



## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2022 [J-GAAP]

October 29, 2021

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 12, 2021  
 Scheduled date of the start of dividends distribution: December 1, 2021  
 Supplementary quarterly materials prepared: None  
 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 first six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)

#### (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, 2021	19,329	30.7	1,561	—	1,492	—	857	—
September 30, 2020	14,793	(26.5)	(592)	—	(431)	—	(446)	—

Note: Comprehensive income: Six months ended September 30, 2021: ¥975 million (—%)  
 Six months ended September 30, 2020: ¥-343 million (—%)

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2021	26.71	26.43
September 30, 2020	(13.78)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	
As of September 30, 2021	45,102	24,755	54.4	763.93
March 31, 2021	44,919	25,255	55.8	781.00

(Reference) Equity capital: As of September 30, 2021: ¥24,530 million As of March 31, 2021: ¥25,066 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, 2021	—	14.00	—	14.00	28.00
Year ending March 31, 2022	—	14.00	—	—	—
Year ending March 31, 2022 (forecast)	—	—	—	14.00	28.00

Note: Revisions to dividend forecasts published most recently: None

### 3. Consolidated financial forecast for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	40,363	12.5	2,023	4.7	2,088	4.1	1,045	24.3	32.56

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

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: More information is provided on page 9 of the supplementary materials, “2. Quarterly consolidated financial statements and related notes, (4) Notes on quarterly consolidated financial statements (Changes in accounting policies).”

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

1) Number of shares issued and outstanding (including treasury shares)

As of September 30, 2021	34,393,200 shares	As of March 31, 2021	34,393,200 shares
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2) Number of treasury shares

As of September 30, 2021	2,281,839 shares	As of March 31, 2021	2,297,539 shares
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3) Average number of shares issued and outstanding in each period

Six months ended September 30, 2021	32,101,675 shares	Six months ended September 30, 2020	32,370,292 shares
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\* **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 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 2022

In the first six months of fiscal 2022 (April-September 2021), economic activities were restricted in Japan due to the impact of the prolonged COVID-19 pandemic, which had continued since the previous fiscal year. Although vaccination is making progress and economic activities are expected to recover, the outlook for the Japanese economy remains uncertain.

Against this backdrop, ARTNATURE INC. and its consolidated subsidiaries (the ARTNATURE Group) saw the ARTNATURE Challenge Plan, the three-year medium-term management plan, mark its second year. Under the plan, we have been implementing six priority challenge initiatives, as we did in the first year: (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, with the aim of strengthening the ARTNATURE Group's position in existing businesses and further expanding new businesses to build the foundations for a new ARTNATURE capable of opening up the next phase in the Group's history. At the same time, we have continued to take comprehensive measures to prevent COVID-19 infections in our business activities since the previous fiscal year.

As a result, consolidated net sales in the first six months under review increased 30.7% year on year to ¥19,329 million. In terms of profits, operating income stood at ¥1,561 million (compared with an operating loss of ¥592 million in the first six months of the previous fiscal year), and ordinary income came to ¥1,492 million (compared with an ordinary loss of ¥431 million in the first six months of the previous fiscal year) due to an increase in net sales. Net income attributable to owners of the parent company was ¥857 million (compared with a net loss attributable to owners of the parent company of ¥446 million in the first six months of the previous fiscal year).

Business results by segment are as follows.

#### < Men's business >

Sales in the men's business increased 26.7% year on year, to ¥11,078 million, as a result of eliminating the significant fall in sales in the first six months of the previous fiscal year that had been caused by the temporary closure of production sites in the Philippines associated with the COVID-19 pandemic and other factors, in addition to the sale of new products and the promotion of measures to retain customers, etc.

#### < Ladies' business >

Sales in the ladies' business rose 43.4% year on year, to ¥5,683 million, as a result of eliminating the significant fall in sales in the first six months of the previous fiscal year that had been caused by the temporary closure of production sites in the Philippines associated with the COVID-19 pandemic and other factors, similarly to sales in men's business, in addition to the sale of new products and the holding of exhibition and trial fitting events, among other measures.

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

Sales in the ladies' ready-made wigs business increased 36.0% year on year to ¥1,802 million, despite the impact of the temporary closure of the retail facilities in which the Company's stores are located due to the spread of COVID-19, because the impact was relatively limited compared with the first six months of the previous fiscal year.

### (2) Analysis of financial position

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

##### (Assets)

As of the end of the second quarter, total assets were ¥45,102 million, an increase of ¥182 million compared with the end of the previous fiscal year. Current assets decreased ¥427 million, mainly due to a fall in cash and deposits, while non-current assets increased ¥610 million, primarily reflecting an increase in investments and other assets.

