

**KaO**

Kirei—Making Life Beautiful

# Consolidated Financial Results for the Year Ended December 31, 2024 and FY2025 Forecast

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Kao Corporation  
February 6, 2025



## 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/ Global consumer care products excluding cosmetics
5. CP: Abbreviation of Consumer Products
6. GC: Abbreviation of Global Consumer Care
7. Core income: Income excluding impacts of structural reforms for the fiscal year ended December 31, 2023
8. *Yoki-Monozukuri*: In Japanese, “yoki” means good or excellent, and “monozukuri” means making or craftsmanship. For us, Yoki-Monozukuri means an excellent creation process that is good for everyone involved and enriches the lives of consumers and customers.

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# Key Highlights

- In FY2024, the Kao Group took a vigorous step toward achieving K27 by posting results that exceeded its plans.

[Background]

- Restored profit through structural reforms
- Improved competitive advantages for core brands
- Ramped up global rollout of high-value-added products



Reformed earning power  
(Effects of structural reforms)



Further advanced  
“Yoki-Monozukuri”  
Kao's Strengths

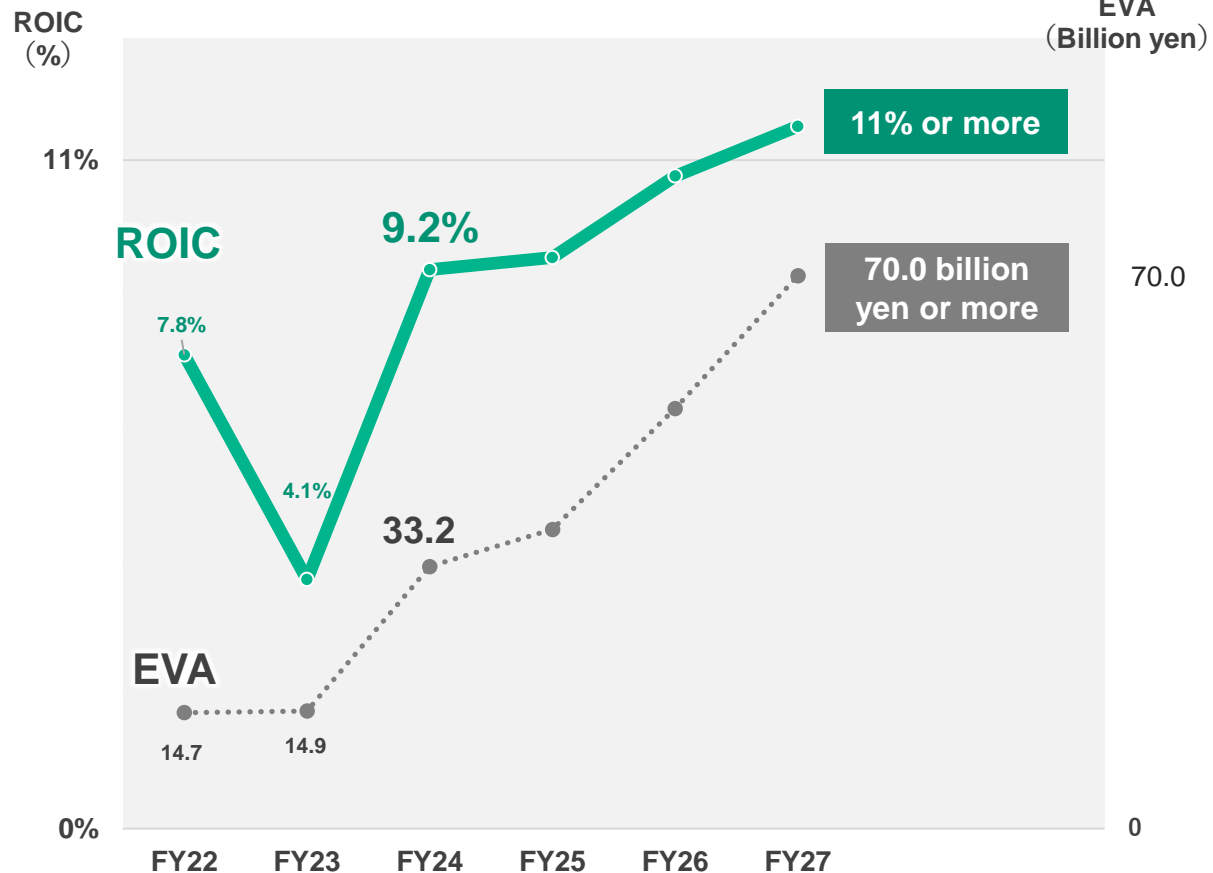
- In FY2025, the Kao Group will sustainably increase its earning power and establish a strong foundation for accelerating growth.
- In the Cosmetics Business, implemented optimization of distribution inventory in China as planned and expect to contribute to profit in FY2025.
- Exceeded the plan in FY2024 toward the key ROIC improvement target under K27 through profit growth and disposal of inefficient assets, among other measures.

| (Billion yen)                    | FY2023 Results     | FY2024 Revised Plan <sup>3</sup> | FY2024 Results | FY2025 Plan | FY2027 Targets   |
|----------------------------------|--------------------|----------------------------------|----------------|-------------|--|
| ROIC                             | 4.1%               | 8.8%                             | 9.2%           | 9.4%        | 11.0% or more  |
| EVA                              | 14.9               | 27.0 or more                     | 33.2           | 37.0        | 70.0 or more   |
| Operating Income                 | 114.7 <sup>2</sup> | 140.0                            | 146.6          | 160.0       | Record-high operating income<br>(FY2019 211.7 billion yen) |
| Sales outside Japan <sup>1</sup> | 655.8              | Approx. 700.0                    | 705.5          | 730.0       | 800.0 or more<br>(Sales CAGR+4.3%)                         |

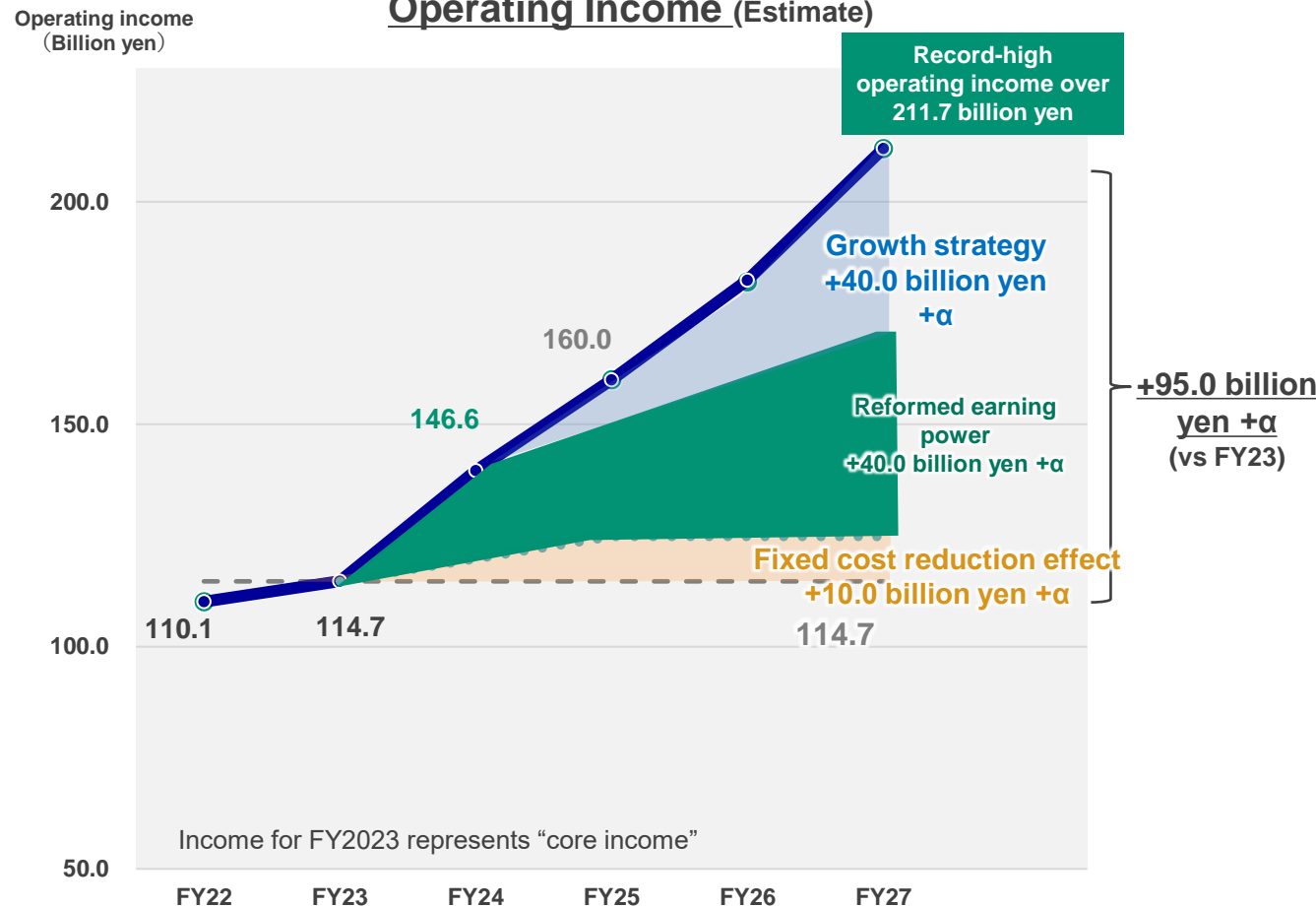
- Sales outside Japan are based on the location where the sales were recognized.
- Core operating income
- Announced on August 8, 2024

- Significant progress on the *Global Sharp Top* strategy, which is Kao's growth strategy, has increased the certainty of achieving K27.

### ROIC (Estimate)



### Operating Income (Estimate)



Reference: Assumptions at the time of K27 announcement

- 1. Fixed cost reduction effect
  - 2. Reformed earning power
- Effects of structural reforms : Approximately 30.0 billion yen

**02**

# **Financial Results**

**for the Year Ended December 31, 2024**

# Highlights of Consolidated Financial Results

- The gross margin increased **1.9** pts and operating income increased 31.9 billion yen (+27.8%) to 146.6 billion yen due to contributions from H&PC products in Japan and the Chemicals Business, in addition to the effects of structural reforms.

| Billion yen                                     | FY2023             | FY2024                         | Growth % | Change           |
|---|--------------------|--------------------------------|----------|------------------|
| Net sales                                       | 1,532.6            | <b>1,628.4</b>                 | +6.3     | +95.9            |
|   |                    | Effect of currency translation | +3.0     | +45.8            |
|   |                    | Like-for-like growth           | +3.3     | +50.0            |
| Gross profit                                    | 575.1              | <b>638.4</b>                   | +11.0    | +63.3            |
| Gross margin                                    | <b>37.3%</b> 37.5% | <b>39.2%</b>                   | -        | <b>+1.9</b> +1.7 |
| Operating income                                | 114.7              | <b>146.6</b>                   | +27.8    | +31.9            |
| Operating margin                                | 7.5%               | <b>9.0%</b>                    | -        | +1.5             |
| Income before income taxes                      | 118.5              | <b>151.0</b>                   | +27.4    | +32.5            |
| Net income                                      | 88.3               | <b>110.4</b>                   | +25.1    | +22.1            |
| Net income attributable to owners of the parent | 86.0               | <b>107.8</b>                   | +25.3    | +21.8            |
| EBITDA (Operating income + Depr. & Amort.)      | 149.6              | <b>235.1</b>                   | +57.1    | +85.4            |
| Basic earnings per share (yen)                  | 184.95             | <b>231.94</b>                  | +25.4    | 46.99            |
| Cash dividends per share (yen)                  | 150.00             | <b>152.00</b>                  | -        | +2.00            |
| Net cash flows from operating activities        | 202.5              | <b>201.6</b>                   | (0.4)    | (0.9)            |

Exchange rates: 151.42 yen/USD 163.81 yen/Euro 21.04 yen/Yuan  
Income for FY2023 represents "core income" (excluding EBITDA.)

Figures in orange indicate ratios using core net sales, which are sales excluding the impact of a provision for product returns due to cosmetics brand consolidation.

# Highlights of Q4 Consolidated Financial Results (Oct.-Dec.)

- The gross margin increased 0.1 pts and operating income increased 1.7 billion yen (+3.8%) to 45.6 billion.

| Billion yen                                     | FY2023 Q4 | FY2024 Q4                      | Growth % | Change |
|---|-----------|--------------------------------|----------|--------|
| Net sales                                       | 406.7     | <b>438.4</b>                   | +7.8     | +31.7  |
|   |           | Effect of currency translation | +1.3     | +5.2   |
|   |           | Like-for-like growth           | +6.5     | +26.6  |
| Gross profit                                    | 165.8     | <b>179.1</b>                   | +8.0     | +13.3  |
| Gross margin                                    | 40.8%     | <b>40.9%</b>                   | -        | +0.1   |
| Operating income                                | 43.9      | <b>45.6</b>                    | +3.8     | +1.7   |
| Operating margin                                | 10.8%     | <b>10.4%</b>                   | -        | (0.4)  |
| Income before income taxes                      | 43.9      | <b>47.0</b>                    | +7.2     | +3.1   |
| Net income                                      | 36.0      | <b>37.5</b>                    | +3.9     | +1.4   |
| Net income attributable to owners of the parent | 35.8      | <b>36.7</b>                    | +2.7     | +1.0   |
| EBITDA (Operating income + Depr. & Amort.)      | 31.9      | <b>67.6</b>                    | +111.7   | +35.7  |
| Basic earnings per share (yen)                  | 76.93     | <b>79.10</b>                   | +2.8     | +2.17  |

Exchange rates: 152.30 yen/USD 162.55 yen/Euro 21.19 yen/Yuan  
Income for FY2023 Q4 represents "core income" (excluding EBITDA.)



# Key Points of FY2024 Results

Net sales **1,628.4** billion yen  
+3.3% on a like-for-like basis

Operating income **146.6** billion yen  
(+31.9 billion yen; +27.8%\*); margin **9.0%**

## FY2024 Financial Results

### Profit growth

- Fabric and Home Care sales increased 6.8% and the operating margin rose to 18.2% due to faster product development and the launch of new high-value-added products, among other factors. Market share also grew in Japan.
- Structural reforms had a substantial positive effect on sanitary products. With additional factors including progress in enhancing brand power and improving production efficiency, this business posted a profit even excluding a gain on business transfer.
- Chemical sales increased in all regions due to expanded sales of high-value-added products in the electronic materials, semiconductor and other sectors. The operating margin increased 1.8 pts to 8.5%.

### Sales growth

- The operating margin for Health and Beauty Care decreased 2.8 pts to 8.1%, but the business made upfront investments in marketing for growth from 2025 onward and conducted structural reforms at subsidiaries in the Americas and Europe.
  - ✓ Skin protection sales grew approximately 30%.
  - ✓ Hair care reforms progressed. Entered the premium market in Japan (*melt*, *THE ANSWER*) and secured double the targeted market share.

### Adapting to changing market conditions

- If the impact of China, provision for product returns due to cosmetics brand consolidation in Japan that was implemented in FY2023, and other factors are also excluded, sales of Cosmetics increased approximately 4% on a like-for-like basis. The operating margin decreased 3.7 pts to -1.5% due to the impact of distribution inventory optimization in China.

\* Comparison with "core income" for FY2023

# Consolidated Net Sales by Segment/Geographic Region in FY2024

- Achieved higher-than-market growth in major categories as the consumer products market in Japan grew.
- Net sales of the Consumer Products Business in Asia, excluding China decreased 2.1% due to a focus on improving profitability.

| Billion yen                      |                 | Japan        | Asia         | Americas     | Europe       | Consolidated      |
|----------------------------------|-----------------|--------------|--------------|--------------|--------------|-------------------|
| Fabric & Home Care               | FY2024          | 327.9        | 44.3         | 3.5          | -            | 375.7             |
|                                  | Like-for-like % | +9.2         | (7.3)        | (14.5)       | -            | +6.8              |
| Sanitary                         | FY2024          | 76.5         | 92.1         | -            | -            | 168.6             |
|                                  | Like-for-like % | (4.9)        | (5.7)        | -            | -            | (5.4)             |
| Hygiene and Living Care Business | FY2024          | 404.4        | 136.4        | 3.5          | -            | 544.3             |
|                                  | Like-for-like % | +6.2         | (6.2)        | (15.8)       | -            | +2.8              |
| Health and Beauty Care Business  | FY2024          | 212.1        | 36.7         | 112.5        | 62.7         | 424.0             |
|                                  | Like-for-like % | +3.3         | +0.7         | +3.2         | +11.2        | +4.1              |
| Life Care Business               | FY2024          | 40.2         | 0.2          | 15.2         | 0.2          | 55.9              |
|                                  | Like-for-like % | (4.5)        | +219.9       | +1.8         | +19.9        | (2.6)             |
| Cosmetics Business               | FY2024          | 166.5        | 39.1         | 7.9          | 30.6         | 244.1             |
|                                  | Like-for-like % | +8.4         | (26.7)       | (4.6)        | +2.9         | +0.0 <sup>2</sup> |
| Consumer Products Business       | FY2024          | 823.2        | 212.5        | 139.1        | 93.5         | 1,268.2           |
|                                  | Like-for-like % | +5.3         | (9.7)        | +2.0         | +8.4         | +2.4              |
| Chemical Business <sup>1</sup>   | FY2024          | 138.4        | 105.0        | 68.3         | 94.2         | 405.9             |
|                                  | Like-for-like % | +3.4         | +13.6        | +4.8         | +3.5         | +6.1              |
| Consolidated                     | FY2024          | <b>923.0</b> | <b>313.7</b> | <b>207.3</b> | <b>184.5</b> | <b>1,628.4</b>    |
|                                  | Like-for-like % | <b>+5.3</b>  | <b>(3.3)</b> | <b>+2.9</b>  | <b>+5.2</b>  | <b>+3.3</b>       |

1. Net sales of the Chemical Business include intersegment transactions

Sales by geographic region are classified based on the location of the sales recognized.

2. If the impact of China, provision for product returns due to cosmetics brand consolidation in Japan that was implemented in FY2023, and other factors are also excluded, sales increased approximately 4% on a like-for-like basis.

# Consolidated Results by Segment in FY2024

- The Fabric & Home Care, Health & Beauty Care and Chemical Business achieved both price and sales volume increases.
- The operating margin of the Chemical Business increased 1.8 pts to 8.5% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

| Billion yen              |                                  | Net sales      |                   |                 |             | Operating income |                     |                    |
|--------------------------|----------------------------------|----------------|-------------------|-----------------|-------------|------------------|---------------------|--------------------|
|                          |                                  | FY2024         | Like-for-like %   | Like-for-like % |             | FY2024           | Change <sup>3</sup> | Operating margin % |
| By Volume % <sup>2</sup> | By Price %                       |                |                   |                 |             |                  |                     |                    |
|                          | Fabric & Home Care               | 375.7          | +6.8              | +3.3            | +3.6        | 68.4             | +17.4               | 18.2               |
|                          | Sanitary                         | 168.6          | (5.4)             | (8.1)           | +2.7        | 7.3              | +16.4               | 4.4                |
|                          | Hygiene and Living Care Business | 544.3          | +2.8              | (0.5)           | +3.3        | 75.8             | +33.9               | 13.9               |
|                          | Health and Beauty Care Business  | 424.0          | +4.1              | +4.0            | +0.1        | 34.4             | (8.4)               | 8.1                |
|                          | Life Care Business               | 55.9           | (2.6)             | (2.9)           | +0.3        | 6.3              | +7.6                | 11.3               |
|                          | Cosmetics Business               | 244.1          | +0.0 <sup>4</sup> | (1.6)           | +1.7        | (3.7)            | (9.0)               | (1.5)              |
|                          | Consumer Products Business       | 1,268.2        | +2.4              | +0.6            | +1.8        | 112.8            | +24.1               | 8.9                |
|                          | Chemical Business <sup>1</sup>   | 405.9          | +6.1              | +5.6            | +0.5        | 34.6             | +9.9                | 8.5                |
|                          | <b>Consolidated</b>              | <b>1,628.4</b> | <b>+3.3</b>       | <b>+1.7</b>     | <b>+1.5</b> | <b>146.6</b>     | <b>+31.9</b>        | <b>9.0</b>         |

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

4. If the impact of China, provision for product returns due to cosmetics brand consolidation in Japan that was implemented in FY2023, and other factors are also excluded, sales increased approximately 4% on a like-for-like basis.

