

ARTNATURE INC.

7823

Tokyo Stock Exchange Standard Market

10-Jul.-2026

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Summary

Established the ARTNATURE Frontier Plan, a new medium-term management plan

1. A leading hair consultancy company that provides individually optimized solutions

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

2. Strengths include product development capabilities with “reaction sales” and “repeat sales” as key elements of the business model

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

3. Aiming to achieve net sales of ¥59.9bn in FY3/30 by addressing key priorities such as expanding its customer base

Under its long-term vision, the Company aims to evolve into the “World’s Leading Wig Life Maker,” opening up the future by expanding the provision of goods (products) and experiences (services) necessary for customers to lead enriched lives. As the first step toward this goal, the Company established the ARTNATURE Frontier Plan, a new four-year medium-term management plan covering FY3/27 through FY3/30. The Company aims to achieve net sales of ¥59.9bn, an ordinary income margin of 6.7%, and ROE of 9.2% in FY3/30 by addressing five priority challenges: expanding its customer base, strengthening its production platform, improving operational efficiency, pursuing opportunities in new business areas, and enhancing human capital. In particular, to address the decline in the number of newly acquired customers and the failure to establish new business areas, which were factors behind the failure to achieve the targets of the previous medium-term management plan, the Company plans to restore the number of newly acquired customers through a multifaceted approach that incorporates digital touchpoints in addition to television, as well as through the optimization of advertising and promotional activities. At the same time, it aims to establish new business areas through measures such as M&A focused on “beauty and health.”

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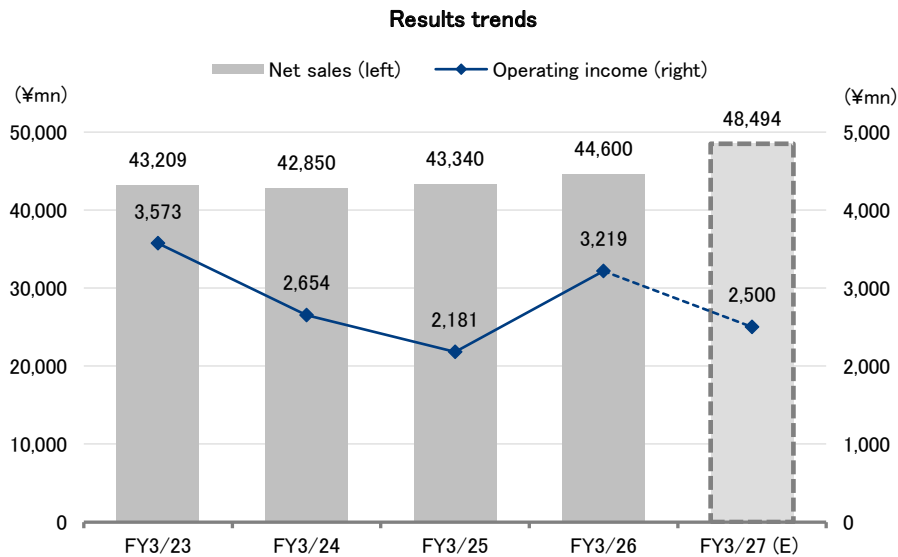
Summary

4. Forecasting a decrease in profit for FY3/27, as the first year of the medium-term management plan will be a preparation phase

In the FY3/26 consolidated results, net sales totaled ¥44,600mn (up 2.9% year on year (YoY)), while operating income was ¥3,219mn (up 47.6%). Although the Company fell short of the targets set under the previous medium-term management plan, net sales reached a record high since listing, supported by strong repeat sales, and sales of ready-made products for women. Operating income increased significantly due to the effect of higher sales and a review of advertising methods. For FY3/27, the Company forecasts net sales of ¥48,494mn (up 8.7% YoY), and operating income of ¥2,500mn (down 22.3%). The Company projects steady revenue growth, supported by advertising methods in line with its medium-term management plan and strategic investments in the “beauty and health” sector. However, as the first year of the medium-term management plan will be a preparation phase, the Company forecasts a decline in profit. In addition to upfront investments related to priority initiatives such as expansion into new business areas, the forecast reflects the impact of the yen’s depreciation, high prices for goods, personnel expansion, and enhanced employee compensation.

Key Points

- As a leading hair consultancy company in the hair products and services sector, the Company provides individually optimized solutions
- Established a medium-term management plan aimed at becoming the “World’s Leading Wig Life Maker,” targeting net sales of ¥59.9bn in FY3/30
- The Company forecasts lower profit in FY3/27, the preparation phase year of its medium-term management plan, due to upfront investments in the new “beauty and health” business areas and other strategic initiatives



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

■ Company profile

Custom-made wigs are the main business

1. Company profile

The Company is Japan's first comprehensive hair consultancy business whose main business is the manufacture and sale of custom-made wigs for men and women, and it holds the top position in the hair products and services sector. Based on its motto "Your best smile is what we want," its mission as a total hair consultancy company is to propose to customers' lifestyles that are more positive, bright and beautiful. Customers' hair-related needs are diversifying and becoming more sophisticated over time. In addition to its high-value-added custom-made wigs, the Company offers a wide range of hair-related products and services, including ready-made wigs, hair-addition products, hair growth services, and after-sales services, providing optimized solutions tailored to each individual's unique needs regardless of gender. While continuing to achieve stable growth in its existing businesses, the Company is also placing emphasis on expansion into new business areas. Over the medium term, it aims to develop a second core business centered on the "beauty and health" concept and intends to pursue overseas expansion as a further growth initiative.

