

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [IFRS]

February 3, 2022

Company name: Kao Corporation  
 Stock code: 4452 (URL: [www.kao.com/global/en/investor-relations/library/results/](http://www.kao.com/global/en/investor-relations/library/results/))  
 Representative: Yoshihiro Hasebe, President and CEO  
 Contact person: Mitsuhiro Watanabe, Vice President, Investor Relations E-mail: [ir@kao.co.jp](mailto:ir@kao.co.jp)  
 Scheduled date of the Annual General Meeting of Shareholders: March 25, 2022  
 Scheduled starting date of the dividend payments: March 28, 2022  
 Supplementary documents of the financial results: Yes  
 Financial results information meeting: Yes (for institutional investors and analysts)

(Millions of yen, except per share amounts)  
 (Amounts less than one million yen are rounded)

### 1. Consolidated financial results for the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Fiscal year ended December 31, 2021	%	Fiscal year ended December 31, 2020	%
Net sales	1,418,768	2.7	1,381,997	(8.0)
Operating income	143,510	(18.3)	175,563	(17.1)
Income before income taxes	150,002	(13.8)	173,971	(17.4)
Net income	111,415	(13.0)	128,067	(14.8)
Net income attributable to owners of the parent	109,636	(13.1)	126,142	(14.9)
Comprehensive income	165,132	22.8	134,516	(8.3)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Basic earnings per share (Yen)	230.59	262.29
Diluted earnings per share (Yen)	230.57	262.25
Ratio of net income to equity attributable to owners of the parent	11.6%	14.2%
Ratio of income before income taxes to total assets	8.9%	10.5%
Ratio of operating income to net sales	10.1%	12.7%
(Reference) Share of profit in investments accounted for using the equity method	2,620	2,536

#### (2) Consolidated financial position

	December 31, 2021	December 31, 2020
Total assets	1,704,007	1,665,616
Total equity	983,877	938,194
Equity attributable to owners of the parent	965,137	923,687
Ratio of equity attributable to owners of the parent to total assets	56.6%	55.5%
Equity attributable to owners of the parent per share (Yen)	2,036.66	1,920.56

## (3) Consolidated cash flows

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Net cash flows from operating activities	175,524	214,718
Net cash flows from investing activities	(67,232)	(61,941)
Net cash flows from financing activities	(141,573)	(87,065)
Cash and cash equivalents at the end of the year	336,069	353,176

## 2. Dividends

	Fiscal year ending December 31, 2022 (Forecast)	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Annual cash dividends per share (Yen)			
1st quarter end	-	-	-
2nd quarter end	74.00	72.00	70.00
3rd quarter end	-	-	-
<u>Fiscal year end</u>	<u>74.00</u>	<u>72.00</u>	<u>70.00</u>
Total	148.00	144.00	140.00
Total dividend payment amount		68,383	67,443
Payout ratio (consolidated)	59.9%	62.4%	53.4%
Ratio of dividends to equity attributable to owners of the parent (consolidated)		7.3%	7.6%

 3. Forecast of consolidated operating results for the fiscal year ending December 31, 2022  
(from January 1, 2022 to December 31, 2022)

(Millions of yen, except per share amounts)  
(Percentages indicate year-on-year changes)

	Fiscal year ending December 31, 2022	%
Net sales	1,490,000	5.0
Operating income	160,000	11.5
Income before income taxes	160,000	6.7
Net income attributable to owners of the parent	117,000	6.7
Basic earnings per share (Yen)	246.90	-

## 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- 1) Changes in accounting principles required by IFRS: None
  - 2) Changes in accounting principles due to reasons other than 1): None
  - 3) Changes in accounting estimates: None

## (3) Number of issued shares outstanding at the end of the year (ordinary shares)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of issued shares including treasury shares	475,000,000	482,000,000
Number of treasury shares	1,117,195	1,054,019
	<u>Fiscal year ended December 31, 2021</u>	<u>Fiscal year ended December 31, 2020</u>
Weighted average number of shares outstanding during the year	475,466,269	480,929,483

**Notice regarding execution of audit procedures**

This financial results report is exempt from audit by certified public accountants or accounting firms.

**Explanation regarding the appropriate use of forecast of operating results and other special items**

Forward-looking statements such as earnings forecasts and other projections contained in this release are based on information available at the time of disclosure and assumptions that management believes to be reasonable, and do not constitute guarantees of future performance. Actual results may differ materially from expectations due to various factors.

Please refer to page 1 to 15 "1. Summary of Operating Results and Financial Position" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

## 1. Summary of Operating Results and Financial Position

### (1) Summary of Operating Results

Note: Changes and comparisons are all with the same period a year earlier unless otherwise noted. Like-for-like growth rates below exclude the effect of translation of local currencies into Japanese yen.

#### Operating Results for the Fiscal Year Ended December 31, 2021

##### 1) Trends in Overall Results for the Fiscal Year Ended December 31, 2021

(Billions of yen, except operating margin and per share amounts)

	2021	2020	Growth
			2.7%
Net sales	<b>1,418.8</b>	1,382.0	Like-for-like: 0.3%
Operating income	<b>143.5</b>	175.6	(18.3%)
Operating margin (%)	<b>10.1</b>	12.7	-
Income before income taxes	<b>150.0</b>	174.0	(13.8%)
Net income	<b>111.4</b>	128.1	(13.0%)
Net income attributable to owners of the parent	<b>109.6</b>	126.1	(13.1%)
Basic earnings per share (Yen)	<b>230.59</b>	262.29	(12.1%)

In fiscal 2021, the novel coronavirus (COVID-19) continued for the second year to have a major impact on society, economies and people's lives worldwide.

The Kao Group worked to respond to the changes in people's lifestyles, consumption and the structure of sales channels, as well as to hikes in raw material prices around the world and other issues, but its efforts were impacted by significantly delayed market recovery, particularly in Japan, where inbound demand disappeared and a state of emergency was repeatedly declared, among other factors.

In the Kao Group's key markets, according to retail sales and consumer purchasing survey data, the household and personal care products market remained on par with the previous fiscal year. On the other hand, the cosmetics market remained on par with the previous fiscal year, but has not recovered to its pre-pandemic level.

