



Kirei—Making Life Beautiful

# Consolidated Financial Results for the Year Ended December 31, 2023 and FY2024 Forecast

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Kao Corporation  
February 7, 2024



## Disclaimer

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

### Notes:

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

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## Key Highlights

- In FY2023, the Kao Group promoted business portfolio management and completed structural reforms roughly on schedule.  
(Decisive reorganization of baby diaper business, concluded transfer agreements for tea-catechin beverage *Healthya* and *Nyan Tomo Clean Toilet*, structural reform of human capital)
- The Kao Group substantially improved profitability by working to both promote high-value-added products and increase market share as it passed on hikes in raw material prices through strategic price increases.
- The Household and Personal Care Products Business in Japan made significant progress.
- The Kao Group formulated its Mid-term Plan 2027 (K27), and promoted both human capital and businesses based on its “Global Sharp Top Strategy” to sustain quality businesses that are strong globally.
- In FY2024, the Kao Group will further advance business portfolio management and shift businesses slated for transformation into the stable earnings and growth driver areas.

**02**

## **Financial Results**

**for the Year Ended December 31, 2023**

# Highlights of Consolidated Financial Results

Billion yen	FY2022	FY2023	Growth %	Change
Net sales	1,551.1	<b>1,532.6</b>	(1.2)	(18.5)
		Effect of currency translation*	+2.6	+40.0
		Like-for-like growth	(3.8)	(58.5)
Core operating income	110.1	<b>114.7</b>	+4.2	+4.6
Core operating margin	7.1%	<b>7.5%</b>	-	-
Operating income	110.1	<b>60.0</b>	(45.5)	(50.0)
Operating margin	7.1%	<b>3.9%</b>	-	-
Income before income taxes	115.8	<b>63.8</b>	(44.9)	(52.0)
Net income	87.7	<b>46.2</b>	(47.4)	(41.6)
Core net income attributable to owners of the parent	86.0	<b>86.0</b>	(0.1)	(0.1)
Net income attributable to owners of the parent	86.0	<b>43.9</b>	(49.0)	(42.2)
EBITDA (Operating income + Depr. & Amort.)	199.8	<b>149.6</b>	(25.1)	(50.2)
Basic core earnings per share (yen)	183.28	<b>184.95</b>	+0.9	+1.67
Cash dividends per share (yen)	148.00	<b>150.00</b>	-	+2.00
Net cash flows from operating activities	130.9	<b>202.5</b>	+54.7	+71.6

\* Exchange rates: 140.48 yen/USD, 151.93 yen/Euro, 19.83 yen/Yuan

The Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as "core income" in the table above.

Core net sales, which are net sales excluding the impact of a provision for product returns due to cosmetics brand consolidation, decreased 3.2% on a like-for-like basis.

# Key Points of Results FY2023, a Year of Laying the Groundwork for a Counteroffensive

Net sales **1,532.6** billion yen  
-3.8% on a like-for-like basis

Core operating income **114.7** billion yen  
(+4.6 billion yen); margin **7.5%**

## FY2023 Financial Results

- The Household and Personal Care Business in Japan was driven by laundry detergents and UV care products. Sales +2.3%, market share +0.1 points.
- Strategic price increases exceeded the rise in raw material prices. Core operating income +4.6 billion yen, gross profit margin +1.2 points.
- Results were impacted in the Cosmetics Business by the reaction to Japan's discharge into the ocean of ALPS-treated water from Fukushima Daiichi Nuclear Power Station, and in the Chemical Business by delayed market recovery.

## Structural Reforms/Business Portfolio Reforms

- Implemented a fundamental strategic review of inefficient businesses and structural reform of human capital. Conducted structural reforms totaling 54.7 billion yen.
- Acquired Bondi Sands Australia Pty Ltd with the aim of establishing a firm position globally in skin protection.
- Concluded transfer agreements for *Nyan Tomo Clean Toilet* cat litter box system and tea-catechin beverage *Healthya*.

# Consolidated Net Sales by Segment/Geographic Region in FY2023

Billion yen			Japan	Asia	Americas	Europe	Consolidated
Consumer Products Business	Fabric & Home Care	FY2023	300.3	45.1	3.8	-	349.1
		Like-for-like %	+2.5	(6.2)	+0.9	-	+1.3
	Sanitary	FY2023	80.4	92.9	0.1	-	173.4
		Like-for-like %	+3.9	(7.7)	(23.9)	-	(2.6)
	Hygiene and Living Care Business	FY2023	380.7	138.0	3.8	-	522.5
		Like-for-like %	+2.8	(7.2)	+0.4	-	+0.0
	Health and Beauty Care Business	FY2023	205.3	34.5	101.2	51.9	392.9
		Like-for-like %	+2.5	(2.3)	+4.9	+5.9	+3.1
	Life Care Business	FY2023	42.1	0.1	13.9	0.1	56.3
		Like-for-like %	(3.7)	+64.4	+11.0	(18.0)	(0.6)
	Cosmetics Business	FY2023	153.5	50.0	7.7	27.4	238.6
		Like-for-like %	+0.7 (4.5)	(17.9)	+5.9	+2.5	(3.4) (6.7)
	Consumer Products Business	FY2023	781.7	222.6	126.6	79.4	1,210.3
		Like-for-like %	+1.9 +0.9	(9.2)	+5.4	+4.7	+0.2 (0.5)
Chemical Business*		FY2023	133.9	86.7	61.1	84.4	366.1
		Like-for-like %	(4.5)	(15.8)	(21.7)	(18.1)	(13.4)
Consolidated		FY2023	876.8	306.2	187.7	162.0	1,532.6
		Like-for-like %	+1.0 +0.0	(11.0)	(5.0)	(8.3)	(3.2) (3.8)

\* Net sales of the Chemical Business include intersegment transactions

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

Figures in orange indicate changes on a like-for-like basis in core net sales, which are net sales excluding the impact of a provision for product returns due to cosmetics brand consolidation. 8



# Consolidated Results by Segment in FY2023

Profit improved substantially in the Household and Personal Care Business. Conducted structural reforms for businesses with issues.

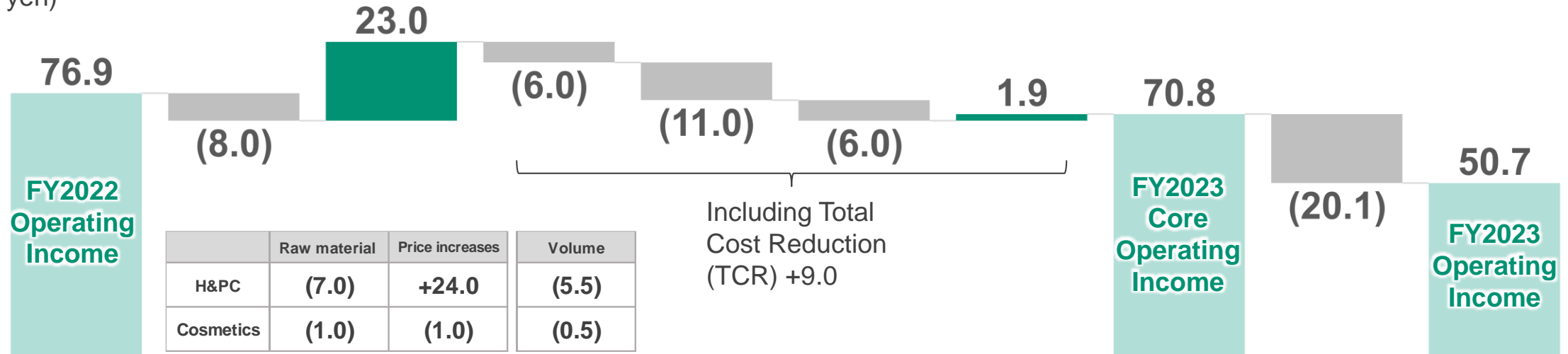
Billion yen			Net sales				Core operating income		
			FY2023	Like-for-like %			FY2023	Change	Core operating margin %
					By Volume %	By Price %			
		Fabric & Home Care	349.1	+1.3	(4.0)	+5.3	51.0	+10.9	14.6
		Sanitary	173.4	(2.6)	(7.1)	+4.5	(9.1)	+0.3	(5.2)
		Hygiene and Living Care Business	522.5	+0.0	(5.0)	+5.0	41.9	+11.2	8.0
		Health and Beauty Care Business	392.9	+3.1	+1.1	+2.0	42.8	+8.2	10.9
		Life Care Business	56.3	(0.6)	(3.2)	+2.6	(1.3)	(1.3)	(2.3)
		Cosmetics Business	238.6	(3.4) (6.7)	(7.3)	+0.6	5.3	(8.8)	2.2
		Consumer Products Business	1,210.3	+0.2 (0.5)	(3.5)	+3.0	88.7	+9.4	7.3
		Chemical Business*	366.1	(13.4)	(3.8)	(9.6)	24.8	(4.8)	6.8
		Consolidated	1,532.6	(3.2) (3.8)	(3.6)	(0.1)	114.7	+4.6	7.5

Net sales and operating income of the Chemical Business include intersegment transactions. Growth by volume includes changes due to differences in product mix. Figures in orange indicate changes on a like-for-like basis in core net sales, which are net sales excluding the impact of a provision for product returns due to cosmetics brand consolidation. 9

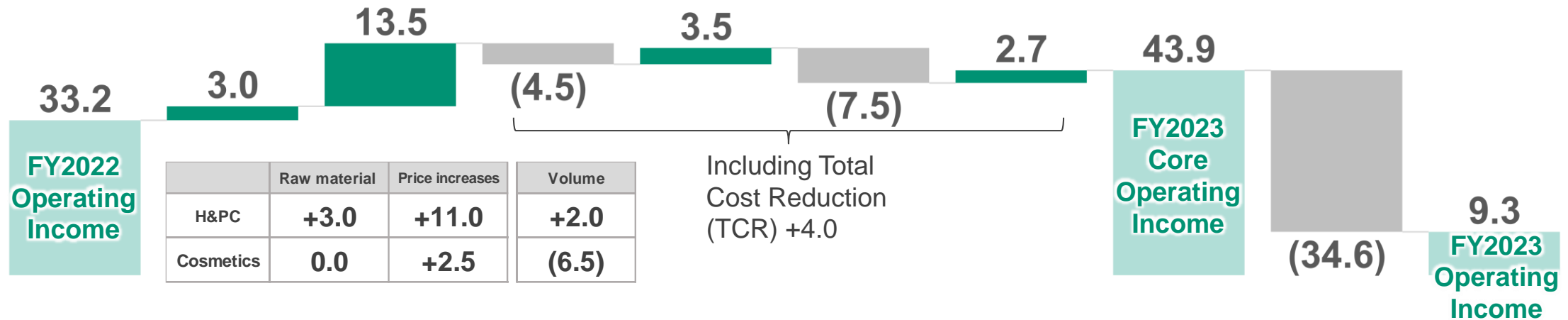
# Breakdown of Year-on-Year Changes in Operating Income during Q3YTD (Jan.-Sep.) and Q4 (Oct.-Dec.)

