

ARTNATURE

7823

Tokyo Stock Exchange Standard Market

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■ Index

■ Summary	01
1. Proposes individual lifestyles as a total hair consultant company	01
2. Business model centered on “reaction sales,” “repeat sales,” with strengths in product development capabilities, technical abilities, and customer service	01
3. Countermeasures for struggling new sales expected to turn results around for growth in sales and profits in FY3/25	01
4. Despite a slow start, FY3/26 medium-term management plan targets are within range	02
■ Company summary	03
1. Company summary	03
2. Company history	03
3. The sector of hair products and services	05
■ Business summary	05
1. Description of services	05
2. Business model	08
3. The Company’s strengths	11
■ Results trends	11
1. Summary of business results for FY3/24	11
2. Factors and countermeasures for struggling new sales	14
3. FY3/25 results forecast	16
■ Medium-term management plan	18
1. Assessment of the business environment	18
2. New medium-term management plan, ARTNATURE Advance Plan	18
3. Growth strategies	19
4. Progress of the ARTNATURE Advance Plan	21
■ Returns to shareholders	22

■ Summary

Countermeasures for struggling new sales addressed quickly; achievement of medium-term management plan targets is within sight

1. Proposes individual lifestyles as a total hair consultant company

ARTNATURE <7823> (hereafter, also “the Company”) is a major comprehensive hair consultancy business that leads the sector of hair products and services. As a total hair consultant company with the motto “Your best smile is what we want,” it proposes to customers lifestyles that are more positive, bright and beautiful. Its main business is the manufacture and sale of high-end, custom-made wigs for both men and women, but it also handles a wide range of other hair-related products and services and provides individually optimized solutions for each customer to meet their diversified and high-level needs. The Company manufactures high-quality wigs, each of which is hand-made at its own plants in the Philippines, and the barbers and hairdressers at its 280 stores nationwide (as of the end of March 2024) hold national qualifications and possess specialist skills that focus on providing a relaxing experience for customers with comprehensive support from purchase through to after-sales services and everyday advice.

2. Business model centered on “reaction sales,” “repeat sales,” with strengths in product development capabilities, technical abilities, and customer service

In addition to custom-made wigs, the Company’s products and services include original-style, high-end ready-made wigs, standard ready-made wigs that are easy to use, hair-addition products that offer a natural finish and a high degree of freedom, and hair growth tonics that contain ingredients that effectively stimulate hair growth. The Company’s business model is centered on promoting these products and services to customers through advertising media, including television and the internet; “reaction sales” to lead those who have made contact by telephone, email and other means to become new customers; building relationships of trust with new customers, including through after-sales services; and focusing on securing customers as “repeat sales.” The business model produces appreciable effects as it is backed by the Company’s strengths, its product development capabilities that anticipate customer needs, its technical abilities for the satisfaction of customers, and its customer service that earns the trust of customers.

3. Countermeasures for struggling new sales expected to turn results around for growth in sales and profits in FY3/25

In the FY3/24 consolidated results, net sales totaled ¥42,850mn (down 0.8% year on year (YoY)) and operating income was ¥2,654mn (down 25.7%). Sales to new customers struggled, preventing the Company from achieving an increase in sales, while operating income saw a double-digit decline due to impacts such as the yen’s depreciation, high prices, and improvement in employee compensation. The Company’s issue is in capturing new customers, and the Company has already started promoting countermeasures during the period. In response to an increase in “reactions” from the internet and in-store visits, the Company is placing emphasis on the internet and social media, as well as strengthening collaboration between stylists and counselors, and general hair and beauty salons. The Company has also expanded sales channels, such as holding events for men, and launched a new brand for women. Through such countermeasures, the Company is now expecting net sales of ¥45,001mn (up 5.0% YoY) and operating income of ¥2,911mn (up 9.7%) in its consolidated forecast for FY3/25.

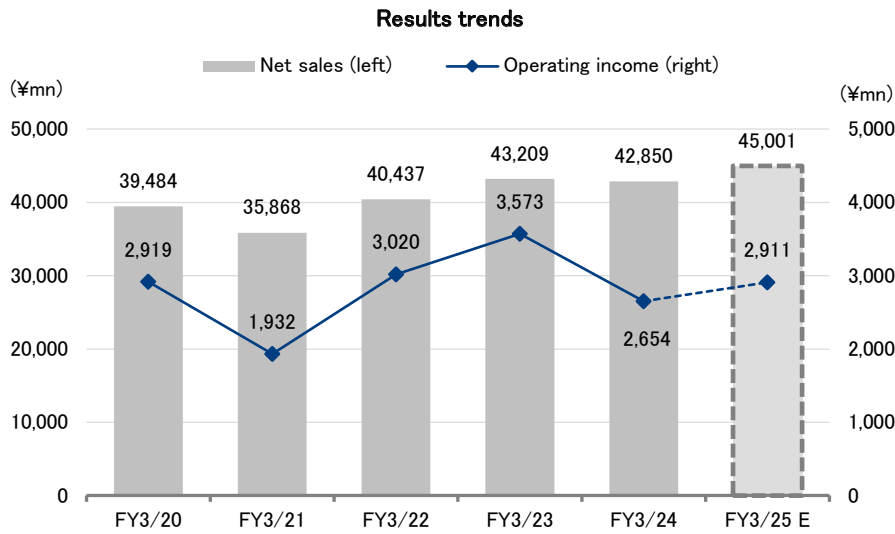
Summary

4. Despite a slow start, FY3/26 medium-term management plan targets are within range

The Company formulated the medium-term management plan, “ARTNATURE Advance Plan” starting from FY3/24, which aims to achieve FY3/26 net sales of ¥52.3bn, ordinary income margin of 10.0%, and ROE of 10.3%. Under the key medium-term management plan theme of value creation, the Company will work to establish a position as a market leader in the domestic hair business market, promote business development in new domains, expand its share of hair business market, where it is currently considered to be the top player, to 40%, and capture the top share of the Ladies’ business, where it is currently estimated to rank second. Under the themes of sustainability promotion and dialogue with the market, the Company has made significant progress already, including the establishment of a new plant in Bangladesh and enhancing shareholder returns. The medium-term management plan has had something of a slow start in the first fiscal year, FY3/24, but with the springboard of a recovery in performance in FY3/25, it seems likely that that the achievement of targets for FY3/26 remains within range.

Key Points

- A comprehensive hair consultancy business that proposes individual lifestyles as a total hair consultant
- FY3/24 performance slumped, mainly due to struggling new sales; however, countermeasures are already in place
- With the springboard of a recovery in performance in FY3/25, it seems likely that the achievement of medium-term management plan targets remain within range



Source: Prepared by FISCO from the Company's financial results

■ Company summary

A comprehensive hair consultancy business with a leading industry position

1. Company summary

The Company is Japan's first comprehensive hair consultancy business whose main business is the manufacture and sale of custom-made wigs for men and women, and it holds the top position in the hair products and services sector. Based on its motto "Your best smile is what we want," its mission as a total hair consultant company is to propose to customers' lifestyles that are more positive, bright and beautiful. For custom-made wigs, its stores use a 3D system to measure the customer's head, and based on the created data, the wig is manufactured by hand at its own plants overseas. Alongside the times, customers' hair-related needs are diversifying and becoming more sophisticated, and in addition to custom-made wigs, the Company currently provides individually optimized solutions to each customer, regardless of their gender, by rolling out a wide range of hair-related products and services, including ready-made wigs and hair-addition products, hair growth services, and after services.

