



Kirei—Making Life Beautiful

Consolidated Financial Results for the Three Months Ended March 31, 2022

Kao Corporation

May 11, 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.

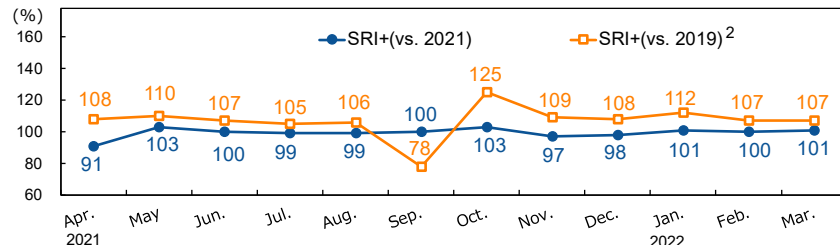
Notes:

1. 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.
3. Changes and comparisons are all with the same period a year earlier unless otherwise noted.

Consumer Products Market in Japan

- ◆ **H&PC Market:** Despite hand soap and hand sanitizers remaining below the previous year's level, the H&PC market total grew year-on-year due to a shift toward larger-volume products and high-value-added products.
- ◆ **Cosmetics Market:** The market grew from the previous year, driven by makeup products, but the recovery was below our expectations due to the spread of the Omicron variant.

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

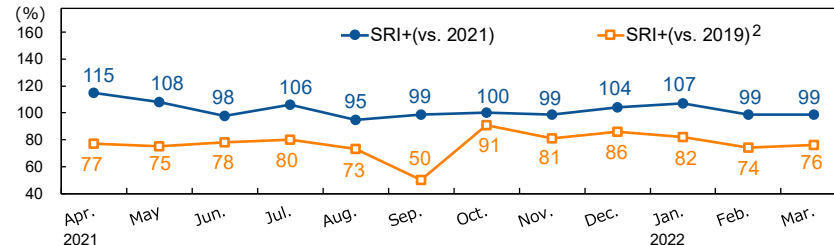


■ Market Growth Rates of Major H&PC Categories

(vs. previous year) (vs. 2019)

	21 Jan.-Dec.	22 Q1	22 Q1
H&PC total	98	101	109
Laundry detergents	105	104	113
Fabric softeners	105	105	114
Bath cleaning products	104	108	133
Sanitary napkins	96	102	98
Baby diapers	92	94	80
Hand soap	70	94	134
Hand sanitizers	40	61	324
Bath additives	107	104	126

■ Growth of Cosmetics Market (26 categories)



■ Market Growth Rates of Major Cosmetics Categories

(vs. previous year) (vs. 2019)

	21 Jan.-Dec.	22 Q1	22 Q1
Cosmetics total	98	102	77
Skin care products	97	99	80
Facial cleansers	99	96	77
Serum	90	90	62
Makeup products	98	105	78
Base make	91	101	68
Point make	103	109	87
Other	102	101	55
UV care	104	101	48

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 : The categories decreased in Q1 due to the impact of the spread of COVID-19 since March.
- ◆ Indonesia : Despite the resurgence of COVID-19, the movement of people has been continuing to increase since Q4/FY2021. The market also continues to be in a growing trend.
- ◆ Thailand : Despite the resurgence of COVID-19, the movement of people decreased only slightly, and the market is in a recovery trend.

<Market Growth Rate (%)>

	China (including e-commerce)					Indonesia					Thailand				
	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1
Baby diapers	102	105	99	93	99	105	117	109	108	107	89	99	88	87	95
Sanitary napkins and panty liners	106	102	101	102	96	98	119	112	114	116	87	106	91	92	100
Laundry detergents						97	107	107	109	118	90	95	79	81	87
UV care	151	128	103	110	99						84	90	68	91	103
House cleaning products											84	102	113	95	105

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

Main Markets in the Americas and Europe

Due to an increase in the number of people infected with the omicron variant, the movement of people decreased compared to Q4/ FY2021, but more countries are relaxing their COVID-19 regulations. In the markets that Kao has entered, many categories grew compared to the previous year.

