



**Presentation Material FY2018
for the Year Ended March 31, 2018**

ARTNATURE INC.

Overview of Consolidated Financial Results for FY2018 & Medium-term Management Plan

Net Sales & Operating Income

(¥ Million)

	FY2018 (Results)	FY2017(Results)		FY2018 full year (Original Plan)		FY2018 full year (Revised plan)	
			YoY Change		Original Plan Ratio		Revised plan Ratio
Net Sales	37,254	38,961	(4.4%)	37,271	(0.0%)	37,452	(0.5%)
Operating Income	2,579	2,816	(8.4%)	1,478	+74.5%	2,112	+22.1%

Breakdown of Net Sales

(¥ Million)

	FY2018 (Results)	FY2017(Results)		FY2018 Full year (Original Plan)		FY2018 Full year (Revised plan)	
			YoY Change		Original Plan Ratio		Revised plan Ratio
Men's Business	21,573	23,003	(6.2%)	21,440	+0.6%	21,644	(0.3%)
Ladies' Business	11,515	11,726	(1.8%)	11,451	+0.6%	11,482	+0.3%
JULLIA OLGIER (Ladies' ready- made wigs)	3,102	3,359	(7.7%)	3,601	(13.8%)	3,155	(1.7%)

※The revised plan is a breakdown of the figures announced on January 30,2018.

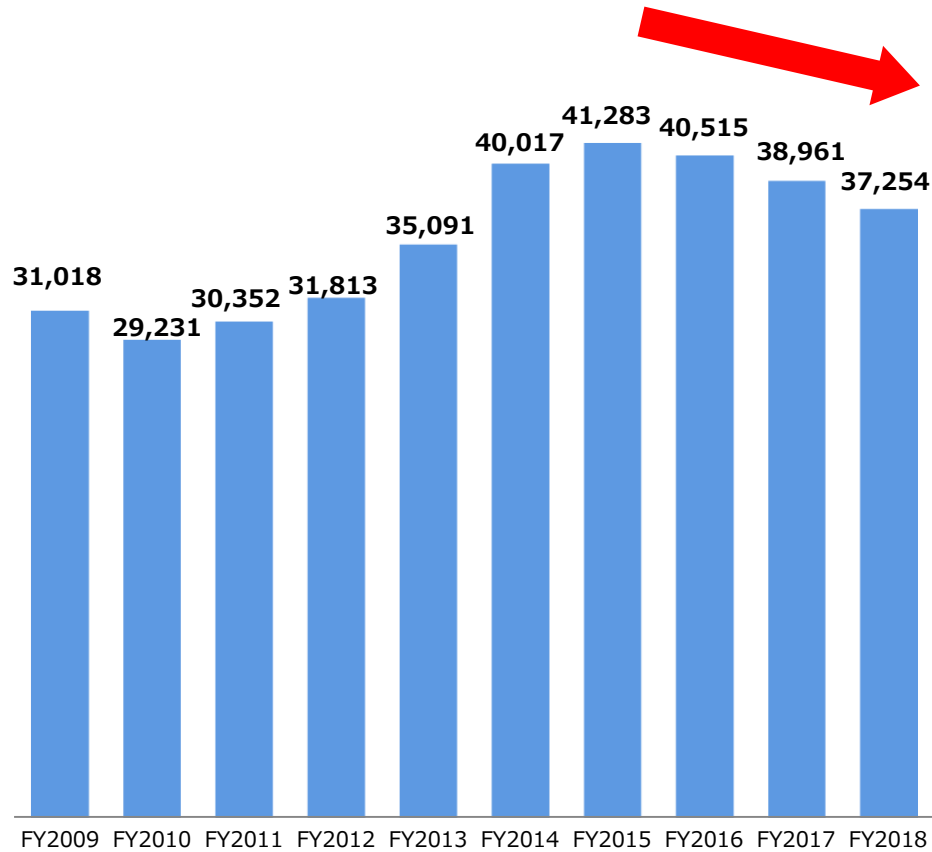
【New Product Launches】

- Men's & Ladies'
 - Twice a year in spring and autumn (custom-made wigs & hair enhancing products)
 - Latest spring products are as below
 - March 2018: Men's hair addition system "Marp REBORN"
 - March 2018: Ladies' wig "Pufeel airily fit"
- JULLIA OLGER
 - Every autumn
 - October 2017: "Pure Ciel"

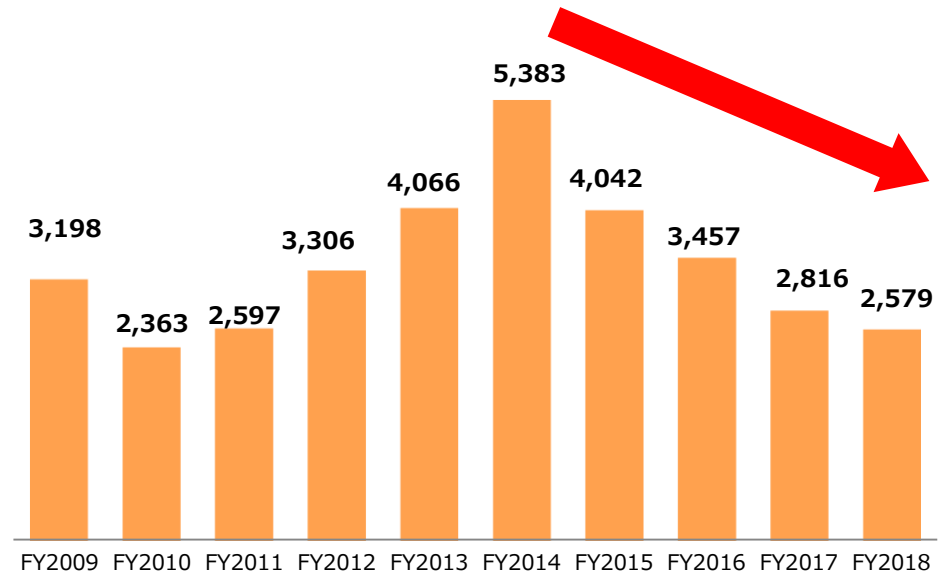
【Facilities and Equipment】

- Men's & Ladies'
 - New opening, relocation, renewal, and expansion of salons to improve frontline capability
 - By March 2016, 263 salons/by March 2017, 268 salons/ by March 2018, 269 salons
- JULLIA OLGER
 - Strategic salon deployment (JULLIA OLGER & marie beaute)
 - By 2016 March 84 salons/by 2017 March 83 salons/ by 2018 March 81 salons
 - First in-hospital salon "Hair Salon ANCS" open at Toranomom Hospital
- Other
 - Sale of shares in Cambodian manufacturing subsidiary in November 2017

Net Sales (¥ Million)



Operating Income (¥ Million)

