



Presentation Material

1H FY2021 (April 1st, 2020 to September 30th, 2020)

ARTNATURE INC.

Overview of 1H FY2021 Results & Financial Forecast

Net Sales & Operating Income

(¥ million)

	1H FY2020 (Results)		1H FY2021 (Results)		YoY Change		Year-end (Plan)	Progress rate
Net Sales	20,126		14,793		(26.5%)		36,171	40.9%
	1Q	2Q	1Q	2Q	1Q	2Q		
	8,598	11,527	5,414	9,378	(37.0%)	(18.6%)		
Operating Income	2,907		(592)		-		773	-
	1Q	2Q	1Q	2Q	1Q	2Q		
	365	2,541	(1,971)	1,379	-	(45.7%)		

Breakdown of Net Sales

	1H FY2020 (Results)		1H FY2021 (Results)		YoY Change		Year-end (Plan)	Progress rate
Men's Business	11,576		8,743		(24.5%)		21,561	40.6%
	1Q	2Q	1Q	2Q	1Q	2Q		
	4,856	6,720	3,265	5,477	(32.8%)	(18.5%)		
Ladies' Business	7,938		5,288		(33.4%)		12,758	41.5%
	1Q	2Q	1Q	2Q	1Q	2Q		
	3,497	4,440	1,852	3,436	(47.0%)	(22.6%)		
Others	611		761		+24.6%		1,851	41.1%
	1Q	2Q	1Q	2Q	1Q	2Q		
	244	366	296	464	+21.2%	+26.8%		

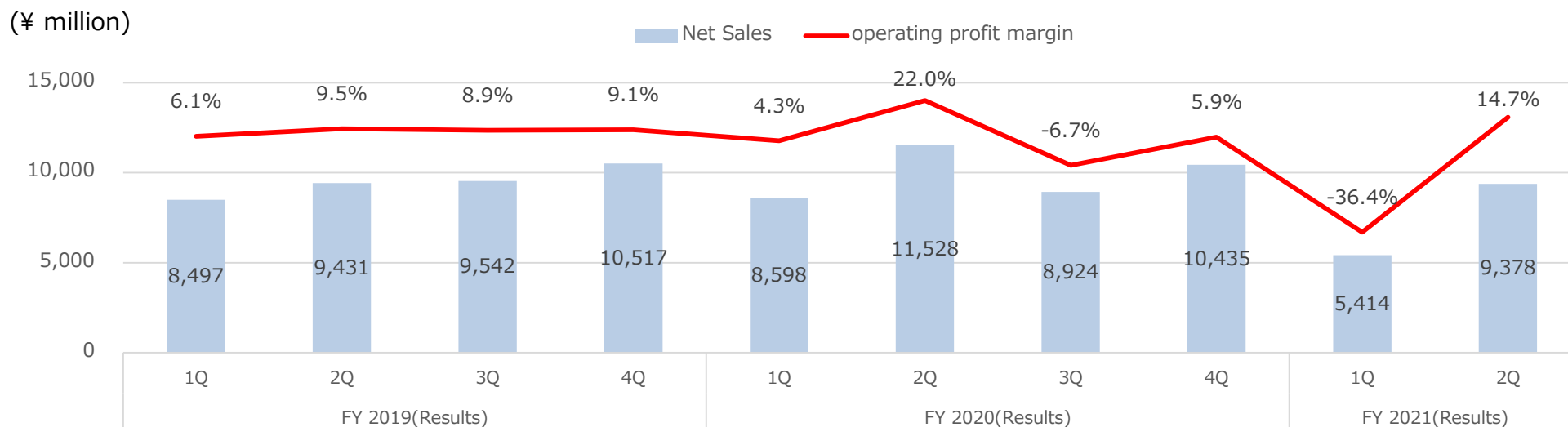
※Ladies' Business including JULLIA OLGIER, NAO-ART CO.,LTD

Net Sales & Operating Income

(¥ million)

	1H FY2020 (Results)		1H FY2021 (Results)		YoY Change		Year-end (Plan)	Progress rate
Net Sales	20,126		14,793		(26.5%)		36,171	40.9%
	1Q	2Q	1Q	2Q	1Q	2Q		
	8,598	11,527	5,414	9,378	(37.0%)	(18.6%)		
Operating Income	2,907		(592)		-		773	-
	1Q	2Q	1Q	2Q	1Q	2Q		
	365	2,541	(1,971)	1,379	-	(45.7%)		

Changes in sales and operating income margin * Quarterly



FY2021 Current Management Condition (as of Oct.30)

		April 2020	May	June	July-October	After November
Government		April 16: Declared state of emergency to all regions	May 25: Lifted the state of emergency			Do not assume social restrictions such as emergency declarations
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 No COVID-19 case at our stores 		Execution of main measures for Challenge2020

Current environment

Domestic and overseas economic downturn

Stagnation in market size

Intensifying competition with other industries

The rise of alternative products and services

Market Structure Review at First section of TSE

Shrinking labor market

Intensifying competition to secure employees

Rapid change by technological innovation
~DX progress~

The future is uncertain

Various risks

ARTNATURE CHALLENGE PLAN

ARTNATURE 「Challenge」 Plan

FY2021 - FY2023

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

Business growth

Pioneer new business areas

Strengthen the recruitment

Personnel training

Dialogue with the market

Business innovation

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

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

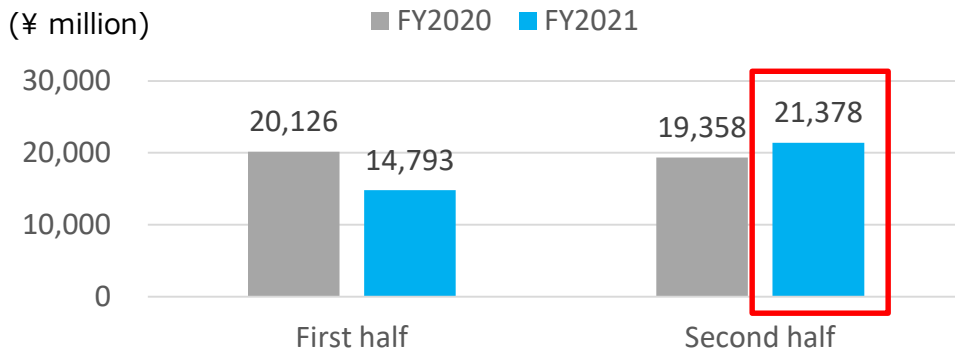
Challenge 2022
Take on the challenge of stable expansion of existing businesses and step into new business fields

