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# **Investors' Guide**

***ARTNATURE INC.***

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# **Business Outline**

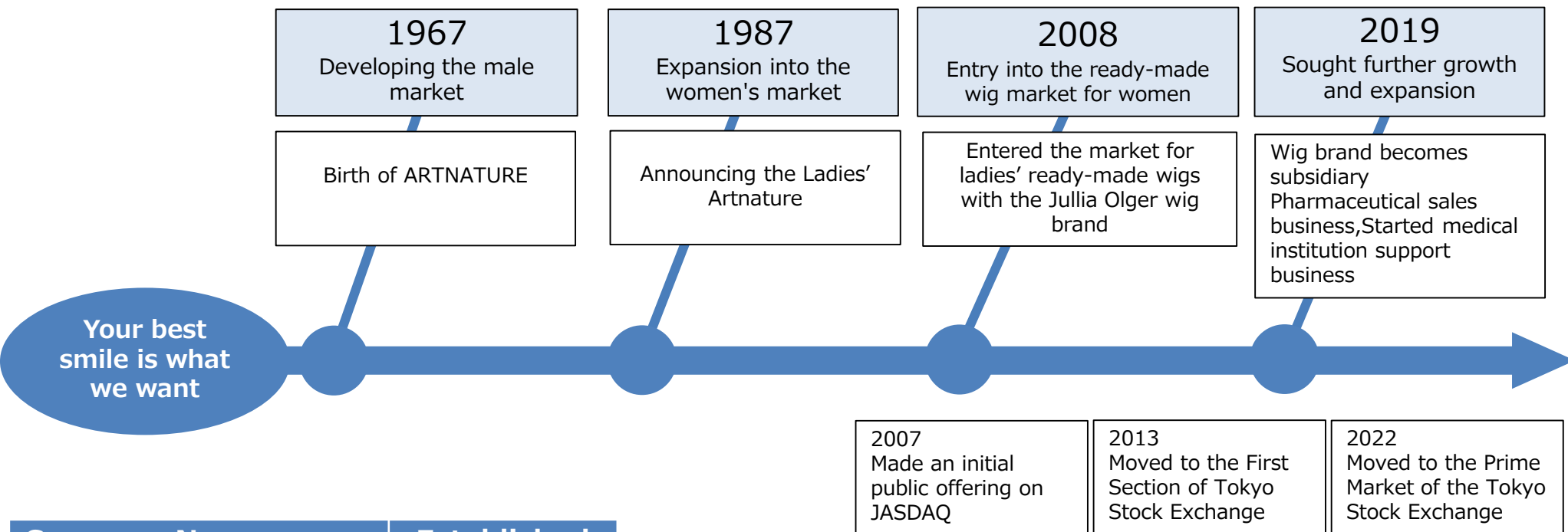
We are a pioneer of a comprehensive hair company that handles "custom-made wigs."

## Our Motto

**「Your best smile is what we want」**

Head Office Location	:	3-40-7 Yoyogi, Shibuya-ku, Tokyo 151-0053, Japan
Name of Representative	:	Yoshikata Igarashi
F o u n d e d	:	April 1965
E s t a b l i s h e d	:	June 1967
Business Overview	:	Manufacture and sale of custom-made wigs and hair addition products provision of hair growth services and styling services
P a i d - i n c a p i t a l	:	¥3,667 million
Listed market	:	TSE Standard Market (Securities Code : 7823)
E m p l o y e e s	:	3,891 (Non-consolidated : 2,293) *As of March 31, 2023
Store Network	:	Domestic Stores 278 Jullia Olger 87 *As of March 31, 2023
Domestic Subsidiaries	:	5 (Wig sales business, entertainment business, medical institution support business, etc.)
Overseas Subsidiaries	:	Factory Relations 2 (Philippines) Sales-related 3 (Singapore, Malaysia, Thailand)

Wig manufacturer with over 55 years of business experience

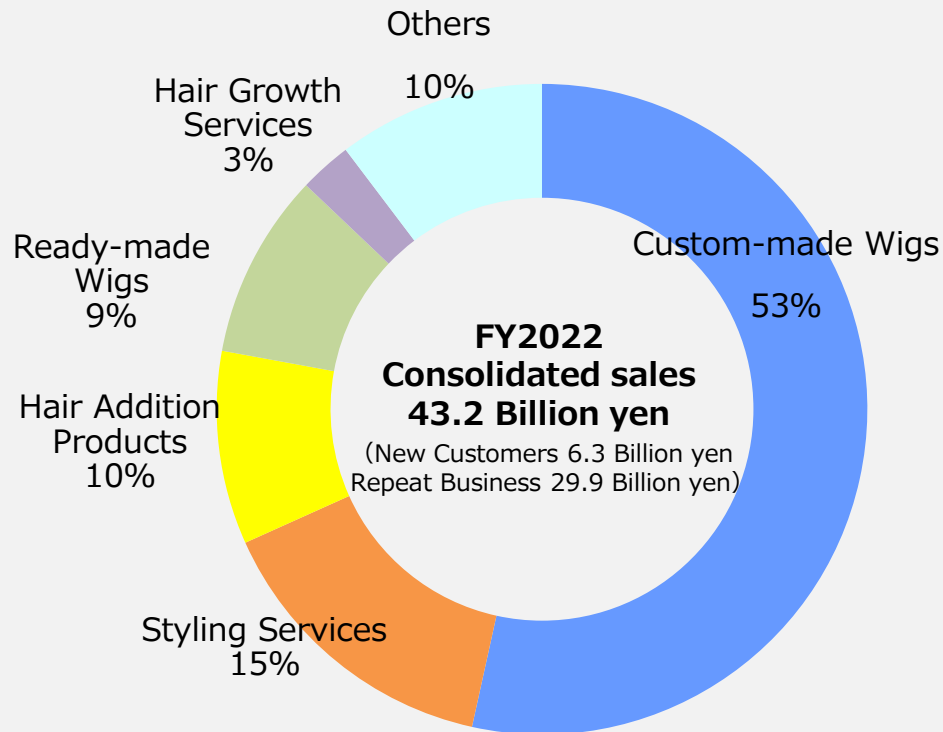


Company Name	Established
<b>ARTNATURE</b>	<b>1967</b>
ADERANS	1969
SVENSON	1984
REVE21	1993

(Source) Website of each company

## Sales composition centered on custom-made wigs

**Sales ratio by product and service**  
(Consolidated/Gender total)



**Sales ratio**  
**53%**

### Custom-made Wigs

All products are hand-made



**Sales ratio**  
**15%**

### Styling Services

After-sales service for customers who purchase products and services



**Sales ratio**  
**10%**

### Hair Addition Products

Attach several artificial hairs to the base of your own hair



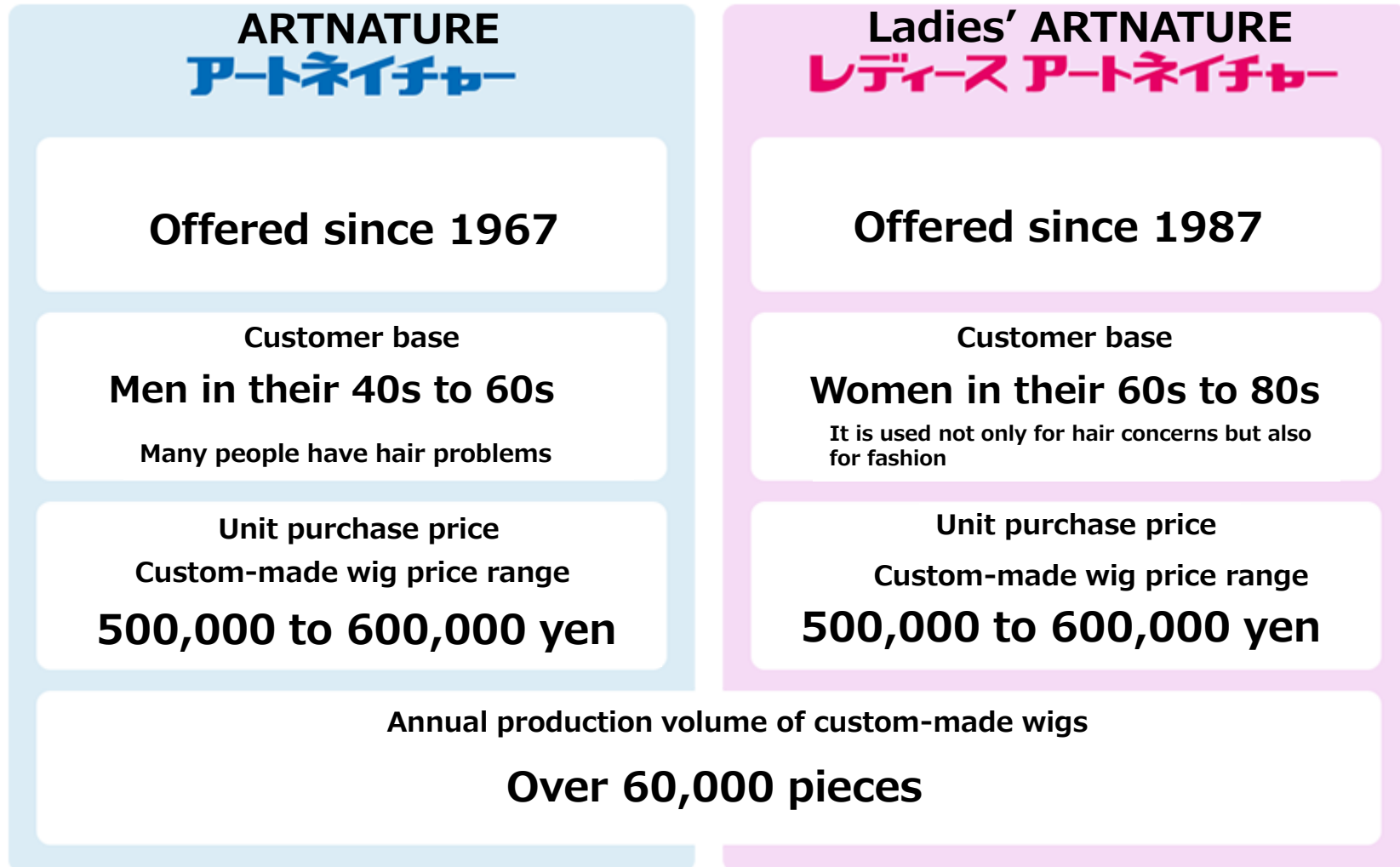
**Sales ratio**  
**9%**

### Ready-made Wigs (Jullia Olger)

Opening stores in shopping malls, etc.  
Approximately 90 stores nationwide

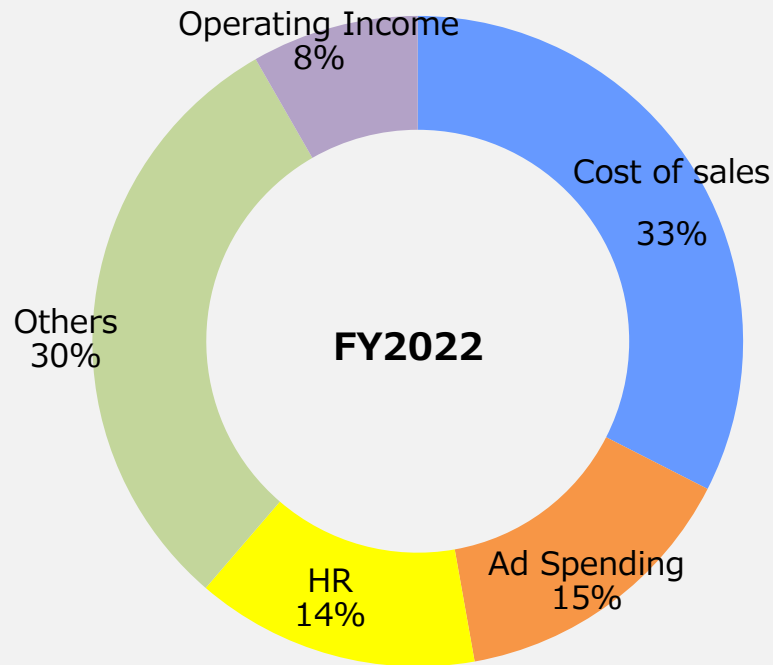


There are two brands that handle custom-made wigs.



