Date and time:
Thursday, May 8, 2025, 16:00-16:50 (JST)

Respondents:
Masakazu Negoro, Representative Director, Senior Managing Executive Officer
Mitsuhiro Watanabe, Vice President, Investor Relations

1) While the increase in selling prices during Q1 appeared to have fallen slightly below market expectations, is it possible to continue raising prices during Q2 and beyond?

Starting in June, we intend to implement a second round of price increases and then expect improved performance in H2. At the same time, we will continue to take initiatives such as promoting high-value-added products and Total Cost Reduction (TCR) activities to strengthen our earning power.

Are the price increases mainly driven by the Global Consumer Care (GC) Business in Japan, instead of by selling price adjustments outside Japan resulting from U.S. tariff measures?

In Japan, the impact of tariffs does not have a direct effect on price increases in the GC Business. Instead, tariff-related price adjustments will be the primary focus of the Chemical Business. We will transfer costs for products sold in the U.S., particularly those that are unique and offer high added value.

2) What were the main factors contributing to the strong performance of the Cosmetics Business in Q1? Which aspects of the business outperformed your plan, and what was involved in the business streamlining initiatives?

We increased profit by 4.2 billion yen compared with the same period a year earlier, driven by both growth and structural reforms. The breakdown is as follows: 1.8 billion yen resulted from fixed cost reductions due to structural reforms, while the remainder came from sales volume growth, which was the most significant contributor.

Growth was driven by both sales expansion and price increases, mainly supported by growth in Japan and recovery in China.

The effects of our structural reform resulted from the early retirement program implemented in 2023. We optimized fixed costs across business operations, production, and R&D to better align with the current scale of our operations.

What is your view on achieving the full-year operating income target of 7.0 billion yen for the Cosmetics Business?

We will continue implementing structural reforms. From Q2 onward, we expect profit contributions from the launch of the *Curél* derma care brand in Europe and from reinforcing our foundation in Asia, particularly in Thailand. We believe the full-year operating income target of 7.0 billion yen is entirely achievable.

Could you comment on the sell-out situation in Japan for the Cosmetics Business and the sustainability of this trend?

The spring launches of key brands such as the *KANEBO* prestige skincare and makeup brand*, KATE* makeup brand*, Curél,* and *SOFINA* skincare brand delivered strong results. The six focus brands grew by approximately 5%, exceeding the market growth in the low single digits. Current sell-out conditions are strong, and our focused investment in these six brands has improved profitability in Japan.

3) **What is your view on the impact of U.S. tariffs? Although I believe that the operation of U.S.-based tertiary amine production facilities is beneficial to your business, is this type of indirect impact reflected in your Chemical Business outlook with respect to the current tariff policy?**

The figures presented on page 15 of the briefing materials reflect only the direct impacts of tariffs on the Chemical Business. Our aim is to minimize the impact of fatty alcohol by leveraging our global network. In the Chemical Business, the increased proportion of unique and high-value-added products, such as surfactants, allows us to minimize the impact of tariffs or offset it through adjustments in selling prices.

The most significant indirect impacts can be seen in the automotive sector. However, the automotive-related business represents only about 10% of the Chemical Business. In contrast, cosmetics products and household and personal care (H&PC) products, which are essential items with stable demand, account for nearly 30%. Therefore, the wide range of applications within our Chemical Business acts as an effective hedge against risk, while the high share of daily-use product categories limits the indirect effects of economic downturns.

Tertiary amines are mainly used in disinfectants, and it is our understanding that the U.S. government is considering tariff exemptions for these applications. Although depreciation costs will be incurred, the start of operations of production facilities in the U.S. during Q4 is expected to provide a significant competitive advantage.

4) **To what extent did your Q1 results exceed the plan, and can you provide a breakdown by segment?**

Our Q1 results exceeded the plan by approximately 7.0 to 8.0 billion yen. Half of the upside was driven by sales volume growth, lower cost of sales across the H&PC and Cosmetics businesses, and higher gross profit in the Chemical Business. Within this, about 60% came from sales volume growth—mainly in Cosmetics—while the remaining 40% was due to improvements in cost of sales. The remaining half of the upside was due to lower marketing expenses. While we still expect full-year marketing investment to increase by around 10.0 billion yen compared with the same period a year earlier, some spending was postponed in Q1, leading to a temporary profit increase.

The year-on-year increase in marketing investment is primarily driven by the skin care business, particularly in the skin protection business outside Japan.

5) **There have obviously been changes in the competitive environment, such as drugstore consolidation and the expansion of private brands in the retail industry. What is your outlook for top-line growth in the Cosmetics Business in Q2?**

We aim to accelerate growth by concentrating our marketing investments on six focus brands.

E-commerce appears to be contributing to growth in Japan. Do you expect this trend to continue in Q2 and beyond?

E-commerce sales increased by 42% compared with the same period a year earlier and continue to expand. We are accelerating the growth of our directly operated e-commerce business while focusing brick-and-mortar retail activities on the six focus brands.

Does the initial forecast of 2.7% sales growth for Japan's Cosmetics Business in FY2025 remain unchanged?

The forecast currently remains unchanged. We still believe that the full-year operating income forecast of 7.0 billion yen is fully achievable and aim to exceed it.