

Date and time:

Friday, September 19, 2025, 15:00 – 16:15 (JST)

Respondents:

Tomoko Uchiyama, Executive Officer, Cosmetics Business

Mitsuhiro Watanabe, Vice President, Investor Relations

- 1) Could you explain the timing regarding profit contributions from growth potential and business streamlining? Will the effects from the reduction of fixed costs mainly appear in FY2025, and will the profit contribution from growth potential increase from FY2026 onward?**

Our view on profit contributions from growth potential and business streamlining is as follows:

[Growth potential]

- ✓ At present, we expect progress to be on plan or slightly above. Going forward, this will be the key to expanding sales globally in a way that aligns with our investments.
- ✓ We expect this to have an increasing proportion in terms of profit contribution as we approach FY2027, the final year in our mid-term plan (K27).

[Business streamlining]

- ✓ We expect that the proportion of profit contribution from measures centered around the reduction of fixed costs will be largest in FY2025.

- 2) How has your experience in the Hair Care Business helped? Could you also explain how the current Cosmetics Business is starting to change compared to the past?**

One example is my experience pursuing projects for new high-end premium hair care brands using a scrum-style operation. After deciding on our goals, each division collaborated to drive the project forward rapidly. We are now utilizing this approach in the Cosmetics Business as well, particularly when expanding across countries or brands and when creating new products.

While we have not made significant organizational changes in either the Hair Care or the Cosmetics Businesses, we have changed our mindset and methods during project discussions. When we have needed large-scale initiatives that go beyond individual divisions, we created opportunities for representatives from the production, sales, research and all other divisions to gather and deliberate together from the beginning.

Your numerical targets do not seem to have changed much. Does this mean that you have changed your internal methods?

That is correct. We have changed our methods and systems in order to reliably achieve our targets.

- 3) Could you explain the timing and specific initiatives for implementing a scrum-style operation without borders and for restructuring the organization in the Cosmetics Business? Also, which specific businesses have you pursued under this operation?**

[Scrum-style operation without borders]

Taking the *SENSAI* luxury skincare brand as an example, this approach involves cross-border integrated operations to encourage Chinese consumers to also buy products in Japan, developing travel retail as a passing point, rather than managing operations for each country individually. This format brings together representatives from Japan, China and travel retail operations in the same place, without drastic organizational changes.

[Restructuring the organization in the Cosmetics Business]

We adjusted the organization to make it easier to pursue scrum-style operations for each project, rather than implementing drastic organizational changes.

The cross-brand scrum-style operations and organizational restructuring in the Cosmetics Business both started in January 2025. Examples of projects that we have pursued under this system include expanding the *KANEBO* prestige skincare and makeup brand, as well as the *KATE* premium mass makeup brand in Thailand—a strategically important country for us. We launched a team for globally integrated operations. The team that manages the two brands in a cross-sectional manner also participates alongside marketers and members involved with the brands in both of Japan and Thailand. As a result, we have been driving the project forward in an integrated manner.

- 4) Please provide a breakdown by region for your (planned) operating income in FY2027.**

We will grow profit outside Japan, compared with our operating income achieved in FY2024. The breakdown by region is about 30% from Japan and about 70% from outside Japan (of which about 60% is from Asia and the remaining 10% is from AEMEA).

Because of its large market size, China will account for a high share of operating profit. However, other countries in Asia besides China have a high growth rate in terms of contribution.

- 5) It seems that the Cosmetics Business has a more complex organization compared to the Hair Care Business. Have you noticed any effects from organizational restructuring?**

In the Hair Care Business, we did not decide on the direction for projects in a top-down manner. Instead, leaders on the front lines make the decisions, and the projects have made good progress as a result. We are applying this concept in the Cosmetics Business as well, and we are beginning to see positive effects.

6) What do you mean by the group of brands that will take root in Japan and Asia besides the six focus brands?

