

The image features a vibrant sunset sky with orange and yellow hues near the horizon, transitioning to a deep blue at the top. Silhouettes of mountains and trees are visible on the left and right sides. In the center, a person stands with their back to the camera, holding their hands up to form a heart shape against the bright sun. The Kao logo is centered in the upper half of the image.

Kao

Kirei—Making Life Beautiful

Kao Corporation

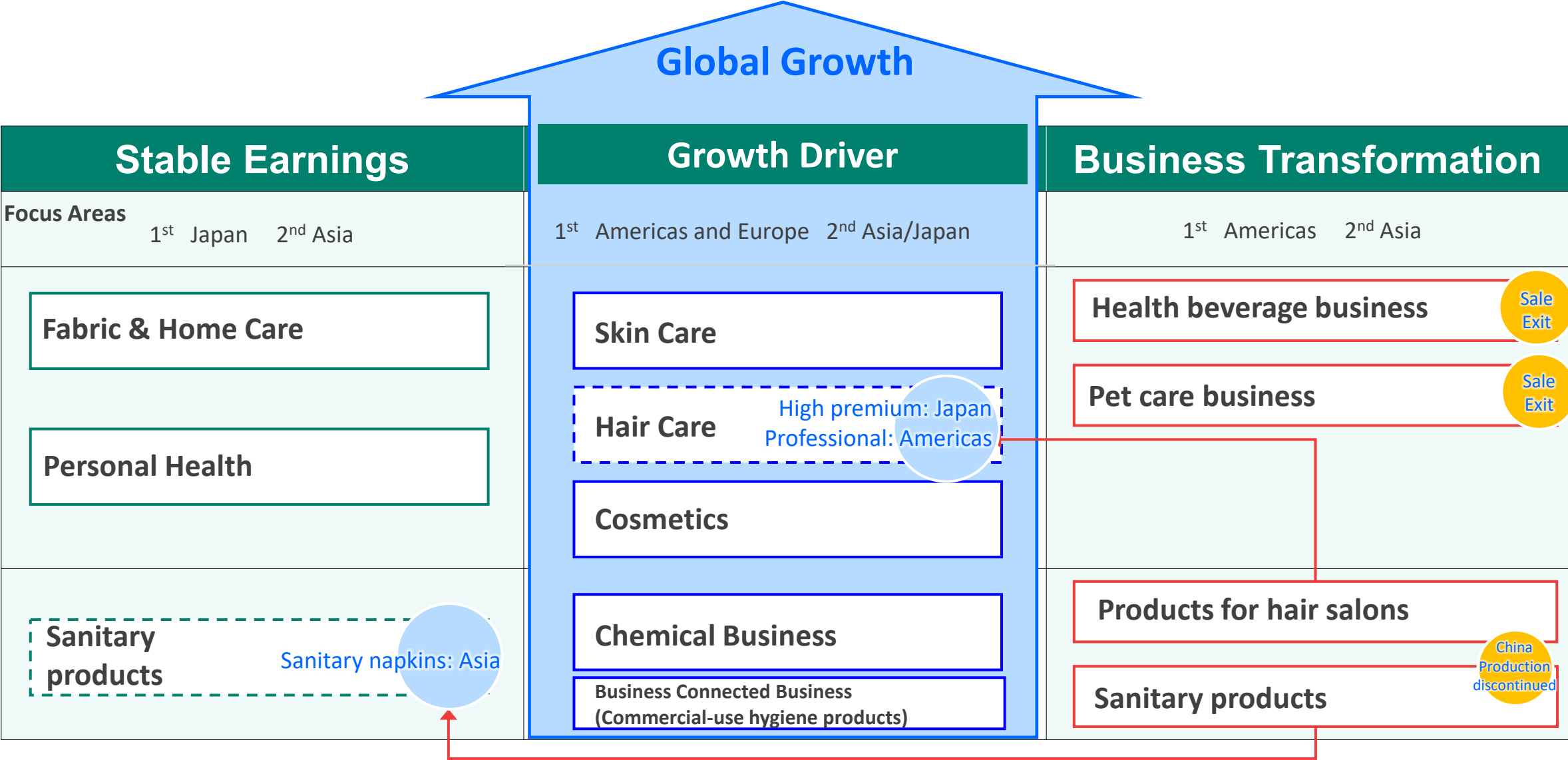
The 120th Annual General Meeting of Shareholders

We have returned to a sustainable growth trajectory through improved profitability and capital efficiency

- **ROIC improvement** **+5.6 pts (over 2 years)**
- **Operating cash flow** **199.7 billion yen**
- **K27 progress** **About 50% (halfway through the period)**
- **Dividend increase** **36 consecutive years, payout ratio 59%***

*Subject to approval at the 120th General Meeting of Shareholders

- **Progress on Mid-term plan “K27”**
- **FY2026 Business Environment**
- **The core of Kao’s value-creation model**
- **FY2026 Earnings forecast**



(FY2023 vs. FY2025 results)

	Stable Earnings	Growth Driver	Business Transformation	Total
Sales Growth Rate (%)	+4.7	+4.7	-2.0	+3.5
Operating Income Improvement (Billion yen) ^{*1}	+22.6	+4.2	+23.0	+49.3 ^{*3}
ROIC Improvement (pts) ^{*2}	+8.2	+1.1	+11.7	+5.6

Note 1: Amounts exclude the impact of one-time profit/loss in 2024 (+7.2 billion yen). Main breakdown: (1) Gain on business transfers: Pet care business +4.3 billion yen, Beverage business +6.3 billion yen; (2) European and American subsidiaries' restructuring expenses -3.4 billion yen

Note 2: Segment ROIC is an internal metric used to strengthen segment-level management focused on improvement rates; it takes business assets such as inventories and fixed assets as invested capital in the denominator. Company-wide ROIC is positioned as a key KPI for the entire group and is calculated using invested capital in the denominator based on the statements of financial position in the securities report.