Amid these circumstances, the Kao Group's net sales increased 2.7% compared with the previous fiscal year to 1,418.8 billion yen. On a like-for-like basis, net sales increased 0.3%. Operating income was 143.5 billion yen, a decrease of 32.1 billion yen compared with the previous fiscal year, due in part to a strategic shift for future growth that involved recording a 4.5 billion yen impairment loss in the baby diaper business and a 2.5 billion yen loss on liquidation of inventory, and the operating margin was 10.1%. Income before income taxes was 150.0 billion yen, a decrease of 24.0 billion yen, and net income was 111.4 billion yen, a decrease of 16.7 billion yen.

Basic earnings per share were 230.59 yen, a decrease of 31.70 yen, or 12.1%, from 262.29 yen in the previous fiscal year.

Economic Value Added (EVA\*), which the Kao Group uses as a management indicator, decreased 17.1 billion yen compared with the previous fiscal year to 45.1 billion yen due to a decrease in net operating profit after tax (NOPAT).

\* EVA is a registered trademark of Stern Stewart & Co.

In addition, the Kao Group Mid-term Plan "K25" was launched in fiscal 2021. This will be the foundation for growth to come. The Kao Group has newly declared that it will "save future lives" and aims to become a company that is essential for the protection of lives, lifestyles and ecosystems.

(For details, see *Kao Integrated Report 2021* at [www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2021e-all-001\\_01.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2021e-all-001_01.pdf))

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and associates were as shown below.

	First quarter Jan. – Mar.	Second quarter Apr. – Jun.	Third quarter Jul. – Sep.	Fourth quarter Oct. – Dec.
U.S. dollar	105.96 (108.95)	109.47 (107.54)	110.09 (106.17)	113.72 (104.47)
Euro	127.74 (120.18)	131.90 (118.41)	129.78 (124.05)	130.05 (124.55)
Chinese yuan	16.35 (15.61)	16.95 (15.18)	17.01 (15.34)	17.79 (15.77)

*Note: Figures in parentheses represent the exchange rates for the same period of the previous fiscal year.*

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## 2) Trends by Segment during the Fiscal Year

### Summary of Segment Information

The following is an overview of changes in reportable segments implemented as of the three months ended March 31, 2021 (Reference: Page 23, “1. Segment Information” in “Notes to Consolidated Financial Statements” ).

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 previous fiscal year have been restated.

### Consolidated Results by Segment

(Billions of yen)

Fiscal year ended December 31	Net sales				Operating income			Operating margin (%)	
	2021	2020	Growth %	Like-for-like %	2021	2020	Change	2021	2020
Hygiene and Living Care Business	496.8	503.2	(1.3)	(2.8)	51.8	79.6	(27.8)	10.4	15.8
Health and Beauty Care Business	354.5	362.3	(2.2)	(4.2)	49.7	60.5	(10.8)	14.0	16.7
Life Care Business	53.0	52.2	1.7	1.0	3.6	4.7	(1.1)	6.8	8.9
Cosmetics Business	239.3	233.6	2.5	(0.6)	7.5	2.4	5.1	3.1	1.0
Consumer Products Business	1,143.7	1,151.3	(0.7)	(2.6)	112.6	147.2	(34.6)	9.8	12.8
Chemical Business	314.3	269.2	16.7	12.9	29.6	27.7	1.9	9.4	10.3
Total	1,458.0	1,420.5	2.6	0.3	142.2	174.9	(32.7)	-	-
Elimination and Reconciliation	(39.2)	(38.5)	-	-	1.3	0.7	0.6	-	-
Consolidated	1,418.8	1,382.0	2.7	0.3	143.5	175.6	(32.1)	10.1	12.7

**Consolidated Net Sales Composition**

Fiscal year ended December 31		Japan	Asia	Americas	Europe	(Billions of yen) Consolidated
Fabric and Home Care Products	2021	288.6	40.1	2.8	-	331.5
	2020	287.7	40.6	2.4	-	330.7
	Growth %	0.3	(1.2)	17.0	-	0.2
	Like-for-like %	0.3	(5.1)	4.6	-	(0.3)
Sanitary Products	2021	78.0	87.3	0.1	-	165.3
	2020	86.8	85.6	0.1	-	172.5
	Growth %	(10.2)	2.0	(7.6)	-	(4.1)
	Like-for-like %	(10.2)	(4.5)	(17.5)	-	(7.4)
Hygiene and Living Care Business	2021	366.6	127.4	2.9	-	496.8
	2020	374.5	126.2	2.5	-	503.2
	Growth %	(2.1)	1.0	15.9	-	(1.3)
	Like-for-like %	(2.1)	(4.7)	3.7	-	(2.8)
Health and Beauty Care Business	2021	205.2	29.4	78.0	41.8	354.5
	2020	227.7	28.7	68.6	37.3	362.3
	Growth %	(9.9)	2.5	13.7	12.2	(2.2)
	Like-for-like %	(9.9)	(3.2)	9.7	4.2	(4.2)
Life Care Business	2021	43.5	0.0	9.4	0.1	53.0
	2020	45.0	0.0	7.0	0.1	52.2
	Growth %	(3.5)	16.8	34.9	1.2	1.7
	Like-for-like %	(3.5)	7.5	30.3	(8.3)	1.0
Cosmetics Business	2021	152.9	57.8	5.9	22.7	239.3
	2020	163.7	45.4	5.5	19.0	233.6
	Growth %	(6.6)	27.5	6.9	19.2	2.5
	Like-for-like %	(6.6)	16.5	3.3	9.4	(0.6)
Consumer Products Business	2021	768.1	214.7	96.2	64.6	1,143.7
	2020	811.0	200.3	83.6	56.4	1,151.3
	Growth %	(5.3)	7.2	15.1	14.5	(0.7)
	Like-for-like %	(5.3)	0.3	10.8	5.9	(2.6)
Chemical Business	2021	122.1	73.9	49.0	69.2	314.3
	2020	111.1	56.5	42.8	58.9	269.2
	Growth %	9.9	30.9	14.6	17.6	16.7
	Like-for-like %	9.9	23.9	9.7	10.3	12.9
Elimination of intersegment	2021	(34.0)	(3.4)	(0.0)	(1.8)	(39.2)
	2020	(34.0)	(2.6)	(0.1)	(1.8)	(38.5)
Consolidated	2021	856.3	285.2	145.2	132.0	1,418.8
	2020	888.1	254.1	126.3	113.5	1,382.0
	Growth %	(3.6)	12.2	15.0	16.3	2.7
	Like-for-like %	(3.6)	5.3	10.5	8.4	0.3

*Note: Figures for the Consumer Products Business present sales to external customers and figures for the Chemical Business include sales to the Consumer Products Business in addition to external customers. Sales by geographic region are classified based on the location of the sales recognized.*

Net sales to foreign customers were 42.0 % of net sales compared with 38.2% for the previous fiscal year.

