



Kirei—Making Life Beautiful

# **Consolidated Financial Results**

## **for the Three Months Ended March 31, 2025**

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Kao Corporation  
May 8, 2025



## 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 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): Global consumer care products excluding cosmetics
5. GC: Abbreviation of Global Consumer Care
6. Core income: Income excluding impacts of structural reforms for the fiscal year ended December 31, 2023.
7. Net sales and operating income year on year have been reclassified and restated to reflect the changes to reportable segments implemented during the three months ended March 31, 2025 (see page 25 for details).

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**01**

# **Financial Results**

**for the Three Months Ended March 31, 2025**

## Positioning of FY2025 toward Achieving K27

- ✓ **Improving earning power while building a foundation for global sales expansion accompanied by profit growth.**

-Enhancing profitability and accelerating investments in the growth driver area.

## FY2025 Q1 Results

- ✓ **Achieved sales and profits that exceeded plans, with smooth progress toward K27. The operating margin increased 2.0 pts.**

-Due to increased sales volume and continued improvement of earning power, the gross profit margin of the Global Consumer Care Business increased 1.7 pts.

- ✓ **Cosmetics Business made a good start toward the FY2025 operating income target of 7.0 billion yen.**

-Sales of six focus brands grew 16%, resulting in increases in sales and profits. The effects of structural reforms of human capital were also evident. The business got on a recovery track in China.

- ✓ **Worked to build a solid foundation for global growth centered on skin care.**

-Firmed up No. 1 market share in UV Care with the launch of new products in Japan. Stepped up activities at key retail chains in the Americas and Europe.

- ✓ **Reaffirming full-year 2025 forecast while enacting measures to minimize risks from U.S. tariff policy.**

-The impact of tariffs on operating income is estimated to be up to -2.0 billion yen. No change to the full-year forecast.

# Highlights of Consolidated Financial Results

Billion yen	FY2024 Q1	FY2025 Q1	Growth	Change
Net sales	365.8	389.9	+6.6%	+24.1
		Effect of currency translation *	+0.6%	+2.1
		Like-for-like growth	+6.0%	+21.9
Gross profit	137.0	148.0	+8.0%	+11.0
Gross margin(%)	37.4%	38.0%	-	+0.5pts
Operating income	22.0	31.2	+41.9%	+9.2
Operating margin(%)	6.0%	8.0%	-	+2.0pts
Income before income taxes	24.8	31.6	+27.5%	+6.8
Net income	17.3	23.0	+32.8%	+5.7
Net income attributable to owners of the parent	16.5	22.8	+38.7%	+6.4
EBITDA (Operating income + Depr. & Amort.)	44.0	52.7	+19.6%	+8.6
Basic earnings per share (yen)	35.43	49.19	+38.9%	+13.76

\* Exchange rates: 152.65 yen/USD, 160.48 yen/Euro, 20.98 yen/Yuan

# Key Points of Results

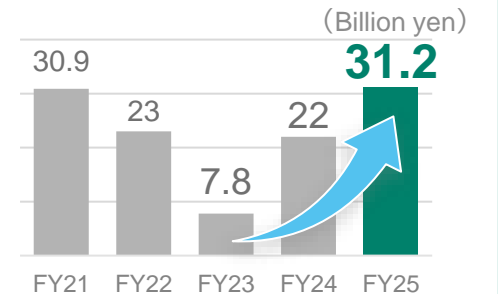
**Net sales 389.9 billion yen**  
**+6.0% on a like-for-like basis**

**Operating income 31.2 billion yen**  
**(+9.2 billion yen; +41.9%); margin 8.0%**

## FY2025 Q1 Financial Results

- Net sales increased substantially, driven by the Global Consumer Care Business in Japan and the Chemical Business.
- Rigorously managed costs through Total Cost Reduction (TCR) and other initiatives; proactively invested in marketing.
- Increased sales volume, sales price adjustments and recovery in the Cosmetics Business contributed significantly to operating income, which increased 9.2 billion yen despite the impact of rising raw material prices. Exceeded the plan substantially.
- ROIC increased 1.5 pts YoY.

Operating income in Q1



Income for FY23 represents "core income"

## Focal Themes from FY2025 Q2

- Continuous improvement of earning power.
- Cosmetics Business: Conduct initiatives centered on six focus brands and promote further structural reforms.
- Skin care centered on UV care: Ramp up evidence-based marketing and global expansion.
- Implementing mitigating actions to minimize risks from U.S. tariff policy.

# Consolidated Net Sales by Segment/Geographic Region

- The Global Consumer Care Business grew substantially in Japan, but sales decreased slightly outside Japan because the Kao Group prioritized profitability.
- The Chemical Business grew substantially in all areas.