<Market Growth Rate (%)>

	U.S.					U.K.					Germany				
	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1
Hair care	98	105	108	109	103	87	111	103	105	107	90	108	111	108	108
Facial cleanser	99	100	102	101	99						92	103	101	91	89
Deodorant	92	115	112	110	111										
Hand and body lotions	107	110	108	107	105										

Source: NielsenIQ/IRI

Highlights of Consolidated Financial Results

Three months ended March 31

(Billion yen)	FY2021	FY2022	Growth %	Change
Net sales	320.6	346.8	+8.2	+26.2
	Effect of currency translation ¹		+3.4	+11.0
	Like-for-like growth		+4.8	+15.2
Operating income	30.9	23.0	(25.8)	(8.0)
Operating margin(%)	9.7	6.6	-	-
Income before income taxes	33.9	25.7	(24.3)	(8.2)
Net income	26.2	18.8	(28.4)	(7.5)
Net income attributable to owners of the parent	25.7	18.2	(29.1)	(7.5)
EBITDA (Operating income + Depr. & amort.) ²	48.1	40.0	(16.9)	(8.1)
Basic earnings per share (yen)	53.61	38.50	(28.2)	(15.11)

1. Exchange rates: 116.30 yen/USD, 130.45 yen/Euro, 18.32 yen/Yuan

2. Excluding depreciation of right-of-use assets

Overview of Consolidated Results

Net sales grew and operating income decreased year-on-year, however, both exceeded our plan. Affected by higher-than-expected raw material prices, we increased sales prices for H&PC products outside Japan and adjusted selling prices in the Chemical Business. Cosmetics in China and Europe were strong. Structural reforms also progressed steadily.

Net Sales **346.8 billion yen (+8.2%)** +4.8% on a like-for-like basis

Operating Income **23.0 billion yen (-8.0 billion yen) 6.6% operating margin**

Positive factors	Negative factors
<ul style="list-style-type: none">● Adjustments of selling prices in the Chemical Business● Cosmetics in China and Europe maintained strong performance● Structural reforms and cost control	<ul style="list-style-type: none">● Hikes in raw material prices Gross: (24.0) billion yen Net*: (8.0) billion yen● Logistics disruption in the U.S.● Delayed recovery of cosmetics market in Japan due to expansion of the Omicron variant and delayed launch of UV care and other seasonal products on store shelves

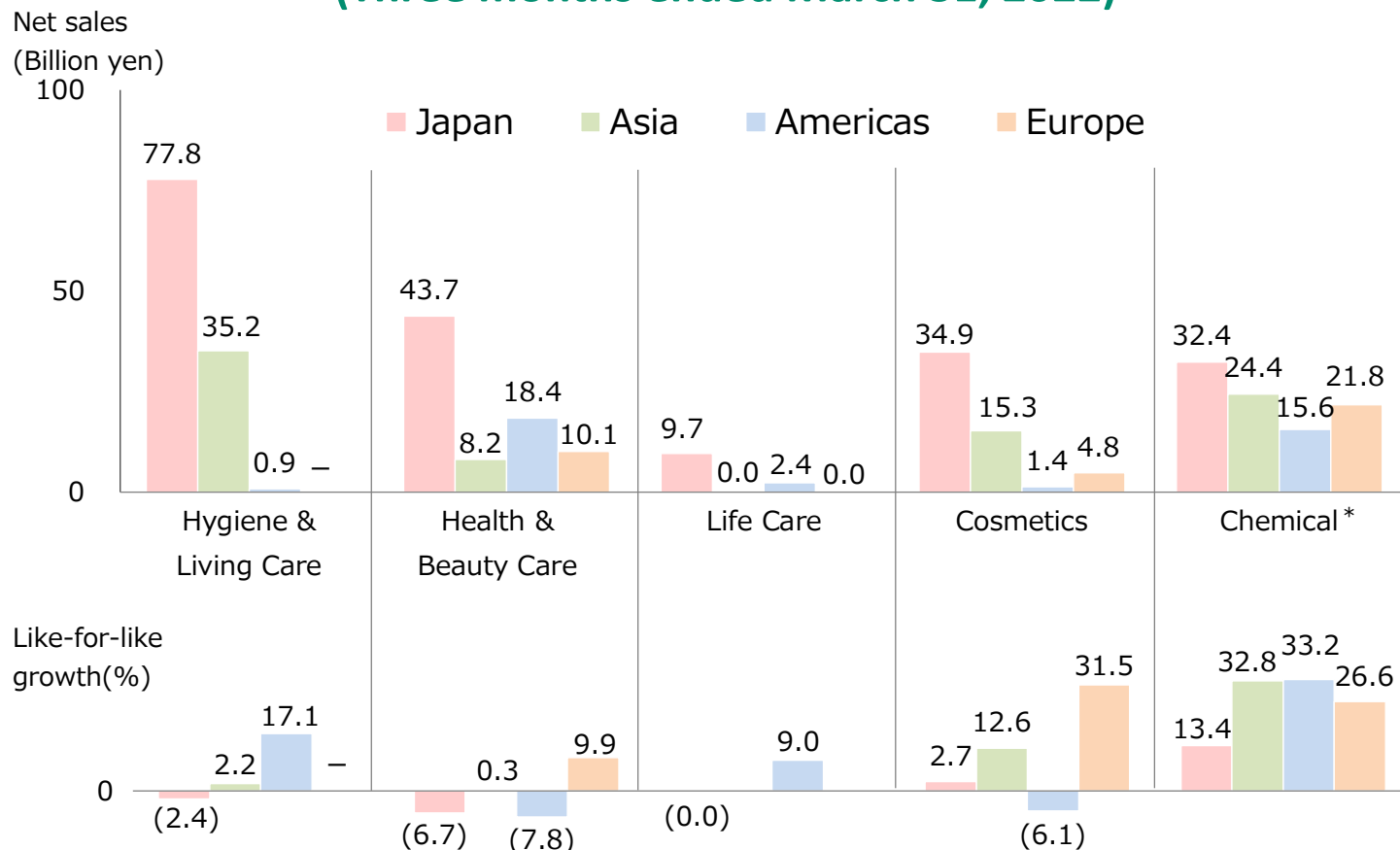
* Offsetting with adjustments of selling prices in the Chemical Business

