

KaO

Kirei—Making Life Beautiful

Consolidated Financial Results for the Three Months Ended March 31, 2024

Kao Corporation
May 9, 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.

Contents

01 Financial Results

for the Three Months Ended March 31, 2024

02 Appendix

01

Financial Results

for the Three Months Ended March 31, 2024

Key Highlights

- **Achieved profits that exceeded plans, as K27 progressed smoothly**
 - ✓ **Generated profits through structural reforms**
 - Achieved profitability in sanitary products by reducing fixed costs for *Merries* baby diapers
 - Adjusted selling prices by promoting high-value-added products
 - ✓ **Improved competitive advantages for core brands**
 - Increased both profit margin and market share for *Attack* laundry detergents, *CuCute* dishwashing detergents and other brands
 - Raised loyalty through marketing transformation
 - ✓ **Ramped up global rollout of high-value-added products**
 - Skin protection
 - Cosmetics (*Curél*, *SENSAI*, *MOLTON BROWN*, *KATE*)
 - Prestige brand for hair salons (*ORIBE*)
 - ✓ **Chemical Business contributed to profits as planned**
 - Captured recovering demand in customer industries, promoted high-value-added products and adjusted selling prices

Highlights of Consolidated Financial Results

- The gross margin increased 4.4 pts and operating income increased 14.7 billion yen to 22.0 billion yen due to the effects of structural reforms (including adjusting selling prices by promoting high-value-added products).

Billions yen	FY2023 Q1	FY2024 Q1	Growth %	Change
Net sales	347.8	365.8	+5.2	+18.0
		Effect of currency translation [*]	+4.8	+16.6
		Like-for-like growth	+0.4	+1.4
Gross profit	114.9	137.0	+19.2	+22.1
Gross margin	33.0%	37.4%	-	-
Operating income	7.3	22.0	+201.7	+14.7
Operating margin	2.1%	6.0%	-	-
Income before income taxes	8.4	24.8	+193.4	+16.3
Net income	5.4	17.3	+222.6	+12.0
Net income attributable to owners of the parent	4.8	16.5	+241.9	+11.7
EBITDA (Operating income + Depr. & Amort.)	29.4	44.0	+49.8	+14.7
Basic earnings per share (yen)	10.36	35.43	+241.9	+25.07

* Exchange rates: 148.22 yen/USD, 160.99 yen/Euro, 20.63 yen/Yuan

Key Points of Results

Net sales **365.8** billion yen
+0.4% on a like-for-like basis

Operating income **22.0** billion yen
(+14.7 billion yen); margin **6.0%**

FY2024 Q1 Financial Results

- The gross margin increased 4.4 pts and operating income increased 14.7 billion yen to 22.0 billion yen, with a substantial contribution from the effects of structural reforms (including adjusting prices by promoting high-value-added products).
- The operating margin for fabric and home care products recovered, increasing 8.1 pts to 16.1%.
- The sanitary products achieved profitability by reducing fixed costs through structural reforms for *Merries* baby diapers.
- The Cosmetics Business progressed as planned.
- The operating margin in the Chemical Business recovered, increasing 4.1 pts to 8.6% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

Focal Themes from FY2024 Q2

- Continue to strengthen portfolio management.
- Accelerate the transformation of the hair care business by developing the high premium market.
- Roll out and expand the skin protection business globally.

Consolidated Net Sales by Segment/Geographic Region

- Fabric and home care products continued to perform well in Japan due to effective investment in marketing for high-value-added products.

Billion yen			Japan	Asia	Americas	Europe	Consolidated
Fabric & Home Care	Q1		66.5	10.9	0.9	-	78.4
	Like-for-like %		+13.5	(11.1)	(15.0)	-	+9.2
Sanitary	Q1		17.8	23.2	-	-	41.0
	Like-for-like %		(2.1)	(12.8)	-	-	(8.3)
Hygiene and Living Care Business	Q1		84.4	34.1	0.9	-	119.4
	Like-for-like %		+9.8	(12.3)	(15.5)	-	+2.6
Health and Beauty Care Business	Q1		44.1	9.2	26.7	14.8	94.8
	Like-for-like %		+3.4	(0.8)	+0.2	+9.0	+2.9
Life Care Business	Q1		8.9	0.0	3.5	0.0	12.4
	Like-for-like %		(7.7)	+40.2	(1.7)	+17.1	(6.1)
Cosmetics Business	Q1		35.9	10.8	1.9	6.2	54.6
	Like-for-like %		+5.2	(10.1)	+1.3	+7.4	+2.0
Consumer Products Business	Q1		173.1	54.1	33.0	21.0	281.2
	Like-for-like %		+6.2	(10.1)	(0.4)	+8.5	+2.2
Chemical Business*	Q1		31.8	23.4	16.2	23.1	94.5
	Like-for-like %		(3.2)	(3.9)	(12.0)	(6.9)	(5.8)
Consolidated	Q1		196.5	76.6	49.2	43.5	365.8
	Like-for-like %		+5.2	(8.3)	(4.5)	+0.1	+0.4

