



ARTNATURE

Presentation Material
1H FY2023(April 1st, 2022 to September 30th, 2022)

ARTNATURE INC.

Overview of 1H FY2023 Results & Financial Forecast

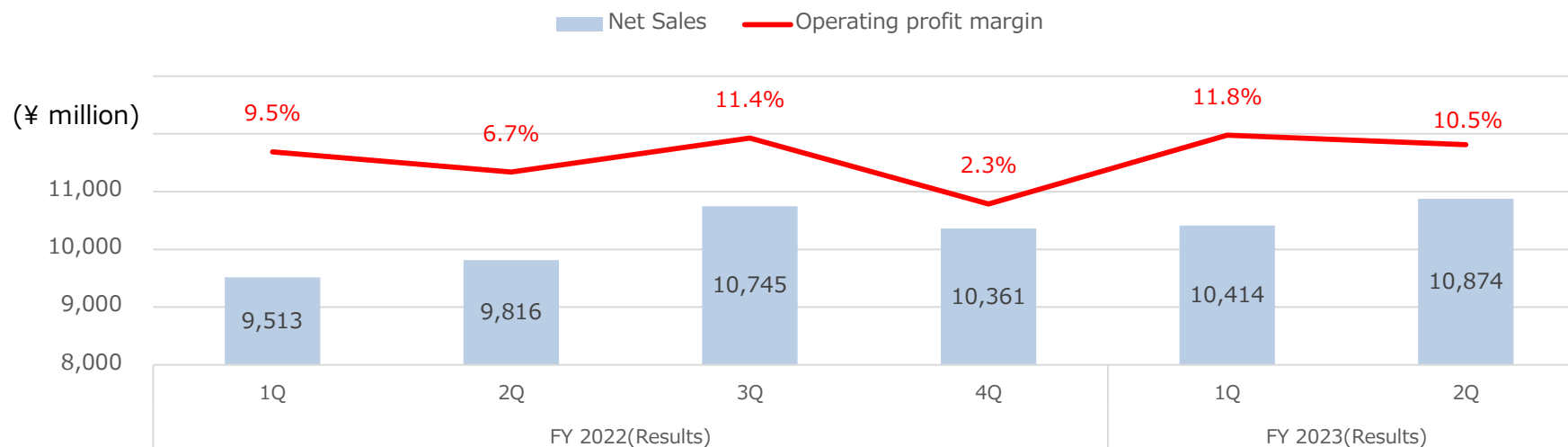
1H FY 2023 Financial Results

(¥ million)

	1H FY2022 (Results)	1H FY2023 (Results)	YoY Change	Original Plan	Progress rate
Net Sales	19,329	21,288	+10.1%	41,991	50.7%
Men's Business	11,078	11,556	+4.3%	22,896	50.5%
Ladies' Business	7,485	8,833	+18.0%	17,034	51.9%
Others	766	898	+17.3%	2,061	43.6%
Operating Income	1,561	2,372	+51.9%	2,105	112.7%

※Ladies' Business including JULLIA OLGIER, NAO-ART CO.,LTD

Changes in sales and operating income margin * Quarterly



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

ARTNATURE CHALLENGE PLAN

ARTNATURE 「Challenge」 Plan

Three-year initiative

Challenge 2020
Develop the foundations of existing businesses and expand midwigs, hair growth agents, and medical institution support businesses

Challenge 2021
Challenge continuous expansion of existing businesses and establish business expansion system in new fields

Challenge 2022
Take on the challenge of stable expansion of existing businesses and step into new business fields

Business growth	
<p>[Men's: Progress made roughly as planned] Strengthening of promotional activities with a focus on wigs increased the number of loyal wig customers introducing new items.</p> <p>[Ladies': Faster progress than planned] In the ladies' department, the Feelin custom-made wig remained strong. Proactive initiatives towards growth of the ladies' business.</p>	
Pioneer new business areas	Dialogue with the market
<ul style="list-style-type: none"> · M&A projects in Japan and overseas under consideration 	<ul style="list-style-type: none"> · Perception surveys conducted of institutional investors · Latent shareholder surveys conducted of personal investors · The first online briefing for personal investors organized
Reinforcement of recruitment	Personnel training
<ul style="list-style-type: none"> · Employment conditions, such as wage level, revised for bolstering recruitment activities 	<ul style="list-style-type: none"> · Training underway for building up working-level skills and for developing head office personnel
Business innovation	
<ul style="list-style-type: none"> · Actions for reform of personnel programs and system under consideration · Reduction of operations subject to reduction in progress 	

Men's Department

Mostly achieved the targets for orders and sales. Successfully increased more loyal wig customers introducing new items

Topics of the first half of the fiscal year ending March 31, 2023

Advertising and Sales

Strengthening of promotional and sales activities had a positive effect.

Commercials on wigs were placed not only on terrestrial televisions but on satellite television, YouTube and many other media.

A combination of building up working-level skills with strengthened promotion increased the number of new introductions among wig customers.

Products

A new product was released, featuring a technology unavailable from competitors.

In March, a hair addition product of MRP PRIME was released. It was created after the persistent pursuit of naturalness.
In June, a custom-made wig of NATURE ONE was released. It is designed to take advantage of users' own hair.



(Features of MRP PRIME, a new product released in March)
It persistently pursued ARTNATURE's most natural feel ever with just 0.049 mm in thickness attained by the wet blast technology for thinning down the joints with hair extensions.