(Billion yen)

Q3  
YTD



Q4



Raw material  
prices in CP

Strategic price  
increases in CP

Volume  
in CP\*

Marginal  
income in  
Chemical

SG&A  
expenses

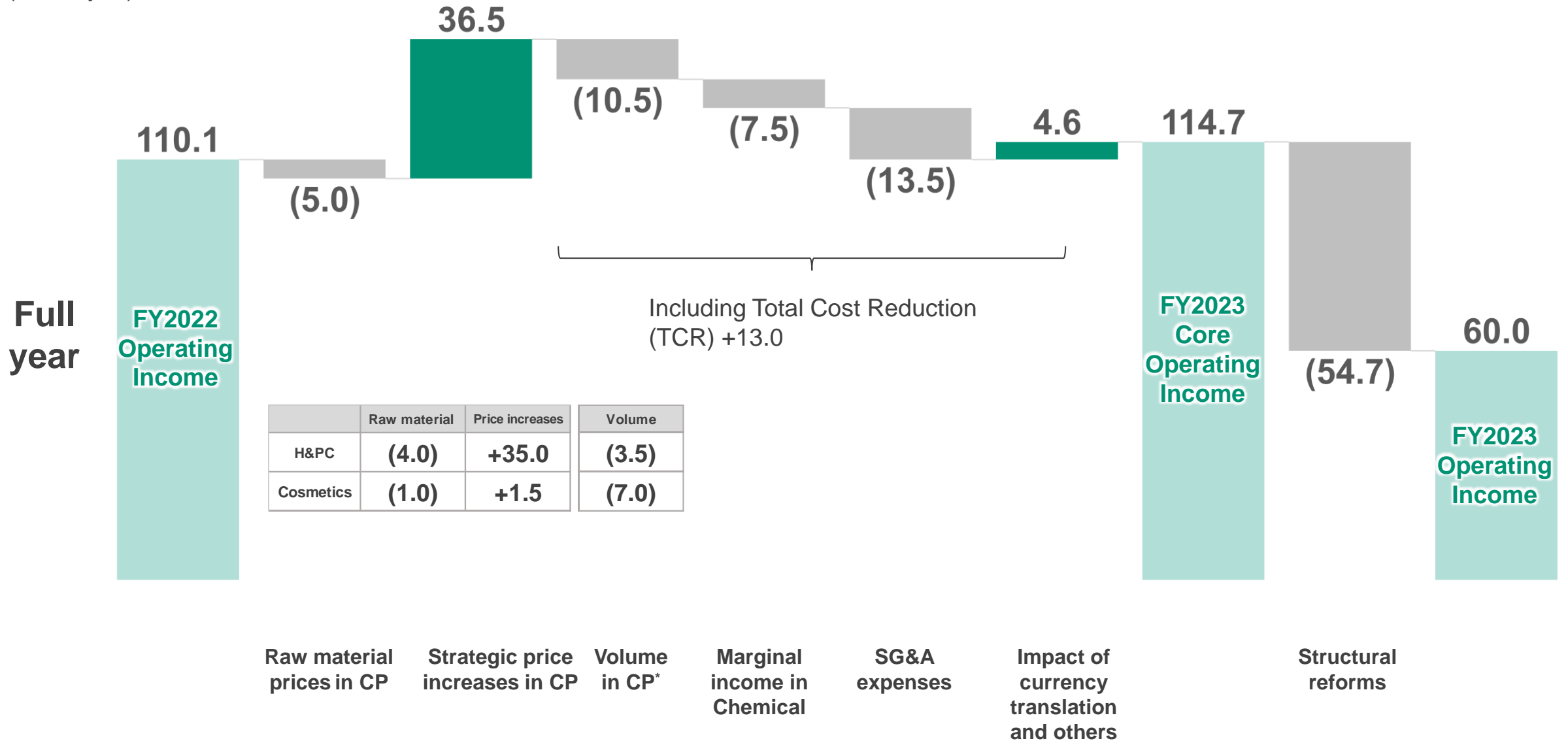
Impact of  
currency  
translation  
and others

Structural  
reforms

\* Including change in product mix

# Analysis of Change in Operating Income in FY2023 (Year-on-Year Change)

(Billion yen)

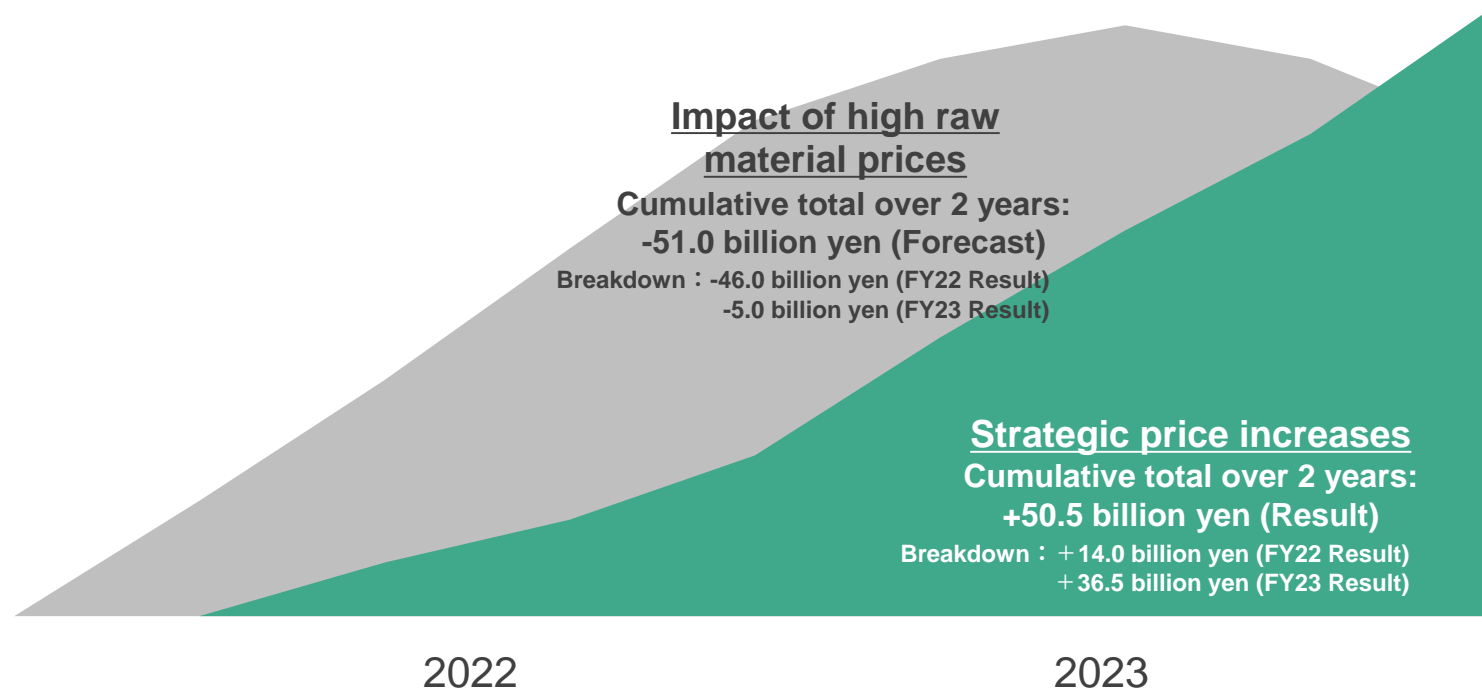


\* Including change in product mix

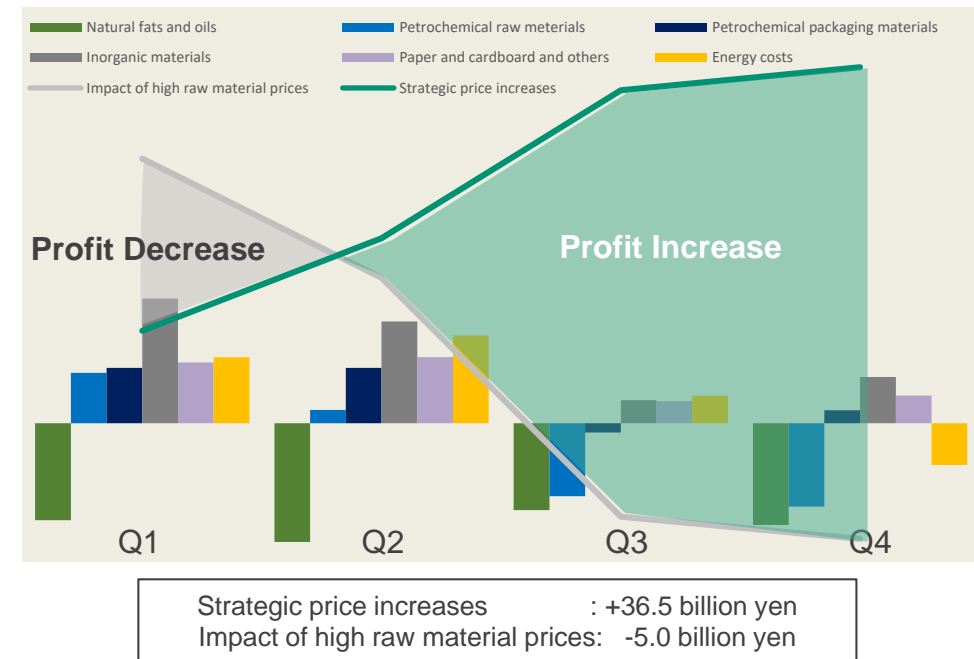
# Changes in Raw Material Prices and Effects of Price Increases (Consumer Products Business)

- Nearly offset the cumulative increase in raw material prices starting from 2021 through 2022-2023.
- Shift to profit increase (vs. 2022) starting in 2023 Q2 from ongoing price increases.

【Image】 Changes in Raw Material Prices and Effects of Price Increases Starting from 2021



【 Image 】 Changes in Raw Material Prices and Effects of Price Increases (vs. 2022)



**03**

**FY2024 Forecast**

# FY2024 Forecast

Billion yen	FY2023	Growth %	FY2024 Forecast	Growth %	Change
Net sales	1,532.6	(1.2) +2.6 (3.8)	<b>1,580.0</b> Effect of currency translation* Like-for-like growth	+3.1 (0.5) +3.6	+47.4 (8.0) +55.4
Core operating income	114.7	+4.2	<b>130.0</b>	+13.3	+15.3
Core operating margin	7.5%	-	<b>8.2%</b>	-	-
Operating income	60.0	(45.5)	<b>130.0</b>	+116.5	+70.0
Operating margin	3.9%	-	<b>8.2%</b>	-	-
Income before income taxes	63.8	(44.9)	<b>131.0</b>	+105.2	+67.2
Core net income attributable to owners of the parent	86.0	(0.1)	<b>98.0</b>	+14.0	+12.0
Net income attributable to owners of the parent	43.9	(49.0)	<b>98.0</b>	+123.4	+54.1
EBITDA (Operating income + Depr. & Amort.)	149.6	(25.1)	<b>216.5</b>	+44.7	+66.9
ROE	4.5%	-	<b>9.9%</b>	-	-
Basic core earnings per share (yen)	184.95	+0.9	<b>210.81</b>	+14.0	+25.86
Cash dividends per share (yen)	150.00	-	<b>152.00</b>	-	+2.00

\* Exchange rate assumptions: 140 yen/USD, 155 yen/Euro, 20 yen/Yuan

The Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as “core income” in the table above.

# Sales Forecast for FY2024

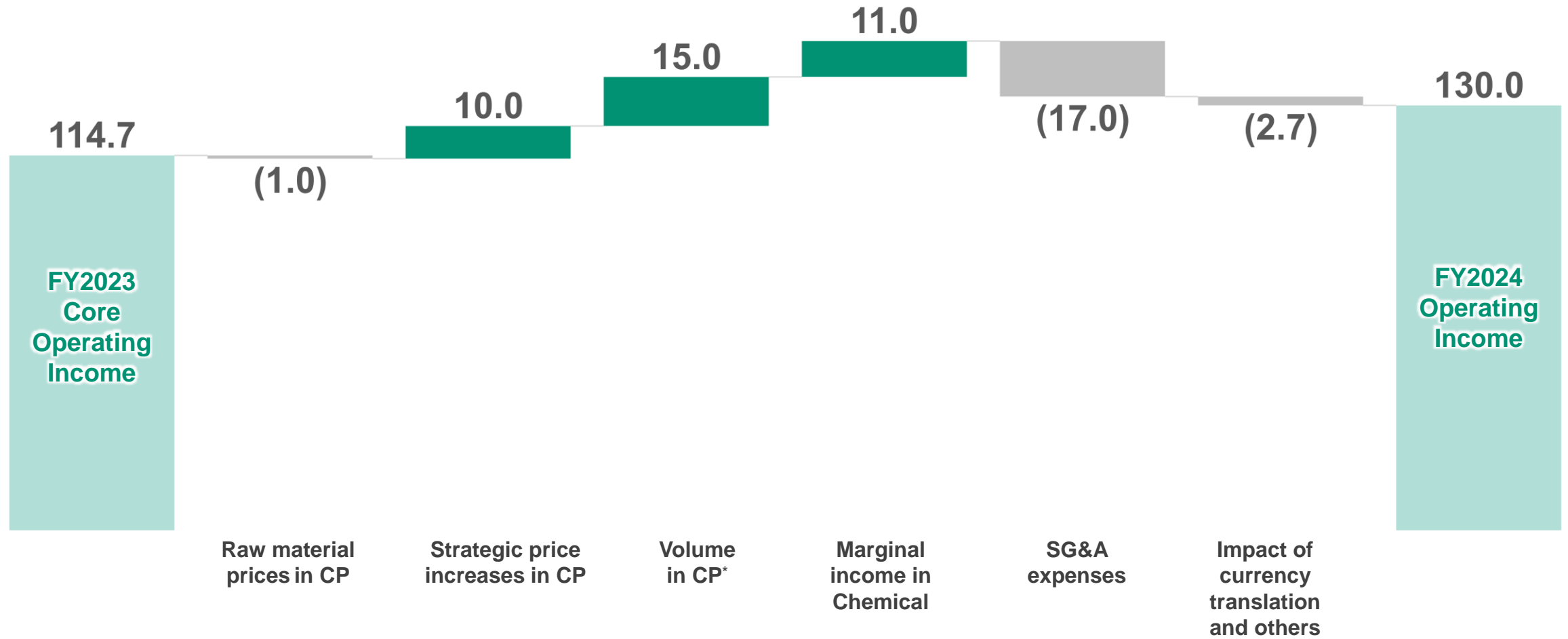
Billion yen	Japan		Consolidated	
	Growth %		Like-for-like growth%	
Hygiene and Living Care Business	372.0	(2.3)	516.0	(0.7)
Health and Beauty Care Business	211.0	+2.8	422.0	+8.1
Life Care Business	42.0	(0.3)	57.0	+0.8
Cosmetics Business	163.0	+6.2	254.0	+7.1
Consumer Products Business	788.0	+0.8	1,249.0	+3.7
Chemical Business*			375.0	+2.6
Consolidated			1,580.0	+3.6