# Q4 Consolidated Net Sales by Segment/Geographic Region (Oct.-Dec.)

- 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               | Q4              | 95.1         | 11.4        | 0.7         | -           | 107.3        |
|                                  | Like-for-like % | +7.5         | (4.0)       | (20.2)      | -           | +6.0         |
| Sanitary                         | Q4              | 21.2         | 22.8        | -           | -           | 44.0         |
|                                  | Like-for-like % | +6.7         | (3.2)       | -           | -           | +1.4         |
| Hygiene and Living Care Business | Q4              | 116.3        | 34.2        | 0.7         | -           | 151.3        |
|                                  | Like-for-like % | +7.4         | (3.5)       | (22.8)      | -           | +4.6         |
| Health and Beauty Care Business  | Q4              | 56.2         | 9.6         | 27.6        | 15.9        | 109.3        |
|                                  | Like-for-like % | +3.7         | +11.3       | (2.5)       | +7.3        | +3.2         |
| Life Care Business               | Q4              | 11.2         | 0.1         | 3.9         | 0.0         | 15.3         |
|                                  | Like-for-like % | (5.0)        | +656.8      | +4.6        | (3.8)       | (2.1)        |
| Cosmetics Business               | Q4              | 50.3         | 7.2         | 2.3         | 11.2        | 70.9         |
|                                  | Like-for-like % | +23.2        | (30.3)      | (10.2)      | +3.8        | +10.3        |
| Consumer Products Business       | Q4              | 234.0        | 51.1        | 34.6        | 27.1        | 346.8        |
|                                  | Like-for-like % | +8.8         | (6.0)       | (2.9)       | +5.8        | +4.9         |
| Chemical Business*               | Q4              | 37.7         | 27.8        | 16.6        | 22.1        | 104.3        |
|                                  | Like-for-like % | +7.7         | +28.8       | +12.1       | +6.0        | +12.8        |
| Consolidated                     | Q4              | <b>260.9</b> | <b>77.9</b> | <b>51.2</b> | <b>48.4</b> | <b>438.4</b> |
|                                  | Like-for-like % | <b>+8.7</b>  | <b>+3.6</b> | <b>+1.6</b> | <b>+5.2</b> | <b>+6.5</b>  |

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

# Q4 Consolidated Results by Segment (Oct.-Dec.)

- The operating margin of the Chemical Business increased 2.3 pts to 9.2% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

| Billion yen |                                  | Net sales    |                 |                          |             | Operating income |                     |                    |
|-------------|----------------------------------|--------------|-----------------|--------------------------|-------------|------------------|---------------------|--------------------|
|             |                                  | Q4           | Like-for-like % | By Volume % <sup>2</sup> |             | Q4               | Change <sup>3</sup> | Operating margin % |
| By Price %  |                                  |              |                 |                          |             |                  |                     |                    |
|             | Fabric & Home Care               | 107.3        | +6.0            | +4.0                     | +2.0        | 20.6             | +0.8                | 19.2               |
|             | Sanitary                         | 44.0         | +1.4            | +1.3                     | +0.1        | 1.0              | +2.8                | 2.3                |
|             | Hygiene and Living Care Business | 151.3        | +4.6            | +3.2                     | +1.4        | 21.6             | +3.6                | 14.3               |
|             | Health and Beauty Care Business  | 109.3        | +3.2            | +2.7                     | +0.4        | 8.8              | (3.4)               | 8.1                |
|             | Life Care Business               | 15.3         | (2.1)           | (0.1)                    | (2.0)       | 0.7              | +0.8                | 4.6                |
|             | Cosmetics Business               | 70.9         | +10.3           | +11.5                    | (1.2)       | 4.2              | (2.7)               | 6.0                |
|             | Consumer Products Business       | 346.8        | +4.9            | +4.1                     | +0.9        | 35.4             | (1.8)               | 10.2               |
|             | Chemical Business <sup>1</sup>   | 104.3        | +12.8           | +6.7                     | +6.1        | 9.6              | +3.3                | 9.2                |
|             | <b>Consolidated</b>              | <b>438.4</b> | <b>+6.5</b>     | <b>+4.4</b>              | <b>+2.1</b> | <b>45.6</b>      | <b>+1.7</b>         | <b>10.4</b>        |

1. Net sales and operating income of the Chemical Business include intersegment transactions.

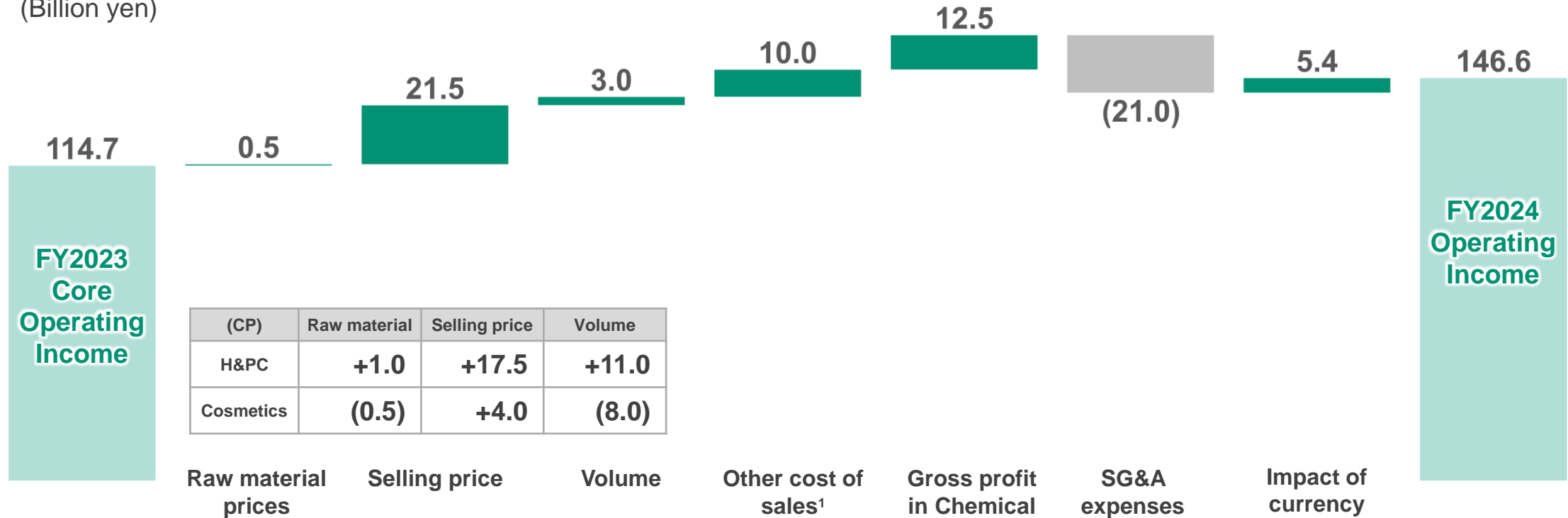
2. Growth by volume includes changes due to differences in product mix.

3. Comparison with "core income" for FY2023 Q4

# Analysis of Change in Operating Income in FY2024 (Year-on-Year Change)

- In Household and Personal Care, in addition to promoting high-value-added products, earning power reforms, including price revisions, productivity improvements and cost reductions, had a substantial effect, and sales volume also grew, offsetting rising personnel, logistics and other expenses.
- In Cosmetics, optimization of distribution inventory in China was conducted as planned, resulting in a substantial decrease in sales volume. In Chemicals, expanding sales of high-value-added products and other factors made a substantial contribution.
- Proactively invested for growth, including deployment of marketing expenses.
- Executed inventory reduction and disposal of inefficient assets as planned, to improve capital efficiency.
- Effects of structural reforms<sup>3</sup> is approximately 28.0 billion yen.

(Billion yen)



1. Including change in product mix

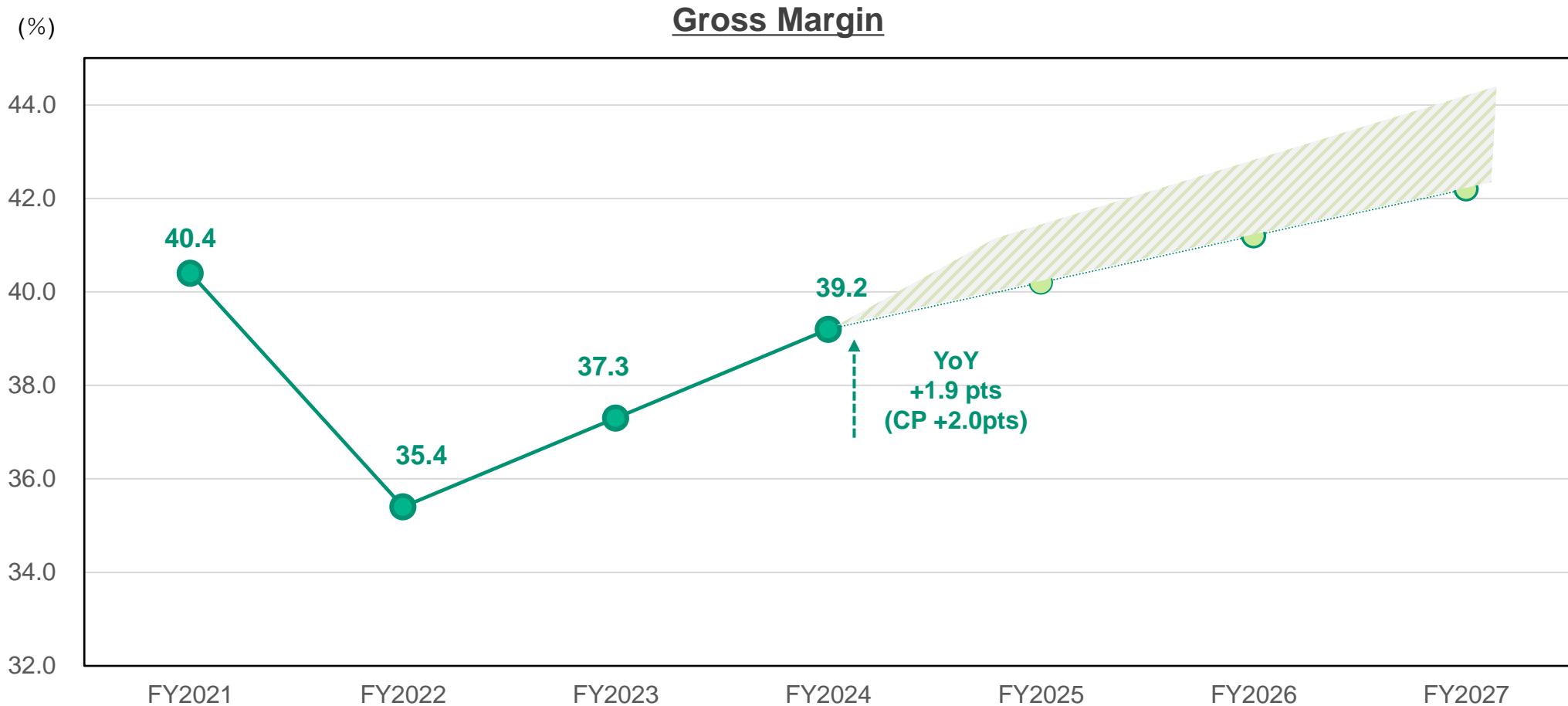
2. Breakdown of main items: 1) Asset sales, etc.: Pet care business +4.3 billion yen, beverage business +6.3 billion yen, disposal of lands, etc. -3.0 billion yen

2) Structural reform expenses for subsidiaries in the Americas and Europe -3.4 billion yen

3. Includes raw material prices, selling price and portion of the other cost of sales and SG&A expenses.

# Improvement of Profit Margin through Progress of Earning Power Reforms

- The gross margin improved 1.9 pts year on year.
- Enacted price revisions based on the promotion of high-value-added products and increased brand loyalty, and improved cost competitiveness through productivity improvements, etc. Aim to improve gross margin by +1.0 pts or more each year in the Consumer Products business going forward.
- Achieve the targets of K27 through implementing global growth strategies while continuing to reform earning power.



Gross margin for FY2023 represents "core gross margin."

**03**

**FY2025 Forecast**



# FY2025 Forecast

| Billion yen                                     | FY2024                         | Growth %* | FY2025 Forecast                | Growth % | Change |
|---|--------------------------------|-----------|--------------------------------|----------|--------|
| Net sales                                       | 1,628.4                        | +6.3      | <b>1,670.0</b>                 | +2.6     | +41.6  |
|   | Effect of currency translation | +3.0      | Effect of currency translation | (0.5)    | (9.5)  |
|   | Like-for-like growth           | +3.3      | Like-for-like growth           | +3.1     | +51.1  |
| Operating income                                | 146.6                          | +27.8     | <b>160.0</b>                   | +9.1     | +13.4  |
| Operating margin                                | 9.0%                           | -         | <b>9.6%</b>                    | -        | -      |
| Income before income taxes                      | 151.0                          | +27.4     | <b>163.0</b>                   | +7.9     | +12.0  |
| Net income attributable to owners of the parent | 107.8                          | +25.3     | <b>116.0</b>                   | +7.6     | +8.2   |
| EBITDA<br>(Operating income + Depr. & Amort.)   | 235.1                          | +57.1     | <b>246.0</b>                   | +4.7     | +10.9  |
| ROE (%)   | 10.5%                          | -         | <b>10.8%</b>                   | -        | -      |
| Basic core earnings per share (yen)             | 231.94                         | +25.4     | <b>249.74</b>                  | +7.7     | +17.80 |
| Cash dividends per share (yen)                  | 152.00                         | -         | <b>154.00</b>                  | -        | +2.00  |

\* Comparison with "core income" for FY2023 (excluding EBITDA and ROE.)

Exchange rate assumptions: 150 yen/USD 160 yen/Euro 21 yen/Yuan

# Sales Forecast for FY2025

## (By Segment)

| Billion yen                  | Japan |          | Consolidated |                       |
|------------------------------|-------|----------|--------------|-----------------------|
|                              |       | Growth % |              | Like-for-like growth% |
| Hygiene Living Care Business | 405.0 | +0.1     | 546.0        | +0.2                  |
| Health Beauty Care Business  | 222.0 | +4.7     | 448.0        | +6.9                  |
| Cosmetics Business           | 171.0 | +2.7     | 254.0        | +4.5                  |
| Business Connected Business  | 40.0  | (0.6)    | 40.0         | (0.4)                 |
| Global Consumer Care         | 838.0 | +1.8     | 1,288.0      | +3.3                  |
| Chemical Business*           |       |          | 427.0        | +2.4                  |
| Consolidated                 |       |          | 1,670.0      | +3.1                  |

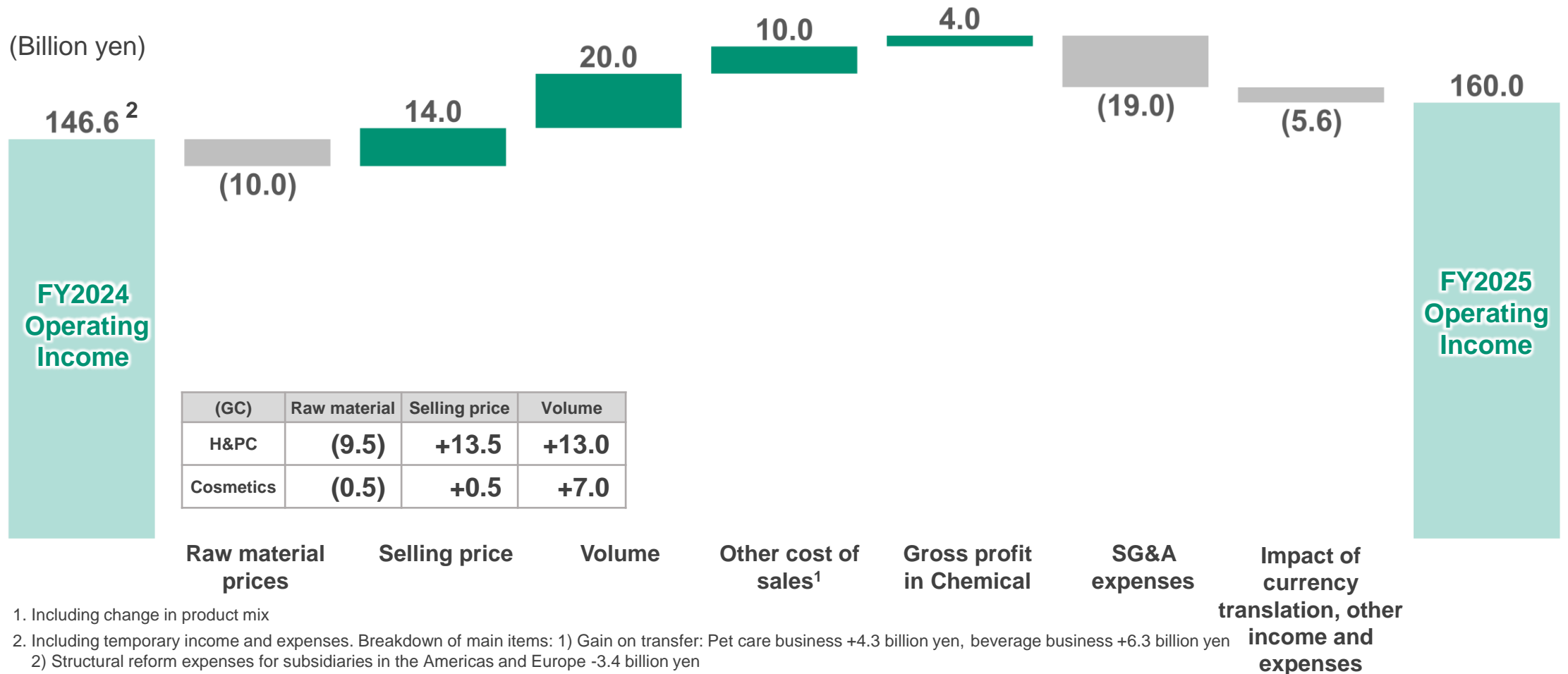
## (By Region)

| Billion yen  | Consolidated |                       |
|--------------|--------------|-----------------------|
|              |              | Like-for-like growth% |
| Japan        | 939.0        | +1.8                  |
| Asia         | 323.0        | +4.5                  |
| Americas     | 211.0        | +2.1                  |
| Europe       | 197.0        | +8.9                  |
| Consolidated | 1,670.0      | +3.1                  |

\* Net sales of the Chemical Business include intersegment transactions.  
 Sales by geographic region are classified based on the location of the sales recognized.  
 Changes to reportable segments were implemented in January 2025. See slide #64 for details.

# Forecast of Factors in Operating Income in FY2025 (vs. FY2024 Results)

- Expecting an approximately 13.0 billion yen increase in income<sup>3</sup> from cost reductions, productivity improvements and other earning power reforms.
- Price adjustments will continue in response to rising raw material prices for household and personal care products, with concurrent plans to increase sales volume through new product launches and other methods.
- Cosmetics sales volume is expected to recover significantly as distribution inventory is optimized in China.



