



Kirei—Making Life Beautiful

# **Consolidated Financial Results for the Six Months Ended June 30, 2024 and Mid-term Plan “K27” Progress**

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Kao Corporation  
August 8, 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
8. Core income: Income excluding impacts of structural reforms for the fiscal year ended December 31, 2023

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**01**

# **Financial Results**

**for the Six Months Ended June 30, 2024**

# Key Highlights

- Due to the strengthening of core brands globally and the effects of structural reforms, the gross margin increased 3.4 pts and the ROIC increased 4.8 pts.
  - ✓ Restored profit through structural reforms
    - Maintained profitability in sanitary products
    - Improved earning power by adjusting selling prices through promotion of 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
    - Leveraged DX to visualize progress in establishing loyal users and to upgrade marketing
    - Entered the high premium hair care market with *melt*, using scrum-type product development
  - ✓ Ramped up global rollout of high-value-added products
    - Sales of skin protection products increased 32%
    - Accelerated expansion of *ORIBE* in Europe and strengthened *KATE* in Asia
    - Chemical Business achieved an improvement of 2.3 pts in its operating margin through the expansion of high-performance products
- Optimize distribution inventory for cosmetics in China and build a brand portfolio to accelerate global growth.
- Made upward revision of FY2024 forecast\*.
  - ✓ Operating income : 130.0 billion yen → 140.0 billion yen
  - ✓ ROIC : 8.6% → 8.8%
  - ✓ EVA : 24.0 billion yen → 27.0 billion yen or more

# Highlights of Consolidated Financial Results

- The gross margin increased 3.4 pts and operating income increased 23.5 billion yen (+68.2%) to 57.9 billion yen due to contributions from household and personal care products in Japan and the Chemicals Business, in addition to the effects of structural reforms.

Billion yen	FY2023 H1	FY2024 H1	Growth %	Change
Net sales	738.5	<b>788.0</b>	+6.7	+49.5
		Effect of currency translation	+4.8	+35.3
		Like-for-like growth	+1.9	+14.2
Gross profit	259.7	<b>303.7</b>	+16.9	+44.0
Gross margin	35.2%	<b>38.5%</b>	-	-
Operating income	34.5	<b>57.9</b>	+68.2	+23.5
Operating margin	4.7%	<b>7.4%</b>	-	-
Income before income taxes	37.2	<b>64.4</b>	+73.2	+27.2
Net income	27.4	<b>44.8</b>	+63.4	+17.4
Net income attributable to owners of the parent	26.3	<b>43.4</b>	+64.9	+17.1
EBITDA (Operating income + Depr. & Amort.)	70.5	<b>102.3</b>	+45.2	+31.8
Basic earnings per share (yen)	56.63	<b>93.41</b>	+64.9	+36.78
Cash dividends per share (yen)	75.00	<b>76.00</b>	-	+1.00

Exchange rates: 151.97 yen/USD, 164.34 yen/Euro, 21.07 yen/Yuan  
Income for FY2023 H1 represents "core income" (excluding EBITDA.)

# Highlights of Q2 Consolidated Financial Results (April-June)

- The gross margin increased 2.6 pts and operating income increased 9.3 billion yen (+34.8%) to 36.0 billion yen due to contributions from household and personal care products in Japan and the Chemicals Business, in addition to the effects of structural reforms.

Billion yen	FY2023 Q2	FY2024 Q2	Growth %	Change
Net sales	390.7	<b>422.2</b>	+8.1	+31.5
		Effect of currency translation	+4.8	+18.7
		Like-for-like growth	+3.3	+12.8
Gross profit	144.3	<b>166.7</b>	+15.5	+22.4
Gross margin	36.9%	<b>39.5%</b>	-	-
Operating income	26.7	<b>36.0</b>	+34.8	+9.3
Operating margin	6.8%	<b>8.5%</b>	-	-
Income before income taxes	28.3	<b>39.6</b>	+40.3	+11.4
Net income	21.6	<b>27.5</b>	+27.5	+5.9
Net income attributable to owners of the parent	21.0	<b>26.9</b>	+28.3	+5.9
EBITDA (Operating income + Depr. & Amort.)	41.1	<b>58.2</b>	+41.8	+17.2
Basic earnings per share (yen)	45.19	<b>57.98</b>	+28.3	+12.79

Exchange rates: 155.72 yen/USD, 167.68 yen/Euro, 21.51 yen/Yuan  
Income for FY2023 Q2 represents "core income" (excluding EBITDA.)

# Key Points of H1 Results

Net sales **788.0** billion yen  
+1.9% on a like-for-like basis

Operating income **57.9** billion yen  
(+23.5 billion yen; +68.2%\*); margin **7.4%**

## FY2024 H1 Financial Results

- The operating margin for fabric and home care products increased 6.1 pts to 16.3% due to the introduction of new high-value-added products.
- The operating margin for sanitary products reached 7.1% due to the effects of structural reforms and a gain on the transfer of the pet care business.
- Operating income for the Health and Beauty Care Business decreased 1.0 billion yen due to structural reform expenses for subsidiaries in the Americas and Europe.
- The operating margin in the Chemical Business increased 2.3 pts to 8.3% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.
- Excluding special factors, sales of the Cosmetics Business grew in line with the market. Sales in China decreased due to a slowdown in market growth and a tough competitive environment.

## Focal Themes for FY2024 H2

- Strengthen business portfolio management.
- Expand share of the high premium hair care market.
- Roll out and expand the skin protection business globally.

\* Comparison with "core income" for FY2023 H1



# Consolidated Net Sales by Segment/Geographic Region in H1

- Achieved higher-than-market growth in major categories as the consumer products market in Japan grew.
- Excluding China, sales of the Consumer Products Business increased 3.7%.

Billion yen			Japan	Asia	Americas	Europe	Consolidated
Consumer Products Business	Fabric & Home Care	H1	148.5	21.7	1.9	-	172.1
		Like-for-like %	+10.5	(9.3)	(12.8)	-	+7.4
	Sanitary	H1	37.0	46.4	-	-	83.4
		Like-for-like %	(7.5)	(8.3)	-	-	(8.0)
	Hygiene and Living Care Business	H1	185.5	68.2	1.9	-	255.6
		Like-for-like %	+6.3	(8.6)	(13.8)	-	+1.9
	Health and Beauty Care Business	H1	101.7	18.6	58.9	31.4	210.6
		Like-for-like %	+3.5	(1.3)	+7.2	+13.9	+5.4
	Life Care Business	H1	19.0	0.1	7.4	0.1	26.5
		Like-for-like %	(4.7)	+61.5	(1.8)	+13.3	(3.9)
	Cosmetics Business	H1	76.3	24.3	3.8	12.3	116.7
		Like-for-like %	+1.0	(16.5)	+1.2	+5.9	(2.6)
	Consumer Products Business	H1	382.5	111.1	72.0	43.8	609.4
		Like-for-like %	+3.9	(9.3)	+5.1	+11.5	+1.9
Chemical Business*		H1	66.4	51.0	34.5	47.9	199.8
		Like-for-like %	(1.3)	+8.3	(0.6)	(1.1)	+1.1
Consolidated		H1	<b>430.8</b>	<b>160.4</b>	<b>106.5</b>	<b>90.3</b>	<b>788.0</b>
		Like-for-like %	<b>+3.6</b>	<b>(4.5)</b>	<b>+3.3</b>	<b>+4.4</b>	<b>+1.9</b>

\* 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 in H1

- The Fabric & Home Care and Health & Beauty Care businesses achieved both price and sales volume increases.
- The operating margin of the Chemical Business increased 2.3 pts to 8.3% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

Billion yen		Net sales				Operating income		
		H1	Like-for-like %	By Volume % <sup>2</sup>		H1	Change <sup>3</sup>	Operating margin %
				By Volume % <sup>2</sup>	By Price %			
	Fabric & Home Care	172.1	+7.4	+2.3	+5.1	28.0	+11.9	16.3
	Sanitary	83.4	(8.0)	(12.4)	+4.4	5.9	+12.2	7.1
	Hygiene and Living Care Business	255.6	+1.9	(2.9)	+4.8	33.9	+24.1	13.3
	Health and Beauty Care Business	210.6	+5.4	+5.1	+0.2	15.0	(1.0)	7.1
	Life Care Business	26.5	(3.9)	(5.7)	+1.9	(0.5)	+0.6	(1.7)
	Cosmetics Business	116.7	(2.6)	(5.1)	+2.5	(6.1)	(4.2)	(5.3)
	Consumer Products Business	609.4	+1.9	(0.8)	+2.7	42.3	+19.5	6.9
	Chemical Business <sup>1</sup>	199.8	+1.1	+5.3	(4.2)	16.7	+5.6	8.3
	Consolidated	<b>788.0</b>	<b>+1.9</b>	<b>+0.9</b>	<b>+1.1</b>	<b>57.9</b>	<b>+23.5</b>	<b>7.4</b>

1. Net sales and operating income of the Chemical Business include intersegment transactions.

2. Growth by volume includes changes due to differences in product mix.

3. Comparison with "core income" for FY2023 H1

# Q2 Consolidated Net Sales by Segment/Geographic Region (April-June)

- Achieved higher-than-market growth in major categories as the consumer products market in Japan grew.
- Sales outpaced the plan, driven by factors including sales expansion for high-value-added products of the Chemical Business.

