

**Consolidated Financial Results  
for the Fiscal Year Ended December 31, 2025  
[IFRS]**

February 5, 2026

Tokyo Stock Exchange in Japan

Company name: Kao Corporation

Stock code: 4452 (URL: [www.kao.com/global/en/investor-relations/library/results/](http://www.kao.com/global/en/investor-relations/library/results/))

Representative: Yoshihiro Hasebe, President and CEO

Contact person: Yoshimasa Minegishi, Vice President, Financial Controllers, Global

Telephone: +81-3-3660-7111

Scheduled date of the Annual General Meeting of Shareholders: March 26, 2026

Scheduled commencement date for dividend payments: March 27, 2026

Scheduled date to file annual securities report: March 25, 2026

Preparation of supplementary material on financial results: Yes

Financial results information meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded)

**1. Consolidated financial results for the fiscal year ended December 31, 2025  
(from January 1, 2025 to December 31, 2025)**

**(1) Consolidated operating results**

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Income before income taxes		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2025	1,688,633	3.7	164,069	11.9	169,846	12.5	120,586	9.3
December 31, 2024	1,628,448	6.3	146,644	144.3	151,024	136.6	110,374	139.1

	Net income attributable to owners of the parent		Comprehensive income		Basic earnings per share		Diluted earnings per share	
Fiscal year ended	Millions of yen	%	Millions of yen	%		Yen		Yen
December 31, 2025	120,081	11.4	148,786	(7.2)	260.30		—	—
December 31, 2024	107,767	145.7	160,377	89.9	231.94		—	—

	Ratio of net income to equity attributable to owners of the parent	Ratio of income before income taxes to total assets	Ratio of operating income to net sales
Fiscal year ended	%	%	%
December 31, 2025	11.3	9.1	9.7
December 31, 2024	10.5	8.3	9.0

(Reference) Share of profit in investments accounted for using the equity method

For the fiscal year ended December 31, 2025 : 3,406 million yen

For the fiscal year ended December 31, 2024 : 3,482 million yen

**(2) Consolidated financial position**

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
As of				%	Yen
December 31, 2025	Millions of yen 1,875,054	Millions of yen 1,094,700	Millions of yen 1,064,077	56.7	2,352.49
December 31, 2024	1,867,237	1,098,835	1,066,776	57.1	2,296.69

**(3) Consolidated cash flows**

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of the year
Fiscal year ended December 31, 2025	Millions of yen 199,680	Millions of yen (69,767)	Millions of yen (175,134)	Millions of yen 323,282
December 31, 2024	201,585	(45,902)	(104,578)	357,713

**2. Dividends**

	Annual cash dividends per share					Total dividend payment amount	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the parent (Consolidated)
	1st quarter -end	2nd quarter -end	3rd quarter -end	Fiscal year -end	Total			
Fiscal year ended December 31, 2024	Yen —	Yen 76.00	Yen —	Yen 76.00	Yen 152.00	Millions of yen 70,803	% 65.5	% 6.9
Fiscal year ended December 31, 2025	—	77.00	—	77.00	154.00	70,794	59.2	6.6
Fiscal year ending December 31, 2026 (Forecast)	—	78.00	—	39.00	—		—	

Note: At a meeting of the Board of Directors held on February 5, 2026, Kao Corporation (the "Company") resolved to conduct a share split at a ratio of two shares for each share of ordinary share, with June 30, 2026, as the record date and July 1, 2026, as the effective date. The forecast year-end dividend per share for the fiscal year ending December 31, 2026, shown above is presented on a post-share split basis. The forecast of total annual cash dividends per share for the fiscal year ending December 31, 2026, has not been presented as the implementation of the share split makes a simple aggregation of the second quarter-end dividend and the year-end dividend impracticable. If the share split were not taken into account, the forecast year-end dividend per share for the fiscal year ending December 31, 2026, would be 78.00 yen, and total annual cash dividends per share would be 156.00 yen.

**3. Forecast of consolidated operating results for the fiscal year ending December 31, 2026 (from January 1, 2026 to December 31, 2026)**

(Percentages indicate year-on-year changes)

	Net Sales		Operating income		Income before income taxes		Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2026	1,750,000	3.6	182,000	10.9	185,000	8.9	130,000	8.3	143.70

Note: Basic earnings per share shown above are presented on a post-share split basis, as described in "2. Dividends." If the share split were not taken into account, basic earnings per share would be 287.41 yen.

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#### 4. Others

(1) Significant changes in the scope of consolidation during the period: None  
Newly included: — companies (Company name) —  
Excluded: — companies (Company name) —

(2) Changes in accounting policies and changes in accounting estimates  
1) Changes in accounting policies required by IFRS : None  
2) Changes in accounting policies due to reasons other than 1) : None  
3) Changes in accounting estimates : None

(3) Number of issued shares (ordinary shares)  
1) Total number of issued shares at the end of the period (including treasury shares)  

As of December 31, 2025	453,600,000 shares
As of December 31, 2024	465,900,000 shares

  
2) Number of treasury shares at the end of the period  

As of December 31, 2025	1,281,444 shares
As of December 31, 2024	1,415,333 shares

  
3) Average number of shares outstanding during the period  

Fiscal year ended December 31, 2025	461,315,152 shares
Fiscal year ended December 31, 2024	464,625,236 shares

**Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.**

**Explanation regarding the appropriate use of forecast of operating results and other special items**

(Caution regarding forward-looking statements, etc.)

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

Please refer to page 2 to 15 "1. Summary of Operating Results and Financial Position" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

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## 1. Summary of Operating Results and Financial Position

### (1) Summary of Operating Results

*Note: Changes and comparisons are all with the previous year unless otherwise noted. Like-for-like growth rates below exclude the effect of translation of local currencies into Japanese yen. Growth by volume includes changes due to differences in product mix.*

#### **Operating Results for the Fiscal Year Ended December 31, 2025**

##### **1) Trends in Overall Results for the Fiscal Year Ended December 31, 2025**

(Billions of yen, except operating margin and per share amounts)

	2025	2024	Growth
Net sales	<b>1,688.6</b>	1,628.4	3.7% Like-for-like: 3.7%
Operating income	<b>164.1</b>	146.6	11.9%
Operating margin (%)	<b>9.7</b>	9.0	—
Income before income taxes	<b>169.8</b>	151.0	12.5%
Net income	<b>120.6</b>	110.4	9.3%
Net income attributable to owners of the parent	<b>120.1</b>	107.8	11.4%
Basic earnings per share (Yen)	<b>260.30</b>	231.94	12.2%

In the global economy during fiscal 2025, as conditions remained uncertain due to international supply chain disruptions and rising procurement costs following changes in tariff policies, as well as protracted geopolitical risks, mainly in Europe and the Middle East, lifestyle-related consumption remained resilient despite rising prices in all regions. In the Japanese economy, despite signs of wage growth, the impact of high prices has restrained consumer sentiment, and domestic demand trended toward a gradual recovery.

According to retail sales and consumer purchasing survey data, the Kao Group's key markets of household and personal care products and cosmetics in Japan grew compared with the previous fiscal year.

In this operating environment, the Kao Group worked to build a foundation for expanding global sales while improving its earning power to achieve profitable growth and successfully carry out its Mid-term Plan 2027 ("K27").

