



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019 [J-GAAP]

July 30, 2018

Name of listed company: ARTNATURE INC. Listed on: Tokyo Stock Exchange  
 Securities code: 7823 URL: <http://www.artnature.co.jp/english/index.html>  
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Scheduled date of filing the quarterly financial report: August 8, 2018  
 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, 2018 (April 1, 2018 – June 30, 2018)

#### (1) Consolidated operating results

(Percentage figures show changes from the previous year.)

|                                  | Net sales       |       | Operating income |   | Ordinary income |        | Net income (loss) attributable to owners of the parent company |   |
|----------------------------------|-----------------|-------|------------------|---|-----------------|--------|--|---|
|                                  | Millions of yen | %     | Millions of yen  | % | Millions of yen | %      | Millions of yen  | % |
| Three months ended June 30, 2018 | 8,496           | 3.1   | 521              | — | 564             | —      | 367  | — |
| Three months ended June 30, 2017 | 8,243           | (5.6) | (9)              | — | 16              | (91.3) | (74)   | — |

Note: Comprehensive income: Three months ended June 30, 2018: ¥251 million (—%)  
 Three months ended June 30, 2017: ¥-168 million (—%)

|                                  | Net income (loss) per share | Diluted net income per share |
|----------------------------------|-----------------------------|------------------------------|
|                                  | Yen                         | Yen                          |
| Three months ended June 30, 2018 | 11.24                       | 11.20                        |
| Three months ended June 30, 2017 | (2.25)                      | —                            |

#### (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, 2018  | 40,437          | 23,669          | 58.3                       | 725.13               |
| As of March 31, 2018 | 40,888          | 24,021          | 58.6                       | 731.51               |

(Reference) Equity capital: As of June 30, 2018: ¥23,594 million As of March 31, 2018: ¥23,946 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, 2018             | —                   | 14.00              | —                 | 14.00    | 28.00  |
| Year ending March 31, 2019            | —                   |                    |                   |          |        |
| Year ending March 31, 2019 (Forecast) |                     | 14.00              | —                 | 14.00    | 28.00  |

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

### 3. Consolidated financial forecast for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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 | 38,000          | 2.0 | 2,796            | 8.4 | 2,813           | 3.9 | 1,517   | 69.1 | 46.34                |

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.: No
- 2) Changes in accounting policies other than 1): No
- 3) Changes in accounting estimates: No
- 4) Restatement of revisions: No

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

|  |                                  |                   |                                  |                   |
|--|----------------------------------|-------------------|----------------------------------|-------------------|
| 1) Number of shares issued and outstanding (including treasury shares) | As of June 30, 2018              | 34,393,200 shares | As of March 31, 2018             | 34,393,200 shares |
| 2) Number of treasury shares   | As of June 30, 2018              | 1,854,538 shares  | As of March 31, 2018             | 1,657,038 shares  |
| 3) Average number of shares issued and outstanding in each period      | Three months ended June 30, 2018 | 32,653,735 shares | Three months ended June 30, 2017 | 33,141,462 shares |

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

\* **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 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 2019

In the first three months of fiscal 2019 (April – June 2018), the Japanese economy continued to face an unpredictable outlook due to uncertainties in overseas economies and other factors, but domestic corporate earnings strengthened, the employment environment continued to improve and consumer spending increased, albeit at a moderate pace.

Against this backdrop, the Group worked towards the goals of its medium-term management plan, the “ARTNATURE REBORN Plan” launched at the start of fiscal 2018. Specifically, the Company implemented a range of initiatives to progress the plan’s four key areas of focus – customer satisfaction, systemic reform, personnel training and employee satisfaction – into four outcomes.

As a result, for the first three months of fiscal 2019, net sales rose 3.1% year on year to ¥8,496 million. Supported by the increase in net sales and efficient control of business costs, the Company reported operating income of ¥521 million (compared with an operating loss of ¥9 million in the same period last year), ordinary income of ¥564 million (compared with ordinary income of ¥16 million in the same period last year) and net income attributable to owners of the parent company of ¥367 million (compared with a net loss attributable to owners of the parent company of ¥74 million in the same period last year).

#### < Men’s business >

Sales in the men’s business rose 4.4% year on year to ¥4,752 million. The business implemented a range of initiatives such as reinforcing the customer supervisor system to improve customer retention and strengthening the technical skills and customer service of sales staff to increase customer satisfaction.

