



## **ARTNATURE INC.**

Financial Results Briefing for the Fiscal Year Ended March 2022

May 17, 2022

## Event Summary

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<b>[Company Name]</b>	ARTNATURE INC.	
<b>[Company ID]</b>	7823-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2022	
<b>[Fiscal Period]</b>	FY2021 Annual	
<b>[Date]</b>	May 17, 2022	
<b>[Number of Pages]</b>	35	
<b>[Time]</b>	16:00 – 16:45 (Total: 45 minutes, Presentation: 31 minutes, Q&A: 14 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	2	
	Yoshikata Igarashi	Chairman and President
	Toshio Honda	Senior Corporate Officer, General Manager of Management Planning Division

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## Presentation

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**Ariga:** Good afternoon, everyone. From here, I am pleased to present the financial results briefing of ARTNATURE INC.

Thank you very much for your kind participation and patience. Let me begin by introducing today's attendees.

Mr. Shogo Igarashi, Chairman, and President.

**Igarashi:** My name is Igarashi of ARTNATURE INC. Thank you very much for attending today's briefing

**Ariga:** And, Mr. Toshio Honda, Senior Corporate Officer, General Manager of Management Planning Division.

**Honda:** My name is Honda of ARTNATURE INC. A pleasure to see you all here today.

**Ariga:** Last, my name is Ariga, and I will be the moderator for today. Appreciate your kind attention until the end of this briefing.

Today's proceedings will begin with an overview of the Company's current situation by Chairman Igarashi, followed by an explanation of the content of the financial results by Senior Executive Officer Honda.

We will then move on to the question-and-answer session. We hope to receive your candid comments.

I will now move on to the explanation of the financial results. First, Chairman Igarashi, would you kindly take the stand.

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### Net Sales & Operating Income

(¥ Million)

	FY2020 (Results)	FY2021 (Results)	FY2022 (Results)	YoY Change	Original plan	Revision plan	Revision plan ratio
Net Sales	39,484	35,868	40,437	+12.7%	40,363	40,219	+0.5%
Operating Income	2,919	1,932	3,020	+56.3%	2,023	2,798	+7.9%

### Breakdown of Net Sales

	FY2020 (Results)	FY2021 (Results)	FY2022 (Results)	YoY Change
Men's Business	22,369	21,322	22,660	+6.3%
Ladies' Business	15,720	13,060	16,227	+24.2%
Others	1,394	1,485	1,548	+4.3%

※ Ladies' Business inc. JULLIA ORGER, NAO-ART CO.,LTD

**Igarashi:** My name is Igarashi of ARTNATURE. Thank you very much for watching our web-based financial results presentation today.

I will now like to begin my explanation. I will start with an overview of the current fiscal year's results and the progress of the medium-term management plan.

So now, firstly, I will provide an overview of the financial results.

As shown in the table above, net sales and operating income increased YoY during the period under review. Compared to the plan, net sales were generally in line with the revised plan, and operating income exceeded the revised plan.

The table at the bottom shows the breakdown of the sales results, all of which exceeded the levels before COVID-19. The details will be explained later by Honda.

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## Net Sales and Operating Income

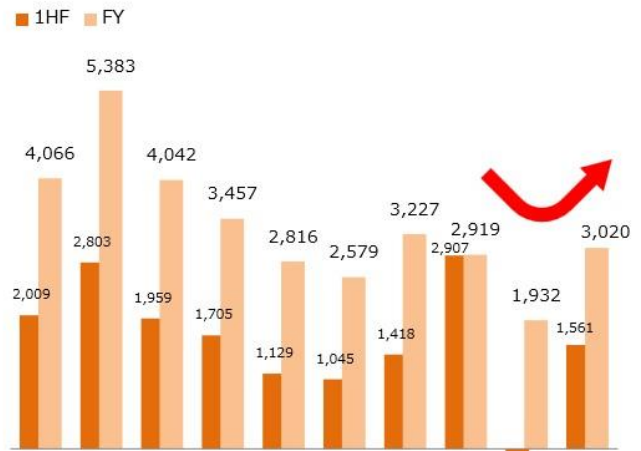


Net Sales (¥ Million)



FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 FY2022

Operating Income (¥ Million)



FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 FY2022

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Next, please take a look at this graph of the business performance trend. This graph shows sales and operating income for the past ten fiscal years, including the current fiscal year.

During the period under review, both net sales and operating income recovered to pre-COVID-19 levels. In addition, net sales exceeded JPY40 billion for the first time in six years. We are determined to maintain this momentum and continue to improve our business performance in FY2022.

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## FY2022 Management Condition



	April-June 2021	July-September	October-December	January-March 2022
Government	Declaration of state of emergency for the third time			Spread of infection by mutant strains Semi-state of emergency
Artnature Group	Formulated and actioned basic policies for COVID-19 Normal business hours at all salons / Normal production plant operation (Philippines)			
	<ul style="list-style-type: none"> <li>Since metropolitan areas and other prefectures were under states of emergency for almost the entire period, business, especially ladies' business, was affected as people refrained from going out and events were cancelled.</li> </ul>		<ul style="list-style-type: none"> <li>New ladies' product "Feelin" was a big hit. The Company received a record-high number of monthly inquiries.</li> <li>The number of events held at department stores and retail facilities increased with the lifting of states of emergency.</li> </ul>	
PR Information: Products	Jul. 2021 Opened new format store (Sogo Omiya Salon) Sep. 2021 Launched men's hair growth product "MRP WONDER" Sep. 2021 Launched ladies' wig "Feelin"		Mar. 2022 Launched men's hair growth product "MRP PRIME" Mar. 2022 Launched ladies' wig "Feelin 2" Mar. 2022 Opened new format store (Sogo Hiroshima Salon)	
PR Information: Other	The Company began supplying its hair growth products to overseas markets. May 2021 Began supplying hair growth products to Hairology, one of China's largest head spa salons		The Company actively utilized the latest technologies and original technologies. Oct. 2021 Introduced AI automated response system Jan. 2022 Introduced portable 3D scanners (industry-first) Mar. 2022 Developed and launched automatic wig hair transplanter (world-first*1) <small>*1 Automates the entire hair transplant process for custom-made single hair transplant products (partial wigs) that are usually produced by hand</small>	

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I will continue with a description of the current year's management conditions.

The blue arrows indicate the Company's status with respect to COVID-19. The first half of the year was affected by the declaration of a state of emergency. In the second half, the new women's product Feelin, introduced in September, became a big hit and, together with an increase in the number of exhibition fitting sessions, contributed significantly to the achievement of the full-year sales plan.

The green arrows indicate PR information on products, services, etc. In addition to introducing new products on a regular basis. In the first half of the year, we began offering our hair extension products to overseas markets. In the second half of the year, we actively utilized the latest and most creative technologies, including introducing the industry's first portable 3D scanner and developing the world's first automatic wig hair transplanter.

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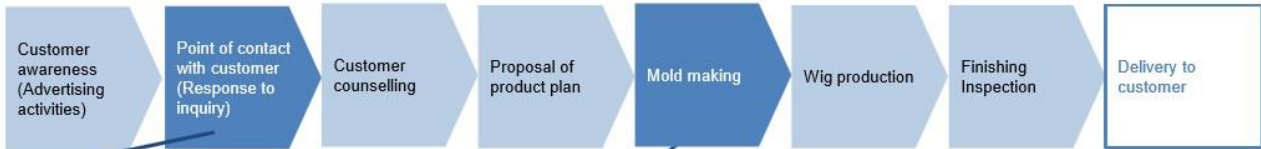
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## (Reference) Utilization of Latest Technologies

Introduced the latest technologies to make the process from contact with customer through to product provision work more efficient

### Flow from inquiry to production of custom-made wig



#### Introduction of AI automatic response system (from October 2021)

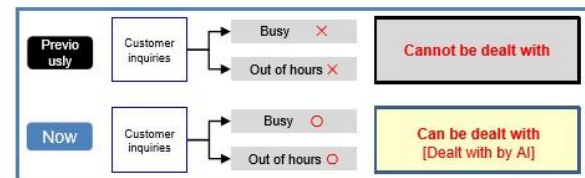
The Company introduced a telephone reception service through which an AI automated voice responds to calls from customers requesting various catalogues, seeking advice, booking salon visits or making other inquiries.

