

Fiscal 2021

From January 1 to December 31, 2021

Kao Corporation

February 3, 2022

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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.

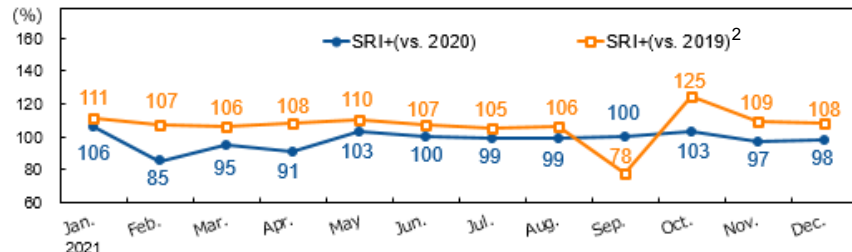
Notes:

1. The following is an overview of the reportable segments that have changed as of the three months ended March 31, 2021. (For details, please refer to page 41).
 - 1) The Hygiene and Living Care Business has been newly established and incorporates sanitary products from the former Human Health Care Business in addition to fabric care products and home care products, which were previously classified in the Fabric and Home Care Business.
 - 2) The Health and Beauty Care Business has been newly established and incorporates personal health products, which were previously classified in the Human Health Care Business, in addition to skin care products and hair care products, which were previously classified in the Skin Care and Hair Care Business.
 - 3) The Life Care Business has been newly established and incorporates health drinks, which were previously classified in the Human Health Care Business, in addition to commercial-use hygiene products, which were previously classified in the Fabric and Home Care Business.
 - 4) Due to the reorganization of segments described in 1 to 3 above, sales and operating income for the same period a year earlier have been restated.
2. Numbers in parentheses in charts are negative.
3. Year-on-year growth rates for net sales are all like-for-like, excluding the effect of translation of local currencies into Japanese yen.
4. Changes and comparisons are all with the same period a year earlier unless otherwise noted.

Consumer Products Market in Japan

- ◆ **H&PC Market:** The market remained below the previous year's level due to the absence of the special demand that arose in 2020 and repeated declarations of a state of emergency.
- ◆ **Cosmetics Market:** There was a gradual recovery, but it lacked vigor due to cautious consumer behavior.

■ Growth of H&PC¹ Market (86 major categories)

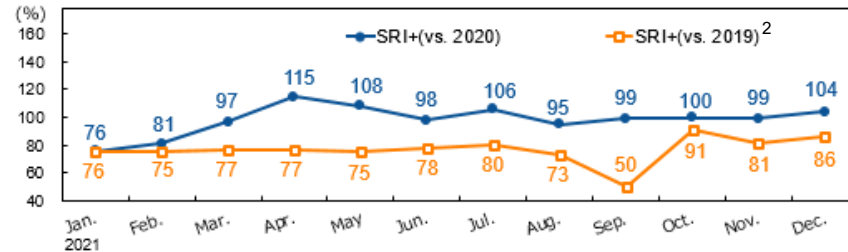


■ Market Growth Rates of Major H&PC Categories (vs. 2020)

(vs. 2019)

	21 Jan.-Sep.	21 Q4	21 Jan.-Dec.	21 Jan.-Dec.
H&PC total	97	99	98	106
Laundry detergents	105	104	105	107
Fabric softeners	105	105	105	110
Bath cleaning products	101	111	104	119
Sanitary napkins	94	103	96	97
Baby diapers	91	94	92	87
Hand soap	66	86	70	134
Hand sanitizers	41	32	40	528
Bath additives	109	103	107	123

■ Growth of Cosmetics Market (26 categories)



■ Market Growth Rates of Major Cosmetics Categories (vs. 2020)

(vs. 2020)

(vs. 2019)

	21 Jan.-Sep.	21 Q4	21 Jan.-Dec.	21 Jan.-Dec.
Cosmetics total	97	101	98	76
Skin care products	97	98	97	79
Facial cleansers	98	100	99	79
Serum	92	86	90	66
Makeup products	95	105	98	73
Base make	89	98	91	65
Point make	100	112	103	81
Other	101	114	102	71
UV care	102	128	104	68

1. H&PC: Household and personal care

2. SRI+: Estimates based on POS data from approx. 6,000 retail outlets nationwide

Kao's Main Markets in Asia, the Americas and Europe (Main Categories)

Main Markets in Asia

- ◆ China : Growth slowed in the baby diaper market, but UV care recovered from shrinkage in Q3 caused by inclement weather.
- ◆ Indonesia : The level of COVID-19 infections subsided. Movement of people recovered and the market is in a recovery trend.
- ◆ Thailand : House cleaning products market decreased in Q4 due to the impact of the increased demand for hygiene-related products in Q3. Severe conditions persisted in other categories.

<Market Growth Rate (%)>

	China (including e-commerce)					Indonesia					Thailand				
	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4
Baby diapers	105	103	104	97	93	107	105	116	109	107	88	89	99	88	86
Sanitary napkins and panty liners	105	106	102	101	102	99	98	119	112	114	94	87	106	91	92
Laundry detergents	97	111	104	100	104	95	97	107	107	109	94	90	95	81	81
UV care	118	151	128	103	110						77	84	90	68	91
House cleaning products											107	84	102	113	94

Source : NielsenIQ. China includes e-commerce (UV care and laundry detergents include business-to-consumer only).

Main Markets in the Americas and Europe

Despite an increase at the end of FY2021 in the number of people infected with the omicron variant, movement of people in Q4 remained on par with or slightly below Q2. In markets Kao has entered, many categories grew at the same level as Q2 and Q3, when there was growth due to recovery in the movement of people.

<Market Growth Rate (%)>

	U.S.					U.K.					Germany				
	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4
Hair care	97	98	105	108	109	89	87	111	103	106	95	90	108	111	108
Facial cleanser	101	99	100	101	101						96	92	102	100	90
Deodorant	96	92	115	112	110										
Hand and body lotions	104	107	110	108	106										

Source : NielsenIQ/IRI

Highlights of Consolidated Financial Results

Consolidated Operating Results (Year ended December 31)

(Billion yen)	FY2020	FY2021	Growth %	Change	vs.Forecast	FY2021 Forecast
Net sales	1,382.0	1,418.8	+2.7	+36.8	(11.2)	1,430.0
	Effect of currency translation ¹		+2.3	+32.3	-	+20.0
	Like-for-like growth		+0.3	+4.5	-	+28.0
Operating income	175.6	143.5	(18.3)	(32.1)	(33.5)	177.0
Operating margin(%)	12.7	10.1	-	-	-	12.4
Income before income taxes	174.0	150.0	(13.8)	(24.0)	(27.0)	177.0
Net income	128.1	111.4	(13.0)	(16.7)	-	-
Net income attributable to owners of the parent	126.1	109.6	(13.1)	(16.5)	(17.4)	127.0
EBITDA (Operating income + Depr. & amort.) ²	243.9	212.7	(12.8)	(31.3)	(36.3)	249.0
ROE(%)	14.2	11.6	-	-	-	13.7
Basic earnings per share (yen)	262.29	230.59	(12.1)	(31.70)	(36.52)	267.11
Cash dividends per share (yen)	140.00	144.00	-	+4.00	-	144.00

Cash flow	Adjusted free cash flow ³	86.3 billion yen
	Payments of cash dividends ⁴	68.7 billion yen

1. Exchange rates: 109.84 yen/USD, 129.87 yen/Euro, 17.03 yen/Yuan

2. Excluding depreciation of right-of-use assets

3. Adjusted free cash flow is the sum of net cash flows from operating activities and net cash flows from investing activities less depreciation of right-of-use assets and other expenses.

4. Includes payments of cash dividends to non-controlling interests

Overview of Consolidated Results

Despite the severe impact on business performance from the absence of the special demand that arose in 2020, the COVID-19 pandemic and hikes in raw material prices, the Kao Group promoted digital transformation (DX) unique to Kao and generated some results including successful products and increases in market share. At the same time, it made concentrated investment in strategic brands, conducted structural reforms and made progress building a foundation for growth to come.

Net Sales

1,418.8 billion yen (+2.7%) +0.3% on a like-for-like basis

- H&PC*: In a severe business environment that included the absence of the special demand, the COVID-19 pandemic and hikes in raw material prices, decisive brand management led to improved market share for multiple Category-leading brands.
- Cosmetics: Despite the impact of the disappearance of inbound demand and the delay in market recovery due to the COVID-19 pandemic, sales of the eleven global strategy brands (G11) emphasized by the Kao Group grew by 8% and accounted for 65% of total sales. Also, the overseas sales ratio was 41%.
- Chemical: Benefited from recovery in customer industries, and sales of fat and oil derivative products for disinfection and cleaning were firm. Sales and operating income grew and exceeded the plan as the Kao Group dealt with hikes in raw material prices, mainly outside Japan.

Operating Income

143.5 billion yen (-32.1 billion yen) 10.1% operating margin

- Impact of hikes in raw material prices: -16.0 billion yen
- Structural reforms: -7.1 billion yen (Impairment loss on facilities for baby diapers -4.5 billion yen, loss on liquidation of inventory -2.5 billion yen)

Net income attributable to owners of the parent

109.6 billion yen (-16.5 billion yen)

Shareholder Returns

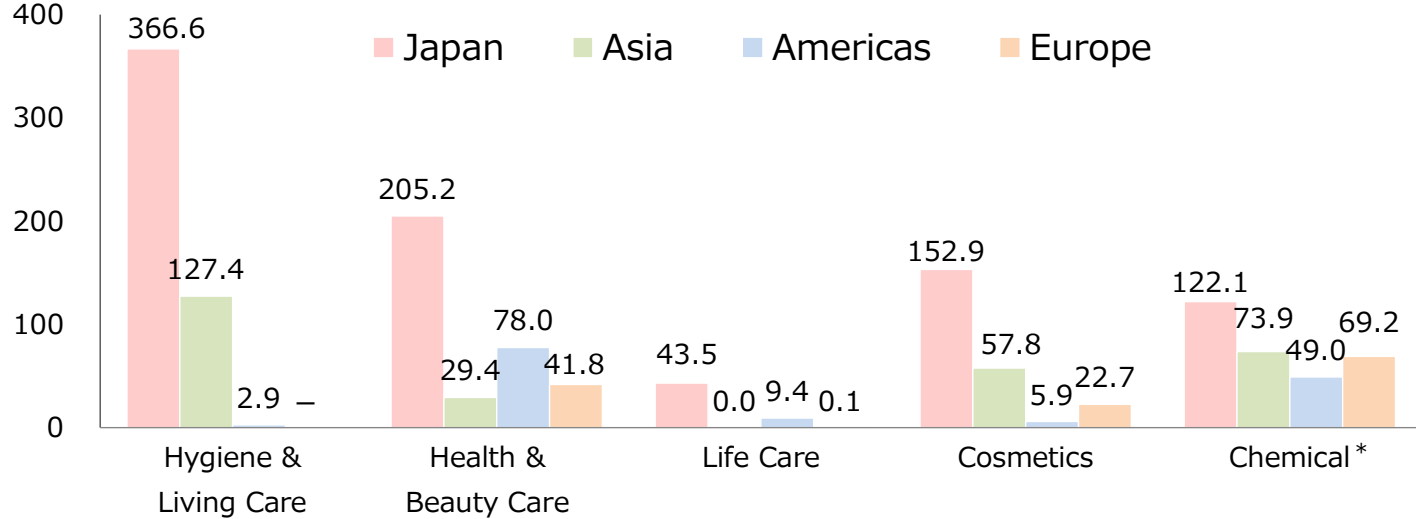
- Planning cash dividends per share of 144 yen, a year-on-year increase of 4 yen per share, in line with the announced forecast, for the 32nd consecutive fiscal year of increase in dividends.

