



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 [J-GAAP]

February 5, 2020

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: February 14, 2020
 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 third quarter ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(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, 2019	29,049	5.8	2,309	1.9	2,368	1.8	1,449	1.9
Nine months ended December 31, 2018	27,469	1.2	2,266	22.0	2,325	17.0	1,421	67.6

Note: Comprehensive income: Nine months ended December 31, 2019: ¥1,497 million (12.9%)
 Nine months ended December 31, 2018: ¥1,326 million (75.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2019	44.51	44.20
Nine months ended December 31, 2018	43.64	43.42

(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, 2019	42,487	25,413	59.4	775.53
As of March 31, 2019	42,971	24,767	57.4	757.39

(Reference) Equity capital: As of December 31, 2019: ¥25,254 million As of March 31, 2019: ¥24,655 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
Year ended March 31, 2019	Yen —	Yen 14.00	Yen —	Yen 14.00	Yen 28.00
Year ending March 31, 2020	—	14.00	—		
Year ending March 31, 2020 (Forecast)				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, 2020 (April 1, 2019 – March 31, 2020)

(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	39,368	3.6	3,377	4.7	3,425	3.5	2,031	9.0	62.40

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 December 31, 2019	34,393,200 shares	As of March 31, 2019	34,393,200 shares
2) Number of treasury shares	As of December 31, 2019	1,829,339 shares	As of March 31, 2019	1,839,739 shares
3) Average number of shares issued and outstanding in each period	Nine months ended December 31, 2019	32,558,204 shares	Nine months ended December 31, 2018	32,581,097 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.”

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

Operating results for the first nine months of fiscal 2020

In the first nine months of fiscal 2020 (April – December 2019), the Japanese economy recovered at a modest pace, supported by a sustained improvement in corporate earnings and the employment environment. However, economic uncertainty prevailed, driven by lackluster consumer spending in Japan due to the impact of a recent consumption tax hike, coupled with concerns of a slowdown in the global economy caused by the trade dispute between the US and China.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) continued to implement its three-year medium-term management plan, the “ARTNATURE REBORN Plan,” which concludes in fiscal 2020. Specifically, the ARTNATURE Group is implementing a range of initiatives to expand the business base and increase productivity as part of stepped-up efforts to convert the plan’s four key areas of focus – customer satisfaction, systemic reform, personnel training and employee satisfaction – into four outcomes.

As a result, consolidated net sales in the first nine months increased 5.8% year on year to ¥29,049 million, reflecting firm sales of new products, as well as the consolidation of a subsidiary involved in the sale of ladies’ ready-made wigs. Despite the higher sales, operating income increased just 1.9% year on year to ¥2,309 million, ordinary income rose 1.8% to ¥2,368 million, and net income attributable to owners of the parent company increased 1.9% to ¥1,449 million. This modest growth reflected the aggressive investment of management resources for expansion into new business domains.

Business segment results are as follows:

< Men’s business >

Sales in the men’s business increased 1.8% year on year to ¥16,449 million. The business implemented a range of initiatives, such as rolling out effective advertising campaigns and measures to attract and retain customers in all age brackets and strengthen cooperation between sales staff to improve customer retention. Those efforts supported firm sales of new products and led to higher sales from new customers and repeat customers.

< Ladies’ business >

Sales in the ladies’ business increased 6.0% year on year to ¥8,825 million. The business implemented various initiatives, such as rolling out effective advertising campaigns, continuing to hold efficient and effective sales shows and trial fitting events, and building systems to create lasting long-term relationships with customers. Those measures supported strong sales of new products and led to higher sales from new customers and repeat customers.

< Ladies’ ready-made wigs business >

Sales in the ladies’ ready-made wigs business increased 23.5% year on year to ¥2,758 million. This result largely owed to new salon openings and various measures to strengthen the sales capabilities of salons in the JULLIA OLGIER business, such as highly targeted sales promotions run by each salon and the introduction of a new unit-based store operations system to rapidly address issues at individual salons. Performance was also supported by the consolidation of a sales company in ladies’ ready-made wigs.

