



ARTNATURE INC.

Financial Results Briefing for the Fiscal Year Ended March 2023

May 16, 2023

Event Summary

[Company Name]	ARTNATURE INC.	
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[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2023	
[Fiscal Period]	FY2023 Annual	
[Date]	May 16, 2023	
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[Time]	16:00 – 16:43 (Total: 43 minutes, Presentation: 28 minutes, Q&A: 15 minutes)	
[Venue]	Download	
[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Yoshikata Igarashi	Chairman and President
	Toshio Honda	Senior Corporate Officer, General Manager of Management Planning Division
	Hiroaki Inoue	Senior Corporate Officer, General Manager of Accounting & Finance Department
	Atsushi Senkoji	Management Planning Division, IR Head

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Presentation

Moderator: We will now begin the financial results briefing for ARTNATURE INC. for the fiscal year ended March 31, 2023. Thank you very much for gathering here today.

I would now like to introduce the company attendees. In the front row from the center on your right, is Mr. Yoshikata Igarashi, Chairman and President.

Igarashi: I am Igarashi. Thank you for joining us today.

Moderator: Next, we have Mr. Toshio Honda, Senior Corporate Officer, General Manager of the Management Planning Division.

Honda: My name is Honda. Thank you for your time.

Moderator: Moving to the back row, Mr. Hiroaki Inoue, Senior Corporate Officer, General Manager of the Accounting & Finance Department.

Inoue: I am Inoue. Thank you for your time.

Moderator: And last, Mr. Atsushi Senkoji, Management Planning Division, IR Head.

Senkoji: My name is Senkoji. Thank you for coming today.

Moderator: We have these four attendees today.

We have distributed to you today the presentation material that will be projected on this screen, the summary of the financial results, the medium-term management plan, and the ARTNATURE Advance Plan. Also, we have attached the questionnaire form. Please fill out the questionnaire by the end of the briefing and leave it on your desk for our future reference for IR activities. Thank you very much for your cooperation.

Today's briefing will begin with an explanation by Chairman Igarashi, followed by a presentation by Senior Corporate Officer Honda. After these explanations, we will have a question-and-answer session. The meeting is scheduled to end at 5:00 PM.

Now, Chairman Igarashi, please start your explanation.

Igarashi: I am Igarashi from ARTNATURE. Thank you very much for attending our financial results briefing today.

Now, I will give an explanation.

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FY2023 : Highlights



For the fiscal year ended March 31, 2023, all divisions reported increases in both sales and income compared to the previous fiscal year.

Net Sales & Operating Income

(¥ Million)

	FY2022 (Results)	FY2023 (Results)	YoY Change	Revision plan	Revision plan ratio
Net Sales	40,437	43,209	+6.9%	42,946	+0.6%
Operating Income	3,020	3,573	+18.3%	3,533	+1.1%

Breakdown of Net Sales

	FY2022 (Results)	FY2023 (Results)	YoY Change
Men's Business	22,660	23,237	+2.5%
Ladies' Business	16,227	18,195	+12.1%
Others	1,548	1,775	+14.6%

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

First, I will talk about an overview of the financial results for the fiscal year ended March 31, 2023.

As shown in the upper table, both net sales and operating income increased YoY for the fiscal year under review. Both net sales and operating income exceeded the revised plan. The table at the bottom shows actual net sales by business. All businesses reported an increase in sales.

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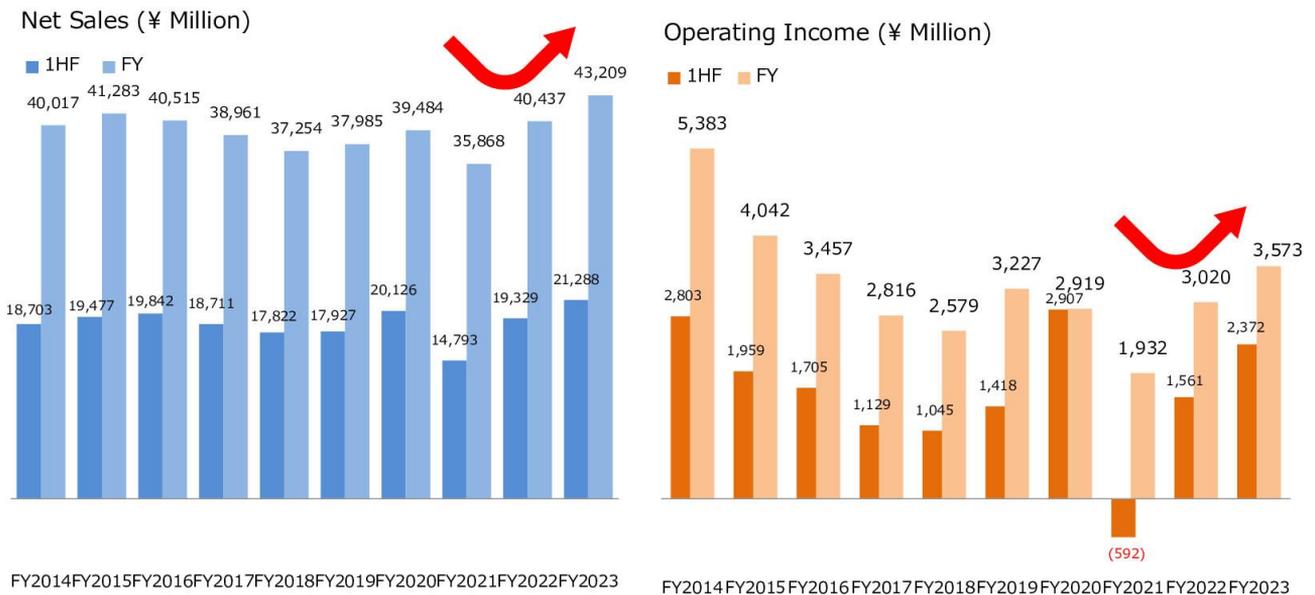
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Net Sales and Operating Income

Both sales and operating income exceeded the levels before the COVID-19 epidemic, and sales reached a record high since the listing.



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Next, please see this graph of performance trends.

This graph shows net sales and operating income for the past 10 fiscal years, including the current fiscal year.

For the current fiscal year, both net sales and operating income exceeded pre-COVID-19 pandemic levels. In addition, net sales reached JPY43.2 billion, the highest ever since the Company was listed on the stock exchange. We are determined to sustain this momentum and increase our performance in this fiscal year and beyond.

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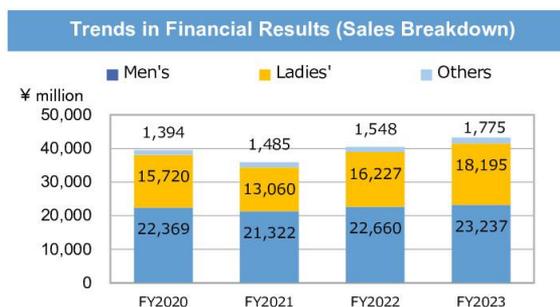
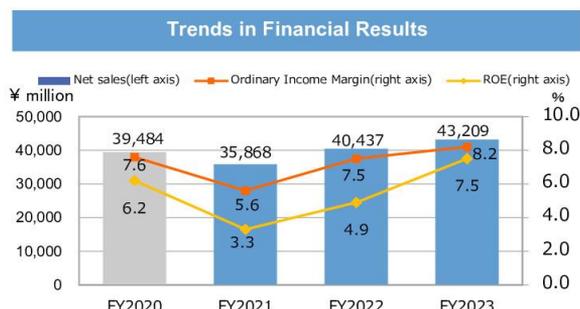
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Past Recap (Quantitative Facts ①)



In FY2023 (the final year of the previous medium-term plan), net sales hit a record high, surpassing the pre-pandemic level, although falling short of the plan.



Item	FY2020 Results (Final year of the previous two mid-term management plans)	FY2023 (Final year of previous medium-term plan)		Medium-Term Plan Evaluation
		Original plan (As of September2020)	Actual results	
Net sales	39.4 billion yen	44.2 billion yen	43.2 billion yen	▲
Ordinary Income Margin	7.6%	8.7%	8.2%	▲
R O E	6.2%	8.7%	7.5%	▲

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I will now give an overview of our new three-year medium-term management plan, which begins in FY2023.

First of all, looking back at our performance in the final year of the previous medium-term plan, although we did not reach our original plan, we were able to exceed the level of performance from before the COVID-19 pandemic and achieve the highest sales in our history.

