# Fiscal 2019

From January 1 to December 31, 2019

Kao Corporation

February 4, 2020

FASF MEMBERSHIP

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www.kao.com/global/en/investor-relations/library/presentations/

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.

■ The Kao Group adopted IFRS 16 “Leases” in the year ended December 31, 2019.



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# Consolidated Financial Results for the Year Ended December 31, 2019 and FY2020 Forecast

**Kenichi Yamauchi**

**Executive Officer**
**Senior Vice President, Accounting & Finance**

**Kao Corporation**

**February 4, 2020**

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# Overview of Consolidated Results for the Year Ended December 31, 2019

**Fiscal 2019 Initiatives**

- ✓ Enhance ESG activities unique to Kao
- ✓ Realize technology innovations
- ✓ Revitalize the baby diaper business/promote new growth strategy for the Cosmetics Business
- ✓ Respond to the consumption tax rate increase in Japan (October)
- ✓ Promote high-value-added products in the Chemical Business

**Overview of Consolidated Financial Results for Fiscal 2019**

- ✓ Launched new ESG strategy "Kirei Lifestyle Plan." Declared acceleration of purposeful business commitment with ESG and a focus on areas for Kirei innovation.
- ✓ Commercialized the technology innovations "Bio IOS" in *Attack ZERO* laundry detergent and "Fine Fiber Technology" in cosmetics products. Launched a collaborative project with Preferred Networks, Inc. for practical applications of Sebum RNA Monitoring Technology.
- ✓ **Achieved 10th consecutive fiscal year of increases in operating income and 7th consecutive year of record-high operating income, but fell short of forecast.**
- ✓ 0.7% like-for-like sales growth/14.1% operating margin
- ✓ In the Consumer Products Business, like-for-like growth was 2.9%. Last-minute demand ahead of the consumption tax rate increase in Japan was lower than the initial forecast, and growth weakened as the decline in sales following the consumption tax rate increase and an economic slowdown coincided with the peak demand period. Growth in inbound demand slowed.
- ✓ In the Cosmetics Business, the new growth strategy that started in 2018 has been progressing smoothly, strengthening prestige skin care.
- ✓ In the Chemical Business, sales decreased 6.6% year-on-year due to a decline in prices for natural fats and oils.

**Shareholder Returns**

- ✓ Repurchased 5.78 million shares of the Company for 50 billion yen and retired 6.7 million treasury shares.
- ✓ Planning cash dividends per share of 130 yen, a year-on-year increase of 10 yen per share, in line with the announced forecast, for the **30th consecutive fiscal year of increase in dividends.**



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# Business Strategies and Progress

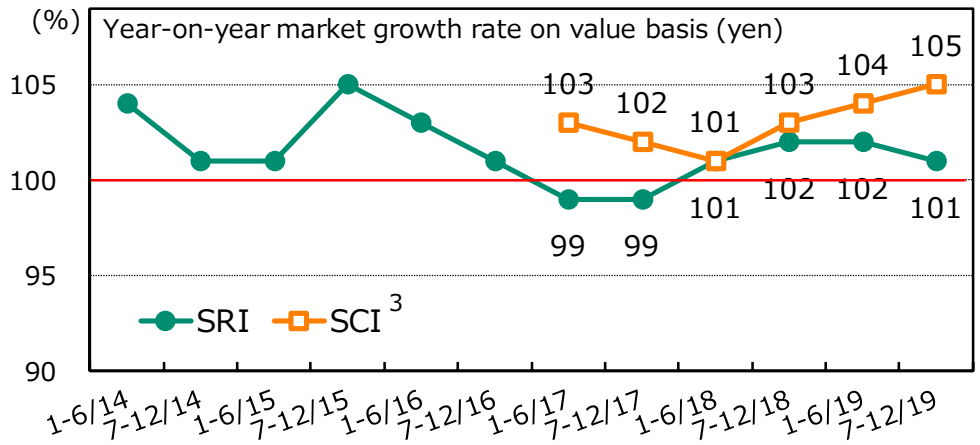
| | |
|---|---|
| Cosmetics: | The new growth strategy that started in fiscal 2018 has been proceeding favorably, and the Kao Group Mid-term Plan K20 targets of 300 billion yen in sales and a 10% operating margin were achieved one year ahead of schedule (FY2019: 301.5 billion yen, 13.7%). Sales of the eleven global strategy brands (G11) and eight regional strategy brands (R8) increased 18% and 8% year on year, respectively, and their shares of net sales were 55% and 25%, respectively. Sales and operating income continued to increase in Japan and Asia. Super-prestige brand *SENSAI*, which was rebranded in Europe, made a strong start and also began sales in Japan. |
| Skin Care and Hair Care: | In skin care products, sales and market share grew in Japan due to factors including the launch of new body cleanser *Bioré u The Body*. Sales were firm in Asia. In the Americas, sales decreased due to the impact of stiff competition.<br>In hair care products, sales of hair color products were strong in Japan, and *Oribe*, a brand for high-end hair salons, performed well in the Americas, but sales of shampoos and conditioners were unchanged due to the impact of continuing shrinkage of the mass market in Japan and Europe . |
| Human Health Care: | Both sales and operating income decreased for *Merries* baby diapers. Strong performance continued in Indonesia, and sales and market share both grew. In Japan, demand for the purpose of resale in the Chinese market fell, but share increased among domestic consumers. At Kao China, sales were on a recovery track as a result of strengthening of activities in the e-commerce channel, but price competition remained intense. Operating income decreased substantially, due in part to the depreciation of yuan and marketing expenditures.<br>Sales of *Laurier* sanitary napkins grew significantly, with strong performance in Japan and Asia. |
| Fabric and Home Care: | In Japan, sales grew with the launch of new laundry detergent *Attack ZERO*. Dishwashing detergent *CuCute* increased sales and market share despite the impact of stiff competition. In the Americas, Washing Systems, LLC, which was acquired in August 2018, contributed to growth in sales and operating income. |
| Chemical: | Sales decreased substantially due to selling price adjustments associated with a decline in prices for natural fats and oils, but operating income reached a record high for the fifth consecutive year due to promotion of high-value added products, among other factors. |



