



Presentation Material

1H FY2022 (April 1st, 2021 to September 30th, 2021)

ARTNATURE INC.

Overview of 1H FY2022 Results & Financial Forecast

Net Sales & Operating Income

(¥ million)

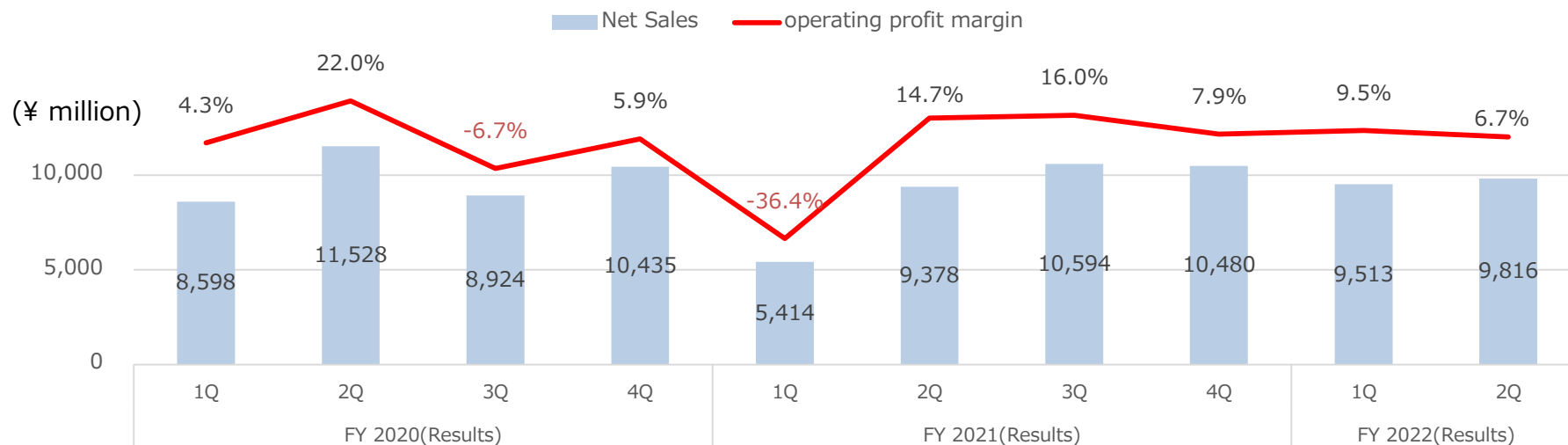
	1H FY2020 (Results)	1H FY2021 (Results)	1H FY2022 (Results)	YoY Change	Year-end (Plan)	Progress rate
Net Sales	20,126	14,793	19,329	+30.7%	40,363	47.9%
Operating Income	2,907	(592)	1,561	–	2,023	77.2%

Breakdown of Net Sales

	1H FY2020 (Results)	1H FY2021 (Results)	1H FY2022 (Results)	YoY Change	Year-end (Plan)	Progress rate
Men's Business	11,576	8,743	11,078	+26.7%	22,366	49.5%
Ladies' Business	7,938	5,288	7,485	+41.5%	16,052	46.6%
Others	611	761	766	+0.6%	1,945	39.4%

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

Changes in sales and operating income margin * Quarterly



State of emergency	Declared state of emergency ① April-May 2020	Declared state of emergency ② January-March 2021 ③ April-September 2021
Salons' operation	<ul style="list-style-type: none"> Shortening business hour Temporary closing 	Normal business hours (Julia Olger shops ; follow the determination of commercial facilities)
Production	<ul style="list-style-type: none"> Temporary closing Partial operation 	Normal operation; regulation by authorities in some areas

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

ARTNATURE CHALLENGE PLAN

ARTNATURE 「Challenge」 Plan

Three-year initiative

Challenge 2020

Develop the foundations of existing businesses and expand midwigs, hair growth agents, and medical institution support businesses

Challenge 2021

Challenge continuous expansion of existing businesses and establish business expansion system in new fields

Challenge 2022

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

Business growth

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

Pioneer new business areas

- **Consider growth strategy**

Reinforcement of recruitment

- **Examination of diversification of recruitment form**

Dialogue with the market

- **Disclosure of SDGs initiatives**
- **Expansion of information disclosure content**

Personnel training

- **Review of training standards /Expand training tools**

Business innovation

- **Analysis of the current status of various systems**
- **Washing out work to be reduced**

Men's Department

Mostly achieved the targets for orders and sales. The department continues to make efforts to increase the number of loyal ARTNATURE fans.

Summary of the first half of the fiscal year ending March 31, 2022

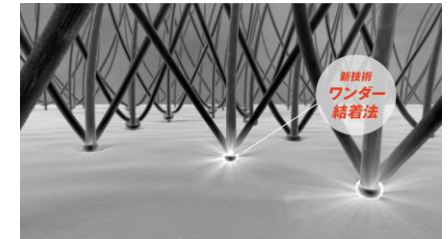
New	<ul style="list-style-type: none"> While media exposure was increased compared to the previous term, the renewed efforts failed to produce a strong response*. Nevertheless, new commercials for wigs aired along with the commercials for hair addition led to the acquisition of a certain number of wig customers. A premium hair addition trial service was introduced in addition to the standard hair addition trial service. A favorable response received from customers who genuinely want to try hair addition led to a higher contract rate. An AI-powered call answering system was introduced on a trial basis to streamline contact center operation.
Repeat	<ul style="list-style-type: none"> Throughout the first half, the majority of major cities were placed under a state of emergency. Despite this, the number of customers who visited stores remained at the same level as the previous term. We quickly responded to demand for online training brought on by the coronavirus restrictions and established a new training structure.
Others	<ul style="list-style-type: none"> Reduced production at plants in the previous term caused delivery delay, which was carried forward and inevitably increased sales in the first quarter.

*The number of new inquiries from customers.



(Characteristics of new merchandise launched in September)

MRP WONDER: The new WONDER Hair Attach Technology (patent pending) successfully reduced the time to attach each hair. It is now possible to attach 1,000 strands of hair per hour. It is also possible to attach hair on short gray hair, allowing those who are concerned about the top and parting areas to add hair quickly.



