



ARTNATURE INC.

Financial Results Briefing for the Fiscal Year Ended March 2021

May 14, 2021

Event Summary

[Company Name]	ARTNATURE INC.	
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[Event Language]	JPN	
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[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2021	
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[Participants]		
[Number of Speakers]	2	
	Yoshikata Igarashi	Chairman and President
	Toshio Honda	Corporate Officer, General Manager of Management Planning Division

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Presentation

Igarashi: This is Igarashi from ARTNATURE INC. We will provide a presentation on the financial results for the fiscal year ending March 31, 2021, again via video streaming.

First, I will give an overview of the financial results for the previous fiscal year, and the contents of the mid-term management plan, and then Honda from the Management Planning Division will explain the details of the financial figures in the latter half of the presentation.

FY2021 : Highlights



Net Sales & Operating Income

(¥ Million)

	FY2020 (Results)	FY2021 (Plan)	FY2021 (Results)	YoY Change	Plan ratio
Net Sales	39,484	36,171	35,868	(9.2%)	(0.8%)
Operating Income	2,919	773	1,932	(33.8%)	+149.9%

Breakdown of Net Sales

	FY2020 (Results)	FY2021 (Plan)	FY2021 (Results)	YoY Change	Plan ratio
Men's Business	22,369	21,561	21,322	(4.7%)	(1.1%)
Ladies' Business	15,720	12,758	13,060	(16.9%)	+2.4%
Others	1,394	1,851	1,485	+6.5%	(19.8%)

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

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2

First, on page 2, I will explain the summary of financial results.

As shown in the table in the upper part of the page, sales and profits decreased YoY due to the impact of COVID-19.

As for the plan, net sales were generally in line with the plan, while operating income was much higher than the plan.

The table at the bottom shows the actual sales by division, and Honda will explain the details later.

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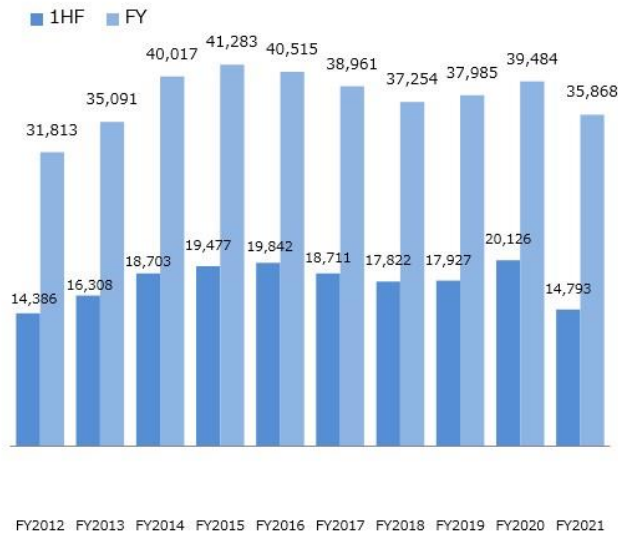


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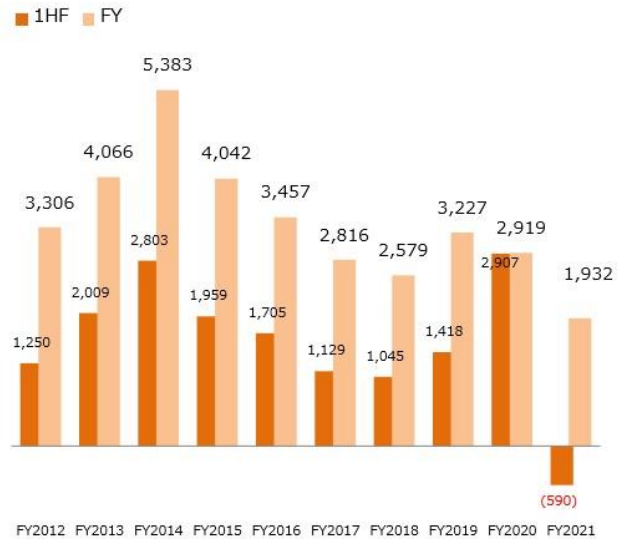
Net Sales and Operating Income



Net Sales (¥ Million)



Operating Income (¥ Million)



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3

Next, please take a look at the graph of business performance on page 3.

This graph shows the trend of sales and operating income for the past 10 fiscal years, including the current fiscal year.

As for the fiscal year ending March 31, 2021, in the first half of the year, net sales decreased from the same period of the previous year, and operating income was in the red.

But in the second half of the year, net sales were higher than the previous year, and operating income returned to the black.

As I mentioned at the beginning of this report, although sales and profits decreased for the full year, we are determined to maintain the momentum of the second half of the year and improve our performance in fiscal 2021.

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FY2021 Current Management Condition



	April 2020	May	June-December	January-March 2021	After April
Government	April 16: Declared state of emergency to all regions	May 25: Lifted the state of emergency		Jan 8: 1 metropolitan area 3 prefectures Jan 14: In 7 prefectures State of emergency recurrence order Mar 21: State of emergency lifted	Apr 25: In 4 prefectures State of emergency recurrence order
Artnature Group	Formulating and practicing the basic policies relating to COVID-19				Corresponding to the basic policies
Salons' operation	Artnature	Shortening business hour at some salons	Normal business hours at all salons		Normal business hours
	Jullia Olger	Temporary closing or follow the determination of commercial facilities	Normal business hours or shortening business hours at some salons		Normal business hours ; Shortening business hour at some salons
Production	Philippines	Temporary closing	Partial operation	Normal operation; regulation by authorities in some areas	Operation along instruction indicated from the Philippines authorities
Others	<ul style="list-style-type: none"> - Postponement and cancellation of meetings with customers - Delayed delivery of goods - Postponement of events - No COVID-19 case at our stores 		<ul style="list-style-type: none"> - Meetings with customers : back to normal pace since June - Delayed delivery of goods : mostly recovered - Gradually resumed events - COVID-19 case at our stores 2 people in Nov, 2 people in Dec, 8 people in Jan, 1 person in Feb, 0 people in Mar. 		<ul style="list-style-type: none"> - Meetings with customers back to normal pace - Delayed delivery of goods is expected to recover - Events are expected to be held normally

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4

On page 4, we show our situation related to COVID-19 pandemic.

The status in FY2020 is as indicated by the blue arrows.

