

KaO

Kirei—Making Life Beautiful

Consolidated Financial Results for the Six Months Ended June 30, 2024 and Mid-term Plan “K27” Progress

Kao Corporation
August 8, 2024



Disclaimer

Forward-looking statements such as earnings forecasts and other projections contained in this release are based on information available at this time and assumptions that management believes to be reasonable, and do not constitute guarantees of future performance. Actual results may differ materially from those expectations due to various factors.

Notes:

1. Numbers in parentheses in charts are negative.
2. Year on year growth rates for net sales are all like-for-like, excluding the effect of translation of local currencies into Japanese yen. Growth by volume includes changes due to differences in product mix.
3. Changes and comparisons are all with the same period a year earlier unless otherwise noted.
4. Household & personal care (H&PC): Consumer products excluding cosmetics
5. CP: Abbreviation of Consumer Products
6. G11: Abbreviation of Global 11. Eleven Cosmetics Business brands designated for growth globally
7. R8: Abbreviation of Regional 8. Eight Cosmetics Business brands designated for growth in Japan
8. Core income: Income excluding impacts of structural reforms for the fiscal year ended December 31, 2023

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01

Financial Results

for the Six Months Ended June 30, 2024

Key Highlights

- Due to the strengthening of core brands globally and the effects of structural reforms, the gross margin increased 3.4 pts and the ROIC increased 4.8 pts.
 - ✓ Restored profit through structural reforms
 - Maintained profitability in sanitary products
 - Improved earning power by adjusting selling prices through promotion of high-value-added products
 - ✓ Improved competitive advantages for core brands
 - Increased both profit margin and market share for *Attack* laundry detergents, *CuCute* dishwashing detergents and other brands
 - Leveraged DX to visualize progress in establishing loyal users and to upgrade marketing
 - Entered the high premium hair care market with *melt*, using scrum-type product development
 - ✓ Ramped up global rollout of high-value-added products
 - Sales of skin protection products increased 32%
 - Accelerated expansion of *ORIBE* in Europe and strengthened *KATE* in Asia
 - Chemical Business achieved an improvement of 2.3 pts in its operating margin through the expansion of high-performance products
- **Optimize distribution inventory for cosmetics in China and build a brand portfolio to accelerate global growth.**
- **Made upward revision of FY2024 forecast*.**
 - ✓ **Operating income : 130.0 billion yen → 140.0 billion yen**
 - ✓ **ROIC : 8.6% → 8.8%**
 - ✓ **EVA : 24.0 billion yen → 27.0 billion yen or more**

* Announced on February 7, 2024

Highlights of Consolidated Financial Results

- The gross margin increased 3.4 pts and operating income increased 23.5 billion yen (+68.2%) to 57.9 billion yen due to contributions from household and personal care products in Japan and the Chemicals Business, in addition to the effects of structural reforms.

| Billions yen | FY2023 H1 | FY2024 H1 | Growth % | Change |
|---|-----------|--------------------------------|----------|--------|
| Net sales | 738.5 | 788.0 | +6.7 | +49.5 |
| | | Effect of currency translation | +4.8 | +35.3 |
| | | Like-for-like growth | +1.9 | +14.2 |
| Gross profit | 259.7 | 303.7 | +16.9 | +44.0 |
| Gross margin | 35.2% | 38.5% | - | - |
| Operating income | 34.5 | 57.9 | +68.2 | +23.5 |
| Operating margin | 4.7% | 7.4% | - | - |
| Income before income taxes | 37.2 | 64.4 | +73.2 | +27.2 |
| Net income | 27.4 | 44.8 | +63.4 | +17.4 |
| Net income attributable to owners of the parent | 26.3 | 43.4 | +64.9 | +17.1 |
| EBITDA (Operating income + Depr. & Amort.) | 70.5 | 102.3 | +45.2 | +31.8 |
| Basic earnings per share (yen) | 56.63 | 93.41 | +64.9 | +36.78 |
| Cash dividends per share (yen) | 75.00 | 76.00 | - | +1.00 |

Exchange rates: 151.97 yen/USD, 164.34 yen/Euro, 21.07 yen/Yuan
Income for FY2023 H1 represents "core income" (excluding EBITDA.)

Highlights of Q2 Consolidated Financial Results (April-June)

- The gross margin increased 2.6 pts and operating income increased 9.3 billion yen (+34.8%) to 36.0 billion yen due to contributions from household and personal care products in Japan and the Chemicals Business, in addition to the effects of structural reforms.

| Billions yen | FY2023 Q2 | FY2024 Q2 | Growth % | Change |
|---|-----------|--------------------------------|----------|--------|
| Net sales | 390.7 | 422.2 | +8.1 | +31.5 |
| | | Effect of currency translation | +4.8 | +18.7 |
| | | Like-for-like growth | +3.3 | +12.8 |
| Gross profit | 144.3 | 166.7 | +15.5 | +22.4 |
| Gross margin | 36.9% | 39.5% | - | - |
| Operating income | 26.7 | 36.0 | +34.8 | +9.3 |
| Operating margin | 6.8% | 8.5% | - | - |
| Income before income taxes | 28.3 | 39.6 | +40.3 | +11.4 |
| Net income | 21.6 | 27.5 | +27.5 | +5.9 |
| Net income attributable to owners of the parent | 21.0 | 26.9 | +28.3 | +5.9 |
| EBITDA (Operating income + Depr. & Amort.) | 41.1 | 58.2 | +41.8 | +17.2 |
| Basic earnings per share (yen) | 45.19 | 57.98 | +28.3 | +12.79 |

Exchange rates: 155.72 yen/USD, 167.68 yen/Euro, 21.51 yen/Yuan
Income for FY2023 Q2 represents "core income" (excluding EBITDA.)

Key Points of H1 Results

Net sales **788.0** billion yen
+1.9% on a like-for-like basis

Operating income **57.9** billion yen
(+23.5 billion yen; +68.2%*); margin **7.4%**

FY2024 H1 Financial Results

- The operating margin for fabric and home care products increased 6.1 pts to 16.3% due to the introduction of new high-value-added products.
- The operating margin for sanitary products reached 7.1% due to the effects of structural reforms and a gain on the transfer of the pet care business.
- Operating income for the Health and Beauty Care Business decreased 1.0 billion yen due to structural reform expenses for subsidiaries in the Americas and Europe.
- The operating margin in the Chemical Business increased 2.3 pts to 8.3% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.
- Excluding special factors, sales of the Cosmetics Business grew in line with the market. Sales in China decreased due to a slowdown in market growth and a tough competitive environment.

Focal Themes for FY2024 H2

- Strengthen business portfolio management.
- Expand share of the high premium hair care market.
- Roll out and expand the skin protection business globally.

* Comparison with "core income" for FY2023 H1

Consolidated Net Sales by Segment/Geographic Region in H1

- Achieved higher-than-market growth in major categories as the consumer products market in Japan grew.
- Excluding China, sales of the Consumer Products Business increased 3.7%.

| Billion yen | | | Japan | Asia | Americas | Europe | Consolidated |
|----------------------------------|-----------------|--|--------------|--------------|--------------|-------------|--------------|
| Fabric & Home Care | H1 | | 148.5 | 21.7 | 1.9 | - | 172.1 |
| | Like-for-like % | | +10.5 | (9.3) | (12.8) | - | +7.4 |
| Sanitary | H1 | | 37.0 | 46.4 | - | - | 83.4 |
| | Like-for-like % | | (7.5) | (8.3) | - | - | (8.0) |
| Hygiene and Living Care Business | H1 | | 185.5 | 68.2 | 1.9 | - | 255.6 |
| | Like-for-like % | | +6.3 | (8.6) | (13.8) | - | +1.9 |
| Health and Beauty Care Business | H1 | | 101.7 | 18.6 | 58.9 | 31.4 | 210.6 |
| | Like-for-like % | | +3.5 | (1.3) | +7.2 | +13.9 | +5.4 |
| Life Care Business | H1 | | 19.0 | 0.1 | 7.4 | 0.1 | 26.5 |
| | Like-for-like % | | (4.7) | +61.5 | (1.8) | +13.3 | (3.9) |
| Cosmetics Business | H1 | | 76.3 | 24.3 | 3.8 | 12.3 | 116.7 |
| | Like-for-like % | | +1.0 | (16.5) | +1.2 | +5.9 | (2.6) |
| Consumer Products Business | H1 | | 382.5 | 111.1 | 72.0 | 43.8 | 609.4 |
| | Like-for-like % | | +3.9 | (9.3) | +5.1 | +11.5 | +1.9 |
| Chemical Business* | H1 | | 66.4 | 51.0 | 34.5 | 47.9 | 199.8 |
| | Like-for-like % | | (1.3) | +8.3 | (0.6) | (1.1) | +1.1 |
| Consolidated | H1 | | 430.8 | 160.4 | 106.5 | 90.3 | 788.0 |
| | Like-for-like % | | +3.6 | (4.5) | +3.3 | +4.4 | +1.9 |

* Net sales of the Chemical Business include intersegment transactions. Sales by geographic region are classified based on the location of the sales recognized.

