



**Presentation Material FY2020
for the Year Ended March 31, 2020**

ARTNATURE INC.

		Content
Sales	Men's Business	• April sales YoY : 33.8%
	Ladies' Business	• April sales YoY : 15.8%
	JULLIA ORGER	• April sales YoY : 42.3%
Customer traffic	Men's Business	• April customer traffic : 91.0%
	Ladies' Business	• April customer traffic : 55.2%
Subsidiary	Domestic	• NAO-ART CO.,LTD : responding to requests from commercial facilities • ART MIKAWAYA INC. : suspended due to the effect of the stage cancellation
	Overseas production	• Philippines : resuming partial operation
	Overseas sales	• China : short working hours • Southeast Asia : Singapore temporarily closed
Others		• Postponed business negotiation and events • Delivery delay occurs • 0 employees have virus

Basic policy on COVID-19 infection

- 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 for maintenance for employment of works

項目		内容
Customers	Service continuation	<ul style="list-style-type: none"> • Shorten working hours • Followed the facilities decision for shops in commercial facilities
	Prevention of the spread of infection	<ul style="list-style-type: none"> • Requiring to check customers' temperature and physical condition • Refraining from visiting customers' homes
Employees	Thorough hygiene management	<ul style="list-style-type: none"> • Temperature management, constant handwashing and gargling, wearing face masks, disinfecting rooms after every use, refraining from business trip
	Review of work system	<ul style="list-style-type: none"> • Introduced work from home for applicable workers
Others	Business partners	<ul style="list-style-type: none"> • Followed the facilities decision for holding events at department stores and/or commercial facilities • Refraining from visiting business partners
	Service support	<ul style="list-style-type: none"> • Offering extended period for free after-sale services

**Financial Results for the Fiscal Year Ending March 2020
& The New Medium-Term Management Plan**

Net Sales & Operating Income

(¥ Million)

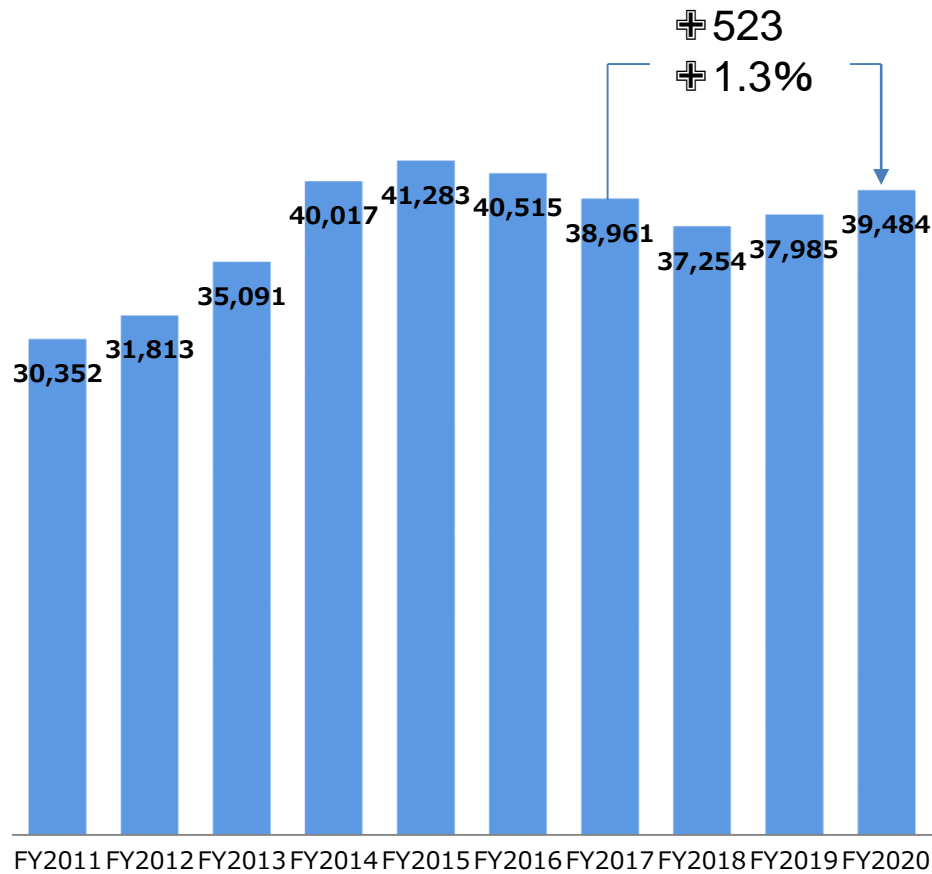
	FY2019 (Results)	FY2020 (Plan)	FY2020 (Results)	YoY Change	Plan ratio
Net Sales	37,985	39,368	39,484	+3.9%	+0.3%
Operating Income	3,227	3,377	2,919	(9.5%)	(13.5%)