Net sales increased 3.7% compared with the previous fiscal year to 1,688.6 billion yen. Currency translation accounted for a 0.0% increase and net sales increased 3.7% on a like-for-like basis (breakdown of the increase: 0.5% increase by volume, 3.2% increase by price). Operating income was 164.1 billion yen, an increase of 17.4 billion yen compared with the previous fiscal year, and the operating margin was 9.7%. Income before income taxes was 169.8 billion yen, an increase of 18.8 billion yen, and net income was 120.6 billion yen, an increase of 10.2 billion yen.

Basic earnings per share were 260.30 yen, an increase of 28.36 yen, or 12.2%, from 231.94 yen in the previous fiscal year.

Return on invested capital (ROIC), which the Kao Group uses as a management metric, was 9.7% and Economic Value Added (EVA\*) increased 7.9 billion yen compared with the previous fiscal year to 41.1

billion yen as net operating profit after tax (NOPAT) increased substantially.

\* *EVA is a registered trademark of Stern Stewart & Co.*

To improve capital efficiency and further enhance shareholder returns, Kao Corporation (the "Company") resolved at a meeting of its Board of Directors held on August 6, 2025, to repurchase its own shares, and subsequently repurchased shares for a total of 80.0 billion yen. The Company retired 12,300,000 treasury shares on December 26, 2025.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and associates were as shown below.

	First quarter Jan. – Mar.	Second quarter Apr. – Jun.	Third quarter Jul. – Sep.	Fourth quarter Oct. – Dec.
U.S. dollar	152.65 (148.22)	144.49 (155.72)	147.41 (149.44)	154.04 (152.30)
Euro	160.48 (160.99)	163.73 (167.68)	172.30 (164.04)	179.33 (162.55)
Chinese yuan	20.98 (20.63)	19.98 (21.51)	20.59 (20.84)	21.73 (21.19)

*Note: Figures in parentheses represent the exchange rates for the previous fiscal year.*

## **2) Trends by Segment during the Fiscal Year**

### **Summary of Segment Information**

A summary of the changes to reportable segments implemented during the three months ended March 31, 2025, is as follows. (Reference: 3. Consolidated Financial Statements and Notes, (6) Notes to Consolidated Financial Statements, 1. Segment Information on page 23.)

1. The "Consumer Products Business," "Hygiene and Living Care Business," and "Health and Beauty Care Business" have been renamed the "Global Consumer Care Business," "Hygiene Living Care Business," and "Health Beauty Care Business," respectively.
2. The Business Connected Business has been newly established within the Global Consumer Care Business. This business consists of commercial-use hygiene products (excluding Washing Systems, LLC), life care products, and other products.
3. Washing Systems, LLC has been included in the Chemical Business.
4. Net sales and operating income for the previous fiscal year have been reclassified and restated to reflect the reorganization of segments outlined in items 1 to 3 above.

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**Consolidated Results by Segment**

Fiscal year ended December 31

	Net sales				Operating income				Change (Billions of yen)	
	2024 (Billions of yen)	2025 (Billions of yen)	Growth (%)	Like-for- like (%)	2024		2025			
					(Billions of yen)	Operating margin (%)	(Billions of yen)	Operating margin (%)		
Fabric and Home Care Products	375.7	389.1	3.6	3.4	68.4	18.2	74.1	19.1	5.7	
Sanitary Products	168.6	160.2	(5.0)	(4.0)	7.3	4.4	7.1	4.5	(0.2)	
Hygiene Living Care Business	544.3	549.3	0.9	1.1	75.8	13.9	81.3	14.8	5.5	
Health Beauty Care Business	424.0	432.9	2.1	2.2	34.4	8.1	39.1	9.0	4.7	
Cosmetics Business	244.1	261.6	7.2	6.9	(3.7)	(1.5)	10.4	4.0	14.1	
Business Connected Business	40.5	39.2	(3.2)	(3.2)	5.2	12.9	2.3	5.8	(3.0)	
Global Consumer Care Business	1,252.8	1,283.0	2.4	2.5	111.7	8.9	133.1	10.4	21.3	
Chemical Business	421.3	451.5	7.2	6.9	35.7	8.5	30.2	6.7	(5.5)	
Total	1,674.1	1,734.5	3.6	3.6	147.5	-	163.3	-	15.8	
Elimination and Reconciliation	(45.7)	(45.8)	-	-	(0.8)	-	0.8	-	1.6	
Consolidated	1,628.4	1,688.6	3.7	3.7	146.6	9.0	164.1	9.7	17.4	

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**Consolidated Net Sales Composition**

Fiscal year ended December 31		Japan	Asia	Americas	Europe	(Billions of yen)
Fabric and Home Care Products	2024	327.9	44.3	3.5	-	375.7
	2025	346.0	40.1	3.0	-	389.1
	Growth (%)	5.5	(9.5)	(12.4)	-	3.6
	Like-for-like (%)	5.5	(11.3)	(9.3)	-	3.4
Sanitary Products	2024	76.5	92.1	-	-	168.6
	2025	71.6	88.6	-	-	160.2
	Growth (%)	(6.3)	(3.8)	-	-	(5.0)
	Like-for-like (%)	(6.3)	(2.1)	-	-	(4.0)
Hygiene Living Care Business	2024	404.4	136.4	3.5	-	544.3
	2025	417.6	128.6	3.0	-	549.3
	Growth (%)	3.3	(5.7)	(12.4)	-	0.9
	Like-for-like (%)	3.3	(5.1)	(9.3)	-	1.1
Health Beauty Care Business	2024	212.1	36.7	112.5	62.7	424.0
	2025	225.0	36.5	109.1	62.3	432.9
	Growth (%)	6.1	(0.6)	(3.1)	(0.6)	2.1
	Like-for-like (%)	6.1	(0.1)	(1.4)	(3.4)	2.2
Cosmetics Business	2024	166.5	39.1	7.9	30.6	244.1
	2025	177.0	45.3	7.7	31.5	261.6
	Growth (%)	6.3	15.8	(1.9)	2.9	7.2
	Like-for-like (%)	6.3	16.2	(1.0)	(0.0)	6.9
Business Connected Business	2024	40.2	0.2	-	-	40.5
	2025	38.8	0.4	-	-	39.2
	Growth (%)	(3.5)	47.4	-	-	(3.2)
	Like-for-like (%)	(3.5)	47.7	-	-	(3.2)
Global Consumer Care Business	2024	823.2	212.5	123.9	93.3	1,252.8
	2025	858.5	210.8	119.9	93.8	1,283.0
	Growth (%)	4.3	(0.8)	(3.2)	0.6	2.4
	Like-for-like (%)	4.3	(0.2)	(1.6)	(2.3)	2.5
Chemical Business	2024	138.4	105.0	83.6	94.4	421.3
	2025	144.6	120.8	86.9	99.3	451.5
	Growth (%)	4.5	15.1	3.9	5.2	7.2
	Like-for-like (%)	4.5	14.2	6.7	2.3	6.9
Elimination of intersegment	2024	(38.6)	(3.7)	(0.1)	(3.2)	(45.7)
	2025	(39.7)	(3.2)	(0.2)	(2.7)	(45.8)
Consolidated	2024	923.0	313.7	207.3	184.5	1,628.4
	2025	963.4	328.3	206.5	190.4	1,688.6
	Growth (%)	4.4	4.7	(0.4)	3.2	3.7
	Like-for-like (%)	4.4	4.8	1.7	0.3	3.7

**Notes:**

- Figures for the Global Consumer Care Business present sales to external customers and figures for the Chemical Business include sales to the Global Consumer Care Business in addition to external customers. Sales by geographic region are classified based on the location of the sales recognized.
- The percentage of sales outside Japan to total net sales was 42.9% compared with 43.3% in the previous fiscal year. Starting from the three months ended March 31, 2025, this percentage is disclosed based on the location where the sales were recognized. Figures for the previous fiscal year were recalculated using the same method.