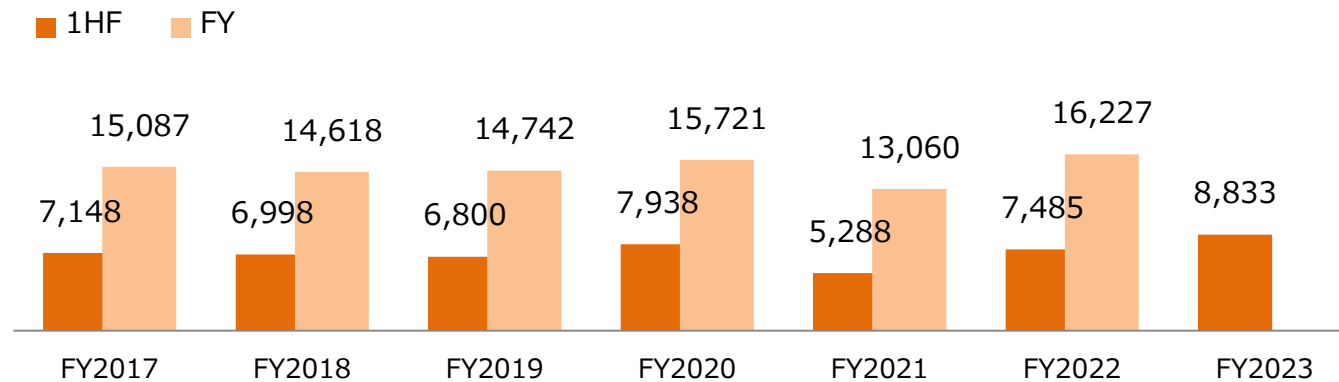


(Features of NATURE ONE, released in June)
It is a wig that takes advantage of users' own hair to provide an easier wearing experience and a natural look.
It is so thin, light and high in air permeability that users may feel as if they are wearing nothing.

Ladies' Department

The ladies' business achieved highest H1 net sales since the listing of the stock.

Sales Progress in Ladies Business (million)



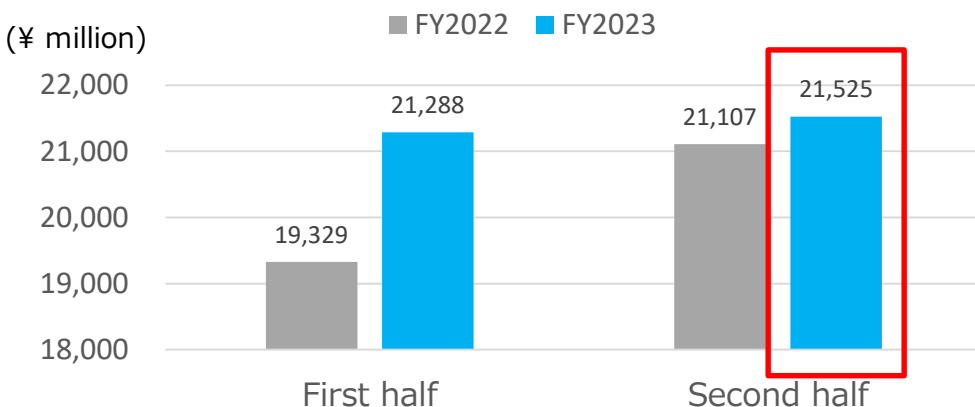
The release of FEELIN solved the problems with the use of conventional wigs, namely difficulties in attaching pins and concern about using wigs for extended periods. That led to a surge in demand.

Proactive initiatives towards growth of the ladies' business

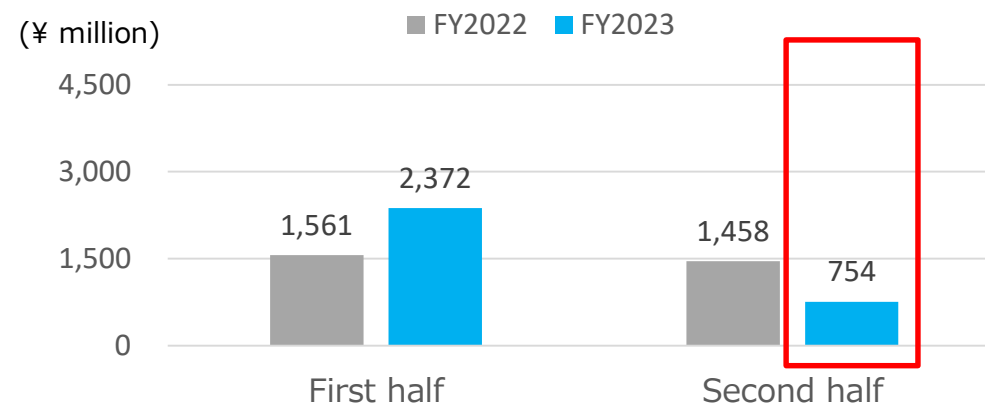
Topics of the first half of the fiscal year ending March 31, 2023	
Store	<p>Ladies ARTNATURE Ginza Platinum Garden inaugurated In Ginza, a district filled with flagship shops of the world's popular brands, a store was launched. It deals with a broad array of products and services, including custom-made wigs, ready-made wigs dealt with at JULLIA OLGIER and salon-quality hair care items.</p>
Advertising and Sales	<p>Advertising and sales strategy implemented to transcend ARTNATURE's brands Ryoko Moriyama and Michiko Shimizu, starring in commercials for Ladies ARTNATURE, are also cast for the ready-made brand of JULLIA OLGIER.</p> <p>Inter-brand customer referral measures implemented for new inquiries and events Synergy is produced for eliminating lost opportunities.</p>
Products	<p>A ready-made wig featuring a pin-free technology released In September, LEFIA PURE BEAUTE was released. It is a ready-made wig incorporating renowned technology used in custom-made wigs</p>



Net Sales



Operating Income



Prerequisites to planning

Formulate a revised full-year plan in accordance with the following conditions.

[External environment]

- Social restrictions such as declaration of a state of emergency in Japan are not presumed.

[Production system]

- Normal operation is continued.

[Sales system]

- Normal operation is continued.

Plan for the second half

For the second half, we will operate as initially planned.

[Net sales]

- 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).

