

**KaO**

Kirei—Making Life Beautiful

# Consolidated Financial Results for the Nine Months Ended September 30, 2023

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Kao Corporation  
November 8, 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. 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.

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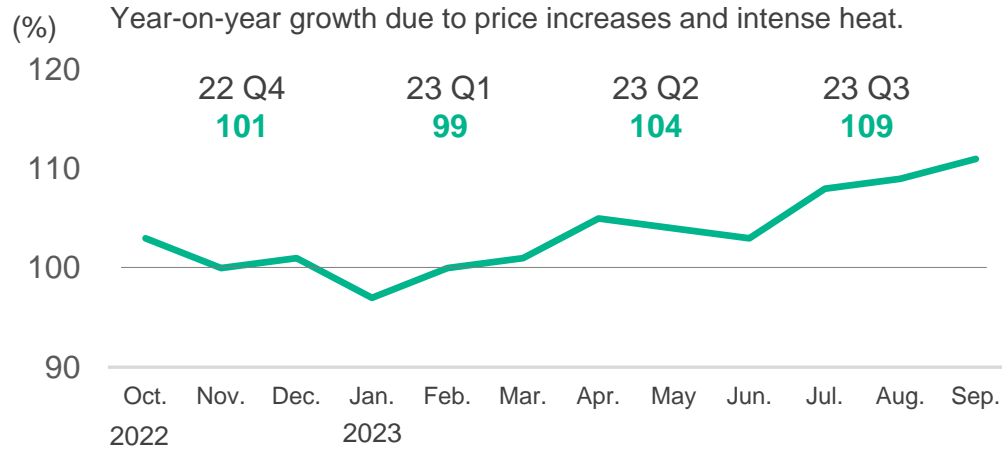
# **Financial Results**

**for the Nine Months Ended September 30, 2023**

# Consumer Products Market in Japan

## Growth of H&PC Market

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

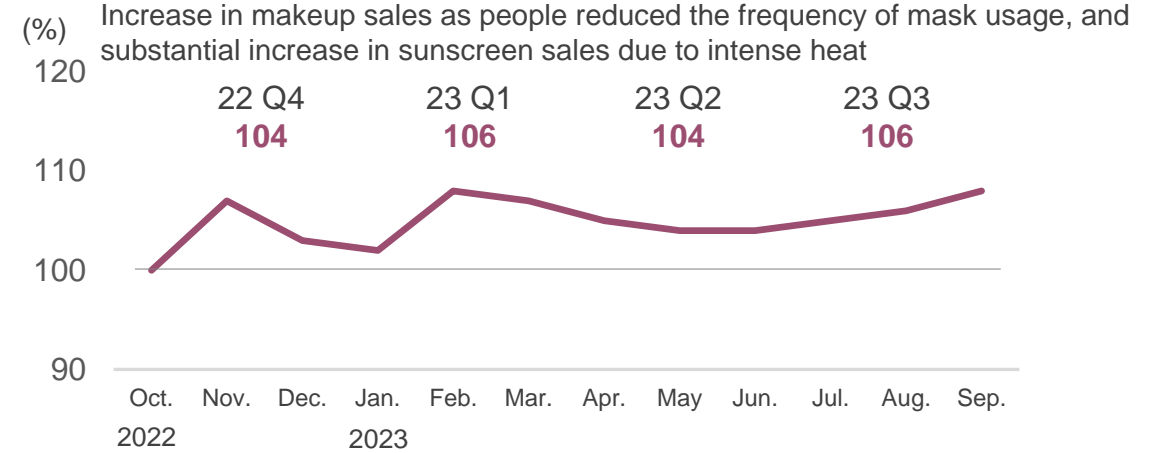


## Market Growth Rates of Major Categories

vs. previous year	Jul.	Aug.	Sep.	Q3
H&PC total	108	109	111	109
Laundry detergents	107	112	113	111
Fabric softeners	105	110	109	108
Bath cleaning products	102	96	104	101
Sanitary napkins	111	113	114	113
Baby diapers	109	108	107	108
Sunscreens	147	157	172	155
Hand soaps	95	93	99	95
Hand sanitizers	41	35	59	43
Bath additives	104	100	98	100

## Growth of Cosmetics Market

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



## Market Growth Rates of Major Categories

vs. previous year	Jul.	Aug.	Sep.	Q3
Cosmetics total	105	106	108	106
Skin care products	99	100	105	101
Facial cleansers/ Makeup removers	95	100	106	100
Serums	100	101	113	105
Makeup products	112	115	112	113
Makeup bases	109	118	115	114
Point makeup products	114	111	109	112
Other	126	127	120	125
Sunscreens	131	137	140	135

(Source: INTAGE Inc.)

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

# Kao's Main Markets outside Japan

## Asia

- **China** : Amid a tendency toward gradual recovery in consumption, some market segments remained unchanged, while others continued on a downward trend.
- **Indonesia**: Despite growth as the market remained firm, the rate of growth has slowed due to rising selling prices.
- **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 Q4	23 Q1	23 Q2	23 Q3	22 Q4	23 Q1	23 Q2	23 Q3	22 Q4	23 Q1	23 Q2	23 Q3
Baby diapers	101	88	97	100	102	99	101	95	97	91	86	85
Sanitary napkins and panty liners	96	97	98	95	114	111	111	109	114	112	104	104
Laundry detergents	-	-	-	-	108	101	103	101	118	118	106	106
Sunscreens	-	-	-	-	-	-	-	-	125	130	128	120
House cleaning products	-	-	-	-	-	-	-	-	103	90	89	94

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 Q4	23 Q1	23 Q2	23 Q3	22 Q4	23 Q1	23 Q2	23 Q3	22 Q4	23 Q1	23 Q2	23 Q3
Hair care	106	109	110	107	108	109	109	110	109	113	115	112
Facial cleansers	109	112	111	109	-	-	-	-	120	123	121	121
Deodorants	120	119	113	111	-	-	-	-	-	-	-	-
Hand and body lotions	115	107	114	115	-	-	-	-	-	-	-	-

Source: NielsenIQ/Circana

# Highlights of Q3 YTD Consolidated Financial Results

Billion yen	FY2022 Q3 YTD	FY2023 Q3 YTD	Growth %	Change
Net sales	1,127.7	<b>1,125.9</b>	(0.2)	(1.8)
		Effect of currency translation*	+2.7	+30.4
		Like-for-like growth	(2.9)	(32.2)
Core operating income	76.9	<b>70.8</b>	(8.0)	(6.1)
Core operating margin	6.8%	<b>6.3%</b>	-	-
Operating income	76.9	<b>50.7</b>	(34.1)	(26.2)
Operating margin	6.8%	<b>4.5%</b>	-	-
Income before income taxes	85.1	<b>54.6</b>	(35.9)	(30.5)
Net income	59.5	<b>34.5</b>	(41.9)	(24.9)
Core net income attributable to owners of the parent	58.3	<b>50.2</b>	(13.9)	(8.1)
Net income attributable to owners of the parent	58.3	<b>32.5</b>	(44.2)	(25.8)
EBITDA (Operating income + Depr. & Amort.)	143.8	<b>117.7</b>	(18.1)	(26.1)
Basic core earnings per share (yen)	123.82	<b>108.02</b>	(12.8)	(15.80)

\* Exchange rates: 138.03 yen/USD, 149.57 yen/Euro, 19.62 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.

