



## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2023 [J-GAAP]

October 28, 2022

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 11, 2022  
 Scheduled date of the start of dividends distribution: December 1, 2022  
 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, 2022 (April 1, 2022 – September 30, 2022)

#### (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	%
Six months ended September 30, 2022	21,288	10.1	2,372	51.9	2,374	59.2	1,463	70.7
September 30, 2021	19,329	30.7	1,561	—	1,492	—	857	—

Note: Comprehensive income: Six months ended September 30, 2022: ¥1,474 million (51.1%)  
 Six months ended September 30, 2021: ¥975 million (—%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended September 30, 2022	45.48		44.94	
September 30, 2021	26.71		26.43	

#### (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, 2022	46,868	25,881	54.7	789.71
March 31, 2022	46,510	24,596	52.4	758.47

(Reference) Equity capital: As of September 30, 2022: ¥25,617 million As of March 31, 2022: ¥24,367 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, 2022	—	14.00	—	14.00	28.00
Year ending March 31, 2023	—	14.00	—	—	—
Year ending March 31, 2023 (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, 2023 (April 1, 2022 – March 31, 2023)

(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	42,814	5.9	3,126	3.5	3,106	2.2	1,698	41.0	52.77

Note: Revisions to most recently announced results forecasts: Yes

For the revision to the results forecast, see the Notice Regarding the Revision of the Financial Forecast for the Fiscal Year Ending March 31, 2023 announced on October 28, 2022.

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, 2022 | 34,393,200 shares | As of March 31, 2022 | 34,393,200 shares |
|--------------------------|-------------------|----------------------|-------------------|
- 2) Number of treasury shares
- |                          |                  |                      |                  |
|--------------------------|------------------|----------------------|------------------|
| As of September 30, 2022 | 1,953,939 shares | As of March 31, 2022 | 2,266,339 shares |
|--------------------------|------------------|----------------------|------------------|
- 3) Average number of shares issued and outstanding in each period
- |                                     |                   |                                     |                   |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Six months ended September 30, 2022 | 32,182,425 shares | Six months ended September 30, 2021 | 32,101,675 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

\* **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.”

**Contents**

<b>1. Analysis of operating results and financial position .....</b>	<b>2</b>
(1) Analysis of operating results .....	2
(2) Analysis of financial position .....	2
(3) Qualitative information on consolidated financial forecasts.....	3
<b>2. Quarterly consolidated financial statements and related notes.....</b>	<b>4</b>
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and comprehensive income .....	6
(Quarterly consolidated statements of income) .....	6
(Quarterly consolidated statements of comprehensive income) .....	7
(3) Quarterly consolidated statements of cash flows.....	8
(4) Notes on quarterly consolidated financial statements .....	9
(Notes on the going concern assumption) .....	9
(Notes on significant fluctuation in amounts of shareholders' equity) .....	9
(Changes in accounting policies).....	9

## 1. Analysis of operating results and financial position

### (1) Analysis of operating results

Operating results for the first six months of fiscal 2023

In the first six months of fiscal 2023 (April-September 2022), although there were signs of a recovery in consumer spending due to the easing of restraints on a range of activities that had been enforced because of the spread of COVID-19, the situation surrounding the Japanese economy remained uncertain because the surge in crude oil and raw material prices, which was attributable to the prolonged war in Ukraine, and the sharp weakening of the yen affecting consumer spending.

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 final year. Under the plan, we have been implementing six priority challenge initiatives, as we did in the previous 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. As a result, consolidated net sales in the first six months under review increased 10.1% year on year to ¥21,288 million. In terms of profits, operating income stood at ¥2,372 million (increasing 51.9% year on year), and ordinary income came to ¥2,374 million (increasing 59.2% year on year) due to an increase in net sales. Net income attributable to owners of the parent company was ¥1,463 million (increasing 70.7% year on year).

Business results by segment are as follows.

#### < Men's business >

Sales in the men's business increased 4.3% year on year, to ¥11,556 million, as a result of the sale of new products and the promotion of customer retention programs, among other initiatives.