[Expenses]

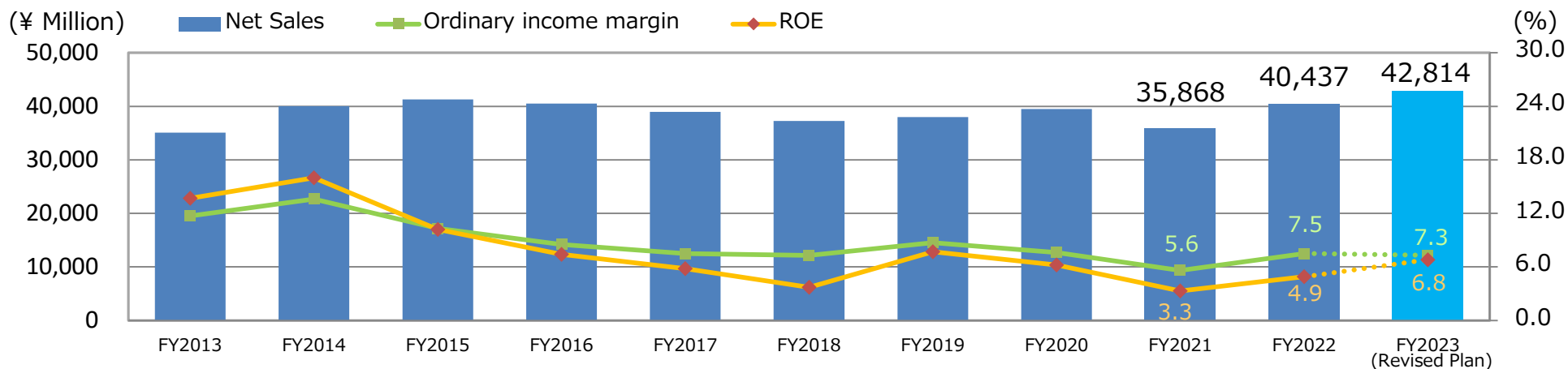
- Take into account the rise in transaction costs and impacts of foreign exchange rates.
- Take into consideration strengthening of recruitment and concentrated investment in areas that should be cultivated.

[Investment]

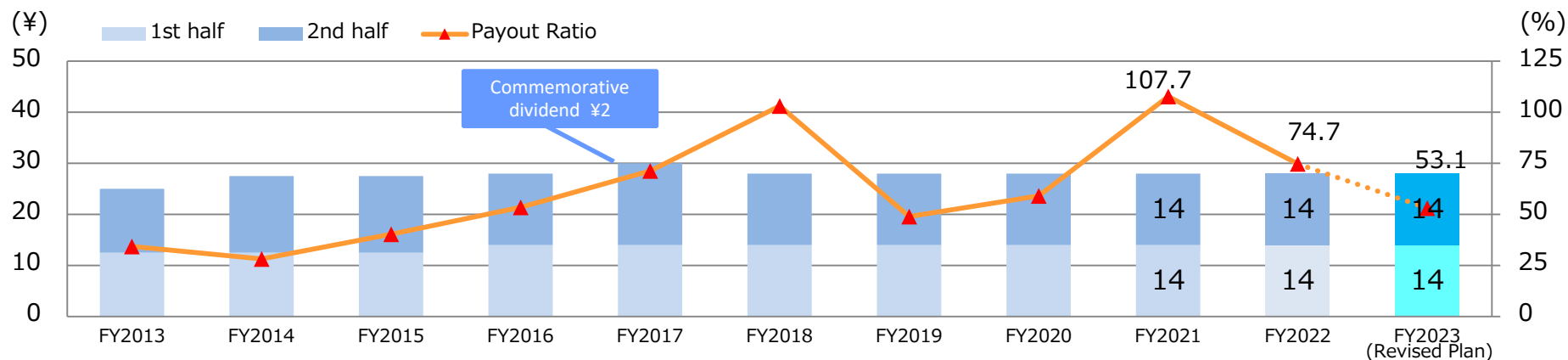
- Consider investing management resources on the basis of selection and concentration.

FY2023 (Revised Plan)

Net Sales: ¥42.8 billion Ordinary Income Margin: 7.3% ROE: 6.8%



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.

**Financial Results 1H FY 2023
&
Financial Forecast FY 2023**

1H FY2023 : Financial Highlights



(¥ million)

	1H FY2022 (Results)	1H FY2023 (Results)	1H FY2023 (Revised Plan)
Net Sales	19,329	21,288	42,814
Men's Business	11,078	11,556	23,168
Ladies' Business	7,485	8,833	17,650
Others	766	898	1,994
Cost of Sales	6,310	6,792	13,912
Gross Profit	13,019	14,496	28,901
SG&A Expenses	11,457	12,123	25,774
Ad Spending	2,884	2,950	6,873
HR	2,926	3,052	6,214
Operating Income	1,561	2,372	3,126
Ordinary Income	1,492	2,374	3,106
Net Income	857	1,463	1,698
Depreciation	402	389	795
CAPEX	608	697	2,522

Major Factors behind YoY Change
Net Sales : +10.1% Men's Business : +4.3% Ladies' Business : +18.0%
Cost of Sales Ratio : (0.7)Pt (Product Cost : +0.8Pt) (HR : (1.6)Pt)
SG&A Expenses : +5.8% Ad Spending : +2.3% HR : +4.3% Others : +8.4%
CAPEX Store facilities : ¥226million System related : ¥325million

