



Presentation Material

1H FY2020 (April 1st, 2019 to September 30th, 2019)

ARTNATURE INC.

Overview of 1H FY2020 Results & Financial Forecast

Net Sales & Operating Income

(¥ million)

	1H FY2019 (Results)	1H FY2020 (Results)	YoY Change	Year-end (Plan)	Progress rate
Net Sales	17,927	20,126	+12.3%	39,368	51.1%
Operating Income	1,418	2,907	+105.0%	3,377	86.1%

Breakdown of Net Sales

(¥ million)

	1H FY2019 (Results)	1H FY2020 (Results)	YoY Change	Year-end (Plan)	Progress rate
Men's Business	10,616	11,576	+9.0%	22,387	51.7%
Ladies' Business	6,799	7,938	+16.7%	14,977	53.0%
Others	511	611	+19.5%	2,003	30.5%

※Ladies' Business including JULLIA OLGIER

【New products】

■ Men's Business, ● Ladies' Business, ▲ JULLIA OLGER, ◆ Other

- March, hair addition system "WRP".
- March, custom-made wig "Pufeel more rich".
- ◆ May, haircare products "ARTMICRON Meister SHAMPOO".
- June, hair addition system "Beauty Up Meu"
- September, hair addition system "MRP 01"
- September, custom-made wig "FREEDIA"
- ▲ October, ready-made wig "SHIN · SARARA"

【New salon openings】

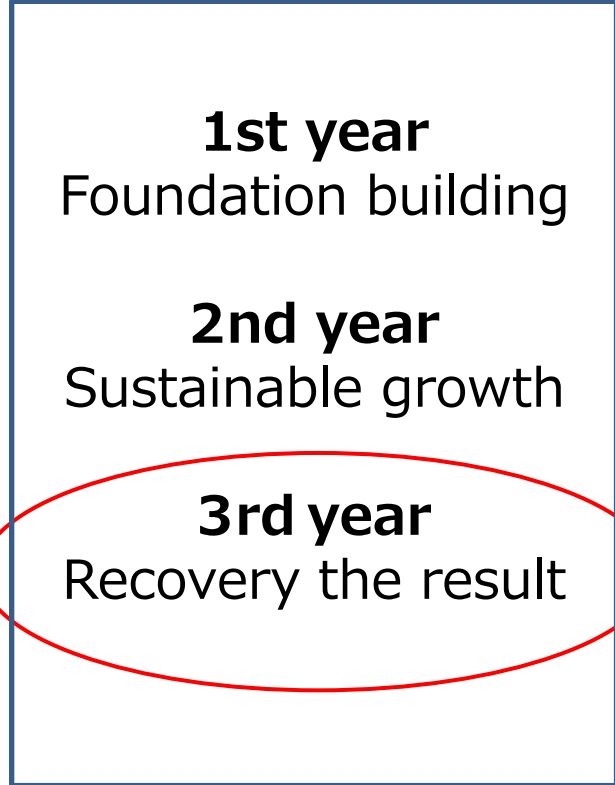
- ▲ Opened 6 JULLIA OLGER salons (86 salons by September 2019)
- ▲ Opened 2 in-hospital hair salons in Hokkaido and Hyogo prefecture (5 salons by September 2019)

【Others】

- ◆ September, opened a flagship shop on "Tmall Global", the cross-border EC site for China
- October, opened the Hair growth salon for men "LABOMO GINZA"
- ◆ October, made "NAO-ART CO., Ltd", the women's ready-made wig company, a wholly owned subsidiary

Four key areas

Boost profitability



Step into new business areas

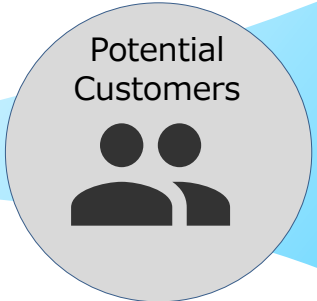
new business areas

Advertisement
(TV/News Paper/WEB etc.)

Interest

Inquiry

Purchase



Phone



email



Salon/Shop



Online

(Home shopping/Mail-order)



**wigs (custom-made/
ready-made)**

High-end



wigs (ready-made)

Mid-range



Hair care products

Hair addition

Hair growth



After sales service

Hair care services

Wig maintenance



Equipment sales

Hair care products

Health food etc.



Pharmaceutical sales

Hair-regrowth treatment

Aim of stepping into new business areas

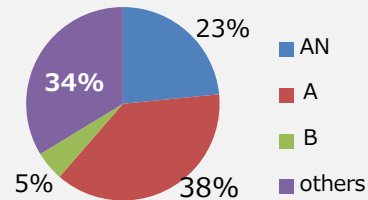
① Purpose of entering the Mid-range market

⇒ To meet needs for those who want reasonable and easiness as an entry model for our wig

wigs
(Mid-range)



2018 Ladies' hair industry market scale (Revenue share)



• Wig market is divided into high-end market and Mid-range market.

• Others in the Ladies' wig market contains low-end wigs and estimated a significant number of people in the market.



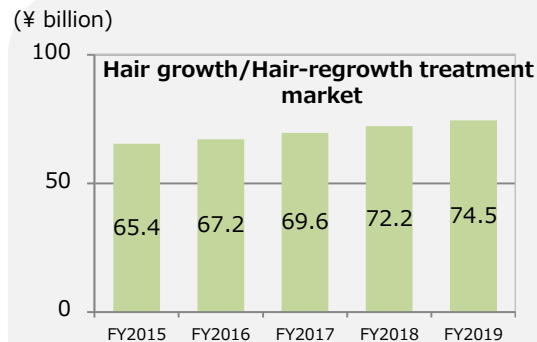
As a hair consultant, for the purpose of meeting women's diversifying needs, we acquired ready-made brand anew and aim to expand customer base in our group.

Note: Based on business revenue
Source of: Yano Research Institute Ltd.「Hair care marketing general view 2019」

② Purpose of entering into the Hair growth market

⇒ Differentiate from other companies by expanding product lineup, aiming to develop new distribution channels

Pharmaceutical sales



• It is hard to follow up customers at drug stores because they only handle for sales.