Net income attributable to owners of the parent **18.2 billion yen (-7.5 billion yen)**

The direct impact of the Russia-Ukraine issue on the business was immaterial in Q1.

Shareholder Returns Resolved today to repurchase the Company's shares up to 50 billion yen or up to 12 million shares at a meeting of the Board of Directors.

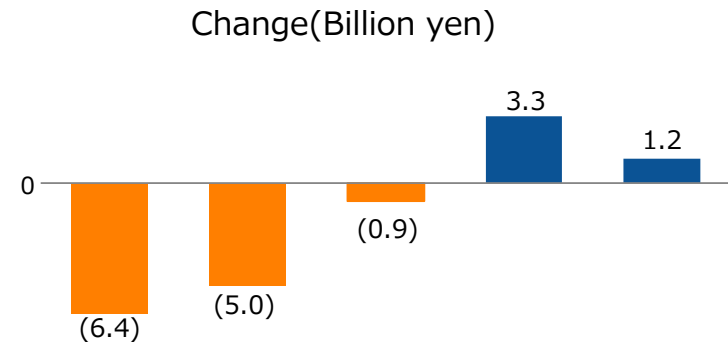
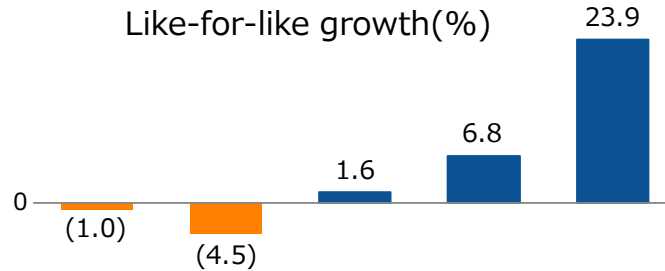
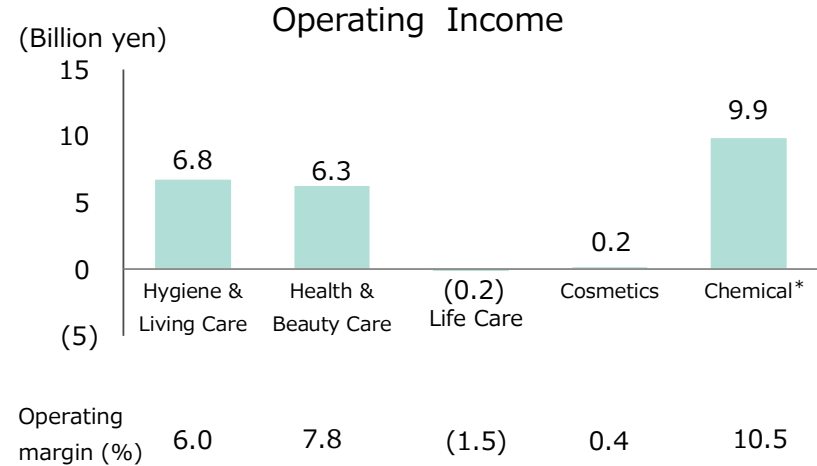
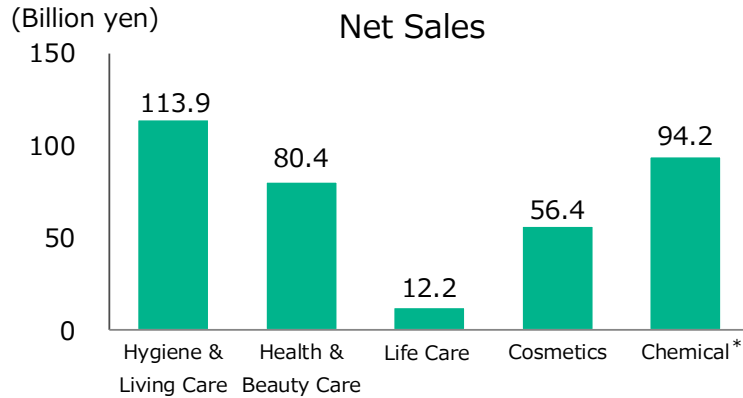
Consolidated Net Sales by Segment/Geographic Region (Three months ended March 31, 2022)



