



Kirei—Making Life Beautiful

Consolidated Financial Results for the Year Ended December 31, 2022 and FY2023 Forecast

Kao Corporation
February 2, 2023



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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.

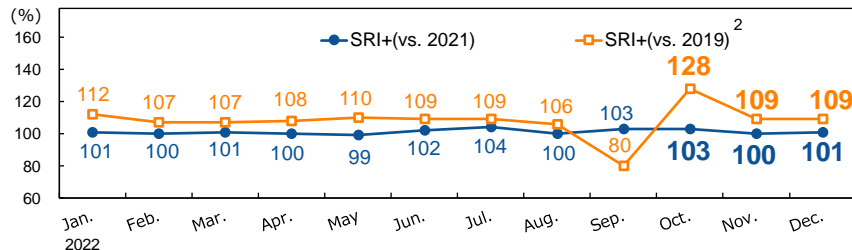
- I Consolidated Financial Results for the Year Ended December 31, 2022**
- II Consolidated Operating Results Forecast for FY2023**
- III Next Strategic Direction**

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Consumer Products Market in Japan

- ◆ **H&PC Market:** Although the market for hygiene-related products shrank, the total H&PC market grew 1% year on year in 2022 due to increased opportunities for going out and more high-value-added products.
- ◆ **Cosmetics Market:** The overall cosmetics market grew 3% year on year in 2022, driven by makeup and UV care products due to increased opportunities for going out.

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



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

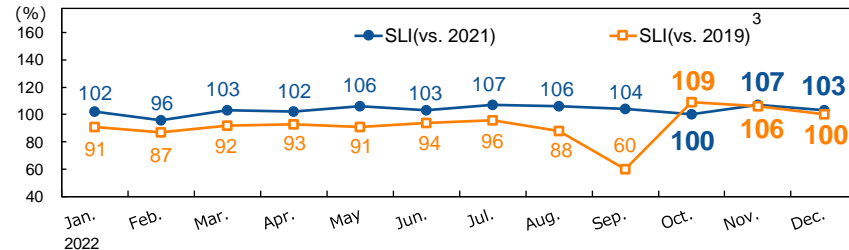
	2022 Q4				2022 Jan.-Dec.
	Oct.	Nov.	Dec.	Jan.-Dec.	
H&PC total	101	103	100	101	107
Laundry detergents	104	107	103	103	112
Fabric softeners	98	101	96	96	111
Bath cleaning products	101	103	98	101	123
Sanitary napkins	101	103	100	99	99
Baby diapers	102	104	103	100	97
Hand soap	98	97	100	98	129
Hand sanitizers	99	77	105	118	386
Bath additives	99	104	95	99	122

1. H&PC: Household and personal care

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

3. SLI: Estimates based on a panel survey of approx. 40,000 consumers in Japan

■ Growth of Cosmetics Market (26 categories)



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

	2022 Q4				2022 Jan.-Dec.
	Oct.	Nov.	Dec.	Jan.-Dec.	
Cosmetics total	104	100	107	103	91
Skin care products	102	97	106	102	97
Facial cleansers / Makeup remover	106	97	111	109	94
Serum	97	90	102	99	91
Makeup products	109	113	109	106	77
Base makeup	110	110	111	108	72
Point makeup	108	116	106	103	82
Other	103	101	114	94	97
UV care	105	96	117	105	104

(Source: INTAGE Inc.)

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

Main Markets in Asia

- ◆ China : A slump in consumption persisted due to factors included lockdowns.
- ◆ Indonesia : The market continued to expand, but the growth rate slowed slightly because of a decrease in sales volume due to the impact of inflation.
- ◆ Thailand : The number of COVID-19 infections decreased, and the market continued to expand.

<Market Growth Rate (%)>

	China (including e-commerce)					Indonesia					Thailand				
	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4
Baby diapers	93	97	92	87	92	107	108	107	111	101	87	94	96	100	96
Sanitary napkins and panty liners	102	101	97	97	91	115	117	116	123	113	93	100	112	117	114
Laundry detergents						110	119	115	120	107	82	86	109	126	117
UV care	110	99	75	110	90						92	104	136	153	124
House cleaning products											96	104	107	98	103

Source: NielsenIQ. China includes e-commerce (UV care includes business-to-consumer only.) Results for baby diapers and sanitary napkins and panty liners in China up to November 30, 2022.

Main Markets in the Americas and Europe

Growth continued in the United States. In the United Kingdom and Germany, the markets were on a growth track due to inflation-triggered increases in product prices.

<Market Growth Rate (%)>

	U.S.					U.K.					Germany				
	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4
Hair care	109	103	104	105	106	106	106	106	103	108	107	108	109	105	109
Facial cleanser	101	99	102	106	108						91	90	95	99	120
Deodorant	110	111	115	117	121										
Hand and body lotions	107	106	105	112	115										

Source: NielsenIQ/IRI

Highlights of Consolidated Financial Results

Consolidated Operating Results (Year ended December 31)

(Billion yen)	FY2021	FY2022	Growth %	Change	vs.Forecast	FY2022 Forecast
Net sales	1,418.8	1,551.1	+9.3	+132.3	(18.9)	1,570.0
		Effect of currency translation ¹	+5.7	+80.3	-	+80.2
		Like-for-like growth	+3.7	+52.0	-	+71.0
Operating income	143.5	110.1	(23.3)	(33.4)	(34.9)	145.0
Operating margin(%)	10.1	7.1	-	-	-	9.2
Income before income taxes	150.0	115.8	(22.8)	(34.2)	(40.2)	156.0
Net income	111.4	87.7	(21.2)	(23.7)	-	-
Net income attributable to owners of the parent	109.6	86.0	(21.5)	(23.6)	(25.0)	111.0
EBITDA (Operating income + Depr. & amort.)	230.9	199.8	(13.4)	(31.0)	(18.2)	218.0
ROE(%)	11.6	8.9	-	-	-	11.2
Basic earnings per share (yen)	230.59	183.28	(20.5)	(47.31)	(53.25)	236.53
Cash dividends per share (yen)	144.00	148.00	-	+4.00	-	148.00

Cash flow	Free cash flow ²	56.0 billion yen
	Payments of cash dividends ³	69.4 billion yen

1. Exchange rates: 131.52 yen/USD, 138.05 yen/Euro, 19.52 yen/Yuan
2. Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities
3. Includes payments of cash dividends to non-controlling interests

Key Points of FY2022 Results

Operating income varied substantially from the plan as the Kao Group was unable to respond with sufficient speed to the impact of changes in its operating environment, including unprecedented hikes in raw material prices, an economic slowdown in China, the Americas and Europe, and growing belt-tightening among consumers concerned about their future living standards in Japan.

➤ **Consolidated net sales: 1,551.1 billion yen (+3.7% on a like-for-like basis)**

- Chemical Business sales increased 18.6% from price adjustments to respond to hikes in raw material prices.
- Cosmetics sales grew 5.1% in Japan due to improved brand power, but Consumer Products Business sales were almost flat due to the substantial impact of an economic slowdown in China, the Americas and Europe.

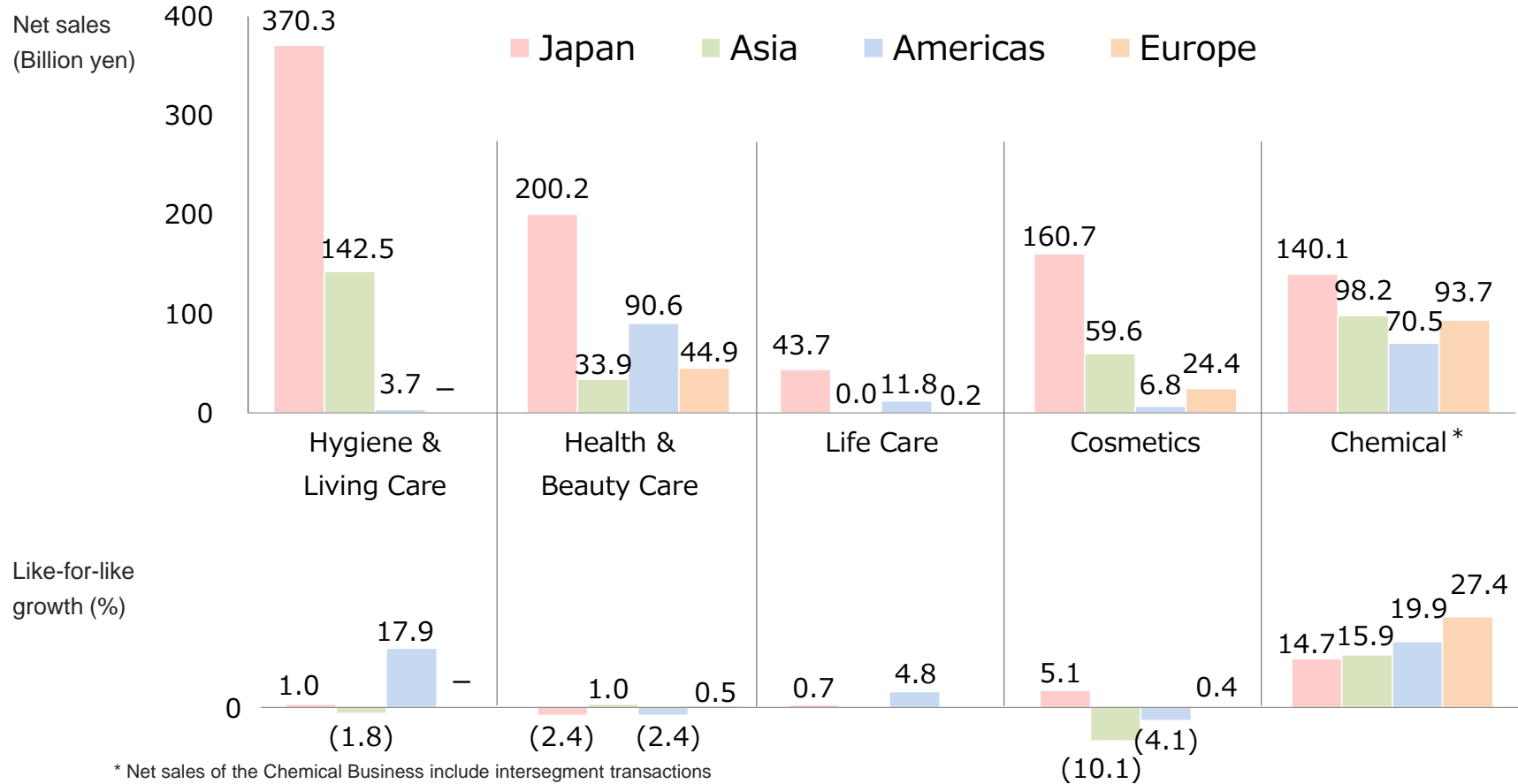
➤ **Operating income: 110.1 billion yen (-33.4 billion yen); operating margin: 7.1%**

- Cost reductions and the start of the first price increases in the H&PC industry in Japan could not offset the impact of unprecedented hikes in raw material prices.
- Reforms were delayed in areas scheduled for a business transformation, including baby diapers and hair care.
- Profitability declined as a result of a shift to low-cost products due to growing belt-tightening among consumers concerned about their future living standards.
- Demand was weak in China due to the impact of COVID-19. Logistics disruptions led to lost opportunities in the Americas, and consumption slowed in both the Americas and Europe due to inflation.

➤ **Progress of Another Kao**

- Launch of mosquito repellent in Thailand, rollout of asphalt modifier outside Japan, and co-development with another company of a Virtual Human Body Generative Model with an application programming interface (API) for third-party use.

