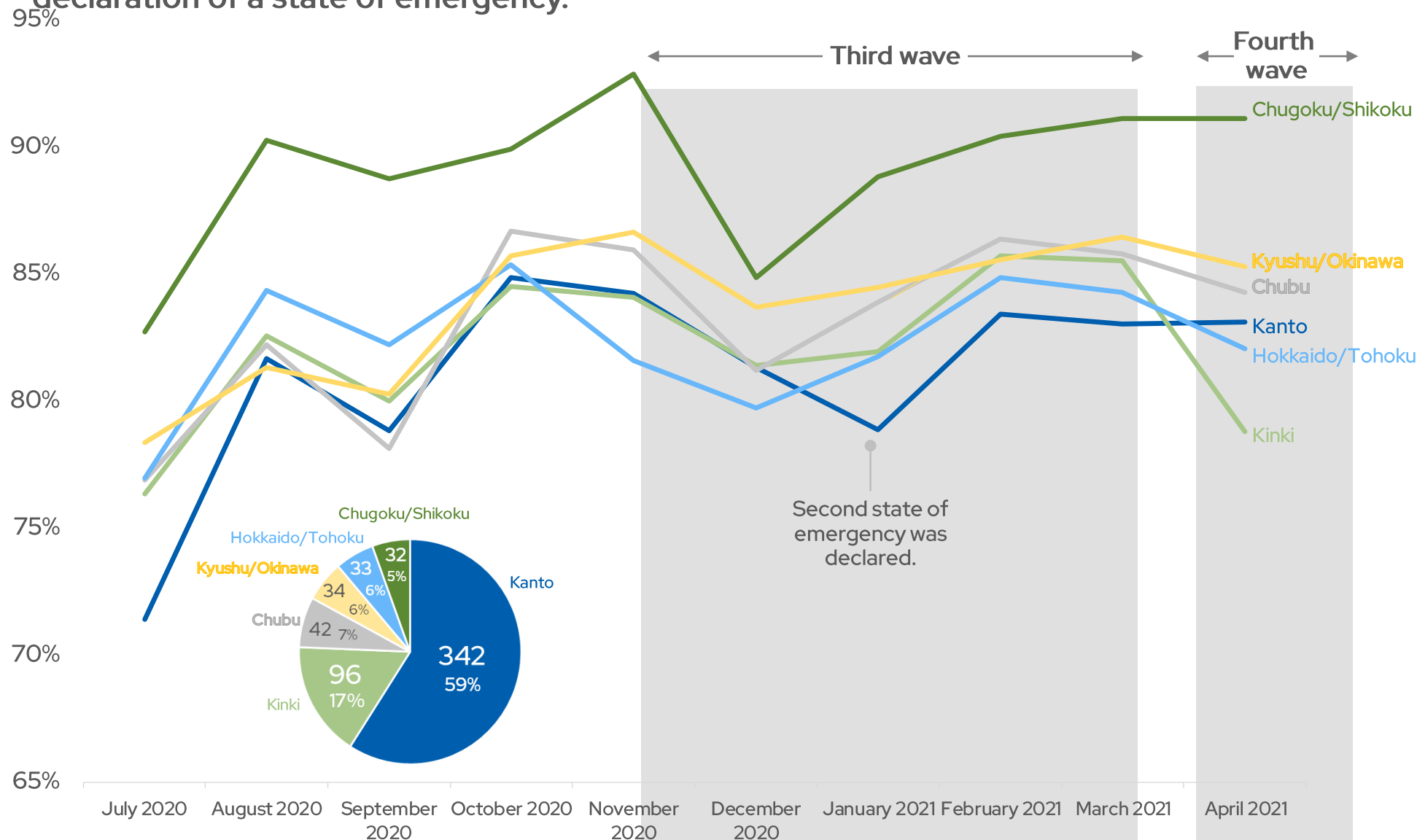
- The number of visitors to community-based small and medium-sized shopping centers is stable, and the effect of voluntary restrictions is small.



* Year-on-year comparison up to February. After March, the ratio compared to the pre-pandemic level set as 100%

Results of Recovery in the Number of Customers (Existing Salons) in Japan by Region