		Japan		Asia		Americas		Europe		Outside Japan		Consolidated	
		Billion yen	Like-for-like	Billion yen	Like-for-like	Billion yen	Like-for-like	Billion yen	Like-for-like	Billion yen	Like-for-like	Billion yen	Like-for-like
	Fabric & Home Care	72.7	9.3%	10.7	(5.7%)	0.8	(15.9%)	-	-	11.4	(6.5%)	84.1	6.9%
	Sanitary	16.9	(5.4%) (0.8%)	23.5	0.1%	-	-	-	-	23.5	0.1%	40.3	(2.3%) (0.3%)
	Hygiene Living Care Business	89.6	6.2% 7.2%	34.1	(1.8%)	0.8	(15.9%)	-	-	34.9	(2.1%)	124.5	3.7% 4.5%
	Health Beauty Care Business	47.2	7.1%	9.0	(3.6%)	27.0	(0.7%)	14.6	(1.4%)	50.7	(1.4%)	97.9	2.6%
	Cosmetics Business	39.7	10.8%	10.6	(2.8%)	1.8	(6.8%)	6.2	(1.1%)	18.6	(2.6%)	58.3	6.2%
	Business Connected Business	8.2	(7.6%) (0.6%)	0.0	31.4%	-	-	-	-	0.0	31.4%	8.2	(7.5%) (0.5%)
	GC Business	184.7	6.7% 7.6%	53.8	(2.3%)	29.6	(1.5%)	20.8	(1.3%)	104.2	(1.9%)	288.9	3.5% 4.0%
	Chemical Business*	34.7	9.3%	30.1	24.3%	21.4	10.2%	25.8	11.9%	77.3	15.8%	112.0	13.7%
	Consolidated	210.1	6.9% 7.7%	83.0	5.8%	50.9	3.1%	45.9	5.4%	179.8	4.9%	389.9	6.0% 6.4%

\* Net sales of the Chemical Business include intersegment transactions

- Sales by geographic region are classified based on the location of the sales recognized.
- Blue figures: Ratios excluding the impact of business transfers in 2024



# Consolidated Results by Segment

- Operating margins recovered steadily for cosmetics (+7.7 pts) and sanitary products (+4.4 pts). Profits increased in all segments due to advances in earning power and promotion of high-value-added products.

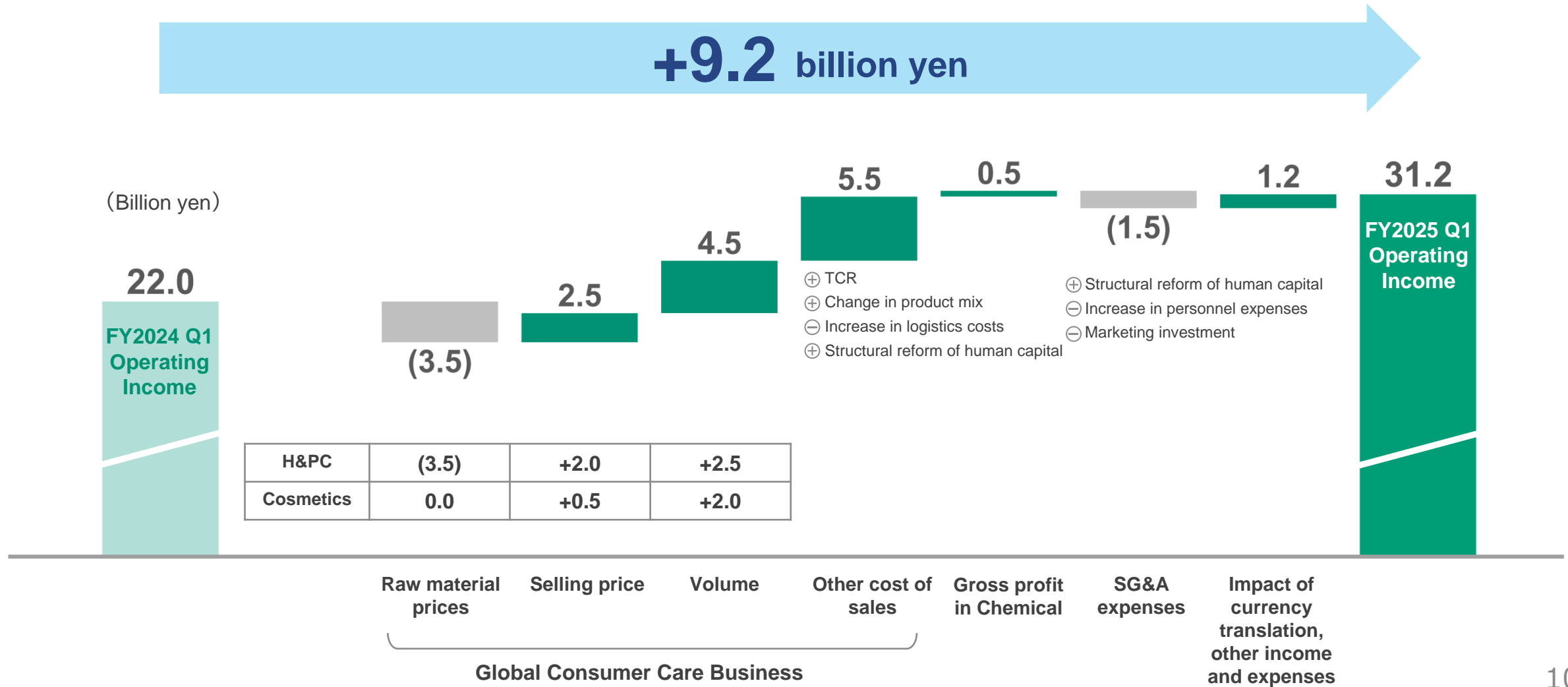
		Net sales				Operating income			Overview
		Billion yen	Like-for-like	By Volume	By Price	Billion yen	Change	Operating margin	
	Fabric & Home Care	84.1	6.9%	5.1%	1.8%	14.3	1.7	17.1%	Earning power from promotion of high-value-added products, price adjustments and other measures drove sales and profits. Volume & market share also grew
	Sanitary	40.3	(2.3%) (0.3%)	(2.9%)	0.7%	2.3	1.8	5.8%	Both sales and profits of sanitary napkins grew substantially. Merries returned to profitability and profits stabilized. Profit margin improved by 4.4 pts.
Hygiene Living Care Business		124.5	3.7% 4.5%	2.3%	1.4%	16.7	3.5	13.4%	—
Health Beauty Care Business		97.9	2.6%	2.3%	0.2%	6.7	0.1	6.9%	Skin care and high premium hair care in Japan grew substantially. Investment for growth improved in skin care.
Cosmetics Business		58.3	6.2%	5.4%	0.7%	(0.5)	4.2	(0.8%)	Profitability improved substantially due to growth of the six focus brands and reorganization of the China business, among other factors. Profit margin improved by 7.7 pts.
Business Connected Business		8.2	(7.5%) (0.5%)	(7.5%)	—	(0.1)	0.4	(1.5%)	Impact of transfer of beverage business (FY2024 Q3).
GC Business		288.9	3.5% 4.0%	2.6%	0.8%	22.8	8.2	7.9%	—
Chemical Business*		112.0	13.7%	(0.3%)	13.9%	8.3	0.0	7.4%	Sales increased significantly but profits were flat due to the impact of rising raw material prices.
Consolidated		389.9	6.0% 6.4%	1.6%	4.4%	31.2	9.2	8.0%	