Consolidated Results by Segment in H1

- The Fabric & Home Care and Health & Beauty Care businesses achieved both price and sales volume increases.
- The operating margin of the Chemical Business increased 2.3 pts to 8.3% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

| Billion yen | Net sales | | | | Operating income | | |
|----------------------------------|--------------|-----------------|--------------------------|-------------|------------------|---------------------|--------------------|
| | H1 | Like-for-like % | Like-for-like % | | H1 | Change ³ | Operating margin % |
| | | | By Volume % ² | By Price % | | | |
| Fabric & Home Care | 172.1 | +7.4 | +2.3 | +5.1 | 28.0 | +11.9 | 16.3 |
| Sanitary | 83.4 | (8.0) | (12.4) | +4.4 | 5.9 | +12.2 | 7.1 |
| Hygiene and Living Care Business | 255.6 | +1.9 | (2.9) | +4.8 | 33.9 | +24.1 | 13.3 |
| Health and Beauty Care Business | 210.6 | +5.4 | +5.1 | +0.2 | 15.0 | (1.0) | 7.1 |
| Life Care Business | 26.5 | (3.9) | (5.7) | +1.9 | (0.5) | +0.6 | (1.7) |
| Cosmetics Business | 116.7 | (2.6) | (5.1) | +2.5 | (6.1) | (4.2) | (5.3) |
| Consumer Products Business | 609.4 | +1.9 | (0.8) | +2.7 | 42.3 | +19.5 | 6.9 |
| Chemical Business ¹ | 199.8 | +1.1 | +5.3 | (4.2) | 16.7 | +5.6 | 8.3 |
| Consolidated | 788.0 | +1.9 | +0.9 | +1.1 | 57.9 | +23.5 | 7.4 |

1. Net sales and operating income of the Chemical Business include intersegment transactions.
2. Growth by volume includes changes due to differences in product mix.
3. Comparison with "core income" for FY2023 H1

Q2 Consolidated Net Sales by Segment/Geographic Region (April-June)

- Achieved higher-than-market growth in major categories as the consumer products market in Japan grew.
- Sales outpaced the plan, driven by factors including sales expansion for high-value-added products of the Chemical Business.

| Billion yen | | Japan | Asia | Americas | Europe | Consolidated |
|----------------------------------|-----------------|--------------|--------------|--------------|-------------|--------------|
| Fabric & Home Care | Q2 | 82.0 | 10.8 | 1.0 | - | 93.8 |
| | Like-for-like % | +8.1 | (7.4) | (10.7) | - | +6.0 |
| Sanitary | Q2 | 19.2 | 23.3 | - | - | 42.4 |
| | Like-for-like % | (12.1) | (3.5) | - | - | (7.7) |
| Hygiene and Living Care Business | Q2 | 101.1 | 34.1 | 1.0 | - | 136.2 |
| | Like-for-like % | +3.6 | (4.7) | (12.2) | - | +1.4 |
| Health and Beauty Care Business | Q2 | 57.6 | 9.4 | 32.2 | 16.6 | 115.8 |
| | Like-for-like % | +3.6 | (1.7) | +13.7 | +18.5 | +7.5 |
| Life Care Business | Q2 | 10.1 | 0.0 | 3.9 | 0.0 | 14.0 |
| | Like-for-like % | (1.9) | +117.8 | (2.0) | +10.0 | (1.8) |
| Cosmetics Business | Q2 | 40.5 | 13.5 | 1.9 | 6.2 | 62.1 |
| | Like-for-like % | (2.4) | (21.0) | +1.1 | +4.5 | (6.3) |
| Consumer Products Business | Q2 | 209.3 | 57.0 | 39.0 | 22.8 | 328.2 |
| | Like-for-like % | +2.1 | (8.7) | +10.5 | +14.4 | +1.6 |
| Chemical Business* | Q2 | 34.6 | 27.6 | 18.3 | 24.8 | 105.2 |
| | Like-for-like % | +0.5 | +21.5 | +12.2 | +4.9 | +8.1 |
| Consolidated | Q2 | 234.3 | 83.7 | 57.3 | 46.8 | 422.2 |
| | Like-for-like % | +2.2 | (0.8) | +11.0 | +8.7 | +3.3 |

* Net sales of the Chemical Business include intersegment transactions. Sales by geographic region are classified based on the location of the sales recognized.

Q2 Consolidated Results by Segment (April-June)

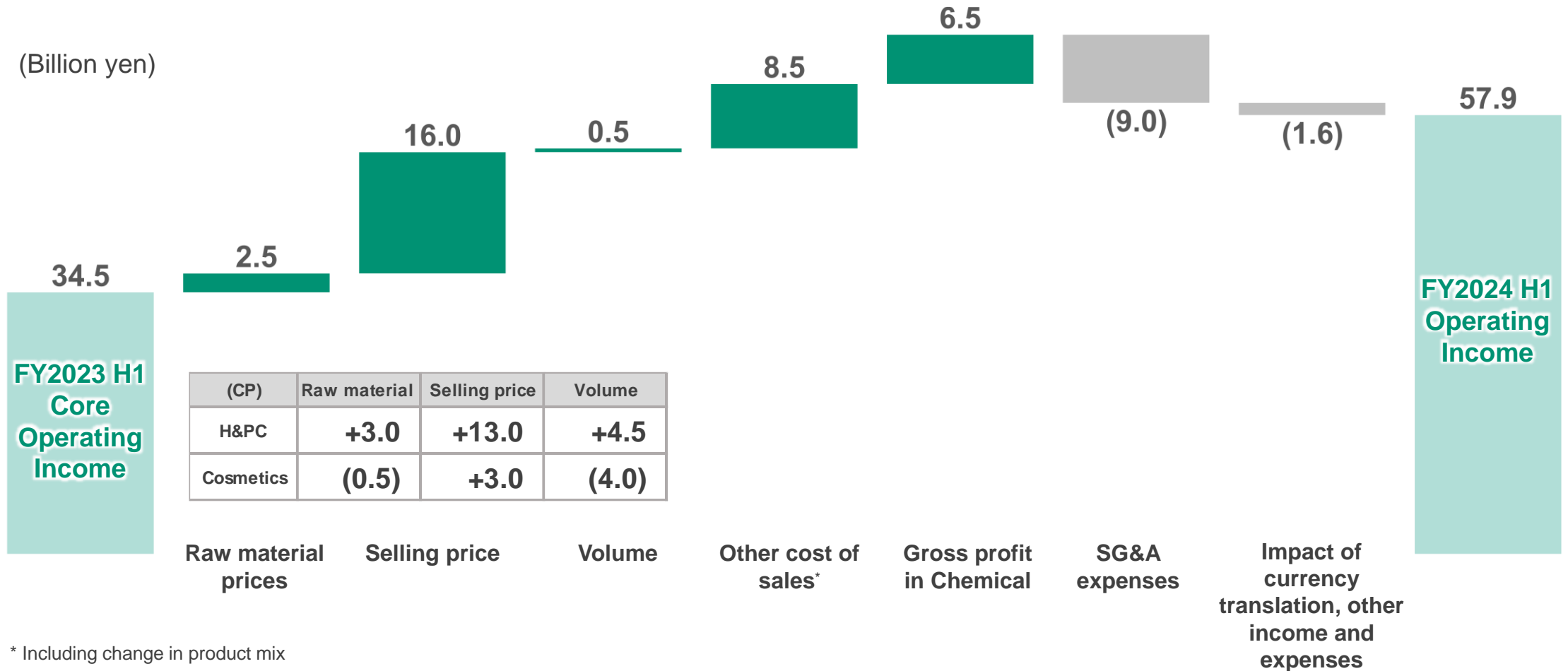
- The operating margin for fabric and home care products increased 4.5 pts to 16.5%.
- The operating margin of the Chemical Business increased 0.4 pts to 8.1% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

| Billion yen | | Net sales | | | | Operating income | | |
|--------------------------|----------------------------------|--------------|-----------------|--------------------------|-------------|------------------|---------------------|--------------------|
| | | Q2 | Like-for-like % | By Volume % ² | | Q2 | Change ³ | Operating margin % |
| By Volume % ² | By Price % | | | | | | | |
| | Fabric & Home Care | 93.8 | +6.0 | +1.1 | +4.9 | 15.4 | +4.9 | 16.5 |
| | Sanitary | 42.4 | (7.7) | (11.6) | +3.8 | 5.4 | +8.7 | 12.6 |
| | Hygiene and Living Care Business | 136.2 | +1.4 | (3.2) | +4.5 | 20.8 | +13.7 | 15.3 |
| | Health and Beauty Care Business | 115.8 | +7.5 | +6.8 | +0.7 | 8.4 | (1.8) | 7.2 |
| | Life Care Business | 14.0 | (1.8) | (2.4) | +0.6 | (0.1) | +0.3 | (0.9) |
| | Cosmetics Business | 62.1 | (6.3) | (9.3) | +3.0 | (1.5) | (3.5) | (2.4) |
| | Consumer Products Business | 328.2 | +1.6 | (1.1) | +2.8 | 27.6 | +8.6 | 8.4 |
| | Chemical Business ¹ | 105.2 | +8.1 | +9.9 | (1.8) | 8.6 | +1.6 | 8.1 |
| | Consolidated | 422.2 | +3.3 | +1.5 | +1.8 | 36.0 | +9.3 | 8.5 |

1. Net sales and operating income of the Chemical Business include intersegment transactions.
2. Growth by volume includes changes due to differences in product mix.
3. Comparison with "core income" for FY2023 Q2

Analysis of Change in Operating Income in H1 (Year-on-Year Change)