Note 3: Some expenses are recorded as corporate (company-wide) expenses.

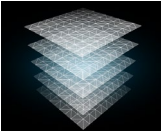
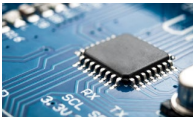
- On track to achieve K27 targets

(Billion yen)	FY2023 Results	FY2024 Results	FY2025 Results	Progress ^{*3}	FY2026 Forecasts	FY2027 Targets
ROIC	4.1%	9.2%	9.7%	81%	10.5%	11.0% or more
EVA	14.9	33.2	41.1	48%	51.0	70.0 or more
Operating Income	114.7 ^{*2}	146.6	164.1	51%	182.0	Record-high operating income (FY2019 211.7 billion yen)
Sales outside Japan ^{*1}	655.8	705.5	725.2	48%	760.0	800.0 or more (Sales CAGR+4.3%)

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

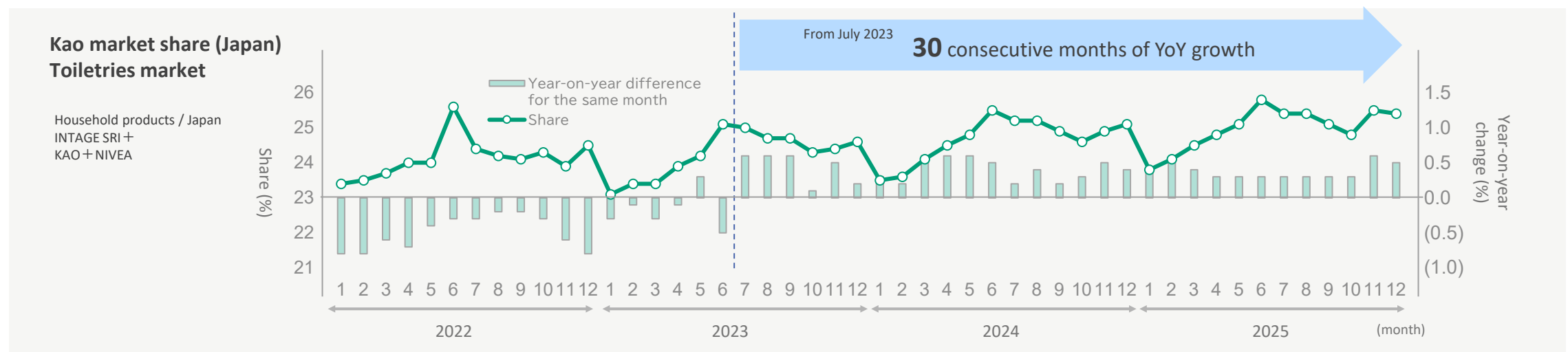
Note 2: Core operating income

Note 3: Two-year progress of the four-year plan starting in 2023

	Japan	Asia	Americas	Europe
Skin care	Skin protection (Bioré UV) +12% 	Jergens +192% 	Skin Protection (Bioré UV) +109% 	
Hair care	In-bath (High premium) Approx. 8x growth 	China hair color +86% 	Professional Hair Care (Oribe) (Americas +4%, Europe +7%) 	
Cosmetics	Six core brands +13% 	China locally produced products (EC sell-out) +98% ASEAN core 6 brands +16% 		Curél +69% 
Chemical	Semiconductor cleaning agents +39% 	Chemicals for electronic components +14% 	Materials for digital printing +23% 	

Responding to polarized consumer needs while sustaining our business KAO

As consumption becomes increasingly polarized, we deliver value across both premium and mass segments to achieve sustainable growth.



	Laundry detergent	Kitchen care	UV care	Facial cleanser	In-bath hair care	Body wash
Premium price range New value creation	 Kao market share 46% 2nd market share 39%	 Kao market share 57% 2nd market share 27%	 Kao market share 34% 2nd market share 19%	 Kao market share 29% 2nd market share 12%	 Kao market share 14% 2nd market share 9%	 Kao market share 30% 2nd market share 11%
Mass-market price range Stable foundation	 Kao market share 46% 2nd market share 39%	 Kao market share 57% 2nd market share 27%	 Kao market share 34% 2nd market share 19%	 Kao market share 29% 2nd market share 12%	 Kao market share 14% 2nd market share 9%	 Kao market share 30% 2nd market share 11%

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Complex geopolitical risks are impacting all businesses



Main geopolitical risk factors

- Escalating tensions in the Middle East
- Prolonged conflict in Ukraine
- Prolonged US-China tensions and uncertainty surrounding US tariff policy



Trends in crude oil prices

- A sharp rise in crude oil prices
- Impact of the prolonged conflict in Ukraine



Impact on each business

Cosmetics and toiletries

- **Cost increases** of petrochemical raw materials derived from crude oil (e.g., surfactants and container materials)
- **Plant-based materials** such as palm oil are also facing **upward pressure on prices** due to higher transportation costs

Chemicals

- Naphtha prices fluctuate with crude oil prices, putting **pressure on manufacturing costs** for basic chemicals
- Semiconductor materials are being affected by US-China tensions, driving acceleration in global supply chain restructuring

Retail and logistics

- **Rising fuel costs** are directly hitting logistics expenses. Maritime transport costs remain high due to the situation in the Red Sea, and shipping insurance premiums are rising.
- Passing higher costs on to consumers may lead to reduced **consumers spending**, posing a potential risk.