\* Net sales of the Chemical Business include intersegment transactions

- Growth by volume includes changes due to differences in product mix.
- Sales by geographic region are classified based on the location of the sales recognized.
- Blue figures: Ratios excluding the impact of business transfers in 2024

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

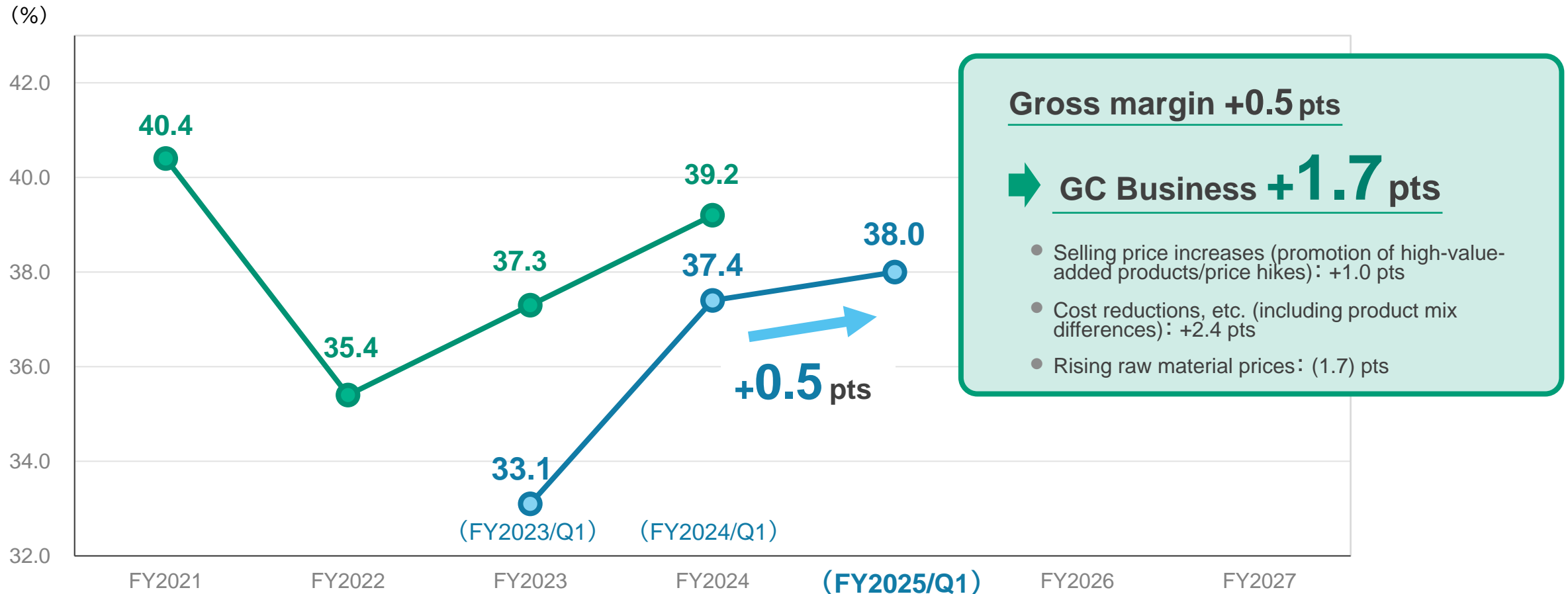
- In both the Global Consumer Care Business and the Chemical Business, the effects of price adjustments and increased sales volume offset the impact of rising raw material prices.
- The effects of structural reforms offset increases in personnel and other expenses. Conducted proactive investment in marketing.



# Further Improvement of Earning Power

- Proactive launches of high-value-added products, cost reduction activities and other measures offset the impact of rising raw material prices, improving the profit margin.

## Gross margin



# Further Improvement of Earning Power

## - Product Development and Manufacturing that Enhances Value

- Improve both profit margins and market share through timely value offerings that address changing consumer needs and by adjusting selling prices to reflect that added value.