Billion yen	Consolidated	
	Like-for-like growth%	
Japan	883.0	+0.7
Asia	316.0	+4.9
Americas	201.0	+9.1
Europe	180.0	+10.4
Consolidated	1,580.0	+3.6

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

# Analysis of Change in Operating Income (2023 Results vs. 2024 Forecast)

(Billion yen)



\* Including change in product mix



**04**

**Summary of Structural Reforms  
and ROIC by Business**

# Implementation as Planned of Structural Reforms for “K27”

(Billion yen)

	FY2023	FY2024
<b>1. Conduct a drastic strategic review and reorganization of inefficient businesses</b> <ul style="list-style-type: none"> <li>Baby diaper business (Japan/China)</li> <li>Streamlining of other businesses and brand lineups <ul style="list-style-type: none"> <li>✓ Complete structural reforms of the Cosmetics Business</li> <li>✓ Reorganize inefficient assets</li> <li>✓ M&amp;A related expenses</li> <li>✓ Business/brand transfers <ul style="list-style-type: none"> <li>➢ Tea-catechin beverage <i>Healthya</i></li> <li>➢ <i>Nyan Tomo Clean Toilet</i></li> </ul> </li> </ul> </li> </ul>	39.7	○ Baby diaper business related, etc.  ○ Gain on transfers
<b>2. Promote structural reform of human capital</b> <ul style="list-style-type: none"> <li>Maximize the power and potential of employees <ul style="list-style-type: none"> <li>✓ Career support/Work environmental improvement</li> <li>✓ Reorganization of Group companies outside Japan</li> </ul> </li> </ul>	15.0	○ Business outside Japan, etc.
<b>Structural reform expenses</b> (excluding tax impact)	54.7 <sup>1</sup>	- <sup>2</sup>
<b>3. Reform of earning power</b> <ul style="list-style-type: none"> <li>Comprehensively pursue high added value</li> <li>Improve cost competitiveness with optimal cost design</li> </ul>		

## Profit improvement effect by structural reforms<sup>3</sup>

FY2024 After FY2025

Approx. 18.0 Approx. 30.0

1. Structural reform expenses of 54.7 billion yen include 38.6 billion yen in expenses that did not involve cash expenditures.

2. The amount generated in 2024 is currently expected to be offset by gain on business transfers, and the impact on operating income is expected to be immaterial. 3. Like-for-like change excluding M&A and effect of currency translation.

# Envisioned ROIC Improvement by Business (FY2023 Results ⇒ FY2024 Forecast)

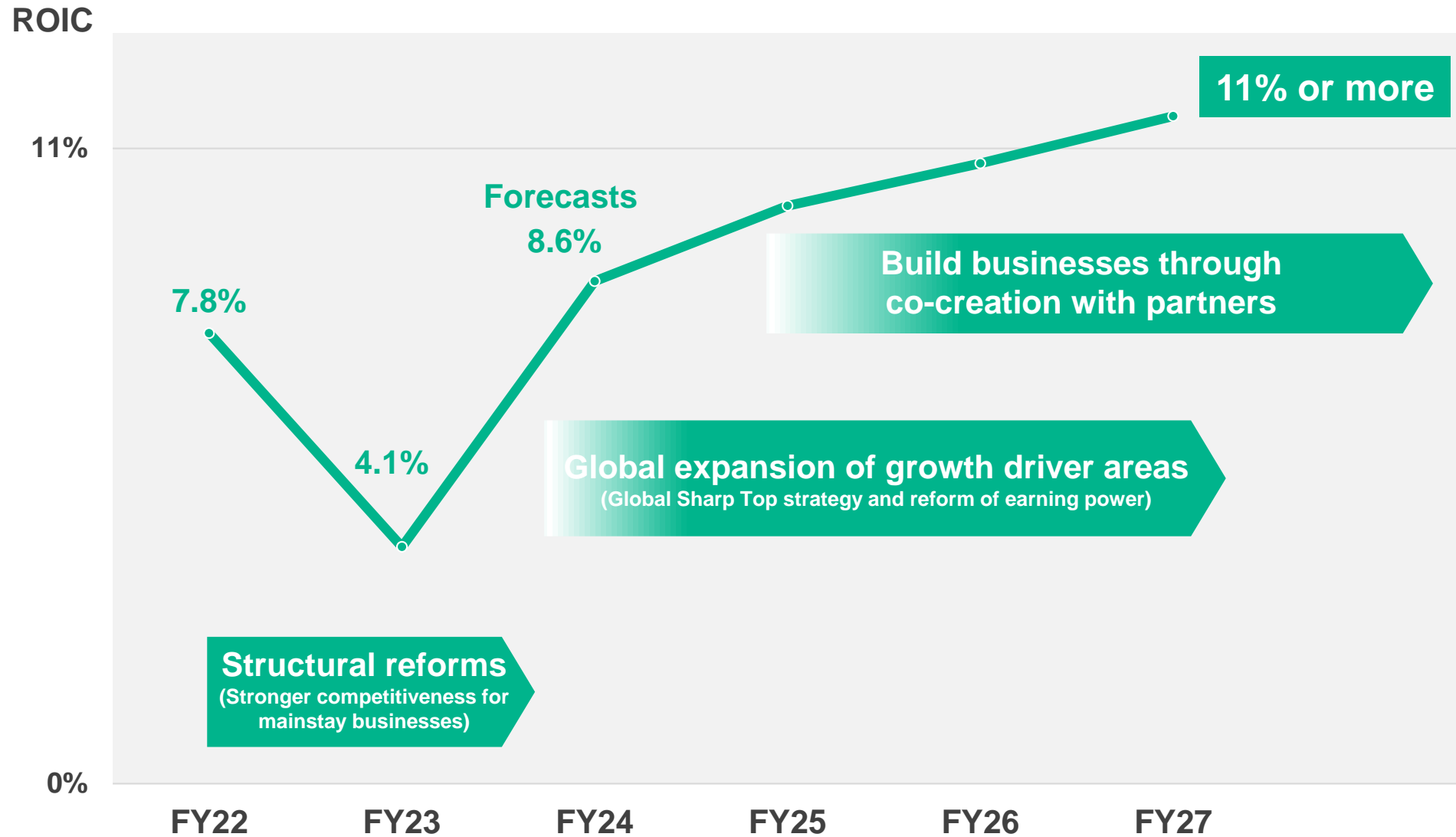
Aim to prioritize investment in growth businesses and make improvements for a sound portfolio by strengthening ROIC by business.



Regularly review inefficient businesses to accelerate business regeneration.

\* Including products for hair salons.

# Improvement in ROIC to Achieve the Target of “K27”



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

	Sales Growth Rate (%)	Improvement in Core Operating Income <sup>1</sup> (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 <sup>2</sup>	+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  
Result

FY2024  
Forecast

4.1% ⇒ 8.6%

**05**

**Measures and Progress toward  
Achieving Mid-term Plan K27  
-Global Sharp Top Strategy-**

## 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**”<sup>\*</sup> businesses.**

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

# K27 Strategic Framework

## 【K27 Basic Policy】

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

### Strategies for achieving K27

**Build Global Sharp Top businesses**

**Global shift to essential, highly profitable businesses**

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

**Decisive investment in human capital**  
**Withdrawal from matrix management**

**Improve capital efficiency/profitability**

**Maximize the value of management capital**

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

**Faster maximization of technology assets**



## Global Shift to Essential, Highly Profitable Businesses

FY23 Results

- ✓ **Expanded the skin protection business globally**  
Major hit product *Bioré UV Aqua Rich*, strong sales of *Bioré UV* care products in Europe and Brazil, acquisition of Bondi Sands Australia Pty Ltd
- ✓ **Launched new products in the Fabric and Home Care Business**  
Simultaneous launch of *Attack ZERO Perfect Stick* in 3 locations, major hit product *Toilet Magiclean Foam Pack*, strong sales of *CuCute* in eco-friendly *Mirai ni Ecopeco Bottle* containers
- ✓ **Strengthened rollout of products for hair salons in the Americas and Europe**  
Rapid growth of the *ORIBE* brand
- ✓ **Started the sale of products from all categories on the D2C site “My Kao Mall”**

FY24 Plan

- ✓ **Accelerate rollout of UV care products outside Japan**  
Europe, Australia, Brazil, China, ASEAN
- ✓ **Introduce high-value-added sheet-type products**  
Next global strategic products
- ✓ **Revitalize the Hair Care business**  
Launch of next-generation premium products
- ✓ **Continue to ramp up the global rollout of one-of-a-kind eco-chemical technologies**  
Hydrophobic cellulose nanofiber, chemicals for semiconductors, etc.

## Decisive Investment in Human Capital

Prioritize aggressive investment in human capital centered on dialogue

### Optimal Deployment

Open recruiting/Selective appointment

### Provide a Setting for Learning

OKR-based work design

### Advanced Training

Offer opportunities for self-learning and coexistence

### Recognition/Compensation & Benefits

Focus on challenge and result

## Thorough Dialogue

### Delegation of Authority

Autonomous responsibility structure

### Fair and Transparent Evaluation

360-degree assessment/Focus on ROIC

## Withdrawal from Matrix Management

Task-based team formation independent of departments

Rapid progression using steering board and project-based organization

### ✓ Accelerate structural reform of businesses

- 1) Reform of baby diaper business
- 2) Transfer of *Nyan Tomo Clean Toilet* and tea-catechin beverage *Healthya*
- 3) Implementation of structural reform of human capital

### ✓ Build a mechanism for executing strategic price increases

- 1) Steady implementation of activities that integrate business and sales
- 2) Thorough on-site activities using reverse ROIC tree

### ✓ Accelerate and execute plans to strengthen/revitalize businesses

- 1) Increasing market share and profit in fabric care business
- 2) Promoting global strategy for skin protection business
- 3) Accelerating new premium strategy for hair care business

## Maximize the Value of Management Capital

FY23 Results

- ✓ **Achieved high returns and extended leading market shares** (*Attack, CuCute, Bioré, Curél, Magiclean*)
- ✓ **Improved profit by 36.5 billion yen compared with the previous year through strategic price increases**
- ✓ **Promoted profit improvement plan through structural reforms** (structural reform expenses: 54.7 billion yen)
- ✓ **Transferred inefficient assets in a portfolio revision** (*Nyan Tomo Clean Toilet* and tea-catechin beverage *Healthya*)

FY24 Plan

- ✓ **Thoroughly apply rules for withdrawal, sale or other handling of businesses, brands and assets**
- ✓ **Achieve thorough *Yoki-Monozukuri*\* that emphasizes profit** (review of product designs and process for setting selling prices, reduction of low-profit SKUs, etc.)
- ✓ **Further reform earning power by promoting high-value-added products**
- ✓ **Aim for a 4.5-point improvement in ROIC by increasing investment efficiency**

\* Kao defines Yoki-Monozukuri as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction.

