



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 [J-GAAP]

January 29, 2021

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 filing the quarterly financial report: February 10, 2021
 Scheduled date to start dividends distribution: —
 Supplementary quarterly materials prepared: No
 Explanation meeting for quarterly financial results: No

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated results for the third quarter ended December 31, 2020 (April 1, 2020 – December 31, 2020)

(1) Consolidated operating results

(Percentage figures show changes 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	%
Nine months ended December 31, 2020	25,387	(12.6)	1,106	(52.1)	1,266	(46.5)	667	(54.0)
Nine months ended December 31, 2019	29,049	5.8	2,309	1.9	2,368	1.8	1,449	1.9

Note: Comprehensive income: Nine months ended December 31, 2020: ¥843 million (-43.7%)
 Nine months ended December 31, 2019: ¥1,497 million (12.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2020	20.61	20.42
Nine months ended December 31, 2019	44.51	44.20

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2020	46,702	25,321	53.8	775.93
As of March 31, 2020	43,163	25,337	58.3	777.92

(Reference) Equity capital: As of December 31, 2020: ¥25,127 million

As of March 31, 2020: ¥25,179 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	14.00	—	14.00	28.00
Year ending March 31, 2021	—	14.00	—		
Year ending March 31, 2021 (Forecast)				14.00	28.00

Note: Revisions to the most recently announced dividend forecast during the period: No

3. Consolidated financial forecast for the fiscal year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	35,578	(9.9)	1,406	(51.8)	1,639	(45.5)	492	(68.1)	15.20

Note: Revisions to the most recently announced earnings forecasts during the period: Yes

For details of the revision, please refer to the “Announcement on the Revision of the Full-year Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2021” published on January 29, 2021 (Japanese only).

Notes:

(1) Significant changes to subsidiaries during the period (Transfers of specific subsidiaries with changes in the scope of consolidation): No

(2) Application of specific accounting methods for preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies and accounting estimates, and restatement of revisions

- 1) Changes in accounting policies due to revision of accounting standards, etc.: No
- 2) Changes in accounting policies other than 1): No
- 3) Changes in accounting estimates: No
- 4) Restatement of revisions: No

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

1) Number of shares issued and outstanding (including treasury shares)	As of December 31, 2020	34,393,200 shares	As of March 31, 2020	34,393,200 shares
2) Number of treasury shares	As of December 31, 2020	2,009,039 shares	As of March 31, 2020	2,026,239 shares
3) Average number of shares issued and outstanding in each period	Nine months ended December 31, 2020	32,373,456 shares	Nine months ended December 31, 2019	32,558,204 shares

* **This quarterly kessan tanshin document is outside the scope of audit procedures conducted by certified public accountants or the independent auditor.**

* **Explanation of appropriate use of forecasts of financial results; other important items**

(Cautionary statement with regard to the forward-looking statements, etc.)

The forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed to be reasonable by the Company. Actual results may differ materially from forward-looking statements due to a number of factors. For more details about these assumptions and other conditions that form the basis of these forecasts, please refer to page 2 of the supplementary materials, “1. Analysis of operating results and financial position, (3) Qualitative information on consolidated financial forecasts.”

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1. Analysis of operating results and financial position

(1) Analysis of operating results

Operating results for the first nine months of fiscal 2021

In the first nine months of fiscal 2021 (April – December 2020), the COVID-19 pandemic significantly limited economic activity in Japan, leading to a deterioration in corporate earnings and business confidence and a slump in consumer spending. The outlook also remains extremely uncertain following the declaration of another state of emergency in some regions to counter a recent surge in new infections.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) formulated and launched a new three-year medium-term management plan called “ARTNATURE Challenge Plan,” starting in fiscal 2021. Under the plan, we aim to strengthen the ARTNATURE Group’s position in existing businesses and further expand new businesses to build the foundations for a new ARTNATURE capable of opening up the next phase in the Group’s history. Specifically, we are implementing six priority challenge initiatives: (1) grow the Group’s earnings, (2) develop new business fields, (3) reinforce recruitment, (4) cultivate human resources, (5) encourage dialogue with capital markets, and (6) drive business innovation.

In terms of earnings, in the first half of the fiscal year, there was a significant impact from the suspension of production activities in the Philippines and from the temporary closure of some stores in Japan due to the COVID-19 pandemic, but sales and profits both increased year on year in the third quarter as those factors dropped out. As a result, consolidated net sales in the first nine months declined 12.6% year on year to ¥25,387 million. The Group took steps to curb advertising costs and other selling expenses and found savings in other administrative expenses, but that was insufficient to offset the impact of the decline in sales in the first half of the fiscal year. As a result, operating income declined 52.1% year on year to ¥1,106 million, ordinary income fell 46.5% to ¥1,266 million, and net income attributable to owners of the parent company declined 54.0% to ¥667 million.

Business results by segment are as follows.

< Men’s business >

Sales in the men’s business declined 7.3% year on year to ¥15,253 million, mainly reflecting a slump in sales of custom-made wigs due to the temporary closure of production sites in the Philippines amid the COVID-19 outbreak and other factors.