1. Including change in product mix

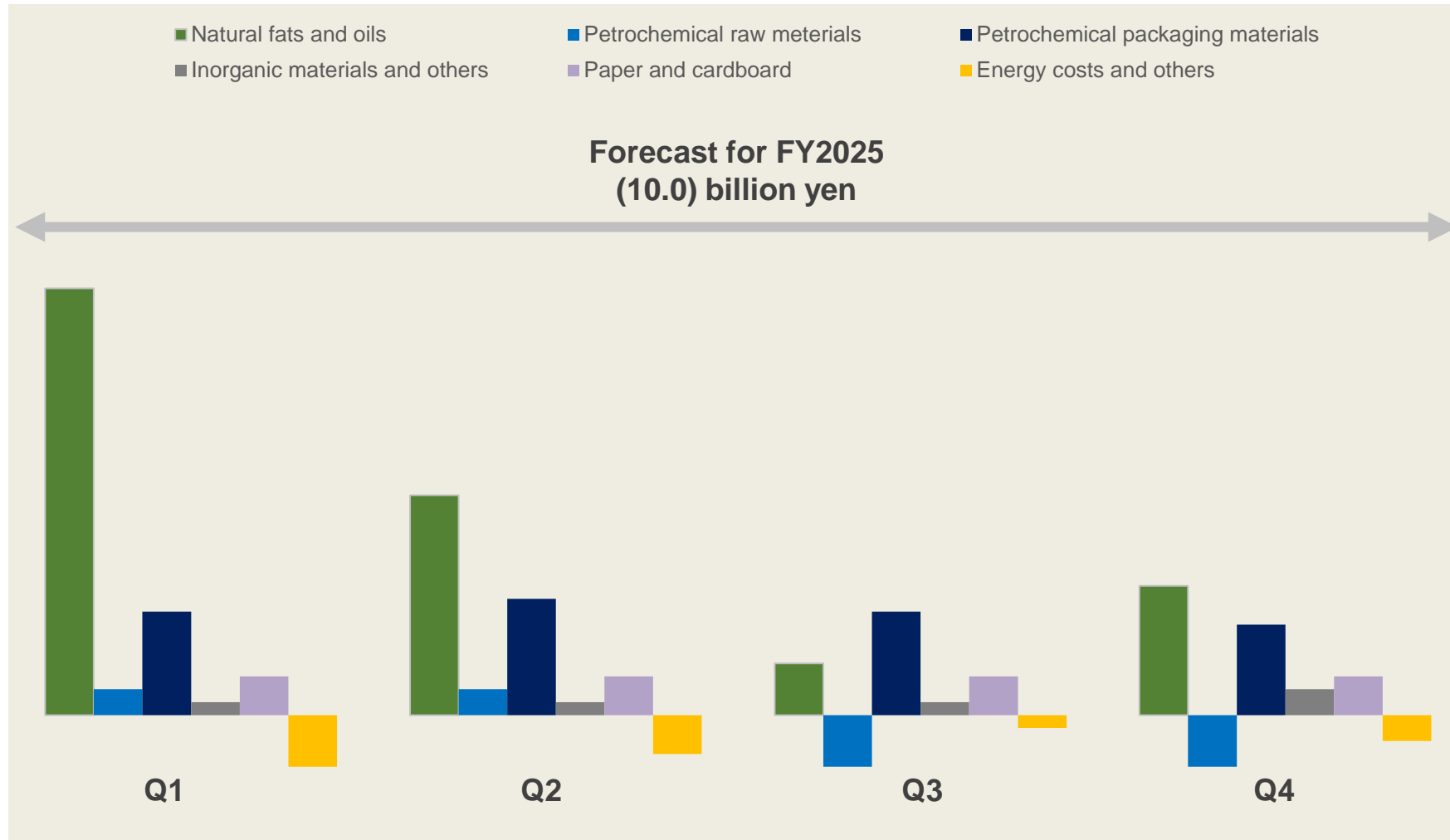
2. Including temporary income and expenses. Breakdown of main items: 1) Gain on transfer: Pet care business +4.3 billion yen, beverage business +6.3 billion yen

2) Structural reform expenses for subsidiaries in the Americas and Europe -3.4 billion yen

3. Includes raw material prices, selling price and portion of the other cost of sales.

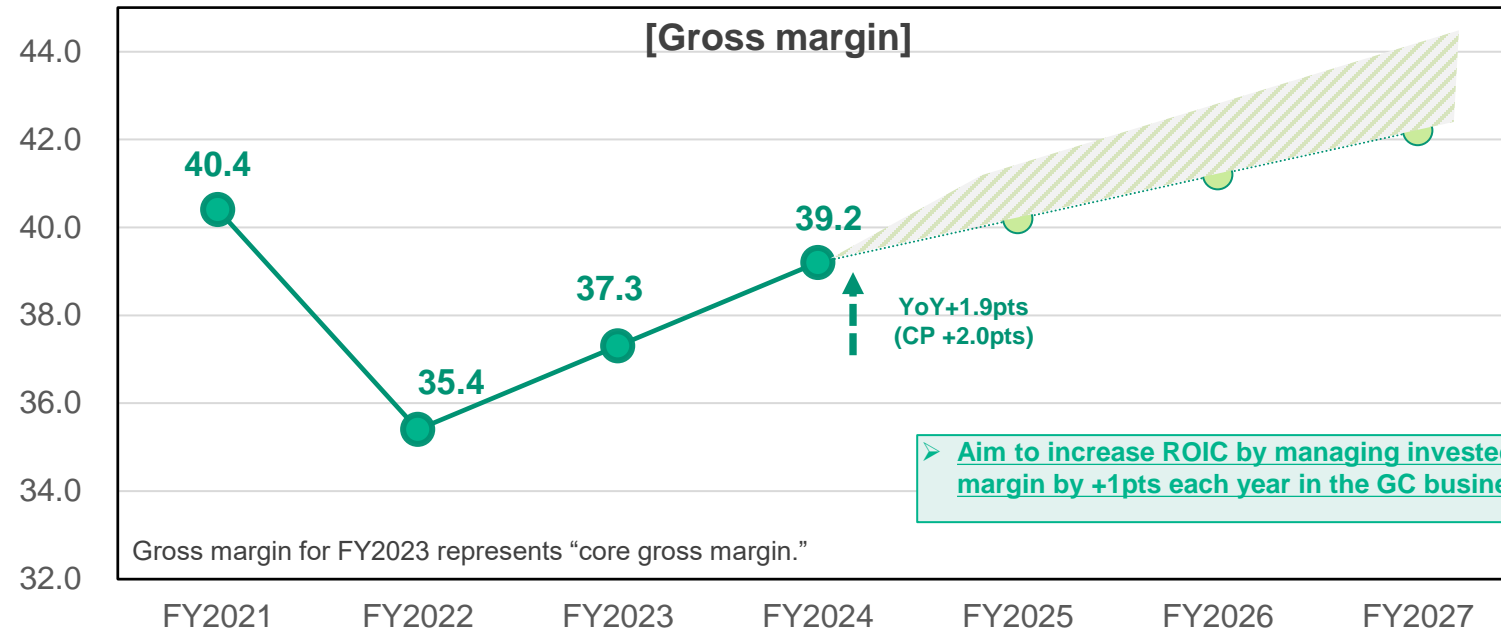
# Raw Material Prices Outlook (Global Consumer Care Business; vs. FY2024)

- Substantial impact from rising raw material prices, particularly for fats and oils, is expected in the first half. Personnel expenses are expected to rise throughout the year.



# Promoting ROIC Management

(%)



➤ Aim to increase ROIC by managing invested capital and improving gross margin by +1pts each year in the GC business.

ROIC perspective

**Improvement in capital cost (achievement)**

**Inventory: Approx. 8% reduction<sup>1</sup> (SKU: Approx. 13% reduction)**

1. Comparison between the end of December 2022 and the end of December 2024

**Capital expenditure control (excluding strategic investments)**

2. Converted at the rate at the time of announcement of K27. Excluding right-of-use assets.

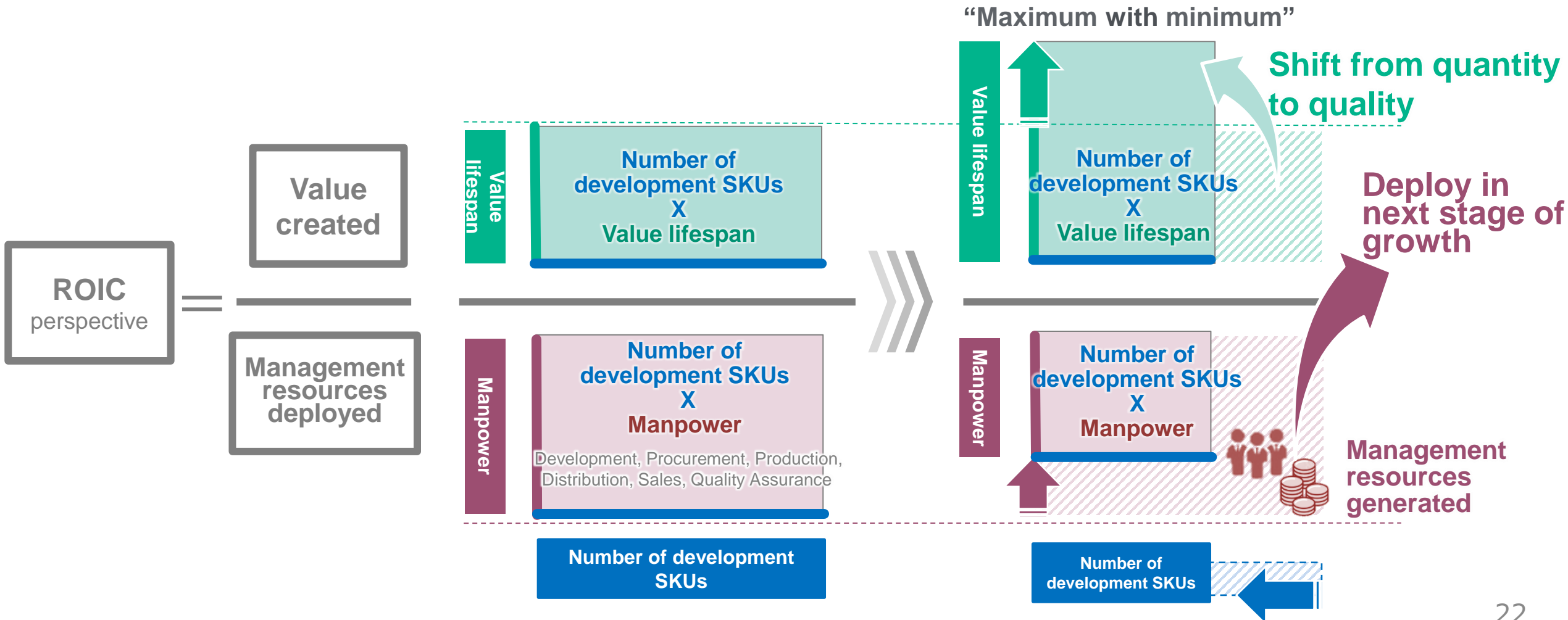
**Continued Control**

| Fiscal Year | Capital Expenditure (Billion yen) |
|-------------|-----------------------------------|
| FY2022      | 74.5                              |
| FY2023      | 65.9                              |
| FY2024      | 71.6                              |
| FY2025      | Target Range                      |
| FY2026      | Target Range                      |
| FY2027      | Target Range                      |

"K27" 360.0 billion yen<sup>2</sup> (investment within the depreciation range)

# Creating Capital for the Next Stage of Growth - ROIC Management -

- Extending the value lifespan of products and reducing the number of development SKUs by increasing brand loyalty.
- Management resources are generated by increasing the speed of product development in addition to reducing the number of development SKUs.



Note: Value lifespan and manpower per SKU

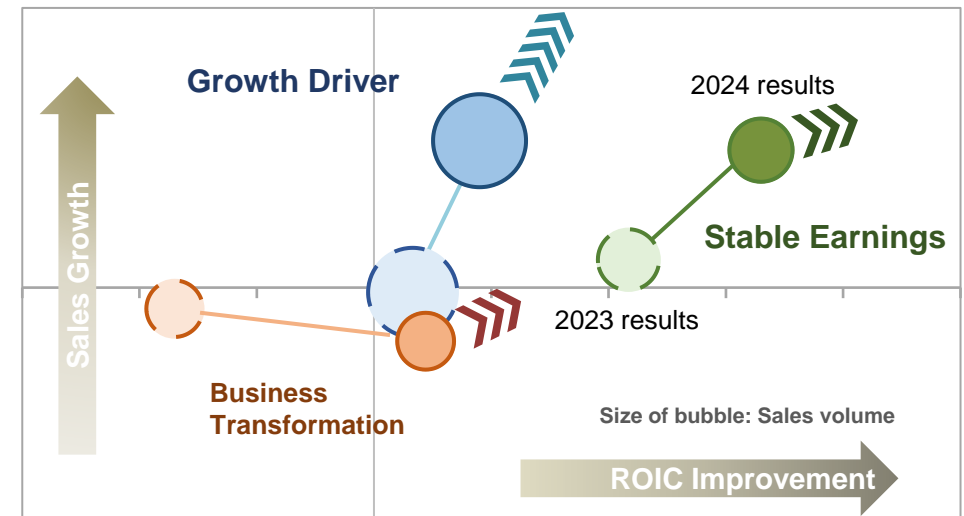
# FY2024 Improvement Results (vs. FY2023 Results) and Targets for Capital Efficiency and Profitability by Business Area

- In FY2024, ROIC improved substantially in the stable earnings and business transformation areas.
- The Growth driver area was impacted by Cosmetics in China, but growth is expected to accelerate from FY2025 onward as the Kao Group invests in marketing.
- The ROIC target has been revised to 30% in the stable earnings area, and despite a revision to 10% in the growth driver area, total ROIC is expected to reach 11% or more.

|  | Stable Earnings | Growth Driver                            | Business Transformation | Total         |
|--|-----------------|--|-------------------------|---------------|
| Sales Growth Rate (%)                                      | +5.9            | +4.3<br><small>+5.7<sup>3</sup></small>  | (2.3)                   | +3.3          |
| Improvement in Operating Income <sup>1</sup> (Billion yen) | +15.9           | (0.7)<br><small>+6.0<sup>3</sup></small> | +18.8                   | +31.9         |
| Improvement in ROIC (pts)                                  | +6.8            | +1.0<br><small>+1.5<sup>3</sup></small>  | +10.6                   | +5.1          |
| K27 ROIC Targets <sup>2</sup>                              | 20->30%         | 12->10%                                  | 7%                      | 11.0% or more |

**Stable Earnings:** Fabric care, Home care, Personal health  
**Growth Driver:** Skin care, Chemicals, Cosmetics and Professional hygiene products  
**Business Transformation:** Hair care, Sanitary

Image of ROIC improvement in 3 areas



1. Compared to 2023 "core profit."  
 2. ROIC targets have been changed due to changes in the cosmetics business environment.  
 3. Excluding the impact on the Chinese cosmetics market in 2024.

# Strategies by Area for FY2025

- Deploy cash generated in the stable earnings area into the growth driver area for global growth.
- Business transformation will simultaneously improve profitability and capital efficiency, aiming for an early shift to stable earnings and growth drivers.

## Stable Earnings

Increase customer loyalty and improve ROIC by promoting high-value-added products



### < Fabric Home Care >

- Offer high-value-added products and set reasonable prices
- Reinforce the outstanding No. 1 position in Japan and drive market expansion

### < Personal Health >

- Offer new value and launch new products through advances in “Yoki-Monozukuri”

## Growth Driver

Growth investments and global growth



### < Skin Care >

- Continuously offer new value in skin protection
- Establish a global manufacturing system
- Strengthen the Americas and Europe, and focus on core brands

### < Cosmetics >

- Focus investment in six brands
- Shift away from reliance on China
- Strengthen branding in each market

### < Chemical >

- Startup tertiary amine facility in the United States, following Europe
- Promote the rollout of high-value-added products (semiconductor-related, electronic materials)

## Business Transformation

Increase loyalty and constant ROIC improvement with narrowly targeted customers



### < Sanitary >

- Strengthen ability to offer core products and improve production efficiency
- Conduct activities to increase loyal customers

- Optimize production to strengthen the earnings base

### < Hair Care >

- Establish a presence in the in-bath high premium category
- Strengthen offerings for *Liese* hair color in Asia

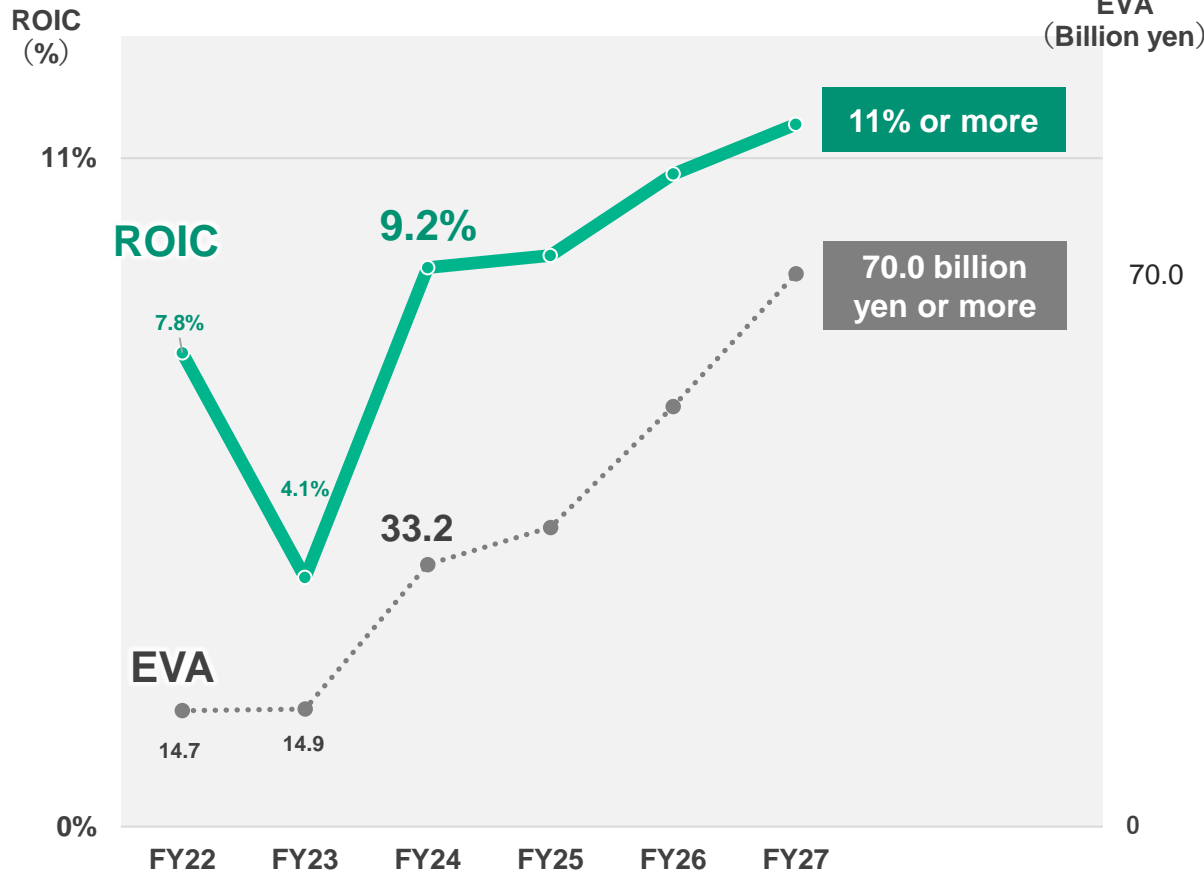
### < Products for Hair Salons >

- Maximize synergy between *GOLDWELL* and *ORIBE*

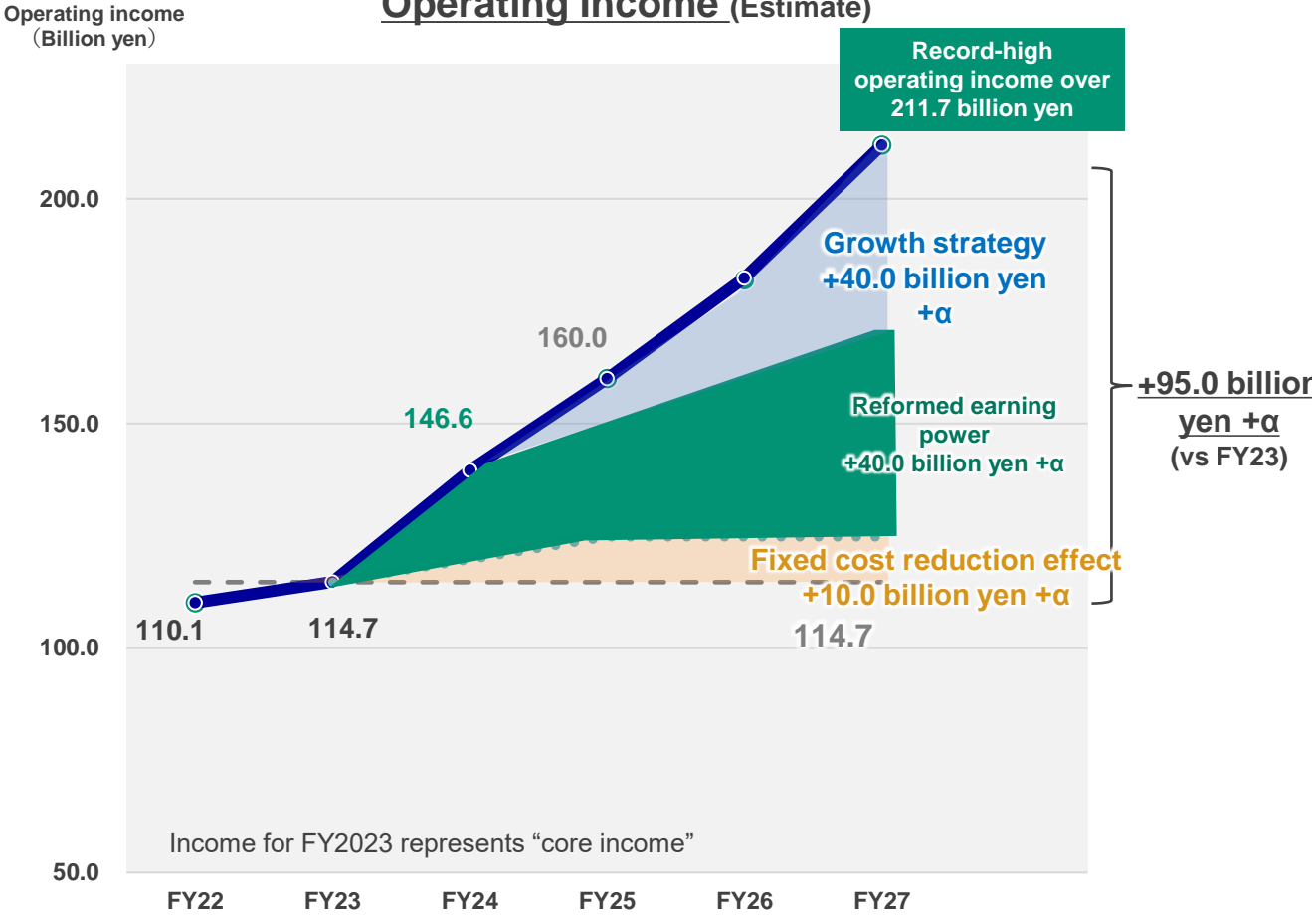


# K27 Progress

### ROIC (Estimate)



### Operating Income (Estimate)



Reference: Assumptions at the time of K27 announcement

- 1. Fixed cost reduction effect
- 2. Reformed earning power

Effects of structural reforms : Approximately 30.0 billion yen

**04**

**Significant Progress on the K27 Strategy**

# Steady Progress in Achieving the K27 targets

- The Kao group has exceeded the FY2024 targets and remains on track to deliver on its commitments.
- The Kao group has made excellent progress on its four targets that have been set for improving capital efficiency and profitability, and for achieving global growth.