* Net sales of the Chemical Business include intersegment transactions

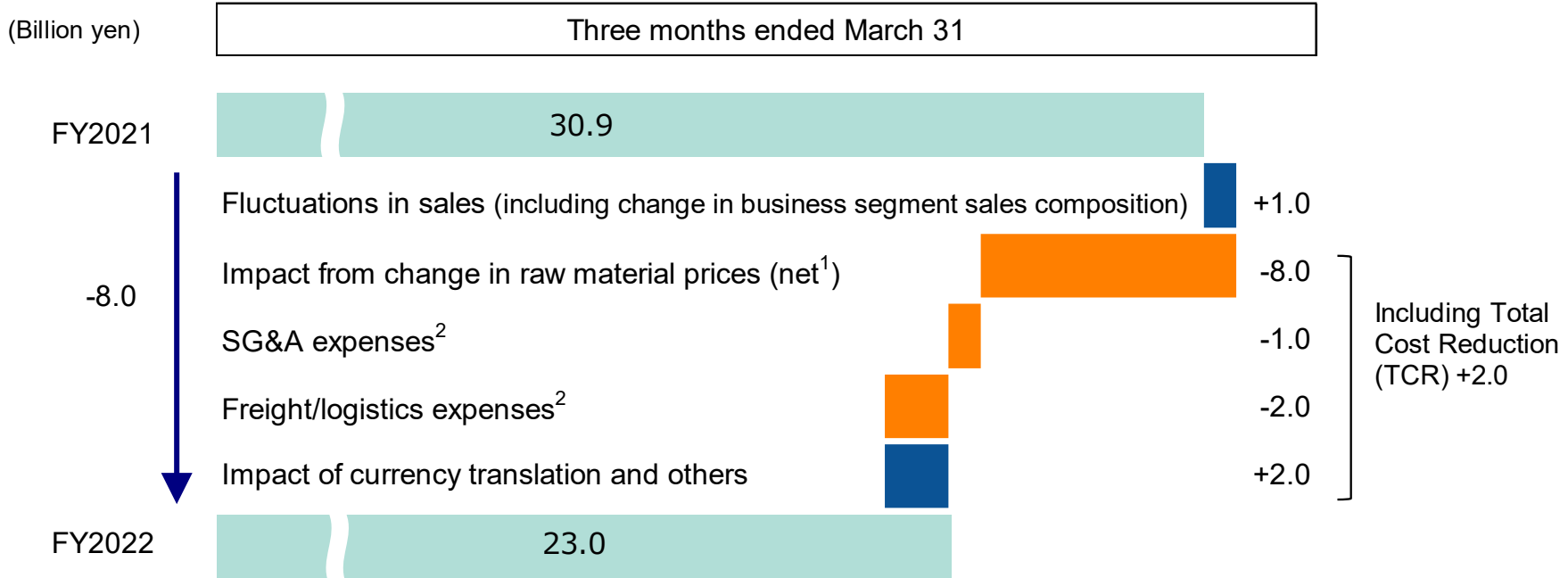
Sales by geographic region are classified based on the location of the sales recognized