Expanding business operations beyond custom-made wigs

2. History

After launching a men's wig business as a sole proprietorship in 1965, the Company established ARTNATURE INC. in 1967. In 1969, it built a retail network featuring in-store barbershops, enabling it to provide a fully integrated service model for men's wig customers, from counseling through after-sales services. In 1980, the Company established a nationwide sales company network and its brand became widely known due to the success of its MRP hair-addition system and advertising campaigns. Against the backdrop of this brand power, it made a full-fledged entry into the women's market in 1987, including with Ladies' ARTNATURE. In 2002, it integrated its nationwide sales companies and built a structure fully capable of demonstrating its comprehensive strengths, and began in-house manufacturing by making a subsidiary of a third-party manufacturer in the Philippines. The Company was listed on the stock market in 2007, and subsequently expanded its production structure while utilizing the expertise it had accumulated up to that time to expand its business scope, including entering the fields of ready-made wigs for women and medical wigs, and establishing its own online retailing website. The Company continues to pursue active product development, consistently introducing new products twice a year in its main business segments. At the same time, the Company has strengthened its efforts to achieve further growth by expanding into adjacent markets through measures such as the M&A of a company selling wigs in relatively affordable price ranges, the sale of Class 1 OTC hair growth products, and the establishment of a subsidiary to undertake support operations for medical institutions.

Company profile

History

Year	Event
1965	Started a business of custom-made wigs for men
1967	Established ARTNATURE INC.
1969	Established a one-stop structure from counseling through manufacturing and after-sales services
1970	Developed proprietary special artificial skin
1973	Developed the Triple Hair-addition System for gradually increasing hair volume
1980	Established a nationwide sales company structure and built a sales network rooted in local communities
1983	Developed the synthetic hair Artron
1984	Launched MRP, a hair-addition system that uses no base materials
1987	Launched Ladies' ARTNATURE, marking its full-fledged entry into the women's market
1989	Launched the Ladies' MRP Hair-addition System for women
1990	Constructed and relocated to the new head office
2001	Established Ladies' ARTNATURE Ginza Salon in Ginza as its first ladies' salon
2002	Integrated all sales companies in Japan Made a subsidiary of EUROTECH HAIR SYSTEMS, INC. (currently, ARTNATURE PHILIPPINES INC.) in the Philippines
2003	Launched Hair for Life Original, a hair-addition product that realizes a natural hairline and sense of fit
2005	Launched Cellaire custom-made wigs for women
2006	Introduced the industry's first 3D measuring system
2007	Listed on the JASDAQ Stock Exchange
2008	Established a second manufacturing subsidiary in the Philippines Started a business for JULLIA OLGGER ready-made fashion wigs for women
2009	Launched ANCS medical wigs from JULLIA OLGGER
2011	Established ARTNATURE ONLINE Shop, its own online retailing website
2012	Established ARTNATURE SINGAPORE PTE. LTD., as its Singapore subsidiary
2013	Listing was upgraded to the Tokyo Stock Exchange (TSE) 1st Section
2014	Made a subsidiary of Mikawayaya Inc. (currently ART MIKAWAYA INC.) which manufactures and sells wigs for entertainment Established ARTNATURE MALAYSIA SDN. BHD. as its Malaysian subsidiary
2015	Established ARTNATURE (THAILAND) CO., LTD. as its Thai subsidiary
2016	Launched Beauty Up, a hair-addition system for women
2019	Made NAO-ART Corp. a wholly owned subsidiary, which sells comparatively inexpensive wigs Launched the LABOMO Hair Grow MINOXI 5 hair growth tonic for men, thereby establishing a pharmaceutical sales business
2020	Established Art Medical Service Inc. to conduct a medical facilities support business
2021	Launched Feelin, custom-made wigs for women not fastened with pins Introduced automated AI response system at call centers
2022	Introduced industry's first portable 3D scanner (head shape measuring device) Switched to Tokyo Stock Exchange Prime Market in conjunction with the TSE's market restructuring
2023	Switched listing to Tokyo Stock Exchange Standard Market Launched REQUA PHANTOM, a new men's wig employing technology from NICCA CHEMICAL CO., LTD.
2024	Established local subsidiary ARTNATURE BANGLADESH LTD. in Bangladesh Launched HAIR UNION, the ideal hair-addition system for individual consumers Launched STYLIA, offering the enjoyment of various styles Established "Hair no heya," a webpage that provides a free AI-powered consultation service Launched JUSME custom-made wigs that meet the three key requirements of hairline, hair whorl, and ease of attachment
2025	Launched Clear MRP, a natural hair-addition product with non-visible knotting Launched REQUA REAL, a wig that provides a real reproduction of the head down to the skin pores Launched JUSME Round Fit, a wig which attaches to fine hair through delicate hooks around the full 360-degree circumference of the base net
2026	Launched Loop Fit, a new product under the JULLIA OLGGER brand, featuring easy front-hair styling and customization

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

The hair industry remains highly competitive even within the expanding hair care industry

3. Hair business market

The hair care market, which includes the hair products market for wigs and related products, is said to be expanding steadily. However, the business environment for the hair products market remains competitive. Key factors include the declining birthrate, intensifying competition from adjacent categories such as hair care products and hair growth products, growing social acceptance of the shaved-head style, a tendency for men to defer addressing hair-loss concerns due to improved hair care practices, and the continued entry of low-priced wig offerings by smaller market participants. Even after the COVID-19 pandemic subsided, consumer spending focused on travel and dining out, and the situation continues in which spending has not returned to the hair industry at the anticipated level. In overcoming this difficult period, many major companies with strong constitutions were generally able to demonstrate their competitive advantages and increase their market shares. In the sector of hair products and services, the Company is said to have the highest share of the men's market and second highest of the women's market, and it can be said that the Company is steadily increasing its share and is now estimated to hold the leading position on a combined men's and women's basis.

■ Business overview

Provides a variety of products and services for people seeking greater hair volume and other hair-related needs

1. Description of services

The Company provides products and services that meet the various needs of customers, ranging from people with hair-related concerns to those who want to enjoy fashionable hair. Its main customer groups are men aged in their 40s to 60s and women aged 60s to 80s. These products and services respond to diverse individual needs that include custom-made wigs, ready-made wigs, hair-addition products, and pharmaceutical products for people who want "increased hair volume." Hair growth services for people seeking "hair growth," after-sales services for people seeking "stylish hair," and hair care products and health food for people seeking "beauty and health." The Company's wig production network currently consists of two factories in the Philippines and one factory in Bangladesh, the latter having commenced operations in December 2025.