### **Consumer Products Business**

Sales decreased 0.7% compared with the previous fiscal year to 1,143.7 billion yen. On a like-for-like basis, sales decreased 2.6%.

During fiscal 2021, factors such as changes in consumer preferences and lifestyles, as well as in sales channels, had a major impact on the business environment in various ways due to the continued spread of COVID-19 for the second year. Under these conditions, the Kao Group proactively conducted initiatives including concentrating investment in core brands, promoting digital transformation and stepping up e-commerce. However, the business environment remained severe due to hikes in raw material prices around the world and disruptions in logistics.

As a result, sales in Japan decreased 5.3% to 768.1 billion yen.

In Asia, sales increased 7.2% to 214.7 billion yen. On a like-for-like basis, sales increased 0.3%. In the Americas, sales increased 15.1% to 96.2 billion yen. On a like-for-like basis, sales increased 10.8%. In Europe, sales increased 14.5% to 64.6 billion yen. On a like-for-like basis, sales increased 5.9%.

Operating income decreased 34.6 billion yen compared with the previous fiscal year to 112.6 billion yen.

*Note: The Kao Group's Consumer Products Business consists of the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, and the Cosmetics Business.*

### **Hygiene and Living Care Business**

Sales decreased 1.3% compared with the previous fiscal year to 496.8 billion yen. On a like-for-like basis, sales decreased 2.8%.

The market for fabric care products grew in Japan amid rising awareness of cleanliness due to the COVID-19 pandemic, but competition was fierce for laundry detergents and fabric softeners. By launching an improved version of *Attack* laundry detergent and making a concentrated investment in marketing, the Kao Group improved the brand's image and maintained the top market share.

Home care products in Japan were impacted by the shrinkage of the overall market for hygiene-related products such as kitchen bleach and house cleaning agents in the absence of the special demand that arose in the previous fiscal year, but bathroom cleaners substantially acquired market share with the September 2021 launch of *Bath Magiclean Airjet*, a new product that makes bathtub cleaning easier and quicker. In Asia, in June the Kao Group launched a new *Magiclean* disinfectant for greater strength in the areas of peace of mind and hygiene, and sales were steady, centered on hygiene-related products.

In sanitary products, sales of *Laurier* sanitary napkins were nearly on par with the previous fiscal year. Sales decreased in Japan, where the market shrank as people voluntarily refrained from going outside, but sales and market share grew steadily in China due to stepping up e-commerce and other factors.



Sales of *Merries* baby diapers grew substantially in Indonesia, partly due to the launch of a high-value-added product in August 2021. In Japan, new premium-priced products performed well. In China, the Kao Group took measures to improve brand value in the first half of the year, launched new products in the rapidly growing super premium market in August, and conducted reforms to revitalize the brand. In addition, the Kao Group changed to a policy of ramping up local production to quickly and effectively respond to changes in consumer needs and the business environment in China. As a result, the Kao Group recorded a 4.5 billion yen impairment loss on production equipment in Japan.

Operating income was 51.8 billion yen, a decrease of 27.8 billion yen from the previous fiscal year due to factors including additional costs associated with hikes in raw material prices and the absence of the special demand that arose in the previous year, as well as the impairment loss.

### **Health and Beauty Care Business**

Sales decreased 2.2% compared with the previous fiscal year to 354.5 billion yen. On a like-for-like basis, sales decreased 4.2%.

Sales of skin care products decreased in Japan due to substantial shrinkage of the market for hand soap and hand sanitizer, which expanded rapidly in the previous fiscal year, but market share in these two product categories grew significantly compared with fiscal 2019, before the COVID-19 pandemic. In addition, UV care and other seasonal products were significantly impacted by people voluntarily refraining from going outside and inclement weather in Japan and Asia. In the Americas, amid a recovery trend in the market due to policies to manage both COVID-19 countermeasures and the economy, the Kao Group made new offerings targeting the increased opportunities to go out, but sales fell slightly short of the previous fiscal year.

In hair care products, the Kao Group worked to revitalize the market by launching new products for the mass market in Japan, but sales decreased as it was unable to sufficiently differentiate its products. Sales of products for hair salons grew substantially. In the Americas, the *Oribe* brand for high-end hair salons performed strongly in the e-commerce channel. In Europe, the market gradually recovered.

Sales of personal health products remained at nearly the same level as the previous fiscal year as strong sales of bath additives in Japan due to demand from people staying home offset a negative impact on sales of the decline in inbound demand.

Operating income decreased 10.8 billion yen compared with the previous fiscal year to 49.7 billion yen due to factors including the decrease in sales caused by the absence of the special demand that arose in Japan in the previous fiscal year and inclement weather.

### **Life Care Business**

Sales increased 1.7% compared with the previous fiscal year to 53.0 billion yen. On a like-for-like basis,

sales increased 1.0%.

Despite ongoing demand for hand sanitizers and other products at medical facilities, restaurants and other establishments with a particular need for hygiene management and infectious disease countermeasures, sales of commercial-use hygiene products decreased in Japan due to the significant impact of restrictions on going out and on mobility, and requests to restaurants and other establishments for temporary closure or shortened operating hours. Sales increased substantially in the Americas due to an increase in volume handled for customers and a business upturn at customer industries.

In health drinks, sales of *Healthya* products, which are foods for specified health uses, decreased due to market shrinkage caused by repeated extensions of the state of emergency in Japan, among other factors, despite growth in sales in the e-commerce channel backed by demand from people staying home.

Operating income decreased 1.1 billion yen compared with the previous fiscal year to 3.6 billion yen.

### **Cosmetics Business**

Sales increased 2.5% compared with the previous fiscal year to 239.3 billion yen. On a like-for-like basis, sales decreased 0.6%.