Business growth

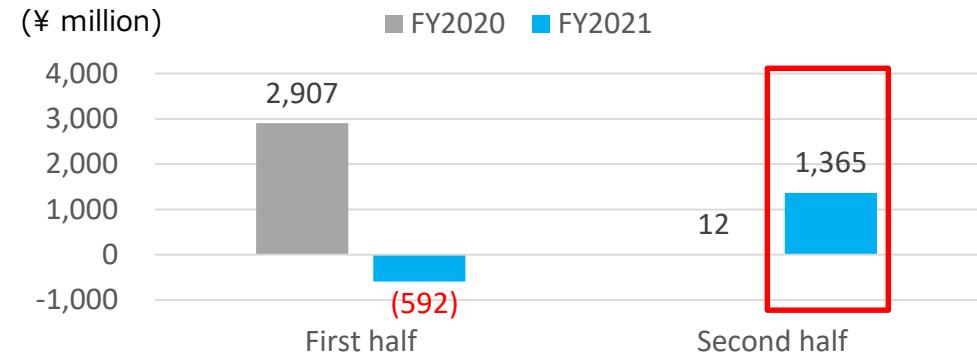
- **Expansion of existing businesses**
Expand various measures centered on customer satisfaction to increase true fans
- **Expansion of Mid-range wigs**
Expand business scale through strategic store openings
- **Expansion of Hair-regrowth treatment**
Increase awareness and increase sales of category-1 OTC drug
- **Expansion of Medical institution support business**
Increase our product sales to medical institutions

Pioneer new business areas	Reinforcement of recruitment
<ul style="list-style-type: none"> • Consider growth strategy 	<ul style="list-style-type: none"> • Examination of diversification of recruitment form
Dialogue with the market	Personnel training
<ul style="list-style-type: none"> • Disclosure of SDGs initiatives • Expansion of information disclosure content 	<ul style="list-style-type: none"> • Review of training standards /Expand training tools
Business innovation	
<ul style="list-style-type: none"> • Analysis of the current status of various systems • Washing out work to be reduced 	

Net Sales



Operating Income



Prerequisites for planning

【External environment】

- Do not assume social restrictions such as emergency declarations

【Production system】

- Will continue normal operation after October
- * Operation along instruction indicated from the Philippines authorities

【Store system】

- Will continue normal business hours after October

Efforts in the second half

【Existing Businesses/ New Businesses】

- Execution of measures toward rebuilding customer base
- Resumed measures toward expansion of businesses which started previous year