### Q1 New and improved products

#### Laundry detergents

New Beads Gel  
Improved Feb. 10

- Improved deodorizing effect
- Added anti-wrinkle effect



Unit price per volume  
Approx. **150%**



#### Thermal stress care

Bioré ZERO Sarasara  
Powder Sheets  
Launched Feb. 8

- Instant, long-lasting drying
- Textured wave pattern removes sweat and stickiness



Price per sheet  
Approx. **140%**



### Q2 New products

#### Body wash

Bioré The Body Totonoi Hada  
Launched Apr. 12

- Relieves stickiness and dryness at the same time
- Sustainable surfactant Bio IOS



Unit price per volume  
Approx. **200%**



#### Dishwashing detergents

CuCute Foaming spray with  
no scrubbing required  
Launched Apr. 5

- Just spray and rinse
- 30% reduction in washing time
- 20% reduction in water for rinsing

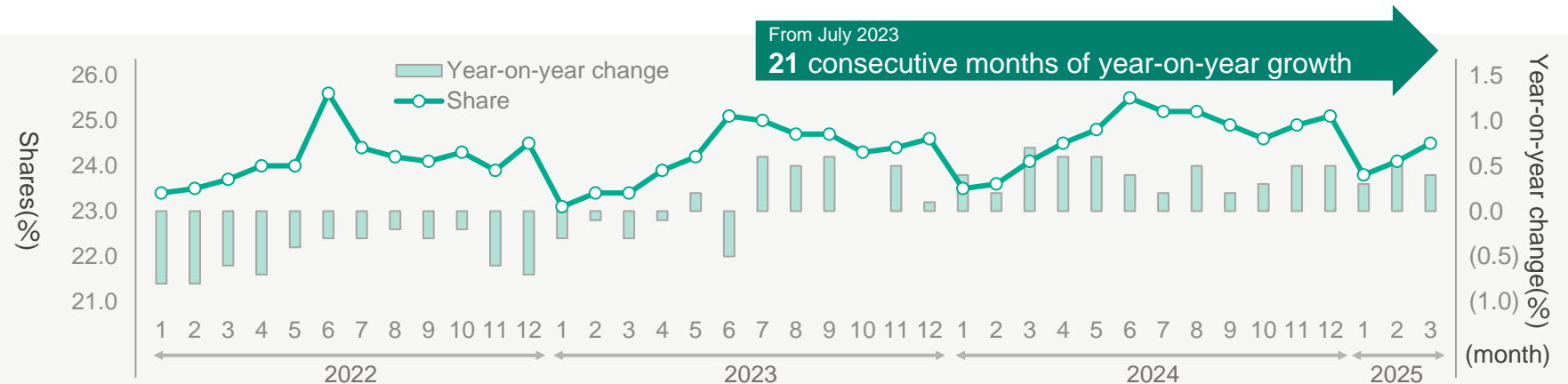


Unit price per volume  
Approx. **160%**



### Kao's share of the H&PC market (Japan)

Household products/Japan  
INTAGE, Inc. SRI+  
KAO + NIVEA



# Reorganizing the Cosmetics Business to Achieve Profitable Growth

## Six Focus Brands

SENSAI

MOLTON BROWN

KANEBO

SOFINA

Curél

KATE  
TOKYO

**Japan Business**  
Achieve both growth  
and profitability  
improvement

### Accelerated Growth of Six Focus Brands

Year-on-year  
sales growth

**125 %**



### Accelerated Growth of Directly Operated E-commerce

Year-on-year  
sales growth

**142 %**

### Business Streamlining

Reduction  
of fixed  
costs

**(1.8)** billion yen

**China Business**  
Reorganization

### Outperforming the market Sell-out Recovery

Year-on-year  
growth

**101 %** vs YOY market growth  
(+3 pts)

• GMV of Curél & freeplus at Tmall flagship store: 101%  
• GMV of all cosmetics at Tmall flagship store: 98%

### Unofficial E-commerce Stores Selling Price Recovery

Recovery rate

**140 %**

Difference from June-August 2024 period of excessive  
distribution inventory  
Selling price of freeplus mild soap

