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August 2, 2021

## Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2021 [Japanese GAAP]

Company name: Arte Salon Holdings, Inc. Listings: Tokyo Stock Exchange  
Stock Code: 2406 URL: <https://www.arte-hd.com/>  
Representative: Shigeyoshi Yoshimura, President and Representative Director  
Contact: Mitsuharu Sakaguchi, Executive Officer and General Manager of Corporate Planning Department  
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Expected date of filing Quarterly Securities Report: August 13, 2021

Expected date of commencing dividend payments: -

Availability of supplementary materials for financial results: : Yes

Holding of financial results meetings: : Yes

(Amounts under one million yen have been rounded down.)

### 1. Consolidated financial results for the first half of the fiscal year ending December 31, 2021 (January 1, 2021 – June 30, 2021)

(1) Consolidated operating results(cumulative)

(Percentages indicate year-on-year changes)

	Net Sales		Operating profit		Ordinary Profit		Profit Attributable to owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half Ended June 30, 2021	4,160	15.8	184	-	240	401.4	139	-
First Half Ended June 30, 2020	3,594	(12.6)	(41)	-	48	(73.8)	(189)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
First Half Ended June 30, 2021	14.05	-
First Half Ended June 30, 2020	(19.10)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	8,437	2,791	33.1
As of December 31, 2020	8,347	2,673	32.0

### 2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2020	-	0.00	-	2.00	2.00
Fiscal Year 2021	-	0.00			
Fiscal Year 2021(forecast)			-	5.00	5.00

### 3. Forecast for the fiscal year ending December 31, 2021

(Percentages indicate year-on-year changes)

	Net Sales		Operating profit		Ordinary Profit		Profit Attributable to owners of Parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	8,700	10.6	400	224.0	400	31.8	210	-	21.21

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None
- (2) Application of special accounting methods for presenting quarterly consolidated financial statements: None
- (3) Changes in accounting policies and accounting-based estimates, and restatements
- 1) Changes in accounting policies due to revisions in accounting standards, others: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting-based estimates: None
  - 4) Restatements: None

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	10,300,000 shares	As of December 31, 2020	10,300,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2021	399,743 shares	As of December 31, 2020	399,743 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

First Half Ended June 30, 2021	9,900,257 shares	First Half Ended June 30, 2020	9,900,257 shares
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**\*Cautionary statement with respect to financial forecasts and other special notes**

The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ materially due to a variety of factors.

**(How to obtain supplementary explanatory materials for quarterly financial results and contents of quarterly financial results briefing)**

From the perspective of preventing the spread of novel coronavirus infection, the Company plans to distribute a video presentation of its quarterly financial results for institutional investors and analysts on its website on August 4, 2021, in place of a quarterly financial results briefing. The supplementary explanatory materials for the quarterly financial results will be disclosed on TDnet and the Company's website on the same day.

## Overview of business results

During the first half of the current fiscal year (January 1, 2021 to June 30, 2021), the Japanese economy remained in a severe situation due to the impact of the novel coronavirus infection. While the recovery trend is expected to continue, supported by the effects of various policies, attention should be paid to the impact of the infection on the domestic and overseas economies and the effects of fluctuations in financial and capital markets.

Although the beauty salon industry was notably affected when the state of emergency was declared in April 2020, the number of customers visiting beauty salons is on a recovery trend due to solid demand for services even in the face of the COVID-19 related crisis. However, since the infection is still not under control, such as the fourth declaration of a state of emergency in Tokyo in July, the situation does not allow for optimism as consumers tend to stay home and be more saving-oriented.

Under these circumstances, the Arte Group (“the Group”) has been thoroughly implementing anti-infection measures in accordance with requests from the government and other authorities as well as with the current situation of each store, placing top priority on the safety and health of customers and employees, and actively taking various measures to ensure that customers can visit our stores with peace of mind.

In response to the impact of the novel coronavirus, we are focusing on measures to attract customers and increase sales per customer, such as introducing new services and strengthening the sales of salon retail products. At the same time, we are working to accelerate Digital Transformation (DX) in all aspects, including store operations, sales promotion, and technical training, to improve productivity and strengthen the earnings base that will support further growth of the Group.

We have developed multiple brands to meet the diverse needs of customers in each of our operating companies. With design-oriented salons such as Ash and New York • New York, which provide high-quality services at reasonable prices, at the core of our operations, we are also opening maintenance salons under Choki Peta brand, which provide cut and color services at economical prices against the backdrop of growing demand for regular hair maintenance.

We conduct our business activities based on thorough hygiene management at each of our operating companies and brands to ensure the safety and security of our stores. At the same time, under the management philosophy of “providing beauty, health, and youthfulness to customers in the community and aiming to build companies that can establish a society of well-being with everyone involved in the Group,” we are implementing various measures to strengthen the unity of the Group, improve management efficiency, and build the best stores in the region.

For design-oriented salons, we are developing new web marketing strategies and enhancing quality services that allow customers to experience the superiority of our techniques and hospitality skills to attract adult customers.

Furthermore, we are also developing various private brands, including “ennic” series, a new line of original hair and skin care products containing people- and environment-friendly natural ingredients, to raise brand awareness.

As for Choki Peta, maintenance salons, we are mainly opening stores in commercial facilities to offer quick and economical haircut and color services during shopping, enhancing convenience and providing services tailored to customers’ lifestyles.

As a result of the above, the chain store sales of the Company's major subsidiaries for the first half of the current fiscal year were as follows: Ash Co., Ltd. (“Ash”), 121.1% of the same period in the previous year; New York • New York Co., Ltd. (“NYNY”), 116.6%; Style Designer Inc. (“SD”), 108.3%; and C&P Co., Ltd. (“C&P”), 130.1%. The number of customers of the Company's major subsidiaries was 113.9% of the same period in the previous year. Accordingly, net sales at all chain stores of the Group totaled 8,772 million yen (118.4%).