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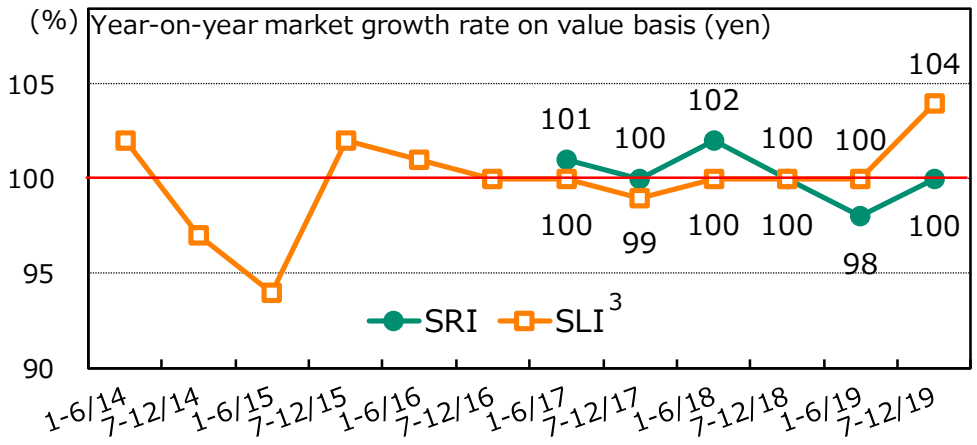
# Consumer Products Market in Japan

## Growth of household and personal care market[1]



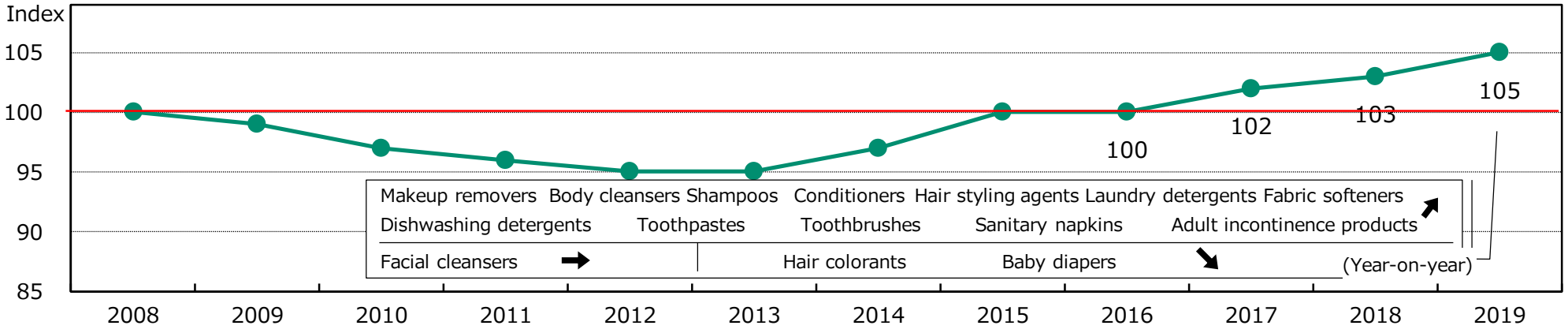

(Source: SRI POS data & SCI survey by INTAGE Inc.)

## Growth of cosmetics market[2]




(Source: SRI POS data & SLI survey by INTAGE Inc. based on Kao's definition)
(Survey does not include inbound demand)

## Consumer purchase price for 15 major household and personal care categories[4]




(Source: SRI POS data by INTAGE Inc.)

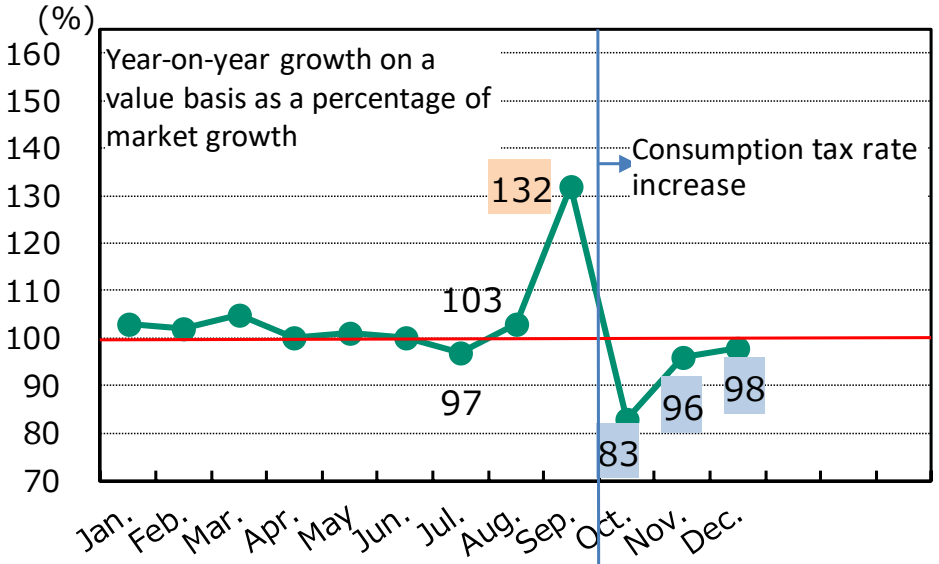
1. 82 major household and personal care product categories
2. 26 cosmetics product categories
3. SRI: Estimates based on POS data from approx. 3,000 retail outlets nationwide / SCI: Purchasing data from approx. 50,000 consumer monitors nationwide / SLI: Purchasing data for cosmetics, skin care and hair care products from approx. 40,000 female monitors nationwide
4. Index with January to December 2008 as 100