# Highlights of Q3 Consolidated Financial Results (Jul.-Sep.)

- Core operating income +13.1 billion yen. Operating income +1.5 billion yen.

Billion yen	FY2022 Q3	FY2023 Q3	Growth %	Change
Net sales	393.8	<b>387.4</b>	(1.6)	(6.5)
		Effect of currency translation*	+2.2	+8.7
		Like-for-like growth	(3.9)	(15.2)
Core operating income	23.3	<b>36.3</b>	+56.2	+13.1
Core operating margin	5.9%	<b>9.4%</b>	-	-
Operating income	23.3	<b>24.8</b>	+6.7	+1.5
Operating margin	5.9%	<b>6.4%</b>	-	-
Income before income taxes	24.6	<b>25.9</b>	+5.4	+1.3
Net income	19.7	<b>16.8</b>	(14.7)	(2.9)
Core net income attributable to owners of the parent	19.4	<b>23.9</b>	+22.9	+4.5
Net income attributable to owners of the parent	19.4	<b>15.9</b>	(18.1)	(3.5)
EBITDA (Operating income + Depr. & Amort.)	46.1	<b>47.2</b>	+2.5	+1.1
Basic core earnings per share (yen)	41.65	<b>51.39</b>	+23.4	+9.74

\* Exchange rates: 144.49 yen/USD, 157.23 yen/Euro, 19.94 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.



# Key Points of Q3 YTD Results

Net sales **1,125.9** billion yen  
-2.9% on a like-for-like basis

Core operating income **70.8** billion yen  
(-6.1 billion yen); margin **6.3%**

## Household and Personal Care Business

- Amid market growth in Japan, sales remained strong since Q2, driven by laundry detergents and UV care products (Q1: -1.7% → Q2: +5.9% → Q3: +4.3%).
- The business overall achieved year-on-year growth in market share every month since July.
- Strategic price increases exceeded the increase in raw material prices, and core operating income exceeded the plan.

## Cosmetics Business

- Sales of G11 brands grew, driven by *KATE* and *KANEBO*.
- With severe conditions in the market in China including cross-border e-commerce due to restraints on sales promotion activities, core operating income fell below the plan.

## Chemical Business

- Sales and profits decreased due to factors including a decline in demand centered on Europe and shrinking profit margins, mainly for oleo chemicals.

## Structural Reforms

- Recorded 20.1 billion yen in structural reform expenses, broken down as follows: 18.7 billion yen, including an impairment loss, in the baby diaper business, and 1.2 billion yen for brand portfolio changes in the Cosmetics Business.

# Consolidated Net Sales by Segment/Geographic Region in Q3 YTD

Billion yen		Japan	Asia	Americas	Europe	Consolidated
Fabric & Home Care	Q3 YTD	211.8	33.7	2.9	-	248.4
	Like-for-like %	+1.8	(3.3)	+5.2	-	+1.2
Sanitary	Q3 YTD	60.6	70.1	0.0	-	130.7
	Like-for-like %	+9.7	(5.8)	(46.1)	-	+0.9
Hygiene and Living Care Business	Q3 YTD	272.4	103.8	2.9	-	379.2
	Like-for-like %	+3.5	(5.1)	+4.2	-	+1.1
Health and Beauty Care Business	Q3 YTD	151.1	26.2	73.6	37.6	288.5
	Like-for-like %	+3.7	(1.2)	+2.4	+5.5	+3.1
Life Care Business	Q3 YTD	30.4	0.1	10.2	0.1	40.8
	Like-for-like %	(3.5)	+83.2	+10.5	(21.0)	(0.5)
Cosmetics Business	Q3 YTD	112.7	40.0	5.2	17.1	175.1
	Like-for-like %	+2.9	(14.1)	+2.2	+1.6	(1.7)
Consumer Products Business	Q3 YTD	566.6	170.1	91.9	54.9	883.5
	Like-for-like %	+3.0	(6.8)	+3.3	+4.2	+1.1
Chemical Business*	Q3 YTD	98.8	66.0	46.1	64.0	275.0
	Like-for-like %	(4.7)	(16.2)	(23.4)	(18.3)	(14.0)
Consolidated	Q3 YTD	<b>636.7</b>	<b>233.8</b>	<b>138.0</b>	<b>117.4</b>	<b>1,125.9</b>
	Like-for-like %	<b>+1.9</b>	<b>(9.4)</b>	<b>(7.2)</b>	<b>(9.1)</b>	<b>(2.9)</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 Q3 YTD

Billion yen		Net sales				Core operating income		
		Q3 YTD	Like-for-like %		Q3 YTD	Change	Core operating margin %	
			By Volume %	By Price %				
	Hygiene and Living Care Business	379.2	+1.1	(3.5)	+4.6	23.9	+4.9	6.3
	Health and Beauty Care Business	288.5	+3.1	+0.9	+2.2	30.6	+3.3	10.6
	Life Care Business	40.8	(0.5)	(1.8)	+1.3	(1.2)	(1.3)	(3.1)
	Cosmetics Business	175.1	(1.7)	(1.2)	(0.5)	(1.6)	(5.0)	(0.9)
	Consumer Products Business	883.5	+1.1	(1.5)	+2.6	51.6	+2.0	5.8
	Chemical Business*	275.0	(14.0)	(4.0)	(10.0)	18.5	(8.3)	6.7
	<b>Consolidated</b>	<b>1,125.9</b>	<b>(2.9)</b>	<b>(2.2)</b>	<b>(0.7)</b>	<b>70.8</b>	<b>(6.1)</b>	<b>6.3</b>

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

# Q3 Consolidated Net Sales by Segment/Geographic Region (Jul.-Sep.)

Billion yen		Japan	Asia	Americas	Europe	Consolidated
Fabric & Home Care	Q3	77.3	11.6	0.9	-	89.9
	Like-for-like %	+2.6	(7.6)	(9.3)	-	+1.1
Sanitary	Q3	20.6	23.0	0.0	-	43.6
	Like-for-like %	+13.3	(11.9)	(78.4)	-	(1.5)
Hygiene and Living Care Business	Q3	97.9	34.6	0.9	-	133.5
	Like-for-like %	+4.7	(10.5)	(10.7)	-	+0.2
Health and Beauty Care Business	Q3	52.9	8.8	24.7	13.3	99.7
	Like-for-like %	+6.1	(3.8)	(0.7)	+4.1	+3.2
Life Care Business	Q3	10.5	0.0	3.6	0.0	14.1
	Like-for-like %	(6.4)	+106.3	+6.7	(36.8)	(3.5)
Cosmetics Business	Q3	37.2	13.3	1.9	7.0	59.3
	Like-for-like %	+3.7	(17.0)	(0.9)	+5.8	(1.8)
Consumer Products Business	Q3	198.5	56.8	31.1	20.3	306.6
	Like-for-like %	+4.2	(11.2)	(0.2)	+4.5	+0.6
Chemical Business*	Q3	31.6	22.9	15.8	21.1	91.3
	Like-for-like %	(11.0)	(10.0)	(26.7)	(24.5)	(16.9)
Consolidated	Q3	<b>220.8</b>	<b>78.8</b>	<b>46.8</b>	<b>40.9</b>	<b>387.4</b>
	Like-for-like %	<b>+2.0</b>	<b>(10.6)</b>	<b>(10.7)</b>	<b>(12.3)</b>	<b>(3.9)</b>

