

The image features a vibrant sunset or sunrise sky with soft, wispy clouds in shades of blue, orange, and yellow. In the foreground, the silhouette of a person stands with their arms raised, forming a heart shape with their hands. The background shows the dark silhouettes of mountains and trees. The Kao logo is centered in the upper half of the image.

Kao

Kirei—Making Life Beautiful

Kao Corporation

The 118th Annual General Meeting of Shareholders

- **Summary of FY2023 activities**
- **FY2024 Market forecast and outlook**
- **Mid-term Plan “K27” and progress**

Kao

Market Environment

Rising prices of raw materials

Changes in China market

- ALPS treated water issues
- Economic slowdown

Challenges

Low price business practices in the domestic market for daily necessities

Acceleration to growth transformation
Executing balanced investment

Improvement in unbalanced dependency on China market
Sanitary, Cosmetics

Maximum utilization of human capital

Actions taken

Industry leadership in strategic price increases

Structural reform

- Focus on ROIC
Management that maximizes capital efficiency
- Focus on human capital
High circulation of human resources
- Focus on speed
Scrum-type organization management

Achievements

- ✓ Progress in price pass-through
- ✓ Increase domestic market share
- ✓ Divestment of non-core businesses
Acquisitions to accelerate growth businesses
- ✓ Progress in business management based on business portfolio
- ✓ Improved hit rate of new products
- ✓ Launch of new co-creation businesses

Ecology



CLIMATE FORESTS WATER

Top in Japan

One of the 10 companies
in the world to receive

Triple A

for **4 consecutive years in a row**

Evaluated by an NGO run by a UK charity group

Everyday lives



Development of high durability
technology for asphalt pavement
using PET waste

NEWTLAC

Life



Nikkei Excellent Product and
Service Awards 2023
Grand Prize

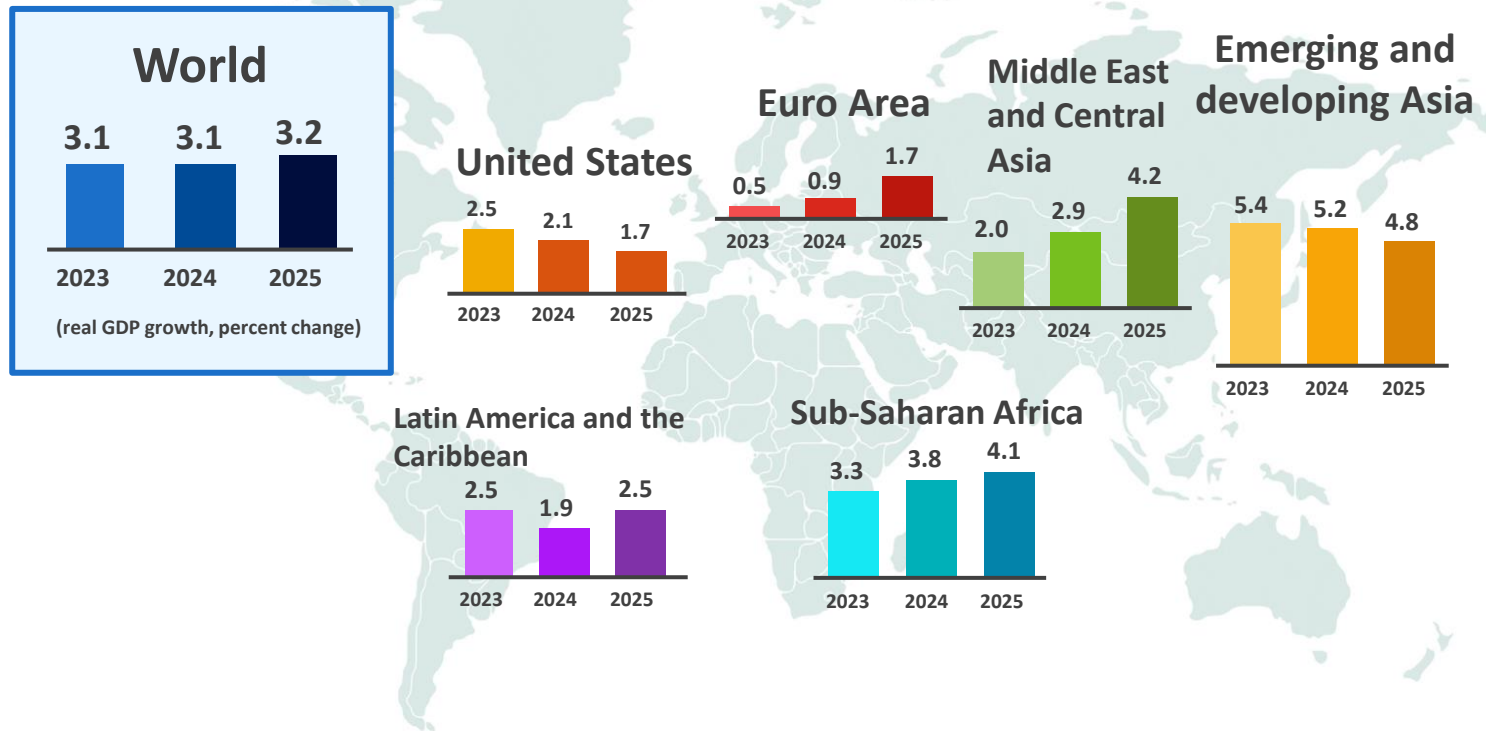
"Bioré UV Aqua Rich
Water Protect Mist"

