



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025 [J-GAAP]

July 30, 2024

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 the start of dividends distribution: —
 Supplementary documents for this summary of financial statements: Yes
 Financial results explanatory meeting: None

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

1. Consolidated results for the first quarter ended June 30, 2024 (April 1, 2024 – June 30, 2024)

(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, 2024	10,166	(4.2)	391	(63.9)	398	(64.0)	201	(70.9)
June 30, 2023	10,607	1.8	1,083	(11.6)	1,106	(12.2)	692	(12.4)

Note: Comprehensive income: Three months ended June 30, 2024: ¥277 million (-61.4%)
 Three months ended June 30, 2023: ¥719 million (-4.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2024	6.19	6.11
June 30, 2023	21.32	21.05

(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, 2024	49,538	26,693	53.3	811.69
As of March 31, 2024	49,851	26,870	53.3	817.17

(Reference) Equity capital: As of June 30, 2024: ¥26,405 million As of March 31, 2023: ¥26,582 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, 2024	—	14.00	—	14.00	28.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (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, 2025 (April 1, 2024 – March 31, 2025)

(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	45,001	5.0	2,911	9.7	2,949	8.3	1,509	3.2	46.41

Note: Revisions to most recently announced results forecasts: None

Notes:

(1) Significant changes to subsidiaries during the period: 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: For details, please refer to “2. Quarterly consolidated financial statements and related notes, (3) Notes on quarterly consolidated financial statements (Changes in accounting policies)” on page 7.

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

- | | | | |
|--|-------------------|----------------------------------|-------------------|
| 1) Number of shares issued and outstanding (including treasury shares) | | | |
| As of June 30, 2024 | 34,393,200 shares | As of March 31, 2024 | 34,393,200 shares |
| 2) Number of treasury shares | | | |
| As of June 30, 2024 | 1,861,639 shares | As of March 31, 2024 | 1,863,139 shares |
| 3) Average number of shares issued and outstanding in each period | | | |
| Three months ended June 30, 2024 | 32,530,897 shares | Three months ended June 30, 2023 | 32,477,370 shares |

* **A review of the attached quarterly consolidated financial statements by certified public accountants or auditing firms:**
None

* **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

During the first quarter of the consolidated fiscal year under review, the Japanese economy staged a moderate recovery, given a rebound in consumer spending due to the increase in the number of people going out and improved employment and income resulting from the normalization of social activities. However, the future of the economy remained uncertain, chiefly due to exchange rate fluctuations, surges in raw material prices, and concern about a potential decline in consumer sentiment caused by price hikes.

Against this backdrop, the Group entered the second year of the ARTNATURE Advance Plan, the medium-term management plan. As in the previous fiscal year, 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.

However, in the first three months under review, consolidated net sales declined 4.2% year on year, to ¥10,166 million, chiefly due to the Group's challenges in attaining new customers and the absence of the boost in sales that occurred in the first three months of the previous fiscal year due to the elimination of product delivery delays caused by the COVID-19 pandemic. Operating income, ordinary income, and net income attributable to owners of the parent company stood at ¥391 million (down 63.9% year on year), ¥398 million (down 64.0% year on year), and ¥201 million (down 70.9% year on year), respectively, attributable to a year-on-year decrease in net sales and increases in the cost of sales and selling, general and administrative expenses. Both net sales and operating income were almost in line with plans.

Business results by segment are as follows.

Men's business

Sales in the men's business fell to ¥5,246 million (down 4.0% year on year), the result of a year-on-year decline in sales to both new customers and repeat customers, although the Group implemented customer retention programs and other measures.

Ladies' business

Sales in the ladies' business declined 9.4% year on year, to ¥3,270 million due to a fall in sales to new customers, despite there was a year-on-year increase in sales to repeat customers, which reflected 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 7.6% year on year, to ¥1,305 million, chiefly reflecting an increase in the number of products sold to new customers.

(2) Analysis of financial position

Assets, liabilities and net assets

(Assets)

As of the end of the first quarter, total assets were ¥49,538 million, a decrease of ¥313 million compared with the end of the previous fiscal year. Current assets declined ¥591 million, mainly due to decreases in cash and deposits and accounts receivable – trade, while non-current assets increased ¥278 million, primarily reflecting increases in intangible assets and investments and other assets.

