

COMPANY RESEARCH AND ANALYSIS REPORT

ARTNATURE

7823

Tokyo Stock Exchange Standard Market

9-Jul.-2025

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<https://www.fisco.co.jp>

Contents

Summary	01
1. A leading hair consultant company in the hair products and services sector providing lifestyle proposals	01
2. Producing appreciable effects in “reaction sales” through strengths in product development capabilities, technical abilities, and customer service	01
3. Double-digit decline in profit in FY3/25 due to struggling new sales and impact of high prices	01
4. Aiming for double-digit increase in profit in FY3/26, backed by recovery of new sales to women	02
Company profile	03
1. Company profile	03
2. History	03
3. Hair business market	05
Business overview	05
1. Description of services	05
2. Business model	09
3. The Company’s strengths	11
Results trends	11
1. Overview of FY3/25 results	11
2. New sales issues and countermeasures	14
3. FY3/26 forecasts	15
Medium-term management plan	17
1. Medium-term management plan, ARTNATURE Advance Plan	17
2. Key medium-term management plan themes	18
Shareholder return policy	18

Summary

Aiming for double-digit increase in profit in FY3/26 following recovery of new sales

1. A leading hair consultant company in the hair products and services sector providing lifestyle proposals

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, 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 sophisticated needs. The Company manufactures custom-made wigs, each of which is hand-made at its own plants overseas, and the barbers and hairdressers at its 282 stores nationwide (as of the end of March 2025) 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. Producing appreciable effects in “reaction sales” through 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 stimulants 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, in person at stores 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. Double-digit decline in profit in FY3/25 due to struggling new sales and impact of high prices

In the FY3/25 consolidated results, net sales totaled ¥43,340mn (up 1.1% year on year (YoY)) and operating income was ¥2,181mn (down 17.8%). Net sales only increased slightly as new sales in the Ladies’ business declined, although sales of new JUSME products for women contributed to a recovery trend. Operating income saw a double-digit decline due to the impact of exchange rates, high prices, and improvement in stylist compensation. One of the factors behind the Company’s struggle to grow new sales in the Ladies’ business is the issue of responding to changes in “reaction sales” due to promotion routes shifting from traditional channels like TV to the internet. Therefore, it is strengthening initiatives that use sales promotion methods that place emphasis on the internet, social media, as well as collaboration with shopping facilities where its store is located. It has also established “Hair no heyra,” a webpage that provides free consultations on wigs for men through high-performance AI, which is contributing to resolving hair-related concerns.

Summary

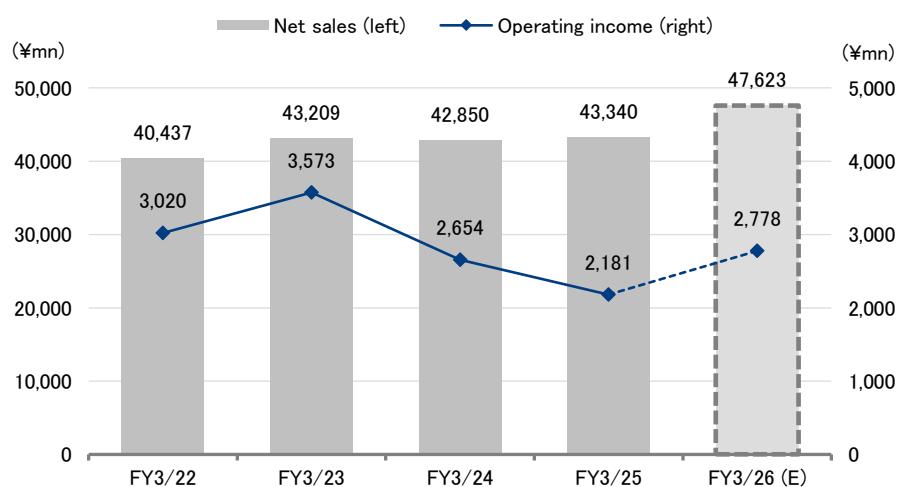
4. Aiming for double-digit increase in profit in FY3/26, backed by recovery of new sales to women

For its FY3/26 consolidated results, the Company is forecasting net sales of ¥47,623mn (up 9.9% YoY) and operating income of ¥2,778mn (up 27.4%), representing a double-digit increase in profit. Factors anticipated to contribute to this increase in profit are an upturn in sales from new orders of products for women following the launch of JUSME, the steady performance of hair-addition products and JULLIA OLGER, and the curbing of SG&A expenses. However, FY3/26 is the final year of the Company's medium-term management plan, "ARTNATURE Advance Plan," and it has fully reviewed this plan on account of factors it has experienced to date, such as the slump in new sales and rising prices. This review includes the downward revision of its net sales forecast from ¥52.3bn to ¥47.6bn. In light of this, the Company is working to advance the current recovery of new sales to women, grow hair-addition products and JULLIA OLGER, and expand into new areas in preparation for its next medium-term management plan.