#### < Ladies’ business >

Sales in the ladies’ business declined 0.9% year on year to ¥2,821 million. The business implemented various initiatives, such as efficiently and effectively holding trial fitting events, enhancing the skills, customer service and product proposal capabilities of sales staff, and building systems to create lasting long-term relationships with customers. However, sales were mainly affected by sluggish orders at trial fitting events.

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

Sales in the JULLIA OLGIER business, which sells ladies’ ready-made wigs, declined 5.9% year on year to ¥617 million due to weak sales at existing stores, despite various initiatives such as highly targeted sales promotions at each salon and efforts to improve the skills, customer service and product proposal capabilities of sales staff.

### (2) Analysis of financial position

Assets, liabilities and net assets

#### (Assets)

As of the end of the first quarter, total assets were ¥40,437 million, a decline of ¥450 million from the end of the previous fiscal year. Current assets decreased ¥651 million while non-current assets increased ¥200 million.

#### (Liabilities)

As of the end of the first quarter, liabilities totaled ¥16,767 million, a decline of ¥98 million from the end of the previous fiscal year. That mainly reflected decreases of ¥67 million in current liabilities and ¥31 million in non-current liabilities.

#### (Net Assets)

As of the end of the first quarter, net assets were ¥23,669 million, a decline of ¥352 million from the end of the previous fiscal year. This reflected purchase of treasury shares and decreases in retained earnings and foreign currency translation adjustment.

### (3) Qualitative information on consolidated financial forecasts

The Company has not revised its consolidated forecasts for fiscal 2019 announced on May 15, 2018.

**2. Quarterly consolidated financial statements and related notes**

## (1) Quarterly consolidated balance sheets

(Millions of yen)

|  | As of March 31,<br>2018 | As of June 30, 2018 |
|--|-------------------------|---------------------|
| <b>Assets</b>                              |                         |                     |
| Current assets                             |                         |                     |
| Cash and deposits                          | 16,530                  | 16,067              |
| Notes and accounts receivable - trade      | 2,895                   | 2,706               |
| Securities                                 | 140                     | 125                 |
| Merchandise and finished goods             | 1,385                   | 1,412               |
| Work in process                            | 105                     | 101                 |
| Raw materials and supplies                 | 1,510                   | 1,417               |
| Others                                     | 859                     | 945                 |
| Allowance for doubtful accounts            | (1)                     | (1)                 |
| <b>Total current assets</b>                | <b>23,426</b>           | <b>22,774</b>       |
| Non-current assets                         |                         |                     |
| Property, plant and equipment              |                         |                     |
| Buildings and structures, net              | 5,210                   | 5,346               |
| Others, net                                | 3,957                   | 3,928               |
| <b>Total property, plant and equipment</b> | <b>9,167</b>            | <b>9,275</b>        |
| Intangible assets                          |                         |                     |
| Others                                     | 846                     | 819                 |
| <b>Total intangible assets</b>             | <b>846</b>              | <b>819</b>          |
| Investments and other assets               |                         |                     |
| Others                                     | 7,504                   | 7,625               |
| Allowance for doubtful accounts            | (56)                    | (56)                |
| <b>Total investments and other assets</b>  | <b>7,447</b>            | <b>7,568</b>        |
| <b>Total non-current assets</b>            | <b>17,462</b>           | <b>17,662</b>       |
| <b>Total assets</b>                        | <b>40,888</b>           | <b>40,437</b>       |

(Millions of yen)

