

Presentation

Moderator: Good afternoon, ladies and gentlemen. We are pleased to present the Q2 Financial Results Briefing for the Fiscal Year Ending March 2024 of ARTNATURE INC. Thank you very much for your participation today.

Now, without further ado, I would like to introduce today's attendees.

Mr. Isao Naito, Managing Director.

Naito: My name is Naito of ARTNATURE INC. Thank you.

Mr. Toshio Honda, Senior Corporate Officer, General Manager of Management Planning Division.

Honda: My name is Honda from ARTNATURE INC. Thank you.

Moderator: Now, today's agenda will begin with Managing Director Naito, who will give an overview of the financial results for the second quarter of the fiscal year ending March 31, 2024, and the progress of the Medium-Term Management Plan, followed by General Manager Honda who will explain the financial results for the second quarter and the outlook for the full fiscal year ending March 31, 2024.

We will then move on to the Question and Answer Session. We welcome your questions at any time, even while you are viewing the briefing. Please write to us in the comment box on your viewing screen. We would appreciate your frank comments.

We also ask for your cooperation in filling out the questionnaire so we can use it as a reference for future IR activities. To complete the survey, please click on the link at the bottom of the screen under the "Presenters" and "Presentation Materials" tab.

I would now like to move on to the financial results presentation. First, Managing Director Naito, please begin.

Naito: Hello again, my name is Naito of ARTNATURE INC. Thank you very much for watching our web-based financial results presentation today.

I would like to quickly move on to the explanation.

First, I will give an overview of the financial results for the second quarter of the fiscal year ending March 31, 2024.

To begin with, I will explain the highlights of the first half of the financial results. As shown in the red box in the second column from the left, the first half of the fiscal year ended in a decrease in sales and profit YoY. Although not shown in the chart, sales fell slightly short of the plan, while operating income almost aligned with the plan.

The graph at the bottom shows quarterly changes in net sales and operating income margin. While sales once fell sharply due to the impact of the COVID-19 disaster, since then, they have remained steady, albeit with some bumps and bruises.

Next, I would like to show you the progress against the annual plan. Regarding net sales at the top of the chart and cost of sales at the bottom of the chart, we have achieved almost the same level of progress. At the same time, SG&A expenses, especially advertising expenses, have been kept in check, resulting in progress of slightly

more than 50% in items below operating income. As you can see, I think we can say that we have made good progress so far this fiscal year.

I will explain the details of the financial results in the latter half of the presentation.

From here, I would like to explain the progress of our three-year Medium-Term Management Plan, which begins this fiscal year.

This fiscal year is the first year of our Medium-Term Management Plan, the ARTNATURE Advance Plan. There are three main themes listed here. There are three areas of focus: value creation, sustainability promotion, and dialogue with the market and the progress of each is shown on the right, which I would like to explain one by one hereafter.

First of all, I would like to start with the value creation theme. As mentioned earlier, sales fell slightly short of the target, and we believe that the main reason we were not able to increase sales was that new sales of custom-made wigs were sluggish.

Regarding the reasons why new sales of custom-made wigs struggled, there are two factors that we have mentioned here, one of which we consider to be an external factor, so to speak, as the COVID-19 disaster has calmed down and people are spending more on travel, eating out, etc., as a priority, resulting in the sales of wigs such as ours to be sluggish.

In addition, another factor is that the response to the ladies' wig Feelin, which has been the driving force behind the Ladies' business, has been slowing down.

The second factor mentioned above is an internal factor; namely, we believe that there was room for further improvement in our various measures for our main target customers.

On the other hand, sales of custom-made wigs were sluggish, but at the same time, sales of ready-made wigs for women, such as Julia Olger, were strong.

Analyzing the basis of the two factors, the first is mainly external factors, such as an increase in the number of visitors to commercial facilities, including department stores and malls, where our stores are located. As a result, the number of customers visiting our stores increased, and the number of new customers trying on wigs has also increased.

Another is that in the ready-made products business, we have been implementing various measures to strengthen repeat sales, especially for the second and third generation of existing customers, since this fiscal year, and we are gradually seeing positive results in this area. The Julia Olger has been selling well due to these factors. As shown in the graph on the lower right, we have been able to achieve a large increase in the number of sales compared to pre-COVID-19.