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Business overview

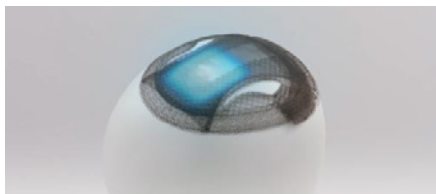
(1) Custom-made wigs

Since the Company’s foundation, its product lineup has been focused on high-end, custom-made wigs, the brands ARTNATURE and Ladies’ ARTNATURE. The Company handcrafts high-end products that are optimized to meet the preferences and the hair conditions of each individual customer. In order to realize the comfortable and easy fit, measuring the base net that will fit on the head is the most important step. Accordingly, staff first gain a thorough understanding of each customer’s needs and then use the Company’s 3D measuring system to measure the head shape quickly with a high degree of accuracy. Various other specifications, such as style and color, are added to these measurements on the order. After this data is sent to the Company’s plant overseas and used to create the base net, highly skilled craftspeople meticulously hand-knot each strand of hair onto the base net to create a wig with a natural appearance, from hair color to hair movement. As a result, considerable time and effort are required, so prices are comparatively high*, ranging from ¥500,000 to ¥600,000. However, it can be said that these high-end, custom-made wigs realize a natural finish just like the customer’s own hair and an outstanding sense of fit that is a feature only the Company can offer. The usage period differs depending on the individual, but it tends to be around two years. The Company’s technologies continue to evolve through ongoing enhancements. At present, it is concentrating its marketing efforts on Hair for Life LX for men, which offers a natural-hair feel 24 hours a day, and the ladies’ Air JUSME, which incorporates cooling materials and air holes and can withstand extreme summer heat.

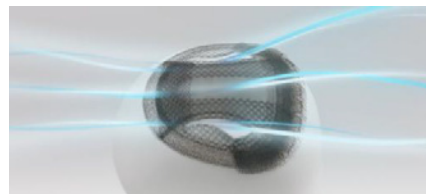
| * Prices differ depending on the circumstances of the individual customer. |

Key features of the upgraded Air JUSME

Comfort point (1) Cooling materials



Comfort point (2) Dual air holes



Note: Images shown above are for illustrative purposes only
 Source: The Company’s homepage

(2) Ready-made wigs

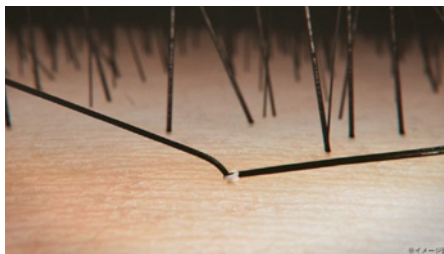
The Company utilizes the advanced product development capabilities it has cultivated in custom-made wigs to provide ready-made wigs for customers who want to casually enjoy different hairstyles under the MJO brand in the men’s business, and the high-end JULLIA OLGGER brand and the standard NAO-ART brand in the ladies’ business. It also provides the ANCS brand of medical wigs. Under the JULLIA OLGGER brand, it provides high-quality, ready-made wigs finished with an original style at prices that are affordable, ranging from ¥100,000, mainly in department stores and shopping malls nationwide. MJO operates stores near major terminal stations in metropolitan Tokyo and provides high-quality ready-made wigs at affordable prices ranging from ¥100,000 to the upper ¥300,000 range. Both stores also handle pattern-made wigs based on custom-made wigs. Additionally, NAO-ART handles ready-made wigs in more affordable price ranges and operates stores mainly within comprehensive supermarkets in major cities, including metropolitan Tokyo. In October 2025, the Company launched a limited-edition release of wigs themed on the popular Disney female characters from “Frozen” and “Disney Princess” through its e-commerce website, and continues to develop and market a diverse range of products. ANCS sells medical wigs that use skin-friendly materials and allow adjustments to hair volume and size through its custom-made wig stores and in-hospital hair salons.

Business overview

(3) Hair-addition products

In hair-addition products, the Company develops the MRP brand for men and the Beauty Up brand in for women. The Company's stylists who have acquired specialist skills conduct hair addition through a method of attaching multiple artificial hairs to the roots of the customer's own hair. By increasing the number of units of multiple hairs, it is possible to increase the hair in the desired part little by little, and the hair can be increased without the customer feeling uncomfortable while adjusting to the preferred volume. For men, the lineup includes Clear MRP 5X, which uses proprietary technology to remove the color of the knots so that the connection points with the user's own hair are invisible, and HAIR UNION, a hair-addition system that gradually increases hair volume through the Company's proprietary advanced hair technologies, including the MRP hair-addition method and the Native Front Processing. For women, the lineup includes Beauty Up, a natural hair extension that adds volume by simply adding a small amount of hair.

Clear MRP 5X hair technology



Source: The Company's homepage

(4) Other products and services

The Company also offers a wide range of products and services to address increasingly diverse customer needs. The Company has also expanded into the fields of pharmaceutical sales and medical facility support, and sells hair growth tonics (class 1 OTC drugs) under the LABOMO brand containing the active hair growth ingredient minoxidil, primarily through its own online shopping website. Leveraging its expertise, the Company provides non-medical products and services for pharmaceutical sales to medical facilities and contracting operations. In addition, under the LABOMO brand, the Company offers hair-growth care products and services at its custom-made wig stores that promote the normalization of the hair cycle through continuous scalp and hair care, thereby maintaining an environment conducive to growing healthy, abundant hair.