Key Points

- As a leading total hair consultant company in the hair products and services sector, the Company proposes new lifestyle solutions
- Producing appreciable effects in "reaction sales" and "repeat sales" through strengths in product development capabilities, technical abilities, and customer service
- Although the medium-term management plan was revised due to struggling new sales, the Company is anticipating a double-digit increase in profit in FY3/26 following a recovery in orders

Results trends



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

Company profile

Sells haircare products including wigs and hair-addition products

1. Company profile

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, making it a labor-intensive, high value-added product. 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.

Evolved from a seller of men's wigs into a comprehensive hair consultancy business

2. 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 selling men's wig, 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 women's market 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. From 2019 onward, the Company has strengthened its efforts to achieve further growth by expanding into adjacent markets through measures such as the M&A of a company selling wigs in relatively affordable price ranges, the sale of Class 1 OTC hair growth products, and the establishment of a subsidiary to undertake support operations for medical institutions. Currently, the Company continues to actively develop products—launching new offerings in its core areas twice a year—and is steadily advancing its growth strategies in line with its medium-term management plan toward achieving its long-term vision.

ARTNATURE

9-Jul.-2025

7823 Tokyo Stock Exchange Standard Market

<https://corp.artnature.co.jp/en/ir.html>

Company profile

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 Mikawaya Inc. (currently ART MIKAWAYA 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 TSE's market restructuring
2023	ARTNATURE Festival 2023 in Osaka, featuring a line-up of all popular products held Switched listing to TSE Standard Market Launched REQUA PHANTOM, a new men's wig 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 2024 Established "Hair no heya," a webpage that provides free consultation on wigs through high-performance AI Launched JUSME custom-made wigs that meet the three key requirements of hairline, hair whorl, and ease of attachment
2025	Launched Clear MRP, a natural hair-addition product with non-visible knotting Launched REQUA REAL, a wig that provides a real reproduction of the head down to the skin pores Launched JUSME Round Fit, a wig which attaches to fine hair through delicate hooks around the full 360-degree circumference of the base net

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

Solidifying its position as the leading position for both men's and women's segments

3. Hair business market

The hair business market, including for wigs, is at a level said to be around ¥110.0bn. However, the business environment is challenging due to factors such as intensifying competition in adjacent markets, such as for hair care formulas, hair stimulants and hair growth tonics, rising social awareness of the skinhead style, and the ongoing emergence of new-entrant SMEs selling inexpensive wigs. Even after the COVID-19 pandemic subsided, consumer spending focused on travel and dining out, and did not return to the hair business industry at the anticipated level. In overcoming this difficult period, many major companies with strong constitutions were generally 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, and 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.

Business overview

Provides various hair-related products and services to people with hair-related concerns

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, the company is working to expand brand recognition in Southeast Asia and other regions, with the Philippines* serving as its manufacturing base.

* A new manufacturing plant in Bangladesh is due to begin operation within FY3/26. The aim is to avoid the risk associated with concentrating production in just one country, the Philippines, and to facilitate future business expansion.

Business overview

(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 comfortable and easy fit, measuring the base net that will fit on the head is the most important step. 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 overseas 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. In regard to its current main brands for men, in addition to the Native Front Process and Extraction-based Hair Transplant, the Company also offers REQUA REAL, which also enables short hairstyles through a newly developed soft synthetic skin that provides a real reproduction of the head down to the skin pores. Its main brands for women include JUSME Round Fit, a wig which can even be attached to fine hair without the use of pins through delicate hooks around the full 360-degree circumference of the base net.

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

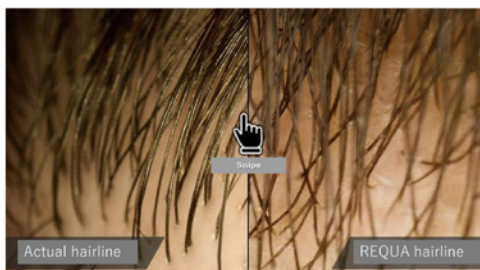
High-end wigs produced
by craftspeople



Example of a fitting

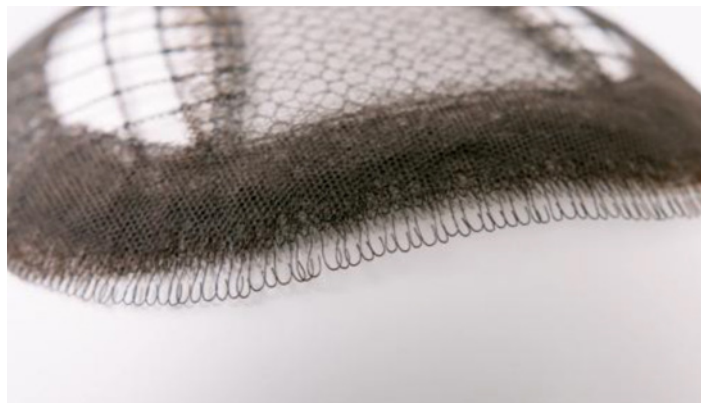


REQUA REAL



Source: The Company's homepage

Newly developed Full-Circle Hook Attachment



Source: The Company's homepage

Business overview

(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 the upper ¥300,000 range. 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 handles ready-made wigs in an even more affordable price range than JULLIA OLGIER brand, 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 custom-made wig stores, JULLIA OLGIER stores, and ANCS hair salons inside hospitals.