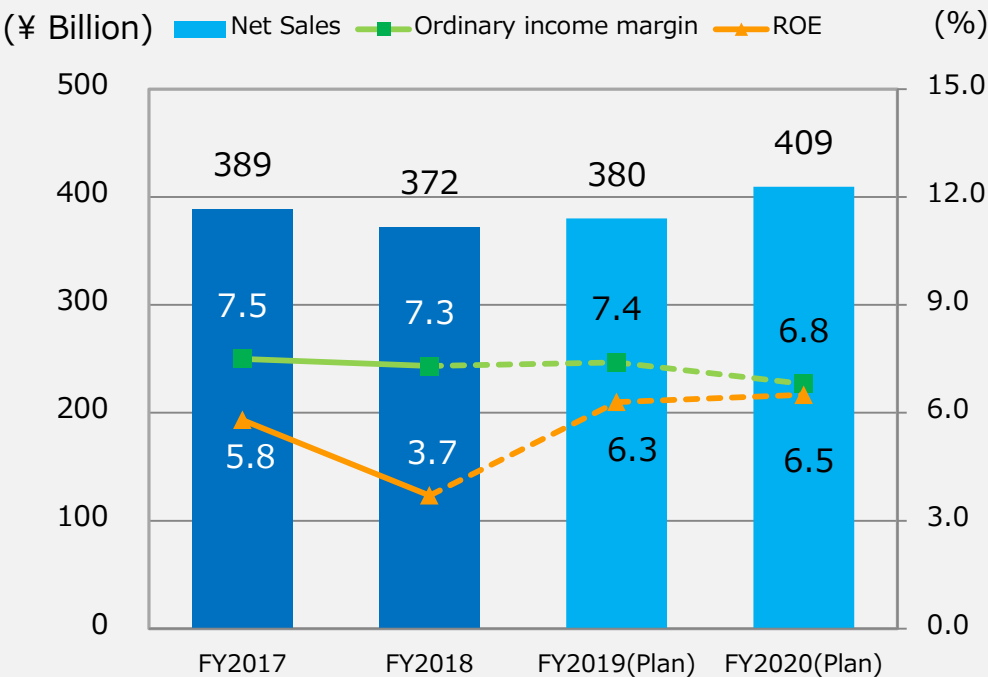


Artnature REBORN Plan

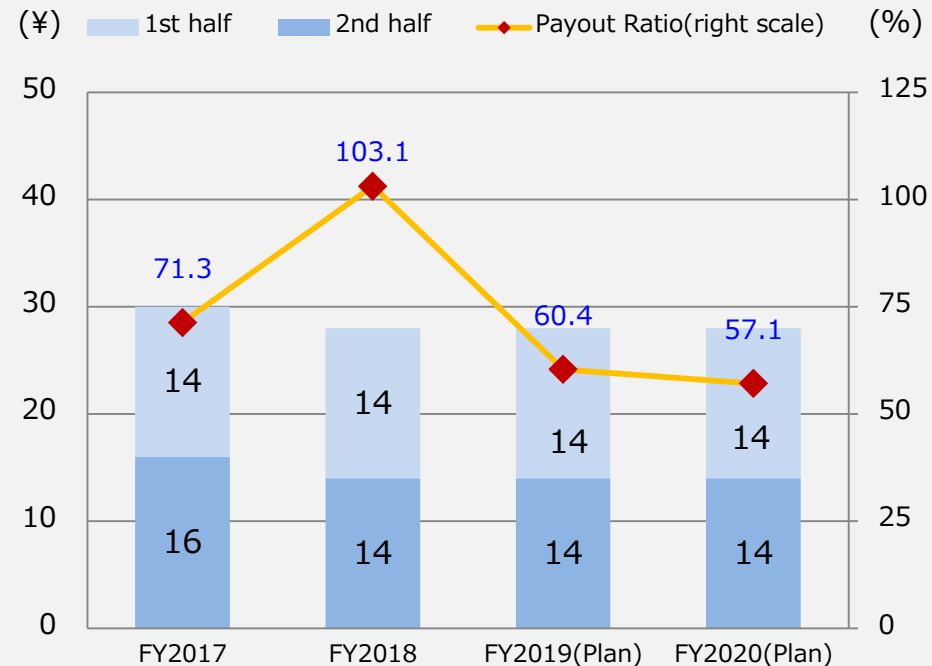
Aim for stable profit growth by attracting customers and improving profit structure. Main targets are "Customer satisfaction," "Systemic reform," "Personnel training" and "Employee satisfaction." Targeting sustained growth from 2020.

1 st year FY2018	2 nd year FY2019	3 rd year FY2020
Foundation building	Sustainable growth	Recovery the result
<p>Rebuild the sales structure while monitoring appropriate profit levels</p> <p>(overview) Most targets were achieved as planned, although room for improvement remains in certain areas</p>	<p>Prepare for new business startups while stabilizing the sales structure</p> <p>(policies)</p> <ul style="list-style-type: none"> • <u>Attract new customers</u> • <u>Prepare for new business startups</u> • <u>Focus on enhancing productivity at HQ and salons</u> 	<p>Continue to expand the sales structure while moving into new business areas</p>

1. FY2020 (Target) Net Sales:¥409 billion Ordinary Margin: 6.8% ROE: 6.5%



2. Dividends:maintain ¥28 per year Maintain Stable and Continuous Dividends



FY2018

Upgrade sales structure

Renewed sales methods and strategy to meet the needs of this generation with a focus on the customer base

Product development and promotion from customer point of view

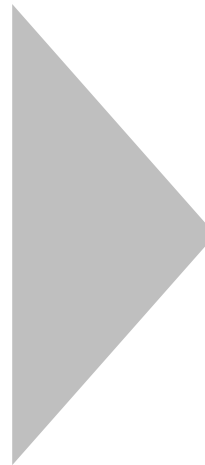
Product development and promotion events implemented for customer satisfaction

Strengthen profit structure

Improved cost structure by selling shares in Cambodia subsidiary

Enhance capabilities of personnel and systematic personnel development

- Training seminars held to improve basic capability by job title
- Revised mainly for personnel system sales division



FY2019

Upgrade sales structure

Continue previous initiatives and increase the number of real Artnature fans with stability

Further strengthen profit structure

Implement initiatives to strengthen both management and quarterly sales

Enhance capabilities of personnel and systematic personnel development

Activate personnel training to enhance each skill and improve working condition according to each role and commitment

Prepare for new business startups

Invest in management resources to improve structure for developing new businesses

FY2019 : Full-year consolidated business performance Forecasts

(¥ Million)

	FY2018 (Results)	FY2019 (Plan)	YoY Change	
Net Sales	37,254	38,000	+745	+2.0%
Men's Business	21,573	21,907	+334	+1.5%
Ladies' Business	11,515	11,615	+100	+0.9%
JULLIA OLGIER (Ladies' ready-made wigs)	3,102	3,308	+205	+6.6%
Others	1,063	1,169	+105	+9.9%
SG&A Expenses	23,080	23,179	+99	+0.4%
Operating Income	2,579	2,796	+217	+8.4%
Ordinary Income	2,707	2,813	+106	+3.9%
Net Income	897	1,517	+619	+69.1%