Sunscreen

- Summary of FY2023 activities
- **FY2024 Market forecast and outlook**
- **Mid-term Plan “K27” and progress**

World Economic Outlook, January 2024

Growth rate forecast by region (rate of change)



GDP growth rate forecast (%) <World Bank>

	2023	2024	2025
Japan	↑ 1.8	↑ 0.9	↑ 0.8
United States	↑ 2.5	↑ 1.6	↓ 1.7
Euro area	0.4	↓ 0.7	↓ 1.6
China	↓ 5.2	↓ 4.5	↓ 4.3

Source: World Bank Global Economic Prospects JANUARY 2024

Cosmetics and toiletries

Rising raw material prices settled & increasing consumption by international visitors to Japan

After June 2023

Signs that the impact of raw material prices is coming to an end*¹ but remains high

Travel consumption by foreign visitors to Japan in calendar year 2023
5,292.3 billion yen (+9.9% compared to 2019), **a new record high***²

*1 Nihon Keizai Shimbun June 2, 2023

*2 Japan Tourism Agency Survey on Consumption Trends of international visitors to Japan (Preliminary Report January 2024)

Chemical

From cost cover to true competitiveness

Price increases to pass on costs are **approaching their limits***³

True competitiveness and value of the product is being questioned *⁴

*3 Nihon Keizai Shimbun December 25, 2023

*4 Toyo Keizai Online June 7, 2023

Retail

2023 was a year of rising prices in food and others

Japan domestic **food prices increased for 32,396 items**

Record rush year in the past 30 years*⁵

Move toward oligopoly among major companies

*5 Teikoku Databank (June 2023)