【Expense】

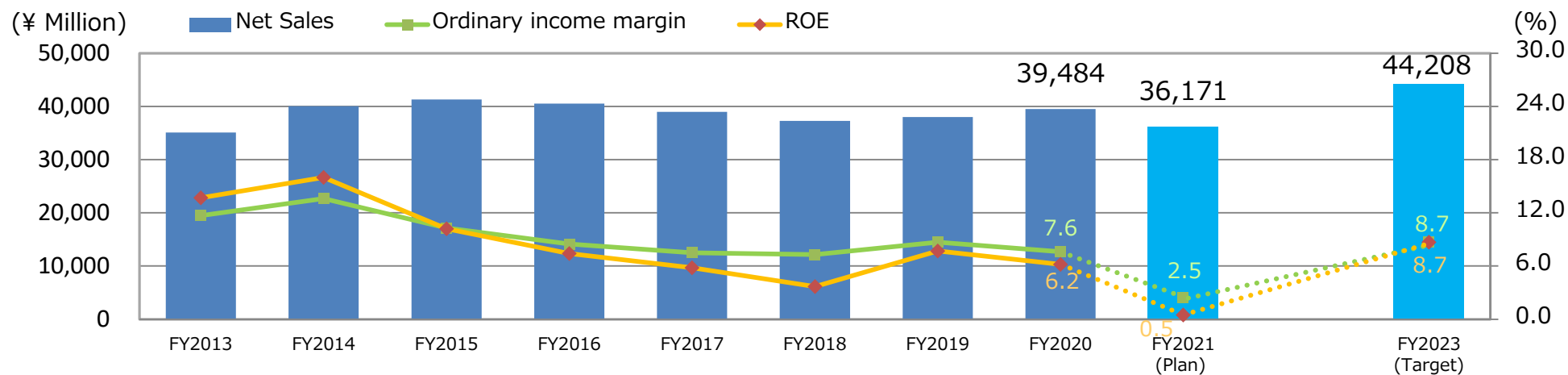
- Cost containment

【Capital investment】

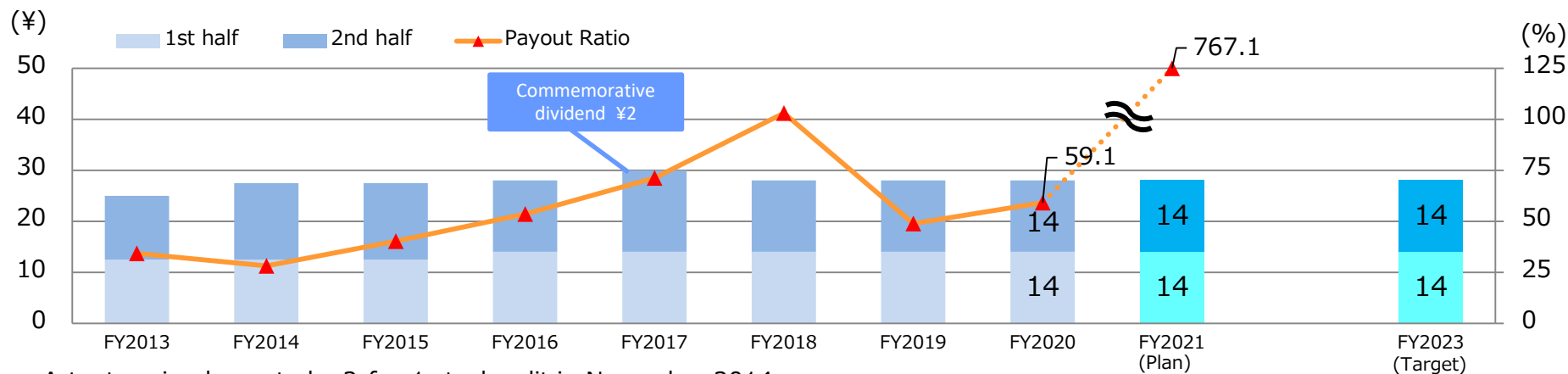
- Managerial resources investment by selection and concentration

FY2023 (Target)

Net Sales: ¥44.2 billion Ordinary Income Margin: 8.7% ROE: 8.7%



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.

**Financial Results 1H FY2021
&
Financial Forecast FY2021**

1H FY2021 : Financial Highlights



(¥ million)

	1H FY2020 (Results)	1H FY2021 (Results)	FY2020 (Plan)	Major Factors behind YoY Change
Net Sales	20,126	14,793	36,171	Net Sales : Down 26.5% Men's Business : Down 24.5% Ladies' Business : Down 33.4%
Men's Business	11,576	8,743	21,561	
Ladies' Business	7,938	5,288	12,758	
Others	611	761	1,851	
Cost of Sales	6,008	5,709	12,597	Cost of Sales Ratio : Up 8.7Pt (Product Cost : Up 2.0Pt) (HR : Up 6.7Pt)
Gross Profit	14,117	9,083	23,574	
SG&A Expenses	11,210	9,675	22,800	SG&A Expenses : Down 13.7% Ad Spending : Down 31.9% HR : Up 3.8 % Others : Down 12.2%
Ad Spending	2,996	2,041	5,820	
HR	2,647	2,748	5,743	
Operating Income	2,907	(592)	773	
Ordinary Income	2,941	(431)	889	
Net Income	1,925	(446)	117	
Depreciation	432	444	915	CAPEX Store facilities : ¥252million System related : ¥32million
CAPEX	533	402	820	

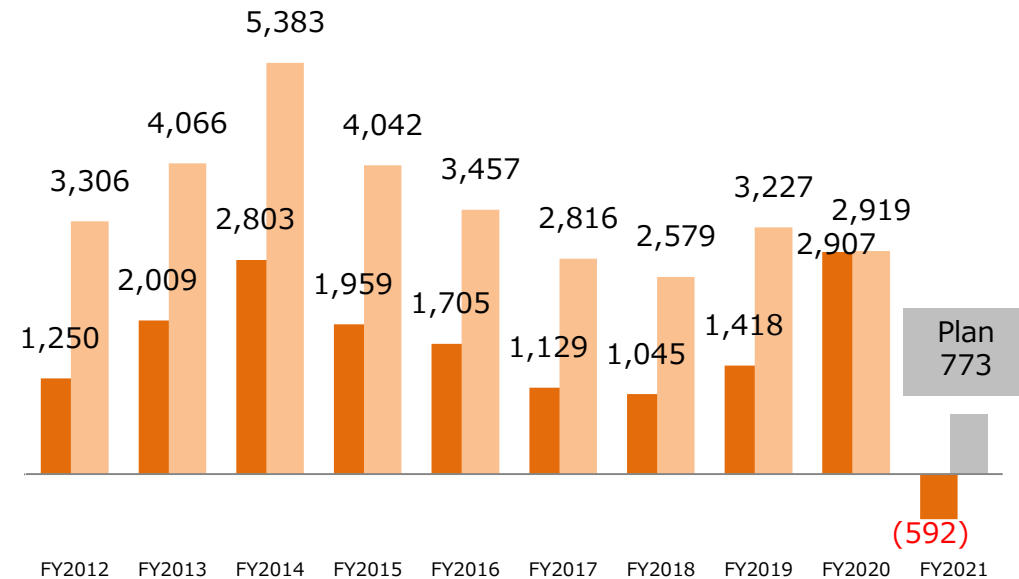
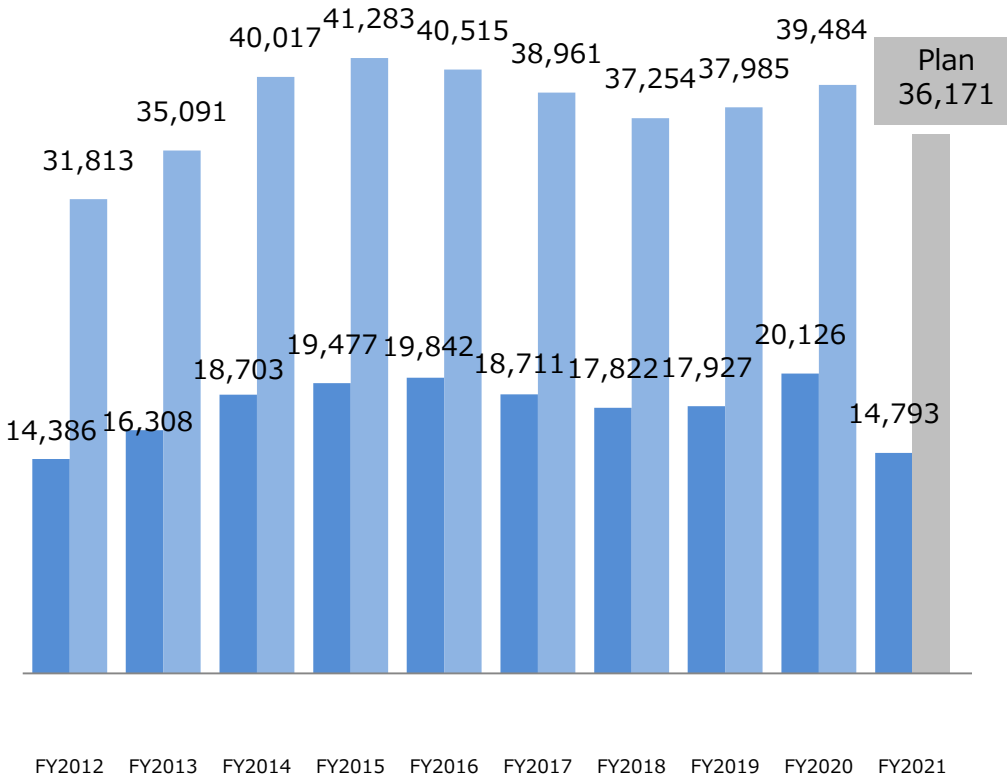
Net Sales and Operating Income Trends

