



## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 [J-GAAP]

October 30, 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: November 13, 2020  
 Scheduled date to start dividends distribution: December 1, 2020  
 Supplementary quarterly materials prepared: No  
 Explanation meeting for quarterly financial results: Yes (for institutional investors and analysts)

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

### 1. Consolidated results for the second quarter ended September 30, 2020 (April 1, 2020 – September 30, 2020)

#### (1) Consolidated operating results

(Percentage figures show changes from the previous year.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2020	14,793	(26.5)	(592)	—	(431)	—	(446)	—
Six months ended September 30, 2019	20,126	12.3	2,907	105.0	2,941	97.6	1,925	109.1

Note: Comprehensive income (loss): Six months ended September 30, 2020: ¥-343 million (—%)  
 Six months ended September 30, 2019: ¥1,968 million (135.9%)

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	(13.78)	—
Six months ended September 30, 2019	59.13	58.75

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	44,882	24,583	54.3	753.26
As of March 31, 2020	43,163	25,337	58.3	777.92

(Reference) Equity capital: As of September 30, 2020: ¥24,389 million As of March 31, 2020: ¥25,179 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, 2020	—	14.00	—	14.00	28.00
Year ending March 31, 2021	—	14.00	—	—	—
Year ending March 31, 2021 (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, 2021 (April 1, 2020 – March 31, 2021)

(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	36,171	(8.4)	773	(73.5)	889	(70.4)	117	(92.4)	3.65

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 and accounting estimates, and restatement of revisions
- 1) Changes in accounting policies due to revision of accounting standards, 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 September 30, 2020	34,393,200 shares	As of March 31, 2020	34,393,200 shares
2) Number of treasury shares	As of September 30, 2020	2,015,339 shares	As of March 31, 2020	2,026,239 shares
3) Average number of shares issued and outstanding in each period	Six months ended September 30, 2020	32,370,292 shares	Six months ended September 30, 2019	32,556,507 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 3 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 six months of fiscal 2021

In the first six months of fiscal 2021 (April – September 2020), the domestic and overseas economies deteriorated sharply due to factors such as the global COVID-19 pandemic and the declaration of a state of emergency in Japan. Economic activity in Japan has gradually regained momentum since the state of emergency was lifted, but the outlook remains uncertain amid fears of another wave of COVID-19 infections.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) formulated and launched a new three-year medium-term management plan called “ARTNATURE Challenge Plan,” starting in fiscal 2021. Under the plan, we aim to strengthen the ARTNATURE Group’s position in existing businesses and further expand new businesses to build the foundations for a new ARTNATURE capable of opening up the next phase in the Group’s history. Specifically, we are implementing six priority challenge initiatives: (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.

Despite those efforts, consolidated net sales in the first six months declined 26.5% year on year to ¥14,793 million, reflecting the impact of the COVID-19 outbreak, which temporarily halted production activities in the Philippines and led to the closure of some stores in Japan.

The Group took steps to curb advertising costs and other selling expenses and found savings in other administrative expenses, but that was insufficient to offset the impact of the large decline in sales. As a result, the Group reported an operating loss of ¥592 million, versus operating income of ¥2,907 million a year earlier, an ordinary loss of ¥431 million, versus ordinary income of ¥2,941 million a year earlier, and net loss attributable to owners of the parent company of ¥446 million, versus net income of ¥1,925 million a year earlier.

Business results by segment are as follows.

In the same period of the previous fiscal year, sales were lifted by a spike in demand ahead of the hike to consumption tax in Japan.

#### < Men’s business >

Sales in the men’s business declined 24.5% year on year to ¥8,743 million, mainly reflecting a slump in sales of custom-made wigs due to the temporary closure of production sites in the Philippines amid the COVID-19 outbreak and other factors.

#### < Ladies’ business >

Sales in the ladies’ business fell 38.0% year on year to ¥3,963 million. In addition to the temporary closure of production sites in the Philippines, the ladies’ business was also affected by the reduced store opening hours, a decline in customer traffic and other factors.