### Enhancing Local Production and Consumption

Change in sales  
composition of  
locally produced  
products

**+4 pts**

**Expand the  
foundation for  
growth outside  
Japan** (other than China)

### Sales Expansion to Asia\*

Year-on-year  
sales growth of  
Six Focus Brands

**117 %**

\*Other than China



### From Japan Business Expansion to Europe

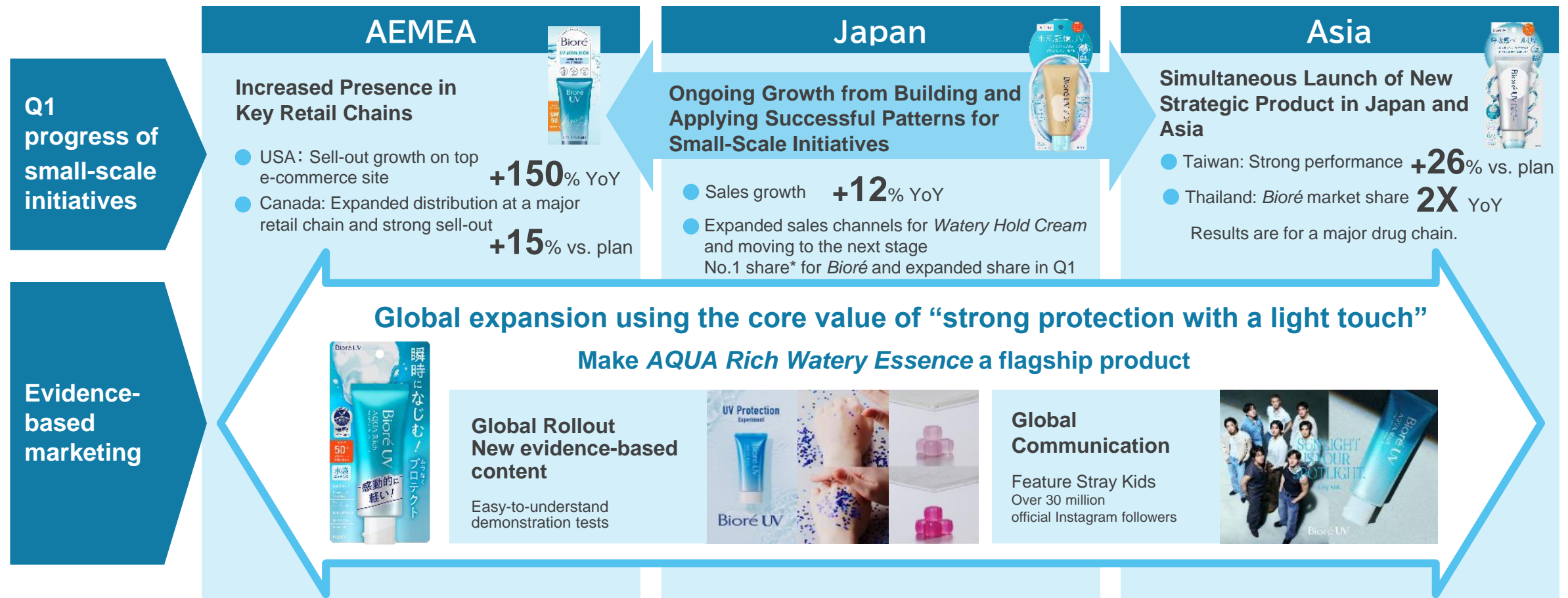
Curél



• UK sales: Approximately doubled  
• Stared rollout in France and Germany

# UV Care Business – Laying a Solid Foundation for Global Expansion

- FY2025 Q1 sales growth +9%. Our initial expansion initiatives have already delivered substantial traction in the Americas and Europe. Japan also grew 12%.
- Create growth momentum in Asia, the Americas and Europe, as well as in Japan, through evidence-based marketing (communicate first-hand experience of superior performance, etc.) toward a global sales target of 48.0 billion yen in FY2027 (more than double FY2023 result).



# Impact of Risks from U.S. Tariff Policies and Impact Minimization Measures

- The Global Consumer Care Business is based on local production and consumption, so the impact will not be large. The Kao Group will be able to keep the impact on operating income below -2.0 billion yen in both the Global Consumer Care Business and the Chemical Business through additional initiatives.
- No change to the full-year forecast.

## Estimated Impact on Operating Income\*

**(2.0) billion yen or less**

- **Global Consumer Care Business**  
**(1.5) billion yen or less**
- **Chemical Business**  
**(0.5) billion yen or less**

### \*Assumptions

- 10% baseline tariff from April 9 (90 days)
- Starting July 9, the tariff rates originally planned for each country will be applied.
- The impact of changing market conditions has not been taken into account.

## Initiatives Leveraging Kao's Strengths

**Company-wide** ● Select suppliers based on assumed risks

### GC Business

- Advance import and export schedules
- Further promote of local production and consumption
- Selling price adjustment

### Chemical Business

- Switch to US products
- Strengthen development leveraging unique technologies
- Utilize tariff exemptions (USMCA, etc.)
- Utilize internal and external global networks

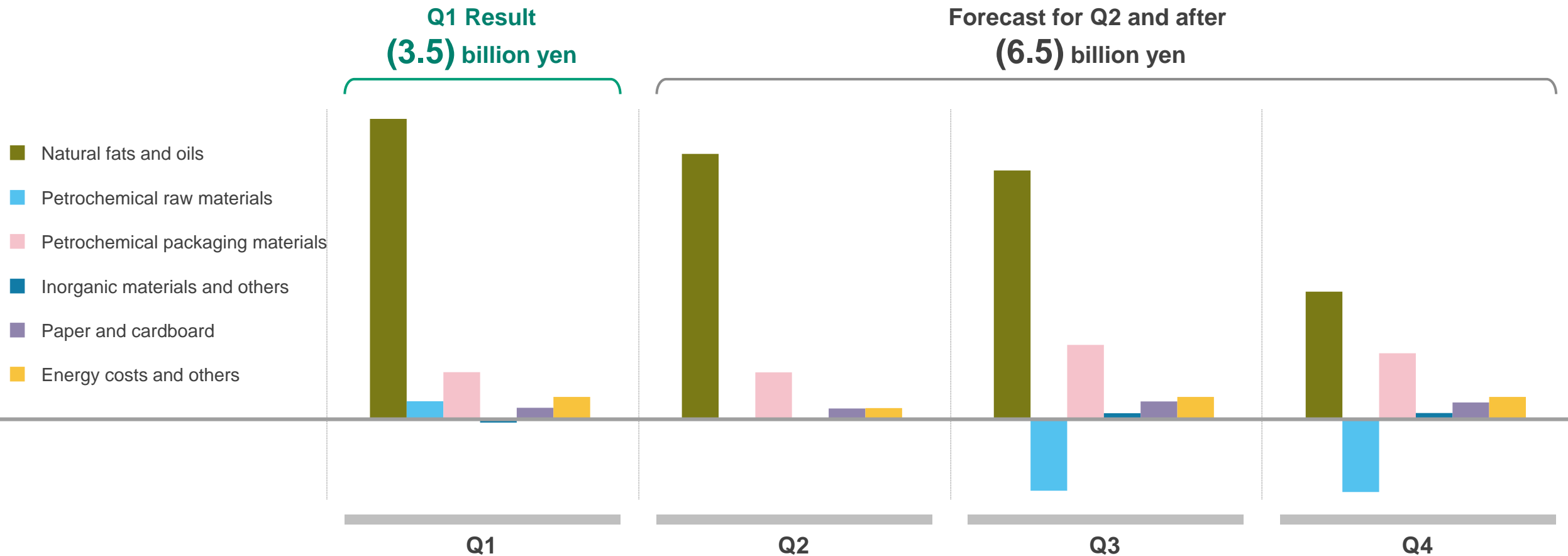
### Outlook on Market Changes Due to Tariffs

In both the Global Consumer Care Business and the Chemical Business, some impact is anticipated in certain regions and categories. However, the effect on profits is expected to be limited.