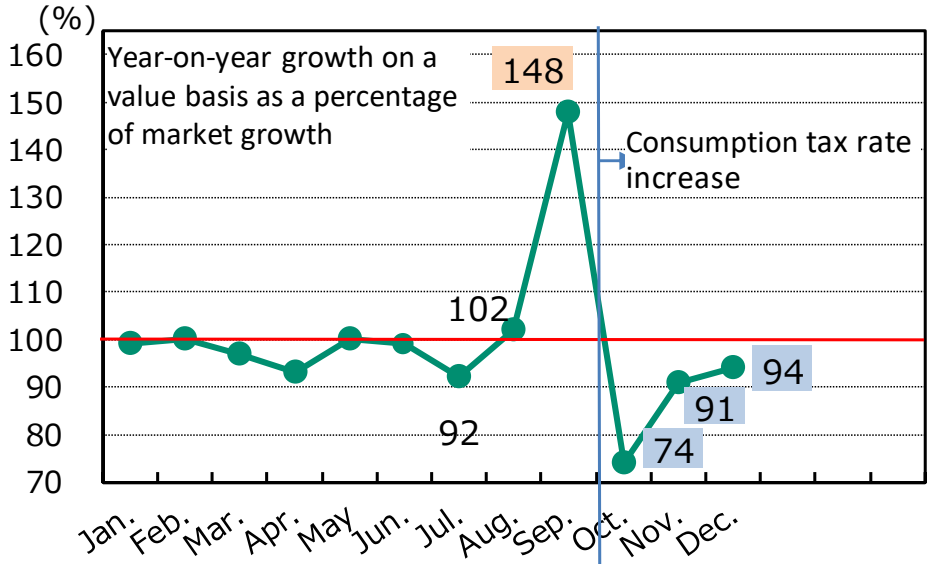
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# Consumer Products Market in Japan

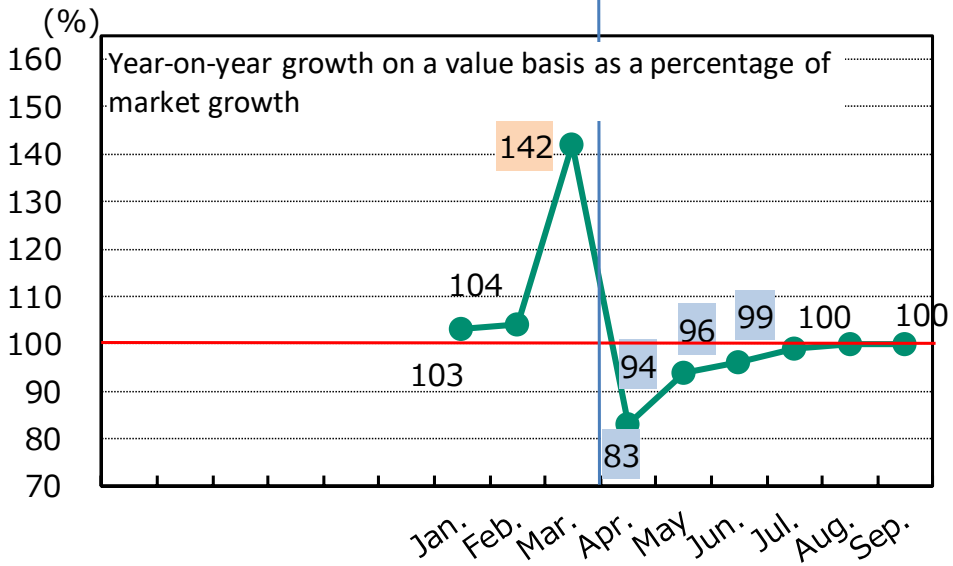
## Growth of household and personal care market

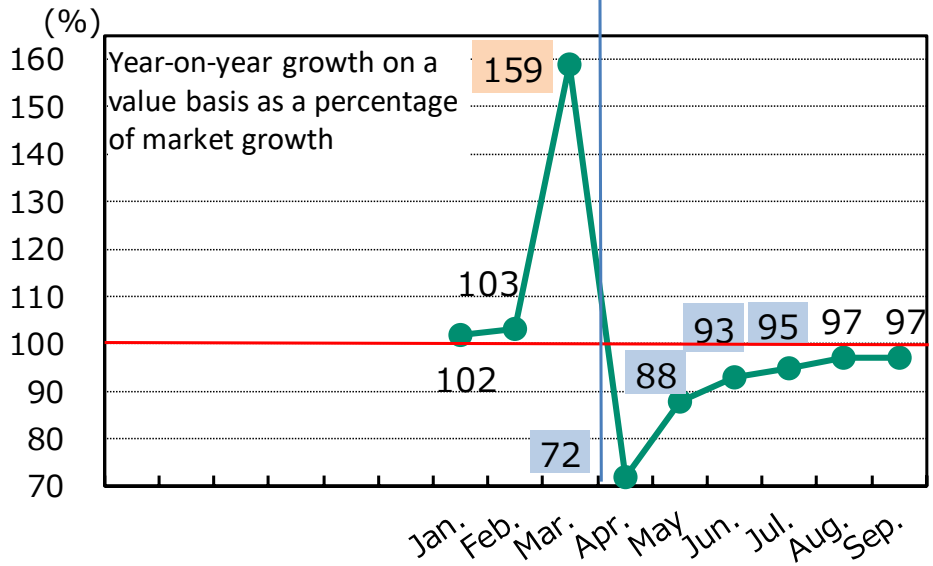



## Growth of cosmetics market




## Previous consumption tax rate increase (2014)




* Source: SRI (Estimates based on POS data from approx. 3,000 retail outlets nationwide) by INTAGE Inc.