Continuing a proactive approach to management in a challenging industry environment

2. Company history

The Company, which was founded as ARTNATURE for individual sales in 1965, was established as a corporation in 1967. In 1969 with the aim of wig sales in the Men's business, it established a structure of stores equipped with a barber room that were able to provide a one-stop service, from consultations through to after-sales services. In 1980, it established a nationwide sales company structure and its brand became widely known as its MRP hair-addition system was a hit and it conducted advertising. Against the backdrop of this brand power, it made a full-fledged entry into the Ladies' business in 1987, including with Ladies' ARTNATURE. In 2002, it merged and integrated its nationwide sales companies and built a structure fully capable of demonstrating its comprehensive strengths, and began in-house manufacturing by making a subsidiary of a third-party manufacturer in the Philippines. The Company was listed on the stock market in 2007, and subsequently expanded its production structure while utilizing the expertise it had accumulated up to that time to expand its business scope, including entering the fields of ready-made wigs for women and medical wigs, and establishing its own online retailing website. Since 2019, it has conducted M&A to acquire a company that sells wigs in comparatively inexpensive price ranges, sales of hair growth tonics as class 1 OTC drugs, and established a subsidiary to conduct work contracted from medical facilities. In such ways, the Company is strengthening its entry into new areas for further growth. The Company continues to take a proactive approach to management, including constant twice-yearly launches of new products. Currently, the Company is promoting growth strategies formulated in a new medium-term management plan aimed at achieving its long-term vision.

Company summary

History

Year	Event
1965	Started business of custom-made wigs for men
1967	Established ARTNATURE INC. (location: 4-5 Kojimachi, Chiyoda Ward, Tokyo)
1969	Established a one-stop structure from counseling through to manufacturing and after-sales services
1970	Developed proprietary special artificial skin
1973	Developed the Triple Hair-addition System for gradually increasing hair volume
1980	Established a nationwide sales company structure and built a sales network rooted in local communities
1983	Developed the synthetic hair Artron
1984	Launched MRP, a hair-addition system that uses no base materials
1987	Launched Ladies' ARTNATURE, marking its full-fledged entry into the women's market
1989	Launched the Ladies' MRP Hair-addition System for women
1990	Constructed and relocated to the new head office
2001	Established Ladies' ARTNATURE Ginza Salon in Ginza as its first ladies' salon
2002	Integrated all sales companies in Japan Made a subsidiary of EUROTECH HAIR SYSTEMS, INC. (currently, ARTNATURE PHILIPPINES INC.) in the Philippines
2003	Launched Hair for Life Original, a hair-addition product that realizes a natural hairline and sense of fit
2005	Launched Cellaire custom-made wigs for women
2006	Introduced the industry's first 3D measuring system
2007	Listed on the JASDAQ Stock Exchange
2008	Established a second manufacturing subsidiary in the Philippines Started a business for JULLIA OLGIER ready-made fashion wigs for women
2009	Launched ANCS medical wigs from JULLIA OLGIER
2011	Established ARTNATURE ONLINE Shop, its own online retailing website
2012	Established ARTNATURE SINGAPORE PTE. LTD., as its Singapore subsidiary
2013	Listing was upgraded to the Tokyo Stock Exchange (TSE) 1st Section
2014	Made a subsidiary of Mikawayaya Inc. (currently ART MIKAWAYAYA INC.), which manufactures and sells wigs for entertainment Established ARTNATURE MALAYSIA SDN. BHD. as its Malaysian subsidiary
2015	Established ARTNATURE (THAILAND) CO., LTD. as its Thai subsidiary
2016	Launched Beauty Up, a hair-addition system for women
2019	Made a wholly owned subsidiary of NAO-ART CO., LTD., which sells comparatively inexpensive wigs Launched the LABOMO Hair Grow MINOXI 5 hair growth tonic for men, thereby establishing a pharmaceutical sales business
2020	Established Art Medical Service Inc. to conduct a medical facilities support business
2021	Launched Feelin, custom-made wigs for women not fastened with pins Introduced automated AI response system at call centers
2022	Introduced industry's first portable 3D scanner (head shape measuring device) Developed industry's first automated wig transplantation device Switched to Prime Market in conjunction with the Tokyo Stock Exchange's market restructuring
2023	ARTNATURE Festival 2023 in Osaka, featuring a line-up of all popular products held Switched listing to Tokyo Stock Exchange Standard Market Launched REQUA PHANTOM, a new male hair-addition product employing technology from NICCA CHEMICAL CO., LTD.
2024	Established local subsidiary ARTNATURE BANGLADESH LTD. in Bangladesh Launched "HAIR UNION," the ideal hair addition system for individual consumers Launched "STYLIA," offering the enjoyment of various styles

Source: Prepared by FISCO from the Company's securities report and results briefing materials

The sector of hair products and services is expected to grow steadily from FY2024 onward

3. The sector of hair products and services

The hair business market, such as for wigs, had slumped against the backdrop of sluggish consumption since the Lehman Shock in the fall of 2008; intensifying competition in adjacent markets, such as for hair care formulas, hair stimulants and hair growth tonics; and rising social awareness of the skinhead style. However, the efforts made by various companies in the sector of hair products and services to strengthen sales of women's wigs and for repeat business to male customers bore fruit, and the market changed direction and began expanding from FY2012. That said, from FY2016, the number of new-entrant SMEs selling inexpensive wigs grew, and competition from adjacent sectors became more intense, so that the hair business market changed direction again and began a long-term contraction. Thereafter, this round of new entrants and inexpensive wigs abated and the market calmed down. At the same time, the market seemed to have stopped contracting at a level said to be around ¥130.0bn. However, in FY2020–FY2021, the hair business industry again faced challenging circumstances under the impact of reduced opportunities to go out due to the novel coronavirus (COVID-19) pandemic. Again, in FY2023, as the pandemic abated, consumer spending focused on travel and dining out, and did not return to the hair business industry to the anticipated level. In overcoming this difficult period, many major companies with generally strong constitutions were able to demonstrate their competitive advantages and increase their market shares. In the sector of hair products and services, the Company is said to have the highest share of the men's market and second highest of the women's market, it can be said that the Company is steadily increasing its share and is now estimated to hold the leading position on a combined men's and women's basis. From FY2024 onward, the hair products and services sector appears set to grow steadily due to the economic recovery and increased activity among seniors.

Business summary

Provides various hair-related products and services

1. Description of services

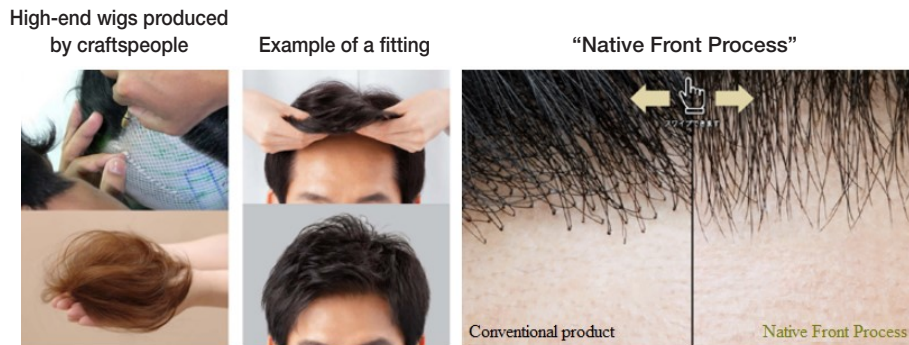
The Company provides products and services that meet the various needs of customers, ranging from people with hair-related concerns to those who want to enjoy fashionable hair. Its main customer groups are men aged 40 to 69 and women aged 60 to 89. These products and services respond to diverse individual needs that include custom-made wigs, ready-made wigs, hair-addition products, and pharmaceutical products for people who want "increased hair volume." Hair growth services for people seeking "hair growth," after-sales services for people seeking "stylish hair," and hair care products and health food for people seeking "beauty and health." In terms of the direction of business development, in Japan, the Company will grow its main business in a stable manner and will work to enter new fields to develop a business to be its second pillar. Overseas, it has manufacturing plants in the Philippines and is working to increase brand recognition in Southeast Asia.