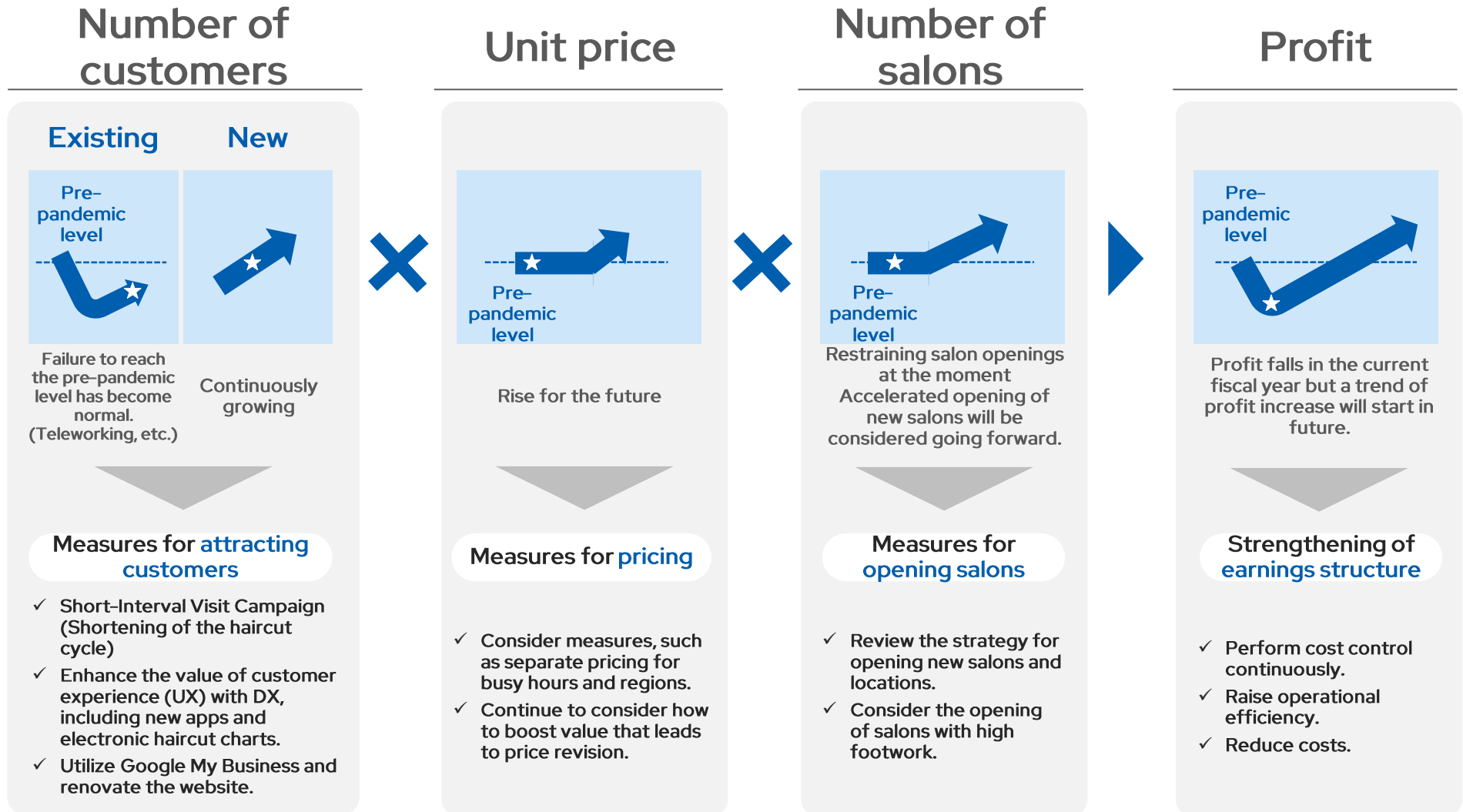
- The trend was firm despite the impacts of the third and fourth waves of infections and the declaration of a state of emergency.



* Year-on-year comparison up to February. After March, the ratio compared to the pre-pandemic level set as 100%

Outlook for Business KPI

- **Aim to exceed pre-pandemic profit levels** by making up for the decline in the number of customers visiting existing salons with other items



*A white star indicates progress made up to the present.

Upcoming Measures (Summary)

1. Measures against Lengthening of Cut Cycle
2. Measures to Mitigate Waiting Time at Salons
3. Measures to Respond to Accelerating Digital Transformation of Society (DX)
4. Review the Strategy for Opening New Salons and Locations
5. Measures against Plastic Waste Problem

1. Measures against Lengthening of Cut Cycle

Initiative of Thank You for Short-Interval Visit Campaign

Thank You for Short-Interval Visit Campaign: from December 29, 2020 to late May 2021
(Applicable period)



Outline of campaign

Customers who returned to our salon "within 39 days" after their last hair cut can receive a hair cut at a discount price of 1,100 yen.

* On weekdays only, for customers who pay the regular price (excluding customers using the senior discount)

Implementation area

Hokkaido, Shizuoka and Hiroshima

* Salons covered by campaign: 42 QB HOUSE salons



(Results of interim verification of ongoing progress)
The campaign was judged to be effective.
→ This campaign is being considered as a time-limited event.

2. Measures to Mitigate Waiting Time at Salons (QB HOUSE in Japan)

The new Your Turn Information System (an off-the-shelf product)—allowing customers to book their turn through smartphones—was introduced to two salons on a pilot basis in April (salons at Keio Mall Annex and Ito-Yokado Kiba).

Your Turn Information System V2.0
(a version for online booking)



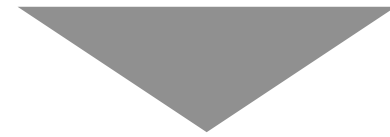
Smartphone screen



本社テスト店			
現在の順番待ち状況		待ち数:23	
さいとう 様	17	やまぐち 様	
わたべ 様	18	いのうえ 様	
いしかわ 様	19	きむら 様	
やまもと 様	20	はやし 様	
なかむら 様	21	しみず 様	