Cosmetics and toiletries industry

In Japan, the shift toward higher value-added products is accelerating; emerging Asian markets continue to expand.

The domestic cosmetics market is expected to reach 2.65 trillion yen (Growth of **2.7%** year-on-year FY2025) ¹⁾

Domestic competition is **intensifying** due to the rise of Chinese and Korean brands. Enhancing value-added is key ¹⁾

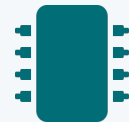


1) Yano Research Institute 2025

Chemical industry

**Growth accelerated by AI demand
Toward a \$1 trillion market**

The global semiconductor market is expected to reach \$796 billion in 2025 (**+26% YoY**). 2026 market forecast to reach \$975.5 billion (Year-on-year **+26.3%**) ²⁾



2) WSTS Autumn 2025 forecast

Retail industry

Polarization deepens amid rising prices

Retail sales in the first half of 2025 increased 2.7% year-on-year, but department ³⁾ store sales declined.

Key Consumption Trends for 2026:
Value consciousness and small luxuries ⁴⁾



3) Ministry of Economy, Trade and Industry 2025

4) Kufuu Company Jan 2026

Logistics industry

**The “2026 Logistics Problem”
takes full effect**

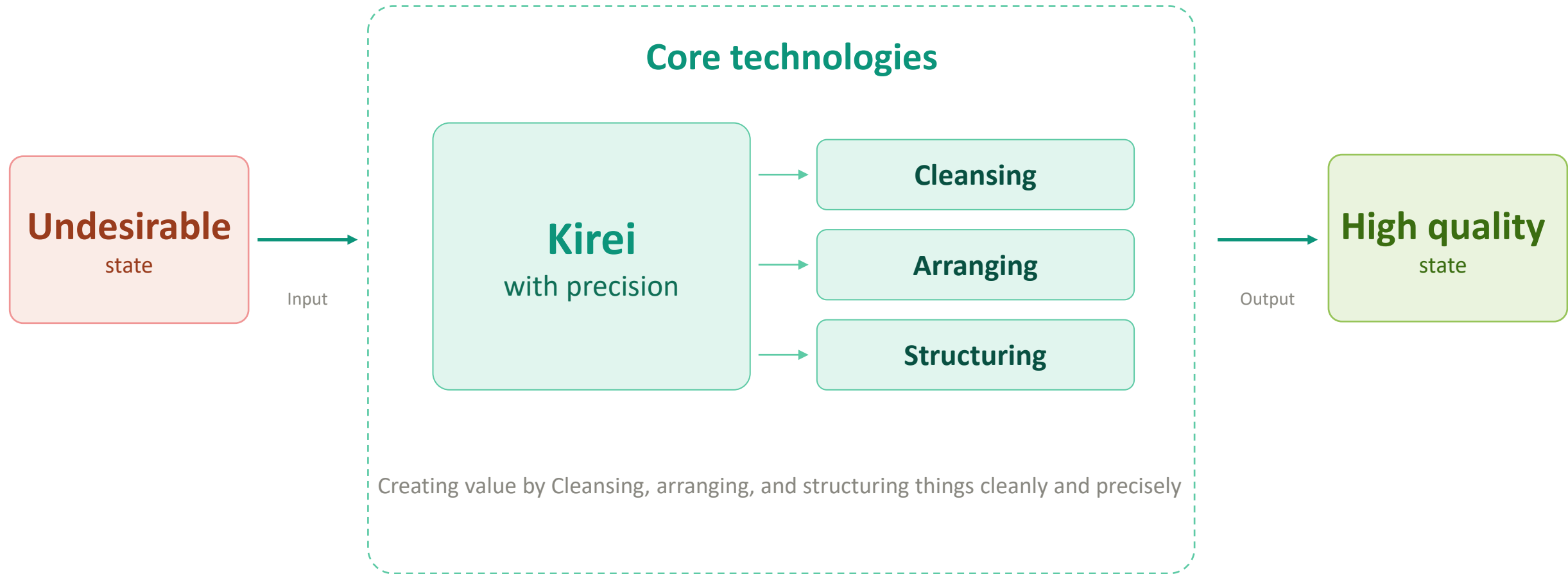
Japan's amended Logistics Efficiency Act will ⁵⁾ take full effect in April 2026. Shippers will be required to **appoint a CLO** and develop **medium- to long-term plans**. Driver shortages are expected to worsen.



