



Kirei—Making Life Beautiful

Consolidated Financial Results for the Six Months Ended June 30, 2023 and Mid-term Plan Progress

Kao Corporation
August 3, 2023



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. G11: Abbreviation of Global 11. Eleven Cosmetics Business brands designated for growth globally.
6. R8: Abbreviation of Regional 8. Eight Cosmetics Business brands designated for growth in Japan.

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for the Six Months Ended June 30, 2023

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01

Financial Results

for the Six Months Ended June 30, 2023

Notice of Revision of Operating Results Forecast released on Aug. 3, 2023

Kao Corporation

Notice of Revision of Operating Results Forecast

August 3, 2023

Kao Corporation (the "Company" — Ticker code: 4452) hereby announces that it has decided to revise its forecast of consolidated operating results for the fiscal year ending December 31, 2023 disclosed on May 10, 2023, as described below.

1.Revision of Forecast of Consolidated Operating Results for the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Numbers in parentheses below are negative

*Millions of yen, except per share amounts

| | Net sales | Operating income | Income before income taxes | Net income attributable to owners of the parent | Basic earnings per share (Yen) |
|--|-----------|------------------|----------------------------|---|--------------------------------|
| Previous forecast (A) | 1,580,000 | 120,000 | 121,000 | 88,000 | 189.31 |
| Revised forecast (B) | 1,580,000 | 60,000 | 61,000 | 41,000 | 88.20 |
| Change (B-A) | 0 | (60,000) | (60,000) | (47,000) | — |
| Change (%) | 0 | (50.0) | (49.6) | (53.4) | — |
| (For reference) Actual results for the year ended December 31, 2022 | 1,551,059 | 110,071 | 115,848 | 86,038 | 183.28 |

Core income excluding expenses related to structural reforms from the revised consolidated operating results is as below.

Percentages in parentheses are year-on-year changes

| | |
|--|----------------------------|
| Core operating income | 120,000 million yen (9.0%) |
| Core income before income taxes | 121,000 million yen (4.4%) |
| Core net income attributable to owners of the parent | 88,000 million yen (2.3%) |
| Basic core earnings per share | 189.30 yen |

2.Reasons for the Revision

There is no revision made to the forecast of existing businesses. However, we will implement structural reform measures to improve earnings and strengthen our business foundation in the medium term. The Kao Group expects to record structural reform expenses of approximately 60 billion yen for the fiscal year ending December 31, 2023. Accordingly, on August 3, 2023, the Board of Directors resolved to revise the operating results forecast for the fiscal year ending December 31, 2023.

The Company is considering implementing the following three main structural reform measures:

- ① Drastic strategic review and reorganization of inefficient businesses
- ② Structural reform of human capital
- ③ Reform of earning power (thorough pursuit of high added value and optimal cost design)

We intend to announce the details of each measure as they become available and ready to be announced.

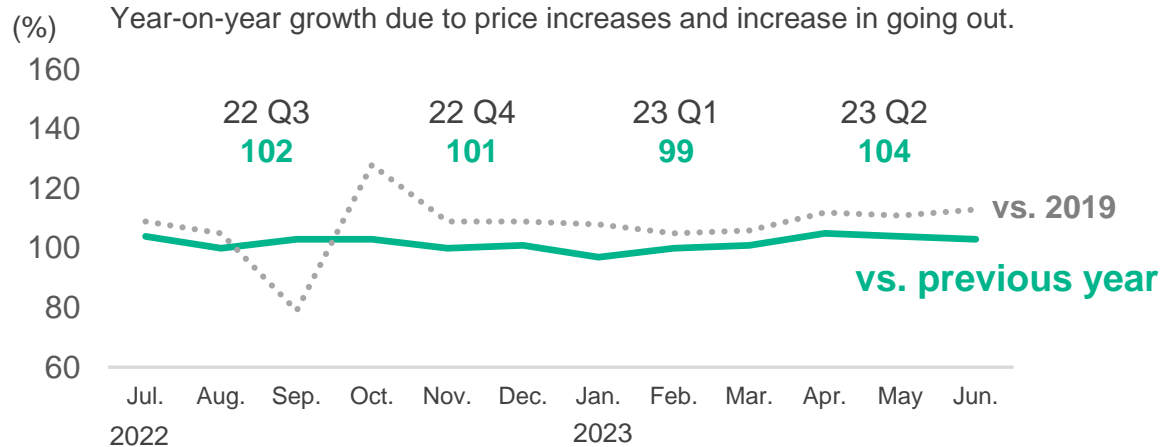
Further, the Kao Group recorded 8.6 billion yen in expenses related to structural reforms for the six months ended June 30, 2023.

(Note) Forward-looking statements such as the above forecasts are based on information currently available to the Company as of the date of this notice and certain assumptions that management believes to be reasonable, and actual results may differ from expectations due to various factors.

Consumer Products Market in Japan

Growth of H&PC Market

87 categories, SRI+¹

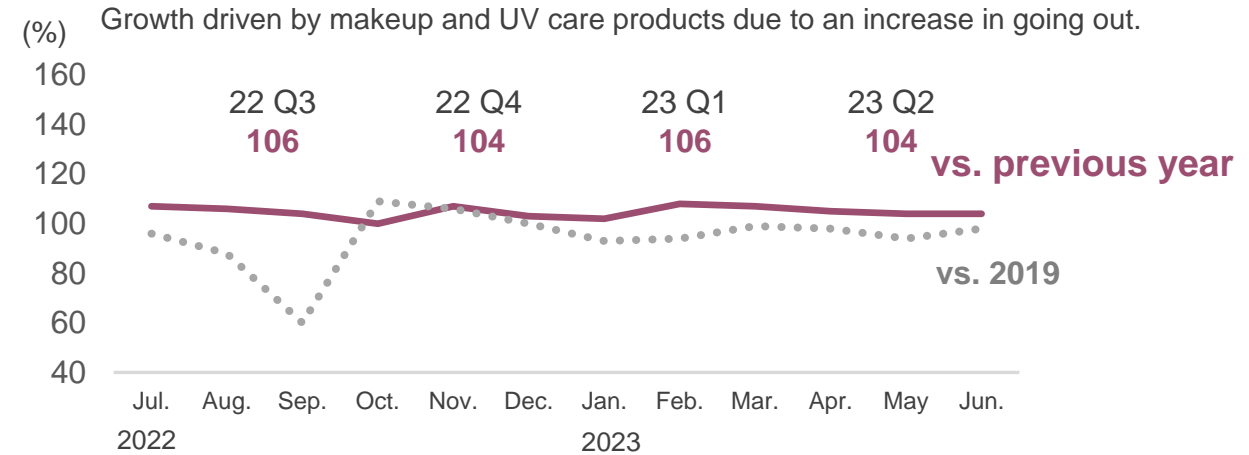


Market Growth Rates of Major Categories

| vs. previous year | Apr. | May | Jun. | Q2 |
|------------------------|------|-----|------|-----|
| H&PC total | 105 | 104 | 103 | 104 |
| Laundry detergents | 107 | 105 | 104 | 105 |
| Fabric softeners | 99 | 98 | 100 | 99 |
| Bath cleaning products | 102 | 102 | 101 | 102 |
| Sanitary napkins | 112 | 110 | 110 | 111 |
| Baby diapers | 111 | 106 | 105 | 107 |
| UV care | 121 | 130 | 113 | 121 |
| Hand soap | 95 | 92 | 95 | 94 |
| Hand sanitizers | 47 | 50 | 62 | 52 |
| Bath additives | 99 | 96 | 96 | 97 |

Growth of Cosmetics Market

26 categories, SLI²



Market Growth Rates of Major Categories

| vs. previous year | Apr. | May | Jun. | Q2 |
|-------------------------------------|------|-----|------|-----|
| Cosmetics total | 105 | 104 | 104 | 104 |
| Skin care products | 102 | 99 | 100 | 100 |
| Facial cleansers/ Makeup remover | 111 | 102 | 105 | 105 |
| Serum | 102 | 109 | 98 | 103 |
| Makeup products | 113 | 114 | 115 | 114 |
| Makeup Base | 113 | 112 | 115 | 113 |
| Point makeup | 113 | 116 | 114 | 115 |
| Other | 110 | 109 | 102 | 107 |
| UV care | 111 | 114 | 102 | 109 |

(Source: INTAGE Inc.)

Kao's Main Markets outside Japan

Asia

- **China** : Year-on-year decreases continued, although there were signs of recovery in consumption after the end of actors included lockdowns.
- **Indonesia**: Market growth continued, but at a somewhat slower rate due to selling price hikes.
- **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 | | | |
|-----------------------------------|------------------------------|-------|-------|-------|-----------|-------|-------|-------|----------|-------|-------|-------|
| | 22 Q3 | 22 Q4 | 23 Q1 | 23 Q2 | 22 Q3 | 22 Q4 | 23 Q1 | 23 Q2 | 22 Q3 | 22 Q4 | 23 Q1 | 23 Q2 |
| Baby diapers | 96 | 101 | 88 | 97 | 111 | 102 | 99 | 101 | 101 | 97 | 92 | 85 |
| Sanitary napkins and panty liners | 99 | 96 | 97 | 98 | 122 | 114 | 111 | 111 | 117 | 114 | 112 | 104 |
| Laundry detergents | - | - | - | - | 118 | 108 | 101 | 103 | 126 | 118 | 118 | 106 |
| UV care | - | - | - | - | - | - | - | - | 153 | 125 | 130 | 128 |
| House cleaning products | - | - | - | - | - | - | - | - | 98 | 103 | 90 | 89 |

Source: NielsenIQ

Americas and Europe

- Market growth continued in all three countries due to rising selling prices.

| vs. previous year | U.S. | | | | U.K. | | | | Germany | | | |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|---------|-------|-------|-------|
| | 22 Q3 | 22 Q4 | 23 Q1 | 23 Q2 | 22 Q3 | 22 Q4 | 23 Q1 | 23 Q2 | 22 Q3 | 22 Q4 | 23 Q1 | 23 Q2 |
| Hair care | 105 | 107 | 109 | 109 | 104 | 108 | 109 | 109 | 105 | 109 | 112 | 116 |
| Facial cleanser | 106 | 109 | 112 | 111 | - | - | - | - | 99 | 120 | 123 | 122 |
| Deodorant | 117 | 121 | 119 | 114 | - | - | - | - | - | - | - | - |
| Hand and body lotions | 112 | 115 | 107 | 113 | - | - | - | - | - | - | - | - |

Source: NielsenIQ/Circana

Highlights of Consolidated Financial Results

| Billion yen | FY2022 H1 | FY2023 H1 | Growth % | Change |
|--|-----------|---------------------------------|----------|---------|
| Net sales | 733.9 | 738.5 | +0.6 | +4.6 |
| | | Effect of currency translation* | +2.9 | +21.6 |
| | | Like-for-like growth | (2.3) | (17.0) |
| Core operating income | 53.7 | 34.5 | (35.8) | (19.2) |
| Core operating margin | 7.3% | 4.7% | - | - |
| Operating income | 53.7 | 25.9 | (51.7) | (27.8) |
| Operating margin | 7.3% | 3.5% | - | - |
| Income before income taxes | 60.5 | 28.6 | (52.6) | (31.8) |
| Net income | 39.8 | 17.7 | (55.4) | (22.0) |
| Core net income attributable to owners of the parent | 38.9 | 26.3 | (32.3) | (12.6) |
| Net income attributable to owners of the parent | 38.9 | 16.6 | (57.3) | (22.3) |
| EBITDA (Operating income + Depr. & Amort.) | 97.7 | 70.5 | (27.9) | (27.2) |
| Basic core earnings per share (yen) | 82.17 | 56.63 | (31.1) | (25.54) |
| Cash dividends per share (yen) | 74.00 | 75.00 | - | +1.00 |

* Exchange rates: 134.80 yen/USD, 145.74 yen/Euro, 19.46 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.

Net sales **738.5** billion yen
-2.3% on a like-for-like basis

Core operating income **34.5** billion yen
(-19.2 billion yen); margin **4.7%**
vs. plan +1.5 billion yen

Household and Personal Care Business

- Amid market recovery, Q2 sales in Japan increased 5.9%, due in part to the effect of new and improved products (Q1: -1.7% → Q2: +5.9%).
- Strategic price increases, mainly for laundry detergents, substantially exceeded the increase in raw material prices. Core operating income exceeded the plan.
- Substantial growth of UV care and other products in Q2 drove a comeback.

Cosmetics Business

- Sales of G11 brands grew, driven by *KATE* and *KANEBO*.
- Amid the recovery trend in the market in China from the start of Q2, sales and profits rebounded. Rebranding of *freeplus* proceeded smoothly.
- Markets in Japan and Europe continued to recover. Profits for the business overall was nearly as planned.

Chemical Business

- Sales decreased due to a substantial decline in demand in markets in the Americas and Europe and price adjustments for oleo chemicals. Profits fell short of the plan but improved from Q1.

Structural Reforms

- Recorded 8.0 billion yen as expenses associated with termination of production of baby diapers in China.
- Recorded 0.5 billion yen in structural reform costs for replacing items in the brand portfolio in the Cosmetics Business.

