

The image features a sunset sky with a person's silhouette in the foreground making a heart shape with their hands. The Kao logo and tagline are overlaid on the sky.

# Kao

Kirei—Making Life Beautiful

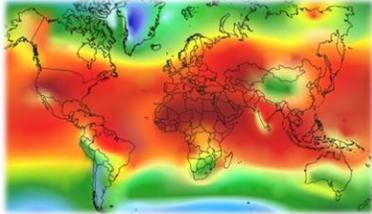
**Kao Corporation**

**The 119th Annual General Meeting of Shareholders**

- **Summary of FY2024 Activities**
- **FY2025 Market Forecast and Outlook**
- **Mid-term Plan “K27” and Progress**

## Three major challenges in the world

### Global warming



### Overconsumption and pollution



### Geopolitical risks



## Challenges

End deflation and revitalize the market of daily necessities

Aim for global growth through minimizing consumption and maximizing value

Pursue smart management, maintain responsiveness to environmental changes

Maximize the power of human capital

## Strategy

*Yoki-Monozukuri* driven by unique, essential values

DX Marketing  
Lean, data-driven marketing approach

Maximize capital efficiency, focusing on ROIC and GP

Scrum-based organizational management focusing on speed and maximizing the power of human capital

## Achievements

Sales growth, profit growth and increase domestic market share

Steady hit of new products, expanded the area of core brands

Profit-oriented growth driven by data-integrated management

Withdraw from matrix management and pursued *Yoki-Monozukuri* at high speed

## Ecology



Only one in Japan  
**Triple A** for **5 consecutive years**

Evaluated by an NGO run by a UK charity group

## Everyday lives



Nikkei Excellent Product and Service Awards 2024 -Trend Category  
“Magiclean Toilet Bubble Foam Pack”



## Life



“Now available in 66 countries, Bioré has grown into Japan’s No. 1<sup>\*1</sup> selling brand in major skin-related categories”

**Bioré**

\*1: Intage SRI+ October 2023 - September 2024  
Sales by series Facial cleanser (self-service), makeup remover (self-service), body cleanser, sunscreen, antiperspirant and deodorant market

Overcoming the contradictions, taking on the global challenge in a unique way



FY2024  
Consumer-oriented management

Minister of State for Special Missions,  
Cabinet Office  
[Minister's Award]