Breakdown of Net Sales

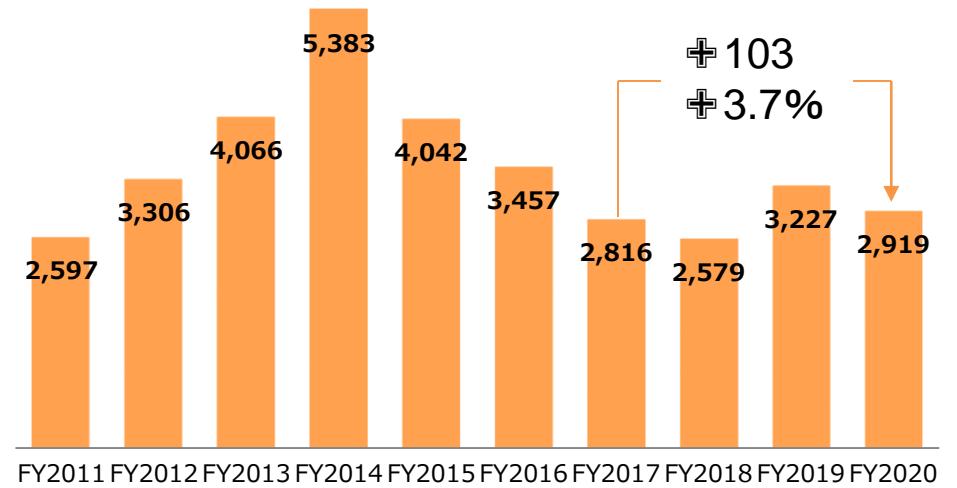
	FY2019 (Results)	FY2020 (Plan)	FY2020 (Results)	YoY Change	Plan ratio
Men's Business	22,086	22,387	22,369	+1.3%	(0.1%)
Ladies' Business	14,741	14,977	15,720	+6.6%	+5.0%
Others	1,157	2,003	1,394	+20.4%	(30.4%)

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

Net Sales (¥ Million)



Operating Income (¥ Million)



	FY2018	FY2019	FY2020
Plan	<p>Foundation building</p> <p>Rebuild the sales structure while monitoring appropriate profit levels</p>	<p>Sustainable growth</p> <p>Prepare for new business startups while stabilizing the sales structure</p>	<p>Recovery the result</p> <p>Continue to expand the sales structure while moving into new business areas</p>
Result	<ul style="list-style-type: none"> • Most targets were achieved as planned 	<ul style="list-style-type: none"> • Increased in sales and profits and achieved our goals for the first time in 5 years 	<ul style="list-style-type: none"> • Increased in sales for 2 consecutive years
	<ul style="list-style-type: none"> • Improved cost structure of ARTNATURE group by selling the manufacturing subsidiary in Cambodia 	<ul style="list-style-type: none"> • Integrated the business headquarters between JULLIA ORGER and ARTNATURE 	<ul style="list-style-type: none"> • Developed business structure by entering new business areas
	<ul style="list-style-type: none"> • Ladies' new custom-made wig "pufeel" performed well 	<ul style="list-style-type: none"> • Ladies' new Ready-made wig "SARARA" performed well 	<ul style="list-style-type: none"> • Men's new hair addition products "MRP 01" performed well

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”

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



Business growth

- Expansion of existing businesses
- Expansion of Mid-range wigs
- Expansion of Hair-regrowth treatment
- Expansion of Medical institution support business

Step into new business areas

- Domestic and overseas M&A
- Open innovation
- New business

Strengthen the recruitment

- Reinforcement of recruitment
- Employee retention

Personnel training

- Strengthening on-site human resources
- Strengthening human resources at the head office

Dialogue with the market

- Practice of SDGs
- Strengthen IR activities
- Strengthen corporate governance

Business innovation

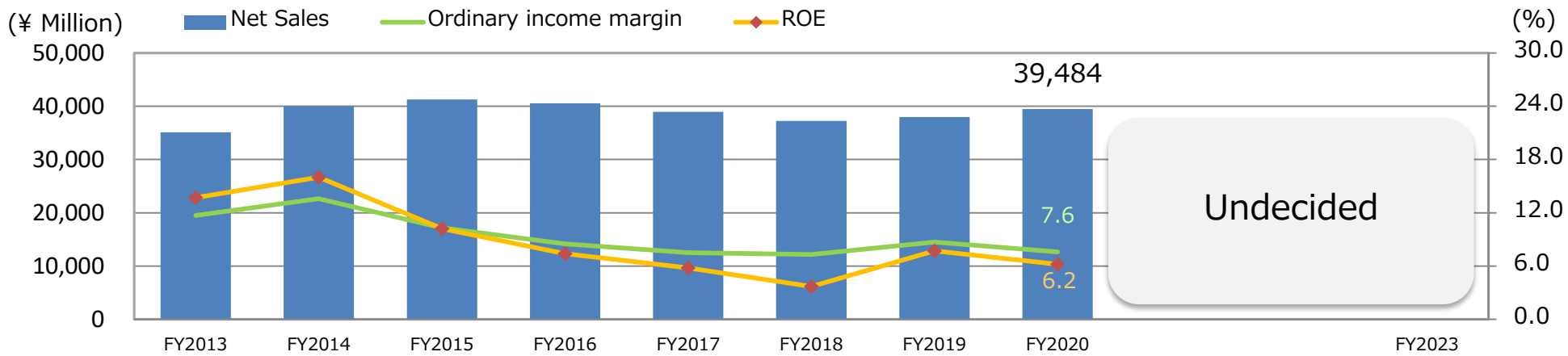
- Improvement of various systems
- Innovate of head office operations

