



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

July 30, 2020

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: August 6, 2020  
 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 first quarter ended June 30, 2020 (April 1, 2020 – June 30, 2020)

#### (1) Consolidated operating results

(Percentage figures show changes from the previous year.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2020	5,414	(37.0)	(1,971)	—	(1,963)	—	(1,439)	—
Three months ended June 30, 2019	8,598	1.2	365	(30.0)	371	(34.2)	207	(43.4)

Note: Comprehensive income (loss): Three months ended June 30, 2020: ¥-1,398 million (—%)  
 Three months ended June 30, 2019: ¥250 million (-0.6%)

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2020	(44.46)	—
Three months ended June 30, 2019	6.38	6.35

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2020	44,139	23,486	52.9	720.74
As of March 31, 2020	43,163	25,337	58.3	777.92

(Reference) Equity capital: As of June 30, 2020: ¥23,329 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	—				

Note: The dividend forecast for the fiscal year ending March 31, 2021 is undetermined.

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

Consolidated financial forecast and the dividend forecast for the fiscal year ending March 31, 2021 are undetermined, as estimating reasonably the impact of the global COVID-19 outbreak on the domestic economy and the Group's earnings is problematic at this stage. The Company plans to disclose its forecasts as soon as conditions allow.

#### 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 June 30, 2020	34,393,200 shares	As of March 31, 2020	34,393,200 shares
2) Number of treasury shares	As of June 30, 2020	2,025,139 shares	As of March 31, 2020	2,026,239 shares
3) Average number of shares issued and outstanding in each period	Three months ended June 30, 2020	32,367,442 shares	Three months ended June 30, 2019	32,554,402 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.)

Consolidated financial forecasts have not been provided, as the Company is currently unable to formulate reasonable estimates. For more details, 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 three months of fiscal 2021

In the first three months of fiscal 2021 (April – June 2020), economic conditions in Japan and overseas deteriorated sharply due to the impact of the global COVID-19 outbreak, the state of emergency declared in Japan and other developments. The outlook for the Japanese economy also remains highly uncertain.

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 business fields 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.

Despite those efforts, consolidated net sales in the first three months declined 37.0% year on year to ¥5,414 million, reflecting the impact of the COVID-19 outbreak, which temporarily halted production activities in the Philippines and led to the closure of some stores in Japan. 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 large decline in sales. As a result, the Group reported an operating loss of ¥1,971 million, versus operating income of ¥365 million a year earlier, an ordinary loss of ¥1,963 million, versus ordinary income of ¥371 million a year earlier, and net loss attributable to owners of the parent company of ¥1,439 million, versus net income of ¥207 million a year earlier.

Business results by segment are as follows.

#### < Men’s business >

Sales in the men’s business declined 32.8% year on year to ¥3,265 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 52.0% year on year to ¥1,330 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 28.3% year on year to ¥521 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 first quarter, total assets were ¥44,139 million, an increase of ¥976 million compared with the end of the previous fiscal year. Current assets increased ¥337 million, mainly due to a rise in cash and deposits, while non-current assets increased ¥639 million, primarily reflecting an increase in investments and other assets.

#### (Liabilities)

As of the end of the first quarter, liabilities totaled ¥20,653 million, an increase of ¥2,827 million compared with the end of the previous fiscal year. Although accounts payable – other and income taxes payable declined, current liabilities rose ¥2,789 million, mainly due to increases for short-term borrowings and advances received.

#### (Net Assets)

As of the end of the first quarter, net assets were ¥23,486 million, a decrease of ¥1,850 million from the end of the previous fiscal year. This largely reflected a decrease in retained earnings.

### (3) Qualitative information on consolidated financial forecasts

Consolidated financial forecasts for fiscal 2021 are undetermined, as estimating reasonably the impact of the global COVID-19 outbreak on the Group’s earnings is problematic at this stage. The Company plans to disclose its forecasts as soon as conditions allow.