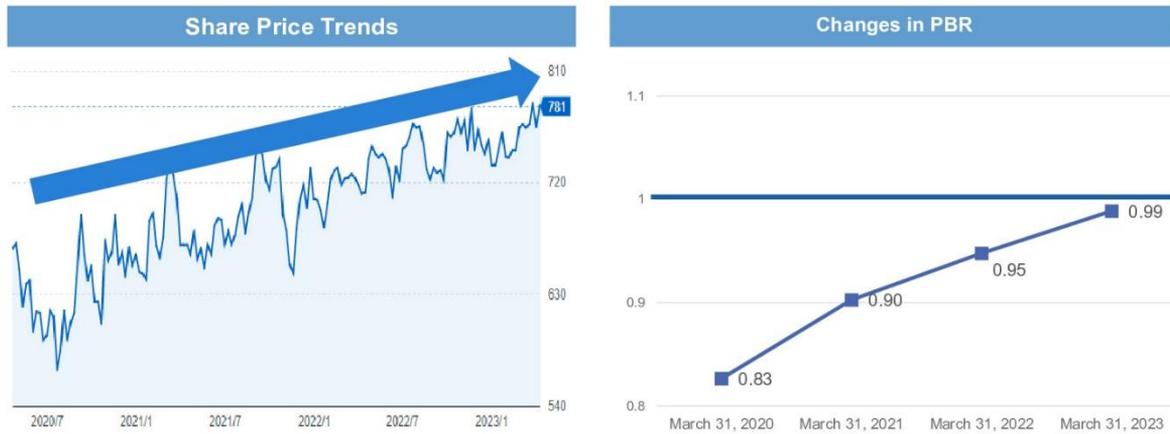
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While the P/B ratio remains under 1.0, the stock price is gradually trending higher after bottoming out in July 2020.



As for the stock price, although the P/B ratio did not exceed 1x, it rose steadily along with the steady recovery of business performance.

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Review of Key Challenge Measures

Salon visitors were not back to pre-pandemic numbers, yet net sales hit a new peak.
The expansion into new business areas has yet to be realized; it remains to be addressed.

Item		Details	Medium-Term Plan Evaluation	Review (April 2020 - March 2023)
Business growth	Existing Business	- Stabilizing and strengthening the customer base by emphasizing customer satisfaction	▲	[Number of salon visitors] The number of salon visitors, both male and female, has yet to reach the pre-pandemic level.
			▲	[Net sales] Net sales fell short of the plan. The Ladies' business grew dramatically due partly to the success of Feelin, a custom-made wig for women launched in September 2021.
	New Business*	- Enhancement of product lineup/Expansion of sales channels - Emphasizing brand penetration and recognition	○	[Expansion of product lineup and sales channels] The hair growth agent for women introduced in August 2020 contributed to results.
			×	[Expansion of recognition] The recognition failed to expand due to the impact of the Covid-19 pandemic.
Step into new business areas	- Venture into new businesses outside the existing fields to lay the foundation for the next generation	×	Many M&A deals were considered, but none led to an entry into new business areas.	

*Sales of medical supplies, medical institution support business, sales of mid-range wigs, etc.

This is a review of the key challenge measures set forth in the previous medium-term plan.

In terms of business growth, the number of salon visitors did not reach the level from before the COVID-19 pandemic, but net sales reached a record high. In addition, in the development of new business areas, we considered various M&A deals, but were unable to make inroads into businesses in new areas. Based on these results, we will continue to address these challenges in the future.

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Strengthening recruitment and business innovation remained hurdles, yet notable progress was made in staff training and dialogue with the market

Item	Details	Medium-Term Plan Evaluation	Review (April 2020 - March 2023)
Strengthen the recruitment	<ul style="list-style-type: none"> - Build a stable recruitment system. - Increase job satisfaction 	▲	Raised starting salaries for new hires, reviewed recruitment channels, etc. Employee retention support measures, etc. remained a challenge.
Personnel training	<ul style="list-style-type: none"> - Develop the on-site workforce - Develop head-office staff who will lead the next generation 	○	Reviewed training programs, implemented video/remote training sessions, etc., held the nationwide Technical Competition 2022. Developed head-office personnel for next-generation leadership.
Business innovation	<ul style="list-style-type: none"> - Update routine business operations - Update the information system - Update the human resource system 	▲	Digitized documents and visualized business workflows, but only identified issues in digital transformation, not fully renewing the system. Failed to achieve a radical business renewal in the human resource system.
Dialogue with the market	<ul style="list-style-type: none"> - Strengthen IR activities - Implement SDG initiatives 	○	Provided external reports, hosted online briefings, conducted surveys for investors, etc. Launched sustainability initiatives to fulfill the SDGs (e.g., plastic reduction), including the endorsement of the TCFD recommendations and information disclosure and respect for human rights.

With regard to strengthening recruitment, we have been able to increase starting salaries for new hires and review recruitment channels. Also, we have focused on attracting employees, but we have not yet been able to completely fill the positions.

With respect to personnel training, the Company strengthened its on-site workforce through the use of online training sessions, while at the same time developing human resources at the head office who can assume the next generation's leadership role.

As for business innovation, we were able to digitize routine tasks such as the digitization of documents, but we were not able to achieve a drastic renewal of the human resource system and information system.

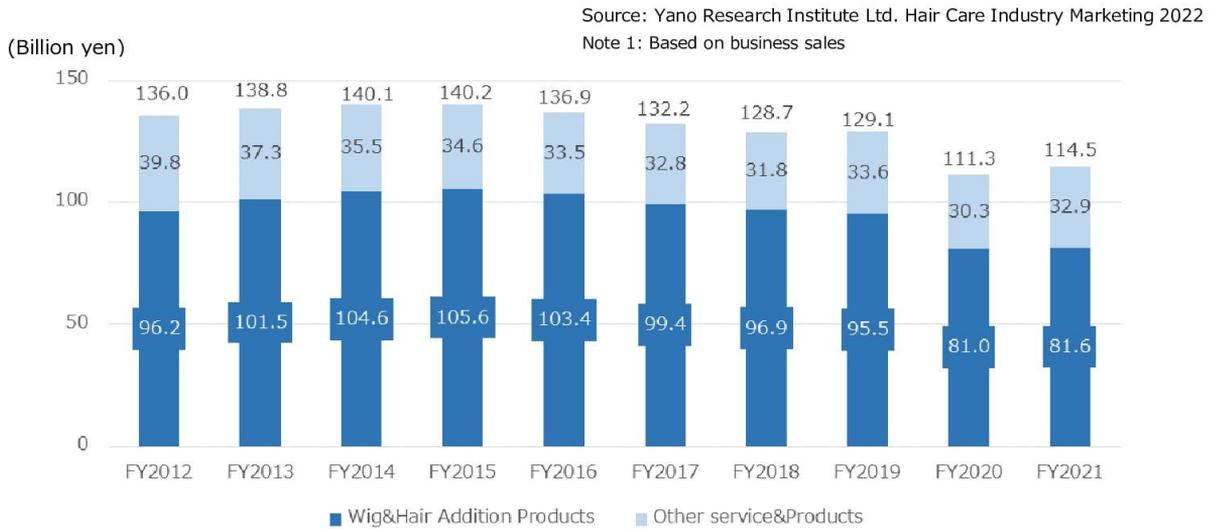
Regarding dialogue with the market, we have strengthened our investor relations activities for both institutional and individual investors, and have launched a variety of initiatives around sustainability.

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The domestic hair business industry has seen a downward trend in terms of market size, with wigs and hair addition shrinking. Although the market size increased in FY2021 compared to FY2020, it has not returned to the pre-pandemic level.



I will move on to the business environment surrounding our company.

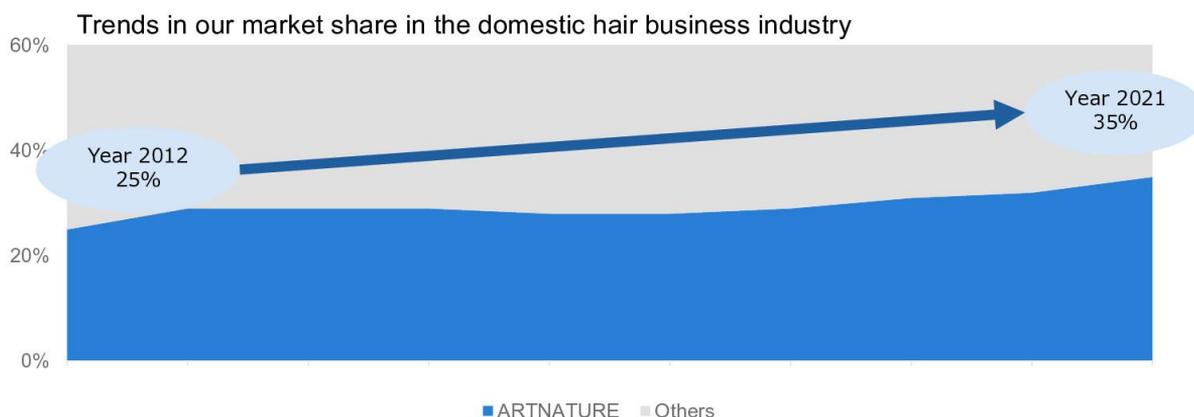
The domestic hair business industry has been on a downward trend, and although it recovered slightly in FY2021, it has not returned to the size from before the COVID-19 pandemic.

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The ratio of our sales to the industry’s total domestic sales, or our market share, is increasing.



Our consolidated net sales (Billion yen)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
	35.0	40.0	41.2	40.5	38.9	37.2	37.9	39.4	35.8	40.4

However, we were able to increase our net sales and share of the domestic hair industry market by 10 percentage points, from 25% in FY2012 to 35% in FY2021.