# Raw Material Prices Outlook in FY2025 (GC Business; vs. FY2024)

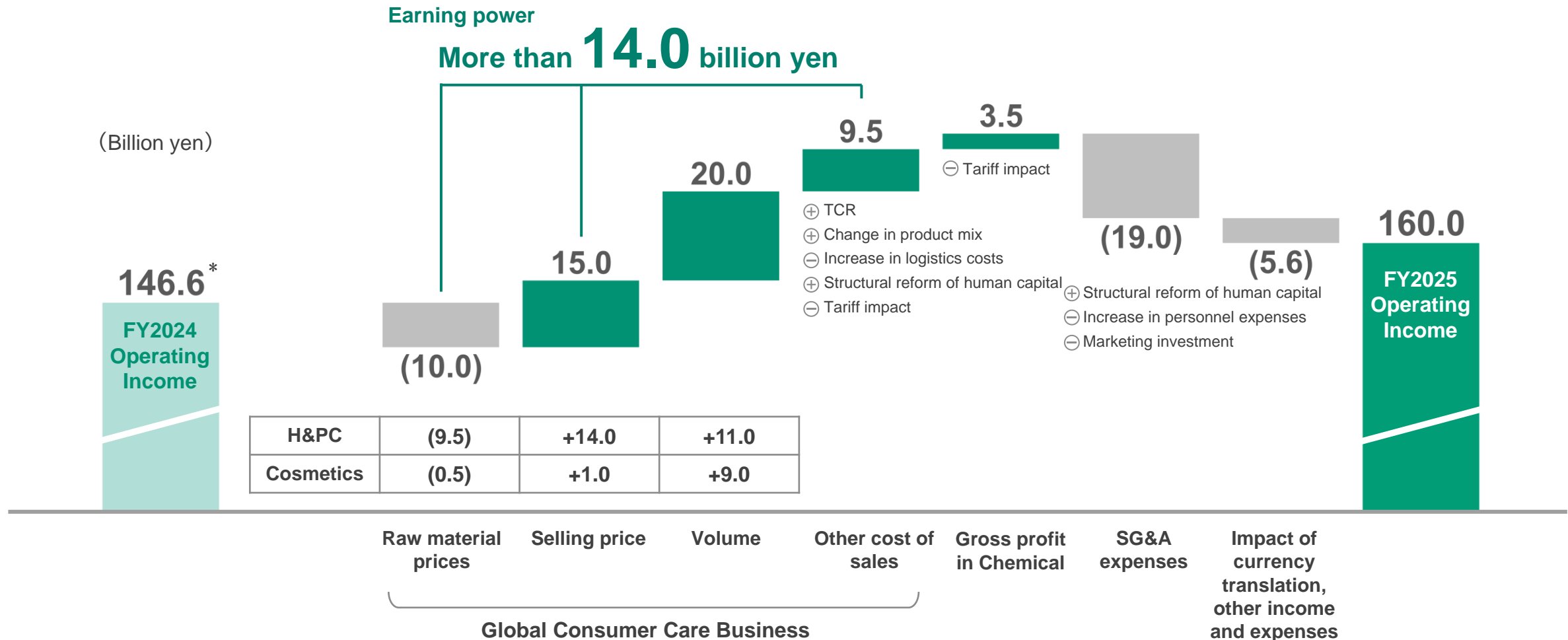
- Prices of fats and oils are expected to remain higher than the initial assumption, while crude oil prices are expected to decline moderately.
- Yen appreciation is expected to be greater than the initial assumption.
- The Kao Group plans to offset increased costs and ensure profits by adjusting selling prices to reflect added value, among other measures.





# Forecast of Factors in Operating Income in FY2025 (vs. FY2024 Results)

- Aim to achieve a profit increase of more than 14.0 billion yen by enhancing earning power.
- Price adjustments in response to rising raw material prices for household and personal care products will continue concurrently with plans to increase sales volume through new product launches and other measures.
- Even taking the impact of tariffs into account, 160.0 billion yen is achievable.



\*Including temporary income and expenses +7.2 billion yen. Breakdown of main items: 1) Gain on transfer: Pet care business +4.3 billion yen, beverage business +6.3 billion yen  
2) Structural reform expenses for subsidiaries in the Americas and Europe -3.4 billion yen

## Positioning of FY2025 toward Achieving K27

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- ✓ **Reaffirming full-year 2025 forecast while enacting measures to minimize risks from U.S. tariff policy.**

-The impact of tariffs on operating income is estimated to be up to -2.0 billion yen. No change to the full-year forecast.