Now, let me move on to the next theme. I would like to explain two points regarding sustainability promotion. With regard to the topic of a sustainable society, firstly, we expressed our support for the TCFD on climate change in May of this year, and we are now making steady preparations.

Furthermore, concerning respect for human rights, in April of this year, we established the ARTNATURE Group Human Rights Policy, and we have disclosed this policy on our website.

In addition, in order to respond to the recent price hikes, we have implemented base salary increases for our employees, and we have been promoting sustainability in various ways.

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Additionally, regarding sustainability, we have announced the establishment of a new plant for sustainable enhancement of our corporate value, which we announced in September. Specifically, we are going to establish a factory in Bangladesh.

The establishment of this new factory has two main purposes. Currently, custom-made wigs are manufactured in the Philippines, but since they are concentrated in one country, for example, they are exposed to natural disasters, political risks, and other country risks in the Philippines; thus, we need to be prepared for such risks.

Secondly, we decided to establish a factory in Bangladesh in order to secure a production line in anticipation of future business expansion. From these two perspectives, we decided to establish a factory in Bangladesh.

Upon comparison with other Southeast Asian countries, we decided that Bangladesh would be the best choice for us, considering the problem of securing labor and overall costs.

For the current fiscal year, we do not expect to start construction of the new factory yet, so the impact on our business performance is expected to be minor.

The last item regarding the progress of the main themes of the medium-term management plan is the dialogue with the market. First of all, I have to announce that on September 12, we passed a resolution to change our market from the Prime Market to the Standard Market, effective from October 20.

We chose to change the market because the average daily trading value, which is one of the criteria for maintaining the listing, had not met the criteria for a long time. We were exposed to the risk of delisting as long as we remained on the Prime Market.

Therefore, we have been trying to ensure an environment where our shareholders can trade our shares peacefully. In addition, our decision to change to the Standard Market was based on our belief that it would be better for us to aim for sustainable improvement of corporate value from a medium- to long-term perspective.

Although we have changed to the Standard Market, we will continue working on the so-called "Improvement Plan" we announced in March.

There are also other matters, such as dialogue with the market, dividend policy, and information disclosure, which I will explain later.

From here, I would like to move on to an explanation of our full-year plan for the fiscal year ending March 31, 2024.

We have not revised our full-year plan for the fiscal year ending March 31, 2024, which was disclosed at the beginning of the fiscal year. Our plan has not changed to achieve increases in sales and income for the third consecutive year.

This graph shows the full-year plan and the initiatives for the second half of the fiscal year. The top portion of the graph indicates actual sales and operating income for the first half, and the second half is the difference between the full year and the first half, as indicated by the blue bars marked with red frames.

Regarding net sales, we plan to increase them in the second half of the year compared to the first half. We are planning a slightly higher figure compared to the previous year. From here on, the wig sales season is in full swing. We will launch new products for the fall and winter seasons, and with these as a triggering factor, we will focus on the Ladies' business to expand sales.

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We expect operating income to increase YoY due to the growth in sales and to remain at about the same level as in the first half of the fiscal year, but we intend to achieve this level in the current fiscal year.

In addition, regarding expenses, we have considered the impact of foreign exchange rates and the concentrated investment of management resources in the current fiscal year.

On this slide, I would like to explain the main management indicators of the Medium-Term Management Plan. We have set forth three key management indicators: net sales, ordinary income ratio, and ROE, as shown in the table below.

We have also decided to disclose a new cost of capital, which is indicated at the bottom of the table in the red dotted line. Our own method of calculating the cost of capital is shown on the last page of the reference material, which I hope you will refer to later.

As you can see, in the first year of the Medium-Term Management Plan, which was exactly the first year of the COVID-19 disaster, the equity spread, which is the difference between ROE and cost of capital, started out in the negative but turned positive in the second year, and has been steadily increasing since then.

Our Medium-Term Management Plan targets are to continue to maintain and increase the positive equity spread and to reach 10% in ROE as soon as possible.