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The following are keywords in our current business landscape:

Politics	Opportunity Revision of the Act on Stabilization of Employment of Elderly Persons (Increase in customer lifetime value, LTV, due to more workers postponing retirement)	Opportunity Revision of the Act on the Promotion of Women's Active Engagement in Professional Life (Increase in the number of female customers with advances in work style reform)	Revision of the Corporate Governance Code (More rigorous administrative requirements)
	Risk Chronic labor shortage (Intensifying competition for hiring hairdressers)	Risk Unstable exchange rates (A weak yen: a disadvantage for importers)	Risk Soaring resource prices (Higher cost of sales and SG&A expenses)
Society	Risk Declining population (Impact on the number of customers in the future)	Opportunity Changes in the lifestyles of the elderly Increase in the number of active seniors (Increase in our main customer base)	Opportunity Changes in consumer behavior as a result of the reclassification of Covid-19 as a Class V Infectious Disease (More time spent outside meaning more demand for wigs)
	Opportunity Promotion of Digital Transformation (DX) (Advancement of useful technologies)	Opportunity Spread of social networking services (Diversification of digital sales channels)	Opportunity Development of sustainable technologies (Development of environmentally friendly materials)

Here is a chart summarizing the current environment surrounding our company with simple keywords of politics, economy, society, and technology. As you can see, there is a mix of different opportunities and risks.

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1. Changing consumer behavior of seniors, a key customer segment

More and more seniors aged 60 and over are motivated about their work and hobbies.
(Ministry of Internal Affairs and Communications, “Changing image of the elderly – Emergence of active seniors–”)

2. Domestic hair business industry rebounding from Covid-19, with an expansion trend after a slight rise

- 1) Consumer spending is expected to recover due to the reclassification of Covid-19 as a Class V Infectious Disease.
- 2) Demand among women in the baby boomer junior generation is expected to grow.
- 3) Digital transformation of business models and the integration of digital and real life will accelerate. Hair Care Industry Marketing 2022
(2&3: Excerpted from by Yano Research Institute Ltd.)

Based on the business environment perceptions I just described, we have organized the future outlook for the environment into two points.

First, regarding our key customer segment, seniors aged 60 and over, we expect to see an increase in the number of so-called active seniors, those who are motivated about their work and hobbies.

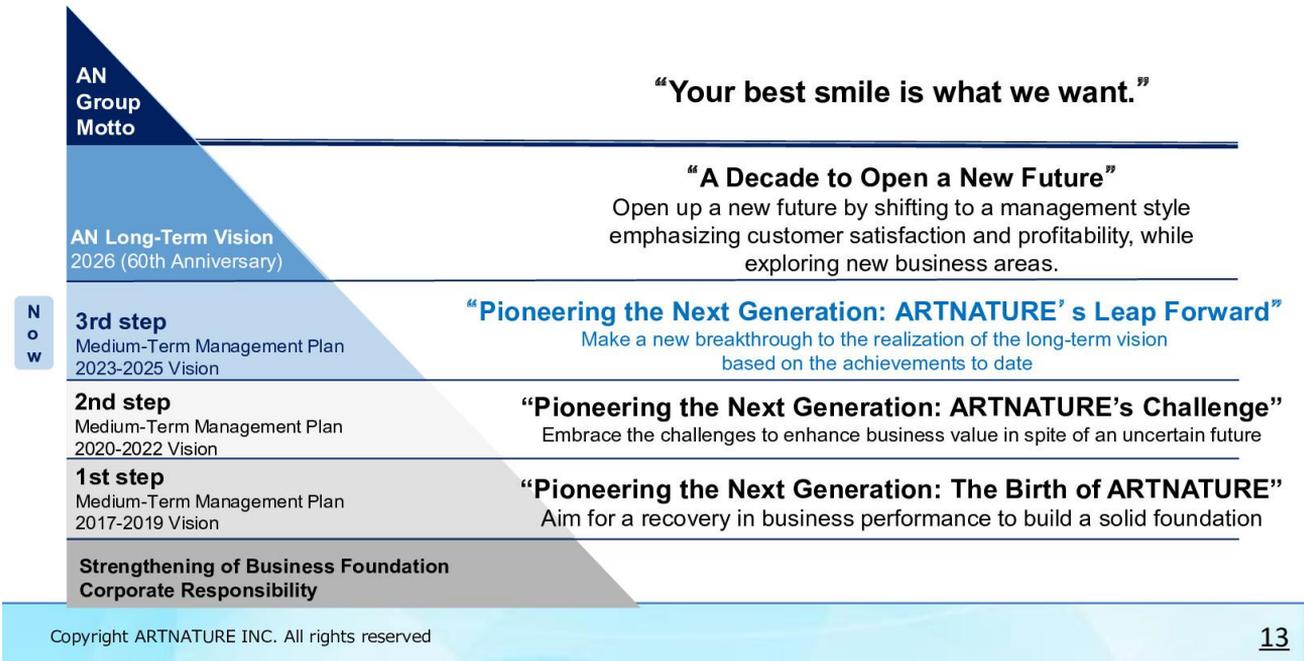
Second, as consumer spending recovers in the domestic hair business industry following the reclassification of COVID-19 as a Class 5 infectious disease, it is anticipated that online customer service will be increasingly progressing to capture female demand from the baby boomer junior generation.

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With its vision as “Pioneering the Next Generation: ARTNATURE’s Leap Forward,” the Medium-Term Management Plan 2023-2025 is positioned as the third step toward the realization of the long-term vision for 2027, the 60th anniversary of the company’s founding.



From here, I would like to explain our company's vision.

Our long-term vision for FY2017 to FY2026 is "A Decade to Open a New Future," and we formulate a medium-term management plan every three years to achieve this vision. In the current medium-term management plan, our vision is "Pioneering the Next Generation: ARTNATURE's Leap Forward," and we are now at a stage where we aim to make further progress based on our past achievements.

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Vision (Medium-Term Management Plan: Overview)



Despite the rapidly changing environment in which we operate, we aim to reach the next major milestone of more than 50 billion yen in this medium-term management plan.

Long-Term Vision “A Decade to Open a New Future”				
Medium-Term Management Plan	Previous two mid-term management plans	Previous Mid-term Management Plan	New Medium-Term Management Plan	Final fiscal year
	2017-2019	2020-2022	2023-2025	2026
	REBORN	Challenge	Advance	—
	Pioneering the Next Generation: The Birth of ARTNATURE	Pioneering the Next Generation: ARTNATURE’s Challenge	Pioneering the Next Generation: ARTNATURE’s Leap Forward	—
Net sales※1	39.4Billion yen (2019)	43.2Billion yen (2022)	52.3Billion yen (2025)	—
Ordinary Income Margin ※1	7.6% (2019)	8.2% (2022)	10.0% (2025)	—
ROE※1	6.2% (2019)	7.5% (2022)	10.2% (2025)	—
Hair business market share※2	30.5% (2019)	35.3% (2021)	Over 40% (2025)	—

*1 Net sales, Ordinary income margin, and ROE shown are actual results and plans for the final year of the medium-term management plan.

*2 Hair business market share: the ratio of our sales to the industry’s total domestic sales (2019, 2021)

Here is an overview of the current medium-term management plan.

The name of the new plan is the ARTNATURE Advance Plan. As Mr. Honda will explain later, we aim to achieve the next major milestone of JPY50 billion in net sales, while targeting ordinary income margin and ROE both in double digits. The entire company will work together to achieve our goals.

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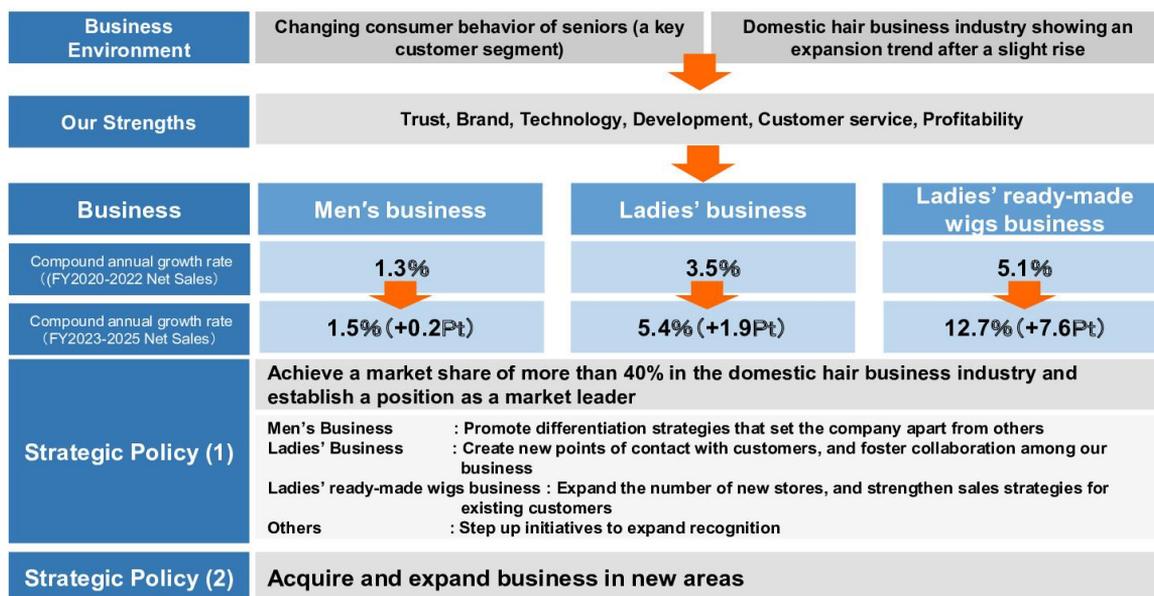
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Vision (Strategic Direction)

Improve business performance and boost market share in the hair business industry, establish a position as the domestic market leader, and acquire and expand business in new areas



This page shows a brief overview of the strategic policy of the ARTNATURE Advance Plan.

