



Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2023

[J-GAAP]

January 30, 2023

Name of listed company: ARTNATURE INC. Listed on: Tokyo Stock Exchange
 Securities code: 7823 URL: <https://www.artnature.co.jp/english/index.html>
 Representative: Yoshikata Igarashi, Chairman and President
 Contact: Hiroaki Inoue, General Manager, Finance & Accounting Division TEL: +81-3-3379-3334
 Senior Corporate Officer
 Scheduled date of filing the quarterly financial report: February 14, 2023
 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 nine months ended December 31, 2022 (April 1, 2022 – December 31, 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	%
Nine months ended								
December 31, 2022	32,337	7.5	3,338	20.0	3,275	18.8	2,017	20.5
December 31, 2021	30,075	18.5	2,782	151.3	2,757	117.8	1,674	151.0

Note: Comprehensive income: Nine months ended December 31, 2022: ¥2,033 million (17.0%)
 Nine months ended December 31, 2021: ¥1,738 million (106.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
December 31, 2022	62.51	61.75
December 31, 2021	52.15	51.59

(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, 2022	46,441	26,009	55.4	792.88
March 31, 2022	46,510	24,596	52.4	758.47

(Reference) Equity capital: As of December 31, 2022: ¥25,746 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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	14.00	—	14.00	28.00
Year ending March 31, 2023	—	14.00	—		
Year ending March 31, 2023 (forecast)				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	42,946	6.2	3,533	17.0	3,474	14.4	1,817	50.9	56.22

Note: Revisions to most recently announced results forecasts: Yes
 For the revision to the results forecast, see the Notice Regarding the Revision of the Financial Forecast for the Fiscal Year Ending March 31, 2023 announced on January 30, 2023.

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 8 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 December 31, 2022	34,393,200 shares	As of March 31, 2022	34,393,200 shares
2) Number of treasury shares			
As of December 31, 2022	1,921,539 shares	As of March 31, 2022	2,266,339 shares
3) Average number of shares issued and outstanding in each period			
Nine months ended December 31, 2022	32,272,488 shares	Nine months ended December 31, 2021	32,106,053 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 3 of the supplementary materials, “1. Analysis of operating results and financial position, (3) Qualitative information on consolidated financial forecasts.”

Contents

1. Analysis of operating results and financial position	2
(1) Analysis of operating results	2
(2) Analysis of financial position	2
(3) Qualitative information on consolidated financial forecasts	3
2. Quarterly consolidated financial statements and related notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and comprehensive income	6
(Quarterly consolidated statements of income)	6
(Quarterly consolidated statements of comprehensive income)	7
(3) Notes on quarterly consolidated financial statements	8
(Notes on the going concern assumption)	8
(Notes on significant fluctuation in amounts of shareholders' equity)	8
(Changes in accounting policies)	8

1. Analysis of operating results and financial position

(1) Analysis of operating results

Operating results for the first nine months of fiscal 2023

In the first nine months of fiscal 2023 (April-December 2022), although there were signs of a recovery in consumer spending due to the easing of restraints on a range of activities that had been enforced because of the spread of COVID-19, the situation surrounding the Japanese economy remained uncertain because of upward pressure on prices chiefly due to the surge in crude oil and raw material prices, which was attributable to the prolonged war in Ukraine, and changes in exchange rates affecting consumer spending.

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 nine months under review increased 7.5% year on year to ¥32,337 million. In terms of profits, operating income stood at ¥3,338 million (increasing 20.0% year on year), and ordinary income came to ¥3,275 million (increasing 18.8% year on year) due to an increase in net sales. Net income attributable to owners of the parent company was ¥2,017 million (increasing 20.5% year on year).

Business results by segment are as follows.

< Men's business >

Sales in the men's business increased 3.3% year on year, to ¥17,519 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 12.0% year on year, to ¥9,875 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 12.4% year on year, to ¥3,631 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 third quarter, total assets were ¥46,441 million, a decrease of ¥68 million compared with the end of the previous fiscal year. Current assets increased ¥115 million, mainly due to an increase in merchandise and finished goods and a decrease in cash and deposits, while non-current assets decreased ¥184 million, primarily reflecting a decrease in investments and other assets.