Consolidated Net Sales by Segment/Geographic Region (Year ended December 31, 2022)



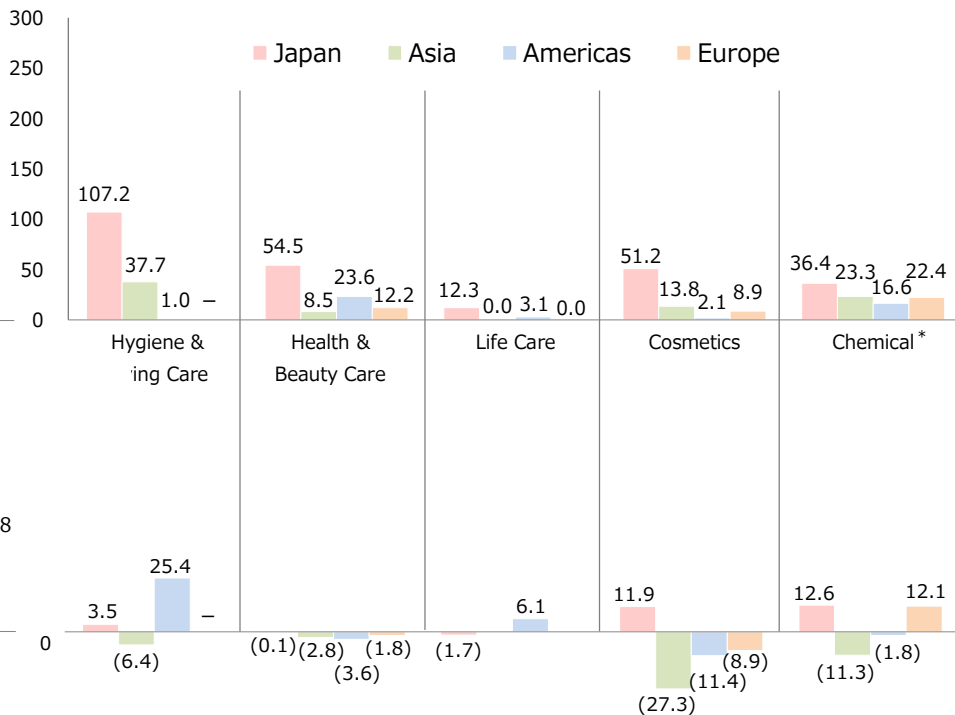
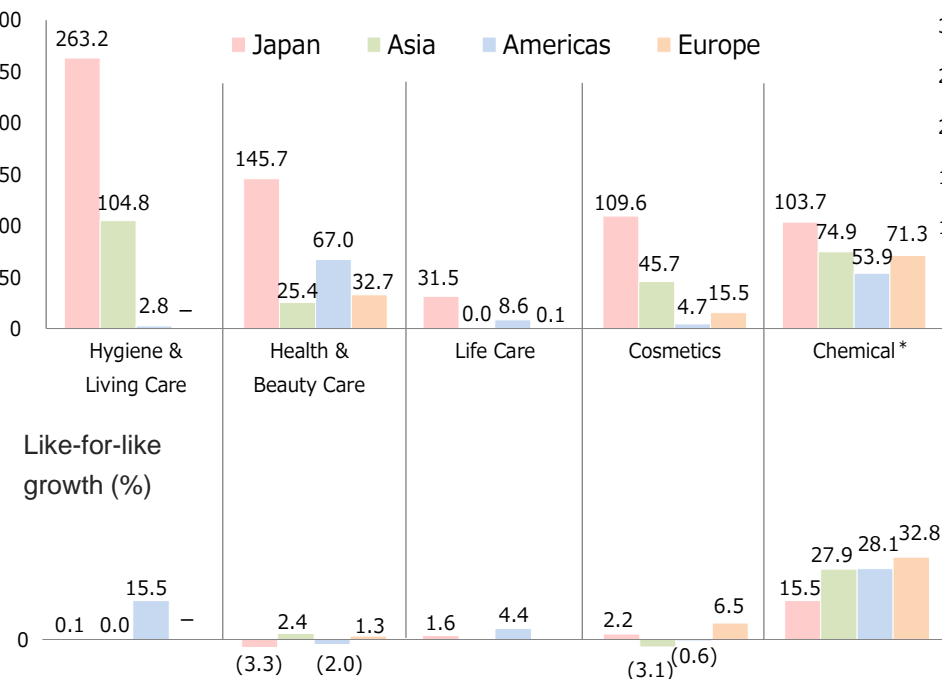
Consolidated Net Sales by Segment/Geographic Region (Quarter)

January-September

Q4 (October-December)

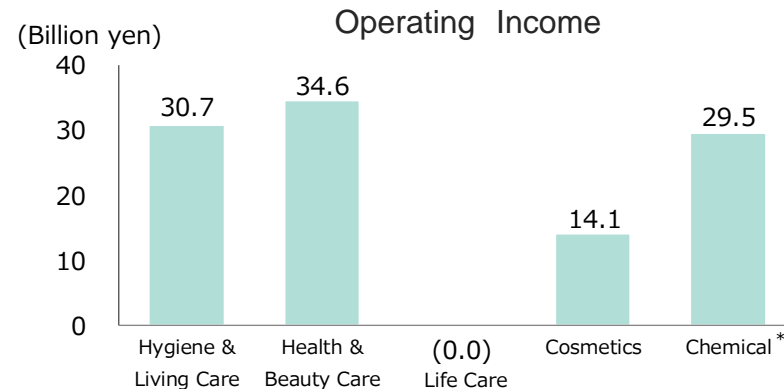
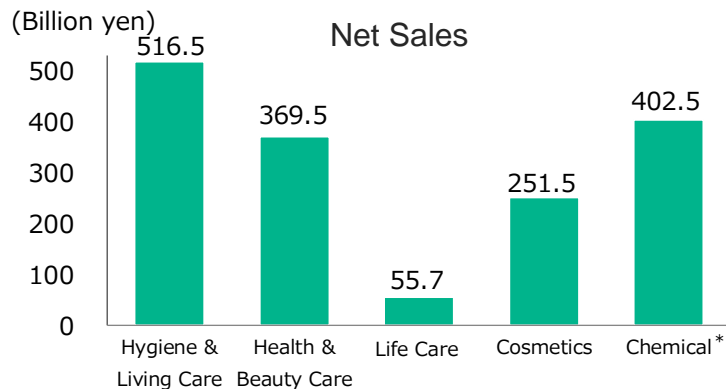
Net sales (Billion yen)

Legend: Japan (Pink), Asia (Green), Americas (Blue), Europe (Orange)



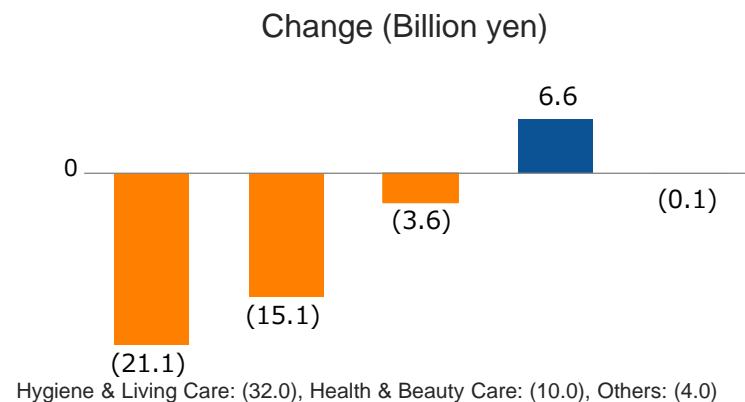
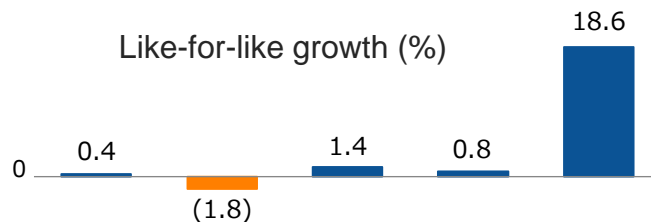
* Net sales of the Chemical Business include intersegment transactions
Sales by geographic region are classified based on the location of the sales recognized

Consolidated Results by Segment (Year ended December 31, 2022)



Operating margin (%)

Segment	Operating margin (%)
Hygiene & Living Care	5.9
Health & Beauty Care	9.4
Life Care	(0.0)
Cosmetics	5.6
Chemical*	7.3



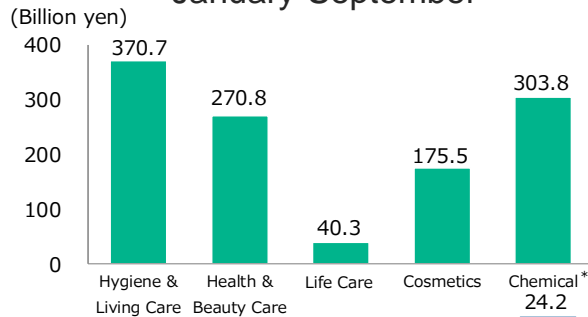
* Net sales and operating income of the Chemical Business include intersegment transactions

Impact of hikes in raw material prices on Consumer Products Business: 46.0 billion yen

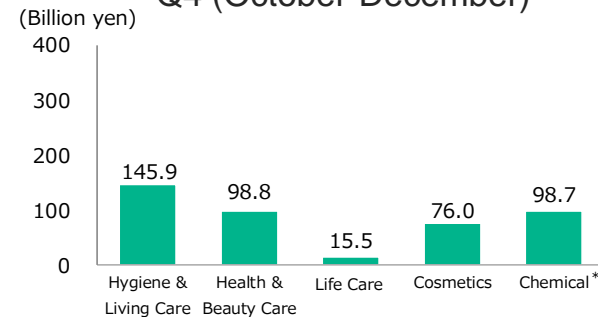
Consolidated Results by Segment (Quarter)

Net Sales

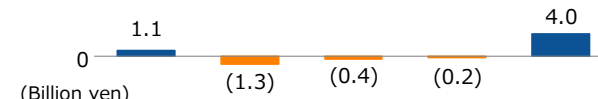
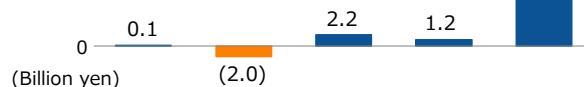
January-September



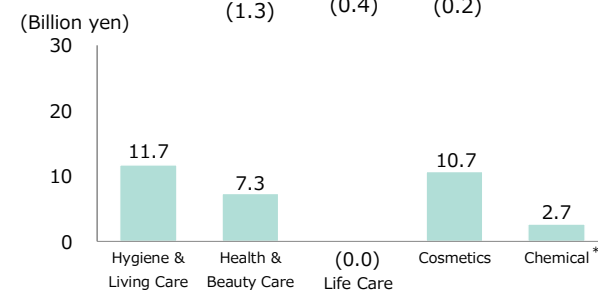
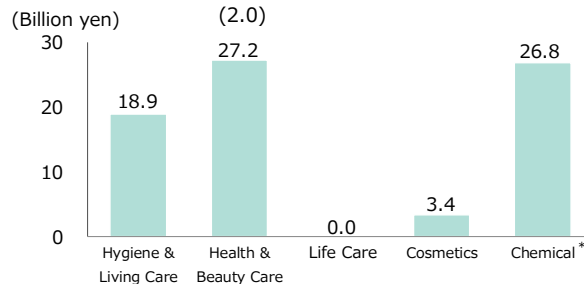
Q4 (October-December)



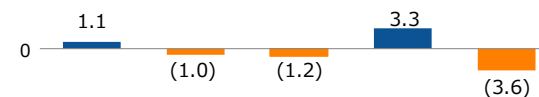
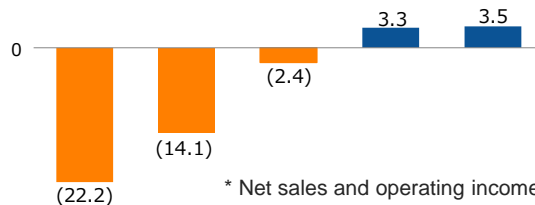
Like-for-like growth (%)



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

FY2021

143.5

Q4

Impact from change in raw material prices (net¹)

-46.0 -15.0

Changes in sales (including change in business segment sales composition)

-5.0 -2.0

Strategic price increases

+14.0 +6.0

-33.4

SG&A expenses²

-3.0 0

Marketing expenses²

+6.0 +8.0

Freight/logistics expenses²

-9.0 -2.0

Structural reforms

+7.1 +7.1

Impact of currency translation and others

+2.5 -3.4

Including Total
Cost Reduction
(TCR) +12.0

FY2022

110.1

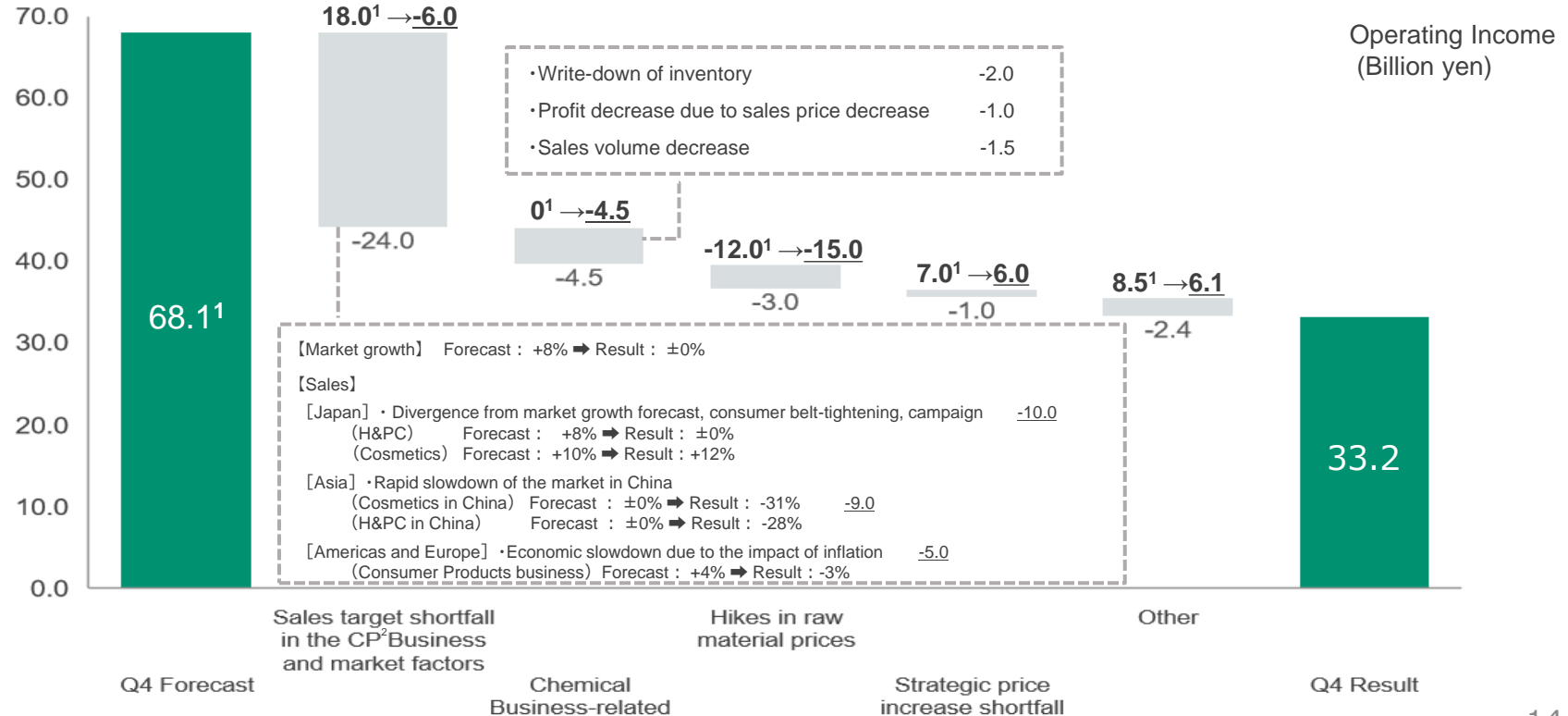
-1.4

1. Offsetting with adjustments of selling prices in the Chemical Business

2. Excluding the effect of currency translation

Variance between Q4 Forecast and Results

Q4 operating income fell significantly short of expectations due to a sales target shortfall and growing belt-tightening among consumers concerned about their future living standards in Japan, market slowdowns in China, the Americas and Europe, decline in profitability in the Chemical Business and fluctuations in raw material prices.



Implementation and Results of Strategic Price Increases

- Aiming to change to a resilient business structure independent of market conditions, the Kao Group started strategic price increases in Japan in FY2022.
- Focused on laundry detergents and baby diapers in Japan, and laundry detergents and skin care products outside Japan.
- Generated 14.0 billion yen, nearly as much as planned for the full year, which offset about one-third of the 46.0 billion yen impact of raw material price hikes.

Strategic Price Increase Approaches

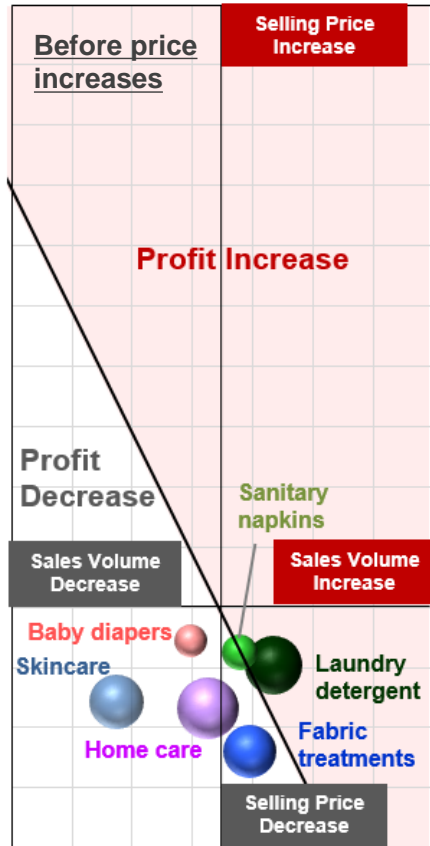
- Adding higher value
- Reducing product contents
- Streamlining sales promotion expenses
- Conducting simple price increases, etc.

Effects of Strategic Price Increases

(vs. previous year) Billion yen	Jan.-Sep.	Q4	Full-year
Japan	+4.0	+3.0	+7.0
Outside Japan	+4.0	+3.0	+7.0
Total	+8.0	+6.0	+14.0

Effects of Strategic Price Increases (Major Consumer Products in Japan)

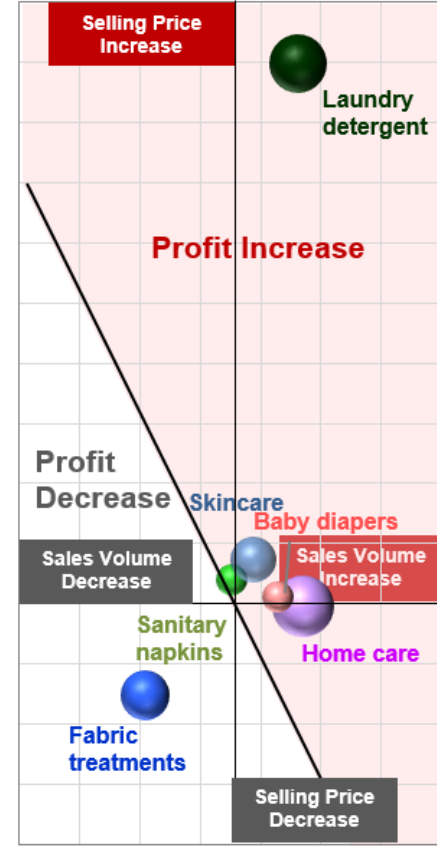
2022 Q1 (vs. 2021)



2022 Q3 (vs. 2021)



2022 Q4 (vs. 2021)



1. Bubble size: Net sales (scale adjusted for each graph)
2. Excluding the impact of hikes in raw material prices

Main Initiatives and Results in the Three Areas of Reborn Kao

Stable Earnings	Growth Driver	Business Transformation
Sales: +0.9% Operating income: -22.9 billion yen¹ Worked to expand market share amid hikes in raw material prices and fierce competition	Sales: +8.5% Operating income: +1.0 billion yen¹ Secured sales and operating income as planned	Sales: -2.9% Operating income: -11.5 billion yen¹ Continued declines in market share and profitability of hair care and baby diapers
<div>Fabric care</div> <ul style="list-style-type: none"> Succeeded in increasing prices for <i>Attack</i> and improved market position by increasing share <u>Could not increase prices for fabric softeners due to tough conditions</u> <div>Home care</div> <ul style="list-style-type: none"> Increased sales and market share by launching high-value-added products <i>CuCute</i> achieved its highest market share ever² <div>Personal health</div> <ul style="list-style-type: none"> Could not improve profitability despite promoting high-value-added products 	<div>Cosmetics</div> <ul style="list-style-type: none"> Increased sales of G11 brands through concentrated investment Achieved a record high number of hit items Brand reorganization progressed as planned <div>Chemical</div> <ul style="list-style-type: none"> Steadily conducted selling price adjustment, but profitability declined due to fluctuating market conditions Achieved results in the expected growth field of eco-chemicals <div>Skin care</div> <ul style="list-style-type: none"> Achieved the top market share² for UV care products in Japan and ramped up rollout in Asia Decrease in operating income due to logistics disruptions in the Americas and other factors 	<div>Sanitary products (sanitary napkins)</div> <ul style="list-style-type: none"> Recovery in Japan due to <i>Laurier</i> brand renewal Continued sales growth in China <div>Sanitary products (baby diapers)</div> <ul style="list-style-type: none"> Sales in Indonesia remained strong, <u>but unable to respond to market shrinkage and intensifying competition in China</u> <div>Hair care</div> <ul style="list-style-type: none"> <u>Ongoing brand rebuilding</u> <div>Products for hair salons</div> <ul style="list-style-type: none"> <i>ORIBE</i>-driven sales growth was not enough to improve business condition

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Major Assumptions for FY2023 Forecast

Business Environment Assumptions

Consumer Products Market

- Japan: Belt-tightening among consumers concerned about their future living standards is expected to grow along with moderate growth in the market due to increased opportunities to go out. Uncertain environment continues.
- Asia: Although recovery is expected in China's market due to the end of the zero-COVID policy, it is not likely to be strong. Stable growth is expected in the ASEAN countries.
- Americas and Europe: Despite concerns about an economic slowdown triggered by inflation, recovery in consumption and moderate growth are expected.

Chemical Market

- Fats and oils: The demand outlook remains uncertain, and cautious price changes are expected to continue.
- The increase in demand in the automobile industry will be limited. The semiconductor market is also expected to recover from H2 or later. An economic slowdown triggered by inflation is a cause for concern.

■ Net sales

Effect of currency translation
Like-for-like growth

	Growth
1,580.0 billion yen	+1.9%
(7.1) billion yen	(0.5)%
+36.0 billion yen	+2.3%

Consumer Products Business	+3.4%
Chemical Business	(2.3)%

Estimated impact on income

- Impact from change in raw material prices (net*)
- Strategic price increases
- Total Cost Reduction (TCR) activities
- Capital expenditures/depreciation and amortization

Capital expenditures

Depreciation and amortization

(12.0) billion yen
+20.0 billion yen
+10.0 billion yen
85.0 billion yen
85.0 billion yen

- Exchange rate assumptions (annual average): 130 yen/USD, 138 yen/Euro, 20 yen/Yuan

* Offsetting with adjustments of selling prices in the Chemical Business

Consolidated Operating Results Forecast for FY2023

Fiscal year (January 1 to December 31)

(Billion yen)	FY2022	Growth %	FY2023 (Forecast)	Growth %	Change
Net sales	1,551.1	+9.3	1,580.0	+1.9	+28.9
			Effect of currency translation*	(0.5)	(7.1)
			Like-for-like growth	+2.3	+36.0
Operating income	110.1	(23.3)	120.0	+9.0	+9.9
Operating margin	7.1%	-	7.6%	-	-
Income before income taxes	115.8	(22.8)	121.0	+4.4	+5.2
[% of Net sales]	7.5%	-	7.7%	-	-
Net income attributable to owners of the parent	86.0	(21.5)	88.0	+2.3	+2.0
[% of Net sales]	5.5%	-	5.6%	-	-
EBITDA (Operating income + Depr. & amort.)	199.8	(13.4)	205.0	+2.6	+5.2
ROE	8.9%	-	9.0%	-	-
Basic earnings per share (yen)	183.28	(20.5)	189.31	+3.3	+6.03
Cash dividends per share (yen)	148.00	-	150.00	-	+2.00

* Exchange rate assumptions: 130 yen/USD, 138 yen/Euro, 20 yen/Yuan

Sales Forecast for FY2023

Consolidated Net Sales (Year ending December 31)

FY2023(Forecast)	Japan		Consolidated			Consolidated	
		Growth (%)		Like-for-like growth (%)			Like-for-like growth (%)
(Billion yen)							
Hygiene and Living Care Business	368.0	(0.6)	519.0	1.8	Japan	885.0	1.0
Health and Beauty Care Business	206.0	2.9	387.0	5.0	Asia	340.0	5.8
Life Care Business	45.0	2.9	57.0	2.4	Americas	185.0	0.2
Cosmetics Business	167.0	3.9	264.0	4.6	Europe	170.0	5.0
Consumer Products Business	786.0	1.4	1,227.0	3.4			
Chemical Business*			393.0	(2.3)			
Consolidated			1,580.0	2.3	Consolidated	1,580.0	2.3

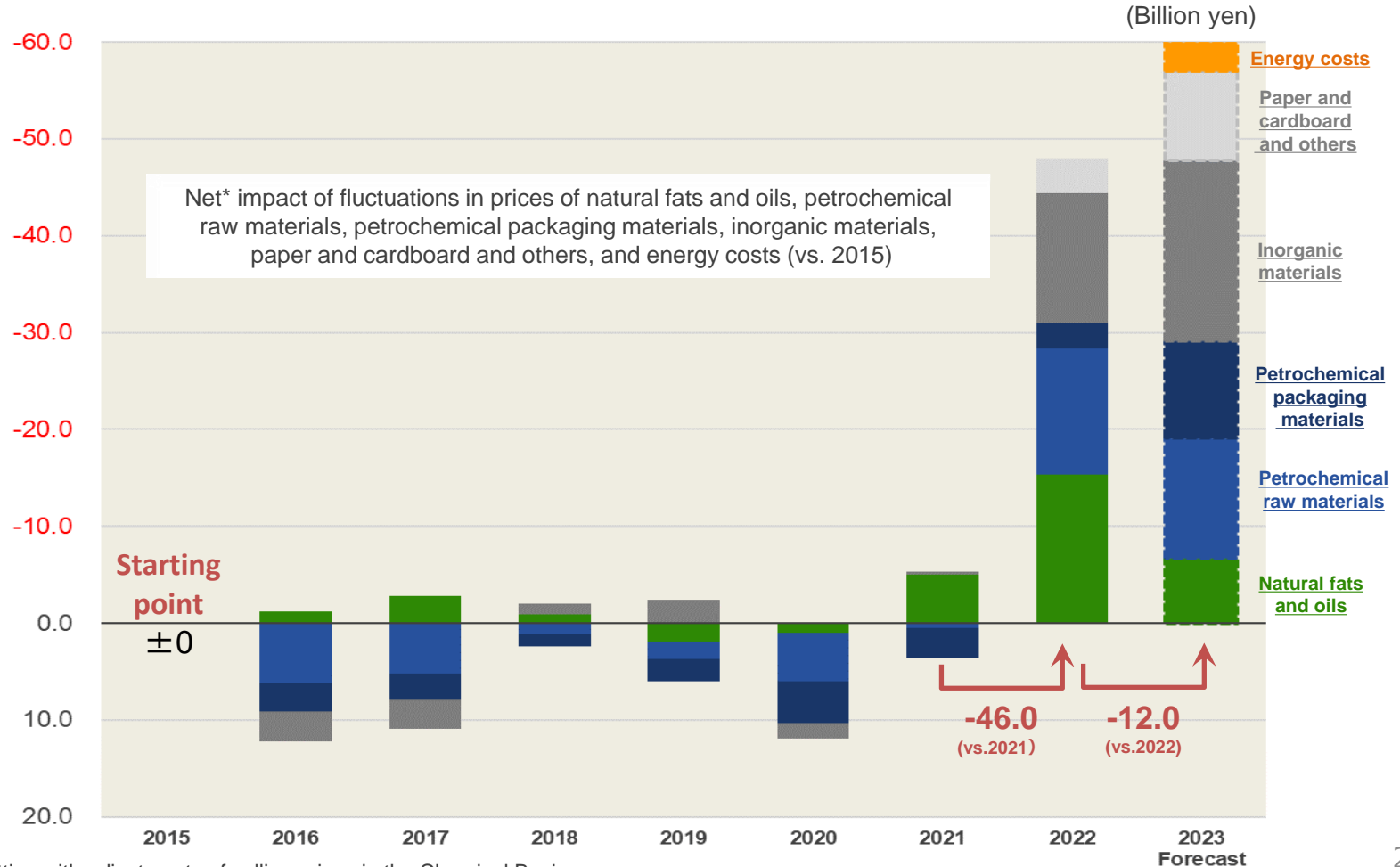
* Net sales of the Chemical Business include intersegment transactions

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

Expected Risks and Opportunities

Opportunities	Risks
<ul style="list-style-type: none">• Recovery of the market in Japan• Recovery in inbound demand• Recovery of China's cosmetics market	<ul style="list-style-type: none">• Delayed market recovery in the Americas and Europe• Impact on the Chemical Business from a global economic slump• Shift to low-cost products amid growing belt-tightening among consumers concerned about their future living standards• Persistent high-cost environment (energy, petrochemical packaging materials, paper and cardboard, labor costs, etc.)

Impact of Hikes in Raw Material Prices on Consumer Products Business (vs. 2015)



* Offsetting with adjustments of selling prices in the Chemical Business

Policy on Strategic Price Increases

Hikes in raw material prices

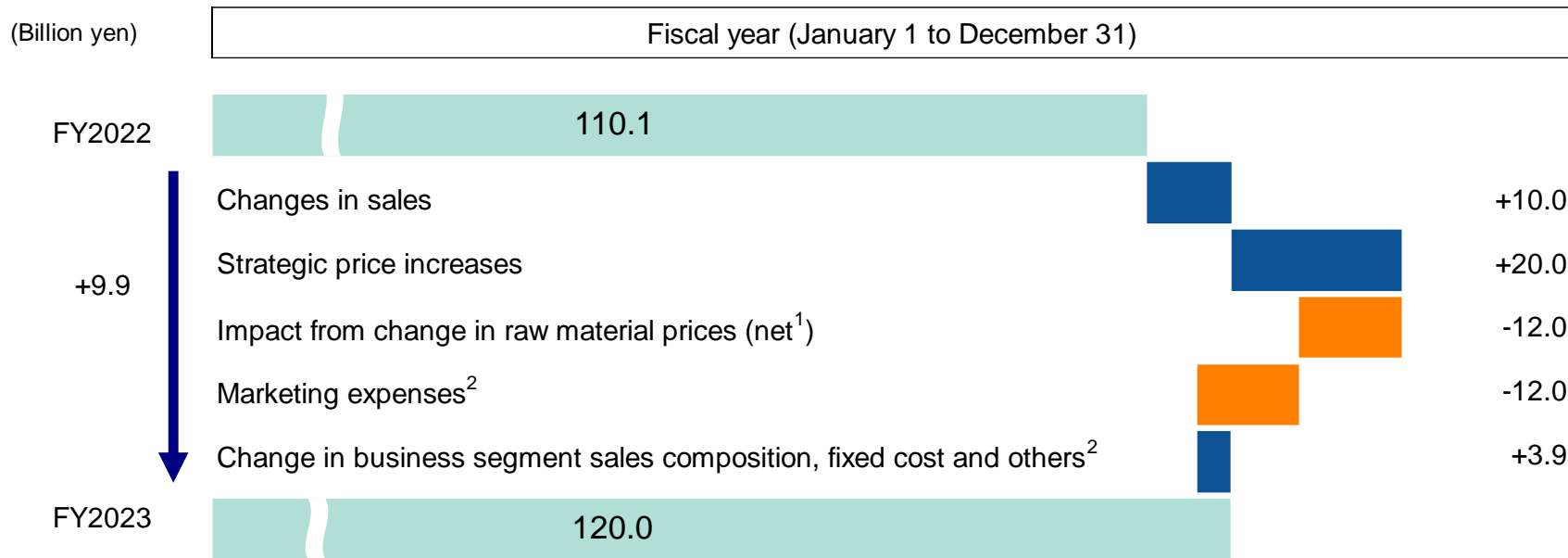
• In FY2023, raw material prices, mainly for energy costs and paper and cardboard, are expected to increase 12.0 billion yen compared with the previous fiscal year, and the cumulative impact of hikes in raw material prices since FY2022 is expected to reach -58.0 billion yen.

Strategic price increases

• In FY2023, implement 20.0 billion yen in strategic price increases by expanding to all categories (aim for coverage of all items subject to price increases) in a plan to offset 60% (34.0 billion yen) of the -58.0 billion yen cumulative impact since FY2022.

vs. Previous FY (Billion yen)		FY2022	FY2023	FY2022-2023
【Japan】	Coverage of items subject to price increases	18%	Target: 100%	
	Impact of raw material price hikes	-46.0	-12.0	-58.0
【Global】	Impact of strategic price increases	+14.0	+20.0	+34.0
	Amount offset	30%	170%	60%

Analysis of Change in Consolidated Operating Income -2022 Results vs. 2023 Forecast-



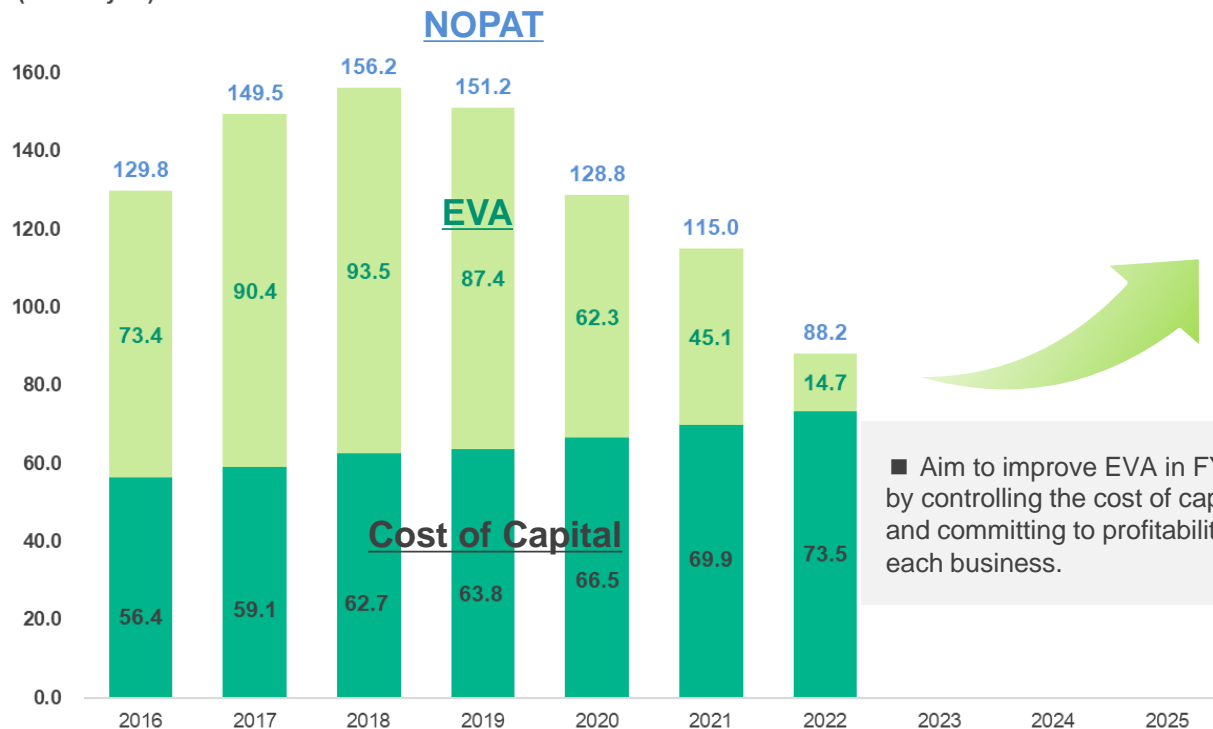
1. Offsetting with adjustments of selling prices in the Chemical Business

2. Excluding the effect of currency translation

Current Identification of Issues for Improving EVA¹

To deepen EVA management, implement ROIC as a metric in each business for improved capital efficiency in day-to-day management.

(Billionyen)



Change (vs. 2021)

【EVA】 **-30.5**

【NOPAT】 **-26.9**

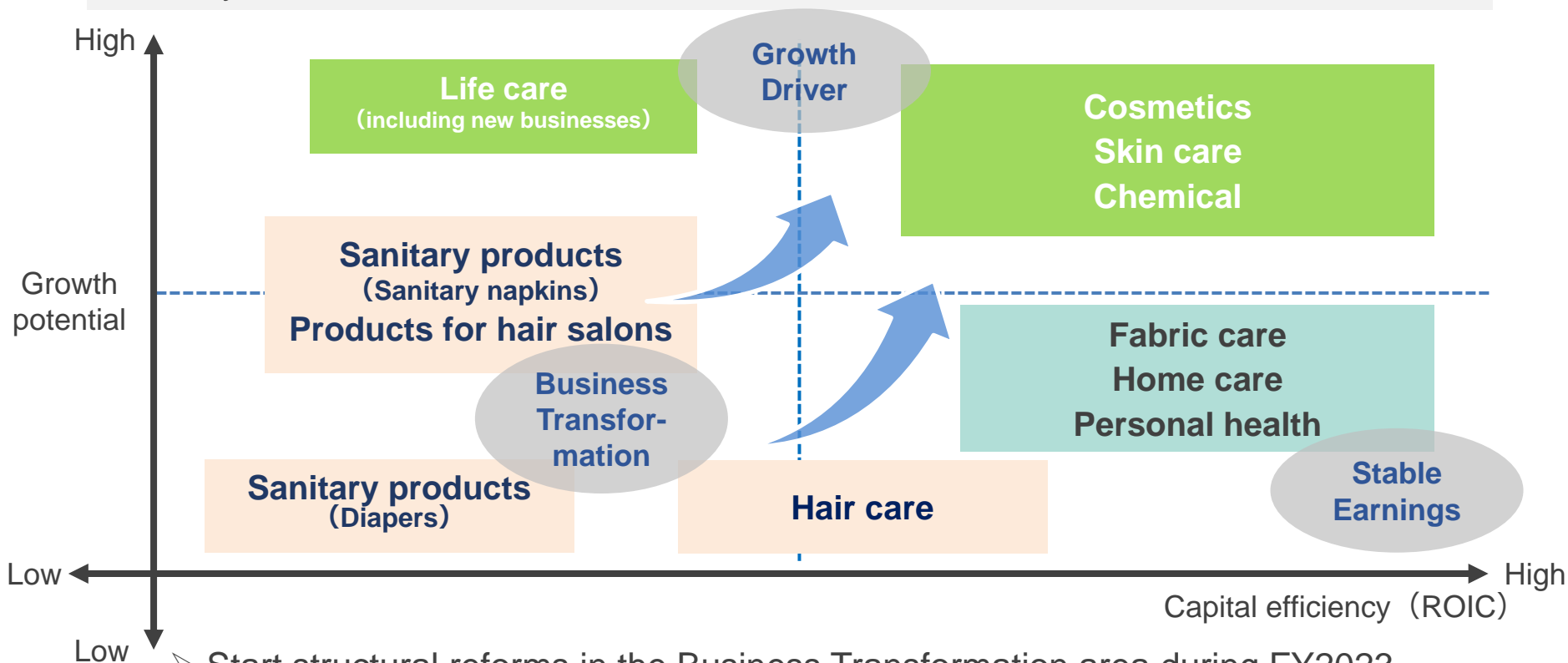
- Hikes in raw material prices (CP²) -35.0
- Strategic price increases +10.5
- Lockdowns in China -3.0
- Currency translation, etc. +0.5

【Cost of Capital】 **-3.6**

- Increase in inventories -2.5
- Increase in property, plant and equipment -1.5
- Decrease in cash, etc. +0.5

Direction of Business Portfolio Management

Focus investment in growth businesses and build a sounder portfolio by increasing ROIC by business.

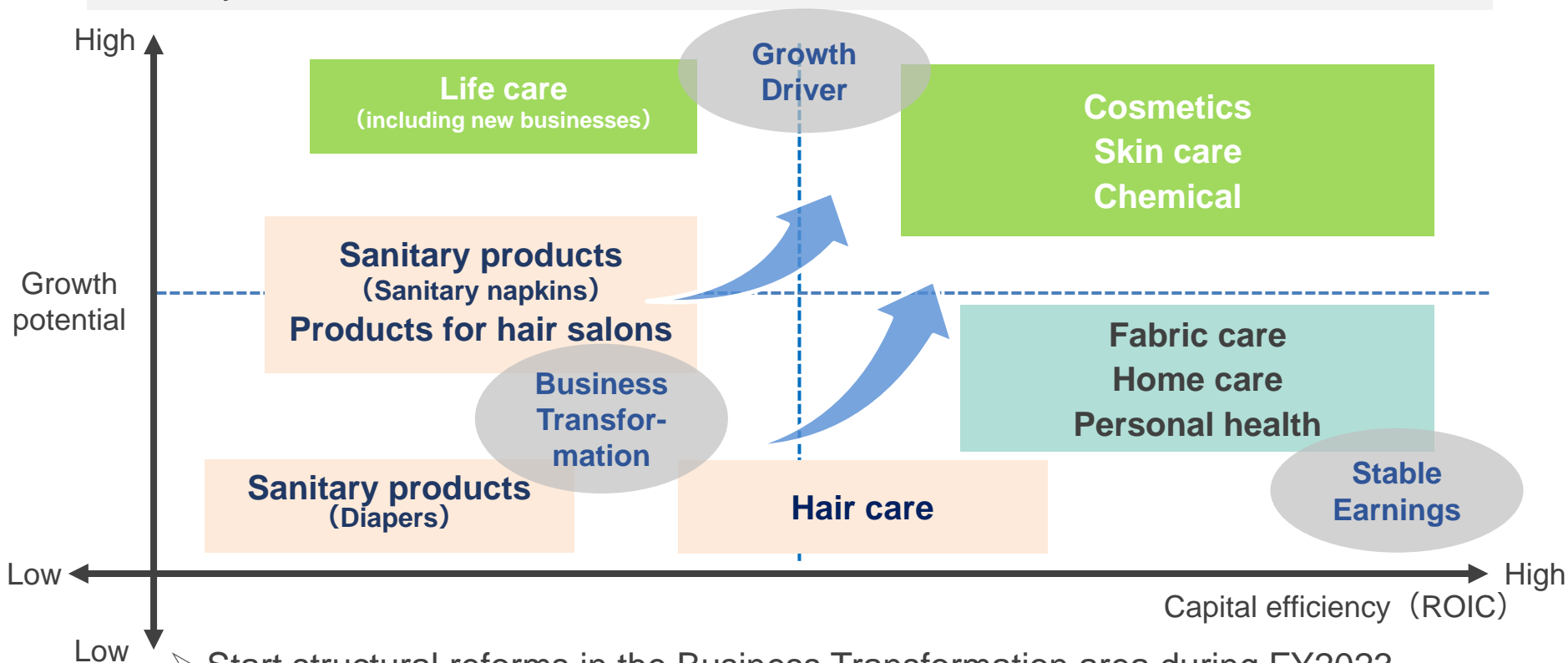


➤ Start structural reforms in the Business Transformation area during FY2023.

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Direction of Business Portfolio Management

Focus investment in growth businesses and build a sounder portfolio by increasing ROIC by business.



➤ Start structural reforms in the Business Transformation area during FY2023.

Drastic Structural Reforms

■ Reorganization of the Business Transformation area

- Fundamental review of diaper business strategy
- Withdrawal from unprofitable brands and businesses

■ Drastic reform of fixed cost structure

- Reorganization of work and systemic reform

- A separate briefing is scheduled to be held on the progress of Kao Group Mid-term Plan 2025 "K25"

Organizational and Structural Changes for Growth

■ Financial reform

(Based on work that emphasizes capital efficiency)



Supervision of management finance

(Management and supervision of accounting, procurement, human capital assets)

■ Business reform

(Integrated management of business and sales, and prioritization of global growth)



Global Business Marketing

(Creating a strategic framework for sustainable success in business)

■ Development reform

(Restore Kao's reputation for marketing and innovation)



Mechanisms for a complete change in the business situation

(Scrum-type management to maximize value rapidly)

■ Digital transformation (DX) reform

(A whole new level of efficiency and leading-edge business)



Establish a DX department/Utilize DX in all departments

(Core activities for Group-wide DX shift)

Direction of Strategic Businesses in FY2023

Stable Earnings	Growth Driver	Business Transformation
Expand Share and Increase Profitability	Growth Investment and Global Growth	Improve Profitability
<p>Fabric care</p> <ul style="list-style-type: none"> - Conduct large-scale new product launches - Launch products with next-level lifestyle value - Make a thorough shift to a high-profit business <p>Home care</p> <ul style="list-style-type: none"> - Strengthen status as clear No. 1 business in Japan - Improve earnings in Asia business <p>Personal health</p> <ul style="list-style-type: none"> - Convey the value of essential research and renew oral care 	<p>Cosmetics</p> <ul style="list-style-type: none"> - Accelerate growth of G11 brands - Expand share of e-commerce sales in China and Europe - Conduct brand portfolio renovation <p>Chemical</p> <ul style="list-style-type: none"> - Reinforce No. 1 position of oleo derivatives business - Steadily adopt unique technologies - Expand eco-chemical products globally <p>Skin care</p> <ul style="list-style-type: none"> - Expand UV care products with user experience value (Asia, United States, Brazil) - Evolve high-value-added <i>Bioré</i> 	<p>Sanitary products (sanitary napkins)</p> <ul style="list-style-type: none"> - Commit to functional value - Expand business in Asia <p>Sanitary products (baby diapers)</p> <ul style="list-style-type: none"> - Start drastic structural reforms <p>Hair care</p> <ul style="list-style-type: none"> - Deliver premium value from innovative technologies - Conduct new digital marketing <p>Products for hair salons</p> <ul style="list-style-type: none"> - Expand <i>ORIBE</i> globally - Reinforce <i>Goldwell</i> hair color

■ Change to a resilient business structure independent of market conditions (insufficient in FY2022)

- ✓ Expand strategic price increases to all categories (respond to a whole new level of hikes in raw material prices).
- ✓ Increase the sales ratio of high-value-added and highly profitable products.

■ Strengthen and expand strategic businesses globally (reinforce and mount a counteroffensive in FY2023)

- ✓ High profit and expansion of top share for *Attack*, *CuCute*, *Bioré*, *Curél* and *Magiclean*.
- ✓ Major marketing reforms for hair care, sanitary products (sanitary napkins), and personal health businesses.
- ✓ Global growth of “G11” global strategy brands in cosmetics. Expansion of global adoption of chemicals.
- ✓ Full-scale start of D2C, rollout from cosmetics community site to all products.

■ Generate profits from businesses that grow rapidly by anticipating change

- ✓ Life skincare: Expand sales area of *Bioré GUARD* for prevention of vector-borne diseases (Thailand → All Asia).
- ✓ Eco-chemicals: positive recycling (asphalt modifier using waste polyethylene terephthalate), adjuvant for aerial spraying by drones, which helps to reduce pesticides to extremely low levels
- ✓ Digital life platform business (commercialization of RNA test).

Appendices

Household and Personal Care Business in FY2022

As the Kao Group worked toward goals including increasing loyalty of consumers and market share through promotion of digitalization and decisive investments, fabric care and UV care products expanded their market share mainly through new products. However, recovery in the baby diapers and hair care businesses was delayed due to the ongoing business transformation. The impact of hikes in raw material prices on profit was -46.0 billion yen.

Sales: 941.8 billion yen (-0.4%)

Operating income: 65.3 billion yen (-39.8 billion yen) **Operating margin: 6.9%**

Japan: Despite a year-on-year sales decrease in Q1, increases from Q2 onward resulted in an increase for the full year

- Increased market share of laundry detergents by offering new *Attack* products. (+0.2 points year on year)
- Dishwashing detergents achieved a record-high share of 47.5% (+1.8 points year on year) due to overall renewal of *CuCute* and communication innovations.
- Expanded market share for skin care products with high-value-added offerings. In particular, UV care products increased market share substantially (+1.4 points year on year) by adopting new sales methods.



Asia: Year-on-year sales decrease due to substantial impact of lockdowns and market slowdown in China

- China: The lockdown in Shanghai and market slowdown had a substantial impact.
- Indonesia: Firm growth in both sales (+9% year on year) and market share, driven by *Merries* and *Laurier*.
- Thailand: Performance of *Attack* laundry detergent was weak. *Bioré* mosquito repellent lotion received a strong positive response in Thailand and other countries.



Americas and Europe: Weak sales for mass market skin care products, but continued good performance by products for hair salons

- Sales were weak, mainly for mass market skin care products, due to logistics disruptions and inventory adjustments by retailers in the Americas.
- Sales of products for hair salons grew due to good performance by new *ORIBE* products and ramping up of e-commerce.



In Japan, the market recovered moderately, although less than expected. Sales increased year on year, driven by double-digit growth for G11 brands. Sales in China decreased year on year due to a market slowdown caused by factors including lockdowns. Sales in Europe remained nearly flat as consumption cooled in H2 due to inflation. Although total global sales increased only slightly, sales of G11 brands increased 5% year on year. Operating income increased 6.6 billion yen.

Sales: 251.5 billion yen (+0.8%)

Operating income: 14.1 billion yen (+6.6 billion yen) Operating margin: 5.6%

Japan: Achieved +5.1% growth, exceeding market growth

- *KANEBO: LIVELY SKIN WEAR* continued to perform well. Sell-out of *CREAM IN DAY* increased in December.
- *KATE: LIP MONSTER* continued to perform well. Maintained No.1 brand share in the overall makeup market (SRI+).
- DX Acceleration: Kao Beauty Brands Play Park community site launched/Brand evangelist activities started.

China: -13% year on year due to market slowdown from Q2 onward, despite strong Q1 sales

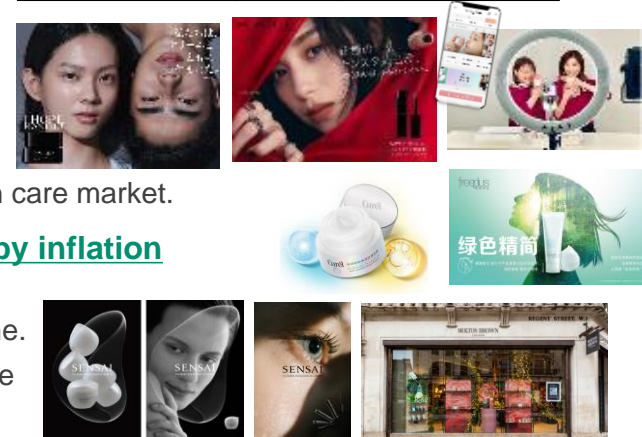
- *Curél*: Launched the first locally produced anti-wrinkle face cream.
- *freeplus*: Sales were weak, due in part to the rise of local manufacturers in the mass skin care market.

Europe: Limited to +0.4% year on year due to cooling consumption triggered by inflation

- *SENSAI*: New products *COMFORTING BARRIER MASK* and *LASH LENGTHENER* performed well. Sales +3% year on year, also driven by the brand's luxury *ULTIMATE* line.
- *MOLTON BROWN*: Despite weak performance during the year-end shopping season, the renovated flagship store continued to perform well.

■ Global Shipments by Value: Year-on-Year Growth/Share of Sales

	2021		2022	
	Growth	Share of Sales	Growth	Share of Sales
G11	+8%	65%	+5%	68%
R8	(8)%	23%	(0)%	22%
Other	(20)%	12%	(14)%	10%



Chemical Business in FY2022

Sales increased due to the substantial contribution of selling price adjustments in response to hikes in raw material prices, mainly for fat and oil products outside Japan. However, operating income was unchanged from the previous fiscal year, partly due to the impact of a write-down of inventory as a result of fluctuations in market conditions. The Kao Group continued to develop products from ESG perspectives.

Sales: 402.5 billion yen (+18.6%)
Operating income: 29.5 billion yen (-0.1 billion yen)
Operating margin: 7.3%

Japan: +14.7%

- Increase in sales due to the progress of selling price adjustments as well as expansion in fields where customer industries recovered.
- Adoption of highly durable asphalt modifier increased steadily, due in part to the effect of PR activities.

Asia: +15.9%

- Contribution from selling price adjustments, mainly for fat and oil products, offset the impact of slowing economic growth in China.
- Demonstration tests for the rollout of an adjuvant for aerial spraying using drones are under way and progressing smoothly.

Americas: +19.9%

- Contribution from selling price adjustments for fat and oil products. Toner and toner binder also grew by capturing the recovery in demand.
- Demand for tertiary amines is firm, and the Chemical Business will continue to expand business through capital investment.

Europe: +27.4%

- Large contribution from selling price adjustments for various products, mainly fat and oil derivative products.
- The impact of rising energy costs was substantial from Q3 onward.



Exhibited at the China International Import Expo in Shanghai to publicize its effects.

A drone equipped with a camera sensor takes pictures from the sky to determine early-stage infection.



The Kao Group aims to establish disease management technology to solve problems such as reduced yields and withering caused by Ganoderma disease at oil palm farms.

Consumer Products Business

Year ended December 31									
(Billion yen)	Net sales				Operating income			Operating margin %	
	FY2021	FY2022	Growth %	Like-for-like growth %	FY2021	FY2022	Change	FY2021	FY2022
Japan	768.1	775.0	0.9	0.9	73.5	52.7	(20.8)	9.6	6.8
Asia	214.7	236.0	9.9	(3.6)	24.1	21.9	(2.2)	11.2	9.3
Americas	96.2	112.9	17.4	(1.2)	9.8	3.3	(6.5)	10.2	2.9
Europe	64.6	69.4	7.4	0.5	5.1	1.4	(3.7)	8.0	2.1
Consumer Products Business	1,143.7	1,193.3	4.3	(0.2)	112.6	79.3	(33.2)	9.8	6.6
Net sales growth rates of major companies (Like-for-like growth)									
	Kao China:	(14)%		Kao Taiwan:	(3)%		Kao Vietnam:	6%	
	Kao Indonesia:	9%		Kao Thailand:	5%		Kao Hong Kong:	(1)%	

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
- 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



FTSE Blossom
Japan Sector
Relative Index



2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX



Evaluations from/activities with external organizations



CLIMATE FORESTS WATER

Sustainability Award
Bronze Class 2022
S&P Global



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



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

The FTSE4Good index series: www.ftse.com/products/indices/FTSE4Good, MSCI: www.msci.com/

"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

Initiatives with a Focus on ESG

Resolving Social Issues

Setting of ambitious targets for Zero Waste¹

- 2040 Zero Waste^a
- 2050 Negative plastic packaging waste^b
- 2030 New targets:
Contribution to reducing the amount of plastic used in packaging containers for Kao products as well as in society as a whole^c: 200,000 tons



- The amount of plastic used in Kao's packaging containers and the amount of plastic resources Kao is involved in recovering is roughly equal.
- The amount of plastic Kao is involved in recycling is greater than the amount of plastic used in packaging containers.
- Amount of reduction achieved through the use of innovative film-based packaging, refill and replacement products, and development of more concentrated products.

Participation in venture to provide palm oil alternatives²

- Kao invested as a founding member in U.S. venture company, with the aim of using cutting-edge biotechnology to supply alternatives to palm kernel oil.



- Plant-based alternatives are expected to reduce the carbon footprint by up to 50% compared with palm-derived ingredients.



Resolving Social Issues + Expanding Business/Creating New Businesses

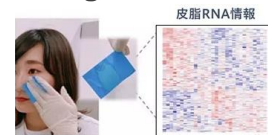
Launch of a newly developed mosquito repellent in Thailand³ and external collaboration to fortify private sector support for reducing dengue burden⁴

- In June, Kao launched *Bioré GUARD Mos Block Serum*, an innovative mosquito repellent product.
- Aiming to expand and strengthen support in Thailand through collaboration with Takeda Pharmaceutical Company.



Commercialization of precision monitoring by introducing a skin analysis service using skin surface lipids-RNA Monitoring⁵

- In November, launched Skin Potential Analysis, a service that allows customers to learn about their skin's current condition.



Co-Creation with Partners

Launch of grievance mechanism for Indonesian oil palm smallholders⁶

- Kao will receive complaints and inquiries from smallholders through the grievance mechanism, and work to resolve their human rights issues through various responses.