**Maximum value**

**Minimal consumption**

... **Convenience**

Easy to refill  
Less resin



... **Sustainability**

Easy to apply  
Long-lasting



... **High durability**

Made from waste PET  
Building durable roads



... **Conservation**

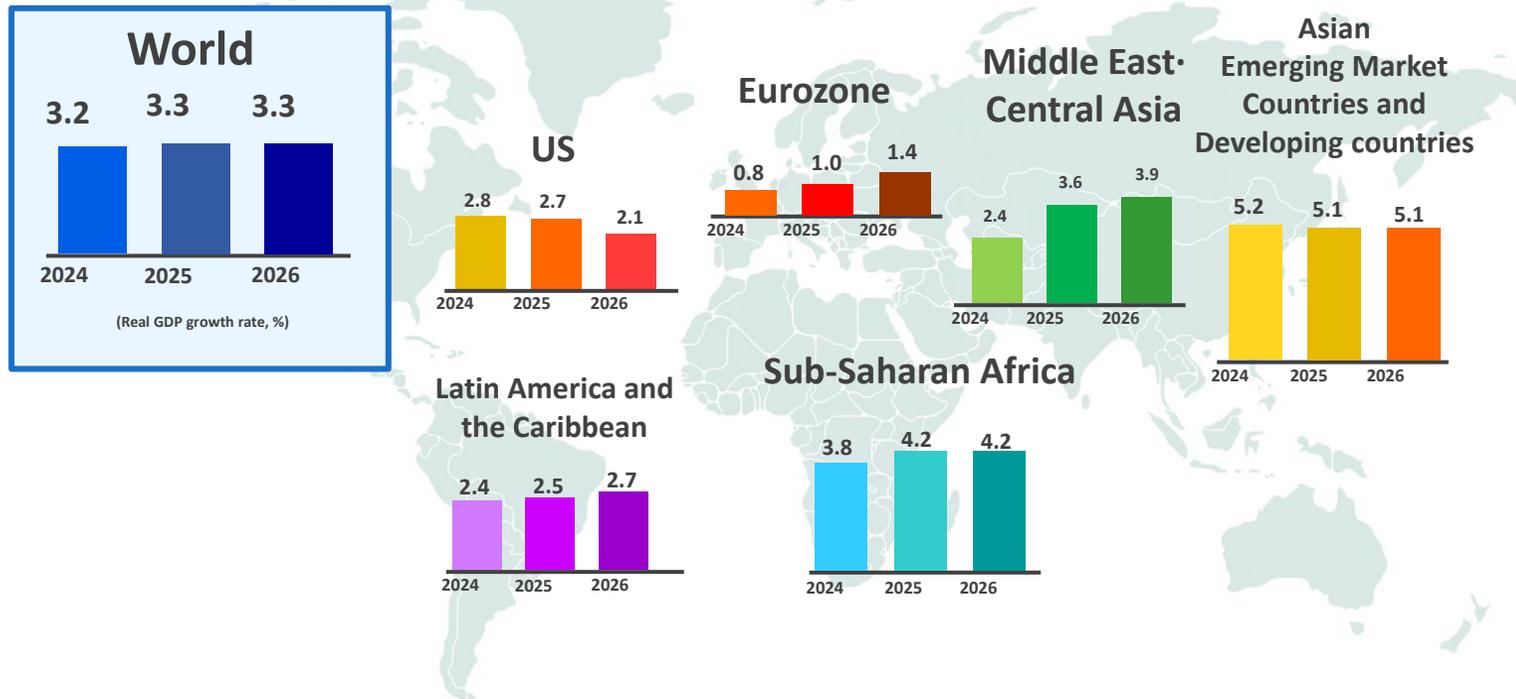
... **Short time**

... **Recycling**

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## World Economic Outlook, January 2025

### Growth rate forecast by region (rate of change)



### GDP growth rate forecast (%) <World Bank>

	2024	2025	2026
Japan	↓ 0.7	↑ 1.0	0.9
US	↑ 2.5	↑ 1.8	1.8
Eurozone	0.7	↓ 1.4	1.3
China	↑ 4.8	↓ 4.1	4.0

(Source) World Bank Global Economic Prospects JANUARY 2025  
Arrows indicate direction of revision from January 2024 forecast

Source: IMF, World Economic Outlook (WEO), January 2025 Revision  
Note: The order of bars within each group is (left to right): 2024, 2025, 2026 forecast.

## Cosmetics and toiletries

**Domestic Japan market is on a recovery trend and overseas market is expected to grow**

Japan cosmetics market is clearly showing signs of recovery \*1  
Global cosmetics market forecast to grow at CAGR of 4.8% (between 2024 to 2032) \*2

Japan toiletries market has grown for two consecutive years \*1  
Global toiletries market forecast grows at CAGR of 5.4% (between 2024 to 2032) \*3

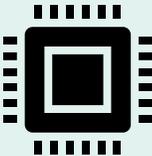


1) Yano Research Institute 2024    3) Fortune Business Insight 2025  
2) Global Information 2024

## Chemical

**Growth in semiconductor-related sectors**

The global semiconductor market continued to grow in 2024, and double-digit growth is expected in 2025\*4



4) World Semiconductor Statistics (WSTS) 2024

## Retail

**Increased polarization of consumption in 2024**

Consumption will become increasingly polarized in 2024. Department stores are thriving, but the future is uncertain\*5



