



## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019 [J-GAAP]

January 30, 2019

Name of listed company: ARTNATURE INC. Listed on: Tokyo Stock Exchange  
 Securities code: 7823 URL: <http://www.artnature.co.jp/english/index.html>  
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 Scheduled date of filing the quarterly financial report: February 14, 2019  
 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, 2018 (April 1, 2018 – December 31, 2018)

#### (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, 2018	27,469	1.2	2,266	22.0	2,325	17.0	1,421	67.6
Nine months ended December 31, 2017	27,153	(5.3)	1,857	(17.4)	1,987	(16.9)	848	(43.8)

Note: Comprehensive income: Nine months ended December 31, 2018: ¥1,326 million (75.1%)  
 Nine months ended December 31, 2017: ¥757 million (-26.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2018	43.64	43.42
Nine months ended December 31, 2017	25.61	25.53

#### (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, 2018	40,959	24,332	59.1	744.09
As of March 31, 2018	40,888	24,021	58.6	731.51

(Reference) Equity capital: As of December 31, 2018: ¥24,218 million

As of March 31, 2018: ¥23,946 million

### 2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
Year ended March 31, 2018	Yen —	Yen 14.00	Yen —	Yen 14.00	Yen 28.00
Year ending March 31, 2019	—	14.00	—		
Year ending March 31, 2019 (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, 2019 (April 1, 2018 – March 31, 2019)

(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	38,000	2.0	2,796	8.4	2,813	3.9	1,517	69.1	46.34

Note: Revisions to the most recently announced earnings forecasts during the period: No

#### 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, accounting estimates and restatement of revisions

- 1) Changes in accounting policies due to revision of accounting standard, 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, 2018	34,393,200 shares	As of March 31, 2018	34,393,200 shares
2) Number of treasury shares	As of December 31, 2018	1,846,139 shares	As of March 31, 2018	1,657,038 shares
3) Average number of shares issued and outstanding in each period	Nine months ended December 31, 2018	32,581,097 shares	Nine months ended December 31, 2017	33,126,147 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 2019

In the first nine months of fiscal 2019 (April – December 2018), domestic corporate earnings strengthened, the employment environment continued to improve and consumer spending increased, albeit at a moderate pace. However, a string of natural disasters, including record rainfall in many regions, typhoons and earthquakes, had a negative impact on the Japanese economy, and growing uncertainties about the global economy caused by a trade dispute between the US and China and fluctuations in financial markets contributed to an unpredictable outlook.

Against this backdrop, the Group worked towards the goals of its medium-term management plan, the “ARTNATURE REBORN Plan” launched at the start of fiscal 2018. Specifically, the Company implemented a range of initiatives to progress the plan’s four key areas of focus – customer satisfaction, systemic reform, personnel training and employee satisfaction – into four outcomes.

As a result, consolidated net sales in the third quarter of the fiscal year increased 1.2% year on year to ¥27,469 million. Supported by the increase in net sales and efficient control of business costs, the Company reported operating income of ¥2,266 million (up 22.0%), ordinary income of ¥2,325 million (up 17.0%) and net income attributable to owners of the parent company of ¥1,421 million (up 67.6%).

#### < Men’s business >

Sales in the men’s business increased 2.4% year on year to ¥16,152 million. The business implemented a range of initiatives, such as reinforcing the customer supervisor system to improve customer retention and strengthening the skills and customer service capabilities of sales staff to improve customer satisfaction, leading to an increase in sales from new customers and from repeat customers.

#### < Ladies’ business >

Sales in the ladies’ business declined 0.9% year on year to ¥8,322 million. The business implemented various initiatives, such as efficiently and effectively holding trial fitting events, enhancing the skills, customer service and product proposal capabilities of sales staff, and building systems to create lasting long-term relationships with customers. However, sales were mainly affected by sluggish orders at trial fitting events.

#### < Ladies’ ready-made wigs business >

Sales in the JULLIA OLGGER business, which sells ladies’ ready-made wigs, increased 2.4% year on year to ¥2,232 million due to an increase in same-store sales. Sales growth was supported by various measures, such as highly targeted sales promotions at each salon and efforts to improve the skills, customer service and product proposal capabilities of sales staff, and by a successful tenth anniversary campaign.