| (Billion yen)                    | FY2023 Results     | FY2024 Revised Plan <sup>3</sup> | FY2024 Results | FY2025 Plan | FY2027 Targets   |
|----------------------------------|--------------------|----------------------------------|----------------|-------------|--|
| ROIC                             | 4.1%               | 8.8%                             | 9.2%           | 9.4%        | 11.0% or more  |
| EVA                              | 14.9               | 27.0 or more                     | 33.2           | 37.0        | 70.0 or more   |
| Operating Income                 | 114.7 <sup>2</sup> | 140.0                            | 146.6          | 160.0       | Record-high operating income<br>(FY2019 211.7 billion yen) |
| Sales outside Japan <sup>1</sup> | 655.8              | Approx. 700.0                    | 705.5          | 730.0       | 800.0 or more<br>(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 August 8, 2024

Vision

## Saving future lives

### 【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

Social significance  
Exclusive uniqueness

**Global Sharp Top human capital/organizational management**

Decisive investment in human capital  
Withdrawal from matrix management

Strengthen scrum management

**Improve capital efficiency/profitability**

Maximize the value of management capital

Data-driven management

**Build businesses through co-creation with partners**

Faster maximization of technology assets

Moving away from self-reliance

# Three Strategic Areas Enabling Global Growth

## Global growth

| Stable Earnings                                | Growth Driver   | Business Transformation  |
|--|---|--|
| <p>Fabric Home Care</p> <p>Personal Health</p> | <p>Skin Care</p> <p>Chemical</p>                        | <p><b>Sanitary<br/>(Diapers, Sanitary napkins)</b></p> <p>→ Aim to shift to “Stable Earnings”</p> <p>2024 Transfer of pet care business<br/>2024 Transfer of beverage business</p> |
|  | <p>Cosmetics</p> <p>Commercial-use Hygiene Products</p> | <p><b>Hair Care</b><br/>(including for Hair Salons)</p> <p>→ Aim to shift to “Growth Driver”</p>   |

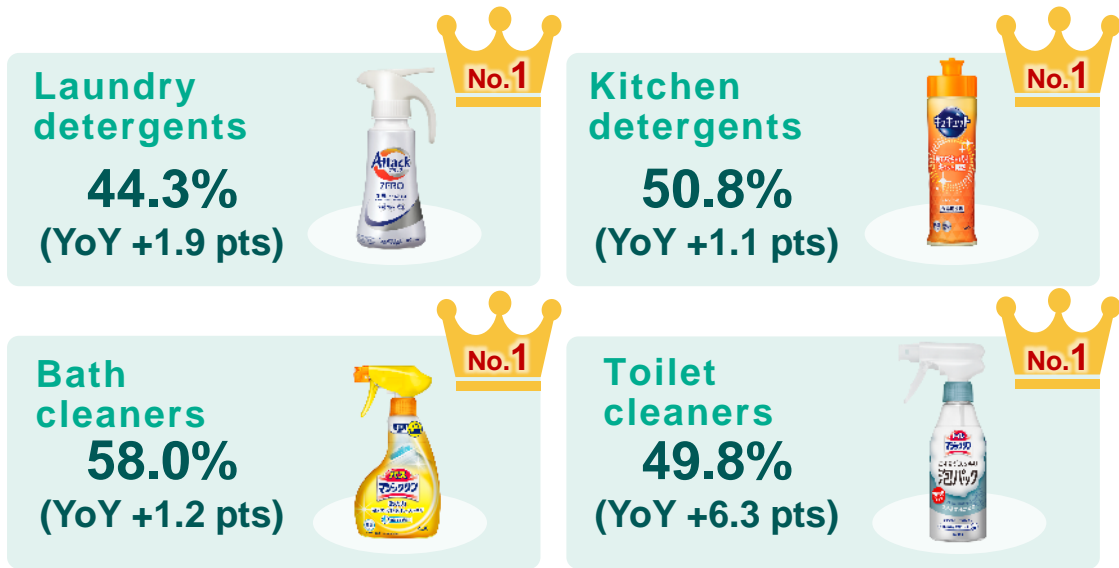
# Stable Earnings: Expanded Leadership Position in the Fabric Home Care Business in Japan

Stable Earnings   Growth Driver   Business Transformation

- Profitability improved significantly from strategic price increases and promotion of high-value-added products in response to rising raw material prices, focusing on fabric home care in Japan. The ability to generate strong cash flow creates a significant source of investment capital.
- Captured outstanding market share by enhancing brand power through loyalty marketing.

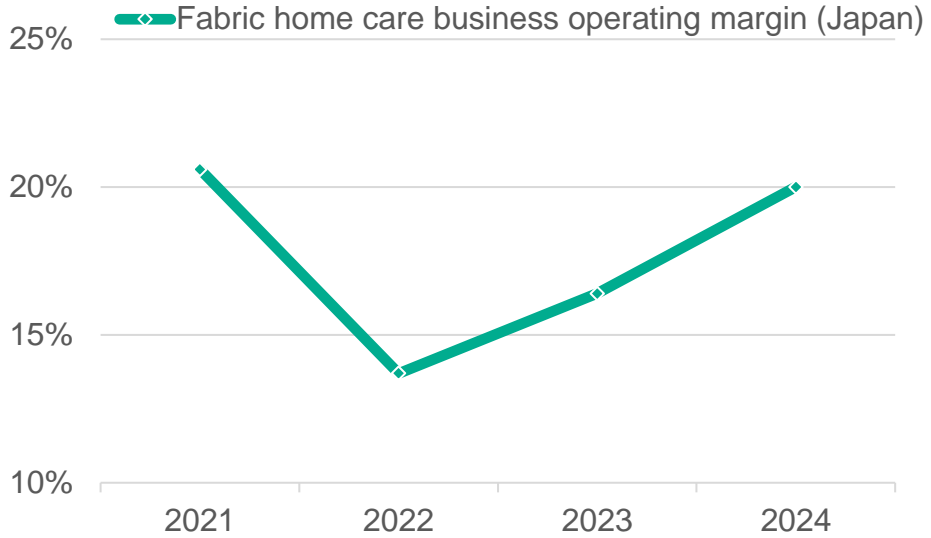
## Categories with No. 1 Shares\*

Expanded market share position demonstrated Kao's brand power



## Operating Margin

Operating margin recovered to 20% due to improved earning power



\*Source: INTAGE, Inc. SRI+ January 2024 to December 2024

# Data-driven Management to Enhance Profitability and Capital Efficiency

## Outcomes :

Approx. **24.0** billion yen reduction in inventory<sup>1</sup>

Approx. **13%** improvement in SKUs<sup>1</sup>

Strategic inventory and SKU reduction through continuous monitoring of business portfolio

Approx. **4.8%** improvement in ROIC<sup>2</sup>

Improved business monitoring from production to sales, by brand and product

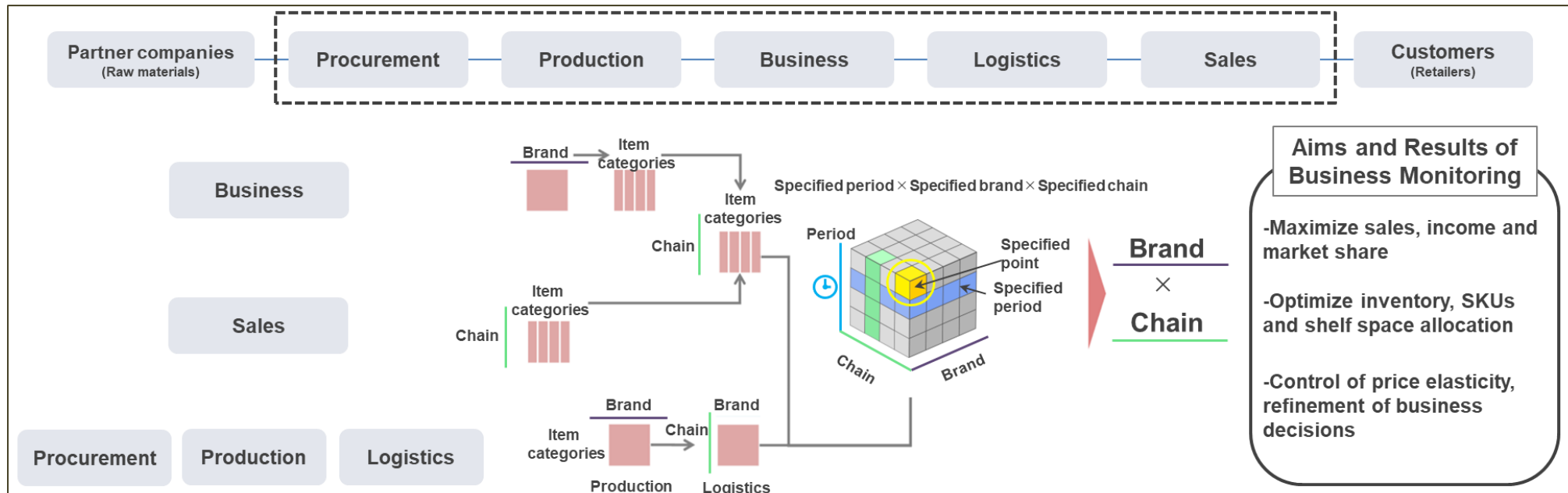
Approx. **70.0** billion yen in strategic price increases<sup>2</sup>

Kao i-Lake enables both strategic price increases and market share gains

1. Comparison between the end of December 2022 and the end of December 2024

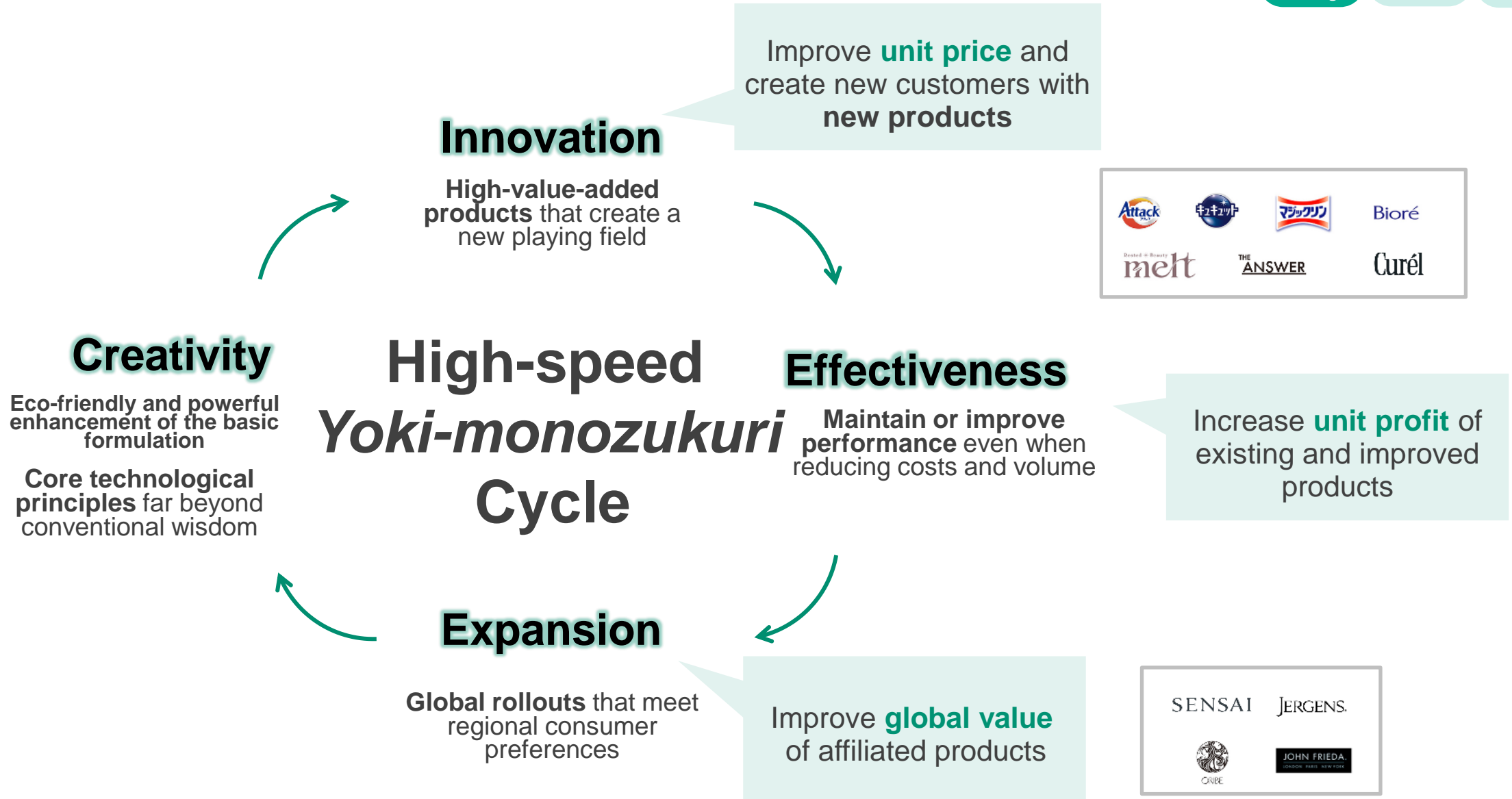
2. 2022 ⇒ 2024 Cumulative total

## Mechanisms : through optimized business simulations based on the latest data



# A Profitable Growth Strategy Based on “High-speed *Yoki-monozukuri*”

Stable Earnings   Growth Driver   Business Transformation





# Business Transformation: Reorganizing Businesses to Enhance Efficiency

- To enhance ROIC, Kao transferred its underperforming pet care and beverage businesses and ended local production of baby diapers in China.
- Reforming the Sanitary business, achieving a V-shaped recovery in operating income while launching a new growth strategy in Hair Care.

## Transfer of Businesses

### Pet Care



Business Transfer completed  
**Nyan Tomo Clean Toilet**  
 June 2024

### Beverage



Business Transfer completed  
**Healthya**  
 August 2024

## Executing Business Reform

### Hair Care

High value-added proposals that bring a solid change through strategic brands

Showing results from branding that appeals to the emotions and technologies that meet customers' essential care needs

- Both new premium care products in Japan, *melt* and *THE ANSWER*, secured **double the targeted market share targets (Nov.-Dec. 2024)**



- ORIBE continued its high growth rate (12% CAGR for sales 2018-2024)** due in part to the contribution from a new product developed jointly with Kao Europe Research Laboratories

#### Strategic brands for hair care



### Sanitary

Improved production efficiency through product standardization and strengthened branding to increase loyalty

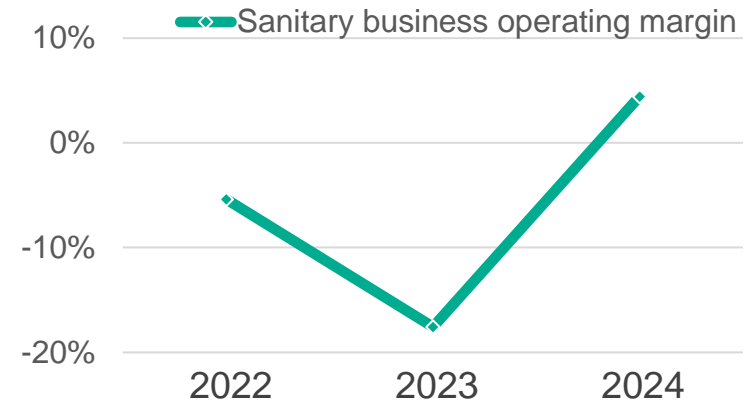


**Merries**  
 Ended local production in China  
 August 2023



**Laurier**  
 Focused intensively on nurturing high-value-added products and expanded sales

**V-shaped recovery in operating margin by structural reforms**



# Growth Driver: Delivering Growth through *Global Sharp Top* Strategy

- The Skin care, Chemicals and Cosmetics business, prime examples of the *Global Sharp Top* strategy, saw significant sales growth in targeted areas and customer segments.

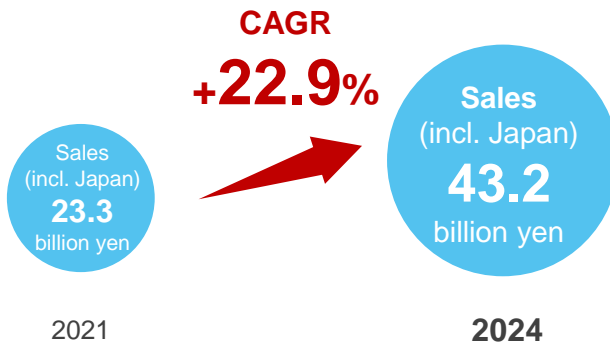
Stable Earnings

**Growth Driver**

Business Transformation

## Skin Care

Skin protection business\* sales growth over 20%

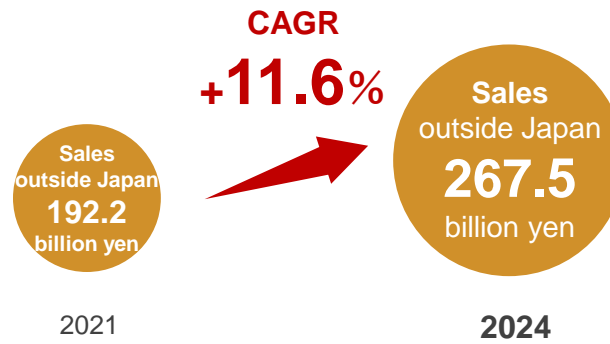


Captured substantial market share in countries worldwide

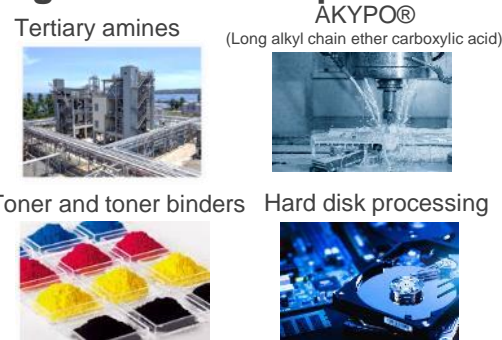


## Chemical

Growth outside Japan, which accounts for about 60% of sales

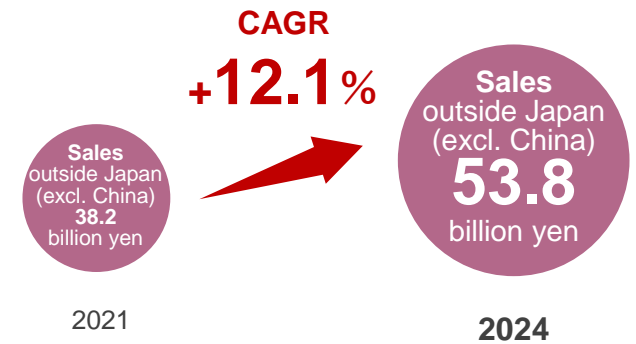


Growth outside Japan from high-value-added products

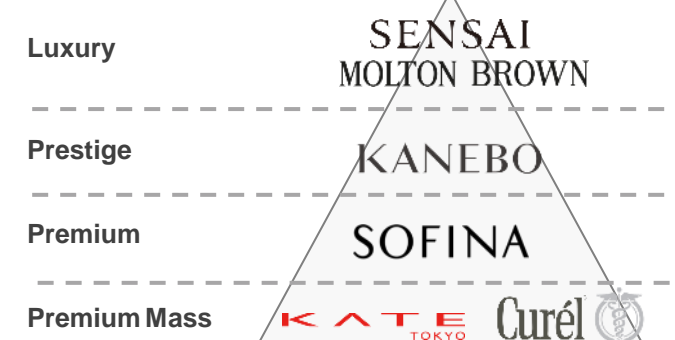


## Cosmetics

Double-digit growth in target markets outside Japan



Focus on six brands to drive further growth outside Japan



\* Protection of the skin from the external environment. Consists of three categories: UV care, self-tanning and environmental protection.