Logistics

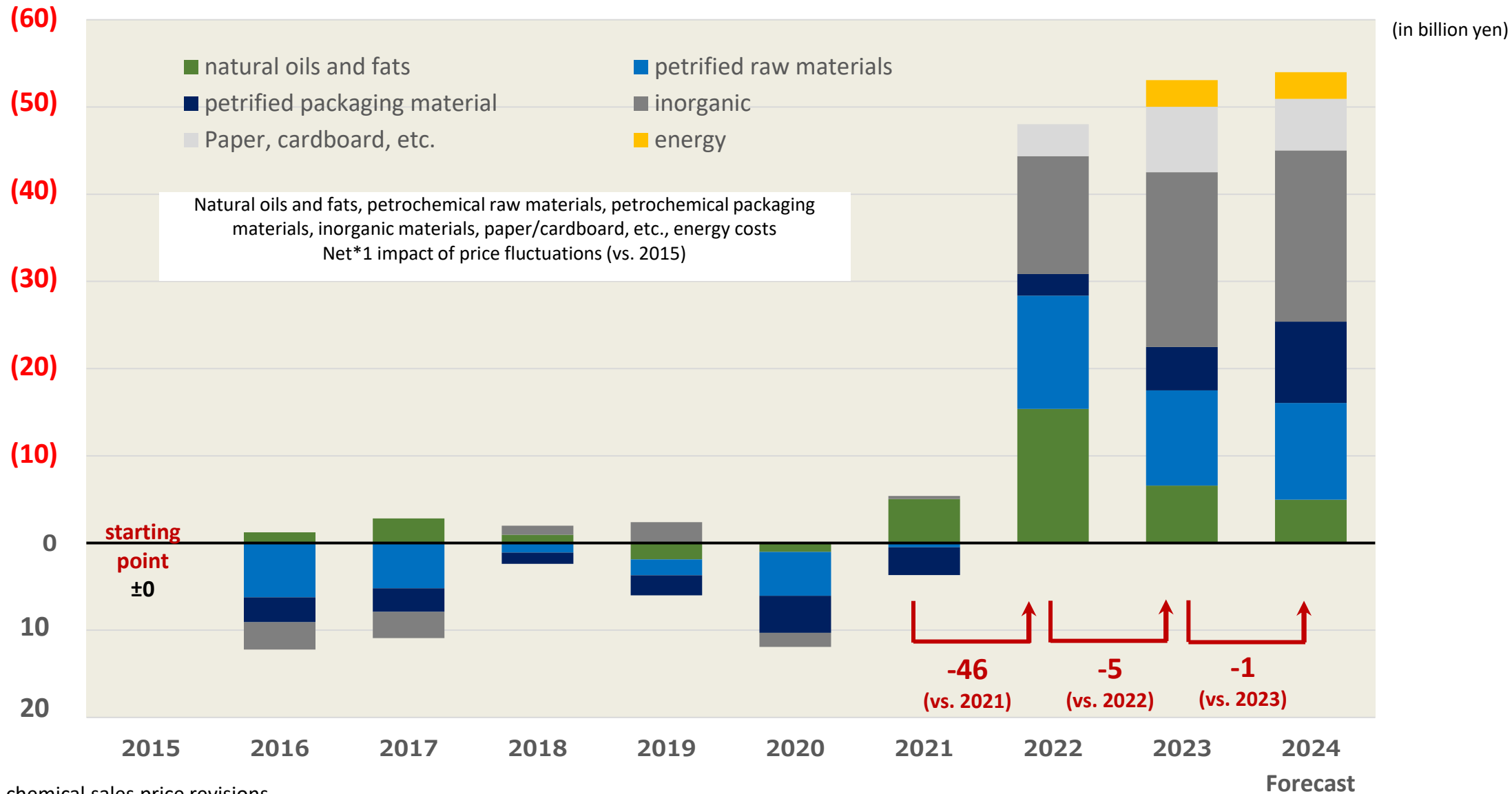
Increase in demand and growth of 3PL

Third party logistics market

Predicted to grow at **CAGR of over 8%** (2023-2028)*⁶

*6 Global Information research (June 2023)

Consumer Products Business Raw material price impact trends (compared to 2015)



*1 Offset with chemical sales price revisions

FY2024 consolidated financial performance forecast



(in billion yen)	FY2023 results	FY2024 Forecast	Change
Net Sales	1,532.6	1,580.0	+3.1%
Operating income Core operating income	60.0 114.7	130.0	+70.0 +15.3
Operating income margin Core operating income margin	3.9% 7.5%	8.2%	-
Net income (attributable to owners of the parent)	86.0	98.0	+12.0
Dividend per share	150.00 yen	152.00 yen (planned)	+2.00 yen

- Summary of FY2023 activities
- FY2024 Market forecast and outlook
- **Mid-term management plan “K27” and progress**

Kao Group Mid-term Plan 2027 “K27”