#### < Ladies' business >

Sales in the ladies' business climbed 18.8% year on year, to ¥6,749 million, mainly reflecting strong sales of new products and an increase in the number of exhibition and trial fitting events held as well as that of products sold.

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

Sales in the ladies' ready-made wigs business rose 15.7% year on year, to ¥2,084 million, chiefly reflecting an increase in the number of products sold due to a rise in the number of customers visiting 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 ¥46,868 million, an increase of ¥357 million compared with the end of the previous fiscal year. Current assets increased ¥188 million, mainly due to increases in cash and deposits and merchandise and finished goods, and non-current assets increased ¥168 million, primarily reflecting an increase in property, plant and equipment.

##### (Liabilities)

As of the end of the second quarter, liabilities totaled ¥20,986 million, a decrease of ¥927 million compared with the end of the previous fiscal year. This was largely due to a decrease of ¥872 million in current liabilities chiefly due to decreases in accounts payable - other and advances received.

##### (Net assets)

As of the end of the second quarter, net assets were ¥25,881 million, an increase of ¥1,284 million compared with the end of the previous fiscal year. This largely reflected an increase in retained earnings.

2) Cash flow position

As of the end of the second quarter, cash and cash equivalents (cash) totaled ¥19,546 million, an increase of ¥94 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 ¥1,476 million, compared with ¥550 million in the same period a year earlier. Cash inflows, including income before income taxes of ¥2,362 million, depreciation of ¥386 million, and a decrease in notes and accounts receivable-trade of ¥611 million, more than offset cash outflows, including income taxes paid of ¥805 million, an increase in inventories of ¥509 million, and a decrease in advances received of ¥639 million.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥999 million, compared with ¥649 million in the same period a year earlier. That mainly reflected purchase of property, plant and equipment of ¥747 million and payments for long-term loans receivable of ¥100 million.

**(Cash flows from financing activities)**

Financing activities used net cash of ¥459 million, compared with ¥464 million in the same period a year earlier. That mainly reflected cash dividends paid of ¥449 million.

(3) Qualitative information on consolidated financial forecasts

The Company revised its consolidated financial forecasts for the fiscal year ending March 31, 2023 on October 28, 2022. For details of the revision, see the Notice Regarding the Revision of the Financial Forecast for the Fiscal Year Ending March 31, 2023 announced on October 28, 2022.

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

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	19,546	19,649
Accounts receivable – trade	3,066	2,466
Securities	23	26
Merchandise and finished goods	3,050	3,444
Work in process	182	187
Raw materials and supplies	1,195	1,354
Others	964	1,086
Allowance for doubtful accounts	(5)	(5)
<b>Total current assets</b>	<b>28,021</b>	<b>28,210</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,779	4,789
Others, net	3,915	4,159
<b>Total property, plant and equipment</b>	<b>8,694</b>	<b>8,949</b>
Intangible assets		
Goodwill	233	186
Others	441	425
<b>Total intangible assets</b>	<b>674</b>	<b>612</b>
Investments and other assets		
Others	9,512	9,580
Allowance for doubtful accounts	(393)	(485)
<b>Total investments and other assets</b>	<b>9,119</b>	<b>9,095</b>
<b>Total non-current assets</b>	<b>18,488</b>	<b>18,657</b>
<b>Total assets</b>	<b>46,510</b>	<b>46,868</b>