(Liabilities)

As of the end of the third quarter, liabilities totaled ¥20,431 million, a decrease of ¥1,482 million compared with the end of the previous fiscal year. This was largely due to a decrease of ¥1,424 million in current liabilities chiefly due to decreases in accounts payable-other, income taxes payable and provision for bonuses.

(Net assets)

As of the end of the third quarter, net assets were ¥26,009 million, an increase of ¥1,413 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

The Company revised its consolidated financial forecasts for the fiscal year ending March 31, 2023 on January 30, 2023. For details of the revision, see the Notice Regarding the Revision of the Financial Forecast for the Fiscal Year Ending March 31, 2023 announced on January 30, 2023.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	19,546	18,930
Accounts receivable – trade	3,066	3,216
Securities	23	26
Merchandise and finished goods	3,050	3,409
Work in process	182	194
Raw materials and supplies	1,195	1,456
Others	964	908
Allowance for doubtful accounts	(5)	(4)
Total current assets	28,021	28,137
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,779	4,695
Others, net	3,915	4,157
Total property, plant and equipment	8,694	8,853
Intangible assets		
Goodwill	233	163
Others	441	411
Total intangible assets	674	574
Investments and other assets		
Others	9,512	9,402
Allowance for doubtful accounts	(393)	(525)
Total investments and other assets	9,119	8,877
Total non-current assets	18,488	18,304
Total assets	46,510	46,441

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable – trade	320	360
Accounts payable – other	2,288	1,402
Income taxes payable	929	434
Advances received	6,502	6,325
Provision for bonuses	1,053	530
Provision for directors' bonuses	145	112
Provision for product warranties	36	40
Others	2,961	3,605
Total current liabilities	14,237	12,813
Non-current liabilities		
Net defined benefit liability	4,170	4,321
Asset retirement obligations	1,547	1,538
Others	1,959	1,759
Total non-current liabilities	7,676	7,618
Total liabilities	21,914	20,431
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,557	3,612
Retained earnings	18,307	19,421
Treasury shares	(1,272)	(1,078)
Total shareholders' equity	24,260	25,622
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62	(14)
Foreign currency translation adjustment	14	105
Remeasurements of defined benefit plans	29	32
Total accumulated other comprehensive income	106	123
Subscription rights to shares	217	251
Non-controlling interests	12	11
Total net assets	24,596	26,009
Total liabilities and net assets	46,510	46,441

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	30,075	32,337
Cost of sales	9,460	10,307
Gross profit	20,615	22,029
Selling, general and administrative expenses	17,833	18,690
Operating income	2,782	3,338
Non-operating income		
Interest income	35	32
Foreign exchange gains	36	34
Subsidy income	15	1
Others	45	25
Total non-operating income	133	93
Non-operating expenses		
Provision of allowance for doubtful accounts	128	132
Guarantee commission	20	18
Others	8	6
Total non-operating expenses	157	156
Ordinary income	2,757	3,275
Gain on sales of non-current assets	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	21	19
Total extraordinary losses	21	19
Income before income taxes	2,737	3,255
Income taxes – current	944	1,014
Income taxes – deferred	124	221
Total income taxes	1,068	1,236
Net income	1,668	2,019
Net income (loss) attributable to non-controlling interests	(5)	1
Net income attributable to owners of the parent company	1,674	2,017

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net income	1,668	2,019
Other comprehensive income		
Valuation difference on available-for-sale securities	25	(77)
Foreign currency translation adjustment	23	89
Remeasurements of defined benefit plans	21	2
Total other comprehensive income	70	14
Comprehensive income	1,738	2,033
(Comprehensive income attributable to)		
Owners of the parent company	1,743	2,033
Non-controlling interests	(5)	(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.

(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, 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.