I would like to conclude my presentation with an explanation of shareholder returns. Our basic policy on shareholder returns has always been to maintain stable and continuous dividends; thus, we have continued to offer stable dividends. This time, we have established a new dividend policy, shown in the table's top part.

Based on this policy, we have announced a dividend forecast of JPY14 per share for the interim dividend and JPY19 per share for the year-end dividend, for a total of JPY33 per share for the full year. For FY2024 and beyond, we intend to pay dividends based on the assumption that we achieve the goals of the Medium-Term Management Plan, as shown on the slide in the red-dotted frame.

This concludes my explanation.

Next, Honda of the Corporate Planning Department will explain the details of the financial results. Thank you very much for your attention.

Honda: Hello again, my name is Honda of ARTNATURE. I will now explain the financial results for the current fiscal year, focusing on the numerical aspects.

First of all, I would like to give you an overview of the consolidated financial highlights for the fiscal year ending March 31, 2024. In the second quarter, sales and income decreased YoY. Net sales were JPY21.2 billion, down 0.1% YoY, and cost of sales was JPY6.9 billion, up 2.8% YoY, resulting in a positive cost-to-sales ratio of 0.9 percentage points.

Next, SG&A expenses were JPY12.3 billion, up 2.0% YoY, and the SG&A-to-sales ratio rose 1.3 percentage points from 56.9% to 58.2%. Profit items were down YoY due to foreign exchange fluctuations and higher prices but generally progressed as planned against the annual plan.

Operating income was JPY1.9 billion, down 19.3% YoY; ordinary income was JPY1.9 billion, down 17.3% YoY; and net income for the quarter was JPY1.2 billion, down 17.4% YoY. In addition, CAPEX amounted to approximately JPY700 million.

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These are the factors of change in consolidated ordinary income for the second quarter. The orange on the left is the positive factor of profit, which was JPY0.08 billion. The purple on the right is the negative factor of profit, which was minus JPY480 million due to an increase in the cost of sales and personnel expenses, resulting in an ordinary income of JPY1.9 billion, a decrease of JPY410 million YoY.

The following are monthly sales trends for the main products. The following is a YoY comparison of sales of major products for the past three years from the monthly sales data disclosed monthly. The red line shows the current term, the blue line shows the previous term, and the green line shows the previous two terms, so please check the approximate trend here.

As shown in the table of major product sales in the upper right corner, the first half of the year saw a YoY decline for both men and ladies, with 97.6% for men and 97.8% for ladies.

This is the monthly total number of customer traffic. The following table shows the most recent three years from the total number of customers who visited the store, which is disclosed monthly. The graph is the same as the previous page. As shown in the table in the upper right corner, the number of male customers and the number of female customers in the first half of the year were 99.4% and 103.1%, respectively. Although the number of female customers visiting our stores is steadily increasing, the growth rate is not as high as last year, due in part to struggling new sales and the record-breaking heat wave.

On this page, please review the strategic policies of our Medium-Term Management Plan, the "ARTNATURE Advance Plan." Our strategic policy is to expand our business performance and share in the hair industry, to establish our position as the domestic market leader, and to acquire and expand business in new areas.

These are the non-consolidated sales by product & service in the men's business for the first half of the fiscal year. In the men's business, new sales of hair addition products struggled due to inadequate response from the younger generation. Repeat sales were firm, although there were some irregularities in product and service.

This is the second half initiative for the men's business. In order to recover from the slump in new sales in the first half, we launched new products and started promotions using a new commercial character. In addition, we plan to introduce wigs that utilize the technology of a textile chemical manufacturer, which was announced in October. We will continue to promote our strategy of differentiation from other companies with attractive products that have features not found in other companies.

These are the non-consolidated sales for ladies by product & service for the first half of the fiscal year. New sales struggled in the ladies' business, as in the men's business. Factors behind the struggle in new sales include the slowdown in sales of the hit made-to-order wig "Feelin." Repeat sales remained steady as in the men's business.

Sales of Jullia Olger, a ready-to-wear business for ladies, were strong, achieving double-digit growth YoY. The increase in the number of commercial customers attracted by After COVID-19, the effectiveness of promotions using the same celebrities as for made-to-order wigs, and the strengthening of the sales system at stores were all factors that contributed to the success of this business.

