Date and time:
Thursday, August 8, 2024, 17:00-18:30 (JST)

Respondents:
Yoshihiro Hasebe, Representative Director, President and Chief Executive Officer
Masakazu Negoro, Representative Director, Senior Managing Executive Officer
Toru Nishiguchi, Representative Director, Senior Managing Executive Officer

1) **Can you share your perspective on FY2025 and beyond? Given the changing macroeconomic environment, with the yen strengthening and signs of a slowdown in the U.S. economy, can growth be sustained in a deteriorating economic environment?**

At the current level of exchange rate fluctuations, our profits remain stable. Approximately 46% of our total sales come from outside Japan, and while macroeconomic fluctuations do impact us broadly, we are not significantly affected by specific countries or regions. The robust performance of our businesses in Japan is also a positive factor. We will leverage the substantial profits generated in Japan to invest in strengthening our global expansion. We believe that growth can be maintained even in a challenging economic environment.

Can you share the risks associated with price reductions in your businesses in Japan? Is there a trend in the Household and Personal Care products industry toward lower prices to secure volume?

Until around FY2022, there was a trend toward price reductions in some categories. However, we now observe that price increases have become more widespread, not only among manufacturers but also among retailers. While certain categories may experience temporary price reductions to prioritize securing of volume, overall price increases will continue in the Japanese market.

2) **How long will the streamlining of your cosmetics brands continue? Will the cosmetics business drive future growth?**

Due to the large number of stores in Japan, the streamlining of cosmetics brands is progressing steadily but taking time. Recently, we have decided to focus our investment on six globally competitive brands narrowing down from the 19 brands previously categorized as G11 and R8. We will further clarify our strategy centered on these six major brands by FY2025. While our cosmetics business in China is facing challenging market conditions, we see growth in Taiwan and Thailand. We anticipate further improvements in our profitability in FY2025, with even greater profitability expected from FY2026 onward.

3) **Can you share the outlook for the second half of FY2024? Also, how much will operating income in the Cosmetics Business in China be reduced?**

For the second half of the year, we do not expect a significant increase in operating income year-on-year. The reasons are as follows:

- ✓ The impact of raw material price fluctuations is expected to shift from positive to negative on profits.
- ✓ The effect of adjusting selling prices will not be as significant compared with the same period a year earlier due to the impact of the price increases in multiple categories and products in the second half of FY2023.
- ✓ A slowdown in the Cosmetics Business in China due to selling-in restrictions to optimize distribution inventory (impact on operating income: approximately −5 billion yen)
- ✓ On the other hand, we intend to increase our marketing investments as planned to drive growth in FY2025.

4) Can you share the growth drivers for FY2025?

The Skin Protection business is expected to grow globally as follows:

- ✓ U.S.: The four major retail chains are scheduled to start selling *Bioré UV* from the second half of FY2024. Self tanning products are also performing well.
- ✓ Japan/China: Expanding market share for *Bioré UV* and increasing inbound demand.
- ✓ Europe: Expansion of *Bioré UV* roll out.

In addition, steady growth is anticipated in the Chemical Business. While the strength of each cosmetics brand varies, several brands are expected to achieve global growth in the future.

5) Can you share the details of the 3.4 billion yen in structural reform expenses recorded by your subsidiaries in the Americas and Europe? Given the implementation of these structural reforms, is there a possibility that the effects of the structural reforms planned for FY2025 could exceed initial expectations?

We are currently implementing structural reforms, including career support, for our low-margin businesses in the Health and Beauty Care Business in the Americas and Europe, and we expect to increase profits by just under 2 billion yen from FY2025 onward. This additional profit improvement of just under 2 billion yen will be in addition to the 30 billion yen in the effects of structural reforms originally planned.

We will report on the progress of our Mid-term Plan “K27,” including our growth strategy, when we announce our full-year results for FY2024, which is scheduled for February 2025.

6) Is it correct to say that, excluding the 4.3 billion yen gain on the transfer of the pet care business, the operating income for the sanitary business in Japan in the second quarter (April–June) was approximately 1.1 billion yen? Also, was the entire gain from the business transfer recorded in the second quarter?

That is correct. The operating margin, excluding the gain on transfer of business, was about 2%. The entire 4.3 billion yen gain on business transfer was recorded in the second quarter.

Can you share the reason for the 12.1% decline in like-for-like net sales for the sanitary business in Japan?

Exports of baby diapers to China declined. Sales in Japan, excluding exports, were steady. Sales of sanitary napkins are also growing according to plan. In addition, since we focus on profit rather than sales from an ROIC perspective, both baby diapers and sanitary napkins also showed improvements in profits.