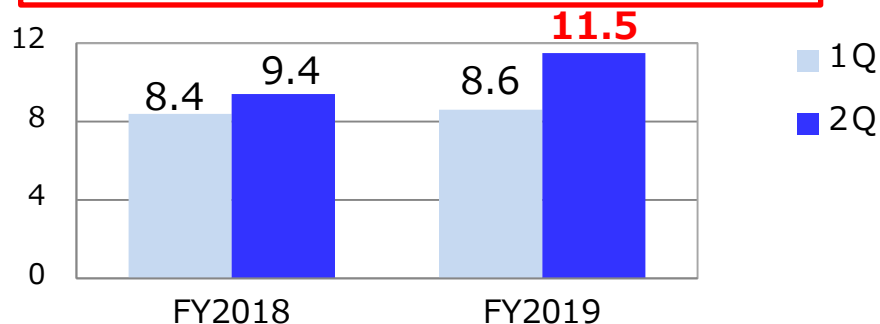


By starting the pharmaceutical sale as a hair consultant, we expand our products lineup, and at the same time, differentiate from other companies by making the most of our cultivated business experience.

Note. Based on brand manufacturer shipment value
Source of: Yano Research Institute Ltd.「Hair care marketing general view 2019」

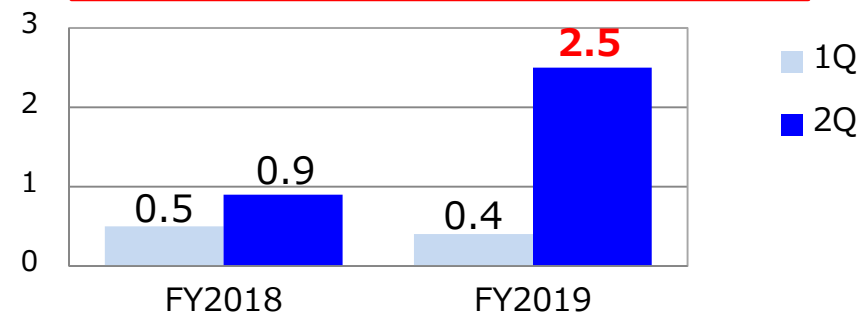
First Half Sales (¥ billion)

Proceeding according to plan
(Last-minute demand before tax increase)



First Half Operating Profit (¥ billion)

Large increase in profit
due to increased sales

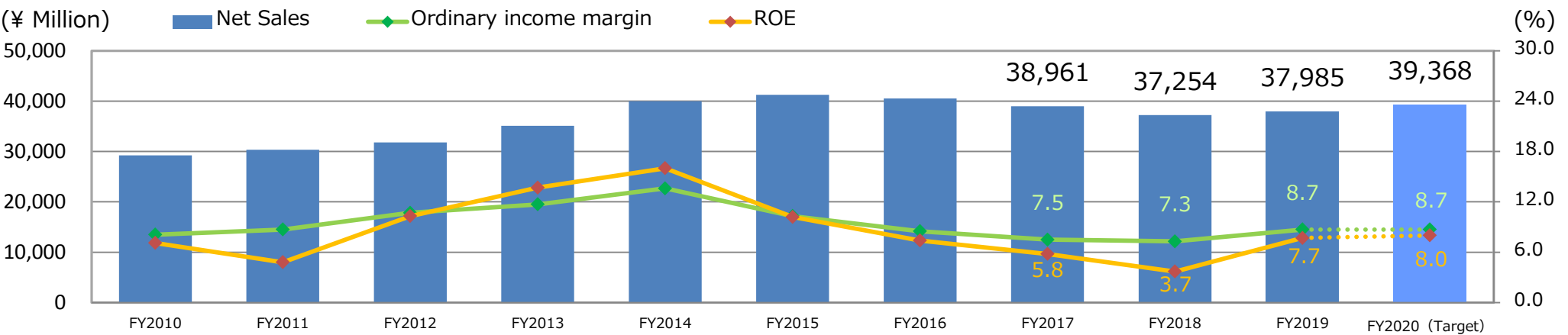


Initiatives for second half

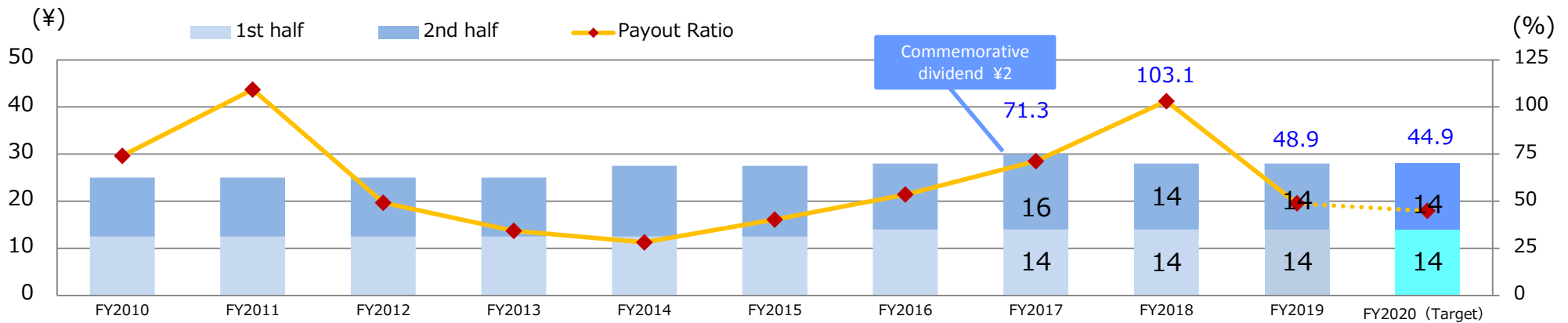
- ① Focus on sales activities for newly released products & services released in September
- ② Proactively invest management resources enhancing commercial promotion, etc.
- ③ Step into new business areas

⇒ As cost increase is expected in second half,
Annual plan stays as announced

FY2020 (Target) Net Sales: ¥39.3 billion Ordinary Income Margin: 8.7% ROE: 8.0%



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 FY2020
&
Financial Forecast FY2020**