Business summary

(1) Custom-made wigs

Since the Company’s foundation, its product lineup has been focused on high-end, custom-made wigs, the brands ARTNATURE and Ladies’ ARTNATURE. It manufactures high-end products that are optimized to meet the preferences and the hair conditions of each individual customer, by handcrafting them. In order to realize the most comfortable fit, measuring the base net that will fit on the head can be said to be the most important task. Accordingly, the staff first carefully ascertain the customer’s preferences and then measure the shape of their head. For this, the Company introduced the industry’s first 3D measuring system in 2006, which has enabled rapid, highly accurate measurements. Various other specifications, such as style and color, are added to these measurements on the order. This data is sent to the Company’s plant in the Philippines and used to create the base net, then highly skilled craftspeople work by hand on hair transplants for each individual strand of hair to create a wig that looks natural, from hair color to hair flow. Therefore, some time and effort are required before the product can be delivered to the customer, so prices* are comparatively high, ranging from ¥500,000 to ¥600,000. However, it can be said that these high-end, custom-made wigs realize a natural finish just like the customer’s own hair and an outstanding sense of fit that only the Company can offer. The usage period differs depending on the individual, but it tends to be around two years.

* Prices differ depending on the circumstances of the individual customer.



Source: The Company’s homepage

(2) Ready-made wigs

The Company utilizes the advanced product development capabilities it has cultivated in custom-made wigs to provide ready-made wigs for customers who want to casually enjoy different hairstyles under the MJO brand in the Men’s business, and the high-end JULLIA OLGIER brand and the standard NAO-ART brand in the Ladies’ business. It also provides the ANCS brand of medical wigs. Under MJO, it provides high-quality, ready-made wigs that are reasonably priced, from ¥100,000 to ¥300,000 and higher. It operates five stores near terminal stations in metropolitan Tokyo, and in addition to offering an abundance of ready-made wigs of different colors and sizes, it also handles semi-customized wigs that combine patterned parts, such as the size and hair volume. Under the JULLIA OLGIER brand, it provides high-quality, ready-made wigs finished with an original style at prices that are affordable, ranging from ¥100,000, mainly in department stores and shopping malls nationwide. NAO-ART Co., Ltd. handles ready-made wigs in an even more affordable price range, and it operates stores, mainly within comprehensive supermarkets in major cities, including metropolitan Tokyo. Under the ANCS brand, it sells medical wigs that use materials that are gentle on the skin and can be adjusted for hair volume and size through outlets including its nationwide stores, JULLIA OLGIER stores, and ANCS hair salons inside hospitals.

Business summary

JULLIA OLGER shop



Source: The Company's homepage

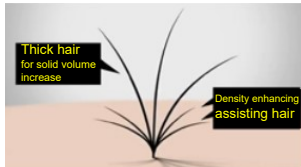
NAO-ART shop



(3) Hair-addition products

In hair-addition products, the Company develops the MRP brand in ARTNATURE and the Beauty Up brand in Ladies' ARTNATURE. The Company's stylists who have acquired specialist skills conduct hair addition through a method of attaching multiple artificial hairs to the roots of the customer's own hair. By increasing the number of units of multiple hairs, it is possible to increase the hair in the desired part little by little, and the hair can be increased without the customer feeling uncomfortable while adjusting to the preferred volume. In March 2024, the Company launched a new hair addition system, "HAIR UNION." This revolutionary system can gradually increase hair at an individual pace using the Company's proprietary advanced hair technologies. These include the MRP hair addition system that attaches thick hair for a solid volume increase and assisting hair to enhance density to the customer's existing hair, as well as the innovative Native Front Process that blends the color of transplanted hair with the skin. The Company is dedicated to recreating the customer's ideal hair, not only in terms of durability against shampoo, sweat, wind, and so forth, but also in terms of various hair colors and types, including white hair.

"MRP Rush Premium"



Source: The Company's homepage

Schematic of hair addition



Source: Reprinted from the Company's Corporate Profile

(4) Pharmaceutical sales (hair growth tonics) / medical facility support

In order to respond to diversifying needs as a comprehensive hair consultancy business, the Company has entered the fields of pharmaceutical sales and medical facility support. In pharmaceutical, in 2019, it launched sales of a hair growth tonic (class 1 OTC drug) that contains minoxidil as the active ingredient in order to promote hair growth through stimulating cell proliferation and protein synthesis that act directly on the hair follicles. Currently under the LABOMO brand, it sells the LABOMO Hair Grow MINOXI 5 hair growth tonic for men and the LABOMO Hair Grow Hanaminoki hair growth tonic for women, with sales being conducted mainly through the Company's own online retailing website. In addition, with the aims of conducting pharmaceutical sales to and contracting operations from medical facilities, Art Medical Service was established. The idea is to utilize ARTNATURE's knowledge on hair to provide products and services other than for medical practice.

Business summary

(5) Hair growth services

The Company develops hair growth services under the LABOMO brand in order to promote the normalization of the hair cycle and to maintain an environment to foster an abundance of hair through continuous care of the scalp and hair. It is said that factors such as scalp damage due to lifestyle habits and a disturbance of the hair cycle cause hair loss and thinning. However, by finding and suppressing such causes, the aim is to return the scalp and hair environment to a state in which hair once again grows abundantly. The Company's store staff, who are hair professionals, check the condition of the scalp and hair using dedicated devices and give their best advice and propose the optimal hair care based on their experience and the data.

(6) After-sales services

In addition to wig maintenance, the Company provides a wide range of other after-sales services. At stores, each individual customer is assigned a stylist who has national qualification as barbers and hairdressers, and they perform treatments such as haircuts and dyeing. For customers who cannot visit a store for various reasons, there is a service for customers who have purchased custom-made wigs to send them in for maintenance. Events are held from time to time where customers who have purchased a product can receive advice not only on how to use and maintain their wig, but also on wigs as a fashion item, such as color coordination with clothes. At these venues for after-sales services, the Company builds excellent relationships with customers through communication, which is an effective method of increasing the repeat rate.

(7) Hair care products / health foods

The Company conducts sales via its own online retailing website and other companies' e-commerce malls, and utilizes media, to enable customers to easily purchase its high products. On its own online retailing website, the ARTNATURE ONLINE Shop, it sells products ranging from hair growth tonics to shampoos and conditioners, and beauty appliances. It also provides the same products on the EC malls of other companies, including Rakuten and Amazon. On TV shopping channels, it sells products such as LH Scalp Head Spa Plus, which makes it easy to have a full-scale head spa at home, and LABOMO Hair Color Treatment, which simultaneously acts as both a gray hair concealer and a treatment. These channels also present an opportunity to demonstrate how to use products and show their effects in an easy-to-understand manner. In addition to handling hair care products that the stores nationwide are focusing on, it also sells various products through the catalogs of general mail order companies. Going forward, its policy is to expand sales channels to increase sales of hair care products and health foods.

Business model centered on “reaction sales” and “repeat sales”

2. Business model

The Company's ARTNATURE business and JULLIA OLGIER business account for a majority of its sales. Their business model is characterized by attracting new customers and increasing “repeat sales” through “reaction sales” and “repeat sales” based on an infrastructure of proprietary plants in the Philippines, a nationwide store network, and barbers and hairdressers with national qualifications and specialist skills. This business model requires the trust of customers, so careful attention is paid to information management.

Business summary

(1) Manufacturing system and store network

Underpinning the Company's leading position in the hair business market are a high-quality manufacturing system with over 50 years of history, a store network that covers all of Japan, and an infrastructure consisting of barbers and hairdressers with national qualifications and specialist skills. The Company's products are characterized by a strong attention to detail, bangs and natural volume, for example, and high levels of quality, including synthetic hair that combines naturalness and functionality and ultra-thin functional materials that allow the color of the skin to show through. In particular, in the area of custom-made wigs, the Company has a manufacturing and sales system in the format of a specialty store retailer of private-label apparel (SPA) that maintains every process within the Group, from planning and development to manufacturing and sales.