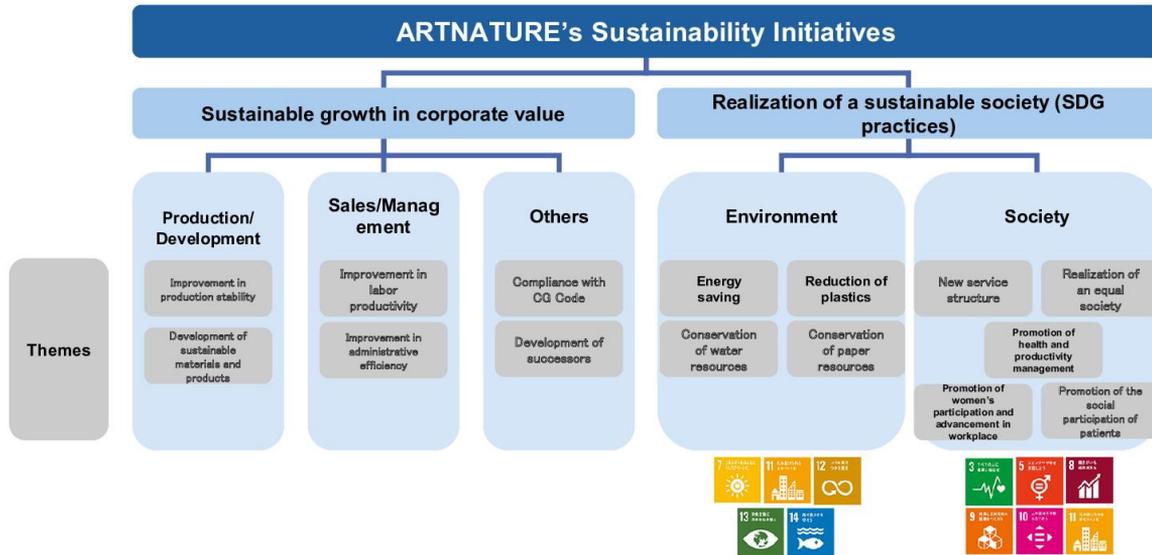
Based on the recognition of the environment I just explained, we will establish our position as the domestic market leader while maximizing our strengths and will acquire and expand businesses in new areas.

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Guided by our motto "Your best smile is what we want," the ARTNATURE Group will strive to sustainably enhance our corporate value and realize a sustainable society.



You can see the various initiatives around sustainability here.

Under the motto of "Your best smile is what we want," we are committed to the sustainable growth in corporate value and the realization of a sustainable society. Details of the initiative will be explained later by Honda.

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Maintain stable dividends in FY2023, and consider additional shareholder return policies in FY2024 and beyond.

Basic policy	We believe that returning profits to shareholders is one of the top priorities in our management. We strive to maintain stable dividends to shareholders while giving due consideration to securing sufficient internal reserves for strengthening our management base and financial position and for future business expansion.					
Key Indicators (Shareholder Returns)	Previous Mid-term Management Plan			This medium-term plan		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net income per share	25.99yen	37.51yen	58.00yen	65.92yen	80.08yen	91.04yen
Dividend per share	28yen	28yen	28yen	28yen		
Dividend payout ratio	107.7%	74.7%	48.3%	42.5%		

Under consideration

Finally, I would like to discuss shareholder returns.

The Company recognizes that returning profits to shareholders is one of its highest priorities and has endeavored to maintain stable and continuous dividends. For FY2023, we plan to pay an annual dividend of JPY28, and will continue to consider the dividend for FY2024 and beyond.

This concludes my explanation. Thank you for your attention.

Moderator: Thank you very much, Chairman Igarashi.

Next, General Manager Honda, please start your explanation.

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FY2023 : Consolidated Statements of Income Highlights



FY2023 financial results exceeded the revised plan in addition to higher sales and income compared to the previous fiscal year. (¥ Million)

	FY2022 Results	FY2023 Results	Revision plan	YoY Change
Net Sales	40,437	43,209	42,946	Net Sales : Up 6.9% Men's Business : Up 2.5% Ladies' Business : Up 12.1%
Men's Business	22,660	23,237	23,152	
Ladies' Business	16,227	18,195	18,090	
Others	1,548	1,775	1,703	
Cost of Sales	12,698	14,053	13,939	Cost of Sales Ratio : Up 1.1Pt Product Cost : Up 1.6Pt HR : Down 0.5Pt
Gross Profit	27,739	29,156	29,007	
SG&A Expenses	24,719	25,582	25,474	
Ad Spending	6,556	6,336	-	SG&A Expenses Ratio : Down 1.9Pt Ad Spending : Down 1.5Pt HR : Down 0.2Pt Other : Down 0.2Pt
HR	5,790	6,113	-	
Operating Income	3,020	3,573	3,533	
Ordinary Income	3,038	3,534	3,474	CAPEX Store facilities : ¥914 million System related : ¥90 million
Net Income	1,204	1,874	1,817	
Depreciation	827	829	-	
CAPEX	1,359	1,410	-	

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Honda: I am Honda from ARTNATURE. I would now like to explain the financial results for the current fiscal year, focusing on the numerical aspects.

For the fiscal year under review, net sales increased 6.9% YoY to JPY43.2 billion, and operating income rose 18.3% YoY to JPY3.5 billion, both of which recorded an increase. Net sales for the men's business increased 2.5% YoY to JPY23.2 billion, and net sales for the ladies' business increased 12.1% YoY to JPY18.1 billion, both of which exceeded the revised plan disclosed in January 2023.

Cost of sales increased by 1.1 percentage points to JPY14 billion. Stylist labor costs, which is a very large fixed cost component, decreased by 0.5 percentage points due to sales expansion, but the cost of product ratio increased by 1.6 percentage points due to the weaker yen and higher raw materials prices.

SG&A expenses increased 3.4% YoY to JPY25.5 billion. Advertising expenses were below the previous fiscal year's level due to restrained operations, but personnel expenses increased 5.6% due to the cost of recruiting new employees to strengthen the headcount. Other items also outperformed the previous fiscal year due to the recovery from the COVID-19 pandemic. As a result, operating income was JPY3.5 billion, up YoY and exceeding the revised plan as well as net sales.

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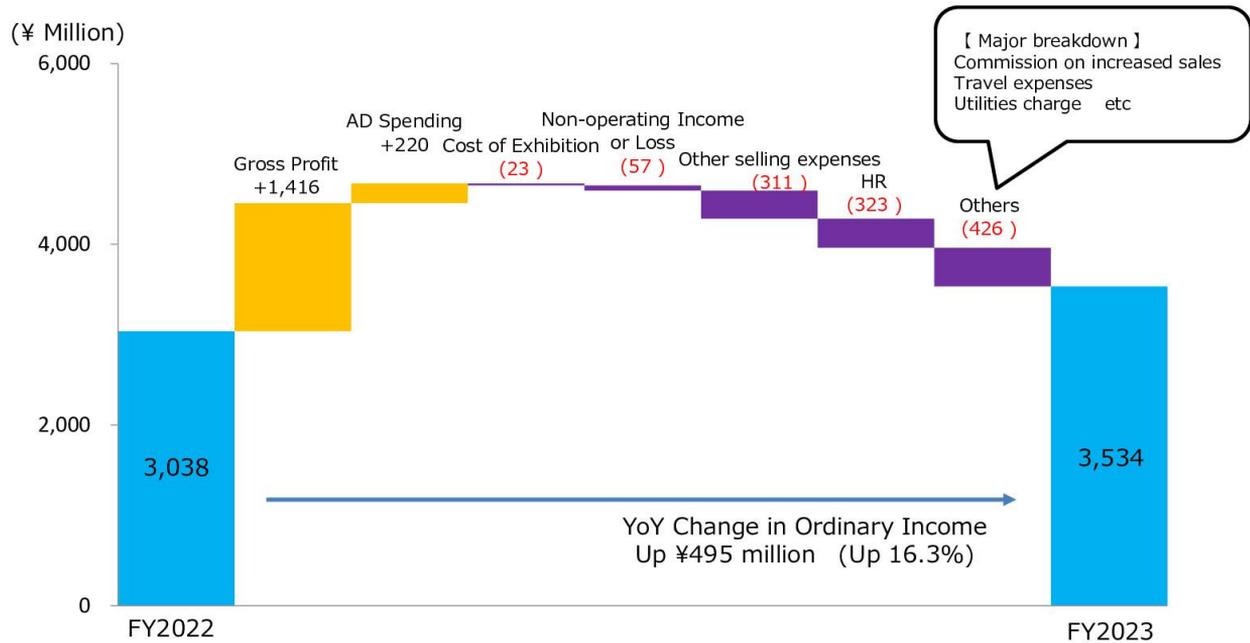
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FY2023 : Analysis of Consolidated Ordinary Income

Gross profit grew in line with the increase in sales, contributing to the increase in income.