5) Amendment to the Logistics Efficiency Act enacted May 2024

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Kirei – Making Life Beautiful



Kao's 140 years of expertise in precise interfacial control technology

Precisely controlling interactions at material interfaces to enable selective cleansing, targeted dispersion, and controlled structure formation.

Cleansing



Selective
cleansing of skin



Selective washing
of fabrics

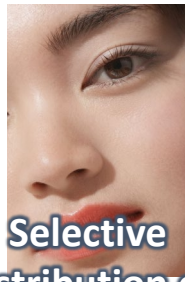


Selective cleansing of
semiconductor
materials

Arranging



Precise color
fixation



Selective
distribution of
ingredients



Uniform coating

Structuring (orientation, emulsification, foaming)



Dense packing of
inorganic materials



Uniform protection of
plant surfaces



Precise control of
foam structure

Raw materials

Surfactants

Formulations

Palm-Based (Natural Oils & Fats)
Oleochemical

Raw Materials

- Palm Oil
- Palm Kernel Oil
- Coconut Oil

Intermediate Materials

- Fatty Acid
- Fatty Alcohol
- Fatty Acid ME

Petroleum-Based (Petrochemicals)
Petrochemical

Raw Materials

- Crude Oil / Naphtha
- Ethylene
- Propylene

Intermediate Materials

- Linear Alkylbenzene (LAB)
- Ethylene Oxide (EO)
- Synthetic Alcohol

Key Products (Surfactants)

- Soap**
Fatty Acid Salt
Anionic
- MES**
α-Sulfo Fatty Acid ME Salt
Anionic
- AS / AES**
Alcohol Sulfate Ester
Anionic
- AE**
Alcohol Ethoxylate
Nonionic

Key Products (Surfactants)

- LAS**
Linear Alkylbenzene Sulfonate
Anionic
- AOS**
Alpha-Olefin Sulfonate
Anionic
- POE-type AE**
EO-Adduct Ether
Nonionic
- Quaternary Ammonium**
Cationic Surfactant
Cationic

4 Types of Surfactants (by Ionic Property)

- Anionic**
Approx. 1/3 of total; main detergent type
- Nonionic**
Usage significantly increasing in recent years
- Cationic**
Softeners, conditioners, disinfectants
- Amphoteric**
Mild; auxiliary agents

Chemical Business

Key Application Fields

- Household Detergents**
Laundry, Kitchen, Home
 - Personal Care**
Shampoo, Cosmetics

Consumer Care Business
- Industrial Cleaning**
Metalworking, Textiles
 - Agriculture**
Spreading Agents, Emulsifiers
 - Food**
Emulsifiers, Additives
 - Construction**
Cement Water Reducers

Chemical Business

Dependence on Middle East for Crude Oil

94.0%

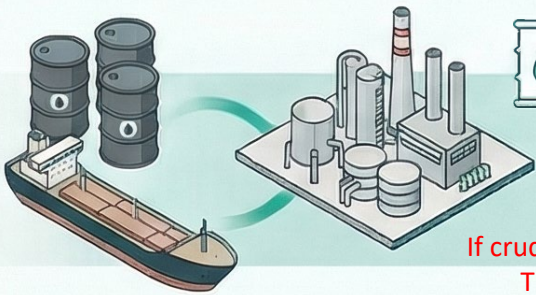
Dependence on the Strait of Hormuz

93.0%

Crude oil import volume (2025)
Approximately 2.36 million barrels per day

UAE 43.3% Saudi Arabia 39.4% Kuwait 6.2%

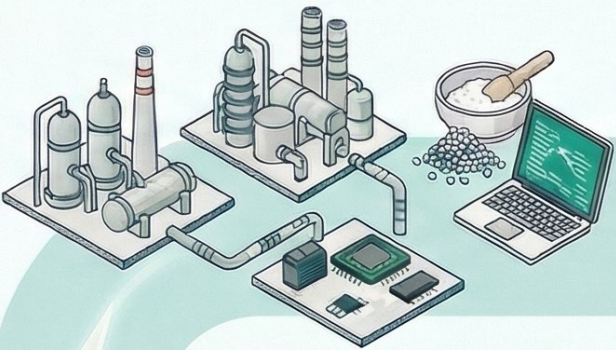
Structure of the petrochemical supply chain



Starting point:
Most important raw materials
Crude oil / Naphtha

Conversion to basic chemicals
Ethylene, propylene, etc.

If crude oil from the Middle East stops
The entire supply chain stops



Intermediate processes:
From base chemicals to products

From basic chemicals to plastics and rubber,
electronic components, paints, and containers