Billion yen			Japan	Asia	Americas	Europe	Consolidated
Consumer Products Business	Fabric & Home Care	Q2	82.0	10.8	1.0	-	93.8
		Like-for-like %	+8.1	(7.4)	(10.7)	-	+6.0
	Sanitary	Q2	19.2	23.3	-	-	42.4
		Like-for-like %	(12.1)	(3.5)	-	-	(7.7)
	Hygiene and Living Care Business	Q2	101.1	34.1	1.0	-	136.2
		Like-for-like %	+3.6	(4.7)	(12.2)	-	+1.4
	Health and Beauty Care Business	Q2	57.6	9.4	32.2	16.6	115.8
		Like-for-like %	+3.6	(1.7)	+13.7	+18.5	+7.5
	Life Care Business	Q2	10.1	0.0	3.9	0.0	14.0
		Like-for-like %	(1.9)	+117.8	(2.0)	+10.0	(1.8)
	Cosmetics Business	Q2	40.5	13.5	1.9	6.2	62.1
		Like-for-like %	(2.4)	(21.0)	+1.1	+4.5	(6.3)
	Consumer Products Business	Q2	209.3	57.0	39.0	22.8	328.2
		Like-for-like %	+2.1	(8.7)	+10.5	+14.4	+1.6
Chemical Business*		Q2	34.6	27.6	18.3	24.8	105.2
		Like-for-like %	+0.5	+21.5	+12.2	+4.9	+8.1
Consolidated		Q2	<b>234.3</b>	<b>83.7</b>	<b>57.3</b>	<b>46.8</b>	<b>422.2</b>
		Like-for-like %	<b>+2.2</b>	<b>(0.8)</b>	<b>+11.0</b>	<b>+8.7</b>	<b>+3.3</b>

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

# Q2 Consolidated Results by Segment (April-June)

- The operating margin for fabric and home care products increased 4.5 pts to 16.5%.
- The operating margin of the Chemical Business increased 0.4 pts to 8.1% due to promotion of tertiary amines and other high-value-added products, in addition to market recovery.

Billion yen			Net sales				Operating income		
			Q2	Like-for-like %			Q2	Change <sup>3</sup>	Operating margin %
					By Volume % <sup>2</sup>	By Price %			
		Fabric & Home Care	93.8	+6.0	+1.1	+4.9	15.4	+4.9	16.5
		Sanitary	42.4	(7.7)	(11.6)	+3.8	5.4	+8.7	12.6
		Hygiene and Living Care Business	136.2	+1.4	(3.2)	+4.5	20.8	+13.7	15.3
		Health and Beauty Care Business	115.8	+7.5	+6.8	+0.7	8.4	(1.8)	7.2
		Life Care Business	14.0	(1.8)	(2.4)	+0.6	(0.1)	+0.3	(0.9)
		Cosmetics Business	62.1	(6.3)	(9.3)	+3.0	(1.5)	(3.5)	(2.4)
		Consumer Products Business	328.2	+1.6	(1.1)	+2.8	27.6	+8.6	8.4
		Chemical Business <sup>1</sup>	105.2	+8.1	+9.9	(1.8)	8.6	+1.6	8.1
		Consolidated	<b>422.2</b>	<b>+3.3</b>	<b>+1.5</b>	<b>+1.8</b>	<b>36.0</b>	<b>+9.3</b>	<b>8.5</b>

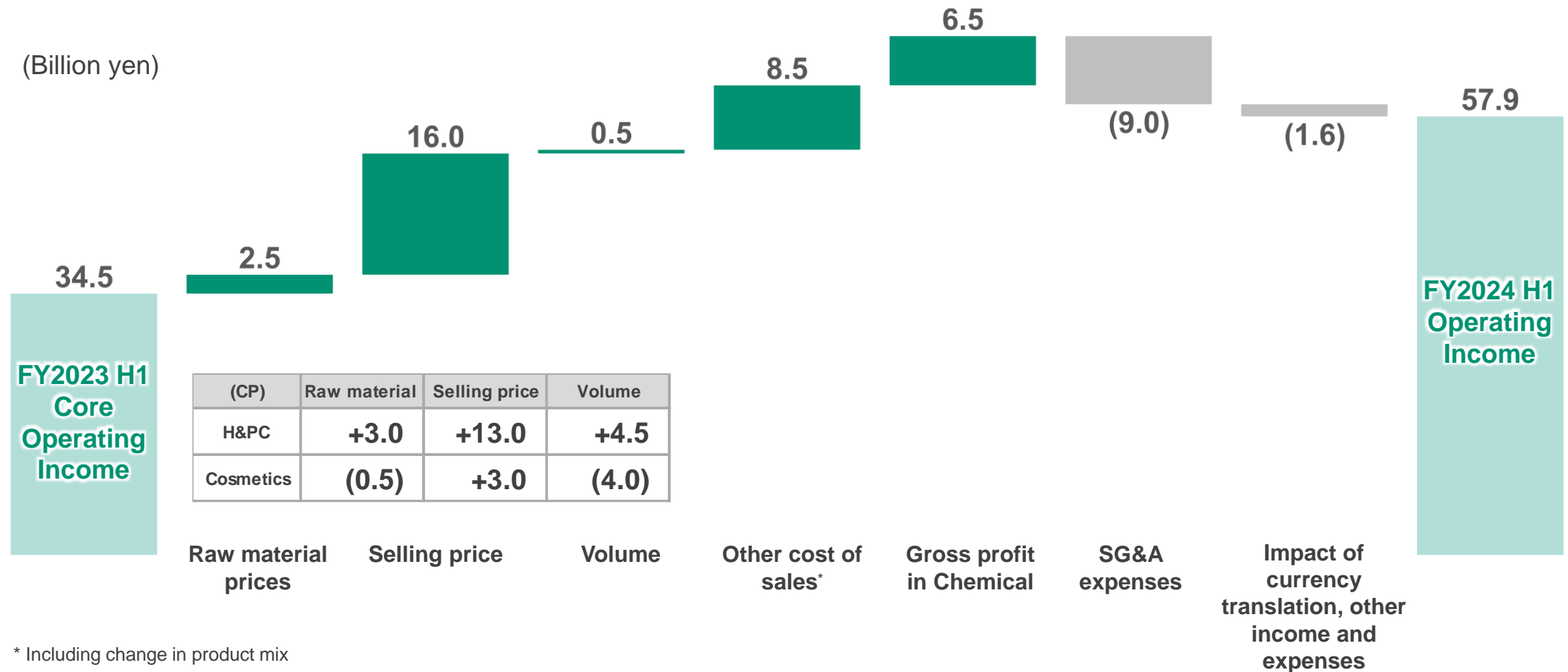
1. Net sales and operating income of the Chemical Business include intersegment transactions.

2. Growth by volume includes changes due to differences in product mix.

3. Comparison with "core income" for FY2023 Q2

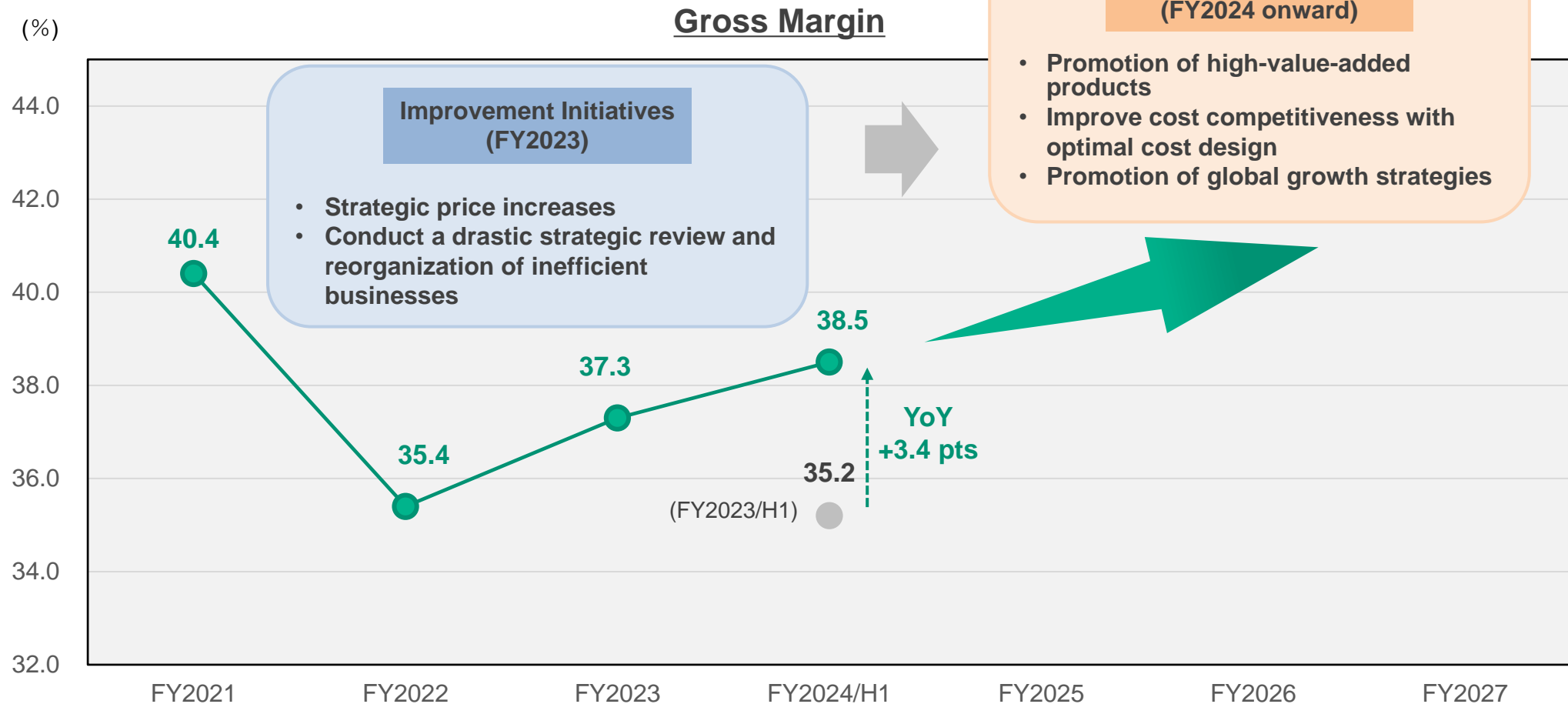
# Analysis of Change in Operating Income in H1 (Year-on-Year Change)

- Substantial contributions from strong performance of household and personal care products in Japan and recovery of the Chemical Business.
- Realized approximately 18.0 billion yen in operating profit from the effects of structural reforms including selling price adjustments through promotion of high-value-added products.
- In the Cosmetics Business in China, sales volume decreased due to a buildup of distribution inventory resulting from a slowdown in market growth and a tough competitive environment.