(¥ Million)

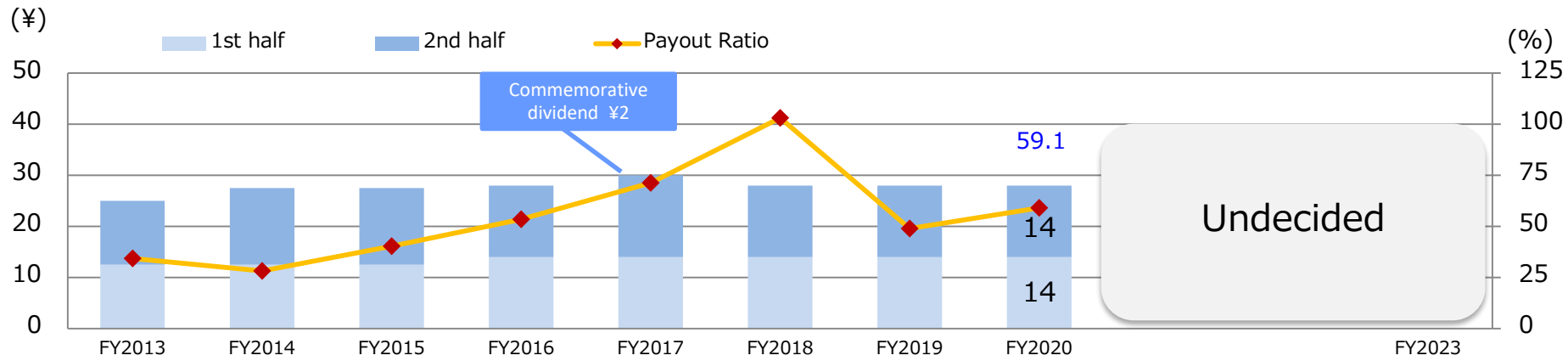
	FY2020 Results	FY2021 plan
Net Sales	39,484	—
Men's Business	22,369	—
Ladies' Business	15,720	—
Others	1,394	—
Operating Income	2,919	—
Ordinary Income	3,006	—
Net Income	1,542	—

- Reasonable calculation is difficult due to the influence of COVID-19 infection
- Promptly announce when forecasts can be calculated

FY2023 (Target) Net Sales: ¥- billion Ordinary Income Margin: -% ROE: -%



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

FY2020 (April 1st, 2019 to March 31st, 2020)

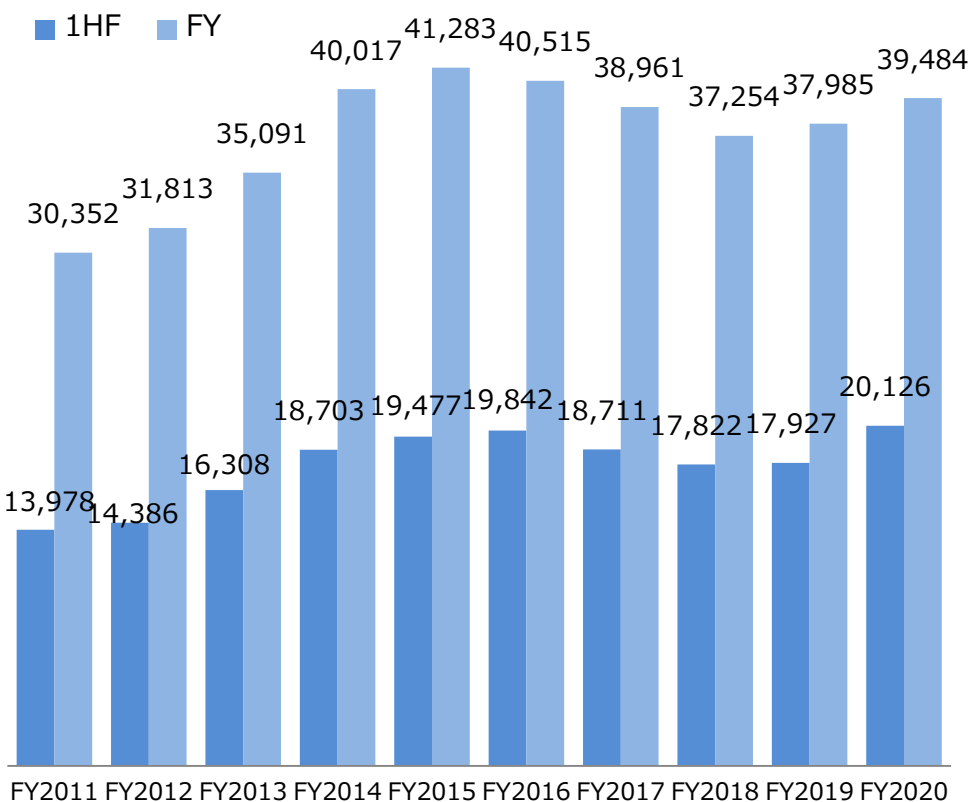
FY2020 : Consolidated Statements of Income Highlights