As an after-sales service, in the trusted environment of its custom-made wig stores, dedicated stylists holding national qualifications as barbers and hairdressers provide services such as haircuts and dyeing. For customers who cannot visit a store, there is a mail-in maintenance service. Events for customers are held from time to time, providing guidance on wig usage and maintenance, as well as how to coordinate them with clothing. These after-sales services are an effective method of increasing the repeat rate. In addition, to make it easy for customers to purchase the Company's proprietary products, it sells a range of items, including hair growth tonics, shampoos and conditioners, and hair and beauty appliances, through its own online shopping website and third-party online marketplaces. On TV shopping channels, it conducts live demonstrations and sales of products such as LABOMO Hair Color Treatment, which simultaneously acts as both a gray hair concealer and a treatment. In addition, the Company's haircare products are available through various comprehensive catalog mail order companies as well as at retail stores nationwide, and the Company plans to continue expanding its distribution channels.

“Reaction sales” that attract customers through the web as well as TV

2. Business model

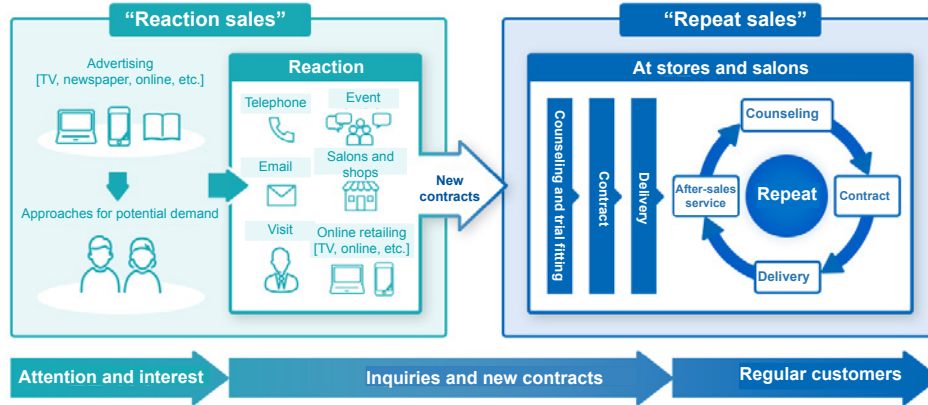
In the ARTNATURE business, which accounts for the majority of net sales, the foundations supporting its leading position in the hair industry include its product development capabilities, through which it consistently launches new products tailored to customer needs twice a year, in spring and autumn; its high-quality manufacturing system centered on overseas factories; its nationwide store network (approximately 370 stores, including businesses other than the ARTNATURE business); private rooms that provide comfort and relaxation while respecting customer privacy; and support from more than 1,800 nationally qualified barbers and hairdressers. Based on these foundations, the Company operates a business model that attracts new customers through “reaction sales” and promotes customer retention through “repeat sales,” supporting business expansion.

The Company first targets people with various hair-related concerns and those who want to enjoy wigs for fashion, then uses various advertising media suitable for each target group, such as TV, newspapers, and the internet. As a result, the people who have an interest in the Company’s products and services and with whom it is in contact, such as via telephone, emails, or store visits, are converted into new customers. The Company calls this “reaction sales.” Moreover, by providing a complete lineup of after-sales services, and by proposing various solutions that are tailored to meet customer needs, it builds relationships of trust with new customers that lead to repeat contracts. The Company calls this “repeat sales.” Historically, TV and newspapers were the primary channels used in the Company’s “reaction sales” model. However, in response to the diversification of customer touchpoints resulting from the spread of the internet and other factors, the Company has expanded its advertising methods in recent years by utilizing digital marketing tools such as web advertising and social media.

To make customer acquisition through its “reaction sales” model more reliable, the Company actively incorporates the latest technologies, including the AI Hairstyle Simulator and the AI-powered automated response system for telephone reception at its call centers. The AI Hairstyle Simulator provides proposals that are a better fit than ever before by taking a photo of the user’s face, converting it into the skinhead style, and then enabling the user to test a variety of different hairstyles. In July 2024, the Company launched “Hair no heya,” a webpage for men that uses high-performance AI to respond to hair-related questions from a professional perspective. It has received a strong response, with website views increasing 10 times compared to the previous levels. The Company intends to utilize data collected through the web to acquire new customers. The Company also uses a customer management system to make optimal product proposals based on the needs of individual customers. Given the sensitive nature of this information, the Company has further reinforced customer trust by strengthening its framework for managing personal information, including by establishing a personal information protection management system and acquiring Privacy Mark certification.

Business overview

“Reaction sales” and “repeat sales”



Source: The Company's homepage

Strengths in product development, technical expertise, and customer service

3. The Company's strengths

The Company's three strengths provide the driving force for implementing the Company's business model of "reaction sales" for acquiring new customers and "repeat sales" for creating repeat customers. These strengths are product development capabilities that anticipate customer needs, technical abilities for the satisfaction of customers, and customer service that earns the trust of customers. The Company's product development capabilities have been cultivated from approximately 60 years of high-quality manufacturing. They are evident in the Company's quick accommodation of the needs of the times and individual customers and its attention to detail, including hairlines and parts and the transplanting of fine and thick hairs in random arrays, and they have enabled the Company to develop groundbreaking products, including the MRP series, the REQUA series and the JUSME series. In addition, the Company's nationally qualified barbers and hairdressers undergo various training programs based on their job type and level. This gives them the skills and know-how to set natural hair and wigs as well as customer service capabilities in the form of communication and counseling ability for making product proposals. These professional hair stylists contribute to customer retention by providing services that enable customers to feel relaxed and reassured. Moreover, other significant differentiating factors include trust built over nearly 60 years in the wig business, social trust as the only listed company in the industry, brand power backed by consistent investment in advertising and so forth, and a sound financial structure remained resilient even beyond the COVID-19 pandemic. These factors provide the driving force for differentiating the Company from its competitors.