* Collective term for the Hygiene and Living Care Business, the Health and Beauty Care Business and the Life Care Business.

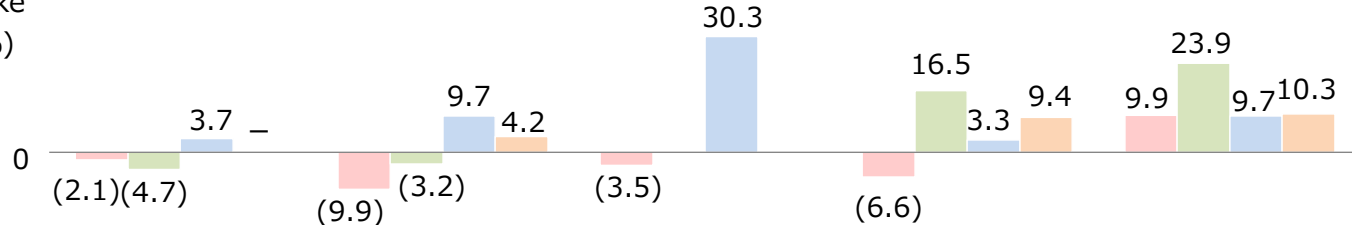
Consolidated Net Sales by Segment/Geographic Region

(Year ended December 31, 2021)

Net sales
(Billion yen)



Like-for-like
growth(%)



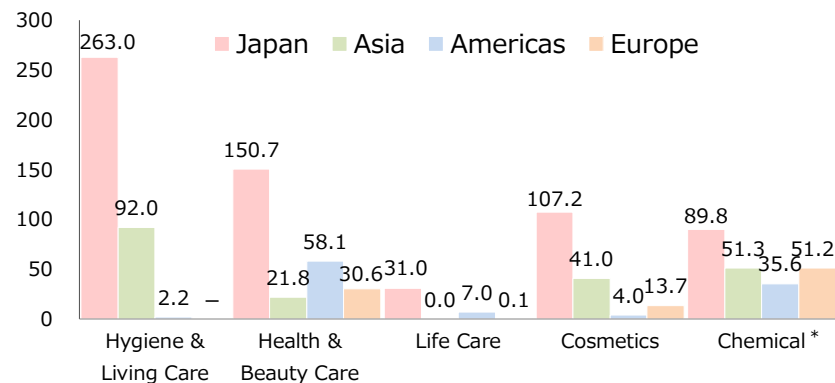
* Net sales of the Chemical Business include intersegment transactions

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

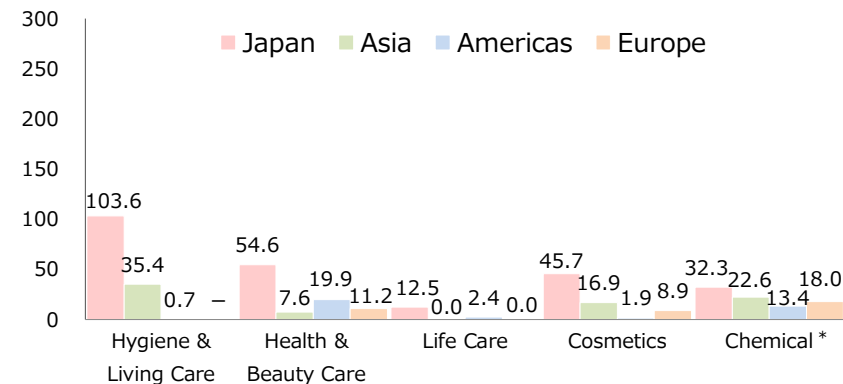
Consolidated Net Sales by Segment/Geographic Region (Quarter)

January-September

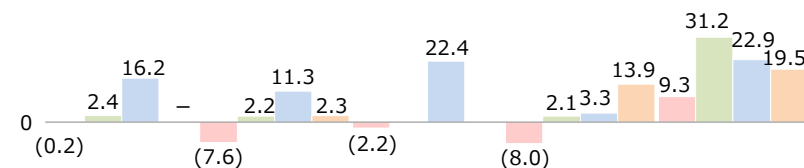
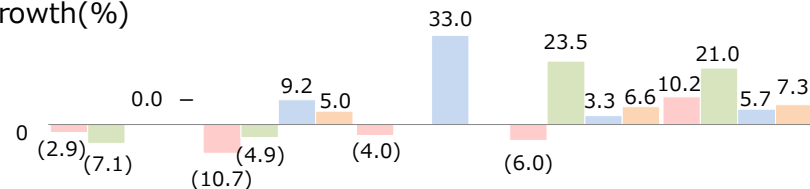
Net sales(Billion yen)



Q4 (October-December)



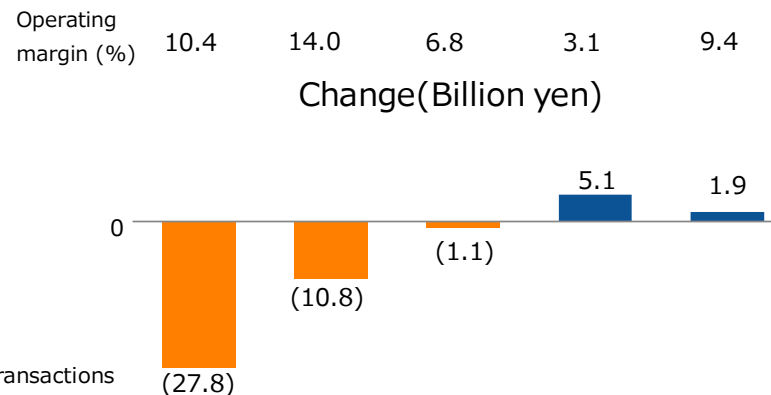
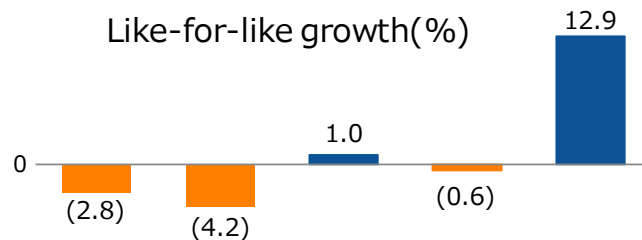
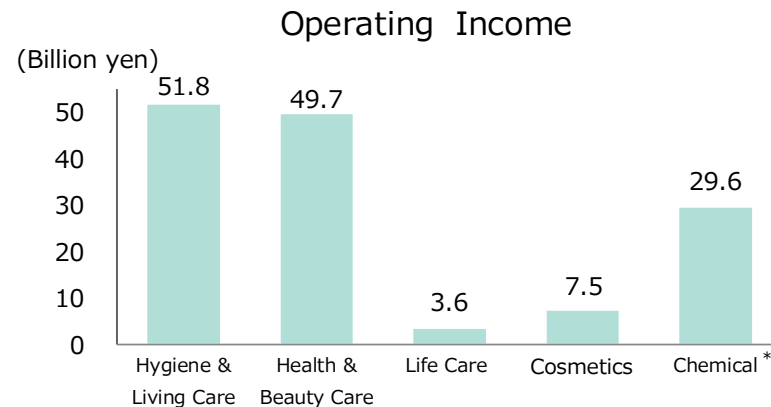
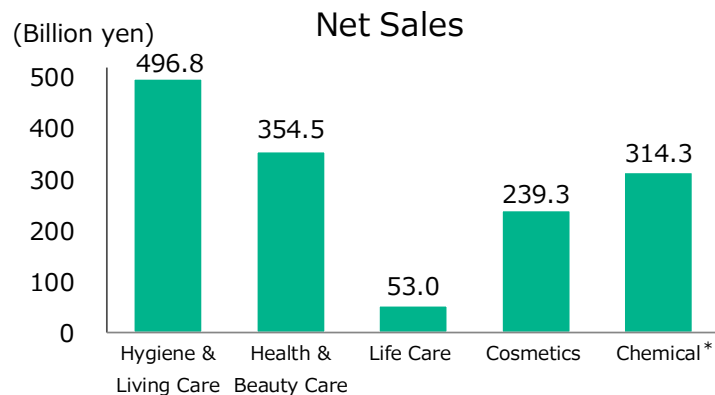
Like-for-like
growth(%)



* 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 (Year ended December 31, 2021)

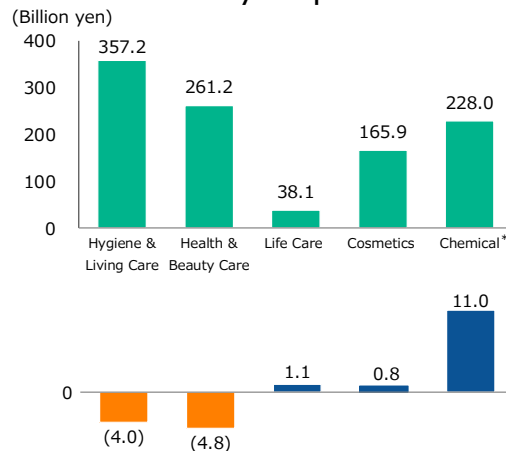


* Net sales and operating income of the Chemical Business include intersegment transactions

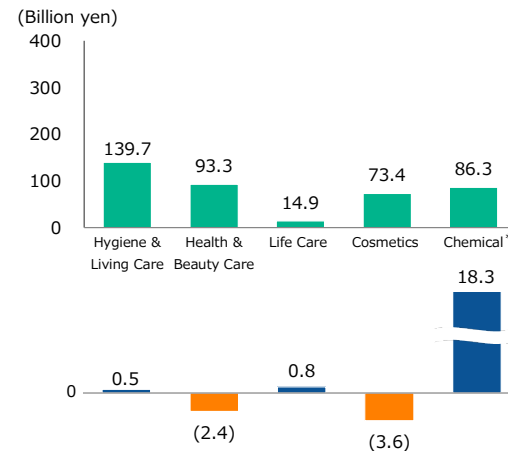
Consolidated Results by Segment (Quarter)