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

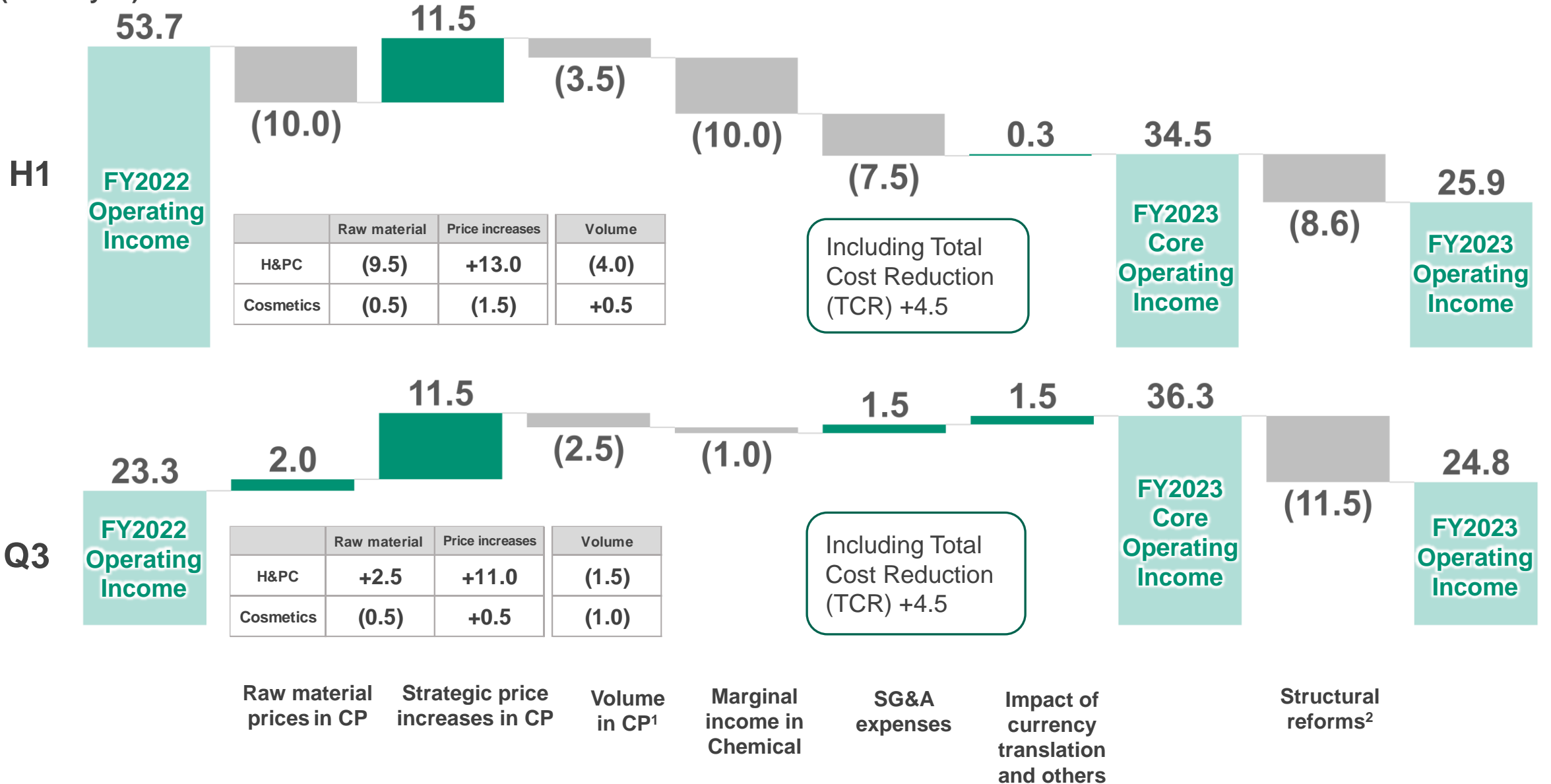
# Q3 Consolidated Results by Segment (Jul.-Sep.)

Billion yen		Net sales				Core operating income			
		Q3	Like-for-like %		Q3	Change	Core operating margin %		
			By Volume %	By Price %			Q3	Change	
Hygiene and Living Care Business	133.5	+0.2	(5.8)	+6.0	7.1	14.0	+8.2	5.4	10.5
Health and Beauty Care Business	99.7	+3.2	+0.4	+2.8	10.2	14.5	+5.5	10.0	14.6
Life Care Business	14.1	(3.5)	(4.3)	+0.8	(0.5)	(0.2)	(0.3)	(3.3)	(1.2)
Cosmetics Business	59.3	(1.8)	(3.0)	+1.2	2.1	0.4	(0.9)	3.2	0.6
Consumer Products Business	306.6	+0.6	(3.2)	+3.8	18.9	28.8	+12.5	6.1	9.4
Chemical Business*	91.3	(16.9)	(0.5)	(16.4)	7.0	7.4	+0.7	7.7	8.1
<b>Consolidated</b>	<b>387.4</b>	<b>(3.9)</b>	<b>(2.4)</b>	<b>(1.5)</b>	26.7	<b>36.3</b>	<b>+13.1</b>	6.8	<b>9.4</b>

• Net sales and operating income of the Chemical Business include intersegment transactions. Growth by volume includes changes due to differences in product mix. Orange figures show Q2 results.