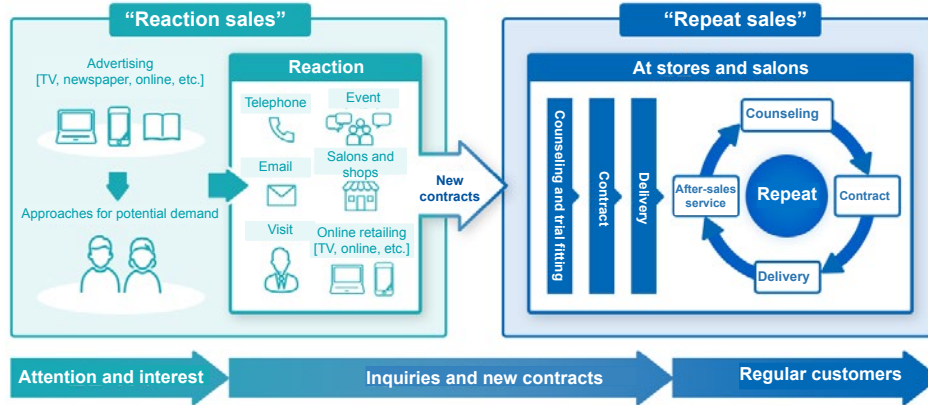
Manufacturing takes place at two subsidiary plants in the Philippines, through which the Company maintains high quality, low costs and stable supply. This makes it possible to constantly launch new products that meet customer needs twice a year, in the spring and fall. The Company is currently constructing a new plant in Bangladesh with the aim of increasing its production capacity and diversifying its manufacturing locations. Incidentally, ready-made wig products are manufactured in close coordination with partner plants in China, Vietnam and elsewhere. The Company's high-quality, custom-made wigs are provided by its nationwide network of stores, which combine an optimal environment with the best possible service. Store interiors are designed with a focus on relaxation and tranquility and feature individual rooms that respect customers' sense of privacy. The Company has 1,859 nationally qualified barbers and hairdressers, which account for 80% of its employees, and they provide thoroughgoing support for everything from delivery of contracted products to after-sales service. Sales are handled by the Company's 280 ARTNATURE stores located nationwide in 47 prefectures, 88 JULLIA OLGIER stores for ready-made wigs, and sales outlets in 3 countries overseas, 10 ANGS in-hospital salons, 1 ARTDRUG store, and 37 NAO-ART stores (as of March 31, 2024). In November 2023, the Company announced its plan to dissolve one of its wholly owned subsidiaries, which conducted wig sales at department stores in China, by around September 2024, and to withdraw from sales operations inside China in light of changes in the business environment due to factors such as the zero-COVID policy and an economic slowdown. While there are extremely high needs there, this is a positive move for earnings since the withdrawal was conducted from a perspective of profitability.

(2) "Reaction sales" and "repeat sales"

The aforementioned Company infrastructure, including the structure for producing high-quality products; its store network; and its highly skilled barbers and hairdressers holding nationally-recognized qualifications lead to improved earnings and growth consisting of "reaction sales" and "repeat sales," and these form the foundation of the Company's business model. First, targeting people with various hair-related concerns and those who want to enjoy wigs for fashion, the Company will use various advertising media, such as TV, newspapers, and internet, suitable for each target group. As a result, the people who have an interest in the Company's products and services and with whom it is in contact, such as via telephone, emails, or store visits, are captured as new customers. The Company calls this "reaction sales." Moreover, by providing a complete lineup of after-sales services, and by proposing various solutions that are tailored to meet customer needs, it builds relationships of trust with new customers that lead to repeat contracts. The Company calls this "repeat sales." Furthermore, the Company has aggressively incorporated the latest technologies, such as an AI-powered automated response system for the telephone reception at its call centers; and in response to the increase in "reactions" using the internet in recent years, it has been enhancing "reaction sales" functions, such as information provision using social media and responding to new customers at stores, which have previously been focused mainly on existing customers.

Business summary

“Reaction sales” and “repeat sales”



Source: The Company's homepage

(3) Customer management system and information security

In order to make its business model function more effectively, the Company has worked since 2005 to increase the sophistication of its customer management methods. Currently, the Company uses a customer management system to conduct integrated management of document requests by latent customers, products provided to existing customers, and service and treatment records for each customer. This system has made it possible for optimal product proposals to be made based on the needs of individual customers. However, the Company's customers are regular people who have concerns about their hair, and information on them is important information. For this reason, the Company pays careful attention to information management and earns greater trust from customers by continuing to strengthen its personal information management system. The Company created a personal information protection management system in conformance with Personal Information Protection Management Systems – Requirements (JIS Q 15001) and has acquired the Privacy Mark certification from the Japan Information Processing Development Center (JIPDEC), which it renews regularly. In outsourcing personal information to outside companies, the Company verifies in advance that the personal information management system at the vendor satisfies the personal information protection standards stipulated by the Company in accordance with Personal Information Protection Management Systems – Requirements (JIS Q 15001) and has the vendor sign a confidentiality agreement. Additionally, onsite audits are conducted by Company personnel and regular reviews are also conducted of the vendors.

Strengths include product development capabilities, technical capabilities, and customer service capabilities, as well as brands and financial strength

3. The Company's strengths

The Company's three strengths provide the driving force for implementing the Company's business model of "reaction sales" for acquiring new customers and "repeat sales" for creating repeat customers. These strengths are product development capabilities that anticipate customer needs, technical abilities for the satisfaction of customers, and customer service that earns the trust of customers. The Company's product development capabilities have been cultivated through an over 50-year history of high-quality manufacturing. They are evident in the Company's quick accommodation of the needs of the times and individual customers and its attention to detail, including hairlines and parts and the transplanting of fine and thick hairs in random arrays, and they have enabled the Company to develop groundbreaking products, including the MRP series, the Hair for Life series and Feelin series. In addition, the Company's 1,859 nationally qualified barbers and hairdressers undergo various training programs based on their job type and level. This gives them the skills and know-how to set natural hair and wigs as well as customer service capabilities in the form of communication and counseling ability for making product proposals. These professional hair stylists provide service with sincerity in stores that are tranquil and relaxing, and this promotes customer retention. Moreover, other significant differentiating factors include credibility from over 50 years in the wig business, social trust as the only listed company in the industry, brand power backed by consistent investment in advertising and so forth, and a sound financial structure that has survived the COVID-19 pandemic. These factors provide the driving force for further differentiating the Company from rival companies.

Results trends

Sales and profits decreased, the former slightly, due to a slump in new sales, with earnings falling short of the target

1. Summary of business results for FY3/24

In the FY3/24 consolidated results, net sales totaled ¥42,850mn (down 0.8% YoY), and operating income was ¥2,654mn (down 25.7%), ordinary income was ¥2,724mn (down 22.9%), and net income attributable to owners of parent was ¥1,462mn (down 22.0%).

Results trends

Business results for FY3/24 (consolidated)

	FY3/23		FY3/24		
	Results	% of sales	Results	% of sales	Change rate
Net sales	43,209	100.0%	42,850	100.0%	-0.8%
Men's	23,237	53.8%	22,814	53.2%	-1.8%
Ladies'	18,195	42.1%	18,446	43.0%	1.4%
Others	1,775	4.1%	1,589	3.7%	-10.5%
Gross profit	29,156	67.5%	28,715	67.0%	-1.5%
SG&A expenses	25,582	59.2%	26,060	60.8%	1.9%
Operating income	3,573	8.3%	2,654	6.2%	-25.7%
Ordinary income	3,534	8.2%	2,724	6.4%	-22.9%
Net income attributable to owners of parent	1,874	4.3%	1,462	3.4%	-22.0%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

The Japanese economy is gradually normalizing, partly due to the reclassification of COVID-19 from Class II to Class V under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases in May 2023, with consumer spending and inbound tourism demand on a recovery track. On the other hand, prices are also rising due to factors such as the further depreciation of the yen and soaring prices of raw materials and energy. As a result, the future remains as uncertain as ever. Under this business environment, the Company formulated the medium-term management plan, the ARTNATURE Advance Plan, which starts in FY3/24. It has taken on various challenges by leveraging the Group's strengths with the aim of increasing earnings and growing its market share in the hair business industry, while developing and expanding businesses in new areas. This represents an aggressive advancement of business activities with the goal of making a leap forward under the slogan "Pioneering the Next Generation: ARTNATURE."