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

Sales in the ladies’ ready-made wigs business declined 14.5% year on year to ¥1,325 million, reflecting factors such as the temporary closure of retail facilities in which the Company’s stores are located.

### (2) Analysis of financial position

#### 1) Assets, liabilities and net assets

##### (Assets)

As of the end of the second quarter, total assets were ¥44,882 million, an increase of ¥1,719 million compared with the end of the previous fiscal year. Current assets increased ¥1,748 million, mainly due to a rise in cash and deposits.

##### (Liabilities)

As of the end of the second quarter, liabilities totaled ¥20,299 million, an increase of ¥2,473 million compared with the end of the previous fiscal year. Although accounts payable – other and income taxes payable declined, current liabilities rose ¥2,371 million, mainly due to increases for short-term borrowings and advances received.

##### (Net Assets)

As of the end of the second quarter, net assets were ¥24,583 million, a decrease of ¥754 million from the end of the previous fiscal year. This largely reflected a decrease in retained earnings.

#### 2) Cash flow position

As of the end of the second quarter, cash and cash equivalents (cash) totaled ¥19,139 million, an increase of ¥2,402 million compared with the end of the previous fiscal year. The Company’s cash flow position and factors behind changes in cash flows were as follows:

##### (Cash flows from operating activities)

Operating activities provided net cash of ¥206 million, compared with ¥1,459 million in the same period a year earlier. That mainly reflected loss before income taxes of ¥434 million, increase in inventories of ¥220 million and income taxes paid of ¥455 million, versus depreciation of ¥466 million and increase in advances received of ¥1,346 million.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥329 million, compared with ¥362 million in the same period a year earlier. That mainly reflected proceeds from withdrawal of time deposits of ¥210 million, versus purchase of property, plant and equipment of ¥437 million and purchase of intangible assets of ¥59 million.

**(Cash flows from financing activities)**

Financing activities provided net cash of ¥2,547 million, compared with net cash used of ¥662 million in the same period a year earlier. That mainly reflected proceeds from short-term borrowings of ¥3,000 million, versus dividends paid of ¥452 million.

(3) Qualitative information on consolidated financial forecasts

The Company has not revised its consolidated financial forecasts for the fiscal year ending March 31, 2021, as disclosed in the release dated September 15, 2020, “The New Medium-Term Management Plan & Financial Forecasts for FY2021.”

The Company will announce revisions to forecasts in a timely manner in the event of significant changes to operating environment and sales trend assumptions due to the impact of COVID-19 or other developments.

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

## (1) Quarterly consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	17,096	19,281
Accounts receivable - trade	2,887	2,297
Securities	22	22
Merchandise and finished goods	2,095	2,415
Work in process	143	173
Raw materials and supplies	1,312	1,181
Others	1,003	935
Allowance for doubtful accounts	(6)	(6)
Total current assets	24,553	26,302
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,015	5,052
Others, net	4,083	4,037
Total property, plant and equipment	9,099	9,089
Intangible assets		
Goodwill	774	688
Others	648	571
Total intangible assets	1,422	1,260
Investments and other assets		
Others	8,143	8,289
Allowance for doubtful accounts	(55)	(58)
Total investments and other assets	8,087	8,230
Total non-current assets	18,610	18,580
Total assets	43,163	44,882

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable – trade	218	186
Short-term borrowings	—	3,000
Accounts payable – other	2,140	875
Income taxes payable	574	166
Advances received	5,270	6,616
Provision for bonuses	954	894
Provision for directors' bonuses	100	175
Provision for product warranties	38	24
Provision for point card certificates	96	103
Others	1,130	852
<b>Total current liabilities</b>	<b>10,523</b>	<b>12,894</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	3,935	3,991
Asset retirement obligations	1,452	1,484
Others	1,914	1,928
<b>Total non-current liabilities</b>	<b>7,302</b>	<b>7,404</b>
<b>Total liabilities</b>	<b>17,825</b>	<b>20,299</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,667	3,667
Capital surplus	3,558	3,558
Retained earnings	19,141	18,242
Treasury shares	(1,099)	(1,093)
<b>Total shareholders' equity</b>	<b>25,268</b>	<b>24,374</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(49)	42
Foreign currency translation adjustment	37	27
Remeasurements of defined benefit plans	(76)	(55)
<b>Total accumulated other comprehensive income</b>	<b>(89)</b>	<b>14</b>
Subscription rights to shares	145	182
Non-controlling interests	13	11
<b>Total net assets</b>	<b>25,337</b>	<b>24,583</b>
<b>Total liabilities and net assets</b>	<b>43,163</b>	<b>44,882</b>