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

Consolidated Results by Segment

- The operating margin for fabric and home care products recovered, increasing 8.1 pts to 16.1%, and sanitary products achieved profitability.
- The operating margin in the Chemical Business recovered, increasing 4.1 pts to 8.6% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

Billion yen		Net sales				Operating income		
		Q1	Like-for-like %	By Volume %	By Price %	Q1	Change	Operating margin %
	Fabric & Home Care							
	Sanitary	41.0	(8.3)	(13.2)	+4.9	0.6	+3.5	1.3
	Hygiene and Living Care Business	119.4	+2.6	(2.5)	+5.1	13.1	+10.5	11.0
	Health and Beauty Care Business	94.8	+2.9	+3.2	(0.3)	6.6	+0.8	7.0
	Life Care Business	12.4	(6.1)	(9.3)	+3.2	(0.3)	+0.3	(2.7)
	Cosmetics Business	54.6	+2.0	+0.1	+1.9	(4.7)	(0.1)	(8.5)
	Consumer Products Business	281.2	+2.2	(0.5)	+2.6	14.8	+11.4	5.3
	Chemical Business*	94.5	(5.8)	+0.9	(6.7)	8.1	+4.0	8.6
	Consolidated	365.8	+0.4	+0.2	+0.2	22.0	+14.7	6.0

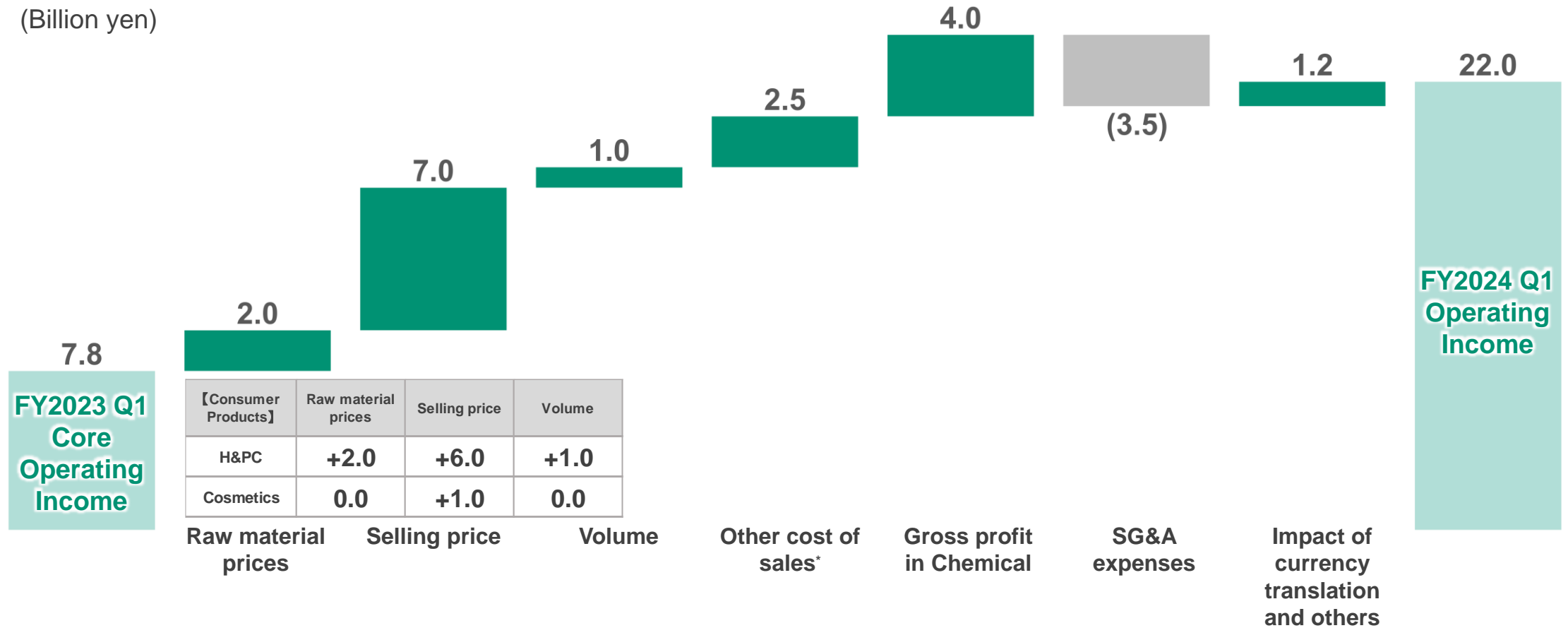
* Net sales and operating income of the Chemical Business include intersegment transactions. Growth by volume includes changes due to differences in product mix.

Analysis of Change in Operating Income in Q1 (Year-on-Year Change)

✓ Results exceeded plans.

- The effects of structural reforms (including adjusting selling prices by promoting high-value-added products) made a substantial contribution in the Consumer Products Business.
- Demand from industries targeted by the Chemical Business recovered, and gross profit recovered due to promotion of high-value-added products and adjusting selling prices.