In-store monitor

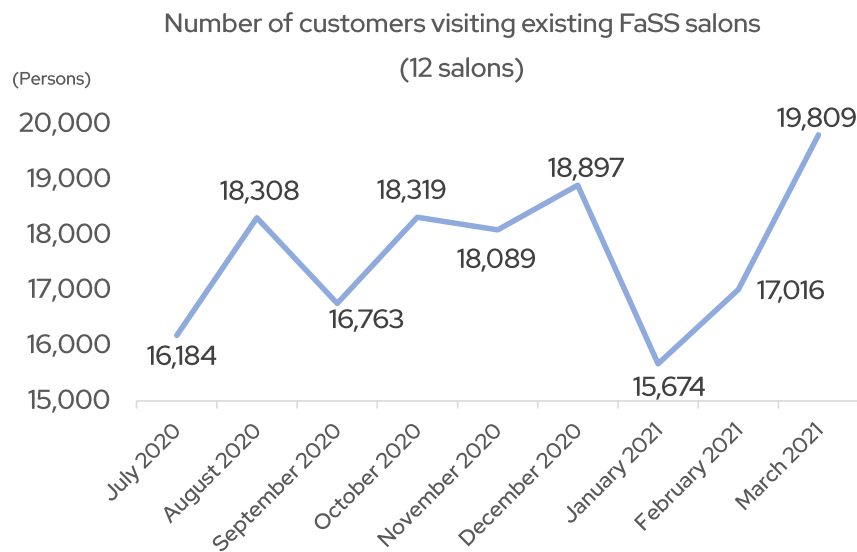
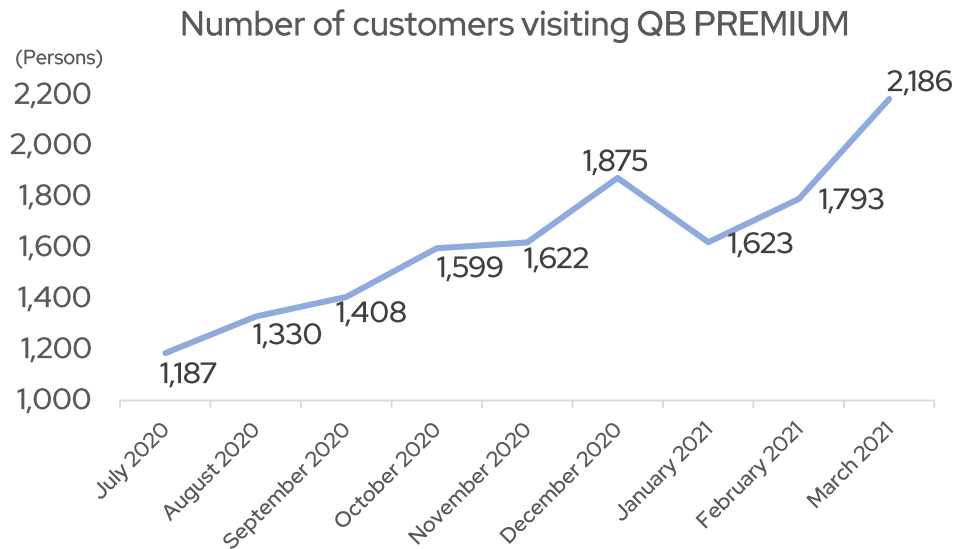
Trial introduction of online appointment of your turn to QB HOUSE in Japan



- Customers' needs for not waiting inside the salon
Minimize the time of staying inside the salon by making an online appointment of your turn
- Effective use of waiting time

3. Measures to Respond to Accelerating Digital Transformation of Society (DX)

Introduction of the app to QB PREMIUM (Otemachi) was completed in April 2021 (introduction was completed in 13 FaSS salons).



Introduction of the new app will make possible:

- Booking with priority on appointment time

- Improvement of customer satisfaction

Use of electronic haircut charts to ameliorate troublesome point that customers have to inform stylists of their style preferences.

- Greater efficiency of salon management

Cashless payment and shorter counseling time

3. Measures to Respond to Accelerating Digital Transformation of Society (DX) (Electronic haircut chart)

Electronic haircut chart at QB HOUSE (for illustrative purposes)

Clippers

- Use a pair of clippers and cut from the hairline toward the sides of the head.
- Be careful since the flow of the hair is strongly backward around the right side.

Ear

- Ears to be exposed
- Hairline: Natural finishing without clear outline

Undercut

- Gradations of 6 mm to 9 mm to 12 mm
- Frame: The area behind the ears is not flat. Be careful when you undercut.

Sideburns

- Where to trim: In the mid-ear
- Thickness: Gradations of 3 mm to 6 mm
- Natural finishing without clear outline

Day of the last haircut: April 14, 2021
Salon used for the last haircut:
Gransta Marunouchi salon