# Improvement of Profit Margin through Progress of Earning Power Reforms

- The gross margin improved 3.4 pts year on year.
- Focus on achieving sustainable profit growth through structural reforms and the implementation of global growth strategies.
- Secure profits by focusing on profit-oriented sales activities.
- Improvement in ROIC has progressed ahead of plan.



Gross margin for FY2023 represents "core gross margin."

**02**

**FY2024 Forecast**

# FY2024 Forecast

- While factors such as the slowdown in the Chinese economy, geopolitical risks in Europe and the Middle East, and rising raw material prices are anticipated, the Kao Group has made upward revisions of the initial forecasts\* due to the strong performance in the first half.

Billion yen	FY2023	Growth %	FY2024 Forecast (Announced on Aug. 8)	Growth %	Change
Net sales	1,532.6	(1.2) +2.6 (3.8)	<b>1,600.0</b> Effect of currency translation Like-for-like growth	+4.4 +1.9 +2.5	+67.4 +28.5 +38.9
Operating income	114.7	+4.2	<b>140.0</b>	+22.1	+25.3
Operating margin	7.5%	-	<b>8.8%</b>	-	-
Income before income taxes	118.5	+2.3	<b>147.0</b>	+24.0	+28.5
Net income attributable to owners of the parent	86.0	(0.1)	<b>104.0</b>	+21.0	+18.0
EBITDA (Operating income + Depr. & Amort.)	149.6	(25.1)	<b>229.0</b>	+53.0	+79.4
ROE (%)	4.5%	-	<b>10.2%</b>	-	-
Basic core earnings per share (yen)	184.95	+0.9	<b>223.90</b>	+21.1	+38.95
Cash dividends per share (yen)	150.00	-	<b>152.00</b>	-	+2.00

\* Announced on February 7, 2024

Exchange rate assumptions: 146 yen/USD, 157 yen/Euro, 20 yen/Yuan

Income for FY2023 represents "core income" (excluding EBITDA and ROE.)



# Sales Forecast for FY2024

## (By Segment)

Billion yen	Japan		Consolidated	
	Growth %		Like-for-like growth%	
Hygiene and Living Care Business	387.0	+1.7	528.0	+0.2
Health and Beauty Care Business	212.0	+3.3	424.0	+5.2
Life Care Business	41.0	(2.7)	55.0	(2.3)
Cosmetics Business	166.0	+8.1	240.0	(0.8)
Consumer Products Business	806.0	+3.1	1,247.0	+1.5
Chemical Business*			395.0	+5.3
Consolidated			1,600.0	+2.5

## (By Region)

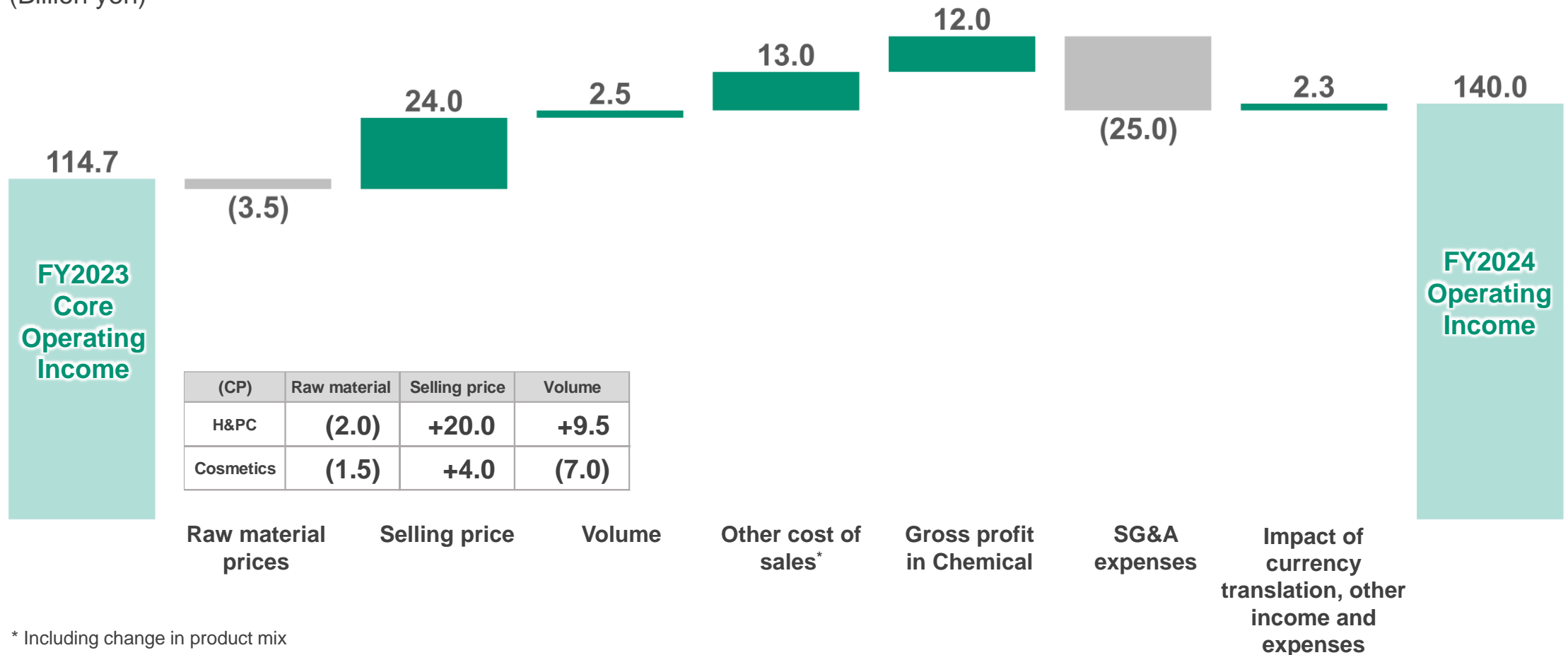
Billion yen	Consolidated	
	Like-for-like growth%	
Japan	904.0	+3.1
Asia	305.0	(3.7)
Americas	206.0	+5.1
Europe	185.0	+8.5
Consolidated	1,600.0	+2.5

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

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

- Expecting the effect of structural reforms to be approximately 27.0 billion yen.
- Planning to increase marketing expenses by over 10.0 billion yen for growth, and to continue adjusting selling prices through promotion of high-value-added products.
- Planning to optimize distribution inventory for cosmetics in China by restricting sell-in.