In Japan, the Kao Group focused on building bonds between customers and brands, including online counseling and the start of in-house e-commerce operations, as it vigorously promoted structural reforms. The Kao Group created hit products including *KATE*, which captured top market share for makeup brands, arising from new offerings for lifestyles in which the COVID-19 pandemic has made mask-wearing a common practice and various measures using digital technology. However, sales were significantly impacted by the delay in market recovery due to the disappearance of inbound demand and repeated declarations of a state of emergency, among other factors. In Asia, in addition to continuing strong sales in China, mainly through the e-commerce channel, of *freeplus*, which is hypoallergenic and contains Japanese and Chinese botanical extracts, and *Curél*, a derma care brand, the Kao Group began a full-scale rollout of its prestige cosmetics, including the start of duty-free sales on Hainan Island. In Europe, sales of the *Molton Brown* and *SENSAI* brands grew substantially as a result of promoting Online Merges with Offline (OMO).

Operating income increased 5.1 billion yen compared with the previous fiscal year to 7.5 billion yen.

### **Chemical Business**

Sales increased 16.7% compared with the previous fiscal year to 314.3 billion yen. On a like-for-like basis, sales increased 12.9%. The Kao Group benefited from recovery in customer industries, and sales of fat and oil derivative products and other products were firm.

Sales of oleo chemicals grew due to firm sales of fat and oil derivative products for disinfection, cleaning and other applications and ongoing efforts to adjust selling prices in line with higher prices for natural fats and oils. Sales of performance chemicals grew as a result of capturing the trend toward a recovery in demand in automobile-related and other fields, as well as adjusting selling prices in line with higher raw material prices. The Kao Group also proactively rolled out products with an ESG perspective, including highly durable asphalt modifier made from waste PET. In specialty chemicals, toner and toner binder were on a recovery track from the previous fiscal year's decrease in demand, and sales of semiconductor-related products were firm.

Operating income increased 1.9 billion yen compared with the previous fiscal year to 29.6 billion yen.

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**Forecast for the Fiscal Year Ending December 31, 2022**

(Billions of yen, except operating margin and per share amounts)

	2022	2021	Growth
Net sales	1,490.0	1,418.8	5.0%
			Like-for-like: 5.4%
Operating income	160.0	143.5	11.5%
Operating margin (%)	10.7	10.1	-
Income before income taxes	160.0	150.0	6.7%
Net income attributable to owners of the parent	117.0	109.6	6.7%
Basic earnings per share (Yen)	246.90	230.59	7.1%

*\*In this table and hereafter, like-for-like growth rates exclude changes due to the effect of currency translation of local currencies into Japanese yen.*

**1) Forecast of Overall Business Results for the Fiscal Year Ending December 31, 2022**

The Kao Group has launched the Kao Group Mid-term Plan "K25" (hereafter, "K25") covering the five years from 2021 to 2025, and the fiscal year ending December 31, 2022 will be its second year.

As countries aim to achieve a balance between their infectious disease countermeasures and their economies, the Kao Group assumes that the pandemic will continue to have a significant impact on the business environment. In Japan, which is the Kao Group's main market, recovery of inbound demand and consumption both lack vigor, and hikes in raw material prices and the competitive environment are expected to become more severe. The situation outside Japan is unpredictable.

The Kao Group will work to minimize the impact of hikes in raw material prices, which is one of its concerns, by shifting to high-value-added products, raising prices of some products and making more efficient use of sales promotion expenses, in addition to further strengthening its Total Cost Reduction (TCR) activities. In response to intense market competition, the Kao Group will begin a drastic portfolio reform of "Reborn Kao" businesses by innovating its existing categories for a high-profit core business. The Kao Group will overhaul its approach to brand management and make strategic investments for a decisive competitive advantage. At the same time, the Kao Group will divest and combine brands while ramping up its digital transformation (DX) to create number-one brands.

For "Another Kao" businesses, which differ from the conventional Kao style, the Kao Group will begin collaborating with partners in the core digital life platform business area. In addition, by promoting the public use and commercialization of its mosquito repellent, among other initiatives, it will build a foundation for growth to come.

The Kao Group will continue taking on bold challenges while maintaining "Integrity as the only choice"\* in order to achieve K25.

\* Integrity as the only choice is one of the values of the Kao Way, the corporate philosophy of the Kao

Group.

In light of these circumstances, the Kao Group forecasts the following business results for the fiscal year ending December 31, 2022.

The Kao Group forecasts a 5.0% year-on-year increase in net sales to 1,490.0 billion yen (a 5.4% increase on a like-for-like basis), an 11.5% increase in operating income to 160.0 billion yen, an operating margin of 10.7%, a 6.7% increase in income before income taxes to 160.0 billion yen, a 6.7% increase in net income attributable to owners of the parent to 117.0 billion yen, and a 7.1% increase in basic earnings per share to 246.90 yen.

The Kao Group will increase Economic Value Added (EVA) by making full use of its assets to manage invested capital more efficiently, together with an increase in net operating profit after tax (NOPAT).

## **2) Forecast by Segment for the Fiscal Year Ending December 31, 2022**

The **Hygiene and Living Care Business** provides fabric care, home care and sanitary products that support people's daily lives and society and help make lifestyles more comfortable. As new lifestyles take hold during the COVID-19 pandemic, the business will help consumers lead comfortable lives in their own unique styles by offering advanced cleanliness and hygiene value so that everyone can spend time at or away from home with peace of mind. In addition to investing decisively in marketing, the business will work to enhance products that meet hygiene needs in Japan and elsewhere in Asia.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 4.3% year on year on a like-for-like basis to 517.0 billion yen.

The **Health and Beauty Care Business** provides skin care, hair care and personal health products offering value unique to Kao with a thorough understanding of the entire human body, under the theme of contributing to health, beauty, cleanliness and hygiene. In addition to being useful for the hygiene habits and healthy lifestyles that have arisen due to the COVID-19 pandemic, the business will help to support active lives in the post-COVID era by realizing positive lifestyles with peace of mind. As it ramps up offerings using digital technology and e-commerce, the business will conduct product development and manufacturing with an eye toward a global rollout. It will also work for selection and concentration by combining and abolishing brands.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 5.3% year on year on a like-for-like basis to 372.0 billion yen.

The **Life Care Business** promotes new businesses that save lives by making full use of the fundamental technologies that have underpinned Kao. The business will strengthen commercial-use hygiene products, offering products and services that utilize cleaning, antibacterial, deodorizing and other technologies to corporate customers such as restaurants and others in the food service industry, medical and nursing care facilities, and hotels. It has accumulated numerous assets from existing businesses such as food for specified health uses and food with function claims in connection with people's rising health consciousness in the age of the 100-year lifespan. The business will also help to resolve compelling social issues related to infection prevention and healthy lifespans by utilizing essential cleaning and hygiene technologies.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 5.8% year on year on a like-for-like basis to 56.0 billion yen.