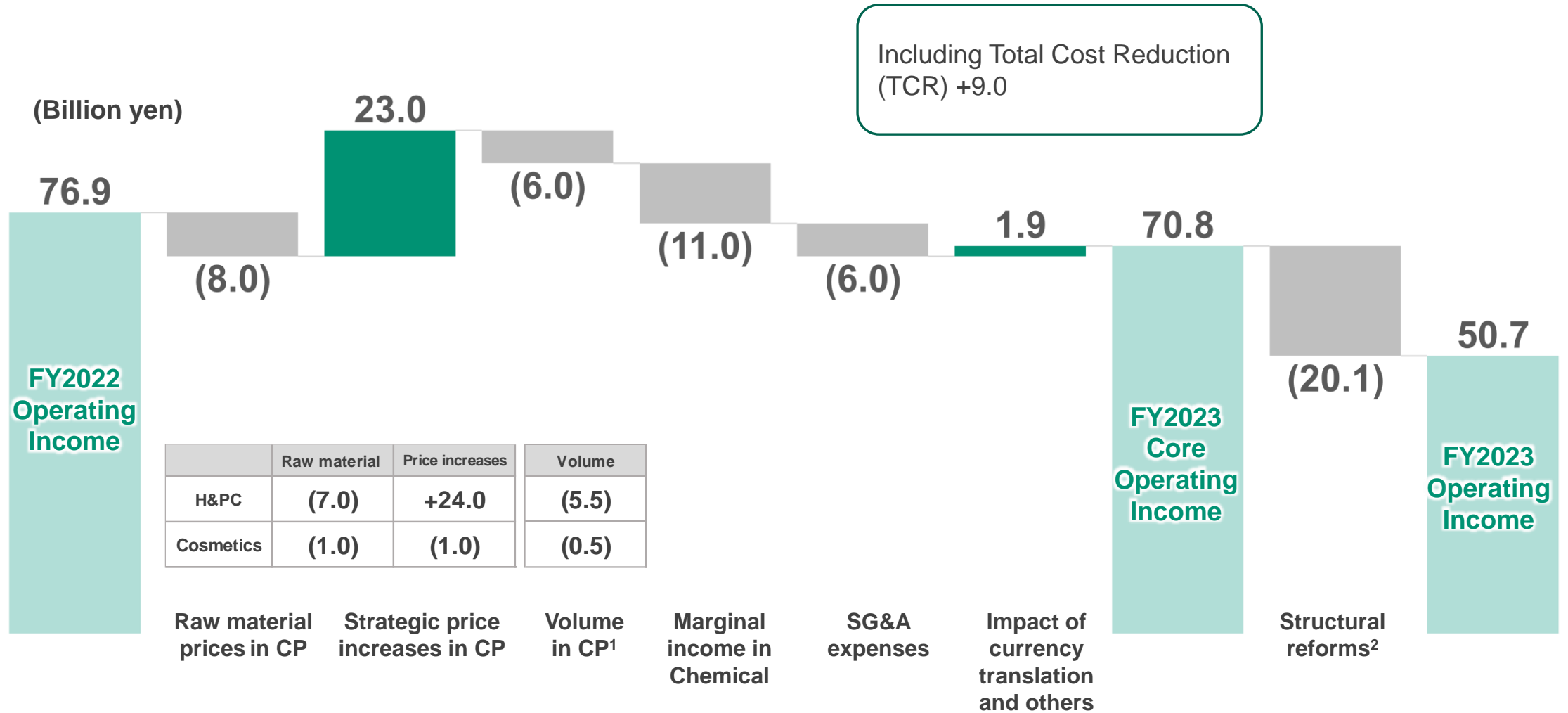
# Breakdown of Year-on-Year Changes in Operating Income during H1 (Jan.-Jun.) and Q3 (Jul.-Sep.)

(Billion yen)



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

# Analysis of Change in Operating Income in Q3 YTD (Year-on-Year Change)



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

# Hygiene and Living Care Business in Q3 YTD

- Sales: **379.2** billion yen (+1.1%) Core operating income: **23.9** billion yen (+4.9 billion yen) Core operating margin: **6.3%**
- 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 also increased, due in part to proactive launches of new and improved products. (Core operating margin: H1: **4.0%** → Q3: **10.5%**)

## Fabric & Home Care

**Net sales +1.2% due to contribution from laundry detergents and dishwashing detergents. Profit margin also improved.**

- Fabric care: Proactive product offerings and price increases for laundry detergents in Japan contributed substantially to increased sales. Market share for fragrance-type fabric softeners increased following improvements.
- 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.



Attack ZERO Perfect Stick

## Sanitary

**Net sales +0.9%. 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 were strong through H1, but were impacted by restraints on sales promotion activities from Q3.
- Baby diapers: Steady performance in Japan and Indonesia. Structural reforms implemented in China.



Laurier sanitary napkins



# Health and Beauty Care Business in Q3 YTD

- Sales: **288.5** billion yen (+3.1%) Core operating income: **30.6** billion yen (+3.3 billion yen) Core operating margin: **10.6%**
- Conducted strategic price increases for UV care products when launching new and improved high-performance products, while achieving sales growth and expanding market share.
- Profit margin for the overall business further increased in Q3. (Core operating margin: H1: **8.5%** → Q3: **14.6%**)

## Skin Care

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

- Japan: Sales increased substantially, driven by growth in sales and market share for UV care and other seasonal products and by *Bioré The CLEANSE* makeup remover.
- Americas and Europe: *Bioré UV Aqua Rich*, launched this year, sold strongly.



Bioré UV Aqua  
Protect Mist



Bioré The  
CLEANSE

## Hair Care

### Slight increase in sales due to strong performance of hair styling agents in Japan and strong sales in Europe

- Japan: *Essential Barrier* series and hair styling agents sold strongly, but shampoos, conditioners and hair color struggled.
- Europe: New products from *JOHN FRIEDA* sold strongly.



Essential  
Barrier  
Shampoo



ORIBE

## Products for Hair Salons

### Increase in sales due to the strong performance of the *ORIBE* brand

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

## Personal Health

### Slight increase due to strong sales of *MegRhythm* thermo products, despite tough conditions for oral care products

- *MegRhythm* eye masks sold strongly due in part to inbound demand.



MegRhythm



# Life Care Business in Q3 YTD

- Sales: **40.8** billion yen (-0.5%) Core operating income: **-1.2** billion yen (-1.3 billion yen) Core operating margin: **-3.1%**
- Although commercial-use hygiene products were affected by the shrinkage of the sanitizer market in Japan, the market in the Americas recovered and sales increased.
- Increased loyal users of health drinks through e-commerce.

## Commercial-use Hygiene Products

### Decrease in sales in Japan, but increase in the Americas

- Japan: Demand rose for products for the food service industry and lodging facilities, but sales decreased due to shrinkage of the sanitizer market.
- Americas: Sales increased due to growth in customer industries.



Commercial-use hygiene products

## Health Drinks

### Implementation of rebranding

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



Healthya

# Cosmetics Business in Q3 YTD

- Sales: **175.1** billion yen (-1.7%) Core operating income: **-1.6** billion yen (-5.0 billion yen) Core operating margin: **-0.9%**
- Sales and profits decreased as the market in China slowed down substantially year on year due to the impact of restraints on sales promotion activities.
- Excluding the impact of the market slowdown in China, sales increased by mid single digits.

## Japan

### Net sales +2.9% in a recovering market

- Although sales decreased by 5 percentage points due to the impact of structural reforms, sales of G11 brands continued their double-digit growth, and R8 brand sales remained on par with the previous year.
- Sales were sluggish for travel retail in South Korea due to the impact of restraints on proxy purchasing, as well as for cross-border e-commerce due to the impact of restraints on sales promotion activities.
- *KANEBO*: New foundation and cleansing products sold strongly.