Advert for men's wigs



YouTube advert for MRP WONDER

Ladies' Department

While the ladies' department was more heavily affected by the coronavirus restrictions than the men's department, new merchandise received great response.

Summary of the first half of the fiscal year ending March 31, 2022

New	<ul style="list-style-type: none"> Media exposure was increased, much like the men's department. As a result, we received a great response from new customers, particularly to new wigs, such as Freedia 3 and Feelin launched in March and September 2021, respectively. We actively held events at salons instead of external facilities. An AI-powered call answering system was introduced on a trial basis to streamline contact center operation.
Repeat	<ul style="list-style-type: none"> The ladies' department was more heavily affected by the state of emergency - no unnecessary outings and event organization - than the men's department. Opened a new type of salon within SOGO Omiya Store. The salon sells a wide range of merchandise and offers various services across different brands.
Others	<ul style="list-style-type: none"> Reduced production at plants in the previous term caused delivery delay, which was carried forward and inevitably increased sales in the first quarter.



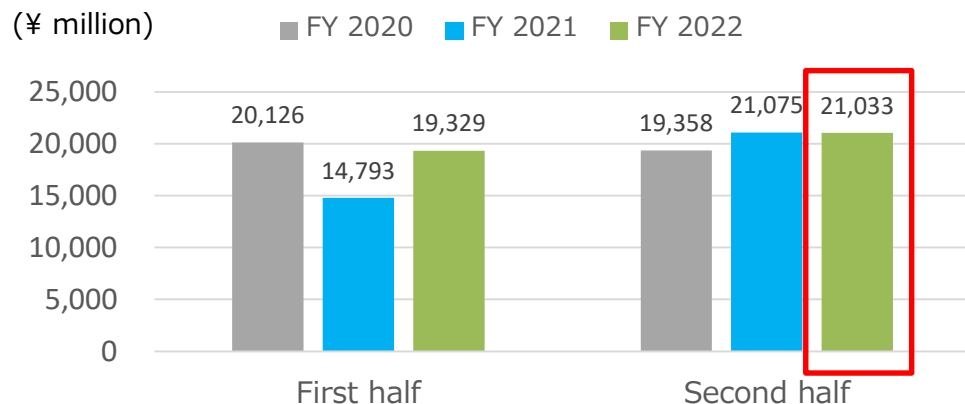
(Characteristics of new merchandise launched in September)
 Feelin is the first Ladies ARTNATURE's wig that does not require a pin to keep it in place. The new Push de Fit Technology (patent pending) enables quick securing of a wig. You simply place it on your head and move it sideways. It keeps the wig securely in place because it intertwines with your own hair. You don't need to worry about it being blown off in the wind.



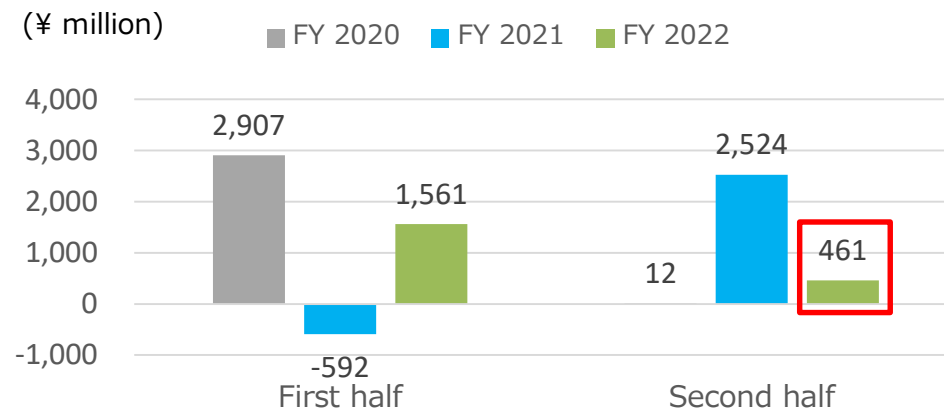
Salon at SOGO Omiya Store



Net Sales



Operating Income



Prerequisites for planning

[External environment]

- We assume no more social restrictions, such as a state of emergency, will be imposed in this country.

[Production]

- Continue normal operation after October.
(Continue to follow the instructions given by the Philippine authorities.)

[Sales operation]

- Continue to operate during normal business hours after October.

Second half of the fiscal year

[Existing business/new businesses]

- Focus our efforts on sales of new merchandise, while also taking steps to expand existing businesses further.
- Focus our efforts on improving other businesses including standard wigs, hair growth agents and support for medical institutions.

[Budget]

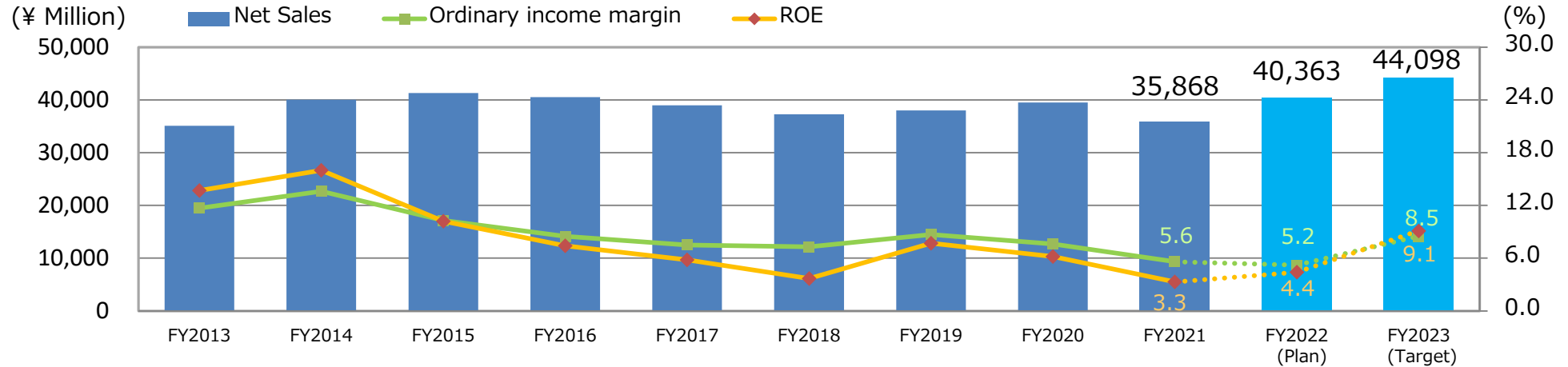
- Intend to spend as planned.