Financial Results

FY2018 (April 1st, 2017 to March 31st, 2018)

FY2018: Consolidated Statements of Income Highlights



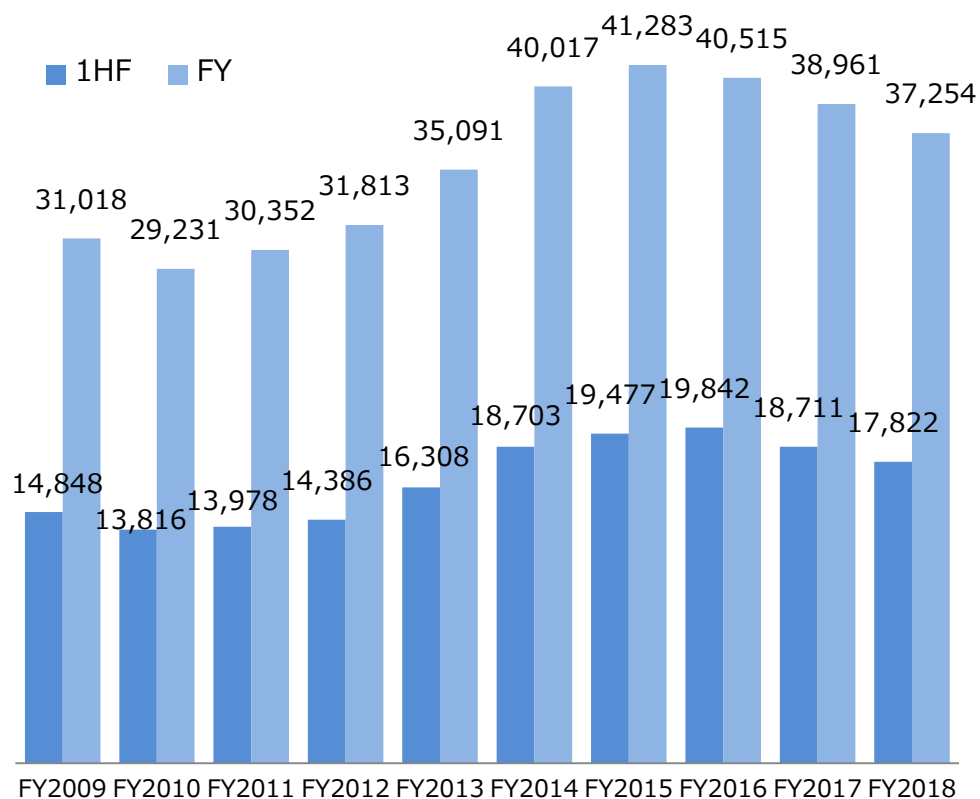
(¥ Million)

	FY2017 (Results)	FY2018 (Results)	FY2018 (Revised plan)	YoY Change	Vs. original plan	Key YoY changes
Net Sales	38,961	37,254	37,452	▲4.4%	▲0.5%	Net Sales: Down:4.4%
Cost of Sales	11,736	11,594	11,834	▲1.2%	▲2.0%	Cost of Sales Ratio : 30.1%⇒31.1%
Gross Profit	27,225	25,659	25,618	▲5.7%	+0.2%	Product Cost : Up0.3pt HR : Up0.8pt
SG&A Expenses	24,408	23,080	23,506	▲5.4%	▲1.8%	SG&A Expenses Ratio: :62.6%⇒62.0%
Ad Spending	6,385	6,335	6,222	▲0.8%	+1.8%	Ad Spending : Up0.6pt
HR	6,216	5,480	5,714	▲11.8%	▲4.1%	HR : Down1.2pt Other : Down0.1pt
Operating Income	2,816	2,579	2,112	▲8.4%	+22.1%	CAPEX:
Ordinary Income	2,923	2,707	2,241	▲7.4%	+20.8%	Property, Plant & Equipment:¥10.8billion
Net Income	1,394	897	981	▲35.6%	▲8.6%	Store openings : ¥9.8billion Head office relations¥1.0billion
Depreciation	1,198	1,077	1,143	▲10.1%	▲5.8%	Software:¥2.4billion
CAPEX	1,388	1,359	2,013	▲2.1%	▲32.4%	Subsidiaries:¥0.3billion

※The revised plan is a breakdown of the figures announced on January 30,2018.

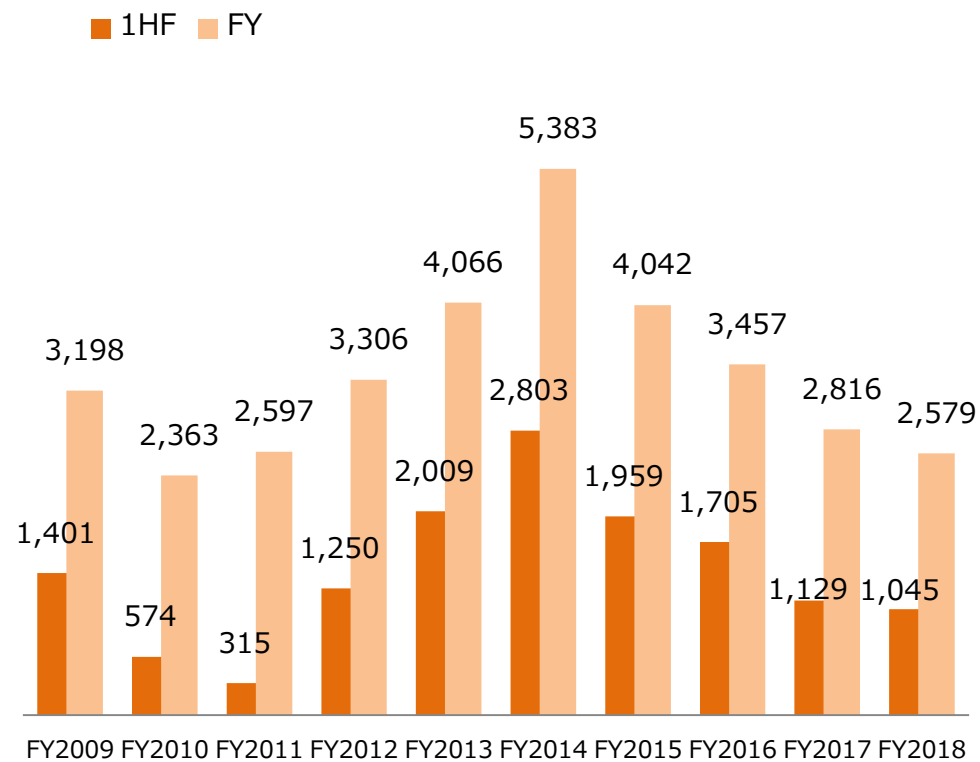
Net Sales

(¥ Million)