Vision

Saving future lives

【K27 Basic Policy】

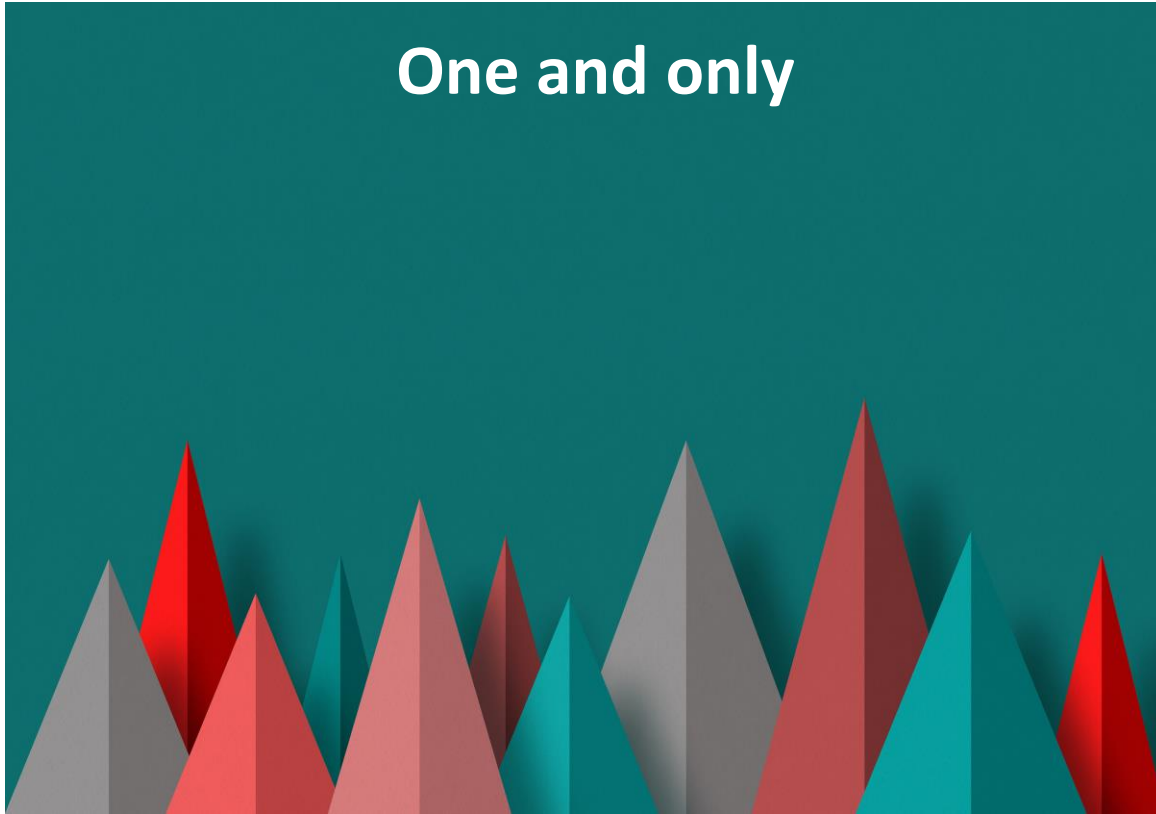
1. Become an essential company in a sustainable world
2. Transform to build robust business through investment
3. Maximize the power and potential of employees

Introduce ROIC company-wide, decisively implement structural reforms and aim to be a company that sustains “Global Sharp Top*” businesses.