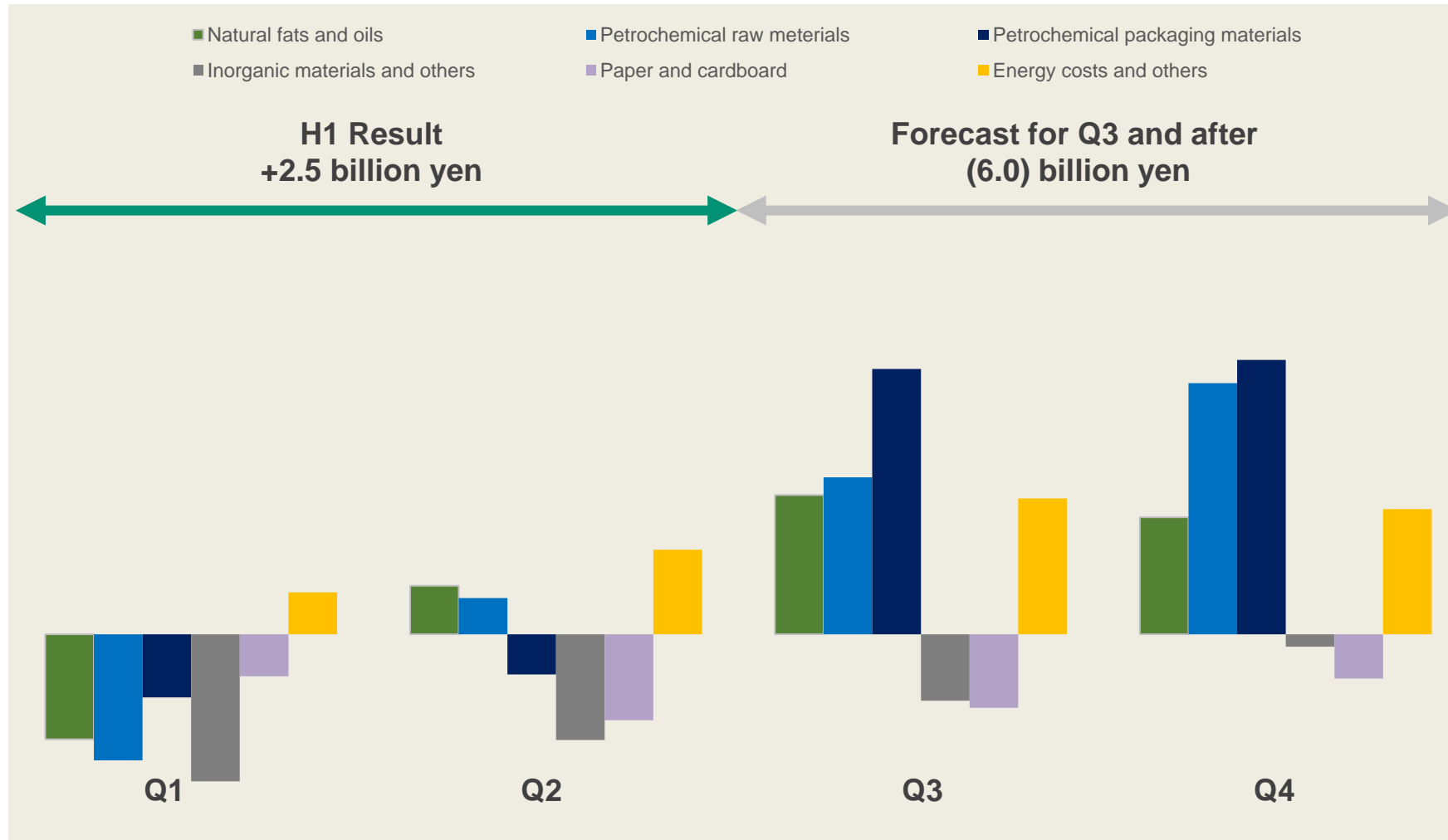
(Billion yen)



\* Including change in product mix

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

- Expecting increases in personnel and logistics costs, in addition to fluctuations in prices for crude oil and natural fats and oils.
- To achieve profit targets, cost increases will be offset through selling price adjustments and Total Cost Reduction (TCR) initiatives, while also enhancing the promotion of high-value-added products.



# FY2024 H2 Market Outlook and Measures to Increase Profits

## Consumer Products Market

- |                            |  |
|----------------------------|--|
| <u>Japan</u>               | <ul style="list-style-type: none"> <li>Growth in low single digits is expected in cosmetics. Household and personal care products are expected to continue growing with price increases and promotion of high-value-added products.</li> </ul>   |
| <u>Asia</u>                | <ul style="list-style-type: none"> <li>Low growth expected in cosmetics market in China. Slight increase expected in the main household and personal care products market sectors in which the Kao Group operates.</li> <li>Household and personal care products markets in other Asian countries are expected to show solid growth due to increases in product prices.</li> </ul> |
| <u>Americas and Europe</u> | <ul style="list-style-type: none"> <li>Despite market slowdown, growth is expected to continue with increase in product prices.</li> </ul>   |

## Measures to Increase Profits

- Proactively launch new and improved products.
- Promote high-value-added offerings including adjusting selling prices.
- Expand market share in UV care globally.
- Make further offerings for the premium hair care market.
- Strengthen local production and consumption for cosmetics in China.
- Enhance global expansion of cosmetics.

## Chemical Market Conditions

- |                              |  |
|------------------------------|--|
| <u>Oleo Chemicals</u>        | <ul style="list-style-type: none"> <li>Gradual recovery in demand is expected to continue. Slight upward trend in fat and oil raw material prices.</li> </ul>                              |
| <u>Performance Chemicals</u> | <ul style="list-style-type: none"> <li>While some sectors remain stagnant, modest growth is expected in automobile-related and other products sectors.</li> </ul>                          |
| <u>Information Materials</u> | <ul style="list-style-type: none"> <li>Toner inventory adjustments are expected, but solid performance of hard disk and semiconductor-related products is expected to continue.</li> </ul> |

## Measures to Increase Profits

- Continue sales expansion by steadily capturing market recovery.
- Further promote pricing in line with customer value.
- Accelerate rollout of high-value-added products (semiconductor-related products, agricultural adjuvants, anti-corrosive detergents for metal parts)

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

	Sales Growth Rate (%)	Improvement in Operating Income <sup>1</sup> (Billion yen)	Improvement in ROIC (pts)
Stable Earnings <sup>3</sup>	+2.9	+13.7 +14.0	+3.9
Growth Driver <sup>3</sup>	+3.8	+4.1 +18.2	+1.1
Business Transformation <sup>3</sup>	(1.4)	+10.3 +35.8	+8.6
Total	+2.5	+25.3 <sup>2</sup> +80.0 <sup>2</sup>	+4.7

1. Comparison with "core income" for FY2023. Figures in orange show improvement in operating income.

2. A portion of expenses were allocated as corporate expenses.

3. Stable Earnings: Fabric care, Home care, Personal health

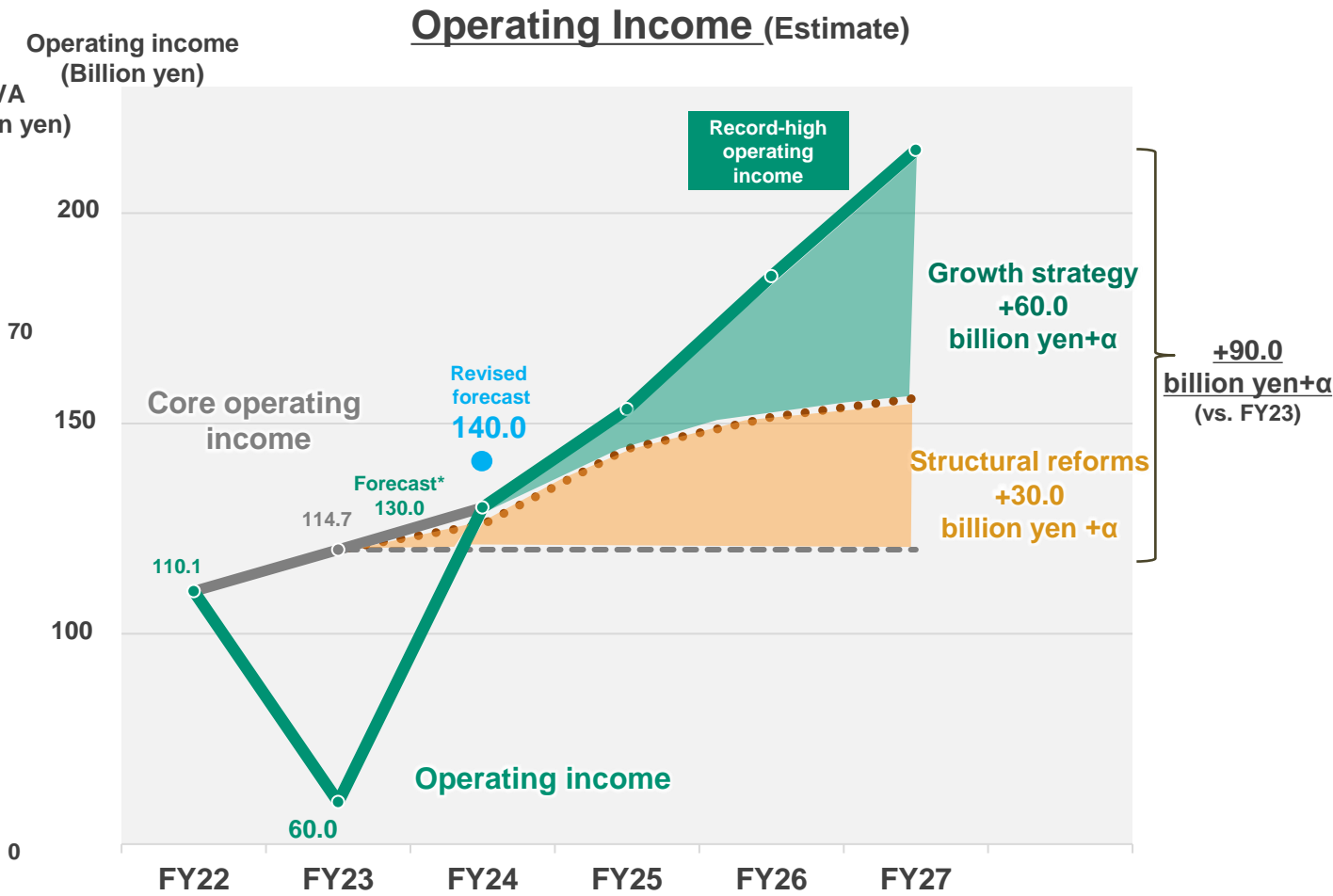
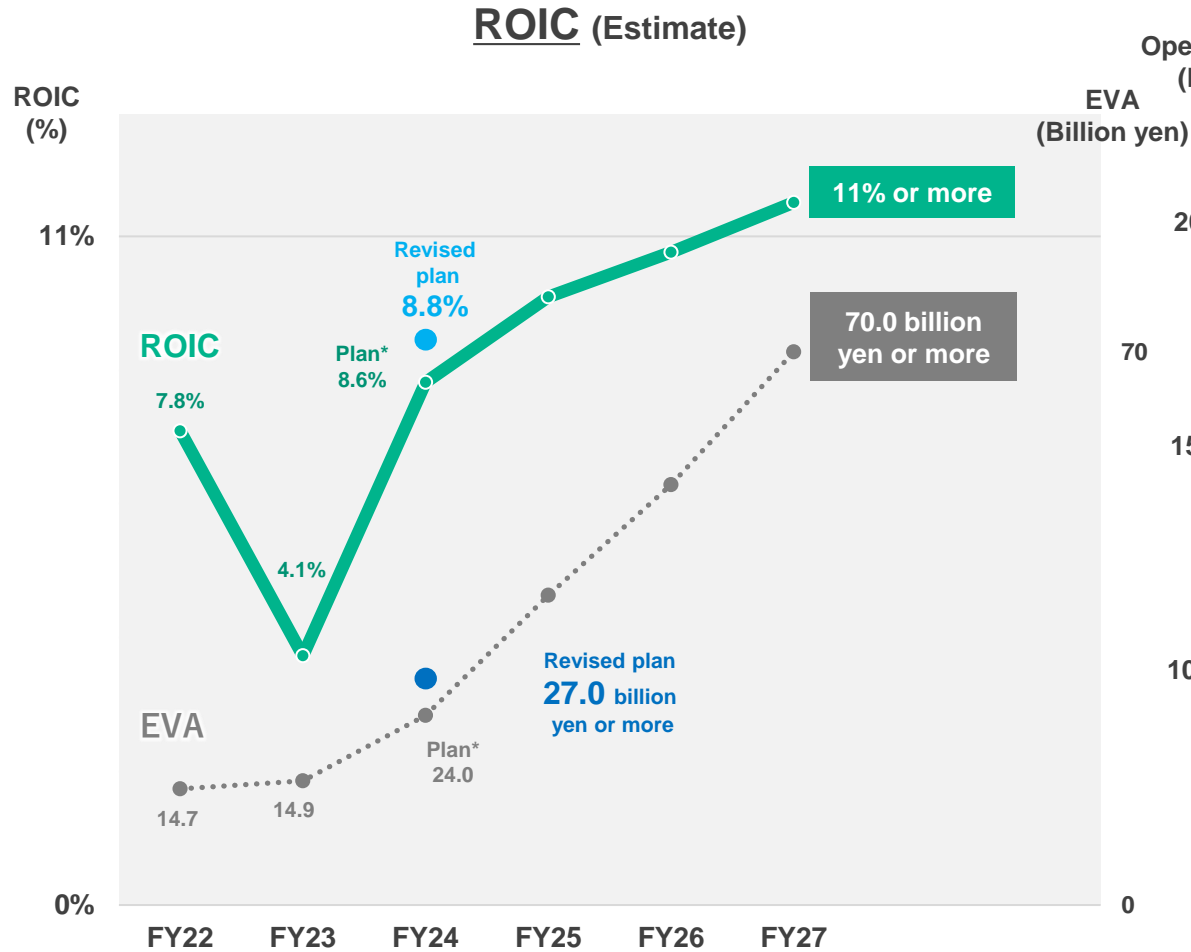
Growth Driver: Skin care, Chemical, Cosmetics, Commercial-use hygiene products