[Investment]

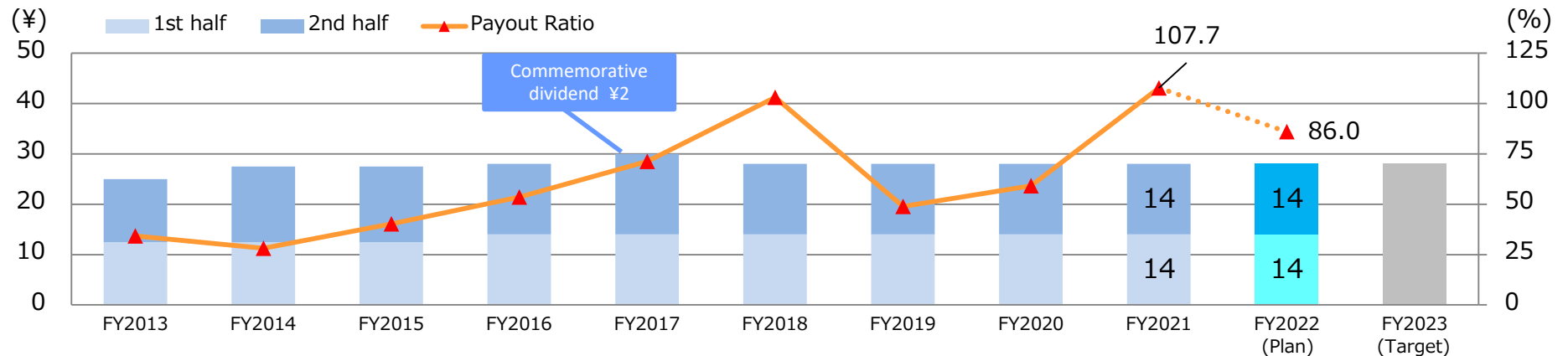
- Selective and concentrated allocation of management resources.

FY2023 (Target)

Net Sales: ¥44.0 billion Ordinary Income Margin: 8.5% ROE: 9.1%



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 FY 2022
&
Financial Forecast FY 2022**

1H FY2022 : Financial Highlights



(¥ million)

	1H FY2020 (Results)	1H FY2021 (Results)	1H FY2022 (Results)	1H FY2022 (Plan)	Major Factors behind YoY Change
Net Sales	20,126	14,793	19,329	40,363	Net Sales : +30.7% Men's Business : +26.7% Ladies' Business : +41.5%
Men's Business	11,576	8,743	11,078	22,366	
Ladies' Business	7,938	5,288	7,485	16,052	
Others	611	761	766	1,945	
Cost of Sales	6,008	5,709	6,310	13,076	Cost of Sales Ratio (6.0)Pt (Product Cost : +0.1Pt) (HR : (6.0)Pt)
Gross Profit	14,117	9,083	13,019	27,286	
SG&A Expenses	11,210	9,675	11,457	25,262	SG&A Expenses : +18.4% Ad Spending : +41.3% HR : +6.5% Others : +15.6%
Ad Spending	2,996	2,041	2,884	6,740	
HR	2,647	2,748	2,926	6,066	
Operating Income	2,907	(592)	1,561	2,023	
Ordinary Income	2,941	(431)	1,492	2,088	CAPEX Store facilities : ¥ 353million System related : ¥ 83million
Net Income	1,925	(446)	857	1,045	
Depreciation	432	444	402	878	
CAPEX	533	402	608	1,977	