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# Highlights of Consolidated Financial Results

## Consolidated Operating Results (Year ended December 31)

| (Billion yen) | FY2018 | FY2019 | Growth % | Change | vs.Forecast | FY2019 Forecast |
|---|---|---|---|---|---|---|
| Net sales | 1,508.0 | 1,502.2 | (0.4) | (5.8) | (77.8) | 1,580.0 |
| Effect of currency translation[1] | | | (1.1) | (17.0) | - | (14.9) |
| Like-for-like, excluding effect of currency translation | | | +0.7 | +11.2 | - | +86.9 |
| Operating income | 207.7 | 211.7 | +1.9 | +4.0 | (13.3) | 225.0 |
| Operating margin | 13.8% | 14.1% | - | - | - | 14.2% |
| Income before income taxes | 207.3 | 210.6 | +1.6 | +3.4 | (14.4) | 225.0 |
| Net income | 155.3 | 150.3 | (3.2) | (5.0) | - | - |
| Net income attributable to owners of the parent | 153.7 | 148.2 | (3.6) | (5.5) | (13.8) | 162.0 |
| EBITDA (Operating income + Depr. & amort.) | 268.4 | 277.2[2] | +3.3 | +8.9 | (12.8) | 290.0[2] |
| ROE(%) | 18.9 | 17.6 | - | - | - | 19.2 |
| Basic earnings per share (yen) | 314.25 | 306.70 | (2.4) | (7.55) | (28.53) | 335.23 |
| Cash dividends per share (yen) | 120.00 | 130.00 | - | +10.00 | - | 130.00 |

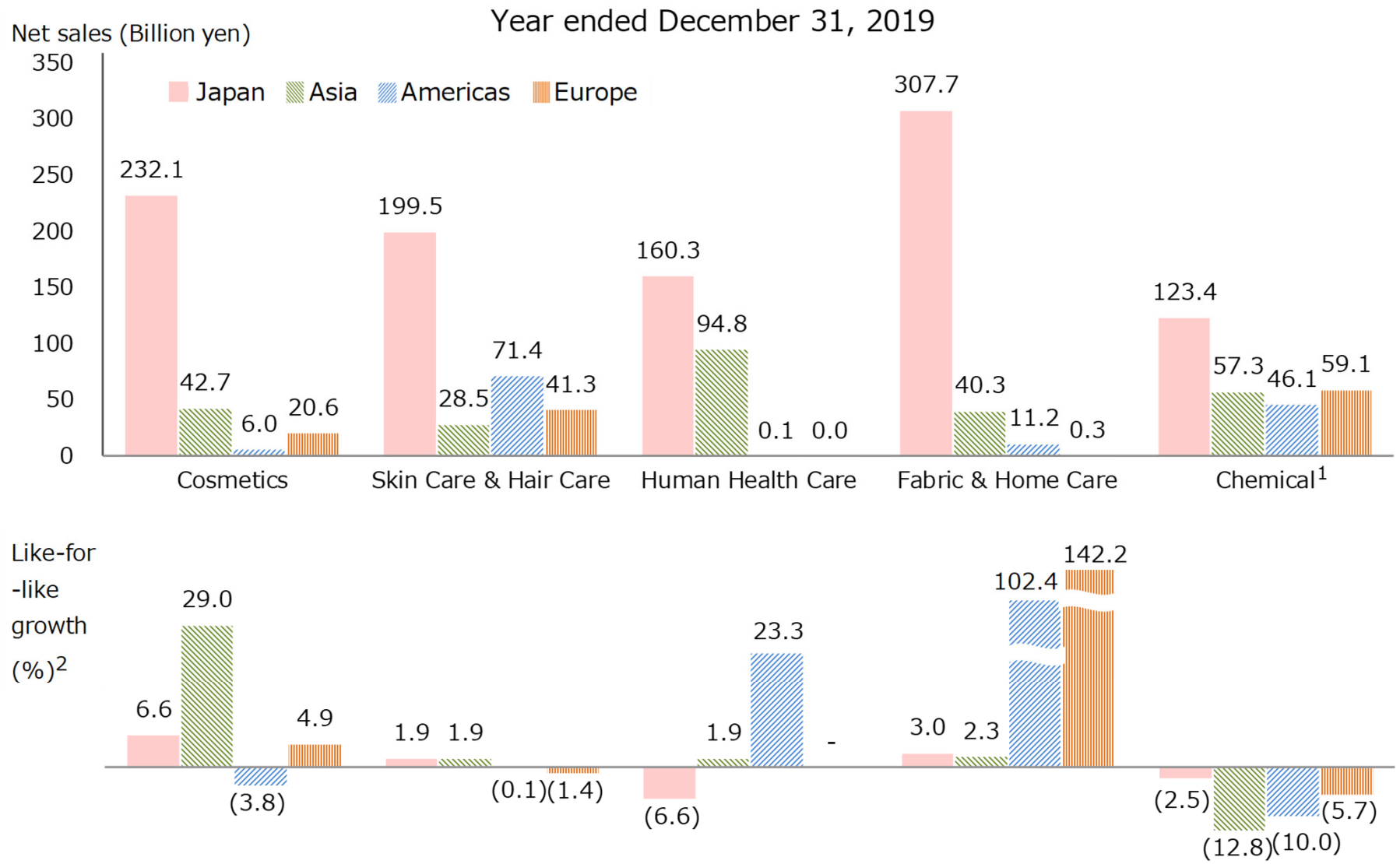
| | | | |
|---|---|---|---|
| Cash flow | Free cash flow[3] | 128.5 | billion yen |
| | Payments of cash dividends[4] | 61.8 | billion yen |
| | Purchase of treasury shares[5] | 50.0 | billion yen |

