



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2015 [J-GAAP]

July 30, 2014

Name of listed company: ARTNATURE INC. Listed on: Tokyo Stock Exchange  
 Securities code: 7823 URL: <http://www.artnature.co.jp/>  
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 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, 2014 (April 1, 2014 – June 30, 2014)

(1) Consolidated operating results (Percentage figures show changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2014	9,547	(1.4)	1,050	(48.9)	1,021	(50.7)	625	(48.4)
Three months ended June 30, 2013	9,678	25.9	2,055	230.6	2,072	221.3	1,213	249.0

Note: Comprehensive income: Three months ended June 30, 2014: ¥590 million (-54.1%)  
 Three months ended June 30, 2013: ¥1,287 million (220.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2014	37.94	37.70
Three months ended June 30, 2013	76.55	76.09

### (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, 2014	35,582	21,582	60.5	1,304.21
As of March 31, 2014	37,754	21,408	56.5	1,294.23

(Reference) Equity capital: As of June 30, 2014: ¥21,515 million As of March 31, 2014: ¥21,349 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, 2014	—	25.00	—	30.00	55.00
Year ending March 31, 2015	—				
Year ending March 31, 2015 (Forecast)		25.00	—	30.00	55.00

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

### 3. Consolidated financial forecast for the fiscal year ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentage figures show changes from the same period in the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	20,072	7.3	1,764	(37.1)	1,792	(36.7)	995	(38.5)	60.35
Full year	43,840	9.6	5,528	2.7	5,597	2.5	3,286	4.9	199.20

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.: Yes

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

Note: For more details, please refer to page 3 of the supplementary materials, "2. Summary (notes) information, (3) Changes in accounting policies, accounting estimates and restatement of revisions."

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

1) Number of shares issued and outstanding (including treasury shares)	As of June 30, 2014	17,168,700 shares	As of March 31, 2014	17,167,800 shares
2) Number of treasury shares	As of June 30, 2014	672,069 shares	As of March 31, 2014	672,069 shares
3) Average number of shares issued and outstanding in each period	Three months ended June 30, 2014	16,496,460 shares	Three months ended June 30, 2013	15,855,162 shares

\* **Disclosures related to the implementation of audit procedures**

The audit procedures for these quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

\* **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 3 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 the fiscal 2015

In the first three months of fiscal 2015 (April–June 2014), the Japanese economy showed signs of recovery, supported by the government's economic policies and monetary easing. However, the outlook remained uncertain due to rising prices caused by higher import prices and concerns about a slowdown in consumer spending after the increase to consumption tax in April.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) targeted further growth, based on four basic policies: establish a sales system that balances efficiency with high levels of customer satisfaction; create a global manufacturing system capable of rapidly delivering high-quality products at low cost; build a robust earnings structure by encouraging a greater emphasis on profits and by boosting productivity; and cultivate personnel that are resilient to change and establish a motivating workplace. Guided by these policies, the Group worked to improve customer retention by reinforcing product development capabilities and by improving the skills, customer service and product proposal capabilities of sales staff. The Group also actively held trial fitting events, expanded its network of JULIA OLGIER salons, which sell ladies' ready-made wigs, made preparations for the startup of a new production site in Cambodia and implemented a range of other initiatives.

As a result, for the first three months of fiscal 2015, the Group reported net sales of ¥9,547 million, down 1.4% year on year. Operating income fell 48.9% year on year to ¥1,050 million, mainly due to the drop in sales and aggressive spending on sales promotion. Ordinary income declined 50.7% to ¥1,021 million and net income dropped 48.4% to ¥625 million.

#### < Men's business >

Sales in the men's business rose 1.4% year on year to ¥5,440 million, due to initiatives such as reinforcing the customer supervisor system to improve customer retention and strengthening the skills, customer service and product proposal capabilities of sales staff.

#### < Ladies' business >

In the ladies' business, the Group implemented various initiatives. These included actively holding trial fitting events, working to improve customer satisfaction by enhancing the skills of sales staff, reinforcing customer follow-up support in stores, and enhancing technical capabilities to encourage customers to visit stores more regularly. However, these initiatives failed to offset the impact of the hike to consumption tax, with sales in the ladies' business declining 10.6% year on year to ¥3,258 million.

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

Sales in the JULIA OLGIER business, which sells ladies' ready-made wigs, increased 28.8% year on year to ¥693 million, mainly due to aggressive new salon openings in shopping malls and other locations.

### (2) Analysis of financial position

#### 1) Assets, liabilities and net assets

##### (Assets)

As of the end of the first quarter, total assets were ¥35,582 million, a drop of ¥2,172 million from the end of the previous fiscal year. Current assets decreased ¥2,381 million, mainly due to declines in cash and deposits and notes and accounts receivable – trade, while non-current assets rose ¥208 million, primarily reflecting an increase in intangible assets.

##### (Liabilities)

As of the end of the first quarter, liabilities totaled ¥13,999 million, a decline of ¥2,346 million from the end of the previous fiscal year. This mainly reflected a drop of ¥2,248 million in current liabilities, such as accounts payable – other, income taxes payable and advances received.