In terms of expenses, there are many “advertising expenses” necessary to acquire new sales and “personnel expenses” because it is a labor-intensive business

## Sales ratio (consolidated/operating income basis)



Sales ratio  
**33%**

## Cost of sales

Expenses required for product provision. It mainly consists of product costs and stylist labor costs.

Sales ratio  
**15%**

## Ad Spending

Mainly costs required to acquire new customers. Expenses are used for various media such as TV, Internet, newspapers, magazines, etc.

Sales ratio  
**14%**

## HR

Personnel costs for head office staff, counselors, sales staff, etc.

Sales ratio  
**30%**

## Others

Sales activity expenses such as travel expenses and sales promotion expenses. Store maintenance costs such as utilities and rent.



# **Business Features**

Wigs aren't the only option for growing hair.  
We has a wide range of products to meet your hair-related concerns and needs.

## Customer Needs

Increased hair volume

Hair growth

Stylish hair

Beauty and health

## Services Offered

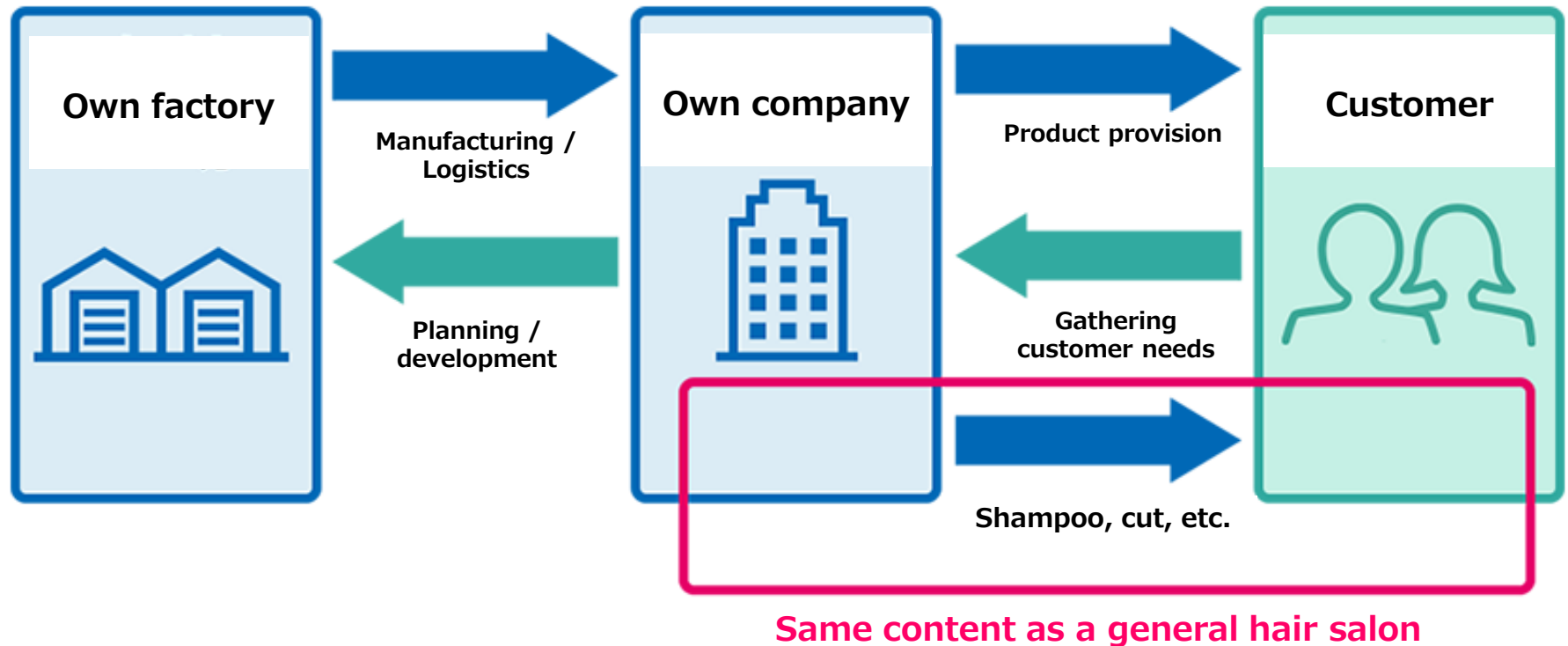
Wigs/Hair Addition/Medical Supply Sales

Hair Growth Services

After Styling Service

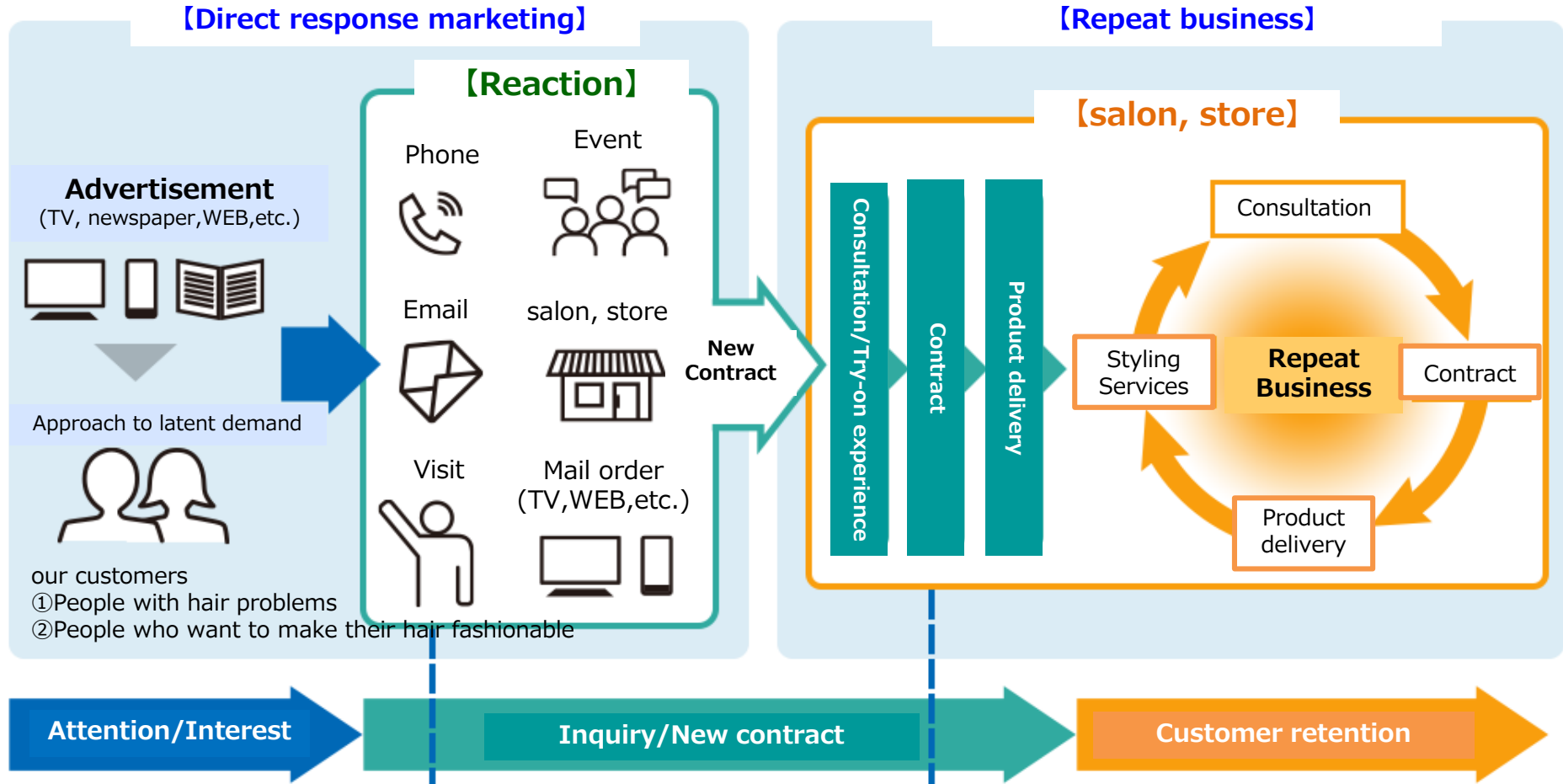
Hair Care Products/Health Foods

Custom-made wigs are a form of manufacturing retail business that vertically integrates a series of operations from planning and development to manufacturing and sales.



# Business Features③ Reactive and repeat sales

Sales activities in the custom-made wigs business can be divided into "direct response marketing" and "repeat business".

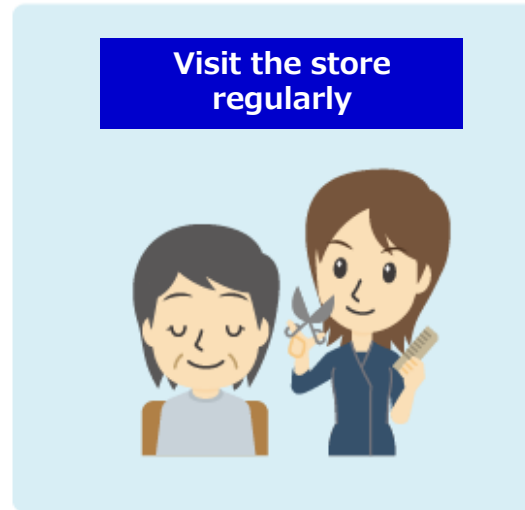


We are a stock-type business based on the premise of building relationships of trust with our customers

## Customer retention image



- Assign a representative to each customer and begin serving them in private rooms to ensure privacy.



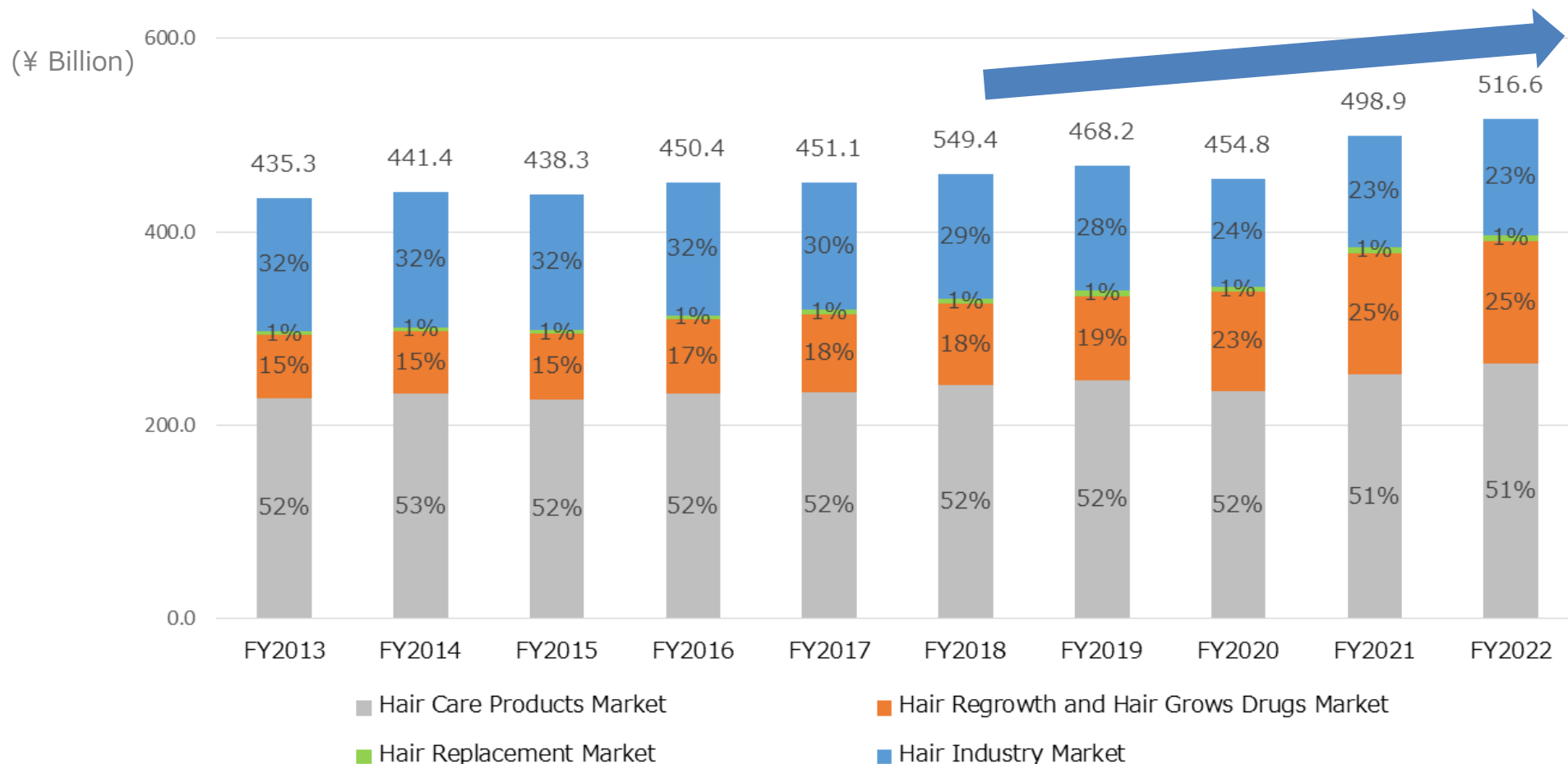
- Deepen communication and build trust between the customer and the person in charge through regular natural hair cutting and maintenance



- The person in charge understands customer needs through communication with customers, and proposes and sells new products.