1. Exchange rates: 109.02 yen/USD, 122.07 yen/Euro, 15.79 yen/Yuan
2. Excluding depreciation of right-of-use assets
3. Free cash flow = Net cash flows from operating activities (adjusted for depreciation of right-of-use assets and other expenses) + Net cash flows from investing activities
4. Including payments of cash dividends to non-controlling interests
5. Excluding share repurchases of less than one trading unit



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# Consolidated Net Sales by Segment/Geographic Region




1. Net sales of the Chemical Business include intersegment transactions
2. Excluding the effect of currency translation

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

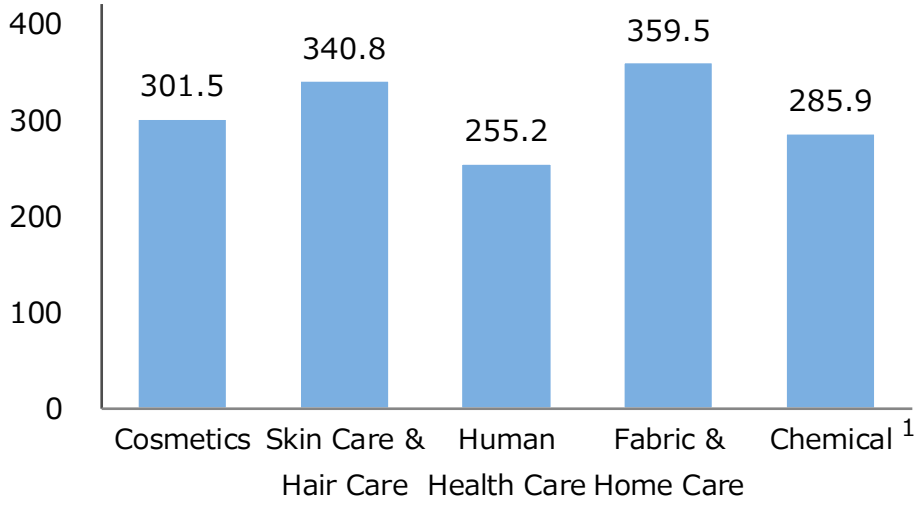


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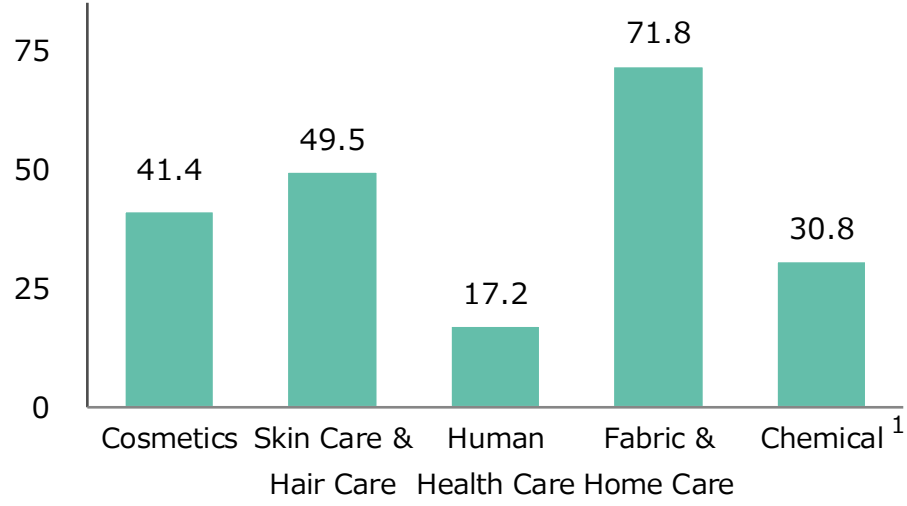
# Consolidated Results by Segment

Year ended December 31, 2019

Net sales (Billion yen)



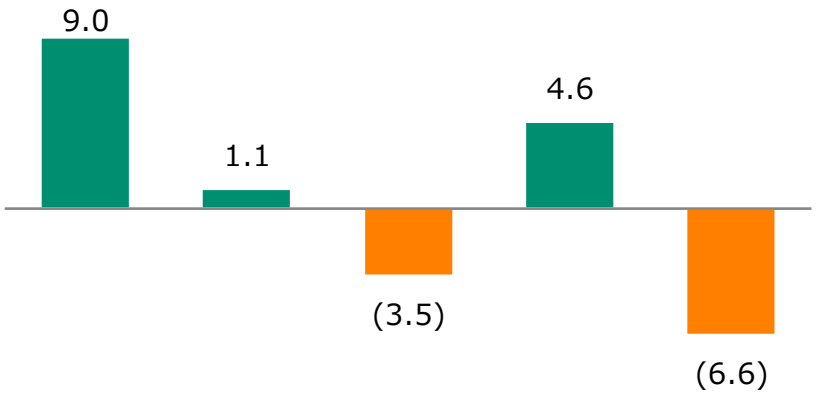

Operating income (Billion yen)



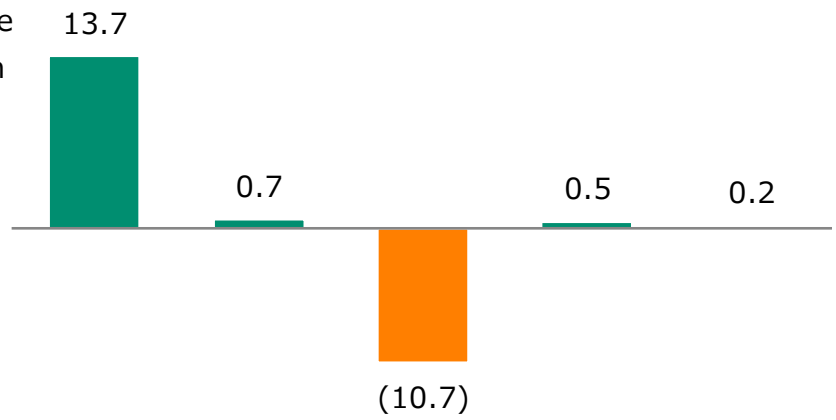

Operating margin (%)

| Cosmetics | Skin Care & Hair Care | Human Health Care | Fabric & Home Care | Chemical [1] |
|---|---|---|---|---|
| 13.7 | 14.5 | 6.7 | 20.0 | 10.8 |