KANEBO

## China

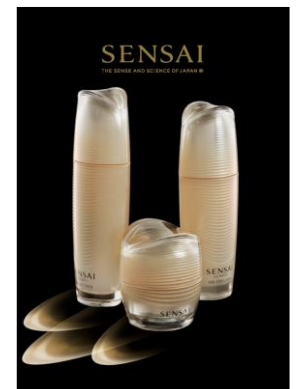
### Signs of recovery despite a market slowdown; substantial decline in sales due to restraints on sales promotion activities

- *freeplus*: Despite the positive effects of rebranding, Q3 sales were unchanged from the same period a year earlier due to restraints on sales promotion activities.
- *Curél*: Q3 sales decreased 30% year on year due to the substantial impact of the cancellation of promotions.

## Europe

### Net sales +1.6% due to strong sales of *Molton Brown*, although the market remained weak

- *Molton Brown*: Sales of the flagship store and hotel amenities were steady.
- *SENSAI*: Renewed *ULTIMATE* line made a strong start in the United Kingdom as limited-edition products sold out.



SENSAI

# Cosmetics Business in Q3 YTD

## Year-on-Year Growth/Share of Sales

	FY2022 Q3 YTD		FY2023 Q3 YTD	
	Growth	Share of Sales	Growth	Share of Sales
G11	+4%	70%	+2%*	73%
R8	(0)%	20%	(4)%	19%
Other	(13)%	10%	(22)%	8%

Global Shipments by Price

\* +11% 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	SENSAI est	ALLIE

## Major New Products in Q3

### KANEBO



**MELLOW OFF VEIL**  
(Cleansing)

### KATE TOKYO



**Hirameki Collection <limited quantity>**  
(Eyeshadow, Lip Gloss, etc.)

### R M K



**Synchronatic Eyeshadow Palette**  
(Eyeshadow)

### SUQQU



**THE FOUNDATION**  
(Cream Foundation)

# Chemical Business in Q3 YTD

- Sales: **275.0** billion yen (-14.0%) Core operating income: **18.5** billion yen (-8.3 billion yen) Core operating margin: **6.7%**
- Both sales and profits decreased due to a decline in demand caused by delayed economic recovery and shrinking profit margins, mainly for oleo chemicals.

## Japan

### Secured profits with ongoing price adjustments, despite a slump in demand in some fields

- Demand for hard disk polishing fluid remained weak.
- Price adjustments were ongoing to absorb various cost increases.

## Asia

### Profits on a recovery track despite the impact of price adjustments for oleo chemicals and a slump in demand

- Demand in Greater China remained weak.
- In regions other than Greater China, some fields have bottomed out.

## Americas

### Continued customer inventory adjustments, mainly for fatty alcohols (-23.4%)

- 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 showed signs of recovery in some fields, and the Chemical Business aims to expand this business.

## Europe

### Continued customer inventory adjustments for oleo chemicals (-18.3%)

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

New facilities in Germany for tertiary amines began operation to provide high-value-added products that meet growing demand for disinfection and other applications.



**02**

**Progress of Structural Reforms**

# Implementation as Planned of Structural Reforms for “K27”

(Billion yen)

	Q2	Q3	Q4*	Composition
<b>1. Conduct a drastic strategic review and reorganization of inefficient businesses</b> <ul style="list-style-type: none"> <li> <b>Baby diaper business</b> <ul style="list-style-type: none"> <li>✓ Termination of production in China</li> <li>✓ Optimize production system in Japan</li> </ul> </li> </ul>	8.0	0.3 10.4	} Approx. 5.0	Approx. 40%
<ul style="list-style-type: none"> <li> <b>Streamlining of other businesses and brand lineups</b> <ul style="list-style-type: none"> <li>✓ Complete structural reforms of the Cosmetics Business</li> <li>✓ H&amp;PC Business                             <ul style="list-style-type: none"> <li>➢ Reduce low-profitability SKUs</li> <li>➢ Reorganize low-performance assets</li> <li>➢ Optimize inventory</li> </ul> </li> <li>✓ Chemical Business                             <ul style="list-style-type: none"> <li>➢ Reorganize low-profitability assets</li> </ul> </li> </ul> </li> </ul>	0.5	0.6	} Approx. 10.0	Approx. 20%
<b>2. Promote structural reform of human capital</b> <ul style="list-style-type: none"> <li> <b>Maximize the power and potential of employees</b> <ul style="list-style-type: none"> <li>✓ Career support</li> </ul> </li> </ul>		0.2	Approx. 25.0	Approx. 40%
<b>Structural reform expenses (excluding tax impact)</b>	8.6	11.5	Approx. 40.0	Approx. 60.0

### 3. Reform of earning power

\* Amounts are provisional estimates as of the time of preparation of these materials. 23