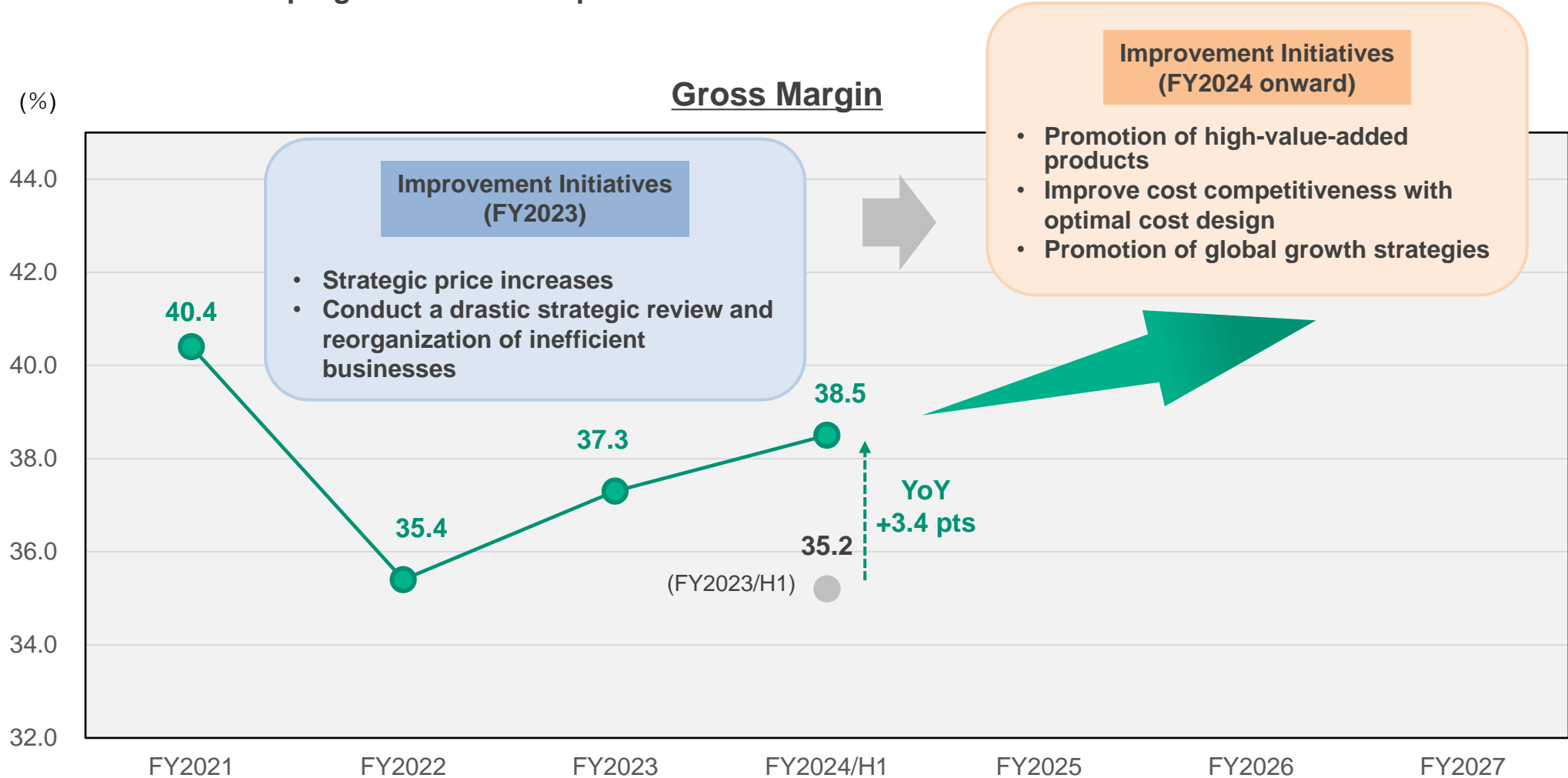
- Substantial contributions from strong performance of household and personal care products in Japan and recovery of the Chemical Business.
- Realized approximately 18.0 billion yen in operating profit from the effects of structural reforms including selling price adjustments through promotion of high-value-added products.
- In the Cosmetics Business in China, sales volume decreased due to a buildup of distribution inventory resulting from a slowdown in market growth and a tough competitive environment.



* Including change in product mix

Improvement of Profit Margin through Progress of Earning Power Reforms

- The gross margin improved 3.4 pts year on year.
- Focus on achieving sustainable profit growth through structural reforms and the implementation of global growth strategies.
- Secure profits by focusing on profit-oriented sales activities.
- Improvement in ROIC has progressed ahead of plan.



Gross margin for FY2023 represents "core gross margin."

02

FY2024 Forecast

FY2024 Forecast

- While factors such as the slowdown in the Chinese economy, geopolitical risks in Europe and the Middle East, and rising raw material prices are anticipated, the Kao Group has made upward revisions of the initial forecasts* due to the strong performance in the first half.

| Billion yen | FY2023 | Growth % | FY2024 Forecast (Announced on Aug. 8) | Growth % | Change | |
|---|---------|----------|--|--------------------------------|--------|-------|
| Net sales | 1,532.6 | (1.2) | 1,600.0 | +4.4 | +67.4 | |
| | | +2.6 | | Effect of currency translation | +1.9 | +28.5 |
| | | (3.8) | | Like-for-like growth | +2.5 | +38.9 |
| Operating income | 114.7 | +4.2 | 140.0 | +22.1 | +25.3 | |
| Operating margin | 7.5% | - | 8.8% | - | - | |
| Income before income taxes | 118.5 | +2.3 | 147.0 | +24.0 | +28.5 | |
| Net income attributable to owners of the parent | 86.0 | (0.1) | 104.0 | +21.0 | +18.0 | |
| EBITDA (Operating income + Depr. & Amort.) | 149.6 | (25.1) | 229.0 | +53.0 | +79.4 | |
| ROE (%) | 4.5% | - | 10.2% | - | - | |
| Basic core earnings per share (yen) | 184.95 | +0.9 | 223.90 | +21.1 | +38.95 | |
| Cash dividends per share (yen) | 150.00 | - | 152.00 | - | +2.00 | |

* Announced on February 7, 2024

Exchange rate assumptions: 146 yen/USD, 157 yen/Euro, 20 yen/Yuan
Income for FY2023 represents "core income" (excluding EBITDA and ROE.)

Sales Forecast for FY2024

(By Segment)

| Billion yen | Japan | | Consolidated | |
|----------------------------------|-------|----------|--------------|-----------------------|
| | | Growth % | | Like-for-like growth% |
| Hygiene and Living Care Business | 387.0 | +1.7 | 528.0 | +0.2 |
| Health and Beauty Care Business | 212.0 | +3.3 | 424.0 | +5.2 |
| Life Care Business | 41.0 | (2.7) | 55.0 | (2.3) |
| Cosmetics Business | 166.0 | +8.1 | 240.0 | (0.8) |
| Consumer Products Business | 806.0 | +3.1 | 1,247.0 | +1.5 |
| Chemical Business* | | | 395.0 | +5.3 |
| Consolidated | | | 1,600.0 | +2.5 |

(By Region)

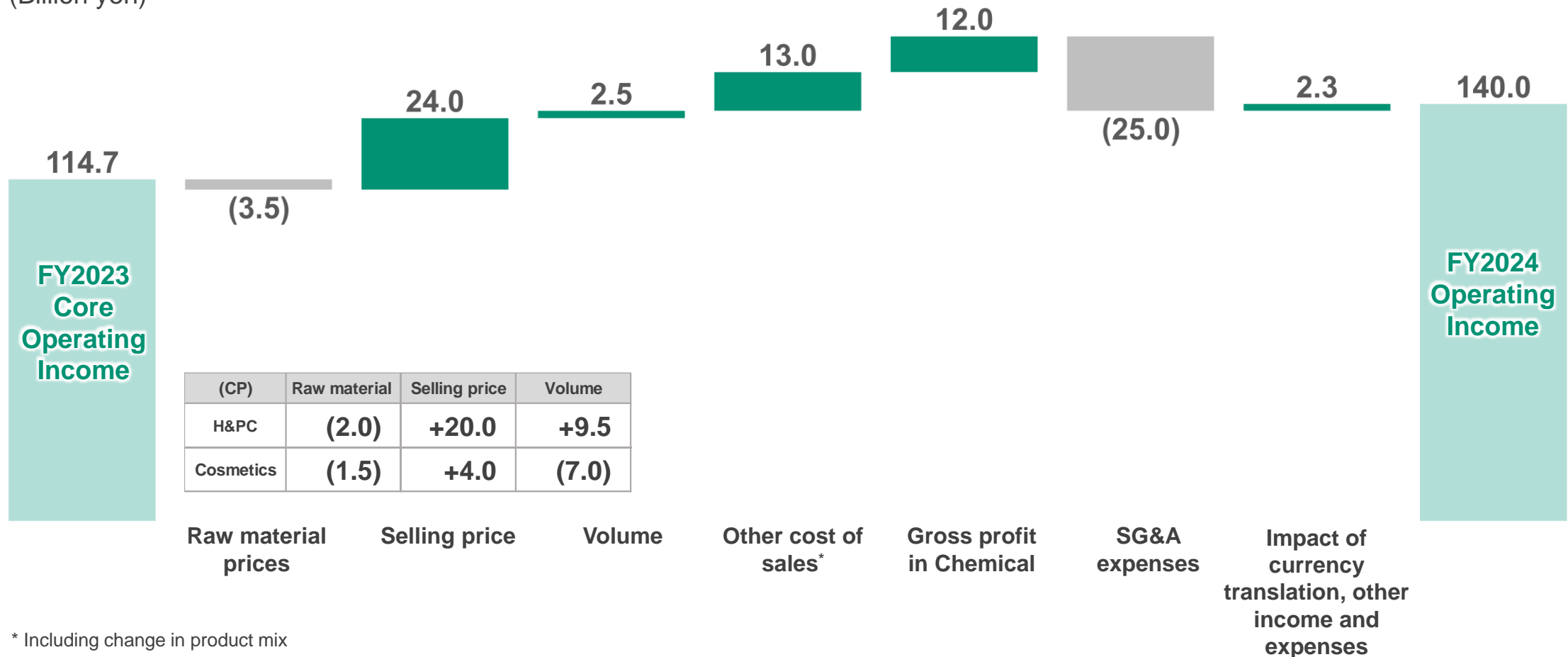
| Billion yen | Consolidated | |
|--------------|--------------|-----------------------|
| | | Like-for-like growth% |
| Japan | 904.0 | +3.1 |
| Asia | 305.0 | (3.7) |
| Americas | 206.0 | +5.1 |
| Europe | 185.0 | +8.5 |
| Consolidated | 1,600.0 | +2.5 |

* Net sales of the Chemical Business include intersegment transactions.
Sales by geographic region are classified based on the location of the sales recognized.

Forecast of Factors in Operating Income (Year-on-Year Change)

- Expecting the effect of structural reforms to be approximately 27.0 billion yen.
- Planning to increase marketing expenses by over 10.0 billion yen for growth, and to continue adjusting selling prices through promotion of high-value-added products.
- Planning to optimize distribution inventory for cosmetics in China by restricting sell-in.