Started development of an electronic haircut chart at QB HOUSE

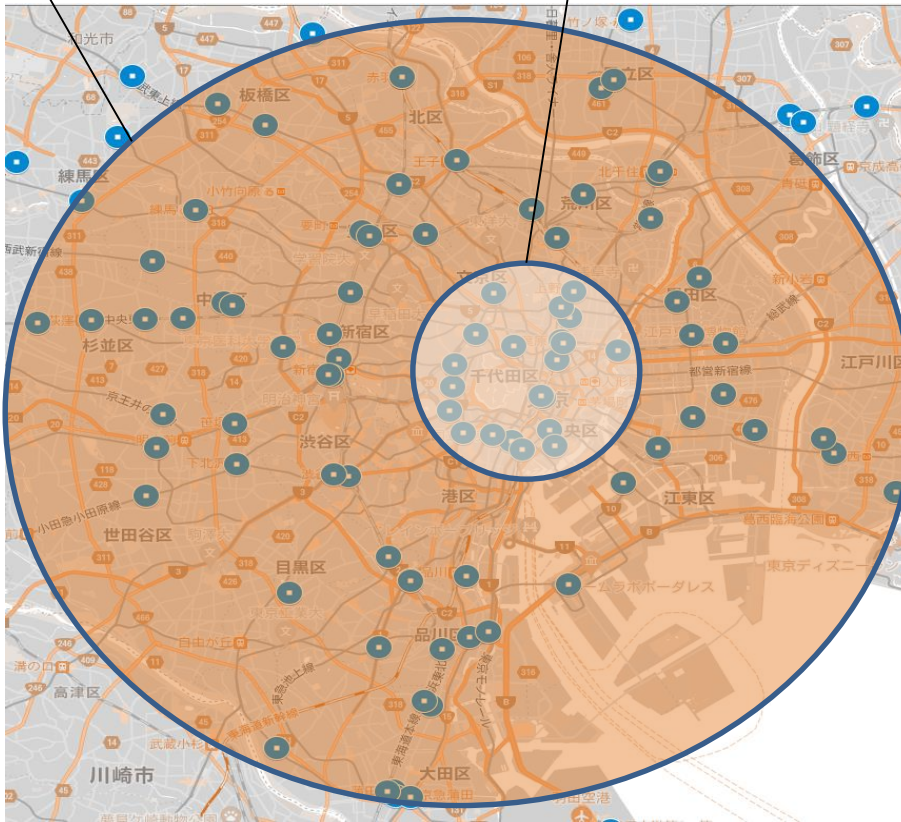


- Improvement of customer satisfaction.
Reduce troublesome point that customers have to inform stylists of their style preferences.
- Ease the burden of stylists.
Shorten the counseling time

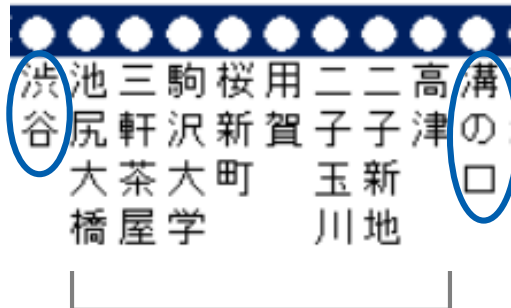
4. Review the Strategy for Opening New Salons and Locations

Spheres of everyday life
(fewer salons)

Urban area (salons
concentrate)

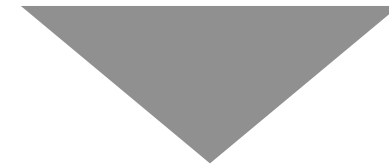


Example)



Vacuum area

- Salon openings to date have concentrated on urban areas and suburbs (large shopping centers).
- The daytime population in “spheres of everyday life” has increased due to teleworking, etc.



- Focus on opening salons in “spheres of everyday life,” the midpoint that connects urban areas and suburbs.
- Opening salons with high footwork in areas closer to spheres of everyday life is under consideration.

5. Measures against Plastic Waste Problem (reuse of combs)



Reuse of combs started
in April 2021.



Reuse of **combs** will be started.

QB HOUSE is thinking of starting measures that it can implement in efforts to improve environmental issues. Firstly, we will reduce the “volume of comb waste.”

Accordingly, we will disinfect combs used in accordance with the law and reuse them.

We would appreciate your understanding and cooperation in advance.