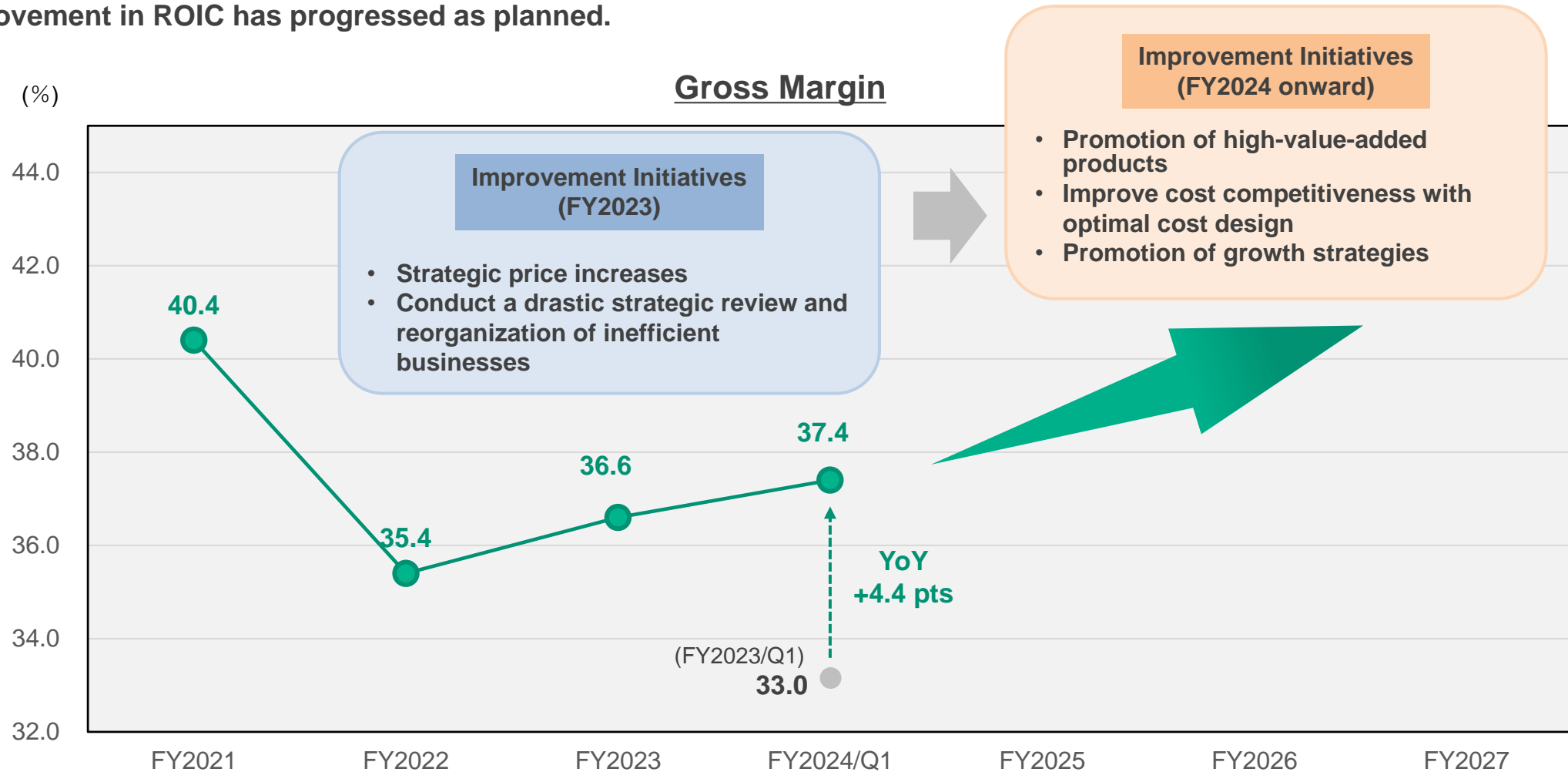
(Billion yen)



* Including change in product mix
Income excluding expenses for structural reforms implemented in FY2023 is presented as “core income.”