Continuing on page 20, we show the factors for changes in consolidated ordinary income.

As you can see, the growth in gross profit contributed significantly to the increase in income. Gross profit increased by JPY1.4 billion YoY and overall expenses increased by JPY900 million YoY, resulting in an ordinary income of JPY3.5 billion, up approximately JPY500 million YoY.

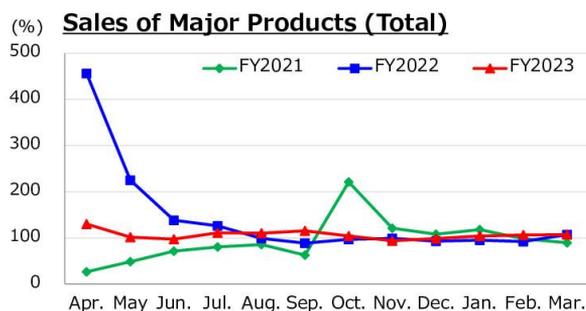
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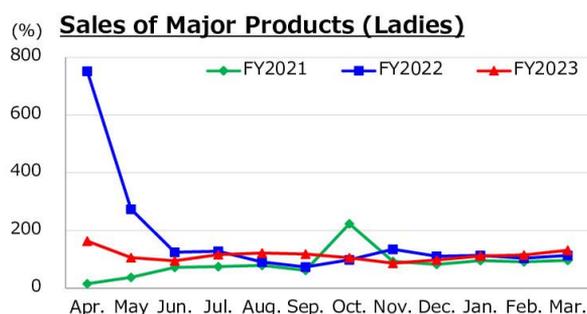
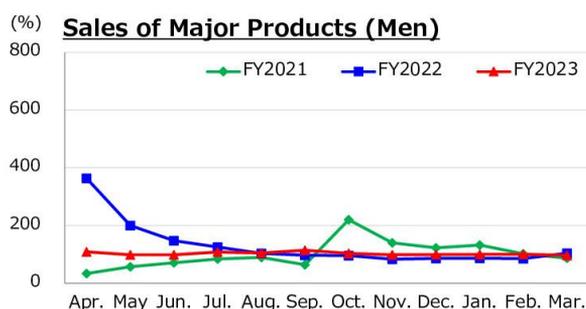
Monthly Trends: Sales of Major Products (YoY)

Sales of major products remain steady for men, while the "Feelin" effect continues for women



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

	Total	Men	Ladies
FY2021	87.9	93.8	78.4
FY2022	113.4	108.3	123.4
FY2023	106.4	102.4	113.5



The following page shows a monthly sales trend of major products.

As shown in the table of total sales of major products in the upper right corner, sales of the men's business and ladies' businesses were 102.4% and 113.5% respectively, during the period under review, with men's sales holding steady. The ladies' business is continuing to benefit from the hit products. The April and May figures for the fiscal year ended March 31, 2022, should be considered as an anomaly due to the rebound from the fiscal year ended March 2021, which was the first year of the COVID-19 pandemic.

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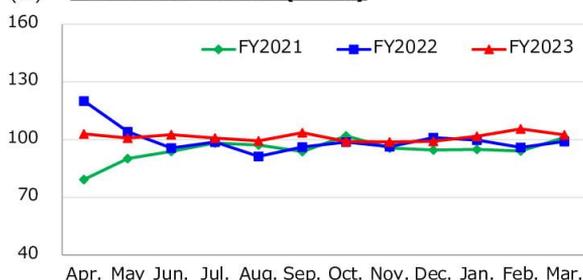
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Monthly Trends: Customer Traffic (YoY, Accumulated)

The number of male customers has been gradually decreasing, while the number of female customers has turned to increase.

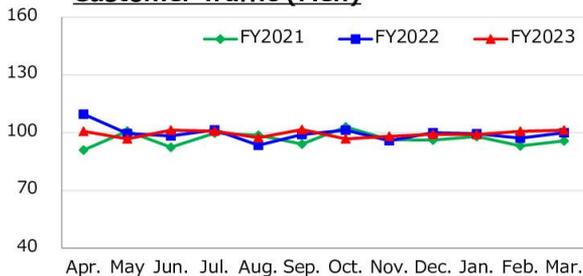
Customer Traffic (Total)



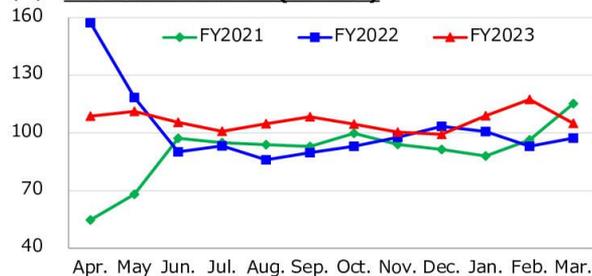
Customer Traffic (Full-year)

	Total	Men	Ladies
FY2021	94.6	96.6	90.1
FY2022	99.4	99.5	99.2
FY2023	101.4	99.4	106.0

Customer Traffic (Men)



Customer Traffic (Ladies)



Next is the monthly total number of customers who visited stores.

As shown in the table of customer traffic in the upper right corner, male customers recorded 99.4% and female customers 106% during the period under review. Male customers are still on a gradual downward trend after the COVID-19 pandemic, but female customers have finally begun to increase. The increase in the number of ladies, in addition to strong sales of hit products, is attributed to the absence of the state of emergency declaration during the current fiscal year and a receding mood of restraint to go out in society as a whole. As for the April and May portions of the fiscal year ended March 2022, we consider these figures to be an outlier due to a rebound, similar to the monthly sales I explained earlier.

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Key Themes and Indicators

Aim to expand business performance and market share in the hair business industry in order to propel "ARTNATURE, pioneer of the next generation" to the next stage.

Key Themes	Indicators (FY2025)	
<p>Value Creation</p> <ul style="list-style-type: none"> ■ Establish a position as a market leader in the domestic hair business industry ■ Acquire and expand business in new areas 	Financial Indicators	<p>Net sales (Compound annual growth rate)</p> <p>52.3 Billion yen (6% or more)</p>
<p>Sustainability Promotion</p> <ul style="list-style-type: none"> ■ Create a sustainable society Promote compliance with the Corporate Governance Code (climate change, respect for human rights, human capital) Implement SDG initiatives ■ Achieve sustainable growth in corporate value Improve labor productivity/production stability/administrative efficiency 		<p>Ordinary Income Margin</p> <p>10.0%</p>
		<p>ROE</p> <p>10.2%</p>
<p>Dialogue with the Market</p> <ul style="list-style-type: none"> ■ Consider new information disclosure ■ Consider additional shareholder return policy (dividend increase, shareholder benefits, etc.) 	Non-financial Indicators	<p>Hair business market share</p> <p>40% or more</p>
		<p>GHG emissions</p> <p>To be established by 2025 <Reference> FY2021 Domestic non-consolidated Scope 1, 2 → 6,076t-CO2</p>
		<p>Percentage of female managers Wage gap between male and female employees Percentage of male employees taking childcare leave</p> <p>22% or more Currently +1.0% 82% or more</p>

I would now like to explain the details of our new medium-term management plan.

This is an overview of the new medium-term management plan.

As the message at the top of the page states, the Company is aiming to expand its business performance and share of the hair industry in order to leapfrog "ARTNATURE, pioneer of the next generation" to the next stage. The key themes and indicators will be explained later in this presentation.

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Numerical Targets(Financial affairs)

Aim to reach net sales of more than 50 billion yen and ROE of over 10% in FY2025, the final year of this medium-term plan.

To improve ROE, focus on increasing profitability by expanding business for women and entering new areas.

Key Indicators (Performance Plan)	Previous Mid-term Management Plan			This medium-term plan		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net sales	35.8Billion yen	40.4Billion yen	43.2Billion yen	44.7billion yen	47.0billion yen	52.3billion yen
Compound annual growth rate	Men's business 1.3% Ladies' business 3.5% Ladies' ready-made wigs business 5.1%			Men's business 1.5% (+0.2 Pt) Ladies' business 5.4% (+1.9 Pt) Ladies' ready-made wig business 12.7% (+7.6 Pt)		
Ordinary Income Ratio	5.6%	7.5%	8.2%	8.5%	9.7%	10.0%
ROE	3.3%	4.9%	7.5%	8.3%	9.6%	10.2%

The numerical targets in the new medium-term management plan are as shown here.

In the middle column, you can see the compound annual growth rate. The new medium-term plan focuses on two businesses for ladies, with the goal of achieving overall net sales of over JPY50 billion in the final fiscal year of the plan. In terms of ordinary income ratio and ROE, we aim to exceed 10% each by building up sales and increasing income.

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Numerical Targets(Non-financial)

Disclose appropriate non-financial indicators through environmental and social initiatives.