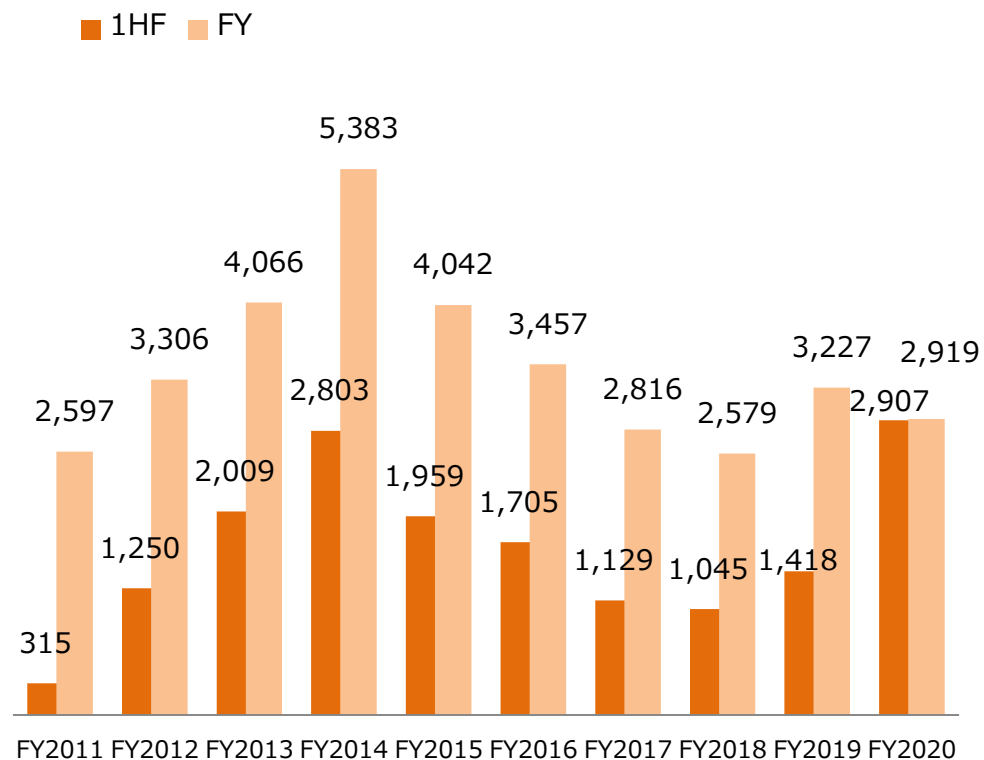
(¥ Million)

	FY2019 (Results)	FY2020 (Results)	FY2020 (Plan)	YoY Change
Net Sales	37,985	39,484	39,368	Net Sales : Up 3.9% Men's Business : Up 1.3% Ladies' Business : Up 6.6%
Men's Business	22,086	22,369	22,387	
Ladies' Business	14,741	15,720	14,977	
Others	1,157	1,394	2,003	
Cost of Sales	11,756	12,320	12,076	Cost of Sales Ratio : Up 0.2Pt Product Cost : Up 0.5Pt HR : Down 0.2Pt
Gross Profit	26,228	27,163	27,292	
SG&A Expenses	23,001	24,243	23,915	SG&A Expenses Ratio : Up 0.8Pt Ad Spending : Up 0.2Pt HR : Up 0.9Pt Other : Down 0.1Pt
Ad Spending	6,531	6,860	6,791	
HR	4,873	5,394	5,086	
Operating Income	3,227	2,919	3,377	CAPEX Store facilities : ¥745 million System related : ¥154 million
Ordinary Income	3,308	3,006	3,425	
Net Income	1,864	1,542	2,031	
Depreciation	933	921	932	
CAPEX	1,390	1,191	2,115	