Generating Profits through Structural Reforms

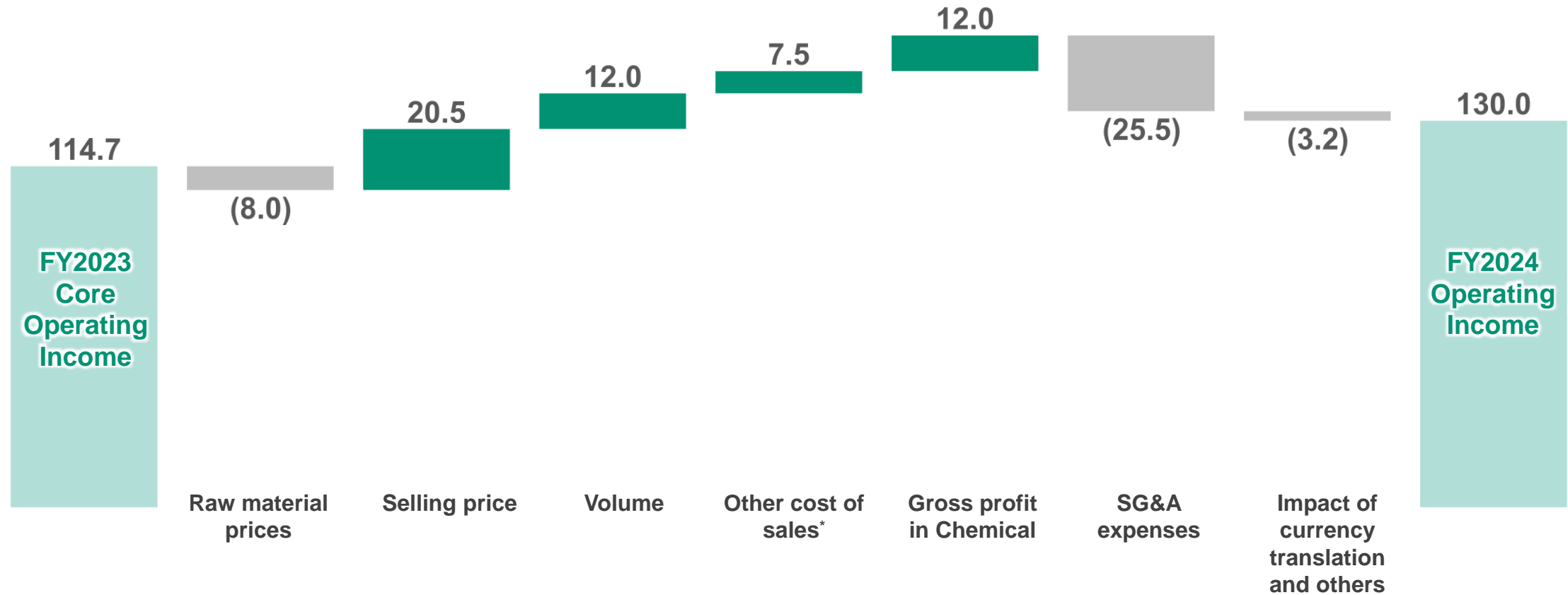
- The gross margin improved 4.4 pts year on year.
- The gross margin bottomed out in FY2023/Q1. The Kao Group now aims to upgrade structurally into a full-fledged profit generator due to the effects of structural reforms and promotion of growth strategies.
- Secure profits by shifting from strategic price increases to price adjustments based on promotion of high-value-added products.
- Improvement in ROIC has progressed as planned.



Forecast of Factors in Operating Income (Year-on-Year Change)

- The effects of structural reforms are projected to be more than 18.0 billion yen.
- The Kao Group will adjust selling prices by continuing to promote high-value-added products while effectively deploying marketing expenses for growth.
- Expected risks include rising raw material prices, geopolitical risks and the Chinese market.

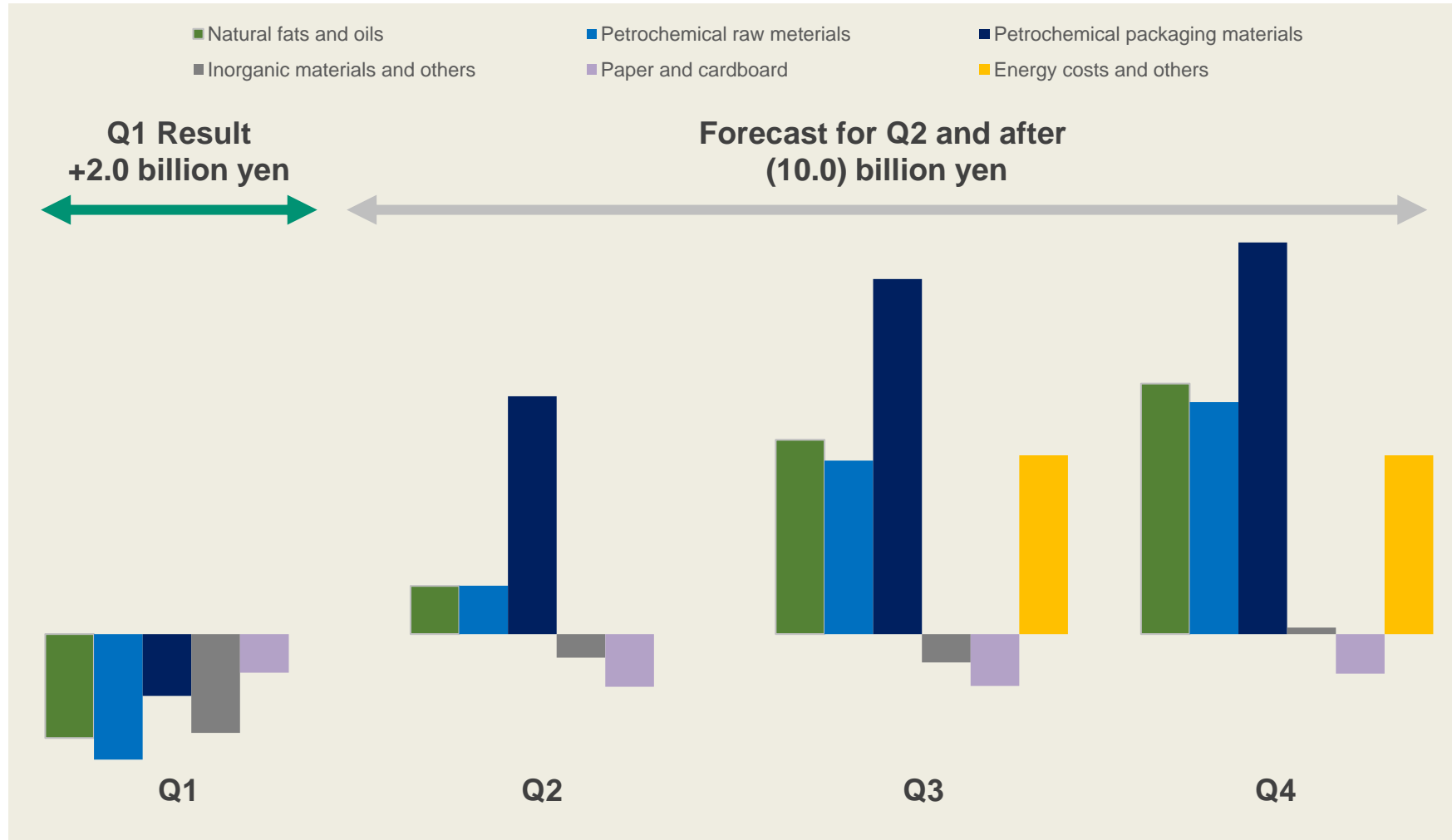
(Billion yen)