Business Transformation: Hair care, Sanitary

## ROIC Performance

FY2023 Result	FY2024 Plan
4.1%	⇒ 8.8%

# Mid-term Plan K27: Progress



**03**

**Mid-term Plan “K27” Progress**

# 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**



# Progress of Mid-term Plan K27

- Progress toward achieving the K27 targets was greater than planned, and therefore the Kao Group has raised the full-year plan for FY2024.

(Billion yen)	FY2023 Results	FY2024 Plan <sup>3</sup>	FY2024 Revised Plan	FY2027 Targets
ROIC	4.1%	8.6%	<u>8.8%</u>	11.0% or more
EVA	14.9	24.0	<u>27.0 or more</u>	70.0 or more
Operating Income	114.7 <sup>2</sup>	130.0	<u>140.0</u>	Record-high operating income (FY2019 211.7 billion yen)
Sales outside Japan <sup>1</sup>	655.8	697.0	<u>Approx. 700.0</u>	800.0 or more (Sales CAGR+4.3%)

1. Sales outside Japan are based on the location where the sales were recognized.

2. Core operating income

3. Announced on February 7, 2024

# Structural Reforms and Growth Strategy

Key Focus	Strengthened Efforts	Structural Reforms	Growth Strategy	K27 Targets
Global Growth	Focus investment and profitability by business	Business portfolio management	Prioritize investment in global growth business	Sales outside Japan 800.0 billion yen or more  ROIC 11% or more  EVA 70.0 billion yen or more  Record-high operating income 211.7 billion yen or more
	Adapt to business practices of retailers in Japan (low-price oriented)	Adjust selling prices through promotion of high-value-added products	Expand target areas through promotion of high-value-added products	
	Establish independent profit system by business	ROIC management	→	
Earning Power	Strategic investment allocation Brand and SKU optimization (Management shift from volume to quality)	High demand/High added value	High demand/High added value + commercialization of co-creation	
		Data-driven management	Loyalty marketing	
Organizational Culture/ Human Capital	Speed, and focus on <i>Genba</i> *	Scrum-based activities (Steering boards)	→	Maximize the power and potential of employees
	Spirit of challenge	Equity, retraining, acquisition of new talent (A positive cycle of high motivation and vitality)	→	

\* *Genba*: Actual spot or on-site

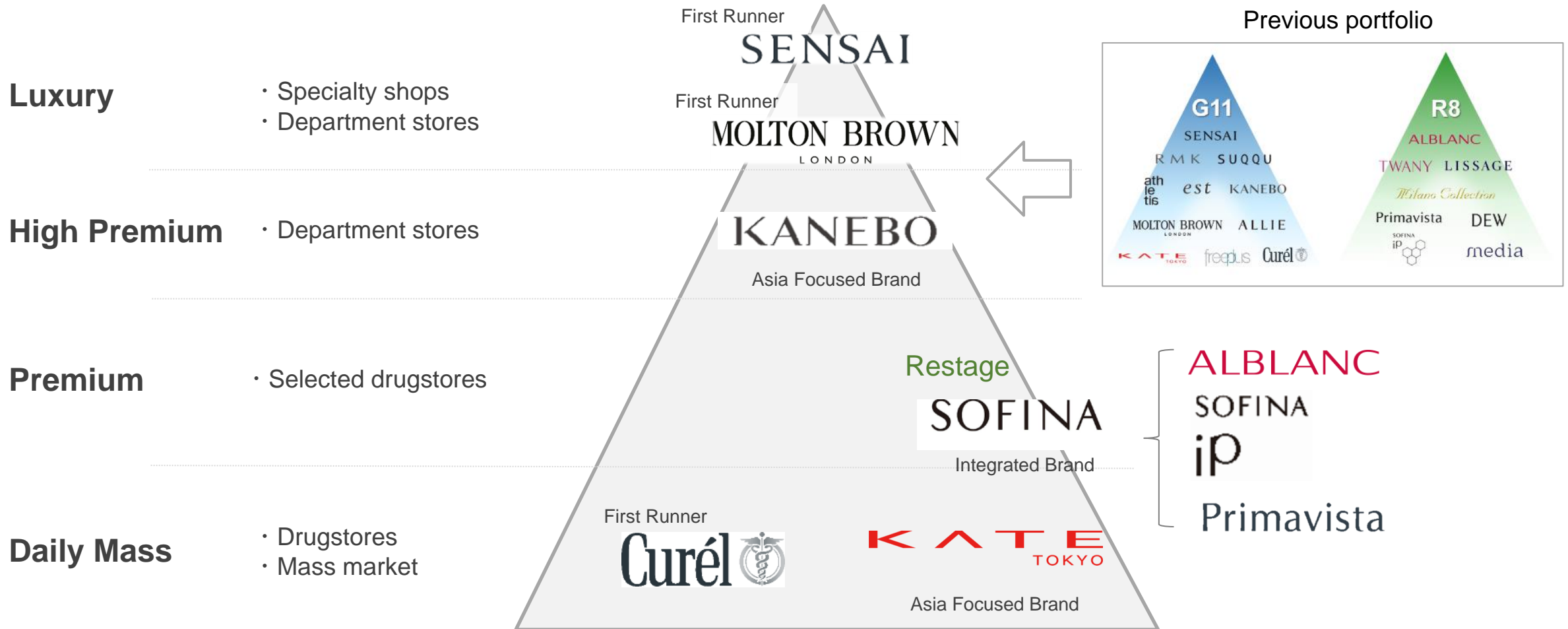
# Progress of Structural Reforms and Growth Strategy

## Global growth

Stable Earnings	Growth Driver	Business Transformation
<b>Fabric and home care</b> 2023–2024 Solid growth in high market share and high profitability businesses  <b>Personal health</b> 2023 Solid growth in high profitability businesses	<b>Skin care</b> Reinforce skin protection products  <b>Chemical</b> Focus on high-market-share and high-profitability businesses	<b>Sanitary (Baby diapers)</b> 2023 Termination of production in China, and optimization of production in Japan  2024 Transfer of pet care business 2024 Transfer of beverage business
<b>Sanitary (Diapers, sanitary napkins)</b>  → Aim to shift to “Stable Earnings” from “Business Transformation”	<b>Cosmetics</b> Select global brands and review brand portfolio  <b>Commercial-use hygiene products</b> Expand sales channels	<b>Hair care</b> Establish strategic brand portfolio globally and make a full-scale entry into the high premium market  <b>Sanitary (Sanitary napkins, adult incontinence products)</b> 2023 Change in business strategy

# Cosmetics -Global Growth Brands

- Focus investment on brands selected from G11 and R8 to grow globally based on their unique value and maximization of customer needs.
- *SOFINA* will be restaged as one *SOFINA*, with a focus on Japan and Asia.
- Other brands will be shifted to loyalty marketing.