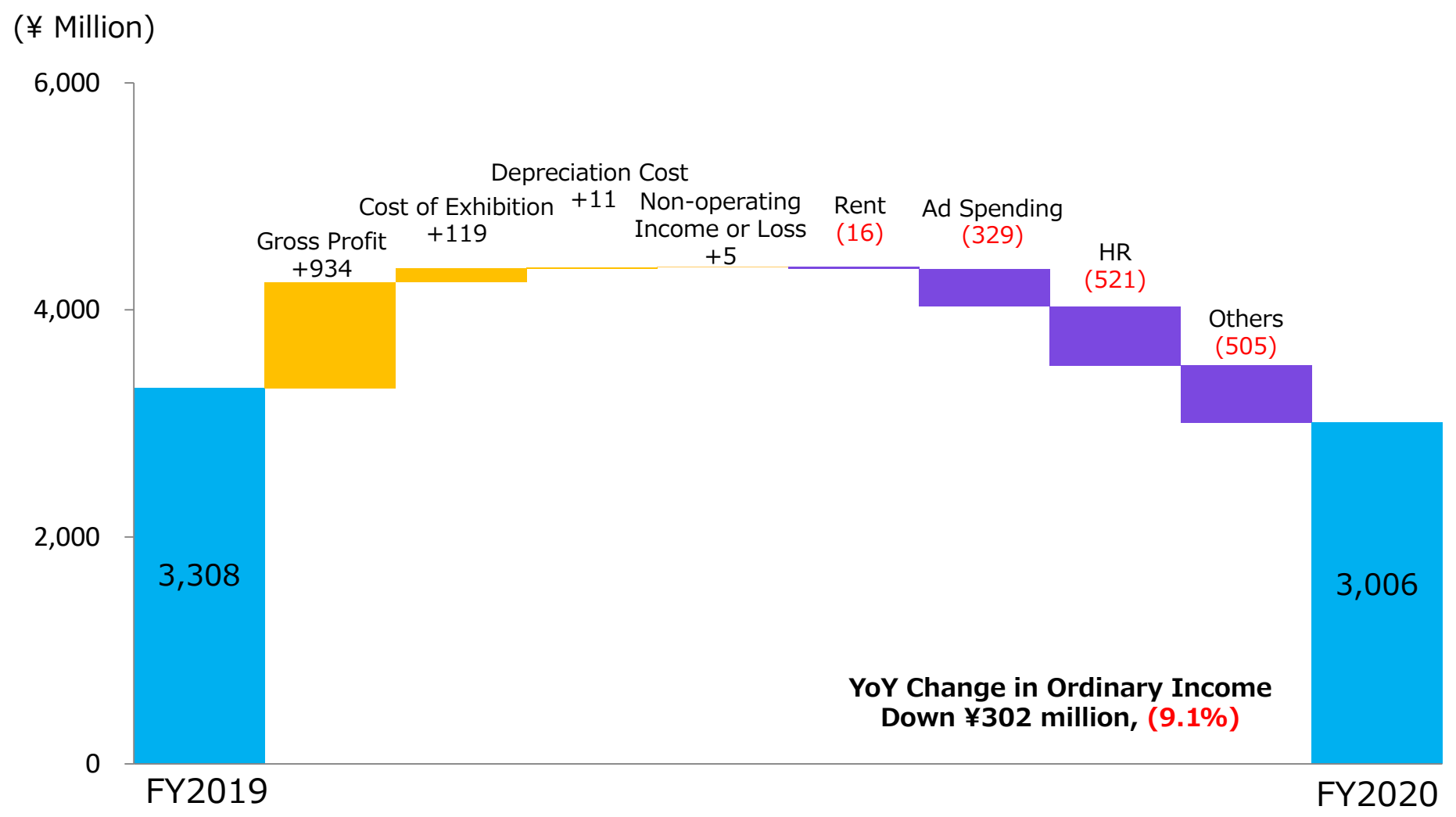
Net Sales
(¥ Million)



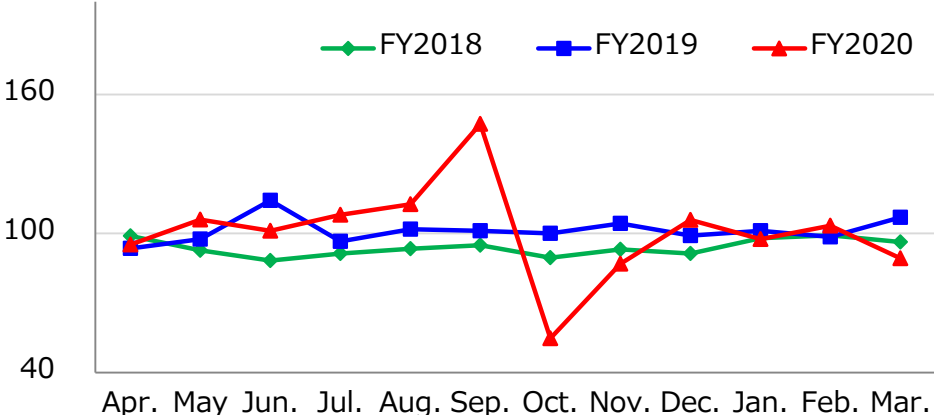
Operating Income
(¥ Million)



FY2020 : Analysis of Consolidated Ordinary Income



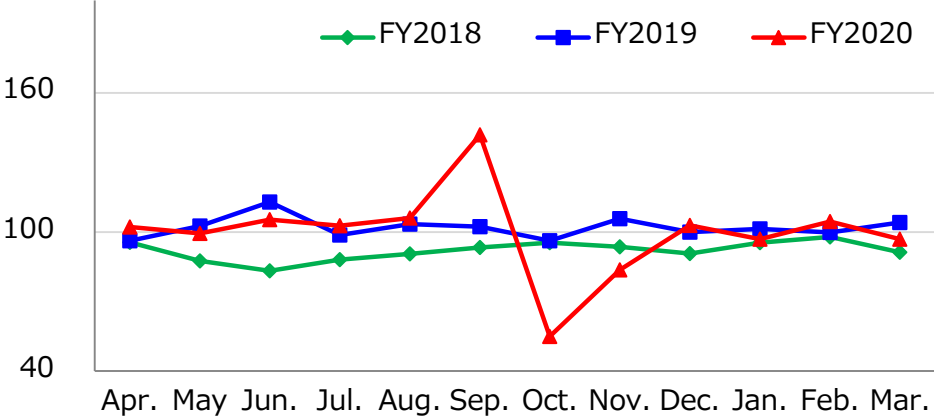
Sales of Major Products (Total)