The **Cosmetics Business** will continue to provide "hope" and "Kirei"\* to customers through solid science and abundant sensitivity attuned to each person's beauty and individuality. Premised on living in a world with COVID-19, the business will make proactive lifestyle offerings for the "new normal" and transform into a customer retention business model that creates bonds with customers through the promotion of DX globally. In addition, the business will selectively reinforce its growing business in China and conduct structural reforms that encompass the makeup business and optimization of fixed costs in Japan.

*\* The Japanese word kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance, but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.*

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 11.9% year on year on a like-for-like basis to 266.0 billion yen.

The **Chemical Business** will strive to generate social impact by resolving various issues aimed at helping to create the future of industry and a sustainable society. With its unique technologies, the business will provide solutions to environmental and social issues and continue to work to develop high-value-added products.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 3.0% year on year on a like-for-like basis to 323.0 billion yen.

**3) Underlying Assumptions of the Forecast for the Fiscal Year Ending December 31, 2022**

The above forecast was made assuming translation rates of one U.S. dollar to 110 yen, one euro to 129 yen and one Chinese yuan to 17 yen.

Please note that although there is potential for volatility in prices of natural fats and oils and petrochemicals, assumptions for prices are based on information currently available to the Kao Group.

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## (2) Summary of Financial Position

### Summary of Assets, Liabilities, Equity and Cash Flows

#### 1) Summary of Assets, Liabilities, Equity and Cash Flows for the Fiscal Year Ended December 31, 2021

##### Consolidated Financial Position

(Billions of yen, except per share amounts)

	December 31, 2021	December 31, 2020	Incr./ (Dcr.)
Total assets	1,704.0	1,665.6	38.4
Total liabilities	720.1	727.4	(7.3)
Total equity	983.9	938.2	45.7
Ratio of equity attributable to owners of the parent to total assets	56.6%	55.5%	-
Equity attributable to owners of the parent per share (Yen)	2,036.66	1,920.56	116.10
Bonds and borrowings	127.7	127.7	0.0

##### Consolidated Cash Flows

(Billions of yen)

	2021	2020	Incr./ (Dcr.)
Net cash flows from operating activities	175.5	214.7	(39.2)
Net cash flows from investing activities	(67.2)	(61.9)	(5.3)
Net cash flows from financing activities	(141.6)	(87.1)	(54.5)
Adjusted free cash flows*	86.3	131.2	(44.8)

\*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.

Total assets increased 38.4 billion yen from December 31, 2020 to 1,704.0 billion yen. The principal increases in assets were a 30.4 billion yen increase in inventories and a 16.1 billion yen increase in trade and other receivables. The principal decrease in assets was a 17.1 billion decrease in cash and cash equivalents.

Total liabilities decreased 7.3 billion yen from December 31, 2020 to 720.1 billion yen. The principal increase in liabilities was a 13.2 billion yen increase in trade and other payables and the principal decrease in liabilities was a 22.0 billion yen decrease in retirement benefit liabilities.

Total equity increased 45.7 billion yen from December 31, 2020 to 983.9 billion yen. The principal increases in equity were net income totaling 111.4 billion yen, exchange differences on translation of foreign operations totaling 40.9 billion yen and remeasurements of defined benefit plans totaling 11.7 billion yen. The principal decreases in equity were dividends totaling 68.6 billion yen and purchase of



treasury shares totaling 50.0 billion yen pursuant to a resolution of the Board of Directors at a meeting held on February 3, 2021. In addition, the Company retired 7 million treasury shares on June 23, 2021.

The ratio of equity attributable to owners of the parent to total assets was 56.6% compared with 55.5% at December 31, 2020. Return on equity was 11.6%.

Net cash flows from operating activities totaled 175.5 billion yen. The principal increases in net cash were income before income taxes of 150.0 billion yen and depreciation and amortization of 87.3 billion yen. The principal decreases in net cash were income taxes paid of 45.9 billion yen, a 22.8 billion yen decrease in retirement benefit liabilities and a 20.5 billion yen increase in inventories.

Net cash flows from investing activities totaled negative 67.2 billion yen. This primarily consisted of purchase of property, plant and equipment of 60.0 billion yen for capacity expansion at production bases in Japan and proactive capital investments in Asia, where growth is notable, and purchase of intangible assets totaling 11.6 billion yen.

Net cash flows from financing activities totaled negative 141.6 billion yen. The Company emphasizes steady and continuous dividends and flexibly repurchases and retires treasury shares to improve capital efficiency from the perspective of EVA. During fiscal 2021, this primarily consisted of 68.7 billion yen for dividends paid to owners of the parent and non-controlling interests, purchase of treasury shares totaling 50.0 billion yen pursuant to a resolution of the Board of Directors at a meeting held on February 3, 2021, and 21.3 billion yen in repayments of lease liabilities. The Company repaid 10.0 billion yen in borrowings in March 2021 and borrowed the same amount to maintain an appropriate cost of capital ratio and to reinforce its financial base for growth investments. The Company also repaid 20.0 billion yen in borrowings in September and borrowed the same amount for the same purposes using positive impact finance that features the disclosure of information on the degree of contribution to achieving the SDGs and other benchmarks as an evaluation index.

Adjusted free cash flow was 86.3 billion yen.

The balance of cash and cash equivalents at December 31, 2021 decreased 17.1 billion yen compared with December 31, 2020 to 336.1 billion yen, including the effect of exchange rate changes.

## **2) Forecast of Assets, Liabilities, Equity and Cash Flows for the Fiscal Year Ending December 31, 2022**

Net cash flows from operating activities are forecast to be approximately 200.0 billion yen, due in part to an increase in income. This amount includes the effect of the adoption of IFRS 16 "Leases" in fiscal 2019. Excluding this factor, net cash flows from operating activities are expected to be approximately 180.0 billion yen.

Net cash flows from investing activities are forecast to be approximately 100.0 billion yen due to scheduled proactive investments for further growth encompassing enhancement and rationalization of production capacity, greater distribution efficiency and other purposes.