* Including change in product mix
Income excluding expenses for structural reforms implemented in FY2023 is presented as “core income.”

Raw Material Prices Outlook (Consumer Products Business; vs. FY2023)

- Expected increases in personnel and logistics costs, in addition to the weak yen and fluctuations in prices for crude oil and natural fats and oils.
- Policy to offset cost increases and secure profits in ways such as setting selling prices commensurate with value.



Ramping Up the Global Rollout of High-value-added Products

Skin Protection: Sales +30% Year on Year

Full-fledged Deployment of Global Sharp Top Strategy. Expand and Grow in Each Area

Europe

Bioré UV Care



Expanding shelves of core items at key drugstores
Approx. 200 outlets



Newly available at major drugstores
Approx. 2,300 outlets



Self Tanning



Market share:
No. 1¹



China

Bioré UV Care

Launch of two new products
Sales +24% year on year



Use of digital content to attract new young customers



Americas

Bioré UV Care



Started rollout at major wholesalers, with sell-out four times the plan



Set to be introduced at three chains, including major drugstore chains, in the second half of FY2024



Self Tanning



Market share for two brands:
Solid No. 1²

Australia



Self Tanning



Market share:
No. 1¹



Brazil

Bioré UV Care



FY2023 result
Sales +39% year on year

1. Source: Euromonitor International Limited, Beauty and Personal Care 2023 Edition, sales value at retail selling price

2. Source: Kao survey

Ramping Up the Global Rollout of High-value-added Products

Cosmetics: Cultivating Brands to Become a True Global Player

Generating New Competitiveness with Brand Value for Consumers in Each Area

SENSAI



Japan

- **+64% year on year**
- Supreme skincare line sold strongly
- Airy mousse lotion with micro-carbonated bubbles sold strongly

Germany

- **No. 2 ranking in skin care**
- New products launched in 2024 sold strongly
- No. 1 market share in the mask category

Source: The beauty alliance Deutschland GmbH & Co. KG



Italy

- **+13% year on year**
- Double-digit growth in supreme skincare line and new UV care products

Curel

Japan

- **No. 1 share of dry and sensitive skincare market**
- Robust growth of cleansing category, driven by cleansing milk
- New UV care product and Powder in Balm sold strongly

Source: INTAGE Inc.

China

- **Launch of anti-redness essence**
- Second product produced locally for local consumption
- 7th place in the anti-redness essence market on Tmall* (2 months after launch)



Taiwan

- **+38% year on year**
- Collaborative measures with retailers (Use of livestreaming and social media)

KATE TOKYO

Japan

- **No. 1 share of makeup market**
- No. 1 in the self-selection makeup market for 21 consecutive years (No. 1 in the makeup market for 3 consecutive years)

Source: INTAGE Inc.