During the state of emergency in April and May, there were some disruptions in the operation of our sales branches and production plants, but things gradually started to normalize after June.

The delivery delays that occurred in the first half of the year are now being resolved, and we are currently able to hold events as usual.

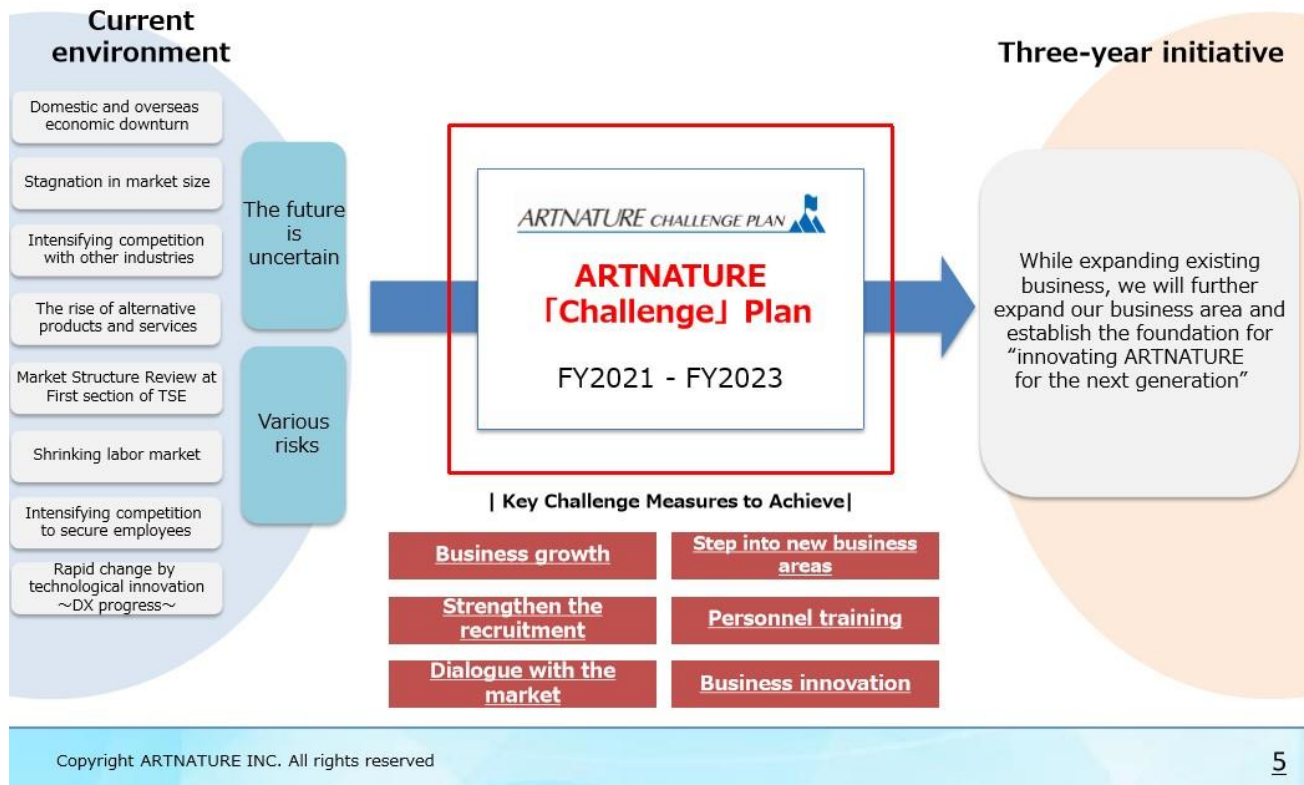
The green arrows indicate the forecast for FY2021.

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Next, on page 5, I will explain again our medium-term management plan, the ARTNATURE Challenge Plan, which begins in the fiscal year ended March 31, 2021.

As shown on the left-hand side of the slide, we believe that the business environment surrounding our company is difficult to predict and is fraught with various risks.

In this environment, we will take on the challenge of achieving our goal of further expanding our business domain while expanding our existing businesses in order to lay the foundation for ARTNATURE that will usher in the new era.

In this medium-term management plan, we have set 6 priority Challenge measures.

All executives and employees will work together to achieve the goals of the ARTNATURE Challenge Plan by implementing these priority Challenge measures.

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Key Challenge Measures

(Business innovation/Step into new business areas/Dialogue with the market)



Three-year initiative

While expanding existing business, we will further expand our business area and establish the foundation for “innovating ARTNATURE for the next generation”

Key Challenge Measures to Achieve

Business growth	Step into new business areas
Strengthen the recruitment	Personnel training
Dialogue with the market	Business innovation

		3 year goals	Progress
Business growth	Expansion of existing businesses	<ul style="list-style-type: none"> · Increased initiatives to improve customer satisfaction · Stronger cooperation among existing businesses · Stronger technical expertise/customer service skills · Enhancement of product lineup/Expansion of sales channels 	<ul style="list-style-type: none"> · Plans for the first fiscal year were mostly achieved across all existing businesses
	Expansion of new business	<ul style="list-style-type: none"> · Improvement of business recognition · Intensified activity to expand business scale 	<ul style="list-style-type: none"> · Plans for new businesses in the first fiscal year were not achieved, more specifically: · Plan for standard wig business was not achieved due to insufficient footfall at commercial facilities where our stores are located · Plan for medical institution support business was not achieved due to shortage of patient footfall at medical corporation · Plan for pharmaceutical sales business was not achieved despite year-on-year growth
Step into new business areas	Domestic and overseas M&A etc	<ul style="list-style-type: none"> · Entry into new businesses 	<ul style="list-style-type: none"> · Made capital contribution with a view to collaboration with Think-Lands Co., Ltd., an R&D-type startup which manufactures hollow microneedles
Dialogue with the market	Strengthen IR activities	<ul style="list-style-type: none"> · Enhancement of information disclosures · Enhancement of IR activities 	<ul style="list-style-type: none"> · Updated company information and website · Number of meetings decreased partly due to the effects of COVID-19
	Practice of SDGs	<ul style="list-style-type: none"> · Promotion of activities in line with SDG commitments · Increased initiatives to address priority issues 	<ul style="list-style-type: none"> · Disclosed sustainability information on website · Switched 8 items to recycled plastic or non-plastic alternatives

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6

Page 6 shows the progress of 3 measures out of 6 priority Challenge measures in the ARTNATURE Challenge Plan: performance growth, development of new business areas, and dialogue with the market.