Consolidated Results by Segment (Three months ended March 31, 2022)



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

Analysis of Change in Consolidated Operating Income



1. Offsetting with adjustments of selling prices in the Chemical Business
2. Excluding the effect of currency translation

Steady Start of Transformation to Build Robust Business through Investment (Achievements in Q1)

Reborn Kao

Stable Earnings

● Fabric care

- Concentrated investment in *Humming* fabric softener. Significantly improved recognition rate by revamping communication



● Home care

- CuCute* dishwashing detergent grew market share and built a solid No.1 position through new product proposals and revamped communication



● Personal health

- Loyalty improved through cross-brand campaign by *MegRhythm* thermo products and *Bub* bath additives



Growth Driver

● Cosmetics

- Continued sales growth far outpacing the market outside Japan China +17%, Europe +32%
- Prestige brands generated many successful products



● Chemical

- Adjustments of selling prices absorbed hikes in raw material prices
- Growth with highly profitable environmental conscious businesses

● Skin care

- Bioré* hygiene-related products and body cleansers performed well in ASEAN countries. Global presence was enhanced



Business Transformation

● Sanitary products

- Laurier* sanitary napkins revamped communications and started purpose-driven marketing
- Merries* baby diapers maintained strong performance in Indonesia



● Products for hair salons

- Oribe*, a brand for high-end hair salons accelerated its shift to e-commerce in the Americas and Europe



Consolidated Operating Results Forecast for FY2022

- Net sales and income in Q1 exceeded the plan. Business structural reforms also started smoothly. Outlook for raw material prices (natural fats and oils and petrochemicals) is uncertain, but the consolidated operating results forecast announced on February 3, 2022 remains unchanged due to expectations for measures in Q2 onwards.
- Still, new risks have emerged. Despite the difficult situation, we aim to achieve the consolidated operating results forecast through the following measures.

Market conditions that should be taken into account	Measures to be taken
<ul style="list-style-type: none">■ Raw material prices remaining high■ Impact of the lockdowns caused by COVID-19 (China)■ Slow recovery of the cosmetics market in Japan	<ul style="list-style-type: none">■ Implement strategic price increases■ The initiatives of Reborn Kao<ul style="list-style-type: none">- Introduce distinctive new and improved products- Increase the ratio of high-value-added and high-profit products- Collaboration with retailers to strengthen sales promotion planning■ Enhance cost control and increase cost savings through TCR activities

Aim to Improve Profitability by Implementing Strategic Price Increases

In order to continue to achieve sustainable development and fulfill our social responsibilities, we aim to improve profitability by building a resilient business structure independent of fluctuations in raw material prices through appropriate cost shifting to selling prices.

- Promote strategic price increases globally, including downsizing of products
- Negotiations for substantive price increases of H&PC products in Japan are complete. Effects are expected to be seen from Q2
- Measures to respond to further hikes in raw material prices
- First challenge in the H&PC industry in Japan ➡ Raising momentum for price increases
- Continue to proactively work to adjust selling prices in the Chemical Business

[Estimated impact of raw material prices (annual)] (Billion yen)

2022/2/3 Forecast: Net* -11.0 ➡ 2022/5/11 Forecast: Net* -30.0 to -40.0 (maximum)

* Offsetting with adjustments of selling prices in the Chemical Business

The initiatives of Reborn Kao: Aiming to Improve Profitability by Continued Decisive Investment in Q2 Onwards