This is the second half initiative of the Ladies' business and the ready-to-wear business for ladies. In the second half of the year, events that trigger outings by our target women will increase, so in the Ladies' Business, we will firmly promote new products to our customer base for the purpose of fashion. In addition, we will aggressively develop initiatives to increase new sales, such as new communication measures using mobile phones and the introduction of online-based negotiation tools.

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In repeat sales, two years have passed since the launch of the initial Feelin model, and we will focus on capturing replacement demand. In the ready-to-wear business for ladies, we will further strengthen inter-business collaboration with the Ladies' business and aim to increase sales in the ladies' business as a whole.

Finally, here is our full-year consolidated earnings plan for the fiscal year ending March 31, 2024. The Company will aggressively promote various activities to expand its business performance. In the second half of the fiscal year, we will maintain our third consecutive year of YoY growth in both sales and income, with net sales of JPY44.7 billion and operating income of JPY3.7 billion. This concludes my explanation.

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Question & Answer

Moderator [M]: Thank you very much for your explanation, Managing Director Naito and General Manager Honda.

We will now move to the question and answer session. We would appreciate it if you could send us a message saying "I have a question" before you write your question and then send us your question separately.

Now, please feel free to submit your question.

Here are the instructions for sending a chat message. If you are watching from your computer, there is an area to enter your message at the bottom of the video. Enter your message there and click the "Send" button, and your message will be displayed and sent. If you are viewing from a smartphone, scroll down on the screen, and you will see the entry area. The method to submit your message is the same. We look forward to receiving your messages.

Questioner [Q]: Okay, first question.

What were the reasons for the decrease in sales and profit in the first half of the year? Please kindly answer this question.

Naito [A]: I will answer this question. Please forgive me if there is some overlap with my previous explanation.

Regarding the reasons for the decrease in sales, as mentioned, sales of custom-made wigs, especially new sales, were sluggish. I mentioned that there were two factors. The external factor was the worldwide COVID-19 disaster and the shift to the fifth category of COVID-19, so I will not say any more about that.

On the other hand, as for internal factors, I explained that measures for our main target customers were sluggish. However, as for men, we focused our promotions on younger customers in the first half of the fiscal year, and unfortunately, the promotions for men were unsuccessful.

Conversely, our approach to middle-aged and older customers was a little weaker. I regret to say that this may have contributed to the overall slump in new business results.

In terms of sales strategies for the ladies' market, our approach to them has gradually shifted from traditional telephone-based contact to inquiries via smartphones and the Internet, which is also a trend of the times. I think we were a little weak in handling this type of inquiry, and this issue remains to be addressed.

Despite the sluggish sales of new items, repeat sales remained strong for both men and ladies. In addition, sales of ready-to-wear Julia Olger were strong, so although sales decreased, I think the first half ended in a way that will lead to the second half.

On the other hand, the decrease in profit is mainly due to the decrease in sales but also due to a slight increase in the cost of sales and SG&A expenses YoY, which is the main reason for the decrease in profit.

Regarding the cost of sales, there were factors such as the depreciation of the Japanese yen and the rise in raw materials prices due to price hikes, which may have contributed to the increase in cost of sales.

As for SG&A expenses, we have been increasing various prices and also slightly increasing labor costs to improve treatment. I believe the increase in SG&A expenses has led to a decrease in profit.

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That is all.

Questioner [Q]: Thank you very much.

Now, the next question is, it seems that you will not revise the forecast for this fiscal year, but please advise us if it is possible to recover in the second half of the year. Please kindly respond to this question.

Naito [A]: I would also like to answer this question.

Generally, our sales are better in the second half of the year than in the first half, and wigs sell better in the fall and winter than in the hot summer, and we expect this trend to continue this year.

Given the fact that we are preparing for many events in the second half of the year, we believe that we will be able to make up for the current situation.

As Honda mentioned earlier in his explanation, we will continue to promote new sales by introducing new products and developing various sales promotion measures. As for wigs for men, we have received very good quality materials from an outside company, and we plan to introduce these materials for wigs soon. We are looking forward to this kind of commercial material.

