Date and time:
Thursday, November 5, 2026, 16:00-16:50 (JST)

Respondents:
Masakazu Negoro, Representative Director, Senior Managing Executive Officer
Mitsuhiro Watanabe, Vice President, Investor Relations

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**1) Why did the impact of rising raw material costs in the Global Consumer Care (GC) Business shift from Q3 to Q4 in FY2026, and what impact is expected in FY2027?**

Approximately 2.0 billion yen of the raw material cost impact originally expected in Q3 is now expected to shift to Q4 in FY2026. This is because shipments of seasonal products were lower than expected due to inclement weather, and the raw material costs associated with new products scheduled for launch in Q4 are currently recorded as inventories. In addition, the estimated raw material cost impact has worsened by approximately 1.0 billion yen compared with the forecast in August, bringing the year-on-year impact on earnings for FY2026 to negative 16.5 billion yen. In FY2027, if raw material prices remain at current levels, the year-on-year impact is expected to be greater in the first half and limited in the second half, unless crude oil prices rise sharply.

**2) Please explain the current performance of the Health Beauty Care and the Cosmetics businesses in Europe and the Americas, progress on structural reforms, whether related costs will be incurred, and the outlook for FY2027 and beyond.**

The main challenge in Europe is sluggish performance in professional hair care. In Q4, we will shift toward growth channels such as e-commerce and product sales through hair salons, and optimize our brand portfolio and business operating structure. Reform expenses of approximately 3.5 billion yen are expected in Q4, including expenses in Asia. The benefits of measures implemented in FY2026 are expected to emerge in FY2027 and grow further in FY2028. Some expenses may also arise in FY2027.

In the Health Beauty Care Business in the Americas, slower-than-expected progress following the restaging of the *John Frieda* hair care brand contributed to the decline in Q3 sales in FY2026.

Going forward, we will clarify our growth priorities by business. In professional hair care, we will prioritize profit over sales, while in hair care brands such as *John Frieda*, we will pursue growth in both sales and profit. The operating margin of the GC Business outside Japan improved by 2.1 points year on year to 8.1%. Skin care, including skin protection, is growing steadily in both North America and Europe. We will shift our business portfolio toward skin care to drive profitable growth.

In Cosmetics, the *Molton Brown* luxury brand has been somewhat weak, but reforms are underway. As Christmas is the peak sales season and offers growth opportunities, we have no major concerns about the Cosmetics Business overall.

**3) What caused the decline in sales volume of Household and Personal Care (H&PC) products in Q3? How have sales volume and market share performed following price increases, and how will Kao respond to pricing going forward?**

The negative 4.5 billion yen sales volume impact in Q3 for H&PC consisted of a negative 1.5 billion yen impact from sales volume declines following price increases, a negative 1.8 billion yen impact from a reversal of demand brought forward ahead of Q2 price increases, and a negative 1.2 billion yen impact from inclement weather affecting seasonal products. The reversal occurred mainly in July, with limited impact in August and September.

The negative 1.5-billion-yen sales volume impact from price increases was smaller than expected. We are expanding both market share and profit while implementing price increases, and the impact on sales volume is diminishing. We have also factored a negative 1.5-billion-yen impact into Q4, but this is a conservative assumption.

Going forward, we will flexibly and promptly combine high-value-added products, product mix improvements, Total Cost Reduction (TCR), and price pass-through to offset rising raw material costs. Of the main positive factors supporting stronger earning power in our FY2026 forecast, approximately 50% comes from price pass-through, 30% from high-value-added products, and 20% from TCR and product mix improvements. We will address rising raw material costs through this combination rather than relying solely on price pass-through.

**4) Does Kao maintain its Mid-term Plan 2027 (“K27”) target of exceeding the record-high operating income of 211.7 billion yen in FY2027 despite external factors, including the situation in the Middle East? How does Kao plan to achieve the required profit growth?**

Although the operating income target in FY2027 is challenging, we believe it is fully achievable. The main driver will be further improvement in earning power from our core businesses. By combining high-value-added products, appropriate price pass-through, improvements in product mix and the business portfolio, and TCR, we aim to generate profit and secure an increase of approximately 30.0 billion yen.

We will also drive profit growth through improvements in businesses facing challenges outside Japan, improvements in cost structure and asset efficiency through logistics optimization, and growth areas in beauty care, including Cosmetics, and in the Chemical Business, including chemicals for semiconductors. We aim to achieve K27 by strengthening earning power in our core businesses rather than relying on one-time gains.

Note

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