JULLIA OLGIER shop



NAO-ART shop



Source: The Company's homepage

(3) Hair-addition products

In hair-addition products, the Company develops the MRP brand for men and the Beauty Up brand in for women. 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. Clear MRP for men uses the Company's proprietary technology to remove the color from the knotting, rendering knots with the customer's own hair non-visible. This realizes hair addition that provides even greater peace of mind in terms of hairline and hair whorl. In the same way, HAIR UNION is a revolutionary system that can gradually increase hair at an individual pace using the Company's proprietary advanced hair technologies including MRP hair addition system and the Native Front Process. The Company's lineup for women includes Beauty Up natural hair extensions that enable women to easily realize their ideal style through the combination of hair fineness and volume.

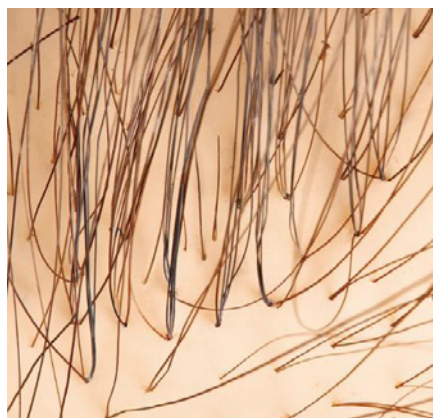
Business overview

Clear MRP

Previous products



Clear MRP



Source: The Company's homepage

(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. LABOMO brand* hair growth tonic (class 1 OTC drug) contains minoxidil as the active ingredient in order to promote hair growth by stimulating cell proliferation and protein synthesis that act directly on the hair follicles. It is primarily sold at the Company's web store. In addition, with the aims of conducting pharmaceutical sales to and contracting operations from medical facilities, Art Medical Service, Inc. was established in 2020. The idea is to utilize ARTNATURE's knowledge on hair to provide products and services other than for medical practice.

* LABOMO Hair Grow MINOXI5 NEO hair growth tonic for men and the LABOMO Hair Grow Hanaminoki hair growth tonic for women

(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. At the custom wig stores, 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 custom-made 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 color coordination with clothes. These after-sales services 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 Rakuten and Amazon. On TV shopping channels, it sells products such as 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, the Company's haircare products are available through various comprehensive catalog mail order companies as well as at retail stores nationwide, and the Company plans to continue expanding its distribution channels.

Expanding ways to attract customers other than "reaction sales"

2. Business model

The Company's ARTNATURE business accounts for a majority of its sales. Its business model is characterized by attracting new customers and increasing repeat customers through "reaction sales" and "repeat sales" based on an infrastructure of proprietary overseas plants, a nationwide store network, and barbers and hairdressers with national qualifications and specialist skills. In recent years, the spread of the internet and other factors are diversifying points of contact with customers, so in addition to previous channels such as TV and newspapers, the Company is expanding the ways it attracts customers to include channels such as online advertising and social media.

(1) Manufacturing system and store network

Underpinning the Company's leading position in the hair business market are a high-quality manufacturing system with approximately 60 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, hairlines, hair whorls, bangs and natural volume, for example, and high levels of quality, including synthetic hair that combines naturalness and functionality and 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.

For custom-made wigs, manufacturing takes place at two subsidiary plants in the Philippines, through which the Company maintains high quality, low costs and stable supply. The Company continues to launch new products that meet customer needs twice a year, in the spring and fall. The Company is currently planning to construct a new plant in Bangladesh during FY3/26 with the aim of increasing its production capacity and diversifying its manufacturing locations. Ready-made wig products are manufactured in close coordination with partner plants in China, Vietnam and elsewhere. The company's network of Art Nature and Ladies' Art Nature stores, which covers all 47 prefectures of Japan, offers high-quality custom-made wigs in the best possible environment with the finest services. Store interiors are designed with a focus on relaxation and tranquility and feature individual rooms that respect customers' sense of privacy. The Company has approximately 1,800 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 282 ARTNATURE and Ladies' Art Nature stores for custom-made wigs, 90 JULLIA OLGER stores for ready-made wigs, 11 ANCS in-hospital salons, 1 ARTDRUG store, and 37 NAO-ART stores (as of March 31, 2025).