Reborn Kao

Stable Earnings	Growth Driver	Business Transformation
<ul style="list-style-type: none"> ● Fabric care <ul style="list-style-type: none"> • Aim to expand market share by offering new and improved products with high profitability • Strategic price increases ● Home care <ul style="list-style-type: none"> • Expand market share and improve profitability through distinctive offerings appealing to sterilization and cleanliness ● Personal health <ul style="list-style-type: none"> • Continue cross-brand campaigns to propose new value and promote sellout 	<ul style="list-style-type: none"> ● Cosmetics <ul style="list-style-type: none"> • Return to growth track in the market in Japan • Continue concentrated investment in G11 • Maximize local sales in China <ul style="list-style-type: none"> - Launch of a locally produced and locally consumed model of <i>Curél</i> - Strengthening of prestige brands ● Chemical <ul style="list-style-type: none"> • Continue responses to hikes in raw material prices • Strengthen development of products from ESG perspectives ● Skin care <ul style="list-style-type: none"> • Revitalize the market by offering products with distinctive functions • Increase countries where we sell UV care and hygiene-related products 	<ul style="list-style-type: none"> ● Sanitary products <ul style="list-style-type: none"> • Sanitary napkins <ul style="list-style-type: none"> - Enhance branding activities to strengthen loyalty • Baby diapers <ul style="list-style-type: none"> - Strengthen to nurture the brand in China - Strengthen premium products in Indonesia ● Hair care <ul style="list-style-type: none"> • Improve profitability by strengthening measures through digitalization ● Products for hair salons <ul style="list-style-type: none"> • Promote the enhancement of damage-free color with <i>Goldwell</i> • Start the Asian business strengthening strategy



Sales Plan and Main Initiatives Going Forward

Q1 Results

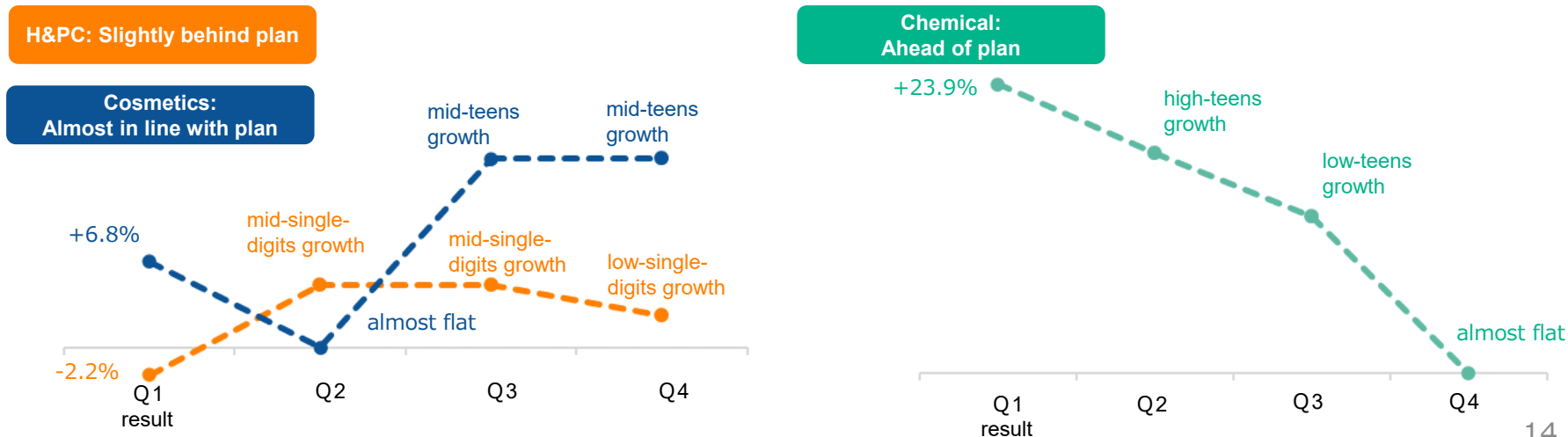
In the H&PC, structural reforms were successfully implemented mainly in Japan amid a severe external environment, including hikes in raw material prices. In cosmetics, net sales in China and Europe exceeded the market growth. Chemical passed on raw material prices. Overall sales exceeded the plan.



Forecasts after Q2

Although the external environment is expected to remain challenging due to such factors as hikes in raw material prices and the impact of the lockdowns on our business in China, we will improve profitability by implementing strategic price increases and increasing the ratio of high value-added and high-profit products.

Envisioned YoY sales growth on a like-for like basis



Appendices

Household and Personal Care Business in Q1

Despite the severe business environment, including the impact of the rapid spread of infection caused by the Omicron variant and hikes in raw material prices, sales of fabric care and home care in Japan were recovering due to decisive investment, and sales in Asia and Europe grew year-on-year.