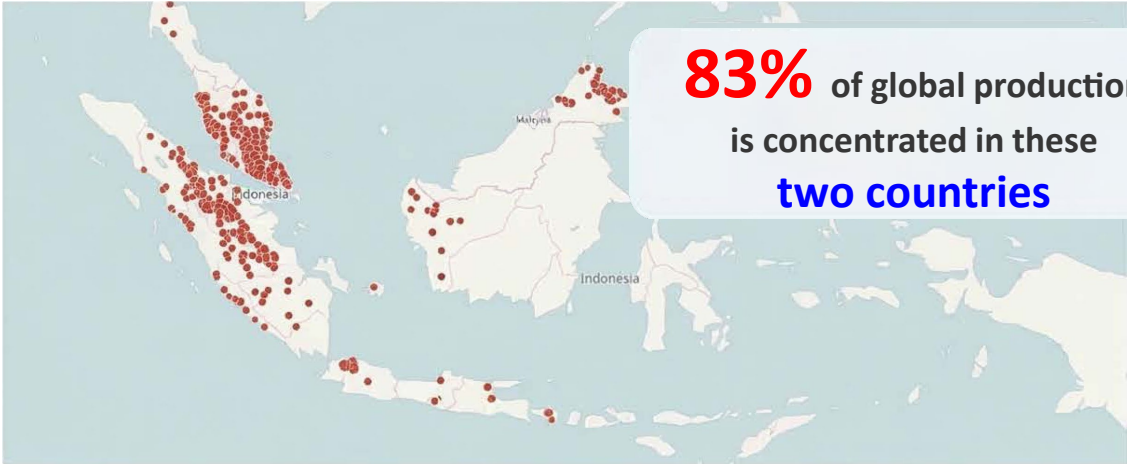


Final products:
Supporting everyday life
Detergents, shampoos, diapers and others

Securing a stable supply of raw materials is the top priority

Palm kernel oil (PKO) is a co-product of palm oil (PO), making it difficult to increase production independently. Its complex process and distribution chain also makes physical segregation (e.g., achieving 100% certified oil) structurally extremely difficult.

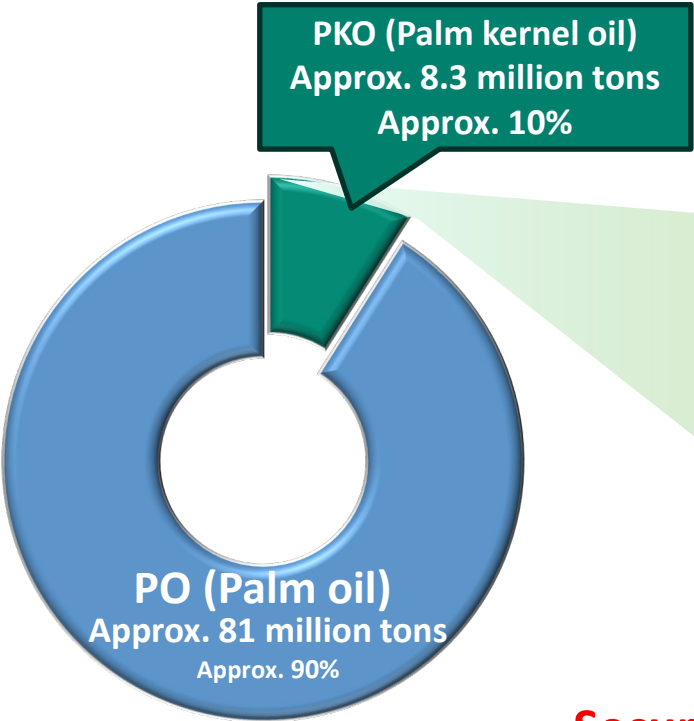
Palm oil (PO)	Palm kernel oil (PKO)
	
Primary Use: Mainly cooking oil and food products Characteristics: A primary product with overwhelmingly large production volume	Primary Use: Oleochemicals for detergents and cosmetics (Kao's main raw material) Characteristics: A co-product of PO production, with no ability to increase output independently



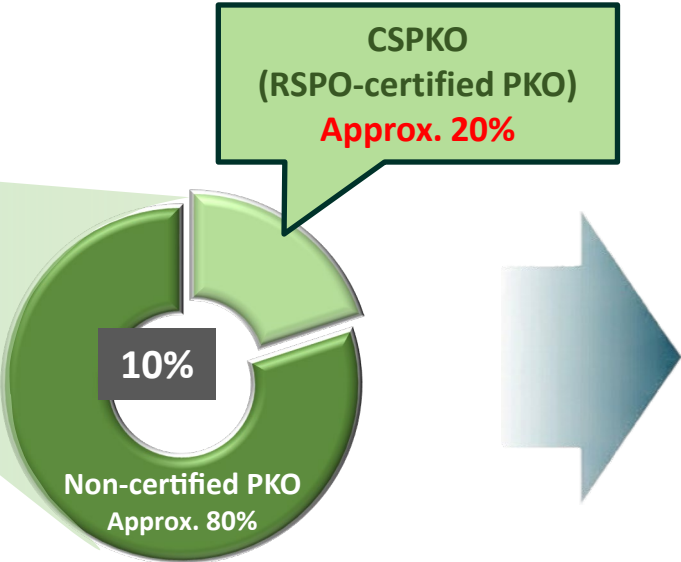
Source: 2024 ACOP

RSPO-certified PKO (CSPKO) accounts for about **20%** of total palm oil production