Consolidated Net Sales by Segment/Geographic Region in H1

| Billion yen | | | Japan | Asia | Americas | Europe | Consolidated |
|--------------------|----------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| | Fabric & Home Care | H1 | 134.4 | 22.1 | 2.0 | - | 158.6 |
| | | Like-for-like % | +1.4 | (0.9) | +13.4 | - | +1.2 |
| | Sanitary | H1 | 40.0 | 47.1 | 0.0 | - | 87.1 |
| | | Like-for-like % | +8.0 | (2.4) | (24.0) | - | +2.2 |
| | Hygiene and Living Care Business | H1 | 174.5 | 69.2 | 2.0 | - | 245.7 |
| | | Like-for-like % | +2.9 | (2.0) | +12.8 | - | +1.6 |
| | Health and Beauty Care Business | H1 | 98.2 | 17.4 | 48.9 | 24.3 | 188.8 |
| | | Like-for-like % | +2.4 | +0.2 | +4.1 | +6.3 | +3.1 |
| | Life Care Business | H1 | 19.9 | 0.0 | 6.7 | 0.1 | 26.7 |
| | | Like-for-like % | (1.9) | +64.7 | +12.7 | (9.9) | +1.2 |
| | Cosmetics Business | H1 | 75.5 | 26.8 | 3.3 | 10.2 | 115.8 |
| | | Like-for-like % | +2.5 | (12.6) | +4.1 | (0.9) | (1.6) |
| | Consumer Products Business | H1 | 368.1 | 113.4 | 60.9 | 34.6 | 576.9 |
| | | Like-for-like % | +2.4 | (4.4) | +5.3 | +4.0 | +1.4 |
| Chemical Business* | | H1 | 67.3 | 43.1 | 30.3 | 42.9 | 183.7 |
| | | Like-for-like % | (1.4) | (19.3) | (21.5) | (15.0) | (12.5) |
| Consolidated | | H1 | 416.0 | 154.9 | 91.2 | 76.5 | 738.5 |
| | | Like-for-like % | +1.8 | (8.8) | (5.2) | (7.3) | (2.3) |

* 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

| Billion yen | | Net sales | | | | Core operating income | | |
|-------------|----------------------------------|--------------|--------------|-----------------|--------------|-----------------------|---------------|-------------------------|
| | | H1 | | Like-for-like % | | H1 | Change | Core operating margin % |
| | | | | By Volume % | By Price % | | | |
| | Hygiene and Living Care Business | 245.7 | +1.6 | (2.2) | +3.8 | 9.8 | (3.2) | 4.0 |
| | Health and Beauty Care Business | 188.8 | +3.1 | +1.2 | +1.9 | 16.0 | (2.2) | 8.5 |
| | Life Care Business | 26.7 | +1.2 | (0.3) | +1.5 | (1.1) | (1.0) | (4.1) |
| | Cosmetics Business | 115.8 | (1.6) | (0.2) | (1.4) | (2.0) | (4.2) | (1.7) |
| | Consumer Products Business | 576.9 | +1.4 | (0.6) | +2.0 | 22.8 | (10.5) | 4.0 |
| | Chemical Business* | 183.7 | (12.5) | (5.8) | (6.7) | 11.1 | (9.0) | 6.0 |
| | Consolidated | 738.5 | (2.3) | (2.0) | (0.3) | 34.5 | (19.2) | 4.7 |

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

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

| Billion yen | | | Japan | Asia | Americas | Europe | Consolidated |
|--------------|----------------------------------|-----------------|-------|--------|----------|--------|--------------|
| | Fabric & Home Care | Q2 | 75.8 | 10.8 | 1.0 | - | 87.7 |
| | | Like-for-like % | +4.1 | +1.4 | +20.1 | - | +3.9 |
| | Sanitary | Q2 | 21.8 | 22.5 | 0.0 | - | 44.3 |
| | | Like-for-like % | +15.4 | +1.9 | +31.7 | - | +8.2 |
| | Hygiene and Living Care Business | Q2 | 97.6 | 33.3 | 1.0 | - | 132.0 |
| | | Like-for-like % | +6.4 | +1.7 | +20.3 | - | +5.3 |
| | Health and Beauty Care Business | Q2 | 55.6 | 8.8 | 25.0 | 12.5 | 101.9 |
| | | Like-for-like % | +6.7 | +4.0 | (3.7) | +3.2 | +3.4 |
| | Life Care Business | Q2 | 10.3 | 0.0 | 3.5 | 0.0 | 13.8 |
| | | Like-for-like % | (2.5) | +106.8 | +11.5 | +11.3 | +0.6 |
| | Cosmetics Business | Q2 | 41.5 | 15.6 | 1.7 | 5.2 | 64.0 |
| | | Like-for-like % | +6.8 | +7.9 | +2.9 | +0.1 | +6.4 |
| | Consumer Products Business | Q2 | 205.0 | 57.7 | 31.2 | 17.7 | 311.7 |
| | | Like-for-like % | +6.1 | +3.7 | (1.2) | +2.3 | +4.7 |
| | Chemical Business* | Q2 | 34.4 | 20.6 | 14.3 | 21.1 | 90.4 |
| | | Like-for-like % | (4.1) | (22.2) | (29.6) | (21.5) | (17.1) |
| Consolidated | Q2 | 229.3 | 77.7 | 45.5 | 38.3 | 390.7 | |
| | Like-for-like % | +4.7 | (4.3) | (11.9) | (11.8) | (1.0) | |

* 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)

| Billion yen | | Net sales | | | | Core operating income | | |
|-------------|----------------------------------|--------------|--------------|-----------------|--------------|-----------------------|--------------|-------------------------|
| | | Q2 | | Like-for-like % | | Q2 | Change | Core operating margin % |
| | | | | By Volume % | By Price % | | | |
| | Hygiene and Living Care Business | 132.0 | +5.3 | +1.0 | +4.3 | 7.1 | +0.9 | 5.4 |
| | Health and Beauty Care Business | 101.9 | +3.4 | +1.1 | +2.2 | 10.2 | (1.7) | 10.0 |
| | Life Care Business | 13.8 | +0.6 | (3.2) | +3.7 | (0.5) | (0.5) | (3.3) |
| | Cosmetics Business | 64.0 | +6.4 | +7.1 | (0.7) | 2.1 | +0.1 | 3.2 |
| | Consumer Products Business | 311.7 | +4.7 | +2.1 | +2.6 | 18.9 | (1.3) | 6.1 |
| | Chemical Business* | 90.4 | (17.1) | (9.3) | (7.9) | 7.0 | (3.2) | 7.7 |
| | Consolidated | 390.7 | (1.0) | (0.8) | (0.2) | 26.7 | (4.0) | 6.8 |

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

Consumer Products Business in H1

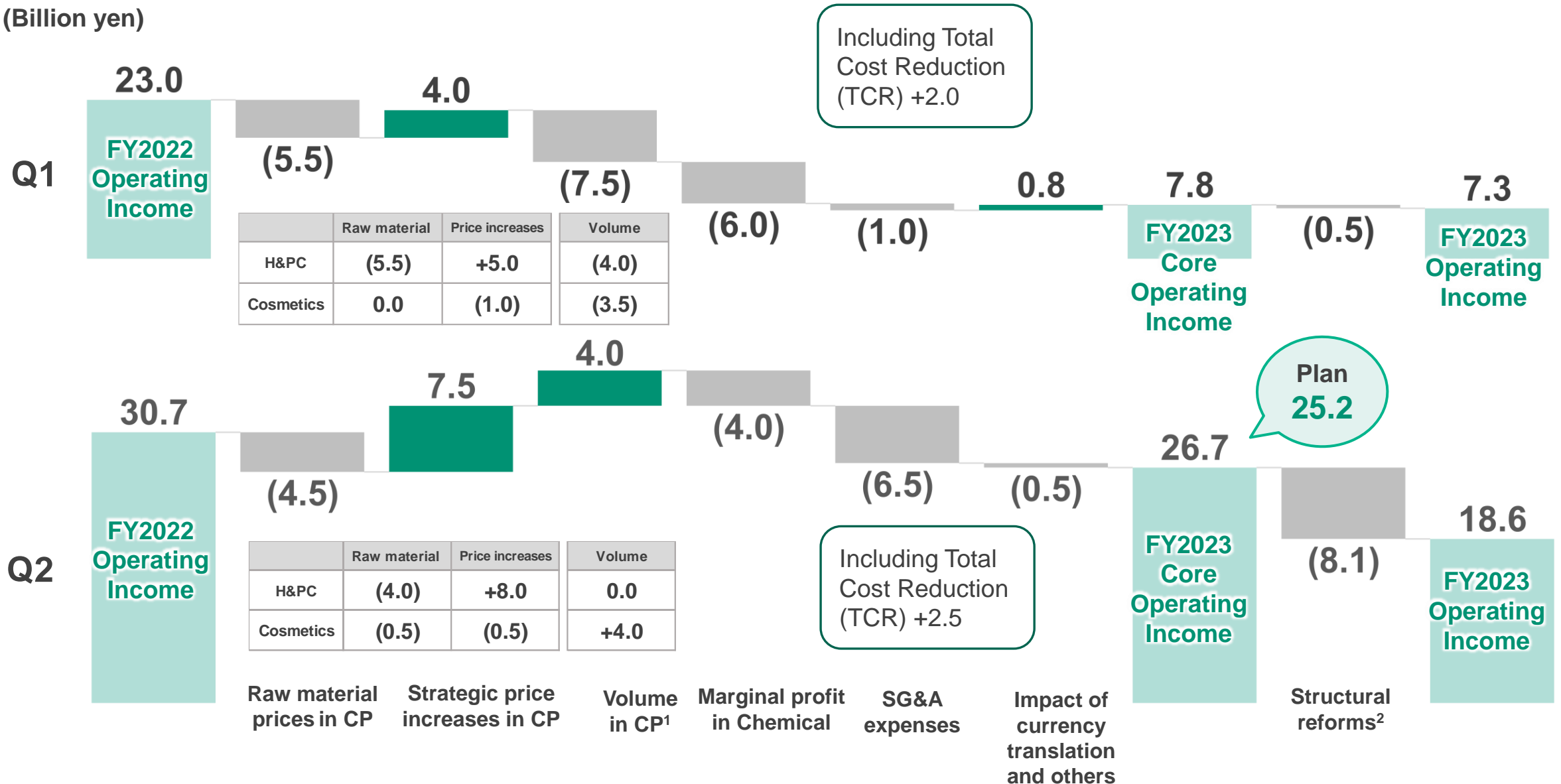
| Billion yen | Net sales | | | | Core operating income | | | Core operating margin % | |
|----------------------------|--------------|--------------|-------------|---------------------|-----------------------|--------------|--------|-------------------------|--------------|
| | FY2022 H1 | FY2023 H1 | Growth % | Like-for- like % | FY2022 H1 | FY2023 H1 | Change | FY2022 H1 | FY2023 H1 |
| Japan | 359.4 | 368.1 | +2.4 | +2.4 | 11.9 | 6.0 | (5.9) | 3.3 | 1.6 |
| Asia | 113.2 | 113.4 | +0.2 | (4.4) | 18.1 | 13.4 | (4.7) | 16.0 | 11.8 |
| Americas | 53.2 | 60.9 | +14.4 | +5.3 | 2.4 | 3.9 | +1.5 | 4.4 | 6.4 |
| Europe | 31.1 | 34.6 | +11.4 | +4.0 | 1.0 | (0.5) | (1.5) | 3.2 | (1.5) |
| Consumer Products Business | 556.9 | 576.9 | +3.6 | +1.4 | 33.3 | 22.8 | (10.5) | 6.0 | 4.0 |

| | | | | | | |
|---|----------------|-------|---------------|-----|----------------|-------|
| Net sales growth rates of major companies (Like-for-like %) | Kao China: | (15)% | Kao Taiwan: | +8% | Kao Vietnam: | (30)% |
| | Kao Indonesia: | +5% | Kao Thailand: | +3% | Kao Hong Kong: | +3% |

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

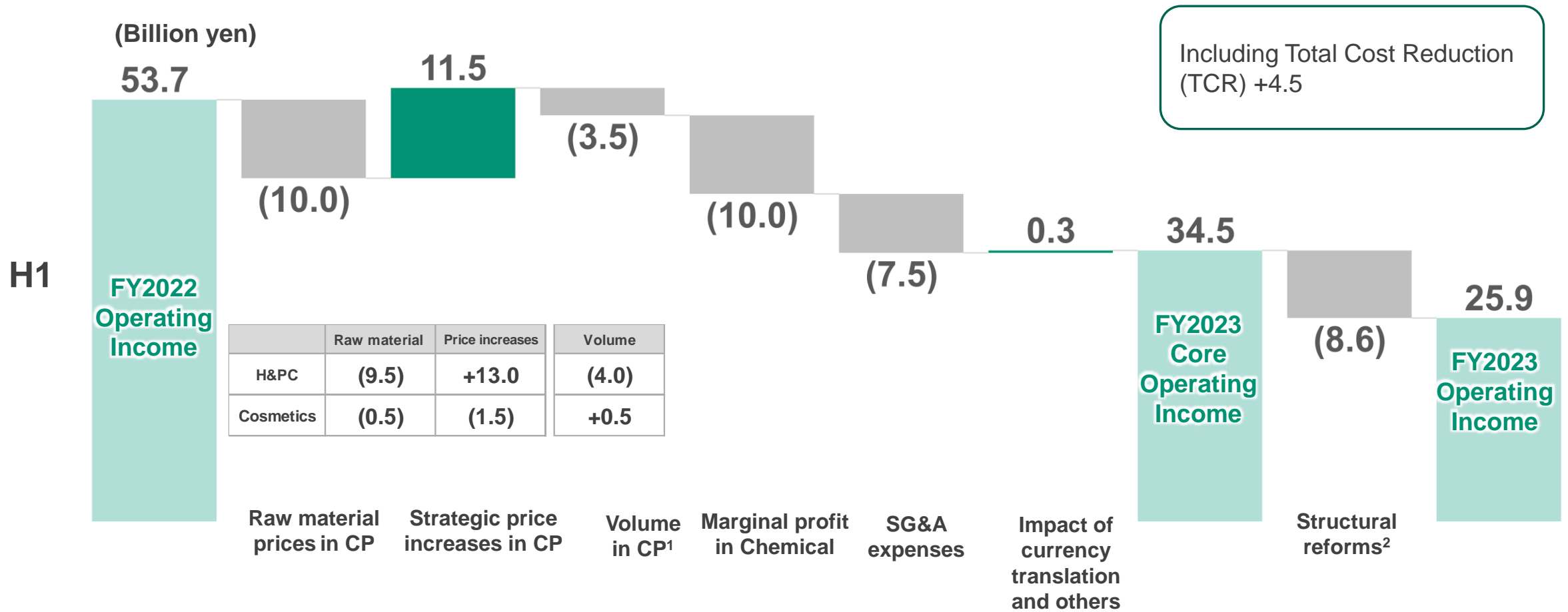
Breakdown of Year-on-Year Changes in Operating Income during Q1 (Jan.–Mar.) and Q2 (Apr.–Jun.)

