



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 [J-GAAP]

July 28, 2022

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 4, 2022
 Scheduled date of the start of dividends distribution: —
 Supplementary quarterly materials prepared: None
 Explanation meeting for quarterly financial results: None

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

1. Consolidated results for the first quarter ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(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	%
Three months ended June 30, 2022	10,414	9.5	1,225	35.5	1,260	49.7	790	61.8
June 30, 2021	9,513	75.7	904	—	842	—	488	—

Note: Comprehensive income: Three months ended June 30, 2022: ¥752 million (28.8%)
 Three months ended June 30, 2021: ¥584 million (—%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended June 30, 2022	24.60		24.32	
June 30, 2021	15.22		15.07	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	
As of June 30, 2022	45,933	24,903	53.7	767.94
As of March 31, 2022	46,510	24,596	52.4	758.47

(Reference) Equity capital: As of June 30, 2022: ¥24,684 million As of March 31, 2022: ¥24,367 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
Year ended March 31, 2022	—	14.00	—	14.00	28.00
Year ending March 31, 2023	—				
Year ending March 31, 2023 (forecast)		14.00	—	14.00	28.00

Note: Revisions to dividend forecasts published most recently: None

3. Consolidated financial forecast for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	41,991	3.8	2,105	(30.3)	2,155	(29.1)	1,137	(5.6)	35.40

Note: Revisions to most recently announced results forecasts: None

Notes:

- (1) Significant changes to subsidiaries during the period (Transfers of specific subsidiaries with changes in the scope of consolidation): None
- (2) Application of specific accounting methods for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement of revisions
- 1) Changes in accounting policies due to revision of accounting standards, etc.: Yes
 - 2) Changes in accounting policies other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of revisions: None

Note: More information is provided on page 7 of the supplementary materials, “2. Quarterly consolidated financial statements and related notes, (3) Notes on quarterly consolidated financial statements (Changes in accounting policies).”

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

1) Number of shares issued and outstanding (including treasury shares)			
As of June 30, 2022	34,393,200 shares	As of March 31, 2022	34,393,200 shares
2) Number of treasury shares			
As of June 30, 2022	2,249,539 shares	As of March 31, 2022	2,266,339 shares
3) Average number of shares issued and outstanding in each period			
Three months ended June 30, 2022	32,128,780 shares	Three months ended June 30, 2021	32,097,256 shares

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

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

(Cautionary statement regarding forward-looking statements, etc.)

Forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed reasonable by the Company. Actual results may differ materially from forward-looking statements due to a number of factors. For more information about these assumptions and other conditions that form the basis of these forecasts, please see 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 2023

During the first quarter of the consolidated fiscal year under review, the situation surrounding the Japanese economy remained uncertain because the surge in crude oil and raw material prices, which was attributable to the Russian invasion of Ukraine and sharp weakening of the yen, started to affect consumer spending. However, there were signs of a recovery in consumer spending following the easing of restraints on a range of activities that had been enforced to prevent the spread of COVID-19.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) saw the ARTNATURE Challenge Plan, the three-year medium-term management plan, mark its final year. Under the plan, we have been implementing six priority challenge initiatives, as we did in the previous year: (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, with the aim of strengthening the ARTNATURE Group's position in existing businesses and further expanding new businesses to build the foundations for a new ARTNATURE capable of opening up the next phase in the Group's history. At the same time, we have continued to take comprehensive measures to prevent COVID-19 infections in our business activities. As a result, consolidated net sales in the first three months under review increased 9.5% year on year to ¥10,414 million. In terms of profits, operating income stood at ¥1,225 million (increasing 35.5% year on year), and ordinary income came to ¥1,260 million (increasing 49.7% year on year) due to an increase in net sales. Net income attributable to owners of the parent company was ¥790 million (increasing 61.8% year on year).

Business results by segment are as follows.

< Men's business >

Sales in the men's business increased 1.5% year on year, to ¥5,394 million, as a result of the sale of new products and the promotion of customer retention programs, among other initiatives.

< Ladies' business >

Sales in the ladies' business climbed 19.5% year on year, to ¥3,561 million, mainly reflecting strong sales of new products and an increase in the number of exhibition and trial fitting events held as well as that of products sold.