(Liabilities)

As of the end of the first quarter, liabilities totaled ¥22,844 million, a decrease of ¥136 million compared with the end of the previous fiscal year. This was largely due to a decrease of ¥193 million in current liabilities chiefly due to decreases in accounts payable - other.

(Net assets)

As of the end of the first quarter, net assets were ¥26,693 million, a decrease of ¥176 million from the end of the previous fiscal year. This largely reflected a decrease in retained earnings.

(3) Qualitative information on consolidated financial forecasts

Consolidated financial forecasts for the fiscal year ending March 31, 2025 remain the same as those announced on May 15, 2024.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	19,317	18,900
Accounts receivable – trade	3,108	2,770
Securities	28	30
Merchandise and finished goods	3,361	3,319
Work in process	178	192
Raw materials and supplies	1,648	1,704
Others	1,203	1,338
Allowance for doubtful accounts	(9)	(9)
Total current assets	28,838	28,247
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,635	5,544
Others, net	4,096	4,087
Total property, plant and equipment	9,732	9,631
Intangible assets		
Others	1,280	1,459
Total intangible assets	1,280	1,459
Investments and other assets		
Others	10,581	10,781
Allowance for doubtful accounts	(581)	(581)
Total investments and other assets	9,999	10,199
Total non-current assets	21,012	21,290
Total assets	49,851	49,538

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	292	301
Accounts payable – other	2,641	1,515
Income taxes payable	257	374
Advances received	6,036	6,162
Provision for bonuses	1,060	1,599
Provision for directors' bonuses	135	37
Provision for product warranties	43	45
Others	3,293	3,530
Total current liabilities	13,758	13,565
Non-current liabilities		
Net defined benefit liability	4,194	4,260
Asset retirement obligations	3,196	3,171
Others	1,830	1,847
Total non-current liabilities	9,222	9,279
Total liabilities	22,981	22,844
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,624	3,624
Retained earnings	19,831	19,577
Treasury shares	(1,045)	(1,045)
Total shareholders' equity	26,077	25,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	92	83
Foreign currency translation adjustment	116	213
Remeasurements of defined benefit plans	296	284
Total accumulated other comprehensive income	505	581
Subscription rights to shares	276	276
Non-controlling interests	11	11
Total net assets	26,870	26,693
Total liabilities and net assets	49,851	49,538

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

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	10,607	10,166
Cost of sales	3,487	3,548
Gross profit	7,119	6,618
Selling, general and administrative expenses	6,036	6,226
Operating income	1,083	391
Non-operating income		
Interest income	11	11
Foreign exchange gains	45	–
Others	12	4
Total non-operating income	69	16
Non-operating expenses		
Foreign exchange losses	–	2
Provision of allowance for doubtful accounts	34	–
Guarantee commission	5	5
Others	5	1
Total non-operating expenses	46	9
Ordinary income	1,106	398
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	2	15
Total extraordinary losses	2	15
Income before income taxes	1,104	383
Income taxes – current	418	308
Income taxes – deferred	(5)	(126)
Total income taxes	412	181
Net income	691	201
Net income (loss) attributable to non-controlling interests	(0)	0
Net income attributable to owners of the parent company	692	201

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Net income	691	201
Other comprehensive income		
Valuation difference on available-for-sale securities	32	(8)
Foreign currency translation adjustment	0	96
Remeasurements of defined benefit plans	(5)	(11)
Total other comprehensive income	27	75
Comprehensive income	719	277
(Comprehensive income attributable to)		
Owners of the parent company	720	277
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.

(Changes in accounting policies)

The Company has been applying the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Accounting Standard Revised in 2022") since the beginning of the first three months under review.

In response to the revision to the accounting categories for income taxes (taxation on other comprehensive income), the Company follows the transitional provisions set out in the proviso to Paragraph 20-3 of the Accounting Standard Revised in 2022 and the transitional provisions set out in the proviso to Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 (revised in 2022), October 28, 2022; hereinafter the "Guidance Revised in 2022"). This change to the accounting policy has no impact on the quarterly consolidated financial statements.