The slide shows the progress of each measure in the first year.

We will continue to steadily implement these measures.

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Key Challenge Measures

(Strengthen the recruitment/Personnel training/Business innovation)



Three-year initiative While expanding existing business, we will further expand our business area and establish the foundation for “innovating ARTNATURE for the next generation”	Key Challenge Measures to Achieve <table border="1"> <tr> <td>Business growth</td> <td>Step into new business areas</td> </tr> <tr> <td>Strengthen the recruitment</td> <td>Personnel training</td> </tr> <tr> <td>Dialogue with the market</td> <td>Business innovation</td> </tr> </table>	Business growth	Step into new business areas	Strengthen the recruitment	Personnel training	Dialogue with the market	Business innovation
Business growth	Step into new business areas						
Strengthen the recruitment	Personnel training						
Dialogue with the market	Business innovation						

		3 year goals	Progress
Strengthen the recruitment	· Reinforcement of recruitment · Employee retention	<ul style="list-style-type: none"> · Diversification of recruitment routes · Expansion of recruitment · Promotion of diversity management · Promotion of health and productivity management 	<ul style="list-style-type: none"> · Focused on attracting and retaining talent by reviewing media used for recruiting and raising recruitment criteria · Expansion of recruitment remained an issue under consideration. · Initiatives to create workplaces that allows career advancement of diverse employees and to educate employees about healthy lifestyles are being implemented
Personnel training	Strengthening on-site human resources	<ul style="list-style-type: none"> · Occupation-based training (for stylists, store managers, etc.) · Rank-based training (new graduate, mid-career, etc.) 	<ul style="list-style-type: none"> · Developed environment for developing human resources through the introduction of video manual and remote training · Began trialing new training program
	Strengthening human resources at the head office	<ul style="list-style-type: none"> · Enhancement of planning skills and business management skills 	<ul style="list-style-type: none"> · Introduced training on leadership, logical thinking and suchlike for head office staff
Business innovation	Innovate of head office operations etc	<ul style="list-style-type: none"> · Business reforms by moving to paperless, computerized processes · Regular business reforms (reduction of business hours) 	<ul style="list-style-type: none"> · Review of computer system was postponed due to the effects of COVID-19 · Initiatives underway to identify target business processes and carry out business reforms

Page 7 shows the progress in strengthening recruitment, developing human resources, and revamping operations.

The progress of each measure in the first year is as shown in the slide.

Due to the effects of COVID-19 and other factors, we had no choice but to postpone some of our initiatives, but we are determined to move forward in fiscal 2021.

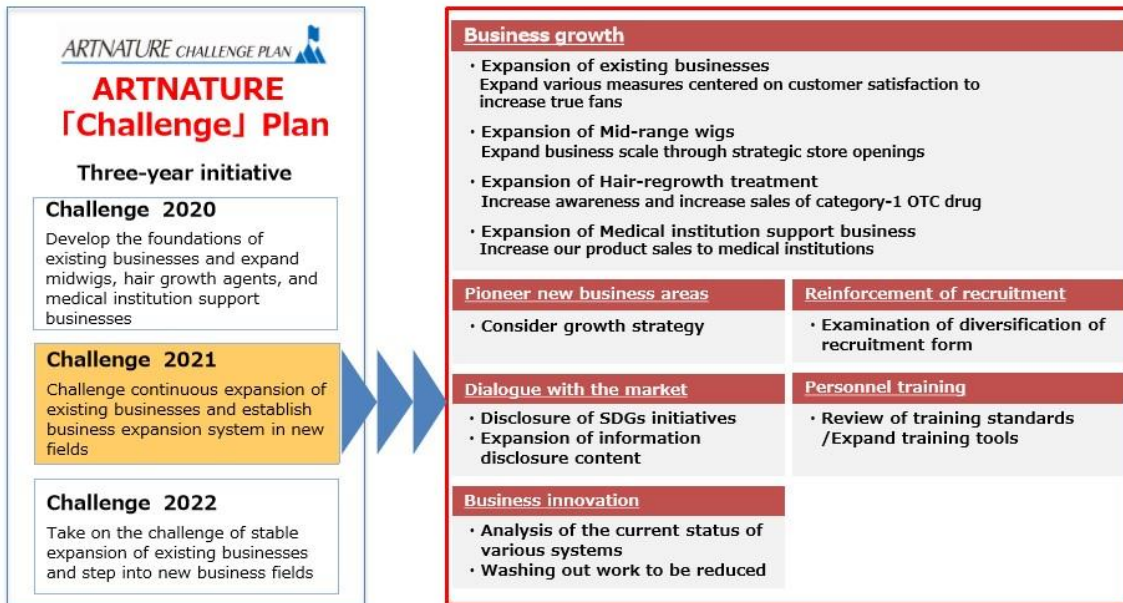
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| ARTNATURE 「Challenge」 Plan Key Challenge Measures to Achieve |



The main measures of Challenge 2021 for this fiscal year are described in the slide on page 8.

In the current fiscal year, we will take on the challenge of re-expanding our existing businesses and steadily implement these measures in order to establish a framework for further expansion of businesses in new areas.

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FY2022 : Full-year Consolidated Business Performance Forecasts

(¥ Million)

	FY2021 Results	FY2022 Plan	YoY Change	
Net Sales	35,868	40,363	+4,495	+12.5%
Men's Business	21,322	22,366	+1,043	+4.9%
Ladies' Business	13,060	16,052	+2,991	+22.9%
Others	1,485	1,945	+460	+31.0%
SG&A Expenses	21,979	25,262	+3,283	+14.9%
Operating Income	1,932	2,023	+91	+4.7%
Ordinary Income	2,005	2,088	+83	+4.1%
Net Income	840	1,045	+204	+24.3%

Page 9 shows the business plan for the fiscal year ending March 31, 2022.

The planned figures are as shown in the table.

The accounting standard for revenue recognition was applied to the planned figures from this fiscal year.