1H FY2020 : Financial Highlights

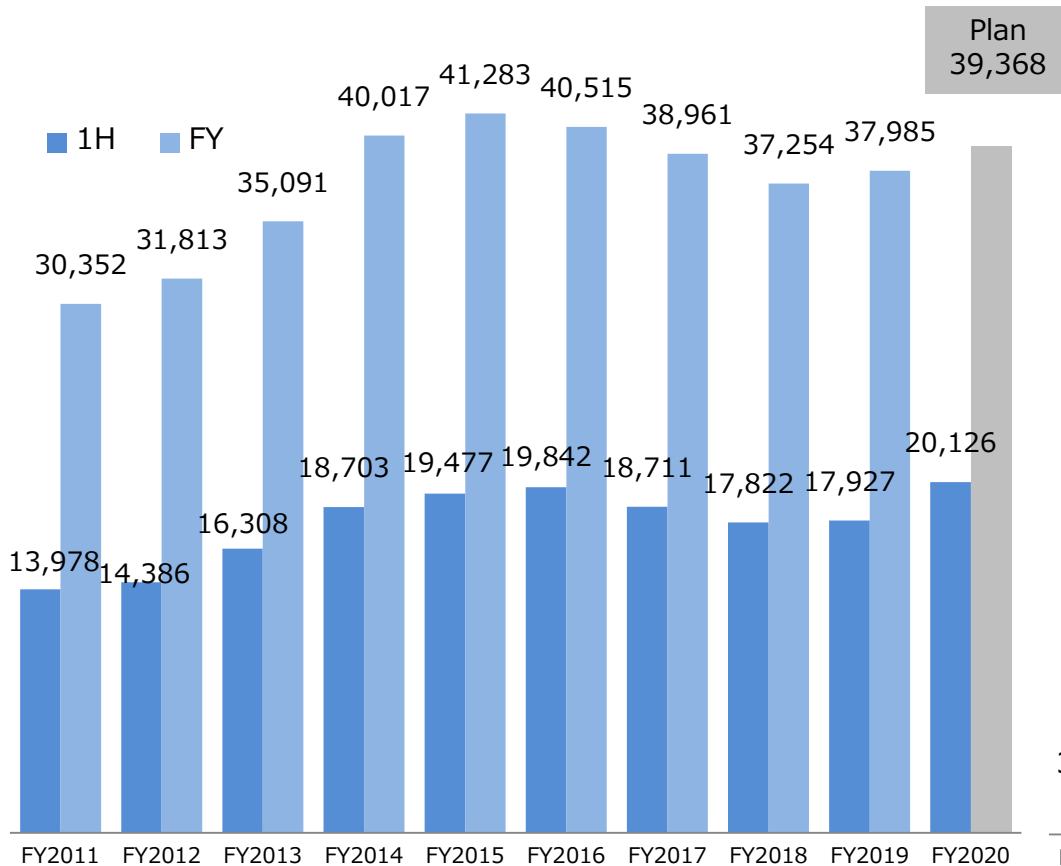


(¥ million)

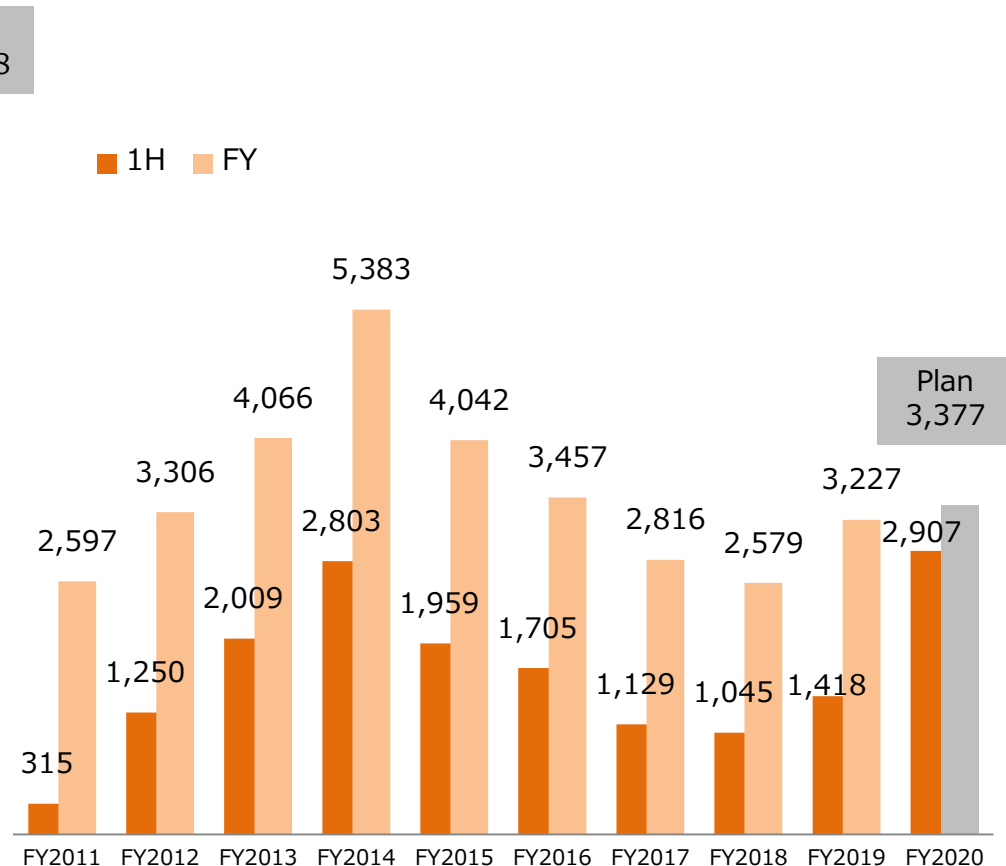
	1H FY2019 (Results)	1H FY2020 (Results)	FY2020 (Plan)	Major Factors behind YoY Change
Net Sales	17,927	20,126	39,368	Net Sales : UP 12.3% Men's Business : UP 9.0% Ladies' Business : UP 16.7%
Men's Business	10,616	11,576	22,387	
Ladies' Business	6,799	7,938	14,977	
Others	511	611	2,003	
Cost of Sales	5,776	6,008	12,076	Cost of Sales Ratio : Down 2.3 Pt (Product Cost : Down 0.2Pt) (HR : Down 2.1 Pt)
Gross Profit	12,150	14,117	27,292	
SG&A Expenses	10,732	11,210	23,915	SG&A Expenses Ratio : Up 4.5% Ad Spending : Up 0.1% HR : Up 6.3 % Others : Up 16.3%
Ad Spending	2,993	2,996	6,791	
HR	2,490	2,647	5,086	
Operating Income	1,418	2,907	3,377	CAPEX Store facilities : ¥464 million System related : ¥56 million
Ordinary Income	1,489	2,941	3,425	
Net Income	920	1,925	2,031	
Depreciation	461	432	932	
CAPEX	539	533	2,115	