■ Medium-term management plan

Challenges in the previous medium-term management plan included securing new customers and establishing new business areas

1. Review of the previous medium-term management plan

The previous medium-term management plan, the ARTNATURE Advance Plan, recorded higher sales and a substantial increase in profit in its final year, FY3/26, and achieved record-high net sales of ¥44.6bn. However, it fell short of the original target of ¥52.3bn. The other targets were also not achieved, with the ordinary income margin coming in at 7.7% versus the initial target of 10.0%, and ROE at 6.9% versus the corresponding target of 10.3%. The primary reasons for the shortfall were the decline in the number of customer visits and the failure to establish new business areas, among other factors. In particular, while awareness among women of wigs as part of fashion has been increasing, the acquisition of new customers has become more difficult for both men and women due to the natural decline resulting from the aging of existing customers, as well as changes in the competitive environment*, and other factors. Meanwhile, with regard to new business areas, the Company repeatedly examined various opportunities, including M&A and new business ventures in areas adjacent to its core business, but none were ultimately adopted.

* Competition from adjacent industries such as AGA treatment and hair growth products has intensified. In addition, as more people engage in hair care and social acceptance of the shaved-head style has increased, the number of people who consider themselves to have hair-related problems has been declining.

Another factor behind the shortfall was product costs. Cost increases among manufacturing contractors in the Philippines, driven by rising minimum wages and inflation, were greater than anticipated and could not be fully absorbed through improvements in asset utilization and expense efficiency. In terms of sustainability initiatives, the Company successfully brought its new Bangladesh factory into operation. However, it did not achieve its targets for enhancing its sales and administrative structure and for developing human resources. As a result, recent profit growth appears to have stagnated. However, in addition to the fact that the Company has been increasing its market share even under a challenging business environment, there are more business opportunities than initially anticipated. Therefore, if the Company can resolve the five key challenges that were factors behind the shortfall of the previous medium-term management plan (customer base, production base, efficiency, new business areas, and human capital) before the aging of the Junior Baby Boomer generation further boosts its existing business, it is considered possible that profit growth can enter a growth phase once again.

Aiming to be the “World’s Leading Wig Life Maker”

2. Long-term vision

The domestic hair business market is said to be on a long-term declining trend due to factors such as the declining birthrate. On the other hand, even under such circumstances, the Company’s market share has continued to rise, and its competitive advantage in the domestic market has in fact been expanding. However, from a long-term perspective, both risks and opportunities coexist. On the risk side, there are factors such as the declining birthrate, changes in the competitive environment, and economic instability caused by prices and foreign exchange rates. On the other hand, opportunities include resilient domestic demand, an increase in active seniors, and advances in materials development and the utilization of AI. Digital marketing initiatives, including social media, represent a significant opportunity if executed successfully, but a potential risk if not effectively leveraged. Accordingly, strengthening the existing business platform while pursuing expansion into new business areas will be essential to mitigating risks and maximizing growth opportunities. Moreover, if the Company can respond not only to hair-care needs but also, in particular, to hair-related needs in the broader lifestyle area, it will be possible to capture resilient consumer spending as well.

Therefore, for men, it will be necessary to expand new touchpoints to approach the latent customer segment that does not believe it has hair-related issues, as well as to improve the LTV (lifetime value) of existing customers. For women, in addition to the challenges faced in the men’s segment, new channels capable of accommodating sales paths that differ by generation will be required. To realize this direction, the Company established its “2035 Long-term Vision,” based on the concept of ARTNATURE 2.0, which represents an evolution of its traditional business model. Under this vision, the Company aims to evolve into the “World’s Leading Wig Life Maker,” pioneering the future by expanding its business area from solving hair-related problems to hair care and further into lifestyle support, while enhancing the goods (products) and experiences (services) necessary for people to lead fulfilling lives. It has also announced the introduction of lifestyle concierge services and pursue expansion into overseas markets. Regarding its overseas expansion strategy, the Company intends to advance its strategy from examining overseas expansion to preparing for overseas expansion in the medium term, and from full-scale overseas deployment to the expansion of overseas business performance in the long term.

Medium-term management plan

Targeting net sales of ¥59.9bn and ordinary income margin of 6.7% in FY3/30

3. Medium-term management plan

As the first stage of its long-term vision, the Company established a medium-term vision and designated the four-year period from FY3/27 to FY3/30 as a period to strengthen its business foundation and take on new business areas in order to secure a winning position in the domestic market. The Company then established the ARTNATURE Frontier Plan as its medium-term management plan. It aims to achieve sales growth and improve capital efficiency by resolving, in stages, five key challenges—customer base, production base, efficiency, new business areas, and human capital—and targets net sales of ¥59.9bn, an ordinary income margin of 6.7% (ordinary income of approximately ¥4.0bn), and ROE of 9.2% in FY3/30 (targets before the adoption of the new lease accounting standard). As the roadmap for its medium-term management plan, the Company positioned FY3/27 as a preparation phase during which it would execute upfront investments to strengthen its business foundation and take on new business areas, and therefore assumed higher sales but lower profits. Thereafter, FY3/28 is positioned as a development phase aimed at establishing the various initiatives, enhancing customer touchpoints and LTV, and achieving monetization through improvements in efficiency. FY3/29–FY3/30 are positioned as a harvest phase in which the Company will strengthen its domestic competitiveness and generate results from the development of new business areas by expanding sales and improving profitability, with the goal of achieving the targets of the medium-term management plan.

Numerical targets of the medium-term management plan

(¥bn)

	Previous medium-term management plan (actual results)			New medium-term management plan			
	FY3/24	FY3/25	FY3/26	FY3/27	FY3/28	FY3/29	FY3/30
Net sales	42.8	43.3	44.6	48.4	52.1	55.9	59.9
Ordinary income margin	6.4%	5.2%	7.7%	5.5%	6.8%	6.8%	6.7%
ROE	5.6%	3.1%	6.9%	4.5%	8.3%	8.9%	9.2%
Capital cost*	3.6%	4.4%	5.6%	-	-	-	-

* Capital cost is based on the Company's estimate

Note: The ordinary income margin and ROE for FY3/28–FY3/30 are figures prior to the adoption of the new lease accounting standard

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

Initiatives to resolve the five key challenges

4. Key measures

To resolve the issues identified under the previous medium-term management plan, the Company will address five key challenges: strengthening the customer base, enhancing the production base, improving efficiency, expanding into new business areas, and strengthening human capital. It will first promote the strengthening of the customer base, enhancing the production base, and improvement of efficiency in order to reinforce its business foundation, and then take on new business domains.