Net Sales (¥ million)

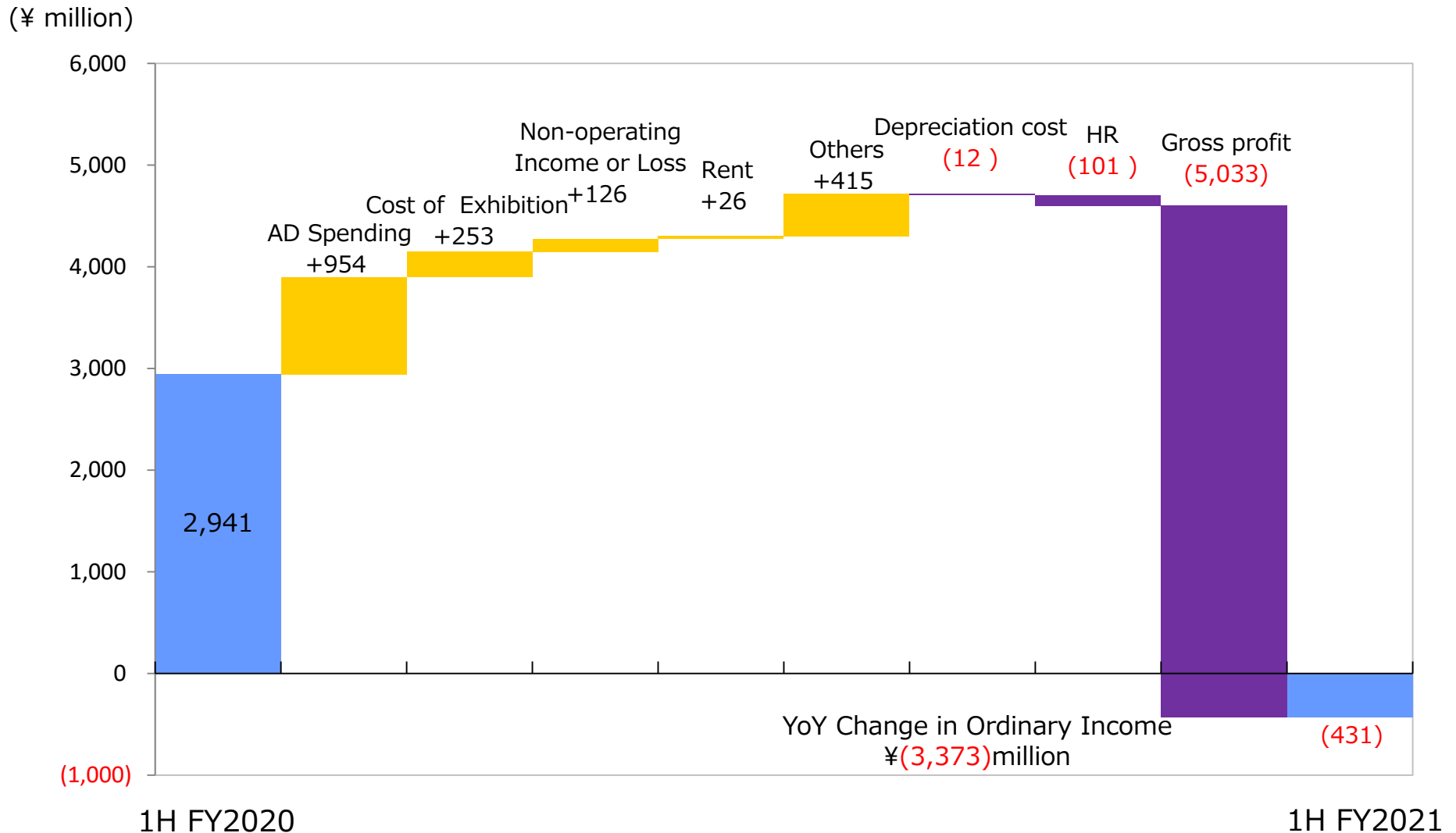
Operating Income (¥ million)