##### [Advantages of introduction]

Improvement in the efficiency of inquiry operations

⇒ Enables calls to be dealt with when there is no operator (early in the morning or late at night) or when the operator is busy

⇒ Can be used by anyone easily and with peace of mind, as AI automatically recognizes the conversation content and responds accordingly.



#### Introduction of portable 3D scanners (from January 2022)

The Company was the first in the industry to introduce portable 3D scanners for measuring the shape of the head using a tablet (iPad) and began applying them at all Artnature salons that handle custom-made wigs and at ladies' exhibitions and fittings held at department stores, etc. throughout Japan.

##### [Advantages of introduction]

Improvement in the efficiency of mold-making operations

⇒ Allows 3D head shape data to be created easily regardless of location (during visit, at event venue, etc.)

⇒ Uses new technology used for topographic survey and can accurately measure the parts where the wig fits such as the nape of the neck which were previously difficult to measure

⇒ The use of portable scanners instead of the large 3D scanners which used to be used at salons saves space.



This slide introduces the AI automatic response system and portable 3D scanner.

The upper part of the slide shows the workflow. We introduced an AI automatic response system for inquiry work and a portable 3D scanner for mold-making work.

The introduction of these newest technologies has improved convenience for our customers and increased operational efficiency within the company as well.

We will continue to improve our workflow by utilizing the latest technology.

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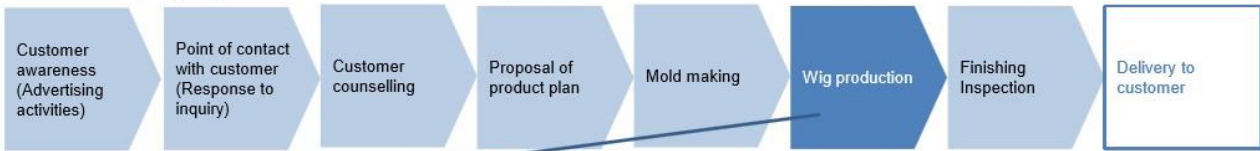
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## (Reference) Automatic Wig Hair Transplanter

The Company developed an "automatic wig hair transplanter" over a development period of approximately 5 years from 2016 (currently in the process of prototype production and quality verification). The Company plans to make some improvements with the aim of producing men's wigs and aims to commence full-scale production in 2024.

### Flow from inquiry to production of custom-made wig



**[Now]**  
Highly skilled artisans carefully transplant each hair, achieving a natural finish from the hair color to the hair flow




**1. Background to development**


(1) The Company's mainstay custom-made wigs are produced by hand by artisans who are highly skilled in all processes at its plant in the Philippines. (Production time per wig: 40-50 days, Number of wigs produced per year: 60,000 or more)

(2) There are various issues with the current manual production system. (Hiring, retention and training of artisans, delivery problems due to disaster, etc., country risk, etc.)


(3) The Company began developing the machine in 2016 to achieve the Company's sustainable growth by solving various issues and stabilizing supply.

**[In future]**  
Automation of transplantation process through automatic wig hair transplanter

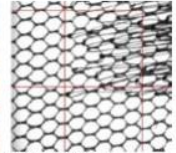




Automatic wig hair transplanter



Transplantation, integrating the hair with multiple needles



Enlarged view of transplantation area (1 square cm outlined in red = 1 cm<sup>2</sup>)

**2. Advantages of introduction of automatic wig hair transplanter**

- Strengthening of business continuity capability
- ⇒ Stabilizes the supply structure through automation of certain work processes
- ⇒ Stabilizes quality through the mechanization of artisan skills

This slide shows an overview of the automatic wig hair transplanter.

Developing this automatic wig hair transplanter aims to eliminate potential risks in the workflow described in the top section. In other words, there are various risks involved in the production of custom-made wigs, which is our main product line, such as hiring, retention, and training of artisans, delivery issues caused by natural disasters, and country risk. By eliminating these risks, we believe we can stabilize the supply and quality of custom-made wigs.

We have been developing this automatic wig hair transplanter since 2016 to achieve sustainable growth for our company, and fortunately, we were able to complete the world's first prototype ahead of our competitors.

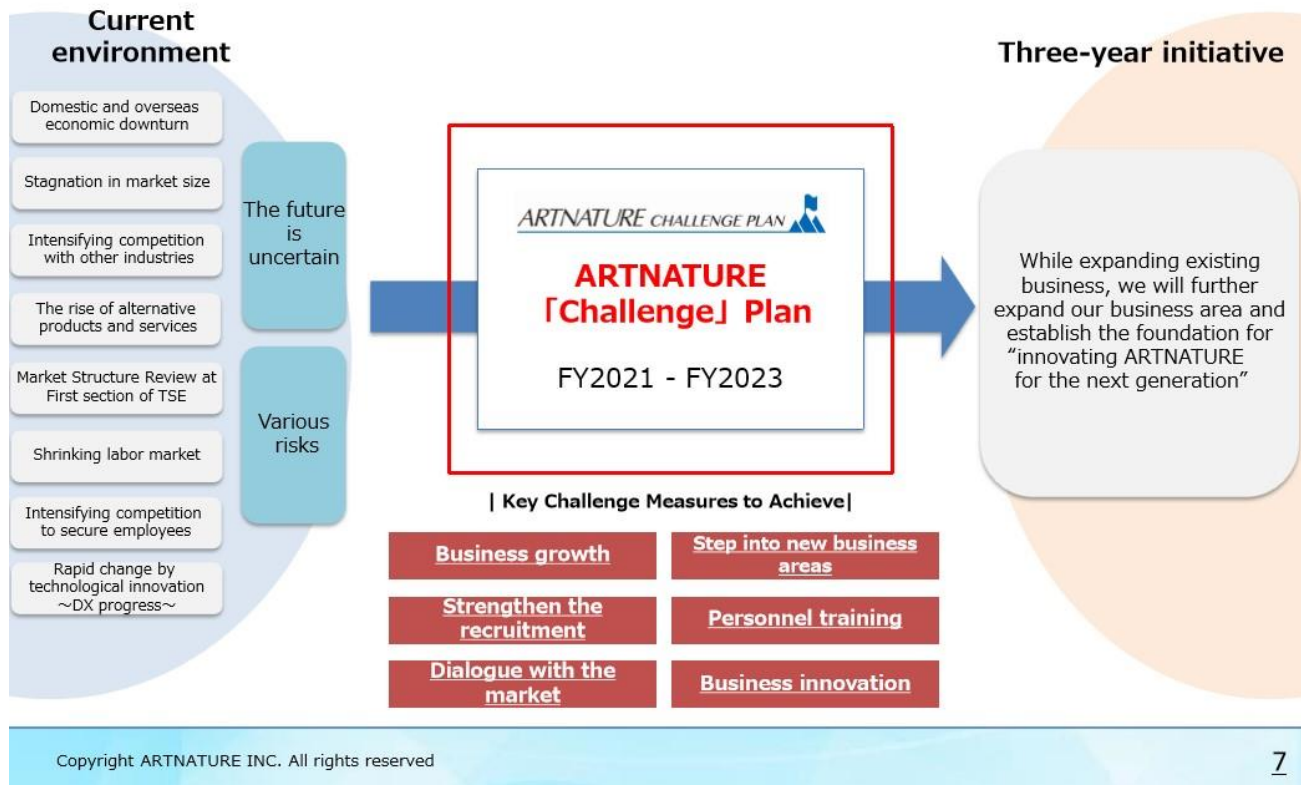
Although we are currently in the quality verification stage, we are developing the product intending to introduce it to the production of some men's wigs in FY2024. We hope that you will pay close attention to our future developments.

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Here is an explanation of the progress of the medium-term management plan, the ARTNATURE Challenge Plan, which began in FY2020. The outline of the medium-term management plan is as shown in the slide.

In this medium-term business plan, we have established six key challenge measures to achieve our goal of further expansion of our business domain while expanding existing businesses in order to lay the foundation for ARTNATURE to pioneer the next generation. Moreover, our executives and employees are united in their efforts.