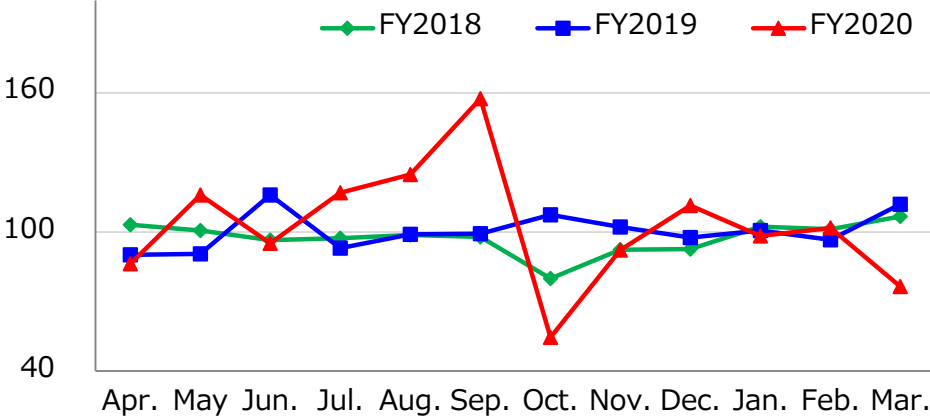
Total Sales of Major Products (Full-year) (%)

	Total	Men	Ladies
FY2018	93.9	91.8	97.7
FY2019	101.4	102.0	100.4
FY2020	101.6	101.1	102.4

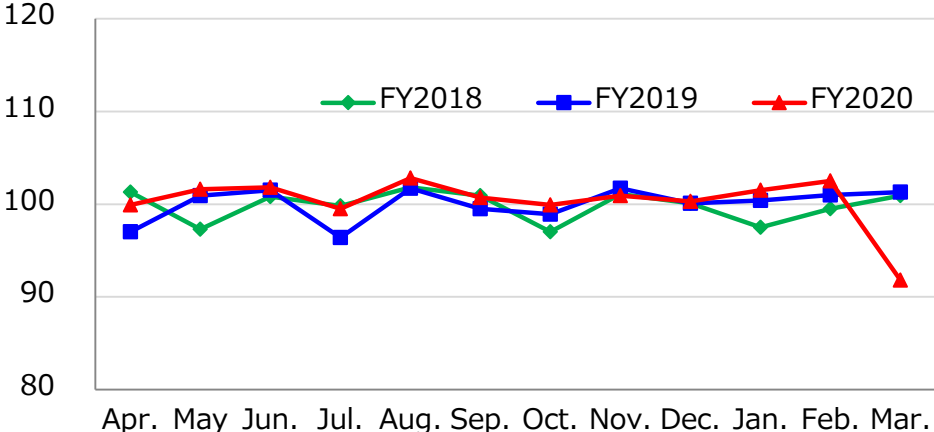
Sales of Major Products (Men)



Sales of Major Products (Ladies)



Customer Traffic (Total)

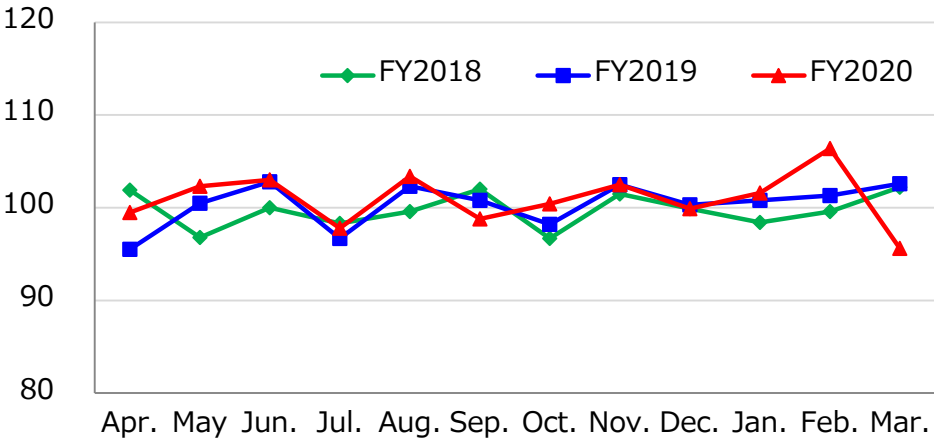


Customer Traffic (Full-year)

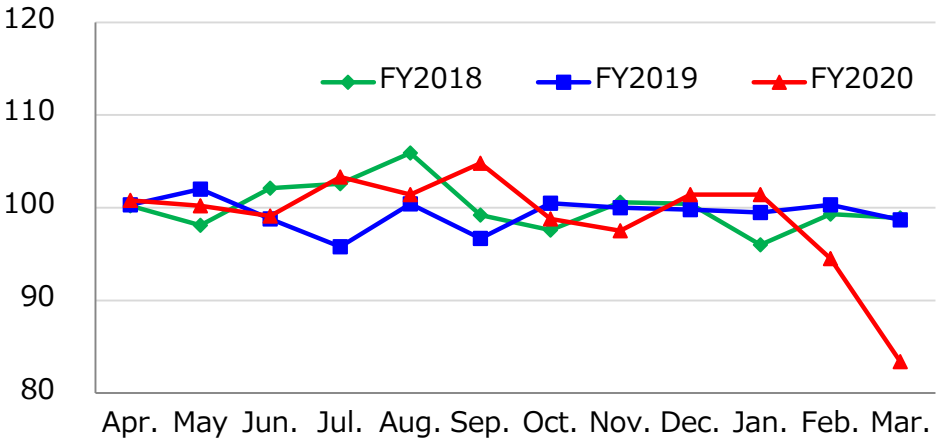
(%)