# Market Trends

The overall market is on an increasing trend, mainly due to the growth of the hair growth and nurturing market

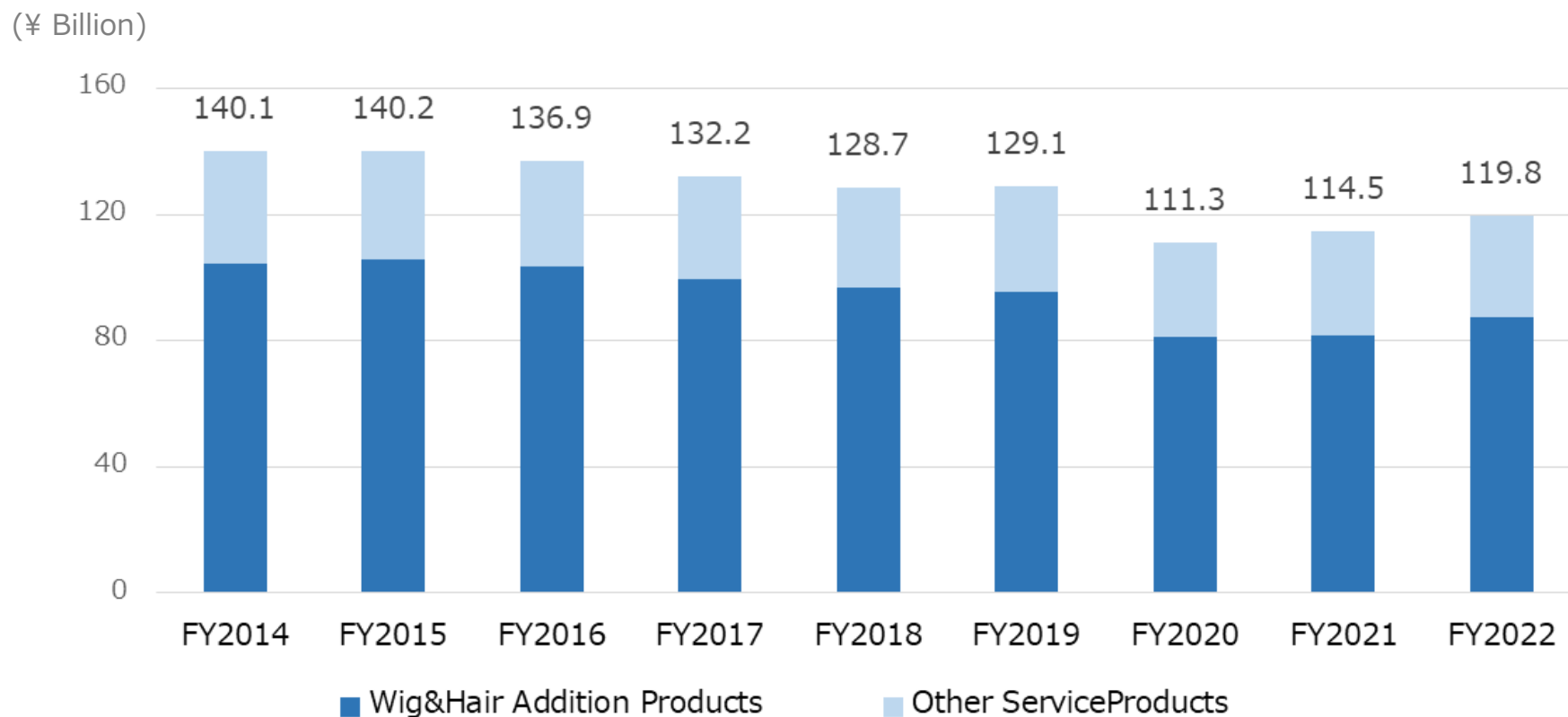


\* Based on companies

Source of: Yano Research Institute Ltd.「Hair care marketing general view」

Domestic hair industry market is in a diminishing trend (Wigs and Hair Addition Products are shrinking)

Recovery will occur in FY2021, but market size will not return to pre-pandemic coronavirus levels

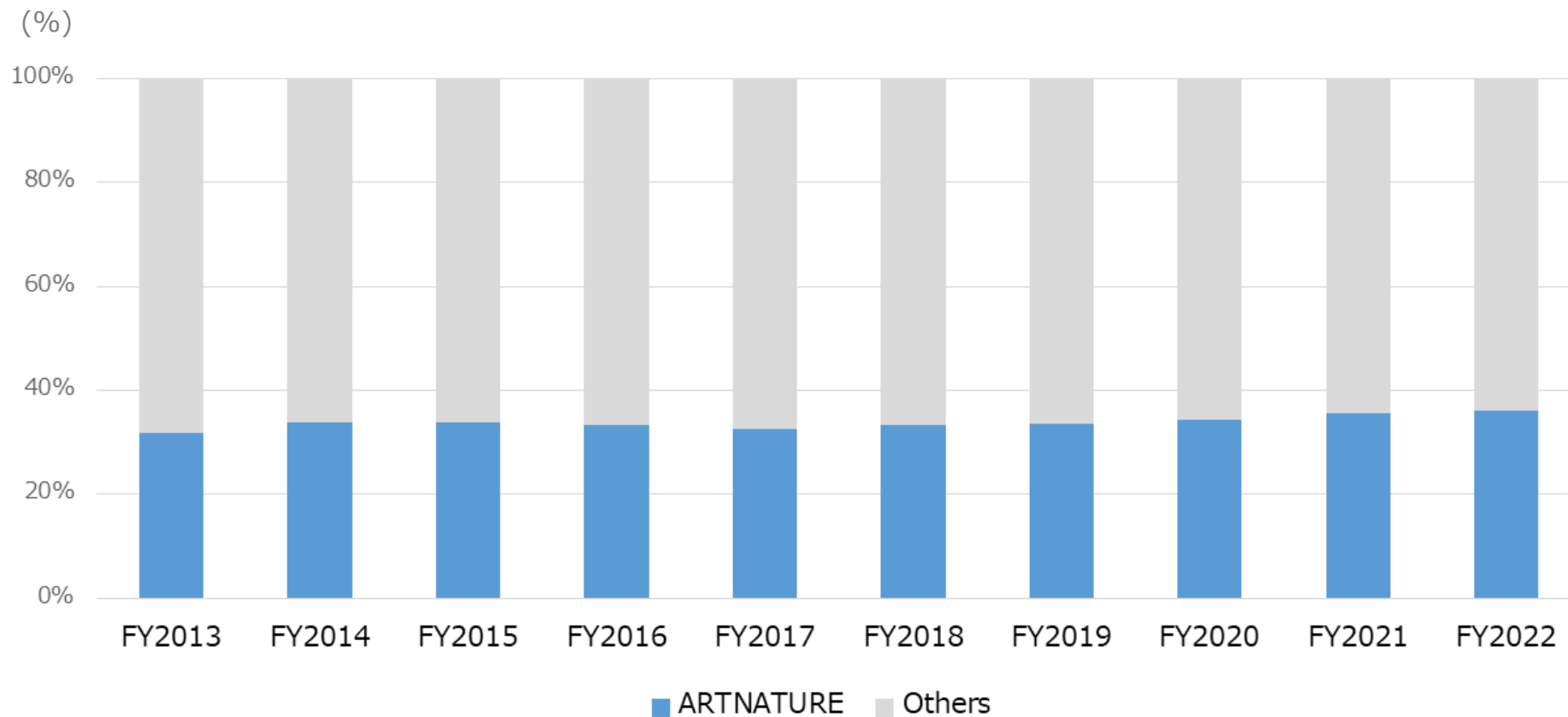


\* Based on companies

Source of: Yano Research Institute Ltd.「Hair care marketing general view」



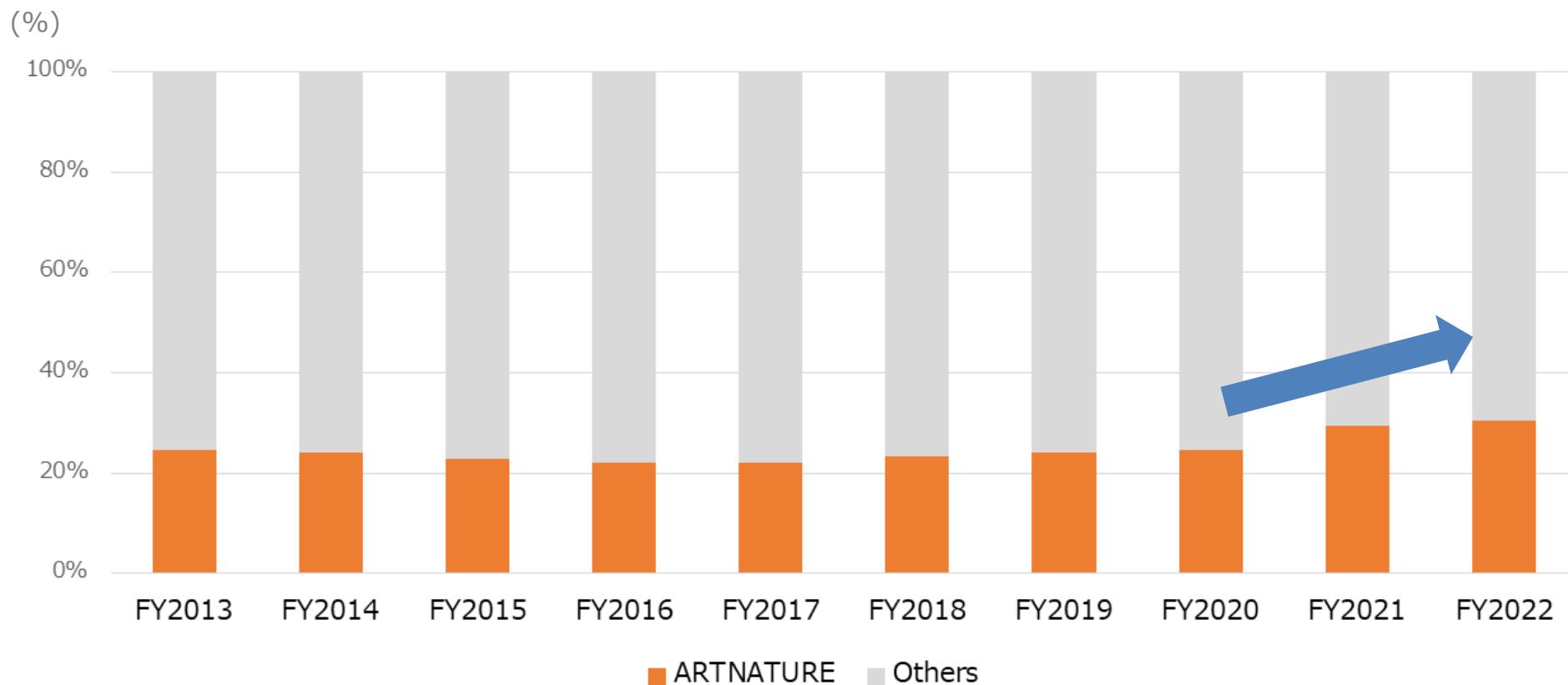
Our market share accounts for more than 30% of the total



\* Based on companies

Source of: Yano Research Institute Ltd.「Hair care marketing general view」

Our market share is slightly increasing (other companies are shrinking)  
Increase in the number of companies selling low-priced wigs from FY2015 to FY2017



\* Based on companies

Source of: Yano Research Institute Ltd.「Hair care marketing general view」

# Competitive Edge

## Familiarity with the ARTNATURE brand

High name recognition + public credibility as a listed company ⇒ Driving force for business expansion

## Industry-leading “Product Development Capability”

Provide new products quickly and effectively by taking advantage of the manufacturing and retailing business format that links planning, manufacturing, and sales.