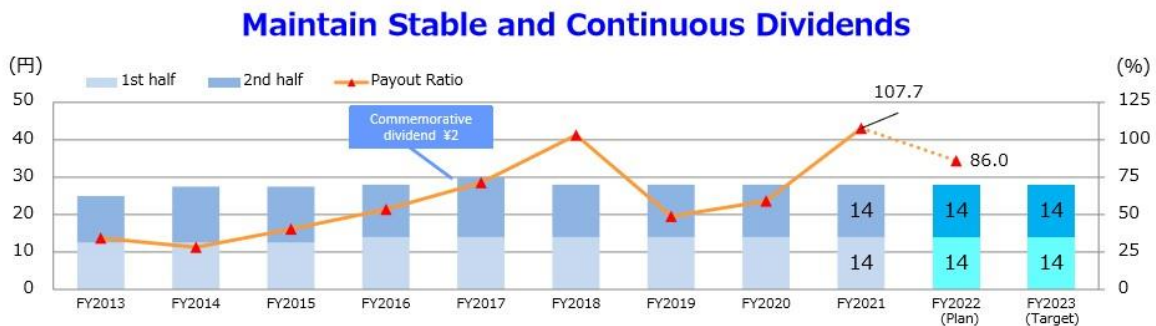
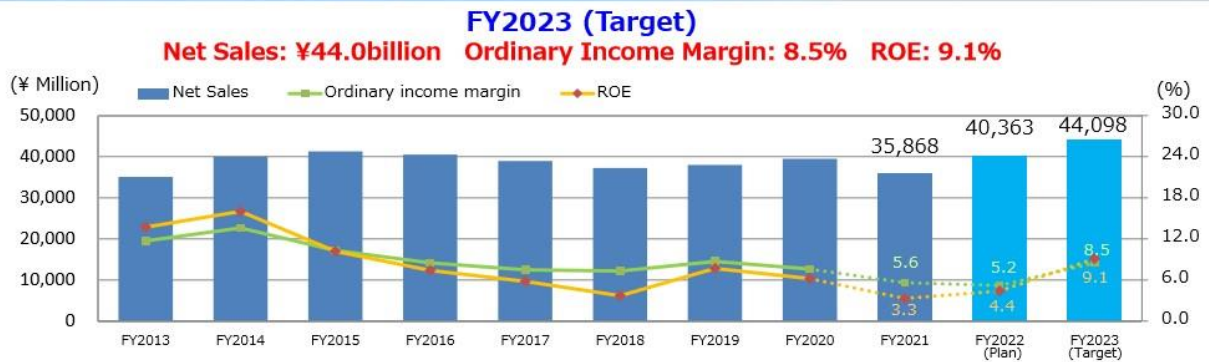
Net sales are expected to increase in each division, and profits are expected to increase in all profit categories.

Honda will explain the details later.

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

Lastly, I would like to explain the main management indicators and dividend policy for the 3 years of the medium-term management plan.

Our targets for net sales, ordinary income margin, and ROE for the fiscal year ending March 2023, which is the final year of our medium-term management plan, are shown in the upper right graph.

With regard to dividends, based on our basic policy of maintaining stable dividends as in the past, we would like to maintain an interim dividend of JPY14 and a year-end dividend of JPY14, for a total dividend of JPY28 for the current fiscal year.

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

That’s all for my explanation. Thank you for your attention.

Honda: This is Honda. I will now explain the financial results for the fiscal year ended March 31, 2021, and the plan for the fiscal year ending March 31, 2022, focusing on the numerical aspects.

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FY2021 : Consolidated Statements of Income Highlights



(¥ Million)

	FY2020 (Results)	FY2021 (Results)	FY2021 (Plan)	YoY Change
Net Sales	39,484	35,868	36,171	Net Sales : Down 9.2%
Men's Business	22,369	21,322	21,561	Men's Business : Down 4.7%
Ladies' Business	15,720	13,060	12,758	Ladies' Business : Down 16.9%
Others	1,394	1,485	1,851	
Cost of Sales	12,320	11,956	12,597	Cost of Sales Ratio : Up 2.1Pt
Gross Profit	27,163	23,911	23,574	Product Cost : Up 0.8Pt
SG&A Expenses	24,243	21,979	22,800	HR : Up 1.3Pt
Ad Spending	6,860	5,412	5,820	SG&A Expenses Ratio : Down 0.1Pt
HR	5,394	5,541	5,743	Ad Spending : Down 2.3Pt
Operating Income	2,919	1,932	773	HR : Up 1.7Pt
Ordinary Income	3,006	2,005	889	Other : Up 0.3Pt
Net Income	1,542	840	117	CAPEX
Depreciation	921	900	915	Store facilities : ¥530 million
CAPEX	1,191	885	820	System related : ¥117 million

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12

First, here is a summary of the consolidated statement of income for the fiscal year ended March 31, 2021.

Net sales decreased by 9.2% YoY to JPY35.8 billion, and cost of sales decreased by 3% YoY to JPY11.9 billion. In addition, the cost of sales ratio increased by 2.1 percentage points from the previous fiscal year.

The breakdown is as follows: the product cost increased by 0.8 percentage points due to the change in sales mix caused by the decline in sales and the period of the inclusion of subsidiaries' financial results being full-year, and the stylist labor cost rate increased by 1.3 percentage points due to the decline in sales as labor costs are a strong component of fixed costs.

SG&A expenses decreased by 9.3% to JPY21.9 billion, and SG&A ratio decreased by 0.1 percentage point YoY. The breakdown is as follows: advertising expenses decreased by JPY1.4 billion YoY, and the advertising ratio decreased by 2.3 percentage points YoY; personnel expenses increased by JPY0.2 billion YoY, and the personnel expense ratio increased by 1.7 percentage points YoY; and other expenses decreased by JPY0.9 billion YoY, and the other expenses ratio increased by 0.3 percentage points YoY.