Like-for-like growth (%)[2]




Change (Billion yen)




1. Net sales and operating income of the Chemical Business include intersegment transactions
2. Excluding the effect of currency translation



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# Consumer Products Business

| Year ended December 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Billion yen) | Net sales | | | | Operating income | | | Operating margin % | |
| | FY2018 | FY2019 | Growth % | Like-for-like %* | FY2018 | FY2019 | Change | FY2018 | FY2019 |
| Japan | 883.9 | 899.6 | 1.8 | 1.8 | 144.1 | 141.1 | (3.1) | 16.3 | 15.7 |
| Asia | 198.7 | 206.3 | 3.8 | 6.7 | 24.3 | 28.2 | 3.9 | 12.2 | 13.6 |
| Americas | 85.0 | 88.8 | 4.5 | 6.6 | 5.5 | 6.8 | 1.3 | 6.5 | 7.6 |
| Europe | 65.2 | 62.2 | (4.6) | 0.9 | 1.7 | 3.8 | 2.1 | 2.6 | 6.2 |
| Consumer Products Business | 1,232.9 | 1,257.0 | 2.0 | 2.9 | 175.7 | 179.9 | 4.2 | 14.3 | 14.3 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net sales growth rates of major companies (Like-for-like %*) | Kao China: | 11% | Kao Taiwan: | (2)% | Kao Vietnam: | 4% |
| | Kao Indonesia: | 16% | Kao Thailand: | (2)% | Kao Hong Kong: | (4)% |

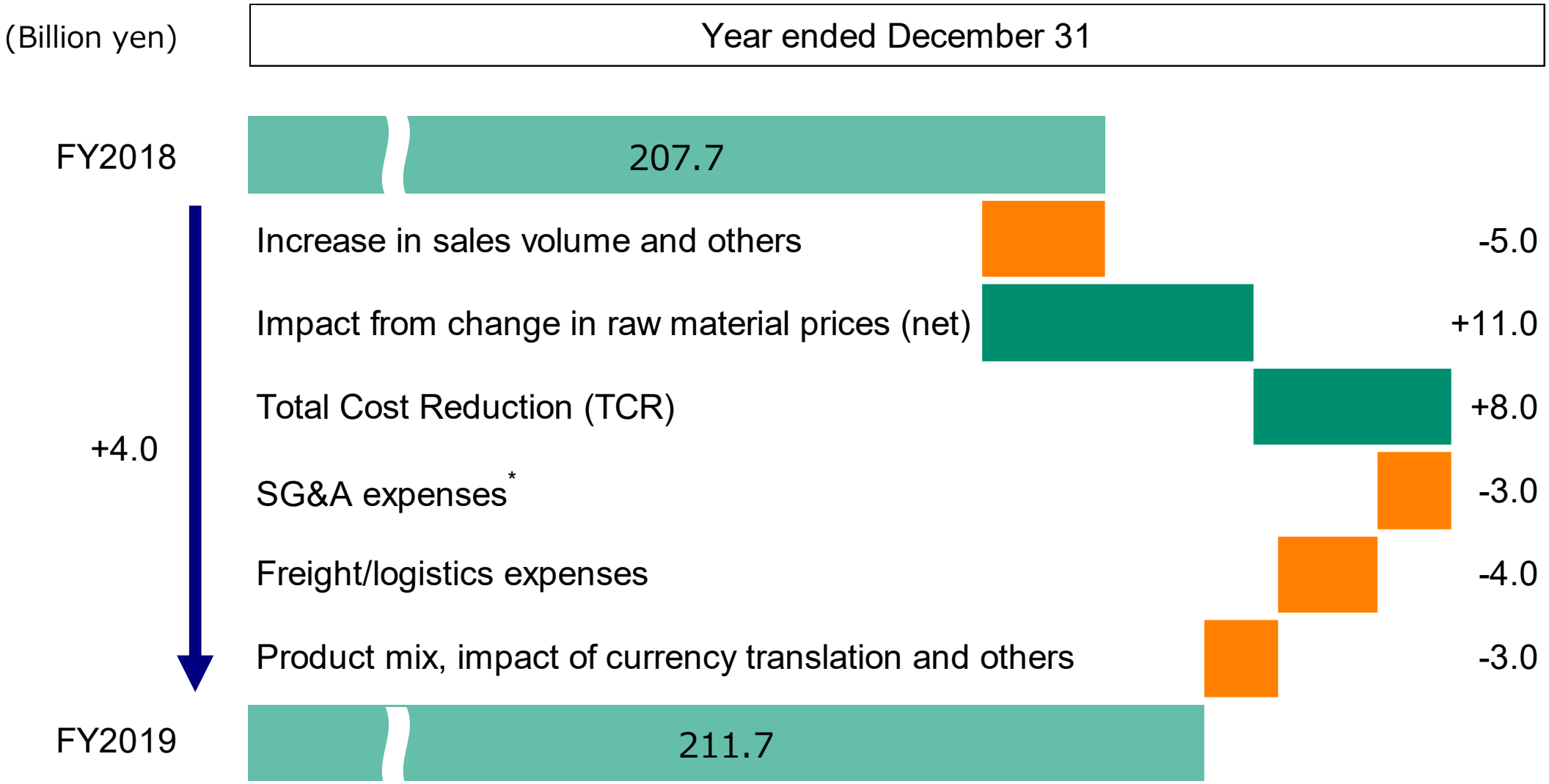
* Excluding the effect of currency translation

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



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# Analysis of Change in Consolidated Operating Income




* Excluding the effect of currency translation



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# Fiscal 2020 Initiatives

- Strengthen Kao's unique "ESG-driven *Yoki-Monozukuri**" activities
- Technology innovations that expand business fields and have a positive impact on people, society and the planet
- Revitalize the baby diaper business
- Further enhance the Cosmetics Business with the new growth strategy (started in 2018)
- In the skin care business, proactively respond to travelers coming to Japan to attend the Tokyo Olympics and Paralympics and for other reasons, and address the hot weather expected in Japan
- Bolster the Fabric and Home Care Business by strengthening *Attack ZERO* and other efforts
- Strengthen the Consumer Products Business in the Americas and Europe
- Promote high-value-added products in the Chemical Business

* The Kao Group defines *Yoki-Monozukuri* as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, *Yoki* literally means "good/excellent," and *Monozukuri* means "development/manufacturing of products."