**Analysis of Change in Net Sales Compared with the Previous Fiscal Year**

	Change (%)	Currency Translation (%)	Like-for-Like (%)	By Volume (%)	By Price (%)
Fabric and Home Care Products	3.6	0.2	3.4	1.4	2.0
Sanitary Products	(5.0)	(1.0)	(4.0)	(3.0)	(1.1)
Hygiene Living Care Business	0.9	(0.2)	1.1	0.1	1.0
Health Beauty Care Business	2.1	(0.1)	2.2	2.0	0.2
Cosmetics Business	7.2	0.3	6.9	5.9	1.0
Business Connected Business	(3.2)	(0.0)	(3.2)	(4.6)	1.4
Global Consumer Care Business	2.4	(0.0)	2.5	1.7	0.8
Chemical Business	7.2	0.3	6.9	(3.2)	10.1
Total	3.7	0.0	3.7	0.5	3.2

*Note: Chemical Business sales include intersegment transactions.*

**Global Consumer Care Business**

Sales increased 2.4% compared with the previous fiscal year to 1,283.0 billion yen. Currency translation accounted for a 0.0% decrease and sales increased 2.5% on a like-for-like basis (breakdown of the increase: 1.7% increase by volume, 0.8% increase by price).

Globally, while an ongoing consumer orientation toward low prices was apparent, demand for products that offer practicality and high added value remained firm. Similarly, amid growing polarization in consumer behavior in Japan, the impact of rising prices continued, despite signs of a moderate upturn in personal consumption, which had been declining. Under these circumstances, the Kao Group continued working to build a foundation for expanding global sales while improving its earning power to achieve profitable growth by offering high-value-added products and increasing selling prices to reflect that added value, among other measures.

As a result, sales in Japan increased 4.3% to 858.5 billion yen.

In Asia, sales decreased 0.8% to 210.8 billion yen. On a like-for-like basis, sales decreased 0.2%.

In the Americas, sales decreased 3.2% to 119.9 billion yen. On a like-for-like basis, sales decreased 1.6%. In Europe, sales increased 0.6% to 93.8 billion yen. On a like-for-like basis, sales decreased 2.3%.

Operating income was 133.1 billion yen, an increase of 21.3 billion yen compared with the previous fiscal year, due to increased sales volume and improvement in earning power amid the impact of rising raw material prices.

*Note: The Kao Group's Global Consumer Care Business consists of the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, and the Business Connected Business.*

### **Hygiene Living Care Business**

Sales increased 0.9% compared with the previous fiscal year to 549.3 billion yen. Currency translation accounted for a 0.2% decrease and sales increased 1.1% on a like-for-like basis (breakdown of the increase: 0.1% increase by volume, 1.0% increase by price). However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, sales increased 1.6% on a like-for-like basis.

Sales of fabric and home care products increased 3.6% to 389.1 billion yen. Currency translation accounted for a 0.2% increase and sales increased 3.4% on a like-for-like basis (breakdown of the increase: 1.4% increase by volume, 2.0% increase by price).

Sales of fabric care products increased. In Japan, improved products in the *Attack Antibacterial EX* series of laundry detergents, among other products, contributed to increased sales and market share expansion, due in part to market growth and the effect of price increases along with the promotion of high-value-added products. Fabric softeners performed as planned.

Sales of home care products increased. In Japan, dishwashing detergents, kitchen cleaning products, and other products sold strongly, with steady performance by *Quiccle Wash Basin Cleaner*, sales of which resumed in November 2025.

Operating income for fabric and home care products increased 5.7 billion yen to 74.1 billion yen.

Sales of sanitary products decreased 5.0% to 160.2 billion yen. Currency translation accounted for a 1.0% decrease and sales decreased 4.0% on a like-for-like basis (breakdown of the decrease: 3.0% decrease by volume, 1.1% decrease by price). However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, sales decreased 2.4% on a like-for-like basis. Sales of *Laurier* sanitary napkins increased. In China, loyalty marketing initiatives proved effective, resulting in strong sales performance for *Super Slim Guard* and other products. Sales of *Merries* baby diapers decreased due to aggressive competition in Asia and other factors.

Operating income for sanitary products was 7.1 billion yen, a decrease of 0.2 billion yen. However, excluding the impact of the transfer of the pet care business conducted in June 2024, operating income increased 4.1 billion yen.

Operating income for the Hygiene Living Care Business was 81.3 billion yen, an increase of 5.5 billion yen from the previous fiscal year. However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, operating income increased 9.8 billion yen.

### **Health Beauty Care Business**

Sales increased 2.1% compared with the previous fiscal year to 432.9 billion yen. Currency translation accounted for a 0.1% decrease and sales increased 2.2% on a like-for-like basis (breakdown of the increase: 2.0% increase by volume, 0.2% increase by price).

Sales of skin care products increased. In Japan, sales increased due to strong performance by UV care products and seasonal sheet-type products. In the Americas, sales decreased. Despite a ramped-up rollout of *Bioré UV Aqua Rich* and strong performance by new *JERGENS* products, sales were impacted by aggressive competition.

Sales of hair care products increased substantially. In Japan, high premium hair care brands *melt* and *THE ANSWER*, which were launched in 2024, contributed significantly to increased sales. Sales of products for hair salons in the Americas and Europe decreased. Although the *ORIBE* brand for high-end hair salons sold strongly, primarily through e-commerce, the *GOLDWELL* brand was impacted by factors including worsening business sentiment in the United States and Europe.

Sales of personal health products increased. Sales of *PureOra Carbonic Acid Toothpaste* remained strong in Japan and sales of improved *MegRhythm* eye masks grew in Japan and China.

Operating income increased 4.7 billion yen compared with the previous fiscal year to 39.1 billion yen. However, excluding the impact of structural reform expenses at subsidiaries in the Americas and Europe in the previous fiscal year, operating income increased 1.3 billion yen.

### ***Cosmetics Business***

Sales increased 7.2% compared with the previous fiscal year to 261.6 billion yen. Currency translation accounted for a 0.3% increase and sales increased 6.9% on a like-for-like basis (breakdown of the increase: 5.9% increase by volume, 1.0% increase by price).

Sales in Japan increased. Contributors to increased sales among the Kao Group's six focus brands included *Curél* derma care and *KANEBO* prestige skin care and makeup, which continued to perform well, *SOFINA* skin care, which benefitted from the substantial contribution of *SOFINA iP* and other new products, and the *SENSAI* luxury brand, which captured inbound demand. Other brands also sold steadily. Sales in Asia increased substantially. In China, sales increased substantially, driven by expanded local production and enhanced competitiveness resulting from effective communication of product value, as well as the absence of the restrictions on shipments implemented by the Kao Group in the previous fiscal year to optimize distribution inventory. In Thailand, where the Kao Group is focusing its efforts, the progress of *KANEBO* and the *KATE* makeup brand exceeded the plan. In Europe, *SENSAI* sold strongly, and the Kao Group stepped up its rollout of *Curél*.

