Date and time:

Wednesday, August 5, 2026, 17:30-19:00 (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
Mitsuhiro Watanabe, Vice President, Investor Relations

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1) Regarding the revised FY2026 full-year forecast, could you explain the factors behind raising the expected contribution to operating income from selling price adjustments from 10.0 billion yen in the initial forecast to 29.0 billion yen, your confidence in achieving this target, and your assumptions regarding raw material prices?

The expected 29.0 billion yen contribution to FY2026 full-year operating income from selling price adjustments consists of the following:

- H1 results: 8.5 billion yen, representing earnings growth achieved through initiatives such as a shift toward high-value-added products.
- H2 forecast: 20.5 billion yen. This assumes maintaining the 8.5 billion yen contribution achieved in H1, while offsetting at least 80% (12.0 billion yen) of the approximately 15.0 billion yen increase in raw material costs expected in H2 through selling price adjustments. Selling price adjustments began in July 2026.

We raised our forecast from the initial plan because our Q2 results confirmed that we can achieve both selling price adjustments and volume growth through high-value-added products and new product launches. As a result, we have become more confident in achieving the revised plan.

We had assumed a crude oil price of US$120 per barrel as of Q1, but prices have recently stabilized in the US$80–90 per barrel range. Although there is generally a two- to three-month lag before changes in procurement costs are reflected in earnings, we now have reasonable visibility into the impact through Q4 FY2026, and have incorporated it into our full-year forecast.

2) Should we expect the impact of rising raw material costs related to the situation in the Middle East to continue into H1 FY2027?

We now have reasonable visibility into the impact of raw material costs through Q4 FY2026, and have incorporated it into our full-year forecast. However, we do not yet have visibility into the impact on H1 FY2027 and will assess the impact based on market conditions in Q3 and Q4 FY2026.

3) Could you explain the factors behind the improvement in Chemical Business operating income in Q2, the impact of unrealized gains, and your outlook for profitability from H2 onward?

In Q2, we made progress in selling price adjustments for oleo chemicals and captured demand, making up for the delay in price pass-through experienced in Q1. The impact of unrealized gains was negative 2.0 billion yen in H1 FY2025, compared with positive 1.0 billion yen in H1 FY2026, resulting in a year-on-year improvement of approximately 3.0 billion yen. This was mainly because inventories at group companies, which had built up as customers held off on purchases following the sharp decline in fats and oils prices in June 2025, were worked through during H1 FY2026. We expect limited impact going forward if fats and oils prices remain elevated.

We have factored the increase in raw material costs expected in H2 into our plan and have implemented the necessary selling price adjustments. Going forward, we will continue shifting toward high-value-added businesses, including electronic materials and semiconductor-related products, while limiting the impact of market fluctuations and further improving profit margins to achieve the K27 targets.

4) Could you explain the current product portfolio of your semiconductor-related business, as well as the future growth opportunities and your competitive advantages?

In semiconductor back-end processes, we have approximately a 60% market share in precision cleaning agents for package substrates. In front-end processes, we hold the top share in chemicals for specific NAND manufacturing processes, and plan to expand into advanced semiconductor fields such as DRAM and logic semiconductors. In addition to growth in existing markets, we aim to drive further growth by securing new customer adoption.

Our precision interface control technology delivers uniform performance even on extremely fine and complex structures while providing high material selectivity without damaging device structures or substrates.

5) Could you explain the factors behind the strong performance of the Cosmetics Business, performance by region and brand, and your full-year profit outlook?

In the Cosmetics Business, our strategy of developing our six focus brands through three strategic expansion models—Japan-led, Asia-focused, and Europe-led—is delivering results. In Japan, even as the overall cosmetics market declined year on year, *Curél* derma care brand grew 27%, *KATE* makeup brand grew 14%, and *SOFINA* skincare brand grew 4%, with the six focus brands growing 13% overall. Outside Japan, Curél and freeplus grew in China, while *Curél* also expanded into Brazil and the Netherlands. In Asia, we continue to strengthen *KATE* and *KANEBO* prestige skincare and makeup brand.

Based on recent sales performance, we aim for FY2026 Cosmetics Business operating income to exceed the midpoint between the FY2025 result of 10.4 billion yen and the FY2027 target of 21.0 billion yen. We also aim to exceed our FY2027 operating income target.

6) Could you explain the transformation expenses for businesses facing challenges outside Japan factored into the full-year operating income forecast of 190.0 billion yen, and how they differ from the structural reform implemented in FY2024?

Our core business is expected to generate operating income exceeding the initial forecast of 182.0 billion yen. After factoring in the 11.5 billion yen gain on sale of land and approximately 3.0 billion yen in transformation expenses for businesses in the Americas, Europe and Southeast Asia, we set our full-year operating income forecast at 190.0 billion yen.

The FY2024 structural reform of the hair salon business involved an investment of 3.4 billion yen in structural reform expenses, primarily to optimize personnel and improve sales efficiency, and the benefits have already materialized. This time, in response to changes in the market, we will strengthen the foundation for future profit growth by shifting resources to priority channels, reviewing our brand portfolio and optimizing our operating structure. While additional expenses may arise in FY2027, we do not expect them to affect the achievement of K27.

7) How has your confidence in achieving sustainable growth in Japan and overseas changed? Also, could you share your outlook on J-Beauty-related deregulation expected from next year onward?

Technology is at the core of our global expansion. Rather than limiting each technology to a single product, we apply it across the brands and regions where it can create the greatest value. For example, our technology that captures moisture from the air to sustain skin hydration has the potential to be applied not only to SOFINA, but also to the JERGENS skincare brand in the U.S. and the global Bioré skin care brand. We will continue to identify markets where our technologies can deliver value and expand them globally.

Government support for J-Beauty will provide further momentum for our global expansion. We believe the distinctive, high-precision technologies of Japanese companies are highly valued overseas, and we intend to contribute to that growth.

8) Could you explain H1 performance by category in the Health Beauty Care Business in the Americas and Europe, as well as your future growth drivers?

In the Americas and Europe, *Bioré UV*, which we position as one of our Global Sharp-Top businesses, grew by more than 10% in H1, and we expect continued growth in H2 and FY2027. On the other hand, the Professional Hair Care business continues to face challenges due to the sluggish hair salon market in Europe, changes in consumer purchasing behavior such as the shift toward e-commerce, and the transition of stylists from salon-exclusive contracts to freelance work, and we have not yet fully adapted to these changes.

Led by our newly established DX Marketing Center for the Americas and Europe, we will revamp our marketing approach not only for UV care, but also for hair care and professional hair care. In Europe, we expect *Bioré UV* and the restaged *John Frieda* hair care brand to drive growth in H2 FY2026. In FY2027, we aim to achieve double-digit growth in the Health Beauty Care Business in the Americas and Europe.