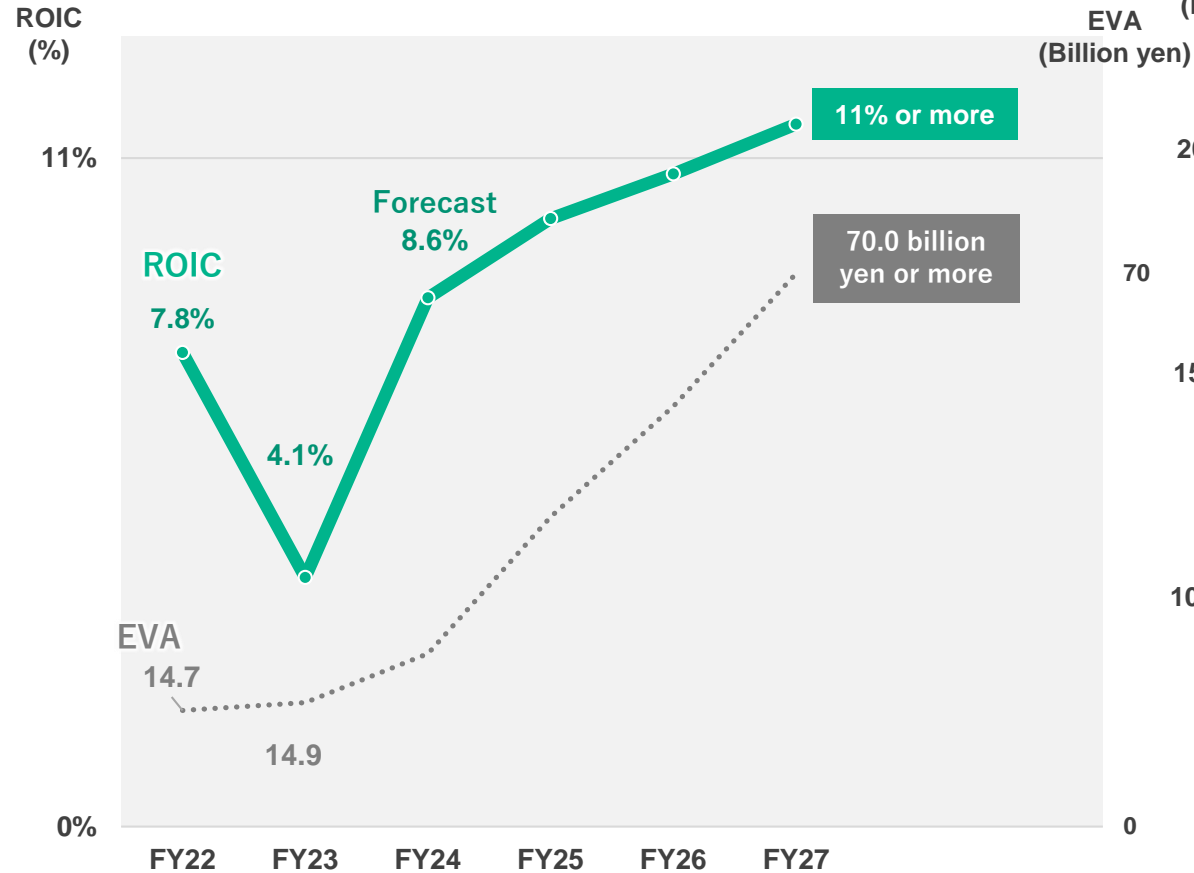
## Faster maximization of technology assets

FY24 Plan

- ✓ **Global rollout of Kao's technologies:** Joint businesses
  - Insect repellent and eradication technology that does not use insecticides (in collaboration with skin protection)
- ✓ **New value creation through synergies among technologies:** Open innovation
  - Moisture-permeable artificial membrane for skin surface (premium shift in global brands)
  - Next-generation cleaning system technology (evolution of fabric care)
- ✓ **Global rollout through customer products:** Global B2B business
  - Recycled materials for road development business, adjuvant for drone-assisted agriculture business, business for advanced semiconductors
- ✓ **High profits from minimum investments:** Improve ROIC in process industries
  - New product development in the sanitary business

# Mid-term Plan K27: Progress

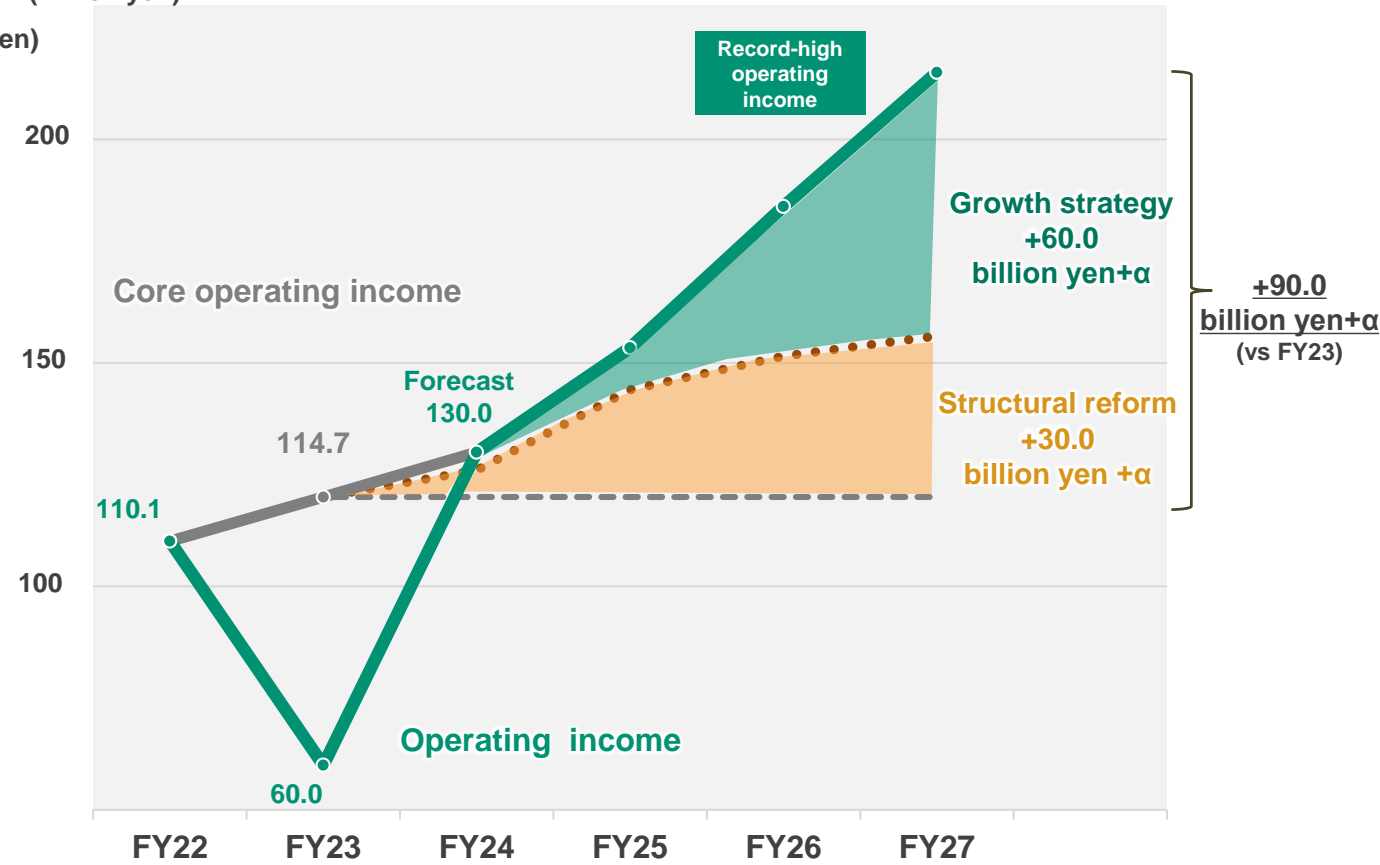
## ROIC (Estimate)



## Operating Income (Estimate)

Operating income (Billion yen)

EVA (Billion yen)



# Targets of Mid-term Plan K27

- Off to a good start toward achieving the ROIC target of K27

(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 <sup>1</sup>	110.1	114.7	130.0	Record-high operating income (FY2019 211.7 billion yen)
Sales outside Japan <sup>2</sup>	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.

## Key Highlights

- In FY2023, the Kao Group promoted business portfolio management and completed structural reforms roughly on schedule.  
(Decisive reorganization of baby diaper business, concluded transfer agreements for tea-catechin beverage *Healthya* and *Nyan Tomo Clean Toilet*, structural reform of human capital)
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- In FY2024, the Kao Group will further advance business portfolio management and shift businesses slated for transformation into the stable earnings and growth driver areas.

## Upcoming Events (Planned)

- **Briefing on the Progress of DX Strategies : Marketing Innovations**  
First half of 2024
- **Briefing on Strategies for the Hair Care Business**  
Second half of 2024



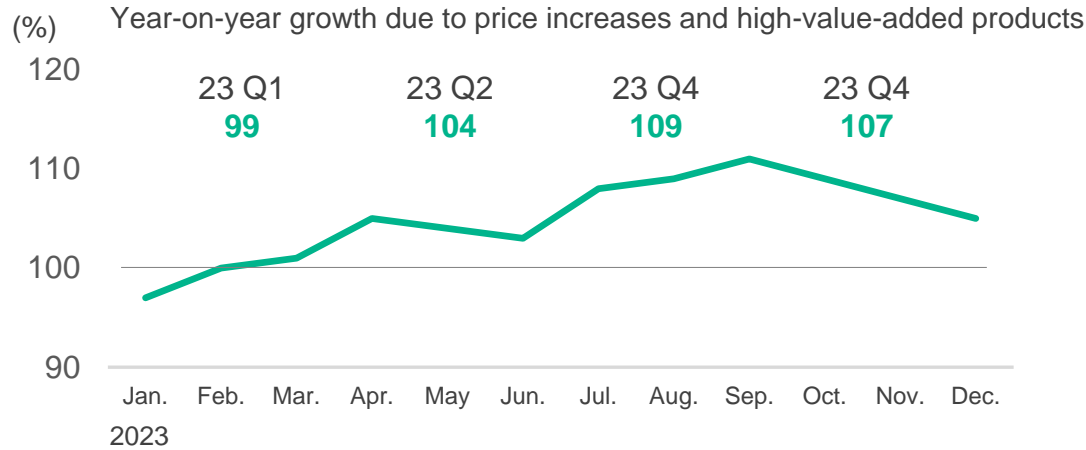
# 06

## Appendix

# Consumer Products Market in Japan

## Growth of H&PC Market

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

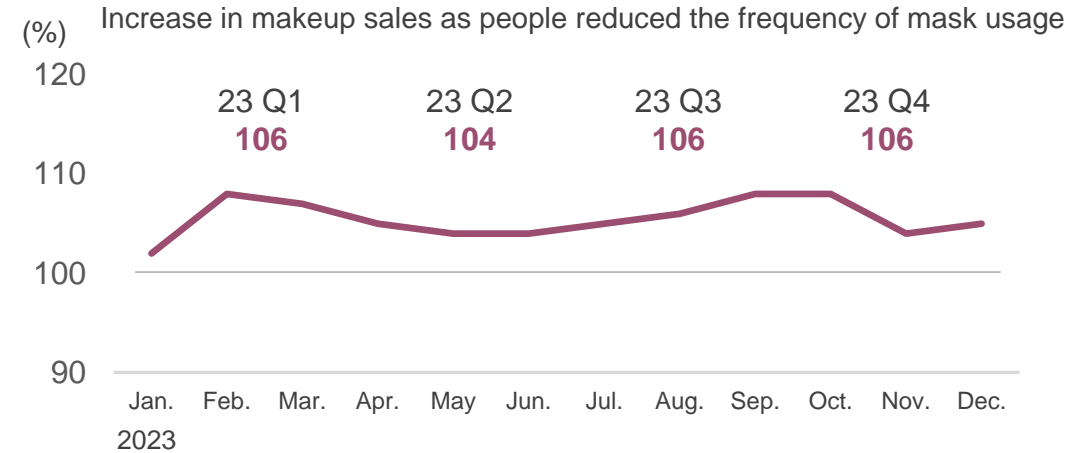


## Market Growth Rates of Major Categories

vs. previous year	Oct.	Nov.	Dec.	Q4
H&PC total	109	107	105	107
Laundry detergents	109	109	109	109
Fabric softeners	106	106	105	106
Bath cleaning products	104	109	105	106
Sanitary napkins	116	115	114	115
Baby diapers	103	100	103	102
Sunscreens	145	137	129	138
Hand soaps	100	101	96	99
Hand sanitizers	61	50	44	50
Bath additives	96	102	94	97