Operating income was 10.4 billion yen, an increase of 14.1 billion yen compared with the previous fiscal year due to the substantial contribution to improved profits from concentrated investment in the six focus brands, enhanced earning power, and business streamlining.

### ***Business Connected Business***

Sales decreased 3.2% compared with the previous fiscal year to 39.2 billion yen. Currency translation accounted for a 0.0% decrease and sales decreased 3.2% on a like-for-like basis (breakdown of the decrease: 4.6% decrease by volume, 1.4% increase by price.) However, if the impact of the transfer of the beverage business conducted in August 2024 is also excluded, sales increased 1.5% on a like-for-like basis.

Sales of commercial-use hygiene products increased. Although growth of products for the medical and nursing sectors remained unchanged from the previous fiscal year due to the impact of price competition, demand continued to rise for kitchen cleaning agents and guest room amenities in the food service, lodging, and leisure sectors due to firm market conditions.

Operating income decreased 3.0 billion yen compared with the previous fiscal year to 2.3 billion yen. However, excluding the impact of the transfer of the beverage business conducted in August 2024, operating income increased 3.4 billion yen.

### **Chemical Business**

Sales increased 7.2% compared with the previous fiscal year to 451.5 billion yen. Currency translation accounted for a 0.3% increase and sales increased 6.9% on a like-for-like basis (breakdown of the increase: 3.2% decrease by volume, 10.1% increase by price).

In oleo chemicals, although differences in demand emerged in each region, sales increased due to the substantial contribution from selling price adjustments implemented in response to rising prices for fat and oil raw materials.

In performance chemicals, despite a slump in the automobile-related sector and other target markets, sales were on par with the previous fiscal year, due in part to the contribution from the effects of selling price adjustments.

In information materials, sales grew as a result of steadily capturing ongoing firm demand in the semiconductor-related, hard disk, and other target sectors.

Operating income decreased 5.5 billion yen compared with the previous fiscal year to 30.2 billion yen due to the impact of fluctuations in raw material prices, among other factors, in addition to a decline in demand in some target sectors.

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**Forecast for the Fiscal Year Ending December 31, 2026**

(Billions of yen, except operating margin and per share amounts)

	2026	2025	Growth
Net sales	1,750.0	1,688.6	3.6%
		Like-for-like: 3.2%	
Operating income	182.0	164.1	10.9%
Operating margin (%)	10.4	9.7	—
Income before income taxes	185.0	169.8	8.9%
Net income attributable to owners of the parent	130.0	120.1	8.3%
Basic earnings per share (Yen)	143.70	260.30	—

*Note: In this table and hereafter, like-for-like growth rates exclude changes due to the effect of currency translation of local currencies into Japanese yen. The forecast of basic earnings per share for the fiscal year ending December 31, 2026, is presented after taking a share split\* into account. If the share split were not taken into account, basic earnings per share would be 287.41 yen.*

*\* At a meeting of the Board of Directors held on February 5, 2026, the Company resolved to conduct a share split at a ratio of two shares for each share of ordinary share, with June 30, 2026, as the record date and July 1, 2026, as the effective date.*

**1) Forecast of Overall Business Results for the Fiscal Year Ending December 31, 2026**

In the global economy, the business environment is expected to remain uncertain due to the impact of currency translation and tariffs, ongoing geopolitical risks, and factors such as the difficulty in forecasting household purchasing power, consumer sentiment, and the demand outlook amid changing price trends in each country.

Working toward the steady achievement of its Mid-term Plan 2027 ("K27"), the Kao Group will further strengthen its earning power from the perspective of return on invested capital (ROIC) and accelerate the deployment of its *Global Sharp Top* Strategy, expanding priority businesses and steadily addressing businesses facing challenges, with the aim of profitable growth.

In light of these circumstances, the Kao Group forecasts the following business results for the fiscal year ending December 31, 2026.

The Kao Group forecasts a 3.6% year-on-year increase in net sales to 1,750.0 billion yen (a 3.2% increase on a like-for-like basis), a 10.9% increase in operating income to 182.0 billion yen, an operating margin of 10.4%, an 8.9% increase in income before income taxes to 185.0 billion yen, an 8.3% increase in net income attributable to owners of the parent to 130.0 billion yen, and basic earnings per share of 143.70 yen. If the share split were not taken into account, basic earnings per share would be 287.41 yen.

The Kao Group expects to improve ROIC from the 9.7% it achieved in fiscal 2025 to 10.5%. It intends to increase Economic Value Added (EVA) from the 41.1 billion yen it achieved in fiscal 2025 to 51.0 billion yen by making full use of its assets to manage invested capital more efficiently, together with an increase in net operating profit after tax (NOPAT).

## 2) Forecast by Segment for the Fiscal Year Ending December 31, 2026

The **Hygiene Living Care Business** provides fabric care, home care, and sanitary products that support people's daily lives and society and help make lifestyles more comfortable.

By reducing the burden of housework, fabric and home care products create living spaces where everyone can live with peace of mind. In tune with each stage of life, sanitary products and services help people lead their daily lives in their own unique style and in comfort.

This business will establish a more stable revenue structure by enhancing its brand power through high-added-value product offerings and increased customer loyalty, as well as by reforming costs and promoting co-creation with external parties from the perspective of ROIC.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 1.1% year on year on a like-for-like basis to 557.0 billion yen.

The **Health Beauty Care Business** provides skin care, hair care, and personal health products offering value unique to Kao with a comprehensive understanding of the entire human body, under the theme of contributing to health, beauty, cleanliness, and hygiene. This business will accelerate growth by promoting high-value-added products and by making concentrated investments in strategic brands.

By transitioning to an organizational structure that integrates operations in Japan, Asia, the Americas, and Europe, the business will step up manufacturing to strengthen its global rollout and marketing innovations through digital transformation (DX), with the aim of expanding business globally.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 6.3% year on year on a like-for-like basis to 461.5 billion yen.

The **Cosmetics Business** contributes to a lifestyle and culture of joy and the realization of a society in which people around the world can shine by providing "hope" and "Kirei"\*\* to consumers through solid science and abundant sensitivity attuned to each person's beauty and individuality.

*\* The Japanese word Kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance, but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.*

By fully leveraging its in-depth, wide-ranging fundamental research and proprietary technologies development capabilities, this business will roll out its six focus brands in each country, while enhancing profitability through a strategy of using its technological assets across categories and the full application of digital technologies to better ensure its sustainable growth.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 3.9% year on year on a like-for-like basis to 271.5 billion yen.

The **Business Connected Business** will work to improve the productivity of global business activities by utilizing the Kao Group's marketing platform to foster lateral coordination among its businesses, sales, and related functions, primarily in the field of consumer care. It also works to strengthen external collaboration to create new businesses that meet market and consumer needs.

Commercial-use hygiene products will support people's cleanliness, safety, and comfort by providing products that utilize cleaning, antibacterial, disinfecting, deodorizing, and other technologies, as well as services that deploy Kao's comprehensive capabilities, to meet the needs of business operators and users in the food service, lodging, leisure, and nursing-related sectors.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 3.7% year on year on a like-for-like basis to 40.5 billion yen.