We are also steadily taking steps to improve our sales for women, based on our reflection on our weak response to smartphones and the Internet, and we are confident that we will be able to make up for this.

In terms of repeat customers, the first half of the fiscal year has been solid. We will continue to do so in the second half of the year. Still, in the second half of the year, for example, we plan to introduce a flat-rate system for men, which was not available in the past, and for women, Feelin has been on the market for two years. We are gradually receiving customers who are replacing their existing products. I believe that these factors will give us a tailwind.

For ready-made products, we intend to do the same as in the first half, but since the second half of last year progressed very well, we will continue to expand sales in this area, although the growth rate may be slightly lower in the second half.

In terms of profit, the first half of the year is generally progressing as planned, and by combining the two, we will steadily achieve the full-year plan as explained to you. This concludes my answer.

Questioner [Q]: Thank you very much.

Now, the next question is, why did you decide to shift to the standard market, and could you provide us with more specifics? Please answer this one.

Naito [A]: I will answer this one as well. I hope you will forgive me if there is some duplication in my answer.

The reason for the change is that the average daily trading value no longer meets the criteria for maintaining the listing. If we stay in the Prime Market, there is a risk of delisting, and if we focus too much on increasing the average daily trading value, we may end up losing our business.

Even though the market has shifted to the standard for our company, we can continue to maintain our status as a listed company. I believe there will be no major change in the benefits of being a listed company.

In terms of so-called comprehensive hair companies, we are the only listed company, and I think this is one of the key factors that give our customers a sense of trust in us.

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Secondly, by maintaining our status as a listed company, we are required to maintain a higher level of governance, which in turn leads to a healthy enhancement of our corporate value. Furthermore, I believe that being a listed company has also led to the securing of excellent human resources.

I do not see any particular disadvantages at this point. We believe that it will go without major changes.

The timing of the announcement of the market change in September coincided with the timing of the announcement of the establishment of the dividend policy, so trading volume has actually been extremely high since that date. If we look only at the second half of September, the criteria are met. However, from a long-term perspective, we decided to make the change because we want to move away from the constraint of trading value and aim to improve corporate value. We hope you understand this.

That is all.

Questioner [Q]: Thank you very much. We are currently checking the status of the questions. We would like to ask you to wait for a while. For those of you who are preparing to ask a question, may I ask you to send a message saying "I have a question" first and then send your question afterward? Thank you very much for your cooperation.

Now for the next question. Why are you establishing a new factory in Bangladesh, and what is the impact on your future business performance? Please kindly answer this question.

Naito [A]: I will answer this question as well.

Regarding the new factory, first of all, due to the COVID-19 situation, from March to May of 2020, we were told that our factory in the Philippines would not be able to operate due to the impact of COVID-19. Since then, we have been considering the need to diversify production risks.

Therefore, we have analyzed various candidate countries and determined that Bangladesh would be a good choice in total.

Compared to other Southeast Asian countries in the region, Bangladesh has an abundant young labor force. Though Bangladesh has a large population, it also has an abundant young labor force and is politically stable. Also, the national character is very pro-Japanese.

Furthermore, we have a contract manufacturing company in Bangladesh. In that sense, Bangladesh is a country with geographical advantages in terms of wig manufacturing and the possibility of building cooperative ties. Under these conditions, we had just found a good investment property and decided to expand our business to Bangladesh.

The timing of this decision was very difficult because the Japanese yen depreciation continued throughout the first half of the year. Still, if we missed this opportunity, the next opportunity would be very difficult to find. Thus, we reached this decision.

As I mentioned earlier, there will be almost no impact on our business performance this fiscal year. Still, the construction of the new factory has actually started, and the factory will be operational in the near future. We have to hire employees little by little before the factory goes live and provide them with technical guidance, especially for those who will work on the factory line, which will cost us a lot in advance.

In addition, even after the factory is actually up and running, it will take time for the employees to become proficient in the technology, which will affect the total cost of production.

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However, in our opinion, from a long-term perspective, if we can clear the issue of acquiring such technology and if we can bring those items that are currently outsourced in-house and increase the ratio of in-house production, we have determined that this will be an investment that will pay for itself in terms of costs and will be well controlled.

