

## FY2024 Financial Results Presentation Q&A (Summary)

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Responses by:

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### ■Guidance for FY2026

**1. Could you explain the expenditure for the Osaka Expo and the positive impact on business from participating in the Expo?**

Since 2023, we have divided approximately 500 million yen in sponsorship over three years. This fiscal year, we have budgeted 240 million yen for booth exhibition costs, with a total expenditure of about 430 million yen planned for FY2025. A major benefit to the business is acquiring data on over 100,000 people. Our research institute currently holds data on about 3,000 people. Considering the cost and effort involved, obtaining data on this scale is valuable and can strengthen our basic research foundation. Utilizing this data for product development and business activities will require time for hypothesis formulation and analysis. Additionally, as a company founded in Osaka and a public entity, we aim to contribute to the Expo.

**2. How do you estimate the impact of this year's price revision in Japan?**

As stated on page 28 of the presentation material, we plan to increase the prices of brands with sales of approximately 9 billion yen by about 10%, factoring in a 5% decrease in volume. We estimate this will boost operating income by 190 million yen.

### ■Overseas Market

**3. How do you perceive the impact of the political turmoil in South Korea since the end of 2024 on the hair salon market and the company's business?**

Currently, there has been no significant impact on customer traffic to hair salons or our business activities, and we believe the South Korean hair salon market remains active. Although fashion colors struggled for a time due to the dark hair trend, they have been recovering. Additionally, as seen previously in the Japanese market, the spread of hair color has led to an expansion of the haircare market. Since entering the South Korean market, our performance has been driven by hair coloring products, but we expect haircare products to be the next growth driver.

**4. Could you explain why the deficit of the subsidiary in the USA is expected to increase in 2025?**

While sales in the USA have increased significantly, we believe it is necessary to strengthen the internal structure of the subsidiary, as the USA is a key region for our mid- to long-term growth. To this end, we have increased personnel in the USA. We have dispatched one person from Japan to

handle IT and logistics, and appointed a former president from Germany as vice president. We have also hired five local sales personnel. Furthermore, we plan to implement branding for hair coloring products through ambassador contracts, similar to those currently used in Global Milbon. We aim to further accelerate growth through increased investment amid strong sales performance.

**5. China saw a sales growth of +2.0% year-on-year in local currency in the Q4, but do you see performance as having bottomed out? Please share your thoughts for FY2025.**

There is uncertainty about whether the market has bottomed out, as similar conditions persisted in 2023 and 2024. Our sales in China mainly consist of items used in salon services, not take-home products. While selling take-home products is not as active as in Japan and needs to be addressed in the future, we are currently focusing on creating value in salon menus using our products to support salon management. We are also encouraging a shift from the traditional unlimited visits for a fixed fee model to a pay-per-visit model, allowing customers to perceive value in their consumption. Salons that have adopted this style are stable in management, and their numbers are gradually increasing. As this model becomes more widespread, we believe our performance will naturally improve.

**6. Could you provide your thoughts on the timeline for accelerating growth in the overseas market and improving overseas profitability to realize the "Long-term Vision" stated in the presentation?**

The key regions for our future growth are South Korea, the USA, and the EU, as stated in the presentation. The South Korean business is highly profitable, so the focus for ensuring profitability is on the USA and the EU. In the USA, we expect to achieve profitability around 2028 to 2029. In the EU, we have been actively developing sales channels since last year, so generating profit will take longer. However, we currently assume a business structure with lower fixed costs than in the USA.

**7. Do you expect overseas profitability to deteriorate until FY2028 to FY2029 due to increased investment?**

The importance of the USA and the EU has increased due to significant external changes in China caused by the deteriorating macro-economic environment. While our overseas business previously generated profit mainly in South Korea and China, we will now increase investment in the USA and the EU, as stated in the presentation. We aim to reduce the deficit through increased topline growth, expecting overseas profitability to improve.

**■ Manufacturing Costs**

**8. The manufacturing costs for haircare products seem to have improved, as shown on page 28 of the presentation material. Could you provide your thoughts on the long-term improvement of manufacturing costs?**

Although the manufacturing costs for haircare products have improved through the launch of new

high-value-added products, we will raise the prices of existing products this year. Going forward, we aim to continuously improve the profitability of haircare products by revising prices, considering inflation and raw material costs.

On the other hand, the manufacturing costs for hair coloring products are deteriorating. While the improvement in haircare profitability is positive, as haircare accounts for more than 60% of our sales, the issue with hair coloring products remains. The intensified price competition in the Japanese hair coloring market, due to product commoditization, is a key factor. To address this, we will strengthen our branding initiatives for hair coloring products. In hair salons, customers are often unaware of the specific hair coloring products used, reflecting the weak perceived value of these products. By increasing awareness of the effects of our hair coloring products, we aim to strengthen our pricing power.

As for the long-term outlook for our manufacturing costs, there is uncertainty due to various fluctuating factors such as raw material prices. However, we will continue our efforts to reduce these costs.

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