The **Chemical Business** will work to resolve environmental and social issues through co-creation that brings together Kao's diverse strengths with those of its customers and partners to generate new value for industry and positive social impact. The business will also contribute to decarbonization among customers, industry, and society, and the transition to a circular economy, by committing more deeply to sustainable materials and offering new eco-solutions, while pursuing a transformation into a high value-added enterprise based on its proprietary technologies for semiconductor chemicals, inkjet inks, asphalt additives, and other products.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 2.2% year on year on a like-for-like basis to 466.0 billion yen.

### **3) Underlying Assumptions of the Forecast for the Fiscal Year Ending December 31, 2026**

The above forecast was made assuming translation rates of one U.S. dollar to 150 yen, one euro to 175 yen, and one Chinese yuan to 21.0 yen.

Please note that there is potential for volatility in prices of natural fats and oils and petrochemicals. Assumptions for prices are based on information currently available to the Kao Group.

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**(2) Summary of Financial Position****1) Summary of Assets, Liabilities, Equity and Cash Flows for the Fiscal Year Ended December 31, 2025**

*Note: Negative numbers are shown in parentheses.*

<b>Consolidated Financial Position</b>	(Billions of yen, except per share amounts)		
	December 31, 2024	December 31, 2025	Incr./(Dcr.)
Total assets	1,867.2	1,875.1	7.8
Total liabilities	768.4	780.4	12.0
Total equity	1,098.8	1,094.7	(4.1)
Ratio of equity attributable to owners of the parent to total assets	57.1%	56.7%	—
Equity attributable to owners of the parent per share (Yen)	2,296.69	2,352.49	55.80
Bonds and borrowings	131.1	131.7	0.6

Total assets increased 7.8 billion yen from December 31, 2024, to 1,875.1 billion yen as of December 31, 2025. The principal increases in assets were a 19.8 billion yen increase in property, plant and equipment and a 17.7 billion yen increase in inventories. The principal decrease in assets was a 34.4 billion yen decrease in cash and cash equivalents.

Total liabilities increased 12.0 billion yen from December 31, 2024, to 780.4 billion yen. The principal increases in liabilities were a 12.1 billion yen increase in trade and other payables and a 10.8 billion yen increase in income tax payables.

Total equity decreased 4.1 billion yen from December 31, 2024, to 1,094.7 billion yen. The principal increases in equity were net income totaling 120.6 billion yen and exchange differences on translation of foreign operations totaling 26.5 billion yen. The principal decreases in equity were purchases of treasury shares for a total of 80.0 billion yen pursuant to a resolution of the Board of Directors at a meeting held on August 6, 2025, and dividends totaling 72.7 billion yen. In addition, the Company retired 12,300,000 treasury shares on December 26, 2025.

The ratio of equity attributable to owners of the parent to total assets was 56.7% compared with 57.1% at December 31, 2024. Return on equity (ROE) was 11.3%.

<b>Consolidated Cash Flows</b>	(Billions of yen)		
	2024	2025	Incr./(Dcr.)
Net cash flows from operating activities	201.6	199.7	(1.9)
Net cash flows from investing activities	(45.9)	(69.8)	(23.9)
Free cash flows	155.7	129.9	(25.8)
Net cash flows from financing activities	(104.6)	(175.1)	(70.6)

Net cash flows from operating activities totaled 199.7 billion yen. The principal increases in net cash were income before income taxes of 169.8 billion yen and depreciation and amortization of 85.8 billion yen. The principal decreases in net cash were 31.0 billion yen in income taxes paid and a 10.1 billion yen increase in inventories.

Net cash flows from investing activities totaled negative 69.8 billion yen. This mainly consisted of 61.2

billion yen for purchase of property, plant and equipment.

Free cash flow, which is the total of net cash flows from operating activities and net cash flows from investing activities, was 129.9 billion yen.

Net cash flows from financing activities totaled negative 175.1 billion yen. The Company emphasizes steady and continuous dividends and flexibly repurchases and retires treasury shares to improve capital efficiency from the perspective of EVA and ROIC. During fiscal 2025, this primarily consisted of purchases of treasury shares for a total of 80.0 billion yen pursuant to a resolution of the Board of Directors at a meeting held on August 6, 2025, 72.8 billion yen for dividends paid to owners of the parent and non-controlling interests, and 22.3 billion yen in repayments of lease liabilities.

The balance of cash and cash equivalents at December 31, 2025 decreased 34.4 billion yen compared with December 31, 2024 to 323.3 billion yen, including the effect of exchange rate changes.

## **2) Forecast of Assets, Liabilities, Equity and Cash Flows for the Fiscal Year Ending December 31, 2026**

Net cash flows from operating activities are forecast to be approximately 230.0 billion yen, due in part to an increase in income.

Net cash flows from investing activities are forecast to be approximately 70.0 billion yen due to scheduled investments for further growth encompassing enhancement and rationalization of production capacity, greater distribution efficiency, and other purposes.

In net cash flows from financing activities, the Kao Group expects to pay cash dividends, among other expenditures.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2026 is forecast to be approximately 370.0 billion yen, an increase of approximately 50.0 billion yen from a year earlier.

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**(3) Basic Policies regarding Distribution of Profits and Dividends for the Fiscal Years Ended December 31, 2025 and Ending December 31, 2026**

The Kao Group uses Economic Value Added (EVA) and return on invested capital (ROIC) as its principal management metrics and clearly determines the uses of its steadily generated cash flow as shown below from that viewpoint. Shareholder returns are one such use, and they are implemented after considering future demand for funds and the situation in financial markets.

Use of cash flow:

- Capital expenditures for future growth<sup>1</sup>
- Strategic investments<sup>2</sup> including M&A (also including share repurchases)
- Steady and continuous dividend increases

*1. Investments that contribute to enhancing future competitiveness, such as investments for maintaining and strengthening the business foundation (including maintenance capital expenditures), capacity expansion, and DX. Includes expenditures for repayment of lease liabilities.*

*2. Measures aimed at strengthening and transforming the business portfolio as well as capturing discontinuous growth opportunities.*

In accordance with these policies, the Company plans to pay a year-end dividend for fiscal 2025 of 77.00 yen per share, an increase of 1 yen per share compared with the previous fiscal year. Consequently, annual cash dividends will increase 2 yen per share compared with the previous fiscal year, resulting in a total of 154 yen per share. The consolidated payout ratio will be 59.2%.

For fiscal 2026, in accordance with its basic policies regarding distribution of profits, the Company plans to pay a second quarter-end dividend of 78 yen per share and a year-end dividend of 39 yen per share (on a post-share split basis<sup>3</sup>). On a pre-share split basis, total cash dividends for the year would be 156 yen per share (a 54.3% payout ratio), an increase of 2 yen per share compared with the previous fiscal year. As a result, the Company is aiming for its 37th consecutive fiscal year of increases in dividends.

*3. The Company resolved at a meeting of its Board of Directors held on February 5, 2026, to conduct a share split at a ratio of two shares for each ordinary share, with June 30, 2026, as the record date and July 1, 2026, as the effective date.*

**2. Basic Approach to Selection of Accounting Standards**

Having decided that unifying accounting standards within the Kao Group will contribute to improving the quality of its business management, the Kao Group voluntarily adopted International Financial Reporting Standards (IFRS) from fiscal 2016. This enables management based on standardized procedures and information for each Group company and business, and the Kao Group intends to reinforce its management foundation in order to enhance its corporate value as a global company. The Kao Group also believes that the application of IFRS facilitates the international comparability of its financial statements in capital markets.