## Upcoming Events (Planned)

### Briefing on Cosmetics Business September

## Notice

> EVA (Economic Value Added) and ROIC (Return On Invested Capital)  
2025-05-08

Information

Business | Finance

kao

#### 【Information Links】

➤ Investor Relations Topics

<https://www.kao.com/global/en/investor-relations/>

➤ Management Information – EVA Management

<https://www.kao.com/global/en/investor-relations/management-information/economic-value-added/>

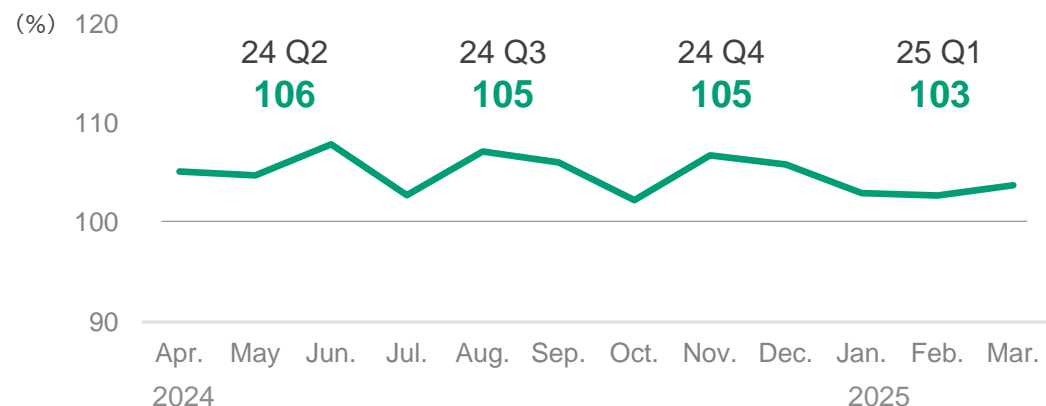
**02**

## **Appendix**

# Consumer Products Market in Japan

## Growth of H&PC Market

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

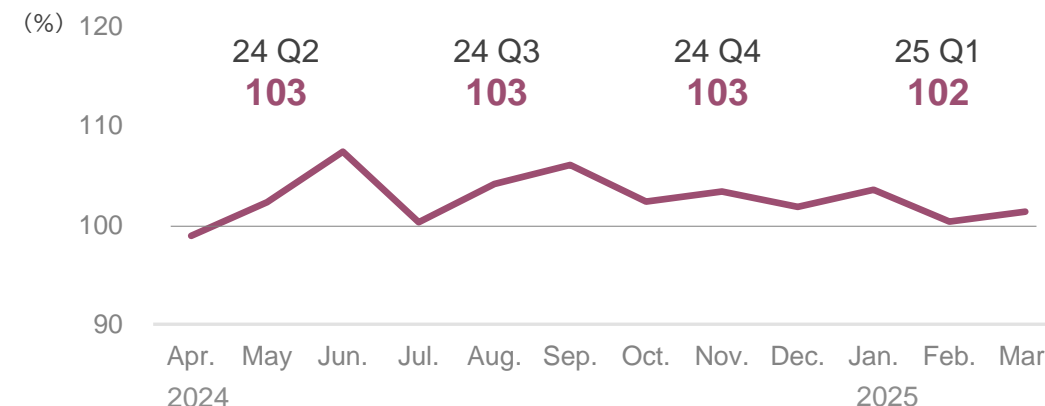


## Market Growth Rates of Major Categories

vs. previous year	Jan.	Feb.	Mar.	Q1
<b>H&amp;PC total</b>	<b>103</b>	<b>103</b>	<b>104</b>	<b>103</b>
Laundry detergents	108	107	108	108
Fabric softeners	106	106	104	105
Bath cleaning products	102	103	102	102
Sanitary napkins	100	101	105	102
Baby diapers	98	99	104	101
Sunscreens	113	106	112	111
Hand soaps	102	97	105	101
Hand sanitizers	101	80	93	91
Bath additives	104	106	98	103

## Growth of Cosmetics Market

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



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

vs. previous year	Jan.	Feb.	Mar.	Q1
<b>Cosmetics total</b>	<b>104</b>	<b>100</b>	<b>101</b>	<b>102</b>
<b>Skin care products</b>	<b>105</b>	<b>102</b>	<b>102</b>	<b>103</b>
Facial cleansers/ Makeup removers	106	100	105	104
Lotions/emulsions/creams	106	97	101	101
Serums	103	112	102	105
<b>Makeup products</b>	<b>102</b>	<b>96</b>	<b>98</b>	<b>98</b>
Makeup bases	102	101	102	102
Point makeup products	101	92	92	95
<b>Other</b>	<b>94</b>	<b>98</b>	<b>106</b>	<b>100</b>
Sunscreens	98	110	112	109

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

vs. previous year	China (including e-commerce)				Indonesia				Thailand			
	24 Q2	24 Q3	24 Q4	25 Q1	24 Q2	24 Q3	24 Q4	25 Q1	24 Q2	24 Q3	24 Q4	25 Q1
Baby diapers	-	-	-	-	92	94	94	95	86	88	83	86
Sanitary napkins and panty liners	105	107	105	105	110	108	107	107	102	103	103	101
Laundry detergents	-	-	-	-	104	104	103	102	106	104	101	99
Sunscreens	-	-	-	-	-	-	-	-	113	109	110	102
House cleaning products	-	-	-	-	-	-	-	-	101	100	97	93