(Billion yen)



1. Including change in product mix 2. Including structural reform costs for the Cosmetics Business

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



1. Including change in product mix 2. Including structural reform costs for the Cosmetics Business

Hygiene and Living Care Business in H1

- Sales: **245.7** billion yen (+1.6%) Core operating income: **9.8** billion yen (-3.2 billion yen) Core operating margin: **4.0%**
- Decisive investment increased sales and market share of laundry detergents and dishwashing detergents.
- Implemented price increases that exceeded the plan, mainly for laundry detergents. Profit margins increased due also in part to proactive launches of new and improved products. (Core operating margin: Q1: **2.4%** → Q2: **5.4%**)

Fabric & Home Care

+1.2% due to substantial contribution from laundry detergents and dishwashing detergents

- Fabric care: Aggressive promotion of new product offerings and proactive price increases for laundry detergents in Japan contributed substantially to increased sales. Recognition of deodorant-type fabric softeners grew.
- Home care: Despite the impact of market shrinkage due to increased opportunities to go out, sales were unchanged due to the contribution of price increases and market share growth for dishwashing detergents.



Sanitary

+2.2% due to strong sales of sanitary napkins; business transformation for baby diapers in progress

- Sanitary napkins: In Japan, sales and market share continued to grow due to marketing innovations. In Asia, sales in China and Indonesia increased.
- Baby diapers: Steady performance in Japan and Indonesia. Implemented structural reforms in China.



Health and Beauty Care Business in H1

- Sales: **188.8** billion yen (+3.1%) Core operating income: **16.0** billion yen (-2.2 billion yen) Core operating margin: **8.5%**
- Increased sales prices of UV care products when launching new and improved high-performance products, while achieving growth and expanding market share. At the start of Q2, profit margins also improved throughout the business. (Core operating margin: Q1: **6.7%** → Q2: **10.0%**)

Skin Care

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

- Japan: Sales increased, driven largely by growth in sales and market share for *Bioré UV Aqua Rich Aqua Protect Mist* and other seasonal products as well as *Bioré The CLEANSE* makeup remover.
- Americas: Sales grew due to the absence of the previous year's logistics disruptions.



Hair Care

Increase in sales due to steady sales of products for hair salons

- Mass-market hair care: Although the competitive environment in Japan remained severe, a new marketing method made the *Essential Barrier Shampoo* series a hit.
- Products for hair salons: *ORIBE* sold strongly, mainly through e-commerce.



Personal Health

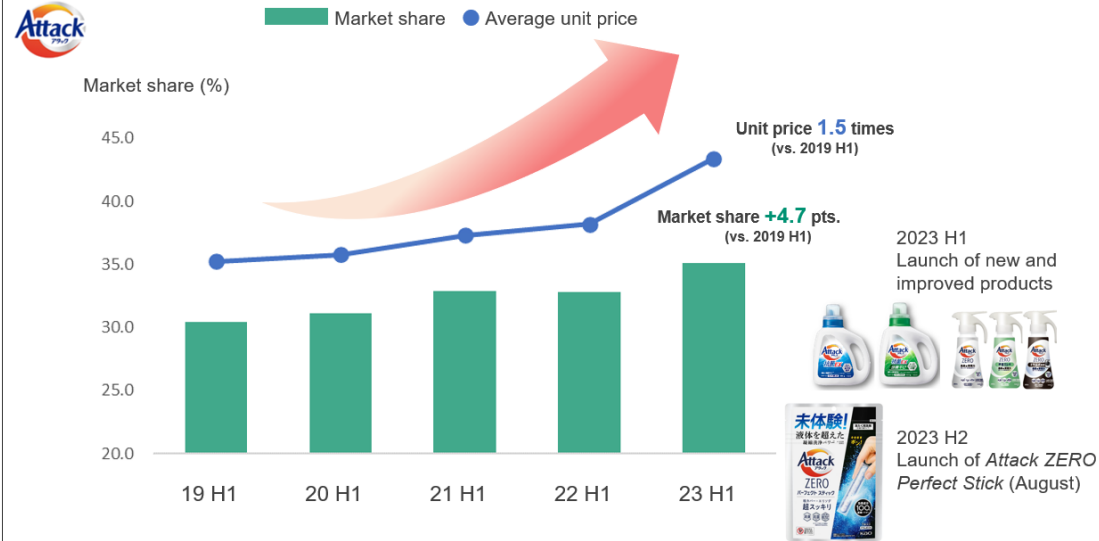
Market slumped due to increased opportunities for going out

- The Kao Group worked to stimulate summer demand with the new offering of *MegRhythm Cool Eye Mask*.

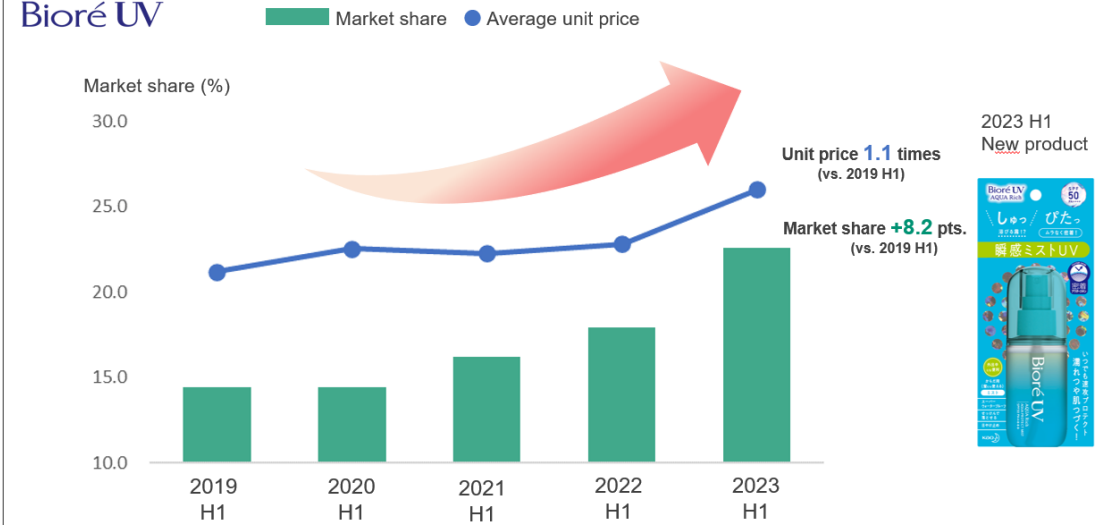


Increasing Market Share, Unit Prices and Profits through High-value-added Products

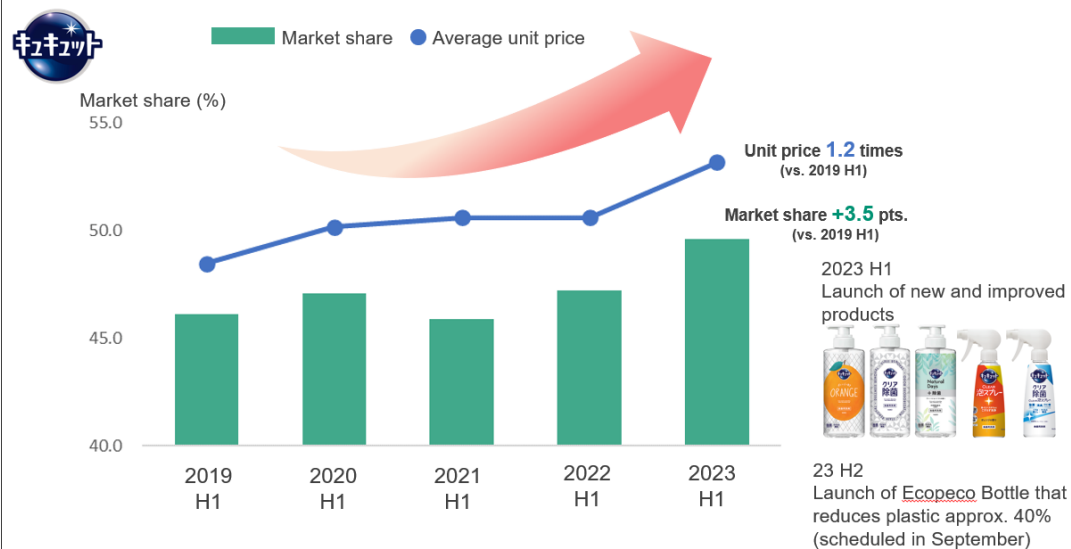
Attack: Expanding No. 1 Brand Share through Addition of High-value-added Items and Strategic Price Increases



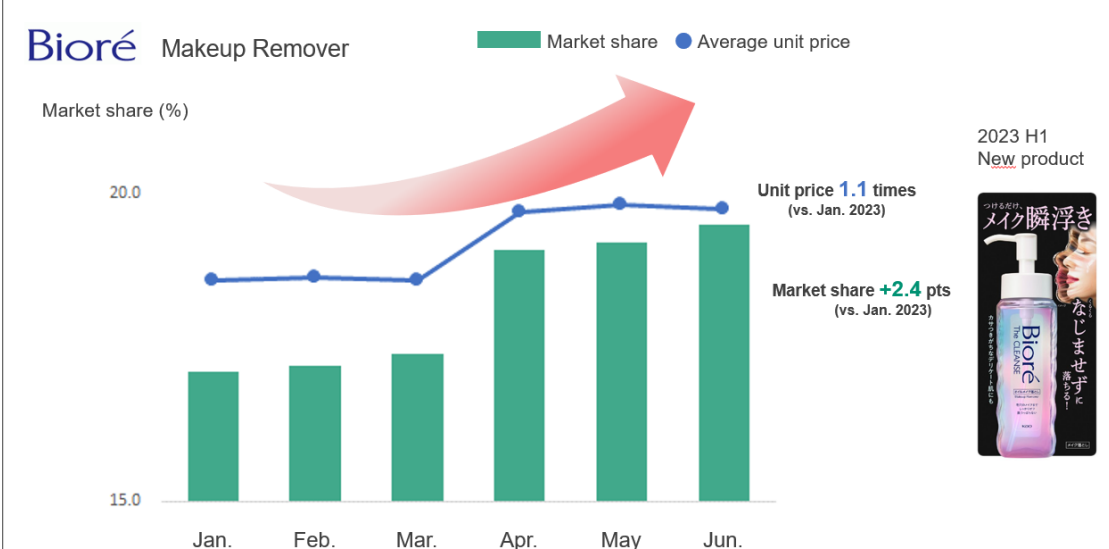
Bioré UV: Raising Prices While Expanding Share When Launching New and Improved High-performance Products



CuCute: Expanding No. 1 Brand Share through Addition of High-value-added Items and Strategic Price Increases



Bioré Makeup Remover: Raising Prices While Expanding Share When Launching a New High-performance Product



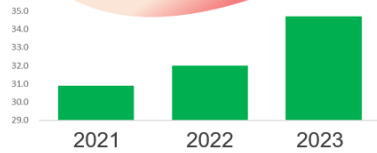
Improvement of Underperforming Businesses through Rollout of New Marketing Methods

Laurier: Transforming into a High-profit Business with Continuing Sales Growth through Marketing Innovations



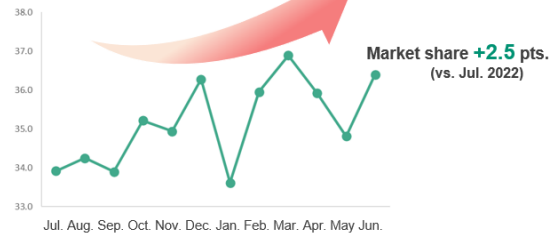
Steady growth in brand power and market share from ramping up communication activities closely in tune with consumers' view of lifetime value

Brand Resonance



Laurier in the Workplace
Activities to improve the environment for working women during their periods (installing sanitary napkin dispensers in bathrooms at companies)