##### (Net Assets)

As of the end of the first quarter, net assets totaled ¥21,582 million, an increase of ¥174 million from the end of the previous fiscal year. This primarily reflected an increase of ¥201 million in retained earnings.

#### 2) Cash flow position

As of the fiscal year-end, cash and cash equivalents (cash) totaled ¥14,782 million, a decrease of ¥1,927 million compared with the end of the previous fiscal year. The Company's cash flow position and factors behind changes in cash flows were as follows:

##### (Cash flows from operating activities)

Operating activities used net cash of ¥828 million, compared with ¥832 million in the same period a year earlier. This mainly reflected income before income taxes and minority interests of ¥1,022 million, depreciation of ¥219 million, increase in provision for bonuses of ¥319 million and decrease in notes and accounts receivable – trade of ¥398 million, versus decrease in accounts payable – other of ¥589 million, income taxes paid of ¥1,453 million, and other cash used of ¥480 million to support operating activities.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥520 million, compared with ¥1,352 million in the same period a year earlier. This is primarily reflected purchase of property, plant and equipment of ¥280 million and purchase of intangible assets of ¥236 million.

**(Cash flows from financing activities)**

Financing activities used net cash of ¥541 million, compared with ¥398 million in the same period a year earlier. This mainly reflected cash dividends paid of ¥476 million and repayments of lease obligations of ¥65 million.

(3) Qualitative information on consolidated financial forecasts

The full-year financial forecasts announced on May 14, 2014 are unchanged.

**2. Summary (notes) information**

(1) Significant changes to subsidiaries during the period

There is no related information.

(2) Application of the specific accounting methods for preparing the quarterly consolidated financial statements

There is no related information.

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

(Application of “Accounting Standard for Retirement Benefits,” etc.)

Effective from the first quarter of fiscal 2015, the Company has applied the provisions in paragraph 35 of “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No.26, May 17, 2012) and the provisions in paragraph 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, May 17, 2012). Accordingly, the Company reviewed the calculation method for retirement benefit obligations and service costs, retaining the straight-line method to attribute projected retirement benefit obligations to each fiscal period and changing the method for determining the discount rate to multiple discount rates for each period.

The application of the accounting standard for retirement benefits, etc. conforms with the transitional treatment stipulated in Item 37 of the Accounting Standard for Retirement Benefits, and the effect of the change in calculation method of retirement benefit obligations and service costs is adjusted in retained earnings at the start of the first quarter of the current fiscal year.

As a result, at the start of the first quarter of the current fiscal year, net defined benefit liability decreased by ¥109,439,000 and retained earnings increased by ¥70,435,000. The application of the accounting standard for retirement benefits, etc. had an immaterial impact on operating income, ordinary income and net income in the first quarter of the current fiscal year.

(Application of “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts”)

Effective from the first quarter of the current fiscal year, the Company adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Accounting Standards Board of Japan Practical Issues Task Force No. 30, December 25, 2013). However, the Company has continued to apply existing accounting policy to trust contracts that were concluded before the start of the first quarter of the fiscal year under review.

**3. Going concern assumptions, etc.**

There is no related information.

**4. Quarterly consolidated financial statements**

## (1) Quarterly consolidated balance sheets

	(Thousands of yen)	
	As of March 31, 2014	As of June 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	14,690,314	12,762,648
Accounts receivable – trade	4,950,216	4,548,317
Securities	2,019,818	2,020,047
Merchandise and finished goods	1,511,546	1,584,380
Work in process	124,072	112,752
Raw materials and supplies	1,034,979	1,023,282
Others	1,541,692	1,434,131
Allowance for doubtful accounts	(19,677)	(13,809)
Total current assets	25,852,963	23,471,751
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,062,714	4,102,584
Others, net	2,772,537	2,755,855
Total property, plant and equipment	6,835,251	6,858,440
Intangible assets		
Others	445,670	630,464
Total intangible assets	445,670	630,464
Investments and other assets		
Others	4,684,435	4,685,196
Allowance for doubtful accounts	(63,527)	(63,348)
Total investments and other assets	4,620,907	4,621,847
Total non-current assets	11,901,830	12,110,753
Total assets	37,754,793	35,582,504

(Thousands of yen)

	As of March 31, 2014	As of June 30, 2014
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	358,818	241,711
Accounts payable – other	2,013,447	1,234,118
Income taxes payable	1,557,281	363,039
Advances received	4,802,951	4,213,797
Provision for bonuses	905,878	1,225,209
Provision for directors' bonuses	150,000	37,500
Provision for product warranties	31,206	30,336
Provision for point card certificates	67,760	67,614
Others	1,411,324	1,636,939
<b>Total current liabilities</b>	<b>11,298,669</b>	<b>9,050,266</b>
<b>Non-current liabilities</b>		
Provision for directors' retirement benefits	1,202,065	1,194,876
Net defined benefit liability	2,496,107	2,438,195
Asset retirement obligations	1,067,620	1,085,685
Others	281,382	230,512
<b>Total non-current liabilities</b>	<b>5,047,176</b>	<b>4,949,269</b>
<b>Total liabilities</b>	<b>16,345,845</b>	<b>13,999,536</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,662,925	3,663,060
Capital surplus	3,550,447	3,550,582
Retained earnings	14,626,624	14,828,058
Treasury shares	(531,433)	(531,433)
<b>Total shareholders' equity</b>	<b>21,308,564</b>	<b>21,510,268</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,329	4,944
Foreign currency translation adjustment	167,253	117,019
Remeasurements of defined benefit plans	(129,939)	(117,170)
<b>Total accumulated other comprehensive income</b>	<b>40,643</b>	<b>4,793</b>
Subscription rights to shares	51,368	59,073
Minority interests in income	8,371	8,833
<b>Total net assets</b>	<b>21,408,947</b>	<b>21,582,968</b>
<b>Total liabilities and net assets</b>	<b>37,754,793</b>	<b>35,582,504</b>