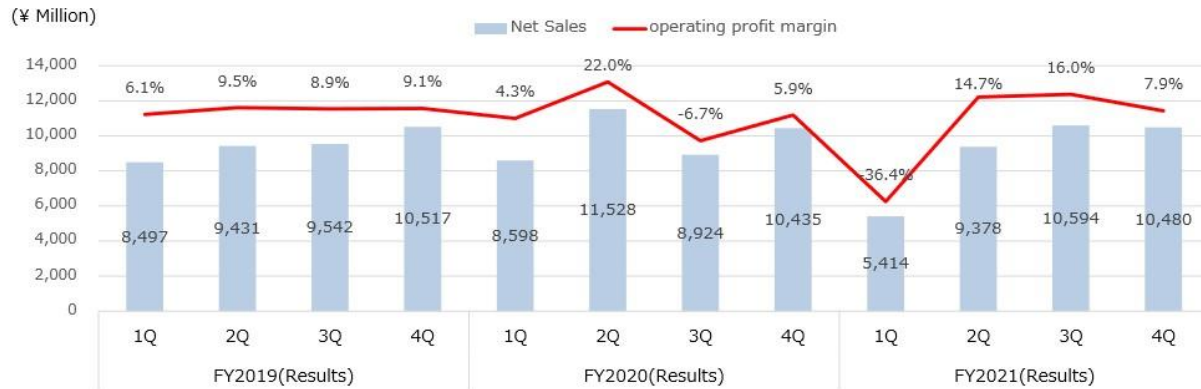
As a result, operating income was JPY1.9 billion, ordinary income was JPY2 billion, and net income was JPY0.8 billion. The total amount of capital investment was JPY0.8 billion, and the main breakdown is as shown in the lower right.

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Page 13 shows the consolidated quarterly results.

This graph shows the quarterly performance trends of net sales and operating income margin for the most recent 3 years.

In the fiscal year ended March 2021 or FY2020, sales were down significantly from FY2019 due to the impact of COVID-19 in the first quarter.

But from the second quarter onward, sales have recovered to almost the same level as FY2018 before COVID-19.

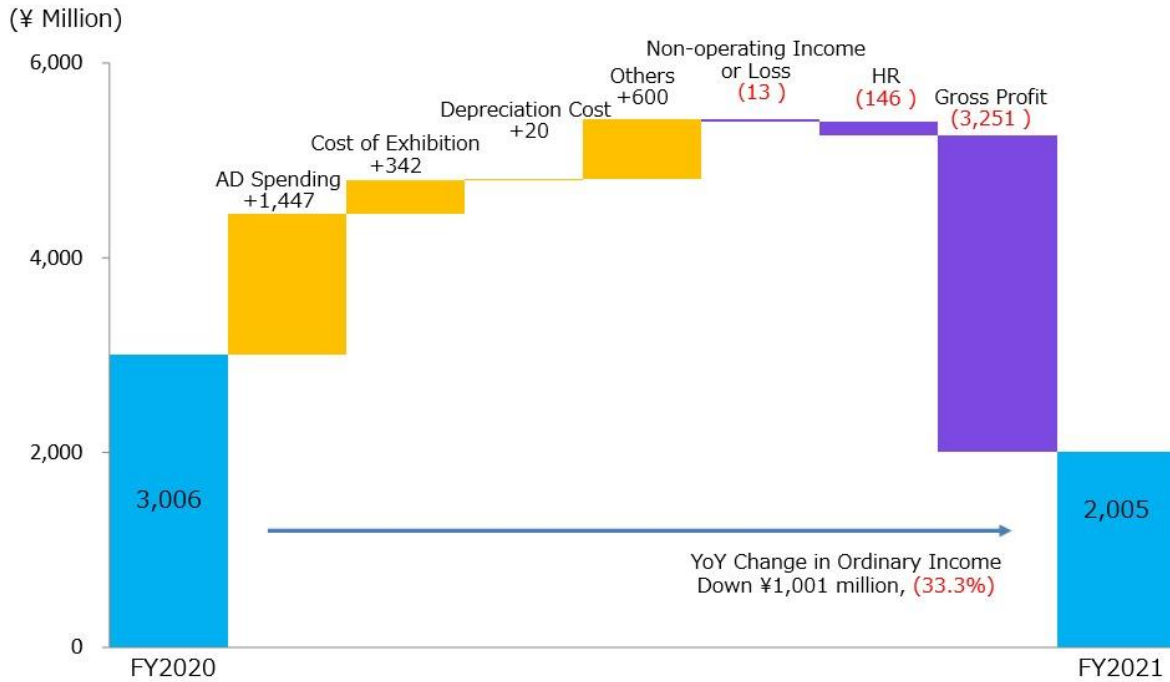
The reason why the second and third quarters of FY2019 are different from FY2018 is due to the rush demand before the consumption tax hike and the reaction to it.

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FY2021 : Analysis of Consolidated Ordinary Income



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Page 14 shows the factors behind the increase/decrease in consolidated ordinary income for the fiscal year ended March 31, 2021.

The orange area on the left is the positive factor for profit, which is JPY2.4 billion. The main reason for this is the control of expenses, especially advertising expenses.

The purple area on the right is the negative factor for profit, which is JPY3.4 billion. The main reason for this was the decrease in sales.

As a result of the above, ordinary income decreased by JPY1 billion YoY to JPY2 billion.

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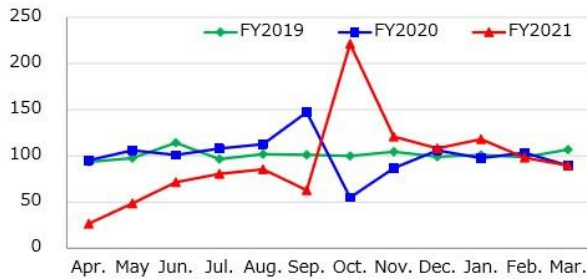
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Monthly Trends: Sales of Major Products (YoY)



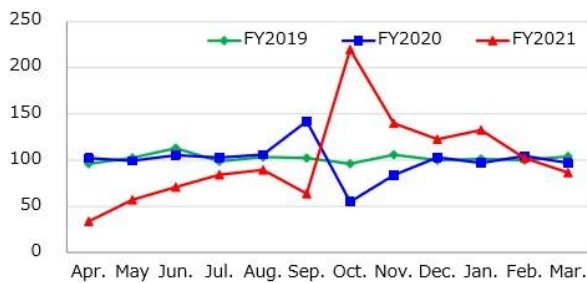
Sales of Major Products (Total)



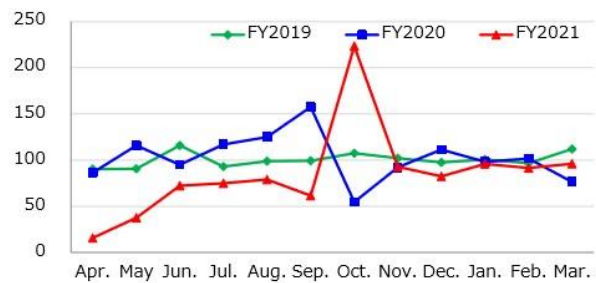
Total Sales of Major Products (Full-year) (%)

	Total	Men	Ladies
FY2019	101.4	102.0	100.4
FY2020	101.6	101.1	102.4
FY2021	87.9	93.8	78.4

Sales of Major Products (Men)



Sales of Major Products (Ladies)



Page 15 shows the monthly sales trend of major products.