## 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
Cosmetics total	108	104	105	106
Skin care products	107	102	103	104
Facial cleansers/ Makeup removers	101	101	101	101
Serums	105	97	103	102
Makeup products	110	108	109	109
Makeup bases	111	110	108	109
Point makeup products	109	107	110	108
Other	114	110	113	112
Sunscreens	131	115	134	126

(Source: INTAGE Inc. )

# Kao's Main Markets outside Japan

## Asia

- **China** : Despite a tendency toward gradual recovery in consumption, a downward trend continued.
- **Indonesia**: Although the market continued to grow due to rising selling prices, the rate of growth slowed.
- **Thailand** : Growth continued, although at a somewhat slower pace, as the market recovered after the COVID-19 pandemic.

vs. previous year	China (including e-commerce)				Indonesia				Thailand			
	23 Q1	23 Q2	23 Q3	23 Q4	23 Q1	23 Q2	23 Q3	23 Q4	23 Q1	23 Q2	23 Q3	23 Q4
Baby diapers	88	97	100	89	99	101	95	93	91	86	85	88
Sanitary napkins and panty liners	97	98	95	98	111	111	109	108	112	104	104	104
Laundry detergents	-	-	-	-	101	103	101	104	118	106	106	110
Sunscreens	-	-	-	-	-	-	-	-	130	128	120	116
House cleaning products	-	-	-	-	-	-	-	-	90	89	94	99

Source: NielsenIQ

## Americas and Europe

- Underlying conditions in the United States remained firm. Although market growth continued in all three countries due to rising selling prices, the rate of growth slowed.

vs. previous year	U.S.				U.K.				Germany			
	23 Q1	23 Q2	23 Q3	23 Q4	23 Q1	23 Q2	23 Q3	23 Q4	23 Q1	23 Q2	23 Q3	23 Q4
Hair care	109	109	106	106	109	109	110	105	113	115	113	107
Facial care products	113	113	112	109	-	-	-	-	123	122	124	109
Deodorants	119	114	112	107	-	-	-	-	-	-	-	-
Hand and body lotions	106	111	110	103	-	-	-	-	-	-	-	-

Source: Circana

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

- Core operating income +10.8 billion yen. Operating income -23.8 billion yen.

Billion yen	FY2022 Q4	FY2023 Q4	Growth %	Change
Net sales	423.3	<b>406.7</b>	(3.9)	(16.7)
		Effect of currency translation*	+2.3	+9.6
		Like-for-like growth	(6.2)	(26.3)
Core operating income	33.2	<b>43.9</b>	+32.5	+10.8
Core operating margin	7.8%	<b>10.8%</b>	-	-
Operating income	33.2	<b>9.3</b>	(71.9)	(23.8)
Operating margin	7.8%	<b>2.3%</b>	-	-
Income before income taxes	30.8	<b>9.3</b>	(69.9)	(21.5)
Net income	28.3	<b>11.6</b>	(58.9)	(16.7)
Core net income attributable to owners of the parent	27.7	<b>35.8</b>	+29.0	+8.0
Net income attributable to owners of the parent	27.7	<b>11.3</b>	(59.1)	(16.4)
EBITDA (Operating income + Depr. & Amort.)	56.0	<b>31.9</b>	(43.0)	(2.4)
Basic core earnings per share (yen)	59.63	<b>76.93</b>	+29.0	+17.30

\* Exchange rates: 147.84 yen/USD, 159.01 yen/Euro, 20.45 yen/Yuan

The Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as "core income" in the table above.

Core net sales, which are net sales excluding the impact of a provision for product returns due to cosmetics brand consolidation, decreased 4.5% on a like-for-like basis.

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

Billion yen			Japan	Asia	Americas	Europe	Consolidated
	Fabric & Home Care	Q4	88.5	11.3	0.9	-	100.7
		Like-for-like %	+4.2	(13.6)	(11.2)	-	+1.8
	Sanitary	Q4	19.9	22.8	0.0	-	42.7
		Like-for-like %	(10.7)	(13.1)	+26.1	-	(12.0)
	Hygiene and Living Care Business	Q4	108.3	34.1	0.9	-	143.4
		Like-for-like %	+1.1	(13.3)	(10.3)	-	(2.7)
	Health and Beauty Care Business	Q4	54.2	8.3	27.6	14.3	104.4
		Like-for-like %	(0.6)	(5.5)	+11.8	+6.8	+2.9
	Life Care Business	Q4	11.8	0.0	3.7	0.0	15.5
		Like-for-like %	(4.1)	+15.4	+12.3	(10.7)	(0.8)
	Cosmetics Business	Q4	40.8	10.0	2.5	10.2	63.5
		Like-for-like %	(6.2)	(30.1)	+14.3	+4.1	(8.8)
	Consumer Products Business	Q4	215.1	52.5	34.7	24.6	326.8
		Like-for-like %	(1.3)	(16.1)	+11.3	+5.6	(2.4)
Chemical Business*		Q4	35.0	20.7	15.0	20.4	91.1
		Like-for-like %	(3.7)	(14.6)	(16.3)	(17.5)	(11.5)
Consolidated		Q4	240.0	72.4	49.7	44.6	406.7
		Like-for-like %	(1.7)	(15.6)	+1.5	(6.1)	(4.5)

\* Net sales of the Chemical Business include intersegment transactions

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

Figures in orange indicate changes on a like-for-like basis in core net sales, which are net sales excluding the impact of a provision for product returns due to cosmetics brand consolidation.

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

Billion yen			Net sales				Core operating income		
			Q4	Like-for-like %			Q4	Change	Core operating margin %
					By Volume %	By Price %			
		Fabric & Home Care	100.7	+1.8	(4.8)	+6.5	19.8	+5.2	19.7
		Sanitary	42.7	(12.0)	(17.6)	+5.6	(1.8)	+1.1	(4.2)
		Hygiene and Living Care Business	143.4	(2.7)	(8.9)	+6.2	18.0	+6.3	12.6
		Health and Beauty Care Business	104.4	+2.9	+1.6	+1.3	12.3	+4.9	11.7
		Life Care Business	15.5	(0.8)	(6.8)	+6.0	(0.1)	(0.0)	(0.5)
		Cosmetics Business	63.5	(8.8)(18.2)	(21.5)	+3.2	6.9	(3.7)	10.9
		Consumer Products Business	326.8	(2.4) (4.5)	(8.6)	+4.1	37.1	+7.4	11.4
		Chemical Business*	91.1	(11.5)	(3.3)	(8.3)	6.3	+3.6	6.9
		Consolidated	406.7	(4.5) (6.2)	(7.5)	+1.3	43.9	+10.8	10.8

Net sales and operating income of the Chemical Business include intersegment transactions. Growth by volume includes changes due to differences in product mix. Figures in orange indicate changes on a like-for-like basis in core net sales, which are net sales excluding the impact of a provision for product returns due to cosmetics brand consolidation.

	Billion yen	Net sales				Core operating income			Core operating margin %	
		FY2022	FY2023	Growth %	Like-for-like %	FY2022	FY2023	Change	FY2022	FY2023
Japan		775.0	781.7	+0.9	+0.9	52.7	61.0	+8.3	6.8	7.8
Asia		236.0	222.6	(5.6)	(9.2)	21.9	16.8	(5.2)	9.3	7.5
Americas		112.9	126.6	+12.1	+5.4	3.3	9.8	+6.5	2.9	7.7
Europe		69.4	79.4	+14.4	+4.7	1.4	1.1	(0.3)	2.1	1.4
Consumer Products Business		1,193.3	1,210.3	+1.4	(0.5)	79.3	88.7	+9.4	6.6	7.3

Net sales growth rates of major companies (Like-for-like %)	Kao China:	(23)%	Kao Taiwan:	+7%	Kao Vietnam:	(28)%
	Kao Indonesia:	(0)%	Kao Thailand:	(2)%	Kao Hong Kong:	+2%

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

# Hygiene and Living Care Business in FY2023

- Sales: **522.5** billion yen (+0.0%) Core operating income: **41.9** billion yen (+11.2 billion yen) Core operating margin: **8.0%**
- Increased sales and market share by improving the brand power of *Attack* and *CuCute* through decisive investment.
- Core operating margin improved substantially due to strategic price increases, mainly for laundry detergents, and promotion of high-value-added products.
- Implemented structural reforms that included optimizing the production system for the baby diaper business and revising the business portfolio through the transfer of the *Nyan Tomo Clean Toilet* cat litter box system.

## Fabric & Home Care

**Net sales +1.3% due to contribution from laundry detergents and dishwashing detergents. Profit margin also improved.**

- Fabric care: Although fabric softeners were impacted by market shrinkage, proactive product offerings and price increases for laundry detergents contributed substantially to increased sales.
- Home care: Despite the impact of market shrinkage due to increased opportunities to go out, sales were unchanged due to price increases and market share growth for dishwashing detergents and the contribution from new toilet cleaner products.



CuCute dishwashing detergents

## Sanitary

**Net sales -2.6%. Strong sales of sanitary napkins; business transformation for baby diapers in progress.**

- Sanitary napkins: In Japan, sales and market share grew due to marketing innovations. In Asia, sales in China were strong through H1, but were impacted from Q3 by local reaction to Japan's discharge into the ocean of ALPS-treated water from Fukushima Daiichi Nuclear Power Station.
- Baby diapers: Strong performance in Indonesia. In Japan, cross-border e-commerce targeting China faced tough conditions. Conducted structural reforms in China.



Laurier sanitary napkins



# Health and Beauty Care Business in FY2023

- Sales: **392.9** billion yen (+3.1%) Core operating income: **42.8** billion yen (+8.2 billion yen) Core operating margin: **10.9%**
- Increased sales and market share by proactively launching high-performance UV care products.
- Core operating margin increased 1.5 points due to promoting high-value-added products.
- Acquired Bondi Sands Australia Pty Ltd with the aim of establishing a firm position globally in skin protection, which is an area of focus.

## Skin Care

### Increase in sales due to strong performance by UV care, makeup remover and other products

- Japan: Sales increased substantially, driven by growth in sales and market share for UV care and other seasonal products and by *Bioré The CLEANSE* makeup remover.
- Americas and Europe: *Bioré UV Aqua Rich*, launched in 2023, sold strongly.



*Bioré UV Aqua Protect Mist*

## Hair Care

### Despite challenges in Japan, no change in sales due to strong performance in Europe

- Japan: *Essential Barrier* series sold strongly, but shampoos, conditioners and hair color struggled.
- Europe: Sales increased due to new and improved products and strategic price increases.



ORIBE

## Products for Hair Salons

### Increase in sales due to the strong performance of the *ORIBE* brand

- *ORIBE* continued to sell strongly, mainly through e-commerce.

## Personal Health

### Slight increase in sales due to strong performance of *MegRhythm* thermo products, despite tough conditions for oral care products and bath additives

- *MegRhythm* eye masks sold strongly due in part to inbound demand.



*MegRhythm*

# Life Care Business in FY2023

- Sales: **56.3** billion yen (-0.6%) Core operating income: **-1.3** billion yen (-1.3 billion yen) Core operating margin: **-2.3%**
- Although commercial-use hygiene products were affected by the shrinkage of the market for sanitizers in Japan, the market in the Americas recovered and sales increased.

## Commercial-use Hygiene Products

### Nearly flat sales in Japan, but increase in the Americas

- Japan: Demand rose for products for the food service industry and lodging facilities, but sales were nearly flat due to shrinkage of the market for sanitizers.
- Americas: Sales increased due to recovery in target industries and acquisition of new customers.



Commercial-use hygiene products

## Health Drinks

### Implementation of rebranding

- Sales decreased despite implementation of rebranding for *Healthya*.

# Cosmetics Business in FY2023

- Sales: **238.6** billion yen (-6.7%) Core operating income: **5.3** billion yen (-8.8 billion yen) Core operating margin: **2.2%**
- Sales and profits decreased as results in Japan, the Americas and Europe were unable to offset significant declines in China, travel retail and cross-border e-commerce.

## Japan

### Sales in Japan +3% excluding structural reforms, cross-border e-commerce sales to China and other factors

- *KANEBO*, *SUQQU*, other prestige brands and *KATE* grew by double digits.
- Although travel retail sales in Japan doubled, cross-border e-commerce sales to China and travel retail sales in South Korea decreased, with no noticeable upturn in market conditions.



