FY2025 Financial Results Presentation Q&A (Summary)

Friday, February 13, 2026, 17:45-18:45
Respondents：
Hidenori Sakashita, President and CEO
Shinichiro Hyogo, Executive Officer

■Consolidated Performance and the Plan

1. **Upside versus plan (p. 6): The materials show a ¥350 million gross profit increase from higher sales. Could you break this down by country and by product category?**
As shown on p. 9, both domestic and overseas business finished above the revised plan in 2025. In aggregate, domestic business came in at ¥39,260million versus ¥38,900million planned, and overseas business at ¥13,650million versus ¥13,400million planned. In Japan, hair care products, including Ow Bye Tori, performed steadily and contributed to the higher results above the plan.

2. **About the FY2026 plan: Relative to the initial plan disclosed last year, some numbers are lower. Yet in FY2025, overseas business performed well and domestic business also looked solid in the second half. With major new products slated for FY2026, what factors explain the lower profit in 2026? Is it that the company intends to invest more in marketing for top-line growth, or are cost improvements not progressing as expected?**
We believe you are referring to a comparison with the figures disclosed in February last year. There are two primary factors: (1) the sales base has changed versus the prior year, and (2) gross margin is trending about one percentage point lower. There are other elements, but broadly these two explain the variance. In addition, historically, when domestic sales grow robustly, profit tends to come through more readily, whereas growth in overseas sales does not necessarily yield the same level of profit for an equivalent sales amount; the domestic/overseas mix is reflected in the FY2026 plan. We have also factored in valuation losses to an extent reasonably estimable, and we recognize there is a modest variance in the price revision effect as well.

3. **About the FY2026 plan: Both sales and profit seem to be improving, and considering the ¥1.0 billion sales target for PRETOWA, the plan appears somewhat conservative. Is the company prioritizing marketing spend to drive the top line over profit, or should we view parts of the plan as deliberately conservative?**
In formulating this year’s plan, we held extensive management discussions on market conditions and new-product plans. The outcome is what we consider a reasonable plan at this time—achievable, while including challenging elements. As for PRETOWA and its ¥1.0 billion sales target, the product is scheduled to be launched around mid-year, making it an unprecedentedly large six-month target for us.

■**Japan**

4. **Regarding Ow Bye Tori, what is driving its strong performance? Do you see it establishing a new hair-care habit and creating new market space?**
   Ow Bye Tori became a major hit last year because it is a product that did not exist in the market in this form. The line consists of four items, all oil-based styling agents. Traditionally, oils tend to weigh hair down, so they are used mid-length to ends only. Ow Bye Tori, however, is an oil styling product applied from the roots, and we see the emergence of such a concept itself as one facet of our competitive strength. This thinking stems from our product-development framework, the TAC product development system, in which we invite a highly skilled stylist to jointly develop each product. The new usage approach originating from this model has been highly evaluated, which contributed to its market success. We also believe the brand has effectively captured the "casual mode" trend segment.

■**Overseas**

5. **As for the U.S. business, FY2025 saw higher sales and a smaller loss. For FY2026, the company guides higher sales but lower profit. What is driving the expected profit decline?**
   The U.S. profit includes both allocated corporate costs and costs for the overall overseas business. These allocated costs are expected to increase in FY2026 versus FY2025, which accounts for over half of the decline, roughly 60%. In addition, we are making human-capital investments to further expand sales. While reported profit will decline, our view is that the underlying business momentum remains very solid.

6. **Regarding share repurchases and the ROE target, I recall the company referenced an 11.3% ROE target about six months ago. The company executed a ¥2.0 billion share repurchase last year. How is the company currently thinking about the numerator/denominator for this year's ROE, surplus cash, and expected returns?**
   As we explained at the 3Q briefing, achieving 11.3% ROE is difficult. Reasons include domestic net sales falling short of the mid-term plan targets, higher SG&A including personnel costs, and elements of upfront investment going forward. For this fiscal year, we are targeting 8.6% ROE. Our first priority is to raise sales and profits to achieve that figure; after that, we will consider executing share repurchases opportunistically, as appropriate. Through both profitability improvement and capital-efficiency enhancement, we intend to lift ROE. This year is also the final year of the current mid-term plan, and the disclosed figures represent our target at this time. Our thinking for the next mid-term plan will be announced next February. We will consider share repurchases while paying due attention to capital requirements and the share price.
   Please note that the 8.6% ROE target does not assume any share repurchases.

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