As a result of these efforts, the Company recorded a YoY decrease in sales and profits; however, net sales decreased only slightly and still exceeded the revised plan to achieve the second highest level since the Company listed. Factors for the decline in sales include struggling new sales for both men and women, despite favorable performance for repeat sales, after sales services, and JULLIA OLGIER as well as curbing of sales promotions in online sales due to a pivot towards emphasizing profits. The Company also conducted a pricing revision, but these had a minimal impact on repeat customers as price sensitivity is low due to products being high-value items, and the revised pricing was a factor increasing sales. On the profit front, despite the pricing revision, the cost-of-sales ratio increased due to the yen's depreciation, high prices, and increase personnel expenses for stylists following an improvement in their compensation, while the SG&A expenses ratio increased and the operating income margin decreased due to the increase in personnel expenses following improvements to employee compensation and a revision of asset retirement obligations, despite curbs on advertising expenses and other sales expenses. In addition, while the Company recorded impairment losses on stores in extraordinary losses, the negative value of income taxes – deferred widened due to plans to liquidate a Chinese subsidiary. Looking at reasons why Company's results did not reach its initial forecasts, while there was an effect from price revisions in asset retirement obligations and impairment losses of stores, etc., the result reflected a slump in new sales, which was caused by post-COVID-19 pandemic consumption being directed at travel and dining out to a greater degree than anticipated and inadequate responses to an increasing number of inquiries made via the internet.

Results trends

Results by segment for FY3/24 (consolidated)

(¥mn)

Net sales	FY3/23		FY3/24		Change rate
	Results	% of sales	Results	% of sales	
Men's business	23,237	53.8%	22,814	53.2%	-1.8%
Ladies' business	13,023	30.1%	12,788	29.8%	-1.8%
Ladies' ready-made wigs business	5,172	12.0%	5,658	13.2%	9.4%
Other	1,775	4.1%	1,589	3.7%	-10.5%

Segment income before adjustment	FY3/23		FY3/24		Change rate
	Results	Profit margin	Results	Profit margin	
Men's business	14,888	64.1%	14,502	63.6%	-2.6%
Ladies' business	8,803	67.6%	8,378	65.5%	-4.8%
Ladies' ready-made wigs business	4,150	80.2%	4,559	80.6%	9.9%
Other	1,443	81.3%	1,442	90.7%	-0.1%

Source: Prepared by FISCO from the Company's financial results

In the Men's business, sales and profits decreased due to a sharp drop in new sales, despite the launch of new products and repeat sales maintaining the same level YoY due to promotion of customer retention measures. In the Ladies' business, sales and profits decreased as the initially explosive reaction from the Feelin series had waned two years after its launch and failed to drive new sales, although repeat sales increased due to factors including an upgrade of the series. In the Ladies' ready-made wigs business, sales and profits made an almost double-digit increase due to functional improvements of JULLIA OLGIER and an increase in people trying them on as store visits recovered at commercial facilities where the stores are located, and enhancement of the sales structure through measures such as a revision of in-store operations.

Net sales in FY3/24 by Men's and Ladies' businesses and by product and service (non-consolidated)

(¥mn)

Men's	FY3/23		FY3/24		Change rate
	Results	% of sales	Results	% of sales	
Custom-made wigs	13,951	33.5%	13,685	33.3%	-1.9%
Hair-addition products	2,986	7.2%	2,704	6.6%	-9.4%
Hair growth services	605	1.5%	553	1.3%	-8.5%
After-sales services	4,627	11.1%	4,805	11.7%	3.9%
Other products, etc.	1,066	2.6%	1,063	2.6%	-0.3%

Ladies'	FY3/23		FY3/24		Change rate
	Results	% of sales	Results	% of sales	
Custom-made wigs	9,111	21.9%	8,473	20.6%	-7.0%
Hair-addition products	1,182	2.8%	1,131	2.8%	-4.3%
Hair growth services	528	1.3%	532	1.3%	0.6%
After-sales services	1,779	4.3%	2,195	5.3%	23.4%
Other products, etc.	4,403	10.6%	4,922	12.0%	11.8%
JULLIA OLGIER	3,982	9.6%	4,467	10.9%	12.2%

Source: Prepared by FISCO from the Company's results briefing materials

Results trends

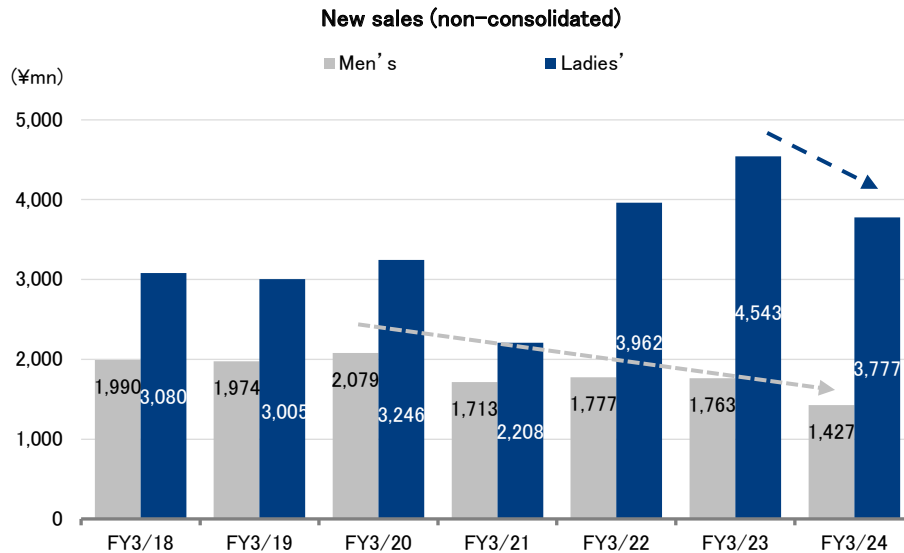
The Company has continued to launch new products on the market twice a year under the mainstay brand of each business. For the Feelin series the Company launched Feelin 4 in spring, with even better ventilation and sense of fit, followed in autumn by Feelin Ultra Fit, offering even stronger wind resistance. At the strong-performing JULLIA OLGGER, the Company launched the Touch de Beaute line of relatively affordable, non-pinning wigs (sold exclusively through TV shopping channels). In Men's wigs, the Company launched new products such as the REQUA PHANTOM wig with non-visible knotting, and MRP Rush Premium, enhanced to better prevent skin color from showing through by incorporating assisting hair. In conjunction with this, a new character was adopted for commercials starting in autumn. The Company also advanced aggressively with new store openings, relocations, and renewals, opening two new stores: JULLIA OLGGER Aeon Mall Takasaki Store and Ladies ARTNATURE Mitsukoshi Nihombashi Salon. The Ladies ARTNATURE Mitsukoshi Nihombashi Salon store combined custom-made wigs and ready-made wigs at a department store with a strong high-end customer base to offer high convenience. JULLIA OLGGER stores also opened in areas the Company had not reached yet, such as Takasaki. The Company also increased its activity level in events, which included the JULLIA OLGGER 15th Anniversary Gratitude Festival and the first general exhibition featuring a full lineup of popular products, ARTNATURE Festival 2023 in Osaka. These events have been well received.