Taiwan

- **Mass makeup market share: No. 2**
- Eyeliner: No. 1
- Eyebrow: No. 1
- Lipstick: No. 1

Source: Nielsen



Thailand

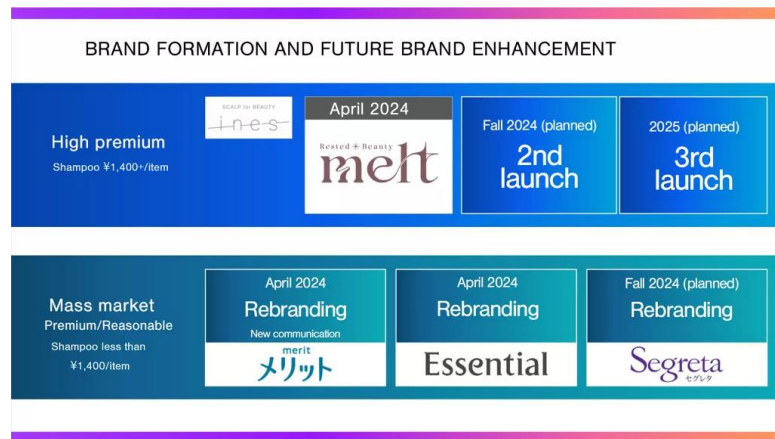
- **+64% year on year**
- New colors of *LIP MONSTER* sold strongly
- Generated buzz using top key opinion leaders

* E-commerce site operated by Alibaba Group

Creating Devoted Fans by Telling Brand Stories Using Real-World and Digital (DX) Methods

Started transformation of hair care business into a growth driver

Japan: Strengthen the business, which has No. 1 overall market share



First offering for full-fledged entry into the expanding “high premium” market



Pre-launch at some stores received good reviews

Loyalty marketing that extends from beauty specialists to the beauty-conscious

Become a representative brand centered on high premium consumers who perceive and embody relaxed beauty

Ramp up promotion of high-value-added products in the hair care business for salons



U.S.: No. 2 market share in shampoos and conditioners,
No. 1 market share in styling agents
E-commerce: No. 2 market share
Department stores: No. 1 market share

Note: In the high-end market (estimated from Kline & Company, Inc. data)



Europe: Q1 sales +60% year on year
Started rollout at a long-established U.K. department store

Oribe.com (in-house e-commerce site):
Q1 sales +24% year on year

Prestige brand for hair salons

Loyalty marketing that spreads information from celebrities to end users

Become the global No. 1 prestige hair care brand, embodying a top-of-the-line premium style and centered on high-end premium salons

Key Highlights

- **Achieved profits that exceeded plans, as K27 progressed smoothly**
 - ✓ **Generated profits through structural reforms**
 - Achieved profitability in sanitary products by reducing fixed costs for *Merries* baby diapers
 - Adjusted selling prices by promoting high-value-added products
 - ✓ **Improved competitive advantages for core brands**
 - Increased both profit margin and market share for *Attack* laundry detergents, *CuCute* dishwashing detergents and other brands
 - Raised loyalty through marketing transformation
 - ✓ **Ramped up global rollout of high-value-added products**
 - Skin protection
 - Cosmetics (*Curél*, *SENSAI*, *MOLTON BROWN*, *KATE*)
 - Prestige brand for hair salons (*ORIBE*)
 - ✓ **Chemical Business contributed to profits as planned**
 - Captured recovering demand in customer industries, promoted high-value-added products and adjusted selling prices

Upcoming Events (Planned)

- **Briefing on DX Strategies**
Thursday, June 20, 2024
- **Briefing on Strategies for the Hair Care Business**
Second half of 2024