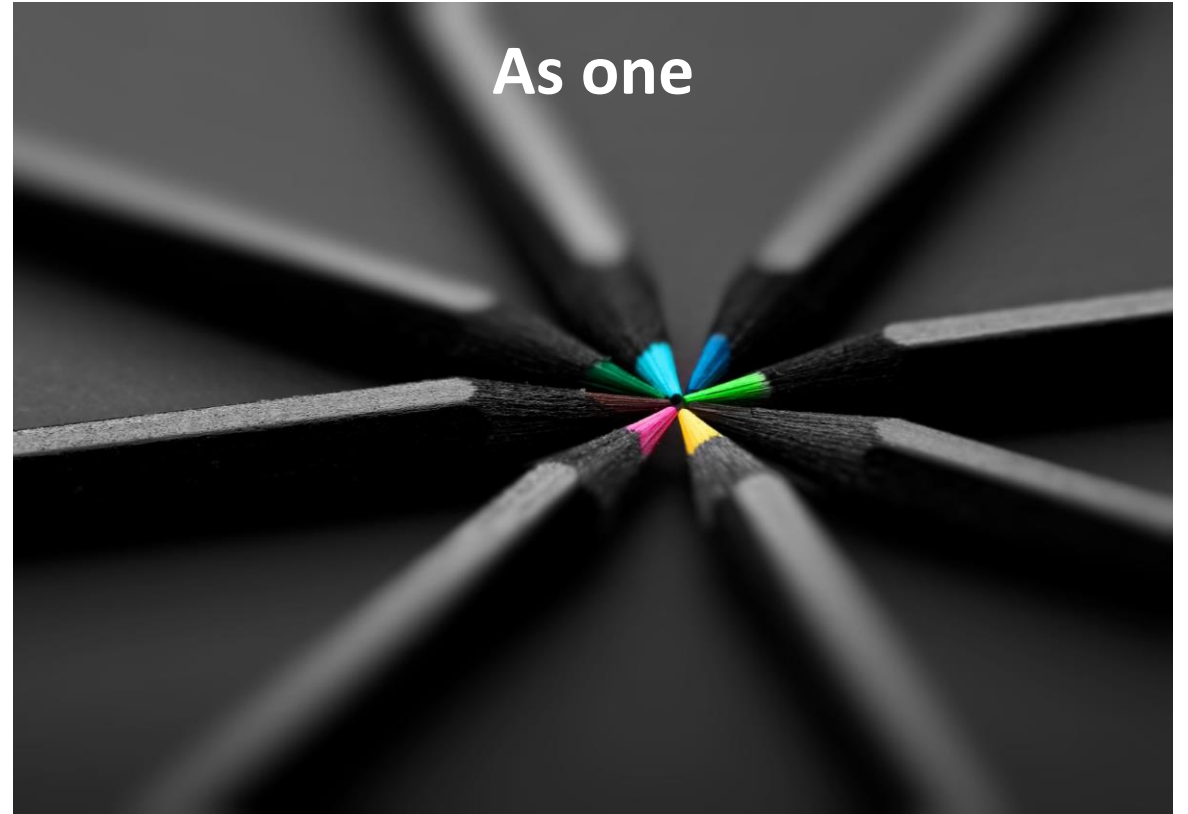
*Global Sharp Top: Contribute as global No.1 with leading-edge solutions that address the critical needs of customers.

Become someone's indispensable number one in the world

One and only



As one



< 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

Growth

Build Global Sharp Top businesses

Global shift to essential, highly profitable businesses

Activity

Global Sharp Top human capital/organizational management

Decisive investment in human capital
Withdrawal from matrix management

Efficiency

Improve capital efficiency/profitability

Maximize the value of management capital

Synergy

Build businesses through co-creation with partners

Faster maximization of technology assets

Stable Earnings	Growth Driver	Business Transformation
Expand market share and improve profitability	Growth investment and global growth	Improve profitability
<p>Reinforce No. 1 brands</p> <ul style="list-style-type: none"> ● <i>Attack</i> New Product (Perfect Stick) + 2 pts Top market share in Japan for fabric detergent ● <i>Bath Magiclean</i> (Japan bath cleaner) New Product (Airjet) + 15 pts ● <i>Toilet Magiclean</i> (Japan toilet cleaner) New Product (bubble pack) + 16 pts 	<p>Breakthrough in growing business</p> <ul style="list-style-type: none"> ● <i>Bioré</i> UV (Japan) New Product (UV mist) +7 pts Top brand for UV care ● Breakthrough of <i>Bioré</i> antiperspirant sheets (Japan) 125% *1 ● <i>KATE</i> (Japan) Top brand for make-up ● <i>KANEBO</i> (Global) 133% ● Chemical (Global) Highly durable asphalt modifier/spreading agent for agricultural chemicals 118% *1: sheet segment, shared use 	<p>Business growth in improved brands</p> <ul style="list-style-type: none"> ● Sanitary Business (Japan) 109% ● Hair Care Business (Japan) <i>Liese, Cape</i> 112% ● Hair Salon Business (AEMEA) Premium Brand (<i>ORIBE</i>) 112%