1) Global palm-based oil production



2) PKO Breakdown



Securing a stable supply of high-quality raw materials is the top priority

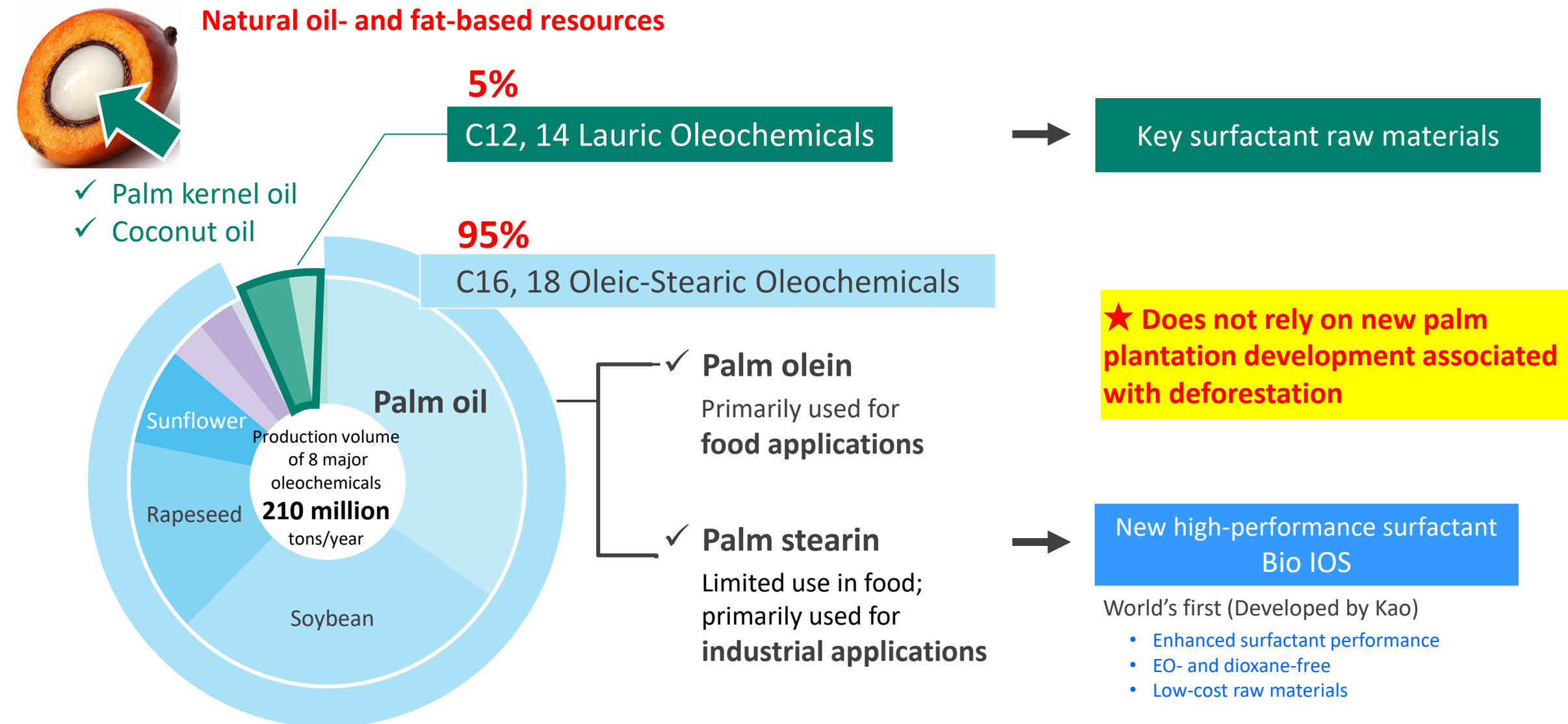
Global PKO Production and Kao's Procurement Volume