### (2) Analysis of financial position

Assets, liabilities and net assets

#### (Assets)

As of the end of the third quarter, total assets were ¥40,959 million, an increase of ¥70 million from the end of the previous fiscal year. Current assets increased ¥184 million, and non-current assets decreased ¥113 million.

#### (Liabilities)

As of the end of the third quarter, liabilities totaled ¥16,626 million, a decline of ¥239 million from the end of the previous fiscal year. That mainly reflected decreases of ¥98 million in current liabilities and ¥140 million in non-current liabilities.

#### (Net Assets)

As of the end of the third quarter, net assets were ¥24,332 million, an increase of ¥310 million from the end of the previous fiscal year. This largely reflected an increase in retained earnings, which outweighed a decline due to the purchase of treasury shares and a drop in foreign currency translation adjustment.

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

The Company has not revised its consolidated forecasts for fiscal 2019 announced on May 15, 2018.

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

## (1) Quarterly consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2018	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	16,530	17,133
Notes and accounts receivable - trade	2,895	—
Accounts receivable - trade	—	2,761
Securities	140	31
Merchandise and finished goods	1,385	1,480
Work in process	105	114
Raw materials and supplies	1,510	1,375
Others	859	713
Allowance for doubtful accounts	(1)	(1)
Total current assets	23,426	23,610
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,210	5,388
Others, net	3,957	3,904
Total property, plant and equipment	9,167	9,293
Intangible assets		
Others	846	768
Total intangible assets	846	768
Investments and other assets		
Others	7,504	7,342
Allowance for doubtful accounts	(56)	(56)
Total investments and other assets	7,447	7,286
Total non-current assets	17,462	17,348
Total assets	40,888	40,959

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	151	189
Current portion of long-term loans payable	400	400
Accounts payable – other	2,413	1,316
Income taxes payable	162	494
Advances received	4,576	5,404
Provision for bonuses	845	427
Provision for directors' bonuses	110	112
Provision for product warranties	39	32
Provision for point card certificates	93	101
Others	995	1,212
<b>Total current liabilities</b>	<b>9,788</b>	<b>9,689</b>
Non-current liabilities		
Long-term loans payable	398	98
Net defined benefit liability	3,472	3,608
Asset retirement obligations	1,332	1,364
Others	1,873	1,865
<b>Total non-current liabilities</b>	<b>7,077</b>	<b>6,936</b>
<b>Total liabilities</b>	<b>16,866</b>	<b>16,626</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,557	3,558
Retained earnings	17,560	18,068
Treasury shares	(821)	(963)
<b>Total shareholders' equity</b>	<b>23,963</b>	<b>24,330</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	(36)
Foreign currency translation adjustment	88	1
Remeasurements of defined benefit plans	(106)	(76)
<b>Total accumulated other comprehensive income</b>	<b>(16)</b>	<b>(112)</b>
Subscription rights to shares	61	101
Non-controlling interests	13	12
<b>Total net assets</b>	<b>24,021</b>	<b>24,332</b>
<b>Total liabilities and net assets</b>	<b>40,888</b>	<b>40,959</b>

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

	(Millions of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	27,153	27,469
Cost of sales	8,654	8,659
Gross profit	18,498	18,809
Selling, general and administrative expenses	16,641	16,543
Operating income	1,857	2,266
Non-operating income		
Interest income	56	59
Foreign exchange gains	35	15
Insurance return	58	—
Others	42	34
Total non-operating income	192	110
Non-operating expenses		
Interest expenses	5	3
Guarantee commission	40	34
Others	17	13
Total non-operating expenses	63	51
Ordinary income	1,987	2,325
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	695	17
Loss on sales of shares of subsidiaries and associates	96	—
Total extraordinary losses	792	17
Income before income taxes	1,194	2,308
Income taxes – current	142	751
Income taxes – deferred	203	134
Total income taxes	346	886
Net income	848	1,421
Net income attributable to non-controlling interests	0	0
Net income attributable to owners of the parent company	848	1,421

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net income	848	1,421
Other comprehensive income		
Valuation difference on available-for-sale securities	27	(38)
Foreign currency translation adjustment	(158)	(87)
Remeasurements of defined benefit plans	39	30
Total other comprehensive income	(91)	(95)
Comprehensive income	757	1,326
(Comprehensive income attributable to)		
Owners of the parent company	756	1,326
Non-controlling interests	0	(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.

(Additional information)

Effective from the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). As a result, the Company now classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities.