

The image features a vibrant sunset scene with a person's silhouette in the foreground. The person is standing on a mountain ridge, with their arms raised and hands forming a heart shape against the bright sun. The sky is a mix of deep blue, orange, and yellow, with wispy clouds. The Kao logo is centered in the upper half of the image, with the tagline 'Kirei—Making Life Beautiful' below it.

# Kao

Kirei—Making Life Beautiful

**Kao Corporation**

**The 116<sup>th</sup> Annual General Meeting of Shareholders**

- **Summary of Activities in FY2021**
- Progress of the Mid-Term Plan "K25"
- Focus points for FY2022

# Highlights of Consolidated Financial Results FY2021



(Billion yen)

	Net sales			Operating income			Factor
	FY2020	FY2021	Growth (%)*	FY2020	FY2021	Change	
● Hygiene and Living Care Business	503.2	496.8	-2.8%	79.6	51.8	-27.8	Higher raw material prices Decreased demand for sanitation and disinfection Intensifying competition
● Health and Beauty Care Business	362.3	354.5	-4.2%	60.5	49.7	-10.8	Restrictions on going out and coming to work Decreased demand for sanitation and disinfection
● Cosmetics Business	233.6	239.3	-0.6%	2.4	7.5	+5.1	Restrictions on going out and coming to work Wearing masks normalization
● Life Care Business	52.2	53.0	+1.0%	4.7	3.6	-1.1	Restaurant business Restrictions
● Chemical Business	269.2	314.3	+12.9%	27.7	29.6	+1.9	Booming industrial market
Total	1,382.0	1,418.8	+0.3%	175.6	143.5	-32.1	Impairment loss 4.5 billion yen

\*Excluding the effect of currency translation

## Consolidated Net Sales by Geographic Region FY2021



	Net sales (Billion yen)			Growth (%)			Share of net sales*
	Japan	Asia	Americas & Europe	Japan	Asia	Americas & Europe	
● Hygiene and Living Care Business	366.6	127.4	2.9	-2.1	-4.7	+3.7	35.0%
● Health and Beauty Care Business	205.2	29.4	119.9	-9.9	-3.2	+7.8	25.0%
● Cosmetics Business	152.9	57.8	28.6	-6.6	+16.5	+8.0	16.9%
● Life Care Business	43.5	0.0	9.5	-3.5	+7.5	+29.6	3.7%
● Chemical Business	122.1	73.9	118.3	+9.9	+23.9	+10.1	19.4%

\*Share of net sales is calculated based on sales to customers

- **Global Economic Situation**
- **Price Inflation Situation**
- **COVID-19 Situation**

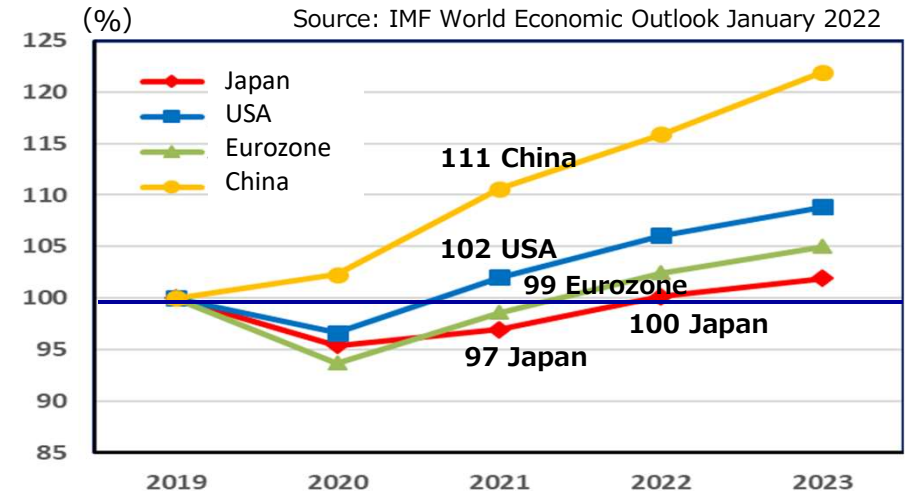
# Global Economic Situation

## IMF GDP Growth Outlook (January 2022)

The world economy's real GDP growth in 2022: 4.4%

	2020	2021	2022	2023
Japan	-4.6	+1.6	+3.3 ↓	+1.8 ↓
USA	-3.4	+5.6	+4.0 ↓	+2.6 ↓
Eurozone	-6.3	+5.2	+3.9 ↓	+2.5 ↓
Germany	-4.6	+2.7	+3.8 ↓	+2.5 ↓
China	+2.3	+8.1	+4.8 ↑	+5.2 ↑

Source: IMF World Economic Outlook January 2022



## Politics

- Worsening confrontation between U.S. /Europe and China/Russia
- Deterioration of the situation in Ukraine

## Economics

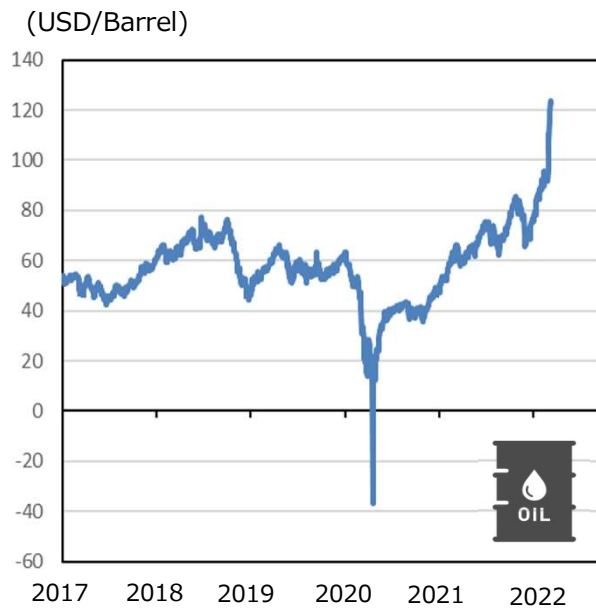
- Prolonged price hikes in energy and raw materials
- Production reduction chain due to economic sanctions to Russia

## Diseases

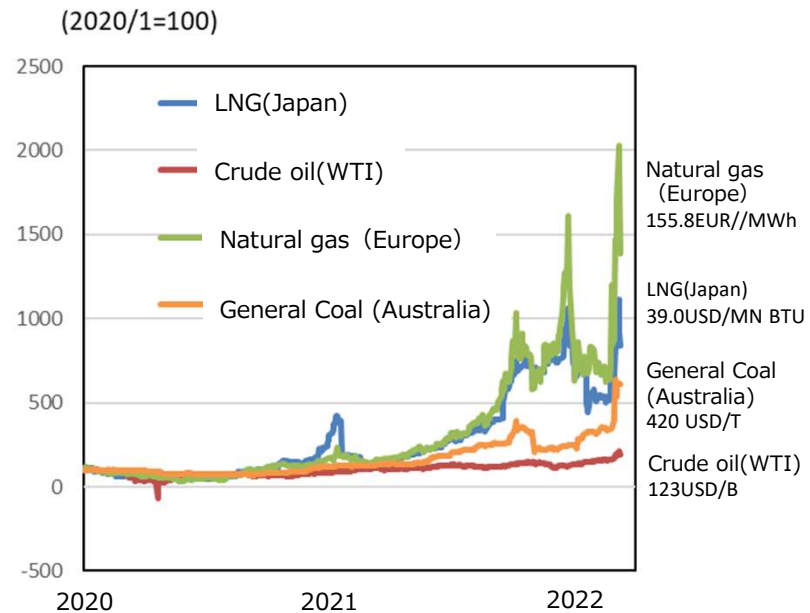
- Re-expansion of COVID-19
- Occurrence of another type of disease

# Price Inflation Situation

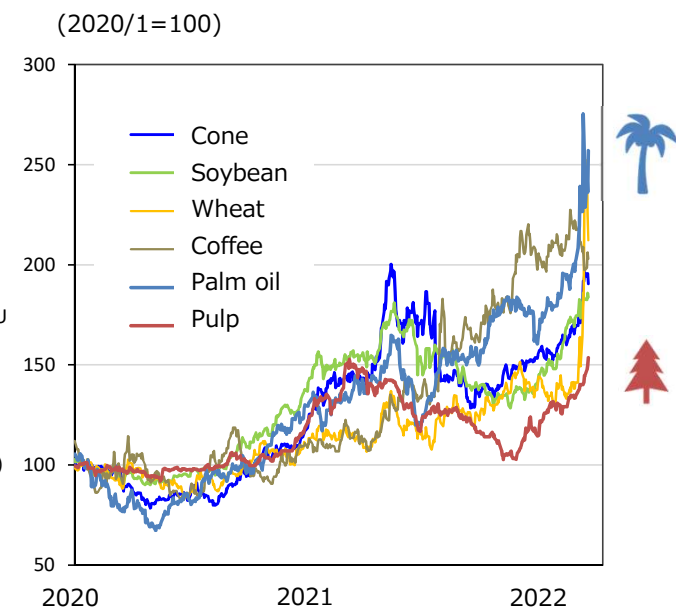
## Crude oil prices (WTI)



## Resource prices



## Grain and Pulp

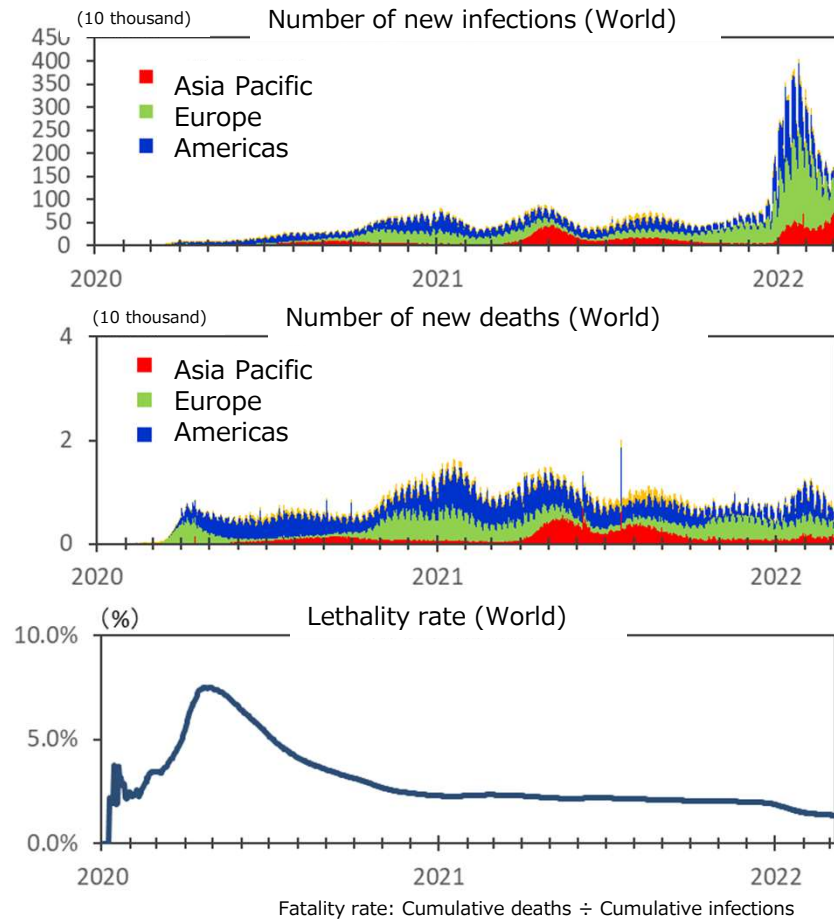


\*Each graph is as of March 9, 2022

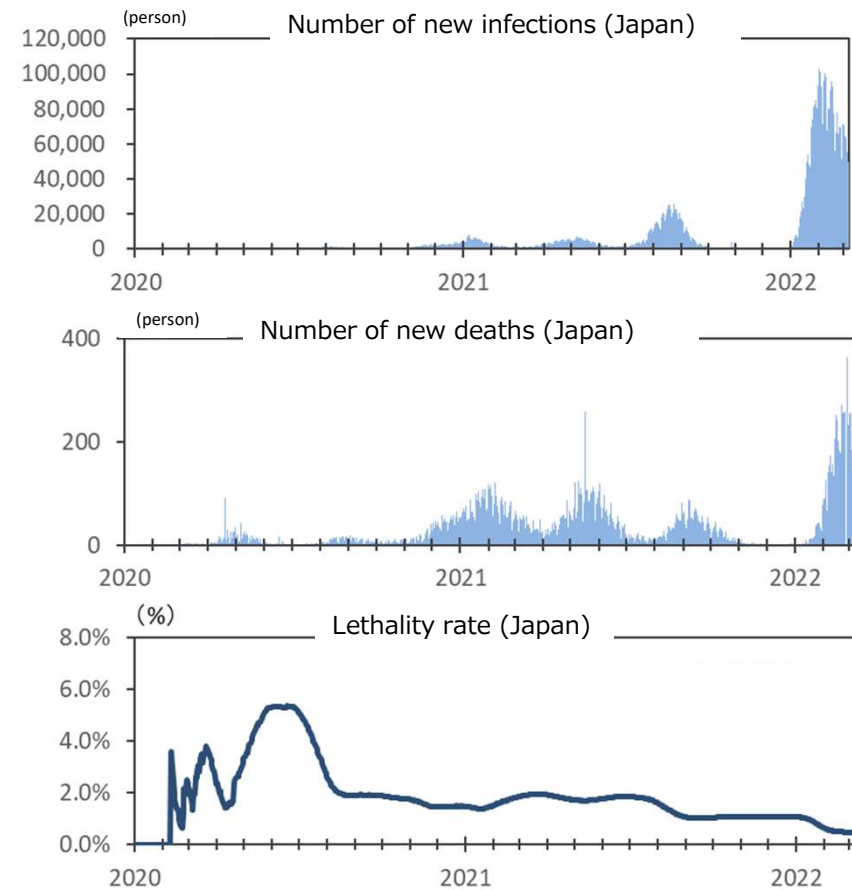
Source: CEIC、investing.com、FRED (St. Louis Federal Bank )

# COVID-19 Situation

## 【Global Situation】



## 【Japan Situation】



Source: CEIC



- Summary of Activities in FY2021
- **Progress of the Mid-Term Plan "K25"**
- Focus points for FY2022

Vision **Sustainability as the only path**

Slogan **Kirei — Making Life Beautiful**

Beautiful

**Ecology**

Good for nature

Beautiful

**Life**

Living in Homeostasis

Beautiful

**Everyday  
Lives**

People live healthy lives

# K25 Basic Principles Toward 2030

Kao

## 1. Become an essential company in a sustainable world

Take leadership in a self-propelling sustainable society

## 2. Transform to build robust business through investment

Create another Kao and reinforce current Kao

## 3. Maximize the power and potential of employees

Double the productivity of our business activities

### Record-high sales and profit growth (Financial goals)

Net sales 1.8 trillion yen, Operating income 250 billion yen

### Dividend

36 consecutive years

## Identification of Issues for Kao Revitalization



The main reasons for the decline in **Economic Value Added (EVA)** after peaking in 2018

- 48.4 billion yen  
(Change in EVA from 2018 to 2021)

1. **Delay in moving away from mass marketing in Japan**
2. **Delay in responding to the inbound disappearance of baby disposable diapers**
3. **Shrinking cosmetics market due to COVID-19**
  - Damage to Kao's strong makeup market in particular

# Direction of Kao Revitalization



## Major reforms in manufacturing and marketing

- **Decisive investment** to strengthen the **No. 1 brand** in the category
- Shift to patronage-oriented **loyalty marketing**
- **New experiences and ultimate personalization** proposals using digital technology
- Proposals for good **ESG Yoki-Monozukuri\*** that contribute to a recycling-oriented society

## Accelerating globalization

- Consumer Business: Conversion to a model of **one-of-a-kind value and local production for local consumption**
- Strengthen unique chemical business **leading ESG**

\*In Japanese, "yoki" means good or excellent, and "monozukuri" means making or craftsmanship. For us, Yoki-Monozukuri means an excellent creation process that is good for everyone involved and enriches the lives of consumers and customers.