Key Indicators (Non-financial)		Benchmark		This medium-term plan	
		FY2021	FY2022	FY2023 - FY2025	
Environ ment	GHG emissions	6,076t-CO2 <small>Domestic non-consolidated, Scope 1, 2</small>	—	Target to be set during the period of this medium-term plan	To be set as soon as we know the GHG emissions of our subsidiaries in Japan and overseas
Society	Percentage of female managers	—	19.4% <small>As of April 2022</small>	22.0% or more	
	Wage gap between male and female employees	—	73.5% <small>Including non-regular employment</small>	Increase by 1.0% or more from the current level	We have a high percentage of female employees and employees with shorter working hours.
	Percentage of male employees taking childcare leave	80.6%	72.4%	82.0% or more	

The following page shows non-financial indicators in the new medium-term plan, which is as you can see here.

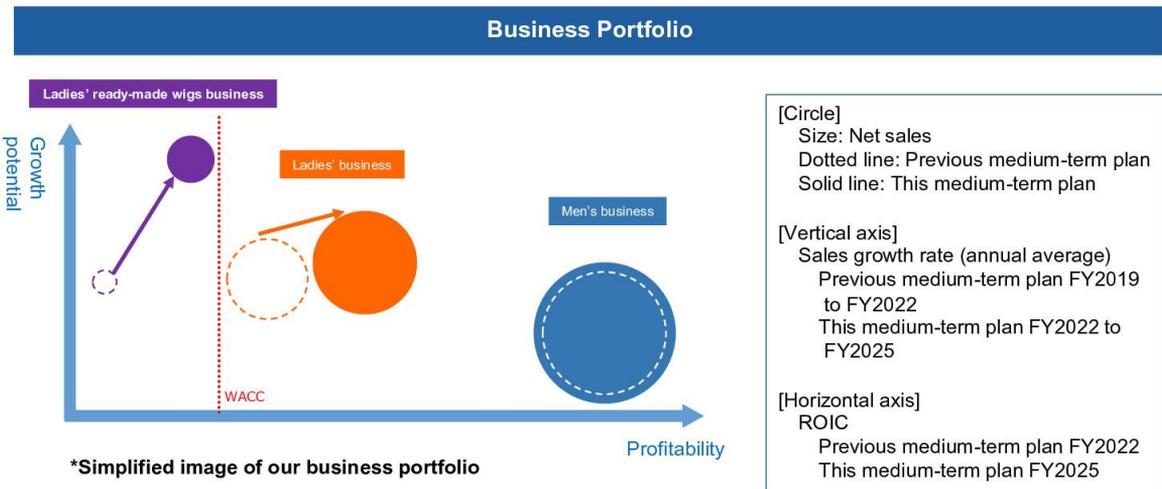
We will implement initiatives to address environmental issues such as climate change, and social issues such as respect for human rights and human capital. We will set the target for greenhouse gas emissions in the new medium-term management plan as soon as we have a clear understanding of the situation at our subsidiaries in Japan and overseas.

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Expand the Ladies' business and the Ladies' ready-made wigs business by investing profits from the Men's business into the custom-made and ready-made wigs businesses for women.



Page 27 is the business portfolio.

In the new medium-term management plan, we intend to implement strategies based on our business portfolio to grow each business while efficiently utilizing management resources. As you can see, we are implementing a strategy for stable growth in the men's business, while at the same time investing the profits earned from this business in the two businesses for ladies to expand.

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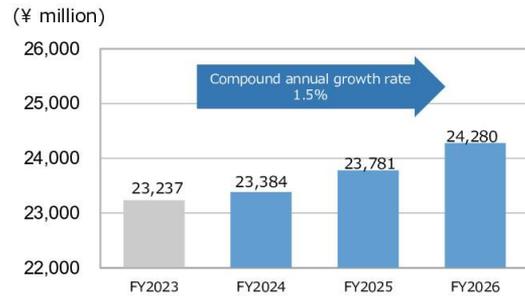
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Use differentiation strategies to maintain stable growth at an average annual growth rate of 1.5%.

Strategy	
Product	Develop and launch competitively priced, high value-added products
Price	Revise prices of existing models (to manage the rising costs of raw materials)
Place	<p>Create a salon environment where customers feel safe and secure</p> <p>Increase the number of employees to accommodate more customers</p>
Promotion	<p>Strengthen promotional activities for wigs</p> <p>Step up initiatives to expand brand recognition beyond seniors</p>

Key points of this medium-term plan



This medium-term plan promotes differentiation strategies.

In order to sell our high value-added products, we will improve not only our facilities but also our human resources.

First is the strategy for the men's business.

In order to maintain stable growth, we intend to promote a strategy of differentiation through the development of high value-added products to beat price competition. Also, we would also like to improve our system in terms of the intangible aspect, the so-called human capital, with an aim to sell high value-added products, as well as in terms of the tangible aspect, the so-called facilities.

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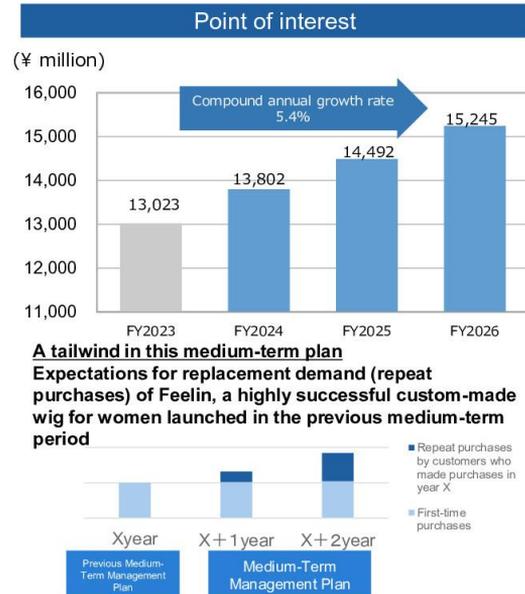
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Strategy by Business Segment (Ladies' Business)



Aim for an average annual growth rate of 5.4%, driven by the success of Feelin.
Strengthen collaboration among Ladies' businesses to create a management structure that enables a unified approach.

Strategy	
Product	Develop and launch a megahit that will surpass the success of Feelin
Price	Revise prices of existing models (to manage the rising costs of raw materials)
Place	Create new customer contact opportunities Strengthen collaboration among Ladies' businesses (development of hybrid stores)
Promotion	Develop a collaborative advertising approach for our Ladies' businesses Explore new event opportunities



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Our strategy for the ladies' business is to target an average annual growth rate of 5.4%, driven by the effects of our hit products. The hit product we are referring to here is Feelin, a custom-made wig launched in the previous mid-term management plan, and we aim to stimulate and capture replacement demand for this product.

We also intend to strengthen collaboration between our two businesses for ladies, namely the custom-made wig business and the ready-made wig business, so that we can meet all customer needs in a one-stop manner.

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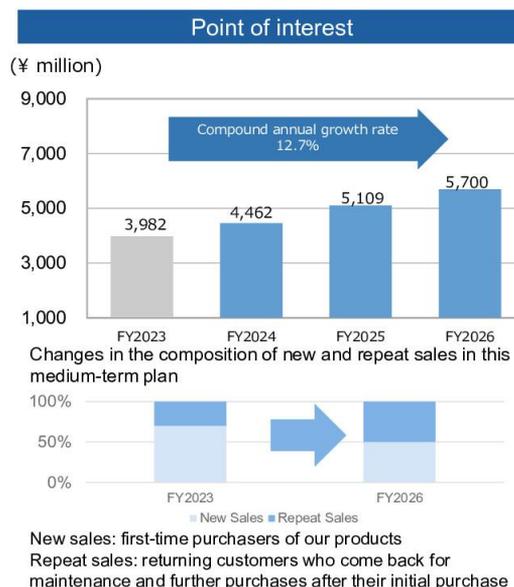


Strategy by Business Segment (Ladies' ready-made wigs business)



Aim for an average annual growth rate of 12.7% by expanding the number of new stores and strengthening the sales strategy for existing customers.

Strategy	
Product	Introduce custom-made quality products to stimulate potential demand from users of ready-made wigs
Price	Revise prices of existing models (to manage the rising costs of raw materials)
Place	Open new stores in areas we haven't reached yet (nine more stores by the end of March 2026) Strengthen collaboration among businesses for women
Promotion	Establish a repeat-sales system



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Regarding the strategy for the ready-to-wear business for ladies, we aim to achieve an average annual growth rate of 12.7% by increasing the number of new store openings and strengthening our sales strategy for existing customers. In the ready-to-wear business for ladies, sales to new customers have been the main focus, but we also intend to expand the follow-up system for existing customers and firmly strengthen our sales system for repeat purchases.

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Increase initiatives to expand brand recognition in online sales and overseas businesses and acquire and expand business in new areas related to beauty and health.

1. Online sales and overseas businesses

- 1) Step up initiatives to expand recognition of the ARTNATURE brand
- 2) Resume overseas travel and other sales activities in the post-pandemic period
- 3) Rigorously emphasize profitability (cost-effectiveness) in business operations

2. New business domains

Acquire and expand businesses related to beauty and health, areas adjacent to our core business, and build up sales of 3 billion yen (up to 10 billion yen).

In the online sales and overseas businesses, we will continue to strengthen our efforts to expand recognition, and at the same time, we will ensure that our operations are focused on profitability.