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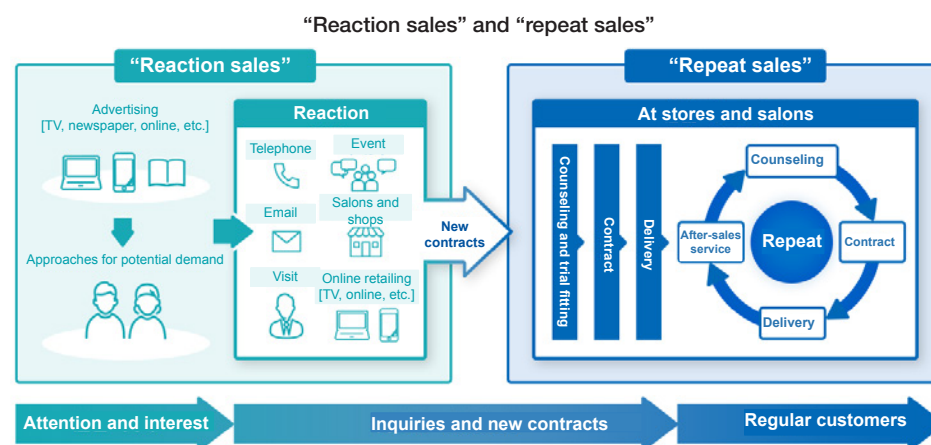
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Business overview

(2) “Reaction sales”

The systems that drive the Company’s infrastructure smoothly and lead to increased profitability and growth are its “reaction sales” and “repeat sales,” which serve as the foundation of its 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.”

In recent years, the spread of the internet and other factors have increased the number of customers that can be reached through media other than TV and newspapers. In light of this, the Company is strengthening its functions for attracting customers, such as providing information via social media and receiving new customers at stores that had previously focused on existing customers. It is also actively adopting new technologies, such as AI simulations and an AI-powered automated response system for telephone reception at its call centers, in order to capture new customers through these new approaches. The AI simulation provides proposals that are a better fit than ever before by taking a photo of the user’s face, converting it into the skinhead style, and then enabling the user to test a variety of different hairstyles. Recently, the Company launched “Hair no heya,” a webpage for men that uses high-performance AI to respond to hair-related questions from a professional perspective. It has received a strong response, with the number of visits to the Company’s website growing by 10 times compared to the previous fiscal year. The Company is already gathering data which it plans to use to capture new customers in the future. The Company also uses a customer management system to make optimal product proposals based on the needs of individual customers. As this information is important customer information, the Company is strengthening its framework for managing personal information, including by establishing a personal information protection management system and acquiring Privacy Mark certification, to foster even greater levels of trust from its customers.



Source: The Company’s homepage

Strengths include product development capabilities, technical capabilities, and customer service capabilities

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 approximately 60-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 REQUA series and the JUSME series. In addition, the Company's 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 approximately 60 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 differentiating the Company from rival companies.

Results trends

Profit declined due to slump in new sales to women

1. Overview of FY3/25 results

In the FY3/25 consolidated results, net sales totaled ¥43,340mn (up 1.1% YoY), and operating income was ¥2,181mn (down 17.8%), ordinary income was ¥2,249mn (down 17.4%), and net income attributable to owners of parent was ¥821mn (down 43.8%).

Business results for FY3/25 (consolidated)

	FY3/24		FY3/25		
	Results	% of sales	Results	% of sales	Change rate
Net sales	42,850	100.0%	43,340	100.0%	1.1%
Gross profit	28,715	67.0%	28,694	66.2%	-0.1%
SG&A expenses	26,060	60.8%	26,512	61.2%	1.7%
Operating income	2,654	6.2%	2,181	5.0%	-17.8%
Ordinary income	2,724	6.4%	2,249	5.2%	-17.4%
Net income attributable to owners of parent	1,462	3.4%	821	1.9%	-43.8%

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

Results trends

The Japanese economy saw a gradual recovery due to factors such as an upswing in consumer spending driven by improvements in the employment and income environments and growth in inbound tourism demand. On the other hand, the future remains as uncertain as ever amid exchange rate fluctuations, soaring raw material prices, and concerns that the rising price of goods will damage consumer sentiment. Under this business environment, the Company took on various challenges by leveraging the Group's strengths in accordance with the medium-term management plan, ARTNATURE Advance Plan, which is now entering its third year. As a result, it was able to advance business activities with the goal of making a leap forward toward "Pioneering the Next Generation: ARTNATURE," including growing its market share in the hair business industry, while developing and expanding businesses in new areas.

Specifically, in the Men's business, it launched "Hair no heya," a new webpage on its official website which provides users with easy-to-access consultation about their hair-related concerns through AI. This has had a certain amount of impact in raising recognition of the Company, including growing visits to the Company's website by 10 times compared to the previous fiscal year. It has also reaffirmed the large number of potential customers with hair concerns, as the use of websites and AI have lowered the threshold for addressing these concerns. It is currently analyzing promotion and sales methods in order to use "Hair no heya" to connect with potential customers in the future. Also, as a promotional campaign to capture "reaction sales," the Company started a new series of TV commercials featuring actors Atsuro Watabe, Yosuke Asari, Shunsuke Kazama, Tomoya Maeno, and Kenta Hamano. However, as the amount of spending in 1H was rather high, in 2H, the Company adjusted the content of these TV commercials and the amount spent on them while monitoring deal discussion numbers.