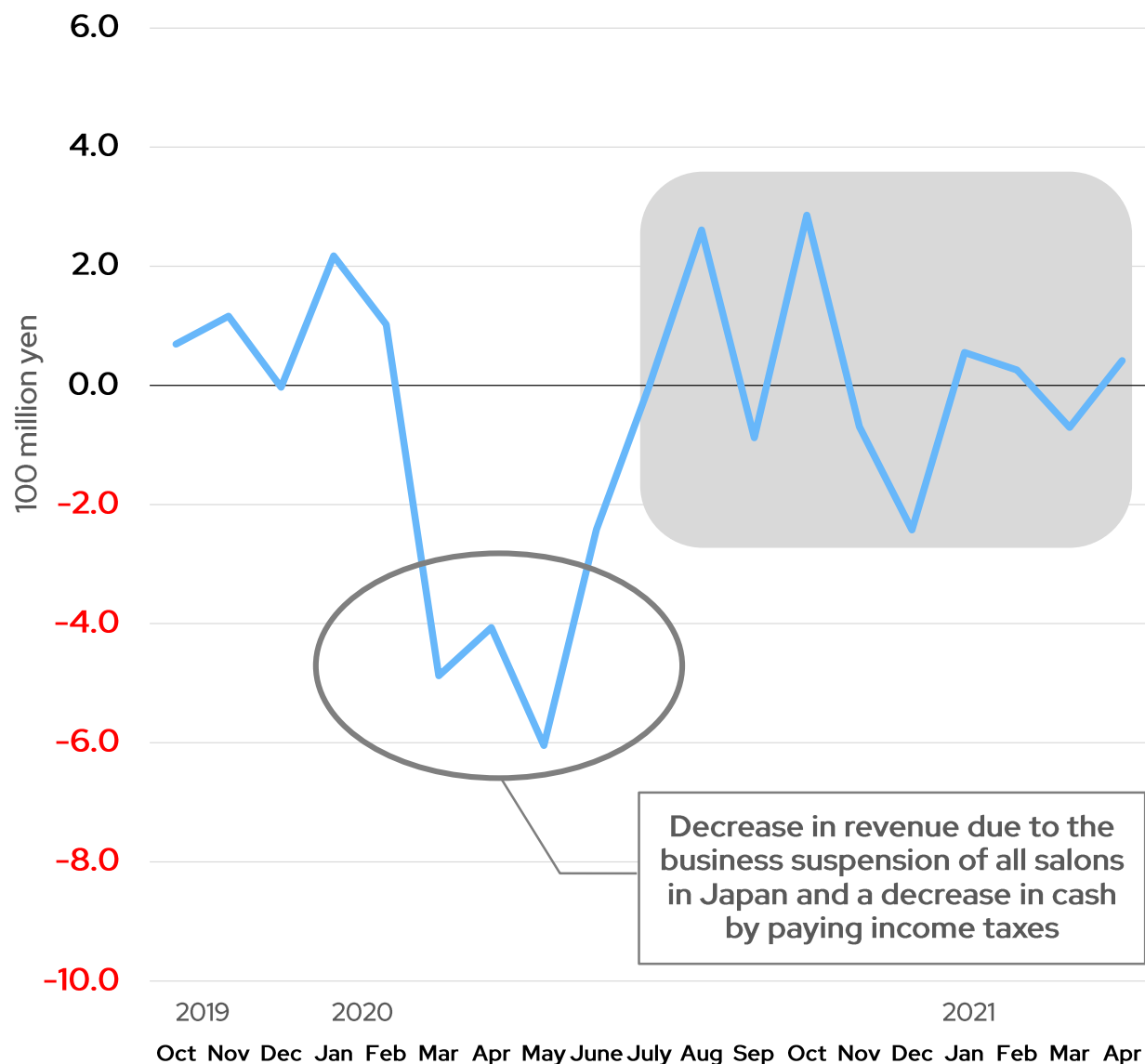
- Response to the plastic waste problem
In order to reduce greenhouse gases, such as toxic substances and carbon dioxide.
- Reuse combs by ensuring the hygiene of used combs
Until recently, one comb was used for one customer and thrown away.

*Salons outside the Kanto region started reusing combs on April 1, 2021.

*Salons in the Kanto region started reusing combs on May 1, 2021.

Funding Situation (Consolidated)

Monthly Trend in Changes to Consolidated Cash Balance



During the period of the first declaration of a state of emergency, cash decreased significantly due to a decrease in revenue accompanying the business suspension of all salons.

During the periods of the second and third declarations of a state of emergency, salons were kept open with thorough infection-prevention measures in place. As a result, the incoming and outgoing cash is almost balanced.



A short-term credit line of 3.2 billion yen was set up, and there will be no problem with financing for the time being.

* Out of 1 billion yen in overdrafts and 6 billion yen in commitment lines that were concluded last year, the contract for 2.2 billion yen was extended by 1 year.