# Kao's Global Growth Strategy

*-Global Sharp Top Strategy-*

[Definition] Contribute as global No. 1 with leading-edge solutions and brands that address critical needs in specific areas and customer segments.

[Rationale] Given the level of severity and importance of solving today's rapidly evolving social challenges, Kao is delivering critical market solutions that will generate meaningful and sustainable global profitable growth.

|                   | Global   | Sharp  | Top  |
|-------------------|--|--|--|
| Target conditions | Global business rollout  | Exclusive uniqueness   | Market presence                            |
| Details           | Rollout in multiple areas including Japan, Europe, the Americas and Asia | Proprietary technology, strong brand or distinctive business model | Competitive advantage over other companies |
| Indicator         | Scale of sales in target countries/areas of operation                    | Loyalty ratio and profitability in target markets                  | Share of target markets                    |

# Global Sharp Top in the Chemical Business

-Exclusive Uniqueness and Social Significance-

Stable Earnings

Growth Driver

Business Transformation

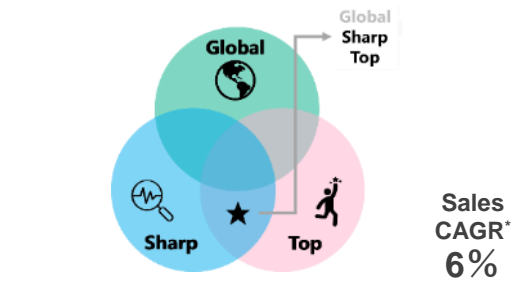
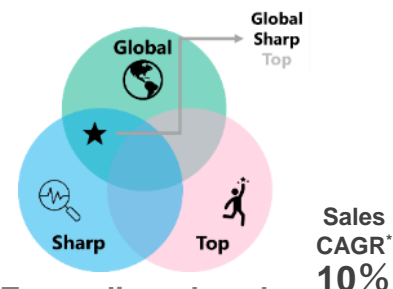
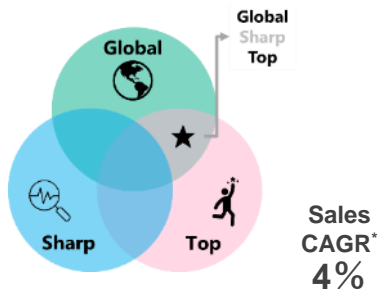
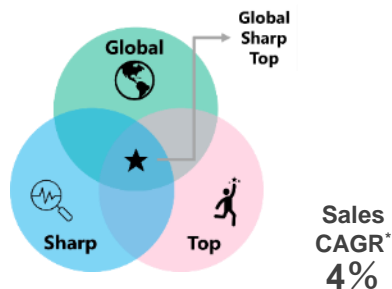


## Global Sharp Top

## Global Top

## Global Sharp

## Sharp Top



Current situation

Expanding globally

Expanding sharply across global bases

Executing an exclusive expansion with leading market share

Tertiary amines



Toner and toner binders



AKYPO®  
(Long alkyl chain ether carboxylic acid)



Hard disk processing



Alcohols



Softeners



Synthetic aroma chemicals



MIGHTY  
(Superplasticizers)



Inkjet ink



Asphalt modifiers



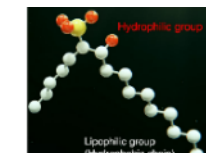
Agricultural adjuvants



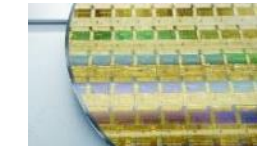
Eco tires



Eco surfactants



Semiconductor processing



Growth Strategy

Continue to grow by strengthening exclusive uniqueness

Further sharpen distinctiveness

Strengthen partnerships  
Develop major global customers

Accelerate global business rollout through industry alliances

\* FY2024 Results → FY2027 Target

# Global Sharp Top in the Global Consumer Care Business

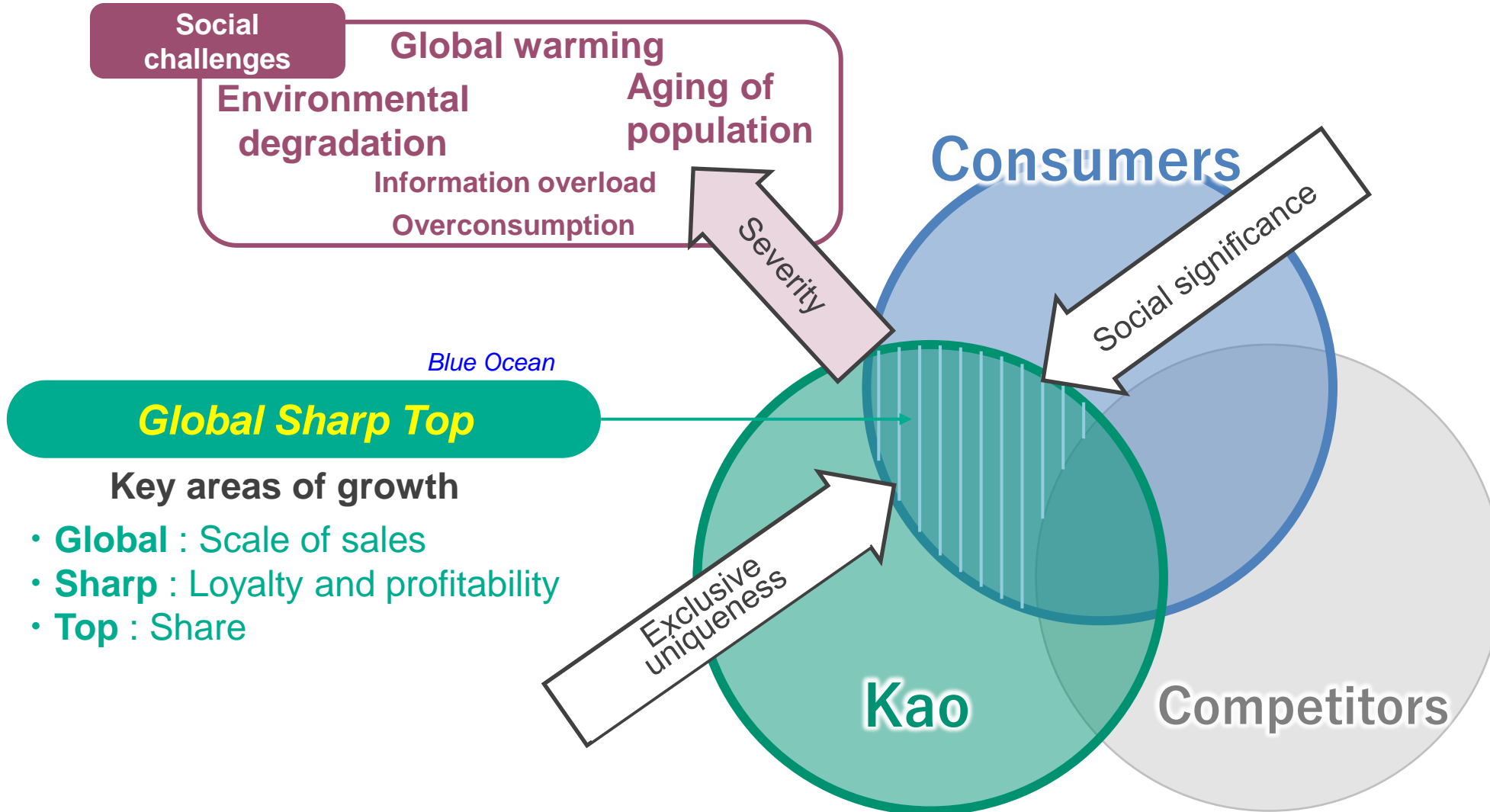
Stable Earnings

Growth Driver

Business Transformation



- Given the level of severity and importance of solving today's rapidly evolving social challenges, Kao is delivering critical market solutions that will generate meaningful and sustainable global profitable growth.





# Global Sharp Top in the Skin Protection Business

Stable Earnings

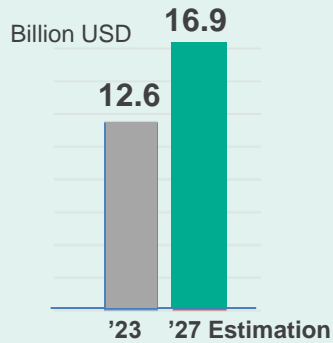
Growth Driver

Business Transformation

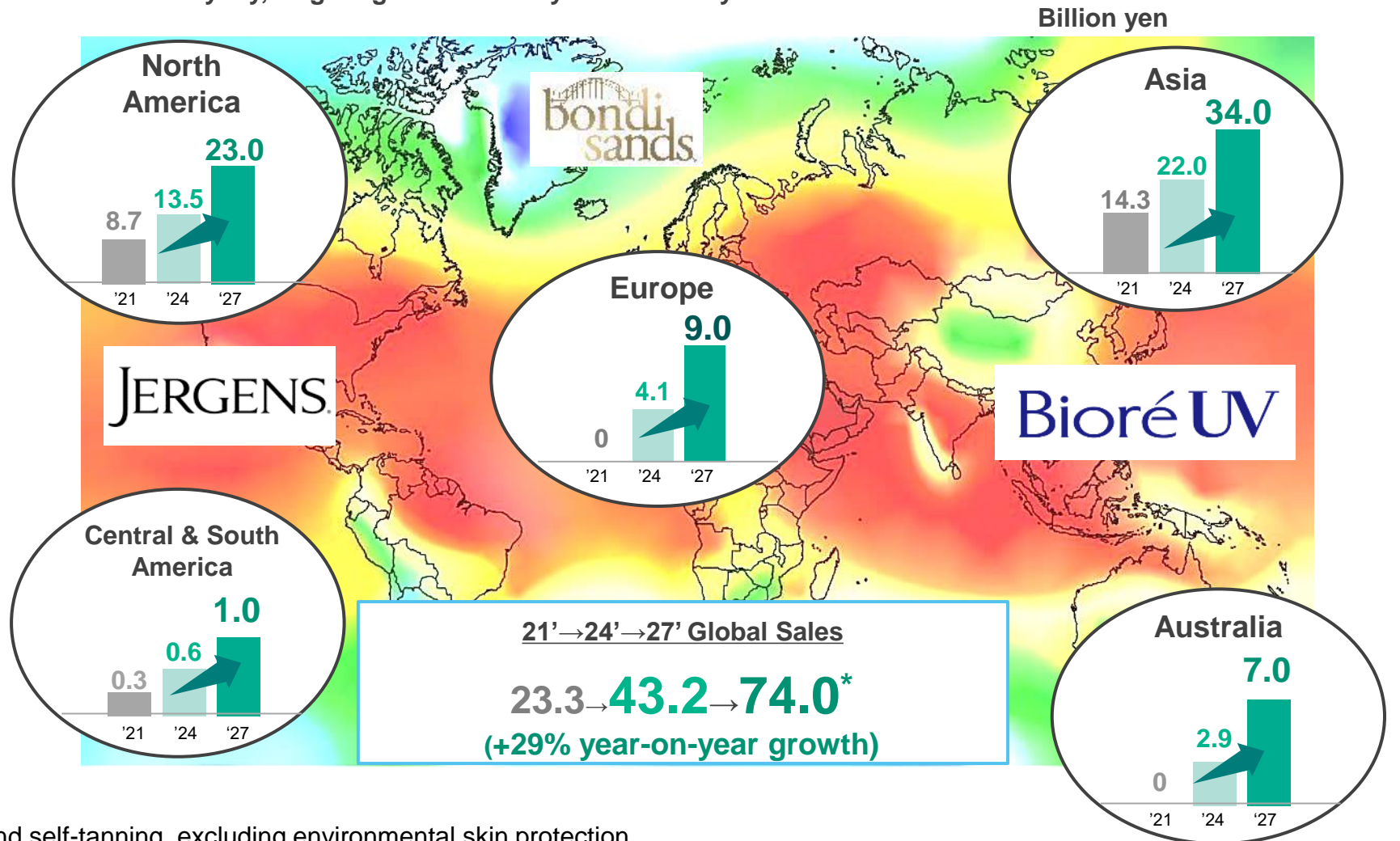
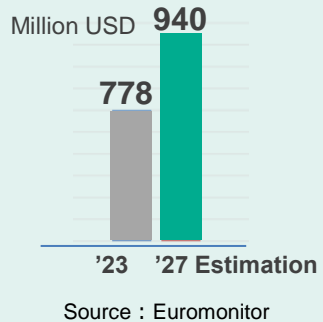


- Capture global demand, particularly for UV care, which is growing due to global warming, with its precision protective coating technology that excels in durability.
- Strengthen regulatory compliance and expand production bases to 8 locations by adding three new bases in Indonesia, Germany and Brazil, enhancing collaborations with global customers.
- Leverage precision marketing to drive customer loyalty, targeting 100.0 billion yen in sales by 2030.

## Sunscreen Market



## Self-tanning Market



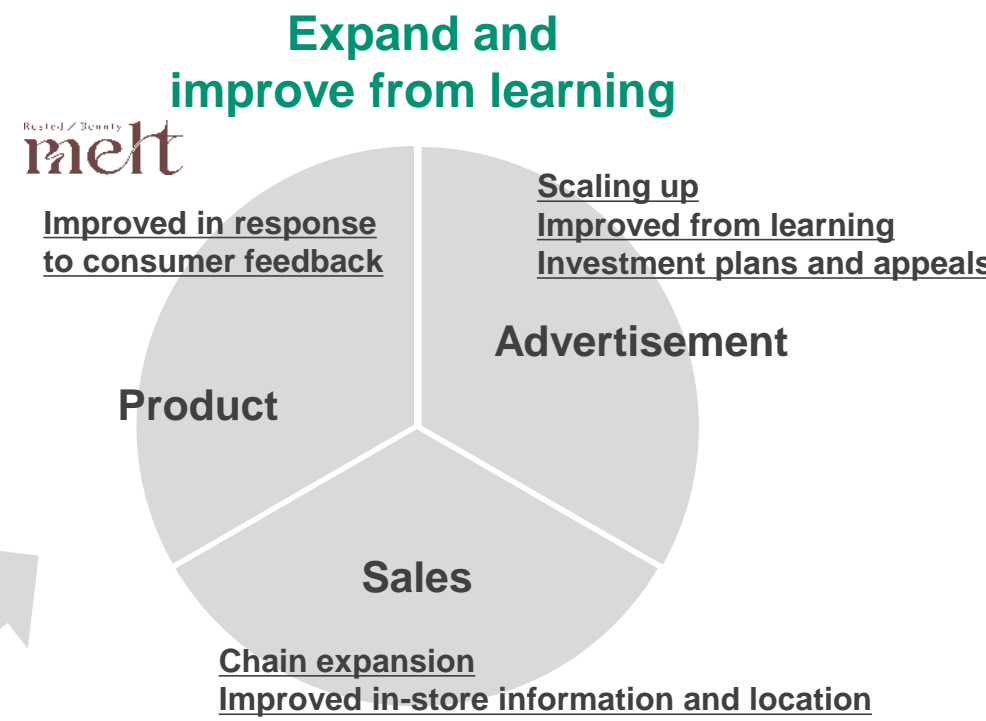
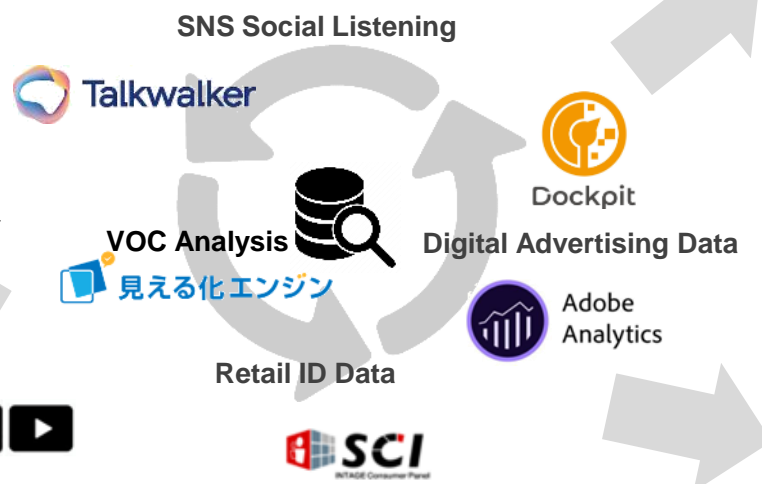
\* Sales are the sum of UV care and self-tanning, excluding environmental skin protection.

# Beauty Care\* Business Marketing DX

- Sharp-top measures that use fast PDCA cycles in exclusive chains and areas to derive successful patterns and expand with highly successful strategies.
- Continuously leveraging learnings from successful patterns to improve our approach and meet evolving customer needs through enhanced marketing effectiveness.



## Utilizing big data analysis in the market, identify winning patterns



\* Including skin care, hair care, cosmetics and a portion of personal health

# Achievements of Marketing DX -Examples of Beauty Care-

### Marketing transformation with digital utilization

**Proactive implementation of social listening tools**

- Understanding user interests
- VoC\* listening
- Visualization of Web behavior

DS.INSIGHT | story bank | Dockpit | Talkwalker

\*VoC: Voice of Customers

**Training for internal implementation**

- Text mining training
- Data analyst training

→ Approx. 500 employees → Approx. 40 employees

### The essence of corporate activities: the "Yoki-Monozukuri" cycle

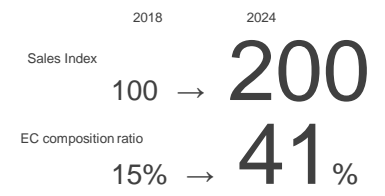


A makeup experience in which you can discover a new you

Digital space for co-creation with hard-core fans

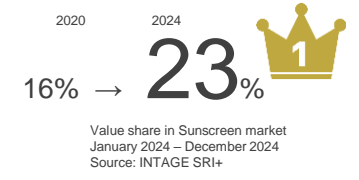


Rapid growth driven by EC while maintaining high prestige

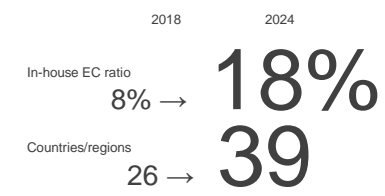


Realization of continuous, and high-speed PDCA

Quickly detect customer evaluations of test marketing using social listening tools, and continuously refine UX and marketing measures using a scrum-style system.