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## Luxury

First Runner  
**SENSAI**

**44**  
countries **+8%**

Operating  
Countries

3-year Sales  
CAGR

First Runner  
**MOLTON BROWN**  
LONDON

**36**  
countries **+5%**

## High Premium

**KANEBO**  
Asia Focused Brand

**11**  
countries **+21%**

## Premium

Restage  
**SOFINA**  
Integrated Brand

**10**  
countries **+16%**

**12**  
countries **+7%<sup>1</sup>**

## Daily Mass

**Sensitive skin care  
products  
No.1 in Japan<sup>2</sup>**

First Runner  
**Curél**

**KATE**  
TOKYO  
Asia Focused Brand

**Mass make-up products  
No.1 in Japan<sup>3</sup>  
No.2 in Taiwan<sup>4</sup>**

1. Sales CAGR excluding Chinese market

2. Research by INTAGE, Inc. Value share January to June 2024

3. Research by INTAGE, Inc. Value share January to June 2024

4. Research by Nielsen, Inc. Value share January to June 2024

# Skin Protection -Global Sharp Top Progress

32%<sup>4</sup> sales increase and global expansion accelerated with scrum-style operation

## Bioré UV Care

Japan

Contribution of new products to sales: 12%  
Expanding No. 1 Market Share<sup>1</sup>



ALLIE

Cosmetics level  
UV Care

Curél

UV Care  
for sensitive skin



Contribution of new products to sales: 11%

Europe

Bioré UV Care



3 countries in 2023  
→ Expand to 8 countries in 2024



Self tanning



Market share No. 1<sup>2</sup>

China

Bioré UV Care

New product launches led 24%  
increase in sales  
Customer base expansion driven  
by inbound tourism



U.S.

Bioré UV Care

Sales increased led by pre-launch of  
e-commerce  
2024 H2: Expand into four major retail  
chains

JERGENS  
Natural Glow



Self tanning

Outstanding No. 1 market  
share with two brands<sup>3</sup>

Asia

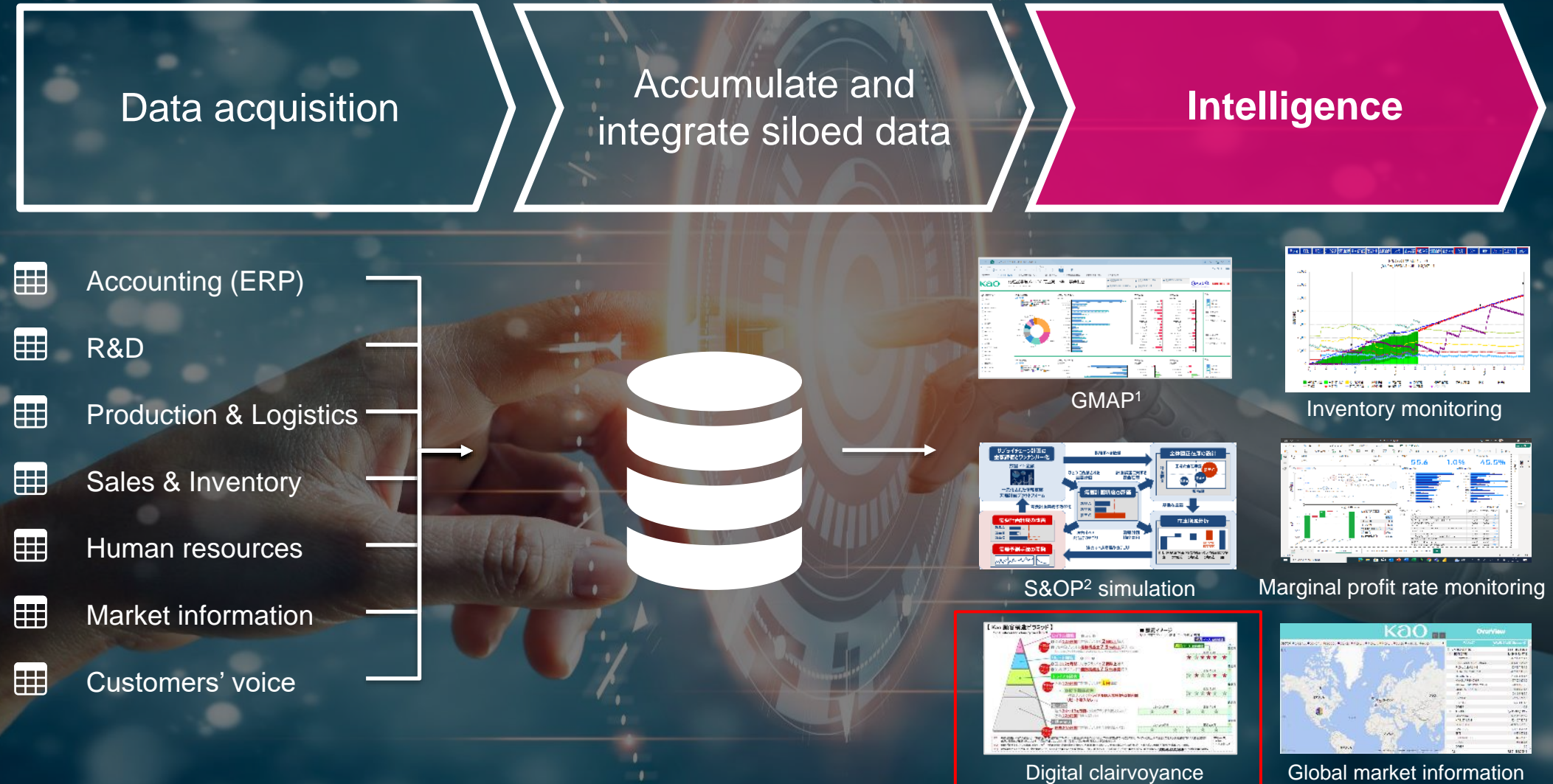
Bioré  
GUARD

Repellents

Thailand in 2022 → Expand into Singapore, Taiwan, Hong Kong and Malaysia in 2024



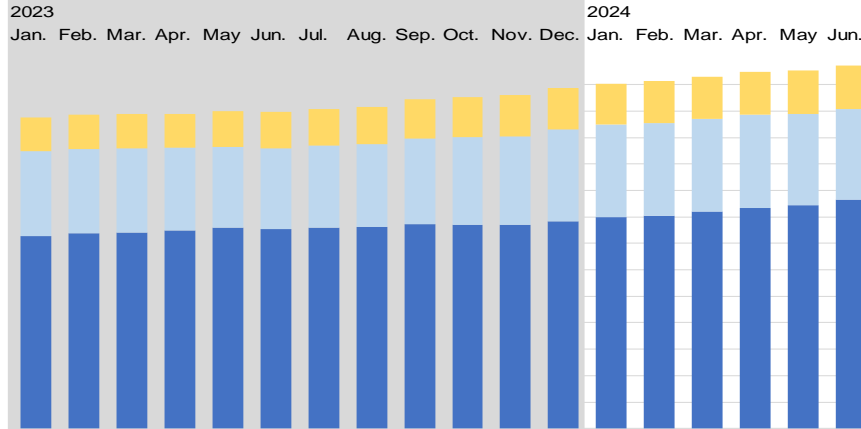
## Kao i-Lake supporting data-driven management



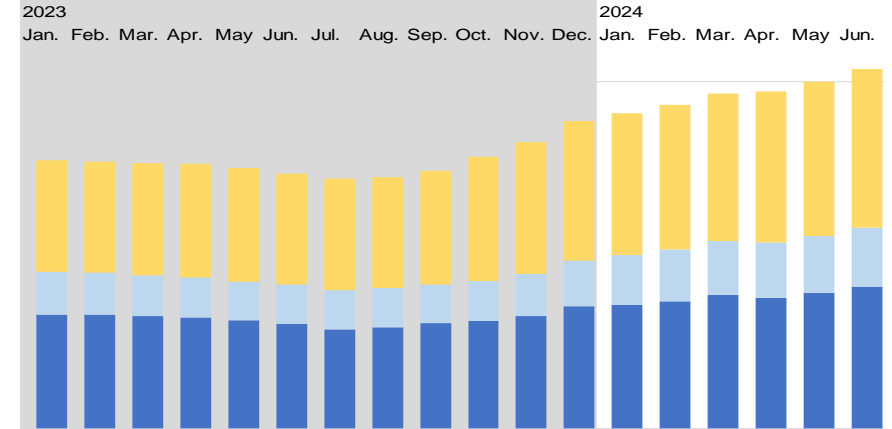
# Global Sharp Top Strategy (Loyalty Marketing)