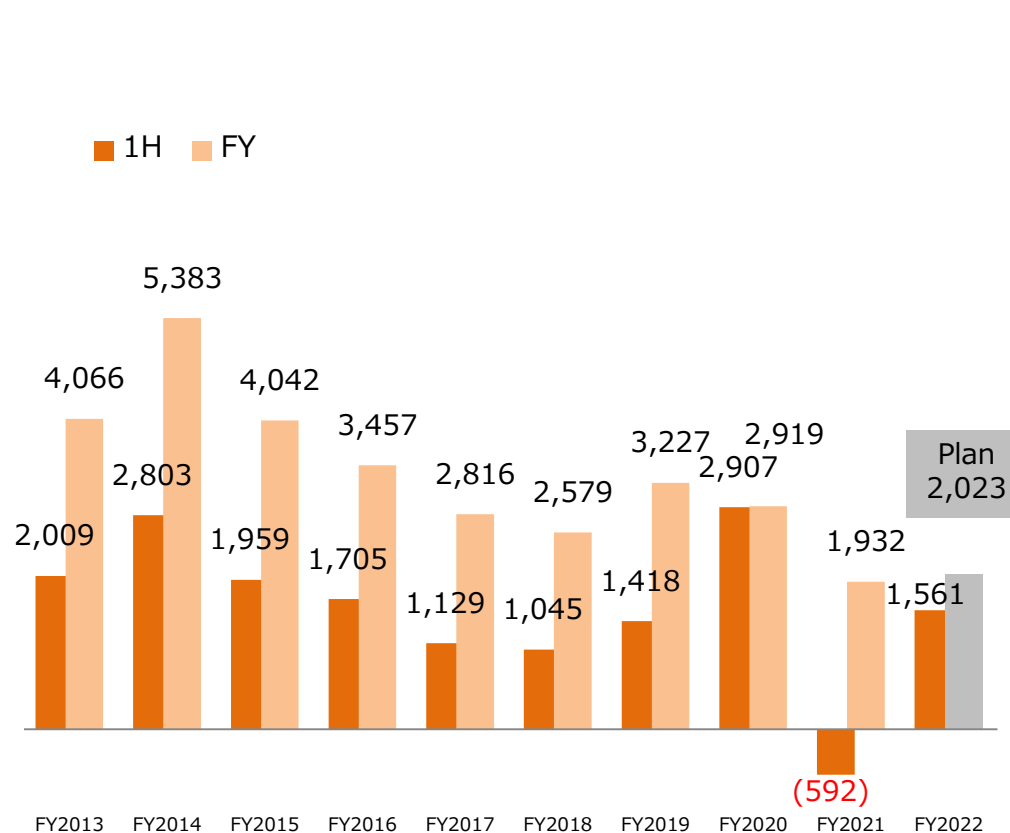
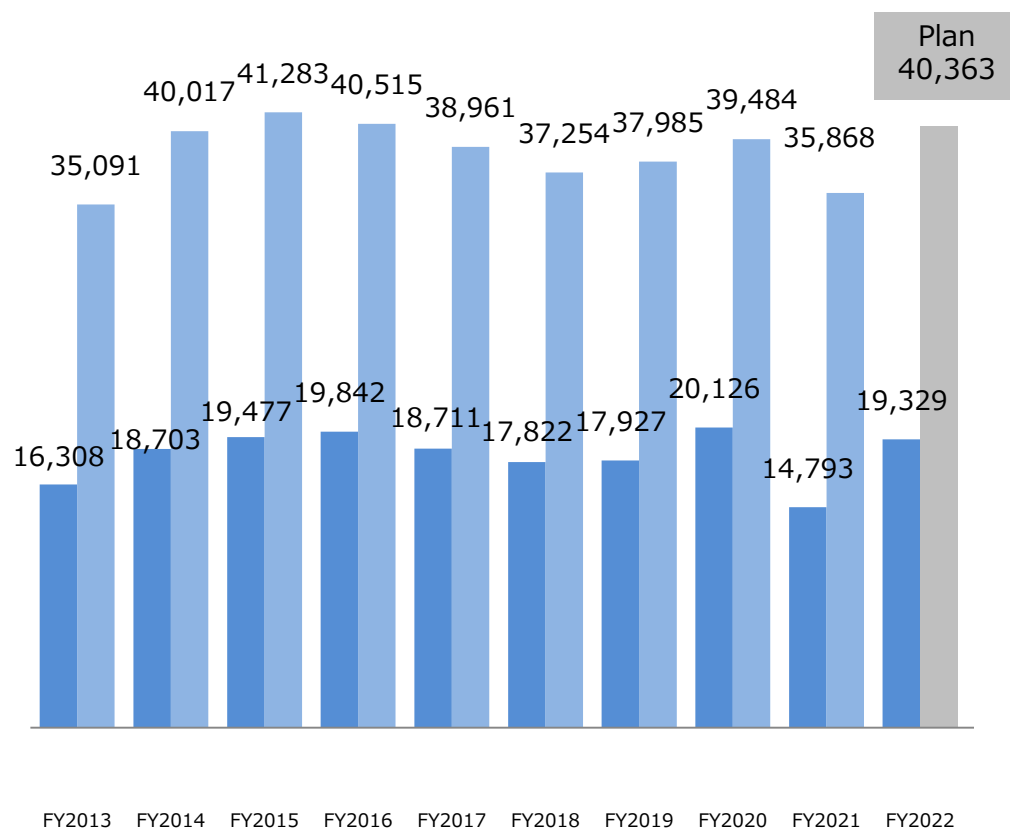
Net Sales and Operating Income Trends

Net Sales (¥ million)

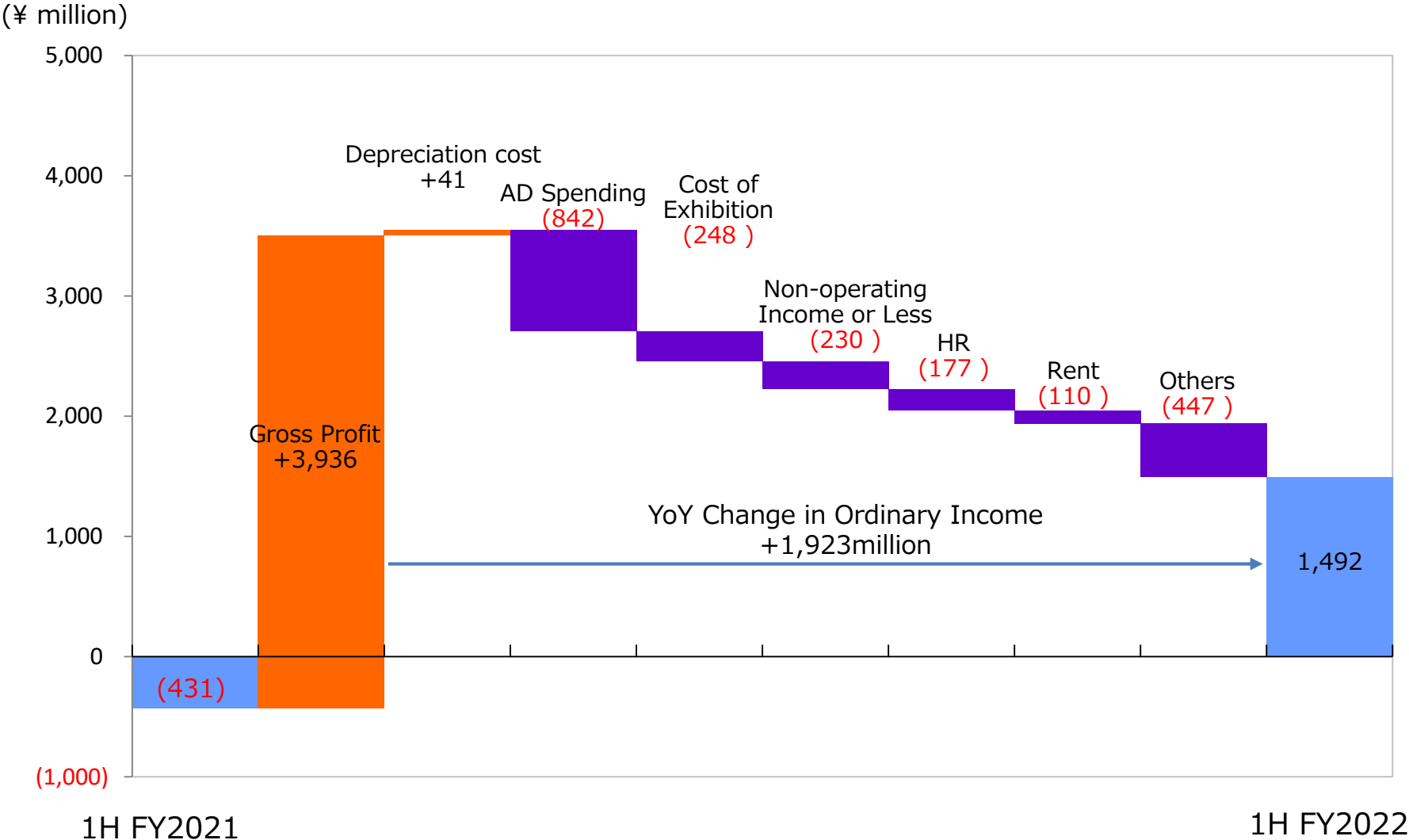
Operating Income (¥ million)