This graph shows the percentage increase/decrease in sales of major products compared to the previous year for the most recent 3 years. It was picked up from the monthly sales information disclosed each month.

The red line shows the current period, the blue line shows the previous period, and the green line shows the period before the last, so please check the approximate trend here.

The monthly sales trend for this fiscal year has been recovering month by month after the big drop at the beginning of the fiscal year. And by the end of the fiscal year, sales were almost at the same level as the same month last year.

The slight drop in September, and the large increase in October, are due to the rush demand and the reaction to the consumption tax hike in October 2019.

The YTD total was 87.9% for all sales, 93.8% for males, and 78.4% for females, as shown in the table above right.

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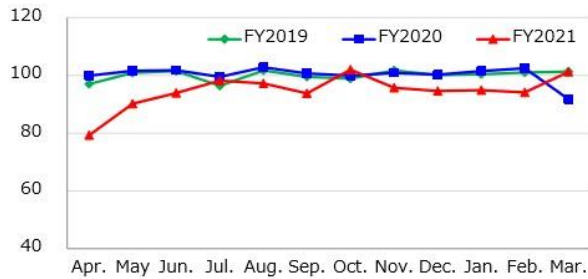
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Monthly Trends: Customer Traffic (YoY, Accumulated)



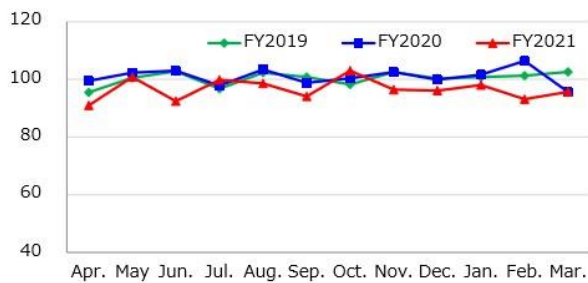
Customer Traffic (Total)



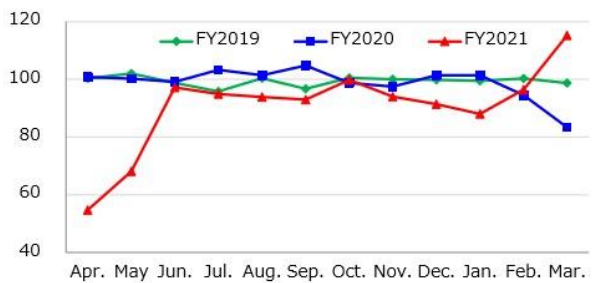
Customer Traffic (Full-year)

	Total	Men	Ladies
FY2019	100.0	100.3	99.4
FY2020	100.1	100.7	98.8
FY2021	94.6	96.6	90.1

Customer Traffic (Men)



Customer Traffic (Ladies)



Page 16 shows the monthly total number of customers visiting the store.

This graph was also picked up from the total number of customer visits disclosed each month.

The colors are the same as on the previous page.

At the beginning of this fiscal year, the number of customers visiting the store, especially female customers, dropped significantly, and the overall number of customers visiting the store fell to 80% of the level of the same month last year. But by the end of the fiscal year, the number had recovered to almost the same level.

In addition, the number of women in March in the current fiscal year has grown significantly. This is because the number of women in March in the previous fiscal year was already depressed due to the effects of COVID-19.

The YTD total was 94.6% for all, 96.6% for males, and 90.1% for females, as shown in the table on the upper right.

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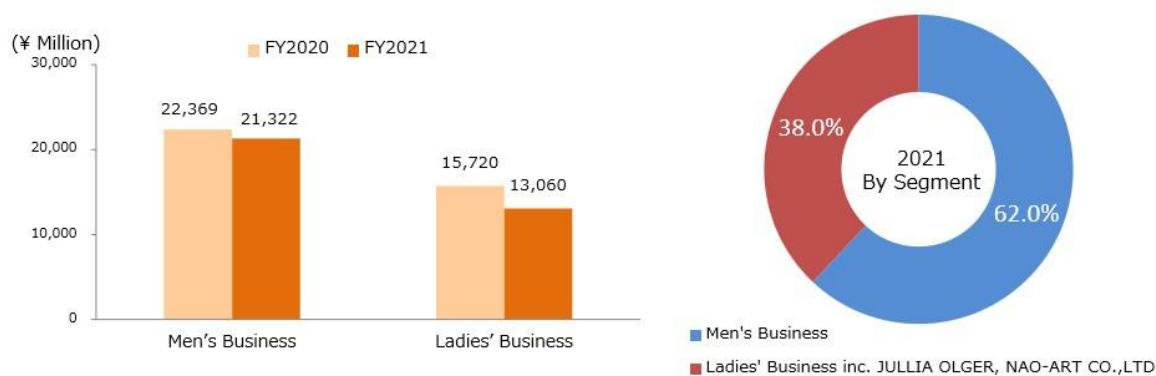


FY2021 : Breakdown of Sales by Segment (Consolidated)



(¥ Million)

	FY2020 (Results)	FY2021 (Results)	YoY Change	FY2021	
				(Plan)	Vs. Plan
Net Sales	39,484	35,868	(9.2%)	36,171	(0.8%)
Men's Business	22,369	21,322	(4.7%)	21,561	(1.1%)
Ladies' Business	15,720	13,060	(16.9%)	12,758	+2.4%
Others	1,394	1,485	+6.5%	1,851	(19.8%)



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17

Page 17 shows the consolidated sales trend by gender.

As shown in the table above, men's sales decreased by 4.7% YoY to JPY21.3 billion, women's sales decreased by 16.9% YoY to JPY13 billion, and other sales increased by 6.5% YoY to JPY1.4 billion.

As a result, the ratio of men to women in sales was 62% for men and 38% for women, as shown in the pie chart on the lower right, with the ratio of men increasing by 3.3 percentage points YoY.