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## Progress on Key Challenge Measures (Business growth/Step into new business areas)



		Progress					
		<ul style="list-style-type: none"> <li>Achieved growth in second-year net sales (attributable to strong first-time sales in ladies' business)</li> <li>Implemented various initiatives to improve customer satisfaction but the number of repeat visitors to salons was mostly unchanged year on year for both men's and ladies'</li> </ul>					
Business growth	Status of existing business (Comparison with FY2020)	Net sales	Unit price	Number of purchases	Total number of salon visits		
	Men's	New customer	○ Increased	○ Unchanged	○ Increased	△ +2 Mostly unchanged year on year	<b>*1 Significant increase in purchases by ladies</b> (1) New ladies' product "Feelin" created potential demand (2) Stepped up advertising in various media and PR activities (3) Increased number of exhibitions and fitting sessions held
		Repeat customer	○ Increased	○ Unchanged	○ Increased		
	Ladies'	New customer	○ Significantly increased	○ Unchanged	○ *1 Significantly increased	△ +2 Mostly unchanged year on year	<b>*2 Total number of salon visits was mostly unchanged year on year for both men's and ladies'</b> (1) Continuously implemented initiatives to build a relationship of trust with customers (2) Implemented sales measures to encourage regular salon visits (3) Failed to secure the qualified beauticians needed to deal with customers (4) Strengthened technical skills through the use of video manuals and remote training
Repeat customer		○ Increased	○ Unchanged	○ Increased			
Step into new business areas		Progress					
		<ul style="list-style-type: none"> <li>Considered M&amp;A deals in Japan and overseas but did not implement any M&amp;A</li> </ul>					

This chart shows the progress of the six key challenge measures in the ARTNATURE Challenge Plan, namely, growth in business performance and development of new business areas.

Regarding business growth, both sales and profits increased from the previous year. On the other hand, the total number of male and female customers remained at the same level as the previous year, and we recognize that this is an issue that must be addressed for future stable expansion.

Regarding the development of new business areas, we are considering various M&A projects; However, unfortunately, to say, none have been realized at the moment.

In FY2022, we will accelerate efforts to develop new business areas while focusing on initiatives to increase the number of customers visiting our stores in order to stably expand existing businesses.

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## Progress on Key Challenge Measures

(Strengthen the recruitment/Personnel training/Business innovation)



Key Challenge Measures to Achieve		Three-year initiative	
Business growth	Step into new business areas	Strengthen the recruitment	<ul style="list-style-type: none"> <li>Build stable hiring system</li> <li>Employee retention : Increase job satisfaction</li> </ul>
Strengthen the recruitment	Personnel training	Personnel training	<ul style="list-style-type: none"> <li>Strengthening on-site human resources</li> <li>Cultivating trusted human resources</li> <li>Strengthening human resources at the head office</li> </ul>
Dialogue with the market	Business innovation	Business innovation	<ul style="list-style-type: none"> <li>Business innovation by paperless and systematization</li> <li>Reconsideration of regular work</li> </ul>

Strengthen the recruitment	<b>Progress</b> - Implemented various recruitment measures but failed to secure the number of stylists needed to deal with customers due to changes in the recruitment environment, etc. and the measures did not lead to an increase in the total number of salon visitors
Personnel training	<b>Progress</b> - Currently strengthening practical skills from basic to applied through the use of video manuals and remote training to improve workplace skills - Introduced training to improve basic skills in areas such as planning and management for the development of head office human resources
Business innovation	<b>Progress</b> - Overhaul of personnel systems and information systems failed to materialize - Raised mandatory retirement age from 60 to 65 (extension of retirement age) - Established workflows for routine operations - Digitized various documents to comply with the Act on Book and Record Keeping through Electronic Methods

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This section shows the progress in strengthening recruitment, personnel training, and business innovation.

With regards to strengthening recruitment, we recognize that an urgent issue we face is the lack of a sufficient number of stylists needed to serve customers due to changes in the recruitment environment and other factors.

As for business innovation, we have taken steps to raise the retirement age from 60 to 65 and digitize documents, but we have not achieved a fundamental renewal of the personnel system.

In FY2022, we will proactively review recruitment conditions and strengthen recruitment advertising in order to enhance recruitment.

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## Progress on Key Challenge Measures (Dialogue with the market)



Key Challenge Measures to Achieve		Three-year initiative	
Business growth	Step into new business areas	Dialogue with the market	<ul style="list-style-type: none"> <li>• Enhancement of disclosure content</li> <li>• Strengthening activities for investors</li> <li>• Activities in accordance with SDGs approach policy</li> <li>• Enhanced efforts to priority issues</li> </ul>
Strengthen the recruitment	Personnel training		
Dialogue with the market	Business innovation		

Dialogue with the market	<b>Progress</b>	
	<ul style="list-style-type: none"> <li>• Enhanced sustainability information, introduced Company Research and Analysis Report and stepped up communication of information to institutional investors as part of measures to strengthen IR activities</li> <li>• Formulated Sustainability Commitment and introduced initiatives to address various issues</li> </ul>	
	↓ Sustainability Commitment	
	Issues	Commitments
	Consideration for environmental issues such as climate change	To consider supporting the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations To comply with TCFD's 11 disclosure recommendations
	Respect for human rights	To carry out traceability checks for human rights and human rights checks on the supply chain, including production To develop workplaces in accordance with the Guiding Principles on Business and Human Rights, etc.
Consideration of employees' health and working environment, and fair and appropriate treatment	To take action through implementation of "Health & Productivity Management" advocated by the Company	
Fair and appropriate transactions with suppliers	To apply the ARTNATURE Group Code of Conduct properly	
Crisis management in response to natural disasters, etc.	To apply risk management-related regulations properly To develop more sophisticated risk management in relation to business risks	

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This page shows the progress of the dialogue with the market.

In terms of dealing with the market, we have focused on enhancing disclosure information, such as sustainability information, and strengthening information dissemination to investors as part of our efforts to strengthen investor relations.

In addition, following the reorganization of the TSE market, we have been listed on the Prime Market since April 2022, and we are taking steps to meet the higher standards of governance required of companies listed on the Prime Market.

In FY2022, we will continue to focus on strengthening IR activities and governance response.

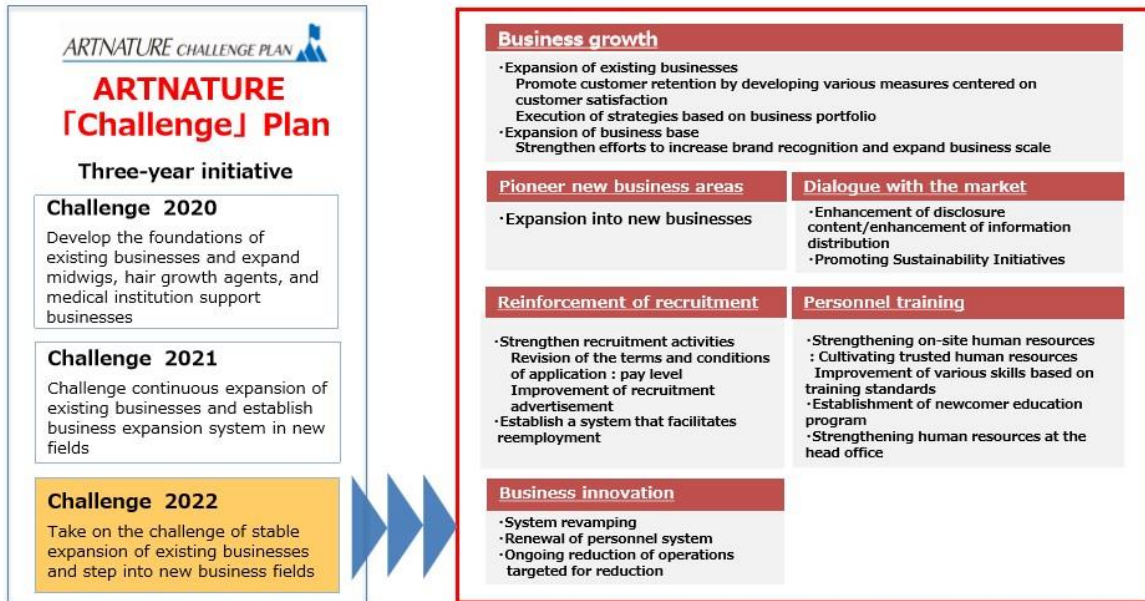
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| ARTNATURE 「Challenge」 Plan Key Challenge Measures to Achieve|



Based on our progress to date, we have summarized the key measures of the Challenge2022 and will continue to focus on strengthening IR activities and governance measures in FY2022.

In FY2022, we will steadily implement these measures in order to take on the challenge of stable expansion of existing businesses and to step into further new areas of business.