Dividends

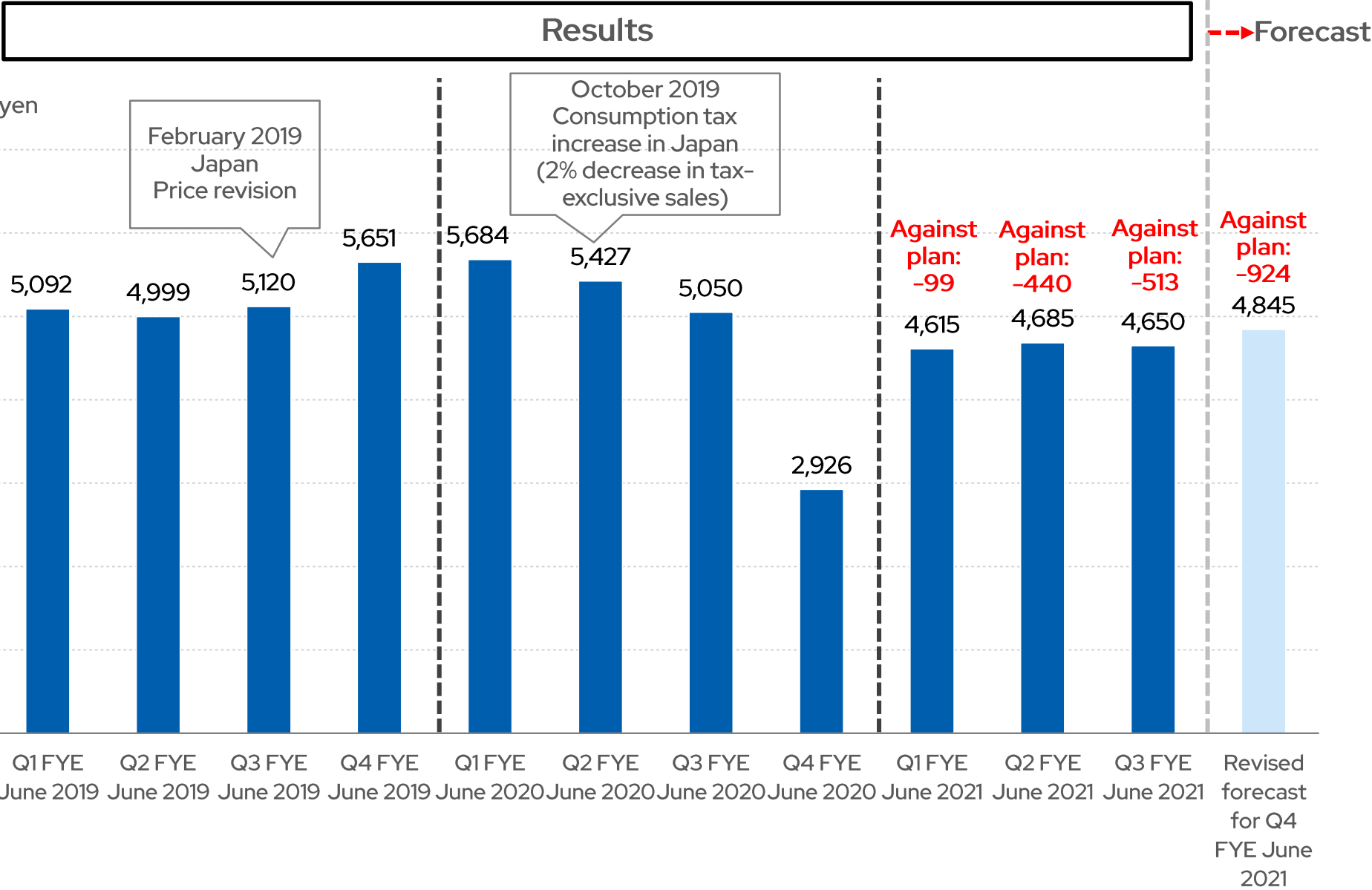
The Company has been affected by the third and fourth waves of novel coronavirus infections and the declarations of a state of emergency. Furthermore, given the possibility of a resurgence in coronavirus infections due to variant strains in the future, the Company intends to secure as much cash on hand as possible and prioritize financial stability and future investment for growth. Therefore, to our greatest regret, we will not distribute any dividends for the current fiscal year.

In order to adapt to a post-pandemic environment, we will strive to rebuild our strategy focusing on long-term sustainability and growth potential, to realize stable dividends.