5) Nikkei Business 2024.11.22

## Logistics

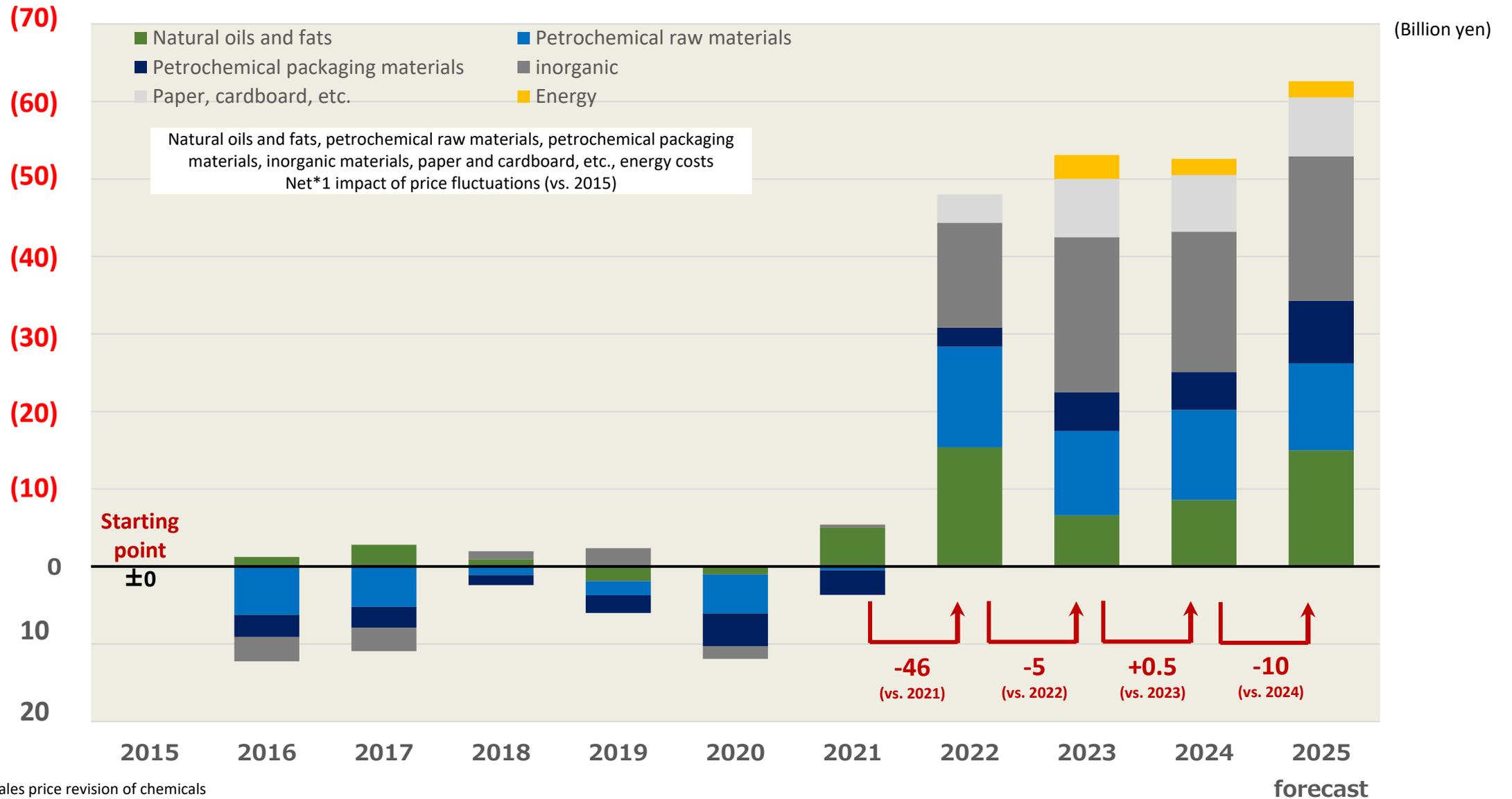
**The “2024 problem” and the “2025 digital cliff”**

The cost of maintaining the enterprise system increased, causing a concern toward the delay in DX\*6