## Store network covering the entire country

Network in all prefectures ⇒ Same quality of service in all areas

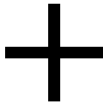
## Numerous certified hairdressers with specialized skills

Approximately 1,800 qualified barbers and beauticians on staff ⇒ Thorough support from after-sales service to advice after purchase

## Strong financial position

Cash and deposits in excess of 20 billion yen, equity ratio of over 50% ⇒ We are well-positioned for future growth

In addition to its high name recognition as a wig brand, the company's high social credibility as a publicly listed company is a driving force for business expansion.



**Among the domestic hair industry The only publicly listed company**

By completing the planning, development, manufacturing, and sales of new products within the group, we have established a system that enables us to quickly introduce original products that meet customer needs.

## How new products are made

STEP1 Needs gathering



STEP2 Planning



STEP3 In-house review



STEP4 Prototype production



STEP5 Internal review



STEP6 New products completed

## 【Points of Attention】

### ① Research skills in gathering needs

Identify trends in new materials and technologies as well as feedback from customers, sales staff, etc.

### ② Idea generation emphasizes differentiation from other companies

Consider planning based on the current approach from the accumulation of ideas and technologies, including those from the past.

### ③ Careful planning and deliberation with board members

Exchange of opinions at development meetings with everyone from young staff to management

### ④ Prototype production in cooperation with our own factory

Created through constant exploration and trial and error

### ⑤ Thorough internal verification

Verification of product quality and performance using in-house monitors

### ⑥ Completion of new products

Lectures and technical training for sales staff on product features and usage scenarios, etc.

Nationwide network of stores and a large number of nationally certified stylists  
⇒ Very high barriers to entry from other companies



Qualified hairdresser  
/beautician  
Approx. 1800 persons

※ Domestic Non-consolidated

The company has approximately 80% (1,800) of its domestic employees who have obtained barbering and beauty certifications. They spend at least half a year acquiring specialized skills related to wigs, and are constantly striving to improve their skills.

## About Our Expertise

- Wig cleaning
- Blow-drying wigs
- Wig set
- Wig maintenance
- Styling of wigs and own hair
- Cutting of artificial hair, installation of hair addition, etc.

New stylists spend six months to a year after joining the company to learn this specialized skill through training.

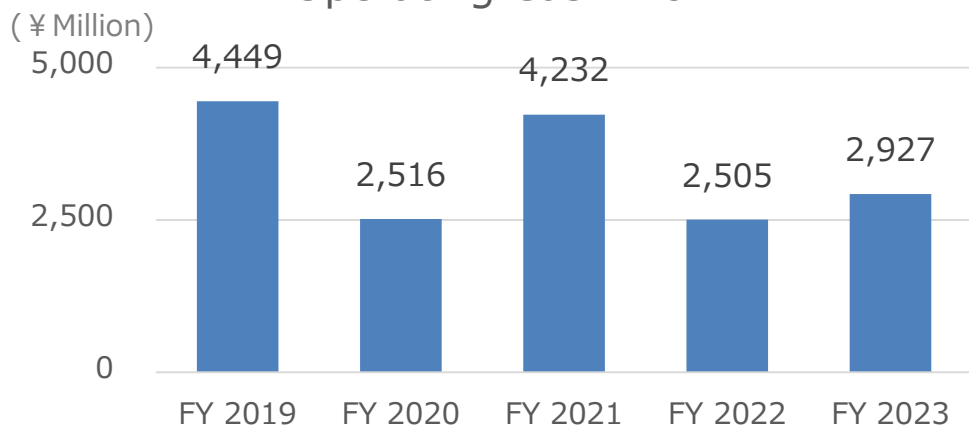
Specialized techniques are changed according to trends, and technical skills are improved daily through group training by job level and individual training by advisors in each region.

The coronavirus pandemic actively implemented online training.

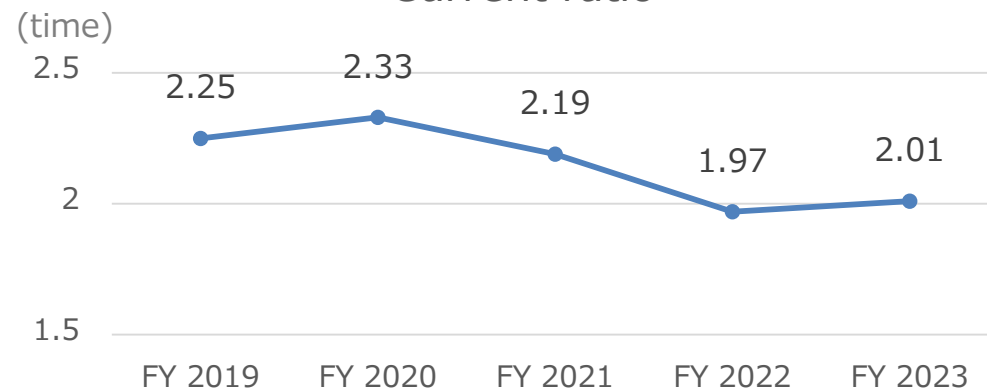


Maintains the top market share in the industry due to its strong financial position

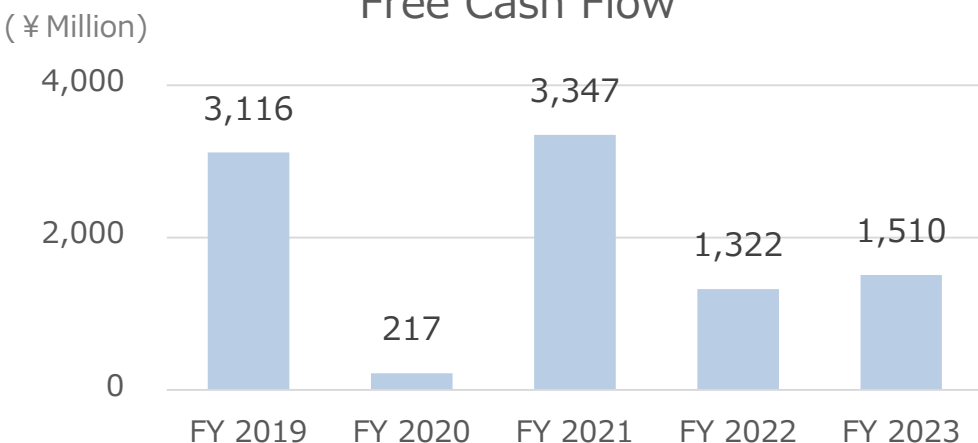
### Operating Cash Flow



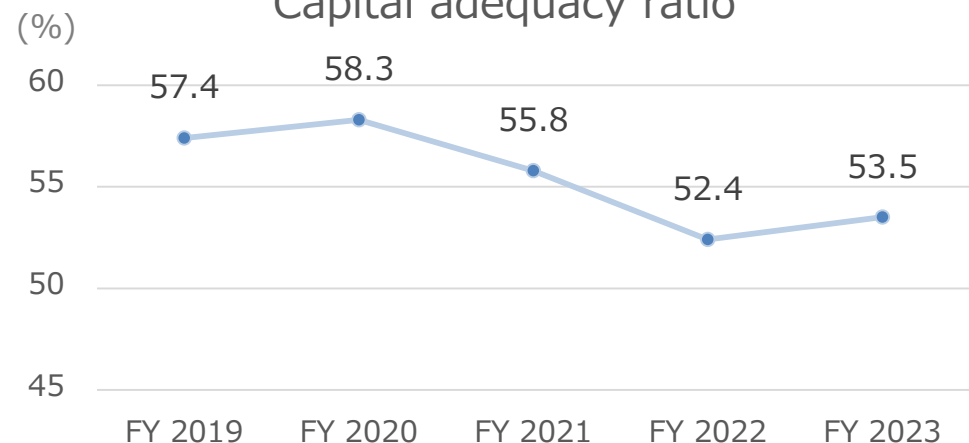
### Current ratio



### Free Cash Flow



### Capital adequacy ratio



# **Business plan**

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.

**AN  
Group  
Motto**

**“Your best smile is what we want.”**

**AN Long-Term Vision  
2026 (60th Anniversary)**

**“A Decade to Open a New Future”**  
Open up a new future by shifting to a management style emphasizing customer satisfaction and profitability, while exploring new business areas.

**N  
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**3rd step**

Medium-Term Management Plan  
2023-2025 Vision

**“Pioneering the Next Generation: ARTNATURE’s Leap Forward”**

Make a new breakthrough to the realization of the long-term vision based on the achievements to date