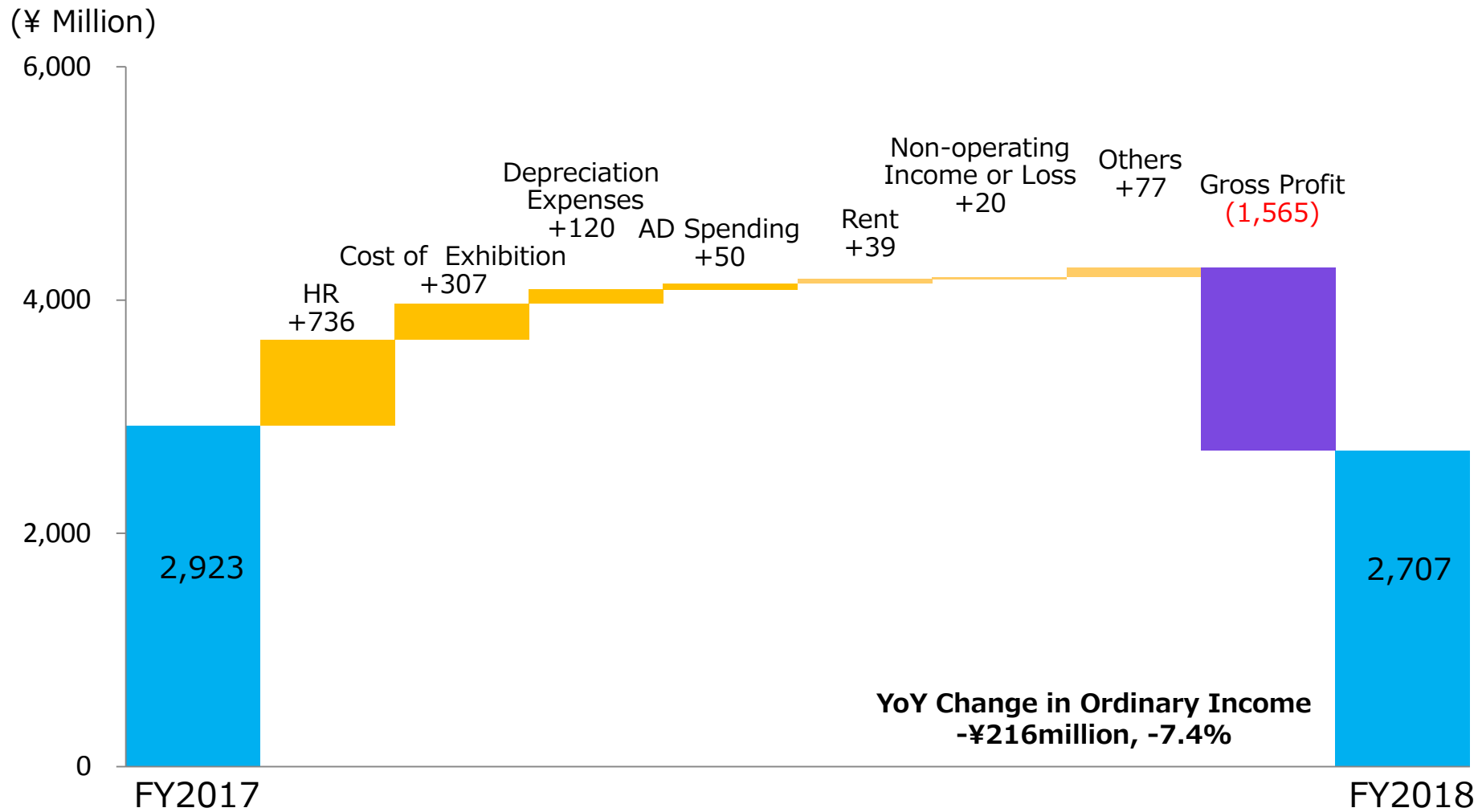


Operating Income

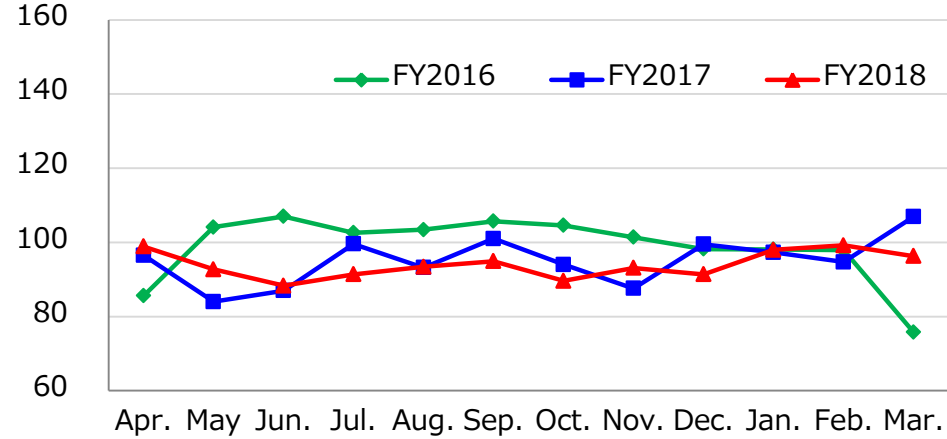
(¥ Million)



FY2018: Analysis of Consolidated ordinary income



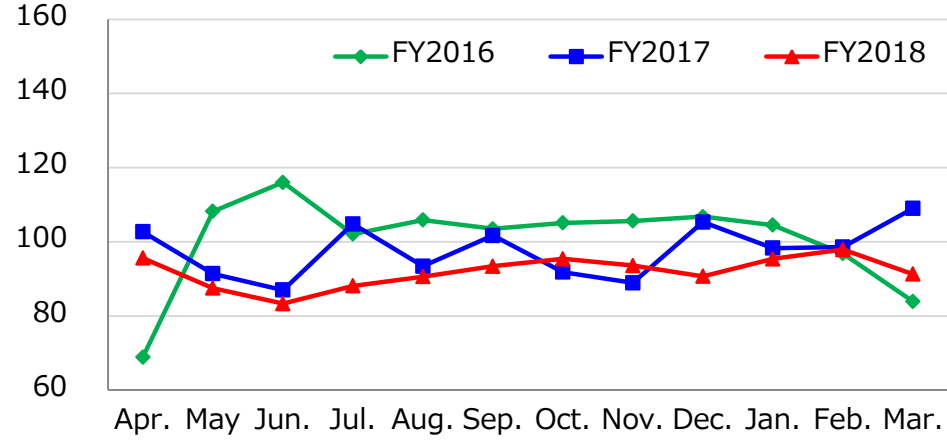
Total Sales of Major Products



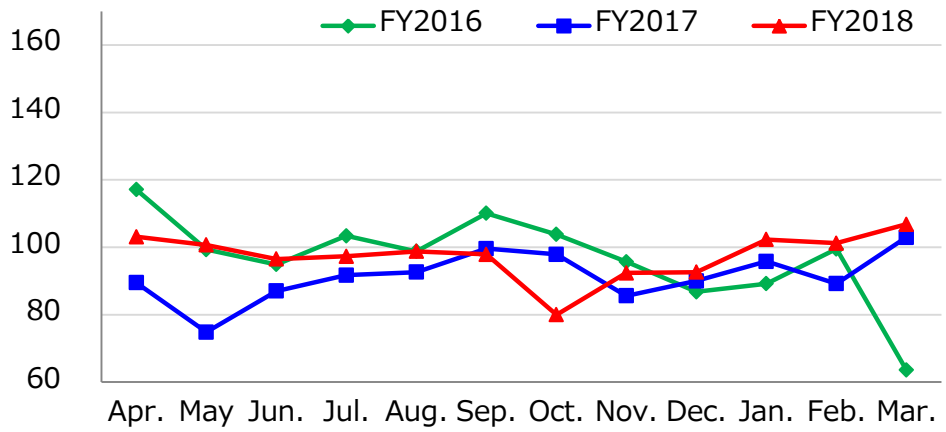
Total Sales of Major Products (Full-year)