Beginning in FY2022, we will implement strategies based on our business portfolio to grow each of our businesses while efficiently utilizing our management resources.

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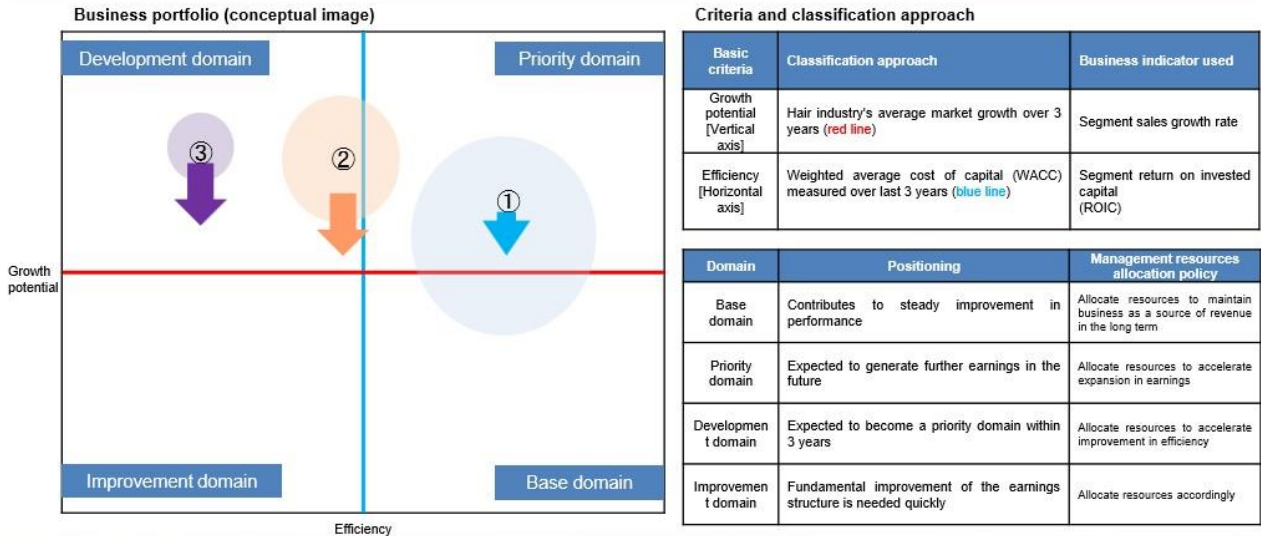
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# Strategy Implementation Based on Business Portfolio



Basic policies: Use management resources efficiently to achieve business growth  
 Classify business into the domains in the four quadrants from the perspective of efficiency and growth potential and make allocations based on the policy for each domain.

Reported segments: (1) Men's business, (2) Ladies' business, and (3) Ladies' ready-made wigs business  
 (circle: FY2021 results, arrow: FY2022 plan)



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This slide shows an image of our business portfolio.

The businesses for the men's business, ladies' business, and ladies' ready-made wigs business will be arranged into four areas from the perspective of efficiency and growth potential, and strategies will be implemented in accordance with the policies of each business.

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## FY2023 : Full-year Consolidated Business Performance Forecasts

(¥ Million)

	FY2022 Results	FY2023 Plan	YoY Change	
Net Sales	40,437	41,991	+1,554	+3.8%
Men's Business	22,660	22,896	+235	+1.0%
Ladies' Business	16,227	17,034	+806	+5.0%
Others	1,548	2,061	+512	+33.1%
SG&A Expenses	24,719	25,855	+1,136	+4.6%
Operating Income	3,020	2,105	(914)	(30.3%)
Ordinary Income	3,038	2,155	(882)	(29.1%)
Net Income	1,204	1,137	(66)	(5.6%)

This is the next fiscal year's performance plan.

In terms of planning expenses, it is as shown.

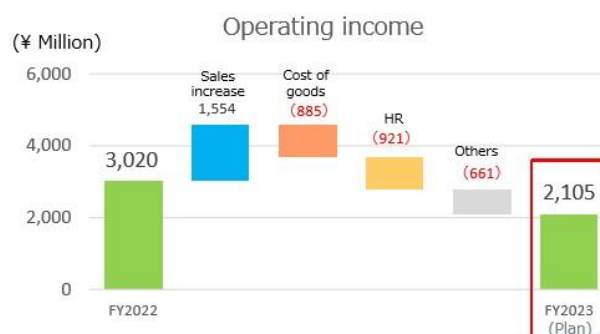
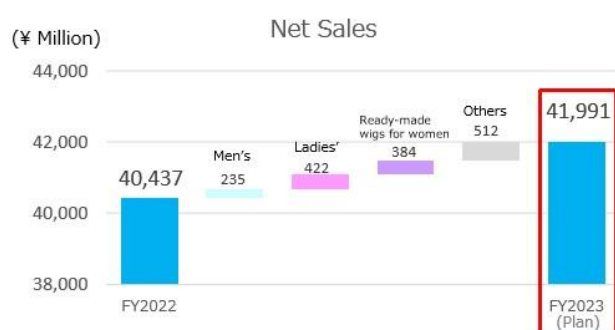
Although net sales are planned to increase in each division, profit items are planned to decrease.

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# FY2023 : Full-year Consolidated Business Performance Forecasts



## Net sales plan

(Target represents new sales record exceeding 41.2 billion yen sales recorded in 2014)

- Increase of 1.5 billion yen from FY2021 level
- Men's/Ladies'/Ladies' ready-made wigs businesses: Stable growth
- Other business: Double-digit growth (aims for expansion and growth driven by mail-order sales business)

\*New domains are not included in the plan

- Plan improvement factors
- Early entry to new domains, elimination of shortage of stylists, increase in number of customers

## Operating income

(Final fiscal year target represents decline in profit)

- Decrease of 900 million yen from FY2021 level
- External factors: Higher transactions costs with overseas suppliers than assumed in initial plan mainly due to the COVID-19 pandemic and Russia's invasion of Ukraine, impact of weaker yen, etc.
- Internal factors: More expenditure on priority measures relating to increased recruitment, development of human resources and the overhaul of business processes
- Plan to focus management resources on development domains in accordance with business portfolio-based strategy execution

- Plan improvement factors
- Increase in net sales, lower costs for outsourcing to overseas contractors, foreign exchange rate fluctuation (higher yen)

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Let me explain a little more about the next phase of the plan.

As for the net sales plan, we are planning for a record-high sales of JPY41.9 billion. By aiming for stable growth in existing businesses as well as expansion and growth mainly in the mail-order business, we plan to increase sales by JPY1.5 billion over the current results.

The operating income plan is JPY2.1 billion, a decrease of JPY0.9 billion from the actual results for the current fiscal year.

Factors can be divided into external and internal factors.

External factors include increased costs due to the impact of COVID-19 and the overseas situation, as well as the impact of the yen depreciation. Internal factors include an increase in costs related to recruitment and other measures, as well as the concentration of management resources in areas of growth through the implementation of strategies based on our business portfolio.

The entire company will work together to achieve these plans.

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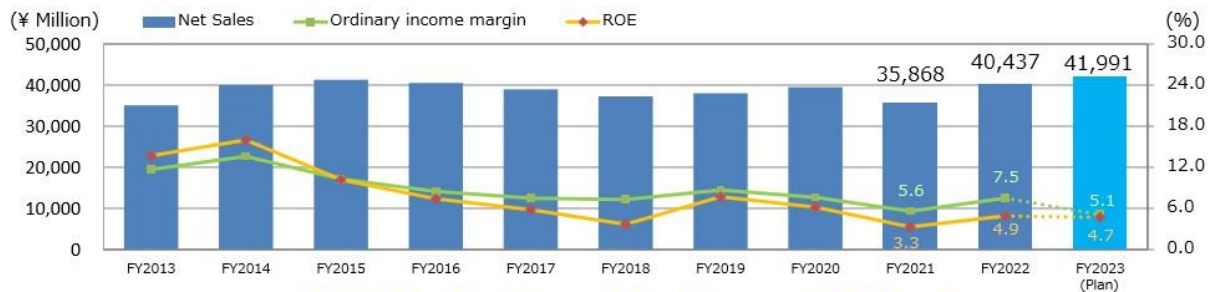


## Medium-term Management Plan: Targets for FY2023 /Dividends



### FY2023 (Plan)

**Net Sales: ¥41.9billion Ordinary Income Margin: 5.1% ROE: 4.7%**



### Maintain Stable and Continuous Dividends



Artnature implemented a 2-for-1 stock split in November 2014.  
Retroactive revision of related financial indicators due to this stock split is reflected.