As for the next fiscal year and beyond, we are still in the process of weighing the situation. Since this will depend on trends in foreign exchange rates and other factors, we will have to wait and see how the profit-and-loss plan for the next fiscal year and the year after that will be reviewed. That will be all.

Questioner [Q]: Thank you very much. Now, for the next question, please tell us about the background behind the decision to establish a new dividend policy for the first time. Please kindly answer this question.

Naito [A]: I will answer this question as well.

In March of this year, we announced our so-called "Improvement Plan." One of the four items in the plan was to consider additional shareholder return measures, which we have been studying internally.

First of all, we discussed what kind of shareholder returns we could provide, and we decided to reconsider the dividend policy, starting with dividends, from the perspective of shareholder equality.

As you may have already seen in our dividend policy, our first priority is to maintain the current level of dividends. We will maintain the level of dividends paid to shareholders. While maintaining this level, we would like to make room for increasing dividends by setting a dividend payout ratio. This is our approach.

In setting the dividend payout ratio, we have set ROE as one of our three main management goals, so we have considered the dividend payout ratio from the perspective of raising ROE. While we will start with a basic payout ratio of 40%, we will aim for a payout ratio of 50% until the ROE reaches 10%, allowing us to increase ROE in addition to dividends to shareholders.

We will continue to pursue the items mentioned earlier in the improvement plan, including returns to shareholders, as well as the remaining three items, even after the market is converted to the Standard Market. Considering the internal and external environment, we will continue to consider the issue as a major challenge. This concludes my answer.

Questioner [Q]: Thank you very much. We are currently checking the status of the questions. We would like to ask you to wait for a while. For those of you who are preparing to ask a question, may I ask you to send a message saying "I have a question" first and then send your question afterward? Your cooperation would be greatly appreciated.

Thank you very much. Now for the next question. Regarding the future growth rate of Feelin, what level of increase in new purchases is anticipated? Please kindly answer this question.

Naito [M]: I would like to ask Honda to respond to this question.

Honda [A]: I would like to answer the question about the future growth rate of Feelin. We are now in the fourth generation of Feelin, and we are constantly making improvements to it.

For this reason, we have received a reasonable response, and we believe that we can continue to grow in the future, but we do not always sell the Feelin series. We are constantly developing new products by taking advantage of our product development capabilities.

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Therefore, we would like to increase the number of new purchasers by introducing new products such as Feelin and other new products that we will be introducing in the future. We are working hard every day to create a hit product that will be as successful as Feelin.

In the second half of this fiscal year, possibly in the latter half, we are still considering new products and would like to continue growing our business with these new products. That will be all.

Questioner [Q]: Thank you very much. Now the next question is, I often see your company's TV commercials. Please tell us about the status of cost-effectiveness and your thoughts on future advertising investment. Please kindly answer this question.

Naito [A]: I will answer this question.

Thank you for watching our TV commercial. Our basic policy has always been to keep advertising expenses within 20% of net sales, and recently, the percentage has been around 15-16%. We are currently maintaining this policy with regard to the overall investment in advertising itself.

As for cost-effectiveness, since this is of course the entrance point for introducing the largest number of customers, we are conducting a strict verification of the effectiveness of our advertising. In addition to TV, we also run advertisements in magazines and newspapers.

By analyzing how customers respond to advertisements placed in such media, we focus on those that are most cost-effective, and we are making improvements every day.

Currently, among these, there are TV commercials, magazines, etc., and of course, the source of these commercials is our homepage on the Internet, which many people visit. Regarding these web pages, we have been updating our website constantly while considering how the new customers who are interested in our company can become interested in and better understand our products.

We will continue to work on this very important point of our performance, and we will do so after a thorough analysis. This concludes my answer.

Questioner [Q]: Thank you very much. Now, the next question is, is the correlation between wig use and hair growth rising in response to the increase in the thinning hair population? Please kindly answer this question.

Naito [M]: This will be answered by Honda.

Honda [A]: I would like to answer your question.