Net Sales

January-September

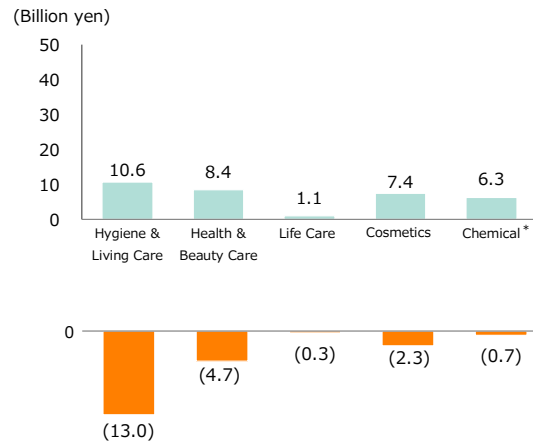
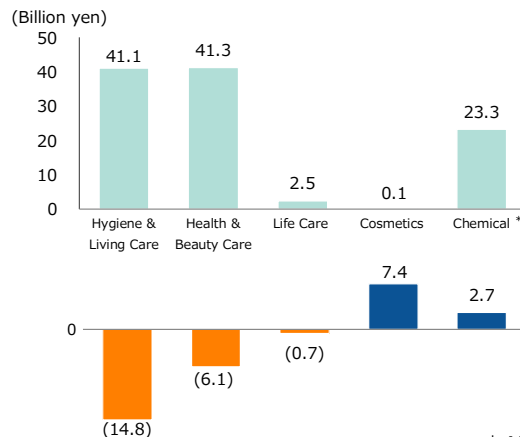


Q4 (October-December)



Like-for-like
growth(%)

Operating Income



Change
(Billion yen)

* Net sales and operating income of the Chemical Business include intersegment transactions

Analysis of Change in Consolidated Operating Income

(Billion yen)

Year ended December 31

FY2020

175.6

Fluctuations in sales (including change in business segment sales composition) -12.0

Impact from change in raw material prices (net) -16.0

SG&A expenses* -4.0

-32.1 Freight/logistics expenses* -3.0

Structural reforms -7.1

Impact of currency translation +5.0

Change in product mix and others +5.0

Including Total
Cost Reduction
(TCR) +10.0

FY2021

143.5

* Excluding the effect of currency translation

Major Assumptions for FY2022 Forecast

Business Environment Assumptions

Consumer Products Market	● COVID-19: Incremental market recovery is expected globally due to the expansion of vaccine boosters and as the number of omicron variant infections passes its peak in or after Q2. ● Hikes in raw material prices: The Kao Group will work to minimize the impact by shifting to high-value-added products, raising prices of some products and making more efficient use of sales promotion costs, in addition to further strengthening its Total Cost Reduction (TCR) activities.
Chemical Market	● Fat and oil market conditions: The Kao Group will pass on impact of hikes in market prices in selling prices in the first half, and assumes a gradual decline in market prices toward the second half. ● The Kao Group assumes that the markets of the semiconductor and automobile industries will remain strong, and that the eco-infrastructure market will also remain strong due to heightened environmental awareness.

■ Net sales	1,490.0 billion yen	Growth
Effect of currency translation	(5.2) billion yen	+5.0%
Like-for-like growth	+76.4 billion yen	(0.4)%
		+5.4%
	Estimated impact on income	
■ Impact from change in raw material prices (net impact)		(11.0) billion yen
■ Total Cost Reduction (TCR) activities		+6.0 billion yen
■ Capital expenditures/depreciation and amortization	Capital expenditures ¹	90.0 billion yen
	Depreciation and amortization ²	73.0 billion yen
■ Exchange rate assumptions: 110 yen/USD, 129 yen/Euro, 17 yen/Yuan		

1. Excluding right-of-use assets

2. Excluding depreciation of right-of-use assets

Consolidated Operating Results Forecast for FY2022

Fiscal year (January 1 to December 31)

(Billion yen)	FY2021	Growth %	FY2022 (Forecast)	Growth %	Change
Net sales	1,418.8	+2.7	1,490.0	+5.0	+71.2
			Effect of currency translation ¹	(0.4)	(5.2)
			Like-for-like growth	+5.4	+76.4
Operating income	143.5	(18.3)	160.0	+11.5	+16.5
Operating margin	10.1%	-	10.7%	-	-
Income before income taxes	150.0	(13.8)	160.0	+6.7	+10.0
[% of Net sales]	10.6%	-	10.7%	-	-
Net income attributable to owners of the parent	109.6	(13.1)	117.0	+6.7	+7.4
[% of Net sales]	7.7%	-	7.9%	-	-
EBITDA (Operating income + Depr. & amort.) ²	212.7	(12.8)	233.0	+9.5	+20.3
ROE	11.6%	-	11.8%	-	-
Basic earnings per share (yen)	230.59	(12.1)	246.90	+7.1	+16.31
Cash dividends per share (yen)	144.00	-	148.00	-	+4.00

1. Exchange rate assumptions: 110 yen/USD, 129 yen/Euro, 17 yen/Yuan

2. Excluding depreciation of right-of-use assets

Sales Forecast for FY2022

Consolidated Net Sales (Year ending December 31)

FY2022(Forecast)	Japan		Consolidated			Consolidated	
(Billion yen)		Growth (%)		Like-for-like growth (%)			Like-for-like growth (%)
Hygiene and Living Care Business	373.0	1.8	517.0	4.3	Japan	893.0	4.3
Health and Beauty Care Business	218.0	6.2	372.0	5.3	Asia	310.0	10.2
Life Care Business	46.0	5.8	56.0	5.8	Americas	149.0	3.4
Cosmetics Business	173.0	13.1	266.0	11.9	Europe	138.0	4.3
Consumer Products Business	810.0	5.4	1,211.0	6.3			
Chemical Business*			323.0	3.0			
Consolidated			1,490.0	5.4	Consolidated	1,490.0	5.4

* Net sales of the Chemical Business include intersegment transactions

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

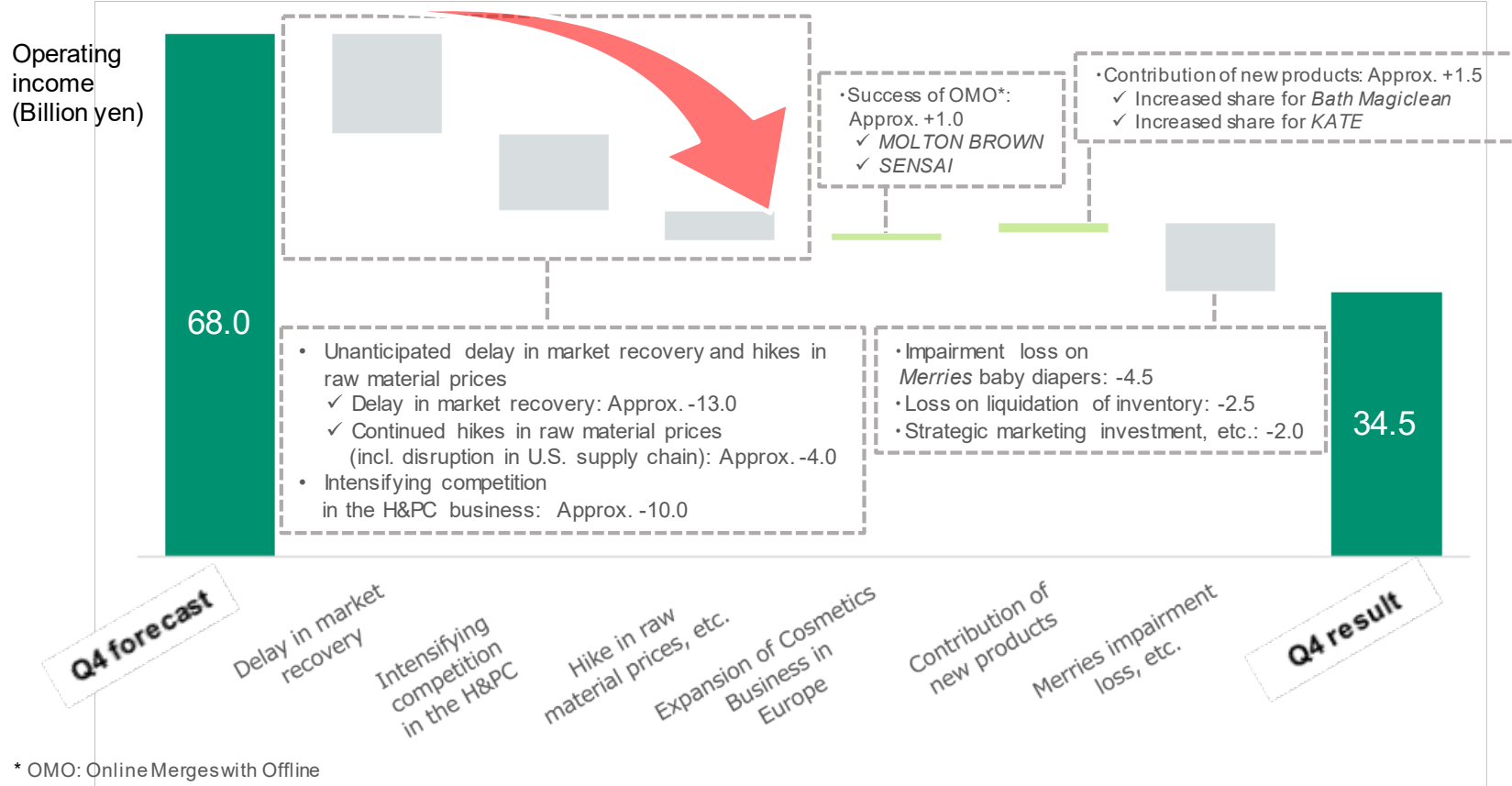
Next Strategic Direction

Representative Director,
President and Chief Executive Officer

Yoshihiro Hasebe

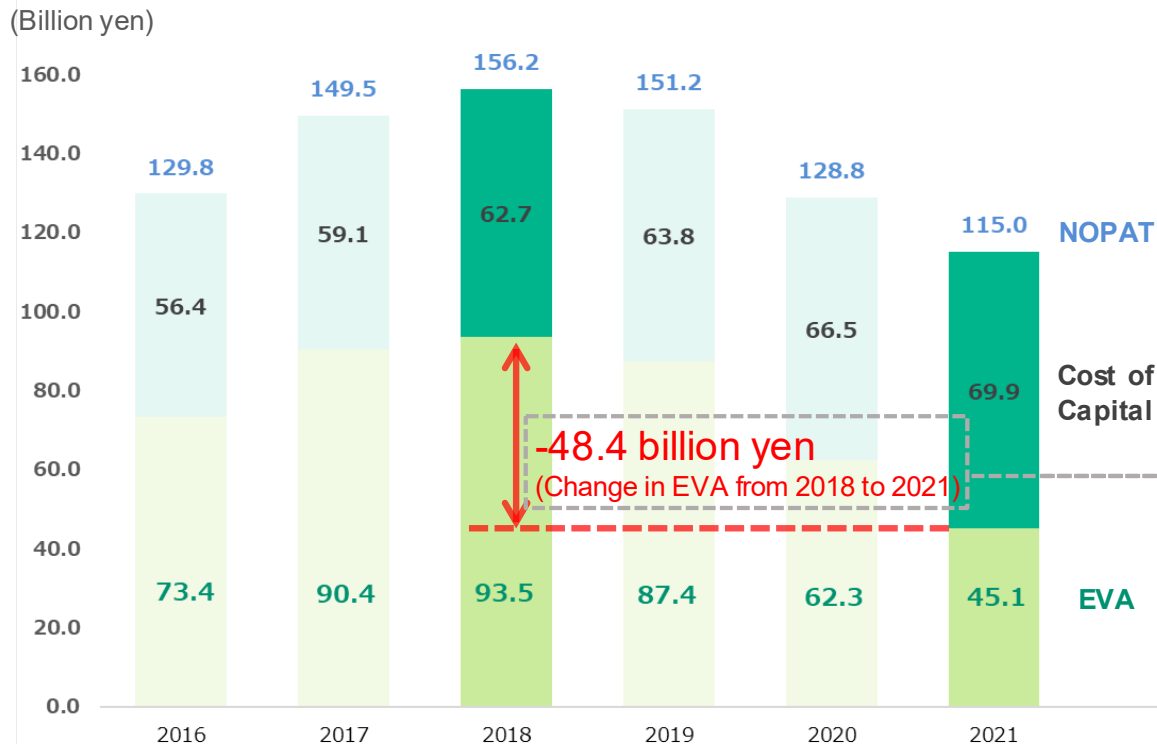
Variance Analysis of FY2021 Results and Forecast

Operating income for Q4 fell significantly short of forecast due to intensifying business competition, in addition to the delay in market recovery and continued hikes in raw material prices.