During the first half of the current fiscal year, the number of stores operated by the Group's consolidated subsidiaries totaled 335 (Ash, 128 stores; NYNY, 42 stores; SD, 99 stores; C&P, 56 stores; and Diamond Eyes Co., Ltd., 10 stores). Including one overseas store (Republic of Singapore), the number of stores in the Group reached 336.

The number of Choki Peta stores in the Kansai region operated by NYNY was 10, and the total number of franchise stores in the Group totaled 226 (Ash, 104 stores; NYNY, 21 stores; SD, 99 stores; and C&P, 2 stores).

As a result, consolidated earnings for the first half of the current fiscal year were as follows: Net sales amounted to 4,160 million yen (115.8% of the same period in the previous year), operating profit was 184 million yen (compared with an operating loss of 41 million yen for the same period in the previous year), ordinary profit was 240 million yen (501.4% of the same period in the previous year), and profit attributable to owners of parent came to 139 million yen (compared with a loss attributable to owners of parent of 189 million yen for the same period in the previous year).

The description by segment is omitted because the Company Group engages in a single segment of beauty salon chain business.

## Quarterly consolidated financial statements

### Quarterly consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	1,195,214	1,535,080
Accounts receivable - trade	422,352	357,064
Merchandise	145,259	137,782
Supplies	14,701	12,825
Other	954,243	765,316
Allowance for doubtful accounts	(5,024)	(4,294)
Total current assets	2,726,749	2,803,774
Non-current assets		
Property, plant and equipment		
Buildings	6,479,813	6,569,431
Accumulated depreciation and impairment loss	(3,647,405)	(3,677,256)
Buildings, net	2,832,408	2,892,175
Vehicles	26,623	26,861
Accumulated depreciation	(16,306)	(18,140)
Vehicles, net	10,316	8,720
Tools, furniture and fixtures	1,409,650	1,441,927
Accumulated depreciation and impairment loss	(963,983)	(985,682)
Tools, furniture and fixtures, net	445,667	456,245
Land	136,182	136,182
Leased assets	18,021	18,021
Accumulated depreciation	(3,754)	(5,256)
Leased assets, net	14,267	12,765
Construction in progress	367	—
Total property, plant and equipment	3,439,209	3,506,088
Intangible assets		
Goodwill	211,186	188,914
Other	69,421	59,342
Total intangible assets	280,607	248,256
Investments and other assets		
Leasehold and guarantee deposits	1,408,276	1,394,084
Other	497,530	489,389
Allowance for doubtful accounts	(5,353)	(4,546)
Total investments and other assets	1,900,453	1,878,928
Total non-current assets	5,620,270	5,633,273
Total assets	8,347,019	8,437,048

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	98,446	77,200
Short-term borrowings	150,000	150,000
Current portion of long-term borrowings	532,455	571,373
Accounts payable - other	1,722,424	1,331,809
Income taxes payable	46,214	81,656
Provision for bonuses	4,128	6,714
Provision for shareholder benefit program	28,815	28,815
Asset retirement obligations	17,410	17,569
Other	194,105	261,202
Total current liabilities	2,794,000	2,526,342
Non-current liabilities		
Long-term borrowings	2,040,030	2,284,890
Provision for shareholder benefit program	3,262	3,262
Retirement benefit liability	72,279	70,190
Asset retirement obligations	549,855	559,337
Other	214,487	201,030
Total non-current liabilities	2,879,914	3,118,710
Total liabilities	5,673,915	5,645,052
<b>Net assets</b>		
Shareholders' equity		
Share capital	498,000	498,000
Capital surplus	860,292	860,292
Retained earnings	1,426,357	1,545,646
Treasury shares	(113,425)	(113,425)
Total shareholders' equity	2,671,223	2,790,512
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,880	1,483
Total accumulated other comprehensive income	1,880	1,483
Total net assets	2,673,103	2,791,995
Total liabilities and net assets	8,347,019	8,437,048

## Quarterly consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	3,594,223	4,160,530
Cost of sales	2,708,079	3,065,501
Gross profit	886,144	1,095,029
Selling, general and administrative expenses	927,625	910,282
Operating profit (loss)	(41,481)	184,746
Non-operating income		
Interest income	1,246	669
Commission income	5,456	4,068
Reversal of allowance for doubtful accounts	—	1,538
Compensation income	—	7,170
Subsidy income	85,065	46,430
Other	8,205	8,324
Total non-operating income	99,973	68,201
Non-operating expenses		
Interest expenses	8,051	8,430
Other	2,404	3,671
Total non-operating expenses	10,455	12,102
Ordinary profit	48,036	240,846
Extraordinary income		
Gain on sales of non-current assets	100	—
Compensation income	—	15,184
Subsidy income	74,602	5,389
Total extraordinary income	74,702	20,574
Extraordinary losses		
Loss on retirement of non-current assets	841	1,359
Loss on store closings	6,163	1,904
Impairment loss	16,887	23,188
Differences between the asset retirement liability balance and the actual retirement costs	6,890	6,636
Infectious disease-related losses	339,125	12,168
Total extraordinary losses	369,908	45,258
Profit (loss) before income taxes	(247,170)	216,162
Income taxes - current	25,421	76,331
Income taxes - deferred	(83,539)	742
Total income taxes	(58,118)	77,073
Profit (loss)	(189,052)	139,089
Profit (loss) attributable to owners of parent	(189,052)	139,089