In net cash flows from financing activities, the Kao Group expects to pay cash dividends, among other expenditures.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2022 is forecast to be approximately 350.0 billion yen, an increase of approximately 10.0 billion yen from a year earlier.

### **(3) Basic Policies regarding Distribution of Profits and Dividends for the Fiscal Years Ended December 31, 2021 and Ending December 31, 2022**

The Kao Group uses Economic Value Added (EVA) as its principal management metric and clearly sets the uses of its steadily generated cash flow as shown below from that viewpoint. Shareholder returns are one such use, and they are implemented after considering future demand for funds and the situation in financial markets.

Use of cash flow:

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

In accordance with these policies, the Company plans to pay a year-end dividend for fiscal 2021 of 72.00 yen per share, an increase of 2 yen per share compared with the previous fiscal year. Consequently, annual cash dividends will increase 4 yen per share compared with the previous fiscal year, resulting in a total of 144 yen per share. The consolidated payout ratio will be 62.4%.

For fiscal 2022, the Company plans to pay total cash dividends of 148 yen per share (59.9% payout ratio), an increase of 4 yen per share compared with the previous fiscal year. This plan is in accordance with the Company's basic policies regarding distribution of profits, and free cash flow and other factors have also been taken into consideration. As a result, the Company is aiming for its 33rd consecutive fiscal year of increases in dividends.

## **2. Basic Approach to Selection of Accounting Standards**

Having decided that unifying accounting standards within the Kao Group will contribute to improving the quality of its business management, the Kao Group has voluntarily adopted International Financial Reporting Standards (IFRS) from fiscal 2016. This enables management based on standardized procedures and information for each Group company and business, and the Kao Group intends to reinforce its management foundation in order to enhance its corporate value as a global company. The Kao Group also believes that the application of IFRS will facilitate the international comparability of its financial statements in capital markets.

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**Consolidated Statement of Financial Position**

(Millions of yen)

	December 31, 2021	December 31, 2020	Change
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	336,069	353,176	(17,107)
Trade and other receivables	216,209	200,087	16,122
Inventories	228,070	197,641	30,429
Other financial assets	6,094	7,257	(1,163)
Income tax receivables	2,508	2,085	423
Other current assets	20,842	18,150	2,692
<b>Total current assets</b>	<b>809,792</b>	<b>778,396</b>	<b>31,396</b>
<b>Non-current assets</b>			
Property, plant and equipment	428,609	430,914	(2,305)
Right-of-use assets	144,057	149,543	(5,486)
Goodwill	183,498	177,031	6,467
Intangible assets	52,636	48,256	4,380
Investments accounted for using the equity method	10,050	8,657	1,393
Other financial assets	23,588	23,608	(20)
Deferred tax assets	41,348	42,274	(926)
Other non-current assets	10,429	6,937	3,492
<b>Total non-current assets</b>	<b>894,215</b>	<b>887,220</b>	<b>6,995</b>
<b>Total assets</b>	<b>1,704,007</b>	<b>1,665,616</b>	<b>38,391</b>

(Millions of yen)

	December 31, 2021	December 31, 2020	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	229,086	215,842	13,244
Bonds and borrowings	6,156	30,465	(24,309)
Lease liabilities	19,929	19,787	142
Other financial liabilities	6,329	6,571	(242)
Income tax payables	24,078	28,109	(4,031)
Provisions	2,041	1,811	230
Contract liabilities	31,143	23,098	8,045
Other current liabilities	103,135	99,721	3,414
Total current liabilities	421,897	425,404	(3,507)
Non-current liabilities			
Bonds and borrowings	121,581	97,229	24,352
Lease liabilities	121,016	126,725	(5,709)
Other financial liabilities	7,070	7,862	(792)
Retirement benefit liabilities	29,843	51,858	(22,015)
Provisions	8,187	9,175	(988)
Deferred tax liabilities	5,830	4,584	1,246
Other non-current liabilities	4,706	4,585	121
Total non-current liabilities	298,233	302,018	(3,785)
Total liabilities	720,130	727,422	(7,292)
Equity			
Share capital	85,424	85,424	-
Capital surplus	105,633	106,618	(985)
Treasury shares	(3,960)	(3,865)	(95)
Other components of equity	(3,723)	(43,376)	39,653
Retained earnings	781,763	778,886	2,877
Equity attributable to owners of the parent	965,137	923,687	41,450
Non-controlling interests	18,740	14,507	4,233
Total equity	983,877	938,194	45,683
Total liabilities and equity	1,704,007	1,665,616	38,391

**Consolidated Statement of Income**

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Change
Net sales	1	1,418,768	1,381,997	36,771
Cost of sales		(845,574)	(791,304)	(54,270)
Gross profit		573,194	590,693	(17,499)
Selling, general and administrative expenses	2	(427,045)	(415,826)	(11,219)
Other operating income		17,304	15,801	1,503
Other operating expenses		(19,943)	(15,105)	(4,838)
Operating income	1	143,510	175,563	(32,053)
Financial income		6,470	1,711	4,759
Financial expenses		(2,598)	(5,839)	3,241
Share of profit in investments accounted for using the equity method		2,620	2,536	84
Income before income taxes		150,002	173,971	(23,969)
Income taxes		(38,587)	(45,904)	7,317
Net income		111,415	128,067	(16,652)
Attributable to:				
Owners of the parent		109,636	126,142	(16,506)
Non-controlling interests		1,779	1,925	(146)
Net income		111,415	128,067	(16,652)
Earnings per share				
Basic (Yen)	3	230.59	262.29	
Diluted (Yen)	3	230.57	262.25	

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020	Change
Net income	111,415	128,067	(16,652)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	390	168	222
Remeasurements of defined benefit plans	11,729	16,365	(4,636)
Share of other comprehensive income of investments accounted for using the equity method	330	25	305
Total of items that will not be reclassified to profit or loss	12,449	16,558	(4,109)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	40,876	(9,942)	50,818
Share of other comprehensive income of investments accounted for using the equity method	392	(167)	559
Total of items that may be reclassified subsequently to profit or loss	41,268	(10,109)	51,377
Other comprehensive income, net of taxes	53,717	6,449	47,268
Comprehensive income	165,132	134,516	30,616
Attributable to:			
Owners of the parent	161,686	132,941	28,745
Non-controlling interests	3,446	1,575	1,871
Comprehensive income	165,132	134,516	30,616

