

Date and time:

Wednesday, August 6, 2025, 18:15-19:45 (JST)

Respondents:

Yoshihiro Hasebe, Representative Director, President and Chief Executive Officer

Masakazu Negoro, Representative Director, Senior Managing Executive Officer

Toru Nishiguchi, Representative Director, Senior Managing Executive Officer

1) Sales in the Health Beauty Care Business declined in all regions outside Japan in H1.

However, the forecast is expected to increase slightly in H2. Which regions and categories are expected to drive this growth?

In H1, core brands in Europe and the U.S. (such as *JERGENS*, *GOLDWELL*) recorded overall declines in sales, due to factors including U.S. inflation and uncertainty over the European economic outlook. In addition, many of these brands are traditional, and they continue to face challenges in attracting younger consumers.

On the other hand, *Bioré UV*, one of our focus brands, has been performing well, supported by the success of lean startup initiatives in North America. Although a decline in demand was observed in Q2 due to unfavorable weather conditions, we expect sales to increase as demand has been recovering in H2. However, full-scale growth outside Japan is expected from FY2026 onward, including brand reinforcement.

2) Compared with your Q1 results, growth in both selling price and sales volume appears to have slowed. Have there been any changes in consumer trends?

The slowdown in selling price growth in Q2 is due to the timing of price adjustments. Since a major price adjustment in the Fabric and Home Care products was implemented at the end of June, its effects are expected to be reflected in H2. We will continue to carry out price adjustments going forward.

Sales volume in Q2 decreased compared to Q1 due to changes caused by U.S. tariffs on market conditions, mainly outside Japan, which led to purchasing restraints. However, since entering Q3, sales volume is now performing very well.

What are the factors behind the decline in sales of sanitary and cosmetics products in Q2?

Intensifying competition in Asia. In particular, sales volume in the sanitary business in Indonesia declined as a result of avoiding price competition with local competitors. In addition, sales in the Cosmetics Business declined across Asia due to a reactionary decrease following the sell-in expansion in China in FY2024 Q2. Since entering Q2, the European and U.S. markets have been on a shrinking trend. Meanwhile, Japan is performing well.

3) Could you share your outlook for Indonesia and China in H2?

In Asia, we avoid excessive price competition and focus on securing profits in our business activities. We will prioritize consumer segments with high loyalty to Kao products.

4) Could you provide a breakdown by segment of the K27 targets for sales outside Japan and for operating income?

Toward FY2027, we plan to increase sales outside Japan by over 95.0 billion yen and operating income by over 65.0 billion yen, compared with FY2024. The increase in both net sales and operating income is expected to be shared equally, with one-third each from Health Beauty Care, Cosmetics, and Chemical and Hygiene Living Care. We will drive growth through both Health Beauty Care and Cosmetics mainly outside Japan.

5) What are the reasons you decided to conduct a share repurchase at this time? Was there also an option to allocate funds to growth investments such as M&A?

The business is performing well, and we determined that there is capacity for shareholder returns even after accounting for future growth investments. This was a comprehensive judgment based on factors such as the status of working capital and the current share price level. Our capital allocation strategy remains unchanged.

We are currently reorganizing our structure in preparation for globalization and have determined that it is not yet the stage to actively pursue capital investment or M&A. Please note that we continue to invest in human capital, DX, and other initiatives to enhance management quality.

6) Could you explain the reason for the reduction in sales outside Japan of the Health Beauty Care and the Hygiene Living Care Businesses in the revised forecast, and provide a segment breakdown of the 5.0 billion yen upward revision in operating income?

Sales outside Japan

- Health Beauty Care: The main factor is the deterioration in U.S. market conditions. We also considered the sluggish performance of the hair salon business in Europe and the U.S. during H1.
- Hygiene Living Care: We expect sales to decline due to lower volume, resulting from avoiding price competition in Indonesia.

Operating income

- We expect profit growth primarily in the Cosmetics and the Hygiene Living Care Businesses.
- The hair care business and the skincare business, where thermal stress care products are performing well, are also expected to see increased profits in Japan.

Could you explain the reasons behind the 5.0 billion yen upward revision in the operating income forecast?

During Q1, operating income was 7.0 to 8.0 billion yen higher than our plan. However, we revised it upward by 5.0 billion yen due to the following reasons:

- Negative indirect effects of U.S. tariff policies are expected to amount to approximately 1.0 billion yen in H2 for the Chemical Business.
- The Global Consumer Care Business in Europe and the Americas—mainly the hair salon business—is expected to remain weak in H2 due to the impact of deteriorating market conditions.

7) Could you share the factors contributing to the strong performance of the Cosmetics Business and provide the outlook for sales associated with inbound demand (inbound sales) in H2?

China will be the main driver of sales growth in H2. We also expect to see a reactionary effect from the inventory adjustments carried out during H2 of FY2024. Japan is also projected to exceed market growth. Inbound sales in H1 increased by more than 10% year on year. We expect growth to continue at a similar pace in H2.

Note

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