Net Sales and Operating Income Trends

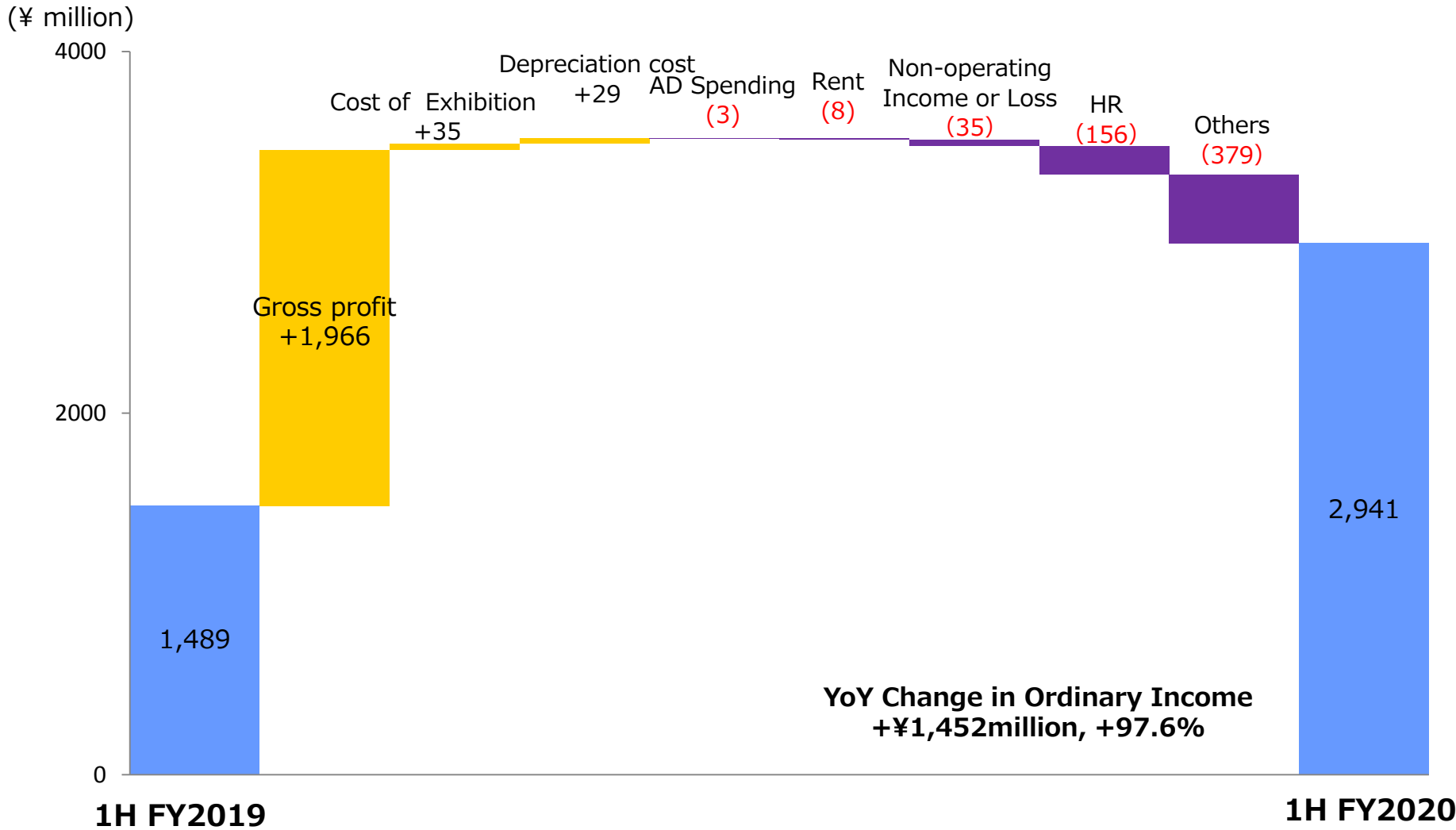
Net Sales (¥ million)



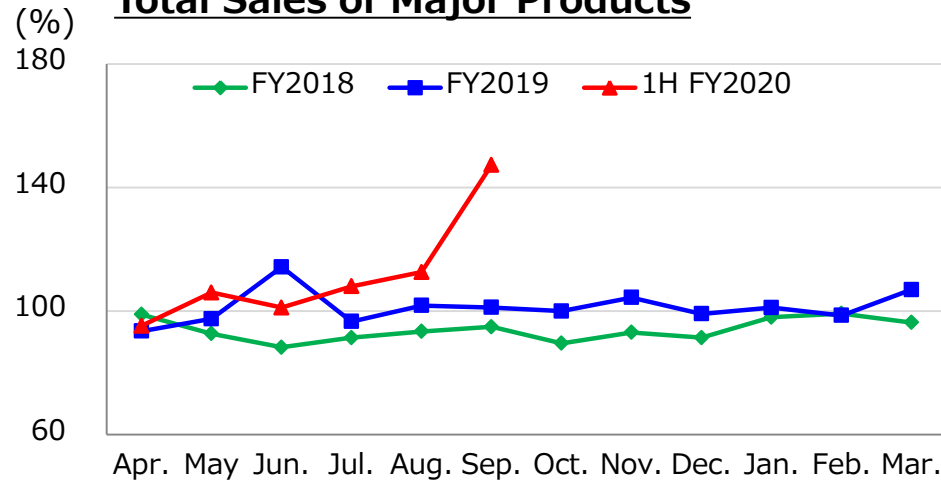
Operating Income (¥ million)