**3. Consolidated Financial Statements and Notes****(1) Consolidated Statement of Financial Position**

Kao Corporation and Consolidated Subsidiaries

As of December 31, 2025

	(Millions of yen)		
	2024	2025	Change
<b>Assets</b>			
Current assets			
Cash and cash equivalents	357,713	323,282	(34,431)
Trade and other receivables	238,077	245,286	7,209
Inventories	274,628	292,366	17,738
Other financial assets	10,525	10,925	400
Income tax receivables	5,467	5,469	2
Other current assets	26,053	26,906	853
Subtotal	<u>912,463</u>	<u>904,234</u>	<u>(8,229)</u>
Non-current assets held for sale	1,562	1,658	96
Total current assets	<u>914,025</u>	<u>905,892</u>	<u>(8,133)</u>
Non-current assets			
Property, plant and equipment	423,251	443,080	19,829
Right-of-use assets	116,637	113,218	(3,419)
Goodwill	228,413	231,071	2,658
Intangible assets	81,947	79,471	(2,476)
Investments accounted for using the equity method	14,526	15,616	1,090
Other financial assets	28,132	29,639	1,507
Deferred tax assets	49,044	43,303	(5,741)
Other non-current assets	11,262	13,764	2,502
Total non-current assets	<u>953,212</u>	<u>969,162</u>	<u>15,950</u>
Total assets	<u>1,867,237</u>	<u>1,875,054</u>	<u>7,817</u>

	(Millions of yen)		
	2024	2025	Change
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	258,035	270,149	12,114
Bonds and borrowings	35,749	26,059	(9,690)
Lease liabilities	20,146	20,878	732
Other financial liabilities	7,280	7,623	343
Income tax payables	20,984	31,824	10,840
Provisions	2,773	1,362	(1,411)
Contract liabilities	43,878	43,342	(536)
Other current liabilities	120,755	116,958	(3,797)
<b>Total current liabilities</b>	<b>509,600</b>	<b>518,195</b>	<b>8,595</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	95,310	105,599	10,289
Lease liabilities	94,123	90,606	(3,517)
Other financial liabilities	6,370	6,543	173
Retirement benefit liabilities	39,460	36,686	(2,774)
Provisions	8,223	6,934	(1,289)
Deferred tax liabilities	9,754	10,829	1,075
Other non-current liabilities	5,562	4,962	(600)
<b>Total non-current liabilities</b>	<b>258,802</b>	<b>262,159</b>	<b>3,357</b>
<b>Total liabilities</b>	<b>768,402</b>	<b>780,354</b>	<b>11,952</b>
<b>Equity</b>			
<b>Share capital</b>	85,424	85,424	—
<b>Capital surplus</b>	106,256	106,398	142
<b>Treasury shares</b>	(5,924)	(5,125)	799
<b>Other components of equity</b>	132,239	160,759	28,520
<b>Retained earnings</b>	748,781	716,621	(32,160)
<b>Equity attributable to owners of the parent</b>	1,066,776	1,064,077	(2,699)
<b>Non-controlling interests</b>	32,059	30,623	(1,436)
<b>Total equity</b>	<b>1,098,835</b>	<b>1,094,700</b>	<b>(4,135)</b>
<b>Total liabilities and equity</b>	<b>1,867,237</b>	<b>1,875,054</b>	<b>7,817</b>

**(2) Consolidated Statement of Income**

Kao Corporation and Consolidated Subsidiaries  
Fiscal year ended December 31, 2025

	Notes	2024	2025	(Millions of yen) Change
Net sales	1	1,628,448	1,688,633	60,185
Cost of sales		(990,044)	(1,020,464)	(30,420)
Gross profit		638,404	668,169	29,765
Selling, general and administrative expenses	2	(498,140)	(505,133)	(6,993)
Other operating income		30,354	18,870	(11,484)
Other operating expenses		(23,974)	(17,837)	6,137
Operating income	1	146,644	164,069	17,425
Financial income		4,988	6,198	1,210
Financial expenses		(4,090)	(3,827)	263
Share of profit in investments accounted for using the equity method		3,482	3,406	(76)
Income before income taxes		151,024	169,846	18,822
Income taxes		(40,650)	(49,260)	(8,610)
<b>Net income</b>		<b>110,374</b>	<b>120,586</b>	<b>10,212</b>
Attributable to:				
Owners of the parent		107,767	120,081	12,314
Non-controlling interests		2,607	505	(2,102)
<b>Net income</b>		<b>110,374</b>	<b>120,586</b>	<b>10,212</b>
Earnings per share				
Basic (Yen)	3	231.94	260.30	
Diluted (Yen)	3	—	—	

**(3) Consolidated Statement of Comprehensive Income**

Kao Corporation and Consolidated Subsidiaries  
Fiscal year ended December 31, 2025

	2024	2025	(Millions of yen) Change
Net income	110,374	120,586	10,212
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,334	1,287	(47)
Remeasurements of defined benefit plans	(936)	(917)	19
Share of other comprehensive income of investments accounted for using the equity method	430	1,322	892
Total of items that will not be reclassified to profit or loss	828	1,692	864
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	48,601	26,522	(22,079)
Share of other comprehensive income of investments accounted for using the equity method	574	(14)	(588)
Total of items that may be reclassified subsequently to profit or loss	49,175	26,508	(22,667)
Other comprehensive income, net of taxes	50,003	28,200	(21,803)
Comprehensive income	<u>160,377</u>	<u>148,786</u>	<u>(11,591)</u>
Attributable to:			
Owners of the parent	155,475	147,930	(7,545)
Non-controlling interests	4,902	856	(4,046)
Comprehensive income	<u>160,377</u>	<u>148,786</u>	<u>(11,591)</u>

**(4) Consolidated Statement of Changes in Equity**

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 2024

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
January 1, 2024	85,424	105,780	(3,267)	77,448	10	6,461
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	46,873	(4)	1,780
Comprehensive income	—	—	—	46,873	(4)	1,780
Disposal of treasury shares	—	(182)	189	—	—	—
Purchase of treasury shares	—	—	(2,846)	—	—	—
Share-based payment transactions	—	653	—	—	—	—
Dividends	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	5	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(329)
Total transactions with the owners	—	476	(2,657)	—	—	(329)
December 31, 2024	<u>85,424</u>	<u>106,256</u>	<u>(5,924)</u>	<u>124,321</u>	<u>6</u>	<u>7,912</u>
Equity attributable to owners of the parent						
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total				
January 1, 2024	—	83,919	711,802	983,658	28,385	1,012,043
Net income	—	—	107,767	107,767	2,607	110,374
Other comprehensive income	(941)	47,708	—	47,708	2,295	50,003
Comprehensive income	(941)	47,708	107,767	155,475	4,902	160,377
Disposal of treasury shares	—	—	(7)	0	—	0
Purchase of treasury shares	—	—	—	(2,846)	—	(2,846)
Share-based payment transactions	—	—	—	653	—	653
Dividends	—	—	(70,169)	(70,169)	(1,207)	(71,376)
Changes in the ownership interest in subsidiaries	—	—	—	5	(21)	(16)
Transfer from other components of equity to retained earnings	941	612	(612)	—	—	—
Total transactions with the owners	941	612	(70,788)	(72,357)	(1,228)	(73,585)
December 31, 2024	<u>—</u>	<u>132,239</u>	<u>748,781</u>	<u>1,066,776</u>	<u>32,059</u>	<u>1,098,835</u>