KANEBO

## China

### Sharp decrease in sales due to restraints on sales promotion activities resulting from Japan's discharge of ALPS-treated water

- Although Kao Group products received numerous awards, the emergence of local Chinese brands accelerated amid restraints on sales promotion activities.
- Ramped up evidence-based marketing.



SENSAI

## Europe

### Net sales +2.5% as the high inflation rate subsided from Q4, with firm sales despite a weak market

- Made progress in linking sales and functions and strengthening synergies in Europe.
- Sales increased due to steady performance by new products from *Molton Brown* and a successful renewal of promotions for new and existing products from the *SENSAI* brand.

# Cosmetics Business in FY2023

## Year-on-Year Growth/Share of Sales

	FY2022		FY2023	
	Growth	Share of Sales	Growth	Share of Sales
G11	+5%	68%	(4)%*	70%
R8	(1)%	22%	(2)%	22%
Other	(14)%	10%	(15)%	8%

Global Shipments by Price

\* +3% for Japan

## G11 Growth Rates by Brand

+30% or more	KANEBO	athle tis
Double-digit growth	KATE TOKYO	
Single-digit growth	SENSAI R M K	MOLTON BROWN LONDON est

## Best Cosmetics Award Winners in 2023 H2

KANEBO



**MELLOW OFF VEIL**  
(Cleansing)

R M K



**Synchromatic Eyeshadow Palette**  
(Eyeshadow)

SENSAI



**ULTIMATE series**  
(Cream, lotion, emulsion)

est



**SERUM O.N.E. ADVANCED**  
(Serum)

# Chemical Business in FY2023

- Sales: **366.1** billion yen (-13.4%) Core operating income: **24.8** billion yen (-4.8 billion yen) Core operating margin: **6.8%**
- Both sales and profits decreased due to a decline in demand caused by delayed economic recovery and shrinking profit margins, mainly for oleo chemicals.

## Oleo chemicals

### Prolonged customer inventory adjustments and impact from intensified price competition due to oversupply

- Fat and oil raw material prices remained low and stable due to a slump in demand.
- Facilities for tertiary amines and synthetic fragrances started operation in Europe in Q4, with the aim of expanding business.

Using fermentative production technology that leverages years of knowledge from detergent enzyme production studies, Kao succeeded in high-efficiency production of gallic acid, leading to the launch of bio gallic acid.

## Performance chemicals

### Progress in adjusting selling prices in response to cost increases, despite a continuing slump in demand

- Sales decreased due to delayed recovery in demand, but profit recovered due in part to the contribution of high-value-added products.
- Rollout of highly durable asphalt modifier progressed steadily.

## Information materials

### Decrease in sales due to the impact of a global decline in demand

- Demand for hard disks and semiconductor-related products in particular fell substantially due to inventory adjustments.
- Sales of toner and toner binder also decreased due to the continued impact of weak demand.



# 2024 Market Outlook and Measures to Increase Profits

## Consumer Products Market

- Japan
  - The cosmetics market is expected to stay on a recovery track, including inbound demand. Steady but slowing growth is expected in the household and personal care products market.
- Asia
  - The outlook in China is for single-digit growth in the cosmetics market and continuing declines in the main household and personal care products market sectors in which the Kao Group operates.
  - In the household and personal care products markets in other Asian countries, mid-single-digit growth is expected due to price increases.
- Americas and Europe
  - Steady growth is expected.

## Measures to Increase Profits

- Continue strategic price increases.
- Proactively launch new and improved products.
- Promote high-value-added offerings.
- Conduct a full-scale launch of UV care products in China.
- Make new offerings for the premium hair care market.

## Chemical Market Conditions

- Oleo Chemicals
  - Recovery in demand is expected as customer inventory adjustments reach the end of a cycle. Prices of fats and oils are expected to remain low and stable for the time being.
- Performance Chemicals
  - Moderate growth is expected in sales to business fields such as automobiles and road-related businesses.
- Information Materials
  - Gradual recovery in demand is expected for hard disks and in semiconductor-related fields, with a full-fledged recovery in the second half.

## Measures to Increase Profits

- Promote sales to take advantage of market recovery.
- Fully utilize facilities that started operation.
- Advance the rollout of high-value-added products (highly durable asphalt modifier, agricultural adjuvant)

# 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

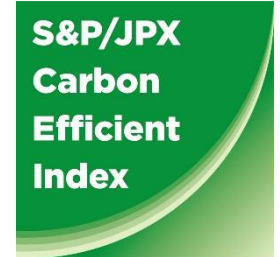
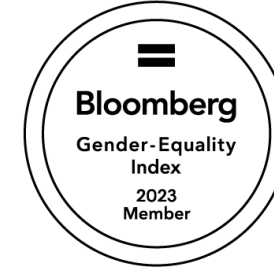


# Major ESG Investment\* Indices and Evaluations from External Organizations

## ESG indices for which Kao has been selected



FTSE4Good



FTSE Blossom  
Japan



FTSE Blossom  
Japan Sector  
Relative Index

2023 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

## Evaluations from/activities with external organizations



CLIMATE FORESTS WATER



女性が輝く  
先進企業 2019



\*ESG Investment: Investment that takes into consideration Environmental, Social and Governance factors  
The FTSE4Good index series: [www.ftse.com/products/indices/FTSE4Good](http://www.ftse.com/products/indices/FTSE4Good), MSCI: [www.msci.com/](http://www.msci.com/)  
"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.



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

## Resolving Social Issues (Future Earnings)

### World's First Film-to-Film Recycling of Used Refill Packs<sup>1</sup>

- First product using recycled materials from used refill packs to produce the same type of packaging.
- Products from Kao and Lion Corporation have been on sale in limited quantities at selected stores since May 2023.



### Creation of a New DE&I Policy<sup>2</sup>

- Kao created a new Diversity, Equity and Inclusion (DE&I) Policy with the aim of allowing individual values and talents to shine brighter, thereby improving people's lives.
- The Company will continue to implement DE&I across all of its brands, products and services, together with its stakeholders including employees, business partners and all people.

Value creation



## Resolving Social Issues and Expanding Business/Creating New Businesses (Current Earnings)

### Launch of an Innovative Skin Protection\* Product<sup>3</sup>

- Launch of *Bioré UV Aqua Rich Aqua Protect Mist*, a sunscreen that can be easily applied for protection from UV rays on the go.
- Won Grand Prize in the 2023 Nikkei Superior Products and Services Awards.<sup>4</sup>



\* Protection from UV rays and other environment-related risks

### Eco-friendly *Mirai ni Ecopeco Bottle Container* Contributes to Sales<sup>5</sup>

- Launched for *CuCute* in September 2023.
- Reduces plastic usage approximately 40% using 100% recycled plastic.
- Contributes to growth in sales and market share due to an increase in the proportion of highly sustainability-conscious first-time purchasers.



## Co-creation with Partners

### Establishment of the Kao Life-in-Harmony Foundation with a Vision of Building a Society in Which No One Is Left Behind and Everyone Can Live Enriched Lives<sup>6</sup>

- Delivers useful information and products to people with disabilities, their families, the elderly, and others to help solve the pressing concerns they encounter on a daily basis.
- Promotes rainwater collection and purification technologies, and spreads information on water-conserving products and hygiene in Indonesia.

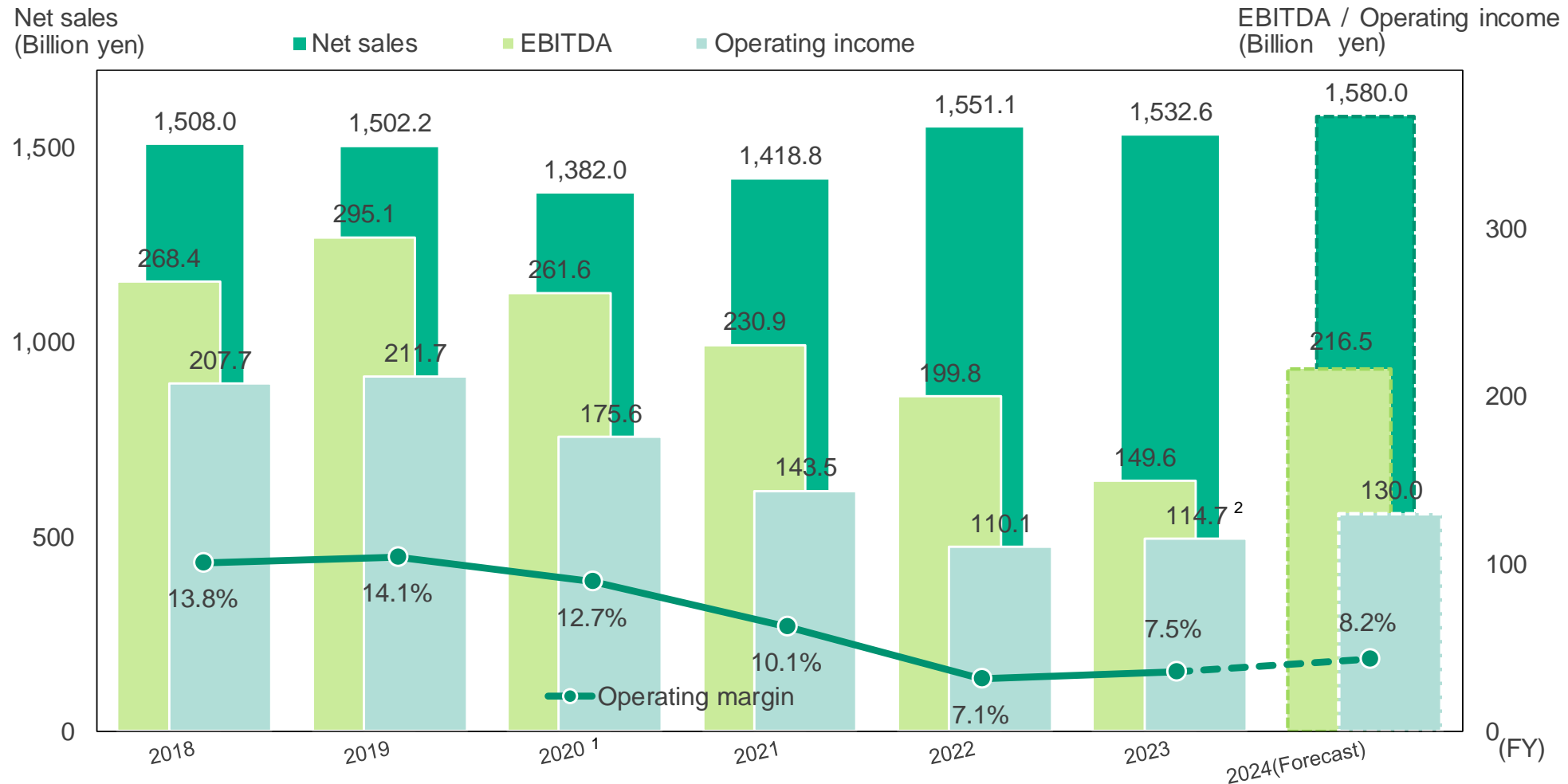


### Development of the Corporate Advertising Series, "Wastefulness–Mottainai. Never Today, nor Tomorrow."<sup>7</sup>

- Demonstrates Kao's corporate stance and initiatives that contribute to the realization of a sustainable society.
- Creates value (purchase of Kao products) that exceeds the costs invested in the activity.