**2nd step**

Medium-Term Management Plan  
2020-2022 Vision

**“Pioneering the Next Generation: ARTNATURE’s Challenge”**

Embrace the challenges to enhance business value in spite of an uncertain future

**1st step**

Medium-Term Management Plan  
2017-2019 Vision

**“Pioneering the Next Generation: The Birth of ARTNATURE”**

Aim for a recovery in business performance to build a solid foundation

**Strengthening of Business Foundation  
Corporate Responsibility**

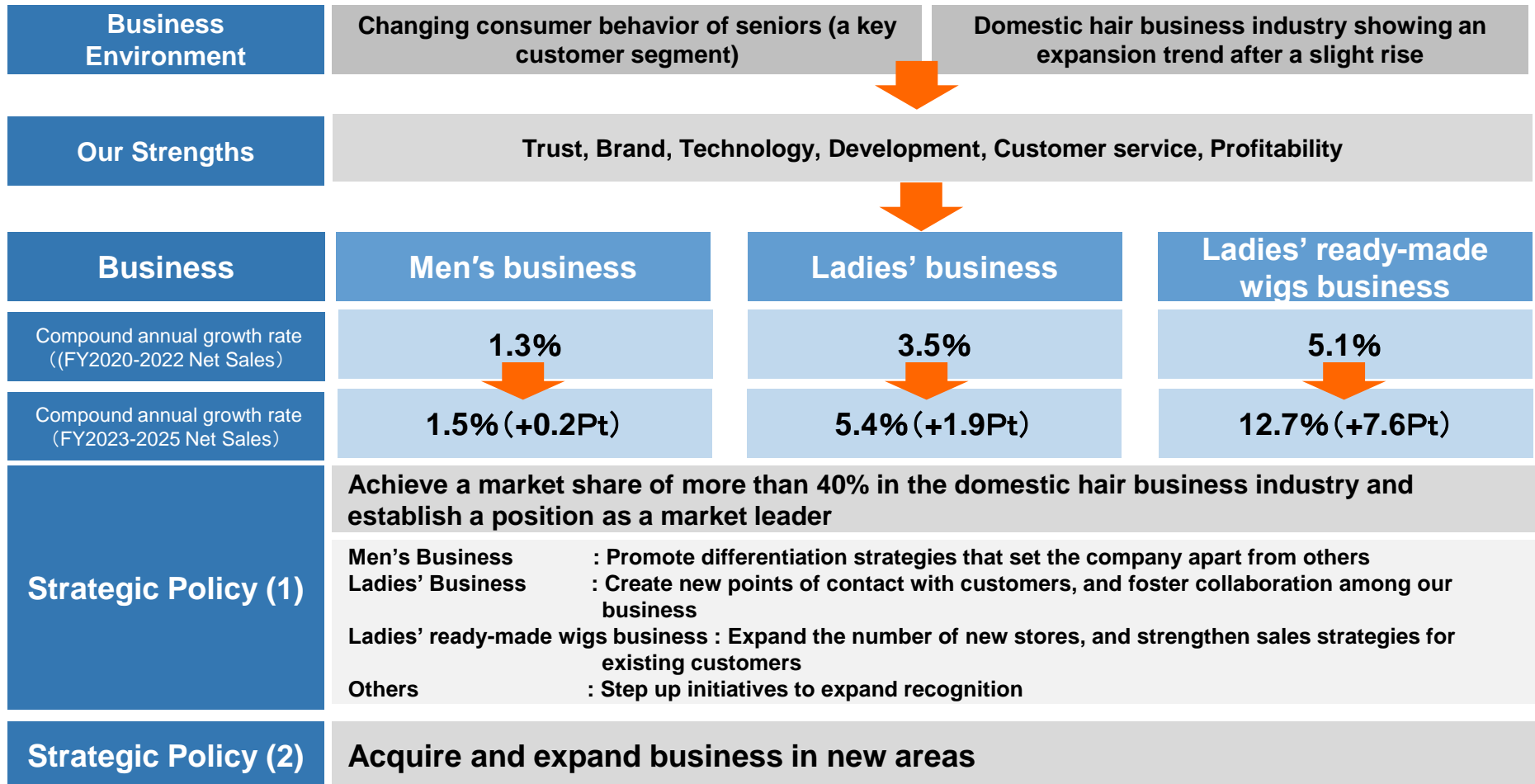
Despite the rapidly changing environment in which we operate, we aim to reach the next major milestone of more than 50 billion yen in this medium-term management plan.

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	—
	<b>Pioneering the Next Generation: The Birth of ARTNATURE</b>	<b>Pioneering the Next Generation: ARTNATURE’s Challenge</b>	<b>Pioneering the Next Generation: ARTNATURE’s Leap Forward</b>	—
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.

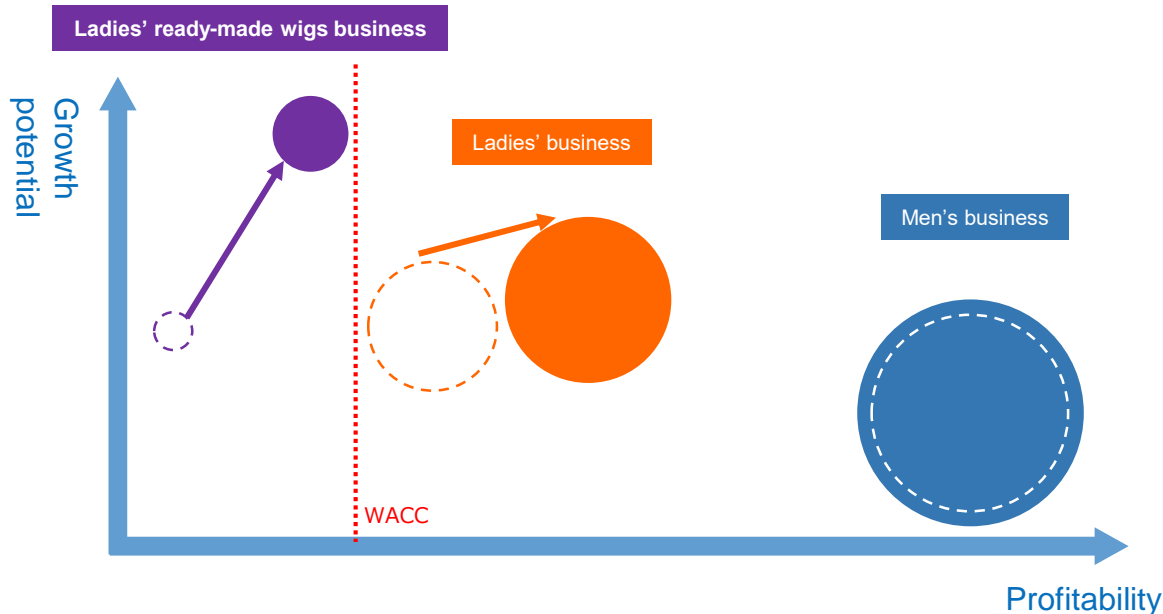
\*2 Hair business market share: the ratio of our sales to the industry’s total domestic sales (2019, 2021)

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



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.

## Business Portfolio



**\*Simplified image of our business portfolio**

[Circle]  
 Size: Net sales  
 Dotted line: Previous medium-term plan  
 Solid line: This medium-term plan

[Vertical axis]  
 Sales growth rate (annual average)  
 Previous medium-term plan FY2019 to FY2022  
 This medium-term plan FY2022 to FY2025

[Horizontal axis]  
 ROIC  
 Previous medium-term plan FY2022  
 This medium-term plan FY2025

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

### Value Creation

- Establish a position as a market leader in the domestic hair business industry
- Acquire and expand business in new areas

### Sustainability Promotion

- 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

### Dialogue with the Market

- Consider new information disclosure
- Consider additional shareholder return policy (dividend increase, shareholder benefits, etc.)

## Indicators (FY2025)

Financial Indicators	Net sales (Compound annual growth rate)	52.3 Billion yen (6% or more)
	Ordinary Income Margin	10.0%
	ROE	10.2%
Non-financial Indicators	Hair business market share	40% or more
	GHG emissions	To be established by 2025 <Reference> FY2021 Domestic non-consolidated Scope 1, 2 → 6,076t-CO2
	Percentage of female managers Wage gap between male and female employees Percentage of male employees taking childcare leave	22% or more Currently +1.0% 82% or more

# 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.

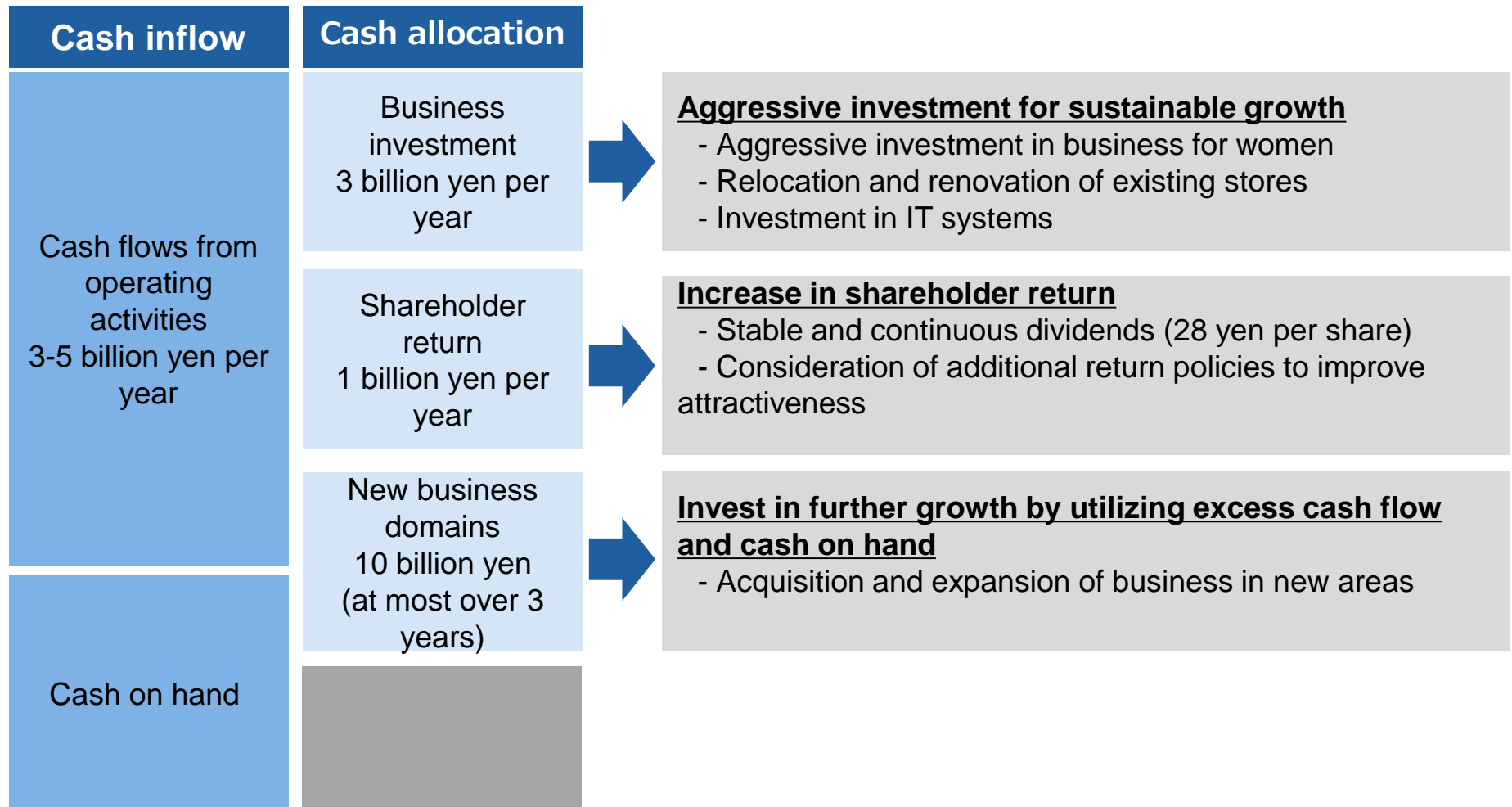
Key Indicators (Performance Plan)	Previous Mid-term Management Plan			This medium-term plan		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net sales	35.8Billion yen	40.4Billion yen	43.2Billion yen	44.7billion yen	47.0billion yen	52.3billion yen
Compound annual growth rate	Men's business 1.3% Ladies' business 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%
Ordinary Income Average annual growth rate	5.5%			14.1%		
ROE	3.3%	4.9%	7.5%	8.3%	9.6%	10.2%



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

Key Indicators (Non-financial)		Benchmark		This medium-term plan	
		FY2021	FY2022	FY2023 - FY2025	
Environment	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	We have a high percentage of female employees and employees with shorter working hours.
	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	
	Percentage of male employees taking childcare leave	80.6%	72.4%	82.0% or more	

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.



## Dividend Policy

### [Basic Policy]

We recognize 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.

### [Dividend Policy]

Based on a consolidated dividend payout ratio of 40% or higher, we will strive to increase dividends in line with consolidated performance (increase in increments of 1 yen), with the current annual dividend of 28 yen as the minimum limit.

However, until we achieve an ROE of over 10%, the basic consolidated payout ratio will be set to 50% or higher. If consolidated net income fluctuates significantly, we may adjust the dividends to account for these fluctuations.