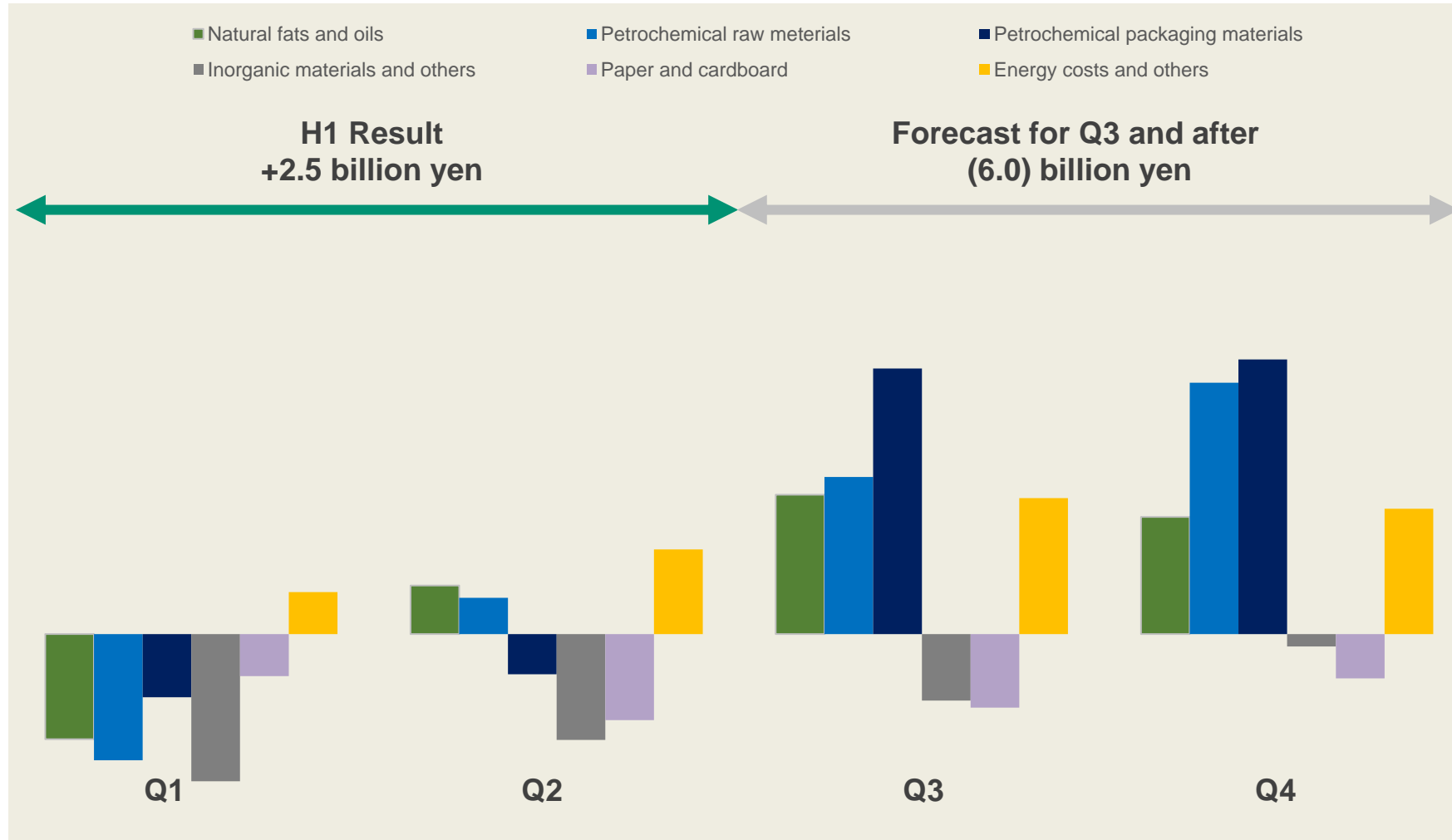
(Billion yen)



* Including change in product mix

Raw Material Prices Outlook (Consumer Products Business; vs. FY2023)

- Expecting increases in personnel and logistics costs, in addition to fluctuations in prices for crude oil and natural fats and oils.
- To achieve profit targets, cost increases will be offset through selling price adjustments and Total Cost Reduction (TCR) initiatives, while also enhancing the promotion of high-value-added products.



FY2024 H2 Market Outlook and Measures to Increase Profits

Consumer Products Market

- Japan
 - Growth in low single digits is expected in cosmetics. Household and personal care products are expected to continue growing with price increases and promotion of high-value-added products.
- Asia
 - Low growth expected in cosmetics market in China. Slight increase expected in the main household and personal care products market sectors in which the Kao Group operates.
 - Household and personal care products markets in other Asian countries are expected to show solid growth due to increases in product prices.
- Americas and Europe
 - Despite market slowdown, growth is expected to continue with increase in product prices.

Measures to Increase Profits

- Proactively launch new and improved products.
- Promote high-value-added offerings including adjusting selling prices.
- Expand market share in UV care globally.
- Make further offerings for the premium hair care market.
- Strengthen local production and consumption for cosmetics in China.
- Enhance global expansion of cosmetics.

Chemical Market Conditions

- Oleo Chemicals
 - Gradual recovery in demand is expected to continue. Slight upward trend in fat and oil raw material prices.
- Performance Chemicals
 - While some sectors remain stagnant, modest growth is expected in automobile-related and other products sectors.
- Information Materials
 - Toner inventory adjustments are expected, but solid performance of hard disk and semiconductor-related products is expected to continue.

Measures to Increase Profits

- Continue sales expansion by steadily capturing market recovery.
- Further promote pricing in line with customer value.
- Accelerate rollout of high-value-added products (semiconductor-related products, agricultural adjuvants, anti-corrosive detergents for metal parts)

Improvement in Capital Efficiency/Profitability by Business Area (FY2023 Results vs. FY2024 Plan)

| | Sales Growth Rate (%) | Improvement in Operating Income ¹ (Billion yen) | Improvement in ROIC (pts) |
|--------------------------------------|-----------------------|--|---------------------------|
| Stable Earnings ³ | +2.9 | +13.7 ^{+14.0} | +3.9 |
| Growth Driver ³ | +3.8 | +4.1 ^{+18.2} | +1.1 |
| Business Transformation ³ | (1.4) | +10.3 ^{+35.8} | +8.6 |
| Total | +2.5 | +25.3 ² ^{+80.0²} | +4.7 |

1. Comparison with "core income" for FY2023. Figures in orange show improvement in operating income.

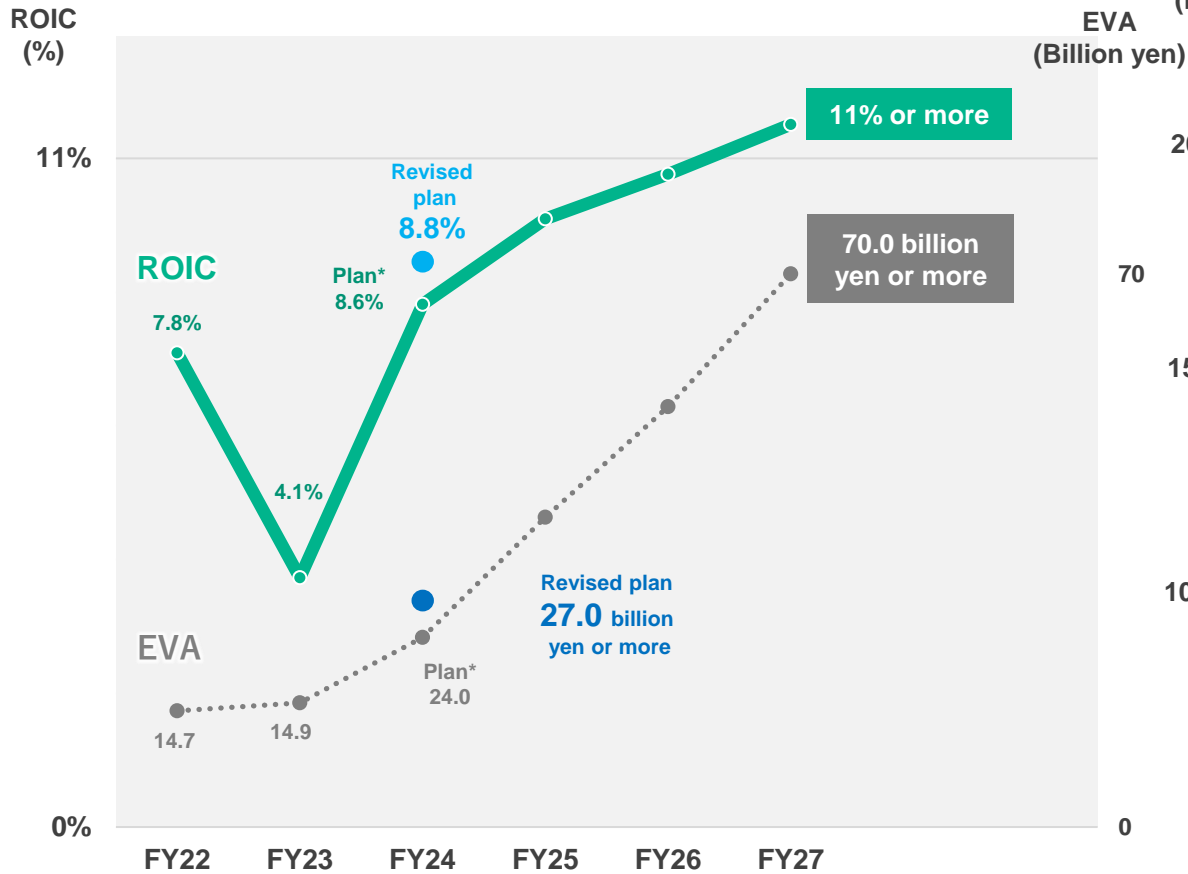
2. A portion of expenses were allocated as corporate expenses.