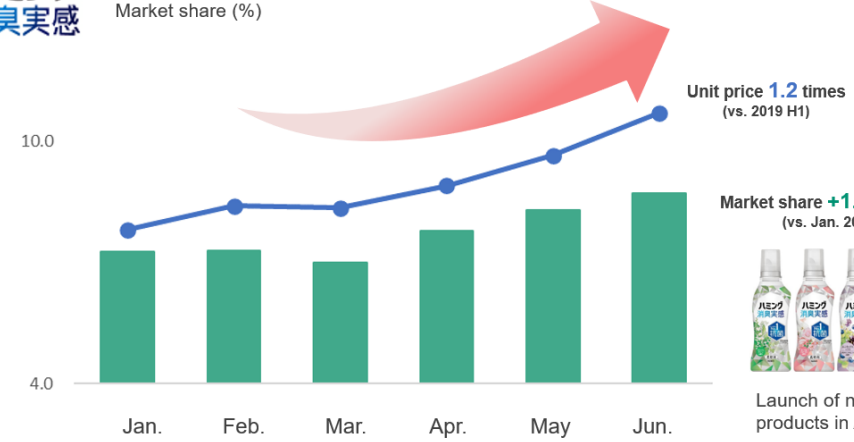
Market Share



Humming Deodorant Fabric Softener : Increasing Market Share through Product Improvements and New Communication



Market share (■) Average unit price (●)



Unit price **1.2 times**
(vs. 2019 H1)

Market share **+1.4 pts.**
(vs. Jan. 2023)

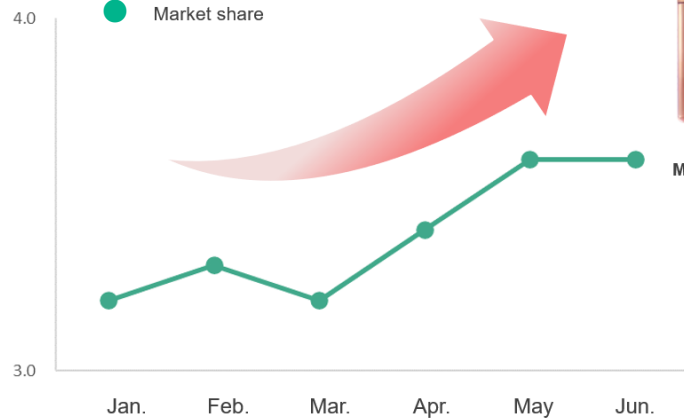


Launch of new and improved products in April-May

Essential: Increasing Word-of-Mouth and Market Share through Effective Use of Social Media



Market share (%)



2023 H1
New products

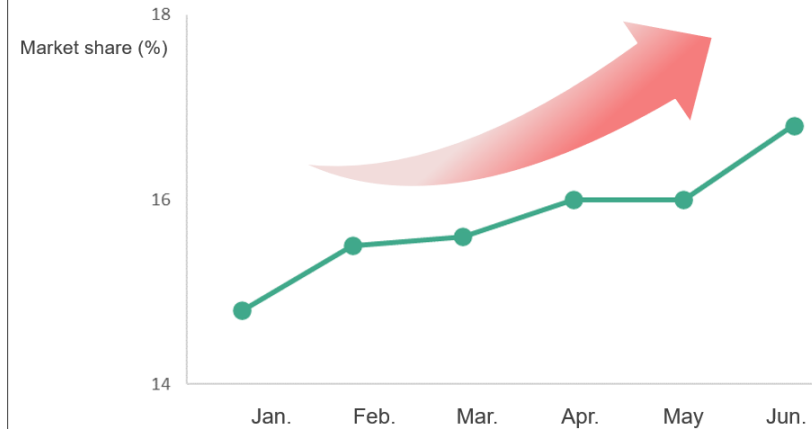


Market share **+0.4 pts.**
(vs. Jan. 2023)

Styling Products: Increasing Market Share through the use of Continuous Digital Communication



Market share



Market share **+2.0 pts.**
(vs. Jan. 2023)



Life Care Business in H1

- Sales: **26.7** billion yen (+1.2%) Core operating income: **-1.1** billion yen (-1.0 billion yen) Core operating margin: **-4.1%**
- Despite the market recovery, commercial-use hygiene products were affected by the shrinkage of the sanitizer market. Increased loyal users of health drinks through e-commerce.

Commercial-use Hygiene Products

Growth in Japan and the Americas due to market recovery

- In Japan, demand rose for products for the food service industry and lodging facilities, but sales only increased slightly overall due to shrinkage of the market for sanitizers.
- Sales in the Americas also increased due to growth in customer industries.



Health Drinks

Start of rebranding

- Sales decreased despite rebranding conducted for *Healthya*. Currently building a new business model with other industries.



Cosmetics Business in H1

- Sales: **115.8** billion yen (-1.6%) Core operating income: **-2.0** billion yen (-4.2 billion yen) Core operating margin: **-1.7%**
- Sales of G11 brands grew, driven by *KATE* and *KANEBO*. Amid the recovery trend in the market in China from the start of Q2, sales and profits rebounded.
- Recovery brought Q2 profits back to the level of the same period a year earlier.

Japan

+2.5% amid market recovery; double-digit growth for G11 brands

- Sell-out of G11 brands exceeded the market in Q2.
- *KANEBO* and *KATE*: Double-digit growth drove growth in the region.
- *SUQQU*: Sales for Japanese market achieved double-digit growth, but decreased overall due to the impact of restrictions on duty-free transactions in South Korea.



China

Market on a recovery track; decrease in H1 results despite recovery by *freeplus* and *Curél*

- *freeplus*: Sell-out was in the high single digits after rebranding.
- *Curél*: Strong performance, with 30% increase in T-mall flagship store sales for June 18 shopping festival.



Europe

Steady performance by *Molton Brown* despite a market slump due to persistent inflation.

- *Molton Brown*: The directly managed flagship store and hotel amenities performed steadily.
- *SENSAI*: *Absolute Silk Micro Mousse Wash* was launched in April.



Cosmetics Business in H1

Year-on-Year Growth/Share of Sales

| | FY2022 H1 | | FY2023 H1 | |
|-------|-----------|----------------|-----------|----------------|
| | Growth | Share of Sales | Growth | Share of Sales |
| G11 | +4% | 69% | +3%* | 73% |
| R8 | +2% | 21% | (8)% | 19% |
| Other | (17)% | 10% | (15)% | 8% |

Global Shipments by Price

* +14% for Japan

G11 Growth Rates by Brand

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

Received numerous Best Cosmetics Awards in Japan

KANEBO



RADIANT SKIN REFINER
(Wipe-Off Lotion)

SENSAI



AS MICRO MOUSSE WASH
(Face Wash)

SUNOON



PROTECTING DAY CREAM
(UV care)

KATE TOKYO



DESIGNING EYEBROW 3D
(Dual color) EX 4
(Eyebrow)

est



INTENSIVE BODY SERUM
(Body care)

ALLIE



CHRONO BEAUTY COLOR ON UV CHEEK 01
(UV care)

R M K



PURE COMPLEXION BLUSH 10
(Cheeks)

LUNASOL



EYE COLORATION 18
(Eyeshadow)

Chemical Business in H1

- Sales: **183.7** billion yen (-12.5%) Core operating income: **11.1** billion yen (-9.0 billion yen) Core operating margin: **6.0%**
- Both sales and profits decreased due to the impact of inventory adjustments by customers and shrinking margins, mainly for oleo chemicals.

Japan

Improved profitability with steady price adjustments despite a persistent slump in demand in some areas

- Demand for hard disk polishing fluid was weak.
- Inquiries about Kao's highly durable asphalt modifiers increased after receipt of the Environment Minister's Award.

Asia

Improvement in profits despite price adjustments for oleo chemicals and customer inventory adjustments

- Oleo chemical-related demand in Greater China remained weak.
- In regions other than Greater China, there were signs of recovery in demand in some fields.

Americas

Continued customer inventory adjustments, mainly for fatty alcohols (-21.5%)

- Falling prices of natural fats and oils and price adjustments in line with the supply-demand balance also had an impact.
- Demand for tertiary amines was firm in some fields, and the Chemical Business aims to further expand this business.

Europe

Continued customer inventory adjustments for oleo chemicals (-15.0%)

- Falling prices of natural fats and oils and intensifying price competition due to the supply-demand balance also had an impact.
- Sluggish demand is expected to continue, with more time required for recovery.

At the 22nd Green and Sustainable Chemistry Awards, Kao received the Environment Minister's Award, which is given for items implemented in society that help to reduce environmental impact, for highly durable asphalt materials for pavement using waste PET.



JR Kyushu's bus rapid transit (BRT) dedicated road paved with NEWTLAC

02

FY2023 Forecast

Revisions to FY2023 Forecast

| (Billion yen) | As of May 10 | As of August 3 |
|------------------------------|---------------|----------------|
| Core operating income | — | 120.0 or more |
| Structural reforms expenses* | — | (60.0) or more |
| Operating income | 120.0 or more | 60.0 or more |

Profit improvement effect

Approx. **30.0** billion yen/year

Some effects are expected to begin appearing in FY2024, with approx. 30.0 billion yen improvement expected to continue from FY2025 onward.

* May vary depending on the situation.

No change in the forecast for existing businesses.

Overview of Structural Reforms

1

Conduct a drastic strategic review and reorganization of inefficient businesses

- Baby diaper business
 - ✓ Termination of production in China
 - ✓ Optimize production system in Japan
- Complete structural reforms of the cosmetics business
 - ✓ Make final touches in restructuring of brand portfolio
- Accelerate product lineup consolidation
 - ✓ Rearrange brands, review SKUs

2

Promote structural reform of human capital

- Assignment and development of human capital to strengthen organizational capabilities
- Reform of assessment system for performance-based compensation
- Expand career support

3

Reform of earning power

- Comprehensively pursue high added value
- Improve cost competitiveness with optimal cost design

FY2023 Forecast

| Billion yen | FY2022 | Growth % | FY2023 Forecast (Announced on Aug. 3) | Growth % | Change |
|--|---------|----------|--|-----------------------|-------------------------|
| Net sales | 1,551.1 | +9.3 | 1,580.0 Effect of currency translation* Like-for-like growth | +1.9 +2.0 (0.1) | +28.9 +30.6 (1.6) |
| Core operating income | 110.1 | (23.3) | 120.0 | +9.0 | +9.9 |
| Core operating margin | 7.1% | - | 7.6% | - | - |
| Operating income | 110.1 | (23.3) | 60.0 | (45.5) | (50.1) |
| Operating margin | 7.1% | - | 3.8% | - | - |
| Income before income taxes | 115.8 | (22.8) | 61.0 | (47.3) | (54.8) |
| Core net income attributable to owners of the parent | 86.0 | (21.5) | 88.0 | +2.3 | +2.0 |
| Net income attributable to owners of the parent | 86.0 | (21.5) | 41.0 | (52.3) | (45.0) |
| EBITDA (Operating income + Depr. & Amort.) | 199.8 | (13.4) | 145.0 | (27.4) | (54.8) |
| ROE (%) | 8.9 | - | 4.2 | - | - |
| Basic core earnings per share (yen) | 183.28 | (20.5) | 189.30 | +3.3 | +6.02 |
| Cash dividends per share (yen) | 148.00 | - | 150.00 | - | +2.00 |

* Exchange rate assumptions: 135 yen/USD, 145 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.

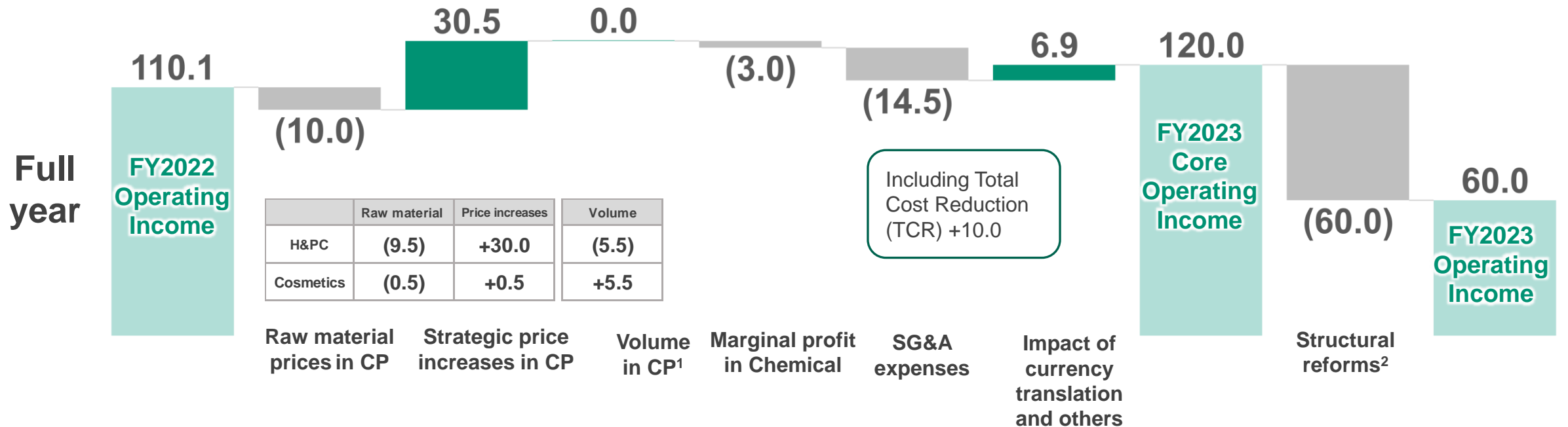
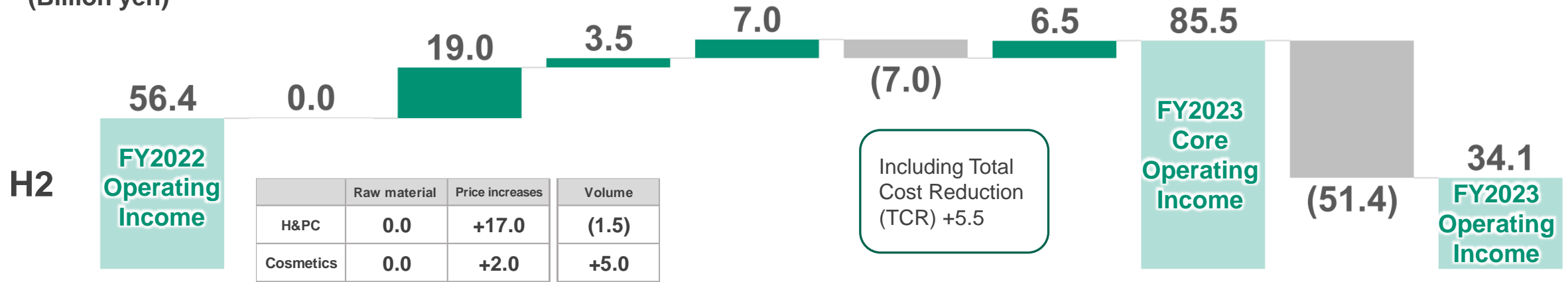
Sales Forecast for FY2023