	Total	Men	Ladies
FY2018	99.8	99.7	100.0
FY2019	100.0	100.3	99.4
FY2020	100.1	100.7	98.8

Customer Traffic (Men)



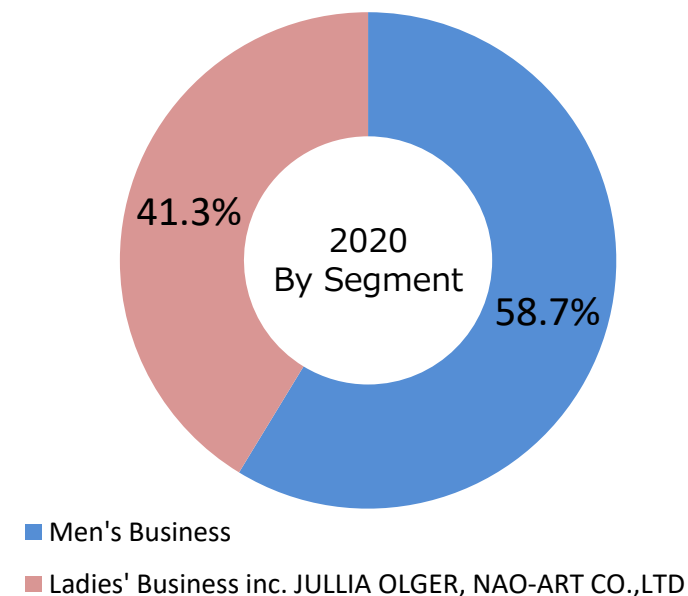
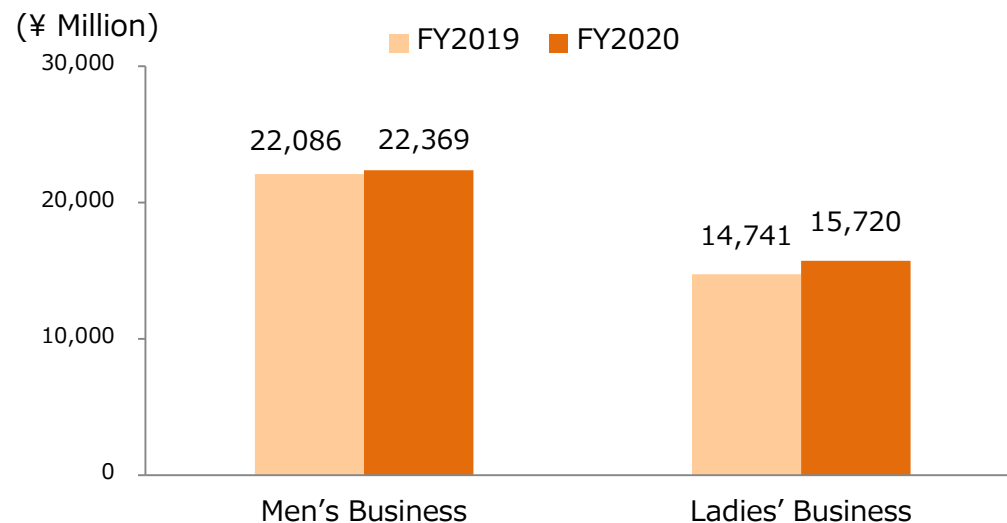
Customer Traffic (Ladies)



FY2020 : Breakdown of Sales by Segment (Consolidated)

(¥ Million)

	FY2019 (Results)	FY2020 (Results)	YoY Change	FY2020 (Plan)	Vs. Plan
Net Sales	37,985	39,484	+3.9%	39,368	+0.3%
Men's Business	22,086	22,369	+1.3%	22,387	(0.1%)
Ladies' Business	14,741	15,720	+6.6%	14,977	+5.0%
Others	1,157	1,394	+20.4%	2,003	(30.4%)



FY2020: Breakdown of Sales by Product and Service in Total Both Segments (Non-consolidated Basis)

(¥ Million)

Net Sales		FY2019	FY2020	YoY Change	
Custom-made Wigs	New customers	3,292	3,292	+0	+0.0%
	Repeat Business	18,141	17,531	(609)	(3.4%)
	Total	21,434	20,824	(609)	(2.8%)
Hair Addition Products	New Customers	1,572	1,910	+338	+21.5%
	Repeat Business	2,713	3,304	+591	+21.8%
	Total	4,286	5,215	+929	+21.7%
Hair Growth Services	New Customers	115	123	+7	+6.6%
	Repeat Business	963	1,070	+107	+11.1%
	Total	1,079	1,193	+114	+10.6%
Styling Services		5,434	5,487	+53	+1.0%
JULLIA OLGIER		3,199	3,433	+233	+7.3%
Others		2,326	2,542	+216	+9.3%
All Products & Sevices	New Customers	4,980	5,326	+346	+7.0%
	Repeat Business	28,647	28,780	+132	+0.5%
	JULLIA OLGIER	3,199	3,433	+233	+7.3%
	Others	932	1,157	+224	+24.1%
	Total	37,760	38,697	+937	+2.5%