3. Stable Earnings: Fabric care, Home care, Personal health
 Growth Driver: Skin care, Chemical, Cosmetics, Commercial-use hygiene products
 Business Transformation: Hair care, Sanitary

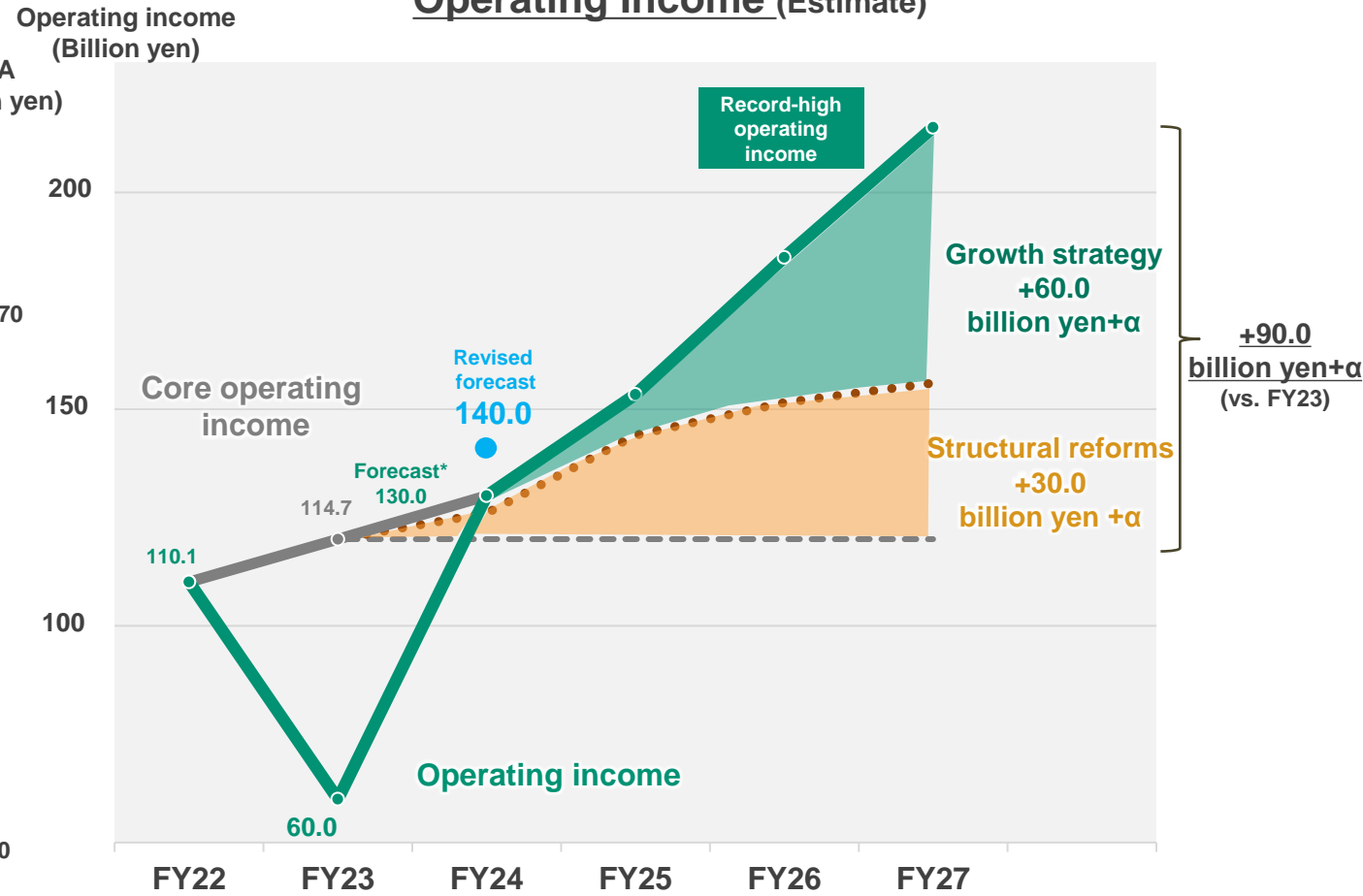
| ROIC Performance | |
|------------------|-------------|
| FY2023 Result | FY2024 Plan |
| 4.1% | ⇒ 8.8% |

Mid-term Plan K27: Progress

ROIC (Estimate)



Operating Income (Estimate)



* Announced on February 7, 2024

03

Mid-term Plan “K27” Progress

K27 Strategic Framework

【K27 Basic Policy】

1. Become an essential company in a sustainable world
2. Transform to build robust business through investment
3. Maximize the power and potential of employees

Strategies for achieving K27

Build Global Sharp Top businesses

Global shift to essential, highly profitable businesses

Global Sharp Top human capital/organizational management

Decisive investment in human capital
Withdrawal from matrix management

Improve capital efficiency/profitability

Maximize the value of management capital

Build businesses through co-creation with partners

Faster maximization of technology assets

Progress of Mid-term Plan K27

- Progress toward achieving the K27 targets was greater than planned, and therefore the Kao Group has raised the full-year plan for FY2024.

| (Billion yen) | FY2023 Results | FY2024 Plan ³ | FY2024 Revised Plan | FY2027 Targets |
|----------------------------------|--------------------|--------------------------|----------------------|--|
| ROIC | 4.1% | 8.6% | <u>8.8%</u> | 11.0% or more |
| EVA | 14.9 | 24.0 | <u>27.0</u> or more | 70.0 or more |
| Operating Income | 114.7 ² | 130.0 | <u>140.0</u> | Record-high operating income (FY2019 211.7 billion yen) |
| Sales outside Japan ¹ | 655.8 | 697.0 | <u>Approx. 700.0</u> | 800.0 or more (Sales CAGR+4.3%) |

1. Sales outside Japan are based on the location where the sales were recognized.
 2. Core operating income
 3. Announced on February 7, 2024

Structural Reforms and Growth Strategy

| Key Focus | Strengthened Efforts | Structural Reforms | Growth Strategy | K27 Targets |
|--|--|--|--|--|
| Global Growth | Focus investment and profitability by business | Business portfolio management | Prioritize investment in global growth business | Sales outside Japan 800.0 billion yen or more ROIC 11% or more EVA 70.0 billion yen or more |
| | Adapt to business practices of retailers in Japan (low-price oriented) | Adjust selling prices through promotion of high-value-added products | Expand target areas through promotion of high-value-added products | |
| | Establish independent profit system by business | ROIC management | → | |
| Earning Power | Strategic investment allocation Brand and SKU optimization (Management shift from volume to quality) | High demand/High added value | High demand/High added value + commercialization of co-creation | Record-high operating income 211.7 billion yen or more |
| | | Data-driven management | Loyalty marketing | |
| Organizational Culture/ Human Capital | Speed, and focus on <i>Genba</i> * | Scrum-based activities (Steering boards) | → | Maximize the power and potential of employees |
| | Spirit of challenge | Equity, retraining, acquisition of new talent (A positive cycle of high motivation and vitality) | → | |

* *Genba*: Actual spot or on-site

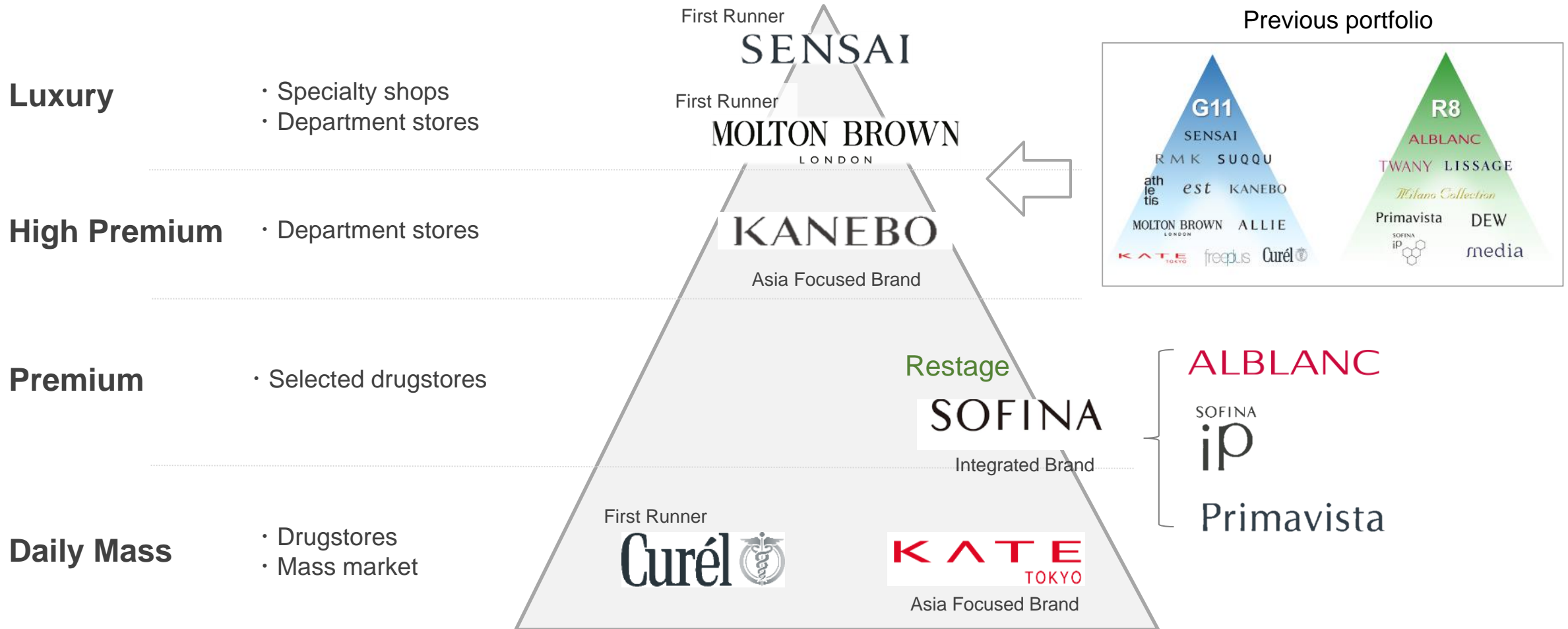
Progress of Structural Reforms and Growth Strategy

Global growth

| Stable Earnings | Growth Driver | Business Transformation |
|---|--|---|
| <p>Fabric and home care 2023–2024 Solid growth in high market share and high profitability businesses</p> <p>Personal health 2023 Solid growth in high profitability businesses</p> | <p>Skin care Reinforce skin protection products</p> <p>Chemical Focus on high-market-share and high-profitability businesses</p> | <p>Sanitary (Baby diapers) 2023 Termination of production in China, and optimization of production in Japan</p> <p>2024 Transfer of pet care business 2024 Transfer of beverage business</p> |
| <p>Sanitary (Diapers, sanitary napkins)</p> <p>→ Aim to shift to “Stable Earnings” from “Business Transformation”</p> | <p>Cosmetics Select global brands and review brand portfolio</p> <p>Commercial-use hygiene products Expand sales channels</p> | <p>Hair care Establish strategic brand portfolio globally and make a full-scale entry into the high premium market</p> <p>Sanitary (Sanitary napkins, adult incontinence products) 2023 Change in business strategy</p> |

Cosmetics -Global Growth Brands

- Focus investment on brands selected from G11 and R8 to grow globally based on their unique value and maximization of customer needs.
- *SOFINA* will be restaged as one *SOFINA*, with a focus on Japan and Asia.
- Other brands will be shifted to loyalty marketing.