| Billion yen | Japan | | Consolidated | | Billion yen | Consolidated | |
|----------------------------------|----------|------|------------------------|-------|--------------|------------------------|-------|
| | Growth % | | Like-for-like growth % | | | Like-for-like growth % | |
| Hygiene and Living Care Business | 377.0 | +1.8 | 522.0 | +1.0 | Japan | 893.0 | +1.9 |
| Health and Beauty Care Business | 207.0 | +3.4 | 393.0 | +4.0 | Asia | 326.0 | (2.6) |
| Life Care Business | 45.0 | +2.9 | 58.0 | +2.5 | Americas | 190.0 | (3.8) |
| Cosmetics Business | 167.0 | +3.9 | 265.0 | +3.0 | Europe | 171.0 | (1.5) |
| Consumer Products Business | 796.0 | +2.7 | 1,238.0 | +2.4 | | | |
| Chemical Business* | | | 381.0 | (9.0) | | | |
| Consolidated | | | 1,580.0 | (0.1) | Consolidated | 1,580.0 | (0.1) |

* 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 (Year-on-Year Change)

(Billion yen)

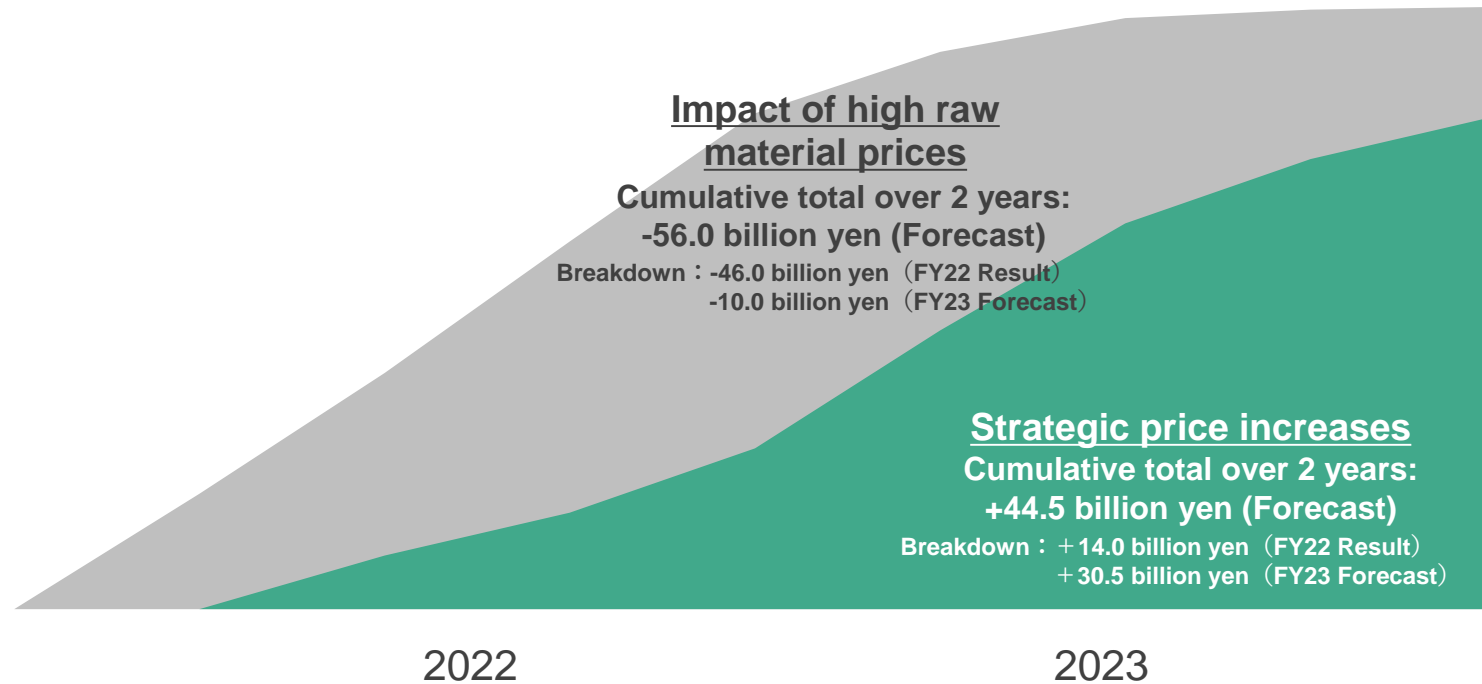


1. Including change in product mix 2. Including structural reform costs for the Cosmetics Business

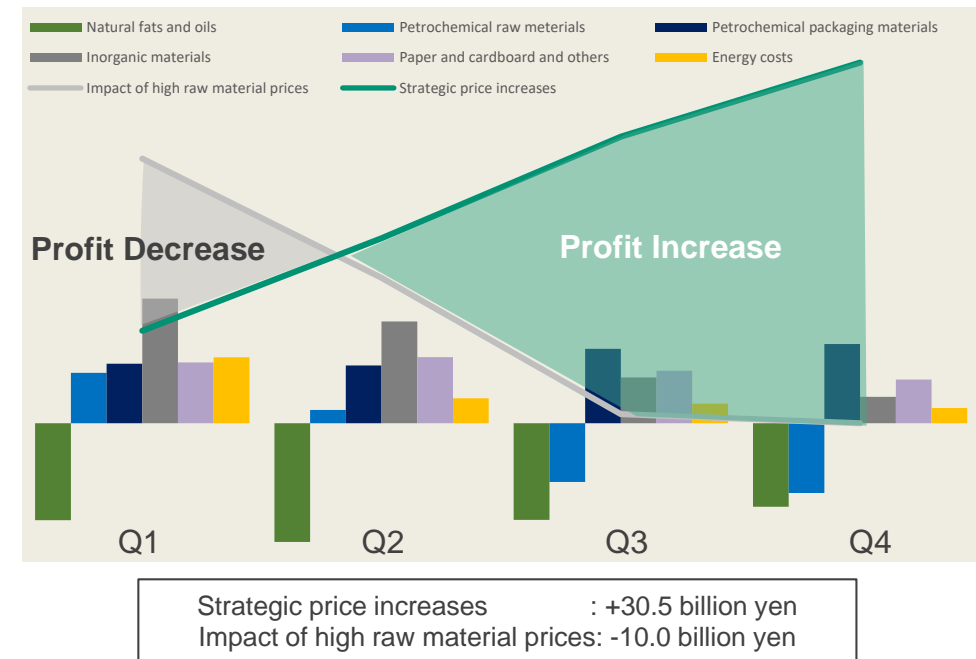
Changes in Raw Material Prices and Effects of Price Increases (Consumer Products Business)

- Plan to cover approximately 80% of 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)



Measures in H2: Household and Personal Care Business

Market

- | | |
|----------------------------|--|
| <u>Japan</u> | <ul style="list-style-type: none"> Double-digit growth for UV care products, over 5% growth for makeup removers and styling products in H1 due to market recovery as opportunities for going out increased. Overall growth of 1-2% expected for the year. |
| <u>Asia</u> | <ul style="list-style-type: none"> China: The market for baby diapers and sanitary napkins in China is expected decrease due to the resurgence of COVID-19 at the beginning of the year and the impact of the declining birth rate. Others: 4-5% growth expected due to recovery from COVID-19 since 2022. |
| <u>Americas and Europe</u> | <ul style="list-style-type: none"> 9-10% growth expected due to recovery from COVID-19. Trending toward a year-on-year decrease in sales volume following the first stage of price increases. |

Measures to Increase Profits in H2

- ✓ **Implementation of further strategic price increases** (expand products covered from July onward)
- ✓ **New value offerings using Kao's original technologies (new formulations/ESG)**
 - Use high-value-added products to solidify No. 1 market share in the laundry detergent and dishwashing detergent categories.
Attack ZERO: Launch of *Perfect Stick* (August); *CuCute*: Introduction of *Ecopeco Bottle* (scheduled in September).
- ✓ **Improvement of underperforming businesses through rollout of new marketing methods that match category characteristics**
 - Improved and new products for core fabric softener *Humming Flair* (scheduled in August).
(In H1, *Humming Deodorant Fabric Softener* increased its market share to No. 2 in the deodorant-type fabric softener category.)
 - Essential THE BEAUTY*: Improve hair repair series (scheduled in August).
- ✓ **Ongoing cultivation of strong-selling new products launched in spring**
 - Bioré UV Mist*: Achieve record-high market share centered on this new product to maintain a decisive lead in the peak demand period.
 - Bioré The CLEANSE*: Expand sales of this new oil makeup remover.
 - Essential Barrier*: Continue cultivating this strongly performing series



Advent of a new stick-shaped detergent that will transform¹ doing laundry in Japan



Uses a next-generation effervescent powder² with overwhelming cleaning power that goes beyond liquid detergents³

Briefing on July 27 to announce the launch of *Attack ZERO Perfect Stick*



Scheduled to launch in tandem in Japan and Asia (Taiwan/Hong Kong)
Japan: Saturday, August 5; Taiwan/Hong Kong: From September

1. Within Kao's laundry detergents
2. Powder featuring a coating and an "air-in" structure
3. Kao's liquid detergents

Measures in H2: Cosmetics Business

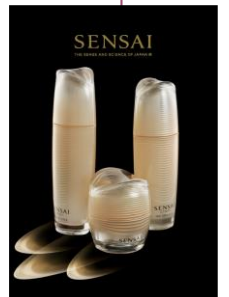
Market

- In Japan, mask wearing is on the decline and makeup market is showing signs of recovery. Inbound demand is also expected to increase.
- In China, the market is on a recovery track, but the pace of recovery is expected to be moderate.
- In Europe, steady growth is expected as the impact of inflation subsides.

Measures to Increase Profits in H2

Japan

- ✓ **Growth of prestige brands outpacing the market (around mid-teens % growth year on year)**
 - *KANEBO*: Launch a new liquid foundation in August as the second in a series of products with a beautiful natural finish and expand sales through duty-free shops and cross-border e-commerce.
- ✓ **Sales expansion in line with makeup market recovery**
 - *KATE*: Increase production of *LIP MONSTER*.
 - *SUQQU*: Renew cream foundation.
- ✓ **Response to inbound demand: Communicate information through key opinion leaders**
 - *suisai*: Special edition *beauty clear powder*
 - *LUNASOL*: *EYE COLORATION*



China

- ✓ **Strengthening of measures for steady growth**
 - *freeplus*: Continue rebranding.
 - Respond to changes in the distribution environment and step up measures for Singles' Day.

Europe

- ✓ **Growth exceeding the market from emphasizing the *SENSAI* story**
 - Renew *ULTIMATE*, the supreme anti-aging skincare line, in September.

Measures in H2: Chemical Business

Market Conditions

- In H1, demand was weak as inventories piled up due to logistics disruptions, mainly in the Americas and Europe, and the subsequent economic slowdown.
- Demand is expected to recover from Q4.

Measures to Increase Profits in H2

- ✓ Expand business by adding facilities for highly profitable products (Europe: tertiary amines, aroma chemicals; start operation of new facilities from Q3).
- ✓ Restore profit margins through additional price increases to cover amount lost due to delayed response to cost increases, and price adjustments in response to price fluctuations of fats and oils.
- ✓ Expand high-value-added products: Highly durable asphalt modifier (40% year-on-year increase), adjuvant for aerial spraying of agrochemicals (40% year-on-year increase), chemicals for semiconductors (15% year-on-year increase).
- ✓ Start rollout of highly profitable new products: Hydrophobic cellulose nanofiber composite material (world first for electronic material applications), aromatic biochemicals/gallic acid (world first as raw material for general-purpose chemical products).