Key Indicators (Shareholder Returns)	Previous Mid-term Management Plan			This medium-term plan		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
ROE	3.3%	4.9%	7.5%	8.2%	9.6%	10.3%
Dividend per share	28yen	28yen	28yen	28yen <sup>※1</sup>	28 yen or more	28 yen or more
Dividend payout ratio	107.7%	74.7%	48.3%	79.3%	50% or more	40% or more

※1 Disclosed on January 30, 2024

# **Risk Information**

Risks are weighed by multiplying the impact (vertical axis) by the likelihood of occurrence (horizontal axis), and prioritizes them by multiplying the impact (vertical axis) by the likelihood of occurrence (horizontal axis). (Red letters indicate risks of high importance)

degree of influence	Large	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px; color: red;">IT &amp; Systems</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px; color: red;">Information leak</div>	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px; color: red;">Natural disaster</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px; color: red;">Supply chain</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px; color: red;">Production</div>	
	Medium	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Technological innovation</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Compliance</div>	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Politics</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Reputation</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Human capital</div>	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px; color: red;">Infectious disease</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px; color: red;">Investment</div>
	Small	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Intellectual property</div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Product liability</div>	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Market</div>	<div style="border: 1px solid black; border-radius: 15px; padding: 5px; margin-bottom: 5px;">Financing</div>
		Small	Medium	Large
		Possibility of Occurrence		

The risks of high importance and their countermeasures are as follows

Risk item	Contents	Countermeasure
<b>Natural disaster risk</b>	Earthquakes, tsunamis, windstorms, climate change	<ul style="list-style-type: none"> <li>• Formulation of BCP (Business Continuity Plan)</li> <li>• Conduct periodic drills</li> <li>• Decentralization of logistics bases</li> </ul>
<b>Risk of infection</b>	Long-term spread of infectious diseases	<ul style="list-style-type: none"> <li>• Establishment of Crisis Management Headquarters</li> <li>• Development of measures to prevent the spread of infectious diseases in Japan and abroad</li> </ul>
<b>IT and Systems Risk</b>	Cyber attacks, system failures	<ul style="list-style-type: none"> <li>• Server construction to data center</li> <li>• Vulnerability assessment and threat intelligence collection and analysis</li> <li>• Conducting periodic drills</li> </ul>
<b>Information Leakage Risk</b>	Leakage of personal information	<ul style="list-style-type: none"> <li>• Establishment of an internal information management system</li> <li>• Personal information management at subcontractors</li> <li>• IT literacy and personal information training for employees</li> </ul>

The risks of high importance and their countermeasures are as follows

Risk item	Contents	Countermeasure
<b>Supply Chain Risk</b>	Purchasing, procurement, inventory, production, sales	<ul style="list-style-type: none"> <li>• Supply Chain Monitoring</li> <li>• Shared with suppliers, diversification of raw material purchases</li> <li>• Developed "Automatic Wig Implantation Machine"</li> </ul>
<b>Production risk</b>	Manufacturing, production costs, equipment and machinery	<ul style="list-style-type: none"> <li>• Establishment of manufacturing sites or contract manufacturing in multiple countries</li> <li>• Monitoring the situation in each country</li> </ul>
<b>Investment risk</b>	Failure of business investment (new business, capital investment, R&D, system investment, collaboration with other companies, M&A)	<ul style="list-style-type: none"> <li>• Investment decisions based on deliberations by the conference body according to the amount of investment</li> <li>• Investigations in connection with capital tie-ups and acquisitions with other companies</li> <li>• Confirmation of post-investment management performance, governance status, etc.</li> </ul>

**(Reference Information)  
Stock Price and Performance Trends**



# Stock price trends over the last 10 years (2013-2022)

After changing market to the TSE 1st section in 2013, peaked in August 2014 and declined. Stock prices after 2022 were affected by the coronavirus pandemic. However, stock prices have been gradually growing since then

Listed on the First Section of the Tokyo Stock Exchange on December 9, 2013

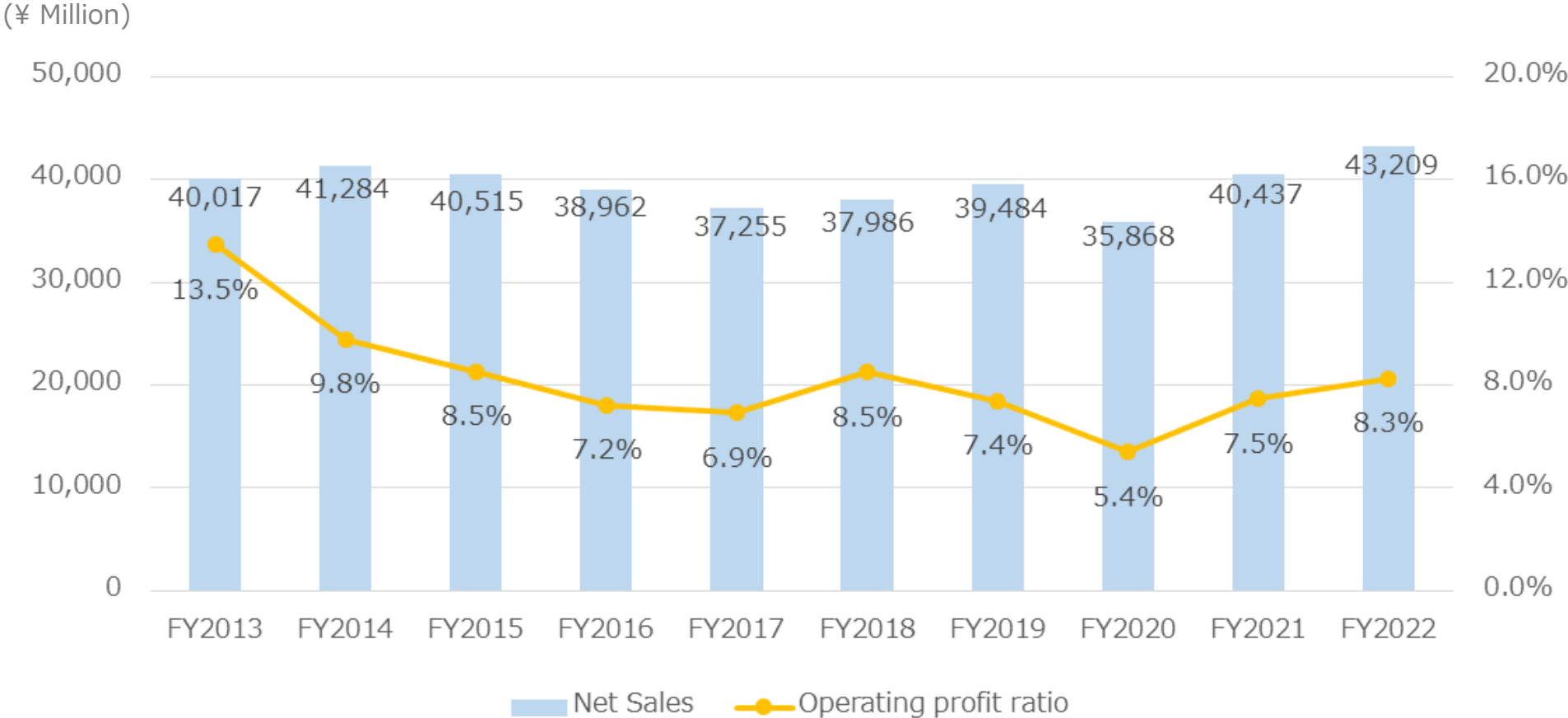


# Sales and operating income trends for the last 10 years



Operating profit margin peaked in FY2013 and has been on a gradual downtrend through FY2017.

Most recently, profits have recovered to pre-pandemic levels of coronavirus.

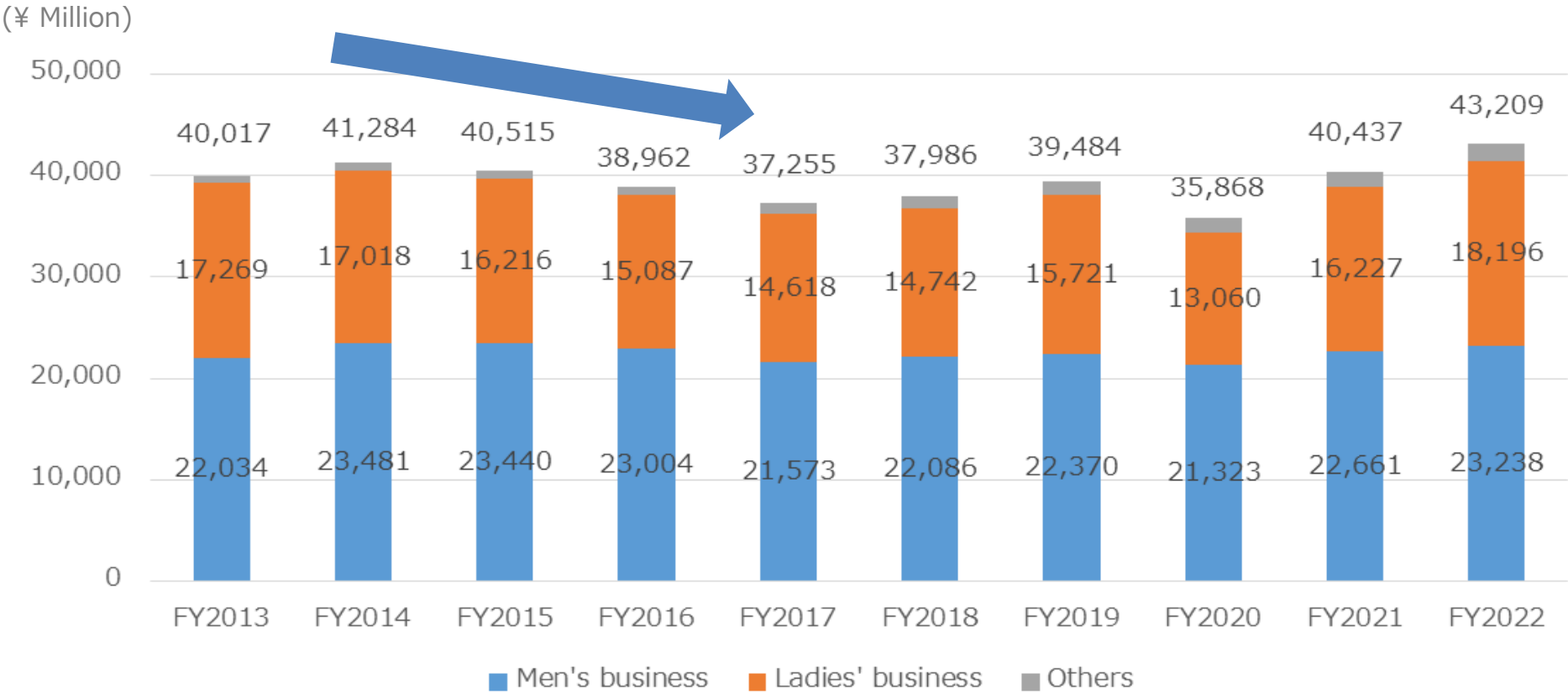


# Sales trends for the last 10 years (by gender, consolidated)



After peaking in FY2014, there was a gradual downward trend for both Men's business and Ladies' business through FY2017.

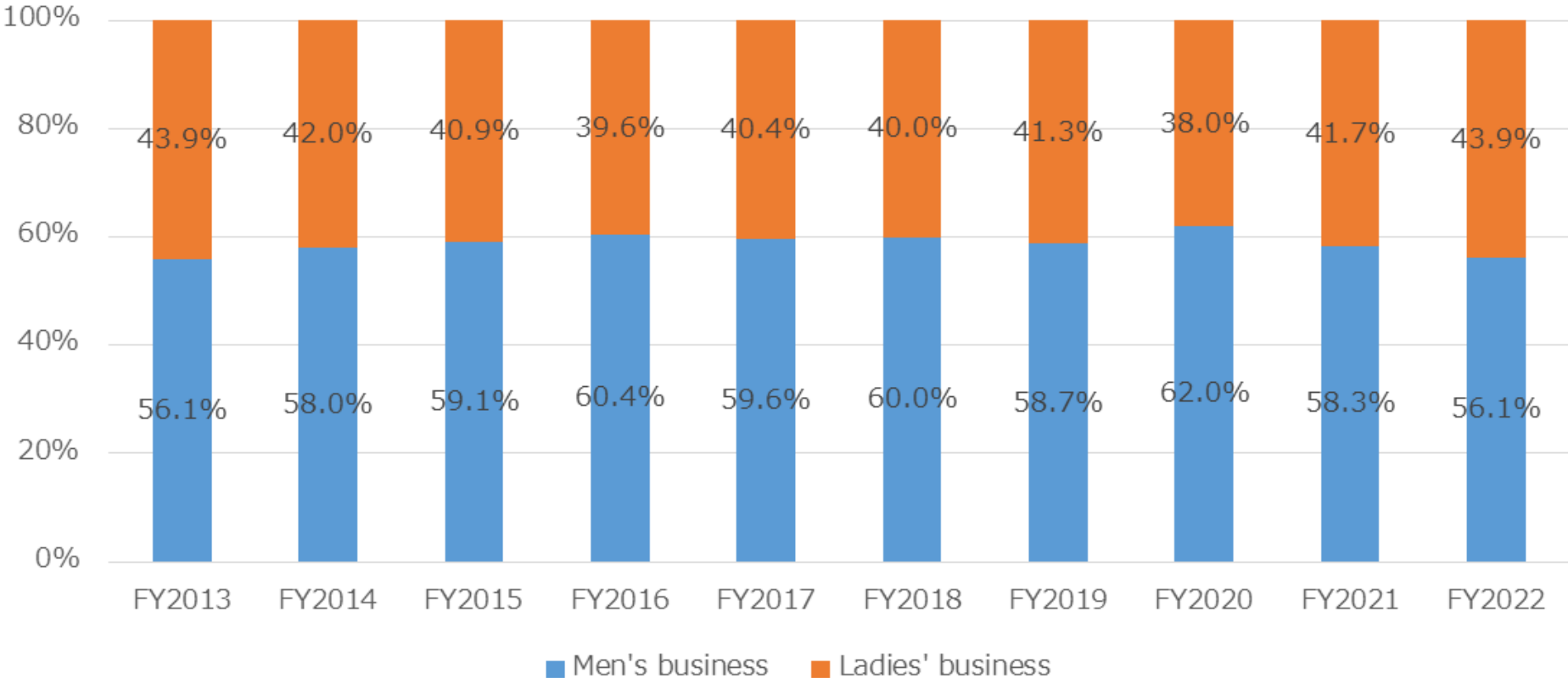
Most recently, the company achieved record sales, exceeding the level of performance before the coronavirus pandemic.