Current Identification of Issues for Improving EVA

EVA has decreased significantly from its peak due to the disappearance of inbound demand and the pandemic-related downturn in consumption



NOPAT

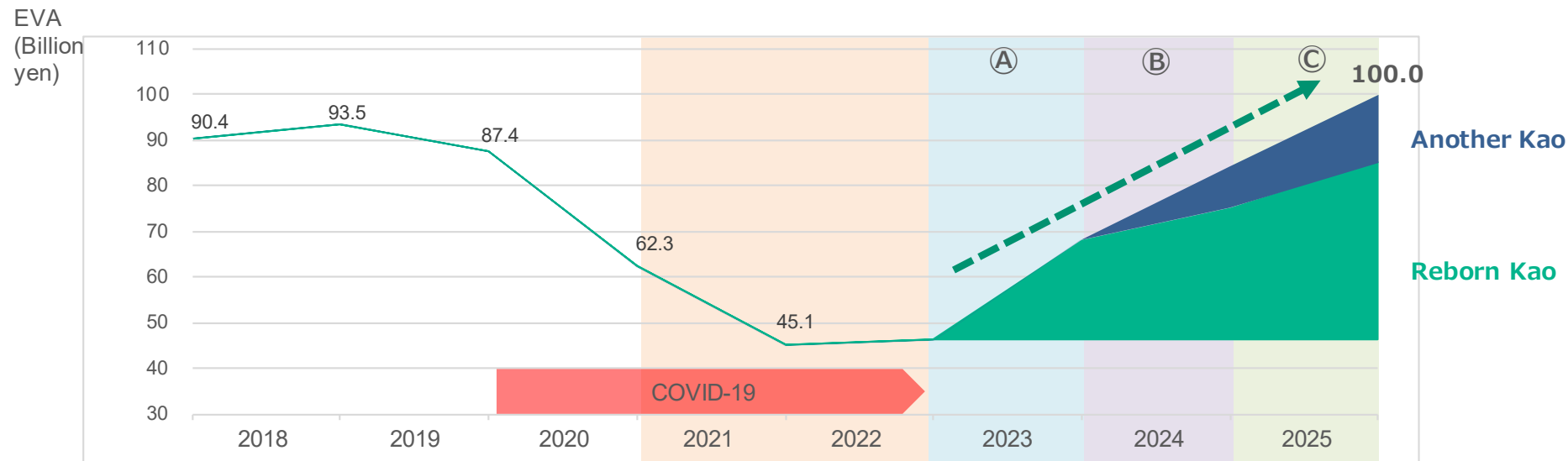
- Disappearance of inbound demand: -19.0
 - ✓ Baby diapers
- Pandemic-related downturn in consumption: -27.0
 - ✓ Cosmetics
 - ✓ Skin care (mass)
- Increased share: +7.0
 - ✓ Laundry detergents
 - ✓ Hand soap
 - ✓ Hand sanitizers
- Declined in share: -3.0
 - ✓ Hair care
 - ✓ Fabric softeners
- Hikes in raw material prices: -2.0
- Others: +2.8

Cost of Capital

- Increase in inventories: -1.0
- Increase in cash, etc.: -6.2

Roadmap for Achieving K25

With EVA bottoming out in FY2021, return it to a growth trajectory by achieving K25



K20

K25

Preparation period for regeneration

- Reorganization for a highly profitable structure
- Launch of Another Kao

Ⓐ

Entrench Reborn Kao

- Reinforcement of core business + selective growth

Establish Another Kao

- Launch future core businesses
- Conduct M&A to develop new areas

Ⓑ

Extend Reborn Kao

- Phase 2 of strategies for return to growth
- Conduct M&A for growth in existing areas

Generate results from Another Kao

- Phase 2 of growth strategy

Ⓒ

Leverage synergies between Reborn Kao and Another Kao

- Phase 3 of growth strategy

Conduct M&A targeting companies with 100-200 billion yen in sales and an operating margin above 20%

Approach to Core Business (Reborn Kao) in K25

Drastic reform into a high-profit core business

- **Concentrated investment in high-profit core business (decisive investment)**
- **Purpose-driven brand development (emphasis on loyalty)**
- **Pursue one-of-a-kind value (non-competitive areas)**

Allocate Capital in Three Areas Based on Management Strategy

Stable Earnings

Make investments appropriate for a high-profit core business and emphasize contribution to profit

- **Fabric care**
- **Home care**
- **Personal health**

Growth Driver

Achieve growth in sales and profit by investing in growth strategies

- **Cosmetics**
- **Chemical**
- **Skin care**
- **Commercial-use hygiene products**

Business Transformation

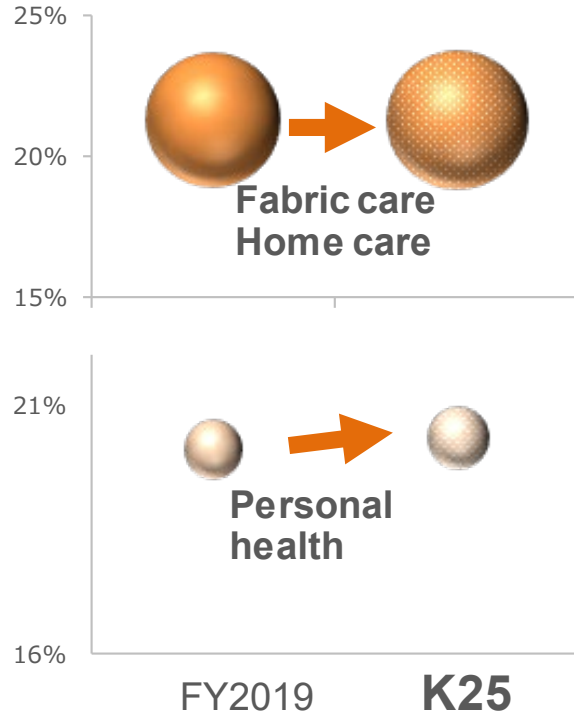
Effectively realize profit through carefully selected investments aimed at one-of-a-kind value

- **Sanitary products**
- **Hair care**
- **Products for hair salons**
- **Health drinks**

Reborn Kao: Direction of Business Areas

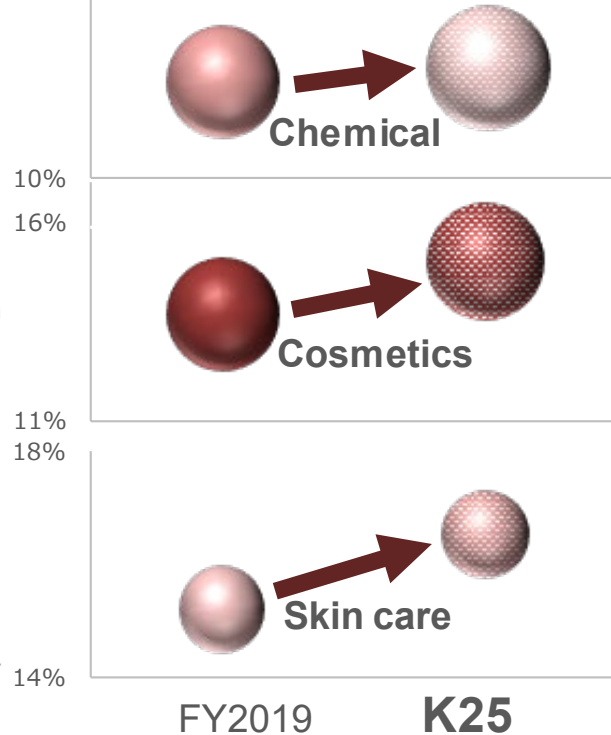
Stable Earnings

High-profit core business/contribution to profit



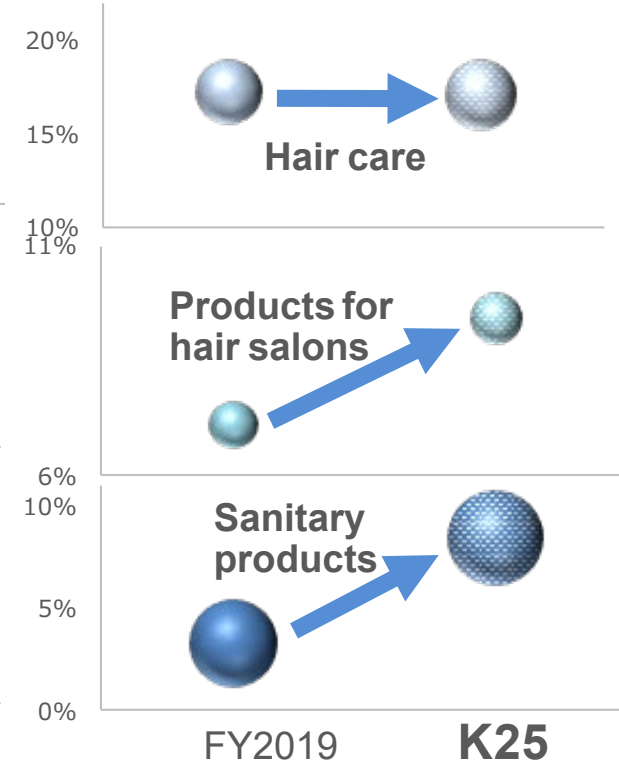
Growth Driver

Sales and profit expansion through investment



Business Transformation

One-of-a-kind value



Vertical axis: Operating margin/Bubble size: Net sales (scale adjusted for each area)

Note: Fiscal 2019 was used as the base year to eliminate the special factor of the COVID-19 pandemic.