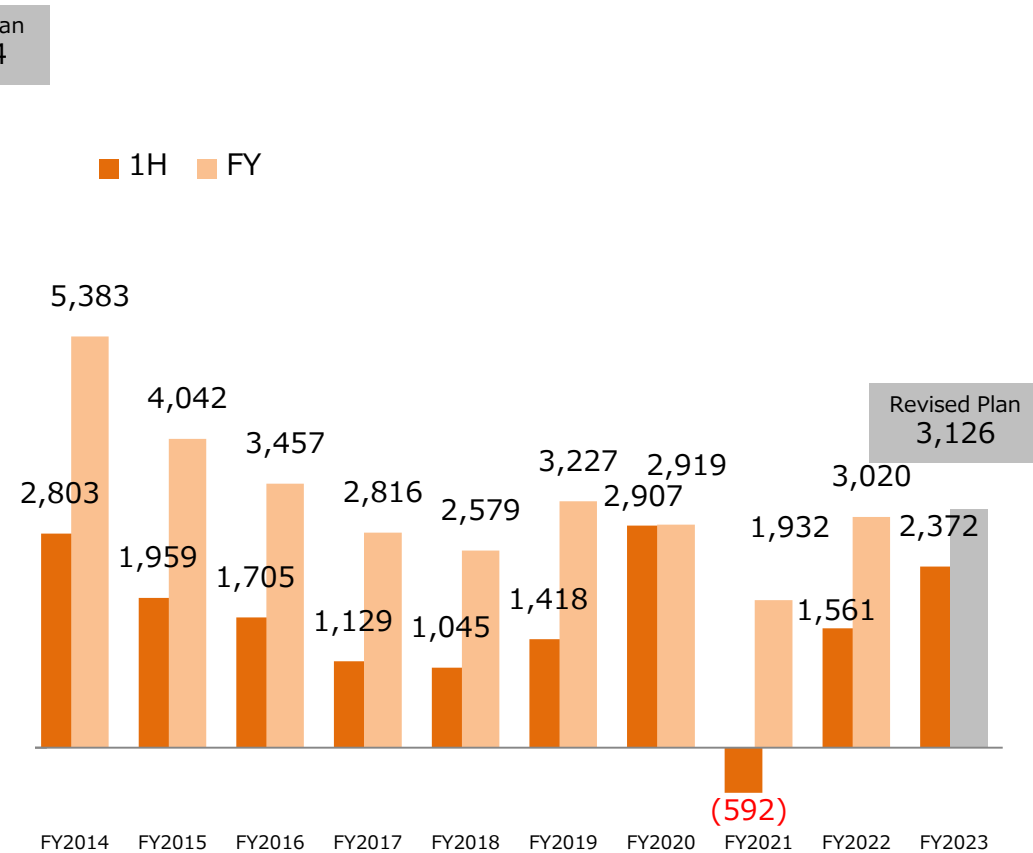
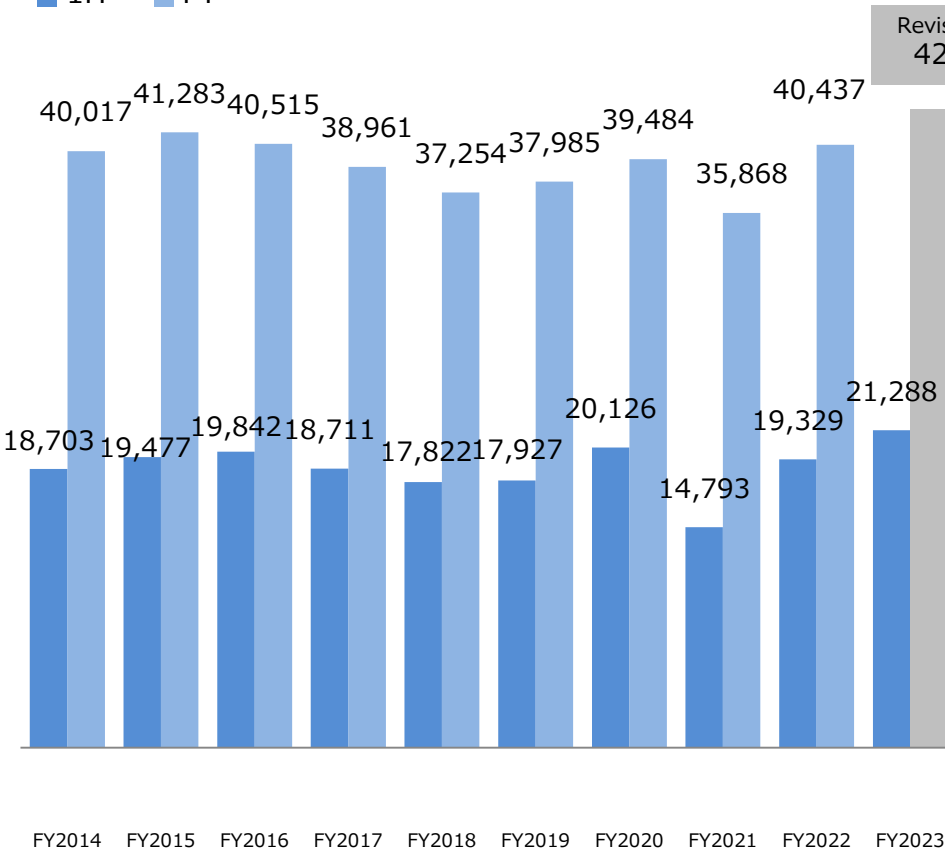
Net Sales and Operating Income Trends

Net Sales (¥ million)

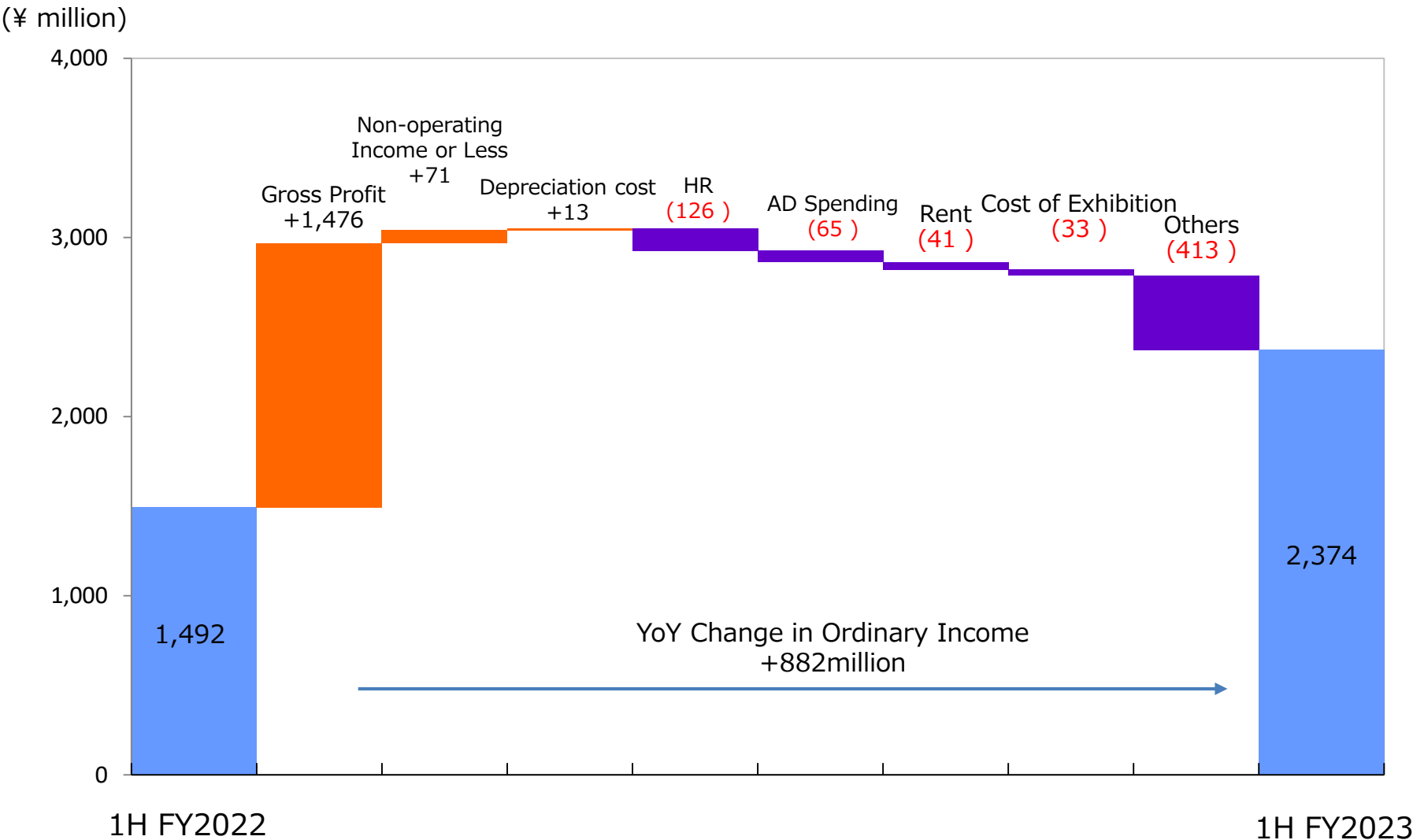
Operating Income (¥ million)