(2) Analysis of financial position

Assets, liabilities and net assets

(Assets)

As of the end of the third quarter, total assets were ¥42,487 million, a decrease of ¥483 million compared with the end of the previous fiscal year. This result was mainly due to a decrease in current assets of ¥1,118 million, as cash and deposits declined despite merchandise and finished goods growth. Non-current assets, meanwhile, increased by ¥634 million, largely due to growth in intangible assets following an increase in goodwill.

(Liabilities)

As of the end of the third quarter, liabilities totaled ¥17,073 million, a decrease of ¥1,129 million compared with the end of the previous fiscal year. This result was due mainly to a decrease of ¥1,323 million in current liabilities, reflecting declines in accounts payable – other and income taxes payable, and came despite increases in advances received. Non-current liabilities increased by ¥194 million, primarily atop an increase in net defined benefit liability.

(Net Assets)

As of the end of the third quarter, net assets were ¥25,413 million, an increase of ¥645 million from the end of the previous fiscal year. This largely reflected an increase in retained earnings.

(3) Qualitative information on consolidated financial forecasts

The Company has not revised its consolidated forecasts for fiscal 2020 announced on May 15, 2019.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	18,275	16,641
Accounts receivable - trade	3,109	2,998
Securities	42	31
Merchandise and finished goods	1,430	2,098
Work in process	129	114
Raw materials and supplies	1,324	1,346
Others	902	863
Allowance for doubtful accounts	(7)	(7)
Total current assets	25,206	24,088
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,285	5,245
Others, net	3,996	4,091
Total property, plant and equipment	9,282	9,336
Intangible assets		
Goodwill	4	864
Others	739	654
Total intangible assets	744	1,518
Investments and other assets		
Others	7,793	7,599
Allowance for doubtful accounts	(56)	(55)
Total investments and other assets	7,737	7,543
Total non-current assets	17,764	18,399
Total assets	42,971	42,487

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable – trade	210	382
Current portion of long-term loans payable	398	98
Accounts payable – other	2,368	1,499
Income taxes payable	1,198	69
Advances received	4,770	5,757
Provision for bonuses	878	463
Provision for directors' bonuses	132	112
Provision for product warranties	35	36
Provision for point card certificates	93	103
Others	1,126	1,367
Total current liabilities	11,213	9,890
Non-current liabilities		
Net defined benefit liability	3,714	3,837
Asset retirement obligations	1,400	1,439
Others	1,874	1,906
Total non-current liabilities	6,989	7,183
Total liabilities	18,203	17,073
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,557	3,558
Retained earnings	18,510	19,054
Treasury shares	(960)	(954)
Total shareholders' equity	24,775	25,325
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	36
Foreign currency translation adjustment	(3)	(20)
Remeasurements of defined benefit plans	(117)	(87)
Total accumulated other comprehensive income	(119)	(71)
Subscription rights to shares	99	145
Non-controlling interests	12	13
Total net assets	24,767	25,413
Total liabilities and net assets	42,971	42,487

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

	(Millions of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	27,469	29,049
Cost of sales	8,659	9,150
Gross profit	18,809	19,899
Selling, general and administrative expenses	16,543	17,590
Operating income	2,266	2,309
Non-operating income		
Interest income	59	53
Foreign exchange gains	15	3
Others	34	40
Total non-operating income	110	97
Non-operating expenses		
Interest expenses	3	1
Guarantee commission	34	28
Others	13	8
Total non-operating expenses	51	38
Ordinary income	2,325	2,368
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	17	11
Total extraordinary losses	17	11
Income before income taxes	2,308	2,357
Income taxes – current	751	717
Income taxes – deferred	134	190
Total income taxes	886	907
Net income	1,421	1,449
Net income attributable to non-controlling interests	0	0
Net income attributable to owners of the parent company	1,421	1,449

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	1,421	1,449
Other comprehensive income		
Valuation difference on available-for-sale securities	(38)	35
Foreign currency translation adjustment	(87)	(17)
Remeasurements of defined benefit plans	30	30
Total other comprehensive income	(95)	47
Comprehensive income	1,326	1,497
(Comprehensive income attributable to)		
Owners of the parent company	1,326	1,497
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.