Source: NielsenIQ

## Americas and Europe

vs. previous year	U.S.				U.K.				Germany			
	24 Q2	24 Q3	24 Q4	25 Q1	24 Q2	24 Q3	24 Q4	25 Q1	24 Q2	24 Q3	24 Q4	25 Q1
Hair care	104	105	105	104	106	106	109	105	103	104	106	105
Facial care products	103	100	100	100	-	-	-	-	106	99	96	95
Self tanning	102	107	116	105	-	-	-	-	-	-	-	-
Hand and body lotions	105	108	109	112	-	-	-	-	-	-	-	-

Source: Circana

# Long-term Initiatives to Create Corporate Value

- 1** Strengthen global presence by accelerating strategic rollouts outside Japan, centered on the growth driver area.
- 2** Improve profitability by utilizing the Kao Group's unique value-creating product development process supported by targeted investment in R&D.
- 3** Continuously optimize the business portfolio and conduct structural reforms for higher capital efficiency and ongoing improvement in EVA and ROIC.
- 4** Respond agilely to changing markets through marketing innovations enabled by DX.
- 5** Achieve stable shareholder returns based on a disciplined capital allocation policy focused on growth.

# K27 Targets

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

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

2. Core operating income



# Changes in Reportable Segments (From January 2025)

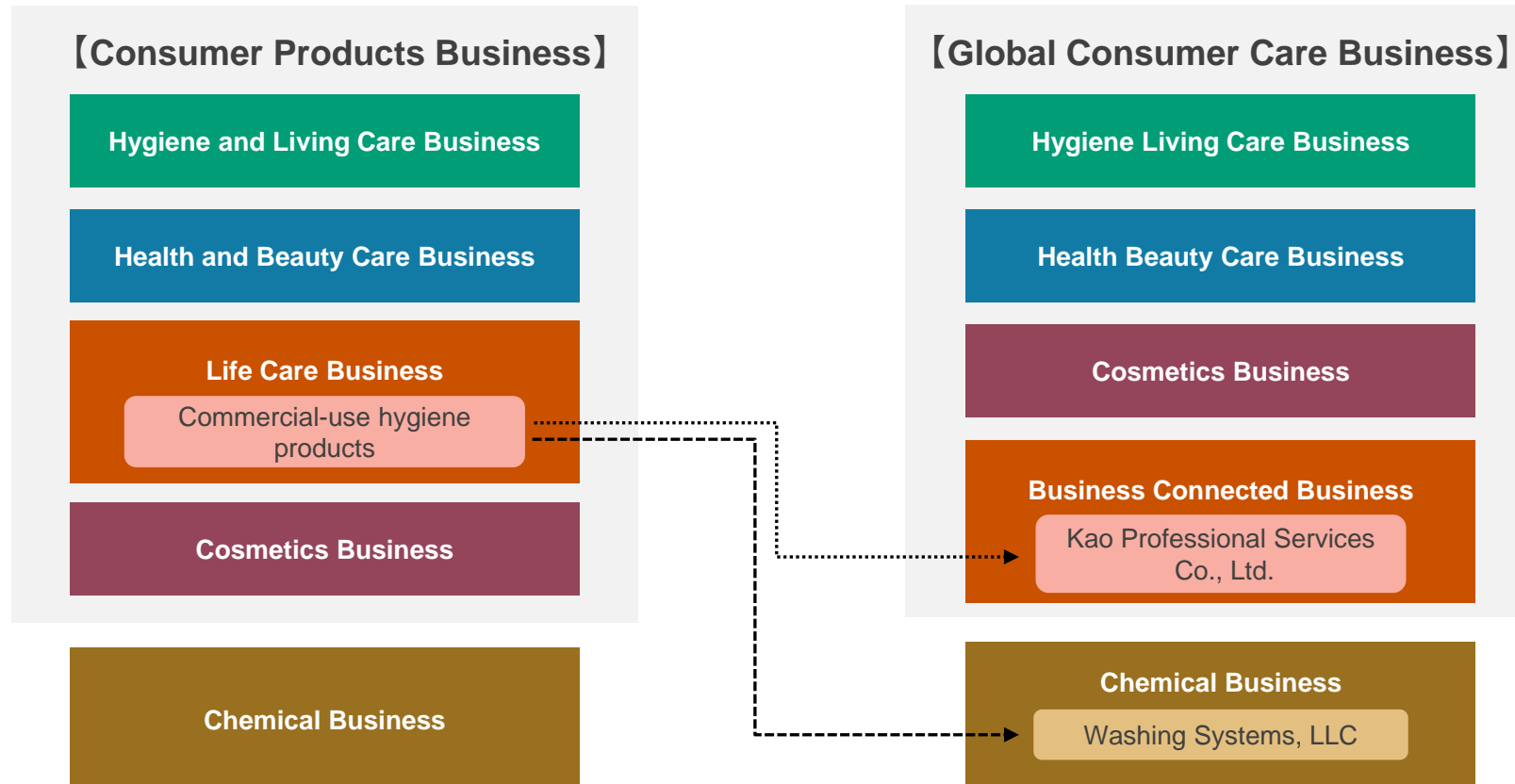
To further ramp up global growth, the Kao Group restructured its organization and functions as of January 2025.

## 【Changes of Names】

- The “Consumer Products Business” has been renamed as the “Global Consumer Care Business.”
- The “Hygiene and Living Care Business” has been renamed as the “Hygiene Living Care Business.”
- The “Health and Beauty Care Business” has been renamed as the “Health Beauty Care Business.”

## 【New Establishment】

- The “Business Connected Business” has been established to further improve productivity and strengthen both internal and external collaboration for creating new businesses. The business consists of the commercial-use hygiene products that were previously included in the Life Care Business (excluding Washing Systems, LLC), as well as life care products and other products.



# Kao

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