# Sales trends over the last 10 years (sales to Men's business/Ladies' business ratio)



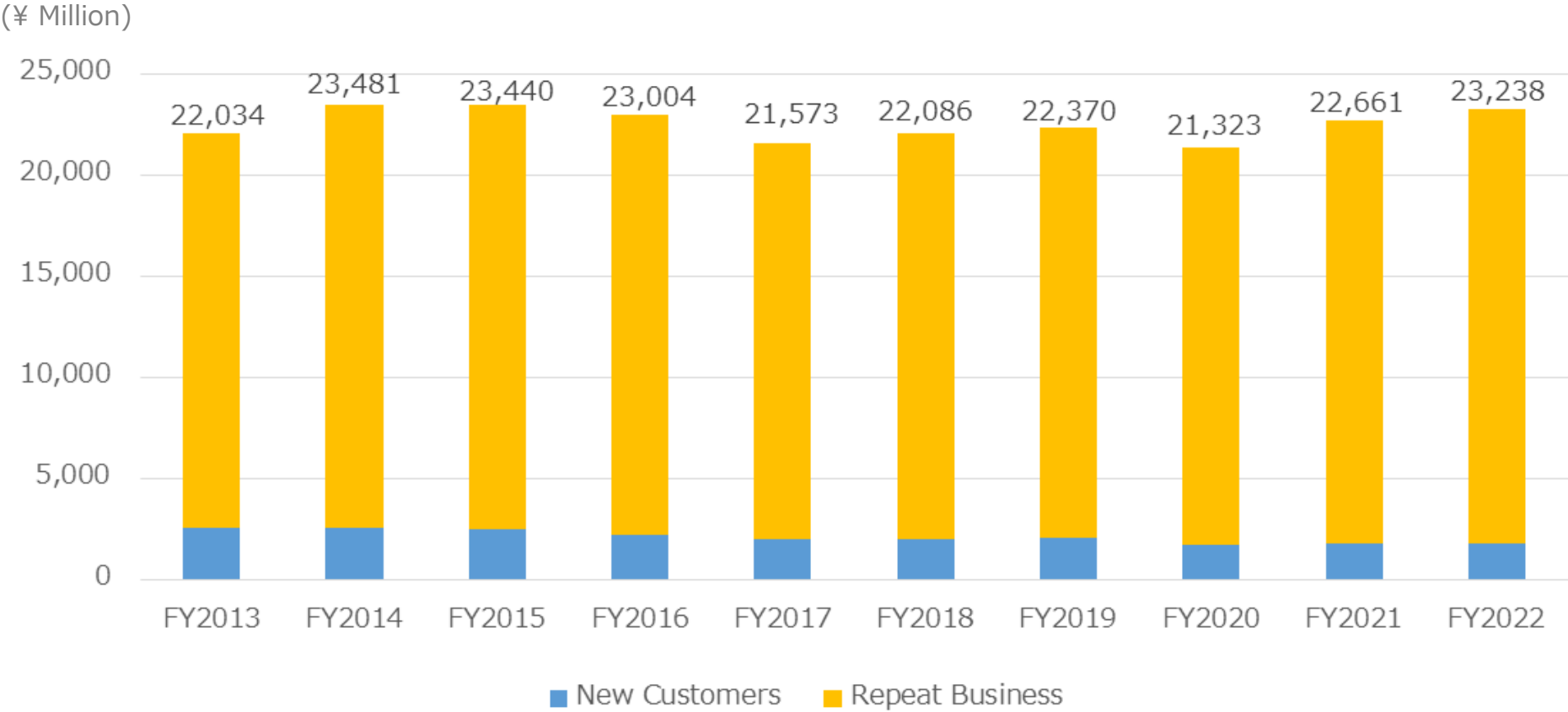
Men's business/Ladies' business ratio has remained generally unchanged from the past to the present: Men's business: 6, Ladies' business: 4  
In recent years, the percentage of Ladies' business has been on the rise.



# Sales trends for the last 10 years (Men's business, non-consolidated)



Although there has been a diminishing trend since peaking in FY2014, the coronavirus pandemic has bottomed out and is continuing to be a steady source of sales.

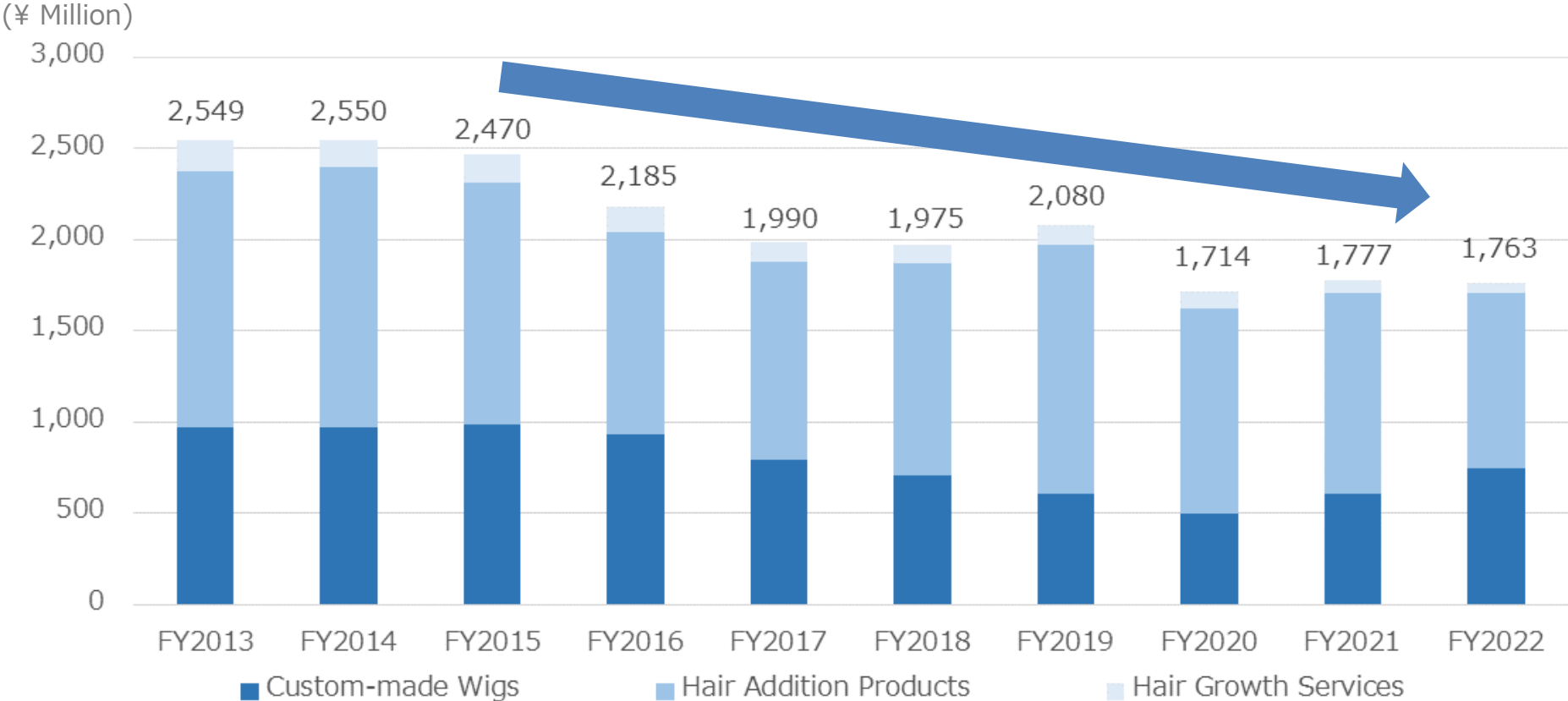


# Sales trends for the last 10 years (Ladies' business, new customer)

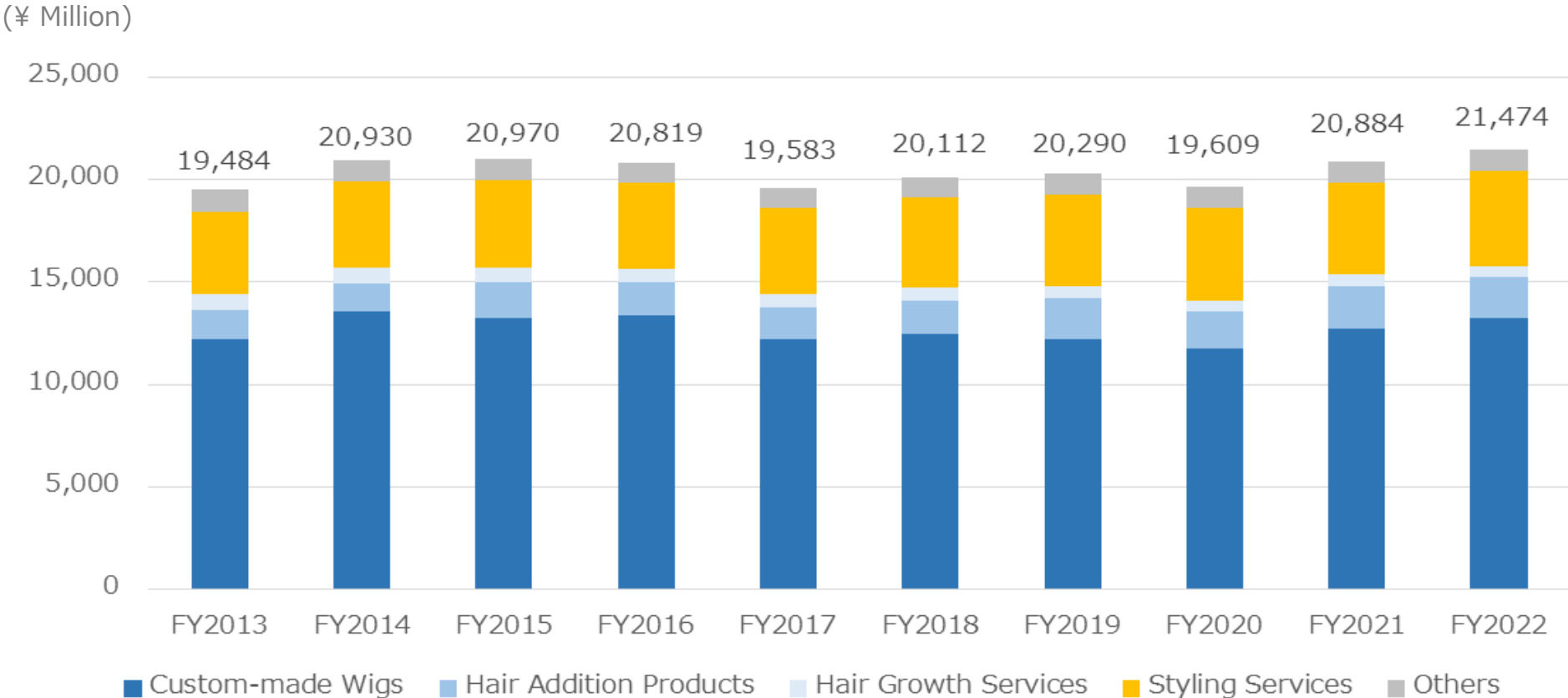


New customer sales are on a declining trend.