|   | As of March 31,<br>2018 | As of June 30, 2018 |
|---|-------------------------|---------------------|
| <b>Liabilities</b>                                    |                         |                     |
| Current liabilities                                   |                         |                     |
| Accounts payable – trade                              | 151                     | 231                 |
| Current portion of long-term loans payable            | 400                     | 400                 |
| Accounts payable – other                              | 2,413                   | 1,314               |
| Income taxes payable                                  | 162                     | 363                 |
| Advances received                                     | 4,576                   | 4,717               |
| Provision for bonuses                                 | 845                     | 1,267               |
| Provision for directors' bonuses                      | 110                     | 37                  |
| Provision for product warranties                      | 39                      | 37                  |
| Provision for point card certificates                 | 93                      | 96                  |
| Others  | 995                     | 1,255               |
| <b>Total current liabilities</b>                      | <b>9,788</b>            | <b>9,721</b>        |
| Non-current liabilities                               |                         |                     |
| Long-term loans payable                               | 398                     | 298                 |
| Net defined benefit liability                         | 3,472                   | 3,543               |
| Asset retirement obligations                          | 1,332                   | 1,350               |
| Others  | 1,873                   | 1,853               |
| <b>Total non-current liabilities</b>                  | <b>7,077</b>            | <b>7,045</b>        |
| <b>Total liabilities</b>                              | <b>16,866</b>           | <b>16,767</b>       |
| <b>Net assets</b>                                     |                         |                     |
| Shareholders' equity                                  |                         |                     |
| Capital stock   | 3,667                   | 3,667               |
| Capital surplus                                       | 3,557                   | 3,558               |
| Retained earnings                                     | 17,560                  | 17,469              |
| Treasury shares                                       | (821)                   | (967)               |
| <b>Total shareholders' equity</b>                     | <b>23,963</b>           | <b>23,726</b>       |
| Accumulated other comprehensive income                |                         |                     |
| Valuation difference on available-for-sale securities | 1                       | (8)                 |
| Foreign currency translation adjustment               | 88                      | (27)                |
| Remeasurements of defined benefit plans               | (106)                   | (96)                |
| <b>Total accumulated other comprehensive income</b>   | <b>(16)</b>             | <b>(132)</b>        |
| Subscription rights to shares                         | 61                      | 61                  |
| Non-controlling interests                             | 13                      | 13                  |
| <b>Total net assets</b>                               | <b>24,021</b>           | <b>23,669</b>       |
| <b>Total liabilities and net assets</b>               | <b>40,888</b>           | <b>40,437</b>       |

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

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three months ended<br>June 30, 2017 | Three months ended<br>June 30, 2018 |
| Net sales  | 8,243                               | 8,496                               |
| Cost of sales  | 2,734                               | 2,894                               |
| Gross profit   | 5,509                               | 5,602                               |
| Selling, general and administrative expenses                   | 5,518                               | 5,080                               |
| Operating income (loss)  | (9)                                 | 521                                 |
| Non-operating income   |                                     |                                     |
| Interest income  | 24                                  | 20                                  |
| Foreign exchange gains   | 4                                   | 23                                  |
| Others   | 14                                  | 12                                  |
| Total non-operating income                                     | 42                                  | 56                                  |
| Non-operating expenses   |                                     |                                     |
| Interest expenses  | 1                                   | 1                                   |
| Guarantee commission   | 9                                   | 11                                  |
| Others   | 4                                   | 1                                   |
| Total non-operating expenses                                   | 16                                  | 14                                  |
| Ordinary income  | 16                                  | 564                                 |
| Extraordinary losses   |                                     |                                     |
| Loss on retirement of non-current assets                       | 0                                   | —                                   |
| Impairment loss  | 4                                   | 2                                   |
| Total extraordinary losses                                     | 4                                   | 2                                   |
| Income before income taxes                                     | 11                                  | 561                                 |
| Income taxes – current   | 104                                 | 311                                 |
| Income taxes – deferred  | (18)                                | (117)                               |
| Total income taxes   | 86                                  | 194                                 |
| Net income (loss)  | (74)                                | 367                                 |
| Net income attributable to non-controlling interests           | 0                                   | 0                                   |
| Net income (loss) attributable to owners of the parent company | (74)                                | 367                                 |

(Quarterly consolidated statements of comprehensive income)

|   | (Millions of yen)                   |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Three months ended<br>June 30, 2017 | Three months ended<br>June 30, 2018 |
| Net income (loss)                                     | (74)                                | 367                                 |
| Other comprehensive income                            |                                     |                                     |
| Valuation difference on available-for-sale securities | 12                                  | (9)                                 |
| Foreign currency translation adjustment               | (119)                               | (116)                               |
| Remeasurements of defined benefit plans               | 13                                  | 10                                  |
| Total other comprehensive income                      | (94)                                | (115)                               |
| Comprehensive income                                  | (168)                               | 251                                 |
| (Comprehensive income attributable to)                |                                     |                                     |
| Owners of the parent company                          | (168)                               | 251                                 |
| 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.

(Additional information)

Effective from the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). As a result, the Company now classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities.