



**ARTNATURE INC.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

October 30, 2020

## 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>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2021	
<b>[Fiscal Period]</b>	FY2020 Q2	
<b>[Date]</b>	October 30, 2020	
<b>[Number of Pages]</b>	25	
<b>[Time]</b>	17:00 – 17:22 (Total: 22 minutes, Presentation: 22 minutes, Q&A: 0 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	2	
	Isao Naito	Managing Director
	Toshio Honda	General Manager of Management Planning Division

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## Presentation

**Naito:** I am Naito of ARTNATURE INC. Now, we will commence the financial results briefing for the second quarter of the fiscal year ending March 2021. This should be presented on a face-to-face basis, but in light of the impact of the COVID-19, we will explain our status via video distribution this time as well.

I will explain the overview of the results for the first half, and the outline of the plan for the second half. In the second half of the presentation, General Manager of the Management Planning Division, Mr. Honda, will explain the details of numerical figures.

### 1H FY2021 : Highlights



#### Net Sales & Operating Income (¥ million)

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

#### Breakdown of Net Sales

	1H FY2020 (Results)		1H FY2021 (Results)		YoY Change		Year-end (Plan)	Progress rate
Men's Business	11,576		8,743		<b>(24.5%)</b>			
	1Q	2Q	1Q	2Q	1Q	2Q		
	4,856	6,720	3,265	5,477	<b>(32.8%)</b>	<b>(18.5%)</b>		
Ladies' Business	7,938		5,288		<b>(33.4%)</b>		12,758	41.5%
	1Q	2Q	1Q	2Q	1Q	2Q		
	3,497	4,440	1,852	3,436	<b>(47.0%)</b>	<b>(22.6%)</b>		
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 OLGER, NAO-ART CO.,LTD

First, I will explain the overview of the financial results for the first half of the fiscal year.

In the first half of the fiscal year, as shown at the top table above, both revenue and profit declined due to the significant impact of COVID-19. In the first quarter, which was from April to June, net sales decreased YoY. Regarding operating income, we posted a significant loss. But in the second quarter, which was from July to September, net sales gradually recovered, although it did not reach the previous year's level, and operating income return to profitability.

Progress rates against the full-year plan are shown in the right table. The table below shows net sales by business. Mr. Honda will explain details later.

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## 1H FY2021 : Highlights



### 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



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In the slide on page three, I would like to explain a little more about the situation in the second quarter, which was from July to September.

The bottom graph shows quarterly trends in net sales and operating income margin over the last three years. I explained earlier that in the first half of the fiscal year, both revenue and profit declined, and that the results for the second quarter did not reach the previous year's counterpart.

Meanwhile, in the second quarter of the previous year, both net sales and operating income grew significantly due to special factors such as the last-minute surge in demand prior to the consumption tax hike. If we compare this year's net sales with the net sales of the fiscal year ended March 2019, which did not have such special factors, we can see that the net sales of this second quarter has recovered to almost the same level as the net sales for the fiscal year ended March 2019.

The operating income margin was 14.7%, the second highest level since the second quarter of the previous year when there were special factors. In the current fiscal year, the impact of the COVID-19 will remain to a certain extent, but we feel that our performance is steadily recovering.

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## 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
	Julia 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"> <li>Postponement and cancellation of meetings with customers</li> <li>Delayed delivery of goods</li> <li>Postponement of events</li> <li>No COVID-19 case at our stores</li> </ul>		<ul style="list-style-type: none"> <li>Meetings with customers : back to normal pace since June</li> <li>Delayed delivery of goods : mostly recovered</li> <li>Gradually resumed events</li> <li>No COVID-19 case at our stores</li> </ul>		Execution of main measures for Challenge2020

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We continue to page four. This page shows our situation related to the COVID-19.

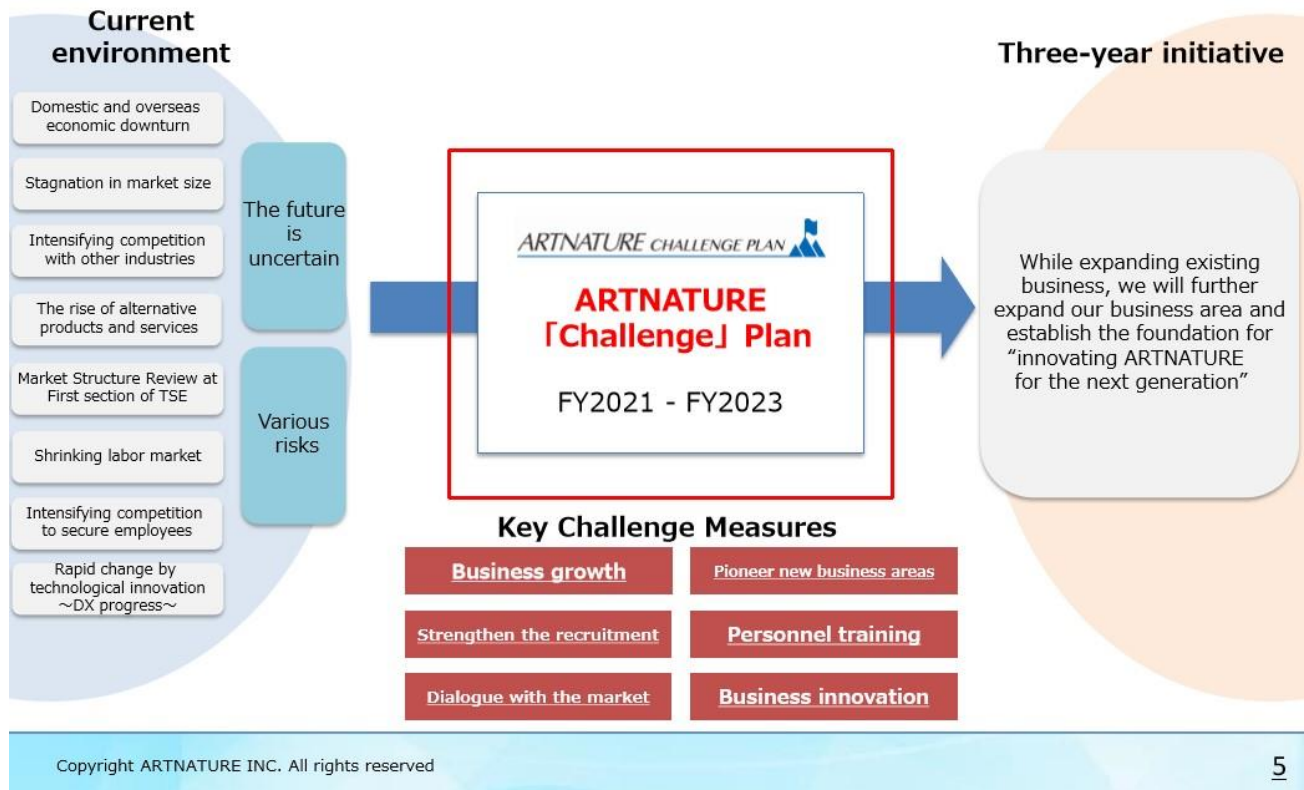
The situation, up to the most recent, is as described in the blue arrows. Under the Declaration of State of Emergency for the period of April and May, the operation of our sales outlets and production plants was hindered, but operation has been almost normal since June, and has continued to this day. Delays in product delivery that occurred during the first half of the fiscal year are currently being resolved, and events are gradually resuming. The text in the green arrows indicate our prospects for November and onward. We will steadily implement the second half plan based on the plan that you are seeing.

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Next, on page five, I will once again explain The New medium-term Management Plan, ARTNATURE Challenge Plan, which started with the fiscal year ending March 2021 as the first year.

As described in the slide on the left side, the environment surrounding us is such that it is difficult to forecast the future, and we believe that this environment involves a variety of risks. In this environment, we will take on the challenge of further expanding our business areas while expanding existing business in order to establish the foundation for innovating ARTNATURE for the next generation.

In this medium-term Management Plan, we have set the six key challenge measures described at the bottom center of the slide. We aim to achieve the ARTNATURE Challenge Plan by unifying the key challenge measures with employees.

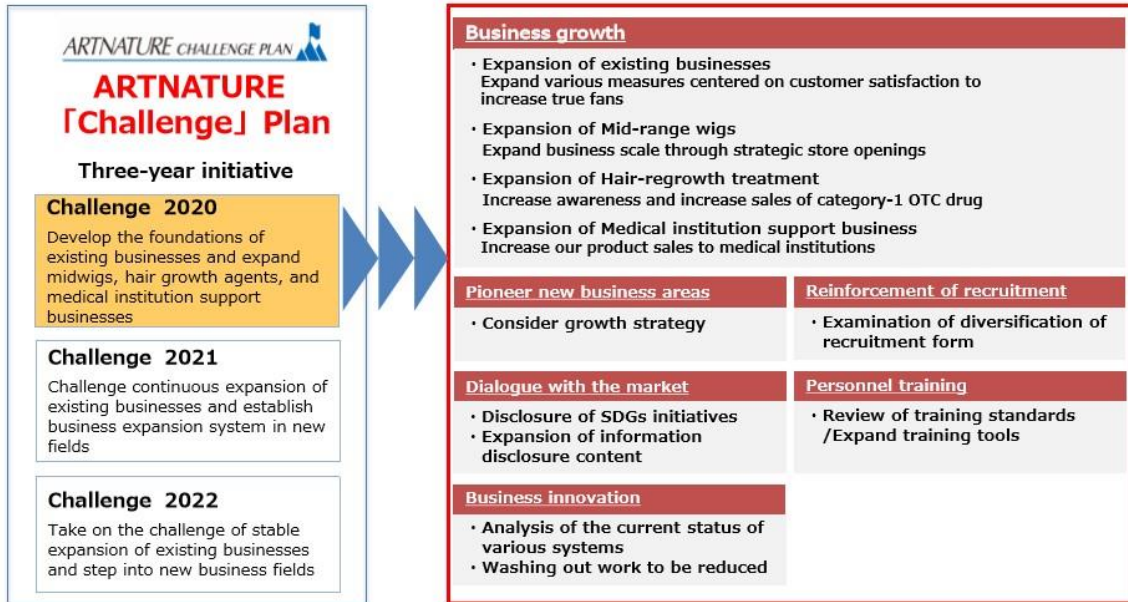
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| ARTNATURE 「Challenge」 Plan Key Challenge Measures to Achieve|



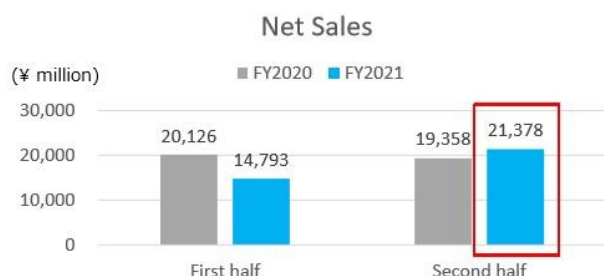
For the three years of the ARTNATURE Challenge Plan, we have set milestone targets for each of the key challenge measures. In the current fiscal year, which is the first year of this plan, the main measures of Challenge 2020 are as described on the slide, and we will steadily implement these measures.

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## Initiatives for Second Half



### 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

Next, on page seven, I will explain our initiatives in the second half of the fiscal year.

The preconditions for the second half plan are described at the bottom left of the slide. Although the impact of the COVID-19 will continue, we do not anticipate an external environment in which a Declaration of State of Emergency will be issued. Based on this assumption, we will aim to rebuild our customer base in our existing business, and further expand the business we entered in the previous fiscal year as described at the bottom right of the slide. In addition, we intend to continue to manage expenses restrictively, and invest management resources through selection and concentration of investment.

The graphs at the top of the slide show net sales and operating income. The graphs for the first half show the results for the period while the graphs in the red frames show the difference of the results between the first half and the full-year plan. As you can see, in the second half of the fiscal year, we plan to increase revenue and profit YoY. JPY21.3 billion, which was set as a net sales plan for the second half, may seem to be a slightly higher hurdle. However, considering the current environment, the development of future measures, and the current accumulation of orders from customers, we believe that the plan is fully achievable.

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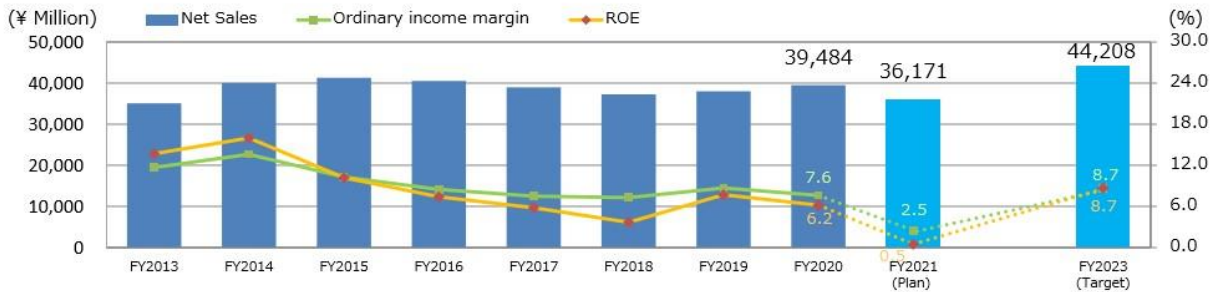


## Medium-term Management Plan: Targets for FY2023 /Dividends



### 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.

Finally, on page eight, I will explain the main management indicators and dividend policy for the three years of the Medium-term Management Plan.

Our target for net sales for the fiscal year ending March 2023, which is the final year of the Medium-term Management Plan, is JPY44.2 billion. We aim to achieve an ordinary income margin of 8.7%, and an ROE of 8.7%. In addition, regarding dividends, we continue to maintain our basic policy of striving to maintain a stable dividend. Based on this, we intend to maintain an interim dividend of 14 yen per share, and a year-end dividend of 14 yen per share. So, it is 28 yen per share for a full-year dividend for the current fiscal year. We will continue to strive to make a profit margin and ROE double digits as early as possible, even a day earlier.

I will conclude my explanation above. Thank you very much for your attention.

**Honda:** I am Honda, the General Manager of the Management Planning Division. I will explain the details of the interim financial results and the outlook for the full fiscal year.

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## 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	CAPEX Store facilities : ¥252million System related : ¥32million
Ordinary Income	2,941	(431)	889	
Net Income	1,925	(446)	117	
Depreciation	432	444	915	
CAPEX	533	402	820	

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Please look at page 10. First, this is a summary of the consolidated profit and loss statement for the first half of the fiscal year under review.

Net sales, the top line figure, was JPY14.7 billion, down 26.5% YoY. Cost of sales decreased 5.0% YoY to JPY5.7 billion. As shown in the major factors behind column on the right, the cost of sales ratio rose 8.7 percentage points from 29.9% to 38.6%. The reason for this is the change in the sales mix due to the decrease in revenue. Within the cost of sales ratio, the stylist personnel cost ratio rose 6.7 percentage points. This increased because even though net sales declined, the personnel expenses have a strong element of fixed costs. As a result, gross profit was JPY9 billion, down 35.7% YoY.

Next is on SG&A expenses, which amounted to JPY9.6 billion, down 13.7% YoY. SG&A ratio rose 9.7 percentage points YoY from 55.7% to 65.4%. The main reason for this was a decrease in revenues, just like the reason for cost of sales ratio. As a result, operating loss was JPY500 million, down JPY3.4 billion YoY. Ordinary loss was JPY400 million, down JPY3.3 billion YoY. Net loss was JPY400 million, down JPY2.3 billion YoY.

Finally, the cumulative amount of capital investment was JPY400 million, down JPY100 million YoY. Major breakdowns are described in the major factors behind column on the right.

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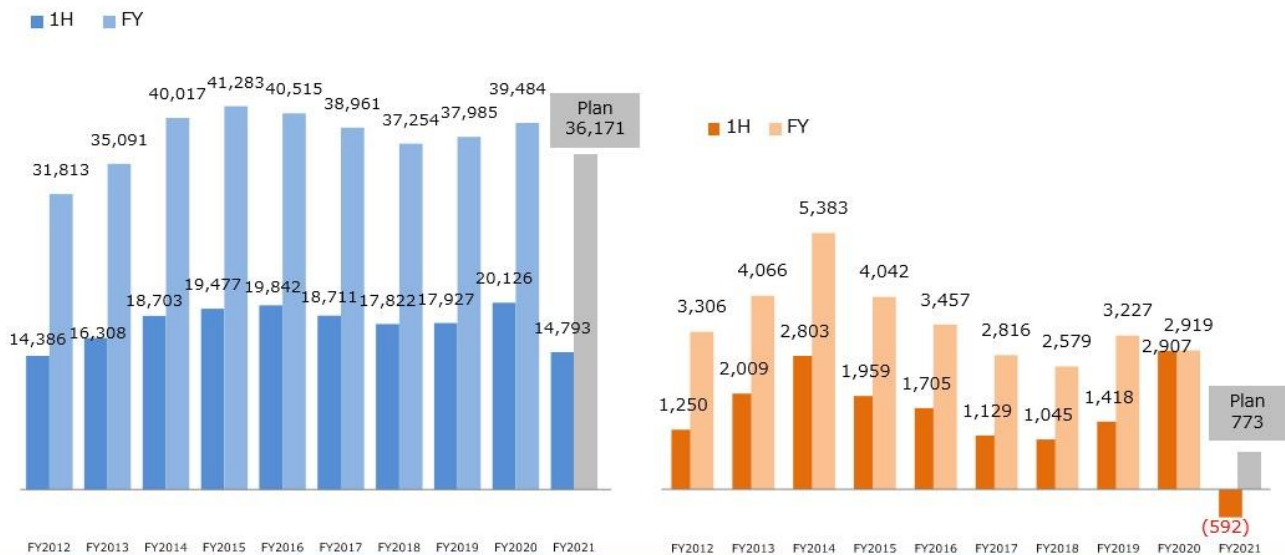


## Net Sales and Operating Income Trends



Net Sales (¥ million)

Operating Income (¥ million)



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Next, on page 11, I will explain the performance trends for the first half and full year.

This graph shows trends in net sales and operating income for the first half and the full year for the last 10 years. For the first half of the fiscal year, as you can see, both net sales and operating income declined, resulting in an operating loss. However, as you can see in the full-year plan, we expect operating income of JPY700 million. As explained earlier by Mr. Naito, our business performance is on a recovery trend and we believe it is fully achievable.

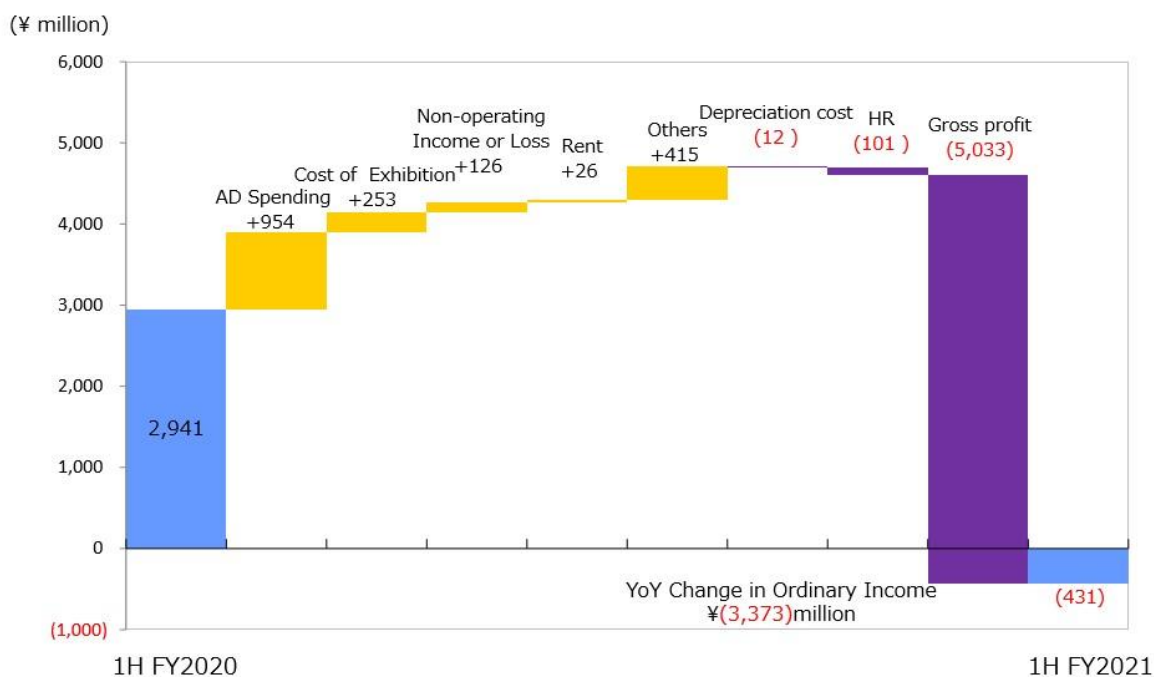
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## 1H FY2021 : Analysis of SG&A Expenses



On page 12, I will explain the factors behind changes in consolidated ordinary income.

The orange portions on the left indicate positive factors for profits. They increased JPY1.7 billion due to the curtailment of expenses including advertising expenses. The purple portions on the right indicate negative factors for profits. They declined JPY4.7 billion mainly due to a decrease in net sales. As a result, ordinary loss was JPY400 million, down JPY 3.3 billion YoY.

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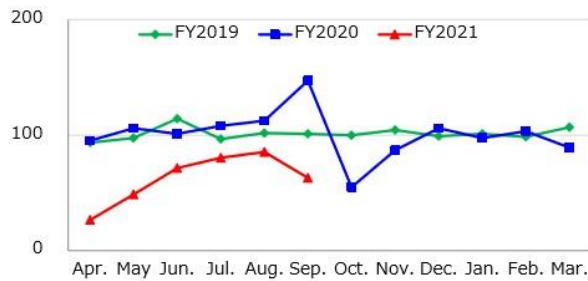
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## Monthly Trend: Sales of Major Products (YoY base)



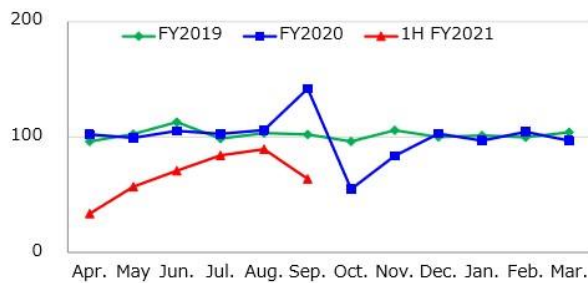
(%) **Total Sales of Major Products**



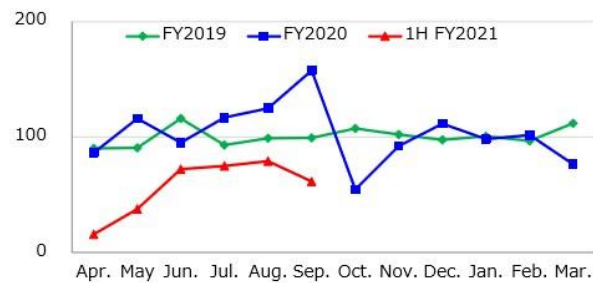
**Total Sales of Major Products (Half-year)**

	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)**



Page 13 shows monthly sales trends for major products.

This graph is a summary of YoY percentage change in sales of major products for the last three years from monthly sales information, which is disclosed every month. The red line indicates the figure for the current fiscal year. The blue line indicates the figure for the previous fiscal year. The green line indicates the figure for the fiscal year ended March 2019. Annual cumulative amounts are shown in the top right table. It is difficult to grasp the performance trend for the previous fiscal year due to the last-minute surge in demand following the consumption tax hike. However, since April onward, sales of products for both men and ladies have been increasing every month.

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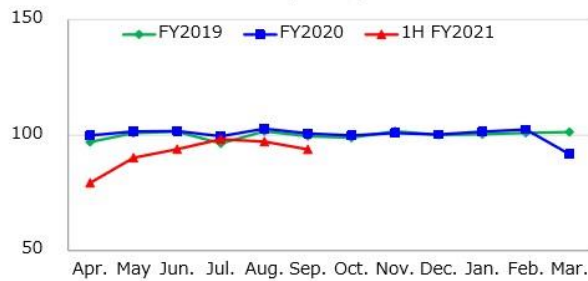
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## Monthly Trend: Customer Traffic (YoY base, accumulated)



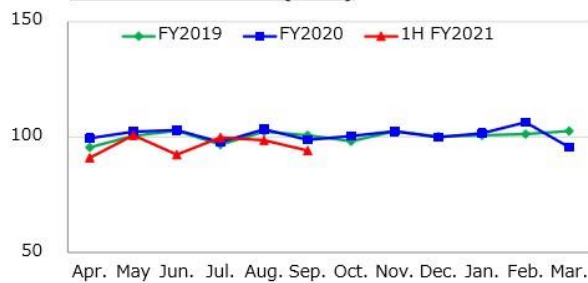
(%) **Customer Traffic (Total)**



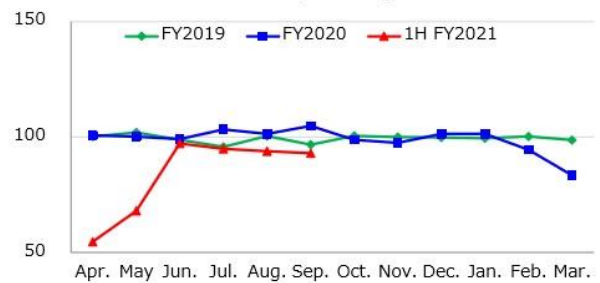
**The number of customer traffic (Half-year)**

	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)**



Page 14 shows trends in the total number of customers visiting our stores on a monthly basis.