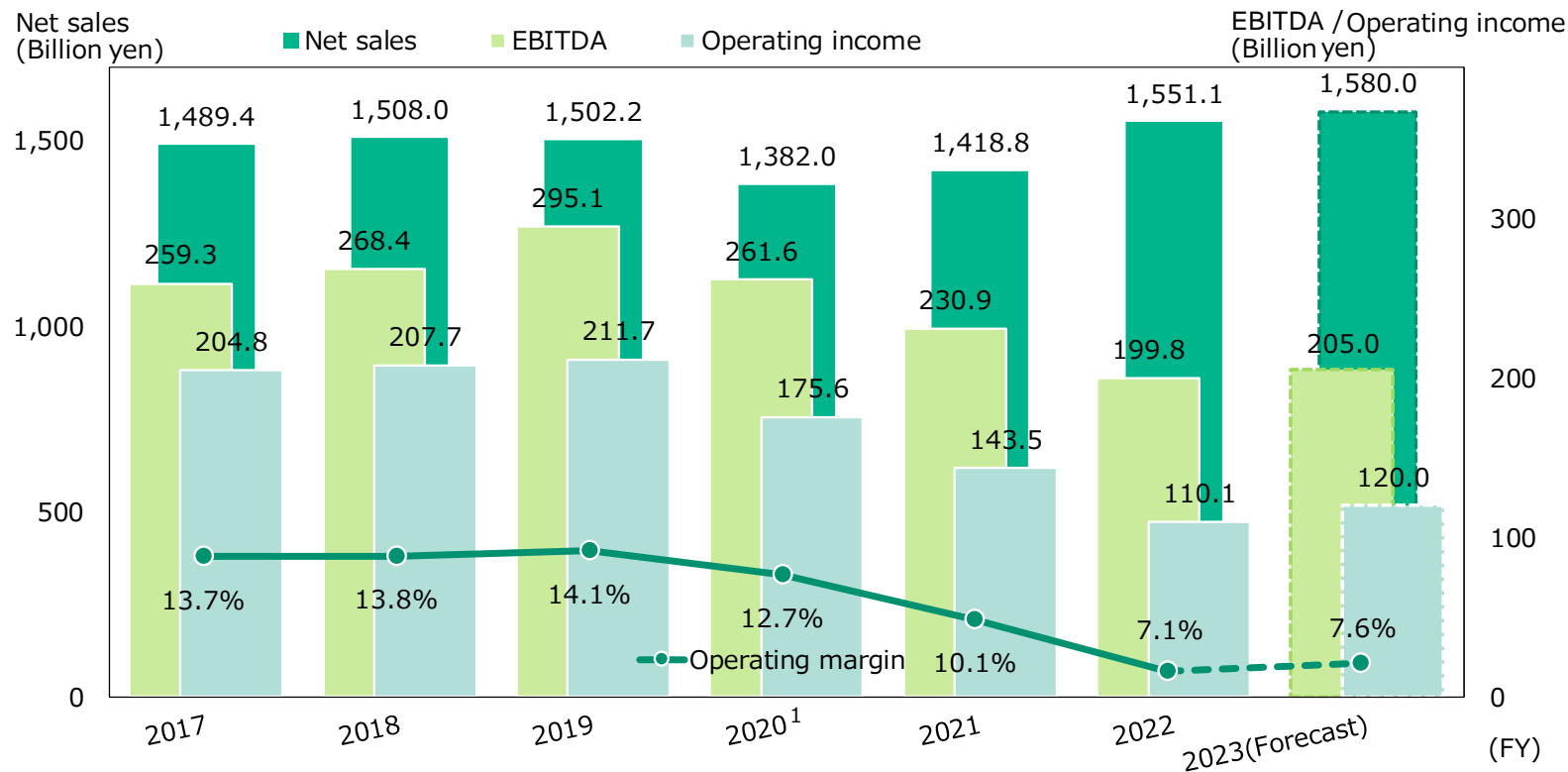
Partnership with WOTA in the water and sanitation field⁷

- Through a business alliance and investment, Kao will accelerate implementation of a small-scale decentralized water reuse system to enable handwashing even in places without access to clean water.



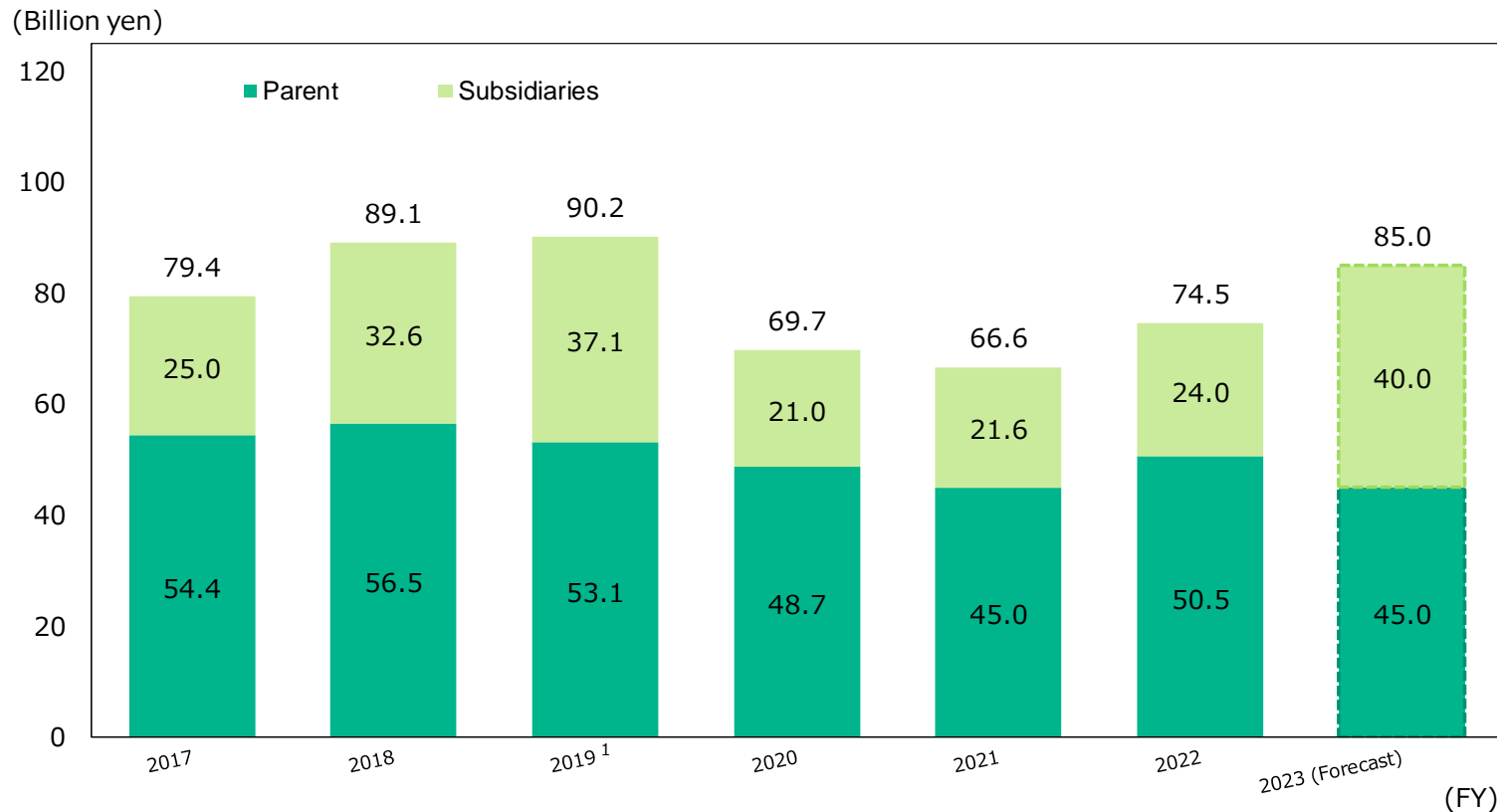
1: [Kao Releases Progress Reports on its ESG Strategy](#). 2: [Kao Joins Geno as Founding Member of \\$120M+ Venture to Globally Scale Palm Oil Alternative](#). 3: [Kao Launches Bioré GUARD Mos Block Serum](#). 4: [Kao and Takeda Join Forces to Fortify Private Sector Support on Reducing Dengue Burden with Thailand Dengue Prevention and Control Memorandum of Understanding](#). 5: [Kao Precision Monitoring Commercialized for the First Time: Skin Analysis Service Using Skin Surface Lipids-RNA Monitoring Introduced](#). 6: [Kao Launches Grievance Mechanism for Indonesian Oil Palm Smallholders](#). 7: [Kao and WOTA Partner in the Water and Sanitation Field](#)

Consolidated Net Sales/EBITDA/Operating Income



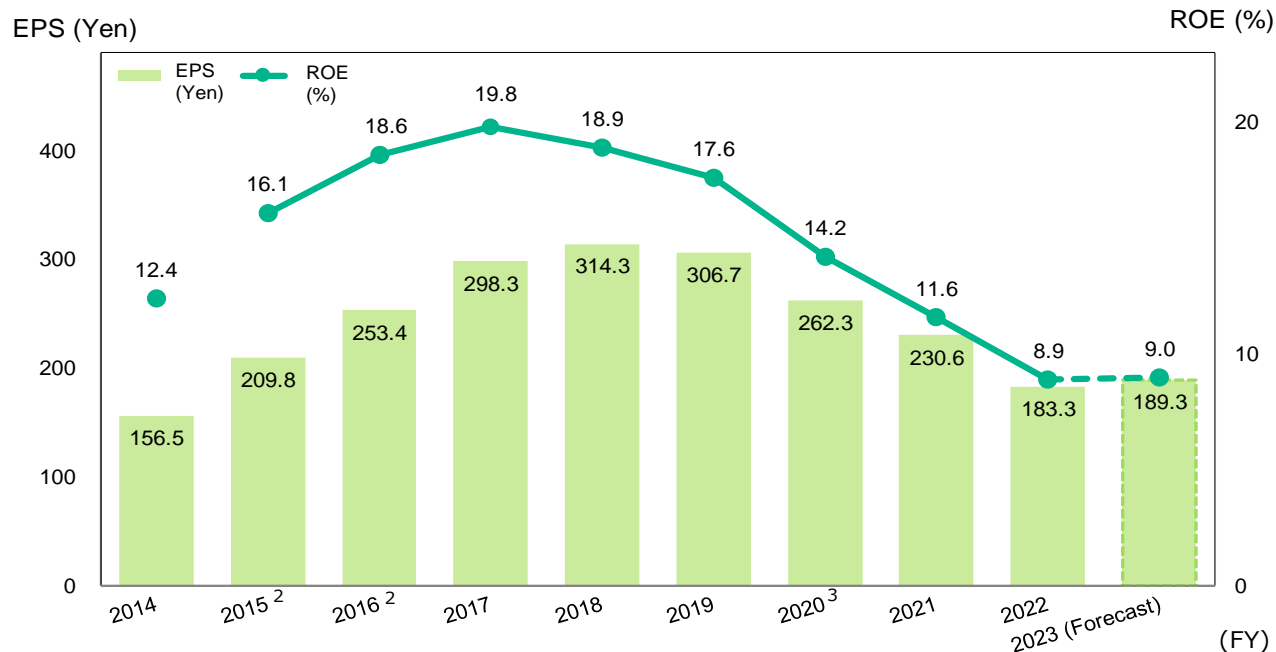
1. As of the fiscal year ended December 31, 2020, the Company changed its method of recognizing sales for certain transactions from the gross amount to the net amount

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)	508.7	501.4	499.4	492.8	489.1	483.3	480.9	475.5	469.4	464.8
Net income [J-GAAP] / Net income attributable to owners of the parent [IFRS] (Billion yen)	79.6	105.2	126.6	147.0	153.7	148.2	126.1	109.6	86.0	88.0