In the Ladies' business, in October 2024, the Company changed its flagship custom-made wig series by launching JUSME as a successor to the hit Feelin series. As a result, from 2Q onward, it recorded some months with a YoY increase in net sales of main products. However, while it managed to securely capture the anticipated replacement demand from repeat customers who had made purchases two years prior, it has not been an explosive hit like Feelin was, and some issues remain. Also, in regard to cultivating routes other than "reaction sales," promotions encouraging people to visit stores have resulted in more store visits, but there seems to have been some issues with the framework for receiving these visitors.

Even though new sales in the Ladies' business ultimately declined over the full fiscal year, the Company was able to achieve an increase in net sales due to the steady performance of repeat sales and new sales in the Men's business. The gross profit margin decreased due to the effects of exchange rates and high prices, as well as improved compensation for stylists and valuation losses on a portion of inventory. Operating income saw a double-digit decline. This was because, although the Company practiced cost management to curb costs such as advertising expenses in 2H, there was a Company-wide revision of pay levels, rents and systems maintenance costs increased, and there was also a rise in the cost of capturing new customers. In addition to this, although sales began trending upward again in 2H, the struggle to capture new sales in 1H had an impact, resulting in profit decreasing overall. Therefore, the main reasons net sales and profits ended up lower than the initial forecasts were the struggles to capture new sales of products for women, as well as a lack of progress on cost reductions while sales were declining.

ARTNATURE
7823 Tokyo Stock Exchange Standard Market

9-Jul.-2025
<https://corp.artnature.co.jp/en/ir.html>

Results trends

Results by segment for FY3/25 (consolidated)

(¥mn)

Net sales	FY3/24		FY3/25		
	Results	% of sales	Results	% of sales	Change rate
Men's business	22,814	53.2%	23,167	53.5%	1.5%
Ladies' business	12,788	29.8%	12,570	29.0%	-1.7%
Ladies' ready-made wigs business	5,658	13.2%	6,076	14.0%	7.4%
Other	1,589	3.7%	1,526	3.5%	-4.0%

Segment income before adjustment	FY3/24		FY3/25		
	Results	Profit margin	Results	Profit margin	Change rate
Men's business	14,502	63.6%	14,608	63.1%	0.7%
Ladies' business	8,378	65.5%	7,976	63.5%	-4.8%
Ladies' ready-made wigs business	4,559	80.6%	4,919	81.0%	7.9%
Other	1,442	90.7%	1,407	92.2%	-2.4%

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

Net sales in FY3/25 by Men's and Ladies' businesses and by product and service (non-consolidated)

(¥mn)

Men's	FY3/24		FY3/25		
	Results	% of sales	Results	% of sales	Change rate
Custom-made wigs	13,685	33.3%	13,916	33.6%	1.7%
Hair-addition products	2,704	6.6%	2,807	6.8%	3.8%
Hair growth services	553	1.3%	512	1.2%	-7.5%
After-sales services	4,805	11.7%	4,846	11.7%	0.8%
Other products, etc.	1,063	2.6%	1,084	2.6%	2.0%
New	1,427	3.5%	1,530	3.7%	7.2%
Repeat	21,386	52.1%	21,636	52.2%	1.2%

Ladies'	FY3/24		FY3/25		
	Results	% of sales	Results	% of sales	Change rate
Custom-made wigs	8,473	20.6%	8,158	19.7%	-3.7%
Hair-addition products	1,131	2.8%	1,110	2.7%	-1.9%
Hair growth services	532	1.3%	521	1.3%	-2.0%
After-sales services	2,195	5.3%	2,290	5.5%	4.3%
Other products, etc.	4,922	12.0%	5,281	12.7%	7.3%
Of these, JULLIA OLGER	4,467	10.9%	4,791	11.6%	7.3%
New	3,777	9.2%	3,270	7.9%	-13.4%
Repeat	9,011	21.9%	9,300	22.4%	3.2%

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

Looking at trends by segment, in regard to net sales in the Men's business, although the Company struggled somewhat with "reaction sales" of custom-made wigs, promotions centered on hair addition and the AI simulator were effective and new sales increased for the first time in three years. It also advanced measures to retain customers leading to an increase in repeat sales. Considering the continuing flow of contract customers shifting from hair addition to wigs, the Company's measures seem to have been successful. As a result, the Men's business recorded net sales of ¥23,167mn (up 1.5% YoY) and segment profit of ¥14,608mn (up 0.7%).