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FY2021: Breakdown of Sales by Product and Service in Total Both Segments (Non-consolidated Basis)



(¥ Million)

Net Sales		FY2020	FY2021	YoY Change	
Custom-made Wigs	New customers	3,292	2,358	(934)	(28.4%)
	Repeat Business	17,531	16,225	(1,306)	(7.5%)
	Total	20,824	18,584	(2,240)	(10.8%)
Hair Addition Products	New Customers	1,910	1,465	(445)	(23.3%)
	Repeat Business	3,304	2,700	(604)	(18.3%)
	Total	5,215	4,165	(1,050)	(20.1%)
Hair Growth Services	New Customers	123	98	(24)	(19.9%)
	Repeat Business	1,070	1,096	+26	+2.4%
	Total	1,193	1,195	+1	+0.1%
Styling Services		5,487	5,373	(113)	(2.1%)
JULLIA OLGIER		3,433	2,761	(671)	(19.6%)
Others		2,542	2,569	+26	+1.0%
All Products & Services	New Customers	5,326	3,922	(1,404)	(26.4%)
	Repeat Business	28,780	26,744	(2,036)	(7.1%)
	JULLIA OLGIER	3,433	2,761	(671)	(19.6%)
	Others	1,157	1,221	+63	+5.5%
	Total	38,697	34,649	(4,048)	(10.5%)

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

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18

Page 18 shows non-consolidated sales by product and service for both men and women.

Sales of our mainstay made-to-order wigs and hair extension products were down sharply YoY. But from the second quarter onward, they have been at about the same level as in the fiscal year ended March 31, 2019 before COVID-19.

Sales of made-to-order wigs decreased by JPY4 billion in the first half of fiscal year due to delivery delays caused by COVID-19, but recovered significantly in the second half of fiscal year, recovering to JPY2.2 billion down from the previous fiscal year.

Sales of hair extension products decreased by JPY1 billion YoY due to a decrease in the number of customers visiting our stores.

Other segments are as shown.

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FY2021 : Breakdown of Sales by Product & Service in Men's Business (Non-consolidated Basis)



(¥ Million)

Net Sales		FY2020	FY2021	YoY Change	
Custom-made Wigs	New Customers	606	493	(112)	(18.5%)
	Repeat Business	12,193	11,777	(415)	(3.4%)
	Total	12,799	12,271	(527)	(4.1%)
Hair Addition Products	New Customers	1,363	1,131	(232)	(17.1%)
	Repeat Business	2,002	1,753	(248)	(12.4%)
	Total	3,366	2,885	(480)	(14.3%)
Hair Growth Services	New Customers	110	89	(20)	(19.0%)
	Repeat Business	595	575	(20)	(3.4%)
	Total	705	664	(41)	(5.8%)
Styling Services		4,484	4,499	+15	+0.3%
Others		1,014	1,001	(12)	(1.2%)
All Products & Services	New Customers	2,079	1,713	(365)	(17.6%)
	Repeat Business	20,289	19,608	(681)	(3.4%)
	Total	22,369	21,322	(1,046)	(4.7%)

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

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19

Page 19 shows non-consolidated male sales by product and service.

The bottom line is sales for all products and services, new sales decreased by 17.6% YoY, repeat sales decreased by 3.4% YoY, and overall sales decreased by 4.7% YoY.

By product, sales of made-to-order wigs decreased by 4.1% YoY, sales of hair extension products decreased by 14.3% YoY, and sales of hairdressing and beauty services increased by 0.3% YoY.

As the overall impression of business for men, the first quarter was greatly affected by delivery delays, and a decrease in the number of customers visiting our stores due to COVID-19.

But from the second quarter onward, sales gradually began to grow steadily, mainly due to repeat customers.

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FY2021 : Breakdown of Sales by Product & Service in Ladies' Business (Non-consolidated Basis)



(¥ Million)

Net Sales		FY2020	FY2021	YoY Change	
Custom-made Wigs	New Customers	2,686	1,864	(821)	(30.6%)
	Repeat Business	5,338	4,447	(891)	(16.7%)
	Total	8,025	6,312	(1,712)	(21.3%)
Hair Addition Products	New Customers	547	334	(212)	(38.9%)
	Repeat Business	1,302	946	(356)	(27.3%)
	Total	1,849	1,280	(569)	(30.8%)
Hair Growth Services	New Customers	13	9	(3)	(27.0%)
	Repeat Business	474	521	+46	+9.8%
	Total	488	530	+42	+8.8%
Styling Services		1,003	874	(129)	(12.9%)
Others		3,804	3,107	(697)	(18.3%)
All Products & Services	New Customers	3,246	2,208	(1,038)	(32.0%)
	Repeat Business	8,490	7,135	(1,355)	(16.0%)
	JULLIA OLGIER	3,433	2,761	(671)	(19.6%)
	Total	15,170	12,105	(3,065)	(20.2%)

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

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20

Page 20 shows non-consolidated sales by product and service for women.

The bottom line is sales for all products and services. New sales were down 32% YoY, repeat sales were down 16%, JULLIA OLGIER sales were down 19.6%, and overall sales were down 20.2%.

Sales of made-to-order wigs decreased by 21.3% YoY, sales of hair extension products decreased by 30.8% YoY, and sales of hairdressing and beauty services decreased by 12.9% YoY.

In addition, JULIA OLGIER's sales decreased by 19.6% YoY due to the closure of commercial facilities in which our shop locates as a result of COVID-19.

As the overall impression of business for women, COVID-19 affected sales for women more than men, and sales declined significantly due to a decrease in the number of customers visiting stores.

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Financial Forecasts for FY2022



(¥ Million)

	FY2021 (Results)	FY2022	
		(Plan)	YoY Change
Net Sales	35,868	40,363	+12.5%
Men's Business	21,322	22,366	+4.9%
Ladies' Business	13,060	16,052	+22.9%
Others	1,485	1,945	+31.0%
Cost of Sales	11,956	13,076	+9.4%
Gross Profit	23,911	27,286	+14.1%
SG&A Expenses	21,979	25,262	+14.9%
Ad Spending	5,412	6,740	+24.5%
HR	5,541	6,066	+9.5%
Operating Income	1,932	2,023	+4.7%
Ordinary Income	2,005	2,088	+4.1%
Net Income	840	1,045	+24.3%
Depreciation	900	878	(2.5%)
CAPEX	885	1977	+123.4%

Prerequisites for planning

【External environment】

- Not assume a social restriction such as emergency declaration

【Production system】

- Will continue normal operation
(We do not anticipate temporary closure of production plants in the Philippines)

【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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22

Next, I will explain our plans for the current fiscal year.