**Consolidated Statement of Changes in Equity**

(Millions of yen)

	Equity attributable to owners of the parent												Total equity
	Other components of equity											Non-controlling interests	
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
January 1, 2021	85,424	106,618	(3,865)	268	(49,368)	(0)	5,724	-	(43,376)	778,886	923,687	14,507	938,194
Net income	-	-	-	-	-	-	-	-	-	109,636	109,636	1,779	111,415
Other comprehensive income	-	-	-	-	39,690	(0)	715	11,645	52,050	-	52,050	1,667	53,717
Comprehensive income	-	-	-	-	39,690	(0)	715	11,645	52,050	109,636	161,686	3,446	165,132
Disposal of treasury shares	-	(334)	51,697	(89)	-	-	-	-	(89)	(51,273)	1	-	1
Purchase of treasury shares	-	-	(51,792)	-	-	-	-	-	-	-	(51,792)	-	(51,792)
Share-based payment transactions	-	370	-	-	-	-	-	-	-	-	370	-	370
Dividends	-	-	-	-	-	-	-	-	-	(67,794)	(67,794)	(797)	(68,591)
Changes in the ownership interest in subsidiaries	-	(1,021)	-	-	-	-	-	-	-	-	(1,021)	1,584	563
Transfer from other components of equity to retained earnings	-	-	-	(4)	-	-	(659)	(11,645)	(12,308)	12,308	-	-	-
Total transactions with the owners	-	(985)	(95)	(93)	-	-	(659)	(11,645)	(12,397)	(106,759)	(120,236)	787	(119,449)
December 31, 2021	85,424	105,633	(3,960)	175	(9,678)	(0)	5,780	-	(3,723)	781,763	965,137	18,740	983,877
January 1, 2020	85,424	108,715	(4,309)	448	(39,630)	-	6,208	-	(32,974)	700,839	857,695	13,726	871,421
Net income	-	-	-	-	-	-	-	-	-	126,142	126,142	1,925	128,067
Other comprehensive income	-	-	-	-	(9,738)	(0)	184	16,353	6,799	-	6,799	(350)	6,449
Comprehensive income	-	-	-	-	(9,738)	(0)	184	16,353	6,799	126,142	132,941	1,575	134,516
Disposal of treasury shares	-	(98)	471	(177)	-	-	-	-	(177)	(194)	2	-	2
Purchase of treasury shares	-	-	(27)	-	-	-	-	-	-	-	(27)	-	(27)
Share-based payment transactions	-	(394)	-	-	-	-	-	-	-	-	(394)	-	(394)
Dividends	-	-	-	-	-	-	-	-	-	(64,925)	(64,925)	(1,269)	(66,194)
Changes in the ownership interest in subsidiaries	-	(1,605)	-	-	-	-	-	-	-	-	(1,605)	475	(1,130)
Transfer from other components of equity to retained earnings	-	-	-	(3)	-	-	(668)	(16,353)	(17,024)	17,024	-	-	-
Total transactions with the owners	-	(2,097)	444	(180)	-	-	(668)	(16,353)	(17,201)	(48,095)	(66,949)	(794)	(67,743)
December 31, 2020	85,424	106,618	(3,865)	268	(49,368)	(0)	5,724	-	(43,376)	778,886	923,687	14,507	938,194



**Consolidated Statement of Cash Flows**

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Income before income taxes	150,002	173,971
Depreciation and amortization	87,341	86,080
Interest and dividend income	(1,307)	(1,571)
Interest expense	2,036	2,533
Share of profit in investments accounted for using the equity method	(2,620)	(2,536)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	4,458	3,301
(Increase) decrease in trade and other receivables	(4,440)	6,443
(Increase) decrease in inventories	(20,508)	646
Increase (decrease) in trade and other payables	8,682	(4,227)
Increase (decrease) in retirement benefit liabilities	(22,787)	(28,818)
Other	19,192	31,852
Subtotal	220,049	267,674
Interest received	1,191	1,516
Dividends received	2,222	2,060
Interest paid	(2,039)	(2,650)
Income taxes paid	(45,899)	(53,882)
Net cash flows from operating activities	175,524	214,718
Cash flows from investing activities		
Payments into time deposits	(11,418)	(14,053)
Proceeds from withdrawal of time deposits	12,930	19,661
Purchase of property, plant and equipment	(59,951)	(59,396)
Purchase of intangible assets	(11,568)	(10,454)
Other	2,775	2,301
Net cash flows from investing activities	(67,232)	(61,941)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	440	(41)
Proceeds from long-term borrowings	30,091	1,080
Repayments of long-term borrowings	(31,380)	(48)
Proceeds from issuance of bonds	200	24,939
Redemption of bonds	(12)	(24,942)
Repayments of lease liabilities	(21,266)	(20,912)
Purchase of treasury shares	(51,792)	(28)
Dividends paid to owners of the parent	(67,859)	(64,987)
Dividends paid to non-controlling interests	(802)	(1,235)
Other	807	(891)
Net cash flows from financing activities	(141,573)	(87,065)
Net increase (decrease) in cash and cash equivalents	(33,281)	65,712
Cash and cash equivalents at the beginning of the year	353,176	289,681
Effect of exchange rate changes on cash and cash equivalents	16,174	(2,217)
Cash and cash equivalents at the end of the year	336,069	353,176

## Notes to Consolidated Financial Statements

### 1. Segment Information

#### (1) Summary of reportable segments

The Kao Group's reportable segments are the components of the Kao Group for which discrete financial information is available and which are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing their performance. Net sales and operating income are the key measures used by the Board of Directors to evaluate the performance of each segment.

The Kao Group is organized on the basis of five businesses: the four business areas that constitute the Consumer Products Business (the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, the Cosmetics Business) and the Chemical Business. In each business, the Kao Group plans comprehensive business strategies and carries out business activities on a global basis.

Accordingly, the Kao Group has five reportable segments: the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, the Cosmetics Business and the Chemical Business.

Due to a change in organization as of January 1, 2021, in the three months ended March 31, 2021 the Kao Group reclassified its five former reportable segments (the Cosmetics Business, the Skin Care and Hair Care Business, the Human Health Care Business, the Fabric and Home Care Business and the Chemical Business) into the above-noted five reportable segments (the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, the Cosmetics Business and the Chemical Business). Segment information for the same period a year earlier has been restated to reflect the reclassification.