Results trends

In net sales in the Ladie's business, there was an increase in repeat sales as TV commercials featuring singer Ryoko Moriyama and comedian Michiko Shimizu continued to be well received, increasing the number of customers to stores. However, in the same way as the Men's business, the effectiveness of channels such as TV commercials on "reaction sales" has somewhat declined, so the Company struggled to capture new customers and new sales decreased. In addition to this, although JUSME contributed to a recovery in new sales in 2H, sales did not reach the levels expected of a new flagship product. At present, the decline in "reaction sales" is being covered by an increase in the contract rate realized through the skill of counselors. The Company is now testing ways to capture "reaction sales" through different points of contact with customers, such as opening a limited-time popup store on Shinjuku Promenade and strengthening social media use. As a result, the Ladie's business recorded net sales of ¥12,570mn (down 1.7% YoY) and segment profit of ¥7,976mn (down 4.8%).

Sales of ready-made products for women were steady, mainly due to LEFIA GRACE, a new custom-made wig product launched in October 2024. It has become the ready-made wigs business' biggest ever hit through promotions featuring popular characters played by Ryoko Moriyama and Michiko Shimizu. In addition to this, new store openings and sales promotion activities for commercial facilities where stores are located have been effective. As a result, the Ladies' ready-made wigs business recorded smooth growth, with net sales of ¥6,076mn (up 7.4% YoY) and segment profit of ¥4,919mn (up 7.9%).

Signs of a recovery in new sales due to revision of sales promotions, etc.

2. New sales issues and countermeasures

Since the COVID-19 pandemic, the performance of JULLIA OLGER, after-sales services, and repeat sales of hair-addition products have recovered smoothly, but the Company has continued to struggle to win new sales of custom-made wigs for both men and women. The main reasons for this struggle are that post-pandemic personal consumption has focused on 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 environment around 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 or turning up at stores unexpectedly to inquire directly (particularly common for women), and the lack of a sufficient response to this change remains an issue for the Company. Another reason specific to the Ladie's business is that there has been a rebound effect from the explosive popularity of Feelin, its previous flagship product, so sales are taking time to recover. In the case of the Men's business, 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. It is possible that the Company needs to recognize these companies as competition. It should be noted that while the number of companies offering low-cost wigs has increased, they are struggling more than companies selling high-cost wigs in the post-pandemic environment.

Results trends

The entire industry also appears to be struggling to acquire new customers, but the Company is already taking various measures to address the issue. It has started adopting promotion methods that emphasize the internet, social media, AI use, and coordination with facilities where it has stores. In men's wigs, it has been running new TV commercials through a process that has involved trial and error, and it has also launched "Hair no heya," a webpage that provides free consultations using high-performance AI. For women, it has basically retained the current sales methods, since repeat sales have been favorable, and in October 2025 it launched JUSME as a successor to its longstanding flagship series Feelin. Additionally, the Company has bolstered its capabilities for responding to new customers who visit its stores in person through coordination between in-store stylists, who specialize in repeat customers, and reaction sales counselors and hair and beauty specialist employees. Looking at the results of these measures, there are signs of a recovery in sales. Although the effects of the TV commercials for men are still being verified, there has been a good response to "Hair no heya," and while JUSME has not had the same impact as Feelin, it is starting to boost new sales to women.

Forecasting double-digit increase in profit due to recovery of new sales and streamlining of SG&A expenses

3. FY3/26 forecasts

As for its FY3/26 consolidated results, the Company forecasts net sales of ¥47,623mn (up 9.9% YoY), operating income of ¥2,778mn (up 27.4%), ordinary income of ¥2,844mn (up 26.4%), and net income attributable to owners of parent of ¥1,464mn (up 78.2%). Even though FY3/26 is the final year of its medium-term management plan, ARTNATURE Advance Plan, the Company has revised its targets due to factors such as the recent slump in new sales and rising prices. On the other hand, new sales to women have recently returned to a recovery trajectory, so the Company is working to stabilize sales of custom-made wigs, while also realizing further growth in the hair-addition and ready-made product (JULLIA OLGER) sectors and expanding into new business areas (not yet announced) in preparation for its next medium-term management plan.

FY3/26 forecasts (consolidated)

	FY3/25		FY3/26		
	Results	% of sales	Forecasts	% of sales	Change rate
Net sales	43,340	100.0%	47,623	100.0%	9.9%
Men's*	23,167	53.5%	23,495	49.3%	1.4%
Ladies**	18,646	43.0%	20,869	43.8%	11.9%
Others	1,526	3.5%	3,258	6.8%	113.5%
Gross profit	28,694	66.2%	31,468	66.1%	9.7%
SG&A expenses	26,512	61.2%	28,690	60.2%	8.2%
Operating income	2,181	5.0%	2,778	5.8%	27.4%
Ordinary income	2,249	5.2%	2,844	6.0%	26.4%
Net income attributable to owners of parent	821	1.9%	1,464	3.1%	78.2%

* "Men's" indicates the Men's business while "Ladies" indicates the Ladies' business and the Ladies' ready-made wigs business.