Page 22 shows the consolidated earnings plan for the fiscal year ending March 31, 2022.

We are aiming for a 12.5% YoY increase in net sales to JPY40.3 billion, and a 14.1% YoY increase in gross profit to JPY27.2 billion.

As for SG&A, we plan to use advertising expenses to acquire new customers and personnel expenses to strengthen the hiring of on-site human resources.

In addition, we plan to invest management resources in strategic areas, such as priority challenge measures that were not implemented in the previous fiscal year. As a result of these factors, total SG&A will increase by 14.9% YoY to JPY25.2 billion.

However, as in the previous fiscal year, we will strive to flexibly control the situation depending on the overall economic recovery from COVID-19.

As a result, operating income is expected to increase by 4.7% YoY to JPY2 billion, ordinary income by 4.1% YoY to JPY2 billion, and net income by 24.3% YoY to JPY1 billion.

Capital investment is expected to increase by 123.4% YoY to JPY1.9 billion.

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



(¥ Million)

	FY2021	FY2022	
	Full Year (Results)	Full Year (Plan)	YoY Change
Custom-made Wigs	18,584	20,016	+7.7%
Hair Addition Products	4,165	5,364	+28.8%
Hair Growth Services	1,195	1,369	+14.6%
Styling Services	5,373	5,534	+3.0%
JULLIA OLGGER	2,761	3,434	+24.4%
Others	2,569	2,942	+14.5%
Total	34,649	38,661	+11.6%

Applying "Accounting Standard for Revenue Recognition" from the start of the fiscal year ending March 31, 2022

① The cumulative effect of contract liabilities in the year of initial application was estimated and subtracted from retained earnings at the beginning of the period (decrease of approximately 1.7 billion yen)

② The amount of contract liabilities for each quarter was estimated and sales projections by product/service were adjusted accordingly (decrease of approximately 300 million yen)

Page 23 shows the non-consolidated sales plan by product and service for men and women.

As the overall impression of business, we are planning to return to pre-COVID-19 levels on the assumption that the economy as a whole will recover from COVID-19 pandemic, and we are making positive accounting in all segments.

Sales of made-to-order wigs are expected to increase by 7.7% YoY to JPY20 billion, while sales of hair extension products are expected to increase by 28.8% YoY to JPY5.3 billion.

As a percentage of total sales, sales of made-to-order wigs are expected to decrease by 1.8 percentage points YoY, while sales of hair extension products are expected to increase by 1.9 percentage points YoY.

In addition, JULIA AUGER is planning a 24.4% YoY increase to JPY3.4 billion.

As the accounting standard for revenue recognition has been applied from this fiscal year, we estimated the cumulative effect of contract liabilities for prior years and transferred JPY1.7 billion from net assets to liabilities at the beginning of the period.

In addition, the impact on the sales plan for this fiscal year is a decrease of JPY0.3 billion.

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



Net Sales	FY2021 Results	FY2022 Plan	¥ Million			Key measures in the fiscal year ending March 31, 2022
				YoY Change		
Custom-made Wigs	12,271	12,638	+366	+3.0%	General	Aim for expansion in "true fans of ARTNATURE" by conducting sales activities based on "customer satisfaction"
Hair Addition Products	2,885	3,357	+472	+16.4%	New	<ul style="list-style-type: none"> • Increase exposure on online media (YouTube, etc.) • Expansion and development of counsellors • Enhancement of skills in response to changing marketing environment and needs
Hair Growth Services	664	852	+187	+28.2%		
Styling Services	4,499	4,508	+9	+0.2%	Repeat	<ul style="list-style-type: none"> • Continued implementation of various measures based on improvement of customer satisfaction • Enhanced training of human resources who are trusted and by and popular with customers • Establishment of framework for the stable supply of high quality products and services • Continued provision of online training, etc.
Others	1,001	1,009	+7	+0.7%		
Total	21,322	22,366	+1,043	+4.9%		

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24

Page 24 shows the non-consolidated male sales plan by product and service.

We are targeting a 3% YoY increase in made-to-order wigs to JPY12.6 billion, and a 16.4% YoY increase in hair extension products to JPY3.3 billion.

In the men's category as a whole, we will continue to focus on activities to increase the number of dedicated fans, and aim to achieve a 4.9% YoY increase to JPY22.3 billion.

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



Net Sales	FY2021 Results	FY2022 Plan	¥ Million			Key measures in the fiscal year ending March 31, 2021
				YoY Change		
Custom-made Wigs	6,312	7,377	+1,065	+16.9%	General	Conduct sales activities based on "customer satisfaction" and aim for further expansion of store network in existing product operations
Hair Addition Products	1,280	2,006	+726	+56.7%		
Hair Growth Services	530	517	(13)	(2.5%)	New	<ul style="list-style-type: none"> • Step up development for producing leaders and for quickly training up new employees • Continue to consider introduction of online consultation system • Develop new routes for holding events
Styling Services	874	1,026	+151	+17.4%	Repeat	<ul style="list-style-type: none"> • Introduce aftersales-care measures for customers who find it difficult to come into store • Reform store culture based on improvement of customer satisfaction
JULLIA OLGER	2,761	3,434	+673	+24.4%		
Others	346	504	+158	+45.8%	JULLIA OLGER	<ul style="list-style-type: none"> • Step up exhibition events held at stores at commercial facilities • Ease inventory shortages by promoting decentralization of production plants • Enhance and further expand store network through implementation of scrap & build strategy • Step up staff development through enhancement of training structure
Total	12,105	14,867	+2,761	+22.8%		

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25

Page 25 shows the non-consolidated sales plan by product and service for women.

We are targeting a 16.9% YoY increase in sales of made-to-order wigs to JPY7.3 billion and a 56.7% YoY increase in sales of hair extension products to JPY2 billion.

For your information, hair extension products grew by 8% compared to the fiscal year ended March 2020 before COVID-19. JULIA AUGER, the third from the bottom, is planning to expand its stores in addition to recovering from COVID-19, and is targeting a 24.4% YoY increase to JPY3.4 billion.

In the women' division as a whole, we aim to achieve a 22.8% YoY increase to JPY14.8 billion by developing sales activities centered on customer satisfaction and recovering our customer base.

That's all for my explanation.

Thank you very much for your attention.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
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