■ 1H ■ FY

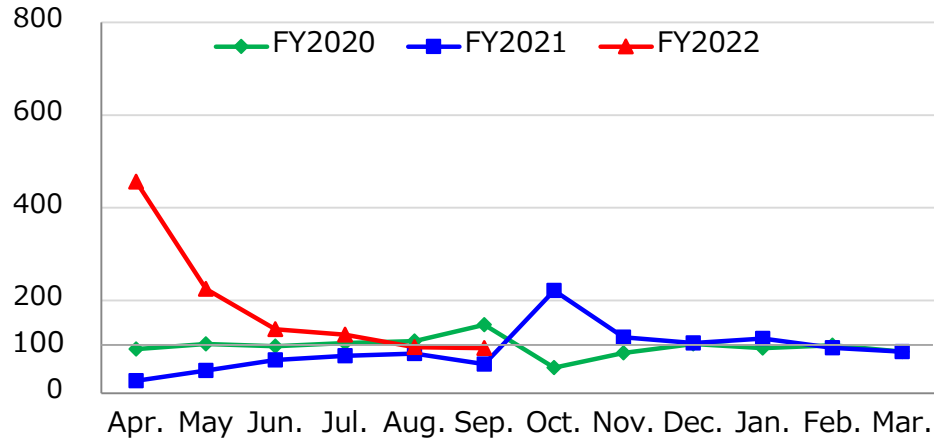
■ 1H ■ FY



1H FY2022 : Analysis of SG&A Expenses



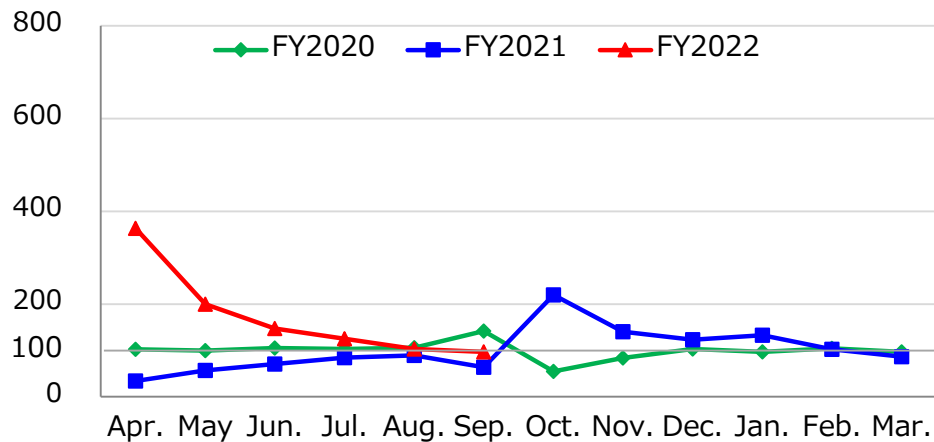
(%) **Total Sales of Major Products**



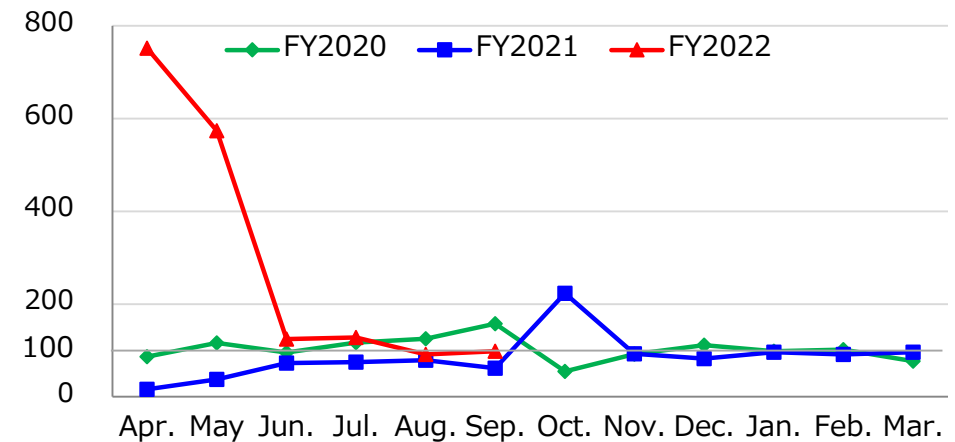
Total Sales of Major Products (Half-year)

	Total	Men	Ladies
1H FY2020	113.3	111.6	116.1
1H FY2021	64.8	68.3	59.4
1H FY2022	140.7	137.9	145.6