Cosmetics -Global Growth Brands

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Luxury

First Runner
SENSAI

44
countries **+8%**

| Operating Countries | 3-year Sales CAGR |
|---------------------|-------------------|
|---------------------|-------------------|

First Runner
MOLTON BROWN
LONDON

36
countries **+5%**

High Premium

KANEBO
Asia Focused Brand

11
countries **+21%**

Premium

Restage
SOFINA
Integrated Brand

10
countries **+16%**

12
countries **+7%¹**

First Runner
Curél

KATE
TOKYO
Asia Focused Brand

Mass make-up products
No.1 in Japan³
No.2 in Taiwan⁴

Daily Mass

Sensitive skin care products
No.1 in Japan²

1. Sales CAGR excluding Chinese market
2. Research by INTAGE, Inc. Value share January to June 2024

3. Research by INTAGE, Inc. Value share January to June 2024
4. Research by Nielsen, Inc. Value share January to June 2024

Skin Protection -Global Sharp Top Progress

32%⁴ sales increase and global expansion accelerated with scrum-style operation

Bioré UV Care

Japan

Contribution of new products to sales: 12%
Expanding No. 1 Market Share¹



ALLIE

Cosmetics level UV Care

Curél

UV Care for sensitive skin



Contribution of new products to sales: 11%

Europe

Bioré UV Care



3 countries in 2023
→ Expand to 8 countries in 2024



Self tanning



Market share No. 1²

China

Bioré UV Care

New product launches led 24% increase in sales
Customer base expansion driven by inbound tourism



U.S.

Bioré UV Care

Sales increased led by pre-launch of e-commerce
2024 H2: Expand into four major retail chains



Self tanning

Outstanding No. 1 market share with two brands³

Asia

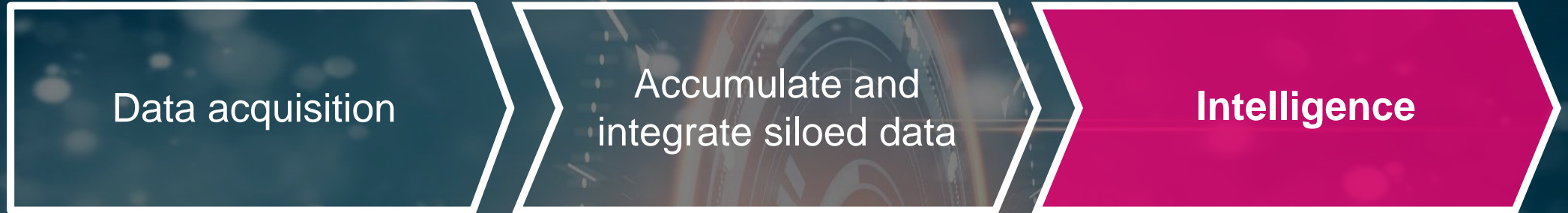
Bioré GUARD Repellents








Thailand in 2022 → Expand into Singapore, Taiwan, Hong Kong and Malaysia in 2024

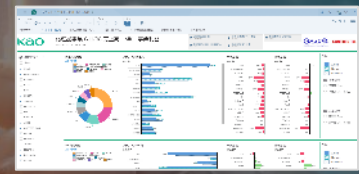
1. INTAGE, Inc. January to June 2024 2. Euromonitor International Limited, Beauty and Personal Care 2023 Edition, sales value at retail selling price 3.Kao survey 4.Excluding ALLIE and Curél

Loyalty Marketing Using “Digital Clairvoyance”

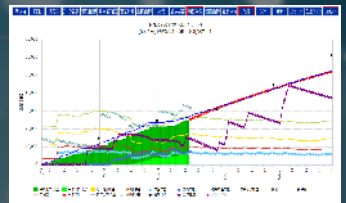
Kao i-Lake supporting data-driven management



-  Accounting (ERP)
-  R&D
-  Production & Logistics
-  Sales & Inventory
-  Human resources
-  Market information
-  Customers' voice



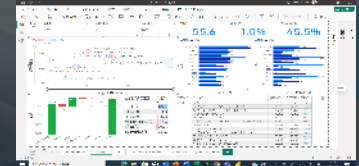
GMAP¹



Inventory monitoring



S&OP² simulation



Marginal profit rate monitoring



Digital clairvoyance



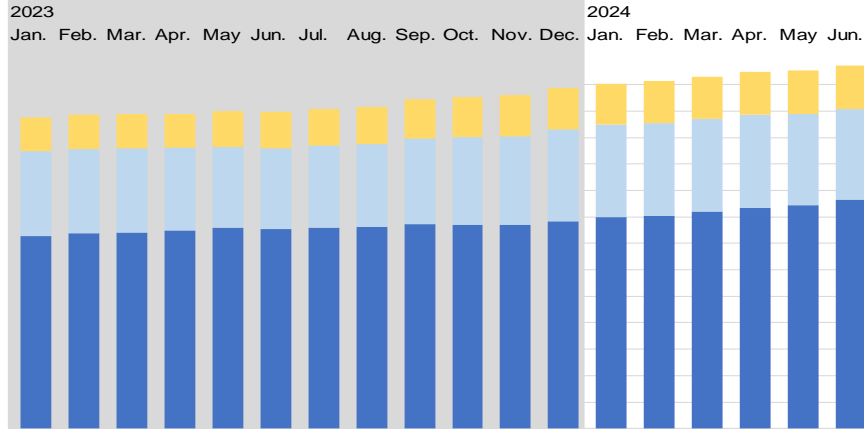
Global market information

1. GMAP: Global Management Accounting Platform 2. S&OP: Sales & Operations Planning

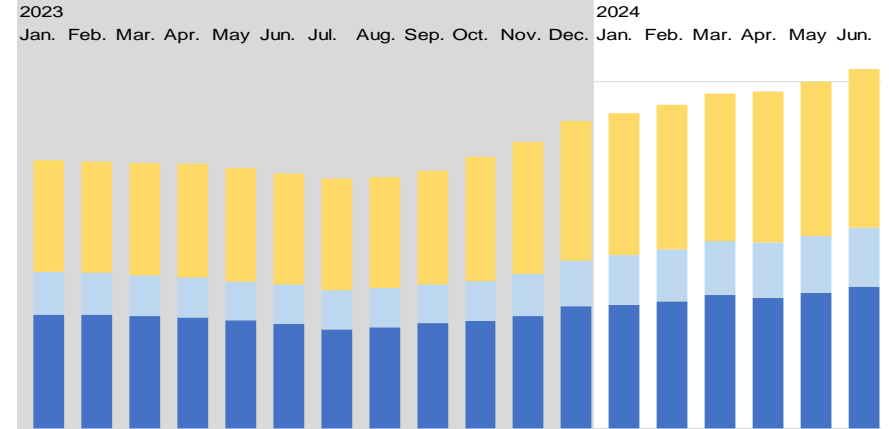
Global Sharp Top Strategy (Loyalty Marketing)