	Total	Men	Ladies
FY 2016	97.5	99.5	94.5
FY 2017	95.4	98.1	91.0
FY 2018	93.9	91.8	97.7

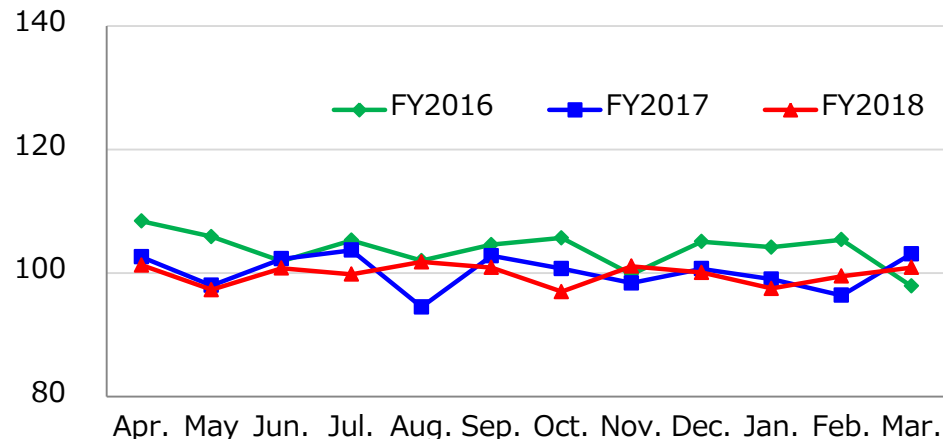
Sales of Major Products (Men)



Sales of Major Products (Ladies)



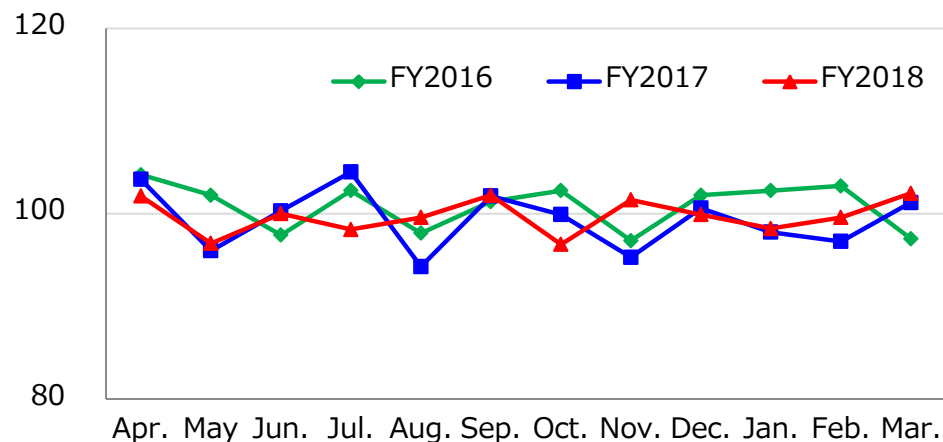
Customer Traffic (Total)



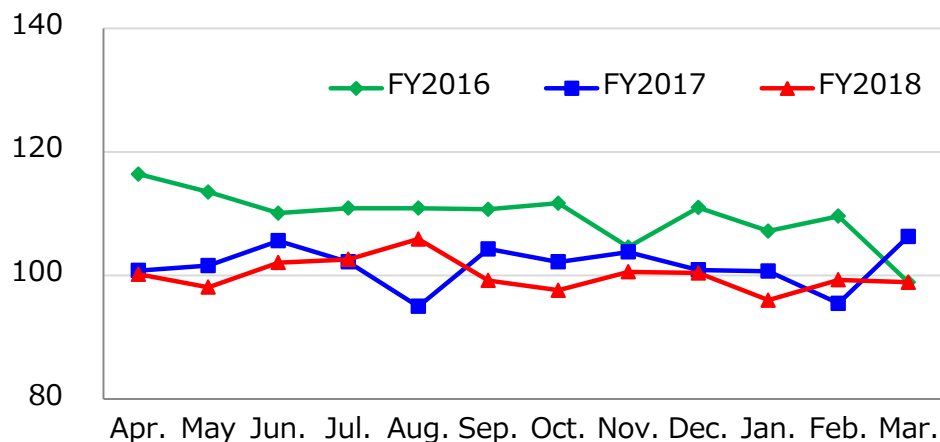
Customer Traffic (Full-year)

	Total	Men	Ladies
FY 2016	103.8	100.8	109.4
FY 2017	100.2	99.4	101.6
FY 2018	99.8	99.7	100.0

Customer Traffic (Men)



Customer Traffic (Ladies)

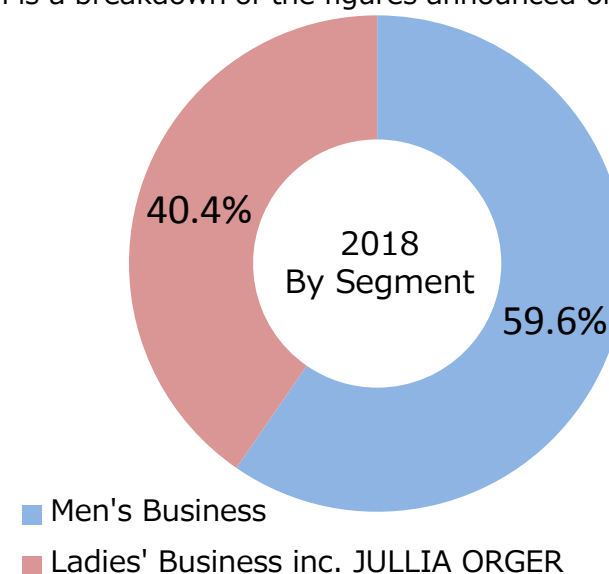
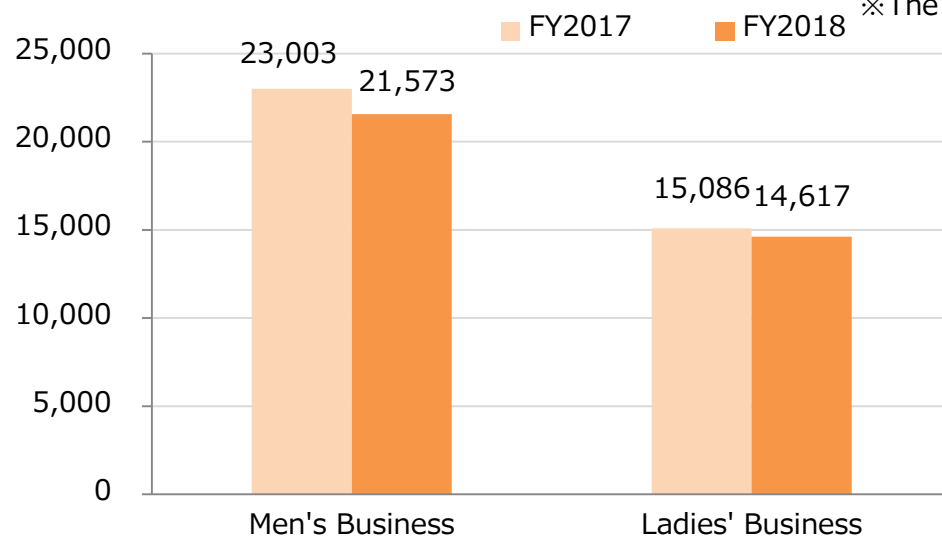