Accelerate globalization through a unique omnichannel strategy



Ultra-fast product development using a scrum-style system and digital technology

Product development speed **6x**



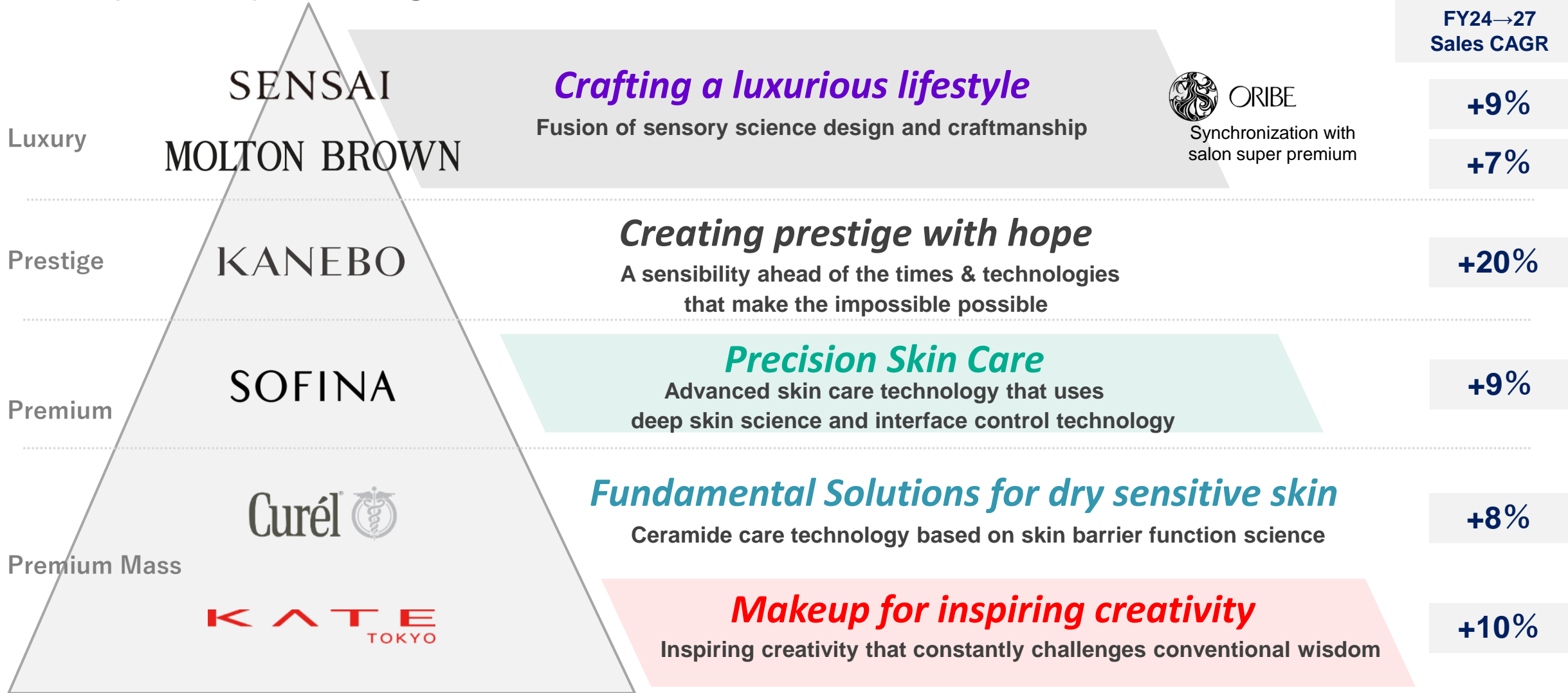
Expand market share in Europe through effective new product launches driven by high-speed PDCA cycle





# Global Sharp Top in the Cosmetics Business

- Global expansion of six highly distinctive brands through the Sharp Top strategy.  
(FY24→27) CAGR Target for sales: +10% \* Market CAGR +5%\*



\* Kao survey

# Build Businesses through Co-creation with Partners

## Business expansion through collaboration with highly specialized companies

- **Joint development with Panasonic Corporation**



Pioneering activities for automatic dispensers, a future standard feature of washing machines

Laundry cleaning agent  
*Gokuraku Stain Remover*

Co-creation with beauty appliance technologies



*Curél Wearable Stratum Corneum Care Veil Creator*

Creating new value by combining technological capabilities

- **Joint development with Earth Corporation**



Synergy with the skin protection business

*ARS Mos Shooter* contains no insecticides

Global rollout of Kao technology

## Co-creation with global customers

- Collaboration with C.P. (Charoen Pokphand) Group, a major Thai conglomerate

Creation of a large-scale global business foundation



- Collaborative development featuring innovative, sustainable consumer products sold under C.P. Group's brands, leveraging Kao Group's innovations to advance sustainability goals.

- Exclusive supply of specific environmentally friendly products from Kao Group to C.P. Group.

- Exploration of further collaborative opportunities in the chemical business.

- Collaboration to address social issues and develop products for industries related to C.P. Group's businesses by leveraging the expertise of both companies.

Synergy between distinctive technological capabilities and strong sales power

# Key Highlights

- In FY2024, the Kao Group took a vigorous step toward achieving K27 by posting results that exceeded its plans.

[Background]

- Restored profit through structural reforms
- Improved competitive advantages for core brands
- Ramped up global rollout of high-value-added products



Reformed earning power  
(Effects of structural reforms)



Further advanced  
“*Yoki-Monozukuri*”  
Kao's Strengths

- In FY2025, the Kao Group will sustainably increase its earning power and establish a strong foundation for accelerating growth.
- In the Cosmetics Business, implemented optimization of distribution inventory in China as planned and expect to contribute to profit in FY2025.
- Exceeded the plan in FY2024 toward the key ROIC improvement target under K27 through profit growth and disposal of inefficient assets, among other measures.

| (Billion yen)                    | FY2023 Results     | FY2024 Revised Plan <sup>3</sup> | FY2024 Results | FY2025 Plan | FY2027 Targets   |
|----------------------------------|--------------------|----------------------------------|----------------|-------------|--|
| ROIC                             | 4.1%               | 8.8%                             | 9.2%           | 9.4%        | 11.0% or more  |
| EVA                              | 14.9               | 27.0 or more                     | 33.2           | 37.0        | 70.0 or more   |
| Operating Income                 | 114.7 <sup>2</sup> | 140.0                            | 146.6          | 160.0       | Record-high operating income<br>(FY2019 211.7 billion yen) |
| Sales outside Japan <sup>1</sup> | 655.8              | Approx. 700.0                    | 705.5          | 730.0       | 800.0 or more<br>(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 August 8, 2024

- Significant progress on the *Global Sharp Top* strategy, which is Kao's growth strategy, has increased the certainty of achieving K27.

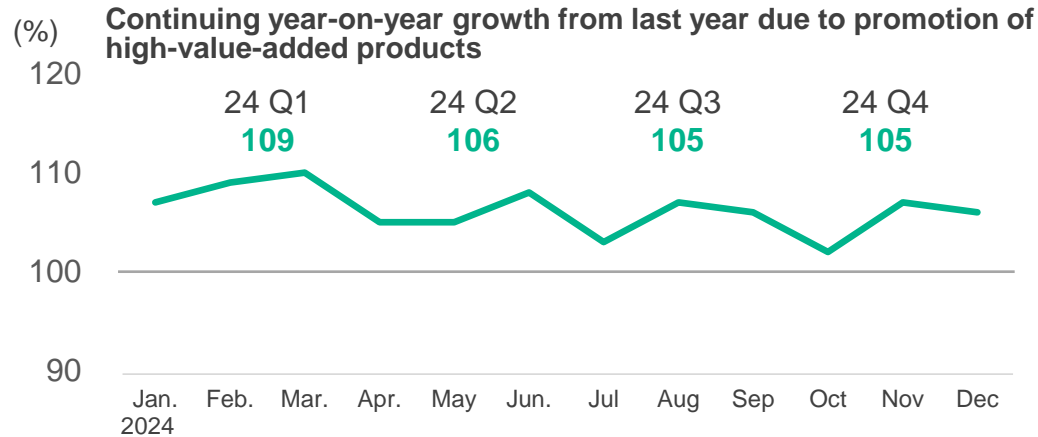
**05**

| **Appendix**

# Consumer Products Market in Japan

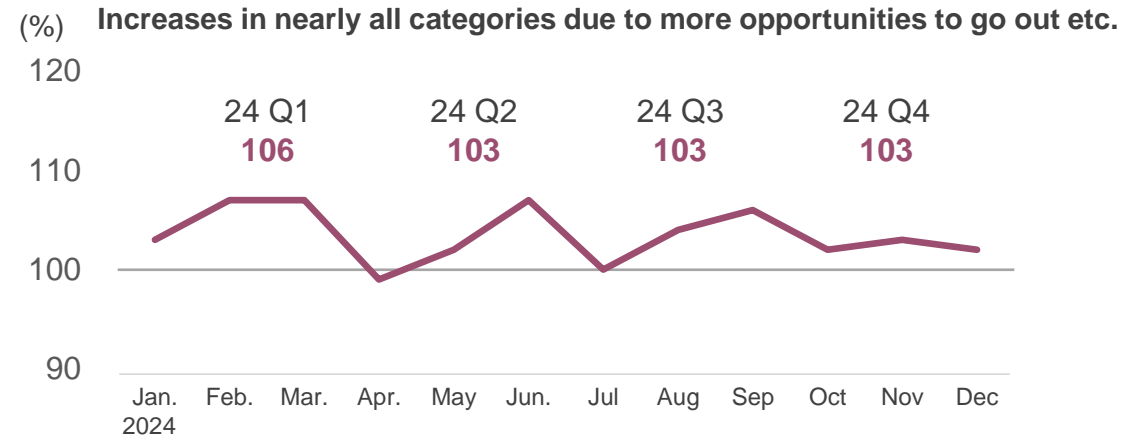
## Growth of H&PC Market

87 categories SRI<sup>1</sup>  
Market growth rate in value terms



## Growth of Cosmetics Market

26 categories SLI<sup>2</sup>  
Market growth rate in value terms



## Market Growth Rates of Major Categories

| vs. previous year      | Oct. | Nov. | Dec. | Q4  |
|------------------------|------|------|------|-----|
| H&PC total             | 102  | 107  | 106  | 105 |
| Laundry detergents     | 107  | 113  | 109  | 110 |
| Fabric softeners       | 107  | 113  | 109  | 110 |
| Bath cleaning products | 99   | 103  | 103  | 102 |
| Sanitary napkins       | 105  | 107  | 104  | 105 |
| Baby diapers           | 102  | 103  | 102  | 102 |
| Sunscreens             | 114  | 111  | 116  | 114 |
| Hand soaps             | 104  | 104  | 109  | 105 |
| Hand sanitizers        | 78   | 82   | 105  | 89  |
| Bath additives         | 97   | 108  | 108  | 105 |

## Market Growth Rates of Major Categories

(Source: INTAGE Inc.)

| vs. previous year                    | Oct. | Nov. | Dec. | Q4  |
|--------------------------------------|------|------|------|-----|
| Cosmetics total                      | 102  | 103  | 102  | 103 |
| Skin care products                   | 103  | 104  | 103  | 103 |
| Facial cleansers/<br>Makeup removers | 103  | 102  | 108  | 104 |
| Lotions/emulsions/<br>creams         | 104  | 101  | 103  | 103 |
| Serums                               | 95   | 104  | 98   | 99  |
| Makeup products                      | 103  | 104  | 101  | 103 |
| Makeup bases                         | 104  | 104  | 103  | 104 |
| Point makeup products                | 102  | 104  | 99   | 102 |
| Other                                | 92   | 94   | 88   | 92  |
| Sunscreens                           | 104  | 110  | 98   | 101 |

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

| vs. previous year                 | China (including e-commerce) |       |       |       | Indonesia |       |       |       | Thailand |       |       |       |
|-----------------------------------|------------------------------|-------|-------|-------|-----------|-------|-------|-------|----------|-------|-------|-------|
|                                   | 24 Q1                        | 24 Q2 | 24 Q3 | 24 Q4 | 24 Q1     | 24 Q2 | 24 Q3 | 24 Q4 | 24 Q1    | 24 Q2 | 24 Q3 | 24 Q4 |
| Baby diapers                      | -                            | -     | -     | -     | 95        | 94    | 97    | 98    | 89       | 87    | 89    | 81    |
| Sanitary napkins and panty liners | 102                          | 103   | 106   | 106   | 110       | 110   | 109   | 108   | 103      | 102   | 103   | 103   |
| Laundry detergents                | -                            | -     | -     | -     | 107       | 105   | 105   | 104   | 109      | 106   | 103   | 100   |
| Sunscreens                        | -                            | -     | -     | -     | -         | -     | -     | -     | 117      | 113   | 109   | 109   |
| House cleaning products           | -                            | -     | -     | -     | -         | -     | -     | -     | 105      | 100   | 100   | 97    |

Source: NielsenIQ

## Americas and Europe

| vs. previous year     | U.S.  |       |       |       | U.K.  |       |       |       | Germany |       |       |       |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|---------|-------|-------|-------|
|                       | 24 Q1 | 24 Q2 | 24 Q3 | 24 Q4 | 24 Q1 | 24 Q2 | 24 Q3 | 24 Q4 | 24 Q1   | 24 Q2 | 24 Q3 | 24 Q4 |
| Hair care             | 103   | 103   | 103   | 103   | 105   | 105   | 106   | 109   | 106     | 103   | 104   | 106   |
| Facial care products  | 104   | 100   | 99    | 99    | -     | -     | -     | -     | 109     | 105   | 97    | 94    |
| Self tanning          | 99    | 99    | 100   | 109   | -     | -     | -     | -     | -       | -     | -     | -     |
| Hand and body lotions | 104   | 104   | 105   | 107   | -     | -     | -     | -     | -       | -     | -     | -     |

Source: Circana

# Consumer Products Business in FY2024

| Billion yen                | Net sales |         |          |                 | Operating income |        |        | Operating margin % |        |
|----------------------------|-----------|---------|----------|-----------------|------------------|--------|--------|--------------------|--------|
|                            | FY2023    | FY2024  | Growth % | Like-for-like % | FY2023           | FY2024 | Change | FY2023             | FY2024 |
| Japan                      | 781.7     | 823.2   | +5.3     | +5.3            | 54.6             | 89.0   | +34.4  | 7.0                | 10.8   |
| Asia                       | 222.6     | 212.5   | (4.6)    | (9.7)           | 23.2             | 16.7   | (6.5)  | 10.4               | 7.8    |
| Americas                   | 126.6     | 139.1   | +9.9     | +2.0            | 9.8              | 7.8    | (2.0)  | 7.7                | 5.6    |
| Europe                     | 79.4      | 93.5    | +17.7    | +8.4            | 1.1              | (0.6)  | (1.7)  | 1.4                | (0.6)  |
| Consumer Products Business | 1,210.3   | 1,268.2 | +4.8     | +2.4            | 88.7             | 112.8  | +24.1  | 7.3                | 8.9    |

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

|                |       |               |      |                |      |
|----------------|-------|---------------|------|----------------|------|
| Kao China:     | (25)% | Kao Taiwan:   | +1%  | Kao Vietnam:   | +12% |
| Kao Indonesia: | (2)%  | Kao Thailand: | (1)% | Kao Hong Kong: | (7)% |

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

# Hygiene and Living Care Business in FY2024

- Sales: **544.3** billion yen (+2.8%) Operating income: **75.8** billion yen (+33.9 billion yen\*) Operating margin: **13.9%**
- Due to promotion of high-value-added products and effective deployment of marketing expenses, the brand power of *Attack*, *CuCute*, *Magiclean* and other core brands improved, and market share continued to increase.
- The operating margin increased 5.9 pts due to the effects of structural reforms and a gain on the transfer of the pet care business.

## Fabric & Home Care

**Net sales +6.8%, operating margin +3.6 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. Sales of laundry bleaches grew due to continued promotion of high-value-added products.
- Home Care: Sales of dishwashing detergents and high-value-added toilet and bath cleaners remained strong.



Attack

## Sanitary

**Operating margin 4.4% due to the effects of structural reforms and the recording of gain on the transfer of the pet care business**

- Sanitary napkins: Sales grew in Japan due to marketing innovations.
- Baby diapers: Although conditions were tough for sales targeting China, profit margins tended to improve due to the effects of structural reforms.



Laurier

\* Comparison with “core income” for FY2023



# Health and Beauty Care Business in FY2024

- Sales: **424.0** billion yen (+4.1%) Operating income: **34.4** billion yen (-8.4 billion yen\*) Operating margin: **8.1%**
- 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 8.4 billion yen due to recording 3.4 billion yen in structural reform expenses for subsidiaries in the Americas and Europe.

## Skin Care

### Increase in sales, with a major contribution from high-value-added products

- Japan: High-value-added UV care products and new seasonal products sold strongly.
- Americas and Europe: *Bondi Sands*, acquired in 2023, contributed to sales.



Bioré UV

## Hair Care

### Increase in sales due to strong performance in Europe

- Japan: Rebranded *Essential*, the new brands *melt* and *THE ANSWER* sold strongly.
- Americas and Europe: New *JOHN FRIEDA* products contributed to sales.



THE ANSWER

## Products for Hair Salons

### Increase in sales due to continued strong sales of *ORIBE*

- *ORIBE* continued to sell strongly mainly via e-commerce.

## Personal Health

### Decrease in sales as oral care products faced tough conditions, despite strong sales of *MegRhythm* thermo products

- *MegRhythm* eye masks sold strongly.



MegRhythm

\* Comparison with "core income" for FY2023

# Life Care Business in FY2024

- Sales: **55.9** billion yen (-2.6%) Operating income: **6.3** billion yen ( +7.6 billion yen\*) Operating margin: **11.3%**
- The operating margin increased 13.6 pts to 11.3% due to a 6.3 billion yen gain on the transfer of the beverage business.
- Commercial-use hygiene product sales and operating income both increased.

## Commercial-use Hygiene Products

### Increases in sales and operating income in both Japan and the Americas

- Japan: Although the impact of the shrinking market for sanitizers and other products persisted, sales and income increased due to rising demand in the food service industry and lodging facilities and other establishments for kitchen cleaning agents and guest room amenities.
- Americas : Sales and operating income both increased.



Commercial-use hygiene products

\* Comparison with “core income” for FY2023

# Cosmetics Business in FY2024

- Sales: **244.1** billion yen (+0.0%<sup>1</sup>) Operating income: **-3.7** billion yen (-9.0 billion yen<sup>2</sup>) Operating margin: **-1.5%**
- Sales decreased as strong performance in Japan and Europe was not enough to offset the downturn in Asia.
- Income was substantially impacted by the optimization of distribution inventory in China.

## Japan

**Market growth in the mid-single digits; sales driven by six brands, with like-for-like growth in the low single digits**

- Continuing strong growth momentum of *KANEBO*, with an increase in sales of more than 30%, driving growth in the region.
- *Curél* sold strongly due to the contribution from new products and enhanced communication with users.
- *SOFINA iP* sales increased, driven by mainstay base care serum and new products.



KANEBO

## Asia

**Sales -26.7% due to a decline in China despite high-single-digit growth in Asia excluding China**

- Sales grew by double digits in Taiwan and Thailand due to the contribution from *Curél* and *KATE*
- Sales decreased substantially in China due to a market slump and shipment restrictions in intensifying competition
- Locally produced products in China sold as planned, with strong acquisition of new customers.



Curél

## Europe

**Growth of 2.9%, outpacing a steady market**

- For *SENSAI*, new products and the supreme skin care line drove strengthened initiatives in northern Europe.
- *MOLTON BROWN* had solid growth in the northern Europe.



SENSAI

1. If the impact of China, provision for product returns due to cosmetics brand consolidation in Japan that was implemented in FY2023, and other factors are also excluded, sales increased approximately 4% on a like-for-like basis.

2. Comparison with “core income” for FY2023

# Chemical Business in FY2024

- Sales: **405.9** billion yen (+6.1%) Operating income: **34.6** billion yen (+9.9 billion yen\*) Operating margin: **8.5%**
- Income increased due to higher sales in sectors that grew as a result of expanded sales of high-value-added products and improved profit margins, mainly in oleo chemicals.

**Oleo chemicals**

**Customer demand on a recovery track, increased sales, and improvement in profitability**

- Tertiary amine sales expanded 11%, supported by recovery in demand and the contribution from the start-up of new facilities.
- Also made steady progress in the rollout of high-value-added products (agricultural adjuvants, etc.)

**Performance chemicals**

**Sales basically unchanged due to the slowdown in some target markets and continued impact of intensified competition**

- A slump continued in automobile-related products and Japan's industrial materials sector.
- Rollout of high-value-added products progressed steadily (anti-rust cleaner for metal parts, *Lunaflow* hydrophobic cellulose nanofiber composite material, etc.).

**Information materials**

**Increase in sales from steadily capturing recovering demand in target industries**

- Demand recovered steadily in hard disk and semiconductor-related sectors, contributing substantially to sales growth.
- Sales of inkjet ink increased due to a new product launch and other factors.