# Transform to Build Robust Business through Investment

## Reborn Kao

Stable Earnings Area	Growth Driver Area	Business Transformation Area
<ul style="list-style-type: none"> <li>Cultivate a high level of brand loyalty for <i>Attack</i> laundry detergent                     <div>                         ('19)                      ('21)                           <b>29% → 37%</b> </div> <div>(Source Kao)</div> </li> <li>New product growth for <i>Bath Magiclean</i> <div>                         Bathroom Cleaner   ('21/1)                      ('21/10-12)                           <b>54% → 60% share</b> </div> <div>(Source SRI+)</div> </li> </ul>	<ul style="list-style-type: none"> <li>Great strides for <i>Men's Bioré</i> facial and body sheets                     <div>                         * Men's wash tops are very close to the meat of the product.   ('21/1)    ('21/12)    (Source SRI+)   Body <b>31% → 37% Share</b>                           Face <b>28% → 34% Share</b> </div> </li> <li>Cosmetics: High growth in China and Europe                     <div>                         China <b>125% year-on year</b>                           Europe <b>109% year-on year</b> </div> </li> <li><i>KATE</i>: Great strides to become No. 1 makeup brand ('21/12)                     <div>                         Top Brands of Lipstick <b>42%</b> (Source SRI+)                     </div> </li> <li>Expand adoption of eco-technologies in the Chemical Business</li> </ul>	<ul style="list-style-type: none"> <li>New ESG offerings for baby diapers in China                     <div>                         Less bulging after urination, a major advance over thin disposable baby diapers                           <i>Merries Growth Pants</i>   <b>[New China starting point × Local production]</b> </div> </li> <li>Record high profit from salon hair products                     <div> <b>9% operating margin</b>                           Premium Brand (<i>ORIBE</i>)   Sales growth <b>139%</b> (Sales: y-o-y)   Operating margin <b>31%</b> </div> </li> </ul>

## Ecology

Set ambitious targets for decarbonization

- 2040 Carbon zero
- 2050 Carbon negative



Announced “Supply Chain ESG Promotion Guidelines” and reinforcement of procurement targets



Drone farming  
(low pesticide, high production technology)



Demonstration and certification in China and Indonesia

## Progress of leadership in a self-propelling sustainable society

## Life

Project launched to eliminate dengue fever

Aiming to reduce harm from dengue fever, a mosquito-borne infectious disease, Kao 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.

Start virtual human body generative Model



## Everyday Lives

Participates in Kobe Plastic Next, a project for horizontal recycling of refill packs, and begins operation of an experimental recycling facility



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

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



Demonstration and certification in Japan, the Americas, and Mexico

## Major ESG Investment\* Indices and Evaluations from External Organizations

ESG indices for which Kao has been selected



## Evaluations from/activities with external organizations



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



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# Focus points for FY2022

KAO

## Stable Earnings Area

High-profit core business/  
contribution to profit

Fabric care  
Home care

Personal health

Brand value  
improvement

Higher raw  
material prices

## Growth Driver Area

Sales and profit expansion  
through investment

Cosmetics  
Skin care

DX・Globalization

Pandemic・  
Economic slump

Chemicals

Adoption of high-  
value-added business

Higher raw material  
prices

## Business Transformation Area

One-of-a-kind value

Hair care  
Products for hair salons

DX・Unique value

Small・Niche  
markets

Sanitary products

Brand value  
improvement

Higher raw  
material prices

# Consolidated Operating Results Forecast for FY2022



(Billion yen)

	FY2021	FY2022 (Forecast)	Growth/Change
Net sales	1,418.8	1,490.0	+5.0%
Operating income	143.5	160.0	+16.5
Operating margin	10.1%	10.7%	—
Net income attributable to owners of the parent	109.6	117.0	+7.4
Cash dividends per share	144.00 yen	148.00 yen	+4.00 yen





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