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

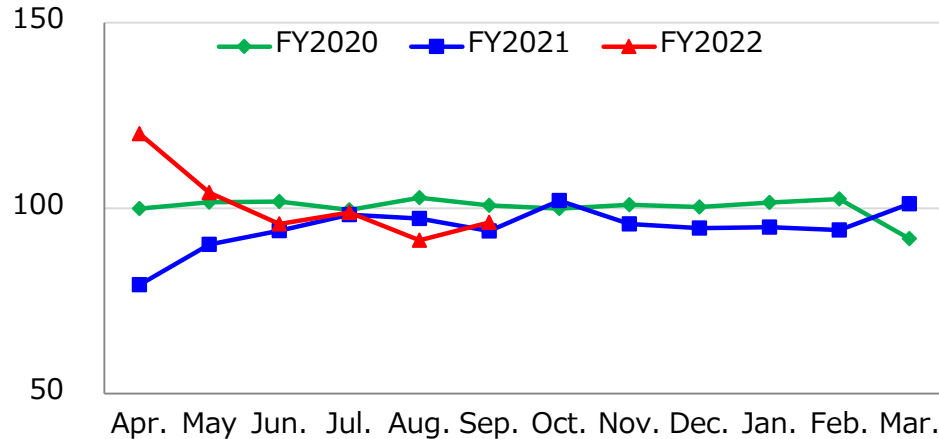


(%) **Sales of Major Products (Ladies)**



Monthly Trend: Customer Traffic (YoY base, accumulated)

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

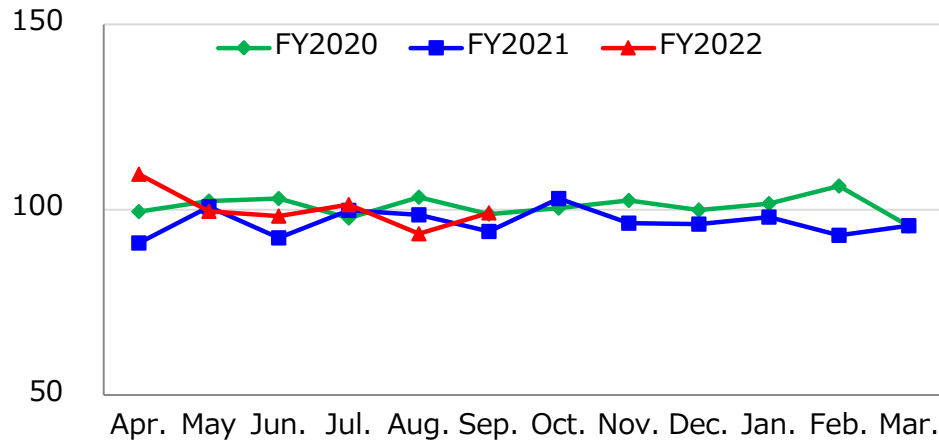


The number of customer traffic (Half-year)

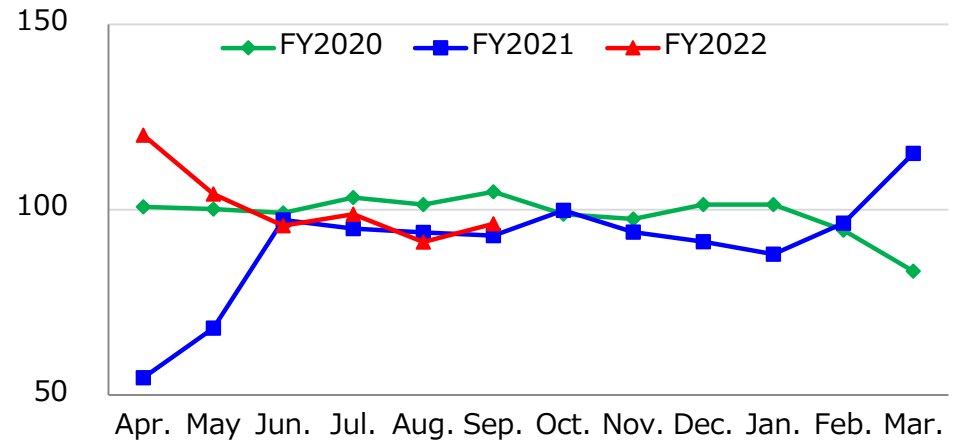
(%)

	Total	Men	Ladies
1H FY2020	100.7	100.4	101.5
1H FY2021	92.2	96.1	83.6
1H FY2022	100.4	100.0	101.1

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



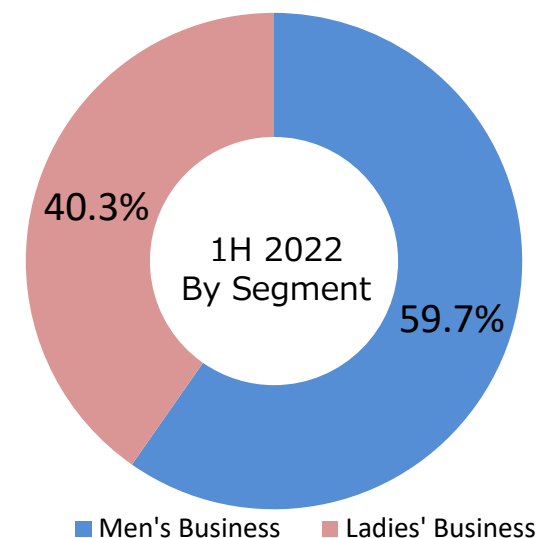
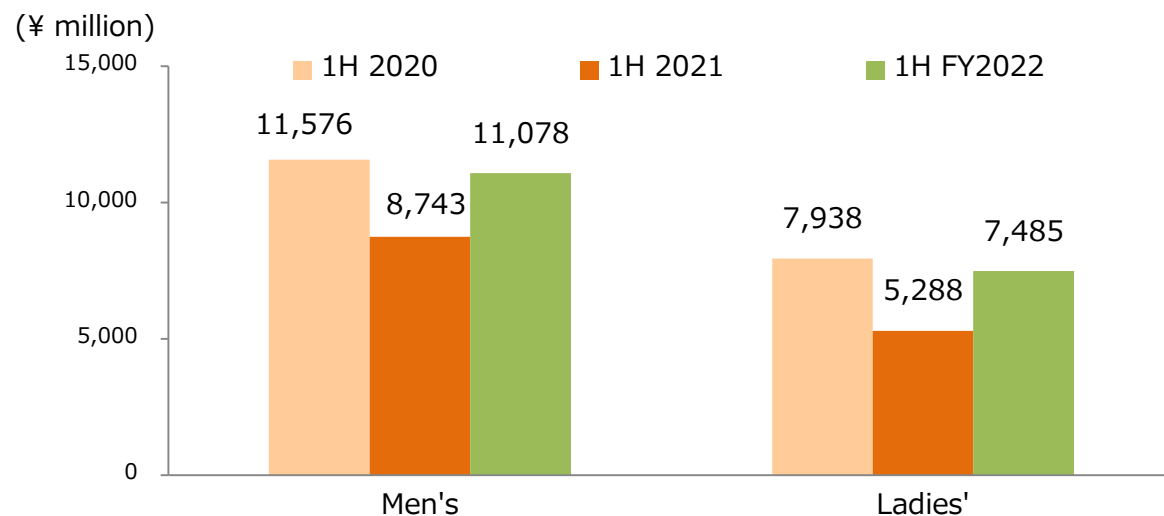
(%) **Customer Traffic (Ladies)**