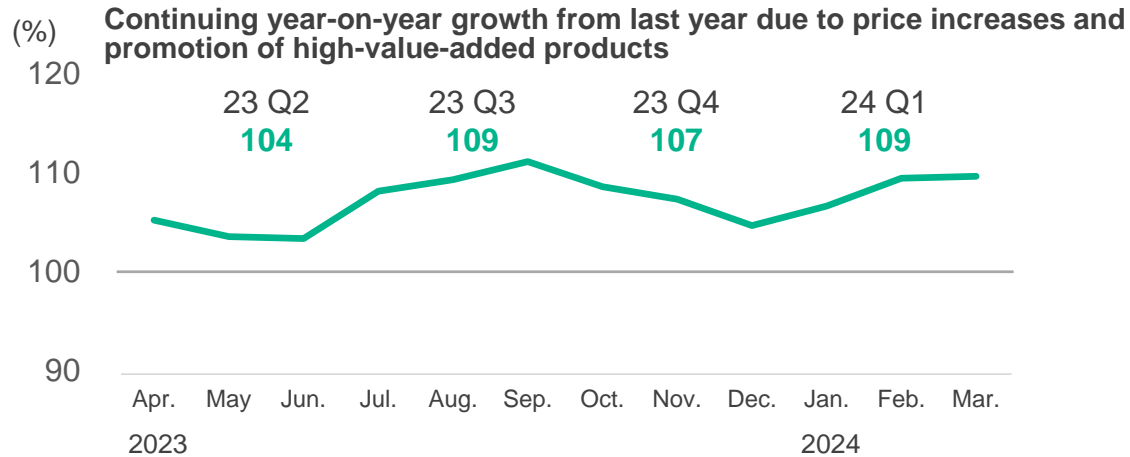
02

| **Appendix**

Consumer Products Market in Japan

Growth of H&PC Market

87 categories, SRI+¹
Market growth rate in value terms

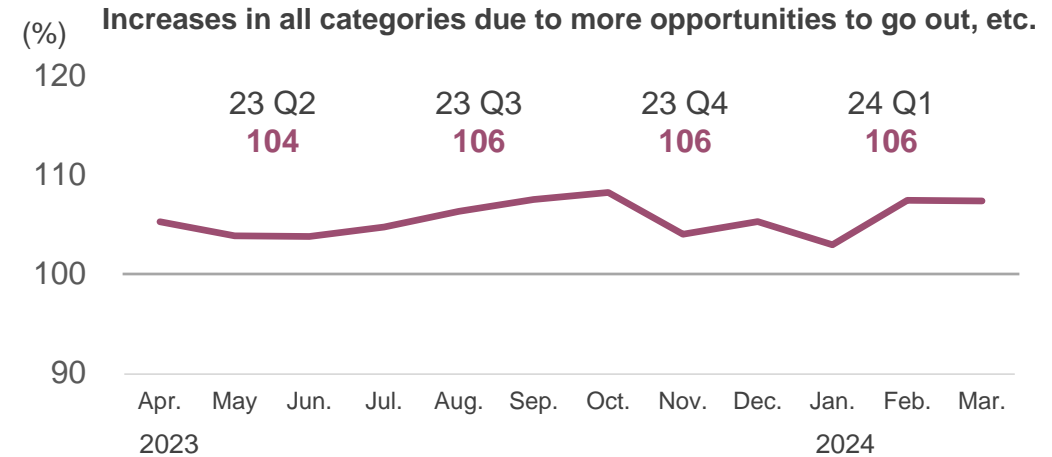


Market Growth Rates of Major Categories

vs. previous year	Jan.	Feb.	Mar.	Q1
H&PC total	107	109	110	109
Laundry detergents	110	112	115	113
Fabric softeners	107	109	115	110
Bath cleaning products	106	108	114	109
Sanitary napkins	119	114	111	115
Baby diapers	107	106	106	106
Sunscreens	131	130	94	107
Hand soaps	104	112	109	108
Hand sanitizers	54	83	86	70
Bath additives	97	103	115	105

Growth of Cosmetics Market

26 categories, SLI²
Market growth rate in value terms



Market Growth Rates of Major Categories

vs. previous year	Jan.	Feb.	Mar.	Q1
Cosmetics total	103	107	107	106
Skin care products	99	104	109	104
Facial cleansers/ Makeup removers	106	106	103	105
Serums	99	100	111	104
Makeup products	112	115	107	111
Makeup bases	117	115	110	114
Point makeup products	109	114	103	108
Other	105	109	97	102
Sunscreens	134	113	94	104

(Source: INTAGE Inc.)

1. SRI+: Estimates based on POS data from approx. 6,000 retail outlets in Japan 2. SLI: Estimates based on a panel survey of approx. 40,000 consumers in Japan

Kao's Main Markets outside Japan

Asia

- **China** : Results made a turnaround to a slight year-on-year increase amid gradual recovery in consumption.
- **Indonesia** : The market continued its growth trend due to rising product prices.
- **Thailand** : The market continued its growth trend, although at a slower rate.

vs. previous year	China (including e-commerce)				Indonesia				Thailand			
	23 Q2	23 Q3	23 Q4	24 Q1	23 Q2	23 Q3	23 Q4	24 Q1	23 Q2	23 Q3	23 Q4	24 Q1
Baby diapers	97	100	89	104	101	95	93	95	92	89	92	89
Sanitary napkins and panty liners	98	95	98	102	111	109	108	110	104	104	104	103
Laundry detergents	-	-	-	-	103	101	105	107	106	106	109	109
Sunscreens	-	-	-	-	-	-	-	-	128	120	116	117
House cleaning products	-	-	-	-	-	-	-	-	89	94	99	105

Source: NielsenIQ

Americas and Europe

- 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 Q2	23 Q3	23 Q4	24 Q1	23 Q2	23 Q3	23 Q4	24 Q1	23 Q2	23 Q3	23 Q4	24 Q1
Hair care	109	106	106	103	109	110	105	105	115	113	107	106
Facial care products	113	112	109	104	-	-	-	-	122	124	109	109
Self tanning	101	106	105	102	-	-	-	-	-	-	-	-
Hand and body lotions	110	110	103	104	-	-	-	-	-	-	-	-

Source: Circana

Hygiene and Living Care Business in Q1

- Sales: **119.4** billion yen (+2.6%) Operating income: **13.1** billion yen (+10.5 billion yen) Operating margin: **11.0%**
- Continued to increase sales and market share by improving the brand power of core brands *Attack* and *CuCute* through effective deployment of marketing expenses. Fabric softener market share was also on a recovery track due to improved products.
- Operating margin increased 8.6 pts due to the effects of structural reforms.

Fabric & Home Care

Net sales +9.2%, profit margin +8.1 pts due to continued growth of core brands

- Fabric care: Sales of laundry detergents remained strong due to proactive offerings of high-value-added products. Fabric softener market share was on a recovery track due to improved products in a recovering market.
- Home care: Sales of dishwashing detergents and high-value-added toilet and bath cleaners remained strong.