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# Major Assumptions for FY2020 Forecast

- Year-on-year growth rate of household and personal care market size in value (yen) in Japan
- Year-on-year growth rate of cosmetics market size in value (yen) in Japan

] Flat

- Net sales ¥1,510.0 billion to ¥1,530.0 billion

| | | Growth |
|---|---|---|
| Effect of currency translation | +¥8.3 billion | +0.6% |
| Impact of change in method of recognizing sales [1] | -¥34.0 billion | -2.3% |
| Like-for-like growth excluding above impact | +¥33.5 billion to +¥53.5 billion | +2.3% to +3.6% |

| | | Estimated impact on income |
|---|---|---|
| Impact from change in raw material prices | Gross impact | -¥6.0 billion |
| | Net impact | -¥1.0 billion |
| Total Cost Reduction (TCR) activities | | +¥6.0 billion |
| Capital expenditures/depreciation and amortization | Capital expenditures [2] | ¥90.0 billion |
| | Depreciation and amortization [3] | ¥72.0 billion |

- Exchange rate assumptions

110 yen/USD (FY2019 actual exchange rate [average] 109.02 yen/USD)
125 yen/Euro (FY2019 actual exchange rate [average] 122.07 yen/Euro)
16 yen/Yuan (FY2019 actual exchange rate [average] 15.79 yen/Yuan)

1. As of the fiscal year ending December 31, 2020, the Company plans to change its method of recognizing sales for some transactions from the gross amount to the net amount.
2. Excluding right-of-use assets
3. Excluding depreciation of right-of-use assets



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# Consolidated Operating Results Forecast for FY2020

Fiscal year (January 1 to December 31)

| (Billion yen) | FY2019 | Growth % | FY2020 (Forecast) | Growth % | Growth % | Change | Change |
|---|---|---|---|---|---|---|---|
| Net sales | 1,502.2 | (0.4) | 1,510.0 to 1,530.0 | +0.5 to +1.8 | | +7.8 to +27.8 | |
| Effect of currency translation[1] | | | | +0.6 | | +8.3 | |
| Impact of change in method of recognizing sales [2] | | | | (2.3) | | (34.0) | |
| Like-for-like growth excluding above impact | | | | +2.3 to +3.6 | | +33.5 to +53.5 | |
| Operating income | 211.7 | +1.9 | 220.0 to 230.0 | +3.9 to +8.6 | | +8.3 to +18.3 | |
| Operating margin | 14.1% | - | 14.6% to 15.0% | - | | - | |
| Income before income taxes | 210.6 | +1.6 | 220.0 to 230.0 | +4.4 to +9.2 | | +9.4 to +19.4 | |
| [% of Net sales] | 14.0% | - | 14.6% to 15.0% | - | | - | |
| Net income attributable to owners of the parent | 148.2 | (3.6) | 154.0 to 161.0 | +3.9 to +8.6 | | +5.8 to +12.8 | |
| [% of Net sales] | 9.9% | - | 10.2% to 10.5% | - | | - | |
| EBITDA (Operating income + Depr. & amort.)[3] | 277.2 | +3.3 | 292.0 to 302.0 | +5.3 to +8.9 | | +14.8 to +24.8 | |
| ROE | 17.6% | - | 17.1% to 17.8% | - | | - | |
| Basic earnings per share (yen) | 306.70 | (2.4) | 320.22 to 334.78 | +4.4 to +9.2 | | +13.52 to +28.08 | |
| Cash dividends per share (yen) | 130.00 | - | 140.00 | - | | +10.00 | |

1. Exchange rate assumptions: 110 yen/USD, 125 yen/Euro, 16 yen/Yuan
2. As of the fiscal year ending December 31, 2020, the Company plans to change its method of recognizing sales for some transactions from the gross amount to the net amount.
3. Excluding depreciation of right-of-use assets



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# Sales Forecast for FY2020

## Consolidated Net Sales (Year ending December 31)

| FY2020 (Forecast) (Billion yen) | Japan | | Consolidated | |
|---|---|---|---|---|
| | | Growth (%) | | Like-for-like growth (%)[1] |
| Cosmetics Business | 241.0 | 3.8 | 319.0 | 5.1 |
| Skin Care and Hair Care Business[2] | 170.0 | 2.7 | 317.0 | 2.8 |
| Human Health Care Business | 162.0 | 1.1 | 264.0 | 2.7 |
| Fabric and Home Care Business | 316.0 | 2.7 | 369.0 | 2.6 |
| Consumer Products Business | 889.0 | 2.7 | 1,269.0 | 3.3 |
| Chemical Business[3] | | | 309.0 | 7.1 |
| Consolidated | | | 1,530.0 | 3.6 |

| | Consolidated | |
|---|---|---|
| | | Like-for-like growth (%)[1] |
| Japan[2] | 975.0 | 2.3 |
| Asia | 282.0 | 6.6 |
| Americas | 146.0 | 7.2 |
| Europe | 127.0 | 4.0 |
| Consolidated | 1,530.0 | 3.6 |

1. Excluding the effect of currency translation
2 As of the fiscal year ending December 31, 2020, the Company plans to change its method of recognizing sales for some transactions from the gross amount to the net amount.
3. Net sales of the Chemical Business include intersegment transactions

Calculated based on net sales of 1,530.0 billion yen as stated in the forecast of consolidated operating results for FY2020

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



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# Appendices



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# Results of Non-financial Activities

ESG activities (announcement of strategy and determination to implement it), realization of technology innovations, promotion of women's participation and advancement in the workplace, expansion of the GENKI Project to help employees and their family members stay healthy, enhancement of social contribution activities, etc.