Reborn Kao Brand Management Reform: From Decentralized to Decisive

Brand Strategy

Purpose-driven
brand management

Category-Leading Brands

No.1 share/Brands with
top-of-mind awareness

Life-Design Brands

Offerings for new lifestyles

Niche Segment Brands

One-of-a-kind brands
in their categories



Investment Strategy

Stable Earnings



Growth Driver



Business Transformation



Divest

[H&PC] 14

ASIENCE ban

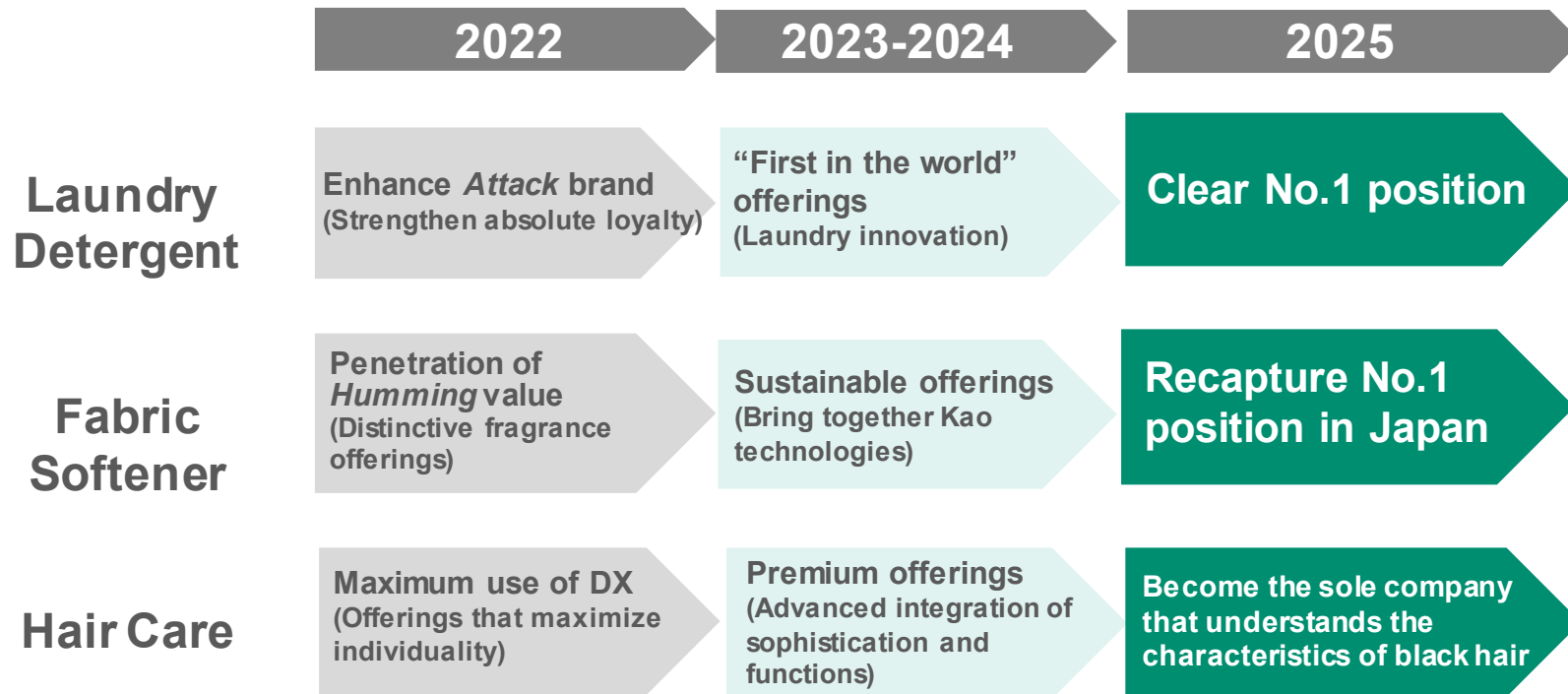
Note: Logos of main brands are shown.



[Cosmetics] 13

Out of 28 brands scheduled to be discontinued, 15 have already been discontinued. The remaining 13 brands will be discontinued by 2024.

Reborn Kao: Future Direction of Mainstay Businesses



Policies for the Next Stage of Profitable Development

Become a Life Care Company that saves future lives

[2021 Result]

[2022 Plan]

Reborn Kao

Stable Earnings	Growth Driver	Business Transformation
● Cultivate a high level of brand loyalty for <i>Attack</i> ● New product growth for <i>Bath Magiclean</i>	● Great strides for <i>Men's Bioré</i> facial and body sheets ● Cosmetics: High growth in China and Europe ● <i>KATE</i>: Great strides to become No.1 makeup brand in Japan ● Expand adoption of eco-technologies in the Chemical Business	● New ESG-oriented offerings for baby diapers in China ● Improved profit from products for hair salons

Another Kao

Health Care	Digital	Environment
● Anti-infectious disease (repellent) business	● Digital life platform business (Announcement scheduled in February 2022)	● Upcycling business (Highly durable asphalt modifier made from waste PET)

FY2022 Management Policies

■ Change to a resilient business structure independent of market conditions

- Minimize the impact on costs due to fluctuations in raw material prices (strategic price increases/TCR)
- Increase the ratio of high-value-added and highly profitable products (performance chemicals, prestige cosmetics)

■ Make strategic investments for a competitive advantage

- Increase loyalty to brands that have stable profit (Consumer Products: 8 brands)
- Invest strategically in growth drivers (full use of DX, eco-chemical products)
- Increase presence of global business (skin care, sanitary products, products for hair salons)

■ Start businesses that grow rapidly by anticipating change

- Launch digital life platform business (announcement scheduled in February)
- Hygiene business in Asia (reliable mosquito repellent, leading-edge agricultural and forest conservation)
- Used product container upcycling business

Appendices

Household and Personal Care Business

In a severe business environment that included the absence of the special demand that arose in 2020, the COVID-19 pandemic and hikes in raw material prices, decisive brand management led to improved market share for multiple Category-leading brands.

Sales: 904.4 billion yen (-3.1%)

Operating income: 105.1 billion yen (-39.7 billion yen) **Operating margin: 11.6%**

Japan:

- Amid intensifying competition in laundry detergents, proactive investment in Category-leading brand *Attack* improved its loyalty rate and maintained its top brand share.
- With the contribution of innovative new product *Airjet*, the market share of *Bath Magiclean* recovered significantly to 60%.
- Hand soap and hand sanitizer were impacted by substantial market shrinkage due to the absence of the special demand.
- In hair care, the value offered by *Essential THE BEAUTY* to the consumers was insufficient and in-bath products struggled, but the Kao Group stepped up digital communications for hair color including offering augmented reality experiences.

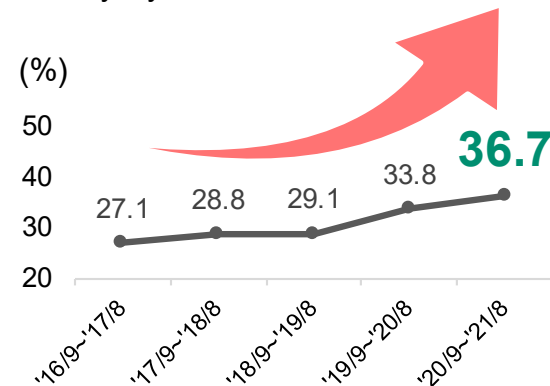
Asia:

- Strengthened the *Laurier* sanitary napkin brand and expanded market share of *Super Slim Guard* in China. (1 percentage point increase compared with previous year)
- Expanded market share of *Bioré GUARD* body soap in Indonesia. (1 percentage point increase compared with previous year)

Americas & Europe:

- Sales of products for hair salons increased substantially from the previous year as the *Orbè* brand (39% increase in sales compared with previous year) for high-end hair salons made great strides in expanding through e-commerce.

■ Loyalty rate of *Attack*



Note: More than 80% of units purchased in the category during the relevant period were *Attack*.
Source: INTAGE Inc. SCI survey



ORIBE

Despite the impact of the disappearance of inbound demand and the delay in market recovery due to the COVID-19 pandemic, sales of the eleven global strategy brands (G11) emphasized by the Kao Group grew by 8% and accounted for 65% of total sales. Also, the overseas sales ratio was 41%. Operating income increased 5.1 billion yen compared with the previous fiscal year as structural reform of the makeup business and reduction of fixed costs progressed steadily.

Sales: 239.3 billion yen (-0.6%)

Operating income: 7.5 billion yen (+5.1 billion yen) **Operating margin: 3.1%**

Business Management Transformation

- Started integrated operation of the Cosmetics Business and merged beauty counseling into a single company
- Accelerated structural reforms: Waste reduction model in makeup business, fixed cost reduction
- Stepped up operations in the sustainability domain: Comprehensive collaboration with KOSÉ, a major cosmetics company in Japan

China/Europe: Growth Exceeding the Market

- Sales of *freeplus* and *Curél* continued to grow strongly in China (+25%)
- Succeeded in ramping up Online Merges with Offline (OMO) for *Molton Brown* and *SENSAI* in Europe (+9%)

Japan: New Value Offerings and Creation of User Experiences (UX) for the New Normal

- **KATE**: Made great strides to become the number-one brand in the overall makeup market in Japan (4 top rankings in the 6 main makeup categories)
~ *LIP MONSTER*, full coverage foundation, *KATE MAKE UP LAB*.
- **SOFINA iP**: *Renewing mousse facial wash* ~ complexion diagnosis web page accessed 140,000 times
- **SUQQU**: Best cosmetics awards for eye shadow and lipstick, first place in 20 categories

■ E-commerce ratio

	2019	2020	2021
Japan	7%	10%	11%
China	60%	69%	72%
Europe	21%	46%	32%

Source: INTAGE Inc. SLI survey for Japan; ratio of e-commerce to total sales for China and Europe

■ G11 and R8 Brands growth and share of sales

	2019		2020		2021	
	Growth	Share of Sales	Growth	Share of Sales	Growth	Share of Sales
G11	+18%	54%	(10)%	61%	+8%	65%
R8	+10%	26%	(28)%	23%	(8)%	23%
Other	(11)%	20%	(36)%	16%	(20)%	12%

Benefited from recovery in customer industries, and sales of fat and oil derivative products for disinfection and cleaning were firm. Sales and operating income grew and exceeded the plan as the Kao Group dealt with hikes in raw material prices, mainly outside Japan. Proactively rolled out products developed from ESG perspectives.

Sales: 314.3 billion yen (+12.9%)
Operating income: 29.6 billion yen (+1.9 billion yen)
Operating margin: 9.4%

Japan: +9.9%

- Sales increased due to steadily meeting demand resulting from market recovery in automobile-related and other fields.

Asia: +23.9%

- Sales of fat and oil derivative products were steady, with an additional contribution from adjustments to selling prices.

Americas: +9.7%

- Adjustments to selling prices for fat and oil products contributed to results, and toner and toner binders recovered from the previous year's slump.

Europe: +10.3%

- Major contribution from adjustments to selling prices for fat and oil derivative products and other products.

Development of Products with High Environmental Value in Various Situations

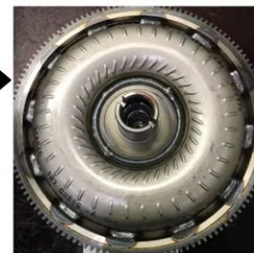


The rollout of highly durable asphalt modifier made from waste PET has expanded with its adoption by a major logistics company.