1H FY2022 : Breakdown of Sales by Segment

(¥ million)

	1H FY2020 (Results)	1H FY2021 (Results)	1H FY2022 (Results)	YoY Change	Year-end (Plan)	Progress rate
Net Sales	20,126	14,793	19,329	+30.7%	40,363	47.9%
Men's Business	11,576	8,743	11,078	+26.7%	22,366	49.5%
Ladies' Business	7,938	5,288	7,485	+41.5%	16,052	46.6%
Others	611	761	766	+0.6%	1,945	39.4%



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

1H FY2022 : Breakdown of Sales by Product & Services (Non-consolidated Basis)

(¥ million)

Net Sales		1H FY2020	1H FY2021	1H FY2022	YoY Change	
Custom-made Wigs	New Customers	1,668	857	1,661	+803	+93.8%
	Repeat Business	9,464	5,964	8,375	+2,410	+40.4%
	Total	11,132	6,822	10,036	+3,214	+47.1%
Hair Addition Products	New Customers	980	752	578	(173)	(23.1%)
	Repeat Business	1,752	1,232	1,752	+520	+42.2%
	Total	2,733	1,984	2,331	+346	+17.5%
Hair Growth Services	New Customers	61	50	41	(9)	(18.1%)
	Repeat Business	543	517	579	+62	+12.1%
	Total	604	567	621	+53	+9.4%
Styling Services		2,786	2,672	3,065	+393	+14.7%
JULLIA OLGIER		1,550	1,008	1,310	+301	+29.9%
Others		1,172	1,322	1,281	(40)	(3.1%)
All Products & Services	New Customers	2,710	1,660	2,281	+621	+37.4%
	Repeat Business	15,254	11,046	14,480	+3,433	+31.1%
	JULLIA OLGIER (Ladies' ready-made wigs)	1,550	1,008	1,310	+301	+29.9%
	Others	464	663	575	(87)	(13.2%)
	Total	19,979	14,378	18,647	+4,268	+29.7%

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

1H FY2022 : Breakdown of Sales by Product & Services in Men's Business (Non-consolidated Basis)



(¥ million)

Net Sales		1H FY2020	1H FY2021	1H FY2022	YoY Change	
Custom-made Wigs	New Customers	290	188	259	+71	+37.8%
	Repeat Business	6,443	4,160	6,166	+2,005	+48.2%
	Total	6,733	4,348	6,425	+2,076	+47.8%
Hair Addition Products	New Customers	668	541	487	(54)	(10.0%)
	Repeat Business	1,029	779	1,050	+271	+34.8%
	Total	1,697	1,320	1,537	+217	+16.4%
Hair Growth Services	New Customers	55	46	36	(10)	(22.0%)
	Repeat Business	305	288	285	(2)	(0.9%)
	Total	360	334	321	(12)	(3.8%)
Styling Services		2,266	2,247	2,272	+24	+1.1%
Others		518	491	521	+29	+6.0%
All Products & Services	New Customers	1,014	775	782	+6	+0.9%
	Repeat Business	10,562	7,967	10,296	+2,328	+29.2%
	Total	11,576	8,743	11,078	+2,334	+26.7%

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

1H FY2022 : Breakdown of Sales by Product & Services in Ladies' Business (Non-consolidated Basis)



(¥ million)

Net Sales		1H FY2020	1H FY2021	1H FY2022	YoY Change	
Custom-made Wigs	New Customers	1,377	669	1,402	+732	+109.5%
	Repeat Business	3,021	1,804	2,209	+404	+22.4%
	Total	4,399	2,473	3,611	+1,137	+46.0%
Hair Addition Products	New Customers	312	210	91	(119)	(56.5%)
	Repeat Business	723	452	702	+249	+55.0%
	Total	1,035	663	793	+129	+19.5%
Hair Growth Services	New Customers	6	4	5	+1	+24.2%
	Repeat Business	237	228	294	+65	+28.6%
	Total	243	232	299	+66	+28.5%
Styling Services		519	424	793	+368	+86.7%
Others		1,739	1,176	1,496	+319	+27.1%
All Products & Services	New customers	1,696	884	1,499	+614	+69.5%
	Repeat business	4,691	3,078	4,184	+1,105	+35.9%
	JULLIA OLGER	1,550	1,008	1,310	+301	+29.9%
	Total	7,938	4,972	6,993	+2,021	+40.7%

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

FY2022 : Breakdown of Sales by Product and Service in Total Both Segments (Non-consolidated Basis)

(¥ Million)

	1H FY2022		
	①Results	②Results before impact	③Amount of impact (①-②)
Custom-made Wigs	10,036	10,444	(407)
Hair Addition Products	2,331	2,337	(6)
Hair Growth Services	621	620	+0
Styling Services	3,065	2,619	+446
JULLIA OLGIER	1,310	1,417	(106)
Others	1,281	1,282	(0)
Total	18,647	18,722	(74)

Applying "Accounting Standard for Revenue Recognition" from the start of the fiscal year ending March 31, 2022

- ①The cumulative effect of contract liabilities in the year of initial application was estimated and subtracted from retained earnings at the beginning of the period (decrease of approximately 1.65 billion yen)
- ②2Q FY 2022 impact of lower sales (decrease of approximately 70 million yen)

FY2022 : Breakdown of Sales Forecast by Products and Services (Non-consolidated Basis/Total number of Men and Ladies)



(¥ million)