Attack ZERO

Sanitary

Profitability achieved due to the effects of structural reforms

- Sanitary napkins: Sales grew in Japan due to marketing innovations.
- Baby diapers: Although sales targeting China faced tough conditions, structural reforms showed an effect.



Laurier sanitary napkins

Health and Beauty Care Business in Q1

- Sales: **94.8** billion yen (+2.9%) Operating income: **6.6** billion yen (+0.8 billion yen) Operating margin: **7.0%**
- New high-value-added *Bioré* products sold strongly due to effective deployment of marketing expenses.
- Ramped up rollout of UV care products outside Japan.

Skin Care

Increase in sales, with a major contribution from high-value-added products

- Japan: Seasonal products, including new high-value-added sheet-type products, and makeup remover from a high-value-added line sold strongly.
- Americas and Europe: *Bondi Sands*, acquired in 2023, contributed to sales.



Bioré ZERO

Hair Care

Increase in sales driven by strong performance in the Americas and Europe

- Japan: Started transformation of the hair care business with launch of new brand *melt*.
- Americas and Europe: New *John Frieda* products contributed to sales.



melt

Products for Hair Salons

Decrease in sales despite continued strong performance of *ORIBE*

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

Personal Health

Decrease in sales as bath additives faced tough conditions, despite strong sales of *MegRhythm* thermo products

- *MegRhythm* eye masks sold strongly.



MegRhythm

Life Care Business in Q1

- Sales: **12.4** billion yen (-6.1%) Operating income: **-0.3** billion yen (+0.3 billion yen) Operating margin: **-2.7%**
- Sales of commercial-use hygiene products decreased due to the impact of shrinkage of the market for sanitizers.

Commercial-use Hygiene Products

Decrease in sales in Japan and nearly flat in the Americas

- Japan: Although demand increased for kitchen cleaning agents and guest room amenities in the food service industry and lodging facilities and other establishments, sales of sanitizers were affected by market shrinkage.
- Americas: Sales were nearly flat.



Commercial-use hygiene products

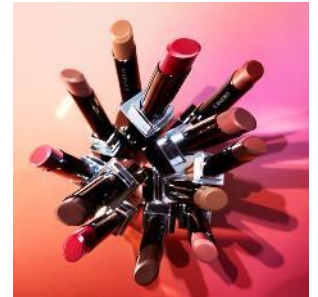
Cosmetics Business in Q1

- Sales: **54.6** billion yen (+2.0%) Operating income: **-4.7** billion yen (-0.1 billion yen) Operating margin: **-8.5%**
- Sales were strong in Asia (excluding China) and Europe, and firm in Japan, offsetting the slump in China.
- Profits were affected by the decline in China.

Japan

Net sales +5.2% growth on par with the market as the travel retail business bottomed out

- *KANEBO*, *ALLIE* and other “G11” global strategy brands sold strongly.
- Market conditions for cross-border e-commerce sales to China did not improve. Travel retail sales grew by more than 30%.



KANEBO

China

Decrease in sales due to slowing market growth and local reaction to Japan’s discharge of ALPS-treated water

- Sales of *Curél* decreased, but a new beauty serum made in China that was launched in March sold strongly.
- *freeplus* sales exceeded plans due to rebranding and evidence-based marketing since last year.



Curél

Europe

Net sales +7.4%, exceeding market growth as the high inflation rate subsided

- Both new and existing *SENSAI* products sold strongly, with growth in the high single digits, driven by Northern Europe.
- New *MOLTON BROWN* product *Graceful Apricot & Freesia* collection sold strongly.



SENSAI

Chemical Business in Q1

- Sales: **94.5** billion yen (-5.8%) Operating income: **8.1** billion yen (+4.0 billion yen) Operating margin: **8.6%**
- Profits increased due to improved profit margins, mainly for oleo chemicals, and the contribution from sectors that grew by capturing recovering demand.

Oleo chemicals

Customer demand on a recovery track and improved profitability as sales recovered

- Demand for tertiary amines was recovering, and sales increased 10% through the use of new facilities.
- Made steady progress in the rollout of high-value-added products (agricultural adjuvant, etc.).

Performance chemicals

Decrease in sales due to a slowdown in some target markets and impact of intensified competition

- Automobile-related products in Japan and the infrastructure sector in the Americas were particularly impacted.
- Rollout of high-value-added products progressed steadily (anti-corrosive detergent for metal parts, *Lunaflow* hydrophobic cellulose nanofiber composite material, etc.).

Information materials

Increase in sales from capturing demand in customer industries that had bottomed out

- Market conditions in hard disk and semiconductor-related sectors recovered as expected.
- Sales of inkjet ink increased due to a new product launch.

The Kao Group launched *Lunaflow*, a release agent that facilitates smooth removal of products from molds during the manufacture of rubber and resin products. Made from the biomass material cellulose nanofiber, the product features excellent release properties and high durability, and its solvent- and fluorine-free composition is designed to be friendly to both the environment and workers.



KaO

Kirei—Making Life Beautiful