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

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

(¥ Million)

Net Sales		FY2019	FY2020	YoY Change	
Custom-made Wigs	New Customers	706	606	(100)	(14.2%)
	Repeat Business	12,486	12,193	(293)	(2.3%)
	Total	13,192	12,799	(393)	(3.0%)
Hair Addition Products	New Customers	1,163	1,363	+200	+17.2%
	Repeat Business	1,621	2,002	+380	+23.5%
	Total	2,785	3,366	+580	+20.8%
Hair Growth Services	New Customers	105	110	+5	+4.8%
	Repeat Business	600	595	(4)	(0.8%)
	Total	705	705	+0	+0.0%
Styling Services		4,393	4,484	+91	+2.1%
Others		1,009	1,014	+4	+0.4%
All Products & Services	New Customers	1,974	2,079	+105	+5.3%
	Repeat Business	20,111	20,289	+177	+0.9%
	Total	22,086	22,369	+283	+1.3%

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

FY2020 : Breakdown of Sales by Product & Service in Ladies' Business (Non-consolidated Basis)

(¥ Million)

Net Sales		FY2019	FY2020	YoY Change	
Custom-made Wigs	New Customers	2,586	2,686	+100	+3.9%
	Repeat Business	5,655	5,338	(316)	(5.6%)
	Total	8,241	8,025	(216)	(2.6%)
Hair Addition Products	New Customers	409	547	+137	+33.7%
	Repeat Business	1,091	1,302	+210	+19.3%
	Total	1,501	1,849	+348	+23.2%
Hair Growth Services	New Customers	10	13	+2	+24.5%
	Repeat Business	362	474	+111	+30.8%
	Total	373	488	+114	+30.7%
Styling Services		1,041	1,003	(37)	(3.6%)
Others		3,584	3,804	+220	+6.1%
All Products & Services	New Customers	3,005	3,246	+241	+8.0%
	Repeat Business	8,536	8,490	(45)	(0.5%)
	JULLIA OLGER	3,199	3,433	+233	+7.3%
	Total	14,741	15,170	+429	+2.9%

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



<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, 2019		As of March 31, 2020		YoY Change	Key YoY Changes
		Composition Ratio		Composition Ratio		
Total Current Assets	25,206	58.7%	24,553	56.9%	(2.6%)	Current Assets (653) • Cash and deposits (1,179) • Accounts receivable -trade (221) • Inventory +666
Cash and Deposits	18,275	42.5%	17,096	39.6%	(6.5%)	
Total non-current Assets	17,764	41.3%	18,610	43.1%	+4.8%	Non-current Assets +845 • goodwill +769
Total Property, Plant and Equipment	9,282	21.6%	9,099	21.1%	(2.0%)	
Total Assets	42,971	100.0%	43,163	100.0%	+0.4%	
Total Current Liabilities	11,213	26.1%	10,523	24.4%	(6.2%)	Current Liabilities (690) • Advances received +499 • Income taxes payable (624)
Advances Received	4,770	11.1%	5,270	12.2%	+10.5%	
Total Non-current Liabilities	6,989	16.3%	7,302	16.9%	+4.5%	
Total Liabilities	18,203	42.4%	17,825	41.3%	(2.1%)	Net Assets +569 • Retained earnings +630 (Net income +1,542) (Cash dividends paid (910))
Total Net Assets	24,767	57.6%	25,337	58.7%	+2.3%	
Retained Earnings	18,510	43.1%	19,141	44.3%	+3.4%	
Total Liabilities and Net Assets	42,971	100.0%	43,163	100.0%	+0.4%	

Consolidated Statements of Cash Flows

(¥ Million)

	Year Ended March 31, 2019	Year Ended March 31, 2020	Key YoY Changes
Net Cash Provided by (Used in) Operating Activities	4,449	2,516	<p>Net Cash Provided by (Used in)</p> <ul style="list-style-type: none"> • Income before income taxes (432) • Advances received +305 • Decrease (increase) in notes and accounts receivable – trade +531 • Inventory assets (655) • Income taxes paid (1,357) <p>Net Cash Provided by (Used in) investing activities</p> <ul style="list-style-type: none"> • Purchase of investments in subsidiaries (1,055) <p>Net Cash Provided by (Used in) financing activities</p> <ul style="list-style-type: none"> • Cash dividends paid +3 • Treasury stock acquisition +1
Net Cash Provided by (Used in) Investing Activities	(1,333)	(2,299)	
Free Cash Flow	3,116	217	
Net Cash Provided by (Used in) Financing Activities	(1,481)	(1,463)	
Cash and Cash Equivalents at the Beginning of Period	16,401	17,986	
Cash and Cash Equivalents at the End of Period	17,986	16,736	
Net Increase (Decrease) in Cash and Cash Equivalents	1,585	(1,249)	