As for new business domains, we would like to acquire and expand businesses related to beauty and health, aiming to accumulate sales of JPY3 billion and a maximum of JPY10 billion.

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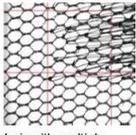
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Achieve sustainable growth in corporate value by establishing a new production/development framework

Initiatives for a sustainable production/development framework
<p>Improvement in production stability</p> <ul style="list-style-type: none"> - Diversify production bases (consider new contractors and new plants outside the Philippines) and improve a stockpiling system for raw materials - Start production of partially custom-made wigs using the world's first automatic wig hair transplanter
<p>Development of sustainable materials and products</p> <ul style="list-style-type: none"> - Establish a system that enables the development and launch of several original products per year - Research and verify new, environmentally friendly, next-generation hair products

<Reference> Introduction of automatic wig hair transplanter

<p>[Now] Manual hair transplantation by skilled craftsmen</p> <ul style="list-style-type: none"> - Production time per wig: 40-50 days - Annual production: over 60,000 pcs 		<p>[In future] Automation of transplantation process through automatic wig hair transplanter</p>   <p>Transplantation, integrating the hair with multiple needles</p>	<p>[Advantages of Introduction] Strengthening of business continuity capability</p> <ol style="list-style-type: none"> 1) Stabilization of supply system through automated transplantation process 2) Stabilization of quality through mechanization <p>Expected to solve problems related to securing and training artisans, delivery delays due to disasters, country risks, etc.</p>
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From here, I would like to explain our commitment to sustainability.

In order to achieve sustainable enhancement of corporate value, we will consider decentralization of production bases and promote automation of our production system, such as by starting production using the world's first automatic wig hair transplanter. With regard to our development system, we will establish a system that enables us to regularly develop unique and original products, as well as develop and verify next-generation new hair products that are environmentally friendly.

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Achieve sustainable growth in corporate value by establishing a new sales/management framework

Initiatives for sustainable sales/management framework
<p>Improvement in labor productivity - Improve labor productivity (i.e. sales per worker) by raising operational efficiency with the use of the latest technologies and investment in information systems, thereby concentrating on high value-added operations</p>
<p>Improvement in administrative efficiency - Improve administrative efficiency by updating information and administrative systems and improving the workplace environment</p>



As for the sales structure, we will improve labor productivity, including sales per worker, by raising operational efficiency with the use of the latest technologies and investment in information systems, thereby concentrating on high value-added operations.

As for the management structure, we will improve administrative efficiency by updating information and administrative systems and improving the workplace environment. By investing the increased corporate value from these initiatives in human capital, we will continue to boost our corporate value.

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Achieve sustainable growth in corporate value by emphasizing compliance with the CG Code and the development of successors.

Initiatives for sustainable growth of corporate value (others)
<p>Compliance with the Corporate Governance Code</p> <ul style="list-style-type: none">- Promote sustainability initiatives, including climate change, respect for human rights, and human capital- Improve our risk management system by identifying business and other risks, creating a risk matrix, and prioritizing risks
<p>Development of successors for key posts</p> <ul style="list-style-type: none">- Develop human resources through reskilling and train successors for key posts in each head-office division to maintain and strengthen the head-office function

With regard to other initiatives, we will promote each of the sustainability items in the Corporate Governance Code, such as climate change, respect for human rights, and human capital, as well as upgrading risk management. In addition, to maintain and strengthen the head-office functions, we will promote the development of human resources through reskilling and the training of successors for key posts in each head-office division.

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Realize a sustainable society by working together with our stakeholders.

Initiatives for a sustainable society	
Environment	<ul style="list-style-type: none"> ◆ Energy-saving efforts (LED lighting, etc.) ◆ Plastic reduction (use of recycled PET and eco-friendly bottles for containers, etc.) ◆ Resource conservation efforts (water: introduction of water-saving showerheads, paper: digitization of paper documents, etc.)
Society	<ul style="list-style-type: none"> ◆ Establishment of a new service framework (considering the possibility of adopting new technology, reevaluating services at the company's permanent stores, etc.) ◆ Realization of an equal society (enhanced support system for the disabled, opening of hair salons in hospitals, etc.) ◆ Promotion of health and productivity management (promotion of health checkups, prohibition of long working hours, etc.) ◆ Promotion of women's participation and advancement in workplace (promotion of the use of male childcare leave, etc.) ◆ Promotion of the social participation of patients (handling of medical wigs to improve the quality of life of patients, etc.)

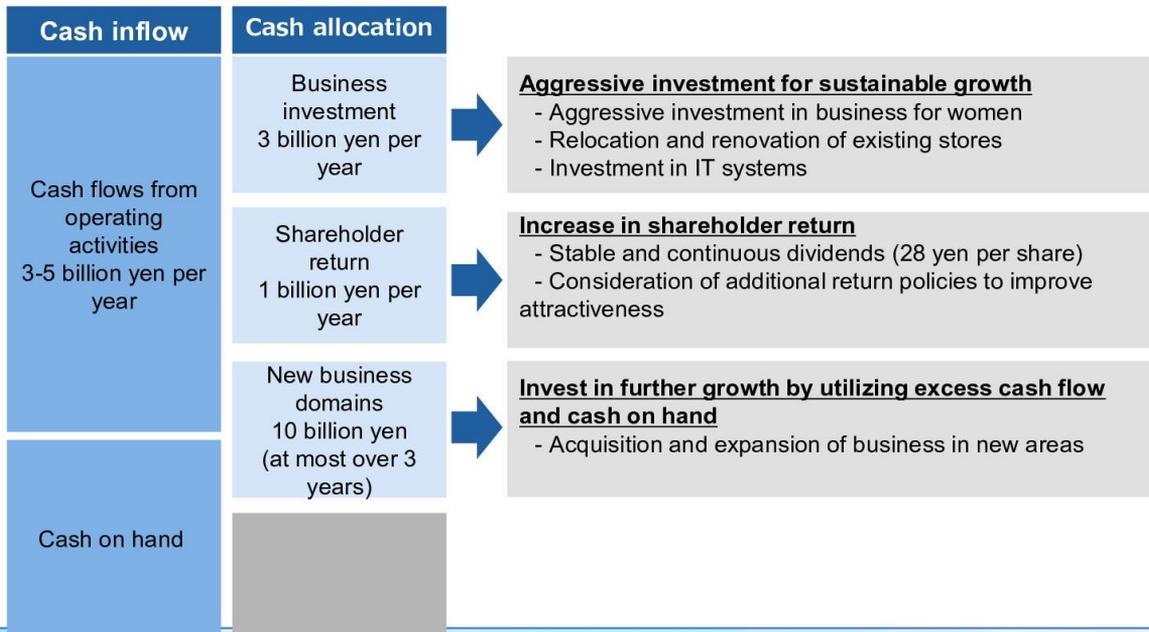
Page 35 is related to the SDGs, and we will also implement the environmental, social, and other SDG initiatives described here in order to realize a sustainable society.

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Invest in growth, including in new business areas (fields related to beauty and health) and increase shareholder returns by utilizing cash on hand and cash flows from operating activities.



Page 36 is the financing plan.

In addition to investing cash on hand and cash flows from operating activities in the women's businesses and relocating and renewing existing stores, we will consider additional shareholder return measures to increase the attractiveness of the stock itself and invest in acquiring and expanding business in new areas.

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FY2024 : Full-year Consolidated Business Performance Forecasts

Aggressively promote activities to expand business performance, aiming to increase sales and profits for three consecutive fiscal years

(¥ Million)

	FY2023 Results	FY2024 Plan	YoY Change
Net Sales	43,209	44,763	+3.6%
Men's Business	23,237	23,384	+0.6%
Ladies' Business	18,195	19,584	+7.6%
Others	1,775	1,794	+1.1%
Cost of Sales	14,053	14,660	+4.3%
Gross Profit	29,156	30,102	+3.2%
SG&A Expenses	25,582	26,358	+3.0%
Ad Spending	6,336	6,406	+1.1%
HR	6,113	6,568	+7.4%
Operating Income	3,573	3,744	+4.8%
Ordinary Income	3,534	3,821	+8.1%
Net Income	1,874	2,140	+14.2%
Depreciation	829	893	+7.8%
CAPEX	1,410	3,015	+113.7%

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Finally, I will explain our plans for the fiscal year ending March 31, 2024.

The fiscal year ending March 2024 is also the first year of our next medium-term management plan, and as the performance plan, we will work to achieve increases in both sales and income for the third consecutive fiscal year.

Net sales are expected to grow mainly in the ladies' business, and are targeted at JPY44.7 billion, up 3.6% YoY.

The growth rate of the cost of sales is expected to be more than that of net sales, taking into account the weak yen and high raw materials prices both domestically and internationally. Although the breakdown of SG&A expenses varies, we plan to aggressively invest management resources, and we are estimating the growth of SG&A expenses at about the same level as sales.