6) Nikkei Electronic Edition 2024.5.21

# Global Consumer Care Business: Raw Material Price Impact Trends (compared to 2015)



\*1 Offsetting the sales price revision of chemicals

# FY2024 Consolidated Financial Performance Forecast



(Billion yen)	FY2024 Results	FY2025 Forecast	Change
Net Sales	1,628.4	1,670.0	+2.6%
Operating income	146.6	160.0	+13.4
Operating income margin	9.0%	9.6%	-
Net income (attributable to owners of the parent)	107.8	116.0	+8.2
Cash dividends per share	152.00 yen	154.00 yen (planned)	+2.00 yen

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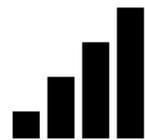
Vision **Saving future lives**

**【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

Our goal is to become a **global company** that stays close to our customers by focusing on businesses that **significantly contribute** to solving **critical social challenges**.

	<b>Global</b>	<b>Sharp</b>	<b>Top</b>
Target Conditions	Global business rollout	Exclusive uniqueness	Market presence
Indicator	<b>Scale of sales</b> in target countries/areas of operation	<b>Loyalty ratio and profitability</b> in target markets	<b>Share</b> of target markets

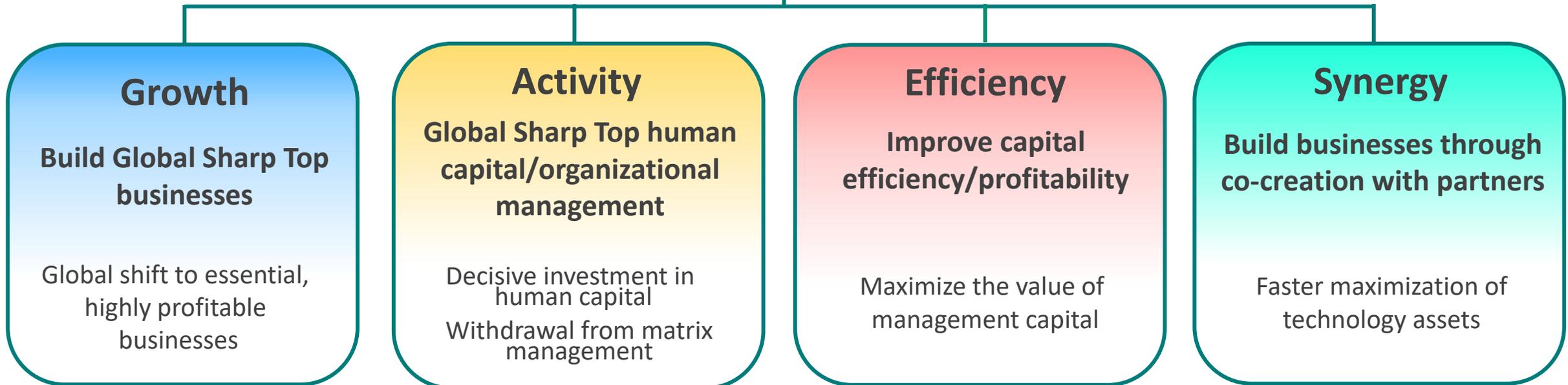


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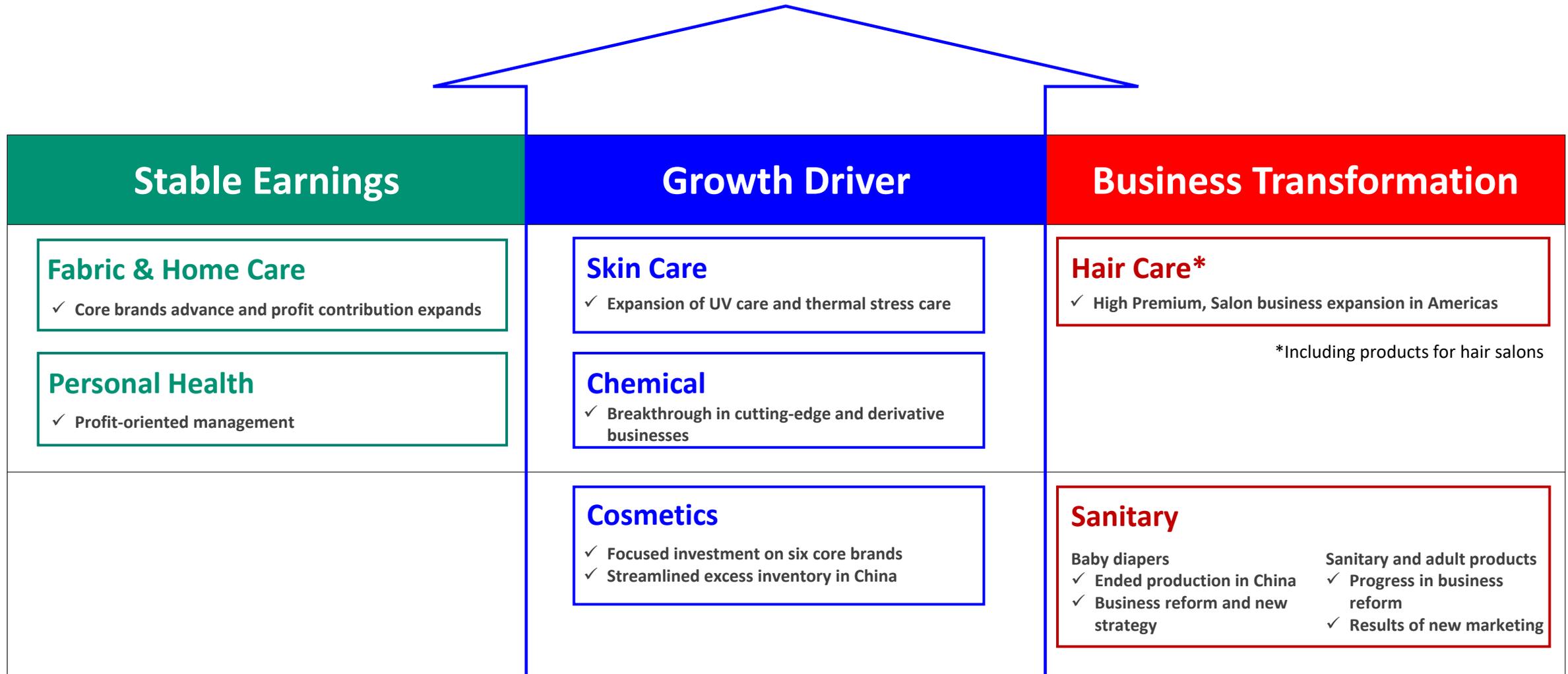
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**Strategies for achieving K27**