	FY2021		FY2022				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	6,822	18,584	10,036	+47.1%	20,016	+7.7%	50.1%
Hair Addition Products	1,984	4,165	2,331	+17.5%	5,364	+28.8%	43.5%
Hair Growth Services	567	1,195	621	+9.4%	1,369	+14.6%	45.4%
Styling Services	2,672	5,373	3,065	+14.7%	5,534	+3.0%	55.4%
JULLIA OLGIER	1,008	2,761	1,310	+29.9%	3,434	+24.4%	38.2%
Others	1,322	2,569	1,281	(3.1%)	2,942	+14.5%	43.6%
Total	14,378	34,649	18,647	+29.7%	38,661	+11.6%	48.2%

1H FY2022 : Breakdown of Sales Forecast by Products and Services Men's Business (Non-consolidated Basis)



(¥ million)

	FY2021		FY2022				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	4,348	12,271	6,425	+47.8%	12,638	+3.0%	50.8%
Hair Addition Products	1,320	2,885	1,537	+16.4%	3,357	+16.4%	45.8%
Hair Growth Services	334	664	321	(3.8%)	852	+28.2%	37.8%
Styling Services	2,247	4,499	2,272	+1.1%	4,508	+0.2%	50.4%
Others	491	1,001	521	+6.0%	1,009	+0.7%	51.6%
Total	8,743	21,322	11,078	+26.7%	22,366	+4.9%	49.5%

1H FY2022 : Breakdown of Sales Forecast by Products and Services

Ladies' Business (Non-consolidated Basis)



(¥ million)

	FY2021		FY2022				
	1H (Results)	Year-end (Results)	1H (Results)	YoY Change	Year-end (Plan)	YoY Change	Progress rate
Custom-made Wigs	2,473	6,312	3,611	+46.0%	7,377	+16.9%	48.9%
Hair Addition Products	663	1,280	793	+19.5%	2,006	+56.7%	39.6%
Hair Growth Services	232	530	299	+28.5%	517	(2.5%)	57.8%
Styling Services	424	874	793	+86.7%	1,026	+17.4%	77.3%
JULLIA OLGER	1,008	2,761	1,310	+29.9%	3,434	+24.4%	38.2%
Others	168	346	185	+10.3%	504	+45.8%	36.7%
Total	4,972	12,105	6,993	+40.7%	14,867	+22.8%	47.0%

FY2022 : Financial Forecast

(¥ million)

	FY2021		FY2022			
	1H FY2021 (Results)	Year-end (Results)	1H FY2022 (Results)	YoY Change	Year-end (Plan)	YoY Change
Net Sales	14,793	35,868	19,329	+30.7%	40,363	+12.5%
Men's Business	8,743	21,322	11,078	+26.7%	22,366	+4.9%
Ladies' Business	5,288	13,060	7,485	+41.5%	16,052	+22.9%
Others	761	1,485	766	+0.6%	1,945	+31.0%
Cost of Sales	5,709	11,956	6,310	+10.5%	13,076	+9.4%
Gross Profit	9,083	23,911	13,019	+43.3%	27,286	+14.1%
SG&A Expenses	9,675	21,979	11,457	+18.4%	25,262	+14.9%
Ad Spending	2,041	5,412	2,884	+41.3%	6,740	+24.5%
HR	2,748	5,541	2,926	+6.5%	6,066	+9.5%
Operating Income	(592)	1,932	1,561	-	2,023	+4.7%
Ordinary Income	(431)	2,005	1,492	-	2,088	+4.1%
Net Income	(446)	840	857	-	1,045	+24.3%
Depreciation	444	900	402	(9.3%)	878	(2.5%)
CAPEX	402	885	608	+51.0%	1,977	+123.4%



<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, 2021		As of September 30, 2021		Rate of change	Major Factors behind YoY Change
		Composition ratio		Composition ratio		
Total Current Assets	26,586	59.2%	26,159	58.0%	(1.6%)	Current Assets (427) • Cash and deposits (518) • Accounts receivable –trade (382) • Inventory +309
Cash and Deposits	19,073	42.5%	18,554	41.1%	(2.7%)	
Total Non-current Assets	18,332	40.8%	18,943	42.0%	+3.3%	
Total Property, Plant and Equipment	8,674	19.3%	8,806	19.5%	+1.5%	
Total Assets	44,919	100.0%	45,102	100.0%	+0.4%	Current liabilities +529 • Advances received (372) • Accrued income taxes (281) • Accounts payable (374)
Total Current Liabilities	12,147	27.0%	12,677	28.1%	+4.4%	
Advances Received	6,464	14.4%	6,091	13.5%	(5.8%)	
Total Non-current Liabilities	7,517	16.7%	7,669	17.0%	+2.0%	Net Assets (499) • Retained earnings (664) • Beginning adjustment (1,072) ※ Accounting Standard for Revenue Recognition (Net income +857) (Cash dividends paid (449))
Total Liabilities	19,664	43.8%	20,347	45.1%	+3.5%	
Total Net Assets	25,255	56.2%	24,755	54.9%	(2.0%)	
Retained Earnings	19,075	42.5%	18,410	40.8%	(3.5%)	
Total Liabilities and Net Assets	44,919	100.0%	45,102	100.0%	+0.4%	

(¥ million)

	As of September 30, 2020	As of September 30, 2021	Major Factors behind YoY Change
Net cash provided by (used in) operating activities	206	550	Net cash provided by (used in) operating activities +343 · Income before income taxes +1,921 · Advances received (1,719) · Income taxes paid (468) · Decrease (increase) in notes and accounts receivable trade (201)
Net cash provided by (used in) investing activities	(329)	(649)	
Free cash flow	(122)	(99)	
Net cash provided by (used in) financing activities	2,547	(464)	Net cash provided by (used in) investing activities (320) · Purchase of property, plant and equipment +49 · Purchase of intangible assets +24 · Long-term loans receivable (150) · Proceeds from withdrawal of time deposits (210)
Cash and cash equivalents at the beginning of period	16,736	18,984	
Cash and cash equivalents at the end of period	19,139	18,461	Net cash provided by (used in) financing activities (3,012) · Short-term borrowings (3,000)
Net increase (decrease) in cash and cash equivalents	2,402	(523)	