



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 [J-GAAP]

July 27, 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 Senior Corporate Officer TEL: +81-3-3379-3334
 Scheduled date of filing the quarterly financial report: August 9, 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 quarter ended June 30, 2023 (April 1, 2023 – June 30, 2023)

(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, 2023	10,607	1.8	1,083	(11.6)	1,106	(12.2)	692	(12.4)
June 30, 2022	10,414	9.5	1,225	35.5	1,260	49.7	790	61.8

Note: Comprehensive income: Three months ended June 30, 2023: ¥719 million (-4.5%)

Three months ended June 30, 2022: ¥752 million (28.8%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended June 30, 2023	21.32		21.05	
June 30, 2022	24.60		24.32	

(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, 2023	46,939	26,198	55.3	798.40
As of March 31, 2023	47,956	25,927	53.5	790.26

(Reference) Equity capital: As of June 30, 2023: ¥25,951 million

As of March 31, 2023: ¥25,662 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
Year ended March 31, 2023	—	14.00	—	14.00	28.00
Year ending March 31, 2024	—	—	—	—	—
Year ending March 31, 2024 (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, 2024 (April 1, 2023 – March 31, 2024)

(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	44,763	3.6	3,743	4.8	3,821	8.1	2,140	14.2	65.92

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

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|--|------|
| 1) Changes in accounting policies due to revision of accounting standards, etc.: | None |
| 2) Changes in accounting policies other than 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatement of revisions: | None |

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

- | | | | |
|--|-------------------|----------------------------------|-------------------|
| 1) Number of shares issued and outstanding (including treasury shares) | | | |
| As of June 30, 2023 | 34,393,200 shares | As of March 31, 2023 | 34,393,200 shares |
| 2) Number of treasury shares | | | |
| As of June 30, 2023 | 1,888,439 shares | As of March 31, 2023 | 1,919,239 shares |
| 3) Average number of shares issued and outstanding in each period | | | |
| Three months ended June 30, 2023 | 32,477,370 shares | Three months ended June 30, 2022 | 32,128,780 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."

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	2
2. Quarterly consolidated financial statements and related notes	3
(1) Quarterly consolidated balance sheets	3
(2) Quarterly consolidated statements of income and comprehensive income	5
(Quarterly consolidated statements of income)	5
(Quarterly consolidated statements of comprehensive income)	6
(3) Notes on quarterly consolidated financial statements	7
(Notes on the going concern assumption)	7
(Notes on significant fluctuation in amounts of shareholders' equity)	7

1. Analysis of operating results and financial position

(1) Analysis of operating results

During the first quarter of the consolidated fiscal year under review, the Japanese economy saw signs of a recovery in consumer spending, given the normalization of economic activities attributable partly to the reclassification of COVID-19 in May 2023 under the Infectious Diseases Control Law. However, it continued to face an uncertain situation, partly reflecting a rise in the cost of living due chiefly to the weakening of the yen and surges in raw material and energy prices.

Against this backdrop, the Group formulated the ARTNATURE Advance Plan, a new medium-term management plan, and began to implement it in the current fiscal year. Amid the current situation where the future outlook is still uncertain, the Group has been leveraging its strengths and tackling a range of issues to enhance its business performances and increase its market share in the haircare industry, while simultaneously promoting its business activities by expanding businesses acquired in new areas with a view to taking a significant leap for the creation of a new ARTNATURE capable of opening up the next phase.

As a result, consolidated net sales in the first three months under review increased 1.8% year on year to ¥10,607 million. In terms of profits, while net sales rose, operating income and ordinary income stood at ¥1,083 million (down 11.6% year on year) and ¥1,106 million (down 12.2% year on year), respectively, due to increases in the cost of sales, sales expenses and general and administrative expenses. Similarly, net income attributable to owners of the parent company came to ¥692 million (down 12.4% year on year).

Business results by segment are as follows.

Men's business

Sales in the men's business increased 1.3% year on year, to ¥5,466 million, as a result of promotion of customer retention programs, among other initiatives.

Ladies' business

Sales in the ladies' business rose 1.3% year on year, to ¥3,608 million, chiefly reflecting a rise in the number of customers visiting the Company's stores.

Ladies' ready-made wigs business

Sales in the ladies' ready-made wigs business rose 13.0% year on year, to ¥1,212 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 ¥46,939 million, a decrease of ¥1,016 million compared with the end of the previous fiscal year. Current assets decreased ¥1,069 million, mainly due to a fall in cash and deposits, while non-current assets increased ¥52 million, primarily reflecting an increase in investments and other assets.

(Liabilities)

As of the end of the first quarter, liabilities totaled ¥20,740 million, a decrease of ¥1,288 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 ¥1,390 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 ¥26,198 million, an increase of ¥271 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, 2024 remain the same as those announced on May 12, 2023.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	20,180	19,339
Accounts receivable – trade	3,044	2,790
Securities	25	26
Merchandise and finished goods	3,379	3,272
Work in process	203	207
Raw materials and supplies	1,364	1,451
Others	1,116	1,158
Allowance for doubtful accounts	(4)	(4)
Total current assets	29,310	28,241
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,675	4,622
Others, net	4,120	4,116
Total property, plant and equipment	8,795	8,738
Intangible assets		
Goodwill	54	45
Others	504	534
Total intangible assets	558	579
Investments and other assets		
Others	9,838	9,962
Allowance for doubtful accounts	(547)	(582)
Total investments and other assets	9,291	9,380
Total non-current assets	18,645	18,698
Total assets	47,956	46,939

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable – trade	318	334
Accounts payable – other	2,205	1,083
Income taxes payable	995	491
Advances received	6,184	5,939
Provision for bonuses	1,252	1,590
Provision for directors' bonuses	145	37
Provision for product warranties	43	45
Others	3,403	3,635
Total current liabilities	14,548	13,157
Non-current liabilities		
Net defined benefit liability	4,165	4,238
Asset retirement obligations	1,545	1,562
Others	1,769	1,781
Total non-current liabilities	7,480	7,582
Total liabilities	22,028	20,740
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,613	3,619
Retained earnings	19,278	19,516
Treasury shares	(1,077)	(1,060)
Total shareholders' equity	25,481	25,742
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	42
Foreign currency translation adjustment	46	46
Remeasurements of defined benefit plans	124	119
Total accumulated other comprehensive income	181	209
Subscription rights to shares	251	235
Non-controlling interests	12	12
Total net assets	25,927	26,198
Total liabilities and net assets	47,956	46,939

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

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	10,414	10,607
Cost of sales	3,278	3,487
Gross profit	7,135	7,119
Selling, general and administrative expenses	5,909	6,036
Operating income	1,225	1,083
Non-operating income		
Interest income	15	11
Foreign exchange gains	69	45
Others	10	12
Total non-operating income	95	69
Non-operating expenses		
Provision of allowance for doubtful accounts	51	34
Guarantee commission	6	5
Others	2	5
Total non-operating expenses	60	46
Ordinary income	1,260	1,106
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	2	2
Total extraordinary losses	2	2
Income before income taxes	1,258	1,104
Income taxes – current	566	418
Income taxes – deferred	(97)	(5)
Total income taxes	469	412
Net income	789	691
Loss attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of the parent company	790	692

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Net income	789	691
Other comprehensive income		
Valuation difference on available-for-sale securities	(60)	32
Foreign currency translation adjustment	14	0
Remeasurements of defined benefit plans	9	(5)
Total other comprehensive income	(36)	27
Comprehensive income	752	719
(Comprehensive income attributable to)		
Owners of the parent company	754	720
Non-controlling interests	(1)	(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.