



Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2024

[J-GAAP]

January 30, 2024

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, 2024
 Scheduled date of the start of dividends distribution: —
 Supplementary quarterly materials prepared: None
 Explanation meeting for quarterly financial results: None

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

1. Consolidated results for the first nine months ended December 31, 2023 (April 1, 2023 – December 31, 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	%
Nine months ended								
December 31, 2023	31,913	(1.3)	2,652	(20.6)	2,713	(17.2)	2,002	(0.7)
December 31, 2022	32,337	7.5	3,338	20.0	3,275	18.8	2,017	20.5

Note: Comprehensive income: Nine months ended December 31, 2023: ¥2,165 million (6.5%)
 Nine months ended December 31, 2022: ¥2,033 million (17.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
December 31, 2023	61.61	60.80
December 31, 2022	62.51	61.75

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2023	47,880	27,249	56.3	828.84
March 31, 2023	47,956	25,927	53.5	790.26

(Reference) Equity capital: As of December 31, 2023: ¥26,961 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)				14.00	28.00

Note: Revisions to dividend forecasts published most recently: Yes
 For the revision to the dividend forecast, see the Notice Regarding the Revision of the Financial Forecast and Dividend Forecast for the Fiscal Year Ending March 31, 2024 announced on January 30, 2024.

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	42,697	(1.2)	2,198	(38.5)	2,299	(34.9)	1,158	(38.2)	35.63

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 and Dividend Forecast for the Fiscal Year Ending March 31, 2024 announced on January 30, 2024.

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

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|--|------|
| 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 December 31, 2023 | 34,393,200 shares | As of March 31, 2023 | 34,393,200 shares |
| 2) Number of treasury shares | | | |
| As of December 31, 2023 | 1,863,939 shares | As of March 31, 2023 | 1,919,239 shares |
| 3) Average number of shares issued and outstanding in each period | | | |
| Nine months ended December 31, 2023 | 32,506,360 shares | Nine months ended December 31, 2022 | 32,272,488 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 nine months of fiscal 2024

During the first nine months of fiscal 2024 (April-December 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 nine months under review decreased 1.3% year on year to ¥31,913 million. In terms of profits, operating income and ordinary income stood at ¥2,652 million (down 20.6% year on year) and ¥2,713 million (down 17.2% year on year), respectively, due to the 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 ¥2,002 million (down 0.7% year on year).

Business results by segment are as follows.

< Men's business >

Sales in the men's business fell to 17,222 million yen (down 1.7% year on year) as a result of a year-on-year decline in sales to new customers although sales to repeat customers remained in the same level due to the implementation of customer retention programs and other measures.

< Ladies' business >

Sales in the ladies' business declined 2.7% year on year, to ¥9,606 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 10.5% year on year, to ¥4,012 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

Assets, liabilities and net assets

(Assets)

As of the end of the third quarter, total assets were ¥47,880 million, a decrease of ¥76 million compared with the end of the previous fiscal year. Current assets decreased ¥781 million, mainly due to a fall in cash and deposits, while non-current assets increased ¥705 million.

(Liabilities)

As of the end of the third quarter, liabilities totaled ¥20,630 million, a decrease of ¥1,397 million compared with the end of the previous fiscal year. This was largely due to a decrease of ¥1,681 million in current liabilities chiefly due to decreases in accounts payable-other, income taxes payable and provision for bonuses.

(Net assets)

As of the end of the third quarter, net assets were ¥27,249 million, an increase of ¥1,321 million compared with the end of the previous fiscal year. This largely reflected an increase in retained earnings.

(3) Qualitative information on consolidated financial forecasts

For consolidated financial forecasts for the fiscal year ending March 31, 2024, a revision was announced on January 30, 2024. For details of the revision, see the Notice Regarding the Revision of the Financial Forecast and Dividend Forecast for the Fiscal Year Ending March 31, 2024 announced on January 30, 2024.

2. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	20,180	18,954
Accounts receivable – trade	3,044	3,107
Securities	25	29
Merchandise and finished goods	3,379	3,496
Work in process	203	209
Raw materials and supplies	1,364	1,643
Others	1,116	1,100
Allowance for doubtful accounts	(4)	(10)
Total current assets	29,310	28,529
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,675	4,919
Others, net	4,120	4,128
Total property, plant and equipment	8,795	9,047
Intangible assets		
Goodwill	54	27
Others	504	770
Total intangible assets	558	797
Investments and other assets		
Others	9,838	10,087
Allowance for doubtful accounts	(547)	(582)
Total investments and other assets	9,291	9,505
Total non-current assets	18,645	19,350
Total assets	47,956	47,880

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable – trade	318	513
Accounts payable – other	2,205	1,587
Income taxes payable	995	24
Advances received	6,184	6,330
Provision for bonuses	1,252	530
Provision for directors' bonuses	145	112
Provision for product warranties	43	42
Others	3,403	3,725
Total current liabilities	14,548	12,867
Non-current liabilities		
Net defined benefit liability	4,165	4,385
Asset retirement obligations	1,545	1,564
Others	1,769	1,814
Total non-current liabilities	7,480	7,763
Total liabilities	22,028	20,630
Net assets		
Shareholders' equity		
Capital stock	3,667	3,667
Capital surplus	3,613	3,624
Retained earnings	19,278	20,371
Treasury shares	(1,077)	(1,046)
Total shareholders' equity	25,481	26,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	52
Foreign currency translation adjustment	46	183
Remeasurements of defined benefit plans	124	109
Total accumulated other comprehensive income	181	345
Subscription rights to shares	251	276
Non-controlling interests	12	11
Total net assets	25,927	27,249
Total liabilities and net assets	47,956	47,880

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

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	32,337	31,913
Cost of sales	10,307	10,458
Gross profit	22,029	21,454
Selling, general and administrative expenses	18,690	18,802
Operating income	3,338	2,652
Non-operating income		
Interest income	32	35
Foreign exchange gains	34	54
Others	26	31
Total non-operating income	93	121
Non-operating expenses		
Provision of allowance for doubtful accounts	132	34
Guarantee commission	18	16
Others	6	9
Total non-operating expenses	156	60
Ordinary income	3,275	2,713
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	19	17
Loss on liquidation of subsidiaries and associates	—	54
Total extraordinary losses	19	71
Income before income taxes	3,255	2,641
Income taxes – current	1,014	694
Income taxes – deferred	221	(55)
Total income taxes	1,236	639
Net income	2,019	2,002
Net income (loss) attributable to non-controlling interests	1	(0)
Net income attributable to owners of the parent company	2,017	2,002

(Quarterly consolidated statements of comprehensive income)

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	2,019	2,002
Other comprehensive income		
Valuation difference on available-for-sale securities	(77)	42
Foreign currency translation adjustment	89	136
Remeasurements of defined benefit plans	2	(15)
Total other comprehensive income	14	162
Comprehensive income	2,033	2,165
(Comprehensive income attributable to)		
Owners of the parent company	2,033	2,166
Non-controlling interests	(0)	(1)

(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.