Medium-term management plan

To strengthen its customer base, the Company aims to expand the number of customers while improving customer satisfaction, thereby enhancing customer retention. Key initiatives include redesigning the new customer acquisition model through a multi-channel approach incorporating digital touchpoints and optimized marketing activities. The Company also aims to shorten the repeat-purchase cycle by enhancing proposals tailored to customers throughout their life cycle. In addition, the Company will maximize customer LTV through cross-referrals between its businesses and the introduction of lifestyle concierge services. Under this lifestyle concierge service initiative, the Company plans to offer a one-stop platform that extends beyond hair care to encompass products and services related to beauty, relaxation, fashion, and other aspects of a fulfilling lifestyle.

As for strengthening its production base, the Company will first develop its new factory and then establish a system across its entire production network capable of supplying high-quality products more quickly, at lower cost, and with greater flexibility. Specifically, the Company aims to increase the production capacity of its Bangladesh factory, which is positioned as its next-generation core production base, while also strengthening raw material procurement to address geopolitical risks and ensure stable supply. In addition, it seeks to achieve both customer satisfaction and profitability through the simultaneous realization of high quality, short lead times, and low production costs, and to establish a flexible production system that can respond to order and sales conditions.

To enhance operational efficiency, the Company plans to maximize the utilization of its store assets while streamlining various operation expenses. Specifically, the Company plans to optimize its store portfolio by reassessing underperforming locations and improving investment efficiency. It also aims to raise booth utilization rates by optimizing reservation and operational management and making more effective use of idle booth capacity. In addition, the Company will improve efficiency in various areas by reducing expense ratios and by leveraging generative AI to automate operations and enhance decision-making.

Regarding expansion into new business areas, the Company explored a variety of opportunities in businesses adjacent to its core operations under the previous medium-term management plan. However, it did not complete any M&A transactions or launch new business ventures. As a result, the Company has reviewed its investment criteria, target sectors, and execution framework, and will renew its efforts to drive growth through M&A, strategic alliances, and new business development, with a particular focus on businesses surrounding its core operations. Specifically, the Company intends to acquire M&A opportunities and new businesses in the new area of “beauty and health” in Japan and overseas, with the aim of increasing net sales by approximately ¥10.0bn over the medium term. It has also begun considering overseas operations and, as a preparatory step, will commence preparations to expand its hair-related business into areas beyond Singapore, Thailand, and Malaysia.

To strengthen its human capital, the Company plans to increase investment in talent acquisition and employee engagement initiatives, with a view to achieving its medium to long-term vision. Specifically, in order to strengthen frontline capabilities (technical expertise, customer service capabilities, and product proposal capabilities), which are responsible for maximizing customer LTV, the Company will develop trusted and empathetic talent through initiatives such as the reskilling of stylists. In addition, the Company will strengthen its organizational capabilities by securing managerial talent suited to business diversification, personnel who can be dispatched to domestic and overseas acquisition targets, and digital talent to support digital transformation promotion. At the same time, it will link these efforts to the implementation of succession plans for key positions.

Investing profits generated by the men's business into the ladies' and ladies' ready-made wig businesses

5. Business-specific strategies

As an overview of its business-specific strategies, the Company will invest the profits generated by its men's business into the growth of its ladies' business and ladies' ready-made wig business, thereby accelerating overall corporate growth.

In its market-leading men's business, the Company will pursue strategies focused on acquiring new customers and increasing the lifetime value of existing customers. Through these efforts, it aims to establish a stable and sustainable growth platform while generating the financial capacity to support future investments. Accordingly, it will focus on developing differentiated, high-value-added products that are less susceptible to price competition, while also developing products designed to improve cost efficiency and profitability. In addition, the Company will promote price revisions for existing models in response to higher raw material costs, expand its subscription program, improve the environment to ensure customers can visit stores with peace of mind, and strengthen its service capacity through increased staffing. Furthermore, it will enhance its marketing efforts through digital marketing centered on affiliate initiatives and strengthen measures aimed at improving retention rates among senior customers.

In the ladies' business, the Company will strengthen its customer base and accelerate growth by increasing the number of new customers, with the aim of becoming the No.1 player in the domestic women's market. To this end, as in the men's business, it will respond to higher raw material costs through price revisions for existing models, while also promoting the rollout of beauty services as a new source of revenue and introducing subscription-based fixed-fee wigs. The Company will also strengthen its service capacity through increased staffing and differentiate itself from competitors that rely on promotional events to attract customers. Furthermore, it will promote collaboration among its ladies' business operations to optimize costs and develop personalized approaches tailored to the customers' attributes and lifestyles.

In the ladies' ready-made wig business, the Company aims to achieve stable sales expansion and profit growth through the scrap-and-build of unprofitable stores and the opening of stores in areas where it currently has no presence. To support this strategy, it will respond to rising raw material costs through price revisions for existing models, introduce products with custom-made quality designed to stimulate latent demand among ready-made wig users, expand store openings into untapped areas, and strengthen its service capacity through increased staffing. In addition, the Company will work with commercial facility operators to drive customer trial experiences and strengthen its sales structure to support repeat purchases.

Results trends

Significant earnings growth achieved through higher sales and a review of advertising methods

1. Overview of FY3/26 results

In the FY3/26 consolidated results, net sales totaled ¥44,600mn (up 2.9% YoY), and operating income was ¥3,219mn (up 47.6%), ordinary income was ¥3,451mn (up 53.4%), and net income attributable to owners of parent was ¥1,898mn (up 131.0%). Compared with the earnings forecast announced at the beginning of the fiscal year, net sales fell short by ¥3,023mn, while operating income exceeded the forecast by ¥441mn. It should be noted that the recognition of a deferred tax adjustment of negative ¥393mn resulted in a relatively higher growth rate for profit attributable to owners of the parent.