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

ARTNATURE | 9-Jul.-2025

7823 Tokyo Stock Exchange Standard Market | <https://corp.artnature.co.jp/en/ir.html>

Results trends

To increase sales, the Company plans to particularly focus on realizing a recovery in the Ladies' business and growing the ladies' ready-made wigs business. In regard to "reaction sales," it will create reactions through its existing strategy of launching and promoting appealing new products twice a year. On this front, JUSME Round Fit has made a promising start. Furthermore, the Company also plans to actively advance sales promotion measures other than "reaction sales." It is devising ways to close contracts in street-front stores in major cities, where the number of visitors is comparatively high, as well as considering enhancements to the content of its LINE feed, which tends to get a lot of clicks. It will also increase collaboration between counselors and local beauty salon owners, including through mini events. During the hot summer period, rather than focusing exclusively on wigs, it will also propose hair addition. Furthermore, it will work to mitigate the opportunity losses that occur when its offerings are inconsistent with customer needs by further strengthening collaboration between its businesses for women, including promoting reciprocal product purchasing between its high-price format Ladies' ARTNATURE stores and its mid-price format JULLIA OLGER stores. It will also open new JULLIA OLGER stores, as the brand is performing strongly. In the low-price format, NAO-ART, the Company will take a scrap and build approach based on the number of customers attracted by a facility and strengthen mail-order sales through TV.

In regard to increasing profit, the gross profit margin is expected to decrease slightly after factoring in soaring raw material prices, the yen's depreciation, the impact of high prices for goods, and the cost of entering new business areas. Furthermore, even though the Company will continue to accrue SG&A expenses associated with increasing personnel and improving employee compensation, in 1H FY3/25, it experimented with its TV commercials, including the way it uses talent, which lead to the streamlining of advertising expenses in 2H and these effects are expected to continue into FY3/26. The Company expects this and other efforts to use various expenses more efficiently to improve the SG&A expenses ratio, leading to a considerable increase in operating income. In regard to the profitability of new business areas, net sales and costs are expected to even out. Also, although the Company struggled with new sales to women this April, this is because product deliveries (when the sales are recorded) were weighted toward March, May, and beyond. The number of orders it received in April grew by almost double-digits YoY, suggesting the recovery trend seen since the launch of JUSME is still ongoing. It should be noted that the tariffs levied by the Trump administration are not expected to have an impact on the Company as the cost rates at its factories in the Philippines and Bangladesh are low and it does not export to the US.

Net sales forecast for FY3/26 by Men's and Ladies' businesses and by product and service (Non-consolidated)

(¥mn)

Men's	FY3/25		FY3/26		
	Results	% of sales	Forecasts	% of sales	Change rate
Custom-made wigs	13,916	33.6%	13,951	31.6%	0.3%
Hair-addition products	2,807	6.8%	3,128	7.1%	11.5%
Hair growth services	512	1.2%	450	1.0%	-12.0%
After-sales services	4,846	11.7%	4,928	11.2%	1.7%
Other products, etc.	1,084	2.6%	1,035	2.3%	-4.6%

Ladies'	FY3/25		FY3/26		
	Results	% of sales	Forecasts	% of sales	Change rate
Custom-made wigs	8,158	19.7%	8,844	20.1%	8.4%
Hair-addition products	1,110	2.7%	1,363	3.1%	22.8%
Hair growth services	521	1.3%	485	1.1%	-6.8%
After-sales services	2,290	5.5%	2,291	5.2%	0.1%
JULLIA OLGER	4,791	11.6%	5,891	13.4%	23.0%
Other products, etc.	490	1.2%	603	1.4%	23.1%

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

Results trends

By segment, in the Men's business, the Company is considering measures to capture new customers and retain existing customers, including developing high-value-added products, revising the prices of existing models in accordance with the rising costs of raw materials, strengthening promotion through events and online campaigns, and using AI simulation for consultations. Through these efforts, it is anticipating an increase in sales, particularly for hair-addition products. In the Ladies' business and Ladies' ready-made wigs business, the Company is considering developing high-value-added products and revising the prices of existing models in accordance with the rising costs of raw materials, the same as in the Men's business, and it is also developing initiatives such as cultivating new sales channels, further strengthening collaboration between the ladies' custom-made and ready-made wig businesses, reducing sales promotion costs using the internet, and fostering new sales by holding events. Through these efforts, it is aiming for a double-digit increase in sales. While Ladies' ARTNATURE hair-addition products and JULLIA OLGER are expected to be the main drivers of this increase, the Company is also anticipating double-digit growth for custom-made wigs. This growth looks quite high compared to the performance in recent years, but the background behind this forecast is the recovery trend seen since 2H FY3/25, including recent results, as well as the application of new expertise the Company has cultivated through various experimental efforts in the previous fiscal year, including setting up temporary stores within stations, advertising methods, methods for launching promotions, and methods for deploying TV commercials.