##### (Liabilities)

As of the end of the second quarter, liabilities totaled ¥20,347 million, an increase of ¥682 million compared with the end of the previous fiscal year. Although accounts payable - other, income taxes payable and advances received decreased, current liabilities increased ¥529 million mainly due to an increase in other current liabilities associated with the application of the accounting standard for revenue recognition.

**(Net Assets)**

As of the end of the second quarter, net assets were ¥24,755 million, a decrease of ¥499 million from the end of the previous fiscal year. This largely reflected a decrease in retained earnings associated with the application of accounting standard for revenue recognition.

2) Cash flow position

As of the end of the second quarter, cash and cash equivalents (cash) totaled ¥18,461 million, a decrease of ¥523 million compared with the end of the previous fiscal year. The cash flow position and contributing factors in each section of the statements of cash flows are as follows.

**(Cash flows from operating activities)**

Operating activities provided net cash of ¥550 million, compared with ¥206 million in the same period a year earlier. Cash inflows, including income before income taxes of ¥1,487 million, depreciation of ¥425 million, and a decrease in notes and accounts receivable-trade of ¥387 million, more than offset cash outflows, including income taxes paid of ¥924 million, an increase in inventories of ¥285 million, and a decrease in advances received of ¥372 million.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥649 million, compared with ¥329 million in the same period a year earlier. That mainly reflected purchase of property, plant and equipment of ¥388 million and payments for long-term loans receivable of ¥150 million.

**(Cash flows from financing activities)**

Financing activities used net cash of ¥464 million, compared with net cash provided of ¥2,547 million in the same period a year earlier. That mainly reflected cash dividends paid of ¥449 million.

(3) Qualitative information on consolidated financial forecasts

Consolidated financial forecasts for the fiscal year ending March 31, 2022 remain the same as those announced on May 14, 2021.

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

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	19,073	18,554
Accounts receivable – trade	2,914	2,531
Securities	22	24
Merchandise and finished goods	2,394	2,680
Work in process	172	186
Raw materials and supplies	1,084	1,094
Others	930	1,091
Allowance for doubtful accounts	(5)	(4)
Total current assets	26,586	26,159
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,755	4,889
Others, net	3,919	3,917
Total property, plant and equipment	8,674	8,806
Intangible assets		
Goodwill	602	516
Others	519	458
Total intangible assets	1,121	974
Investments and other assets		
Others	8,772	9,514
Allowance for doubtful accounts	(235)	(352)
Total investments and other assets	8,536	9,162
Total non-current assets	18,332	18,943
Total assets	44,919	45,102

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable – trade	327	321
Accounts payable – other	1,947	1,572
Income taxes payable	1,053	771
Advances received	6,464	6,091
Provision for bonuses	996	1,019
Provision for directors' bonuses	130	75
Provision for product warranties	31	36
Provision for point card certificates	107	—
Others	1,088	2,787
<b>Total current liabilities</b>	<b>12,147</b>	<b>12,677</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	4,078	4,172
Asset retirement obligations	1,511	1,535
Others	1,927	1,962
<b>Total non-current liabilities</b>	<b>7,517</b>	<b>7,669</b>
<b>Total liabilities</b>	<b>19,664</b>	<b>20,347</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,667	3,667
Capital surplus	3,558	3,556
Retained earnings	19,075	18,410
Treasury shares	(1,289)	(1,281)
<b>Total shareholders' equity</b>	<b>25,011</b>	<b>24,353</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	96	126
Foreign currency translation adjustment	(5)	72
Remeasurements of defined benefit plans	(35)	(21)
<b>Total accumulated other comprehensive income</b>	<b>55</b>	<b>177</b>
<b>Subscription rights to shares</b>	<b>180</b>	<b>219</b>
<b>Non-controlling interests</b>	<b>8</b>	<b>4</b>
<b>Total net assets</b>	<b>25,255</b>	<b>24,755</b>
<b>Total liabilities and net assets</b>	<b>44,919</b>	<b>45,102</b>

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	14,793	19,329
Cost of sales	5,709	6,310
Gross profit	9,083	13,019
Selling, general and administrative expenses	9,675	11,457
Operating income (loss)	(592)	1,561
Non-operating income		
Interest income	27	23
Subsidy income	160	9
Others	18	34
Total non-operating income	206	66
Non-operating expenses		
Interest expenses	3	—
Foreign exchange losses	16	2
Provision of allowance for doubtful accounts	2	116
Guarantee commission	14	12
Others	8	5
Total non-operating expenses	45	136
Ordinary income (loss)	(431)	1,492
Extraordinary income		
Gain on sales of non-current assets	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Impairment loss	3	4
Total extraordinary losses	3	4
Income (loss) before income taxes	(434)	1,487
Income taxes – current	66	651
Income taxes – deferred	(52)	(17)
Total income taxes	13	633
Net income (loss)	(447)	853
Loss attributable to non-controlling interests	(1)	(3)
Net income (loss) attributable to owners of the parent company	(446)	857