■ 1H ■ FY

■ 1H ■ FY

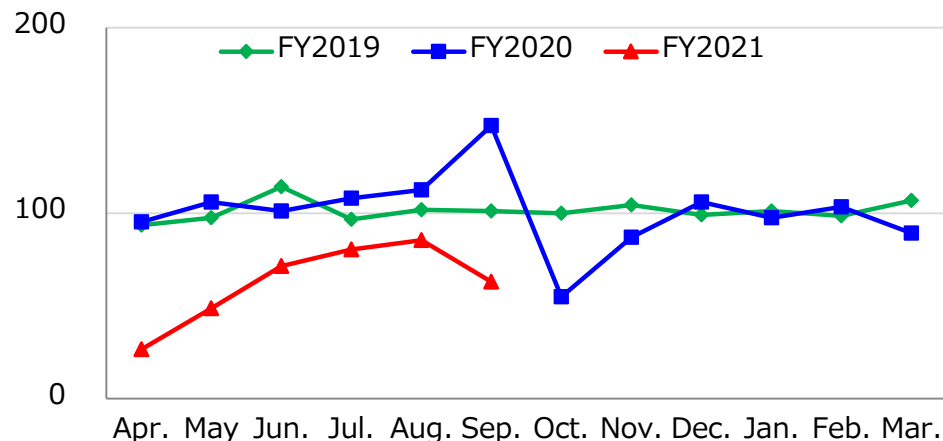


1H FY2021 : Analysis of SG&A Expenses



Monthly Trend: Sales of Major Products (YoY base)

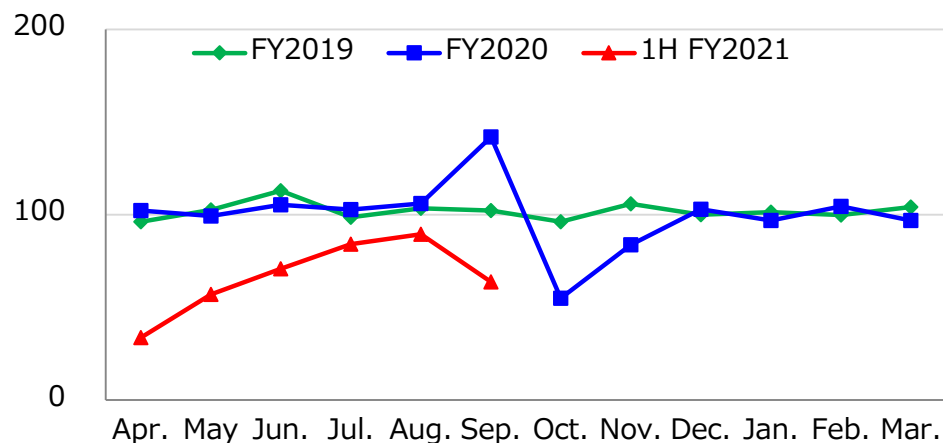
(%) **Total Sales of Major Products**



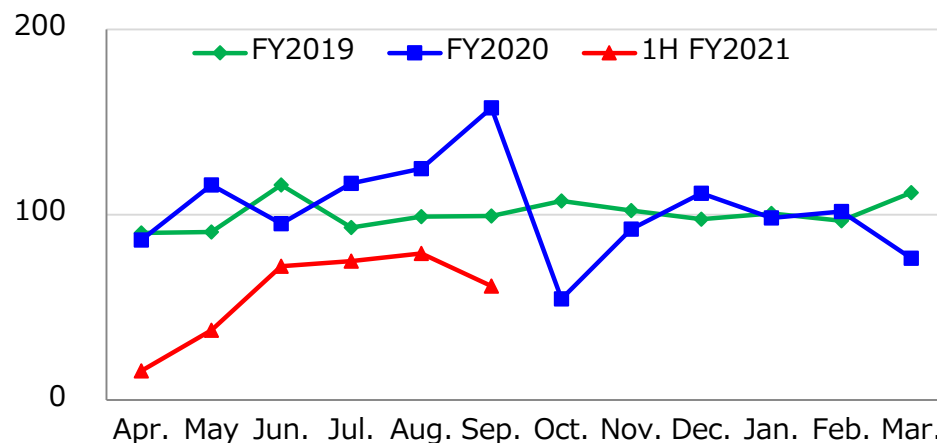
Total Sales of Major Products (Half-year)

	Total	Men	Ladies
1H FY2019	100.8	102.7	97.8
1H FY2020	113.3	111.6	116.1
1H FY2021	64.8	68.3	59.4

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

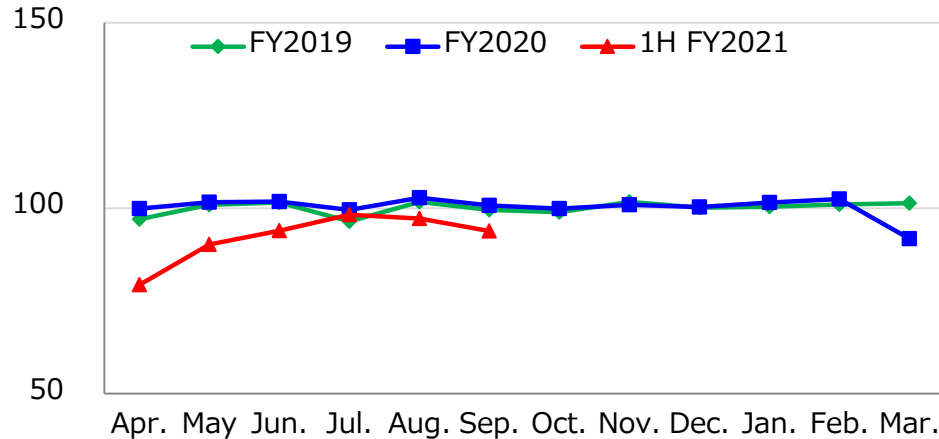


(%) **Sales of Major Products (Ladies)**



Monthly Trend: Customer Traffic (YoY base, accumulated)