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Finally, I will explain the main management plan and dividend policy for the three years of the medium-term management plan.

The targets for net sales, ordinary income margin, and ROE for FY2022, and the final year of the medium-term management plan, are shown in the graph on the right side of the top row.

As for dividends, based on our basic policy of maintaining stable dividends, we will continue to pay an interim dividend of JPY14 per share for FY2021 and a year-end dividend of JPY14 per share for FY2022. We intend to maintain a full-year dividend of JPY28 per share.

The entire company will continue to work together to achieve our goal of achieving double-digit profit margins and ROE as soon as possible.

That concludes my presentation. Thank you very much for your attention.

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## FY2022 : Consolidated Statements of Income Highlights



(¥ Million)

	FY2020 Results	FY2021 Results	FY2022 Results	Original plan	YoY Change
Net Sales	39,484	35,868	40,437	40,363	Net Sales : Up 12.7% Men's Business : Up 6.3% Ladies' Business : Up 24.2%
Men's Business	22,369	21,322	22,660	22,366	
Ladies' Business	15,720	13,060	16,227	16,052	
Others	1,394	1,485	1,548	1,945	
Cost of Sales	12,320	11,956	12,698	13,076	Cost of Sales Ratio : Down 1.9Pt Product Cost : Up 0.2Pt HR : Down 2.1Pt
Gross Profit	27,163	23,911	27,739	27,286	
SG&A Expenses	24,243	21,979	24,719	25,262	SG&A Expenses Ratio : Down 0.2Pt Ad Spending : Up 1.1Pt HR : Down 1.1Pt Other : Down 0.1Pt
Ad Spending	6,860	5,412	6,556	6,740	
HR	5,394	5,541	5,790	6,066	
Operating Income	2,919	1,932	3,020	2,023	
Ordinary Income	3,006	2,005	3,038	2,088	CAPEX Store facilities : ¥817 million System related : ¥161 million
Net Income	1,542	840	1,204	1,045	
Depreciation	921	900	827	878	
CAPEX	1,191	885	1,359	1,977	

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**Honda:** Once again, I would like to introduce myself. My name is Honda of ARTNATURE.

Now, let me move on to my explanation.

First, here is a summary of the consolidated income statement for FY2021.

Net sales increased 12.7% over FY2020, to JPY40.4 billion. Operating income increased 56.3% over FY2020, to JPY3 billion, returning to the pre-COVID-19 levels.

The cost of sales ratio was a minus 1.9 percentage points below the FY2020 level due to a decrease in the stylist labor cost ratio in line with the sales growth. Thanks to cost savings and other measures, operating income increased significantly compared to the basic plan, while sales were almost in line with the plan.

CapEx is projected at JPY1.3 billion, a JPY400 million increase over FY2020.

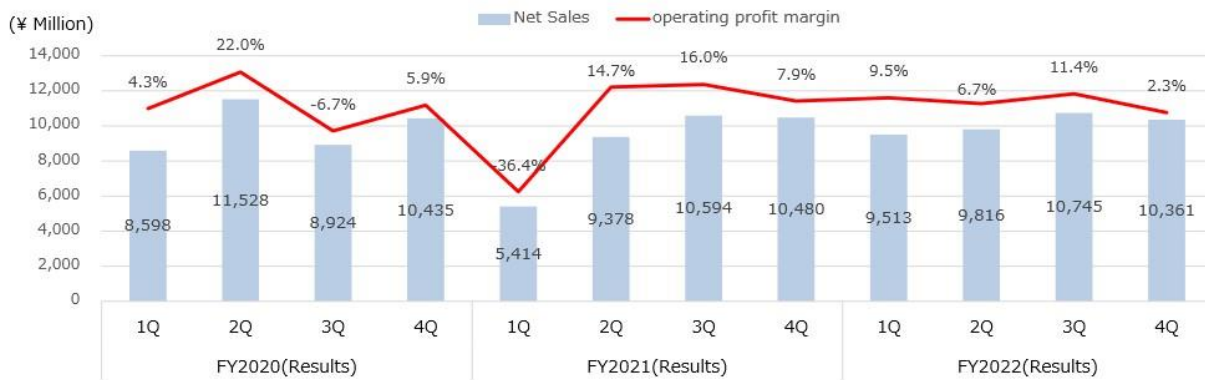
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## Changes in sales and operating income margin \* Quarterly



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This graph shows quarterly trends in sales and operating margin for the last three years.

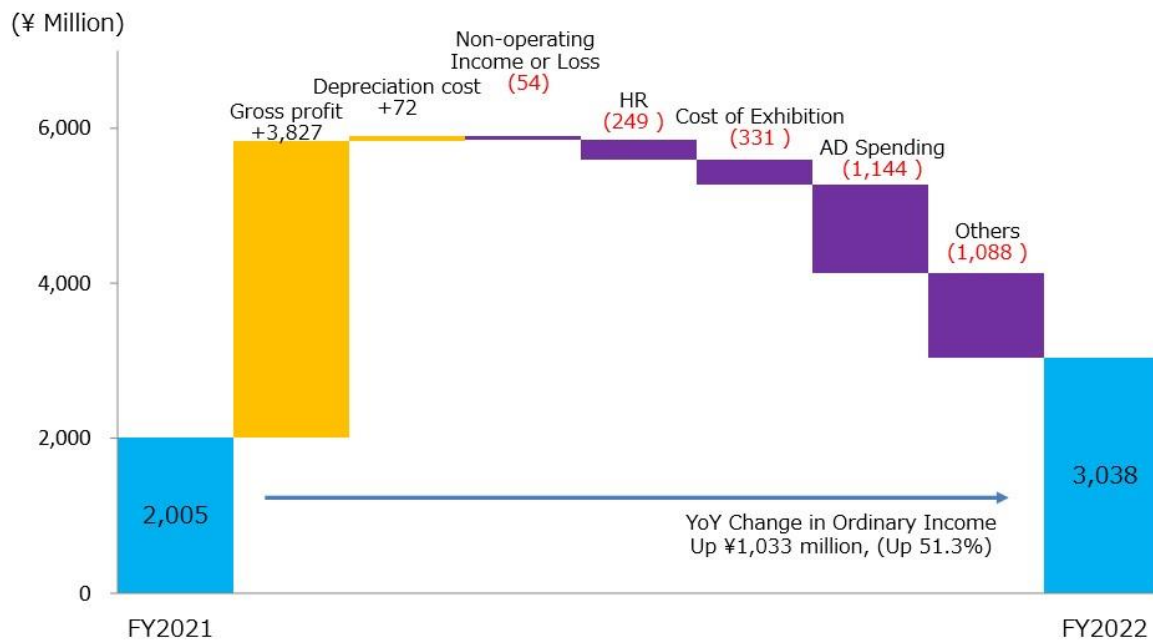
As you can see, both net sales and operating income are stable in FY2021 compared to FY2019, when there was a consumption tax hike, and FY2020, when the first wave of COVID-19 occurred.

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Here is the analysis of the changes in consolidated ordinary income for FY2021.

The orange area on the left is the positive factor for profit, with a gross profit increase of JPY3.8 billion over FY2020, mainly due to the rise in net sales.

The purple area is the negative factor for profit, with overall expense items, mainly advertising expenses, increasing by JPY2.8 billion over FY2020.

As a result, ordinary income increased by JPY1 billion from FY2020, to JPY3 billion.