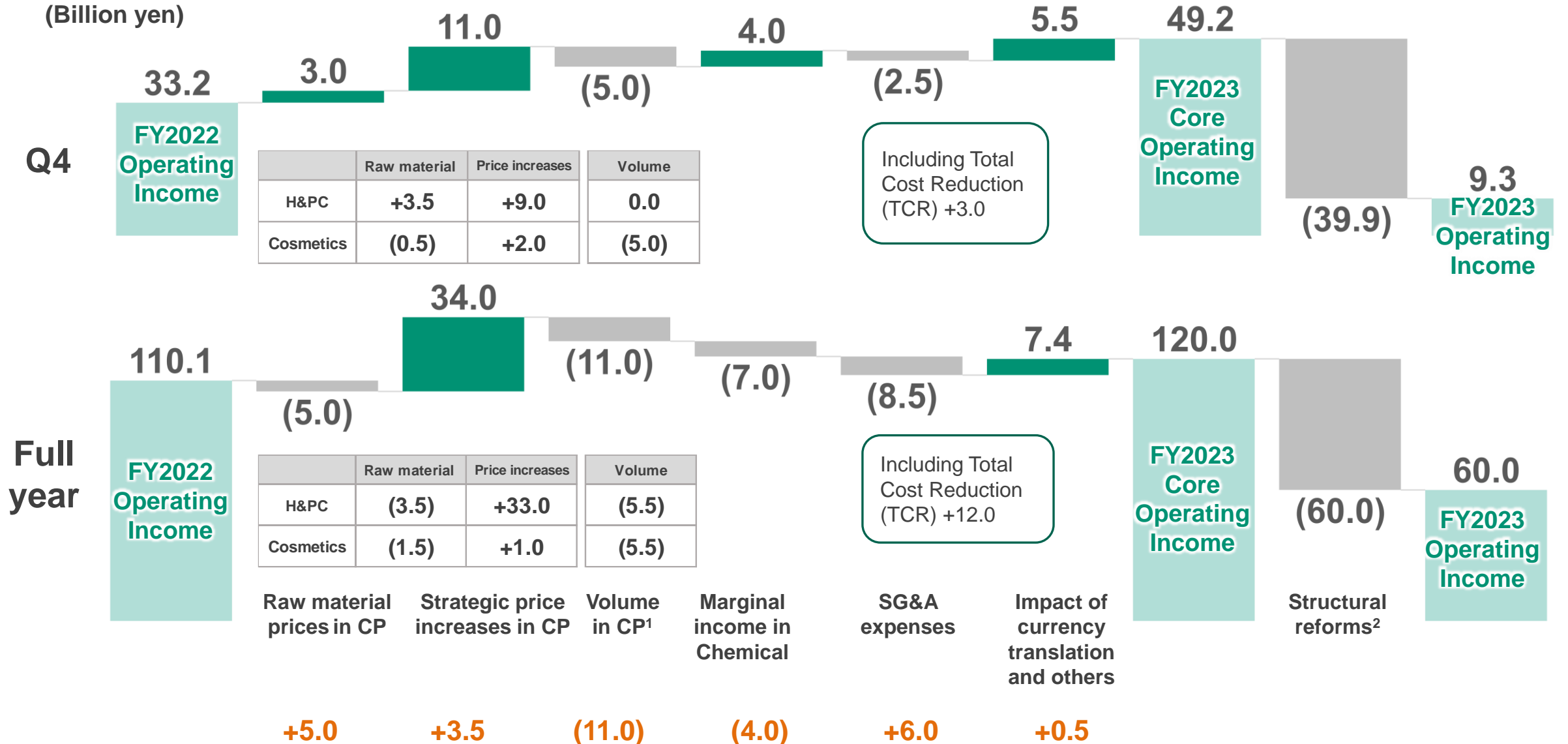
**03**

**FY2023 Forecast**



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

(Billion yen)



1. Including change in product mix 2. Including structural reform expenses for the Cosmetics Business  
 Orange figures show difference from the plan at the time Q2 financial results were announced.



# Measures in Q4: Household and Personal Care Business

## Market

- Japan
  - Continued growth of the market for UV care and other seasonal products is expected in H2 due to the effects of the lingering summer. Although unit prices have generally increased, volume is expected to remain unchanged year on year, with overall low-single-digit growth for the year.
- Asia
  - China: Year-on-year decreases expected in Kao's main markets due to the resurgence of COVID-19 at the beginning of the year and other factors, in addition to the impact of a declining birthrate.
  - Others: 4-5% growth expected, due in part to price increases.
- Americas and Europe
  - Although there are fluctuations in business conditions, around 10% growth is expected. Price increases have come to the end of a cycle, and volume is trending slightly lower than last year.

## Measures to Increase Profits

- ✓ **Implementation of further strategic price increases**
  - Application to additional products from October
- ✓ **Ongoing cultivation of strong-selling new products launched this year**
  - Attack*, *Humming Flair* and *Toilet Magiclean Foam Pack*
- ✓ **New value offerings using Kao's unique technologies**
  - Attack Disinfectant Advance*, *Bioré u The Body Moisture Smooth*, *Bioré makeup remover*, major product improvements and new products for *PureOra Fluorine Barrier Toothpaste*, *Nanobright* and *Foam Toothpaste*
- ✓ **Proactive use of social media matching category characteristics**
  - Essential THE BEAUTY WATER TREATMENT*



# Measures in Q4: Cosmetics Business

## Market

- In Japan, brisk conditions are expected, mainly in the makeup market, due to recovery from the COVID-19 pandemic, including recovery in inbound demand and increased opportunities to go out.
- In China, slow growth is expected. The future impact on Japanese brands is unclear.
- In Europe, steady but slow growth is expected due to the persistent impact of inflation.

## Measures to Increase Profits

### Japan

- ✓ **Growth of prestige brands outpacing the market (around mid-teens % growth year on year)**
  - *KANEBO*: Focus on *CREAM IN DAY*
- ✓ **Sales expansion in line with makeup market recovery**
  - *KATE*: Maintain No.1 market share with *LIP MONSTER* and others
  - *SUQQU*: 20th anniversary promotion
- ✓ **Response to inbound demand: Communicate information through key opinion leaders**
  - *suisai*: Special edition *beauty clear powder*
  - *LUNASOL*: *EYE COLORATION*
- ✓ **New value-added offerings/New customer acquisition**
  - *Curél*, *TWANY & me*, *SOFINA iP*



KANEBO

Curél

TWANY & me

SOFINA iP



SENSAI

Molton Brown

### China

- ✓ **Strengthening of initiatives for steady growth/Resumption of various measures**
  - *freeplus* rebranding/Opening of *SENSAI* flagship store

### Europe

- ✓ **Strengthening of measures for the holiday season**
  - *SENSAI*: More value-added special edition products than last year
  - *Molton Brown*: Special offerings for the holiday season

# Measures in Q4: Chemical Business

## Market Conditions

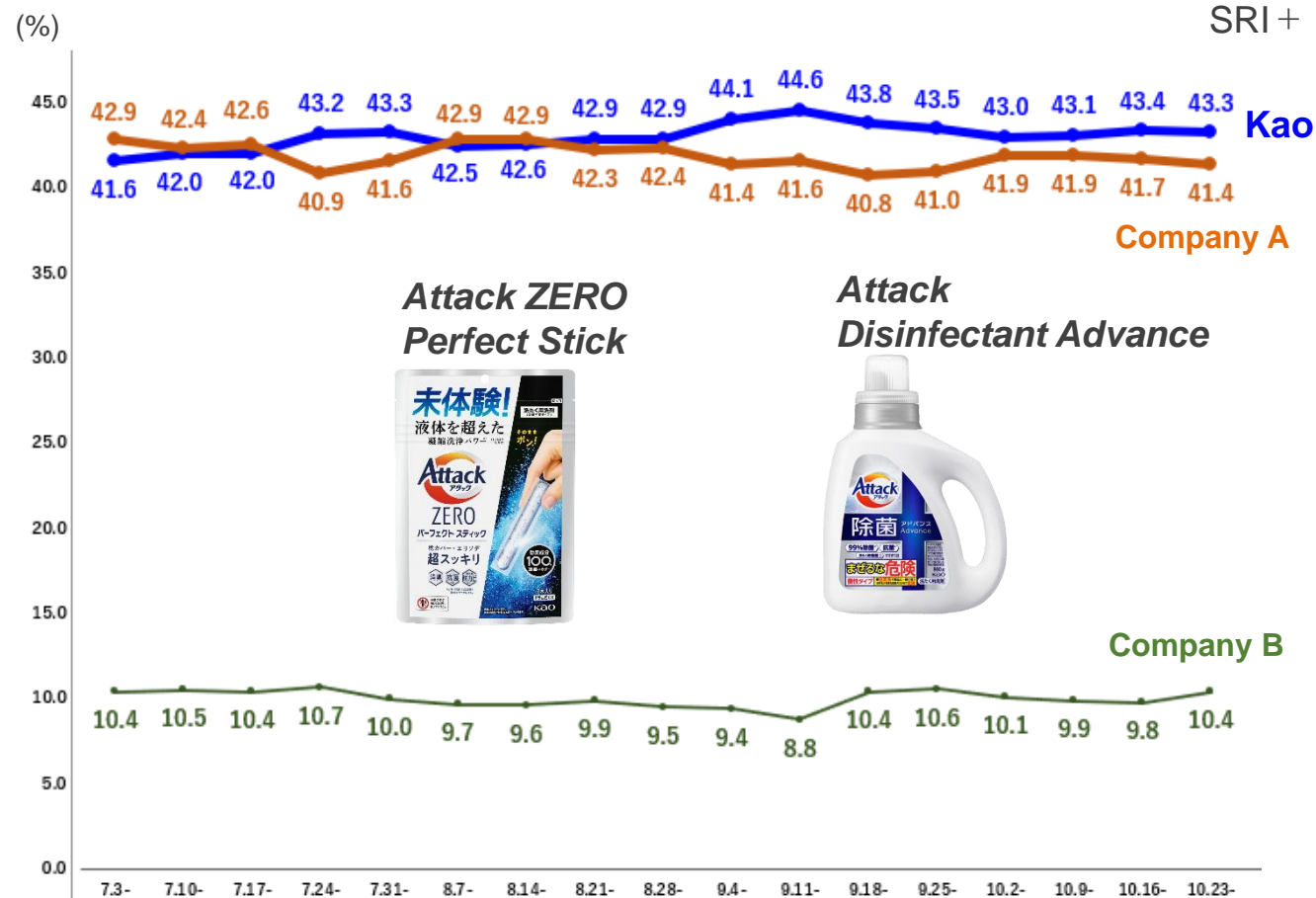
- Economic recovery in Europe has been delayed and a slump in demand continues.
- Recovery in demand is expected from Q1 2024 onward.
- While demand for information materials remains weak, some oleo chemical-related sectors are on a recovery trend.
- Chemical manufacturers in the Americas and Europe have revised their full-year forecasts downward.

