



Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 [J-GAAP]

October 30, 2023

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 14, 2023
 Scheduled date of the start of dividends distribution: December 1, 2023
 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, 2023 (April 1, 2023 – September 30, 2023)

(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, 2023	21,270	(0.1)	1,914	(19.3)	1,963	(17.3)	1,208	(17.4)
September 30, 2022	21,288	10.1	2,372	51.9	2,374	59.2	1,463	70.7

Note: Comprehensive income: Six months ended September 30, 2023: ¥1,296 million (-12.1%)
 Six months ended September 30, 2022: ¥1,474 million (51.1%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended September 30, 2023	37.19		36.71	
September 30, 2022	45.48		44.94	

(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, 2023	47,787	26,832	55.5	816.12
March 31, 2023	47,956	25,927	53.5	790.26

(Reference) Equity capital: As of September 30, 2023: ¥26,545 million As of March 31, 2023: ¥25,662 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, 2023	—	14.00	—	14.00	28.00
Year ending March 31, 2024	—	14.00	—	—	—
Year ending March 31, 2024 (forecast)	—	—	—	19.00	33.00

Note: Revisions to dividend forecasts published most recently: None

3. Consolidated financial forecast for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	44,763	3.6	3,743	4.8	3,821	8.1	2,140	14.2	65.92

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.: | None |
| 2) Changes in accounting policies other than 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatement of revisions: | None |

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

- | | | | |
|--|-------------------|-------------------------------------|-------------------|
| 1) Number of shares issued and outstanding (including treasury shares) | | | |
| As of September 30, 2023 | 34,393,200 shares | As of March 31, 2023 | 34,393,200 shares |
| 2) Number of treasury shares | | | |
| As of September 30, 2023 | 1,867,339 shares | As of March 31, 2023 | 1,919,239 shares |
| 3) Average number of shares issued and outstanding in each period | | | |
| Six months ended September 30, 2023 | 32,495,457 shares | Six months ended September 30, 2022 | 32,182,425 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."

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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 2024

During the first six months of fiscal 2024 (April-September 2023), the Japanese economy saw a recovery in consumer spending and inbound tourist demand, given the normalization of economic activities attributable partly to the reclassification of COVID-19 in May 2023 under the Infectious Diseases Control Law. However, it continued to face an uncertain situation, partly reflecting a rise in the cost of living due chiefly to the weakening of the yen and surges in raw material and energy prices.

Against this backdrop, the Group formulated the ARTNATURE Advance Plan, a new medium-term management plan, and began to implement it in the current fiscal year. The Group has been leveraging its strengths and tackling a range of issues to enhance its business performances and increase its market share in the haircare industry, while simultaneously promoting its business activities by expanding businesses acquired in new areas with a view to taking a significant leap for the creation of a new ARTNATURE capable of opening up the next phase.

As a result, consolidated net sales in the first six months under review decreased 0.1% year on year to ¥21,270 million. In terms of profits, operating income and ordinary income stood at ¥1,914 million (down 19.3% year on year) and ¥1,963 million (down 17.3% year on year), respectively, due to the slight year-on-year decline in net sales and increases in the cost of sales, sales expenses and general and administrative expenses. Similarly, net income attributable to owners of the parent company came to ¥1,208 million (down 17.4% year on year).

Business results by segment are as follows.

Men's business

Sales in the men's business decreased 0.5% year on year, to ¥11,494 million, chiefly due to a fall in sales to new customers, despite a year-on-year increase in sales to repeat customers as a result of promotion of customer retention programs, among other initiatives.

Ladies' business

Sales in the ladies' business declined 2.0% year on year, to ¥6,613 million due to a fall in sales to new customers, despite there was a year-on-year increase in sales to repeat customers, which reflected a rise in the number of customers visiting the Company's stores.

Ladies' ready-made wigs business

Sales in the ladies' ready-made wigs business rose 17.3% year on year, to ¥2,445 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 ¥47,787 million, a decrease of ¥168 million compared with the end of the previous fiscal year. Current assets decreased ¥311 million, mainly due to a fall in accounts receivable - trade, while non-current assets increased ¥142 million.

(Liabilities)

As of the end of the second quarter, liabilities totaled ¥20,954 million, a decrease of ¥1,074 million compared with the end of the previous fiscal year. This was largely due to a decrease of ¥1,225 million in current liabilities chiefly due to decreases in accounts payable-other, income taxes payable, advances received, and provision for bonuses.

(Net assets)

As of the end of the second quarter, net assets were ¥26,832 million, an increase of ¥905 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 ¥20,114 million, an increase of ¥32 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 ¥1,272 million, compared with ¥1,476 million in the same period a year earlier. Cash inflows, including income before income taxes of ¥1,953 million, depreciation of ¥440 million, and a decrease in notes and accounts receivable-trade of ¥433 million, more than offset cash outflows, including income taxes paid of ¥866 million, and a decrease in advances received of ¥367 million.

(Cash flows from investing activities)

Investing activities used net cash of ¥850 million, compared with ¥999 million in the same period a year earlier. That mainly reflected purchase of property, plant and equipment of ¥632 million and purchase of intangible assets of ¥117 million.