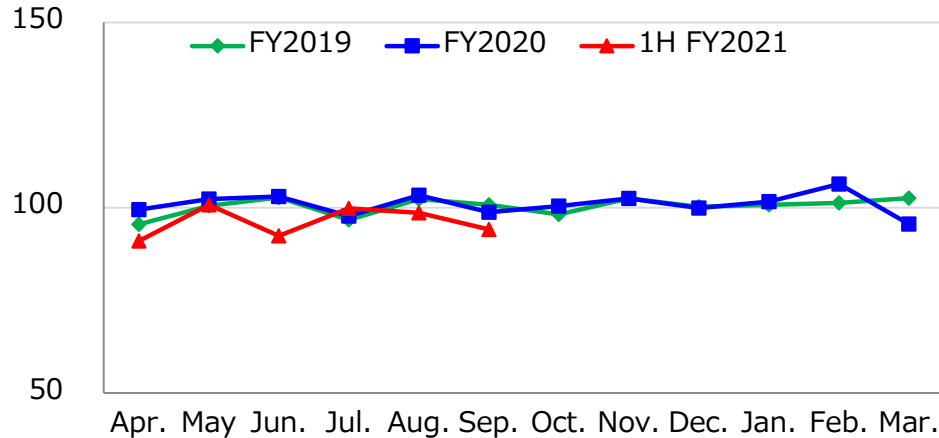
(%) **Customer Traffic (Total)**



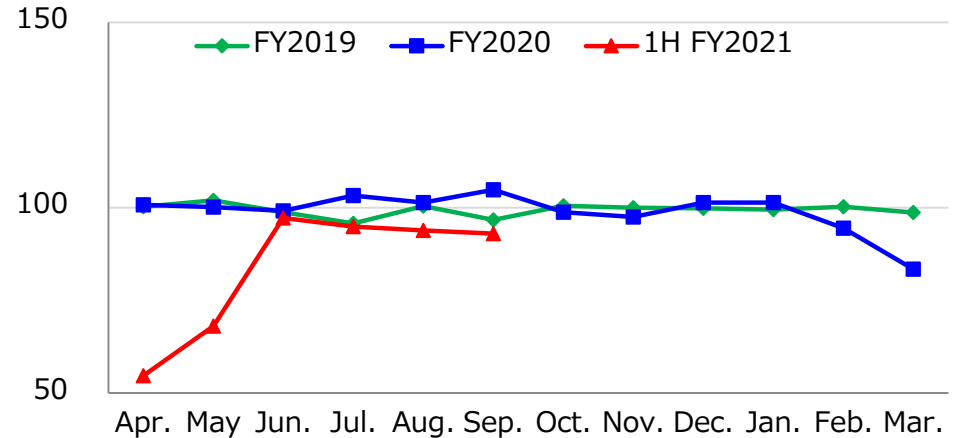
The number of customer traffic (Half-year)

	Total	Men	Ladies
1H FY2019	99.5	99.7	99.0
1H FY2020	100.7	100.4	101.5
1H FY2021	92.2	96.1	83.6

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



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

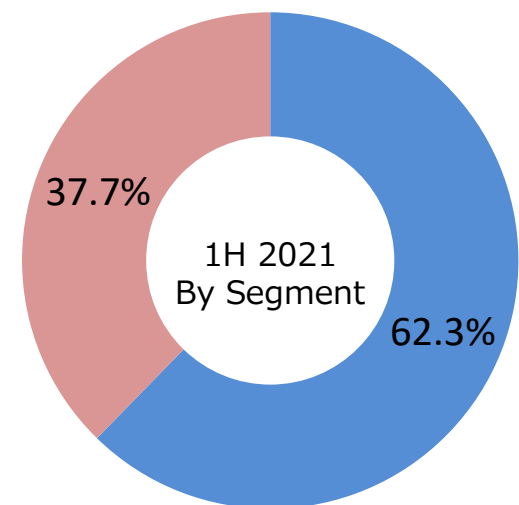
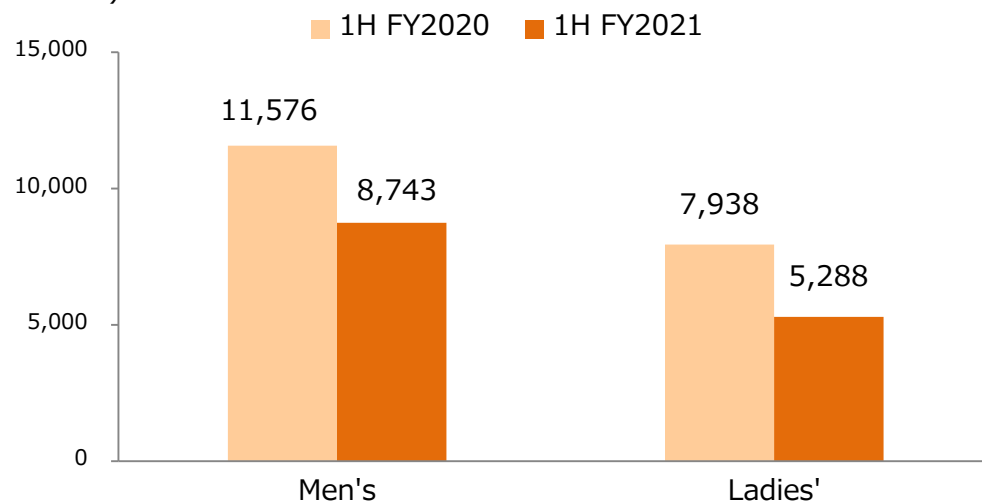


1H FY2021 : Breakdown of Sales by Segment

(¥ million)

	1H FY2020 (Results)	1H FY2021 (Results)	YoY Change	Year-end (Plan)	Progress rate
Net Sales	20,126	14,793	(26.5%)	36,171	40.9%
Men's Business	11,576	8,743	(24.5%)	21,561	40.6%
Ladies' Business	7,938	5,288	(33.4%)	12,758	41.5%
Others	611	761	+24.6%	1,851	41.1%

(¥ million)



■ Men's Business ■ Ladies' Business

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

1H FY2021 : Breakdown of Sales Forecast by Product and Services (Non-consolidated Basis)