■ 1H ■ FY

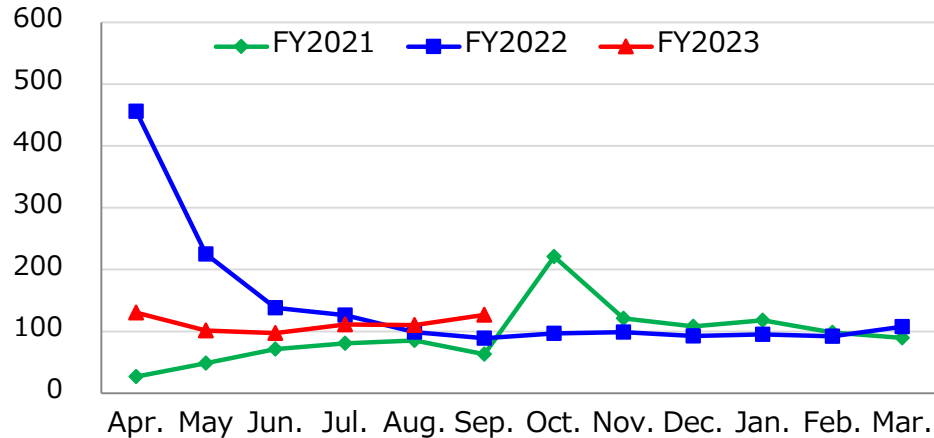
■ 1H ■ FY



1H FY2023 : Analysis of SG&A Expenses



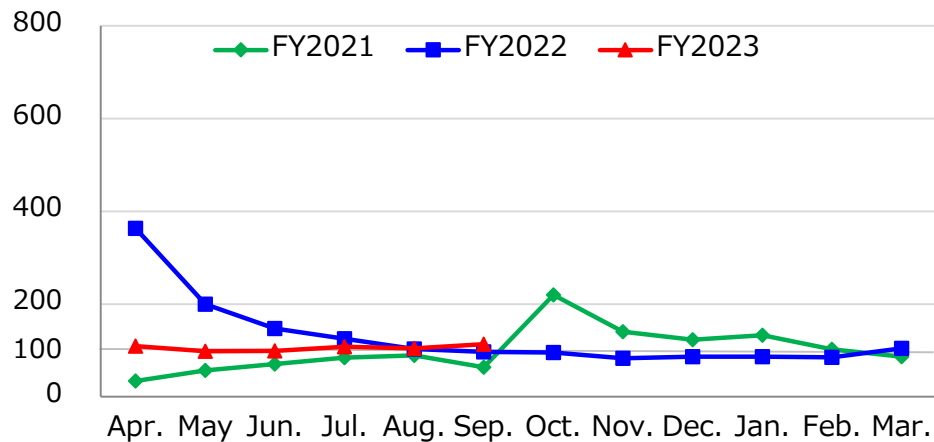
(%) **Total Sales of Major Products**



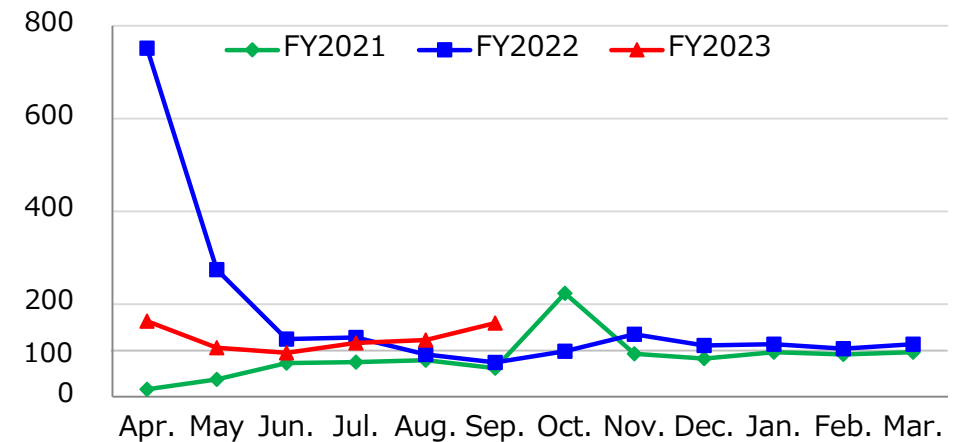
Total Sales of Major Products (Half-year)

	Total	Men	Ladies
1H FY2021	64.8	68.3	59.4
1H FY2022	138.6	138.0	139.6
1H FY2023	112.6	105.4	125.3