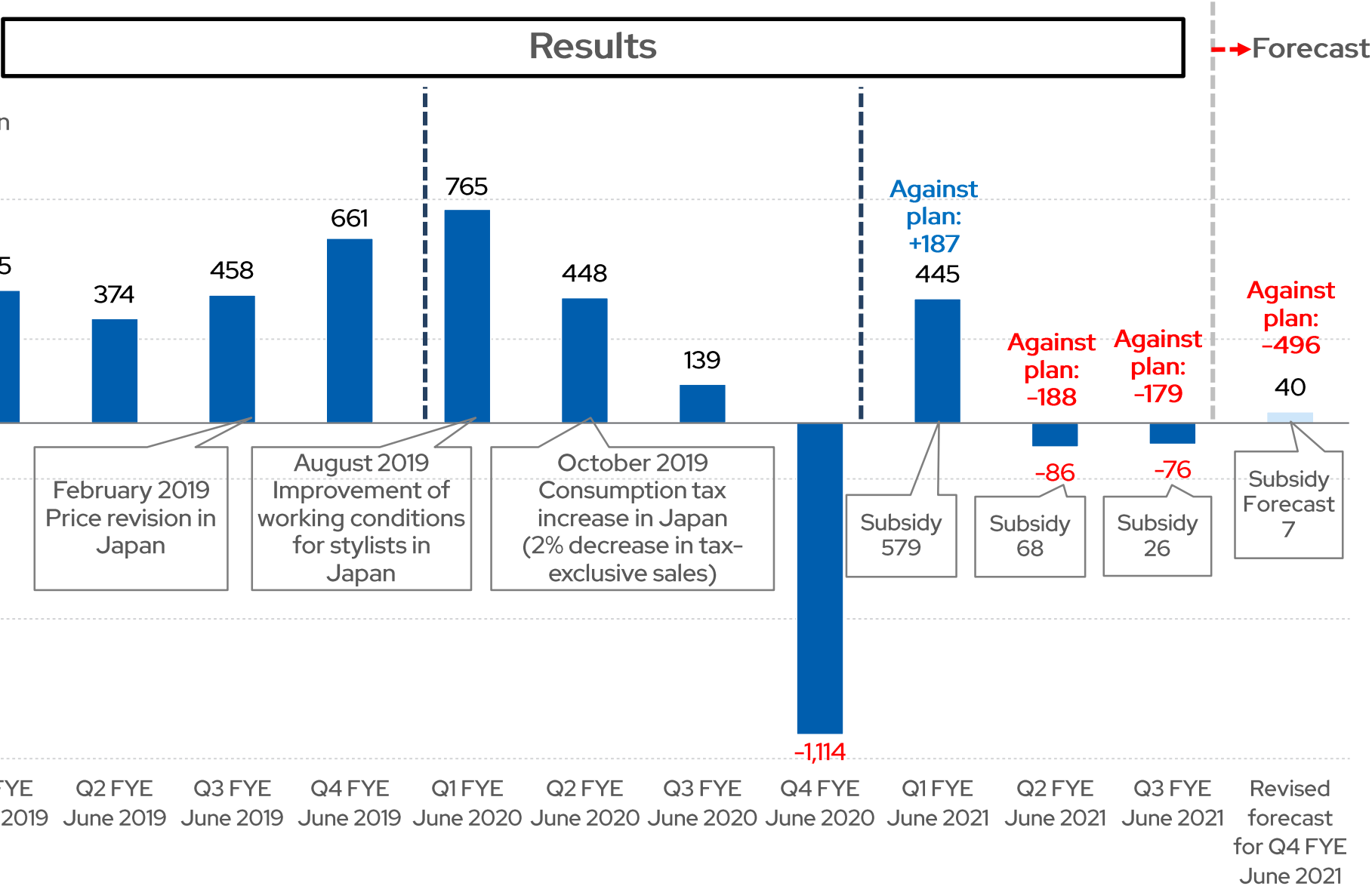
Yasuo Kitano, President CEO

Appendix

Quarterly Revenue (Consolidated) Trends

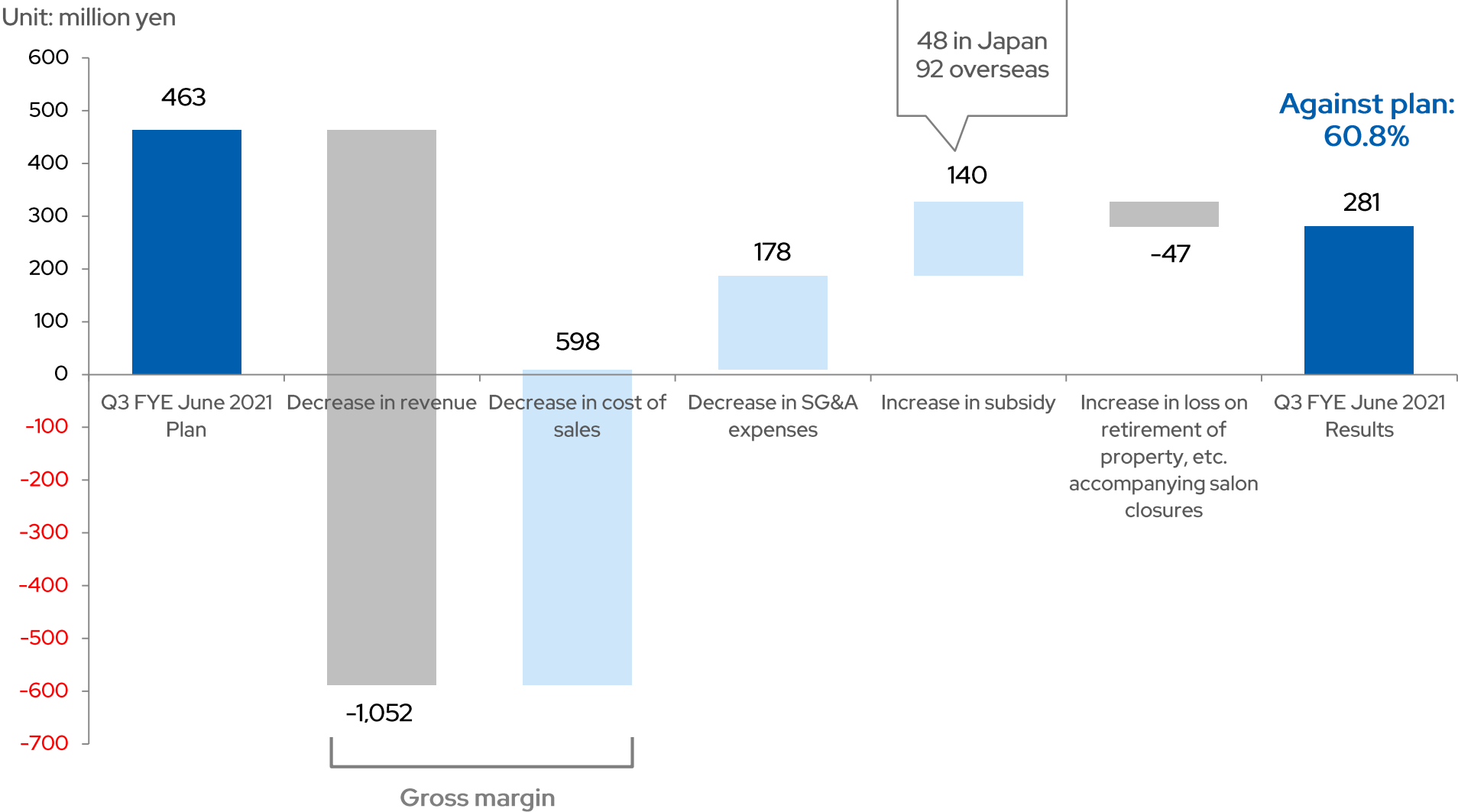


Quarterly Operating Profit (Consolidated) Trends



Operating Profit against Plan (first nine months)

- Operating profit decreased by 181 million yen from the plan due to a decrease in revenue resulting from the third wave of infections and a declaration of a state of emergency although costs of sales and SG&A expenses were reduced and the subsidies exceeded the forecast.