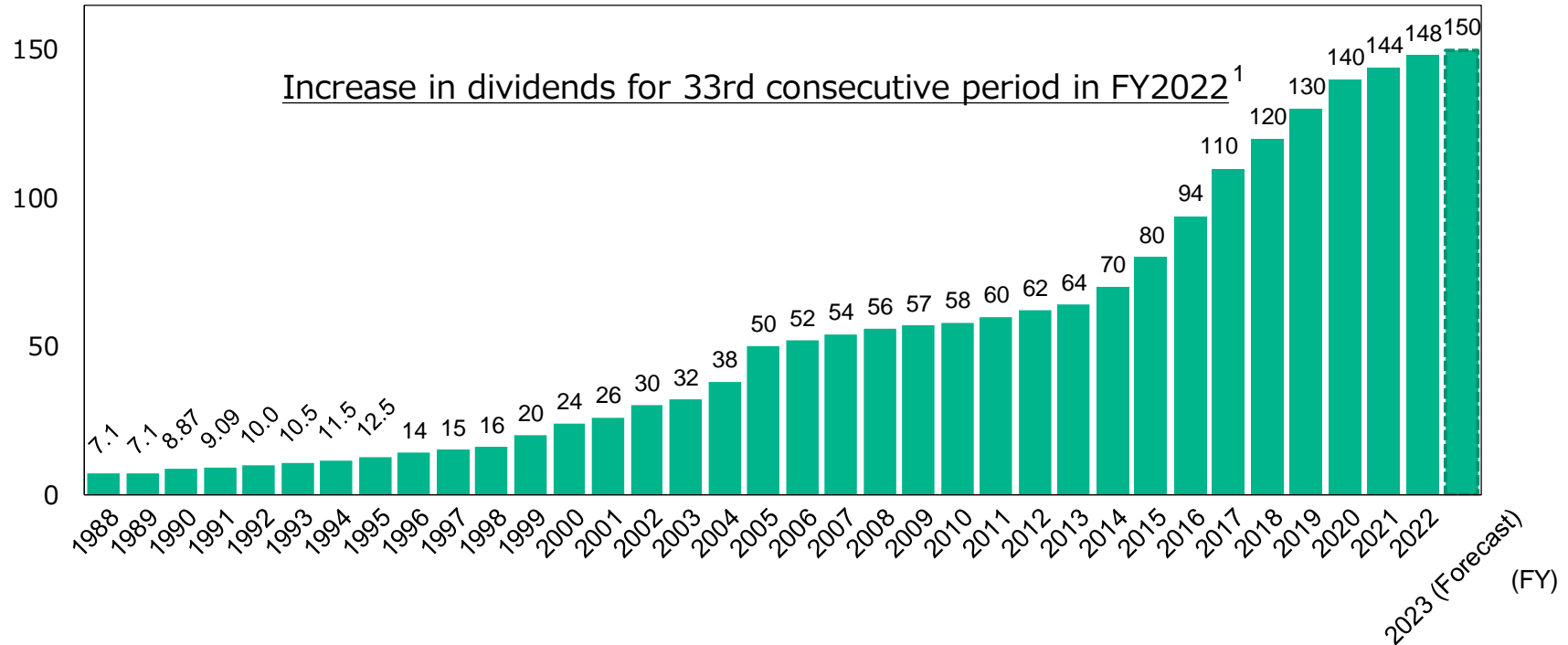
1. Net income per share [J-GAAP] / Basic earnings per share [IFRS]

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

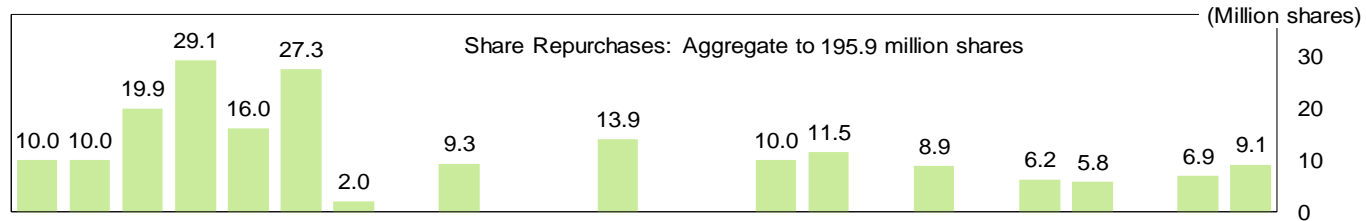
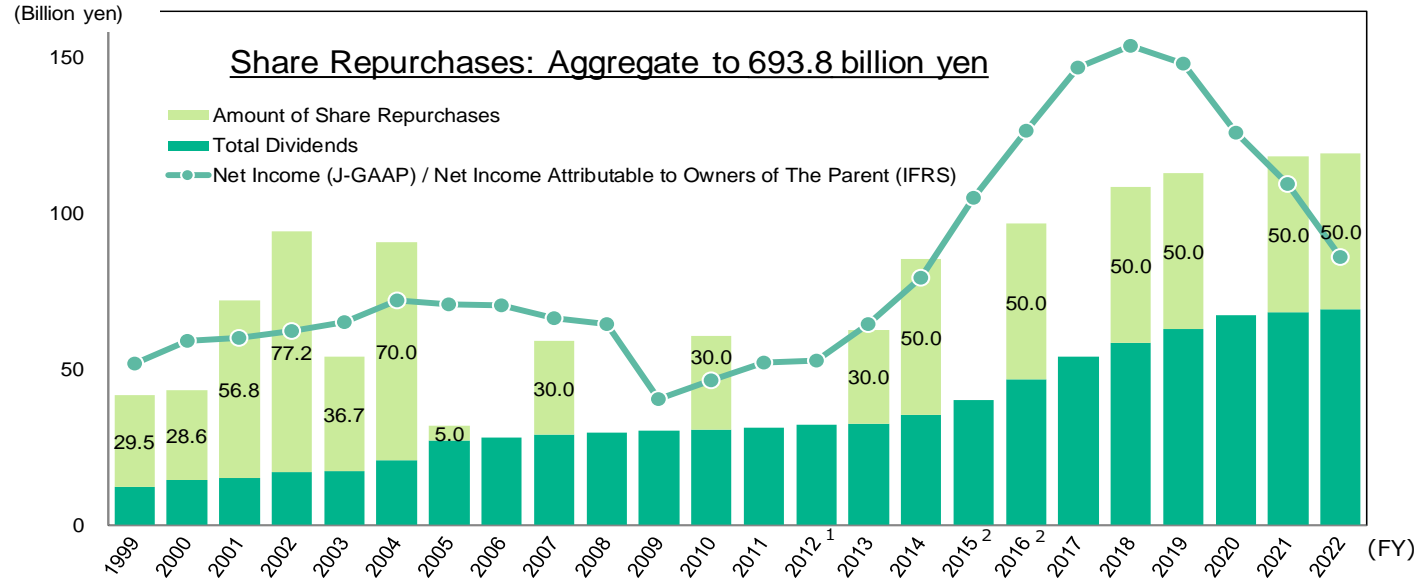
Cash Dividends per Share

Cash Dividends per Share (Yen)



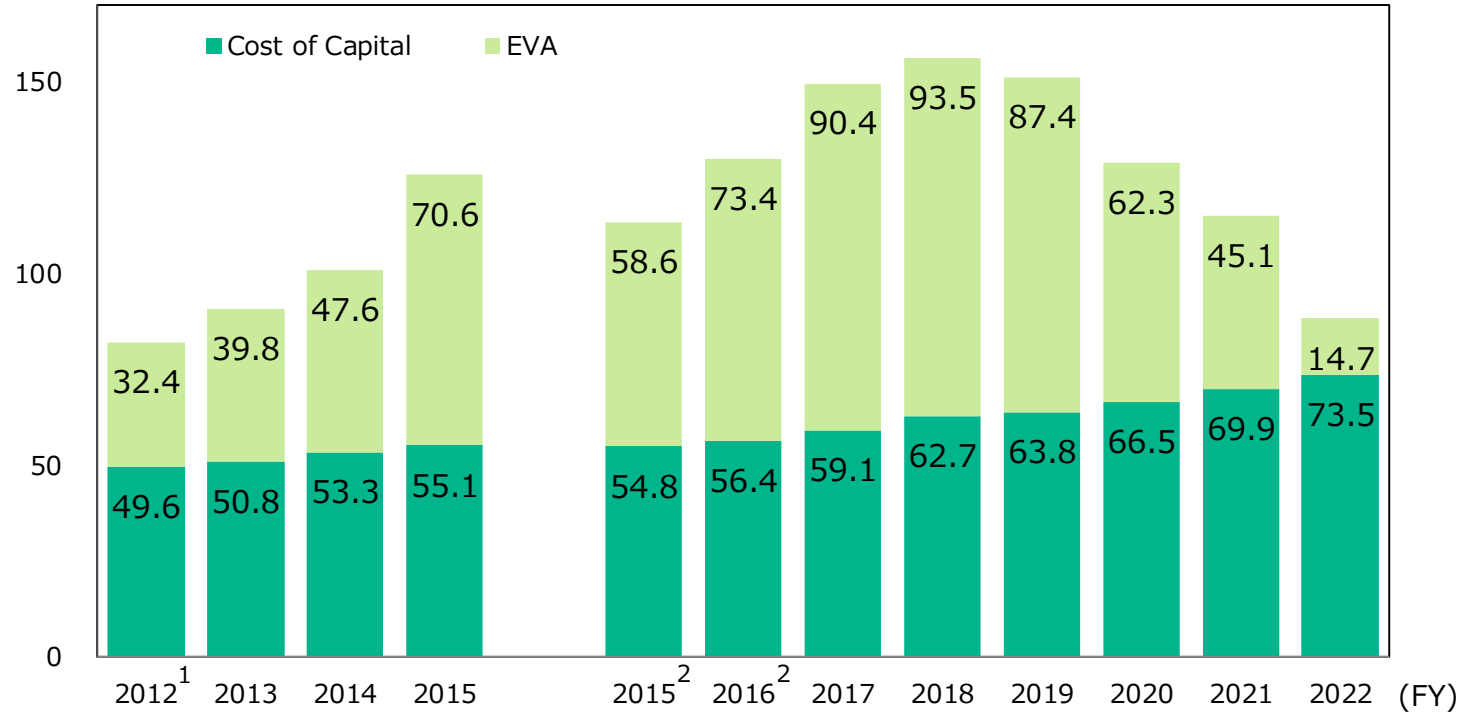
1. Formally decided at the Annual General Meeting of Shareholders
Impacts of share splits are retroactively reflected

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, kitchen cleaning products, house cleaning products, paper-based cleaning products, sanitary napkins, baby diapers
FY2022

Net sales: 516.5 billion yen
Like-for-like growth:¹ 0.4 %
Share of net sales: 33.3 %
Operating margin: 5.9 %



Health and Beauty Care Business

Skin care products, hair care products, professional hair care products, bath additive, oral care products, thermo products
FY2022

Net sales: 369.5 billion yen
Like-for-like growth:¹ (1.8)%
Share of net sales: 23.8 %
Operating margin: 9.4 %



Life Care Business

Commercial-use hygiene products, health drinks

FY2022
Net sales: 55.7 billion yen
Like-for-like growth:¹ 1.4 %
Share of net sales: 3.6 %
Operating margin: (0.0)%



Cosmetics Business

Counseling cosmetics, self-selection cosmetics

FY2022
Net sales: 251.5 billion yen
Like-for-like growth:¹ 0.8 %
Share of net sales: 16.2 %
Operating margin: 5.6 %



Chemical Business

FY2022
Net sales: 402.5 billion yen²
Like-for-like growth:¹ 18.6 %
Share of net sales:³ 23.1 %
Operating margin: 7.3 %

Oleo chemicals,
performance chemicals,
information materials



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

The logo for Kao, featuring the word "Kao" in a bold, teal-colored sans-serif font. The letter "K" is stylized with a thick vertical stroke and a horizontal bar that curves slightly. The "a" and "o" are rounded and also in the same teal color.

Kirei—Making Life Beautiful