## Measures to Increase Profits

- ✓ Expand business by adding facilities for highly profitable products (Startup of operation at new facilities of tertiary amines and aroma chemicals in Europe).
- ✓ Restore profit margins through price increases to absorb cost increases, and through 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).
- ✓ Start rollout of highly profitable new products: Hydrophobic cellulose nanofiber composite material (world's first electronic material application), aromatic biochemicals/gallic acid (world's first use as raw material for general-purpose chemical products).



Kao has maintained the No.1 market share since September by promoting new products.



## Aug. 5, 2023- Attack ZERO Perfect Stick

- A new stick-shaped detergent that will transform\* doing laundry in Japan
- Total sales volume has surpassed 80 million
- Speedy product development using the scrum method



## Sep. 23, 2023- Attack Disinfectant Advance

- The first disinfectant formulation for Attack liquid laundry detergent
- 99% disinfectant and antibacterial effect; also disinfects the washing machine tub and eliminates viruses





# Post-Launch Status of *Attack ZERO Perfect Stick* in Taiwan and Hong Kong



A rollout to multiple locations since the launch has captured market share exceeding the target.

## Taiwan

(Since August 24, 2023)



September results  
Market share\*: **2.0%**  
(Sep.-Dec. target: 2.0%)



Market ratio for pod-type products:  
16.4% (Jan.-Sep. 2023)

## Hong Kong

(Since September 15, 2023)



September results  
Market share\*: **4.1%**  
(Sep.-Dec. target: 1.0%)

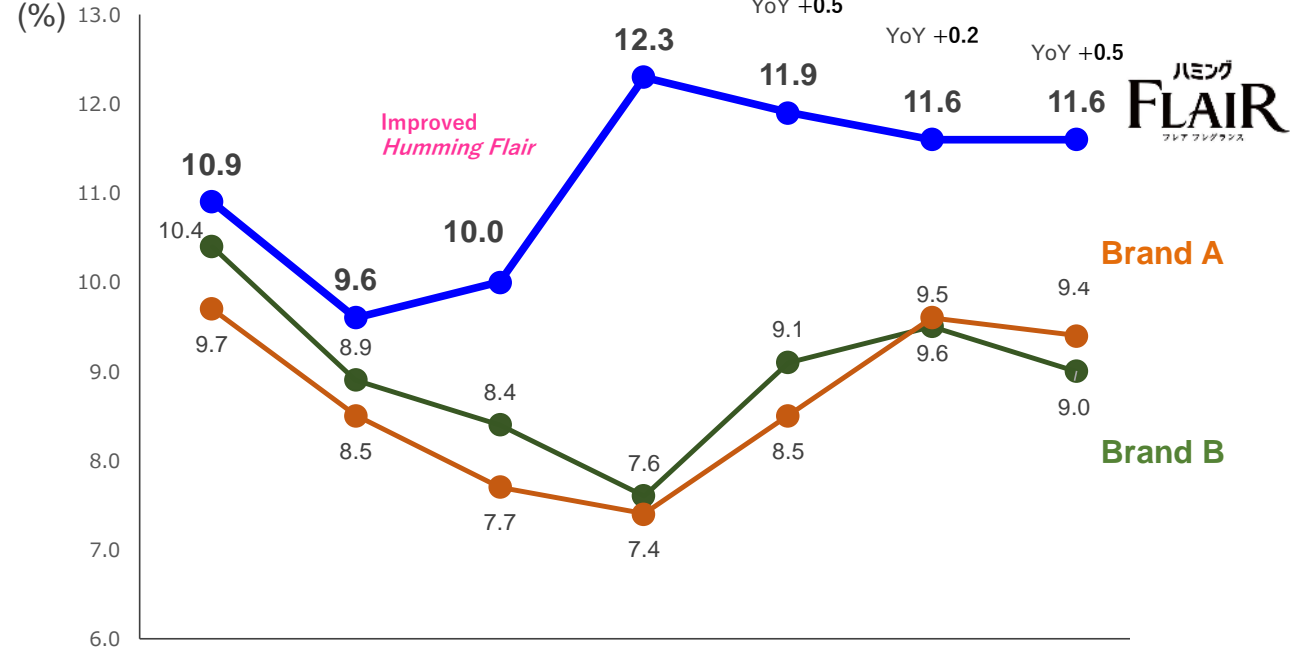


Market ratio for pod-type products:  
36.6% (Jan.-Sep. 2023)

\* Nielsen data

# FLAIR Post-Launch Status of Improved *Humming Flair* (Since August 26, 2023)

Year-on-year (YoY) increases in market share\* of *Humming Flair* and total share of Kao products in the fabric softener market.