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	320	634
Accounts payable – other	2,288	1,614
Income taxes payable	929	998
Advances received	6,502	5,862
Provision for bonuses	1,053	1,061
Provision for directors' bonuses	145	75
Provision for product warranties	36	39
Others	2,961	3,078
Total current liabilities	14,237	13,365
Non-current liabilities		
Net defined benefit liability	4,170	4,273
Asset retirement obligations	1,547	1,580
Others	1,959	1,768
Total non-current liabilities	7,676	7,621
<b>Total liabilities</b>	<b>21,914</b>	<b>20,986</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,557	3,607
Retained earnings	18,307	19,321
Treasury shares	(1,272)	(1,096)
Total shareholders' equity	24,260	25,499
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62	(19)
Foreign currency translation adjustment	14	102
Remeasurements of defined benefit plans	29	35
Total accumulated other comprehensive income	106	117
Subscription rights to shares	217	251
Non-controlling interests	12	12
<b>Total net assets</b>	<b>24,596</b>	<b>25,881</b>
<b>Total liabilities and net assets</b>	<b>46,510</b>	<b>46,868</b>

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	19,329	21,288
Cost of sales	6,310	6,792
Gross profit	13,019	14,496
Selling, general and administrative expenses	11,457	12,123
Operating income	1,561	2,372
Non-operating income		
Interest income	23	21
Gain on investments in investment partnerships	10	—
Foreign exchange gains	—	69
Subsidy income	9	1
Others	23	17
Total non-operating income	66	109
Non-operating expenses		
Foreign exchange losses	2	—
Provision of allowance for doubtful accounts	116	92
Guarantee commission	12	10
Others	5	4
Total non-operating expenses	136	107
Ordinary income	1,492	2,374
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Impairment loss	4	11
Total extraordinary losses	4	11
Income before income taxes	1,487	2,362
Income taxes – current	651	874
Income taxes – deferred	(17)	22
Total income taxes	633	897
Net income	853	1,465
Net income(loss) attributable to non-controlling interests	(3)	1
Net income attributable to owners of the parent company	857	1,463



(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income	853	1,465
Other comprehensive income		
Valuation difference on available-for-sale securities	29	(82)
Foreign currency translation adjustment	77	85
Remeasurements of defined benefit plans	14	6
Total other comprehensive income	121	9
Comprehensive income	975	1,474
(Comprehensive income attributable to)		
Owners of the parent company	979	1,474
Non-controlling interests	(3)	0

## (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
<b>Cash flows from operating activities</b>		
Income before income taxes	1,487	2,362
Depreciation	425	386
Impairment loss	4	11
Amortization of goodwill	86	46
Increase (decrease) in allowance for doubtful accounts	115	91
Increase (decrease) in provision for bonuses	23	8
Increase (decrease) in provision for directors' bonuses	(55)	(70)
Increase (decrease) in provision for product warranties	5	3
Increase (decrease) in provision for point card certificates	(107)	—
Increase (decrease) in net defined benefit liability	114	111
Interest income	(23)	(21)
Loss on retirement of non-current assets	—	0
Decrease (increase) in notes and accounts receivable – trade	387	611
Decrease (increase) in inventories	(285)	(509)
Increase (decrease) in notes and accounts payable – trade	(9)	307
Subsidy income	(9)	(1)
Increase (decrease) in advances received	(372)	(639)
Others	(346)	(442)
Subtotal	1,438	2,256
Interest income received	26	23
Income taxes paid	(924)	(805)
Income taxes refund	0	—
Subsidies received	9	1
Net cash provided by (used in) operating activities	550	1,476
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(388)	(747)
Purchase of intangible assets	(34)	(77)
Long-term loan advances	(150)	(100)
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(81)	(79)
Proceeds from collection of lease and guarantee deposits	27	57
Others	(22)	(51)
Net cash provided by (used in) investing activities	(649)	(999)
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(15)	(10)
Cash dividends paid	(449)	(449)
Net cash provided by (used in) financing activities	(464)	(459)
Effect of exchange rate change on cash and cash equivalents	40	76
Net increase (decrease) in cash and cash equivalents	(523)	94
Cash and cash equivalents at beginning of period	18,984	19,452
Cash and cash equivalents at end of period	18,461	19,546

(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)

The Company decided to start applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") at the beginning of the first quarter, while also implementing the new accounting policy stipulated in the Fair Value Measurement Implementation Guidance according to the provisional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance into the future. This application has no impact on quarterly consolidated financial statements.