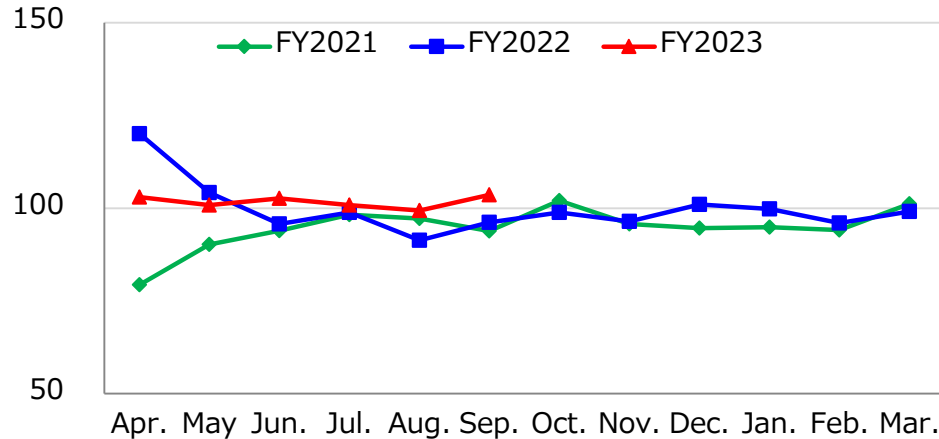
(%) **Sales of Major Products (Men)**



(%) **Sales of Major Products (Ladies)**



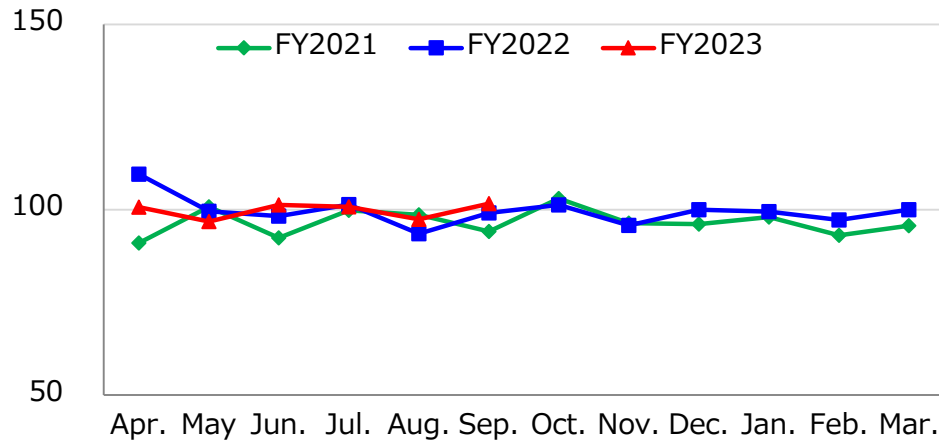
(%) **Customer Traffic (Total)**



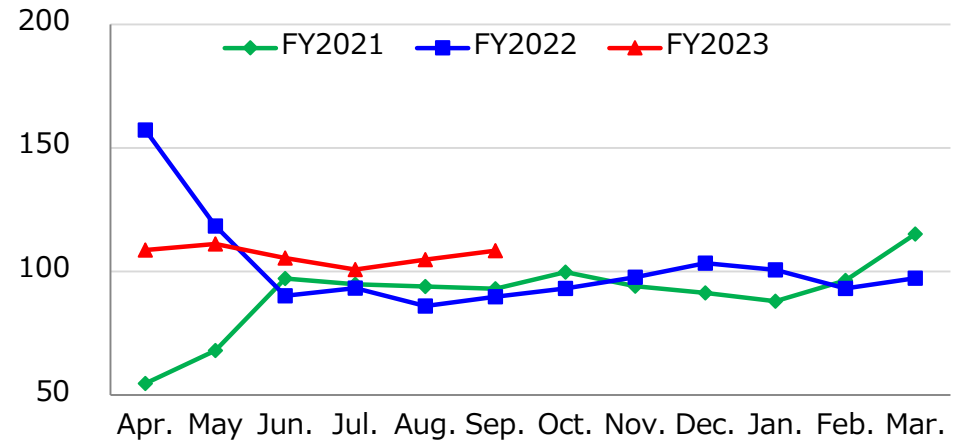
The number of customer traffic (Half-year)

	Total	Men	Ladies
1H FY2021	92.2	96.1	83.6
1H FY2022	100.4	100.0	101.1
1H FY2023	101.7	99.7	106.5

(%) **Customer Traffic (Men)**



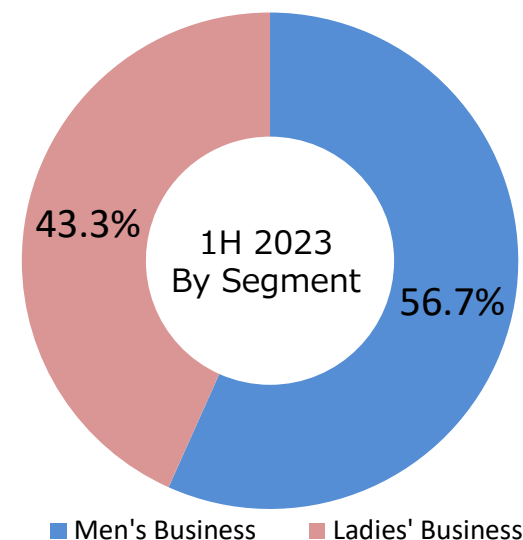
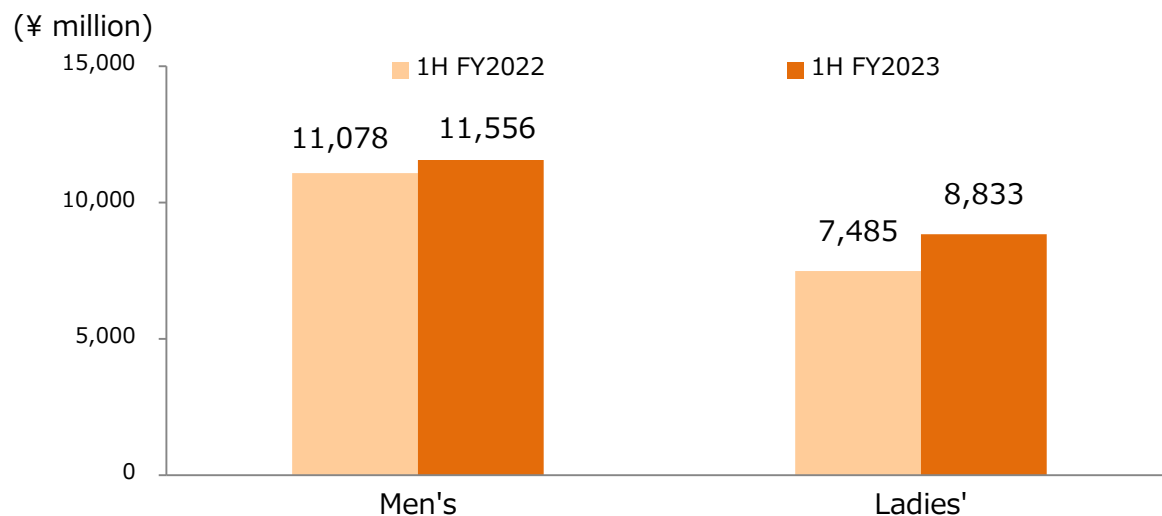
(%) **Customer Traffic (Ladies)**