Business results for FY3/26

	FY3/25		FY3/26		
	Results	% of sales	Results	% of sales	Change rate
Net sales	43,340	-	44,600	-	2.9%
Gross profit	28,694	66.2%	29,797	66.8%	3.8%
SG&A expenses	26,512	61.2%	26,577	59.6%	0.2%
Operating income	2,181	5.0%	3,219	7.2%	47.6%
Ordinary income	2,249	5.2%	3,451	7.7%	53.4%
Net income attributable to owners of parent	821	1.9%	1,898	4.3%	131.0%

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

The Japanese economy continued on a moderate recovery trend, supported by a recovery in personal consumption and inbound demand, as well as improvements in the employment and income environment, despite being affected by persistently high raw material prices, ongoing labor shortages, and the continued depreciation of the yen. On the other hand, the outlook remained uncertain due to factors such as rising geopolitical risks, including developments in US tariff policies and escalating tensions in the Middle East, which led to higher energy prices. Against this backdrop, the Company entered the final year of its medium-term management plan, the ARTNATURE Advance Plan, and leveraged the Group's strengths to tackle a variety of challenges, expanding both its business performance and share of the hair-related market while also striving to acquire businesses in new areas.

As a result, although the Company was unable to secure any new business areas, revenue increased due to solid growth in repeat sales and sales from the ladies' ready-made wig business, as well as price revisions that offset the YoY decline in the number of store-visiting customers. Consequently, total net sales reached a new record high since the Company's listing. Operating income increased significantly, exceeding the Company's plan, despite higher depreciation expenses associated with digital transformation investments and the construction of a new factory, as well as increased personnel expenses resulting from revisions to compensation levels. This was driven by the effect of higher sales and a review of advertising methods, enabling the Company to return operating income to its pre-COVID-19 level. In reviewing its advertising methods, the Company maintained its "reaction sales" approach while rebalancing its advertising mix away from its traditional reliance on mass media and toward digital marketing channels, such as affiliate advertising and web advertising, where effectiveness is easier to measure and promotional impact has been increasing. As a result, the effectiveness of its marketing efforts toward new target customer segments appears to have improved. Net sales fell short of the initial forecast due to difficulties in acquiring new customers and the failure to secure new business areas.

Results trends

It should be noted that the Company's new Bangladesh factory commenced operations in December 2025. The two-country production structure, consisting of facilities in Bangladesh and the Philippines, is expected to reduce production costs while also diversifying risk. Although the factory has only recently become operational in terms of both personnel and equipment, Bangladesh benefits from an established wig-manufacturing industry with numerous subcontracting factories and a workforce familiar with wig production. In addition, experienced personnel from the Philippines are providing on-site training, and commercial production appears to have already commenced. Over the medium term, the factory is expected to serve as the Company's flagship production site and contribute to improving profitability through a lower cost ratio.

Results by segment for FY3/26

(¥mn)

Net sales	FY3/25		FY3/26		
	Results	% of sales	Results	% of sales	Change rate
Men's business	23,167	53.5%	23,274	52.2%	0.5%
Ladies' business	12,570	29.0%	13,522	30.3%	7.6%
Ladies' ready-made wigs business	6,076	14.0%	6,227	14.0%	2.5%
Other	1,526	3.5%	1,576	3.5%	3.3%

Segment income before adjustment	FY3/25		FY3/26		
	Results	Profit margin	Results	Profit margin	Change rate
Men's business	14,608	63.1%	14,779	63.5%	1.2%
Ladies' business	7,976	63.5%	8,778	64.9%	10.1%
Ladies' ready-made wigs business	4,919	81.0%	5,021	80.6%	2.1%
Other	1,407	92.2%	1,474	93.5%	4.8%

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

In the men's business, both new sales, which recovered through digital marketing initiatives, and repeat sales, supported by successful customer retention measures, increased. As a result, the Company recorded net sales of ¥23,274mn (up 0.5% YoY), and segment profit of ¥14,779mn (up 1.2%). Amid a gradual decline in the number of store-visiting customers, growth was driven in particular by new sales of hair addition products. In the ladies' business, new sales declined as customer responses to advertising remained weak. However, this was offset by strong demand for hair addition products and custom-made wigs that steadily captured repeat demand. As a result, the Company recorded net sales of ¥13,522mn (up 7.6%) and segment profit of ¥8,778mn (up 10.1%). The impact of digital marketing initiatives has yet to fully materialize, likely because these efforts are still at an early stage and the women's customer demographic tends to be relatively older. In the ladies' ready-made wig business, the Company recorded net sales of ¥6,227mn (up 2.5%) and segment profit of ¥5,021mn (up 2.1%). In particular, pattern-made products offering custom-made quality under the JULLIA OLGIER brand were well received, and the number of co-located stores with custom-made wig outlets increased. As a result, the business performed well, driven mainly by repeat sales. Other businesses also remained solid, supported by increases in store numbers and expansion of business operations.

Results trends

Forecasting higher sales and lower profits as FY3/27 serves as the preparation phase of the medium-term management plan

2. FY3/27 forecasts

For FY3/27, the Company forecasts net sales of ¥48,494mn (up 8.7% YoY), operating income of ¥2,500mn (down 22.3%), ordinary income of ¥2,665mn (down 22.8%), and net income attributable to owners of parent of ¥1,214mn (down 36.0%). As FY3/27 marks the first year of the medium-term management plan, the ARTNATURE Frontier Plan, and serves as a preparation phase, the Company is deliberately forecasting higher sales but lower income.