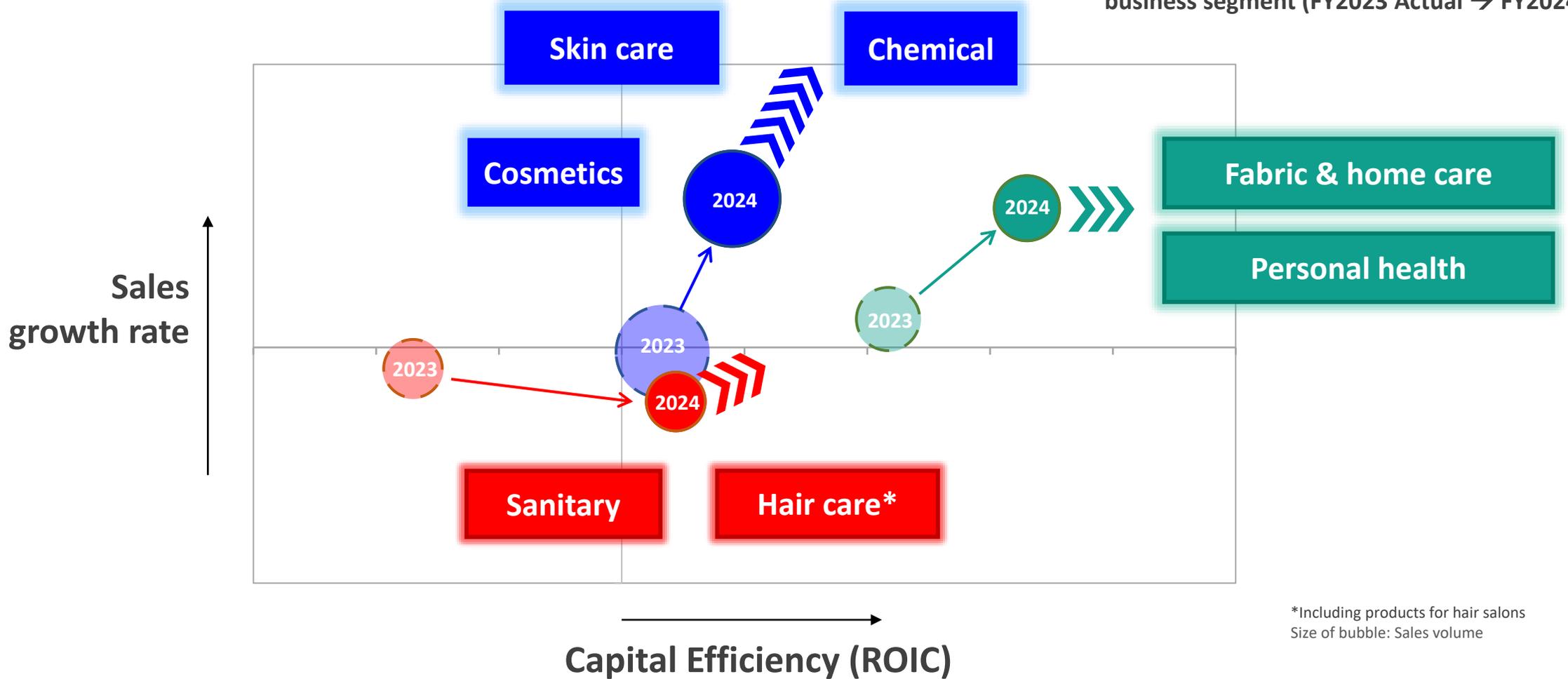
## Global Growth



# Capital Efficiency and Profitability Improvement

Strengthening ROIC by business segment will lead to focused investment in growth businesses and progress in improving the sound portfolio

Expected direction of ROIC improvement by business segment (FY2023 Actual → FY2024 Actual)



(FY2023 results vs. FY2024 results)

	Stable Earnings	Growth Driver	Business Transformation	Total
Sales Growth Rate (%)	+5.9	+4.3	-2.3	+3.3
Operating Income Improvement (Billion yen)	+15.9	-0.7	+18.8	+31.9
ROIC Improvement (ppt)	+6.8	+1.0	+10.6	+5.1
K27 ROIC Target (%)	>20%	>12%	>7%	>11%