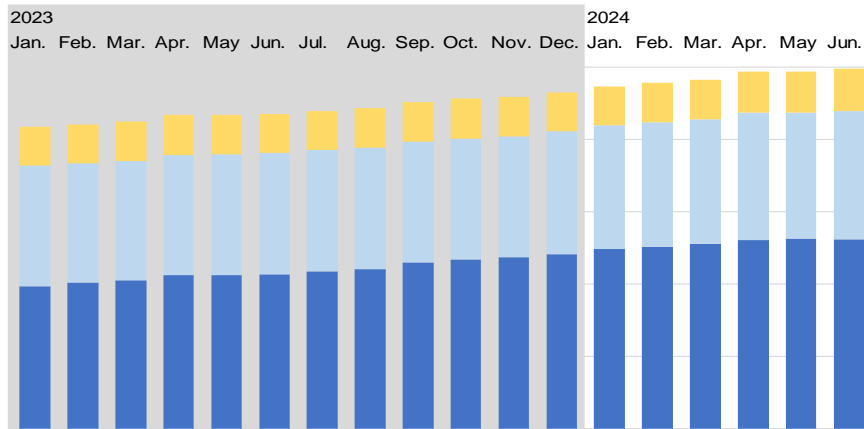
Attack : Fabric detergent



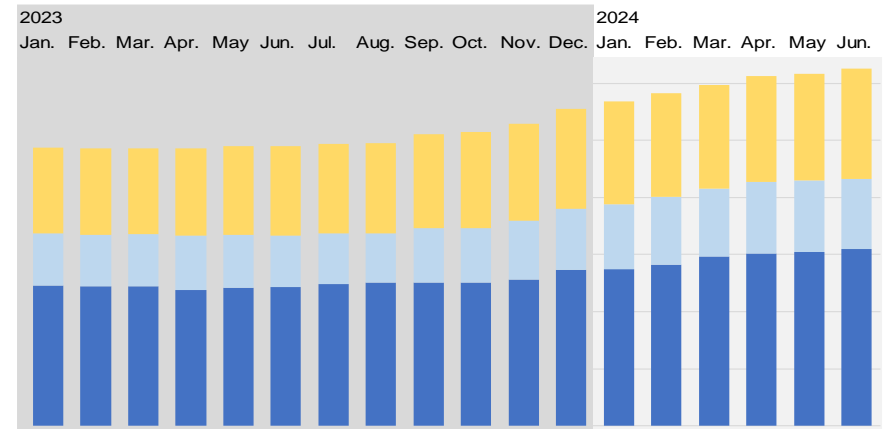
Magiclean : Toilet cleanser



Laurier : Sanitary napkin



Bioré Bioré: Makeup remover

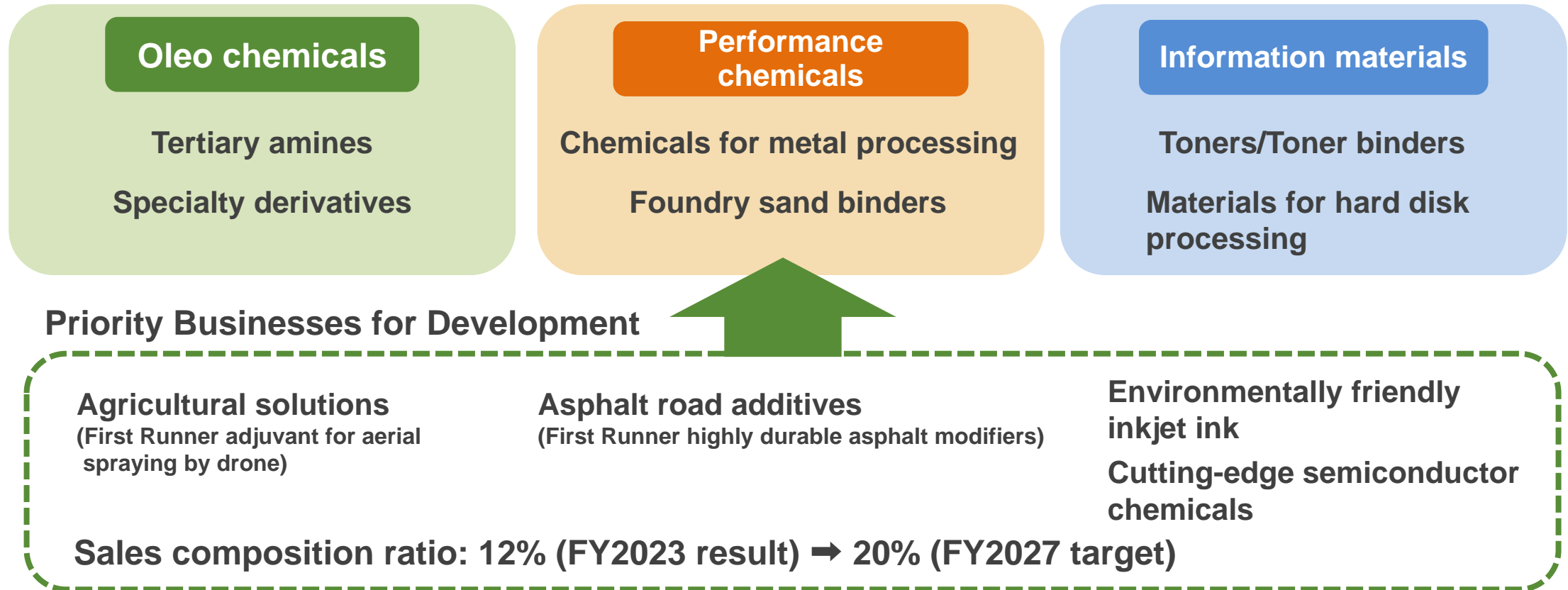


- Trial users: Those who purchased the brand only once per year
- Repeat users: Those who have repeatedly purchased the brand but also shop around for other brands
- Loyal users: Customers who purchase the brand repeatedly, with a high proportion of frequent purchasers

Building *Global Sharp Top* Chemical Businesses

- Strive to further increase profitability to meet K27 targets by fostering new *Global Sharp Top* businesses.

Global Sharp Top businesses



ROIC: 7% (FY2023 result) → 11% (FY2027 target)

Key Actions for FY2024 H2 and FY2025

- **Continuous improvement of earning power (profitability)**
Launch high-value-added products and pursue loyalty marketing
- **Establish global growth structure for the Cosmetics Business**
Focus investment in core brands and reinforce digital beauty counseling capabilities
- **Transform the hair care business to achieve global growth**
Enter the high premium market in Japan and establish global growth plan
- **Implement distinctive digital marketing**
Accurately understand customer needs and offer effective proposals of exclusive and distinctive value (information and products) to customers

Key Highlights

- Due to the strengthening of core brands globally and the effects of structural reforms, the gross margin increased 3.4 pts and the ROIC increased 4.8 pts.
 - ✓ Restored profit through structural reforms
 - Maintained profitability in sanitary products
 - Improved earning power by adjusting selling prices through promotion of high-value-added products
 - ✓ Improved competitive advantages for core brands
 - Increased both profit margin and market share for *Attack* laundry detergents, *CuCute* dishwashing detergents and other brands
 - Leveraged DX to visualize progress in establishing loyal users and to upgrade marketing
 - Entered the high premium hair care market with *melt*, using scrum-type product development
 - ✓ Ramped up global rollout of high-value-added products
 - Sales of skin protection products increased 32%
 - Accelerated expansion of *ORIBE* in Europe and strengthened *KATE* in Asia
 - Chemical Business achieved an improvement of 2.3 pts in its operating margin through the expansion of high-performance products
- Optimize distribution inventory for cosmetics in China and build a brand portfolio to accelerate global growth.
- Made upward revision of FY2024 forecast*.
 - ✓ Operating income : 130.0 billion yen → 140.0 billion yen
 - ✓ ROIC : 8.6% → 8.8%
 - ✓ EVA : 24.0 billion yen → 27.0 billion yen or more

- **Briefing on Strategies for the Hair Care Business**
Thursday, September 19, 2024

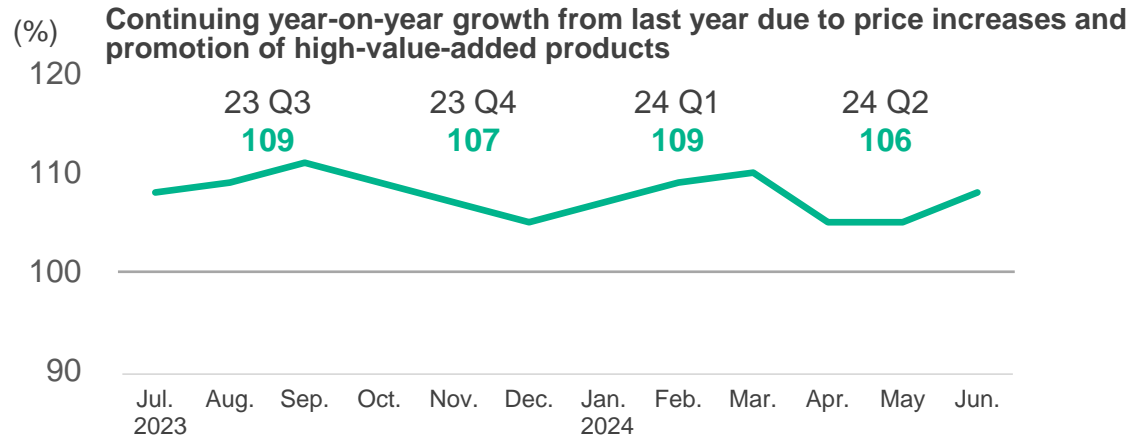
04

| **Appendix**

Consumer Products Market in Japan

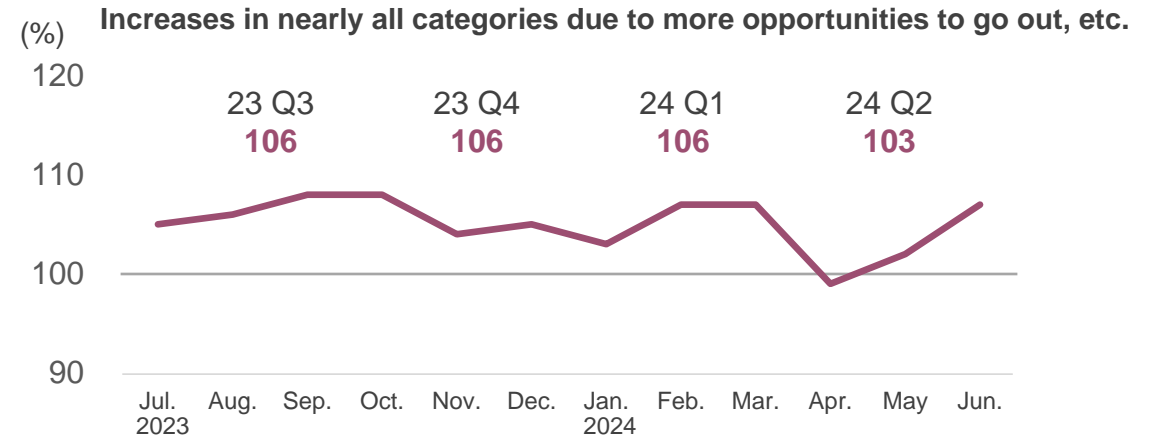
Growth of H&PC Market

87 categories, SRI+¹
Market growth rate in value terms



Growth of Cosmetics Market

26 categories, SLI²
Market growth rate in value terms



Market Growth Rates of Major Categories

| vs. previous year | Apr. | May | Jun. | Q2 |
|------------------------|------|-----|------|-----|
| H&PC total | 105 | 105 | 108 | 106 |
| Laundry detergents | 112 | 109 | 114 | 112 |
| Fabric softeners | 109 | 109 | 113 | 110 |
| Bath cleaning products | 103 | 104 | 107 | 105 |
| Sanitary napkins | 105 | 106 | 110 | 107 |
| Baby diapers | 100 | 101 | 102 | 101 |
| Sunscreens | 120 | 105 | 113 | 112 |
| Hand soaps | 101 | 103 | 109 | 105 |
| Hand sanitizers | 84 | 82 | 90 | 85 |
| Bath additives | 98 | 100 | 105 | 101 |

Market Growth Rates of Major Categories

(Source: INTAGE Inc.)

| vs. previous year | Apr. | May | Jun. | Q2 |
|--------------------------------------|------|-----|------|-----|
| Cosmetics total | 99 | 102 | 107 | 103 |
| Skin care products | 95 | 103 | 106 | 101 |
| Facial cleansers/ Makeup removers | 102 | 101 | 108 | 104 |
| Lotions/emulsions/ creams | 92 | 101 | 99 | 97 |
| Serums | 97 | 93 | 116 | 103 |
| Makeup products | 107 | 102 | 108 | 106 |
| Makeup bases | 109 | 105 | 108 | 107 |
| Point makeup products | 104 | 99 | 107 | 104 |
| Other | 104 | 100 | 116 | 107 |
| Sunscreens | 109 | 108 | 114 | 110 |

