Date and time:
Thursday, February 5, 2026, 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
Tomoko Uchiyama, Senior Executive Officer, Cosmetics Business

1) Could you explain the key drivers of the year-on-year change in operating income? For FY2026, you plan both selling price and volume to exceed FY2025 results. What underpins that plan? Also, why do you expect selling, general and administrative (SG&A) expenses to increase significantly?

As we expand market share, the earnings contribution from selling price adjustments will increase. In addition, the price increases implemented in H2 FY2025 will contribute on a full-year basis. We will continue to increase prices in FY2026, mainly in household and personal care (H&PC) products. We also plan to deliver solid volume growth by focusing on categories with strong growth potential. Regarding SG&A expenses, as the benefits from the structural reform of human capital implemented in FY2024 have been largely realized, increases in personnel expenses and other costs from FY2026 will flow through more directly to SG&A. We have factored in higher expenses, including increases in personnel expenses and investments related to digital transformation (DX).

2) For the Cosmetics Business, could you explain why results outperformed your plan, your outlook for FY2026, and the current status of inbound-related sales?

FY2025 results

- Volume grew across the business, and high-value-added products also performed well.
- Fixed costs declined.
- The China business recovered, supported by higher volume and more stable pricing after we established a distribution inventory control framework.

FY2026 outlook

- We aim for double-digit growth that exceeds market growth in priority markets, including Thailand, Europe, and the Americas.
- In China, we do not assume the same growth rate as the previous year, but we expect stable growth.
- In Japan, we expect higher volume.

Inbound sales status

- In Japan, diplomatic relations could have some impact. However, by advancing integrated operations between Japan and China, we expect sales growth in Mainland China and travel retail. As a result, we expect minimal impact on the Cosmetics Business overall.

3) Could you explain why the year-on-year increase in operating income steps up from +17.9 billion yen in FY2026 to +30.0 billion yen in FY2027? Also, how much have you factored in costs related to improving the business outside Japan in the FY2026 plan?

In FY2026, we will improve lower-profit businesses that account for about 30% of the Global Consumer Care (GC) business outside Japan. We expect the benefits to emerge in FY2027. In addition, we expect earnings growth in FY2027 to be driven by innovative new products in skin care and hair care, growth in the Cosmetics Business mainly outside Japan, and growth in the Electronic Materials business within the Chemical Business. We do not disclose the specific amount of costs related to improving the GC business outside Japan. However, we do not expect these costs to affect our FY2026 operating income target of 182.0 billion yen. We will provide updates as appropriate if there are matters that require disclosure, including plan details.

4) Which businesses within the GC business fell short of plan in FY2025, and what is your outlook for FY2026 for those businesses?

In FY2025, hair salon products in Europe and fabric care in Indonesia fell short of our expectations. For hair salon products, we have already started actions to improve performance. For fabric care, we plan to shift the business portfolio from laundry detergents to beauty care-related categories. We also plan to change sales channels.

Why did results in the Chemical Business fall short of plan?

In Q4 FY2025, prices of fats and oils fell sharply, which led customers to defer purchases. Shipment volume declined, and inventories increased. We also recorded an inventory valuation loss. As a result, our results fell short of plan. We expect the purchase deferrals to unwind in the coming periods. In addition, we expect higher operating income in FY2026, driven by lower logistics costs as our new plant in the U.S. ramps up and by the launch of high-value-added products.

5) Could you explain the key initiatives to improve the business in Europe? Also, how do you plan to grow the business in the Americas and Europe in FY2026, and when do you expect growth to accelerate?

We cannot disclose the details of the business improvement initiatives. However, we will revamp our marketing approach outside Japan and strengthen customer loyalty. In addition to marketing reform, we are improving the *JERGENS* skin care brand and the *JOHN FRIEDA* hair care brand. We expect these brands, together with strong performance in the Cosmetics Business, to drive growth in the Americas and Europe. We expect the impact to become more visible from H2 FY2026 onward.

Note

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