# Progress of the Mid-term Management Plan “K27”



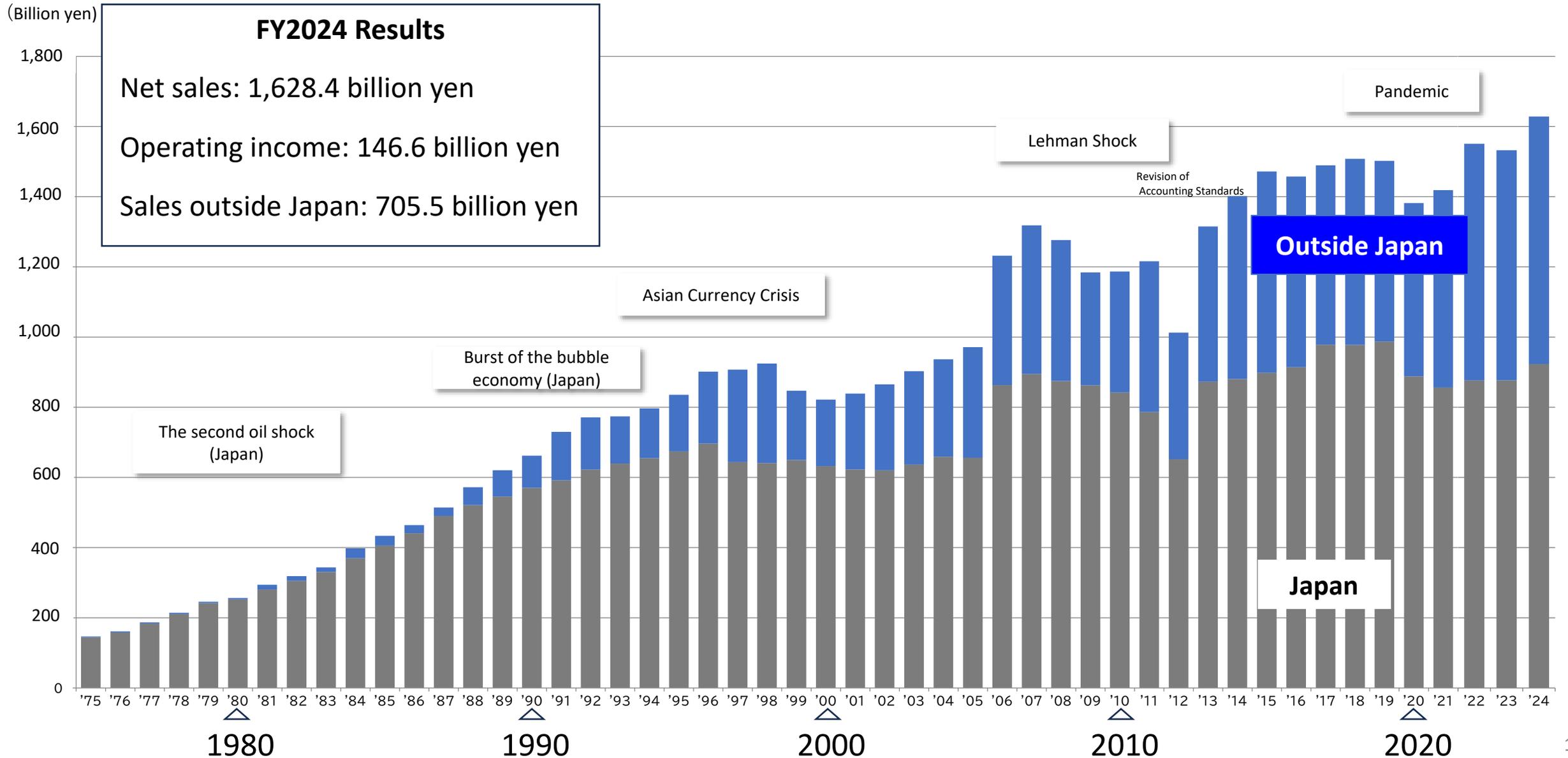
IFY2024 exceeds plan and steady progress towards achieving our “K27” targets

(Billion yen)	FY2022 Results	FY2023 Results	FY2024 Results	FY2025 Forecasts	FY2027 Targets
ROIC	7.8%	4.1%	9.2%	9.4%	11.0% or more
EVA	14.7	14.9	33.2	37.0	70.0 or more
Operating Income <sup>1</sup>	110.1	114.7	146.6	160.0	Record-high operating income (FY2019 211.7 billion yen)
Sales outside Japan <sup>2</sup>	674.5	655.8	705.5	730.0	800.0 or more (Sales CAGR+4.3%)

\*1 FY2023 actual results are for core operating profit

\*2 Sales outside Japan: Sales based on the location of the distributor

# Kao's Business Progress (Japan/Outside Japan)



## ○ **Become an essential company in a sustainable world**

- ✓ Continuously received high evaluations from leading rating agencies in Japan and around the world

## ○ **Transform to build robust business through investment**

- ✓ Steady growth in sales, profits and market share driven by the Global Sharp Top strategy
- ✓ Significant ROIC improvement through effective business portfolio management
- ✓ Accelerated global business through lean-startup approach in DX marketing

## ○ **Maximize the power and potential of employees**

- ✓ Adopted scrum-style organizational management to enhance on-site capabilities and increase speed



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