These are the brands on which we will exert efforts and boost loyalty within Japan and Asia where they are currently being sold. Specifically, the *TWANY* skin care and make-up brand, the *ALLIE* UV care brand, the *suisai* skincare brand and other brands belong to this group outside of the six focus brands. Contributions from growth in this group of brands are included in our FY2027 sales target of 300 billion yen.

7) There seem to be some areas where progress is not as expected in the UV care business, which is also adopting a scrum-style operation. Do you expect to achieve success with the scrum-style operation within the Cosmetics Business? Are you implementing any other initiatives that are unique to the Cosmetics Business?

The *Curél* derma care is one of the key brands to the success of our business. This brand enjoys a high level of loyalty and can address symptoms and deep-rooted concerns regarding dry and sensitive skin. There is a strong chance that we can achieve global expansion in the future in regions where many people who have concerns about these symptoms. We aim to start thoroughly capturing needs in Europe, and then taking on challenges in the next area.

One characteristic of cosmetics is that there are many markets and countries that will grow in the future, such as in the Middle East, Southeast Asia and other areas. We plan to expand our prestige brands while also cultivating new regions.

8) With regard to the prestige category, fragrances are currently growing worldwide. However, the *MOLTON BROWN* does not appear to be putting much effort into this category. How will you differentiate your prestige brands from the competitors?

We position *MOLTON BROWN* as a lifestyle brand rather than a fragrance brand. The main products are hand washes as well as bath and shower gels. *MOLTON BROWN* appeals to consumers through fragrances that link products across categories. As such, the actual consumer experience is key. Our strategy is to achieve global expansion not only through stores but also by integrating our products with experiences at luxury hotels, resorts, spas and other locations. Positive experiences and the distinctive fragrances easily link to create lasting sensory memories.

What sales channels will you focus on when rolling out products?

We will prioritize three main areas: locations for experiences, e-commerce and directly operated stores that express our worldview.

- 9) In terms of profitability, wouldn't it make more sense to utilize your signature strengths with your positioning in drugstores to reinforce your deployment in Japan, and then allocate the funds gained to support global expansion?**

We will reinforce our business in Japan and pursue global expansion in parallel. In Japan and Asia, we are working with retailers on initiatives while also creating product series with the group of brands other than the focus brands.

The proportion of operating income from Japan in FY2027 seems lower than expected. How will Asia account for about 60%?

In Japan, there are the brands sold through self-selection and counseling. In terms of profit contribution, in Asia, we operate with lower break-even points and higher profit margin. However, it is important to bolster efforts in the market in Japan to grow sales and boost loyalty.

- 10) What measures and timeline are in place for achieving 400 billion yen in sales and an operating margin of 15%? In addition, is it correct to understand that you will mainly reinforce the six focus brands in Japan as well?**

We envision the following three steps toward achieving the targets:

- (i) Achieving the targets in K27

We will steadily achieve global expansion using the Japan-Origin Model, Europe-Origin Model and Asia Model, while also reinforcing the six focus brands and other brands in Japan and Asia. This approach will enable us to achieve the targets.

- (ii) Applying successful cases from the three regions to other regions

We plan to expand by sharing know-how rather than through large investments. We expect the timing for this to be around FY2030. We also expect that the sales and operating margin figures in FY2030 will fall between the K27 KPIs and the final targets.

- (iii) Expanding into new areas

We will cultivate new areas using the know-how we have gained up to FY2030. To this end, we may need to acquire new sales channels and/or new functions such as production bases and other strategic functions, through a wide range of strategic investments, including M&A. From FY2030 onward, we aim to achieve numerical targets as early as possible.

In Japan, we will reinforce our revenue base by supporting other brands in addition to the six focus brands.

11) What sales channels do you envision regarding your strategy for *Curél* in Europe, as well as the current percentage of sales from outside Japan?

We believe that it is crucial to obtain recommendations from physicians, just like in Japan. With regard to sales channels, we will focus on pharmacies that also sell medicines and other products, ensuring that information is conveyed accurately. The current percentage of sales from outside Japan is little lower than 40%, with China accounting for a significant portion.

Note

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