(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Net income (loss)	(447)	853
Other comprehensive income		
Valuation difference on available-for-sale securities	92	29
Foreign currency translation adjustment	(9)	77
Remeasurements of defined benefit plans	20	14
Total other comprehensive income	104	121
Comprehensive income (loss)	(343)	975
(Comprehensive income (loss) attributable to)		
Owners of the parent company	(342)	979
Non-controlling interests	(1)	(3)

## (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	(434)	1,487
Depreciation	466	425
Impairment loss	3	4
Amortization of goodwill	86	86
Increase (decrease) in allowance for doubtful accounts	2	115
Increase (decrease) in provision for bonuses	(59)	23
Increase (decrease) in provision for directors' bonuses	75	(55)
Increase (decrease) in provision for product warranties	(13)	5
Increase (decrease) in provision for point card certificates	7	(107)
Increase (decrease) in net defined benefit liability	85	114
Interest income	(27)	(23)
Interest expenses	3	—
Loss (gain) on sales of non-current assets	(0)	—
Loss on retirement of non-current assets	0	—
Decrease (increase) in notes and accounts receivable – trade	589	387
Decrease (increase) in inventories	(220)	(285)
Increase (decrease) in notes and accounts payable – trade	(32)	(9)
Subsidy income	(160)	(9)
Increase (decrease) in advances received	1,346	(372)
Others	(1,279)	(346)
Subtotal	437	1,438
Interest income received	33	26
Interest expenses paid	(3)	—
Income taxes paid	(455)	(924)
Income taxes refund	35	0
Subsidies received	160	9
Net cash provided by (used in) operating activities	206	550
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	210	—
Purchase of property, plant and equipment	(437)	(388)
Proceeds from sales of property, plant and equipment	0	—
Purchase of intangible assets	(59)	(34)
Long-term loan advances	—	(150)
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(35)	(81)
Proceeds from collection of lease and guarantee deposits	25	27
Others	(34)	(22)
Net cash provided by (used in) investing activities	(329)	(649)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	3,000	—
Repayments of lease obligations	—	(15)
Cash dividends paid	(452)	(449)
Net cash provided by (used in) financing activities	2,547	(464)
Effect of exchange rate change on cash and cash equivalents	(22)	40
Net increase (decrease) in cash and cash equivalents	2,402	(523)
Cash and cash equivalents at beginning of period	16,736	18,984
Cash and cash equivalents at end of period	19,139	18,461

(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.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter of the current fiscal year and recognize revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer. Major changes as a result of the application are as follows.

(1) Sales of hair-addition products

With regard to sales of hair-addition products, in the past we recognized revenue for unused hair-addition products at the time of sale and revised the amount if products were returned subsequently. However, for the products that are expected to be returned, we have changed it to a method of not recognizing revenue at the time of sale but recognizing refund liabilities at the amount of consideration received for the products, in accordance with the provisions for variable consideration.

(2) Periodic check service of custom-made wigs for ladies and ready-made wigs for ladies

For the periodic check service of custom-made wigs for ladies and ready-made wigs for ladies, in the past we recognized revenue including consideration for the service at the time of sale of products, but we have changed it to a method of identifying the service separately from the sale of products and recording net sales when we provide customers with the check service.

(3) Points

For points given to customers at the time of selling products and providing services, in the past we recorded unused points which were expected to be used in the future as provision for point card certificates and recognized expenses, but we have changed it to a method of identifying the given points as performance obligations separately from the sale of products and the provision of services and recognizing them as net sales when customers used the points (or when the points disappeared).

The application of the Revenue Recognition Accounting Standard follows the provisional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the first quarter of the current fiscal year are adjusted in retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is applied from this initial balance.

As a result, net sales in the first six months under review decreased ¥74 million, and operating income, ordinary income and income before taxes decreased ¥74 million, respectively. In addition, the beginning balance of retained earnings decreased ¥1,072 million.

As a result of applying the Revenue Recognition Accounting Standard, we have decided to present the provision for point card certificates, which was presented in current liabilities in consolidated balance sheet for the previous fiscal year, by including it in "Others" of current liabilities from the first quarter of the current fiscal year. In accordance with the provisional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made to the consolidated financial statements for the previous fiscal year based on the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first quarter of the current fiscal year and apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) into the future. The application of the Fair Value Measurement Accounting Standard, etc. has no impact on the quarterly financial statements.