Revision of sales promotions, etc. to assist the recovery of new sales

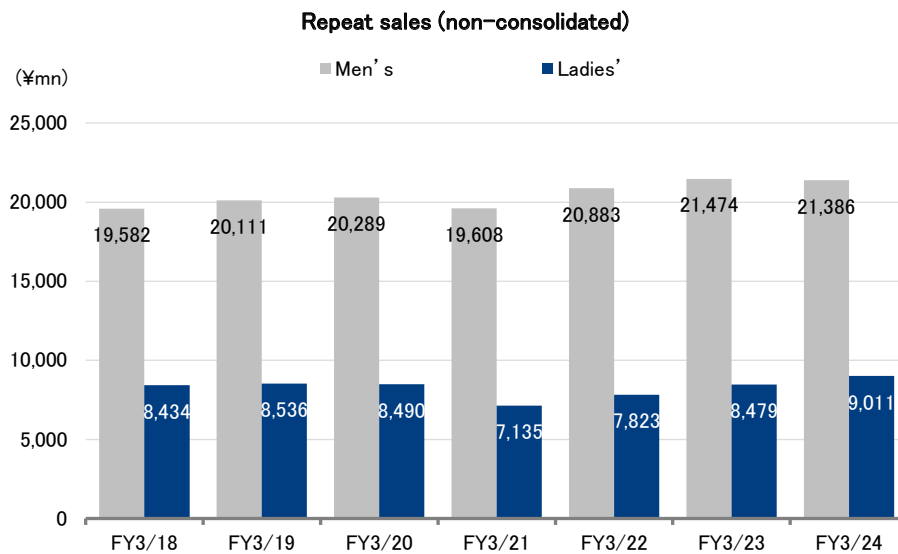
2. Factors and countermeasures for struggling new sales

Business results for FY3/24 were characterized by struggling new sales for both men and women, defying expectations following the reclassification of COVID-19 to Class V, despite continued strong performance of after-sales services and JULLIA OLGGER, as well as continued solid performance in repeat sales of hair-addition products. The main reasons for the struggle in new sales were a concentration of post-COVID-19 personal consumption in services such as travel and dining out rather than on physical products, with wigs taking a lower priority, as well as a considerable change in the nature of reaction sales. Previously, reaction sales have primarily been achieved via the telephone through TV commercials, newspaper advertising, and events; but with the arrival of the internet era, the main target of middle- to senior-aged customers are increasingly making inquiries over the internet, and the Company has lacked an innovative response to this. Further issues have included an insufficient in-store response to new inquiries by women who have visited stores casually.

Results trends



Source: Prepared by FISCO from the Company's results briefing materials



Source: Prepared by FISCO from the Company's results briefing materials

The factors also differed in part for men and women. In the case of men, an increase in options for entering the hair solutions market is a contributing factor. Advertisements from companies touting hair stimulants and hair growth are becoming more visible, although the scale of the business is small compared to that for wigs and hair addition. While this has an aspect of stimulating latent demand, there is also a possibility that the Company needs to recognize this as competition. In the case of women, a subsiding in the reaction to the ladies' custom-made wig Feelin, two years after its launch, could also be a factor. In addition, the Company also seems likely to face a challenge from an increase in companies operating low-price business formats. However, in the post-COVID-19 era, these companies are struggling even more than companies with high-price business formats. While the Company's low-price business format company is reporting a continued trend of sales increases, which may mean that the threat is not severe.

Results trends

The entire industry also appears to be struggling to acquire new customers; however, the Company is already taking measures to address the issue. It has revised its sales promotion methods to emphasize the internet, social media, and coordination with facilities where it has stores. In men's wigs it has launched impactful TV commercials featuring employees. For women, it has basically retained the current sales methods, since repeat sales have been favorable, and in March 2024 it launched STYLIA, a new brand that allows users to enjoy various styles with a single wig. The Company has bolstered its response capabilities for new customers in stores through coordination between in-store stylists, who specialize in repeat customers, and reaction sales counselors and hair and beauty specialist employees.

Currently, sales promotions using the internet tend to be one-way communications, such as requests for materials. To address this issue, the Company is now using social media such as Line to enable two-way communication and is experimenting with timing and texts for distributing information. The Company is currently evaluating the effectiveness of TV commercials targeting men, where further impact appears necessary, as this issue concerns the entry point into haircare. For women, the Company has just launched STYLIA, which has yet to see the same level of response as the Feelin series, which was a major hit. These initiatives have only just started and will require a certain amount of time, so there are no results to speak of as yet; however, although the total number of inquiries has not changed, the number of new inquiries via new reaction channels is steadily rising.

Increase in sales and profits expected, mainly due to new sales promotion methods

3. FY3/25 results forecast

As to FY3/25 consolidated results, the Company forecasts net sales of ¥45,001mn (up 5.0% YoY), operating income of ¥2,911mn (up 9.7%), ordinary income of ¥2,949mn (up 8.3%), and net income attributable to owners of parent of ¥1,509mn (up 3.2%). The Company's environment continues to be challenging, with changing consumption patterns, new companies entering the market, including from adjacent industries, and intensifying competition within the industry. In this environment, the company will steadily implement the medium-term management plan, ARTNATURE Advance Plan, which started in FY3/24, in order to consolidate its position as the leading brand in the hair business industry and expand its business into new domains related to health and beauty, with the aim of taking "Pioneering the Next Generation: The Birth of ARTNATURE" to the next stage.

FY3/25 results forecasts (consolidated)

	FY3/24		FY3/25		Change rate
	Results	% of sales	Forecasts	% of sales	
Net sales	42,850	100.0%	45,001	100.0%	5.0%
Men's	22,814	53.2%	23,235	51.6%	1.8%
Ladies'	18,446	43.0%	20,154	44.8%	9.3%
Others	1,589	3.7%	1,612	3.6%	1.5%
Gross profit	28,715	67.0%	29,887	66.4%	4.1%
SG&A expenses	26,060	60.8%	26,976	59.9%	3.5%
Operating income	2,654	6.2%	2,911	6.5%	9.7%
Ordinary income	2,724	6.4%	2,949	6.6%	8.3%
Net income attributable to owners of parent	1,462	3.4%	1,509	3.4%	3.2%

Source: Prepared by FISCO from the Company's results briefing materials

Results trends

For men, the Company's policy is to increase reaction through measures such as disseminating information through social media and the like, and strengthening its structure for responding to internet inquiries. This aims to increasing new sales of both custom-made wigs and hair-addition products. In particular, to differentiate its offerings from hair growth and hair stimulant products, the Company will hold events that it has previously held mainly for women, as well as consider renewing its website to better promote its products' appeal. In new products, HAIR UNION was released in March 2024, offering individually tailored hair addition using the latest technologies, such as Native Front Process, which blends the color of hair roots with the skin. For women, the Company's policy is to also strengthen social media and internet response, as for men, as well as using overall coordination between in-store stylists, counselors, JULLIA OLGIER, and so forth, to secure both new and repeat sales, while strengthening the flow of customer referrals to higher-end, custom-made products. Furthermore, JULLIA OLGIER will aggressively open stores in areas the Company has not reached yet. In new products, the Company aims to strengthen the appeal of its new brand, STYLIA, which enables more stylish hair styles as described above; however, as Feelin continues to perform strongly, the Company is currently finalizing its promotion strategies for the autumn peak season demand, focusing on either enhancing the brand or on attracting customers. In the low-price format, NAO-ART, the Company may also employ new measures aimed at expanding sales.