(¥ million)

Net Sales		1H FY2020	1H FY2021	YoY Change	
Custom-made Wigs	New Customers	1,668	857	(811)	(48.6%)
	Repeat Business	9,464	5,964	(3,499)	(37.0%)
	Total	11,132	6,822	(4,310)	(38.7%)
Hair Addition Products	New Customers	980	752	(228)	(23.3%)
	Repeat Business	1,752	1,232	(520)	(29.7%)
	Total	2,733	1,984	(748)	(27.4%)
Hair Growth Services	New Customers	61	50	(10)	(17.8%)
	Repeat Business	543	517	(25)	(4.8%)
	Total	604	567	(36)	(6.1%)
Styling Services		2,786	2,672	(113)	(4.1%)
JULLIA OLGER		1,550	1,008	(541)	(34.9%)
Others		1,172	1,322	+150	+12.8%
All Products & Sevices	New Customers	2,710	1,660	(1,050)	(38.8%)
	Repeat Business	15,254	11,046	(4,207)	(27.6%)
	JULLIA OLGER (Ladies' ready-made wigs)	1,550	1,008	(541)	(34.9%)
	Others	464	663	+198	+42.7%
	Total	19,979	14,378	(5,600)	(28.0%)

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

1H FY2021 : Breakdown of Sales by Product & Services in Men's Business (Non-consolidated Basis)

(¥ million)

Net Sales		1H FY2020	1H FY2021	YoY Change	
Custom-made Wigs	New Customers	290	188	(102)	(35.3%)
	Repeat Business	6,443	4,160	(2,282)	(35.4%)
	Total	6,733	4,348	(2,385)	(35.4%)
Hair Addition Products	New Customers	668	541	(126)	(19.0%)
	Repeat Business	1,029	779	(250)	(24.3%)
	Total	1,697	1,320	(377)	(22.2%)
Hair Growth Services	New Customers	55	46	(9)	(16.4%)
	Repeat Business	305	288	(16)	(5.6%)
	Total	360	334	(26)	(7.2%)
Styling Services		2,266	2,247	(18)	(0.8%)
Others		518	491	(26)	(5.1%)
All Products & Services	New Customers	1,014	775	(238)	(23.5%)
	Repeat Business	10,562	7,967	(2,594)	(24.6%)
	Total	11,576	8,743	(2,833)	(24.5%)

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

1H FY2021 : Breakdown of Sales by Product & Services in Ladies' Business (Non-consolidated Basis)

(¥ million)

Net Sales		1H FY2020	1H FY2021	YoY Change	
Custom-made Wigs	New Customers	1,377	669	(708)	(51.4%)
	Repeat Business	3,021	1,804	(1,217)	(40.3%)
	Total	4,399	2,473	(1,925)	(43.8%)
Hair Addition Products	New Customers	312	210	(101)	(32.5%)
	Repeat Business	723	452	(270)	(37.4%)
	Total	1,035	663	(371)	(35.9%)
Hair Growth Services	New Customers	6	4	(1)	(30.5%)
	Repeat Business	237	228	(8)	(3.8%)
	Total	243	232	(10)	(4.4%)
Styling Services		519	424	(94)	(18.2%)
Others		1,739	1,176	(562)	(32.4%)
All Products & Services	New customers	1,696	884	(811)	(47.9%)
	Repeat business	4,691	3,078	(1,612)	(34.4%)
	JULLIA OLGIER	1,550	1,008	(541)	(34.9%)
	Total	7,938	4,972	(2,965)	(37.4%)

※合計欄のリポートの内訳は、各商品・サービス欄のリポート、「理・美容サービス」、「その他商品等」の一部です。

FY2021 : Breakdown of Sales Forecast by Products and Services (Non-consolidated Basis/Total number of Men and Ladies)



(¥ million)

	FY2020		FY2021				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	11,132	20,824	6,822	(38.7%)	17,806	(14.5%)	38.3%
Hair Addition Products	2,733	5,215	1,984	(27.4%)	4,583	(12.1%)	43.3%
Hair Growth Services	604	1,193	567	(6.1%)	1,294	+8.4%	43.9%
Styling Services	2,786	5,487	2,672	(4.1%)	5,364	(2.3%)	49.8%
JULLIA OLGER	1,550	3,433	1,008	(34.9%)	2,973	(13.4%)	33.9%
Others	1,172	2,542	1,322	+12.8%	2,881	+13.3%	45.9%
Total	19,979	38,697	14,378	(28.0%)	34,903	(9.8%)	41.2%

1H FY2021 : Breakdown of Sales Forecast by Products and Services Men's Business (Non-consolidated Basis)



(¥ million)

	FY2020		FY2021				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	6,733	12,799	4,348	(35.4%)	12,075	(5.7%)	36.0%
Hair Addition Products	1,697	3,366	1,320	(22.2%)	3,057	(9.2%)	43.2%
Hair Growth Services	360	705	334	(7.2%)	823	+16.7%	40.7%
Styling Services	2,266	4,484	2,247	(0.8%)	4,583	+2.2%	49.0%
Others	518	1,014	491	(5.1%)	1,021	+0.7%	48.1%
Total	11,576	22,369	8,743	(24.5%)	21,561	(3.6%)	40.6%

1H FY2021 : Breakdown of Sales Forecast by Products and Services

Ladies' Business (Non-consolidated Basis)



(¥ million)

	FY2020		FY2021				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	4,399	8,025	2,473	(43.8%)	5,730	(28.6%)	43.2%
Hair Addition Products	1,035	1,849	663	(35.9%)	1,526	(17.5%)	43.5%
Hair Growth Services	243	488	232	(4.4%)	470	(3.5%)	49.5%
Styling Services	519	1,003	424	(18.2%)	780	(22.3%)	54.5%
JULLIA OLGER	1,550	3,433	1,008	(34.9%)	2,973	(13.4%)	33.9%
Others	189	371	168	(11.2%)	306	(17.5%)	54.8%
Total	7,938	15,170	4,972	(37.4%)	11,788	(22.3%)	42.2%