1H FY2023 : Breakdown of Sales by Segment

(¥ million)

	1H FY2022 (Results)	1H FY2023 (Results)	YoY Change	Year-end (Revised Plan)	Progress rate
Net Sales	19,329	21,288	+10.1%	42,814	49.7%
Men's Business	11,078	11,556	+4.3%	23,168	49.9%
Ladies' Business	7,485	8,833	+18.0%	17,650	50.0%
Others	766	898	+17.3%	1,994	45.0%



※Ladies' Business including JULLIA OLGER, NAO-ART CO.,LTD

1H FY2023 : Breakdown of Sales by Product & Services (Non-consolidated Basis)

(¥ million)

Net Sales		1H FY2022	1H FY2023	YoY Change	
Custom-made Wigs	New Customers	1,661	2,579	+918	+55.3%
	Repeat Business	8,375	9,037	+662	+7.9%
	Total	10,036	11,617	+1,581	+15.8%
Hair Addition Products	New Customers	578	536	(41)	(7.2%)
	Repeat Business	1,752	1,651	(100)	(5.8%)
	Total	2,331	2,188	(142)	(6.1%)
Hair Growth Services	New Customers	41	31	(9)	(23.1%)
	Repeat Business	579	551	(28)	(4.9%)
	Total	621	583	(37)	(6.1%)
Styling Services		3,065	3,195	+129	+4.2%
JULLIA OLGIER		1,310	1,588	+278	+21.2%
Others		1,281	1,440	+158	+12.4%
All Products & Services	New Customers	2,281	3,148	+867	+38.0%
	Repeat Business	14,480	15,157	+677	+4.7%
	JULLIA OLGIER (Ladies' ready-made wigs)	1,310	1,588	+278	+21.2%
	Others	575	720	+144	+25.1%
	Total	18,647	20,614	+1,967	+10.5%

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

1H FY2023 : Breakdown of Sales by Product & Services in Men's Business (Non-consolidated Basis)

(¥ million)

Net Sales		1H FY2022	1H FY2023	YoY Change	
Custom-made Wigs	New Customers	259	369	+110	+42.6%
	Repeat Business	6,166	6,519	+353	+5.7%
	Total	6,425	6,889	+463	+7.2%
Hair Addition Products	New Customers	487	489	+2	+0.5%
	Repeat Business	1,050	1,050	+0	+0.1%
	Total	1,537	1,540	+2	+0.2%
Hair Growth Services	New Customers	36	28	(7)	(20.6%)
	Repeat Business	285	284	(1)	(0.6%)
	Total	321	312	(9)	(2.9%)
Styling Services		2,272	2,287	+15	+0.7%
Others		521	526	+5	+1.1%
All Products & Services	New Customers	782	887	+105	+13.5%
	Repeat Business	10,296	10,669	+373	+3.6%
	Total	11,078	11,556	+478	+4.3%

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

1H FY2023 : Breakdown of Sales by Product & Services in Ladies' Business (Non-consolidated Basis)

(¥ million)

Net Sales		1H FY2022	1H FY2023	YoY Change	
Custom-made Wigs	New Customers	1,402	2,210	+808	+57.6%
	Repeat Business	2,209	2,518	+308	+14.0%
	Total	3,611	4,728	+1,117	+30.9%
Hair Addition Products	New Customers	91	47	(44)	(48.1%)
	Repeat Business	702	600	(101)	(14.5%)
	Total	793	648	(145)	(18.4%)
Hair Growth Services	New Customers	5	3	(2)	(40.0%)
	Repeat Business	294	267	(26)	(9.0%)
	Total	299	270	(28)	(9.5%)
Styling Services		793	907	+114	+14.4%
Others		1,496	1,782	+286	+19.2%
All Products & Sevices	New customers	1,499	2,261	+761	+50.8%
	Repeat business	4,184	4,488	+304	+7.3%
	JULLIA OLGER	1,310	1,588	+278	+21.2%
	Total	6,993	8,337	+1,344	+19.2%

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

(¥ million)

	Original Plan	Revised Plan	YoY Change	
Net Sales	41,991	42,814	+822	+2.0%
Operating Income	2,105	3,126	+1,021	+48.5%
Ordinary Income	2,155	3,106	+950	+44.1%
Net Income	1,137	1,698	+561	+49.3%
Net income per share	35.40	52.77	+17.37	+49.1%

Reason for upward revision

Sales of custom-made wigs "Feerin" were strong, and both men's and women's sales are expected to exceed the initial plan.

Sales of both men's and women's wear are expected to exceed the initial plan.

Profitability will increase mainly due to the increase in net sales.