Net sales forecast for FY3/25 by Men's and Ladies' businesses and by product and service (Non-consolidated)

Men's	FY3/24		FY3/25		
	Results	% of sales	Forecasts	% of sales	Change rate
Custom-made wigs	13,685	33.3%	13,911	32.4%	1.7%
Hair-addition products	2,704	6.6%	2,848	6.6%	5.3%
Hair growth services	553	1.3%	627	1.5%	13.4%
After-sales services	4,805	11.7%	4,822	11.2%	0.3%
Other products, etc.	1,063	2.6%	1,025	2.4%	-3.6%

Ladies'	FY3/24		FY3/25		
	Results	% of sales	Forecasts	% of sales	Change rate
Custom-made wigs	8,473	20.6%	8,653	20.1%	2.1%
Hair-addition products	1,131	2.8%	1,253	2.9%	10.8%
Hair growth services	532	1.3%	508	1.2%	-4.5%
After-sales services	2,195	5.3%	2,401	5.6%	9.4%
Other products, etc.	455	1.1%	613	1.4%	19.5%
JULLIA OLGIER	4,467	10.9%	5,271	12.3%	18.0%

Source: Prepared by FISCO from the Company's results briefing materials

Through these initiatives, the Company expects to increase sales for both the Men's and Ladies' businesses, and profits are forecast to grow even more than net sales. Although the price review and raw material change in June 2024, the first since March 2023, are promising, the gross profit margin is expected to decrease after factoring in the yen's depreciation, high prices, and improved compensation for stylists. Meanwhile, although there are factors increasing SG&A expenses, such as increased personnel, improvement in employee compensation, as well as plans for various sales promotions, the SG&A expenses ratio is expected to improve due to a policy of keeping SG&A expense increases below overall net sales growth. As a result, growth in operating income is expected to exceed that of net sales as the decrease in the gross profit margin is absorbed by the decrease in SG&A expenses. Net income attributable to owners of parent is expected to comparatively low growth due to leveling out of income taxes – deferred, despite the absence of extraordinary losses. Currently, sales for April have decreased YoY, but the Company seems to be making progress as planned. 1Q sales only appeared weak because elimination of delivery delays that occurred with the COVID-19 pandemic meant that deferral of net sales from the end of FY3/24 to FY3/25 1Q including May and June was normalized (eliminated). At FISCO, we do not view this as a concern.

■ Medium-term management plan

The hair business market is in a long-term decline; however, there are also business opportunities over the medium term. Aiming for FY3/26 net sales of ¥52.3bn and ordinary income margin of 10%

1. Assessment of the business environment

The hair business market in Japan is on a long-term declining trend, and in the short term, the market is recovering gradually from the COVID-19 pandemic, but the scale has not returned to pre-pandemic levels, and the Company's middle-term environment contains both opportunities and risks. Risks include a chronic labor shortage resulting in intensifying competition for hiring hairdressers, increases in cost of sales and SG&A expenses due to a weak yen and soaring resource prices, and a decrease in the number of customers in the future due to population decline. Opportunities include a return of demand for wigs after a temporary concentration of demand in travel and dining out after COVID-19 and expansion in demand for wigs due to the revision of the Act on Stabilization of Employment of Elderly Persons and revision of the Act on the Promotion of Women's Active Engagement in Professional Life, which will lead to growth in occasions for wig use. Combining these factors with changes in the Company's approach to sales promotion and customer attraction, there is a high potential for differentiation in the short and medium term, given its funding capabilities. Moreover, against this backdrop of differentiation, increasing activity among seniors, who are the Company's main customer demographic, and capturing the Junior Baby Boomer generation are expected. Therefore, the Company's market is expected to see continued strong demand in the short to medium term.

2. New medium-term management plan, ARTNATURE Advance Plan

In 2017, the Company formulated a long-term vision A Decade to Open the Future based on its Group Motto "Your best smile is what we want," with a target year of 2027, the Company's 60th founding anniversary. The vision aims to open up a new future by shifting to a management style emphasizing customer satisfaction and profitability, while exploring new business areas. The long-term vision is divided into three medium-term visions. Under the 1st step, Medium-Term Management Plan 2017-2019, the Company strove to recover from a slump in earnings by building a solid foundation under the vision of "Pioneering the Next Generation: The Birth of ARTNATURE." Under the 2nd step, Medium-Term Management Plan 2020-2022, the Company embraced challenges to enhance business value in spite of an uncertain future, as explained previously, under the vision "Pioneering the Next Generation: ARTNATURE's Challenge." The 3rd step, Medium-Term Management Plan 2023-2025, ARTNATURE Advance Plan beginning in FY3/24, the Company intends to leverage its achievements and challenges to date to make a further leap forward towards realizing the long-term vision, which has now become much closer, aiming to achieve the vision "Pioneering the Next Generation: ARTNATURE's Leap Forward."

Medium-term management plan

Under ARTNATURE Advance Plan, the Company aims to reach the next major milestone of more than ¥50.0bn by increasing earnings, expanding market share, and developing its business in new areas, despite the rapidly changing operating environment. The Company will focus on the key themes of value creation, sustainability promotion, and dialogue with the market. In the area of value creation, it will work to establish a position as a market leader in the domestic hair business industry and to acquire and expand business in new areas. In sustainability promotion, it will work to create a sustainable society by promoting compliance with the Corporate Governance Code and implementing SDG initiatives. It will also aim to achieve sustainable growth in corporate value by improving labor productivity, production stability, and administrative efficiency. In dialogue with the market, the Company will work to further improve information disclosure and consider additional shareholder return policies. Through these measures, the Company aims to achieve the following financial targets in FY3/26: net sales of ¥52.3bn, ordinary income margin of 10.0% (ordinary income of ¥5.23bn), and ROE of 10.3%. The Company's non-financial indicators are a hair business market share of 40% or more, establishment of GHG emission target (by 2025), and a percentage of female managers at 22% or higher, decrease the wage gap between male and female employees by 1.0% or more than the current level, and percentage of male employees taking childcare leave of 82% or more. FY3/24 was challenging in terms of results, but since competitors are operating in the same environment, the Company's share appears to have increased, and is implementing the growth strategies shown below, continuing toward its initial targets.

ARTNATURE Advance Plan target indicators

Financial targets for FY3/26		Financial targets for FY3/26	
Net sales (CAGR)	¥52.3bn (6% or more)	Hair business market share	40% or more
Ordinary income margin	10.0%	GHG emissions target	To be established by 2025 (FY2021 domestic non-consolidated scope 1 & 2 emissions: 6,076 t-CO ₂)
ROE	10.3%	Percentage of female managers	22% or more
		Wage gap between male and female employees	Decrease gap by 1.0% or more than the current level
		Percentage of male employees taking childcare leave	82% or more

Source: Prepared by FISCO from medium-term management plan, ARTNATURE Advance Plan

Deployment of growth strategies for value creation

3. Growth strategies

The Company is continuing to implement growth strategies aimed at creating value, based on its strengths and assessment of the business environment. In the Men's business, it promotes strategies to differentiate from its competitors and in the Ladies' business, it aims to create new points of contact with customers and foster collaboration among its businesses. Meanwhile, in the Ladies' ready-made wigs business, the Company plans to expand store numbers and strengthen sales strategies for existing customers. In the Others business, the Company will step up initiatives to expand recognition, and also has plans to promote business development in new areas. In addition to this, while the Company is already estimated to have the top share in the hair business market (approximately 35%), the Company aims to expand its share to 40%, and achieve top position in the market for women, in which it has been a late entrant.

Medium-term management plan

In the Men's business, the Company plans to maintain a CAGR of 1.5% by promoting strategies to differentiate from other companies. To this end, where it has previously provided high-added-value projects, it will now develop competitively priced high-value-added products, and other initiatives will include revising the prices of existing models to manage rising costs of raw materials, create a salon environment where customers feel safe and secure, increase the number of employees to accommodate more customers, strengthen promotional activities for wigs, and step-up initiatives to expand brand recognition beyond seniors. Competitors in the industry appear to be lacking the capacity to develop new products after suffering during the COVID-19 pandemic, and it seems that the Company has established an overwhelming lead over its rivals with its internally accumulated technologies in the area of wigs, where there is a particularly strong demand for high quality as the products are worn constantly, along with its development capability enabling the launch of new products twice a year.