Kao has partnered with chemical manufacturer Pilot Chemical Company for a rollout in the United States of products that use Bio IOS® technology. The partnership will leverage the synergy between Kao's technology and Pilot Chemical's extensive expertise, manufacturing facilities and sales channels to provide sustainable surfactants in the U.S. market.



\* Comparison with "core income" for FY2023

# Use of Cash Flow\* and Shareholder Returns

Use steadily generated cash flow effectively from an EVA and ROIC standpoint as shown below toward further development.

- **Investment for future development (capital expenditures, M&A, etc.)**
- **Steady and continuous cash dividends**
- **Share repurchases**

\* Net cash flows from operating activities

## Kao's ESG activities which are highly rated by external organizations

### Evaluation by external organizations



**< 4 consecutive years >**

**Only one in Japan**

**Only 10 companies globally**

Received CDP's "Triple A"



**< 18 consecutive years >**

**Only one in Asia**

**Only 6 companies globally**

Selected as one of "World's Most Ethical Companies®"

CLIMATE FORESTS WATER

|         |  |                    |        |  |                   |                             |                   |                     |                |        |
|---------|--|--------------------|--------|--|-------------------|-----------------------------|-------------------|---------------------|----------------|--------|
| Top 10% | Highest rating for 7 consecutive years | Certified as Prime | Top 5% | Commended by Minister of Economy, Trade and Industry | Certified in 2016 | Commended by Prime Minister | Certified 9 times | 8 consecutive years | Highest rating | Bronze |
|         |  |                    |        |  |                   |                             |                   |                     |                |        |

### ESG index: Adopt to composite

|                     |                 |                     |                     |                      |                     |                     |                     |                     |
|---------------------|-----------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| 8 consecutive years | Adopted in 2024 | 7 consecutive years | 8 consecutive years | 17 consecutive years | 8 consecutive years | 3 consecutive years | 7 consecutive years | 2 consecutive years |
|                     |                 |                     |                     |                      |                     |                     |                     |                     |

\*"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC. MSCI <https://www.msci.com/our-solutions/sustainable-investing>



# Initiatives with a Focus on ESG -Sustainability as the only path-

## Resolving Social Issues

### Building a Sustainable Palm Oil Supply Chain<sup>1</sup>

- Disclosed the results of an analysis of forests in Indonesia using a landscape approach (forest footprint assessment) in 2024.
- Increased the number of RSPO-certified plantations to 1,496 (as of December 31, 2024) through the SMILE program, which provides assistance to independent palm oil smallholders.
- Collaborated with Caux Round Table Japan to introduce a grievance mechanism for smallholders at 259 plantations, with 271 consultations received and resolved in 2024.

### Encouraging Diverse Employees to Take on Challenges to Maximize Their Vitality<sup>2</sup>

- Introduced objectives and key results (OKRs) throughout the Kao Group in 2021 to encourage employees to take on challenges independently.
- The Kao Group is rolling out HR policies to promote individual growth, such as an autonomous learning program and open recruiting, and conducts regular engagement surveys to identify issues, creating a cycle of initiatives aimed at maximizing employee vitality.

## Co-creation with Partners

### Aiming to Be a UX Creator with My Kao, an Interactive Digital Platform for Connecting Directly with Consumers<sup>5</sup>

- The platform enables interactive communication with consumers through four functions—learn, experience, purchase and create—helping the Kao Group to build sustainable relationships with them.
- The deeper the contacts and relationships with My Kao, the higher the customer lifetime value (LTV) of the Kao Group's products.

### Collaboration with Another Company in the Mosquito Control Field in Thailand<sup>6</sup>

- Applying Kao's technology that prevents mosquitoes from flying by wetting their wings and bodies,\* Kao and Earth Corporation jointly commercialized the *ARS Moss Shooter*, a spray that can eradicate mosquitoes. Sales began in Thailand in July.
- \* Focusing on the Surface of the Mosquito's Body to Control Mosquito Behavior Using a Surfactant

Value Creation



## Resolving Social Issues and Expanding Business/Creating New Businesses

### New *Magiclean* Toilet Cleaner Offering Drives the Market

- *Toilet Magiclean Foam Pack* established the innovative cleaning method of simply covering the toilet bowl with foam, then flushing. Reimagining housework from an ESG perspective has significantly reduced time and effort, winning the support of consumers.
- The product has driven double-digit growth in the toilet cleaner market, achieving the highest market share ever.



### *Guhl*: Improving Brand Image through Purpose-based Brand Restaging<sup>3</sup>

- *Guhl* continued its purpose-driven approach focused on authentic and inclusive communication and building trust, which positively resonated with consumers.
- In their TV campaign, *Guhl* told the story of Andrea, a woman with down's syndrome, who sees her hair as a sign of strength and self-confidence.
- Supporting *Guhl's* focus on creating trust and their commitment to high-quality, sustainable products, the brand also launched its first-ever Kids shampoo line.
- Following its 2023 and 2024 campaigns & launches, the brand saw a significant increase in both purchase intent and sales.
- Brand image was strengthened, especially in terms of trust and emotional connection as well as being an ethical brand.



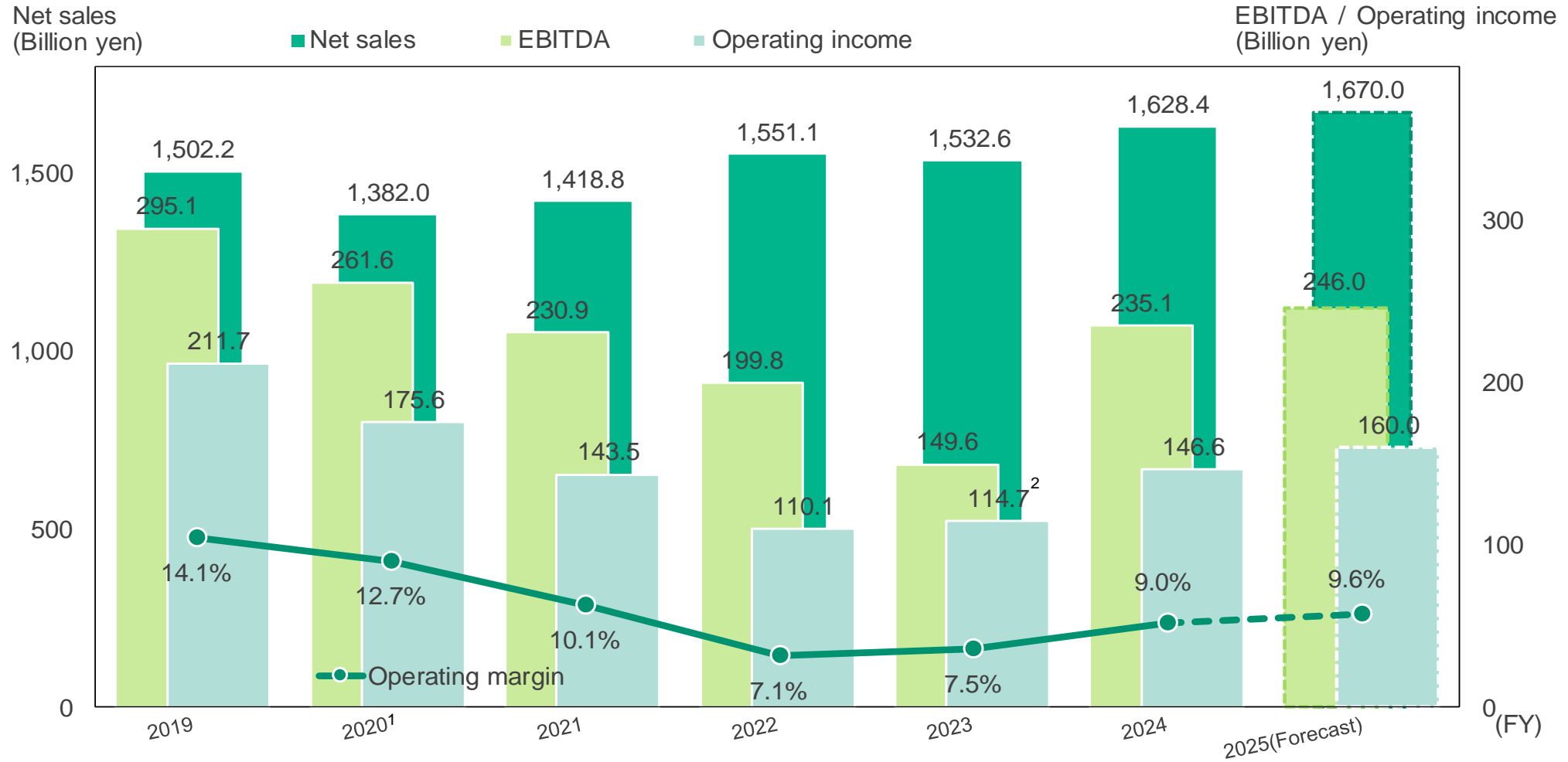
### Development of Asphalt Modifier Made from Waste PET<sup>4</sup>

- The Kao Group is steadily building a track record in Japan for *NEWTLAC* asphalt modifier, which uses waste PET as a raw material for improved durability (up to 5 times), helping to resolve social issues and reduce environmental impact.
- Aiming to establish a Global Sharp Top business with a rollout into the markets of Taiwan in 2023 and Europe in 2024.



Received the Minister of Economy, Trade and Industry Award at the 2024 Resource Recycling Technology and Systems Awards

# Consolidated Net Sales/EBITDA/Operating Income



1. As of FY2020, the Company changed its method of recognizing sales for certain transactions from the gross amount to the net amount.

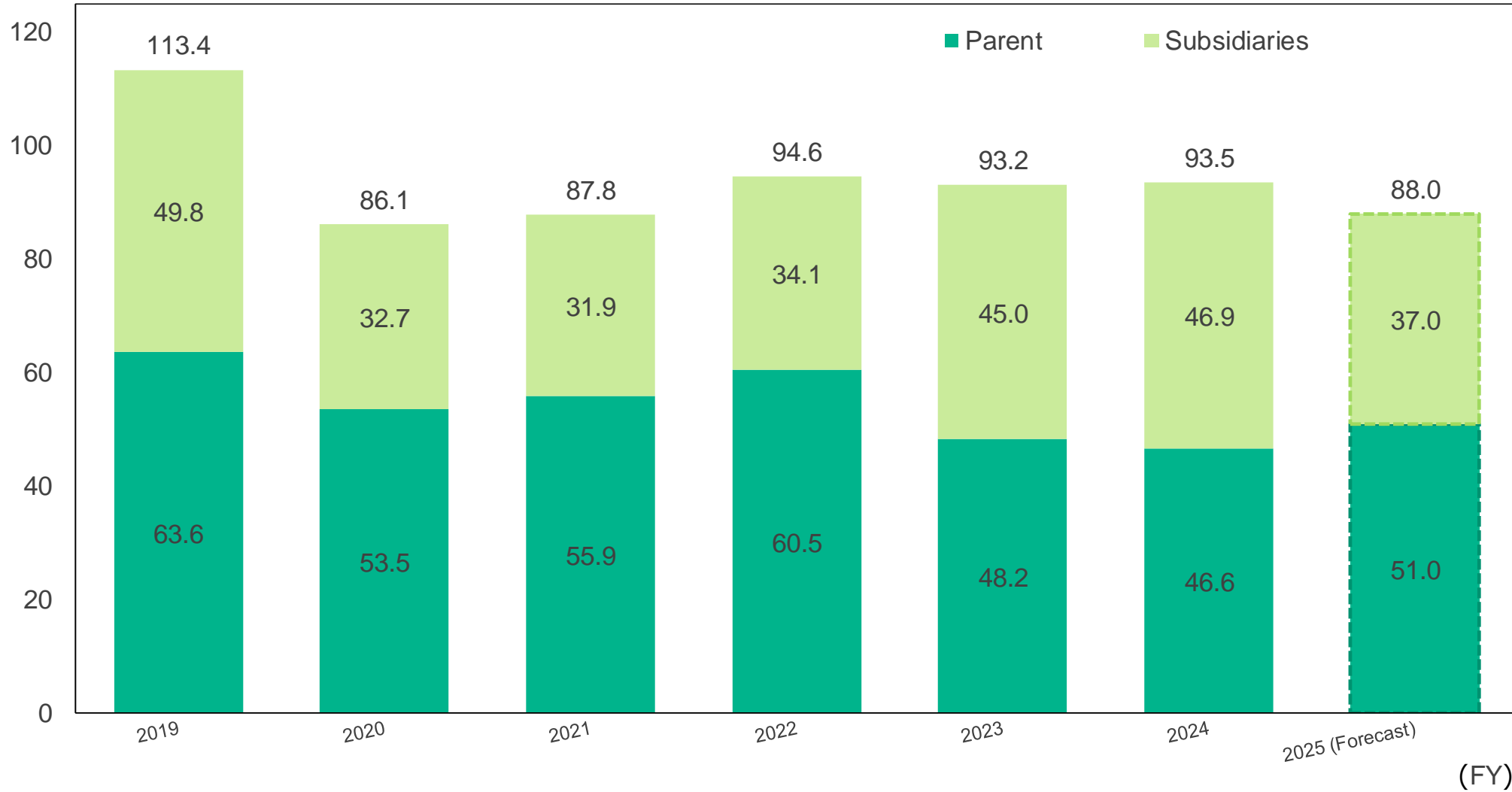
2. The figure for FY2023 is core operating income.

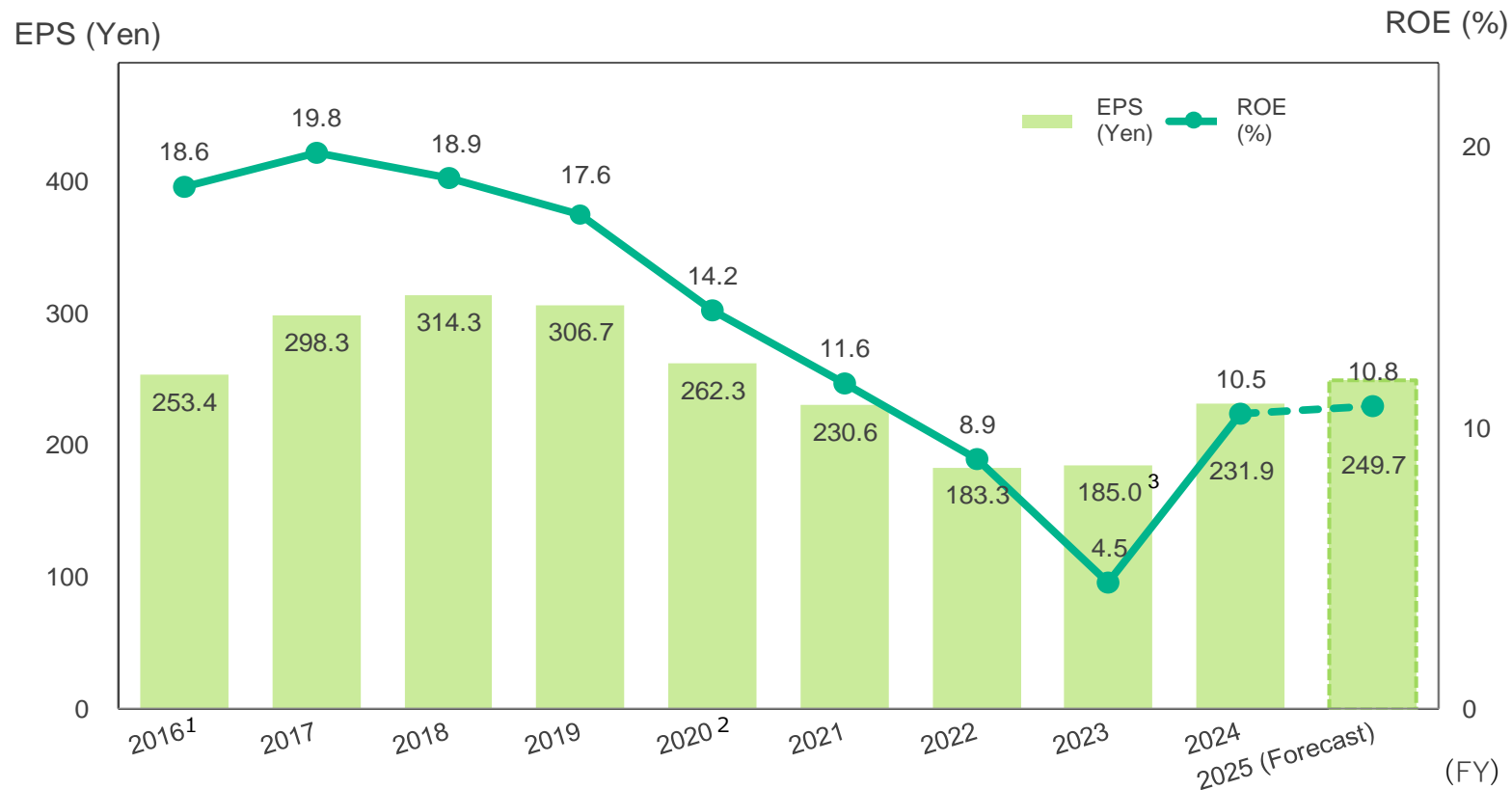
Core income: Income excluding impacts of structural reforms for FY2023



# Capital Expenditures

(Billion yen)





|  |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Weighted average number of shares outstanding (Million shares)       | 499.4 | 492.8 | 489.1 | 483.3 | 480.9 | 475.5 | 469.4 | 464.9 | 464.6 | 464.5 |
| Net income attributable to owners of the parent [IFRS] (Billion yen) | 126.6 | 147.0 | 153.7 | 148.2 | 126.1 | 109.6 | 86.0  | 86.0  | 107.8 | 116.0 |

1. IFRS adopted in FY2016.

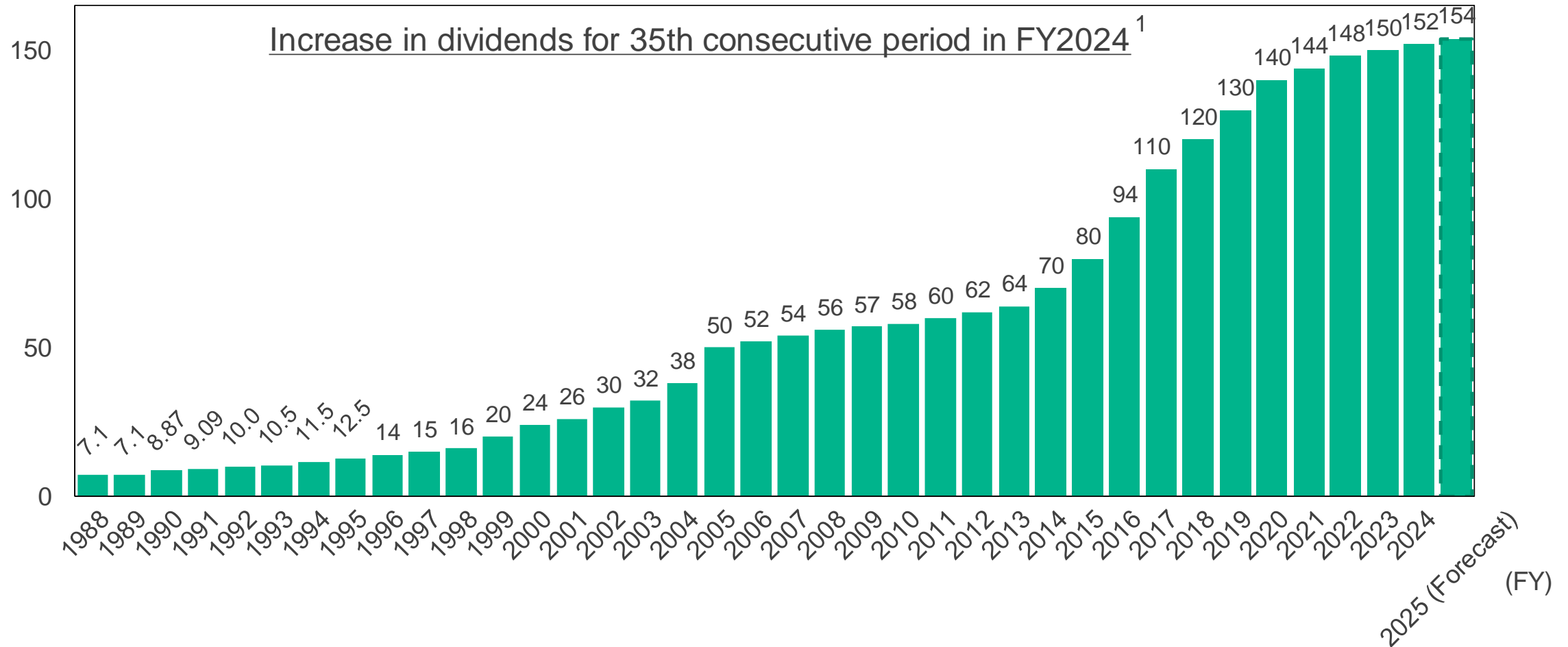
2. As of FY2020, the Company changed its method of recognizing sales for certain transactions from the gross amount to the net amount.