FY2023 : Breakdown of Sales Forecast by Products and Services (Non-consolidated Basis/Total number of Men and Ladies)



(¥ million)

	FY2022		FY2023				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Revised Plan)	YoY Change	Progress rate
Custom-made Wigs	10,036	21,283	11,617	+15.8%	22,706	+6.7%	51.2%
Hair Addition Products	2,331	4,413	2,188	(6.1%)	4,467	+1.2%	49.0%
Hair Growth Services	621	1,218	583	(6.1%)	1,152	(5.4%)	50.6%
Styling Services	3,065	6,134	3,195	+4.2%	6,532	+6.5%	48.9%
JULLIA OLGER	1,310	3,287	1,588	+21.2%	3,347	+1.8%	47.5%
Others	1,281	2,580	1,440	+12.4%	3,018	+17.0%	47.7%
Total	18,647	38,917	20,614	+10.5%	41,225	+5.9%	50.0%

1H FY2023 : Breakdown of Sales Forecast by Products and Services Men's Business (Non-consolidated Basis)



(¥ million)

	FY2022		FY2023				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Revised Plan)	YoY Change	Progress rate
Custom-made Wigs	6,425	13,315	6,889	+7.2%	13,620	+2.3%	50.6%
Hair Addition Products	1,537	3,184	1,540	+0.2%	3,216	+1.0%	47.9%
Hair Growth Services	321	631	312	(2.9%)	648	+2.8%	48.2%
Styling Services	2,272	4,499	2,287	+0.7%	4,646	+3.3%	49.2%
Others	521	1,029	526	+1.1%	1,036	+0.7%	50.8%
Total	11,078	22,660	11,556	+4.3%	23,168	+2.2%	49.9%

1H FY2023 : Breakdown of Sales Forecast by Products and Services Ladies' Business (Non-consolidated Basis)



(¥ million)

	FY2022		FY2023				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Revised Plan)	YoY Change	Progress rate
Custom-made Wigs	3,611	7,968	4,728	+30.9%	9,086	+14.0%	52.0%
Hair Addition Products	793	1,228	648	(18.4%)	1,250	+1.8%	51.8%
Hair Growth Services	299	587	270	(9.5%)	503	(14.2%)	53.8%
Styling Services	793	1,635	907	+14.4%	1,886	+15.4%	48.1%
JULLIA OLGER	1,310	3,287	1,588	+21.2%	3,347	+1.8%	47.5%
Others	185	336	194	+4.7%	375	+2.4%	51.7%
Total	6,993	15,073	8,337	+19.2%	16,450	+9.1%	50.7%

FY2023 : Financial Forecast

(¥ million)

	FY2022		FY2023			
	1H FY2022 (Results)	Year-end (Results)	1H FY2023 (Results)	YoY Change	Year-end (Revised Plan)	YoY Change
Net Sales	19,329	40,437	21,288	+10.1%	42,814	+5.9%
Men's Business	11,078	22,660	11,556	+4.3%	23,168	+2.2%
Ladies' Business	7,485	16,227	8,833	+18.0%	17,650	+8.8%
Others	766	1,548	898	+17.3%	1,994	+28.8%
Cost of Sales	6,310	12,698	6,792	+7.6%	13,912	+9.6%
Gross Profit	13,019	27,739	14,496	+11.3%	28,901	+4.2%
SG&A Expenses	11,457	24,719	12,123	+5.8%	25,774	+4.3%
Ad Spending	2,884	6,556	2,950	+2.3%	6,873	+4.8%
HR	2,926	5,790	3,052	+4.3%	6,214	+7.3%
Operating Income	1,561	3,020	2,372	+51.9%	3,126	+3.5%
Ordinary Income	1,492	3,038	2,374	+59.2%	3,106	+2.2%
Net Income	857	1,204	1,463	+70.7%	1,698	+41.0%
Depreciation	402	827	389	(3.3%)	795	(3.8%)
CAPEX	608	1,359	697	+14.6%	2,522	+85.5%



<https://www.artnature.co.jp/english/index.html>

Forward-looking Statements

The forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed to be reasonable by the Company. Actual results may differ materially from forward-looking statements due to a number of factors. Amounts shown in this document are displayed numbers truncating the units less than shown. The percentage is rounded off to the first decimal place.

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Reference Material

Consolidated Balance Sheets



(¥ million)

	As of March 31, 2022		As of September 30, 2022		Rate of change	Major Factors behind YoY Change
		Composition ratio		Composition ratio		
Total Current Assets	28,021	60.2%	28,210	60.2%	+0.7%	Current Assets +188 • Cash and deposits +103 • Accounts receivable –trade (599) • Inventory +559 Current liabilities (872) • Advances received (639) • Accounts payable (673) Net Assets +1,014 • Cash dividends paid (449) • Net income +1,463
Cash and Deposits	19,546	42.0%	19,649	41.9%	+0.5%	
Total Non-current Assets	18,488	39.8%	18,657	39.8%	+0.9%	
Total Property, Plant and Equipment	8,694	18.7%	8,949	19.1%	+2.9%	
Total Assets	46,510	100.0%	46,868	100.0%	+0.8%	
Total Current Liabilities	14,237	30.6%	13,365	28.5%	(6.1%)	
Advances Received	6,502	14.0%	5,862	12.5%	(9.8%)	
Total Non-current Liabilities	7,676	16.5%	7,621	16.3%	(0.7%)	
Total Liabilities	21,914	47.1%	20,986	44.8%	(4.2%)	
Total Net Assets	24,596	52.9%	25,881	55.2%	+5.2%	
Retained Earnings	18,307	39.4%	19,321	41.2%	+5.5%	
Total Liabilities and Net Assets	46,510	100.0%	46,868	100.0%	+0.8%	

(¥ million)

	As of September 30, 2021	As of September 30, 2022	Cause of Occurrence
Net cash provided by (used in) operating activities	550	1,476	Net cash provided by (used in) operating activities
Net cash provided by (used in) investing activities	(649)	(999)	
Free cash flow	(99)	477	<ul style="list-style-type: none"> • Income before income taxes +2,362 • Income taxes paid (805)
Net cash provided by (used in) financing activities	(464)	(459)	Net cash provided by (used in) investing activities
Cash and cash equivalents at the beginning of period	18,984	19,452	<ul style="list-style-type: none"> • Purchase of property, plant and equipment (747) • Purchase of intangible assets (77) • Long-term loans receivable (100)
Cash and cash equivalents at the end of period	18,461	19,546	Net cash provided by (used in) financing activities
Net increase (decrease) in cash and cash equivalents	(523)	94	<ul style="list-style-type: none"> • Cash dividends paid (449)