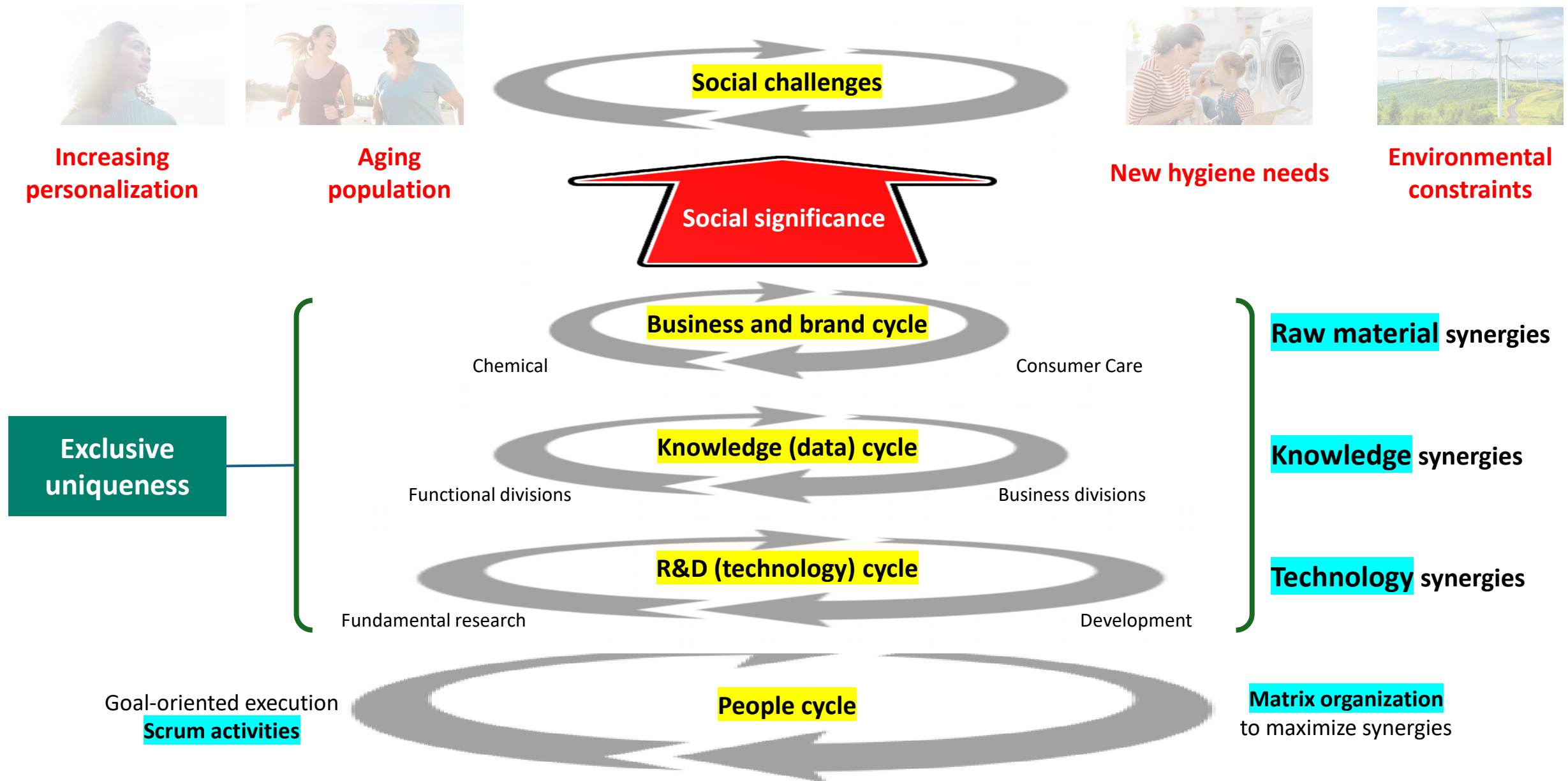


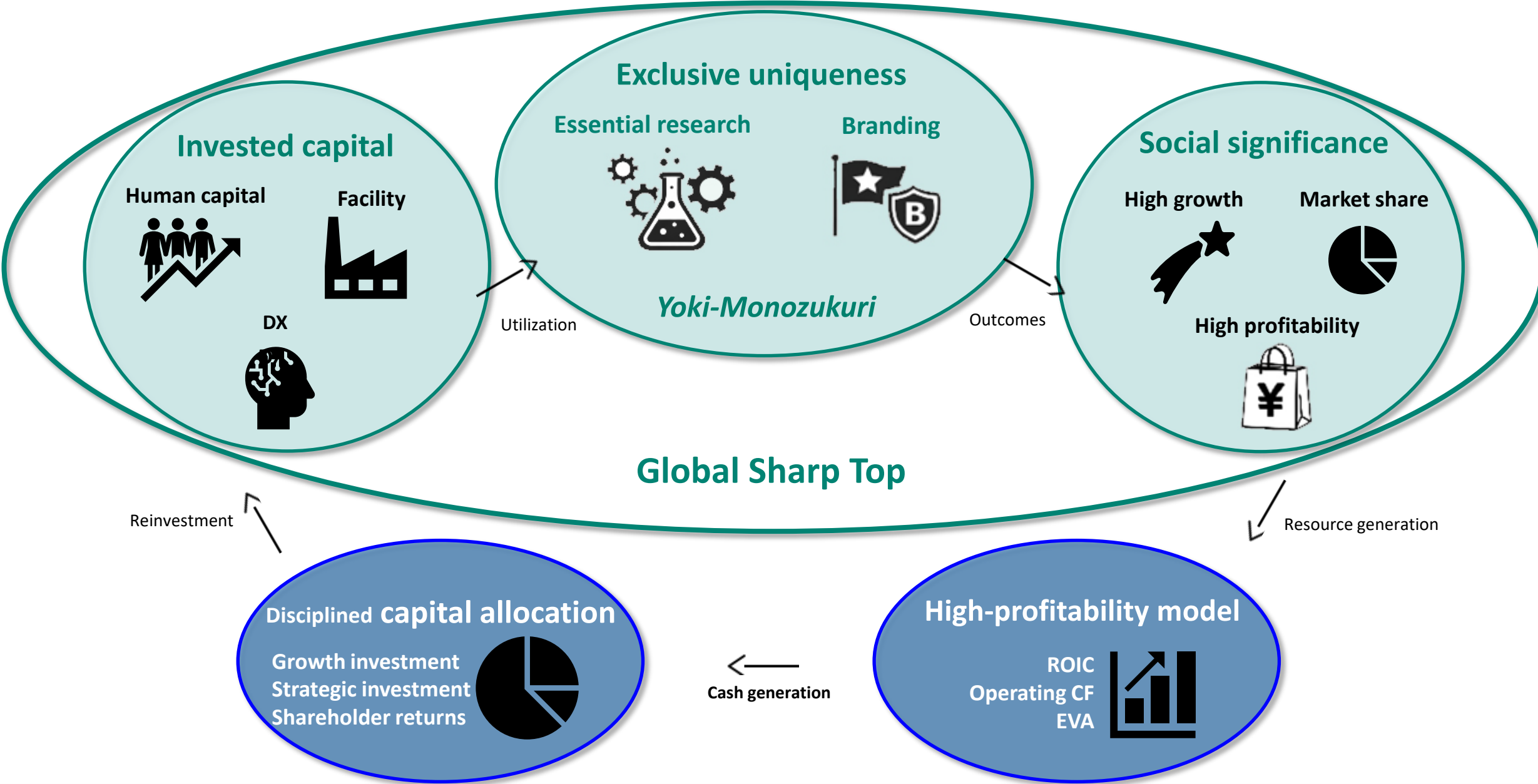
- World production: 8.3 million tons
- Indonesia: 4.9 million tons
- Malaysia: 2.1 million tons