FY2018: Breakdown of Sales by Segment (Consolidated)

(¥ Million)

	FY2017	FY2018			
		Results	YoY Change	Revised Plan	Vs. Plan
Net Sales	38,961	37,254	(4.4%)	37,452	(0.5%)
Men's Business	23,003	21,573	(6.2%)	21,644	(0.3%)
Ladies' Business	11,726	11,515	(1.8%)	11,482	+0.3%
JULLIA OLGER (Ladies' ready-made wigs)	3,359	3,102	(7.7%)	3,155	(1.7%)
Others	871	1,063	+22.1%	1,168	(9.0%)

※The revised plan is a breakdown of the figures announced on January 30, 2018.



FY2018: Breakdown of Sales by Product and Service (Non-consolidated Basis)



(¥ Million)

Net Sales		FY2017	FY2018	YoY Change	
Custom-made Wigs	New customers	4,003	3,309	(694)	(17.3%)
	Repeat Business	18,935	17,847	(1,088)	(5.7%)
	Total	22,938	21,156	(1,782)	(7.8%)
Hair Addition Products	New Customers	1,632	1,633	+1	+0.1%
	Repeat Business	2,440	2,590	+150	+6.2%
	Total	4,072	4,223	+151	+3.7%
Hair Growth Services	New Customers	156	128	(28)	(17.9%)
	Repeat Business	978	929	(48)	(5.0%)
	Total	1,134	1,057	(76)	(6.8%)
Styling Services		5,230	5,291	+60	+1.2%
JULLIA OLGER		3,359	3,102	(257)	(7.7%)
Others		2,006	2,215	+208	+10.4%
All Products & Services	New Customers	5,791	5,070	(720)	(12.4%)
	Repeat Business	28,939	28,017	(921)	(3.2%)
	JULLIA OLGER	3,359	3,102	(257)	(7.7%)
	Others	652	856	+203	+31.2%
	Total	38,743	37,047	(1,695)	(4.4%)

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

FY2018: Breakdown of Sales by Product & Service in Men's Business (Non-consolidated Basis)

(¥ Million)

Net Sales		FY2017	FY2018	YoY Change	
Custom-made Wigs	New Customers	933	795	(137)	(14.8%)
	Repeat Business	13,387	12,195	(1,192)	(8.9%)
	Total	14,320	12,990	(1,330)	(9.3%)
Hair Addition Products	New Customers	1,109	1,079	(30)	(2.7%)
	Repeat Business	1,610	1,562	(47)	(3.0%)
	Total	2,720	2,642	(78)	(2.9%)
Hair Growth Services	New Customers	141	114	(26)	(18.9%)
	Repeat Business	643	611	(32)	(5.0%)
	Total	785	725	(59)	(7.5%)
Styling Services		4,221	4,247	+26	+0.6%
Others		955	966	+10	+1.1%
All Products & Services	New Customers	2,185	1,990	(194)	(8.9%)
	Repeat Business	20,818	19,582	(1,235)	(5.9%)
	Total	23,003	21,573	(1,430)	(6.2%)

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

Tangible results in upgrading sales infrastructure Challenges remain in attracting new customers

Men's Business

	Sales initiatives	Results
New Customers	Enhance customer service and product proposal capabilities to reliability and satisfaction	Offered different levels of role-play training to sales staff according to their skill (results pending)
	Continue to establish a stronger sales district system	Reviewed and overcame weaknesses of each sales district (uneven results between districts)
	Improve new introduced customer retention	Offered various aftercare, but had limited effect as new customers were fewer than anticipated
Repeat Customers	Increase good relationship with customer by reinforcing customer supervisor system	Implemented various services to celebrate our 50-year anniversary
	Enhance product proposal capabilities while maintaining appropriate sales cycles	Sales cycles were improved by revising current sales methods from a view point of customer satisfaction
	Enhance technical and service skills to improve customer satisfaction	Held seminars to improve focusing on basic skill of service (results pending)
	Focus on effective salon management to increase profits	Headquarters raised staff awareness about costs and profits (results pending)

FY2018: Breakdown of Sales by Product & Service Ladies' Business (Non-consolidated Basis)

(¥ Million)

Net Sales		FY2017	FY2018	YoY Change	
Custom-made Wigs	New customers	3,069	2,513	(556)	(18.1%)
	Repeat Business	5,548	5,652	+104	+1.9%
	Total	8,617	8,165	(452)	(5.2%)
Hair addition Products	New Customers	522	553	+31	+6.1%
	Repeat Business	829	1,027	+197	+23.9%
	Total	1,351	1,581	+229	+17.0%
Hair Growth Services	New Customers	14	13	(1)	(8.3%)
	Repeat Business	335	318	(16)	(4.9%)
	Total	349	332	(17)	(5.0%)
Styling Services		1,009	1,043	+34	+3.4%
Others		398	393	(5)	(1.4%)
All Products & Services	New customers	3,606	3,080	(525)	(14.6%)
	Repeat business	8,120	8,434	+314	+3.9%
	JULLIA OLGIER	3,359	3,102	(257)	(7.7%)
	Total	15,086	14,617	(468)	(3.1%)

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

Tangible results in building trust with customers

Struggled to attract new customers as number of trial fitting events decreased

Ladies' Business

	Sales initiatives	Results
New Customers	Respond to changing needs of customers and enhance technical and product proposal skills	Offered a wider range of training for staff to overcome each weakness (results pending)
	Plan effective fitting trial events (preparing Proper timing /location/contents based on form data)	<ul style="list-style-type: none"> • Renewed image of fitting trials • Cost reduction through strategically selected events • Attracting new customers remains a challenge
Repeat Customers	Establish long-term relationships with customers	Introduced various ways to built a stronger connection with customers
	Enhance technical skills, customer service and product proposal capabilities	Offered new technical training for staff initiatively adding to basic skill (results pending)
	Focus on effective salon management to increase profits	Headquarters raised staff awareness about costs and profits (results pending)