New salon

(Japan)

**AEON MALL Shinrifu South Building
(Miyagi)**

AEON MALL Ageo (Saitama)

JR Itabashi Station (Tokyo)

mi:ts Kokubunji (Tokyo)

GRANDUO Kamata (Tokyo)

FaSS Musashi Kosugi (Kanagawa)

LaLaport Aichi Togo (Aichi)

AEON MALL Yokkaichi-Kita (Mie)

Crost Osaka Station (Osaka)

(Overseas)

Woods Square (Singapore)

Hung Hom Station (Hong Kong)

Citygate (Hong Kong)

Tai Wo Plaza (Hong Kong)

Tamsui (Taiwan)

Nanjing Sanmin (Taiwan)

Kuang San SOGO (Taiwan)

Chungyo Department Store (Taiwan)

* Orange color indicates new salons opened during Q3



Salon at AEON MALL
Shinrifu South Building

Overview of Consolidated Group Earnings for FYE June 2021

Consolidated statement of profit or loss

Unit: million yen	Q3 FYE June 2020		Q3 FYE June 2021			
	Results	Sales ratio	Results	Sales ratio	Changes	Year on year
Revenue	16,162	100.0%	13,951	100.0%	-2,211	86.3%
Cost of sales	-12,613		-12,321		291	97.7%
Gross profit	3,548	22.0%	1,629	11.7%	-1,919	45.9%
Other operating income	8		703	* Recording of subsidy	695	
Selling, general and administ	-2,179		-1,953		225	89.6%
Other operating expenses	-23		-97		-73	
Operating profit	1,353	8.4%	281	2.0%	-1,072	20.8%
Finance income	12		9		-3	72.0%
Finance costs	-114		-144		-29	126.2%
Profit before tax	1,252	7.7%	146	1.0%	-1,106	11.7%
Income tax expense	-422		14		437	-3.5%
Profit	829	5.1%	160	1.2%	-668	19.4%

Overview of Consolidated Group Finance for FYE June 2021

Consolidated statement of financial position

Unit: million yen

	End of Q4 FYE June 2020	End of Q3 FYE June 2021	Changes	
Total current assets	6,544	5,480	-1,064	Partial repayment of commitment lines, etc.
Cash and cash equivalents	5,117	4,272	-844	
Trade and other receivables	775	797	21	
Inventories	169	134	-35	
Other	482	276	-206	Recording of income taxes receivable that were refunded at the end of the previous fiscal year.
Total non-current assets	26,176	25,652	-524	
Property, plant and equipment	1,857	1,688	-169	Decrease in number of new and renovated salons
Right-of-use assets	6,062	5,743	-319	Decrease due to rent and lease payments
Goodwill	15,430	15,430	-	
Other financial assets	1,856	1,863	6	
Deferred tax assets	639	653	13	
Other	330	273	-56	
Total assets	32,721	31,132	-1,589	
Total liabilities	22,935	21,071	-1,864	Scheduled repayment of borrowings (-525 million yen) Partial repayment of commitment lines (-1,000 million yen)
Trade and other payables	342	318	-24	
Interest-bearing liabilities	14,532	13,040	-1,492	
Lease obligations	5,993	5,679	-314	Decrease due to rent and lease payments
Other	2,066	2,033	-33	
Total equity	9,786	10,061	274	
Total liabilities and equity	32,721	31,132	-1,589	

Overview of Consolidated Group Finance for FYE June 2021

Consolidated statement of cash flows
Unit: million yen

	Q3 FYE June 2020	Q3 FYE June 2021	Changes	
Cash flows from operating activities	3,052	2,884	-168	
Profit before tax	1,252	146	-1,106	
Depreciation and amortization	2,392	2,462	69	
Decrease (increase) in trade and other receivables	401	-15	-416	Difference in the timing of receivables collection due to bank holiday at period-end
Interest paid	-104	-115	-10	
Proceeds from subsidy income	-	619	619	Refunded amount of interim payment of the previous fiscal year
Income taxes refund	-	271	271	
Income taxes paid	-821	-83	738	Decrease in payment due to a decline in the taxable income of QB Net in Japan
Other	-67	-401	-334	Subtractive adjustment of subsidies, etc.
Cash flows from investing activities	-652	-327	324	
Purchase of property, plant and equipment	-533	-303	230	Decrease in number of new and renovated salons
Purchase of intangible assets	-21	-10	11	
Other	-96	-13	82	
Free cash flow s	2,400	2,557	156	
Cash flows from financing activities	-2,518	-3,464	-945	
Net increase (decrease) in short-term borrowings	-	-1,000	-1,000	Partial repayment of commitment lines
Repayments of long-term borrowings	-525	-525	-	
Dividends paid	-237	-0	236	Dividends per share decreased to 0 yen from 19 yen
Repayments of lease obligations	-1,930	-2,017	-87	
Other	173	78	-95	
Exchange differences of cash and cash equivalents	-	62	62	
Net increase (decrease) in cash and cash equivalents	-118	-844	-726	
Cash and cash equivalents at end of period	2,370	4,272	1,901	

Reference: Plan to open salons for FYE June 2021 (plan at the beginning of the year)

Unit: Salons	Business form at	End-FYE June 2020	New salon	Relocation	Change of business form at	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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