

Analyst Q&A (Summary)

First Quarter Ended March 31, 2021

Business Performance

Q: How did sales and profit for the first quarter compare to plans?

A: In the first quarter, both sales and profit were largely as planned.

In terms of sales, we expected recoil from the previous year's expansion in demand due to the novel coronavirus (COVID-19) pandemic, but the decrease in hand soap sales was somewhat greater than anticipated. However, in the Overseas Business, business in China grew as forecast, and performance in the Industrial Products Business was mostly as planned overall, bolstered by recovery in industrial markets, such as that for vehicle batteries.

Q: Sales growth of domestic consumer products exceeded that of the market, even in terms of in-store sales. Was this attributable to strong sales of oral care products?

A: Strong oral care sales were a factor, but the favorable performance of living care products including bath detergents also drove sales.

Q: Despite the decrease in hand soap sales, it seems that profit was not heavily impacted. Did you reduce expenses?

A: We did not seek to cut expenses, but because of the state of emergency declarations in Japan, certain activity-related costs decreased. In addition, our initial plans call for certain expenses, such as those related to DX, to be incurred from April onward.

Q: Could you break down the changes in competition-related expenses in and outside Japan?

A: Overall competition related expenses were roughly on par with the previous year, but advertising expenses increased slightly overseas.

Q: Could you break down the changes in raw material prices in and outside Japan?

A: Raw material prices had a negative effect on profit of ¥200 million. About 70% of this was overseas.

Overseas Business

Q: How are things going in Thailand?

A: In terms of the market, street vendors and similar retailers are particularly struggling because of the COVID-19 pandemic. At the same time, politically, there have been small anti-government gatherings and demonstrations. These factors have led to stagnant consumption.

Given these circumstances, we are reinforcing promotional efforts targeting small and

mid-sized retailers in regional areas as well as sales of low-end and mid-range laundry detergents. In March 2021, a new drying tower for producing powder detergent went into operation, and going forward we will aim for sales recovery by increasing the variety of products on offer while implementing finely calibrated sales-channel strategies.

Q: What factors led to the favorable performance in Malaysia?

A: Due to lockdowns in the first quarter of 2020, we had to suspend some of our business activities in mid-March, and sales fell considerably. The rebound from that decrease is a major factor in the year-on-year improvement, but sales also appear to be increasing overall.

Q: On the whole, are sales lagging behind your plans for the year?

A: Sales in China and Thailand are progressing as expected. In South Korea, sales are somewhat behind plans, partly because hand soap sales have seen a recoil from the previous year, as in Japan.

Q: How do you plan to expand business in China?

A: Expanding sales of products imported from Japan and, in particular, cultivating the market for new *Lightee Toothpastes* are key. We will make concentrated investments to promote *Lightee Toothpaste* in the run-up to an e-commerce event in June.

Forecasts

Q: Do you plan to increase competition-related expenses from April to June?

A: The new *Lightee Toothpaste*, launched simultaneously in Japan and China, and the new blue *KireiKirei* series were both launched at the end of March. In line with our initial plans, we will aggressively invest in marketing in and outside Japan from April onward.

Q: Do you expect the decrease in beauty care sales and increase in living care sales to persist?

A: In living care, sales of such products as dishwashing detergents and bath detergents have been strong, and we expect this trend to continue for a while. In beauty care, we are working toward recovery by reinforcing the promotion of large hand soap refill packs, hygiene-related products and other products.

Q: Could you tell us more about the impact of raw material prices?

A: First-quarter prices for crude oil, domestic naphtha and palm oil were all in excess of assumptions made at the start of the year. We now expect these prices to remain above initial assumptions from April to June and for the negative impact of raw material prices on profit for the full year to exceed the initial estimate of ¥1.5 billion. By realizing cost reductions ahead of schedule, seeking additional savings, and making changes to the sales mix, we aim to bolster gross profit and reach our previously announced profit forecasts.

Q: How will you increase gross profit by changing the sales mix?

A: We will raise the portion of sales from oral care, beauty care and other categories that have relatively high gross profit ratios.

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