In response to the revised guidance on the deferral of gains/losses on the sale of shares in subsidiary between consolidated companies for tax purposes that are recorded in the consolidated financial statements, the Company has been applying the Guidance Revised in 2022 since the beginning of the first three months under review. This change in accounting policy is applied retroactively, and the change is reflected in the quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year. The change in accounting policy has no impact on the quarterly consolidated financial statements or consolidated financial statements for the previous fiscal year.

(Notes to segment information, etc.)

[Segment information]

I. Three months ended June 30, 2023

1. Information regarding sales, income (loss), by reportable segment

(Millions of yen)

	Reportable segment				Others Note 1	Total	Adjustment Note 2	Amount in quarterly consolidated statement of income Note 3
	Men's business	Ladies' business	Ladies' ready-made wigs business	Total				
Net sales								
Sales to external customers	5,466	3,608	1,212	10,287	319	10,607	–	10,607
Intersegment sales and transfers	–	–	–	–	640	640	(640)	–
Total	5,466	3,608	1,212	10,287	960	11,248	(640)	10,607
Segment income	3,374	2,473	992	6,840	304	7,144	(24)	7,119

Notes: 1. Others is not a reportable segment and mainly includes manufacturing subsidiaries.

2. The adjustment of ¥24 million in segment income is an elimination of intersegment transactions related to inventories, etc.

3. Segment income has been adjusted to reconcile with the gross profits in the quarterly consolidated financial statements.

2. Adjustments to reconcile total segment income for reportable segments with operating income in the quarterly consolidated statements of income

(Millions of yen)

	Amount
Total for reportable segments	6,840
Others Note 1	304
Total	7,144
Adjustment Note 2	(24)
Gross profit in the quarterly consolidated statements of income.	7,119
Selling, general and administrative expenses	6,036
Operating income in the quarterly consolidated statements of income	1,083

3. Information on impairment losses on non-current assets and goodwill by reportable segment

(Important impairment loss on non-current assets)

No significant impairment losses on non-current assets were recognized in the first three months of the previous fiscal year.

(Significant changes in amount of goodwill)

There were no significant changes in the amount of goodwill in the first three months of the previous fiscal year.

II. Three months ended June 30, 2024

1. Information regarding sales, income (loss), by reportable segment

(Millions of yen)

	Reportable segment				Others Note 1	Total	Adjustment Note 2	Amount in quarterly consolidated statement of income Note 3
	Men's business	Ladies' business	Ladies' ready-made wigs business	Total				
Net sales								
Sales to external customers	5,246	3,270	1,305	9,822	344	10,166	-	10,166
Intersegment sales and transfers	-	-	-	-	723	723	(723)	-
Total	5,246	3,270	1,305	9,822	1,067	10,890	(723)	10,166
Segment income	3,199	2,097	1,034	6,331	332	6,663	(45)	6,618

Notes: 1. Others is not a reportable segment and mainly includes manufacturing subsidiaries.

2. The adjustment of -¥45 million in segment income is an elimination of intersegment transactions related to inventories, etc.

3. Segment income has been adjusted to reconcile with the gross profits in the quarterly consolidated financial statements.

2. Adjustments to reconcile total segment income for reportable segments with operating income in the quarterly consolidated statements of income

(Millions of yen)

	Amount
Total for reportable segments	6,331
Others Note 1	332
Total	6,663
Adjustment Note 2	(45)
Gross profit in the quarterly consolidated statements of income	6,618
Selling, general and administrative expenses	6,226
Operating income in the quarterly consolidated statements of income	391

3. Information on impairment losses on non-current assets and goodwill by reportable segment

(Important impairment loss on non-current assets)

No significant impairment losses on non-current assets were recognized in the first three months under review.

(Notes to statement of cash flows)

The Company did not prepare quarterly consolidated statements of cash flows for the first three months under review. Depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the three-month period under review are as follows:

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	215	257
Amortization of goodwill	9	–