**2. Quarterly consolidated financial statements and related notes**

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	17,096	17,688
Accounts receivable - trade	2,887	2,379
Securities	22	22
Merchandise and finished goods	2,095	2,326
Work in process	143	152
Raw materials and supplies	1,312	1,291
Others	1,003	1,036
Allowance for doubtful accounts	(6)	(6)
<b>Total current assets</b>	<b>24,553</b>	<b>24,890</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,015	5,135
Others, net	4,083	4,070
<b>Total property, plant and equipment</b>	<b>9,099</b>	<b>9,205</b>
Intangible assets		
Goodwill	774	712
Others	648	618
<b>Total intangible assets</b>	<b>1,422</b>	<b>1,330</b>
Investments and other assets		
Others	8,143	8,771
Allowance for doubtful accounts	(55)	(58)
<b>Total investments and other assets</b>	<b>8,087</b>	<b>8,712</b>
<b>Total non-current assets</b>	<b>18,610</b>	<b>19,249</b>
<b>Total assets</b>	<b>43,163</b>	<b>44,139</b>

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	218	299
Short-term borrowings	—	3,000
Accounts payable – other	2,140	776
Income taxes payable	574	68
Advances received	5,270	6,655
Provision for bonuses	954	1,363
Provision for directors' bonuses	100	137
Provision for product warranties	38	30
Provision for point card certificates	96	99
Others	1,130	881
<b>Total current liabilities</b>	<b>10,523</b>	<b>13,312</b>
Non-current liabilities		
Net defined benefit liability	3,935	3,949
Asset retirement obligations	1,452	1,467
Others	1,914	1,923
<b>Total non-current liabilities</b>	<b>7,302</b>	<b>7,340</b>
<b>Total liabilities</b>	<b>17,825</b>	<b>20,653</b>
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,558	3,558
Retained earnings	19,141	17,249
Treasury shares	(1,099)	(1,098)
<b>Total shareholders' equity</b>	<b>25,268</b>	<b>23,376</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(49)	10
Foreign currency translation adjustment	37	7
Remeasurements of defined benefit plans	(76)	(66)
<b>Total accumulated other comprehensive income</b>	<b>(89)</b>	<b>(47)</b>
Subscription rights to shares	145	145
Non-controlling interests	13	12
<b>Total net assets</b>	<b>25,337</b>	<b>23,486</b>
<b>Total liabilities and net assets</b>	<b>43,163</b>	<b>44,139</b>

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

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	8,598	5,414
Cost of sales	2,868	2,601
Gross profit	5,729	2,813
Selling, general and administrative expenses	5,364	4,784
Operating income (loss)	365	(1,971)
Non-operating income		
Interest income	17	14
Others	12	9
Total non-operating income	29	23
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	11	0
Guarantee commission	9	8
Others	2	5
Total non-operating expenses	23	15
Ordinary income (loss)	371	(1,963)
Extraordinary income		
Gain on sales of non-current assets	—	0
Total extraordinary income	—	0
Extraordinary losses		
Impairment loss	5	—
Total extraordinary losses	5	—
Income (loss) before income taxes	365	(1,962)
Income taxes – current	211	37
Income taxes – deferred	(53)	(560)
Total income taxes	157	(522)
Net income (loss)	208	(1,440)
Net income (loss) attributable to non-controlling interests	0	(0)
Net income (loss) attributable to owners of the parent company	207	(1,439)

## ARTNATURE INC. (7823) Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income (loss)	208	(1,440)
Other comprehensive income		
Valuation difference on available-for-sale securities	13	60
Foreign currency translation adjustment	18	(29)
Remeasurements of defined benefit plans	10	10
Total other comprehensive income	41	41
Comprehensive income (loss)	250	(1,398)
(Comprehensive income (loss) attributable to)		
Owners of the parent company	246	(1,397)
Non-controlling interests	3	(0)



(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.