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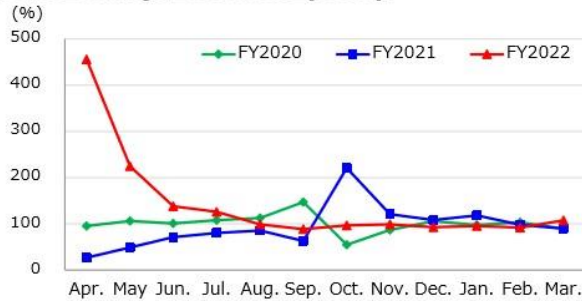
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## Monthly Trends: Sales of Major Products (YoY)



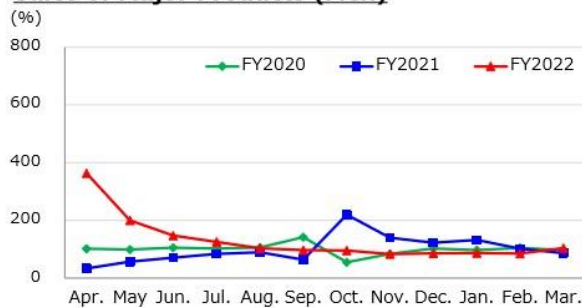
**Sales of Major Products (Total)**



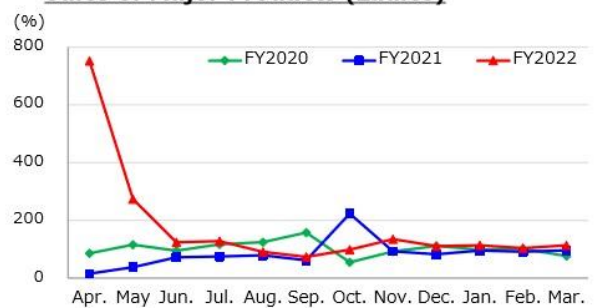
**Total Sales of Major Products (Full-year)**

	Total	Men	Ladies
FY2020	101.6	101.1	102.4
FY2021	87.9	93.8	78.4
FY2022	113.4	108.3	123.4

**Sales of Major Products (Men)**



**Sales of Major Products (Ladies)**



Here are the monthly sales trends for the major products.

This graph shows YoY comparisons of sales of major products for the past three years picked up the monthly sales data disclosed monthly.

The red line is for FY2021. The blue line is for FY2020. The green line FY2019. For an approximate trend, please check from here.

The Q1 of FY2021, saw a significant increase due to the progress of deliveries of orders received in FY2020, in addition to a rebound from the decline in FY2020 but as you can see, the overall YoY growth for major products has remained at almost the 100% level since June, combined with the spread of COVID-19.

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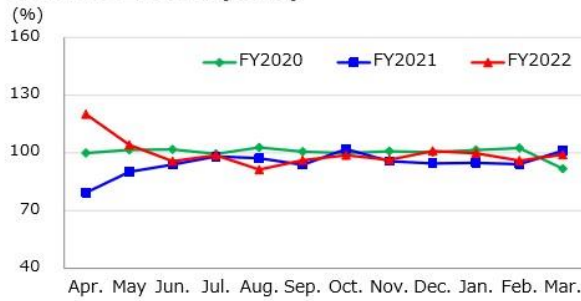
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# Monthly Trends: Customer Traffic (YoY, Accumulated)



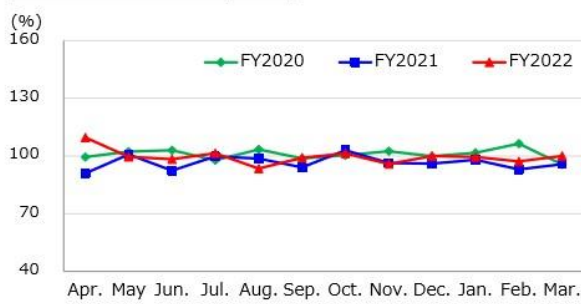
## Customer Traffic (Total)



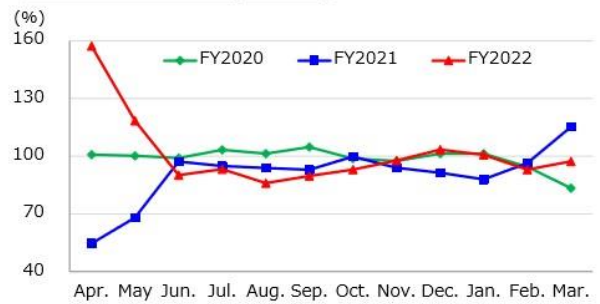
## Customer Traffic (Full-year)

	Total	Men	Ladies
FY2020	100.1	100.7	98.8
FY2021	94.6	96.6	90.1
FY2022	99.4	99.5	99.2

## Customer Traffic (Men)



## Customer Traffic (Ladies)



Here is the monthly total number of customer traffic.

This graph, as well as all pages, is compiled based on the results disclosed monthly.

Although the first half of FY2019, and faced the declared state of emergency, throughout the year, both men's and ladies' sales remained at almost 100% level compared to the same month of the previous year.

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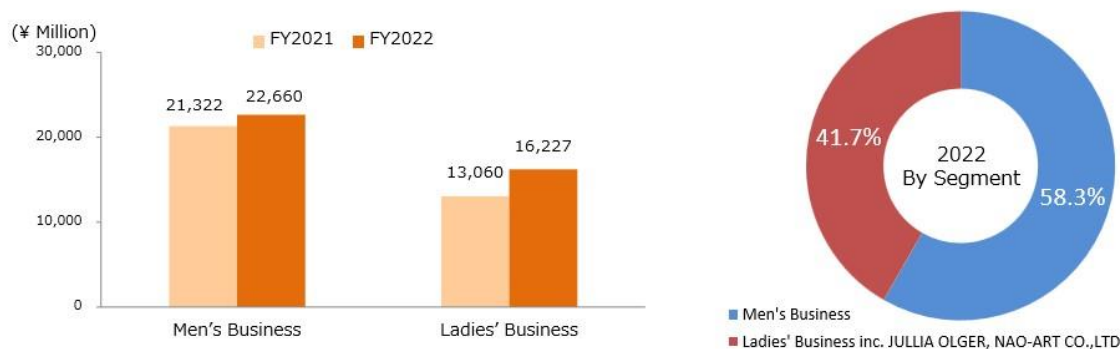


## FY2022 : Breakdown of Sales by Segment (Consolidated)



(¥ Million)

	FY2021	FY2021	FY2022	YoY Change	FY2022	Original plan ratio
	(Results)	(Results)	(Results)		(Original plan)	
Net Sales	39,484	35,868	40,437	+12.7%	40,363	+0.2%
Men's Business	22,369	21,322	22,660	+6.3%	22,366	+1.3%
Ladies' Business	15,720	13,060	16,227	+24.2%	16,052	+1.1%
Others	1,394	1,485	1,548	+4.3%	1,945	(20.4%)



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Here are the consolidated sales trends by gender.

The breakdown is as shown. Details will be explained on the next page and beyond.

The bottom right-hand corner shows that the ratio of men to ladies in sales has remained almost the same as in previous years, with men accounting for about 60% of sales and ladies roughly 40%.

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## FY2022: Breakdown of Sales by Product and Service in Total Both Segments (Non-consolidated Basis)



(¥ Million)

Net Sales		FY2020	FY2021	FY2022	YoY Change	
Custom-made Wigs	New customers	3,292	2,358	4,378	+2,019	+85.6%
	Repeat Business	17,531	16,225	16,905	+679	+4.2%
	Total	20,824	18,584	21,283	+2,699	+14.5%
Hair Addition Products	New Customers	1,910	1,465	1,283	(181)	(12.4%)
	Repeat Business	3,304	2,700	3,129	+429	+15.9%
	Total	5,215	4,165	4,413	+247	+6.0%
Hair Growth Services	New Customers	123	98	77	(21)	(22.1%)
	Repeat Business	1,070	1,096	1,141	+44	+4.1%
	Total	1,193	1,195	1,218	+23	+1.9%
Styling Services		5,487	5,373	6,134	+760	+14.2%
JULLIA OLGGER		3,433	2,761	3,287	+526	+19.1%
Others		2,542	2,569	2,580	+10	+0.4%
All Products & Sevices	New Customers	5,326	3,922	5,739	+1,816	+46.3%
	Repeat Business	28,780	26,744	28,707	+1,963	+7.3%
	JULLIA OLGGER	3,433	2,761	3,287	+526	+19.1%
	Others	1,157	1,221	1,183	(38)	(3.1%)
	Total	38,697	34,649	38,917	+4,268	+12.3%

※Repeat business of all products including part of styling services and others.

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Here are the non-consolidated total sales by product and service for men and ladies.

First, please see all products and services indicated on the bottom.

For FY2019, all segments, with the exception of the Others segment, reported a significant increase in revenues. The Others segment mainly includes the results of mail-order business, which was the only segment with higher revenues in FY2020, capturing the demand for home nesting, but was the only segment with lower revenues in FY2021, mainly due to a decrease in the number of TV mail-order airings.

In the segment by products and services in the top row, sales of custom-made wigs increased significantly, mainly due to the rebound from FY2020, and the success of new product lines.