Lack of attract new customers to existing salons and Unsatisfactory aftercare

JULLIA OLGER Business

	Sales initiatives	Results
New Customers	Offer sales promotions tailored to each salon	Organized sales promotions uniquely designed for each retail facility (unsuccessful in attracting new customers)
	Increase repeat customers by innovating customer follow-up support	Introduced customer follow-up support system (operation among salons uneven due to introduction time lag)
	Enhance technical skills, customer service, and product proposal capabilities	Offered technical training for new and existing staff (to improve basic skill results pending)
	Strategically relocate salons by opening new or verifying closed unprofitable ones	Salons were closed at faster pace than the planning of new salons (1 new salon /3 closed)
Repeat Customers	Increase TV shopping broadcasts and seek alternative marketing channels	Positive results from TV shopping programs such as "Shop Channel"(with broadcasting right of terrestrial)
	Hold effective fitting trial events	Fitting trial events were strategically held, but profits per event remained unsatisfactory
	Promote medical wigs and increase marketing opportunities	First in-hospital salon opened More promotion needed

Financial Forecasts for FY2019

FY2019 : Full-year consolidated business performance



(¥ Million)

	FY2018		FY2019	
	1H FY2018 (Results)	Full year (Results)	Full year (Plan)	YoY Change
Net Sales	17,822	37,254	38,000	+2.0%
Men	10,318	21,573	21,907	+1.5%
Ladies	5,712	11,515	11,615	+0.9%
JULLIA OLGER	1,284	3,102	3,308	+6.6%
Others	506	1,063	1,169	+9.9%
Cost of Sales	5,696	11,594	12,024	+3.7%
Gross Profit	12,126	25,659	25,976	+1.2%
SG & A Expenses	11,080	23,080	23,179	+0.4%
Ad Spending	2,880	6,335	6,339	+0.1%
HR	2,777	5,480	5,244	(4.3%)
Operating Income	1,045	2,579	2,796	+8.4%
Ordinary Income	1,120	2,707	2,813	+3.9%
Net Income	387	897	1,517	+69.1%
Depreciation	526	1,077	1,001	(7.1%)
CAPEX	635	1,359	2,013	+48.1%

FY2019 : Breakdown of Sales Forecast by Product and Service in Total both segments (Non-consolidated Basis)



(¥ Million)

	FY2018	FY2019	
	Full year (Results)	Full year (Plan)	YoY Change
Custom-made Wigs	21,156	20,861	(1.4%)
Hair addition Products	4,223	4,603	+9.0%
Hair growth Services	1,057	1,230	+16.3%
Styling services	5,291	5,459	+3.2%
JULLIA OLGER	3,102	3,308	+6.6%
Others	2,215	2,242	+1.2%
Total	37,047	37,705	+1.8%

FY2019 : Breakdown of Sales Forecast by Product and Service in Men's Business (Non-consolidated Basis)



(¥ Million)

	FY 2018	FY 2019	
	Full year (Results)	Full year (Plan)	YoY Change
Custom-made Wigs	12,990	12,604	(3.0%)
Hair addition Products	2,642	3,101	+17.4%
Hair growth Services	725	882	+21.5%
Styling services	4,247	4,374	+3.0%
Others	966	943	(2.3%)
Total	21,573	21,907	+1.5%

Men's Business

New Customers

- Enhance customer service and product proposal skills to meet the needs of customers
- Establish stronger sales districts
- Improve customer retention (strengthen inter-salon cooperation)

Repeat Customers

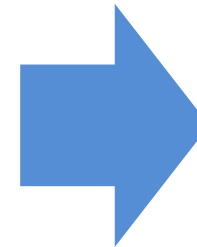
- Reinforce customer supervisor system to increase customer satisfaction
- Improve product proposal capabilities (based on proper sales cycle)
- Enhance technical and customer service skills
- Focus on effective salon management to increase profits

Featured Product

◆ New hair addition product "MRP REBORN"
 Features : Neither a wig nor a hair transplant. This new hair addition system will meet the needs of various hair problems. The "Hybrid Hair Addition" method will increase hair volume gradually. Trials are available at our salons for ¥ 10,000.

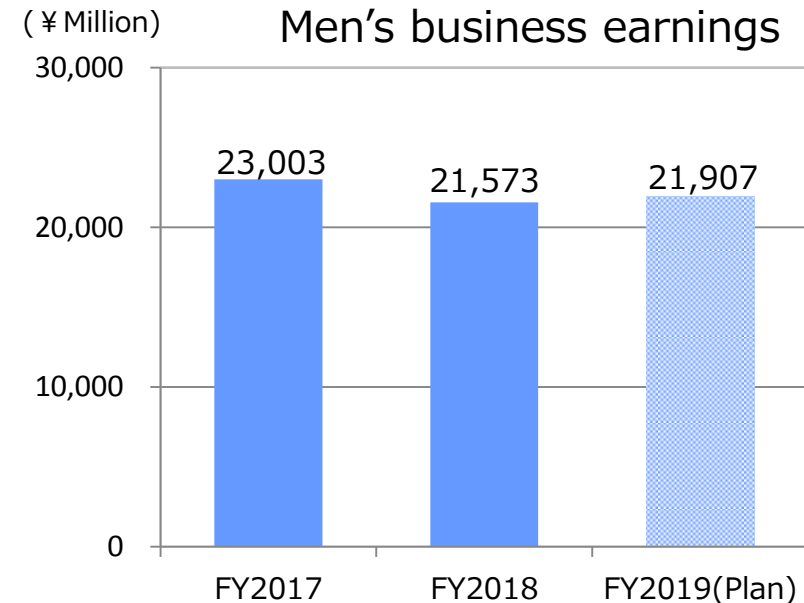


REBORN



【 Important Issues 】

Build a robust earning structure to improve performance



FY2019 : Breakdown of Sales Forecast by Product and Service Ladies' Business (Non-consolidated Basis)

(¥ Million)

	FY2018	FY2019	
	Full year (Results)	Full year (Plan)	YoY Change
Custom-made Wigs	8,165	8,256	+1.1%
Hair addition Products	1,581	1,501	(5.0%)
Hair growth Services	332	348	+4.9%
Styling services	1,043	1,084	+4.0%
JULLIA OLGER	3,102	3,308	+6.6%
Others	393	424	+8.0%
Total	14,617	14,924	+2.1%

Ladies' Business

New Customers & Trial Fitting Events

- Enhance services to meet the changing needs of customers
- Hold strategic trial fitting events based on historical data

Repeat Customers

- Improve customer retention (in long term and continually)
- Enhance technical, customer service and product proposal skills of sales staff
- Focus on effective salon management to increase profits

Featured Product

- ◆ Custom-made wig "Pufeel airily fit"
Features : The base net, which is woven with fabrics as fine as human hair, blends in with existing hair to give a natural look. The hairline looks like baby hair, and the "Cool Fit" method provides exceptional comfort during the summer season.