Sharpen the skills and unlock the potential of highly motivated employees



Optimal assignment

Advanced training

Provide a setting
for learning



Build an environment that
focuses on challenges and results

Recognition/
Compensation
& Benefits

Thorough
dialogue

Delegation
of authority

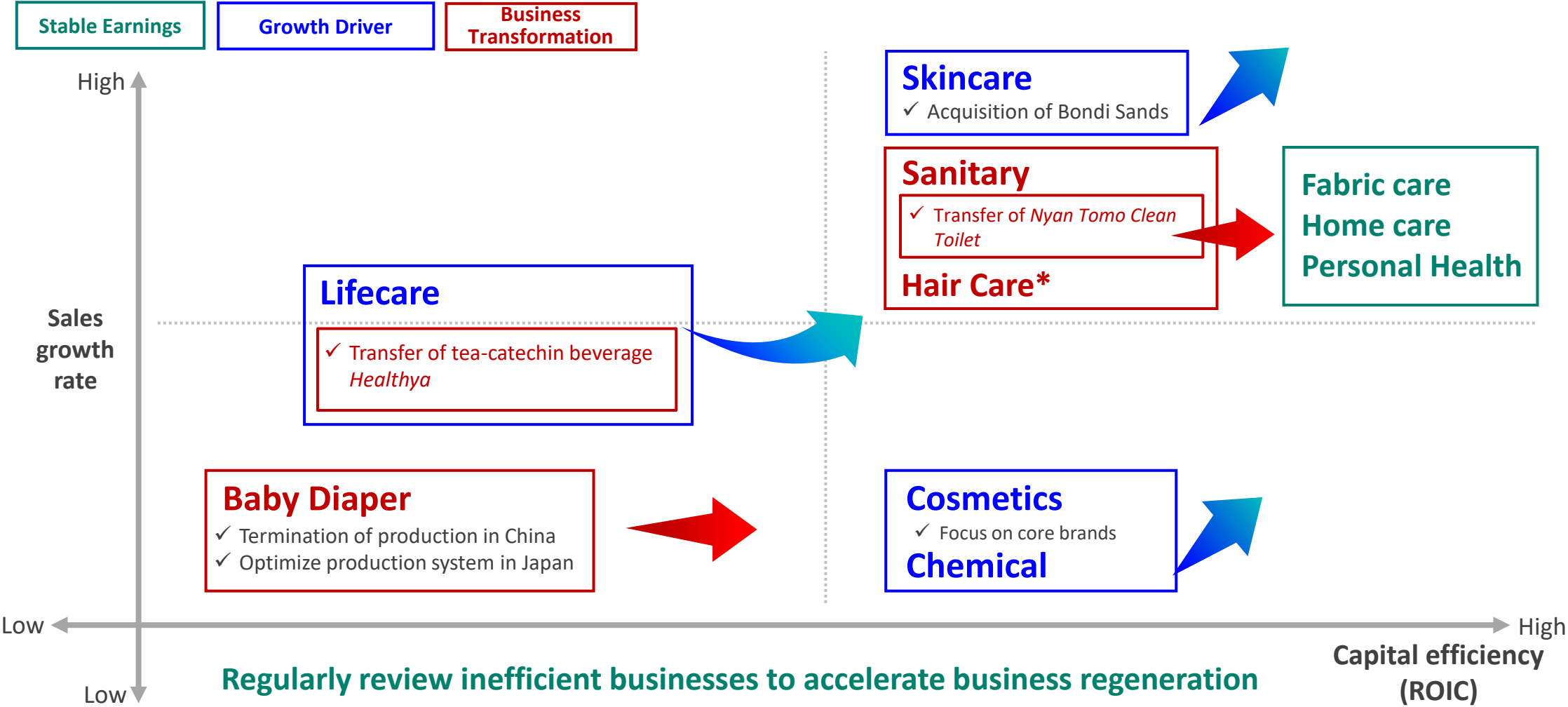


Withdrawal from matrix
management in organizations

Create equitable opportunities for all employees

Aim to prioritize investment in growth businesses and make improvements for a sound portfolio by strengthening ROIC by business.

ROIC by business improvement estimate (FY2023 results → 2024 forecast)



*Including products for hair salons 16

(FY2023 Results vs. FY2024 Forecast)

	Sales Growth Rate (%)	Improvement in Core Operating Income ¹ (Billion yen)	Improvement in ROIC (pt)
Stable Earnings	+1.1	+3.1 +3.4	+2.4
Growth Driver	+6.3	+6.8 +20.9	+1.8
Business Transformation	(0.6)	+5.4 +31.1	+7.3
Total	+3.6	+15.3 +70.0 ²	+4.5

1. Figures in orange show improvement in operating income.
2. In FY2023, a portion of structural reform expenses were allocated as corporate expenses.