Cleaning with conventional product



Cleaning with new product



Developed an anti-corrosive detergent for metal parts that offers both high performance cleaning and anti-corrosive properties. Eliminates the need for individual anti-corrosive packaging during shipping, demonstrates high performance cleaning even at low temperatures, and reduces CO₂ emissions during cleaning.

Consumer Products Business

Year ended December 31

(Billion yen)	Net sales				Operating income			Operating margin %	
	FY2020	FY2021	Growth %	Like-for-like growth %	FY2020	FY2021	Change	FY2020	FY2021
Japan	811.0	768.1	(5.3)	(5.3)	108.7	73.5	(35.2)	13.4	9.6
Asia	200.3	214.7	7.2	0.3	29.3	24.1	(5.2)	14.7	11.2
Americas	83.6	96.2	15.1	10.8	7.9	9.8	1.9	9.4	10.2
Europe	56.4	64.6	14.5	5.9	1.3	5.1	3.9	2.2	8.0
Consumer Products Business	1,151.3	1,143.7	(0.7)	(2.6)	147.2	112.6	(34.6)	12.8	9.8

Net sales growth rates of major companies (Like-for-like growth)	Kao China:	5%	Kao Taiwan:	(7)%	Kao Vietnam:	(8)%
	Kao Indonesia:	1%	Kao Thailand:	(9)%	Kao Hong Kong:	5%

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

Use steadily generated cash flow effectively from an EVA standpoint as shown below toward further development.

- Investment for future development (capital expenditures, M&A, etc.)
- Steady and continuous cash dividends (40% payout ratio target)
- Share repurchases

* Net cash flows from operating activities

Major ESG Investment* Indices and Evaluations from External Organizations

ESG indices for which Kao has been selected



FTSE4Good



FTSE Blossom
Japan



2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX



Evaluations from/activities with external organizations



RE100

CLIMATE
GROUP



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



CLEAN Ocean Material Alliance



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



*ESG Investment: Investment that takes into consideration Environmental, Social and Governance factors

FY2021 Initiatives with a Focus on ESG

Resolving Social Issues

Set ambitious targets for decarbonization¹

- 2040 Carbon zero
- 2050 Carbon negative
- 2030 New targets:
 - 55% reduction in Scope 1 + 2 CO₂ emissions
 - 100% of electricity sourced from renewable energy
 - 10-million-ton reduction in CO₂ emissions by Kao offices and factories



RE100

CLIMATE GROUP



Kao launches project to save future lives from mosquitoes in Thailand²



Aiming to reduce harm from dengue fever, a mosquito-borne infectious disease, Kao Corporation plans to distribute 80,000 units of its product through Kao Innovation Co., Ltd. in collaboration with the Ministry of Public Health of Thailand. The product is scheduled to be launched in Thailand in the future.



Officials from the Thai Ministry of Health and Kao Industrial (Thailand) Co.

Resolving Social Issues + Expanding Business/Creating New Businesses

Logistics companies and local governments start to adopt highly durable asphalt modifier made from waste PET³

Contributes to “positive recycling” (creating new businesses through reuse).



Kao leads the industry in ending production of products with eye-catching plastic stickers attached⁴

- Achieved the target for the entire Kao Group, including outside Japan
- Reduced plastic consumption by approximately 60 tons



Displaying information on the bottle itself

Co-Creation with Partners

Announced “Supply Chain ESG Promotion Guidelines”⁵ and increased procurement targets⁶

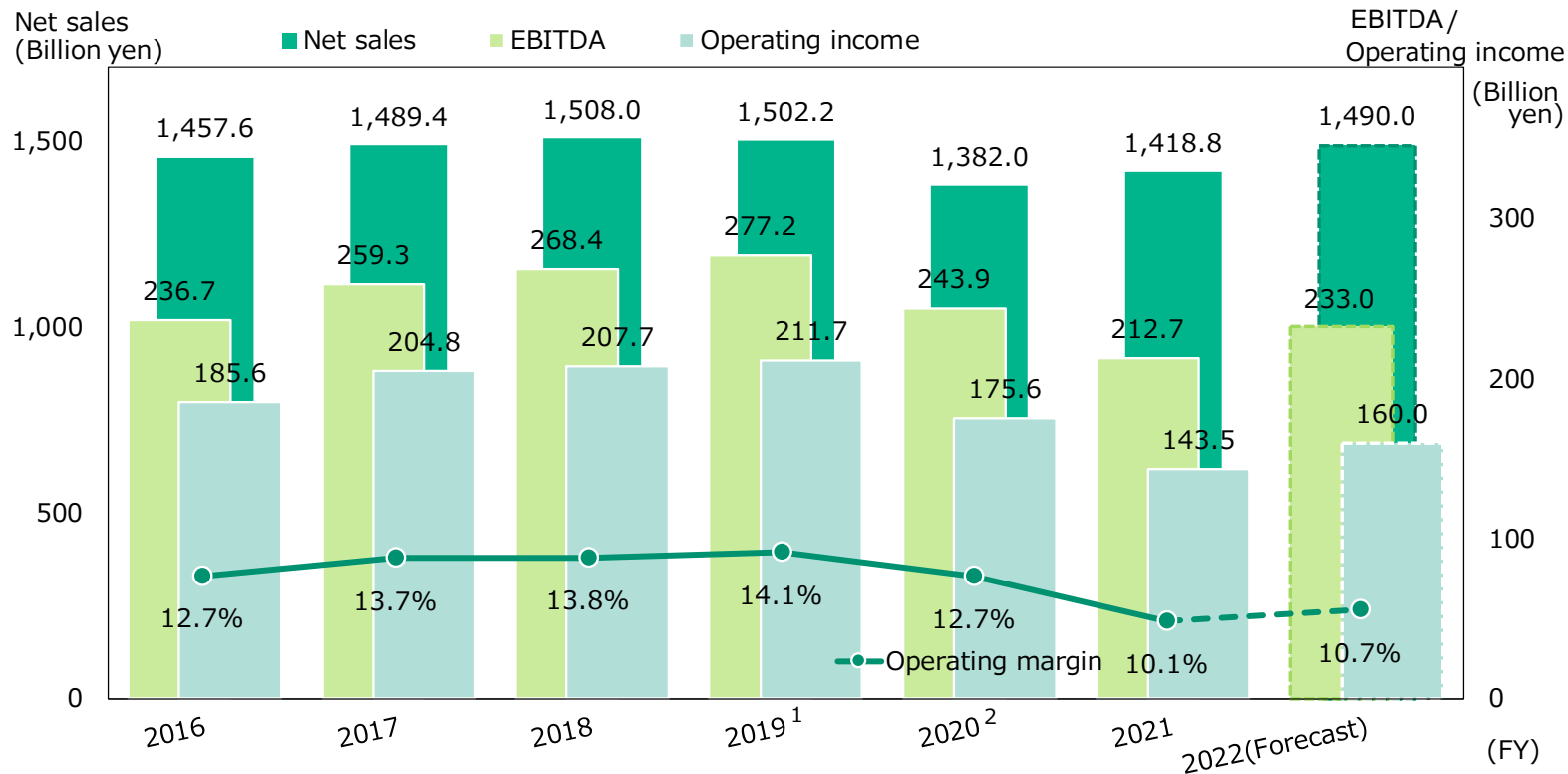


Kao participates in Kobe Plastic Next, a project for horizontal recycling of refill packs, and begins operation of an experimental recycling facility⁷



1. [Kao Is Aiming to Reduce Its CO₂ Emissions to Zero by 2040, and to Be Carbon Negative by 2050.](#) 2. [Kao Launches Project to Save Future Lives from Mosquitoes.](#) 3. [Highly Durable Asphalt Modifier Made from Waste PET Developed at Kao Corporation.](#) 4. [Kao Has Ended Production of Products with Eye-catching Plastic Stickers Attached](#) 5. [Supply Chain ESG Promotion Guidelines](#) 6. [Responsibly Sourced Raw Materials](#) 7. [Kao Announces Its Participation in the Kobe Plastic Next](#)

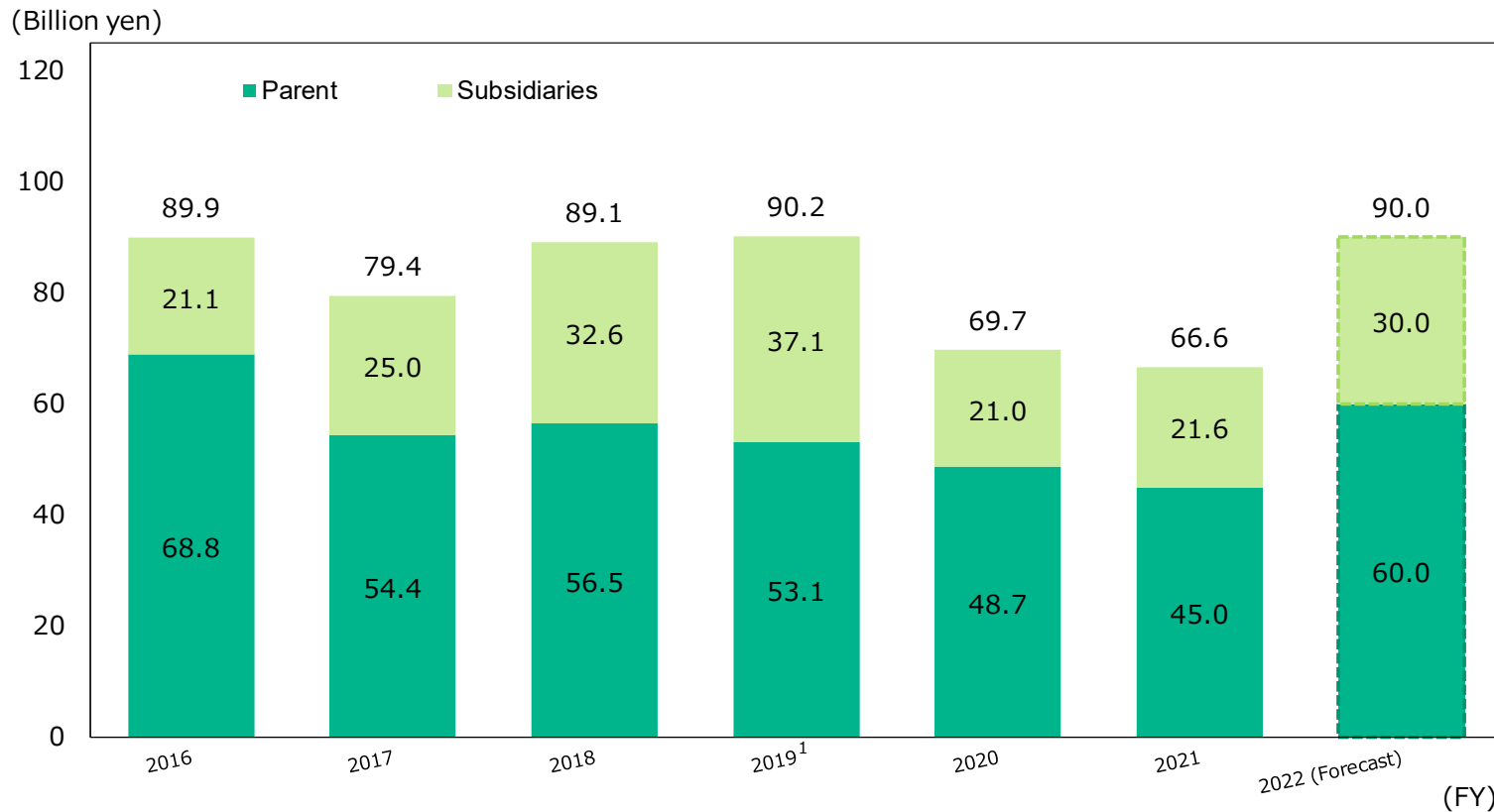
Consolidated Net Sales/EBITDA/Operating Income