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

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	20,126	14,793
Cost of sales	6,008	5,709
Gross profit	14,117	9,083
Selling, general and administrative expenses	11,210	9,675
Operating income (loss)	2,907	(592)
Non-operating income		
Interest income	36	27
Subsidy income	—	160
Others	28	18
Total non-operating income	65	206
Non-operating expenses		
Interest expenses	1	3
Foreign exchange losses	7	16
Guarantee commission	17	14
Others	5	11
Total non-operating expenses	30	45
Ordinary income (loss)	2,941	(431)
Extraordinary income		
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	6	3
Total extraordinary losses	6	3
Income (loss) before income taxes	2,935	(434)
Income taxes – current	1,006	66
Income taxes – deferred	2	(52)
Total income taxes	1,009	13
Net income (loss)	1,925	(447)
Net income (loss) attributable to non-controlling interests	0	(1)
Net income (loss) attributable to owners of the parent company	1,925	(446)



(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income (loss)	1,925	(447)
Other comprehensive income		
Valuation difference on available-for-sale securities	17	92
Foreign currency translation adjustment	5	(9)
Remeasurements of defined benefit plans	20	20
Total other comprehensive income	42	104
Comprehensive income (loss)	1,968	(343)
(Comprehensive income (loss) attributable to)		
Owners of the parent company	1,965	(342)
Non-controlling interests	3	(1)

## (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	2,935	(434)
Depreciation	446	466
Impairment loss	6	3
Amortization of goodwill	2	86
Increase (decrease) in allowance for doubtful accounts	(1)	2
Increase (decrease) in provision for bonuses	24	(59)
Increase (decrease) in provision for directors' bonuses	(57)	75
Increase (decrease) in provision for product warranties	4	(13)
Increase (decrease) in provision for point card certificates	6	7
Increase (decrease) in net defined benefit liability	116	85
Interest income	(36)	(27)
Interest expenses	1	3
Subsidy income	—	(160)
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	—	(0)
Decrease (increase) in notes and accounts receivable – trade	263	589
Decrease (increase) in inventories	(363)	(220)
Increase (decrease) in notes and accounts payable – trade	208	(32)
Increase (decrease) in advances received	(265)	1,346
Others	(800)	(1,279)
Subtotal	2,490	437
Interest income received	41	33
Interest expenses paid	(0)	(3)
Proceeds from subsidy income	—	160
Income taxes paid	(1,071)	(455)
Income taxes refund	—	35
Net cash provided by (used in) operating activities	1,459	206
<b>Cash flows from investing activities</b>		
Payments into time deposits	(212)	—
Proceeds from withdrawal of time deposits	213	210
Purchase of property, plant and equipment	(283)	(437)
Proceeds from sales of property, plant and equipment	—	0
Purchase of intangible assets	(60)	(59)
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(43)	(35)
Proceeds from collection of lease and guarantee deposits	35	25
Others	(11)	(34)
Net cash provided by (used in) investing activities	(362)	(329)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	—	3,000
Repayments of long-term borrowings	(200)	—
Repayments of lease obligations	(6)	—
Cash dividends paid	(455)	(452)
Net cash provided by (used in) financing activities	(662)	2,547
Effect of exchange rate change on cash and cash equivalents	(13)	(22)
Net increase (decrease) in cash and cash equivalents	421	2,402
Cash and cash equivalents at beginning of period	17,986	16,736
Cash and cash equivalents at end of period	18,408	19,139

(4) 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.