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

	(Thousands of yen)	
	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	9,678,082	9,547,308
Cost of sales	2,475,668	2,598,997
Gross profit	7,202,414	6,948,311
Selling, general and administrative expenses	5,146,945	5,897,925
Operating income	2,055,468	1,050,385
Non-operating income		
Interest income	17,975	25,156
Dividend income	172	—
Others	21,030	16,369
Total non-operating income	39,179	41,525
Non-operating expenses		
Foreign exchange losses	1,395	35,547
Guarantee commission	15,723	16,374
Others	5,337	17,998
Total non-operating expenses	22,455	69,920
Ordinary income	2,072,191	1,021,989
Extraordinary income		
Gain on sales of non-current assets	—	888
Total extraordinary income	—	888
Extraordinary losses		
Loss on retirement of non-current assets	7,418	79
Total extraordinary losses	7,418	79
Income before income taxes and minority interests	2,064,773	1,022,799
Income taxes – current	908,742	343,451
Income taxes – deferred	(58,809)	52,680
Total income taxes	849,933	396,131
Income before minority interests	1,214,840	626,667
Minority interests in income	1,194	796
Net income	1,213,645	625,870



(Statements of comprehensive income)

	(Thousands of yen)	
	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	1,214,840	626,667
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,158)	1,614
Foreign currency translation adjustment	74,018	(50,568)
Remeasurements of defined benefit plans	—	12,768
Total other comprehensive income	72,859	(36,185)
Comprehensive income	1,287,700	590,482
(Comprehensive income attributable to)		
Owners of the parent	1,286,125	590,020
Minority interests	1,574	461

## (3) Quarterly consolidated statements of cash flows

	(Thousands of yen)	
	Three months ended June 30, 2013	Three months ended June 30, 2014
<b>Cash flows from operating activities</b>		
Income before income taxes	2,064,773	1,022,799
Depreciation	179,231	219,854
Increase (decrease) in allowance for doubtful accounts	(429)	(6,046)
Increase (decrease) in provision for bonuses	398,863	319,330
Increase (decrease) in provision for directors' bonuses	(112,500)	(112,500)
Increase (decrease) in provision for product warranties	2,774	(870)
Increase (decrease) in provision for point card certificates	6,477	(145)
Increase (decrease) in provision for retirement benefits	70,433	—
Increase (decrease) in provision for directors' retirement benefits	12,917	(7,188)
Increase (decrease) in net defined benefit liability	—	51,527
Interest and dividend income	(18,148)	—
Interest income	—	(25,156)
Loss on retirement of non-current assets	7,418	79
Loss (gain) on sales of non-current assets	—	(888)
Decrease (increase) in notes and accounts receivable – trade	(598,065)	398,764
Decrease (increase) in inventories	(47,409)	(59,260)
Increase (decrease) in notes and accounts payable – trade	(77,404)	(115,950)
Increase (decrease) in advances received	(650,727)	(589,154)
Others	(973,880)	(480,820)
Subtotal	264,326	614,374
Interest income received	—	10,482
Interest and dividend income received	6,742	—
Income taxes paid	(1,103,754)	(1,453,833)
Net cash provided by (used in) operating activities	(832,684)	(828,977)
<b>Cash flows from investing activities</b>		
Purchase of securities	(1,000,000)	—
Purchase of property, plant and equipment	(291,231)	(280,527)
Proceeds from sales of property, plant and equipment	—	1,205
Purchase of intangible assets	(30,354)	(236,570)
Collection of long-term loans receivable	396	198
Payments for lease and guarantee deposits	(35,717)	(64,432)
Proceeds from collection of lease and guarantee deposits	7,344	55,780
Others	(2,894)	4,000
Net cash provided by (used in) investing activities	(1,352,458)	(520,345)
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(27,994)	(65,855)
Proceeds from issuance of common shares	—	270
Cash dividends paid	(370,353)	(476,203)
Net cash provided by (used in) financing activities	(398,347)	(541,789)
Effect of exchange rate change on cash and cash equivalents	35,501	(36,324)
Net increase (decrease) in cash and cash equivalents	(2,547,988)	(1,927,436)
Cash and cash equivalents at beginning of period	14,885,330	16,710,133
Cash and cash equivalents at end of period	12,337,341	14,782,696

(4) 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.