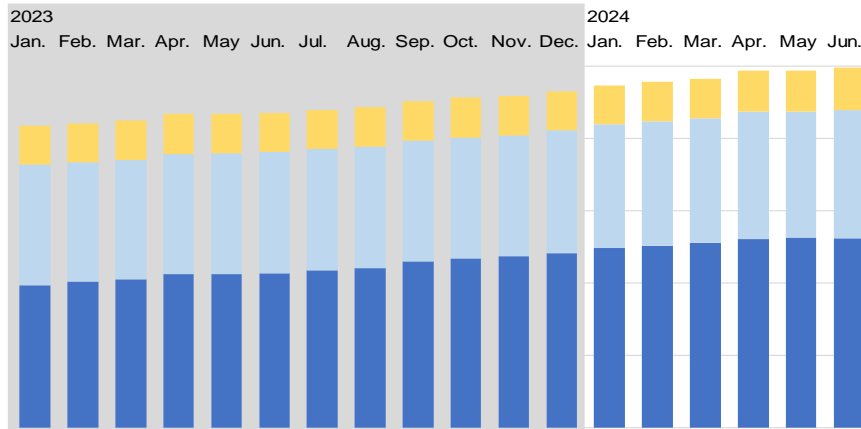
## Attack : Fabric detergent



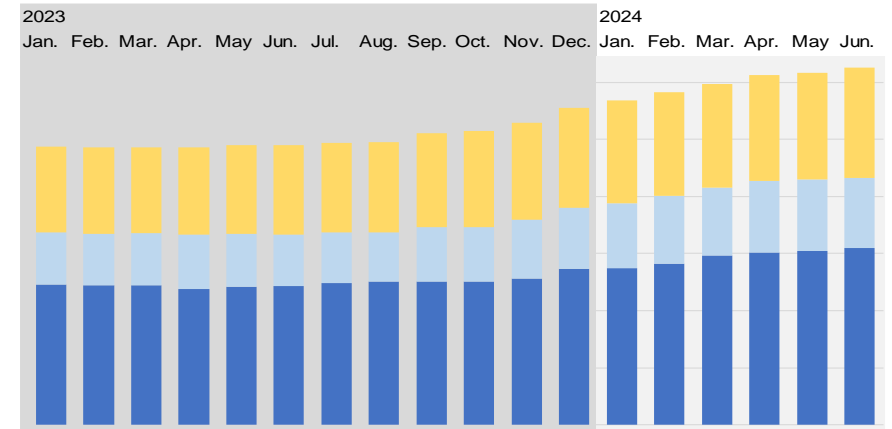
## Magiclean : Toilet cleanser



## Laurier : Sanitary napkin



## Bioré Bioré: Makeup remover



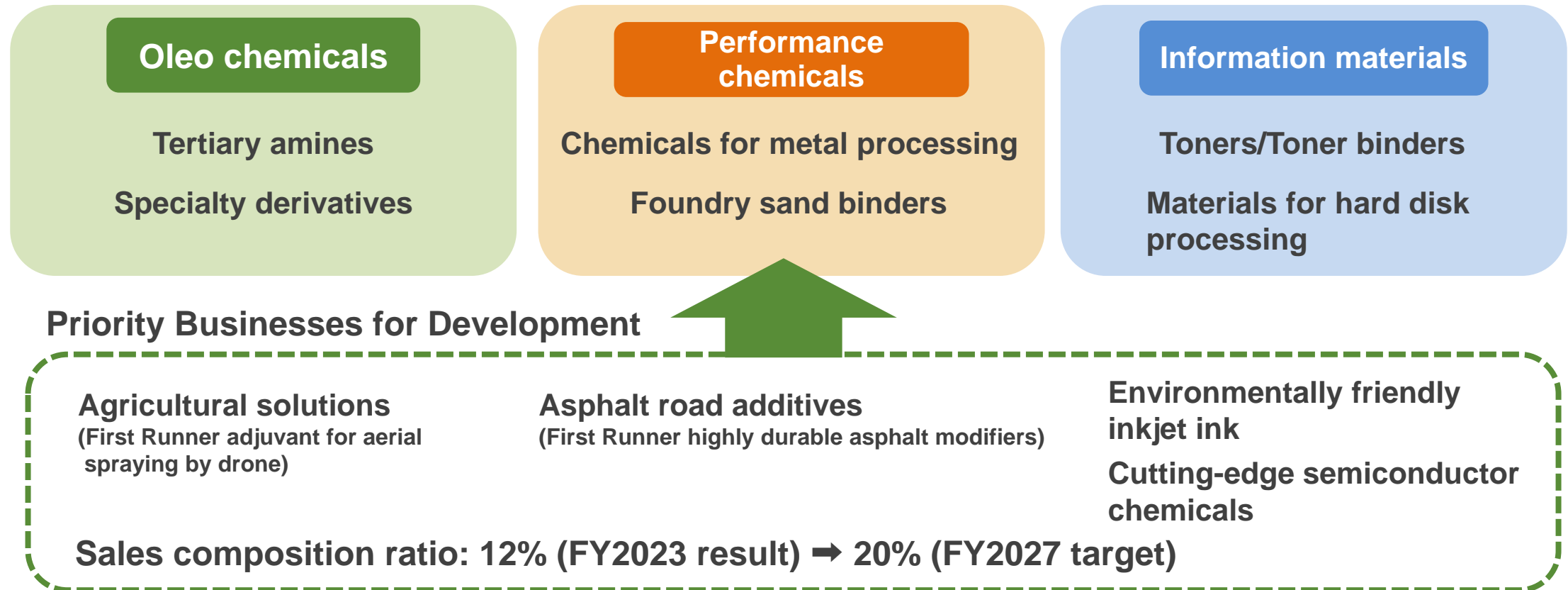
- Trial users: Those who purchased the brand only once per year
- Repeat users: Those who have repeatedly purchased the brand but also shop around for other brands
- Loyal users: Customers who purchase the brand repeatedly, with a high proportion of frequent purchasers



# Building *Global Sharp Top* Chemical Businesses

- Strive to further increase profitability to meet K27 targets by fostering new *Global Sharp Top* businesses.

## Global Sharp Top businesses



**ROIC: 7% (FY2023 result) → 11% (FY2027 target)**

## Key Actions for FY2024 H2 and FY2025

- **Continuous improvement of earning power (profitability)**  
Launch high-value-added products and pursue loyalty marketing
- **Establish global growth structure for the Cosmetics Business**  
Focus investment in core brands and reinforce digital beauty counseling capabilities
- **Transform the hair care business to achieve global growth**  
Enter the high premium market in Japan and establish global growth plan
- **Implement distinctive digital marketing**  
Accurately understand customer needs and offer effective proposals of exclusive and distinctive value (information and products) to customers

# Key Highlights

- Due to the strengthening of core brands globally and the effects of structural reforms, the gross margin increased 3.4 pts and the ROIC increased 4.8 pts.
  - ✓ Restored profit through structural reforms
    - Maintained profitability in sanitary products
    - Improved earning power by adjusting selling prices through promotion of 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
    - Leveraged DX to visualize progress in establishing loyal users and to upgrade marketing
    - Entered the high premium hair care market with *melt*, using scrum-type product development
  - ✓ Ramped up global rollout of high-value-added products
    - Sales of skin protection products increased 32%
    - Accelerated expansion of *ORIBE* in Europe and strengthened *KATE* in Asia
    - Chemical Business achieved an improvement of 2.3 pts in its operating margin through the expansion of high-performance products
- Optimize distribution inventory for cosmetics in China and build a brand portfolio to accelerate global growth.
- Made upward revision of FY2024 forecast\*.
  - ✓ Operating income : 130.0 billion yen → 140.0 billion yen
  - ✓ ROIC : 8.6% → 8.8%
  - ✓ EVA : 24.0 billion yen → 27.0 billion yen or more

- **Briefing on Strategies for the Hair Care Business**  
Thursday, September 19, 2024