Fiscal year ended December 31, 2025 (Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
January 1, 2025	85,424	106,256	(5,924)	124,321	6	7,912
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	26,182	(0)	2,610
Comprehensive income	—	—	—	26,182	(0)	2,610
Disposal of treasury shares	—	(319)	80,817	—	—	—
Purchase of treasury shares	—	(40)	(80,018)	—	—	—
Share-based payment transactions	—	633	—	—	—	—
Dividends	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	(132)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(272)
Total transactions with the owners	—	142	799	—	—	(272)
December 31, 2025	<u>85,424</u>	<u>106,398</u>	<u>(5,125)</u>	<u>150,503</u>	<u>6</u>	<u>10,250</u>
Equity attributable to owners of the parent						
Other components of equity						
Remeasurements of defined benefit plans		Total	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2025	—	132,239	748,781	1,066,776	32,059	1,098,835
Net income	—	—	120,081	120,081	505	120,586
Other comprehensive income	(943)	27,849	—	27,849	351	28,200
Comprehensive income	(943)	27,849	120,081	147,930	856	148,786
Disposal of treasury shares	—	—	(80,497)	1	—	1
Purchase of treasury shares	—	—	—	(80,058)	—	(80,058)
Share-based payment transactions	—	—	—	633	—	633
Dividends	—	—	(71,073)	(71,073)	(1,663)	(72,736)
Changes in the ownership interest in subsidiaries	—	—	—	(132)	(629)	(761)
Transfer from other components of equity to retained earnings	943	671	(671)	—	—	—
Total transactions with the owners	943	671	(152,241)	(150,629)	(2,292)	(152,921)
December 31, 2025	—	160,759	716,621	1,064,077	30,623	1,094,700

**(5) Consolidated Statement of Cash Flows**

Kao Corporation and Consolidated Subsidiaries  
Fiscal year ended December 31, 2025

	2024	2025	(Millions of yen)
<b>Cash flows from operating activities</b>			
Income before income taxes	151,024	169,846	169,846
Depreciation and amortization	88,422	85,841	85,841
Gain on transfer of business	(10,590)	—	—
Interest and dividend income	(4,678)	(3,508)	(3,508)
Interest expense	2,729	2,714	2,714
Share of profit in investments accounted for using the equity method	(3,482)	(3,406)	(3,406)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	2,361	3,257	3,257
(Increase) decrease in trade and other receivables	1,184	4,009	4,009
(Increase) decrease in inventories	(1,414)	(10,084)	(10,084)
Increase (decrease) in trade and other payables	10,991	(1,395)	(1,395)
Increase (decrease) in retirement benefit liabilities	(1,793)	(4,171)	(4,171)
Increase (decrease) in provisions	(12,293)	(2,414)	(2,414)
Other	2,603	(14,104)	(14,104)
Subtotal	225,064	226,585	226,585
Interest received	4,428	3,286	3,286
Dividends received	2,343	3,469	3,469
Interest paid	(2,622)	(2,637)	(2,637)
Income taxes paid	(27,628)	(31,023)	(31,023)
<b>Net cash flows from operating activities</b>	<b>201,585</b>	<b>199,680</b>	<b>199,680</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(16,977)	(13,573)	(13,573)
Proceeds from withdrawal of time deposits	13,554	13,267	13,267
Purchase of property, plant and equipment	(57,404)	(61,214)	(61,214)
Proceeds from sale of property, plant and equipment	9,827	1,557	1,557
Purchase of intangible assets	(10,072)	(9,631)	(9,631)
Proceeds from transfer of business	11,783	—	—
Other	3,387	(173)	(173)
<b>Net cash flows from investing activities</b>	<b>(45,902)</b>	<b>(69,767)</b>	<b>(69,767)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	(14,299)	90	90
Proceeds from long-term borrowings	10,000	10,562	10,562
Repayments of long-term borrowings	(4,375)	(10,023)	(10,023)
Proceeds from issuance of bonds	—	24,939	24,939
Redemption of bonds	(12)	(24,951)	(24,951)
Repayments of lease liabilities	(21,637)	(22,281)	(22,281)
Purchase of treasury shares	(2,846)	(80,053)	(80,053)
Dividends paid to owners of the parent	(70,246)	(71,149)	(71,149)
Dividends paid to non-controlling interests	(1,227)	(1,676)	(1,676)
Other	64	(592)	(592)
<b>Net cash flows from financing activities</b>	<b>(104,578)</b>	<b>(175,134)</b>	<b>(175,134)</b>
Net increase (decrease) in cash and cash equivalents	51,105	(45,221)	(45,221)
Cash and cash equivalents at the beginning of the year	291,663	357,713	357,713
Effect of exchange rate changes on cash and cash equivalents	14,945	10,790	10,790
<b>Cash and cash equivalents at the end of the year</b>	<b>357,713</b>	<b>323,282</b>	<b>323,282</b>

## (6) Notes to Consolidated Financial Statements

### 1. Segment Information

#### (1) Summary of Reportable Segments

The Kao Group's reportable segments are the components of the Kao Group for which discrete financial information is available and are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing their performance. Net sales and operating income are the key measures used by the Board of Directors to evaluate the performance of each segment.

The Kao Group is organized on the basis of five businesses: the four business areas that constitute the Global Consumer Care Business (the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, and the Business Connected Business) and the Chemical Business. In each business, the Kao Group plans comprehensive business strategies and carries out business activities on a global basis.

Accordingly, the Kao Group has five reportable segments: the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, the Business Connected Business, and the Chemical Business.

Due to a change in organization as of January 1, 2025, the Kao Group reclassified its five former reportable segments (the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, the Cosmetics Business, and the Chemical Business) into the above-noted five reportable segments (the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, the Business Connected Business, and the Chemical Business) from the three months ended March 31, 2025. Segment information for the same period a year earlier has been restated to reflect the reclassification.

Information about major customers has been omitted as the revenue from each customer is less than 10% of the Group's net sales.

Major products by reportable segment are as follows:

Reportable segments	Major products		
Global Consumer Care Business	Hygiene Living Care Business	Fabric care products	Fabric detergents, fabric treatments
		Home care products	Kitchen cleaning products, house cleaning products, paper cleaning products
		Sanitary products	Sanitary napkins, baby diapers
	Health Beauty Care Business	Skin care products	Soaps, facial cleansers, body cleansers, UV care products
		Hair care products	Shampoos, conditioners, hair styling agents, hair coloring agents, men's products
		Personal health products	Bath additives, oral care products, thermo products
	Cosmetics Business	Cosmetics	Counseling cosmetics, self-selection cosmetics
	Business Connected Business	Commercial-use hygiene products, life care products	Commercial-use hygiene products, life care products
Chemical Business		Oleo chemicals	Oleochemicals, fat and oil derivatives, surfactants and blending products, fragrances
		Performance chemicals	Water-reducing admixture for concrete, casting sand binders, plastics additives, process chemicals for various industries
		Information materials	Toners/Toner binders, inkjet ink colorants, ink, fine polishing agents and cleaner for hard disk, materials and process chemicals for semiconductor

**(2) Sales and Results of Reportable Segments**  
**Fiscal year ended December 31, 2024**

(Millions of yen)