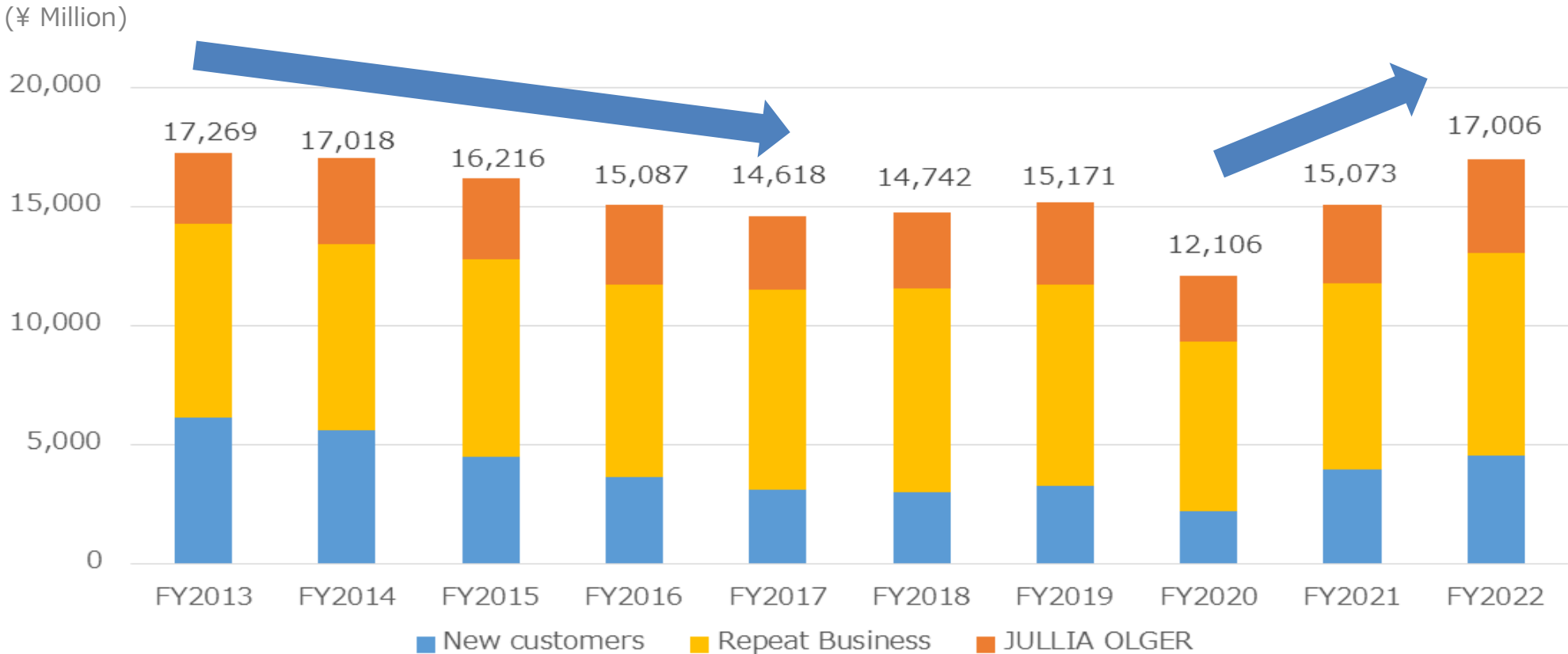
(Due to increased competition from adjacent markets such as hair regrowth and hair growth products )



Repeat sales remain high compared to the past, in the 20 billion yen range.

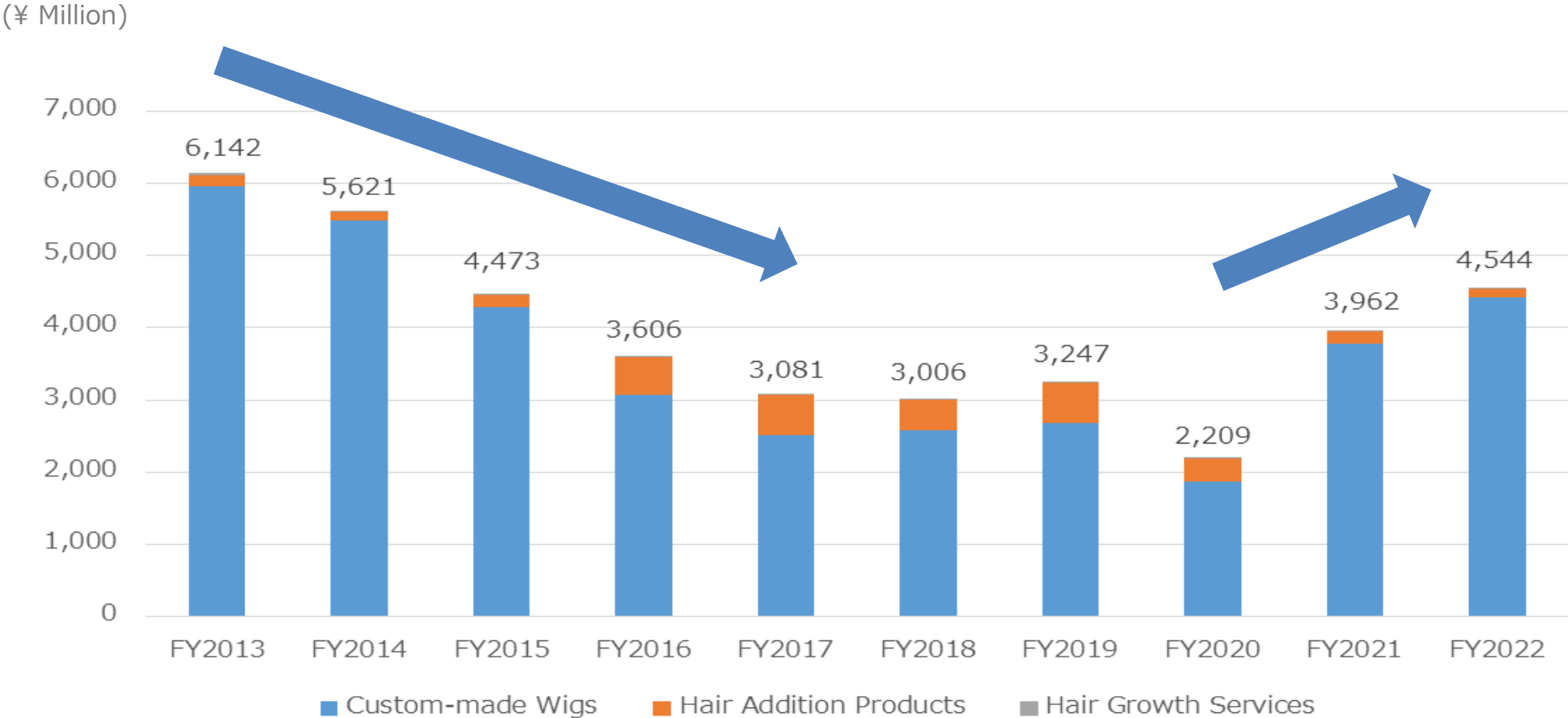


Diminishing trend through FY2017 (intensifying competition with low-priced wig retailers)  
Performance has been strong in recent years, recovering to near peak levels in FY2022.





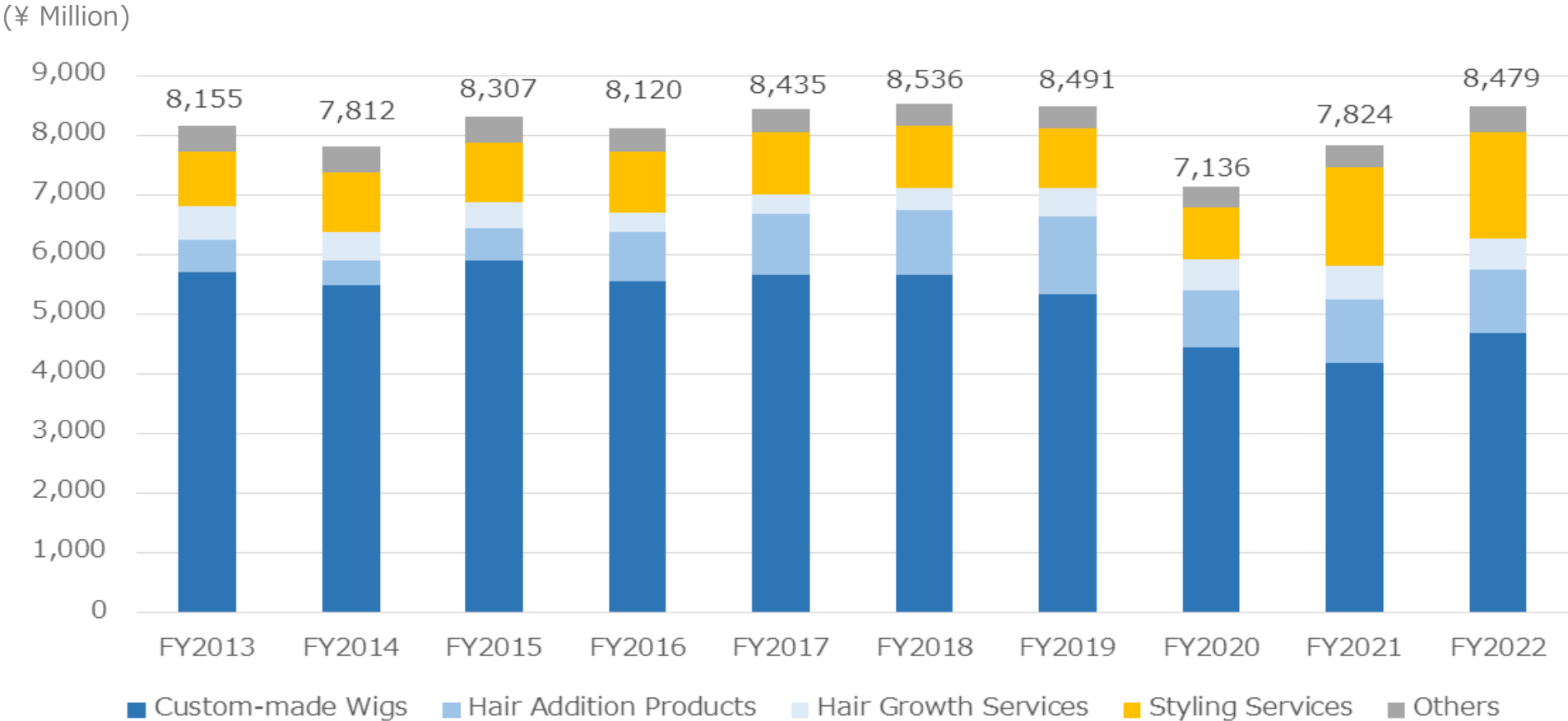
New sales declined due to increased competition, but have recently recovered ("feelin" effect)  
Most recent sales are more than double new men's sales (mostly custom-made wigs)



# Sales trends for the last 10 years (Ladies' business, repeat customer)



Repeat sales were at the level of about 8 billion yen.  
 Most recent sales are about 40% of men's repeat sales (difference in proposal opportunities due to differences in frequency of store visits, etc.)





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

#### **Forward-looking Statements**

The forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed to be reasonable by the Company. Actual results may differ materially from forward-looking statements due to a number of factors. Amounts shown in this document are displayed numbers truncating the units less than shown. The percentage is rounded off to the first decimal place.

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