(Translated from the Japanese original)

Company Name:	Aderans Co., Ltd.
Representative:	Nobuo Nemoto, Representative Director, Chairman and President
Stock Listing:	First Section of the Tokyo Stock Exchange
Stock Code:	8170
Contact:	Masaaki Izumoto, General Manager, Global IR Department
Phone:	+81-3-3350-3268

Notice regarding Differences between First Two-Quarter Performance Forecast and Actual Results and Revision of Full-Year Performance Forecast

October 14, 2016, Tokyo—Aderans Co., Ltd. ("the Company"), hereby announces differences between the anticipated results, on a consolidated basis, for the first two quarters of fiscal 2017, ending February 28, 2017, which were announced on April 14, 2016, and actual results disclosed today.

The Company also provides a revised full-year performance forecast for fiscal 2017, based on recent performance trends, as determined by the Board of Directors at its regularly scheduled meeting today.

Description

1. Differences between fiscal performance forecast and actual results for the first two quarters (March 1, 2016 to August 31, 2016) of fiscal 2017, ending February 28, 2017

(Millions of yen)

	Net sales	Operating income	Ordinary income (loss)	Net income (loss) attributable to owners of the parent company	Net income (loss) per share (yen)
Previous outlook (A)	40,000	200	190	30	0.86
Actual results for fiscal 2016 (B)	37,860	169	(1,245)	(1,319)	(37.85)
Difference (B-A)	(2,140)	(31)	(1,435)	(1,349)	—
Change (%)	(5.3)	(15.0)	—	—	—
(Reference) Actual results for the first two quarters of the previous fiscal year, ended February 29, 2016	39,842	459	821	349	10.00

Reasons for the difference between expected and actual results

In the domestic men's market, the men's hair segment has from the outset seen heightened competition from adjacent markets offering such products as oral treatments for male pattern hair loss—androgenetic alopecia, or AGA—as well as tonics to promote hair growth and maintain healthy hair. In the domestic women's market, the entry of companies from other sectors offering low-priced wigs as well as a higher number of competitors in the market hampered the ability of the Company's domestic business segments to add new female clients to the customer base. While various measures were implemented to attract the interest of new female clients, even those who purchased wigs made by rival companies, such measures had a limited effect on sales. In addition, in the U.S. hair transplantation business, skyrocketing advertising fees made it impossible to run a sufficient number of television commercials, which slowed the shift toward Follecular Unit Extraction (FUE), a new, no-scalpel-required hair transplantation technique. Because of these issues, net sales and operating income, on a consolidated basis, came in below expectations.

2. Full-year performance forecast for fiscal 2017 (March 1, 2016 to February 28, 2017)

(Millions of yen)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss) attributable to owners of the parent company	Net income (loss) per share (yen)
Previous outlook (A)	81,300	650	640	100	2.86
Revised outlook (B)	77,462	(370)	(1,520)	(1,900)	(54.49)
Difference (B-A)	3,838	(1,019)	(2,160)	(2,000)	—
Change (%)	4.7	—	—	—	—
(Reference) Actual results for the previous fiscal year, ended February 29, 2016	79,153	(125)	(548)	(1,860)	(53.27)

Reasons for full-year performance forecast revision

In the domestic men's market, the men's hair segment has from the outset seen heightened competition from adjacent markets offering such products as oral treatments for male pattern hair loss—androgenetic alopecia, or AGA—as well as tonics to promote hair growth and maintain healthy hair. In the domestic women's market, demand from new clients for Aderans' mainstay ready-made and custom-made wigs has been sluggish since fiscal 2016, and even with various measures introduced since the beginning of fiscal 2017 to address competition from other companies, such as maintenance services extending to products from other companies as well as trade-in campaigns, the effect of these measures on sales during the first two quarters of fiscal 2017 was limited. Going forward, the plan is to continue to implement various measures to attract the interest of new female clients, but the market environment is unlikely to follow the recovery path initially expected, at least not in the short term, which will probably cause net sales to come in below the original target.

Overseas, U.S.-based Bosley, Inc., is gradually shifting toward the no-scalpel-required

FUE technique, which is preferred by clients. However, the inability to run a sufficient level of television commercials due to skyrocketing advertising fees, which paralleled tighter availability of time slots due to advertising for the U.S. presidential election and the Summer Olympics in Rio de Janero, will likely pull the number of inquiries received down, with sales falling below the initial expectation.

Some time will be needed for the domestic women’s business and the U.S. hair transplantation business to recover.

Also of note, management anticipates an increase in expenditures, paralleling wider demand for women’s wigs, and is braced for higher development and advertising costs on new products matched to evolving client needs as well as higher salon-related costs and personnel costs due to an aggressive salon-opening strategy.

In addition, lower earnings are likely at Hi-Net Co., Ltd., which came under the Aderans Group umbrella as of October 1, 2016. Pressure on the profit front, mainly from one-time costs, will be an issue until synergies with the Fontaine Business appear.

Given the recent performance trends described above, the full-year performance forecast was revised.

END

Note: The forecasts described above are based on information available to management as of the disclosure date. A variety of factors could cause actual results to differ from expectations.