1H FY2020 : Analysis of SG&A Expenses



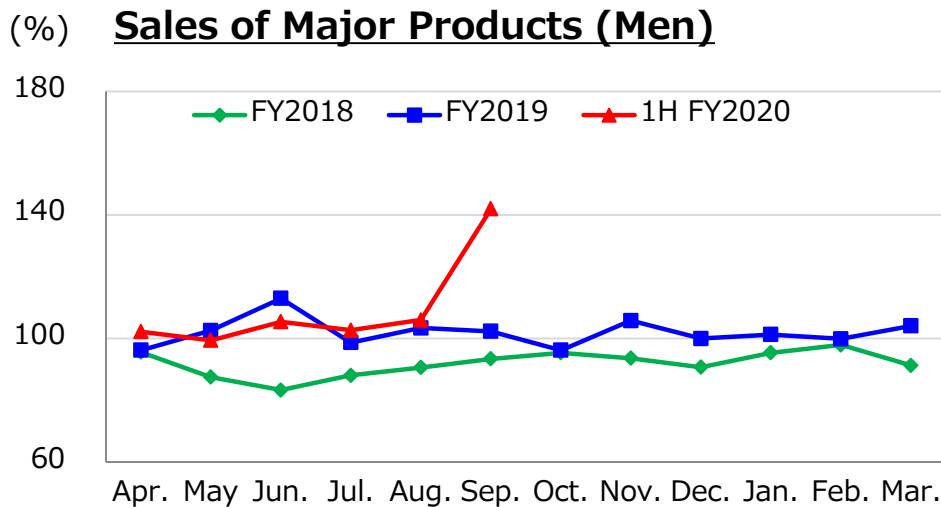
Total Sales of Major Products



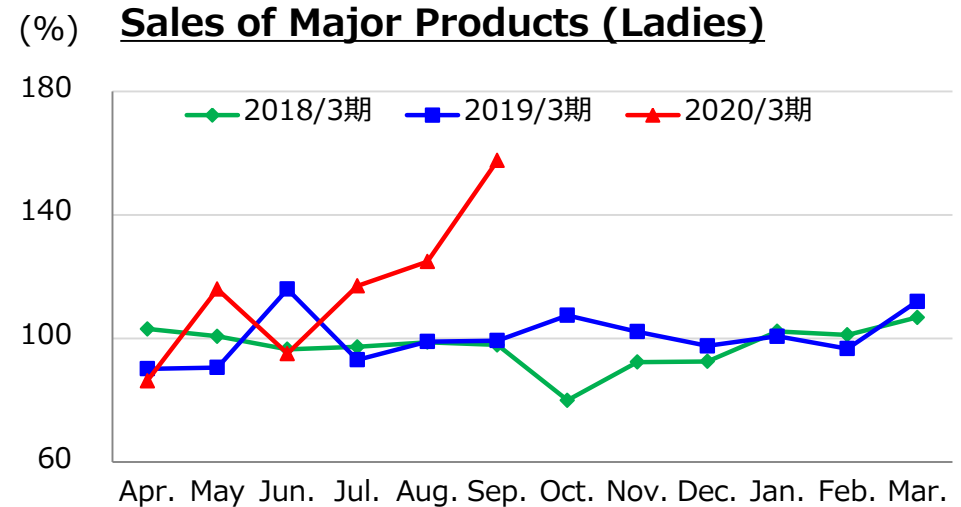
Total Sales of Major Products (Half-year)

	Total	Men	Ladies
1H FY2018	93.2	89.7	99.0
1H FY2019	100.8	102.7	97.8
1H FY2020	113.3	111.6	116.1

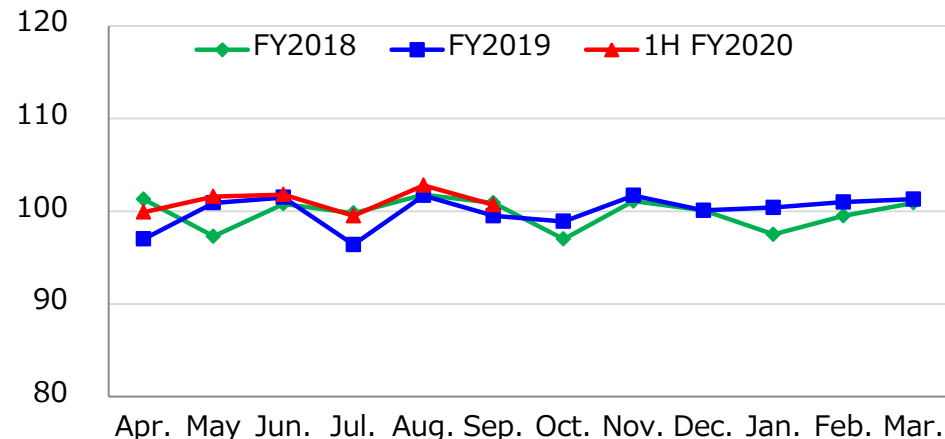
Sales of Major Products (Men)



Sales of Major Products (Ladies)



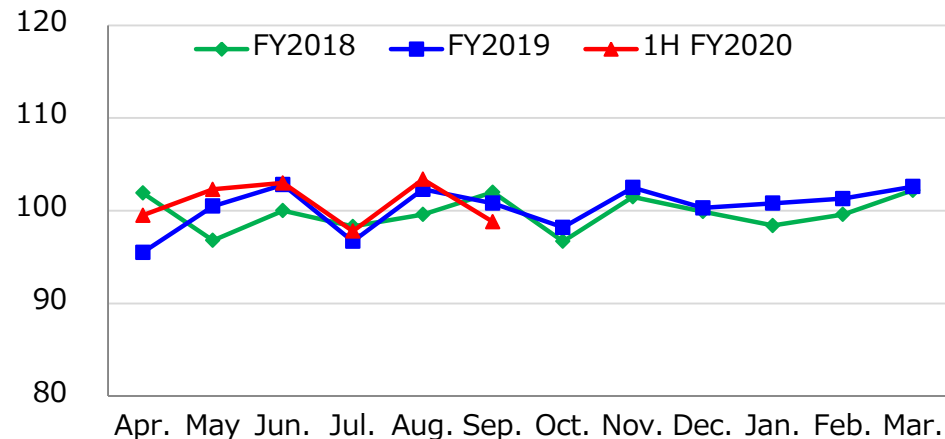
(%) **Customer Traffic (Total)**



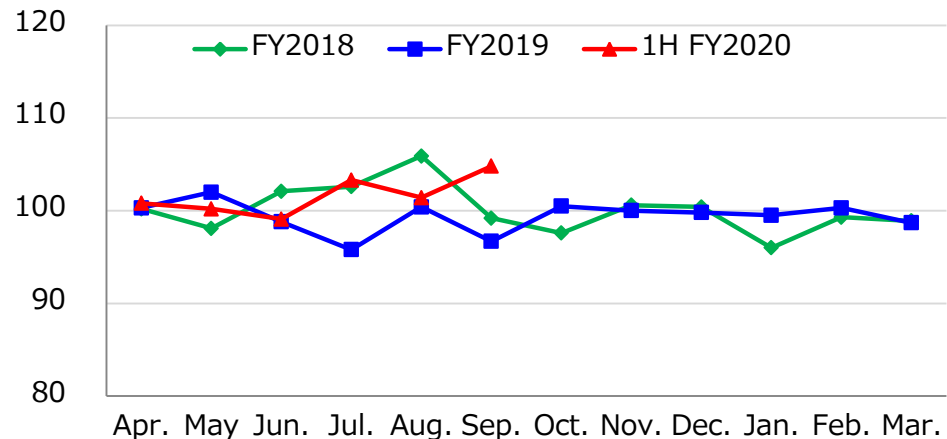
The number of customer traffic (Half-year)