This graph is also compiled by collecting the total number of customers visiting our stores, which we disclose every month. The descriptions for years and colors are the same as those in the previous page. At the start of April, the number of customers visiting our stores dropped significantly, but the number has now recovered to a level of more than 90% YoY. Annual cumulative amounts are shown in the top right table.

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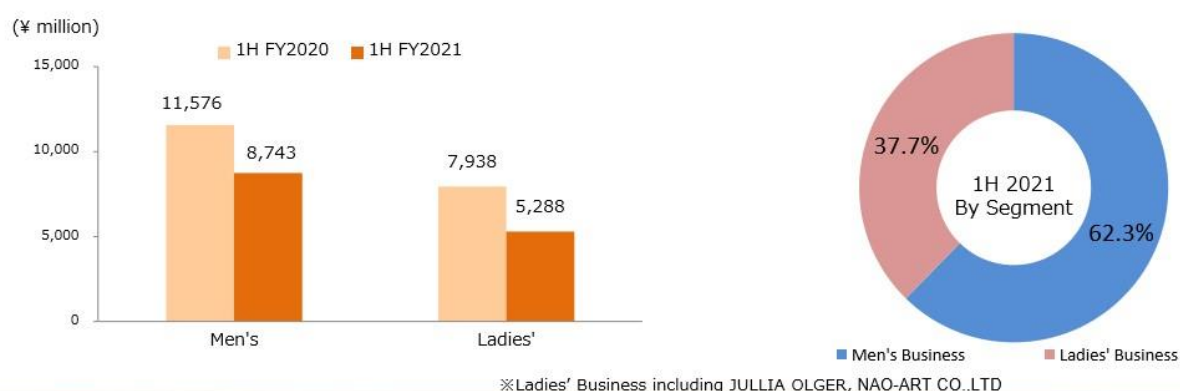


## 1H FY2021 : Breakdown of Sales by Segment



(¥ 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%



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Page 15 shows sales trends by gender.

Men's net sales was JPY8.7 billion, down 24.5% YoY. Ladies net sales was JPY5.2 billion, down 33.4% YoY. Other sales amounted to JPY700 million, up 24.6% YoY. For details, I will explain in the following pages. The pie chart at the bottom right shows the ratio of men and ladies to sales. In the fiscal year under review, the ratio of men was 62.3%, and that of ladies was 37.7%, respectively. As can be seen from the trend in the monthly total number of customers visiting on the previous page, the ratio of man customers increased by 3 percentage points YoY because fewer lady customers visited our stores in the current fiscal year.

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## 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 & Services	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.

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Page 16 shows net sales by product and service on a non-consolidated basis. After this, you will see it separately for men and ladies, but I will explain the whole picture first.

As you can see, net sales declined in all categories except other products in the second quarter. We believe that this is due, not only to the impact of the COVID-19, but also in part to the fact that we recorded the best performance in the previous fiscal since we were listed. Regarding main items, the total net sales of custom-made wigs declined JPY4.3 billion YoY. The total net sales of hair addition products declined JPY700 million YoY. The total net sales of styling service declined JPY100 million YoY. The total net sales of others increased JPY200 million YoY, which was due to strong mail order sales in response to demand from staying home customers.

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## 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.

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Page 17 shows sales by product and service in the men's business on a non-consolidated basis.

Net sales of all products and services shown at the bottom declined YoY for both new customers and repeat business, and also the total figure declined 24.5% YoY. By product, the YoY decline in net sales of custom-made wigs was the largest, and hair addition products also posted a decrease YoY. However, new orders for custom-made wigs, and hair addition products surpassed the figures of our plan. The repeat business for custom-made wigs also remained largely in line with the plan.

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## 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%)

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Page 18 shows sales by product and service in the ladies' business on a non-consolidated basis.

Net sales of all products and services shown at the bottom declined YoY in all categories. The total figure also declined 37.4% YoY. By product, net sales of custom-made wigs declined most significantly YoY, and net sales of hair addition products and JULLIA OLGIER declined YoY. However, even though the net sales of the repeat business for hair addition products was lower than the figure of our plan, the net sales of custom-made wigs, hair addition products, and JULLIA OLGIER are developing above the figures of the plan.