# Consolidated Net Sales/EBITDA/Operating Income

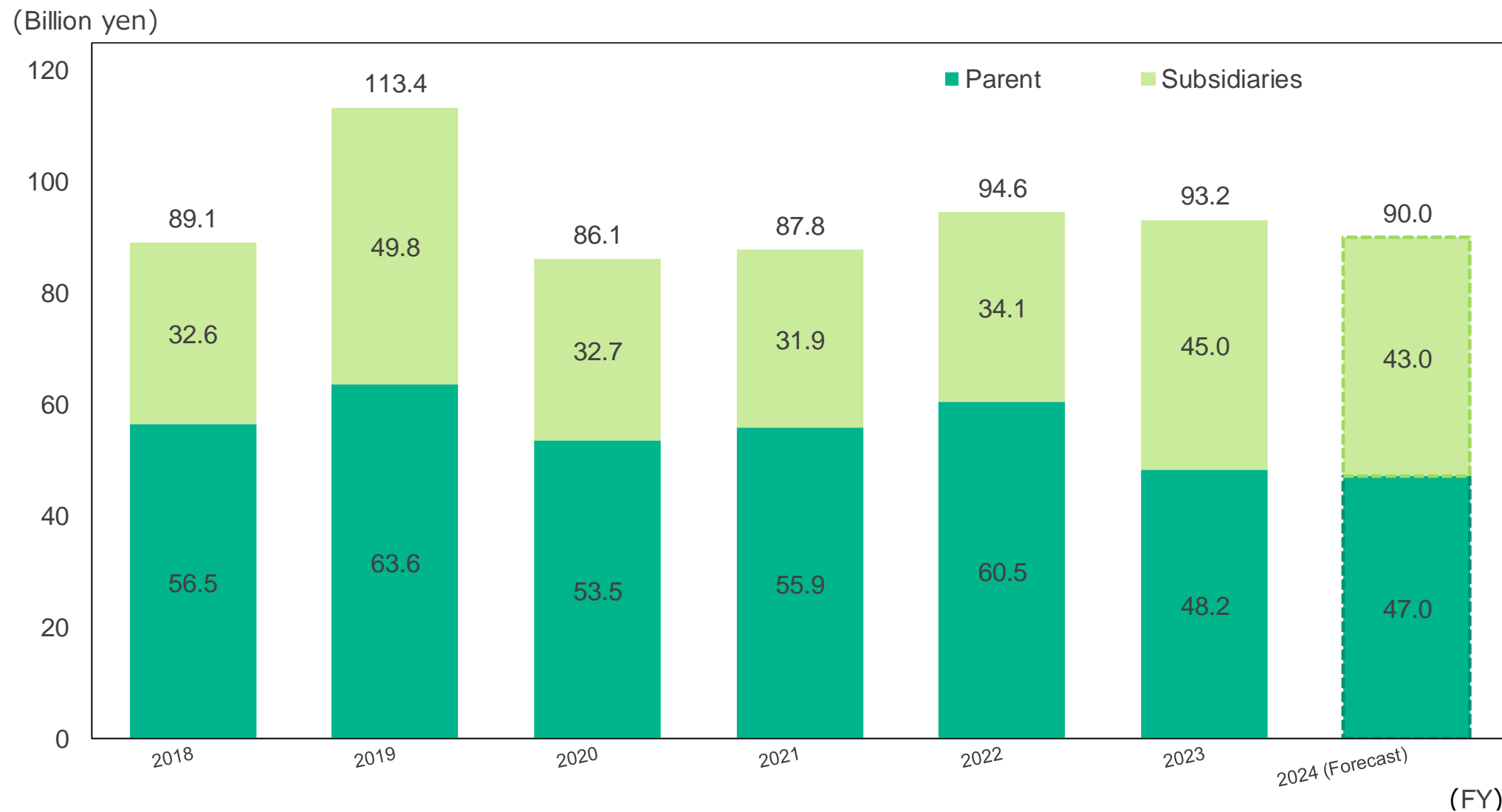


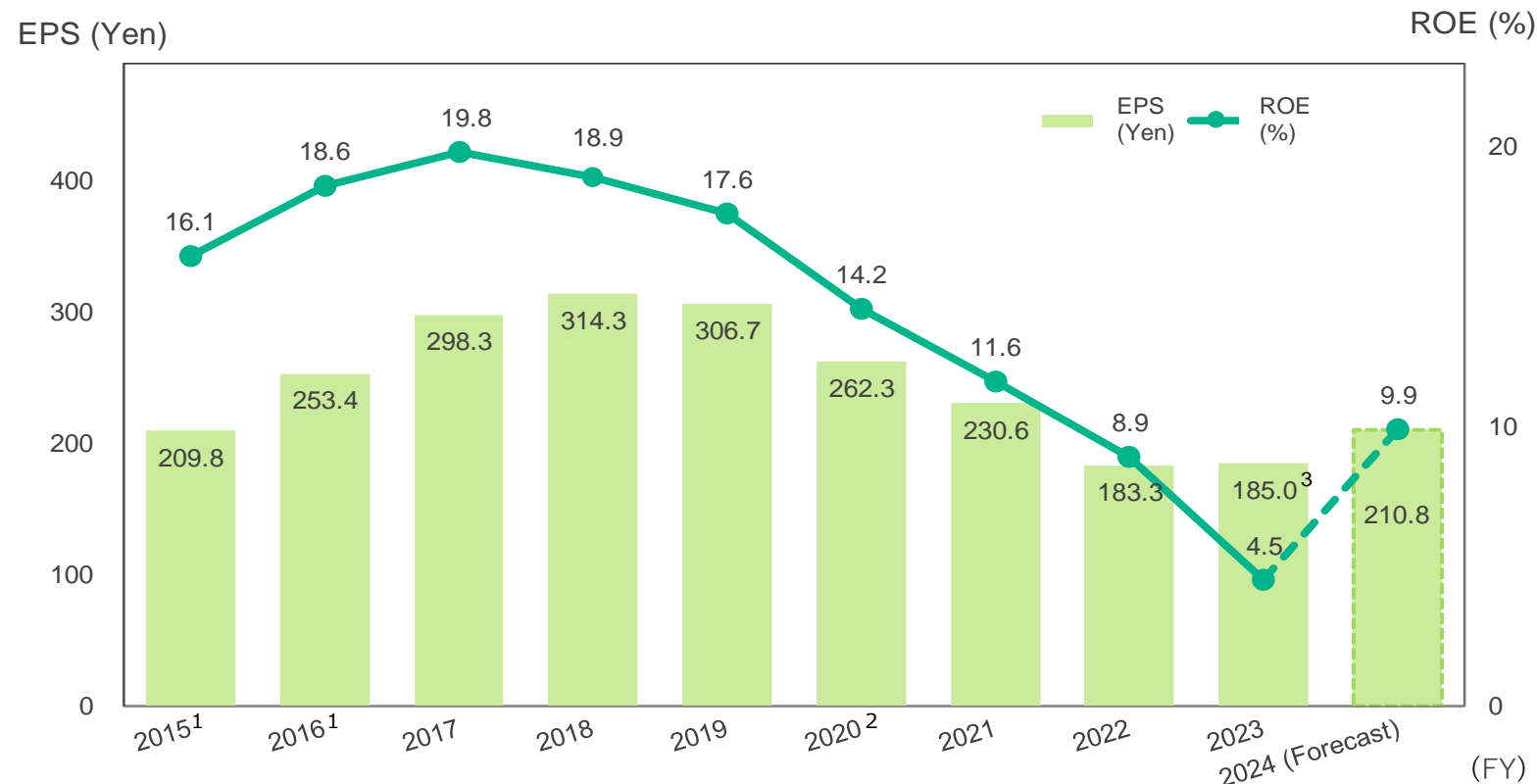
1. As of the fiscal year ended December 31, 2020, the Company changed its method of recognizing sales for certain transactions from the gross amount to the net amount.

2. The figure for FY2023 is core operating income.

The Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as "core income."

# Capital Expenditures





Weighted average number of shares outstanding (Million shares)	501.4	499.4	492.8	489.1	483.3	480.9	475.5	469.4	464.9	464.9
Net income attributable to owners of the parent [IFRS] (Billion yen)	105.2	126.6	147.0	153.7	148.2	126.1	109.6	86.0	86.0	98.0

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

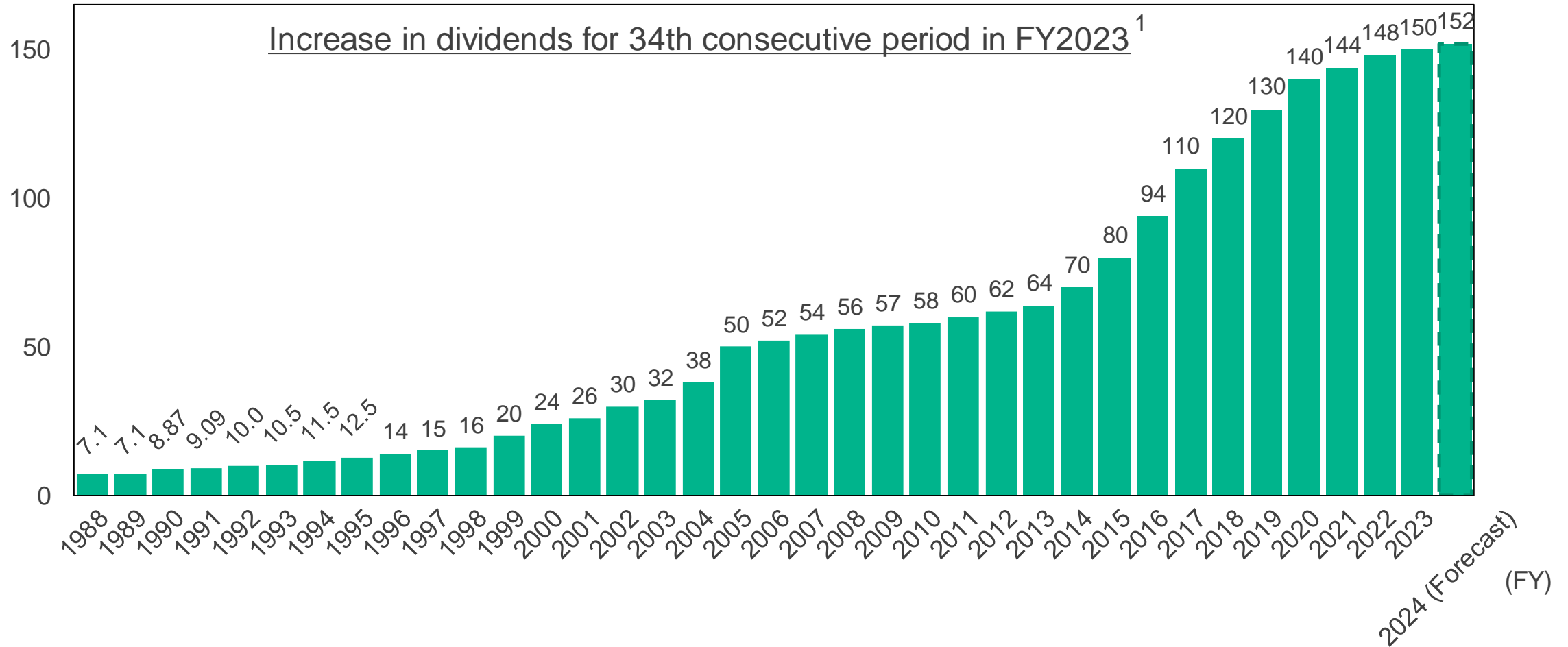
2. As of the fiscal year ended December 31, 2020, the Company changed its method of recognizing sales for certain transactions .  
from the gross amount to the net amount

3. FY2023 figure is calculated based on core income.

The Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as “core income.”