ROIC Performance

FY2023 Results FY2024 Forecasts

4.1% → 8.6%

Accelerate maximization of technological assets

Global expansion of in-house technology

Repellent and insecticidal technology
that does not use insecticidal ingredients

Leading provider of
insect care products



MOS SHOOTER

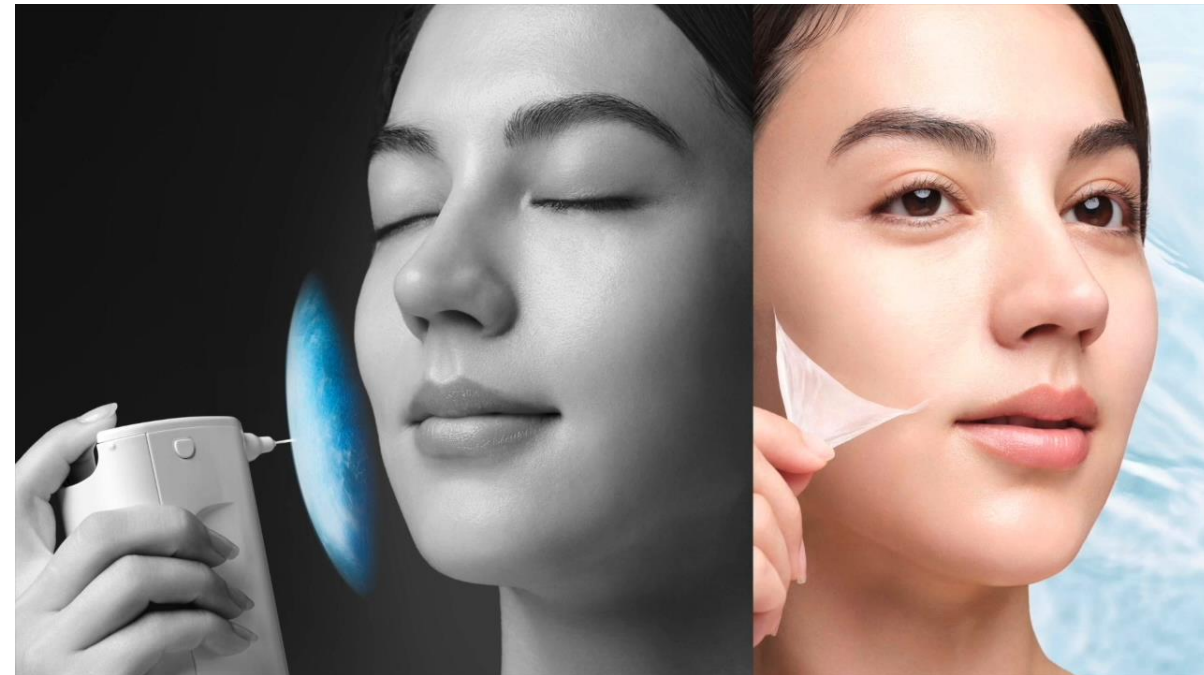
Commercialized by combining Kao's technology with Earth's expertise.

Creating new value through technological synergy

Stratum layer care with microfibers

Leading manufacturer in
home appliances

Panasonic



Targets of Mid-term Plan K27

- Off to a good start towards achieving K27's ROIC goals by business.

(Billion yen)	FY2022 Results	FY2023 Results	FY2024 Forecasts	FY2027 Targets
ROIC	7.8%	4.1%	8.6%	11.0% or more
EVA	14.7	14.9	24.0	70.0 or more
Operating Income ¹	110.1	114.7	130.0	Record-high operating income (FY2019 211.7 billion yen)
Sales outside Japan ²	674.5	655.8	697.0	800.0 or more (Sales CAGR+4.3%)

1. The figure for FY2023 is core operating income.

2. Sales outside Japan are based on the location where the sales were recognized.



Build global sharp top business

- ✓ Global shift of highly essential and highly profitable businesses



Global sharp top human capital/organizational management

- ✓ Well-balanced human capital investment and de-matrix management



Improve capital efficiency/profitability

- ✓ Maximize the value of management capital (profitable development)



Business building through co-creation with partners

- ✓ Accelerate maximization of technological assets



Kao Corporation

The 118th Annual General Meeting of Shareholders