FY2021 : Financial Forecast

(¥ million)

	FY2020		FY2021			
	1H FY2020 (Results)	Year-end (Results)	1H FY2021 (Results)	YoY Change	Year-end (Plan)	YoY Change
Net Sales	20,126	39,484	14,793	(26.5%)	36,171	(8.4%)
Men's Business	11,576	22,369	8,743	(24.5%)	21,561	(3.6%)
Ladies' Business	7,938	15,720	5,288	(33.4%)	12,758	(18.8%)
Others	611	1,394	761	+24.6%	1,851	+32.8%
Cost of Sales	6,008	12,320	5,709	(5.0%)	12,597	+2.2%
Gross Profit	14,117	27,163	9,083	(35.7%)	23,574	(13.2%)
SG&A Expenses	11,210	24,243	9,675	(13.7%)	22,800	(6.0%)
Ad Spending	2,996	6,860	2,041	(31.9%)	5,820	(15.2%)
HR	2,647	5,394	2,748	+3.8%	5,743	+6.5%
Operating Income	2,907	2,919	(592)	-	773	(73.5%)
Ordinary Income	2,941	3,006	(431)	-	889	(70.4%)
Net Income	1,925	1,542	(446)	-	117	(92.4%)
Depreciation	432	921	444	+2.8%	915	(0.6%)
CAPEX	533	1,191	402	(24.5%)	820	(31.2%)

Basic policy on COVID-19

- 1 Give top priority of lives and safety of customers and employees
- 2 Exert our utmost effort to provide continuous services customers demand
- 3 Act in an effort to prevent and minimize the spread of COVID-19
- 4 Strive for business continuity to maintain employment

項目		内容
Customers	Service continuation	<ul style="list-style-type: none"> • Resumed normal business hours at most of the stores (There are some stores shorten business hours.)
	Prevention of the spread of infection	<ul style="list-style-type: none"> • Set noncontact thermometer at all salons to check customers' body temperature and health condition
Employees	Thorough hygiene management	<ul style="list-style-type: none"> • Temperature management, constant handwashing and gargling, wearing face masks, set acrylic board in meeting rooms, refraining from business trip
	Review of work system	<ul style="list-style-type: none"> • Approved staggered working hours and commute by own cars
Others	Business partners	<ul style="list-style-type: none"> • Followed the facilities decision for holding events at department stores and/or commercial facilities
	Service support	<ul style="list-style-type: none"> • Offering extended period for free after-sale services

New normal for stores

- Staff...droplet infection prevention, body temperature check, hand sanitization
- Stores...avoid the 3Cs, ask customers hand sanitization, proper sanitization, Always have a disinfectant and thoroughly disinfect the equipment
- Private rooms...Proper sanitization of equipment such as chair and mirror, thorough sterilization of equipment, wear face masks as a precautionary measure, ventilate regular

We will be continuously through prevention of infection to make customers safety a top priority.



* Prevention of droplet infection



* Temperature measurement at work



* Disinfection of fingers



* Visit the store avoiding 3Cs



* Service with mask



* Thorough sterilization of equipment



<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, 2020		As of September 30, 2020		Rate of change	Major Factors behind YoY Change
		Composition ratio		Composition ratio		
Total Current Assets	24,553	56.9%	26,302	58.6%	+7.1%	Current Assets +1,748 • Cash and deposits +2,185
Cash and Deposits	17,096	39.6%	19,281	43.0%	+12.8%	
Total Non-current Assets	18,610	43.1%	18,580	41.4%	(0.2%)	• Inventory +220 • Accounts receivable -trade (589)
Total Property, Plant and Equipment	9,099	21.1%	9,089	20.3%	(0.1%)	
Total Assets	43,163	100.0%	44,882	100.0%	+4.0%	Current liabilities +2,371 • Short-term borrowings +3,000
Total Current Liabilities	10,523	24.4%	12,894	28.7%	+22.5%	
Advances Received	5,270	12.2%	6,616	14.7%	+25.5%	• Advances received +1,346 • Accrued income taxes (408)
Total Non-current Liabilities	7,302	16.9%	7,404	16.5%	+1.4%	• Accounts payable (1,264)
Total Liabilities	17,825	41.3%	20,299	45.2%	+13.9%	Net Assets (754)
Total Net Assets	25,337	58.7%	24,583	54.8%	(3.0%)	• Retained earnings (899) (Net income (446)) (Cash dividends paid (453))
Retained Earnings	19,141	44.3%	18,242	40.6%	(4.7%)	
Total Liabilities and Net Assets	43,163	100.0%	44,882	100.0%	+4.0%	

Consolidated Statements of Cash Flows



(¥ million)

	As of September 30, 2019	As of September 30, 2020	Major Factors behind YoY Change
Net cash provided by (used in) operating activities	1,459	206	Net cash provided by (used in) operating activities (1,252) <ul style="list-style-type: none"> • Income before income taxes (3,369) • Advances received +1,612 • Income taxes paid +615 • Decrease (increase) in notes and accounts receivable trade +325 • Subsidy income +160
Net cash provided by (used in) investing activities	(362)	(329)	
Free cash flow	1,097	(122)	
Net cash provided by (used in) financing activities	(662)	2,547	
Cash and cash equivalents at the beginning of period	17,986	16,736	Net cash provided by (used in) investing activities +33 <ul style="list-style-type: none"> • Purchase of property, plant and equipment (154) • Purchase of intangible assets +1
Cash and cash equivalents at the end of period	18,408	19,139	Net cash provided by (used in) financing activities +3,209 <ul style="list-style-type: none"> • Short-term borrowings +3,000
Net increase (decrease) in cash and cash equivalents	421	2,402	