1. As of the fiscal year ended December 31, 2019, EBITDA excludes depreciation of right-of-use assets

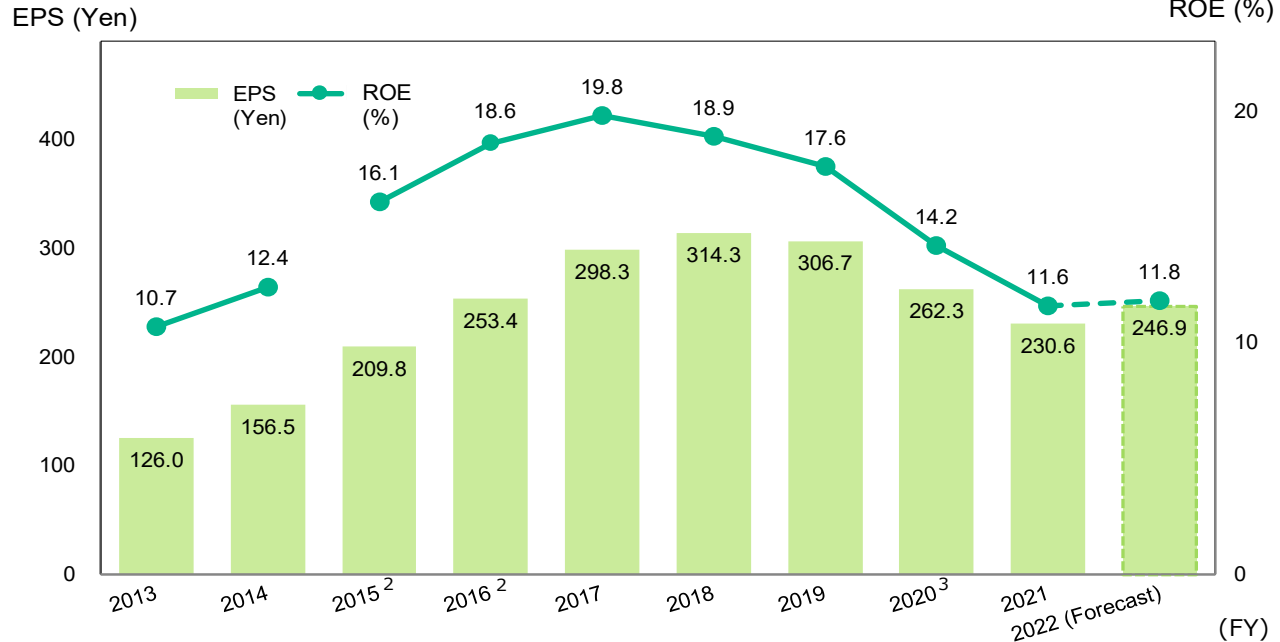
2. As of the fiscal year ended December 31, 2020, the Company changed its method of recognizing sales for certain transactions from the gross amount to the net amount

Capital Expenditures



1. Excludes right-of-use assets as of the fiscal year ended December 31, 2019

ROE & EPS¹

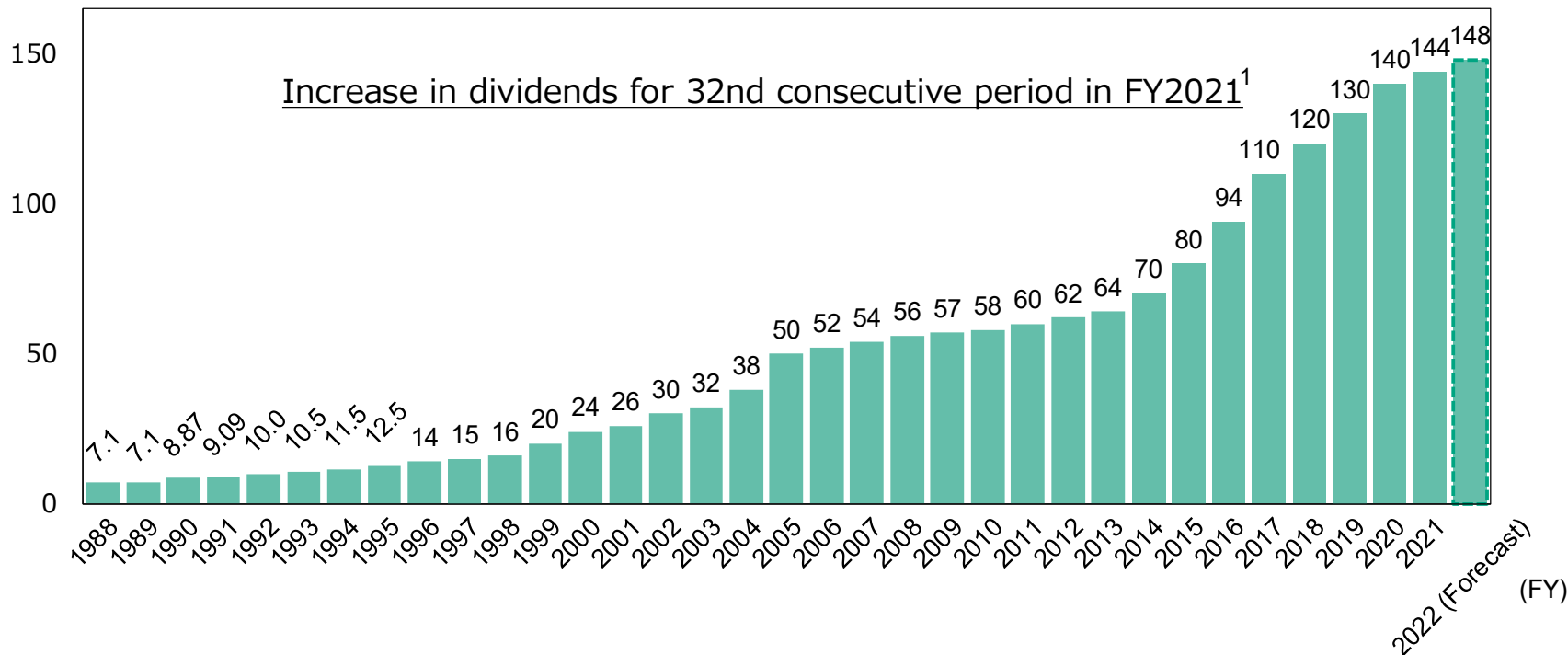


Weighted average number of shares outstanding (Million shares)	513.9	508.7	501.4	499.4	492.8	489.1	483.3	480.9	475.5	473.9
Net income [J-GAAP] / Net income attributable to owners of the parent [IFRS] (Billion yen)	64.8	79.6	105.2	126.6	147.0	153.7	148.2	126.1	109.6	117.0

1. Net income per share [J-GAAP] / Basic earnings per share [IFRS]
2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS
3. As of the fiscal year ended December 31, 2020, the Company changed its method of recognizing sales for certain transactions from the gross amount to the net amount

Cash Dividends per Share

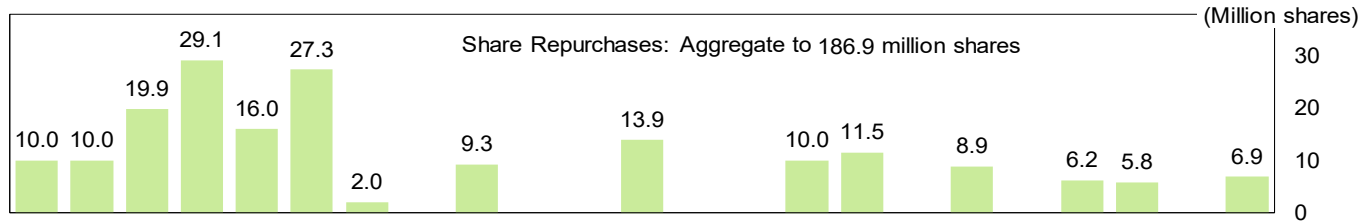
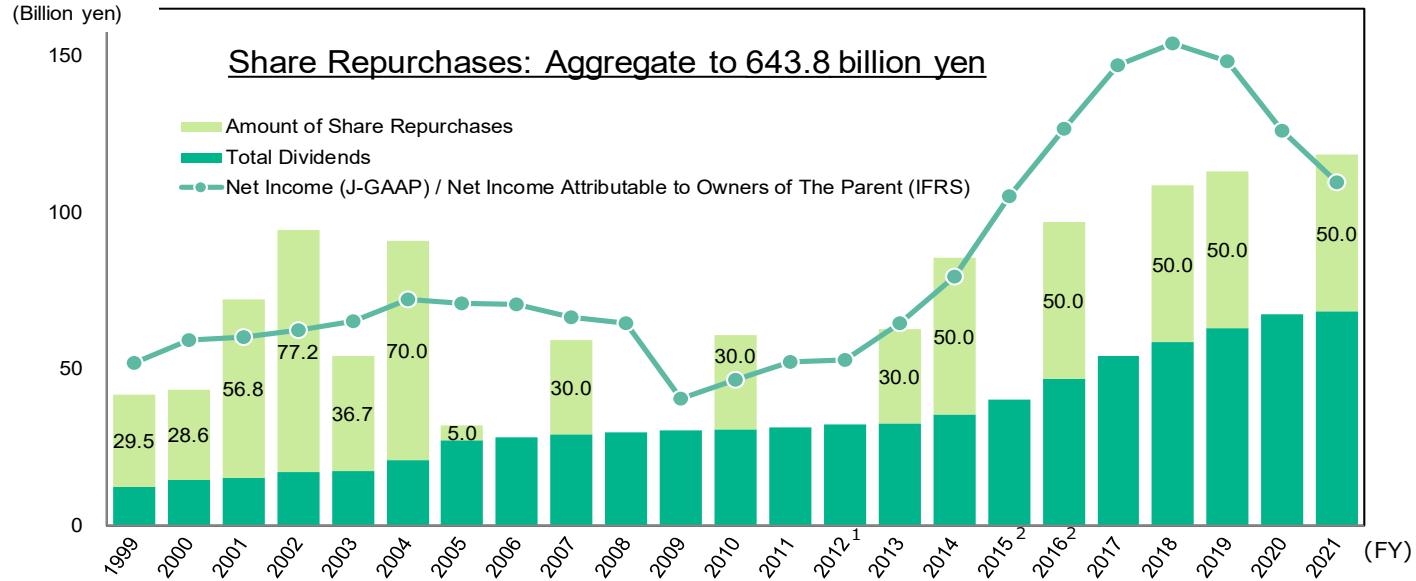
Cash Dividends per Share (Yen)