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**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%
<b>Total</b>	<b>19,979</b>	<b>38,697</b>	<b>14,378</b>	<b>(28.0%)</b>	<b>34,903</b>	<b>(9.8%)</b>	<b>41.2%</b>

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Page 19 shows net sales plan for men's business and ladies' business in total by product and service on a non-consolidated basis. After this, you will see it separately for men's and ladies, but I will explain the whole picture first.

As you can see, our mainstay custom-made wigs are in a sluggish state of progress against the full-year plan. However, the results of this section for the second quarter were largely in line with the plan, and we believe that the plan is fully achievable given the accumulation of orders as of now and the development of future measures. In addition, we believe that the plan is fully achievable for hair addition products and JULLIA OLGER as the number of customer visiting is returning.

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## 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%
<b>Total</b>	<b>11,576</b>	<b>22,369</b>	<b>8,743</b>	<b>(24.5%)</b>	<b>21,561</b>	<b>(3.6%)</b>	<b>40.6%</b>

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Page 20 shows net sales plan for men's business by product and service on a non-consolidated basis.

As explained on page 19, we believe that we can fully achieve the plan for custom-made wigs. The progress of hair addition products has reached 43.2% of the full-year plan. As the total number of customers visiting our stores has recovered to the previous year's level, we intend to take a firm look at the full-year plan. In the men's business as a whole, we aim to recover the decline in the first half of the fiscal year and achieve net sales of JPY21.5 billion YoY, minus 3.6% YoY.

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## 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%
<b>Total</b>	<b>7,938</b>	<b>15,170</b>	<b>4,972</b>	<b>(37.4%)</b>	<b>11,788</b>	<b>(22.3%)</b>	<b>42.2%</b>

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Page 21 shows net sales plan for ladies' business by product and service on a non-consolidated basis.

As explained on page 19, we believe that we can fully achieve the plan for custom-made wigs. The progress of hair addition products has reached 43.5% of the full-year plan, and we intend to firmly grasp the full-year plan as the number of customers visiting our stores recovers. The progress of JULLIA OLGER has reached 33.9% of the full-year plan. The current number of customers visiting our stores is returning to the level of the previous fiscal year. We aim to achieve the full-year plan. As in the men's business, for the ladies' business, we aim to recover the decline in the first half and achieve net sales of JPY11.7 billion YoY, minus 22.3% YoY.

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## 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%)

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Page 22 shows our consolidated full-year earnings plan, but there are no changes from the timely disclosure of September 15.

The plan for net sales, the figure on the top line, is JPY36.1 billion, minus 8.4% YoY. We aim to achieve the target by redeveloping our existing business and expanding the foundations of each business that we incorporated in the previous fiscal year. SG&A expense is JPY 22.8 billion, minus 6.0% YoY. The breakdown of SG&A expenses is as shown. As a result, operating income to be JPY700 million, minus 73.5% YoY. Despite the impact of the COVID-19, we believe that it is fully possible to return from a loss in the second quarter to a profit for the full fiscal year. Items followed by ordinary income are as shown.

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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	• Resumed normal business hours at most of the stores (There are some stores shorten business hours.)
	Prevention of the spread of infection	• Set noncontact thermometer at all salons to check customers' body temperature and health condition
Employees	Thorough hygiene management	• Temperature management, constant handwashing and gargling, wearing face masks, set acrylic board in meeting rooms, refraining from business trip
	Review of work system	• Approved staggered working hours and commute by own cars
Others	Business partners	• Followed the facilities decision for holding events at department stores and/or commercial facilities
	Service support	• Offering extended period for free after-sale services

Finally, on page 23, I will explain our response to the COVID-19.

Mr. Naito explained the Company's sales and production systems, and we have formulated a basic policy that prioritizes the lives and safety of customers, employees, business partners, and others in order to prevent the spread of the COVID-19, and we are implementing a variety of measures.

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### 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.



Especially in our stores, as described on page 24, we have been further strengthening and enhancing various hygiene controls since the current fiscal year so that customers can visit our stores with a sense of security as much as possible. We will continue to strive to thoroughly implement and strengthen hygiene management in the future.

I will finish my explanation above. Thank you very much for your attention.

[END]

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