In the Ladies' business, the Company plans to secure CAGR of 5.4% by generating new customer contacts and strengthening collaboration among businesses. Initiatives to achieve this include developing and launching a megahit such as STYLIA that would follow the success of Feelin, revising prices of existing models to manage the rising costs of raw materials, creating new customer contact opportunities, for example by enhancing the Company's app, developing hybrid stores and advertising by strengthening collaboration with the Ladies' ready-made wigs business, and developing new events. In particular, securely capturing the replacement demand for Feelin, a hit product launched during the previous medium-term management plan, is an important target. In efforts to create new customer contacts, in addition to reaction sales through conventional advertising, the Company will build new channels for customer development using social media and online sales, which are currently growing in importance. It will proceed to strengthen hybrid stores in collaboration with the Ladies' ready-made wigs business, but will also increase in-store customer attraction capabilities by strengthening new collaboration.

In the Ladies' ready-made wigs business, the Company plans to achieve CAGR of 12.7% by expanding the number of new stores and strengthening its sales strategy for existing customers. Initiatives to achieve this include introducing custom-made quality products to stimulate potential demand from users of ready-made wigs, revising prices of existing models to manage the rising costs of raw materials, opening new stores in areas the Company has not reached yet (nine more stores by the end of March 2026), strengthening collaboration among businesses for women, and strengthening the "repeat sales" system. In particular, the Company plans to bolster "repeat sales" by having customers return to the store for maintenance and encouraging further purchases at the appropriate time. To expand "repeat sales," it is important to have a system for securely following up on customers. By taking steps to improve productivity, such as reviewing the product supply system and the content of after-sales maintenance services, the Company will free up response time, and work to increase its successful contract rate by revising human resource training and customer approach methods.

In the Others business, in the online sales and overseas business, the Company will step up initiatives to expand recognition of the ARTNATURE brand, resume overseas travel and other sales activities in the post-pandemic period, and rigorously emphasize profitability in business operations. Moreover, in the new business domains, it will develop and expand business related to beauty and health, areas adjacent to its core business, aiming to achieve net sales of ¥3.0bn (up to ¥10.0bn) by FY3/26. As mentioned above, the Company has announced its withdrawal from sales operations inside China, where wig demand is still expected, but there is no change to its policy of focusing on Southeast Asia.

Medium-term management plan

Meanwhile, the capital plan under the medium-term management plan calls for ¥3.0bn per year in aggressive investment in the Ladies' business, and aggressive business investment for sustainable growth, including relocation, renewal, and modification of existing stores and IT system investments. The plan also sets aside ¥1.0bn for improving shareholder returns, such as attractive dividends, which the Company plans to fund through operating cash flows estimated at around ¥3.0bn to ¥5.0bn per year. Furthermore, the Company is considering up to ¥10.0bn investment over three years for acquiring and expanding businesses in new domains, which it plans to fund through cash on hand (balance of cash and deposits at end of FY3/24: ¥19.3bn).

If new sales can be converted into an increase, the final fiscal year targets will be within range

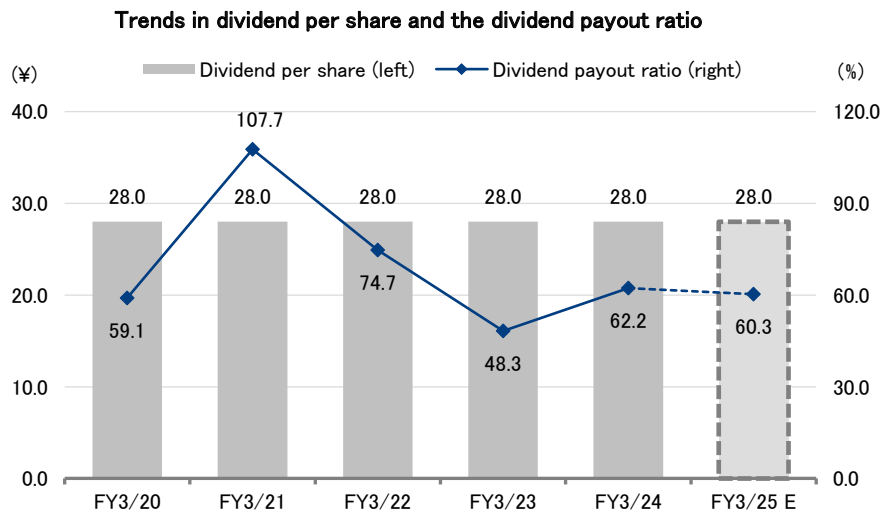
4. Progress of the ARTNATURE Advance Plan

Although it has only just begun its second year, the Company has already made some progress with ARTNATURE Advance Plan. With regard to value creation, sales of ready-made wigs have been favorable, despite struggling to make new sales in custom-made wigs and lacking progress on acquisition of businesses in new areas. With regard to sustainability promotion, the Company has taken steps towards realizing a sustainable society, in the area of climate change by announcing its agreement with the TCFD recommendations, in the area of respecting human rights by formulating a Human Rights Basic Policy, and in the area of human capital by making improvements to employee compensation. Furthermore, in initiatives to create a sustainable production system, the Company has announced the establishment of a new plant in Bangladesh, as described above, and has started securing local labor with plans to begin operation in the final year of the medium-term management plan. The purpose of establishing the Bangladesh plant is to distribute production risk due to concentration of production in the Philippines, which has experienced a prolonged lockdown during the COVID-19 pandemic, as well as to prepare against natural disasters and political risks, and to secure labor in conjunction with economic development. The new plant is also intended to secure production lines to cope with business expansion and increased production volume, and to increase the production capacity for custom-made and ready-made wigs. In the area of dialogue with the market, the Company changed from the Prime Market to the Standard Market in order to engage in efforts to increase its corporate value over the medium to long term, and it has also established a new dividend policy to strengthen shareholder returns. On the earnings front, since consumption has concentrated temporarily on services such as travel and dining out in the immediate wake of the COVID-19 pandemic, the Company's new sales struggled in FY3/24 and did not reach the forecast. Due to this, the growth process of the medium-term management plan was also expected to falter; however, the growth strategy itself is proceeding steadily. If new sales return to an increasing trajectory as planned and the Company achieves increases in sales and profits in FY3/25, then the targets for the final fiscal year of the plan will be within range.

Returns to shareholders

The consolidated dividend payout ratio is set at 50% or higher until ROE exceeds 10%

In its basic policy on shareholder returns, the Company “recognizes that returning profits to shareholders is one of the most important management priorities, and will strive to maintain stable dividends to shareholders while giving consideration to expanding internal reserves to strengthen the management foundation, enhance its financial constitution, and support future business expansion, conducting dividends of surplus twice a year, as an interim and a year-end dividend.” Furthermore, the Company has established a new dividend policy as follows: “Based on a consolidated payout ratio of 40% or higher, we will strive to increase dividends in line with consolidated performance (increase in increments of ¥1), with the current annual dividend of ¥28 as the minimum limit. However, until we achieve an ROE of over 10%, the consolidated payout ratio will be set to 50% or higher. If consolidated net income fluctuates significantly, we may adjust the dividends to account for these fluctuations.” Based on this dividend policy, the Company has decided to pay a dividend per share for FY3/24 of ¥28.0 for the year (¥14.0 at the end of 1H and ¥14.0 at the fiscal year-end). It has forecast a dividend per share for FY3/25 of ¥28.0 for the year (¥14.0 at the end of 1H, and ¥14.0 at the fiscal year-end).



Source: Prepared by FISCO from the Company's financial results, etc.

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