03

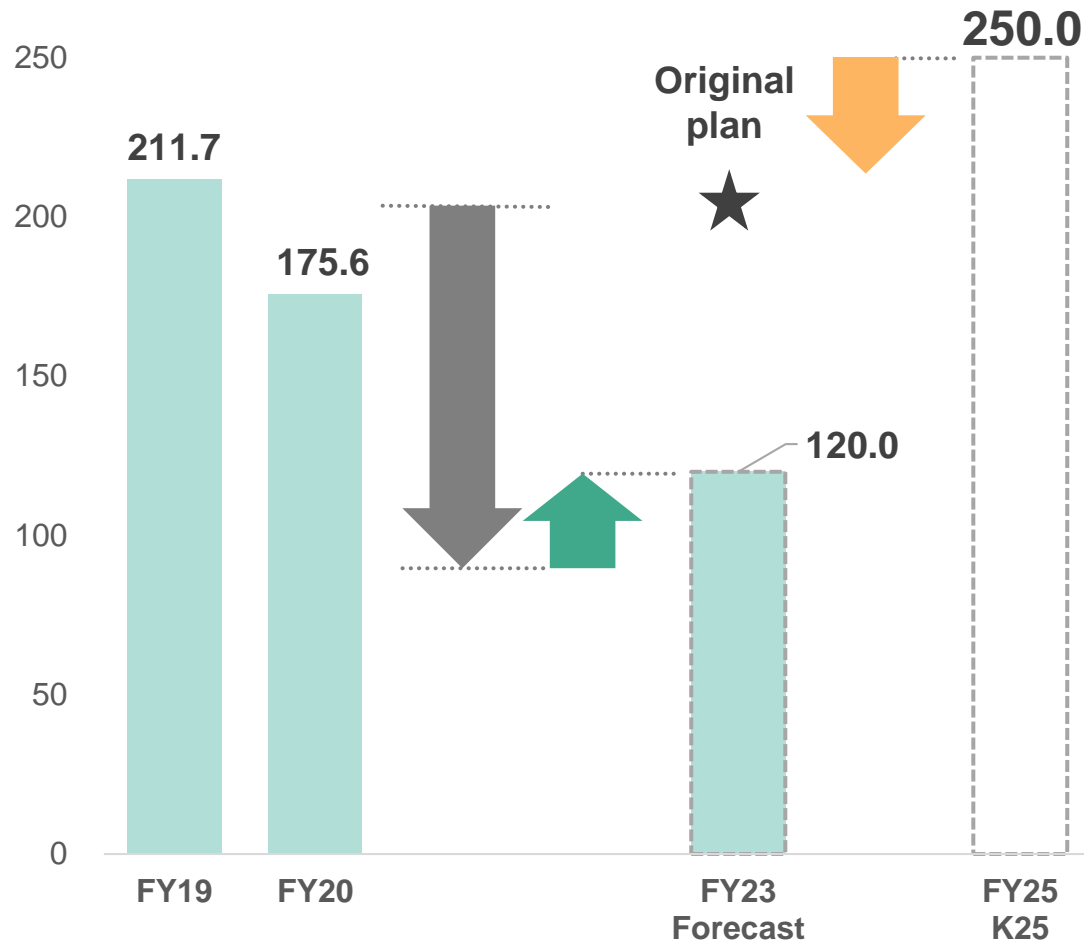
Mid-term Plan “K25” Progress

1) Mid-term Plan “K25” Progress and “K27”

Progress of Kao Mid-term Plan 2025 “K25”

- The Kao Group clarified the factors causing deviation from its K25 plans to revise the mid-term plan, centered on structural reforms and growth strategies. Delay in global rollout and worsening capital efficiency are issues.

Operating income
(Billion yen)



Emerging weaknesses due to external factors

- ✓ Rapid hikes in raw material prices have risen and remained high
- ✓ Loss of inbound demand and a changing Chinese market
- ✓ Overemphasis on the Japanese market and China-related demand
- ✓ Business and sales prioritizing expansion of sales and market share
- ✓ Delays in strategic transformation of underperforming categories

Counter measures

- ✓ Implement strategic price increases
- ✓ Concentrate investment in growth fields
- ✓ Strengthen TCR activities and streamline fixed costs

Fell short of plan for new products and delay in building businesses in new areas

Direction of the Kao Group

- Determine a specific growth trajectory without changing the management policy set in K25.

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* ” businesses.**

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

Targets of Mid-term Plan K27

- Two new management indicators, ROIC and sales outside Japan, have been established to improve capital efficiency and ramp up global rollout.

| (Billion yen) | FY2022 Results | FY2025 Estimate | FY2027 Targets |
|-------------------------|-------------------|--------------------|---|
| ROIC | 7.8% | 9.0% | 11.0% or more |
| EVA | 14.7 | 35.0 | 70.0 or more |
| Operating Income | 110.1 | 160.0 | Record-high operating income (FY2019 211.7 billion yen) |
| Sales outside Japan* | 674.5 | 720.0 | 800.0 or more (Sales CAGR+4.3%) |

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

K27 Roadmap

| 2023 | 2024 | 2025 | 2026 | 2027 |
|------|------|------|------|------|
|------|------|------|------|------|

Growth strategy 2: A new co-creation businesses with partner companies

1. Conduct co-creation with the No. 1 companies in the target segments
2. Build new playing fields in new business areas

Growth strategy 1: Global expansion of growth driver areas

1. Skin Care Business: Make skin protection* a Global Sharp Top business
2. Cosmetics Business: Ramp up global rollouts of *Curél*, *SENSAI* and *MOLTON BROWN*
3. Chemical Business: Expand the business by helping to resolve social issues

Structural reforms (Stronger competitiveness for mainstay businesses)

1. Conduct a drastic strategic review and reorganization of inefficient businesses
2. Promote structural reform of human capital
3. Reform of earning power

* Skin protection: Technologies that protect the skin from environment-related risks, fall into three categories: UV care, self-tanning and protection from environment-related risks.

2) Structural Reforms (Stronger Competitiveness for Mainstay Businesses)

Overview of Structural Reforms

1

Conduct a drastic strategic review and reorganization of inefficient businesses

- **Baby diaper business**
 - ✓ Termination of production in China
 - ✓ Optimize production system in Japan
- **Complete structural reforms of the cosmetics business**
 - ✓ Make final touches in restructuring of brand portfolio
- **Accelerate product lineup consolidation**
 - ✓ Rearrange brands, review SKUs

2

Promote structural reform of human capital

- **Assignment and development of human capital to strengthen organizational capabilities**
- **Reform of assessment system for performance-based compensation**
- **Expand career support**

3

Reform of earning power

- **Comprehensively pursue high added value**
- **Improve cost competitiveness with optimal cost design**

Effects and One-Time Expenses Associated with Structural Reforms

| (Billion yen) | As of May 10 | As of August 3 |
|------------------------------|---------------|----------------|
| Core operating income | — | 120.0 or more |
| Structural reforms expenses* | — | (60.0) or more |
| Operating income | 120.0 or more | 60.0 or more |

Profit improvement effect

Approx. **30.0** billion yen/year

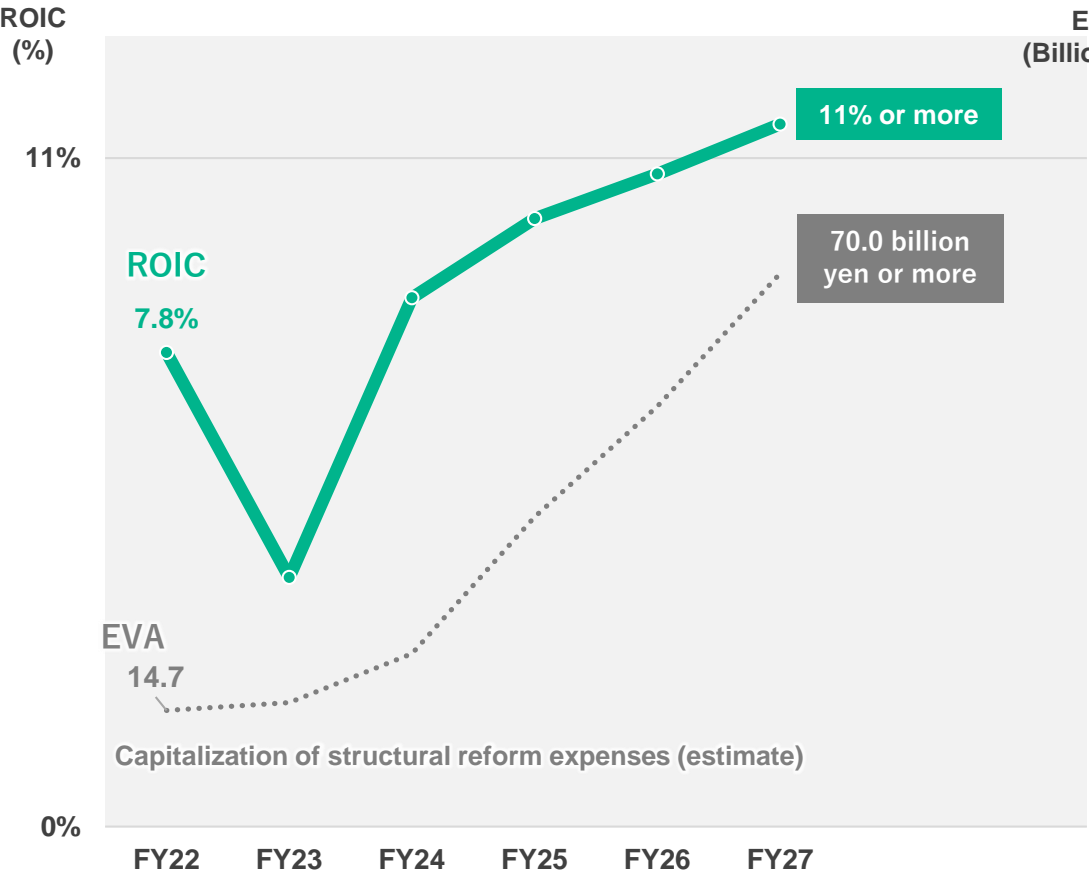
Some effects are expected to begin appearing in FY2024, with approx. 30.0 billion yen improvement expected to continue from FY2025 onward.

* May vary depending on the situation.

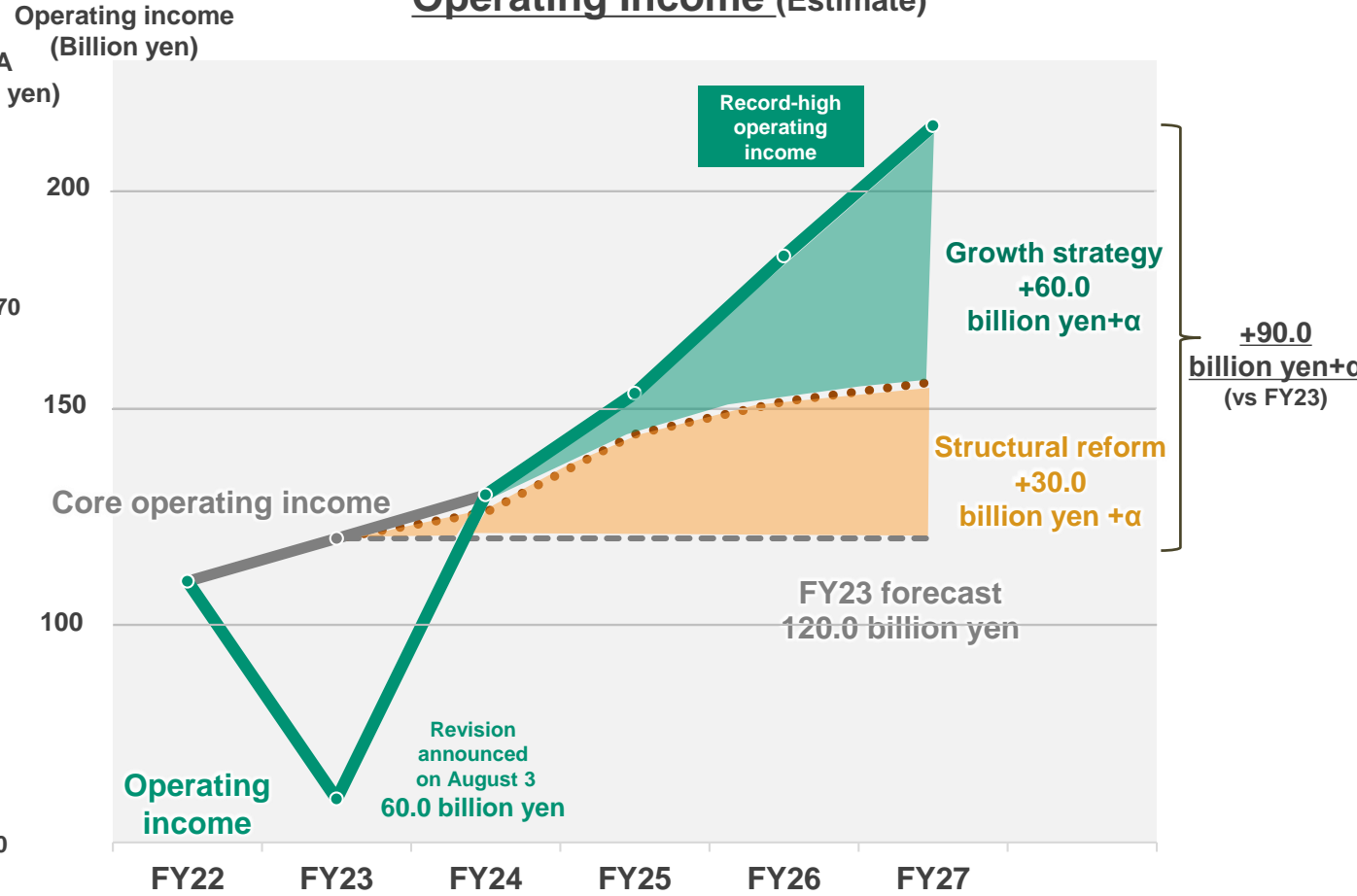
No change in the forecast for existing businesses.