1. SRI+: Estimates based on POS data from approx. 6,000 retail outlets in Japan
2. SLI: Estimates based on a panel survey of approx. 40,000 consumers in Japan

Kao's Main Markets outside Japan

Asia

- **China:** Slight year-on-year growth continued amid gradual recovery in consumption.
- **Indonesia:** The market continued its growth trend due to rising product prices.
- **Thailand:** The market continued its growth trend, although at a slower rate.

| vs. previous year | China (including e-commerce) | | | | Indonesia | | | | Thailand | | | |
|-----------------------------------|------------------------------|-------|-------|-------|-----------|-------|-------|-------|----------|-------|-------|-------|
| | 23 Q3 | 23 Q4 | 24 Q1 | 24 Q2 | 23 Q3 | 23 Q4 | 24 Q1 | 24 Q2 | 23 Q3 | 23 Q4 | 24 Q1 | 24 Q2 |
| Baby diapers | - | - | - | - | 95 | 93 | 95 | 94 | 89 | 92 | 89 | 87 |
| Sanitary napkins and panty liners | 95 | 98 | 102 | 103 | 109 | 108 | 110 | 110 | 104 | 104 | 103 | 102 |
| Laundry detergents | - | - | - | - | 101 | 105 | 107 | 105 | 106 | 109 | 109 | 106 |
| Sunscreens | - | - | - | - | - | - | - | - | 120 | 116 | 117 | 113 |
| House cleaning products | - | - | - | - | - | - | - | - | 94 | 99 | 105 | 100 |

Source: NielsenIQ

Americas and Europe

- Although market growth continued in all three countries due to rising selling prices, the rate of growth slowed.

| vs. previous year | U.S. | | | | U.K. | | | | Germany | | | |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|---------|-------|-------|-------|
| | 23 Q3 | 23 Q4 | 24 Q1 | 24 Q2 | 23 Q3 | 23 Q4 | 24 Q1 | 24 Q2 | 23 Q3 | 23 Q4 | 24 Q1 | 24 Q2 |
| Hair care | 106 | 106 | 103 | 103 | 110 | 105 | 105 | 105 | 113 | 107 | 106 | 103 |
| Facial care products | 112 | 109 | 104 | 100 | - | - | - | - | 124 | 109 | 109 | 105 |
| Self tanning | 105 | 103 | 100 | 100 | - | - | - | - | - | - | - | - |
| Hand and body lotions | 110 | 103 | 104 | 103 | - | - | - | - | - | - | - | - |

Source: Circana

Consumer Products Business in H1

| Billion yen | Net sales | | | | Operating income | | | Operating margin % | |
|----------------------------|-----------|--------------|--------------|-----------------|------------------|--------------|--------------|--------------------|--------------|
| | FY2023 | FY2024 | Growth % | Like-for-like % | FY2023 | FY2024 | Change | FY2023 | FY2024 |
| Japan | 368.1 | 382.5 | +3.9 | +3.9 | 6.0 | 28.6 | +22.6 | 1.6 | 7.5 |
| Asia | 113.4 | 111.1 | (2.0) | (9.3) | 13.4 | 12.3 | (1.1) | 11.8 | 11.1 |
| Americas | 60.9 | 72.0 | +18.3 | +5.1 | 3.9 | 4.0 | +0.1 | 6.4 | 5.5 |
| Europe | 34.6 | 43.8 | +26.7 | +11.5 | (0.5) | (2.5) | (2.0) | (1.5) | (5.7) |
| Consumer Products Business | 576.9 | 609.4 | +5.6 | +1.9 | 22.8 | 42.3 | +19.5 | 4.0 | 6.9 |

Net sales growth rates of major companies (Like-for-like %)

| | | | | | |
|----------------|-------|---------------|------|----------------|-------|
| Kao China: | (21)% | Kao Taiwan: | +2% | Kao Vietnam: | +15% |
| Kao Indonesia: | (4)% | Kao Thailand: | (1)% | Kao Hong Kong: | (10)% |

Sales by geographic region are classified based on the location of the sales recognized.
Income for FY2023 H1 represents "core income."

Hygiene and Living Care Business in H1

- Sales: **255.6** billion yen (+1.9%) Operating income: **33.9** billion yen (+24.1 billion yen*) Operating margin: **13.3%**
- Continued to increase sales and market share by improving the brand power of core brands *Attack* and *CuCute* through effective deployment of marketing expenses. Market share for laundry bleaches increased due to a new communication.
- Operating margin increased 9.3 pts due to the effects of structural reforms including selling prices adjustments through promotion of high-value-added products and a gain on the transfer of the pet care business.

Fabric & Home Care

Net sales +7.4%, operating margin +6.1 pts due to continued growth of core brands

- Fabric care: Sales of laundry detergents remained strong due to proactive offerings of high-value-added products. Market share for laundry bleaches increased due to a new communication.
- Home care: Sales of dishwashing detergents and high-value-added toilet and bath cleaners remained strong.



Attack ZERO

Sanitary

Operating margin reached 7.1% due to the effects of structural reforms and gain on transfer of pet care business

- Sanitary napkins: Sales grew in Japan due to marketing innovations.
- Baby diapers: Although sales targeting China faced tough conditions, structural reforms showed an effect.



Laurier

* Comparison with "core income" for FY2023 H1

Health and Beauty Care Business in H1

- Sales: **210.6** billion yen (+5.4%) Operating income: **15.0** billion yen (-1.0 billion yen*) Operating margin: **7.1%**
- New high-value-added *Bioré* products sold strongly due to effective deployment of marketing expenses. Ramped up rollout of UV care products outside Japan.
- Operating income decreased 1.0 billion yen due to structural reform expenses for subsidiaries in the Americas and Europe.

| | |
|--|--|
| <p>Skin Care</p> | <p>Increase in sales, with a major contribution from high-value-added products</p> <ul style="list-style-type: none"> • Japan: High-value-added UV care products and sheet-related products sold strongly. • Americas and Europe: <i>Bondi Sands</i>, acquired in 2023, contributed to sales. |
| <p>Hair Care</p> | <p>Increase in sales due to strong performance in the Americas and Europe</p> <ul style="list-style-type: none"> • Japan: Rebranded <i>Essential</i> products performed strongly. • Americas and Europe: New <i>JOHN FRIEDA</i> products contributed to sales. |
| <p>Products for Hair Salons</p> | <p>Increase in sales with continued strong performance of <i>ORIBE</i></p> <ul style="list-style-type: none"> • <i>ORIBE</i> continued to sell strongly, mainly via e-commerce. |
| <p>Personal Health</p> | <p>Decrease in sales as bath additives faced tough conditions, despite strong sales of <i>MegRhythm</i> thermo products</p> <ul style="list-style-type: none"> • <i>MegRhythm</i> eye masks sold strongly. |



Bioré ZERO



Essential



MegRhythm

* Comparison with "core income" for FY2023 H1

Life Care Business in H1

- Sales: **26.5** billion yen (-3.9%) Operating income: **-0.5** billion yen (+0.6 billion yen*) Operating margin: **-1.7%**
- Sales of commercial-use hygiene products decreased due to the impact of shrinkage of the market for sanitizers and other products.

Commercial-use Hygiene Products

Decrease in sales in Japan and the Americas

- Japan: Although demand increased for kitchen cleaning agents and guest room amenities in the food service industry and lodging facilities and other establishments, sales of sanitizers and other products were affected by market shrinkage.
- Americas: Sales decreased.



Commercial-use hygiene products

* Comparison with “core income” for FY2023 H1

Cosmetics Business in H1

- Sales: **116.7** billion yen (-2.6%) Operating income: **-6.1** billion yen (-4.2 billion yen*) Operating margin: **-5.3%**
- Sales were strong in Taiwan, Thailand and Europe, but did not fully offset the slump in China.
- Profits were affected by the decline in China.

Japan

Sales on par with previous year as the market moved toward recovery

- *KANEBO* sales increased more than 30%, driving growth in the region.
- *ALLIE*, *SOFINA iP* self-selection brands sold strongly.



KANEBO

China

Decrease in sales due to slowing market growth and a tough competitive environment

- Sales of locally produced *Curél* and *freeplus* products were in line with the plan.



freeplus

Europe

Growth in the region driven by *SENSAI* amid a market slump caused by continuing inflation

- The *SENSAI* supreme skincare line posted high growth, and all lines, including new mask products, sold strongly.
- *MOLTON BROWN* sales were driven by the northern Europe region, while sales of hotel amenities struggled.
- *Curél* sold strongly in the U.K.



Curél

* Comparison with "core income" for FY2023 H1

Chemical Business in H1

- Sales: **199.8** billion yen (+1.1%) Operating income: **16.7** billion yen (+5.6 billion yen*) Operating margin: **8.3%**
- Profits increased due to improved profit margins, mainly for oleo chemicals, and substantial contributions from sectors that grew by capturing recovering demand.

Oleo chemicals

Sales trending toward recovery and improvement in profitability amid recovery in customer demand

- Demand for tertiary amines was recovering, and sales increased 15% through the use of new facilities.
- Made steady progress in the rollout of high-value-added products (agricultural adjuvant, etc.).

Performance chemicals

Decrease in sales due to the slowdown in some target markets and continued impact of intensified competition

- Automobile-related products in Japan and the infrastructure sector in the Americas continued to be impacted.
- Rollout of high-value-added products continued to progress steadily (anti-corrosive detergent for metal parts, *Lunaflow* hydrophobic cellulose nanofiber composite material, etc.).

Information materials

Increase in sales from steadily capturing recovering demand in target industries

- Market conditions in hard disk and semiconductor-related sectors recovered as expected.
- Sales of inkjet ink increased due to a new product launch.

Using its corporate website, the Kao Group is working to expand applications for the recently launched *Lunaflow*, a release agent made from the biomass material cellulose nanofiber. It features excellent release properties and high durability, and has a solvent- and fluorine-free composition that makes it friendly to both workers and the environment.



More details below!

Kao LUNAFLOW

* Comparison with "core income" for FY2023 H1

KaO

Kirei—Making Life Beautiful