Kao's procurement volume of PKO
Approx. 255,000 tons

approx. **3%**







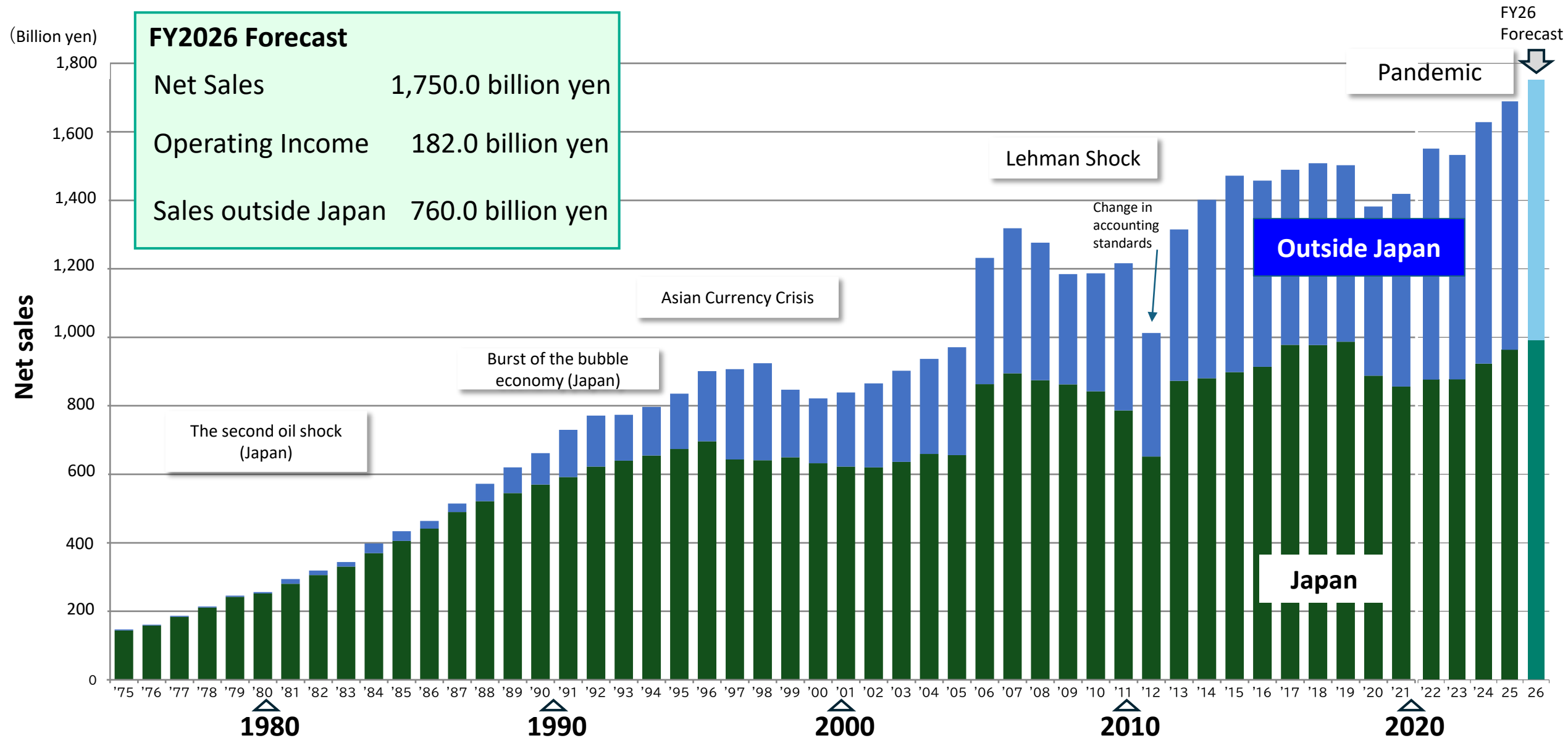
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FY2026 Consolidated financial performance forecast

(Billion yen)	FY2025 Results	FY2026 Forecast	Change
Net Sales	1,688.6	1,750.0	+3.6%
Operating income	164.1	182.0	+17.9
Operating income margin	9.7%	10.4%	-
Net income (attributable to owners of the parent)	120.1	130.0	+9.9
Cash dividends per share	154.00 yen	156.00 yen (planned)	+2.00 yen

The interim dividend for FY2026 (record date: June 30, 2026) will be paid based on the number of shares prior to the stock split.
The FY2026 year-end dividend is shown on a pre-split basis, reflecting the planned dividend of ¥78 before the split and ¥39 after the split.

Kao's business trends and forecasts (Japan & overseas)





Kao Corporation

The 120th Annual General Meeting of Shareholders