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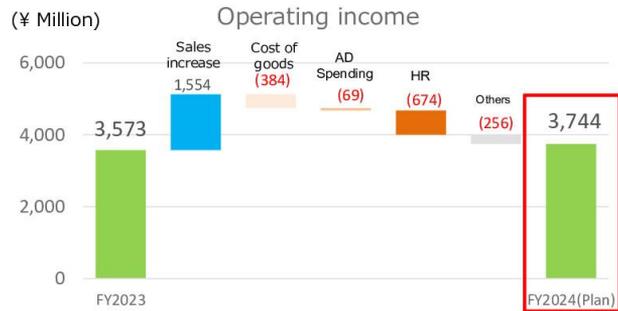
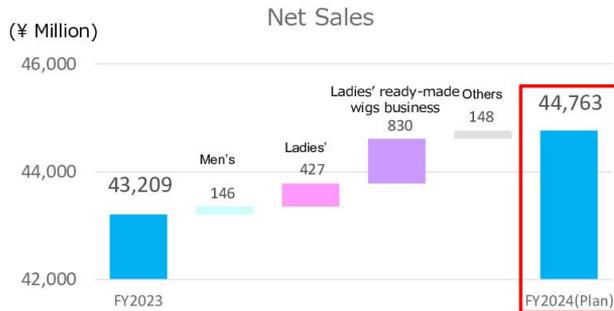
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FY2024 : Full-year Consolidated Business Performance Forecasts

Aiming to increase sales and profits by expanding business performance mainly in the women's business



Net sales plan

- 1.55 billion yen increase from FY2023 actual
 - Men's business : Maintain stable growth
 - Ladies' business : Started acquiring new inquiries through new channels
 - Ladies' ready-made wigs business : Strengthen sales strategies for existing customers
 - Others : Strengthening efforts to expand recognition
 - ※Step into new business areas is not included in the plan (Continue search)
- Plan Improvement Element
 - Increase the number of clients, expand the number of stylists, and quickly expand into new business areas.

Operating income

- 170 million yen increase from FY2023 actual
 - Cost of goods : Consideration of increased transaction costs, foreign exchange effects, etc.
 - AD Spending : Consider selection and concentration of management resources based on business portfolio management
 - HR : Considering expansion of workforce and improvement of compensation for existing employees, etc.
 - Others : Costs associated with the development of a new information system infrastructure and costs related to sales activities associated with the resumption of personnel movement, etc., are taken into consideration.
- Plan Improvement Element
 - Increase in sales, reduction in raw material prices and other costs, exchange rate fluctuations (High-valued yen)

Let me explain a little more about the forecasts for the fiscal year ending March 2024. The Company plans net sales of JPY44.7 billion, a record high. By expanding the two businesses for ladies, we aim to increase sales by an additional JPY1.5 billion over the previous fiscal year.

Operating income is expected to increase by JPY200 million YoY to JPY3.7 billion. Although income growth has been weak relative to sales growth, this is due to the fact that the plan incorporates an increase in the cost of products, expansion of personnel, and improvement of compensation. The Company as a whole is united in our efforts to achieve this plan.

This concludes my explanation. Thank you for your attention.

Moderator: Thank you very much, General Manager Honda.

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Question & Answer

Moderator [Q]: We now have time for a question-and-answer session.

We will answer your questions while sitting down, as we need to refer to the materials. I appreciate your understanding.

Before we begin with the questions from the audience, I would like to read out some questions that we received by e-mail in advance. We would like to answer these questions first. We have four questions via e-mail today.

Now I will read the first question. This is about the improvement plan. How do you see the challenges for meeting the criteria for maintaining prime listing and how are you responding to them? Please answer this question.

Igarashi [A]: Regarding your question about the criteria for the prime listing, we currently have five maintenance criteria. We have met four of them. However, the only criterion that has not been met is that the average daily trading value must be JPY20 million or more. We met this criterion sufficiently before the COVID-19 pandemic, but this pandemic has caused a slight change. The current status is that we are not exceeding JPY20 million.

In this regard, we recognize that there are four issues to be addressed: building anticipation for the Company, raising liquidity to make it easier to trade, increasing the attractiveness of the Company's stock, and raising the level of attention paid to the Company. In response to these issues, we intend to work on four points: increasing corporate value, increasing the number of shares in circulation, considering additional shareholder return measures, and engaging in dialogue with the market. That is all.

Moderator [Q]: Thank you very much.

As to the next question, I think there may be a little overlap with your previous explanation, but please answer this question.

The second question is about looking back on the previous mid-term management plan, the ARTNATURE Challenge Plan. What issues have you seen as you look back on the previous mid-term management plan?

Igarashi [A]: In terms of our existing business, we recognize that there are issues with the number of customers. We plan to continue to aggressively acquire new customers, and then develop initiatives to retain existing customers, while focusing on securing enough qualified Licensed hairdresser to serve them. Regarding businesses in new areas, we have been considering various M&A projects, but we have not been able to make inroads into new areas. We plan to accelerate our efforts more than ever.

Moderator [Q]: Thank you very much.

The next question is about the new medium-term management plan that has just been announced, the ARTNATURE Advance Plan. What are the changing factors for the performance in the current medium-term management plan?

Igarashi [A]: If the number of customers who have become fans of our company exceeds our expectations, we may see an upward shift, and if it falls below our expectations, we may see a downward shift. Other factors include early entry into new business areas, expansion of stylist staff, and exchange rate fluctuations.

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Moderator [Q]: Thank you very much.

The next will be the last of the questions we received by e-mail. This one may also be a bit covered by what you have explained, but please give your answer. Regarding the plan for FY2023 or this fiscal year, I would like to know specifically how you intend to expand the business for ladies.

Igarashi [A]: Now, we are in a situation where the performance of the ladies' ARTNATURE is very good and on the upswing. In addition, to your question, we have been very effective in advertising to new customers, the so-called Direct response marketing . However, I think it is necessary to develop so many new channels, and I think we would like to create even more new channels, including sales in the workplace and so on.

In addition, we aim to increase sales to existing customers by capturing replacement demand for Feelin, the hit product of the previous medium-term management plan, as I mentioned earlier. In the ready-to-wear business, Jullia Olger currently has 90 stores, and we plan to increase sales by opening more stores and strengthening our sales strategy for repeat customers and existing customers.

Moderator [M]: Thank you very much.

We finished answering questions via e-mail, and now, we would like to take questions from the audience. A staff member will hold the microphone for the questioner, so if you have questions, please raise your hand and let us know. Do you have any questions?

The lady sitting near the front, our staff will hold the microphone for you now. Excuse me. Please state your company name and your name. Thank you.

Questioner [Q]: Thank you for your explanation. I have one confirmation and two questions.

First, I would like to confirm your share of the hair business industry in FY2022, on page 10 of this material. What percentage did you achieve? Please let me know if the figure is listed in the material.

Is it one question at a time?

Honda [M]: No, please continue. I would like to hear all three.

Questioner [Q]: My first question is about review of the medium-term management plan. I think it is on page eight of the material. One of the remaining challenges in the previous medium-term plan was the business innovation. Under what circumstances would the challenge be resolved? I think that if you try to promote systemization for greater efficiency, it will probably require considerable system investment. How much of this have you incorporated into this new medium-term management plan? Also, how much of this have you factored into your performance plan for the current fiscal year? Please tell me.

Then the second question is about your company's future efforts again, and this is about the dialogue with the market. You said that you would consider additional shareholder returns. Have you already started to consider specifics? Or, are you still in the process of considering what you are considering? What is the progress in this area?

For example, some companies that are strengthening shareholder returns stop offering special benefits and pay dividends only. What direction is your company putting on the table for consideration? Please let me know if you can tell me. That is all.

Honda [A]: Well, I would like to answer your questions.

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First of all, let me say on the confirmation, our share on page 10. I am very sorry, but the data is not listed here. We have diverted data from Yano Research Institute Ltd., and the data is usually released between November and December.

The latest data that is available now is for FY2021, and the data for FY2022 is not yet available at this time, sorry. Without knowing the size of the overall pie, the size of the market share is still unknown, and I hope you understand that. Even in the interim briefing, we are usually not able to make it, so I am afraid we will not be able to tell you our current share until next year.

Then, the next question is about page eight, I guess. I understand that you have a question about the business innovation on page eight. As for your question whether system investment is factored into this medium-term plan, we have decided what we plan to do during the previous medium-term plan and incorporated the amount of investment into the current plan.

As I mentioned earlier, the growth rate of SG&A expenses has been calculated at the same rate as that of net sales, which is incorporated into the current plan. Also, as I said there are some variations, we have cut down the costs that should be cut down, but there are some costs that should be increased. In the meantime, we have not disclosed the specific figures or how much, so I would appreciate your understanding on that.

Lastly, on the topic of dialogue with the market, I think it is on the same page, but I would like to say that we are internally considering what we will do for shareholder returns. However, we have to consider various situations in the environment surrounding our company, and as I mentioned earlier, we have begun to consider them, but are still in the process of studying them.

I can't say for sure at this time. As I mentioned earlier, we are planning to pay JPY28 for this fiscal year, and we will continue to consider about the future returns, taking into account the surrounding environment.

That's all.

Questioner [M]: Thank you very much.

Moderator [M]: Thank you very much for your questions.

Please raise your hand and let us know if you have any further questions. Does anybody have any questions?

May I conclude? We have plenty of time, though. If there are no more questions, I would like to conclude the question-and-answer session here.

This concludes today's financial results briefing. Thank you very much for joining us today.

[END]

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North America 1.800.674.8375
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