	Jan.-Jun.	Jul.	Aug.	Sep.	Oct. W1	Oct. W2	Oct. W3
<b>Kao total</b>							
<b>Share (%)</b>	25.1	24.4	23.7	25.7	25.8	25.7	25.6
<b>YoY</b>	-1.6	-1.4	-2.1	+0.1	+1.0	+1.0	+0.9



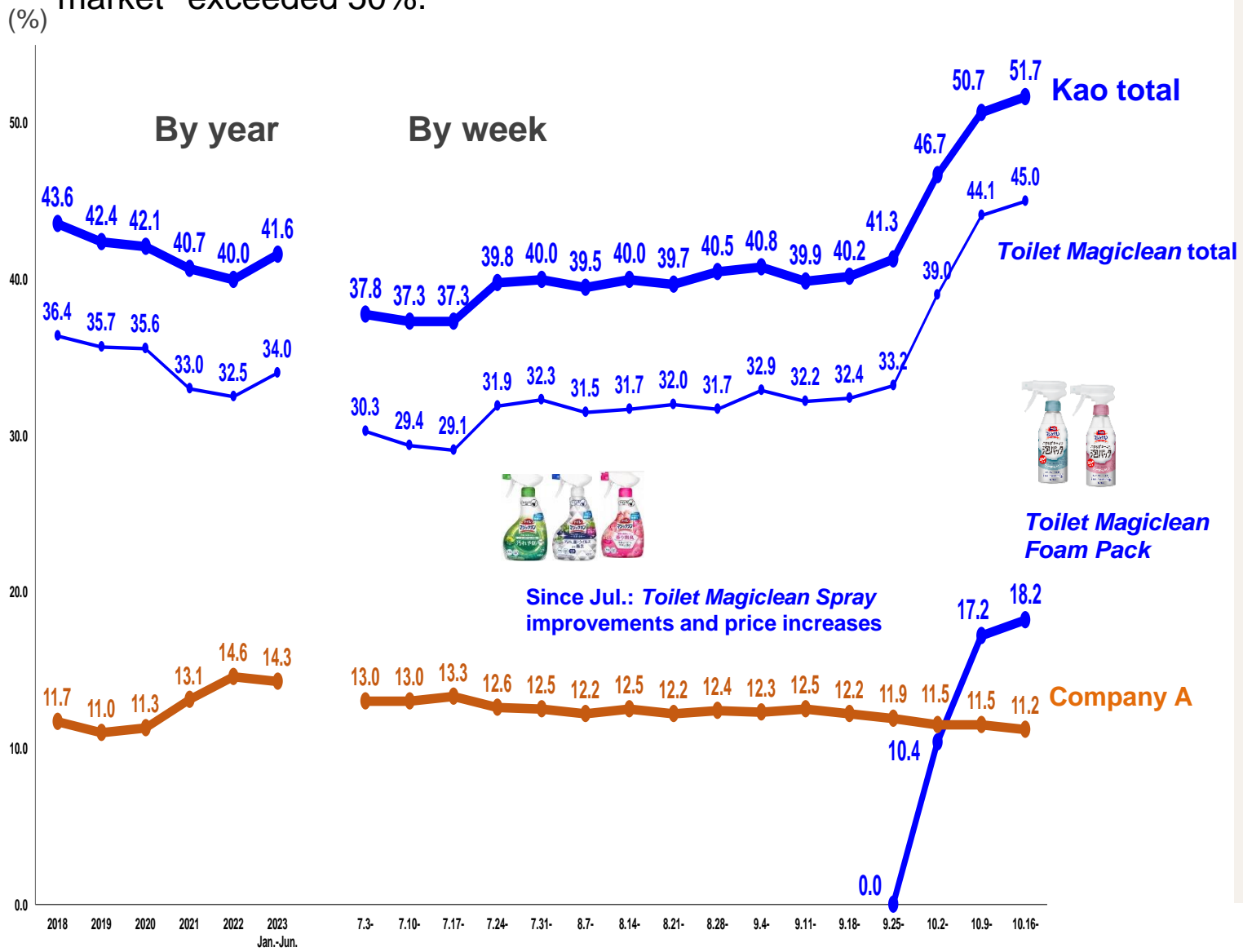
- Market share of *Humming Flair* fragrance-type fabric softener increased following improvements.
- Total share of Kao products in the fabric softener market also increased, due in part to growth of the deodorant-type *Humming Deodorant Fabric Softener*.





# Post-Launch Status of Toilet Magiclean Foam Pack (Since October 7, 2023)

Strong sales for the new product. Total share of Kao products in this market\* exceeded 50%.



Just cover with foam and wait 5 minutes

Foam adheres to dirt  
Shiny and clean without scrubbing



### “Customer reviews”



You can see how effectively it cleans!  
**The foam is thicker and frothier than other companies' products. Great job, Kao!**  
I have a feeling this will go viral!



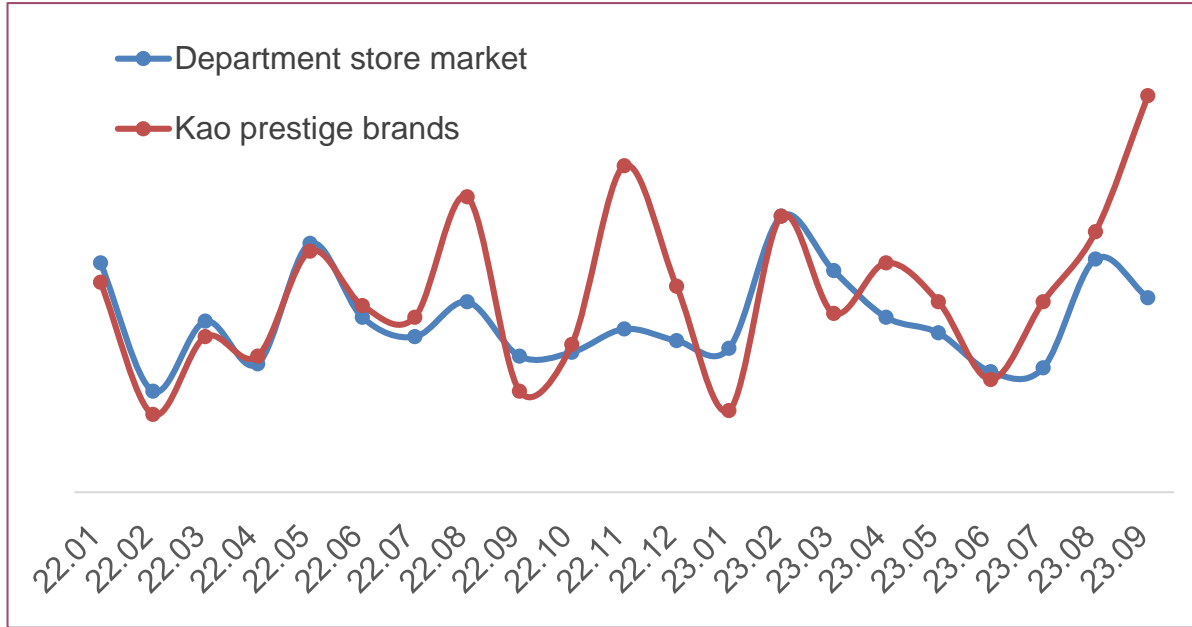
The floral scent **really lifted my spirits.** I was surprised that a fragrance could cheer me up that way.

\* SRI+:Toilet cleaners segment

# Status of Prestige Brands/KATE

\*Source: SLI, INTAGE Inc.

## Prestige Brands: Year-on-Year Change in Japan\*



## KATE: Share of Point Makeup Market in Japan\*



MOLTON BROWN  
LONDON

SENSAI

est



KANEBO R M K

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ath  
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tis

KATE  
TOKYO



color & cover cushion



CURL AWAKING  
MASCARA



LIP MONSTER  
souffle matte

# KaO

Kirei—Making Life Beautiful