Mid-term Plan K27: Envisioned Progress

ROIC (Estimate)



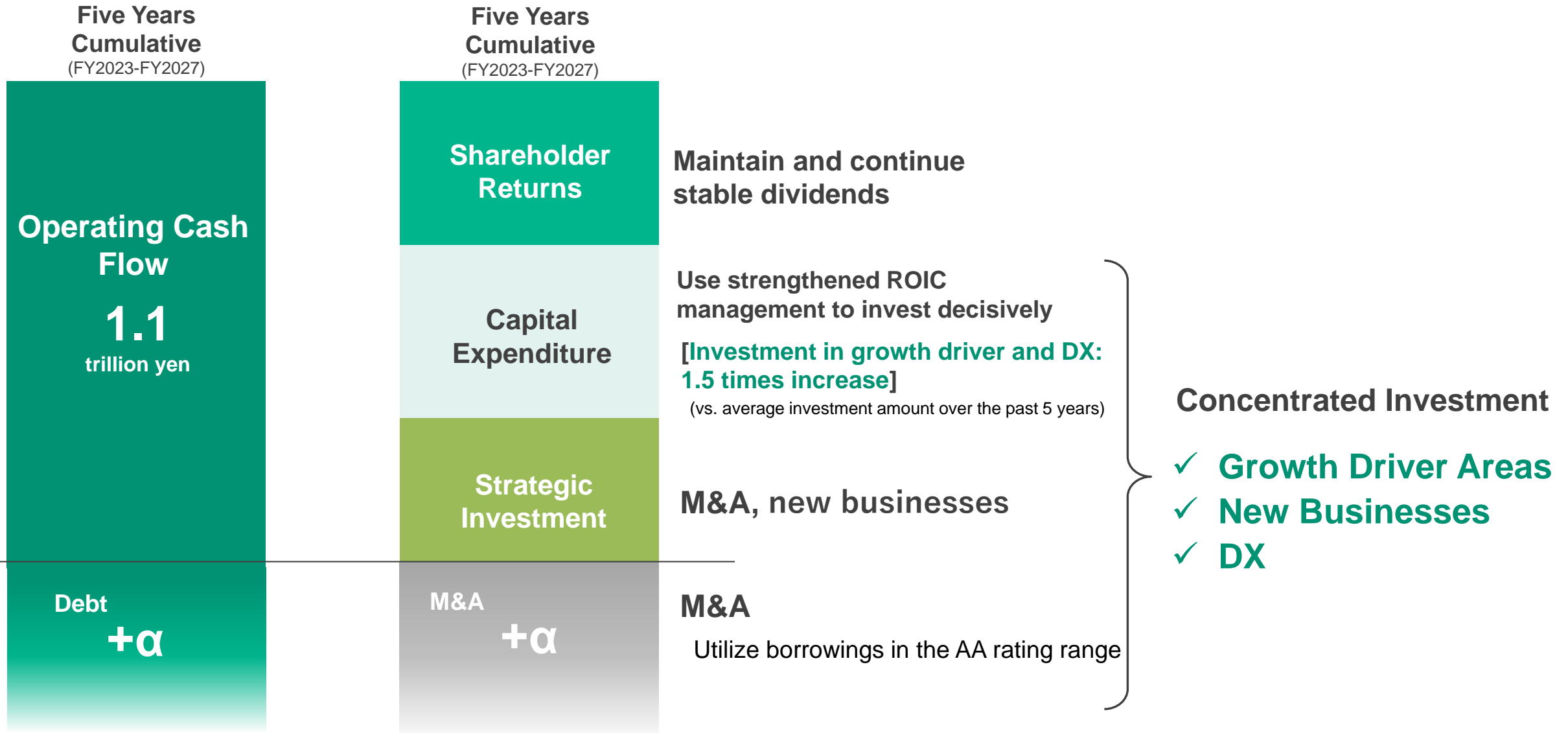
Operating Income (Estimate)



$$\frac{+90.0 \text{ billion yen} + \alpha}{(\text{vs FY23})} = \left[\text{Stable earnings} +20.0 \text{ billion yen} \right] + \left[\text{Growth driver + Business transformation} +70.0 \text{ billion yen} \right]$$

Mid-term Capital Policy

- Invest for future development and make shareholder returns from an EVA perspective.



* Any surplus funds will be used for repurchases of the Company's stock as part of shareholder returns, while monitoring the status of cash flow and cash on hand.

Overview of K27

- The Kao Group clarified the factors causing deviation from its K25 plans to revise the mid-term plan, centered on structural reforms and growth strategies. Delay in global rollout and worsening capital efficiency are issues.

Accelerate global rollout

- ✓ Build Global Sharp Top businesses
- ✓ Concentrate human capital to accelerate strategy
- ✓ Further ramp up DX

Improve capital efficiency

- ✓ Drastically reorganize underperforming areas
- ✓ Strengthen ROIC management (business portfolio management)

Build businesses in new areas

- ✓ Ramp up co-creation businesses with partners (Create Global Sharp Top businesses)

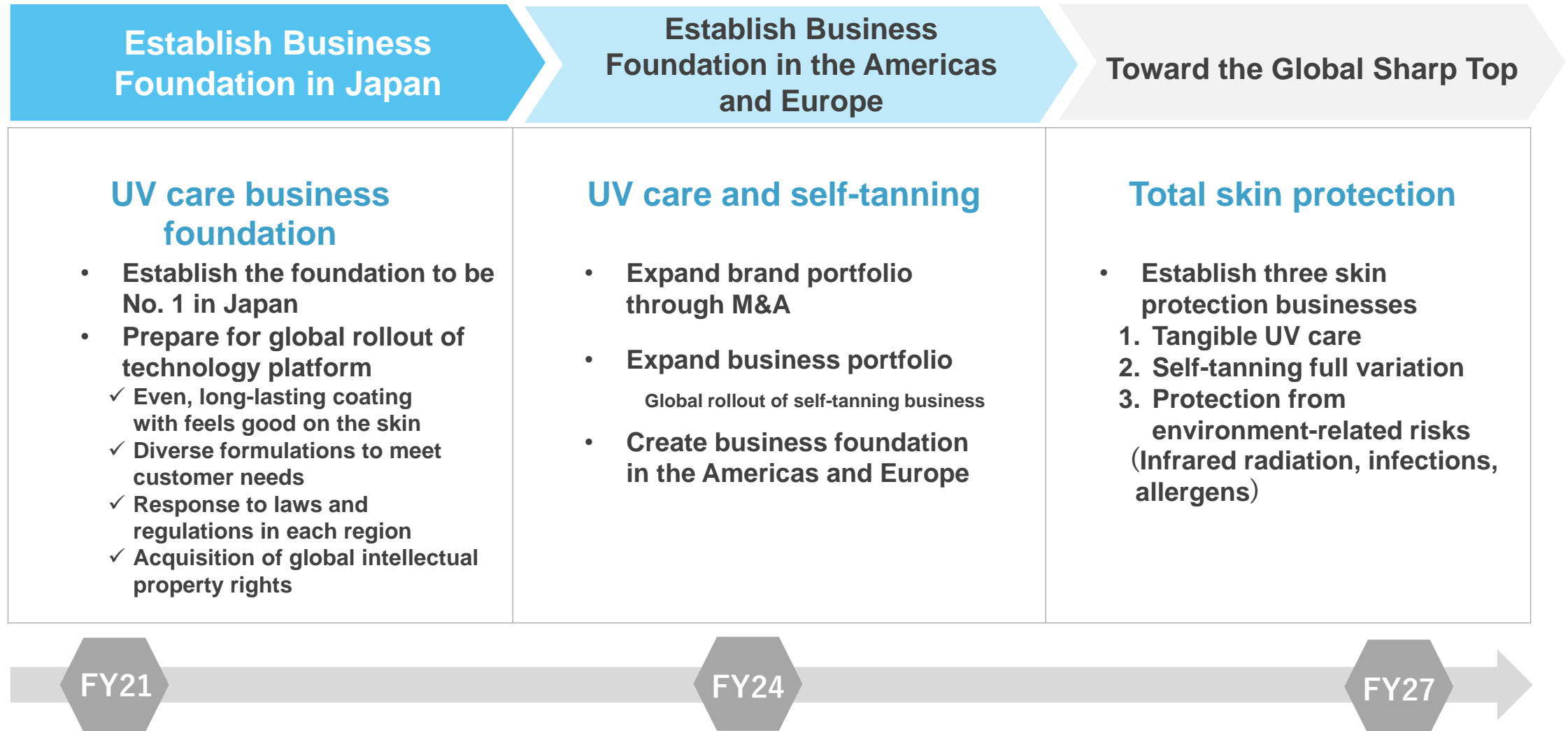
3) Global Expansion in Growth Driver Areas

Growth Strategy Targets of K27

| | Stable Earnings | Growth Driver | Business Transformation |
|--------------------------|---|---|---|
| Basic Policy | Improve Profitability and Maintain and Expand Share | Growth Investment and Global Growth | Improve Profitability |
| Business | <ul style="list-style-type: none"> Fabric care Home care Personal health | <ul style="list-style-type: none"> Skin care Cosmetics Chemical Commercial-use hygiene products | <ul style="list-style-type: none"> Products for hair salons Hair care <ul style="list-style-type: none"> ▶ Reforms underway to shift to a growth driver <hr/> <ul style="list-style-type: none"> Sanitary products <ul style="list-style-type: none"> ▶ Structural reforms in progress <hr/> <ul style="list-style-type: none"> Baby diapers <ul style="list-style-type: none"> ▶ Drastic structural reforms (FY23) |
| ROIC (FY2027 Targets) | 20% | 12% | 7% |

Global Expansion in Growth Driver Areas -Skin care business-

- Aim to be the Global Sharp Top in skin protection*



* Skin protection: Technologies that protect the skin from environment-related risks, fall into three categories: UV care, self-tanning and protection from environment-related risks.

Global Rollout of Skin Protection (UV care/Self-tanning)

- Swiftly ramp up global rollout through synergies between brands, intellectual properties, technologies, sales channels and other assets of Kao and Bondi Sands.

Europe

Market

- UV care: **304.2** billion yen (CAGR+6%)
- Self-tanning: **33.5** billion yen (CAGR+5%)



Share: **FY27 No.2**

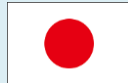


Bioré
(FY23 Start)

Japan/Asia

Market

- UV care: Approx. **260.0** billion yen
- Self-tanning: -



Share:
No.1* and growing



FY27 No.1

Bioré



FY27 No.5



North America

Market

- UV care: **312.3** billion yen (CAGR+6%)
- Self-tanning: **40.8** billion yen (CAGR+6%)



Share: **FY27 No.3**



JERGENS
Natural Glow

Bioré
(FY23 Start)

Australia

Market

- UV care: **24.3** billion yen (CAGR+8%)
- Self-tanning: **6.6** billion yen (CAGR+8%)



Share: **FY27 No.1**



Bioré

South America

Market

- UV care: **167.4** billion yen (CAGR+11%)
- Self-tanning: **3.5** billion yen (CAGR+8%)



Share: **FY27 No.6**



Bioré
(FY23 Full-scale start)

<Share>

Targeted market position in FY27

in the skin protection market (total of UV care and self-tanning)

<Market size>

North America, Europe, Australia, South America:

FY2022 Euromonitor

CAGR: 2022 to 2027, 125 yen/USD

Japan/Asia: Kao survey:

Total of countries and regions where Kao products are sold

(Japan, China, Taiwan, Hong Kong, Singapore, Thailand, Malaysia)

* No.1 in sales, INTAGE SRI+ sunscreen market Jan.–Dec. 2022 cumulative sales by series

Kao Precision Skin Care

High Functionality

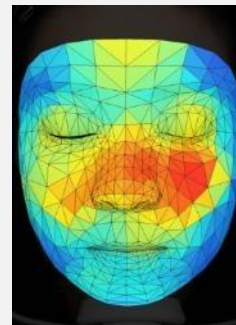
Skin Protection

- **Ease of application**
Apply to the areas to be protected
- **Evenness**
All areas are evenly covered by a UV-shielding component
- **Duration and feel**
Long-lasting with a pleasant feel

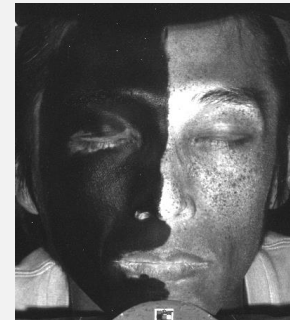
High Precision

Skin Monitoring

Kirei skin analysis



UV care skin



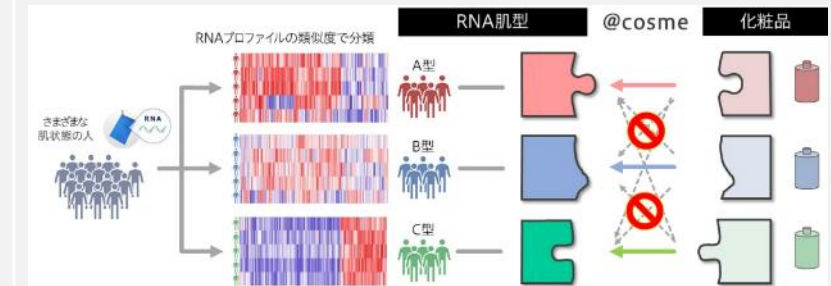
AI that has learned the skin evaluations of experts in the field



High Applicability

RNA Monitoring

Personal attributes from a combination of DNA and lifestyle habits



Skin barrier test to determine risk



RNA testing business: Business started on March 9, 2023.