1. Formally decided at the Annual General Meeting of Shareholders

Impacts of share splits are retroactively reflected

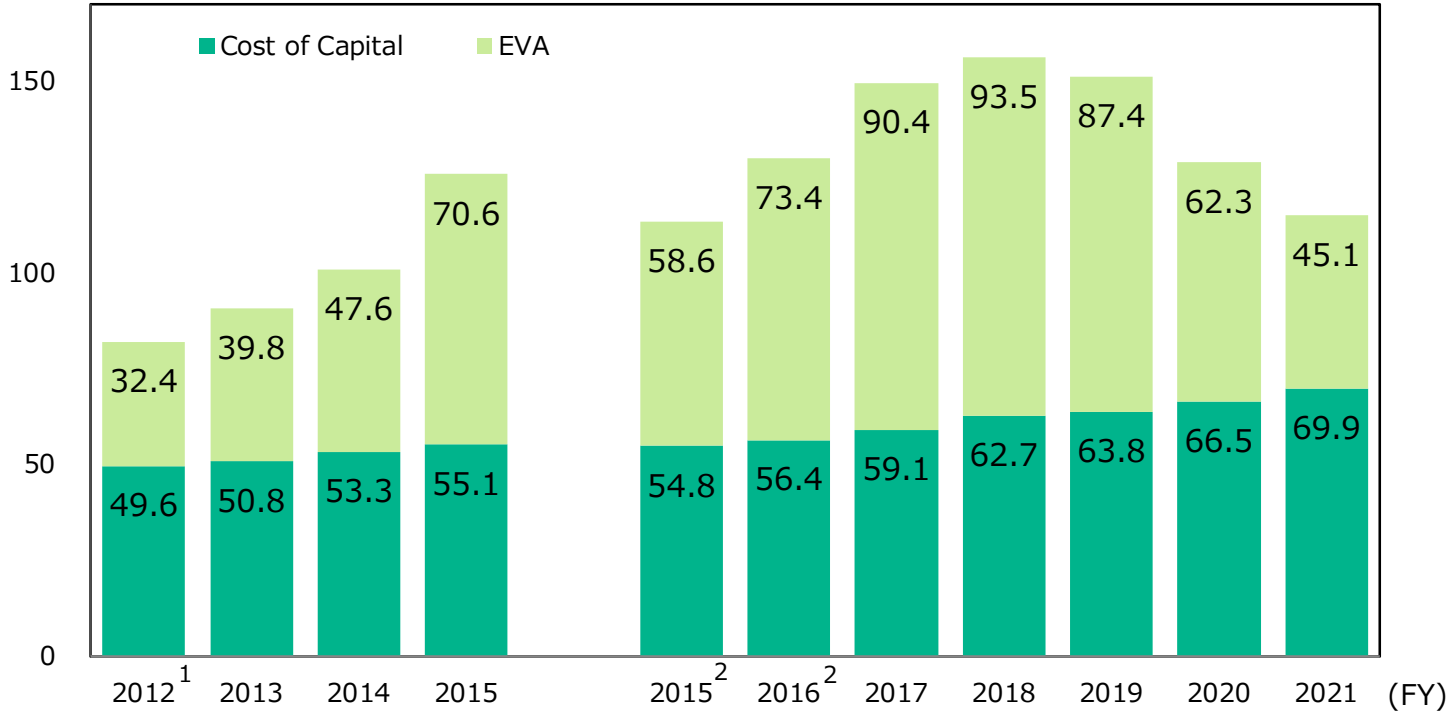
Shareholder Returns



1. Fiscal year end changed from March 31 to December 31 in FY2012 (FY2012 results are for the nine-month period from April to December for Group companies whose fiscal year end was previously March 31 and the twelve-month period from January to December for Group companies whose fiscal year end was December 31)

2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS

(Billion yen)



1. Fiscal year end changed from March 31 to December 31 in FY2012 (FY2012 results are for the nine-month period from April to December for Group companies whose fiscal year end was previously March 31 and the twelve-month period from January to December for Group companies whose fiscal year end was December 31)

2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS

Business Segments and Main Product Categories

Consumer Products Business

Hygiene and Living Care Business

Laundry detergents, fabric treatments, products for kitchen, bath, toilet and living room care, sanitary products

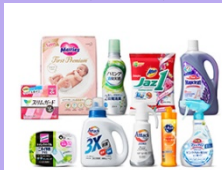
FY2021

Net sales: 496.8 billion yen

Like-for-like growth:¹ (2.8)%

Share of net sales: 35.0 %

Operating margin: 10.4 %



Health and Beauty Care Business

Skin care products, hair care products, professional hair care products, bath additives, oral care products, thermal pads

FY2021

Net sales: 354.5 billion yen

Like-for-like growth:¹ (4.2)%

Share of net sales: 25.0 %

Operating margin: 14.0 %



Life Care Business

Commercial-use hygiene products, health drinks

FY2021

Net sales: 53.0 billion yen

Like-for-like growth:¹ 1.0 %

Share of net sales: 3.7 %

Operating margin: 6.8 %



Cosmetics Business

Counseling cosmetics, self-selection cosmetics

FY2021

Net sales: 239.3 billion yen

Like-for-like growth:¹ (0.6)%

Share of net sales: 16.9 %

Operating margin: 3.1 %



Chemical Business

FY2021

Net sales: 314.3 billion yen²

Like-for-like growth:¹ 12.9 %

Share of net sales:³ 19.4 %

Operating margin: 9.4 %

Oleo chemicals,
performance chemicals,
specialty chemicals



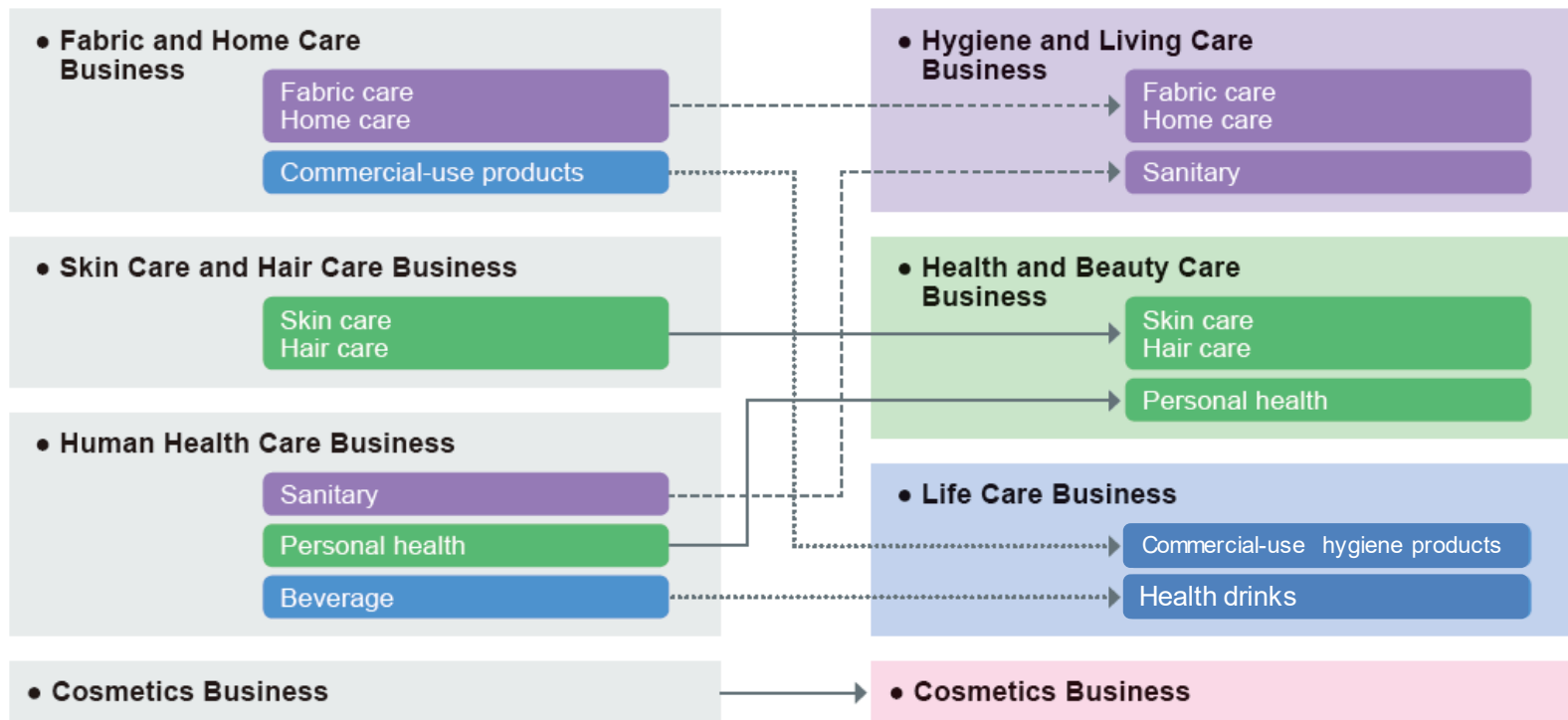
1. Excluding the effect of currency translation

2. Net sales of the Chemical Business include intersegment transactions

3. Share of net sales is calculated based on sales to customers

Changes in Business Segment (As of January 2021)

The Consumer Products Business was restructured in January 2021 to conduct business with a focus on the fundamental value people seek. The Kao Group established the Hygiene and Living Care Business, which contributes to more comfortable lifestyles with support for people's daily lives and society, and the Health and Beauty Care Business, which offers care for the entire body to maximize healthy beauty. The Kao Group also established the Life Care Business to promote new businesses that protect human lives by fully utilizing the fundamental technologies that have supported the Kao Group.



Reference: Consolidated Financial Results for FY2020 (New Segments)

	Net sales (Billions of yen)	Share of net sales ² (%)	Operating income (Billions of yen)	Operating margin (%)
Hygiene and Living Care Business	503.2	36.4	79.6	15.8
Health and Beauty Care Business	362.3	26.2	60.5	16.7
Life Care Business	52.2	3.8	4.7	8.9
Cosmetics Business	233.6	16.9	2.4	1.0
Consumer Products Business	1,151.3	83.3	147.2	12.8
Chemical Business ¹	269.2	16.7	27.7	10.3
Total	1,420.5	—	174.9	12.3
Elimination and Reconciliation	(38.5)	—	0.7	—
Consolidated	1,382.0	100.0	175.6	12.7

1 Net sales and operating income of the Chemical Business include intersegment transactions

2 Share of net sales is calculated based on sales to customers

Note: Consolidated financial results for FY2020 have been restated according to the new segments. (Please refer to page 41 for details of the reportable segments.)

Kao

Kirei—Making Life Beautiful