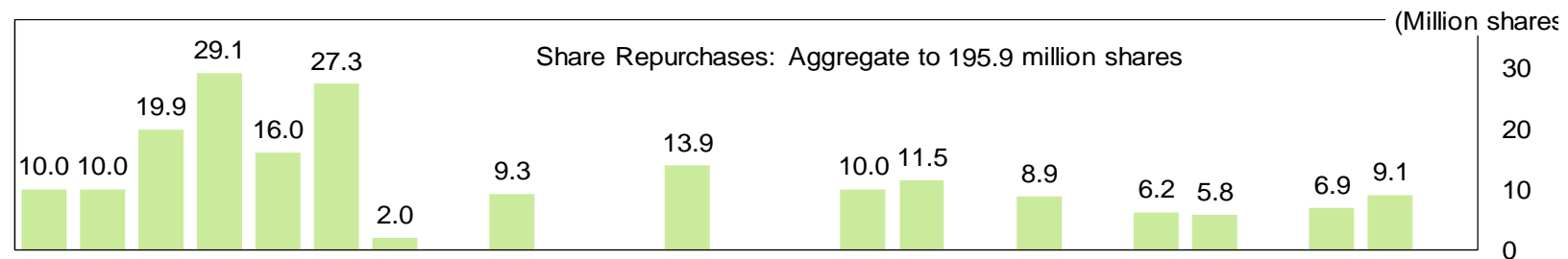
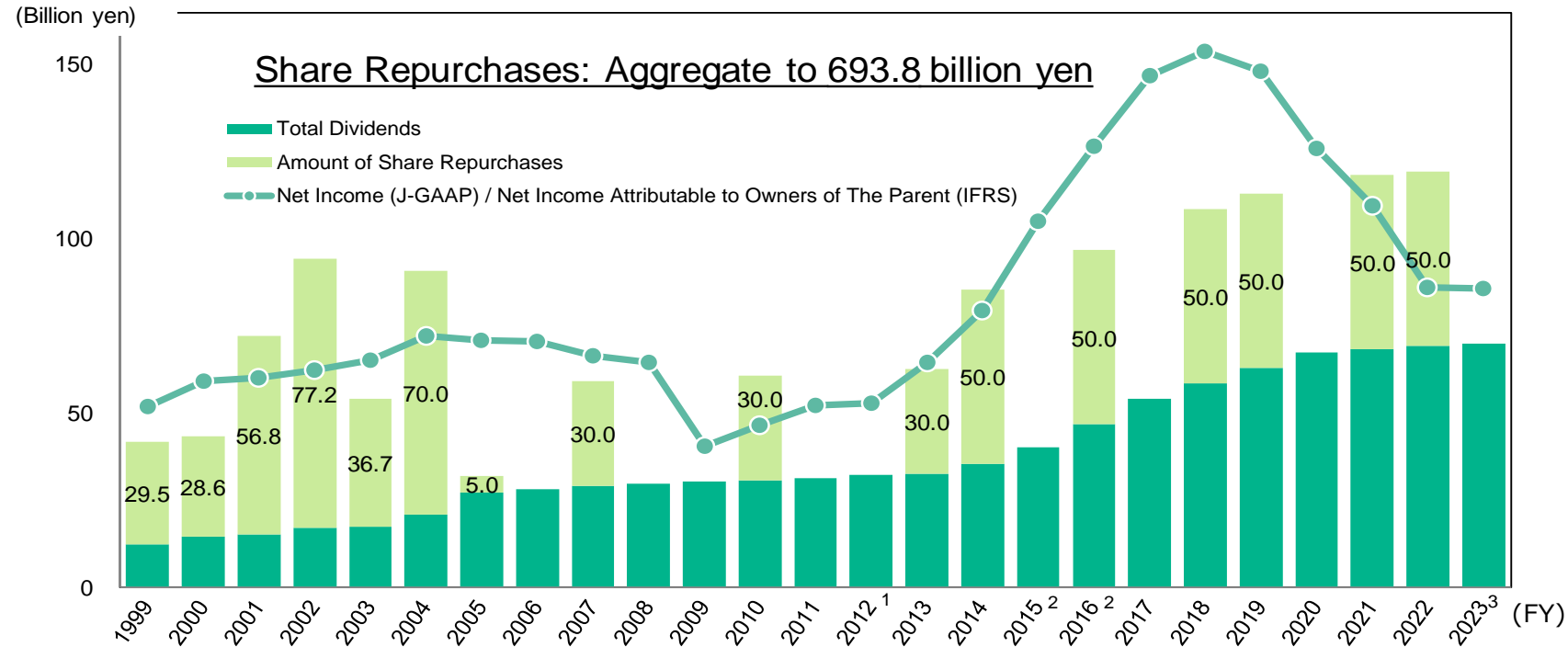
# Cash Dividends per Share

Cash Dividends per Share (Yen)



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

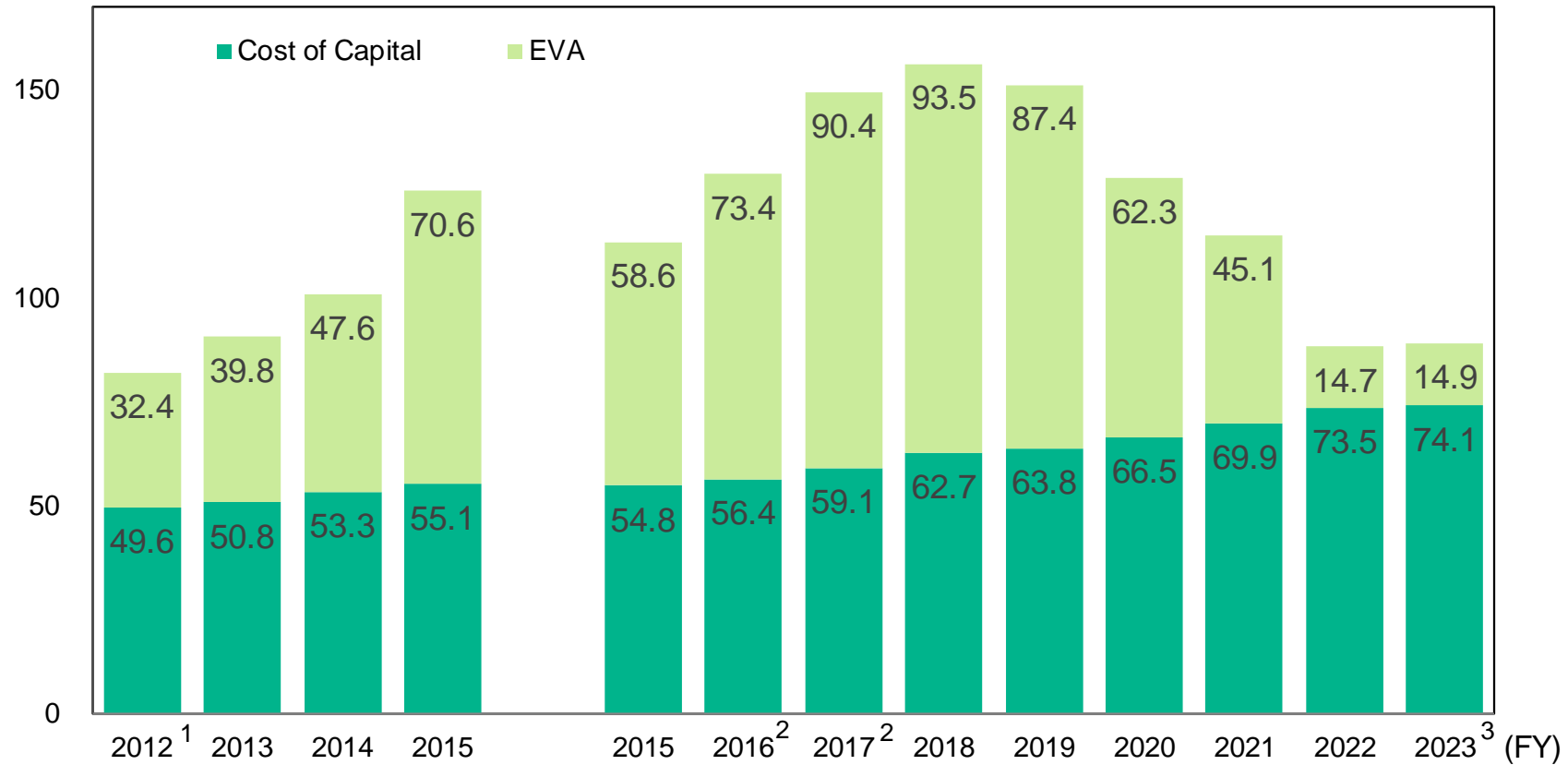
# Shareholder Returns



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.

The Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as "core income."

(Billion yen)



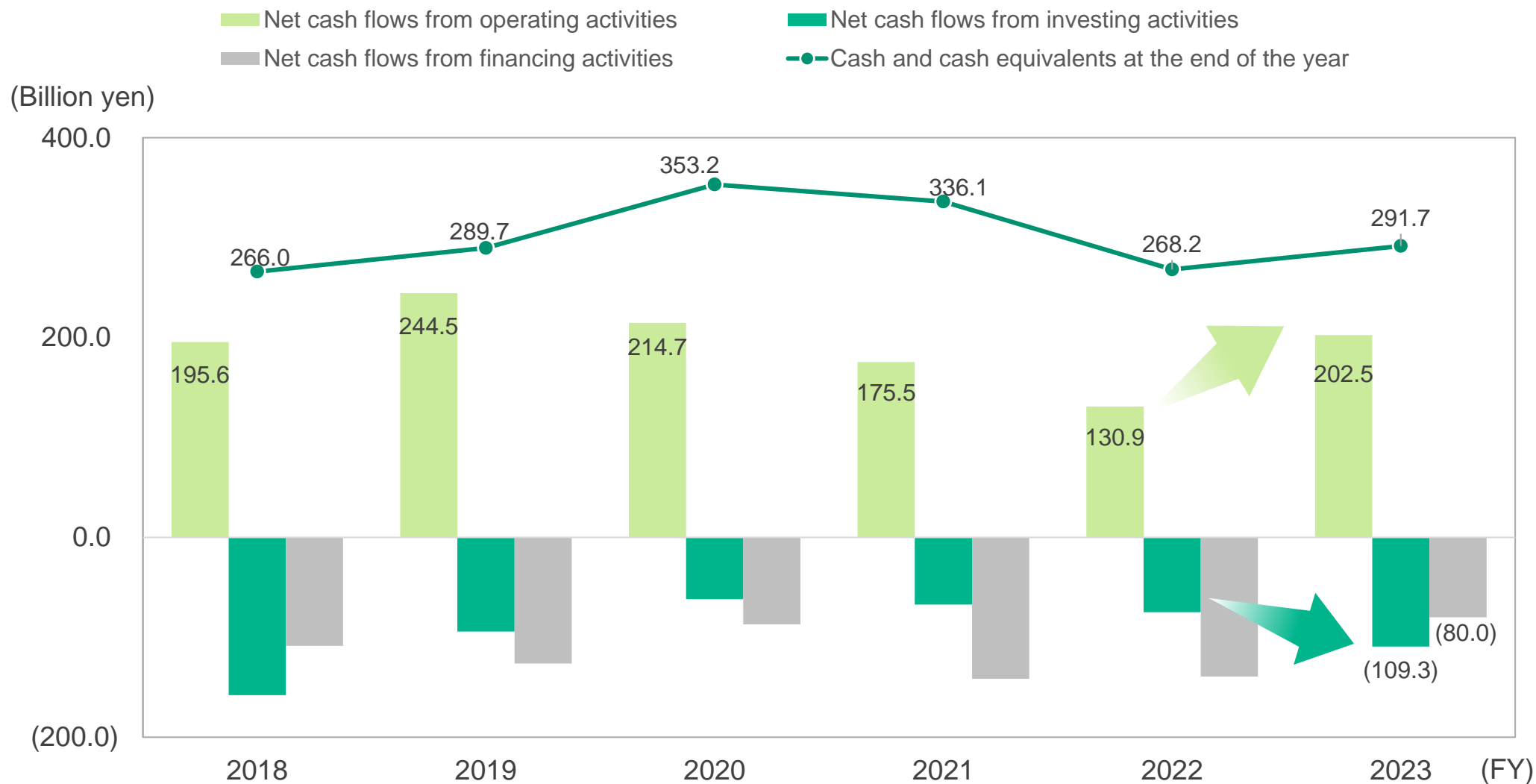
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2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS

3. FY2023 figures are calculated based on core income.






The Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as “core income.”

# 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>	FY2023 Net sales: 522.5 billion yen Like-for-like growth <sup>1</sup> : 0.0 % Share of net sales: 34.1 % Operating margin: 8.0 %	
<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>Both additive</li> <li>Oral care products</li> <li>Thermo products</li> </ul>	FY2023 Net sales: 392.9 billion yen Like-for-like growth <sup>1</sup> : 3.1 % Share of net sales: 25.6 % Operating margin: 10.9 %	
<b>Life Care Business</b>	<ul style="list-style-type: none"> <li>Commercial-use hygiene products</li> <li>Health drinks</li> </ul>	FY2023 Net sales: 56.3 billion yen Like-for-like growth <sup>1</sup> : (0.6) % Share of net sales: 3.7 % Operating margin: (2.3) %	
<b>Cosmetics Business</b>	<ul style="list-style-type: none"> <li>Counseling cosmetics</li> <li>Self-selection cosmetics</li> </ul>	FY2023 Net sales: 238.6 billion yen Like-for-like growth <sup>1</sup> : (6.7) % Share of net sales: 15.6 % Operating margin: 2.2 %	
<b>Chemical Business</b>	<ul style="list-style-type: none"> <li>Oleo chemicals</li> <li>Performance chemicals</li> <li>Information materials</li> </ul>	FY2023 Net sales: 366.1 billion yen Like-for-like growth <sup>1</sup> : (13.4) % Share of net sales: 21.0 % Operating margin: 6.8 %	

# Kao

Kirei—Making Life Beautiful