- | Build a foundation for global competition | Accelerate brand growth strategy through aggressive investment | Ramp up efforts and establish a full-fledged global business |
|--|---|---|
| <p>Foundation Building</p> <ul style="list-style-type: none"> Establish operations of an organization that can compete globally Global rollout of <i>Curél</i>, <i>SENSAI</i> and <i>MOLTON BROWN</i> (1st Runners) Establish structure of G11 and R8 brand lineups | <p>Global Business Expansion</p> <ul style="list-style-type: none"> Establish regional portfolio strategies (Japan, Europe, Asia) Make strategic investments in key brands Strengthen G11 brand portfolio | <p>Toward the Global Sharp Top</p> <ul style="list-style-type: none"> Achieve No. 1 brand and category positions Ramp up global rollout of 2nd Runners Build infrastructure to support global business |
| FY23 | FY25 | FY27 |



- Globally competitive brands based on distinctive craftsmanship that melds brand identity with Kao Group technologies

SENSAI



Brand Identity

Targets

Achieve silky skin with Koishimaru Silk*

Ultra-wealthy, emphasizing experience and rare ingredients

MOLTON BROWN

LONDON



British style/Commitment to the finest fragrances

Luxurious and Sustainable

Science and Sense

Kao Group Technologies and Assets

* Koishimaru Silk: SENSAI products use ingredients centered on an extract from silk made by Koishimaru, a rare species of silkworm native to Japan.

- Become a competitive brand in the global sensitive skin market by providing solutions based on brand uniqueness (ceramide care technology), the local climate in each region of operations, and skin concerns.



Curel

Ceramide care technology



Specific skin problems

Local climate



Provide unique
solutions

Global Expansion in Growth Driver Areas -Chemical Business-

- We will grow our business by solving environmental and social issues.



Example of Major Materials and Products -Chemical Business-

In the leading group worldwide

| | |
|------------------------------|---|
| Fat and oil derivatives | <ul style="list-style-type: none"> • Natural fatty alcohols • Tertiary amines |
| Detergents & Cosmetics | <ul style="list-style-type: none"> • Surfactants for fabric softeners |
| Surfactants | <ul style="list-style-type: none"> • Sulfate type anionic surfactants |
| Fragrance | <ul style="list-style-type: none"> • Aroma chemicals (HCA1, MDJ2, lactones, etc.) |
| Digital printing materials | <ul style="list-style-type: none"> • Toner binders |
| Semiconductors & Electronics | <ul style="list-style-type: none"> • Hard disk polishing agents/cleaners • Cleaning agents for semiconductor back-end processes |

1. HCA: Hexyl Cinnamic Aldehyde 2. MDJ: Methyl Dihydro Jasmonate

In the leading group within Japan

| | |
|---|--|
| Plastics & Rubbers | <ul style="list-style-type: none"> • Silica dispersants for fuel-efficient tires |
| Agrochemicals | <ul style="list-style-type: none"> • Adjuvants for agrochemicals |
| Food products | <ul style="list-style-type: none"> • Additives for tofu • Emulsifier for confectionery |
| Casting | <ul style="list-style-type: none"> • Furan binder for casting |
| Metals | <ul style="list-style-type: none"> • Metal cleaners |
| Asphalt, Civil engineering & Construction | <ul style="list-style-type: none"> • High-range water reducing admixtures for concrete products |

One in two color copies



One in three hard disks



One in two green tires



One in four of tofu



90% of poles
60% of pipework



Contribution to reduced use of agrochemicals



Indispensable for skyscrapers



Adjuvants

- Contribute to Smart Agriculture and Environment Preservation -

- Special feature: Chemicals that bring out the potential of agrochemicals such as increased permeation of active ingredients and improved wettability
- Market size*: (Adjuvants) 100 billion yen (CAGR+6% or more)
- Sales target for 2027: 2.5 times 2020 sales



Crop dusting using a drone



Disease monitoring on oil palm farms

Asphalt Modifier Made from Waste PET

- Contribute to Adding Resilience to Infrastructure -

- Special feature: We contribute to creation of a resource recycling society by realizing effective use of waste PET and highly durable paving at the same time.
- Market size*: 25 billion yen in Japan
100 billion yen outside Japan (CAGR+ 5%)
- Sales target for 2027: 25 times 2020 sales



Increase of track record in Japan



Promotional activities outside Japan

Semiconductor Chemicals

-contribution to improving semiconductor performance-

- **Special feature:** Realization of high washability and low environmental impact. Focus on developing one-of-a-kind chemicals indispensable for 5G/6G communication standards
- **Market size¹:** 350 billion yen (CAGR+8%)
- **Sales target for 2027:** 2.3 times 2020 sales



Printed circuit board cleaner



Semiconductor etching agent

Hydrophobic-modified Cellulose nanofiber

-Contributes to Functional Innovations in Various Applications-

- **Special feature:** Sustainable high-performance material customized for each application using proprietary hydrophilization technology
- **Market size² (aqueous):** 5.5 billion yen (mainly for cosmetics, food, ink, coating materials, etc.)
- **Sales target for 2027: Market launch in 2023**
(Rollout of hydrophobic products is expected to expand the markets for mobility, home appliances and construction material applications.)



Hydrophobic-modified cellulose nanofiber



Strengthening of structural materials



Improved workability of electronic materials

Applications where expansion is expected

Further Bolster Strong Businesses

-Chemical Business-

Tertiary amines

Aim to establish a firm No. 1 position in the global market and increase global share from 35% to over 40% by strengthening the three-region structure and rolling out products that meet customer needs.

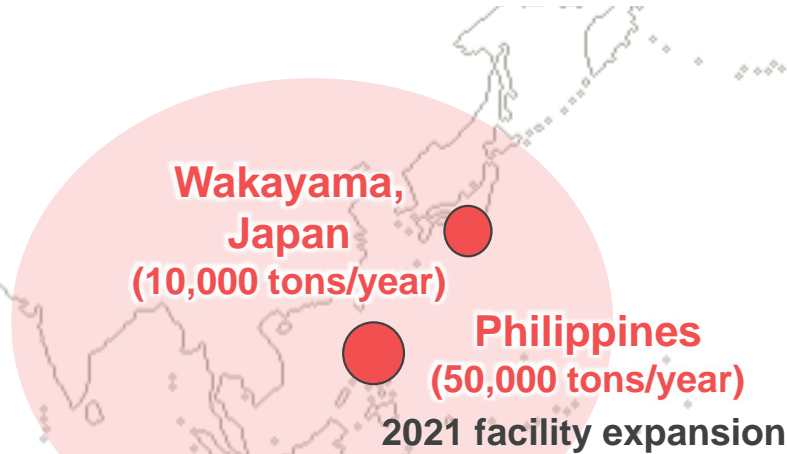
Europe

Growing demand for green products



Asia

Strengthen focus on markets in India and Southeast Asia



Americas

Reduce logistics costs




















Share in the Region 45% (2019) → 55% (2027)

25% (2019) → 30% (2027)

50% (2019) → 60% (2027)

Overview of K27 Growth Strategy

| | Stable Earnings | Growth Driver | | | |
|---|---|--|---|---|---|
| Business | Fabric and Home care | Skin care | Cosmetics | Chemical | Hair care* including products for hair salons |
| Targets ROIC | 20% or more | 12% or more | | | |
| Targets Operating Income (vs. 2022) | Up approx. 20.0 billion yen or more | Up approx. 70.0 billion yen or more | | | |
| Basic Policy | Improve profitability and maintain and expand share | Invest for growth, ramp up global rollouts (Global Sharp Top) | | | |
| Strategic Regions | Japan and Asia | Global | Japan, Asia and Europe | Global | Americas and Europe, Japan and Asia |
| Co-creation Areas | Home appliances, household-use products | Vector-borne diseases, over-the-counter pharmaceuticals | Beauty appliances, beauty clinics | Agriculture, roads, semiconductors | Health care salons |
| Products/Brands That Use Strategic Technologies |     |    |       |   |   |

* Reforms underway to shift from the business transformation area to a growth driver

Key Points of Management Reform

Aim to be a company that sustains Global Sharp Top businesses.

Aim to be global No. 1 in leading-edge priority domains rather than in terms of total business scale.

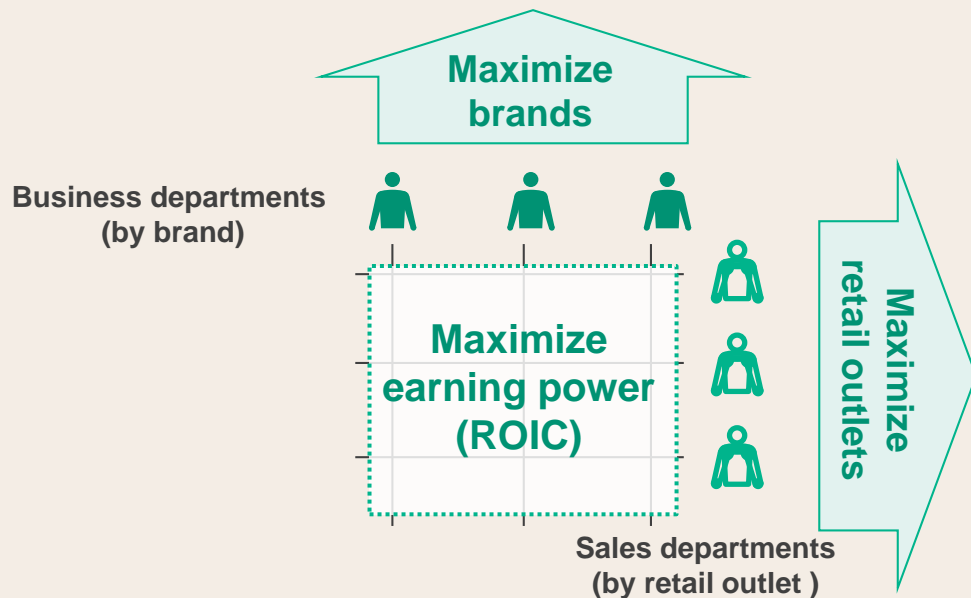
Take rapid, decisive action on structural reforms and accelerate toward global growth

Business Reform

-Integrated management of business and sales-

✓ **Emphasize profitable growth**

- **Maximize results by brand and chain through ROIC management**

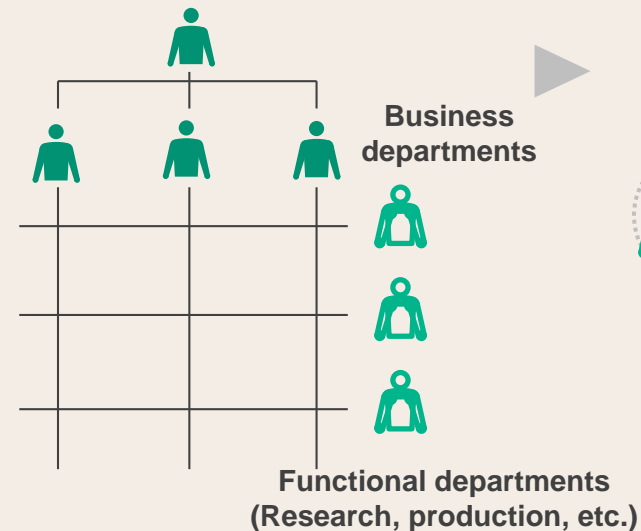


Development Reform

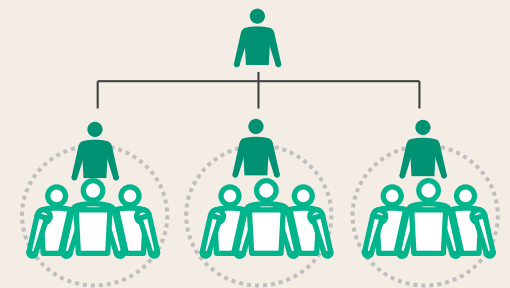
-Toward flexible development that transcends departments and hierarchies-

✓ **Improve results for new products**

Matrix-oriented
-Department management method-



Task-oriented
-Scrum method-



Targets of Mid-term Plan K27

- Two new management indicators, ROIC and sales outside Japan, have been established to improve capital efficiency and ramp up global rollout.

| (Billion yen) | FY2022 Results | | FY2027 Targets |
|-------------------------|----------------|--|---|
| ROIC | 7.8% | | 11.0% or more |
| EVA | 14.7 | | 70.0 or more |
| Operating Income | 110.1 | | Record-high operating income (FY2019 211.7 billion yen) |
| Sales outside Japan* | 674.5 | | 800.0 or more (Sales CAGR+4.3%) |

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

- **Cosmetics Business and Mass Market Skin Care Business Growth Strategy Briefing**
Tuesday, September 26, 2023

04

Appendix

Co-creation Businesses with Partners

- Rollouts through co-creation with top-class companies in each industry

| Target Businesses | Skin care | Cosmetics |
|---------------------------------|---|---|
| Brands/Technologies Deployment |   |   2.0 |
| Technical Features | New generation of insect repellents that don't contain insecticides | Protective membrane on the skin surface made of fine fibers |
| Targets | Noxious insect repellents | Beauty appliances, cosmetic clinic |
| Starting Period Rollout Regions | 2024-25 Asia/Japan + Americas and Europe | 2024 Japan/China + Americas and Europe |

Acquisition of Bondi Sands of Australia

Bondi Sands Australia Pty Ltd

(Headquarters: Melbourne, Australia; established 2012)



Self-tanning, UV care, skin care and other products available in countries including Australia, the United Kingdom and the United States

No. 1 share¹ in the market for self-tanning products —in Australia, where awareness of protecting skin from the sun is high. Bondi Sands self-tanning products offer a beautiful, healthy tan without exposure to the sun.

- **No. of products: 92 SKUs (3 categories)²**
- **No. of countries and regions where available: 32**

Kao

Kirei—Making Life Beautiful