(Cash flows from financing activities)

Financing activities used net cash of ¥461 million, compared with ¥459 million in the same period a year earlier. That mainly reflected cash dividends paid of ¥451 million.

(3) Qualitative information on consolidated financial forecasts

Consolidated financial forecasts for the fiscal year ending March 31, 2024 remain the same as those announced on May 12, 2023.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	20,180	20,222
Accounts receivable – trade	3,044	2,621
Securities	25	28
Merchandise and finished goods	3,379	3,249
Work in process	203	199
Raw materials and supplies	1,364	1,541
Others	1,116	1,140
Allowance for doubtful accounts	(4)	(5)
Total current assets	29,310	28,999
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,675	4,736
Others, net	4,120	4,167
Total property, plant and equipment	8,795	8,904
Intangible assets		
Goodwill	54	36
Others	504	629
Total intangible assets	558	665
Investments and other assets		
Others	9,838	9,800
Allowance for doubtful accounts	(547)	(582)
Total investments and other assets	9,291	9,218
Total non-current assets	18,645	18,788
Total assets	47,956	47,787

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable – trade	318	306
Accounts payable – other	2,205	1,945
Income taxes payable	995	717
Advances received	6,184	5,817
Provision for bonuses	1,252	1,060
Provision for directors' bonuses	145	75
Provision for product warranties	43	44
Others	3,403	3,356
Total current liabilities	14,548	13,322
Non-current liabilities		
Net defined benefit liability	4,165	4,279
Asset retirement obligations	1,545	1,566
Others	1,769	1,785
Total non-current liabilities	7,480	7,631
Total liabilities	22,028	20,954
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,613	3,623
Retained earnings	19,278	20,032
Treasury shares	(1,077)	(1,048)
Total shareholders' equity	25,481	26,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	12
Foreign currency translation adjustment	46	143
Remeasurements of defined benefit plans	124	114
Total accumulated other comprehensive income	181	270
Subscription rights to shares	251	276
Non-controlling interests	12	11
Total net assets	25,927	26,832
Total liabilities and net assets	47,956	47,787

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	21,288	21,270
Cost of sales	6,792	6,986
Gross profit	14,496	14,284
Selling, general and administrative expenses	12,123	12,370
Operating income	2,372	1,914
Non-operating income		
Interest income	21	24
Foreign exchange gains	69	54
Others	19	22
Total non-operating income	109	101
Non-operating expenses		
Provision of allowance for doubtful accounts	92	34
Guarantee commission	10	9
Others	4	8
Total non-operating expenses	107	52
Ordinary income	2,374	1,963
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	11	9
Total extraordinary losses	11	9
Income before income taxes	2,362	1,953
Income taxes – current	874	600
Income taxes – deferred	22	145
Total income taxes	897	745
Net income	1,465	1,208
Net income (loss) attributable to non-controlling interests	1	(0)
Net income attributable to owners of the parent company	1,463	1,208

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income	1,465	1,208
Other comprehensive income		
Valuation difference on available-for-sale securities	(82)	2
Foreign currency translation adjustment	85	96
Remeasurements of defined benefit plans	6	(10)
Total other comprehensive income	9	87
Comprehensive income	1,474	1,296
(Comprehensive income attributable to)		
Owners of the parent company	1,474	1,297
Non-controlling interests	0	(1)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Income before income taxes	2,362	1,953
Depreciation	386	440
Impairment loss	11	9
Amortization of goodwill	46	18
Increase (decrease) in allowance for doubtful accounts	91	34
Increase (decrease) in provision for bonuses	8	(192)
Increase (decrease) in provision for directors' bonuses	(70)	(70)
Increase (decrease) in provision for product warranties	3	1
Increase (decrease) in net defined benefit liability	111	99
Interest income	(21)	(24)
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	611	433
Decrease (increase) in inventories	(509)	4
Increase (decrease) in notes and accounts payable – trade	307	(16)
Increase (decrease) in advances received	(639)	(367)
Others	(444)	(210)
Subtotal	2,256	2,112
Interest income received	23	26
Income taxes paid	(805)	(866)
Subsidies received	1	—
Net cash provided by (used in) operating activities	1,476	1,272
Cash flows from investing activities		
Purchase of property, plant and equipment	(747)	(632)
Proceeds from sales of property, plant and equipment	—	0
Purchase of intangible assets	(77)	(117)
Long-term loan advances	(100)	—
Collection of long-term loans receivable	0	0
Payments for lease and guarantee deposits	(79)	(47)
Proceeds from collection of lease and guarantee deposits	57	20
Others	(51)	(73)
Net cash provided by (used in) investing activities	(999)	(850)
Cash flows from financing activities		
Repayments of lease obligations	(10)	(10)
Cash dividends paid	(449)	(451)
Net cash provided by (used in) financing activities	(459)	(461)
Effect of exchange rate change on cash and cash equivalents	76	71
Net increase (decrease) in cash and cash equivalents	94	32
Cash and cash equivalents at beginning of period	19,452	20,082
Cash and cash equivalents at end of period	19,546	20,114

(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.