

Date and time:

Thursday, February 6, 2025, 17:00-18:30 (JST)

Respondents:

Yoshihiro Hasebe, Representative Director, President and Chief Executive Officer

Masakazu Negoro, Representative Director, Senior Managing Executive Officer

Toru Nishiguchi, Representative Director, Senior Managing Executive Officer

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- 1) In FY2025, will you continue to increase prices primarily on new and improved products, or will you also consider increasing the prices of existing products? Could you share your pricing strategy?**

Most of the price increases in FY2024 were attributable to new and improved products. By segment, price increases were primarily implemented in the Hygiene and Living Care Business, which is greatly impacted by rising raw materials prices.

With the current hikes in natural fats and oils prices, we will increase our prices accordingly in FY2025. However, rather than implementing across-the-board price increases, we are analyzing each retail chain to determine the best approach to increase prices and grow profits without losing sales volume.

**In the analysis of change in operating income in FY2025, could you explain why the impact of price increases is conservatively estimated at +14.0 billion yen in contrast to a -10.0 billion yen impact from rising raw material prices?**

We are simultaneously increasing prices and market share. When excluding temporary gains and losses such as business transfers and other factors from FY2024 results, we anticipate an approximate 20.0 billion yen increase in profit in FY2025, which is not a conservative target.

**Why is the estimated improvement in the gross profit of the Chemical Business in FY2025 conservative despite the recent hikes in natural fats and oils prices?**

The prices of natural fats and oils have risen sharply, starting in the second half of FY2024. Selling price adjustments in line with rising raw material prices requires some time, making it challenging to accurately predict the extent of gross profit improvements attributable to price increases at this moment.

- 2) Have you completed the optimization of distribution inventory for the Cosmetics Business in China? Could you outline your overall plan for the Cosmetics Business in FY2025?**

We have successfully reduced distribution inventory to an optimal level. The market has shown some recovery since Double 11 (W11/ Singles Day) sales in November 2024. During this period, Kao achieved sales growth exceeding the average level at other cosmetics companies in Japan.

In FY2025, we expect sales growth across all regions and plan to bring the entire business into profitability. Additionally, we will focus on enhancing sales of locally produced products from FY2025 onward.

- 3) Could you explain why you achieved a 4.0% increase in sales volume in the fourth quarter of FY2024 for the Fabric & Home Care Business in Japan, and why your FY2025 plan is so conservative?**

Core brands such as *Attack* and *CuCute* showed steady growth due to positive consumer response to our new products and marketing initiatives, allowing us to increase market share while increasing prices in FY2024. In FY2025, our priority is to enhance customer loyalty and fortify our revenue base in addition to focusing on market share expansion.

- 4) Could you explain why you decided not to implement a share buyback? What strategic investments are you considering for the future?**

Decisions regarding share buybacks are made based on factors including future investment opportunities and share price levels. We will make a comprehensive decision on share buybacks in conjunction with strategic investments, including M&A.

- 5) Could you provide details regarding "Reformed earning power" and "Growth strategy" on page 25 of the presentation materials?**

The details are as follows:

**Reformed earning power:** This includes both price increases and reductions in the cost of sales, including Total Cost Reduction (TCR). We aim to improve the gross margin of the Consumer Products Business by at least 1% annually.

**Growth strategy:** The amount obtained by subtracting the increase in growth investment expenses (fixed costs including marketing and personnel expenses) from the profit growth effect associated with volume increases.

In FY2025, we are focusing more on efforts to reform earning power compared to those related to growth strategy.

- 6) Could you explain the strategy for the brands in the Cosmetics Business other than the six focus brands? Additionally, could you also explain your medium- to long-term profit outlook and the regions where you expect growth?**

We will continue to develop each brand in alignment with its distinctiveness. While we will not make large-scale investments, we will leverage digital marketing and data-driven management to strengthen these brands.

We expect that the Cosmetics Business will contribute approximately half of the "40.0 billion yen +α increase in income due to growth strategy" mentioned on page 25 of the presentation materials. Geographically, we will concentrate on Europe and Indonesia.

### Note

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