I think you are referring to the correlation between the increase in the population of thinning hair and sales of wigs and hair addition products or the number of units. Firstly, I am very sorry, but I do not have any clear statistics on the population with thinning hair, and I do not know how much it is, so I am unable to give a clear correlation.

We are aware that today's society is under increasing stress and that even among the younger generation, there are more and more people whose hair is being affected. In addition, we recognize that there are more and more people who are active even in their old age, and in this sense, we feel that the range of people who can use our wigs and hair addition products is becoming very broad.

In response to this, we feel that the number of people using our wigs is gradually increasing, and we believe that the range of users is expanding. However, recently, we have seen an increase in the number of people

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who use not only wigs and hair enhancement products but also medical hair growth and hair regrowth products as well.

As a comprehensive hair company, we are currently expanding into all fields; thus, we are hoping to attract new customers in total. That will be all.

Questioner [Q]: Thank you very much. Now for the next question.

With regard to the change in awareness of wig-wearing, please explain the current situation, future prospects, and your company's strategy in light of this change. Please kindly answer this question.

Naito [A]: I would like to explain this as well.

Regarding the change in awareness of wig wearers, I think men and women probably have very different views. For men, I think that in the past, it was more common for those who had hair problems to wear wigs or to have their hair increased.

Nowadays, as Honda mentioned earlier, there are more and more options available, not only for hair addition and wigs but also in the medical field, such as the use of hair regrowth agents. In this sense, there are more and more options available to people.

Since most men want to maintain a certain level of appearance, we believe that the demand for wigs will continue to grow steadily since a single use of a wig can be very stable.

On the other hand, for women, wigs are more like a fashionable item rather than a solution to a problem. In this sense, I feel that the bar for using wigs to be fashionable is gradually falling. We feel that the resistance to using wigs is becoming less and less.

This applies to everyone from the elderly to the young, and young people, in particular, are very comfortable wearing wigs. Therefore, we believe that wigs are becoming an established part of fashion.

As we are a high-end wig company that mainly offers custom-made wigs, we may not be something that young people can use casually, but through our group companies, we also offer more affordable wigs.

From this perspective, we would like to increase interest in wigs, which have become a low barrier, and we would like the entire group to work together to increase opportunities for women to pick up our wigs so that the women's market will be more receptive to our wigs. This concludes my answer.

Questioner [Q]: Thank you very much. We are currently checking the situation. For those of you who are preparing to ask a question, may I ask you to send a message saying "I have a question" first and then send your question afterward? Your cooperation would be greatly appreciated.

Thank you very much. Now for the next question.

This time, the full-year plan for the fiscal year ending March 31, 2024, was left unchanged, but please let us know if any factors may cause an upward or downward swing in the future. Please kindly answer this question.

Naito [M]: This will be answered by Honda.

Honda [A]: I would like to answer your question.

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Regarding your question about whether there will be any upward or downward swing in our full-year plan for the fiscal year ending March 31, 2024. We believe the biggest variable factor is whether the number of customers who become our fans will exceed or fall short.

If the number of customers falls below our expectations, we may see a downward shift; thus, we are focusing our efforts on acquiring new customers and further increasing the retention rate.

Another variable factor is the number of stylists. We are currently working to strengthen our recruitment efforts, as we believe that firmly expanding the number of stylists is crucial in continuing to serve our customers.

Other factors that may affect profits include exchange rate fluctuations and the recent rise in the cost of living. That will be all.

Questioner [Q]: Thank you very much. We are currently checking the situation. We would like to ask you to wait for a while.

Thank you very much. This concludes the Q&A session. For further inquiries, please contact Mr. Senkouji in the Investor Relations Office, Corporate Planning Department.

Finally, I would like to request everyone who participated in today's briefing. We would appreciate your comments and impressions of today's presentation via the questionnaire. Please click on the link "Click here for the questionnaire" on the "Presentation Materials" tab at the bottom of the screen and answer the questionnaire. The content of the survey will be used as reference information in our future IR activities, so we would greatly appreciate your cooperation.

This concludes the Q2 Financial Results Briefing for the Fiscal Year Ending March 2024 of ARTNATURE INC. Thank you very much for your participation to the end.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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