< Ladies’ business >

Sales in the ladies’ business fell 25.3% year on year to ¥6,591 million. In addition to the temporary closure of production sites in the Philippines, the ladies’ business was also affected by the reduced store opening hours, a decline in customer traffic and other factors.

< Ladies’ ready-made wigs business >

Sales in the ladies’ ready-made wigs business declined 9.3% year on year to ¥2,501 million, reflecting factors such as the temporary closure of retail facilities in which the Company’s stores are located.

(2) Analysis of financial position

Assets, liabilities and net assets

(Assets)

As of the end of the third quarter, total assets were ¥46,702 million, an increase of ¥3,539 million compared with the end of the previous fiscal year. Current assets increased ¥3,786 million, mainly due to a rise in cash and deposits, while non-current assets declined ¥247 million, primarily reflecting a drop in intangible assets.

(Liabilities)

As of the end of the third quarter, liabilities totaled ¥21,381 million, an increase of ¥3,555 million compared with the end of the previous fiscal year. Although accounts payable – other and income taxes payable declined, current liabilities rose ¥3,421 million, mainly due to increases for short-term borrowings and advances received.

(Net Assets)

As of the end of the third quarter, net assets were ¥25,321 million, a decrease of ¥16 million from the end of the previous fiscal year. This largely reflected a decrease in retained earnings.

(3) Qualitative information on consolidated financial forecasts

The Company has revised its consolidated financial forecasts for the fiscal year ending March 31, 2021 on January 29, 2021. For details of the revision, please refer to the “Announcement on the Revision of the Full-year Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2021” published on the same day (Japanese only).

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	17,096	20,908
Accounts receivable - trade	2,887	2,846
Securities	22	23
Merchandise and finished goods	2,095	2,368
Work in process	143	150
Raw materials and supplies	1,312	1,160
Others	1,003	888
Allowance for doubtful accounts	(6)	(6)
Total current assets	24,553	28,340
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,015	5,034
Others, net	4,083	3,986
Total property, plant and equipment	9,099	9,021
Intangible assets		
Goodwill	774	645
Others	648	523
Total intangible assets	1,422	1,168
Investments and other assets		
Others	8,143	8,231
Allowance for doubtful accounts	(55)	(58)
Total investments and other assets	8,087	8,173
Total non-current assets	18,610	18,362
Total assets	43,163	46,702

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable – trade	218	290
Short-term borrowings	—	3,000
Accounts payable – other	2,140	1,308
Income taxes payable	574	430
Advances received	5,270	6,860
Provision for bonuses	954	458
Provision for directors' bonuses	100	112
Provision for product warranties	38	29
Provision for point card certificates	96	106
Others	1,130	1,346
Total current liabilities	10,523	13,944
Non-current liabilities		
Net defined benefit liability	3,935	4,022
Asset retirement obligations	1,452	1,493
Others	1,914	1,920
Total non-current liabilities	7,302	7,437
Total liabilities	17,825	21,381
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,558	3,558
Retained earnings	19,141	18,902
Treasury shares	(1,099)	(1,089)
Total shareholders' equity	25,268	25,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(49)	91
Foreign currency translation adjustment	37	43
Remeasurements of defined benefit plans	(76)	(45)
Total accumulated other comprehensive income	(89)	89
Subscription rights to shares	145	182
Non-controlling interests	13	10
Total net assets	25,337	25,321
Total liabilities and net assets	43,163	46,702

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)

	(Millions of yen)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	29,049	25,387
Cost of sales	9,150	8,731
Gross profit	19,899	16,655
Selling, general and administrative expenses	17,590	15,548
Operating income	2,309	1,106
Non-operating income		
Interest income	53	39
Foreign exchange gains	3	—
Subsidy income	—	160
Others	40	32
Total non-operating income	97	232
Non-operating expenses		
Interest expenses	1	6
Foreign exchange losses	—	28
Guarantee commission	28	23
Others	8	15
Total non-operating expenses	38	73
Ordinary income	2,368	1,266
Extraordinary income		
Gain on sales of non-current assets	—	1
Total extraordinary income	—	1
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	11	24
Total extraordinary losses	11	24
Income before income taxes	2,357	1,243
Income taxes – current	717	436
Income taxes – deferred	190	142
Total income taxes	907	579
Net income	1,449	664
Net income (loss) attributable to non-controlling interests	0	(2)
Net income attributable to owners of the parent company	1,449	667

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(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income	1,449	664
Other comprehensive income		
Valuation difference on available-for-sale securities	35	141
Foreign currency translation adjustment	(17)	7
Remeasurements of defined benefit plans	30	30
Total other comprehensive income	47	179
Comprehensive income (loss)	1,497	843
(Comprehensive income (loss) attributable to)		
Owners of the parent company	1,497	846
Non-controlling interests	0	(2)

(3) Notes on quarterly consolidated financial statements

(Notes on the going concern assumption)

There is no related information.

(Notes on significant fluctuation in amounts of shareholders' equity)

There is no related information.