Overall sales were generally in line with the plan.

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## FY2022 : Breakdown of Sales by Product & Service in Men's Business (Non-consolidated Basis)



(¥ Million)

Net Sales		FY2020	FY2021	FY2022	YoY Change	
Custom-made Wigs	New Customers	606	493	602	+109	+22.1%
	Repeat Business	12,193	11,777	12,712	+935	+7.9%
	Total	12,799	12,271	13,315	+1,044	+8.5%
Hair Addition Products	New Customers	1,363	1,131	1,106	(24)	(2.2%)
	Repeat Business	2,002	1,753	2,078	+324	+18.5%
	Total	3,366	2,885	3,184	+299	+10.4%
Hair Growth Services	New Customers	110	89	68	(21)	(23.6%)
	Repeat Business	595	575	563	(12)	(2.1%)
	Total	705	664	631	(33)	(5.0%)
Styling Services		4,484	4,499	4,499	(0)	(0.0%)
Others		1,014	1,001	1,029	+28	+2.8%
All Products & Services	New Customers	2,079	1,713	1,777	+63	+3.7%
	Repeat Business	20,289	19,608	20,883	+1,275	+6.5%
	Total	22,369	21,322	22,660	+1,338	+6.3%

※Repeat business of all products including part of styling services and others.

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Here are the net sales by product and service for the men's business.

In the men's business, the impact of COVID-19 has largely dissipated, and delivery of orders for FY2020, has progressed, resulting in a significant increase in sales, especially for the custom-made wigs.

Although there is some unevenness in sales for each product and service, overall, the men's business sales are generally in line with the plan.

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## FY2022 : Breakdown of Sales by Product & Service in Ladies' Business (Non-consolidated Basis)



(¥ Million)

Net Sales		FY2020	FY2021	FY2022	YoY Change	
Custom-made Wigs	New Customers	2,686	1,864	3,775	+1,910	+102.5%
	Repeat Business	5,338	4,447	4,192	(255)	(5.7%)
	Total	8,025	6,312	7,968	+1,655	+26.2%
Hair Addition Products	New Customers	547	334	177	(156)	(46.8%)
	Repeat Business	1,302	946	1,051	+104	+11.1%
	Total	1,849	1,280	1,228	(51)	(4.0%)
Hair Growth Services	New Customers	13	9	8	(0)	(8.0%)
	Repeat Business	474	521	578	+57	+11.0%
	Total	488	530	587	+56	+10.6%
Styling Services		1,003	874	1,635	+760	+87.0%
Others		3,804	3,107	3,654	+546	+17.6%
All Products & Services	New Customers	3,246	2,208	3,962	+1,753	+79.4%
	Repeat Business	8,490	7,135	7,823	+688	+9.6%
	JULLIA OLGIER	3,433	2,761	3,287	+526	+19.1%
	Total	15,170	12,105	15,073	+2,967	+24.5%

※Repeat business of all products including part of styling services and others.

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Here are the net sales by product and service for the ladies' business.

In the ladies' business, sales increased significantly due to the rebound from the decline in FY2020, as well as the success of the new product lines. In particular, the new product Feelin was a big hit, and the performance of new order-made wigs exceeded the level pre-COVID-19.

As in the case of men's business, sales of each product and service are slightly uneven, but overall sales of ladies' business are generally in line with the plan.

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## Financial Forecasts for FY2023



(¥ Million)

	FY2022 Results	FY2023 Plan	YoY Change
Net Sales	40,437	41,991	+3.8%
Men's Business	22,660	22,896	+1.0%
Ladies' Business	16,227	17,034	+5.0%
Others	1,548	2,061	+33.1%
Cost of Sales	12,698	14,030	+10.5%
Gross Profit	27,739	27,961	+0.8%
SG&A Expenses	24,719	25,855	+4.6%
Ad Spending	6,556	6,873	+4.8%
HR	5,790	6,265	+8.2%
Operating Income	3,020	2,105	(30.3%)
Ordinary Income	3,038	2,155	(29.1%)
Net Income	1,204	1,137	(5.6%)
Depreciation	827	795	(3.8%)
CAPEX	1,359	2,522	+85.5%

### Prerequisites for planning

#### 【External environment】

- Not assume a social restriction such as emergency declaration

#### 【Production system】

- Will continue normal operation

#### 【Store system】

- Continuation of normal business hours

※  
No major social restriction is expected due to the spread of COVID-19. Actual performance may vary due to various factors. We will make immediate announcement of the revision of earning forecast to be disclosed if any.

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I will now explain our financial forecast for the fiscal year ending March 31, 2023.

Here is the consolidated financial forecast for the full year.

For FY2022, the company plans a net sales of JPY41.9 billion, an increase of 3.8% from FY2021. Operating income is projected to decrease 30.3% from FY2021, to JPY2.1 billion.

Although the growth in the cost of sales has increased, the plan incorporates in the cost of goods an increase in outsourcing costs due to COVID-19 and the overseas situation, as well as the impact of the JPY depreciation, and stylist personnel costs, an increase in hiring due to the strengthening of recruitment in addition to the replacement of personnel.

As for SG&A expenses, we plan to increase advertising expenses necessary to attract new clients and personnel expenses associated with strengthening the hiring of on-site staff, as well as to increase management resources in areas of development in line with the execution of strategies based on our business portfolio.

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**FY2023 : Breakdown of Sales Forecast by Product and Service  
in Total Both Segments (Non-consolidated Basis)**



(¥ Million)

	FY2022	FY2023		
	Full Year (Results)	Full Year (Plan)	YoY Change	
Custom-made Wigs	21,283	21,471	+187	+0.9%
Hair Addition Products	4,413	4,628	+215	+4.9%
Hair Growth Services	1,218	1,342	+124	+10.2%
Styling Services	6,134	6,155	+21	+0.3%
JULLIA OLGER	3,287	3,432	+145	+4.4%
Others	2,580	3,105	+525	+20.4%
<b>Total</b>	<b>38,917</b>	<b>40,137</b>	<b>+1,219</b>	<b>+3.1%</b>

Here is the sales plan by product and service for the men's business and ladies' business total.

As you can see, we plan to achieve stable growth in all segments.

The mainstay custom-made wigs are almost at the same level as in FY2021. For other products, we plan double-digit growth, mainly in the mail-order business.

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## FY2023 : Breakdown of Sales Forecast by Product and Service in Men's Business (Non-consolidated Basis)



Net Sales	FY2022 Results	FY2023 Plan	¥ Million			Key measures in the fiscal year ending March 31, 2023
				YoY Change		
Custom-made Wigs	13,315	13,408	+93	+0.7%	General	Aim for expansion in "true fans of ARTNATURE" by conducting sales activities based on "customer satisfaction"
Hair Addition Products	3,184	2,977	(206)	(6.5%)	New	<ul style="list-style-type: none"> <li>• Implement promotion strategies with greater emphasis on product strength</li> <li>• Step up appeals to young customers through the continuous utilization of youtube</li> <li>• Expansion and development of counsellors</li> <li>• Enhancement of skills in response to changing marketing environment and needs</li> <li>• Implement head office backup measures (regular DM, etc.)</li> </ul>
Hair Growth Services	631	853	+222	+35.2%		
Styling Services	4,499	4,648	+149	+3.3%	Repeat	<ul style="list-style-type: none"> <li>• Continued implementation of various measures based on improvement of customer satisfaction</li> <li>• Enhanced training of human resources who are trusted and by and popular with customers</li> <li>• Introduce service plans aimed at retaining young customers</li> <li>• Strengthen planning for retaining existing customers</li> <li>• Continued provision of online training</li> </ul>
Others	1,029	1,007	(22)	(2.2%)		
<b>Total</b>	<b>22,660</b>	<b>22,896</b>	<b>+235</b>	<b>+1.0%</b>		

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Here is the sales plan by product and service for the men's business.

We will continue to focus on activities to increase the number of true fans and aim for stable growth. On the right side are the leading measures for the men's business.