	Reportable segments							Reconciliation <sup>1</sup>	Consolidated		
	Global Consumer Care Business										
	Hygiene Living Care Business	Health Beauty Care Business	Cosmetics Business	Business Connected Business	Subtotal	Chemical Business	Total				
<b>Net sales</b>											
Sales to customers	544,278	423,967	244,102	40,478	1,252,825	375,623	1,628,448	—	1,628,448		
Intersegment sales and transfers <sup>2</sup>	—	—	—	—	—	45,678	45,678	(45,678)	—		
<b>Total net sales</b>	<b>544,278</b>	<b>423,967</b>	<b>244,102</b>	<b>40,478</b>	<b>1,252,825</b>	<b>421,301</b>	<b>1,674,126</b>	<b>(45,678)</b>	<b>1,628,448</b>		
<b>Operating income (loss)</b>											
Financial income									4,988		
Financial expenses									(4,090)		
Share of profit in investments accounted for using the equity method									3,482		
Income before income taxes									<u>151,024</u>		
<b>Other items</b>											
Depreciation and amortization	30,309	19,633	13,297	2,336	65,575	20,774	86,349	2,073	88,422		
Impairment losses	726	76	69	3	874	658	1,532	281	1,813		
Capital expenditures <sup>3</sup>	28,394	18,632	15,132	1,682	63,840	28,631	92,471	1,059	93,530		

**Notes:**

1. The operating income (loss) reconciliation of (823) million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

Fiscal year ended December 31, 2025

(Millions of yen)

	Reportable segments						Reconciliation <sup>1</sup>	Consolidated	
	Global Consumer Care Business								
	Hygiene Living Care Business	Health Beauty Care Business	Cosmetics Business	Business Connected Business	Subtotal	Chemical Business	Total		
<b>Net sales</b>									
Sales to customers	549,333	432,882	261,563	39,174	1,282,952	405,681	1,688,633	— 1,688,633	
Intersegment sales and transfers <sup>2</sup>	—	—	—	—	—	45,840	45,840	(45,840) —	
<b>Total net sales</b>	<b>549,333</b>	<b>432,882</b>	<b>261,563</b>	<b>39,174</b>	<b>1,282,952</b>	<b>451,521</b>	<b>1,734,473</b>	<b>(45,840) 1,688,633</b>	
<b>Operating income (loss)</b>									
Financial income								6,198	
Financial expenses								(3,827)	
Share of profit in investments accounted for using the equity method								3,406	
Income before income taxes								<b>169,846</b>	
<b>Other items</b>									
Depreciation and amortization	30,657	19,789	11,546	1,397	63,389	20,477	83,866	1,975 85,841	
Impairment losses	126	12	20	0	158	143	301	— 301	
Capital expenditures <sup>3</sup>	32,276	17,171	13,409	1,321	64,177	30,496	94,673	6,463 101,136	

## Notes:

1. The operating income (loss) reconciliation of 807 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

## (3) Geographical Information

Sales to customers and non-current assets (excluding financial assets, deferred tax assets and retirement benefit assets) by region consist of the following:

Sales to Customers	(Millions of yen)	
	2024	2025
Japan	903,857	945,050
Asia	332,029	349,030
Americas	213,270	212,435
Europe	179,292	182,118
<b>Total</b>	<b>1,628,448</b>	<b>1,688,633</b>

Note: Sales are classified by country or region based on the location of customers.

Non-current Assets (excluding Financial Assets, Deferred Tax Assets and Retirement Benefit Assets)  
(Millions of yen)

	2024	2025
Japan	519,501	522,309
Asia	101,924	101,470
Americas	192,254	204,341
Europe	57,555	62,099
<b>Total</b>	<b>871,234</b>	<b>890,219</b>

## 2. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

	(Millions of yen)	
	2024	2025
Advertising	88,270	92,346
Sales promotion	54,327	58,905
Employee benefits	176,955	175,751
Depreciation	16,696	15,451
Amortization	11,637	11,737
Research and development	62,092	61,127
Other	88,163	89,816
<b>Total</b>	<b>498,140</b>	<b>505,133</b>

### 3. Earnings per Share

#### The Basis for Calculating Basic Earnings per Share

(Millions of yen, unless otherwise noted)

	2024	2025
Net income attributable to owners of the parent	107,767	120,081
Amounts not attributable to ordinary shareholders of the parent	—	—
Net income used to calculate basic earnings per share	<u>107,767</u>	<u>120,081</u>
Weighted average number of ordinary shares (Thousands of shares)	464,625	461,315
Basic earnings per share (Yen)	231.94	260.30

Note: Diluted earnings per share are not presented because there were no potential ordinary shares.

### 4. Significant Subsequent Events

(Share split and Partial Amendment to the Articles of Incorporation in Connection with the Share split)

At a meeting of the Board of Directors held on February 5, 2026, the Company resolved to conduct a share split and to partially amend its Articles of Incorporation in connection with the share split, as follows.

#### 1. Purpose of the Share split

The share split is intended to reduce the price per investment unit, making Kao shares more accessible to a wider range of investors — including individual investors who share our purpose, "To realize a *Kirei* World in which all life lives in harmony" — and thereby expand our investor base.

#### 2. Overview of the Share split

##### (1) Method of the share split

Each share of the Company's ordinary share held by shareholders listed or recorded on the final shareholder register as of the record date of Tuesday, June 30, 2026, will be split into two shares.

##### (2) Number of shares to be increased by the share split

Total number of issued shares before the share split	453,600,000 shares
Number of shares to be increased as a result of the share split	453,600,000 shares
Total number of issued shares after the share split	907,200,000 shares
Total number of authorized shares after the share split	2,000,000,000 shares

##### (3) Schedule for the share split

Public notice of record date (scheduled)	Monday, June 15, 2026
Record date	Tuesday, June 30, 2026
Effective date	Wednesday, July 1, 2026

## (4) Impact on Per-Share Information

Per-share information, assuming that the share split had been implemented at the beginning of the previous fiscal year, is as follows.

	2024	2025
Equity attributable to owners of the parent per share (Yen)	1,148.34	1,176.25
	2024	2025
Basic earnings per share (Yen)	115.97	130.15
Diluted earnings per share (Yen)	—	—

## (5) Others

## (i) Dividends

As the effective date of the share split is July 1, 2026, the 2nd quarter-end dividend for the fiscal year ending December 31, 2026, with a record date of June 30, 2026, will be based on the number of shares held prior to the share split.

## (ii) Change in the amount of stated capital

There will be no change in the amount of share capital as a result of this share split.

## 3. Partial Amendment to the Articles of Incorporation

## (1) Reason for the amendment

Due to the share split described above, the Company will partially amend its Articles of Incorporation, the total number of authorized shares stipulated in Article 6, effective as of July 1, 2026, pursuant to Article 184, Paragraph 2 of the Companies Act.

## (2) Details of the amendment

The details of the amendment are as follows:

(Amended parts are underlined)

Before the change	After the change
(Total Number of Shares Authorized To Be Issued by the Company)	(Total Number of Shares Authorized To Be Issued by the Company)
Article 6 The total number of Shares authorized to be issued by the Company shall be <u>one (1)</u> billion shares.	Article 6 The total number of Shares authorized to be issued by the Company shall be <u>two (2)</u> billion shares.

**(7) Note regarding Assumption of Going Concern**

None applicable.