< Ladies' ready-made wigs business >

Sales in the ladies' ready-made wigs business rose 26.0% year on year, to ¥1,072 million, chiefly reflecting an increase in the number of products sold due to a rise in the number of customers visiting 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 ¥45,933 million, a decrease of ¥576 million compared with the end of the previous fiscal year. Current assets decreased ¥758 million, mainly due to a fall in cash and deposits, while non-current assets increased ¥181 million, primarily reflecting an increase in investments and other assets.

(Liabilities)

As of the end of the first quarter, liabilities totaled ¥21,030 million, a decrease of ¥883 million compared with the end of the previous fiscal year. This was largely due to decreases in accounts payable-other, income taxes payable and advances received, as well as a decrease of ¥946 million in current liabilities mainly due to increases in provision for bonuses and others in current liabilities.

(Net Assets)

As of the end of the first quarter, net assets were ¥24,903 million, an increase of ¥306 million compared with the end of the previous fiscal year. This largely reflected an increase in retained earnings.

(3) Qualitative information on consolidated financial forecasts

Consolidated financial forecasts for the fiscal year ending March 31, 2023 remain the same as those announced on May 13, 2022.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	19,546	18,626
Accounts receivable – trade	3,066	2,754
Securities	23	25
Merchandise and finished goods	3,050	3,225
Work in process	182	186
Raw materials and supplies	1,195	1,227
Others	964	1,224
Allowance for doubtful accounts	(5)	(6)
Total current assets	28,021	27,263
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,779	4,783
Others, net	3,915	3,976
Total property, plant and equipment	8,694	8,759
Intangible assets		
Goodwill	233	209
Others	441	426
Total intangible assets	674	636
Investments and other assets		
Others	9,512	9,719
Allowance for doubtful accounts	(393)	(444)
Total investments and other assets	9,119	9,274
Total non-current assets	18,488	18,670
Total assets	46,510	45,933

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable – trade	320	408
Accounts payable – other	2,288	1,145
Income taxes payable	929	639
Advances received	6,502	6,155
Provision for bonuses	1,053	1,550
Provision for directors' bonuses	145	37
Provision for product warranties	36	37
Others	2,961	3,315
Total current liabilities	14,237	13,290
Non-current liabilities		
Net defined benefit liability	4,170	4,205
Asset retirement obligations	1,547	1,571
Others	1,959	1,963
Total non-current liabilities	7,676	7,739
Total liabilities	21,914	21,030
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,557	3,560
Retained earnings	18,307	18,648
Treasury shares	(1,272)	(1,262)
Total shareholders' equity	24,260	24,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62	2
Foreign currency translation adjustment	14	30
Remeasurements of defined benefit plans	29	38
Total accumulated other comprehensive income	106	71
Subscription rights to shares	217	208
Non-controlling interests	12	10
Total net assets	24,596	24,903
Total liabilities and net assets	46,510	45,933

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

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	9,513	10,414
Cost of sales	3,085	3,278
Gross profit	6,428	7,135
Selling, general and administrative expenses	5,523	5,909
Operating income	904	1,225
Non-operating income		
Interest income	11	15
Gain on investments in investment partnerships	10	—
Foreign exchange gains	—	69
Others	14	10
Total non-operating income	36	95
Non-operating expenses		
Foreign exchange losses	9	—
Provision of allowance for doubtful accounts	81	51
Guarantee commission	6	6
Others	1	2
Total non-operating expenses	99	60
Ordinary income	842	1,260
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Impairment loss	0	2
Total extraordinary losses	0	2
Income before income taxes	841	1,258
Income taxes – current	459	566
Income taxes – deferred	(104)	(97)
Total income taxes	354	469
Net income	487	789
Loss attributable to non-controlling interests	(1)	(0)
Net income attributable to owners of the parent company	488	790

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income	487	789
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(60)
Foreign currency translation adjustment	77	14
Remeasurements of defined benefit plans	7	9
Total other comprehensive income	97	(36)
Comprehensive income	584	752
(Comprehensive income attributable to)		
Owners of the parent company	585	754
Non-controlling interests	(1)	(1)

(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.

(Changes in accounting policies)

The Company decided to start applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") at the beginning of the first quarter under review, while also implementing the new accounting policy stipulated in the Fair Value Measurement Implementation Guidance according to the provisional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance into the future. This application has no impact on quarterly consolidated financial statements.