	Total	Men	Ladies
1H FY2018	100.3	99.7	101.2
1H FY2019	99.5	99.7	99.0
1H FY2020	100.7	100.4	101.5

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



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

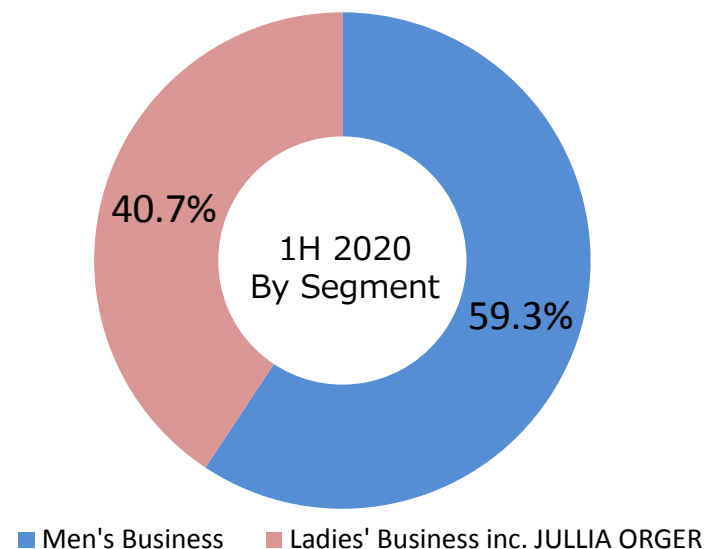
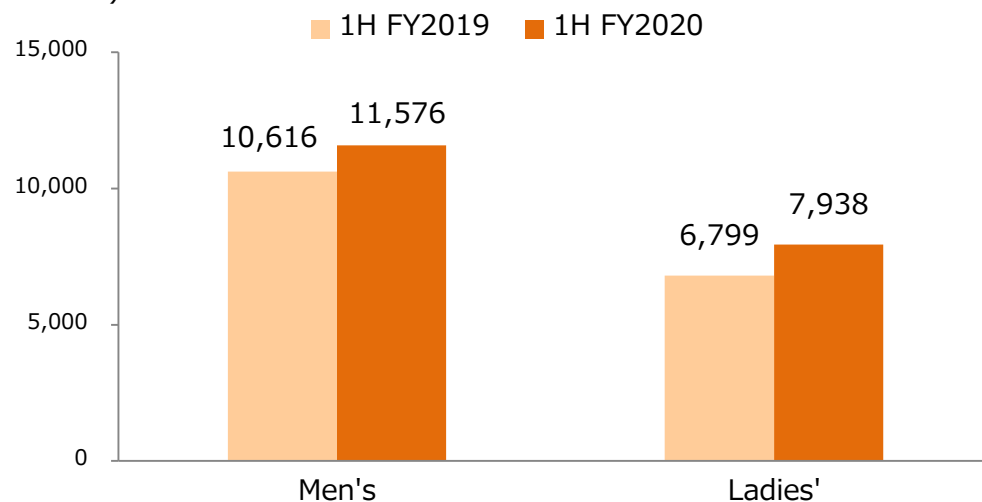


1H FY2020 : Breakdown of Sales by Segment

(¥ million)

	1H FY2019 (Results)	1H FY2020 (Results)	YoY Change	Year-end (Plan)	Progress rate
Net Sales	17,927	20,126	+12.3%	39,368	51.1%
Men's Business	10,616	11,576	+9.0%	22,387	51.7%
Ladies' Business	6,799	7,938	+16.7%	14,977	53.0%
Others	511	611	+19.8%	2,003	30.6%

(¥ million)



1H FY2020 : Breakdown of Sales Forecast by Product and Services (Non-consolidated Basis)



(¥ million)

Net Sales		1H FY2019	1H FY2020	YoY Change	
Custom-made Wigs	New Customers	1,537	1,668	+130	+8.5%
	Repeat Business	8,650	9,464	+814	+9.4%
	Total	10,187	11,132	+944	+9.3%
Hair Addition Products	New Customers	795	980	+184	+23.2%
	Repeat Business	1,258	1,752	+493	+39.2%
	Total	2,054	2,733	+678	+33.0%
Hair Growth Services	New Customers	56	61	+4	+8.1%
	Repeat Business	472	543	+71	+15.1%
	Total	528	604	+75	+14.3%
Styling Services		2,754	2,786	+31	+1.2%
JULLIA OLGIER		1,179	1,550	+370	+31.4%
Others		1,123	1,172	+48	+4.3%
All Products & Sevices	New Customers	2,390	2,710	+320	+13.4%
	Repeat Business	13,846	15,254	+1,408	+10.2%
	JULLIA OLGIER (Ladies' ready-made wigs)	1,179	1,550	+370	+31.4%
	Others	412	464	+51	+12.5%
	Total	17,828	19,979	+2,150	+12.1%

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

1H FY2020 : Breakdown of Sales by Product & Services in Men's Business (Non-consolidated Basis)



(¥ million)

Net Sales		1H FY2019	1H FY2020	YoY Change	
Custom-made Wigs	New Customers	358	290	(67)	(18.8%)
	Repeat Business	5,780	6,443	+662	+11.5%
	Total	6,138	6,733	+595	+9.7%
Hair Addition Products	New Customers	601	668	+66	+11.1%
	Repeat Business	782	1,029	+246	+31.5%
	Total	1,383	1,697	+313	+22.7%
Hair Growth Services	New Customers	51	55	+3	+6.4%
	Repeat Business	306	305	(1)	(0.4%)
	Total	358	360	+2	+0.6%
Styling Services		2,225	2,266	+41	+1.8%
Others		510	518	+7	+1.6%
All Products & Services	New Customers	1,011	1,014	+2	+0.3%
	Repeat Business	9,605	10,562	+957	+10.0%
	Total	10,616	11,576	+960	+9.0%