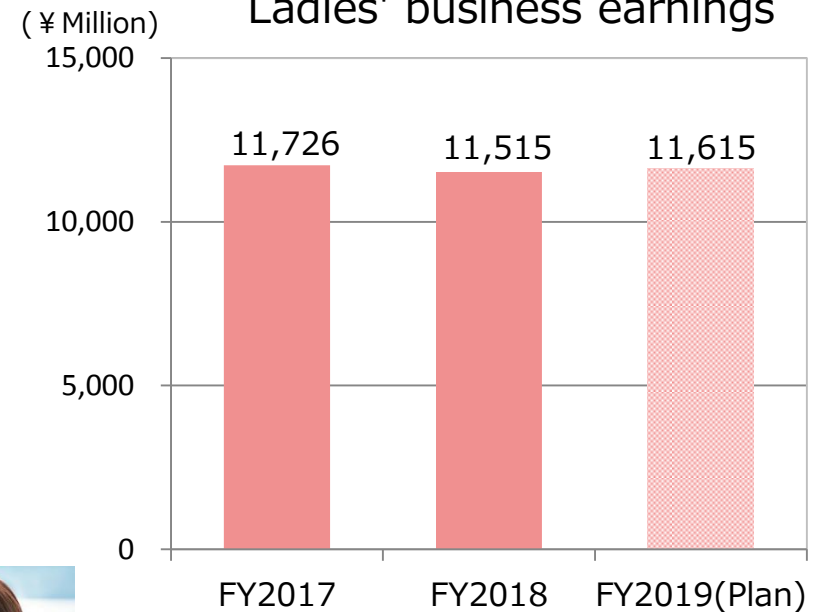


パフィー
Pufeel
エアリーフィット

【 Important Issues 】

Build long-term relationships with customers

Ladies' business earnings



JULLIA OLGER Business

Salons

- Implement effective promotions
- Boost repeat customers using customer management system
- Enhance technical, customer service, and product proposal skills to increase customer satisfaction
- Strategic salon relocation

Mail Order & Fitting Trial Events

- Increase TV shopping broadcasts, promote medical wigs and increase marketing opportunities
- Hold effective fitting trial events
- Boost recognition and expand distribution channels for medical wigs

News

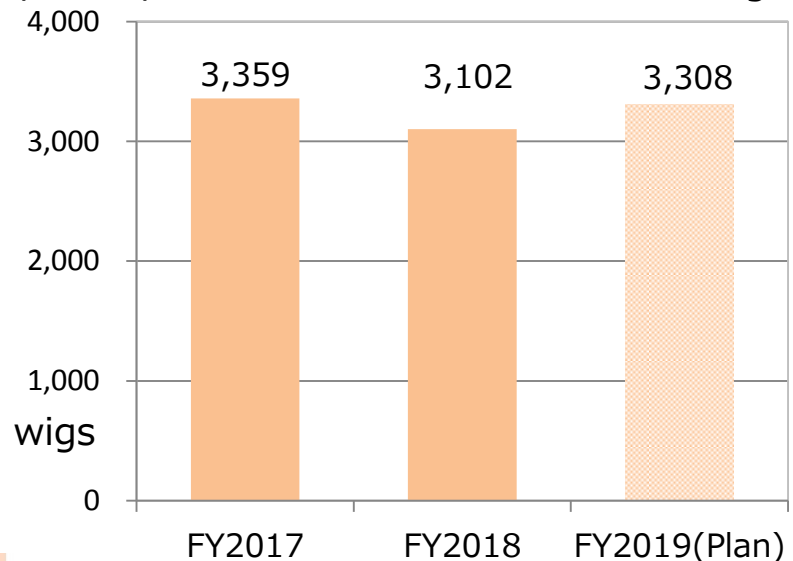
- ◆ 10-year Anniversary Promotion
- Special events will be held at retail facilities to celebrate the JULLIA OLGER brand's 10-year anniversary.
- Introduce 10-year memorial model.



【 Important Initiative 】

Upgrade sales environment and frontline business capabilities

(¥ Million) JULLIA OLGER business earnings





<http://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.

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Reference Material

Consolidated Balance Sheets

(¥ Million)

	As of March 31, 2017		As of March 31, 2018		YoY change	Key YoY changes
		Composition ratio		Composition ratio		
Total Current Assets	23,431	56.2%	23,942	58.5%	+2.2%	Current assets +510 • Cash and deposits +1,048 • Accounts receivable -trade +125
Cash and Deposits	15,482	37.1%	16,530	40.4%	+6.8%	
Total non-current Assets	18,298	43.8%	16,954	41.5%	(7.3%)	• Securities (4) • Inventory (516) Non-current assets (1,343) • Property, plant and equipment (1,175)
Total Property, Plant and Equipment	10,342	24.8%	9,167	22.4%	(11.4%)	
Total Assets	41,729	100.0%	40,897	100.0%	(2.0%)	• Intangible assets (234) • Investments and other assets +66
Total Current Liabilities	10,062	24.1%	9,789	23.9%	(2.7%)	
Advances received	4,529	10.9%	4,576	11.2%	+1.0%	Current liabilities (272) • Advances received +46 • Provision for bonuses (134) • Others (46)
Total Non-current Liabilities	7,234	17.3%	7,085	17.3%	(2.1%)	
Total Liabilities	17,296	41.4%	16,875	41.3%	(2.4%)	Net assets (410) • Retained earnings (97) (Net income +897) (Cash dividends paid (994))
Total Net Assets	24,432	58.6%	24,021	58.7%	(1.7%)	
Retained earnings	17,657	42.3%	17,560	42.9%	(0.5%)	
Total Liabilities and Net Assets	41,729	100.0%	40,897	100.0%	(2.0%)	

Consolidated Statements of Cash Flows

(¥ Million)

	Year ended March 31, 2017	Year ended March 31, 2018	Key YoY changes
Net Cash provided by (used in) operating activities	4,301	3,686	Net cash provided by (Used in) <ul style="list-style-type: none"> • Income before income taxes (925) • Advances received (194) • Decrease (increase) in notes and accounts receivable – trade (381) • Reserve for retirement benefits for officers (2,045)
Net cash provided by (used in) investing activities	(3,434)	(1,000)	
Free Cash Flow	867	2,685	
Net Cash provided by (used in) financing activities	(1,378)	(1,756)	
Cash and cash equivalents at the beginning of period	16,072	15,515	Net cash provided by (Used in) financing activities <ul style="list-style-type: none"> • Cash dividends paid (66) • Treasury stock acquisition (331)
Cash and cash equivalents at the end of period	15,515	16,401	
Net increase (decrease) in cash and cash equivalents	(557)	885	