■ Medium-term management plan

Medium-term management plan targets revised downward under a challenging environment

1. Medium-term management plan, ARTNATURE Advance Plan

The hair business market in Japan is on a long-term declining trend, and the Company's middle-term environment contains both opportunities, such as increased participation of women in the workforce, a more active lifestyle among seniors and the anticipated capture of the Junior Baby Boomer generation as customers, and risks, such as chronic labor shortages, 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. Under this environment, 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." This 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, and in Medium-Term Management Plan 2023-2025, ARTNATURE Advance Plan, which began in FY3/24, the Company aimed to realize the long-term vision, which is approaching its finish, by achieving the vision of "Pioneering the Next Generation: ARTNATURE's Leap Forward." As the environment around the Company underwent increasingly severe changes, the plan targeted net sales of ¥52.3bn and ordinary income margin of 10.0%. However, due to factors such as a slump in new sales and rising prices, the Company revised its targets for FY3/26, the final year, as mentioned previously.

Reasonably smooth progress made on key themes

2. Key medium-term management plan themes

While the situation regarding ARTNATURE Advance Plan is challenging in terms of quantitative indicators, the Company has made reasonably smooth progress on the three key themes of value creation, sustainability promotion, and dialogue with the market. For value creation, the Company is tackling the theme of establishing a position as a market leader in the domestic hair business industry, and efforts to capture repeat sales in each business have been proceeding roughly according to plan. In the Men's business, it has realized a YoY increase in new sales by strengthening counselor training, but enhancing efforts to appeal to potential customers worried about thinning hair remains an issue. In the Ladies' business, the current recovery trend which started after the launch of JUSME is notable, but the Company still has issues with developing hit products that can drive new sales. In the Ladies' ready-made wigs business, the Company has been taking a scrap and build approach and strengthening sales promotions at individual stores through events and the like. Also, while sales of LEFIA GRACE ready-made wigs have been good, the Company has set establishing sales structures that can further increase sales numbers and upselling measures in the Ladies' business as priority issues, and it is actively working to address them. For sustainability promotion, the Company is strengthening initiatives for realizing a sustainable society, including expanding the disclosure of sustainability-related information and implementing SDG initiatives. It is also enhancing sustainable corporate value by raising productivity and efficiency through the advancement of DX, including adopting cutting-edge technologies such as AI. For dialogue with the market, the Company has been enhancing information disclosure and deepening relationships with individual investors, but the need for further improvement of information disclosure and additional shareholder return measures remain as issues.

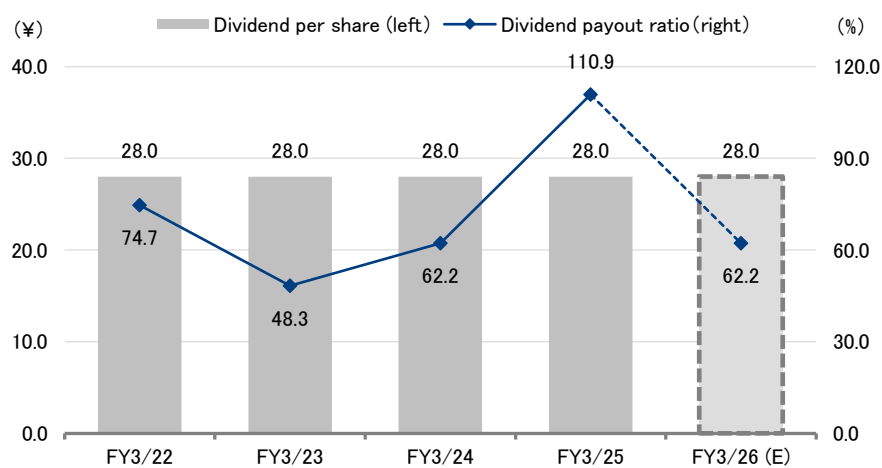
Shareholder return policy

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." Under this dividend policy, the Company aims to maintain a consolidated payout ratio of 40% or higher, with the current annual dividend level of ¥28 as the minimum, and seeks to increase dividends in increments of ¥1 in line with consolidated earnings. However, until the Company achieve an ROE of over 10%, the basic policy of a consolidated payout ratio will be set to 50% or higher. If consolidated net income fluctuates significantly, the Company may adjust the dividends to account for these fluctuations. Based on the basic policy and dividend policy, the Company has decided to pay a dividend per share for FY3/25 of ¥28.0 for the year (¥14.0 at the end of 1H (interim) and ¥14.0 at the fiscal year-end). It has forecast a dividend per share for FY3/26 of ¥28.0 for the year (¥14.0 at the end of 1H (interim), and ¥14.0 at the fiscal year-end).

Shareholder return policy

Trends in dividend per share and the dividend payout ratio



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

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