3. FY2023 figure is calculated based on core income.

Core income: Income excluding impacts of structural reforms for FY2023

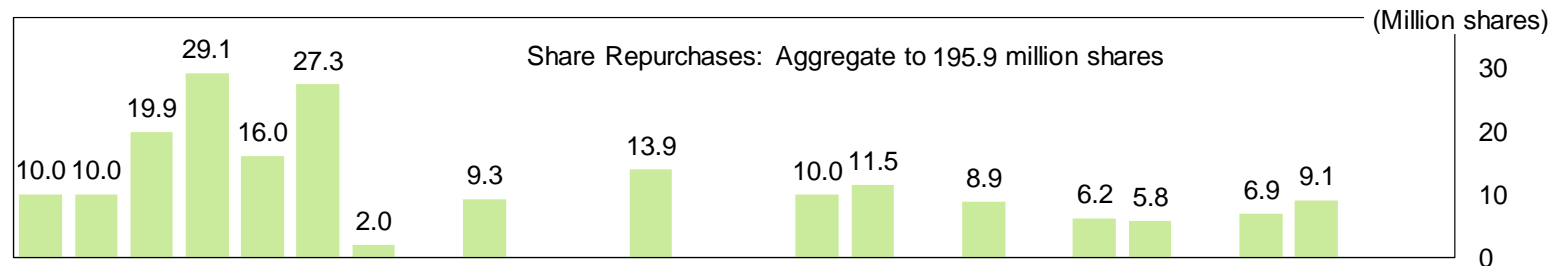
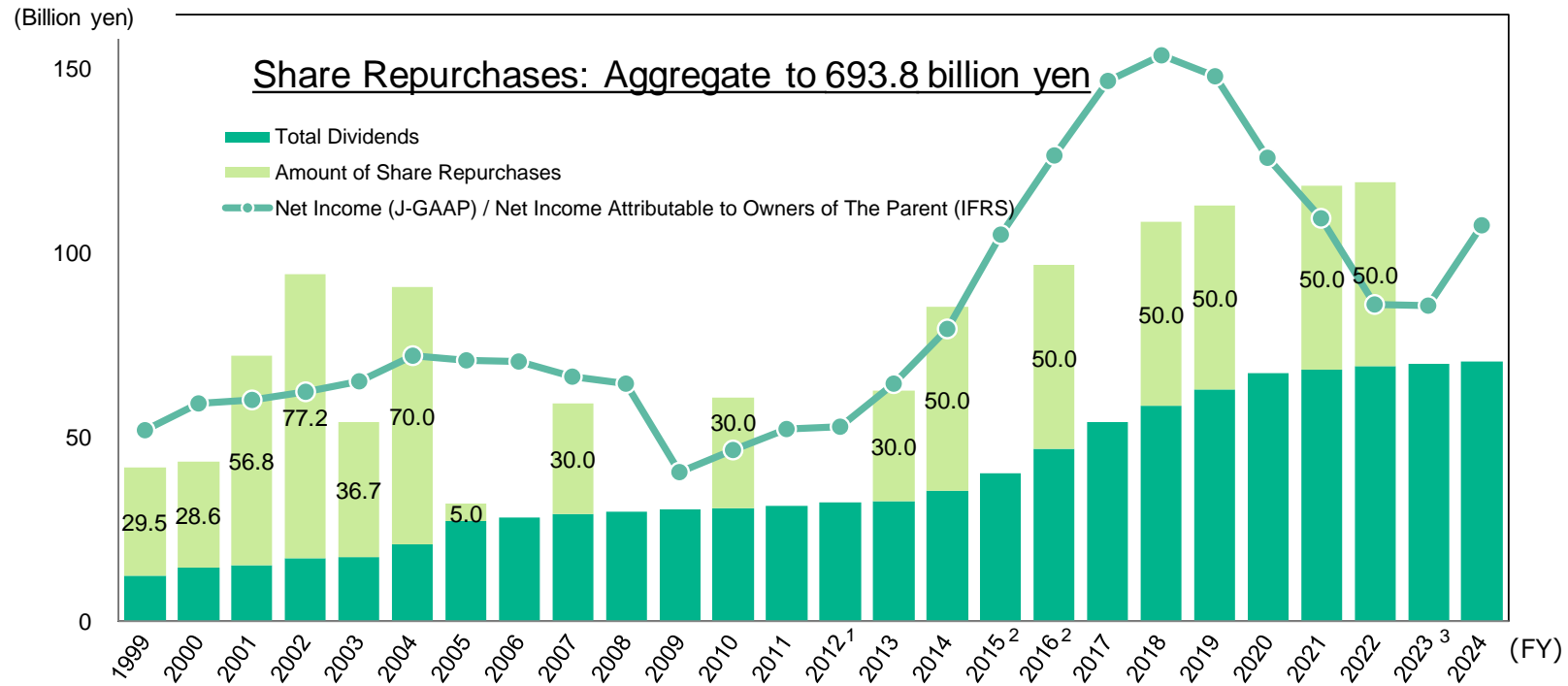
# Cash Dividends per Share

Cash Dividends per Share (Yen)



1. Formally decided at the Annual General Meeting of Shareholders  
 Impacts of share splits are retroactively reflected

# Shareholder Returns



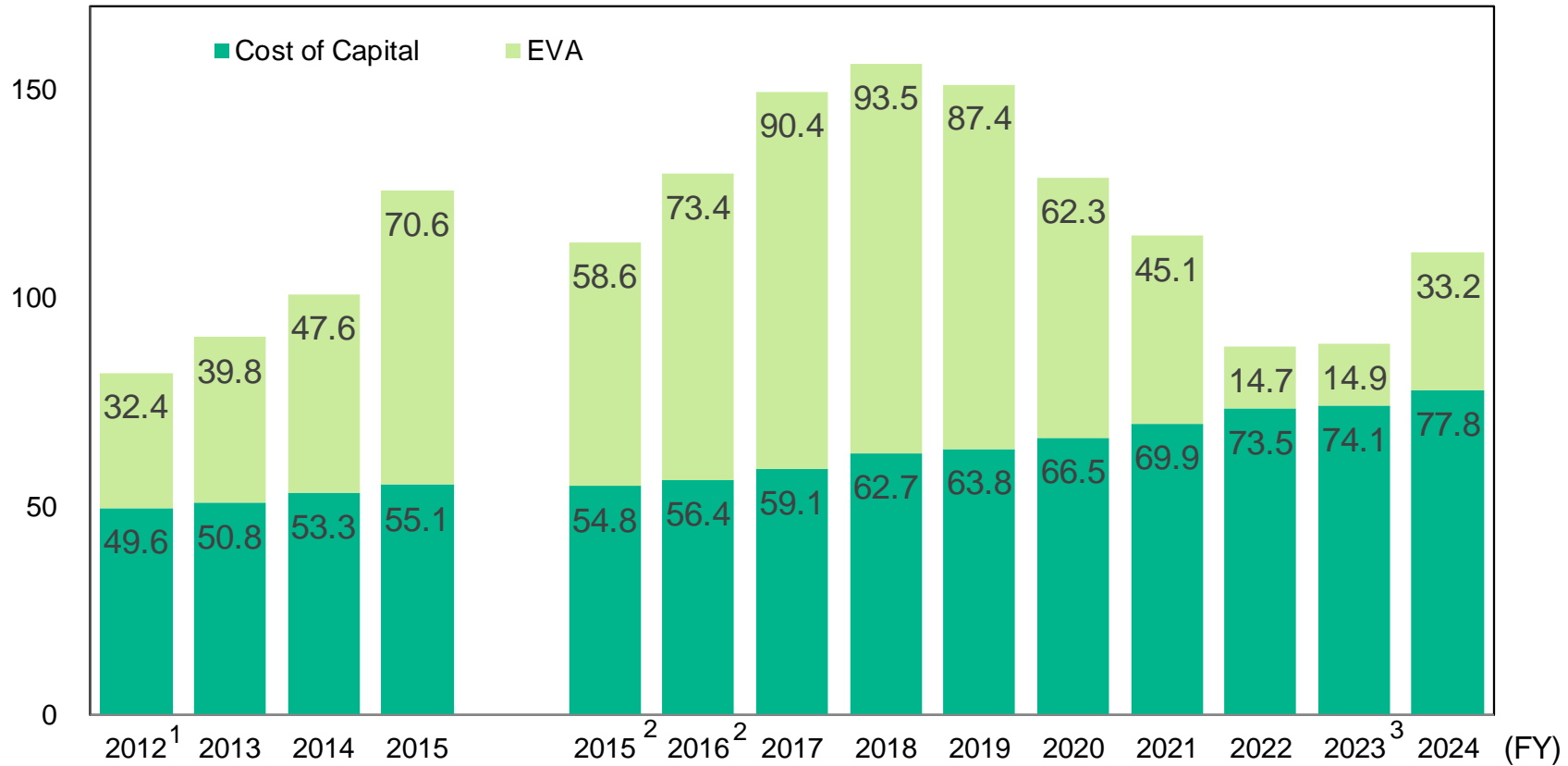
1. Fiscal year end changed from March 31 to December 31 in FY2012 (FY2012 results are for the nine-month period from April to December for Group companies whose fiscal year end was previously March 31 and the twelve-month period from January to December for Group companies whose fiscal year end was December 31).

2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS.

3. FY2023 figures are calculated based on core income.

Core income: Income excluding impacts of structural reforms for FY2023

(Billion yen)



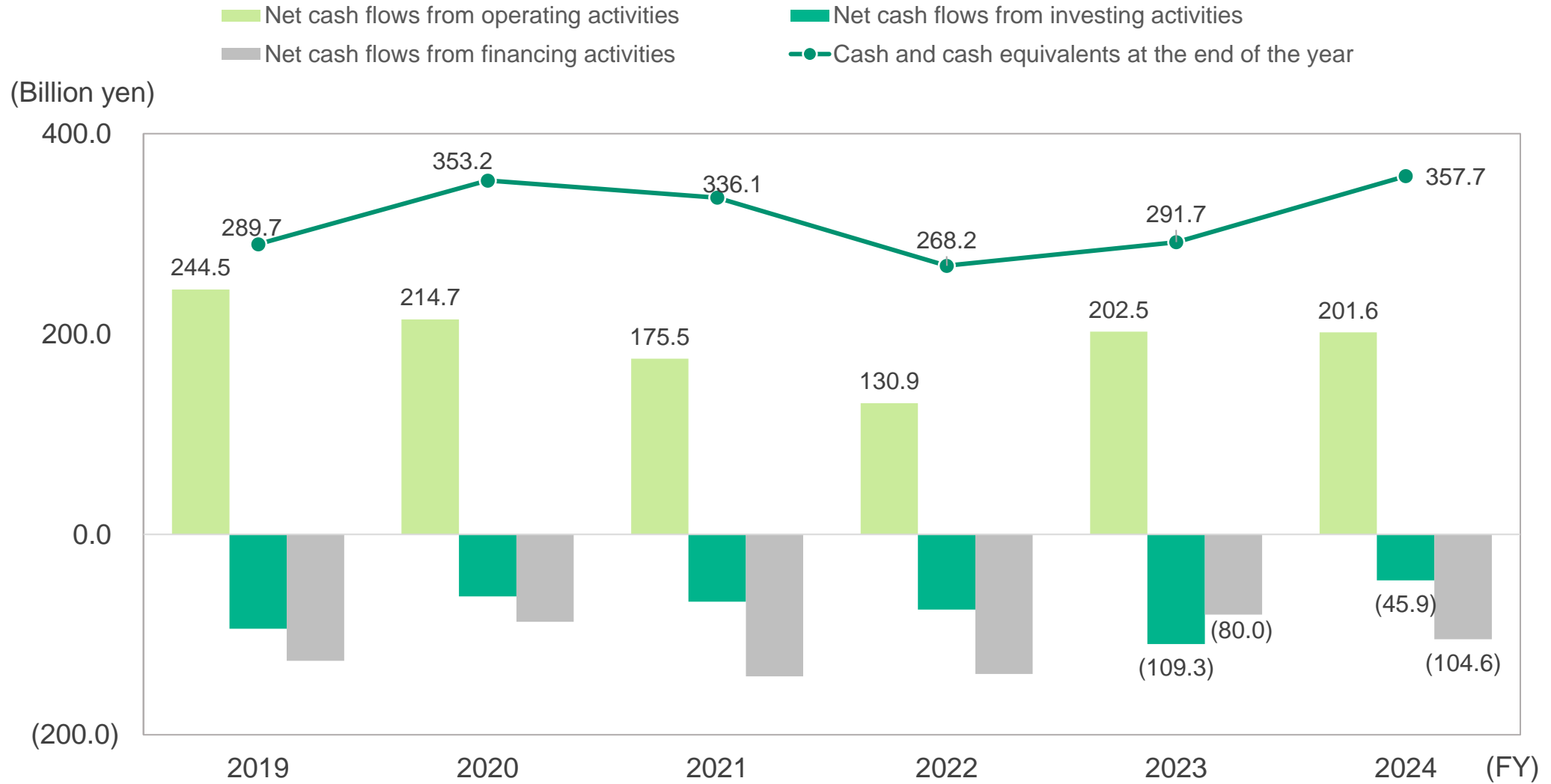
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2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS

3. FY2023 figures are calculated based on core income.

Core income: Income excluding impacts of structural reforms for FY2023

# Cash Flows



# Business Segments and Main Product Categories

|   |  |   |  |  |   |
|---|--|---|--|--|---|
| <b>Hygiene and Living Care Business</b> | <ul style="list-style-type: none"> <li>● Laundry detergents</li> <li>● Fabric treatments</li> <li>● Kitchen cleaning products</li> <li>● House cleaning products</li> <li>● Paper-based cleaning products</li> <li>● Sanitary napkins</li> <li>● Baby diapers</li> </ul> | FY2024 Net sales: 544.3 billion yen<br>Like-for-like growth <sup>1</sup> : +2.8 %<br>Share of net sales: 33.5 %<br>Operating margin: 13.9 %   |  |  |   |
|   | <b>Health and Beauty Care Business</b>   | <ul style="list-style-type: none"> <li>● Skin care products</li> <li>● Hair care products</li> <li>● Professional hair care products</li> <li>● Bath additive</li> <li>● Oral care products</li> <li>● Thermo products</li> </ul> | FY2024 Net sales: 424.0 billion yen<br>Like-for-like growth <sup>1</sup> : +4.1 %<br>Share of net sales: 26.0 %<br>Operating margin: 8.1 % |  |   |
|   |  | <b>Life Care Business</b>   | <ul style="list-style-type: none"> <li>● Commercial-use hygiene products</li> </ul>  | FY2024 Net sales: 55.9 billion yen<br>Like-for-like growth <sup>1</sup> : (2.6) %<br>Share of net sales: 3.4 %<br>Operating margin: 11.3 % |   |
|   |  |   | <b>Cosmetics Business</b>  | <ul style="list-style-type: none"> <li>● Counseling cosmetics</li> <li>● Self-selection cosmetics</li> </ul>                               | FY2024 Net sales: 244.1 billion yen<br>Like-for-like growth <sup>1</sup> : +0.0%<br>Share of net sales: 15.0 %<br>Operating margin: (1.5) % |
|   |  |   |  | <b>Chemical Business</b>   | <ul style="list-style-type: none"> <li>● Oleo chemicals</li> <li>● Performance chemicals</li> <li>● Information materials</li> </ul>        |

# Changes in Reportable Segments (From January 2025)

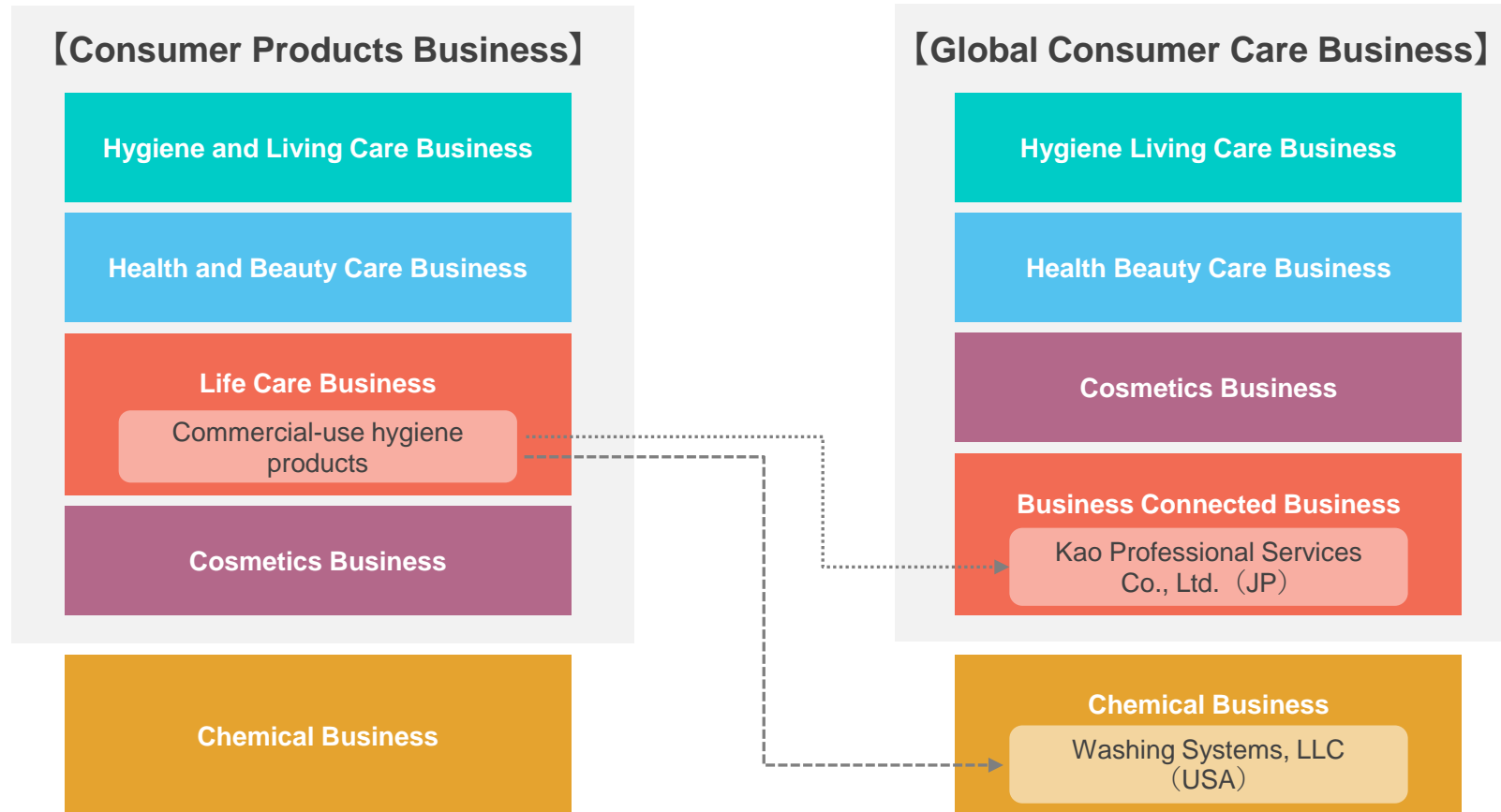
To further ramp up global growth, the Kao Group restructured its organization and functions as of January 2025.

**【Changes of Names】**

- The “Consumer Products Business” has been renamed as the “Global Consumer Care Business.”
- The “Hygiene and Living Care Business” has been renamed as the “Hygiene Living Care Business.”
- The “Health and Beauty Care Business” has been renamed as the “Health Beauty Care Business.”

**【New Establishment】**

- The “Business Connected Business” has been established to further improve productivity and strengthen both internal and external collaboration for creating new businesses. The business consists of the commercial-use hygiene products that were previously included in the Life Care Business (excluding Washing Systems, LLC in the United States), as well as business co-creation initiatives with partners.





# KaO

Kirei—Making Life Beautiful