Sales: 206.6 billion yen (-2.2%)

Operating income: 12.9 billion yen (-12.3 billion yen) **Operating margin: 6.3%**

Japan:

- Amid intensifying competition in laundry detergents, proactive investment in *Attack* improved purchase loyalty rate and maintained top brand share
- In dishwashing detergents, *CuCute* increased its market share to 48% and strengthened its top share position by addition of new disinfectant products as well as full renewal
- Delays in launching UV care and other seasonal products on store shelves due to slow market growth caused by inclement weather and infection rebound
- Market share of hair care products, baby diapers and hand soap declined due to intensified competition
- Hikes in raw material prices significantly impacted the Hygiene and Living Care Business



Asia:

- Continued to strengthen marketing of the *Laurier* brand and increased market share of *Super Slim Guard* in China, resulting in a 13% increase in total sales of the *Laurier* brand year-on-year
- *Bioré GUARD* body cleanser expanded market share in Indonesia



Americas & Europe :

- *Oribe*, a brand for high-end hair salons, continues to grow at double-digit rates through continued expansion of e-commerce
- Logistics disruptions in the U.S. resulted in lost sales opportunities in mass skin care and hair care products



ORIBE

Cosmetics Business in Q1

In Japan, sales fell short of the plan due to the impact of quasi-emergency measures to prevent the spread of the Omicron variant; however, sales in China and Europe continued to be strong. Sales of G11, which was the focus of our efforts, increased 14%, with a composition ratio of 71%. The ratio of sales outside Japan also expanded to 45%. Steady progress in structural reforms in the makeup business and fixed cost reductions, resulting in a 3.3-billion-yen improvement in operating income from the previous year.

Sales: 56.4 billion yen (+6.8%)

Operating income: 0.2 billion yen (+3.3 billion yen) **Operating margin: 0.4%**

Business Management Transformation

- Acceleration of structural reforms - waste reduction efforts, fixed cost reductions
- Acceleration of sustainable business operations
 - Start of verification testing for horizontal recycling of plastic bottles

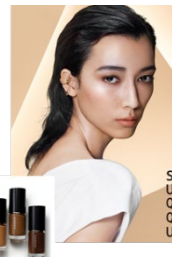
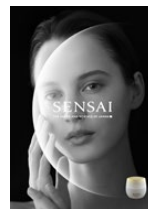
Growth Far Outpacing the Market in China and Europe

- *freeplus* and *Curél* continued to grow strongly (+17%) in China, where the market is on a slowdown trend
- OMO* strategy of *Molton Brown* and *SENSAI* was successful in Europe (+32%)

*OMO: Online Merges with Offline

Continuously Offer New Value Corresponding to the New Normal in Japan

- In addition to the continued strong performance of *KATE LIP MONSTER*, *YOKU COLLECTION* campaigns have led to a significant increase in eyeshadow market share
- Successful products in prestige brands
 - *KANEBO - VEIL OF DAY*
 - *est - CLARIFYING GEL WASH*
 - *SUQQU - THE LIQUID FOUNDATION*



■ E-commerce ratio

	2020 Q1	2021 Q1	2022 Q1
Japan	9%	11%	12%
China	58%	61%	56%
Europe	31%	67%	22%

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

	2020 Q1		2021 Q1		2022 Q1	
	Growth	Share of Sales	Growth	Share of Sales	Growth	Share of Sales
G11	(2)%	59%	(4)%	65%	+14%	71%
R8	(12)%	24%	(22)%	22%	(2)%	20%
Other	(28)%	17%	(33)%	13%	(21)%	9%

Chemical Business in Q1

Progress was made on adjustments of selling prices in response to hikes in raw material prices, particularly fat and oil products outside Japan, and growth was achieved in some areas by steadily capturing growth and recovery in customer industries, which led to higher sales than the previous year and the plan. Continue to develop products from ESG perspectives.

Sales: 94.2 billion yen (+23.9%)
Operating income: 9.9 billion yen (+1.2 billion yen)
Operating margin: 10.5%

Japan: +13.4%

- Sales increased due to growth in areas where the customer industries grew and recovered, as well as the contribution of adjustments of selling prices

Asia: +32.8%

- In addition to the contribution of adjustments of selling prices for fat and oil products, fat and oil derivative products also performed well

Americas: +33.2%

- Adjustments of selling prices for fat and oil products made a large contribution. Toner and toner binder also grew by capturing the recovery in demand

Europe: +26.6%

- Adjustments of selling prices for fat and oil derivative products as well as other products made a contribution



Technology for making asphalt more durable using waste PET wins Gold Prize at the Japan Resilience Awards.



Decided to build a new tertiary amine production facility in the U.S. to meet growing demand for disinfection, cleaning, and a variety of other industries.

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