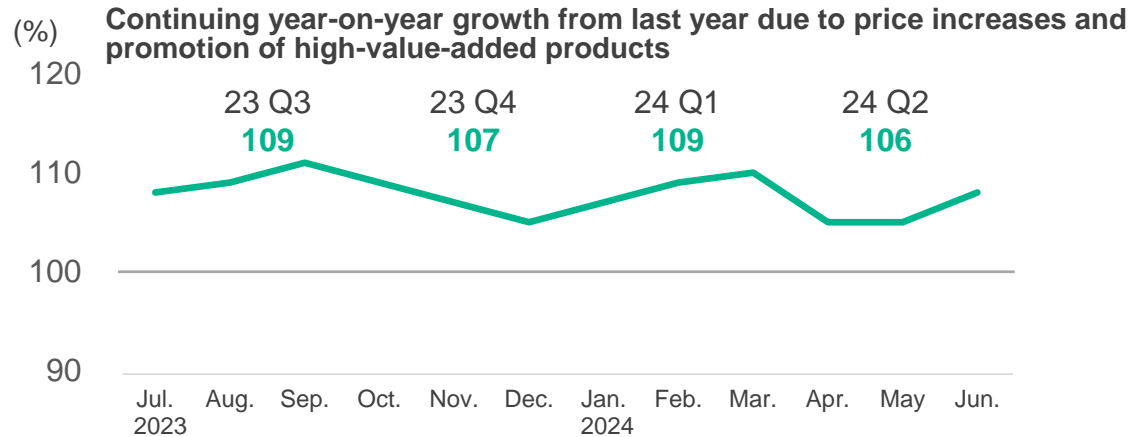
# 04

## Appendix

# Consumer Products Market in Japan

## Growth of H&PC Market

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

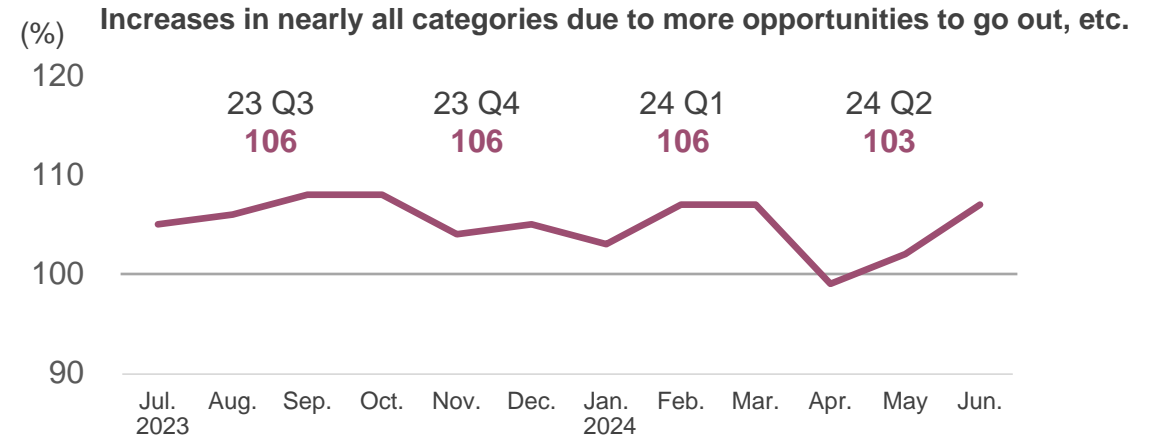


## Market Growth Rates of Major Categories

vs. previous year	Apr.	May	Jun.	Q2
H&PC total	105	105	108	106
Laundry detergents	112	109	114	112
Fabric softeners	109	109	113	110
Bath cleaning products	103	104	107	105
Sanitary napkins	105	106	110	107
Baby diapers	100	101	102	101
Sunscreens	120	105	113	112
Hand soaps	101	103	109	105
Hand sanitizers	84	82	90	85
Bath additives	98	100	105	101

## Growth of Cosmetics Market

26 categories, SLI<sup>2</sup>  
Market growth rate in value terms



## Market Growth Rates of Major Categories (Source: INTAGE Inc. )

vs. previous year	Apr.	May	Jun.	Q2
Cosmetics total	99	102	107	103
Skin care products	95	103	106	101
Facial cleansers/ Makeup removers	102	101	108	104
Lotions/emulsions/ creams	92	101	99	97
Serums	97	93	116	103
Makeup products	107	102	108	106
Makeup bases	109	105	108	107
Point makeup products	104	99	107	104
Other	104	100	116	107
Sunscreens	109	108	114	110

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:** Slight year-on-year growth continued 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 Q3	23 Q4	24 Q1	24 Q2	23 Q3	23 Q4	24 Q1	24 Q2	23 Q3	23 Q4	24 Q1	24 Q2
Baby diapers	-	-	-	-	95	93	95	94	89	92	89	87
Sanitary napkins and panty liners	95	98	102	103	109	108	110	110	104	104	103	102
Laundry detergents	-	-	-	-	101	105	107	105	106	109	109	106
Sunscreens	-	-	-	-	-	-	-	-	120	116	117	113
House cleaning products	-	-	-	-	-	-	-	-	94	99	105	100

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 Q3	23 Q4	24 Q1	24 Q2	23 Q3	23 Q4	24 Q1	24 Q2	23 Q3	23 Q4	24 Q1	24 Q2
Hair care	106	106	103	103	110	105	105	105	113	107	106	103
Facial care products	112	109	104	100	-	-	-	-	124	109	109	105
Self tanning	105	103	100	100	-	-	-	-	-	-	-	-
Hand and body lotions	110	103	104	103	-	-	-	-	-	-	-	-

Source: Circana

# Consumer Products Business in H1

	Billion yen	Net sales				Operating income			Operating margin %	
		FY2023	FY2024	Growth %	Like-for-like %	FY2023	FY2024	Change	FY2023	FY2024
Japan		368.1	382.5	+3.9	+3.9	6.0	28.6	+22.6	1.6	7.5
Asia		113.4	111.1	(2.0)	(9.3)	13.4	12.3	(1.1)	11.8	11.1
Americas		60.9	72.0	+18.3	+5.1	3.9	4.0	+0.1	6.4	5.5
Europe		34.6	43.8	+26.7	+11.5	(0.5)	(2.5)	(2.0)	(1.5)	(5.7)
Consumer Products Business		576.9	609.4	+5.6	+1.9	22.8	42.3	+19.5	4.0	6.9

Net sales growth rates of major companies (Like-for-like %)	Kao China:	(21)%	Kao Taiwan:	+2%	Kao Vietnam:	+15%
	Kao Indonesia:	(4)%	Kao Thailand:	(1)%	Kao Hong Kong:	(10)%

Sales by geographic region are classified based on the location of the sales recognized.  
Income for FY2023 H1 represents "core income."



# Hygiene and Living Care Business in H1

- Sales: **255.6** billion yen (+1.9%) Operating income: **33.9** billion yen (+24.1 billion yen\*) Operating margin: **13.3%**
- Continued to increase sales and market share by improving the brand power of core brands *Attack* and *CuCute* through effective deployment of marketing expenses. Market share for laundry bleaches increased due to a new communication.
- Operating margin increased 9.3 pts due to the effects of structural reforms including selling prices adjustments through promotion of high-value-added products and a gain on the transfer of the pet care business.

## Fabric & Home Care

**Net sales +7.4%, operating margin +6.1 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. Market share for laundry bleaches increased due to a new communication.
- Home care: Sales of dishwashing detergents and high-value-added toilet and bath cleaners remained strong.



Attack ZERO

## Sanitary

**Operating margin reached 7.1% due to the effects of structural reforms and gain on transfer of pet care business**

- 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

\* Comparison with "core income" for FY2023 H1

# Health and Beauty Care Business in H1

- Sales: **210.6** billion yen (+5.4%) Operating income: **15.0** billion yen (-1.0 billion yen\*) Operating margin: **7.1**%
- New high-value-added *Bioré* products sold strongly due to effective deployment of marketing expenses. Ramped up rollout of UV care products outside Japan.
- Operating income decreased 1.0 billion yen due to structural reform expenses for subsidiaries in the Americas and Europe.

## Skin Care

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

- Japan: High-value-added UV care products and sheet-related products sold strongly.
- Americas and Europe: *Bondi Sands*, acquired in 2023, contributed to sales.



Bioré ZERO

## Hair Care

### Increase in sales due to strong performance in the Americas and Europe

- Japan: Rebranded *Essential* products performed strongly.
- Americas and Europe: New *JOHN FRIEDA* products contributed to sales.



Essential

## Products for Hair Salons

### Increase in sales with 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

\* Comparison with "core income" for FY2023 H1

# Life Care Business in H1

- Sales: **26.5** billion yen (-3.9%) Operating income: **-0.5** billion yen ( +0.6 billion yen\*) Operating margin: **-1.7%**
- Sales of commercial-use hygiene products decreased due to the impact of shrinkage of the market for sanitizers and other products.

## Commercial-use Hygiene Products

### Decrease in sales in Japan and 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 and other products were affected by market shrinkage.
- Americas: Sales decreased.



Commercial-use hygiene products

# Cosmetics Business in H1

- Sales: **116.7** billion yen (-2.6%) Operating income: **-6.1** billion yen (-4.2 billion yen\*) Operating margin: **-5.3%**
- Sales were strong in Taiwan, Thailand and Europe, but did not fully offset the slump in China.
- Profits were affected by the decline in China.

## Japan

**Sales on par with previous year as the market moved toward recovery**

- *KANEBO* sales increased more than 30%, driving growth in the region.
- *ALLIE*, *SOFINA iP* self-selection brands sold strongly.



KANEBO

## China

**Decrease in sales due to slowing market growth and a tough competitive environment**

- Sales of locally produced *Curél* and *freeplus* products were in line with the plan.



freeplus

## Europe

**Growth in the region driven by *SENSAI* amid a market slump caused by continuing inflation**

- The *SENSAI* supreme skincare line posted high growth, and all lines, including new mask products, sold strongly.
- *MOLTON BROWN* sales were driven by the northern Europe region, while sales of hotel amenities struggled.
- *Curél* sold strongly in the U.K.



Curél

\* Comparison with "core income" for FY2023 H1

# Chemical Business in H1

- Sales: **199.8** billion yen (+1.1%) Operating income: **16.7** billion yen (+5.6 billion yen\*) Operating margin: **8.3%**
- Profits increased due to improved profit margins, mainly for oleo chemicals, and substantial contributions from sectors that grew by capturing recovering demand.

## Oleo chemicals

### Sales trending toward recovery and improvement in profitability amid recovery in customer demand

- Demand for tertiary amines was recovering, and sales increased 15% 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 the slowdown in some target markets and continued impact of intensified competition

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

## Information materials

### Increase in sales from steadily capturing recovering demand in target industries

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

Using its corporate website, the Kao Group is working to expand applications for the recently launched *Lunaflow*, a release agent made from the biomass material cellulose nanofiber. It features excellent release properties and high durability, and has a solvent- and fluorine-free composition that makes it friendly to both workers and the environment.



More details below!

Kao LUNA FLOW

\* Comparison with "core income" for FY2023 H1

# Kao

Kirei—Making Life Beautiful