Information on principal customers is omitted, because no transactions with a single external customer account for 10% or more of the Kao Group's net sales.

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Major products by reportable segment are as follows:

Reportable Segments		Major Products	
Consumer Products Business	Hygiene and Living Care Business	Fabric care products	Laundry detergents, Fabric treatments
		Home care products	Kitchen cleaning products, House cleaning products, Paper cleaning products
		Sanitary products	Sanitary napkins, Baby diapers
	Health and Beauty Care Business	Skin care products	Soaps, Facial cleansers, Body cleansers
		Hair care products	Shampoos, Conditioners, Hair styling agents, Hair coloring agents, Men's products
		Personal health products	Bath additives, Oral care products, Thermo products
	Life Care Business	Life care products	Commercial-use hygiene products, Health drinks
	Cosmetics Business	Cosmetics	Counseling cosmetics, Self-selection cosmetics
	Chemical Business	Oleo chemicals	Fatty alcohols, Fatty amines, Fatty acids, Glycerin, Commercial-use edible fats and oils
Performance chemicals		Surfactants, Plastics additives, Superplasticizers for concrete admixtures, Asphalt additives	
Specialty chemicals		Toner and toner binder for copiers and printers, Ink and water-based pigment inkjet ink, Fragrances and aroma chemicals	

## (2) Sales and results of reportable segments

Fiscal year ended December 31, 2021	Reportable Segments							(Millions of yen)	
	Consumer Products Business					Chemical Business	Total	Reconciliations <sup>1</sup>	Consolidated
	Hygiene and Living Care Business	Health and Beauty Care Business	Life Care Business	Cosmetics Business	Subtotal				
Net sales									
Sales to customers	496,845	354,488	53,032	239,335	1,143,700	275,068	1,418,768	-	1,418,768
Intersegment sales and transfers <sup>2</sup>	-	-	-	-	-	39,225	39,225	(39,225)	-
Total net sales	496,845	354,488	53,032	239,335	1,143,700	314,293	1,457,993	(39,225)	1,418,768
Operating income	51,762	49,684	3,614	7,492	112,552	29,627	142,179	1,331	143,510
% of net sales	10.4	14.0	6.8	3.1	9.8	9.4	-	-	10.1
Financial income									6,470
Financial expenses									(2,598)
Share of profit in investments accounted for using the equity method									2,620
Income before income taxes									150,002
Depreciation and amortization	35,240	17,605	2,941	14,836	70,622	15,664	86,286	1,055	87,341
Impairment loss	4,533	-	-	20	4,553	-	4,553	-	4,553
Capital expenditure <sup>3</sup>	39,115	19,917	3,843	10,529	73,404	13,867	87,271	495	87,766

## Notes:

1. The operating income reconciliation of 1,331 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

Fiscal year ended December 31, 2020	Reportable Segments							(Millions of yen)	
	Consumer Products Business					Chemical Business	Total	Reconciliations <sup>1</sup>	Consolidated
	Hygiene and Living Care Business	Health and Beauty Care Business	Life Care Business	Cosmetics Business	Subtotal				
Net sales									
Sales to customers	503,208	362,332	52,160	233,603	1,151,303	230,694	1,381,997	-	1,381,997
Intersegment sales and transfers <sup>2</sup>	-	-	-	-	-	38,517	38,517	(38,517)	-
Total net sales	503,208	362,332	52,160	233,603	1,151,303	269,211	1,420,514	(38,517)	1,381,997
Operating income	79,606	60,471	4,666	2,422	147,165	27,692	174,857	706	175,563
% of net sales	15.8	16.7	8.9	1.0	12.8	10.3	-	-	12.7
Financial income									1,711
Financial expenses									(5,839)
Share of profit in investments accounted for using the equity method									2,536
Income before income taxes									173,971
Depreciation and amortization	35,383	17,510	2,758	14,640	70,291	14,733	85,024	1,056	86,080
Impairment loss	-	-	-	31	31	384	415	-	415
Capital expenditure <sup>3</sup>	33,185	19,202	4,235	13,346	69,968	14,619	84,587	1,562	86,149

## Notes:

1. The operating income reconciliation of 706 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

### (3) Geographical Information

The breakdown of sales to customers and non-current assets (excluding financial assets, deferred tax assets and retirement benefit assets) by geographic area is as follows:

(Millions of yen)

Sales to customers	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Japan	823,521	853,628
Asia	312,737	284,114
Americas	148,995	128,721
Europe	133,515	115,534
<b>Total</b>	<b>1,418,768</b>	<b>1,381,997</b>

Note: Sales are classified based on the location of customers.

Non-current assets (excluding financial assets, deferred tax assets and retirement benefit assets)	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Japan	575,408	588,781
Asia	108,987	100,138
Americas	101,668	92,282
Europe	38,163	37,119
<b>Total</b>	<b>824,226</b>	<b>818,320</b>

## 2. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Advertising	74,847	71,984
Sales promotion	47,104	45,543
Employee benefits	153,178	148,281
Depreciation	18,365	18,586
Amortization	7,823	8,632
Research and development	58,993	58,509
Other	66,735	64,291
<b>Total</b>	<b>427,045</b>	<b>415,826</b>

### 3. Earnings per Share

(1) The basis for calculating basic earnings per share

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Net income attributable to owners of the parent	109,636	126,142
Amounts not attributable to ordinary shareholders of the parent	-	-
Net income used to calculate basic earnings per share	<u>109,636</u>	<u>126,142</u>

Weighted average number of ordinary shares

(Thousands of shares)

475,466	480,929
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Basic earnings per share

(Yen)

230.59	262.29
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(2) The basis for calculating diluted earnings per share

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2020
Net income used to calculate basic earnings per share	109,636	126,142
Adjustments to net income	-	-
Net income used to calculate diluted earnings per share	<u>109,636</u>	<u>126,142</u>

Weighted average number of ordinary shares

(Thousands of shares)

475,466	480,929
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Increase in ordinary shares

Subscription rights to shares

34	68
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Weighted average number of ordinary shares after dilution

<u>475,500</u>	<u>480,998</u>
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Diluted earnings per share

(Yen)

230.57	262.25
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Summary of potential ordinary shares not included in the calculation of diluted earnings per share because they have no dilutive effect

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### 4. Significant Subsequent Events

None applicable.

### Note regarding Assumption of Going Concern

None applicable.