FY3/27 forecasts

	FY3/26		FY3/27		
	Results	% of sales	Forecasts	% of sales	Change rate
Net sales	44,600	-	48,494	-	8.7%
Men's*	23,274	52.2%	23,442	48.3%	0.7%
Ladies**	19,749	44.3%	20,654	42.6%	4.6%
Others	1,576	3.5%	4,398	9.1%	179.0%
Gross profit	29,797	66.8%	31,572	65.1%	6.0%
SG&A expenses	26,577	59.6%	29,072	59.9%	9.4%
Operating income	3,219	7.2%	2,500	5.2%	-22.3%
Ordinary income	3,451	7.7%	2,665	5.5%	-22.8%
Net income attributable to owners of parent	1,898	4.3%	1,214	2.5%	-36.0%

* "Men's" indicates the men's business while "Ladies" indicates the ladies' business and the ladies' ready-made wigs business.
 Source: Prepared by FISCO from the Company's results briefing materials

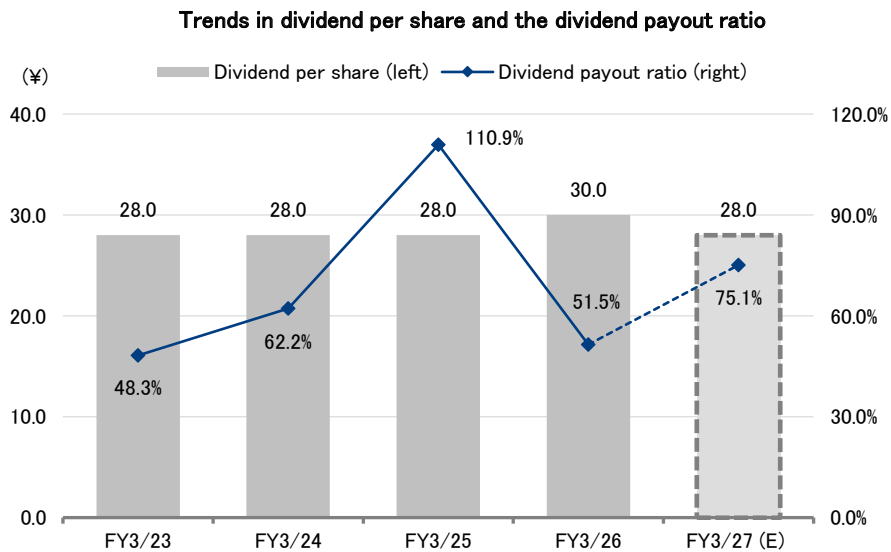
The business environment is expected to remain challenging due to intensified competition from both new entrants, including those from adjacent industries, and existing industry peers. Against this backdrop, the Company plans to strengthen its business foundations, including its customer base and production base, in line with its medium-term management plan, while also promoting strategic investments in new areas related to "beauty and health." In the men's business the Company will promote the highly breathable Hair for Life LX wig and Clear MRP 5X, a hair addition product that emphasizes volume and knot quality. In addition, it will increase the proportion of digital marketing initiatives to drive new customer acquisition and establish a stable and sustainable business foundation capable of supporting long-term growth. In the ladies' business, the Company will promote Air JUSME, a wig that offers breathability and a cooling sensation even during periods of extreme heat, as well as Beauty Up, a hair extension product that allows users to add volume precisely where desired. In addition, through JULLIA OLGIER, which continues to perform well, the Company will roll out Loop Fit, a product that can be easily attached using loop-shaped stoppers. Through these initiatives, it aims to accelerate growth across the ladies' business and achieve the No.1 market share position in Japan. Furthermore, the Company has assumed approximately ¥2.5bn in revenue from new business areas related to "beauty and health." Although details have not been disclosed, this contribution has been incorporated into the net sales forecast. However, it appears to be based on a neutral assumption with respect to operating income. As a result, while net sales are expected to increase significantly, the Company forecasts lower earnings due to upfront investments aimed at strengthening its business foundations and pursuing new business areas, as well as the impact of the depreciating yen, inflation, workforce expansion, and improvements in employee compensation.

Shareholder return policy

Annual dividend of ¥28.0 per share planned for FY3/27, the preparation phase of the medium-term management plan

1. Dividend policy

In its basic policy on shareholder returns, the Company “recognizes that returning profits to shareholders is one of the most important management priorities, and will strive to maintain stable dividends to shareholders while giving consideration to expanding internal reserves to strengthen the management foundation, enhance its financial constitution, and support future business expansion.” Under this dividend policy, the Company aims to maintain a consolidated payout ratio of 40% or higher, with the current annual dividend level of ¥28 as the minimum, and seeks to increase dividends in increments of ¥1 in line with consolidated earnings. However, until the Company achieves an ROE of over 10%, the basic policy of a consolidated payout ratio will be set to 50% or higher. If consolidated net income fluctuates significantly, the Company may adjust the dividends to account for these fluctuations. Based on the dividend policy, the Company has decided to pay a dividend per share for FY3/26 of ¥30.0 for the year (an interim dividend of ¥14.0 and ¥16.0 at the fiscal year-end). It has forecast a dividend per share for FY3/27 of ¥28.0 for the year (an interim dividend of ¥14.0 and ¥14.0 at the fiscal year-end), taking into consideration the minimum dividend level during the preparation phase of the medium-term management plan.



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

Launching a shareholder benefit program

2. Shareholder benefit program

Effective from FY3/26, the Company launched a shareholder benefits program to reward stakeholders for their continued support, enhance the attractiveness of its shares as an investment, and encourage a wider shareholder base. Eligible shareholders are those listed or recorded in the Company's shareholder register as of September 30 each year and holding at least 7 trading units (700 shares). Through the shareholder-exclusive website, ARTNATURE Premium Shareholder Club, shareholders may redeem points to select products according to their point balance. Available items include the Company's hair-care products as well as more than 5,000 other products, such as premium rice, branded beef and other specialty foods, sweets and beverages, premium alcoholic beverages, home appliances, and experience-based gifts.

Shareholder benefit points table (points awarded in early November)

Number of shares held	Benefit points
700 – 799 shares	3,000 points
800 – 899 shares	4,000 points
900 – 999 shares	5,000 points
1,000 – 1,999 shares	6,000 points
2,000 – 2,999 shares	20,000 points
3,000 shares or more	30,000 points

Source: Prepared by FISCO from the Company's homepage



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