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

Men's Business

Strong sales due to the introduction of new products

FY2020 Overview	
New Customers	<ul style="list-style-type: none"> Increased response to hair addition new technology "MRP advance"
Repeat Customers	<ul style="list-style-type: none"> Strong sales of new custom-made wigs with the stable sales of hair addition Expansion of Solid Sales Foundation and Stable Sales
Others	<ul style="list-style-type: none"> Last-minute demand before tax increase



※イメージ図
 ※This picture is a depiction

1H FY2020 : Breakdown of Sales Forecast by Products and Services

Men's Business (Non-consolidated Basis)



(¥ million)

	FY2019		FY2020				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	6,138	13,192	6,733	+9.7%	13,209	+0.1%	51.0%
Hair Addition Products	1,383	2,785	1,697	+22.7%	2,807	+0.8%	60.5%
Hair Growth Services	358	705	360	+0.6%	895	+26.9%	40.3%
Styling Services	2,225	4,393	2,266	+1.8%	4,465	+1.6%	50.8%
Others	510	1,009	518	+1.6%	1,009	+0.0%	51.3%
Total	10,616	22,086	11,576	+9.0%	22,387	+1.4%	51.7%

1H FY2020 : Breakdown of Sales Forecast by Products and Services

Ladies' Business (Non-consolidated Basis)



(¥ million)

Net Sales		1H FY2019	1H FY2020	YoY Change	
Custom-made Wigs	New Customers	1,179	1,377	+197	+16.8%
	Repeat Business	2,870	3,021	+151	+5.3%
	Total	4,049	4,399	+349	+8.6%
Hair Addition Products	New Customers	194	312	+117	+60.6%
	Repeat Business	475	723	+247	+51.9%
	Total	670	1,035	+365	+54.5%
Hair Growth Services	New Customers	4	6	+1	+26.3%
	Repeat Business	165	237	+72	+43.7%
	Total	170	243	+73	+43.2%
Styling Services		529	519	(9)	(1.7%)
Others		1,380	1,739	+359	+26.1%
All Products & Services	New customers	1,379	1,696	+317	+23.0%
	Repeat business	4,240	4,691	+450	+10.6%
	JULLIA OLGIER	1,179	1,550	+370	+31.4%
	Total	6,799	7,938	+1,138	+16.7%

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

Ladies' Business

Gained higher response than previous year due to new products effective promotions

FY2020 Overview	
New Customers	<ul style="list-style-type: none"> • Strong sales of new products "Beauty Up Meu" • Good performance at department stores
Repeat Customers	<ul style="list-style-type: none"> • Performance improved from the second quarter due to the effects of new products
JULLIA OLGER	<ul style="list-style-type: none"> • Implement various sales strategies to increase customers • Opened 6 JULLIA OLGER new salons
Others	<ul style="list-style-type: none"> • Last-minute demand before tax increase



JULLIA OLGER salons
Ikebukuro Tobu Department Store



JULLIA OLGER salons
Daimaru Umeda Department Store

1H FY2020 : Breakdown of Sales Forecast by Products and Services

Ladies' Business (Non-consolidated Basis)



(¥ million)

	FY2019		FY2020				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	4,049	8,241	4,399	+8.6%	8,265	+0.3%	53.2%
Hair Addition Products	670	1,501	1,035	+54.5%	1,440	(4.1%)	71.9%
Hair Growth Services	170	373	243	+43.2%	355	(4.8%)	68.5%
Styling Services	529	1,041	519	(1.7%)	1,067	+2.5%	48.7%
JULLIA OLGER	1,179	3,199	1,550	+31.4%	3,378	+5.6%	45.9%
Others	200	384	189	(5.5%)	471	+22.6%	40.2%
Total	6,799	14,741	7,938	+16.7%	14,977	+1.6%	53.0%

FY2020 : Breakdown of Sales Forecast by Products and Services (Non-consolidated Basis/Total number of Men and Ladies)



(¥ million)

	FY2019		FY2020				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	10,187	21,434	11,132	+9.3%	21,475	+0.2%	51.8%
Hair Addition Products	2,054	4,286	2,733	+33.0%	4,247	(0.9%)	64.3%
Hair Growth Services	528	1,079	604	+14.3%	1,250	+15.9%	48.3%
Styling Services	2,754	5,434	2,786	+1.2%	5,532	+1.8%	50.4%
JULLIA OLGER	1,179	3,199	1,550	+31.4%	3,378	+5.6%	45.9%
Others	1,123	2,326	1,172	+4.3%	3,163	+36.0%	37.1%
Total	17,828	37,760	19,979	+12.1%	39,047	+3.4%	51.2%

FY2020 : Financial Forecast



(¥ million)

	FY2019		FY2020			
	1H FY2019 (Results)	Year-end (Results)	1H FY2020 (Results)	YoY Change	Year-end (Plan)	YoY Change
Net Sales	17,927	37,985	20,126	+12.3%	39,368	+3.6%
Men's Business	10,616	22,086	11,576	+9.0%	22,387	+1.4%
Ladies' Business	6,799	14,741	7,938	+16.7%	14,977	+1.6%
Others	511	1,157	611	+19.5%	2,003	+73.1%
Cost of Sales	5,776	11,756	6,008	+4.0%	12,076	+2.7%
Gross Profit	12,150	26,228	14,117	+16.2%	27,292	+4.1%
SG&A Expenses	10,732	23,001	11,210	+4.5%	23,915	+4.0%
Ad Spending	2,993	6,531	2,996	+0.1%	6,791	+4.0%
HR	2,490	4,873	2,647	+6.3%	5,086	+4.4%
Operating Income	1,418	3,227	2,907	+105.0%	3,377	+4.7%
Ordinary Income	1,489	3,308	2,941	+97.6%	3,425	+3.5%
Net Income	920	1,864	1,925	+109.1%	2,031	+9.0%
Depreciation	461	933	432	(6.3%)	932	(0.0%)
CAPEX	539	1,390	533	(1.1%)	2,115	+52.1%



