

Date and time:

Tuesday, May 12, 2026, 16:00-16:50 (JST)

Respondents:

Masakazu Negoro, Representative Director, Senior Managing Executive Officer

Mitsuhiro Watanabe, Vice President, Investor Relations

- 1) Was operating income in Q1 above the plan excluding the gain on sale of land? Also, what is your view on the impact of rising costs due to the situation in the Middle East and on supply chains going forward?**

The gain on sale of land was not included in the initial plan. On that basis, while the Chemical Business was 5.0 billion yen below plan, growth in the Global Consumer Care (GC) Business more than offset this, resulting in an overall upside of 1.0 billion yen.

With respect to the impact of the situation in the Middle East on raw material costs, we plan to absorb the impact through TCR activities, a shift toward high-value-added products, and other measures, while addressing any remaining impact through price pass-through. Regarding supply chains, we currently expect to secure product supply in line with our annual plan, supported by the strengths of having the Chemical Business, including strong relationships with upstream suppliers and the resilience provided by our global production network. Kao's strength lies in its ability to integrate raw material procurement, production, inventory and supply, while optimizing overall operations with agility, including production prioritization across SKUs.

- 2) Could you clarify the connection between the 11.5 billion yen gain on sale of land and the full-year operating income target of 182.0 billion yen? Also do you expect to conduct similar land sales going forward?**

The sale of land is part of our capital efficiency improvement initiatives through logistics optimization and was not intended to offset structural reform expenses or other costs. The gain on sale of land was not factored into the original full-year operating income forecast of 182.0 billion yen, and we aim to achieve operating income of 182.0 billion yen excluding the gain on sale of land. At the same time, the proceeds from this sale are expected to contribute to mitigating various risks going forward, including the reform of our businesses facing challenges outside Japan and changes in the external environment. Taking all of this into account, we are confident that the full-year operating income forecast of 182.0 billion yen is achievable.

The land sold was the site of the Sumida Kita Logistics Center and is part of our logistics reform program. Going forward, we plan to concentrate investment in high-demand areas and pursue outsourcing and collaboration in regional areas.

- 3) What was the magnitude of the shortfall versus plan in the Chemical Business operating income in Q1? Is a recovery through price pass-through from Q2 onward achievable, and is it possible to achieve the full-year Chemical Business plan?**

The shortfall in the Chemical Business below plan in Q1 was approximately 5.0 billion yen, of which 80% to 90% (more than approximately 4.0 billion yen) was attributable to delays in passing through higher fats and oils raw material costs to selling prices in the Americas and Europe. In Asia, prompt pass-through is possible as prices are negotiated monthly, whereas in the Americas and Europe, quarterly price negotiations are the norm. As a result, the approximately 30% rise in palm kernel oil (PKO) prices from Q4 FY2025 could not be reflected in selling prices during Q1 FY2026. The remaining 10% to 20% reflects a decline in demand for performance chemicals due to a slowdown in the automotive market in Europe and other factors.

From Q2 FY2026 onward, price pass-through for fats and oils products in the Americas and Europe is progressing in earnest. We have also been implementing price pass-through since May 2026, including pass-through of price increases for petrochemical products and higher logistics costs in response to the situation in the Middle East. In addition, within Electronic Materials, we are concentrating on high-performance materials essential for semiconductor miniaturization and multilayering amid continued expansion in data center construction, and growth in this high-value-added segment is expected to underpin earnings recovery. While the uncertain macroeconomic outlook remains a concern, we believe it is entirely possible at this time to offset the Q1 shortfall within the full-year plan through these growth drivers.

4) Could you explain how the GC Business plans to address rising costs due to the situation in the Middle East? Will price increases also be applied to existing products, not just new product launches?

In the GC Business, we plan to first absorb the impact through internal efforts such as TCR activities and other measures, and for any remaining impact, we intend to implement selling price adjustments for existing products as well. However, we will not implement across-the-board selling price adjustments. Rather, we will respond on a category-by-category basis at appropriate times, considering market conditions for each category. We will refrain from disclosing details regarding the timing and products subject to selling price adjustments at this stage to avoid excessive demand fluctuations in the market.

In addition, rather than simply passing through higher costs, we aim to achieve both volume growth and profitability through a combination of selling price adjustments, a shift toward high-value-added products, improvements in product mix, and SKU optimization.

5) In which business segment was the gain on sale of land recorded?

The gain on sale of land was not allocated to individual business segments and has been recorded as a common item.

Note

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