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## FY2023 : Breakdown of Sales Forecast by Product and Service in Ladies' Business (Non-consolidated Basis)



Net Sales	FY2022 Results	FY2023 Plan	¥ Million			Key measures in the fiscal year ending March 31, 2023
				YoY Change		
Custom-made Wigs	7,968	8,062	+94	+1.2%	General	Conduct sales activities based on "customer satisfaction" and aim for further expansion of store network in existing product operations
Hair Addition Products	1,228	1,651	+422	+34.4%	New	<ul style="list-style-type: none"> <li>Strengthen brand strategy for media</li> <li>Step up development for producing leaders and for quickly training up new employees</li> <li>Pursue the retention of new customers through stronger links with salons</li> <li>Develop new routes for holding events</li> </ul>
Hair Growth Services	587	489	(97)	(16.7%)		
Styling Services	1,635	1,506	(128)	(7.8%)	Repeat	<ul style="list-style-type: none"> <li>Strengthen planning for retaining existing customers</li> <li>Introduce aftersales-care measures for customers who find it difficult to come into store</li> <li>Reform store culture based on improvement of customer satisfaction</li> <li>Continued provision of online training</li> </ul>
JULLIA OLGER	3,287	3,432	+145	+4.4%		
Others	366	503	+136	+37.3%	JULLIA OLGER	<ul style="list-style-type: none"> <li>Strengthening of cooperation with Ladies' Artnature</li> <li>Step up exhibition events held at stores at commercial facilities</li> <li>Enhance salon network through implementation of scrap &amp; build strategy and strengthen hybrid salons</li> <li>Step up staff development through enhancement of training structure</li> </ul>
Total	15,073	15,646	+573	+3.8%		

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Here is the sales plan by product and service for the ladies' business.

The mainstay custom-made wigs are almost at the same level as in FY2021.

In FY2021, our new product line Feelin was a big hit; in FY2022, we aim to maintain that level of growth and achieve stable growth.

In hair addition products, there was a strong tendency for new customers to choose custom-made wigs in FY2021, but we intend to grow this business firmly in FY2022.

The JULLIA OLGER project is planned in anticipation of customers' return to the commercial center now that the state of emergency has been lifted.

On the right side are the main measures for the ladies' business.

That concludes my presentation. Thank you for your attention.

**Ariga:** Chairman Igarashi and Senior Executive Officer Honda, thank you very much for your explanation.

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## Question & Answer

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**Ariga [Q]:** I will now move on to the question-and-answer session.

So, without further ado, I would like to present our first question.

We would like you to explain the factors behind the YoY increase in sales and profit for FY2021. Chairman Igarashi, would you kindly advise?

**Igarashi [A]:** Yes. The increase in sales was due to the elimination of the impact of the spread of COVID-19 on productions, etc. in FY2020, as well as the progress in deliveries of orders received in FY2020, and the strong sales of new ladies' product line Feelin.

The main reason for the increase in income was the rise in net sales, while expenses increased compared to the restrained management in FY2020.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

The question is, how do you view the impact of COVID-19 on FY2021, and FY2022. Chairman Igarashi, would you kindly advise?

**Igarashi [A]:** Yes. In FY2021, both our sales branches and production plants maintained normal operations. However, they were affected by voluntary restraints on outings and cancellations of events due to the declaration of states of emergency in major cities and priority measures to prevent the spread of the mutated strain.

For the fiscal year ending March 31, 2023, we do not anticipate any major emergency declarations or other social restrictions. In addition, the plan assumes the continuation of normal operations at both sales branches and production plants.

If a material incident occurs that should be disclosed; we will promptly revise our earnings forecast.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

Looking back at the medium-term management plan through FY2021, what challenges are you facing?

**Igarashi [A]:** Yes. In terms of our existing business, we recognize that we have an issue with the number of customers. We will continue to focus on securing enough barbers and beauticians to serve customers while developing initiatives to bring in new customers and retain existing customers.

We have been considering various M&A deals for businesses in new areas, but we recognize that our challenge is that we have not been able to make a step into new areas. We will accelerate our efforts more than ever.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

Please explain why you plan to reduce profits for FY2022 the final year of your medium-term management plan. I would also like to know the prospects for the achievement of the plan and the company's ambitions.

**Igarashi [A]:** Yes. Factors contributing to the decrease in profits can be divided into external and internal factors.

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External factors include the impact of COVID-19, increased costs associated with the overseas situation, and the impact of the JPY depreciation.

Specifically, the cost of goods is affected by the cost of goods portion. We hold a certain amount of inventory of materials needed for wigs, but most recently, we have been systematically factoring in the effects of resource appreciation due to international unrest following Russia's invasion of Ukraine and the yen depreciation.

Internal factors include an increase in costs related to strengthening recruitment and other measures, as well as the concentrated investment of management resources in areas for development through the execution of strategies based on the business portfolio.

Although profits are expected to decrease, we recognize that they may exceed the plan if various measures are taken in the right direction.

We will continue to make company-wide efforts to achieve the plan and will link this to the next medium-term management plan.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

Your next plan seems to be aiming for sales of JPY41.9 billion; please explain which areas you intend to grow?

**Igarashi [A]:** Yes. In addition to stable growth in existing businesses, we plan to expand mainly in the mail-order business. Although not included in the plan, we continue to consider entering new areas through M&A and other means.

Regarding M&A, we believe that we have almost completed our hair business lineup, and we would like to look for areas rooted in beauty and health in the future.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

Are there any concerns with the criteria for maintaining the Prime Market listing?

**Igarashi [A]:** Yes. We are currently discussing internal measures to improve trading value, as the low average daily trading value is a concern among the criteria for maintaining a listing on the Prime Market.

We will continue to take other measures on a case-by-case basis to ensure that they do not conflict with the rules set by the Tokyo Stock Exchange.

**Ariga [Q]:** Thank you very much. Now, I would like to continue with this question.

How will you analyze the changing needs of your customers in the past, present, and future?

**Igarashi [A]:** Yes. In the past, the majority of our customers were male and were those who held issues. Today, we have more female customers and a more fashionable clientele.

In the future, we expect that the needs of the relatively young fashionable segment will increase in line with changes in the way women work. We believe that the trend among the younger fashionable segment is to start with low-priced products as a trial and then switch to better products, which we believe will be welcomed by our customers going forward.

In the area of low-priced products, we have a subsidiary that handles standard wigs, and we intend to expand our customer base.

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**Ariga [Q]:** Thank you very much. Now, I would like to continue with this question.

How do you plan to pass on increased costs to your customers in terms of price?

**Honda [A]:** Yes. I would like to answer your question as to how we are thinking about passing on this cost increase to prices.

As I mentioned earlier, one of our current challenges is the shortage of personnel. We are increasing recruitment expenses in order to strengthen our workforce.

In response to this, we are considering a slight increase in a portion of our hairdressing and barbering fees. We are now in the process of informing our customers about this change.

We will continue to consider how we can pass on the price to our customers within a scope that does not cause inconvenience to them. That will be all for my response.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

What is the assumed exchange rate?

**Igarashi [A]:** Yes. Regarding the assumed exchange rate, we are assuming PHP1, which is JPY2.35 at the moment, and JPY117 to USD1. Since both of these figures are based on the information at the time the plan was formulated in March, we will promptly revise our forecasts if further depreciation of the yen causes a deviation from the forecasts.

We also recognize that the impact related to wigs is insignificant. Wigs are more affected by labor costs and foreign exchange rates than material costs. On the other hand, we recognize that shampoo and other supplies are affected by containers and raw materials to a certain extent.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

Please explain about the measures you are taking to strengthen your mail-order business.

**Honda [A]:** I will answer your question about our measures to strengthen the mail-order business. Firstly, please let me apologize that we are not able to disclose any specific details at the moment.

That said we are considering how to develop new products and introduce them to the market. We are also thinking about how to increase the number of our customers and how to improve their convenience.

That is all I have to say in response.

**Ariga [Q]:** Thank you very much. Now, I would like to present the next question.

The current fiscal year's plan is a decrease in profit due to increased expenses. How should we perceive the increase in expenses for the next fiscal year and beyond?

**Honda [A]:** Yes. I have just explained that the plan for this fiscal year is a decrease in profit due to an increase in expenses. How are we to perceive the rise in expenses for the next fiscal year and beyond.

As I mentioned earlier, in terms of external and internal factors, the increase in raw material prices and the yen depreciation's impact are considered external factors.

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**Ariga [M]:** Yes, thank you. Now that there are no other questions, I would like to conclude the question-and-answer session.

For further inquiries, please contact Mr. Chikouji of the IR Office, Corporate Planning Department.

This concludes the presentation of the financial results of ARTNATURE INC.

Thank you very much for your participation.

[END]

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