<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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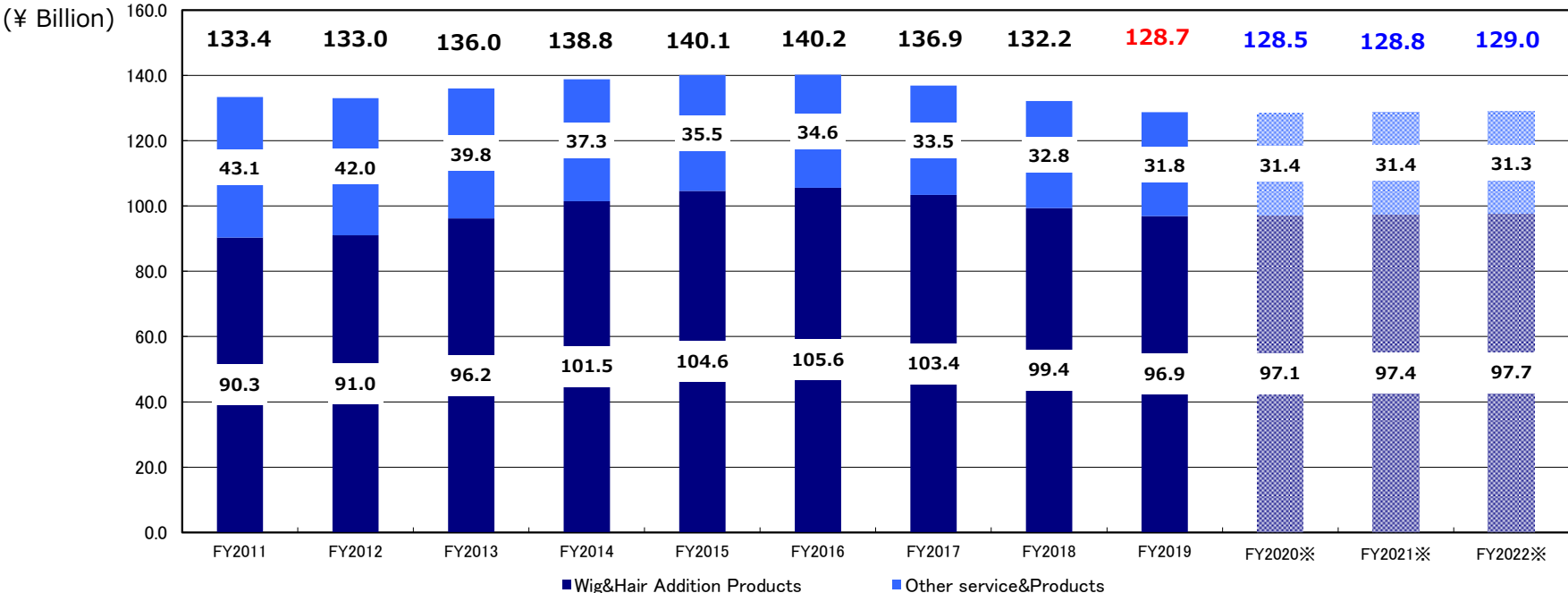
Reference Material

Hair Product Manufacturing Market

The economic downturn caused by the Lehman shock in the autumn of 2008 caused sluggishness in consumer spending. In addition, the adjacent market increased competition. The market was able to expand from 2012 as companies enhanced the promotion of ladies' wigs, and repeat sales for men's wigs expanded. In 2016 new entrants and small/medium-sized businesses introduced low priced products to the market, which caused a fall in sales to 128,700million yen, 97.4% of the total in the previous year.

Market Issues • Issues and Prospects

- The issue is customer retention in Ladies' market.
 - Expansion in Asian market entry, which has big potential, in men's market
 - Expansion of "hair care/ beauty products" and enhanced customer contact by entering new channels such as "online/ B to C."
- Expansion of sales in hair care products and effect of synergies. The aging of society and the growing interest in aging care products creates potential demand in the market. The market is expected to gradually expand from 2019.



Source of: Yano Research Institute Ltd.「Hair care marketing general view 2019」 *1. Based on companies *2. ※ Predicted value

(¥ million)

	As of March 31, 2019		As of September 30, 2019		Rate of change	Major Factors behind YoY Change
		Composition ratio		Composition ratio		
Total Current Assets	25,206	58.7%	25,714	59.1%	+2.0%	Current assets +507 • Cash and deposits +425 • Accounts receivable - trade (264) • Securities (10) • Inventory +360
Cash and Deposits	18,275	42.5%	18,701	43.0%	+2.3%	
Total Non-current Assets	17,764	41.3%	17,810	40.9%	+0.3%	Non-current assets +46 • Property, plant and equipment +93 • Intangible assets (68)
Total Property, Plant and Equipment	9,282	21.6%	9,376	21.5%	+1.0%	
Total Assets	42,971	100.0%	43,525	100.0%	+1.3%	Current liabilities (1,144) • Advances received (265) • Accrued income taxes (64) • Accounts payable (705)
Total Current Liabilities	11,213	26.1%	10,068	23.1%	(10.2%)	
Advances Received	4,770	11.1%	4,504	10.3%	(5.6%)	Net assets +1,563 • Retained earnings +1,469 (Net income +1,925) (Cash dividends paid (455))
Total Non-current Liabilities	6,989	16.3%	7,124	16.4%	+1.9%	
Total Liabilities	18,203	42.4%	17,193	39.5%	(5.5%)	Total Liabilities and Net Assets
Total Net Assets	24,767	57.6%	26,331	60.5%	+6.3%	
Retained Earnings	18,510	43.1%	19,980	45.9%	+7.9%	
Total Liabilities and Net Assets	42,971	100.0%	43,525	100.0%	+1.3%	

(¥ million)

	As of September 30, 2018	As of September 30, 2019	Major Factors behind YoY Change
Net cash provided by (used in) operating activities	2,217	1,459	Net cash provided by (used in) operating activities
Net cash provided by (used in) investing activities	(490)	(362)	<ul style="list-style-type: none"> • Advances received (350) • Decrease (increase) in notes and accounts receivable trade (351) • Income before income taxes +1,455 • Income taxes paid (989)
Free cash flow	1,726	1,097	
Net cash provided by (used in) financing activities	(818)	(662)	Net cash provided by (used in) investing activities
Cash and cash equivalents at the beginning of period	16,401	17,986	<ul style="list-style-type: none"> • Purchase of property, plant and equipment +168 • Purchase of intangible assets +15
Cash and cash equivalents at the end of period	17,303	18,408	Net cash provided by (used in) financing activities
Net increase (decrease) in cash and cash equivalents	901	421	<ul style="list-style-type: none"> • Cash dividends paid +3 • Treasury stock acquisition +147