## A Year of Major Accomplishments

| Category | Type | Region | Name | Evaluation Range | Kao | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2016 | 2017 | 2018 | 2019 |
| ESG | Index | Global | DJSI World | Selection<br>Top 10% of sector | ● | ● | ● | ● |
| | | | MSCI ESG Leaders Indexes | CCC, B, BB, BBB, A, AA, AAA<br>7 levels (Selected from BB or higher) | ● BBB | ● BBB | ● A | ● AA |
| | | | FTSE4Good Index Series | Selection | ● | ● | ● | ● |
| E | Evaluation | Global | CDP (Climate Change) | A⁻, A : Leadership<br>B⁻, B : Management<br>C⁻, C : Awareness<br>D⁻, D : Information disclosure<br>F : Not submitted<br><br>9 lebels | A⁻ | A⁻ | A⁻ | A |
| | | | CDP (Water Security) | | A⁻ | A | A | A |
| | | | CDP (Forests, Timber) | | A⁻ | A⁻ | A⁻ | Not announced |
| | | | CDP (Forests, Palm Oil) | | A⁻ | A⁻ | A⁻ | Not announced |
| | | | CDP (Supply Chain) | | A | A | A | Not announced |
| S | Index | Global | Bloomberg Gender-Equality Index | Selection | | | ● | ● |
| G | Evaluation | Global | World Most Ethical Companies | Selection | ● | ● | ● | Not announced |

## Main Awards in Japan

- Health and Productivity Management Brand for the fifth consecutive year
- Prime Minister's Award for Leading Companies Where Women Shine
- Minister of Economy, Trade and Industry Award at the Green Sustainable Chemistry Awards
- Minister of the Environment Award in the Innovation Category at the UMIGOMI* Zero Awards
- Prime Minister's Prize at the 3Rs Promotion Merit Awards
- Best IR Award from Japan Investor Relations Association and others

* umigomi in Japanese; umi = marine, gomi= litter



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# Major ESG Investment Indices and Evaluations from External Organizations

## ESG indices for which Kao has been selected

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

MSCI 2019 Constituent MSCI ESG Leaders Indexes

included in ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Global

EURONEXT vigeo eiris INDICES WORLD 120

S&P/JPX カーボン エフィシェント 指数

FTSE4Good

FTSE Blossom Japan

MSCI MSCI Japan ESG Select Leaders Index

MSCI MSCI Japan Empowering Women Index (WIN)

2020 Bloomberg Gender-Equality Index

ECPI Sense in sustainability

Corporate ESG Performance Prime RATED BY ISS ESG

## Evaluations from/activities with external organizations

2019 WORLD'S MOST ETHICAL COMPANIES® WWW.ETHISPHERE.COM

CDP DISCLOSURE INSIGHT ACTION A LIST 2019 CLIMATE

CDP DISCLOSURE INSIGHT ACTION A LIST 2019 WATER

CDP DISCLOSURE INSIGHT ACTION SUPPLIER ENGAGEMENT LEADER 2019

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

GOLD 2019 ecovadis CSR Rating

2020 GLOBAL100

CLean Ocean Material Alliance

DBJ健康格付 2016

2019 健康経営銘柄 Health and Productivity

2019 健康経営優良法人 Health and productivity ホワイト500

SPORTS YELL COMPANY 令和元年度認定

DIVERSITY MANAGEMENT SELECTION 100 2013 NADESHIKO semi 2019

プラチナくるみん 子育てサポートしています

NIKKEI Smart Work ★★★★½ 2020 Best 50

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

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# Use of Cash Flow* and Shareholder Returns

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

- Investment for future growth (capital expenditures, M&A, etc.)
- Steady and continuous cash dividends (40% payout ratio target)
- Share repurchases and early repayment of interest-bearing debt including borrowings

* Net cash flows from operating activities



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# Business Segments and Main Product Categories

## Consumer Products Business

### Cosmetics Business

Counseling cosmetics, Self-selection cosmetics



FY2019

| | |
|---|---|
| Net sales: | ¥301.5 billion |
| Like-for-like growth:[1] | +9.0% |
| Share of net sales: | 20.1% |
| Operating margin: | 13.7% |

### Skin Care and Hair Care Business

Skin care products, Hair care products,
Professional hair care products




FY2019

| | |
|---|---|
| Net sales: | ¥340.8 billion |
| Like-for-like growth:[1] | +1.1% |
| Share of net sales: | 22.7% |
| Operating margin: | 14.5% |

### Human Health Care Business

Beverages, Oral care, Sanitary products, Blood circulation enhancement products (incl. bath additives and thermal pads)




FY2019

| | |
|---|---|
| Net sales: | ¥255.2 billion |
| Like-for-like growth:[1] | -3.5% |
| Share of net sales: | 17.0% |
| Operating margin: | 6.7% |

### Fabric and Home Care Business

Laundry detergents, Fabric treatments, Products for kitchen, bath, toilet and living room care




FY2019

| | |
|---|---|
| Net sales: | ¥359.5 billion |
| Like-for-like growth:[1] | +4.6% |
| Share of net sales: | 23.9% |
| Operating margin: | 20.0% |

## Chemical Business

Oleo chemicals,
Performance chemicals,
Specialty chemicals




FY2019

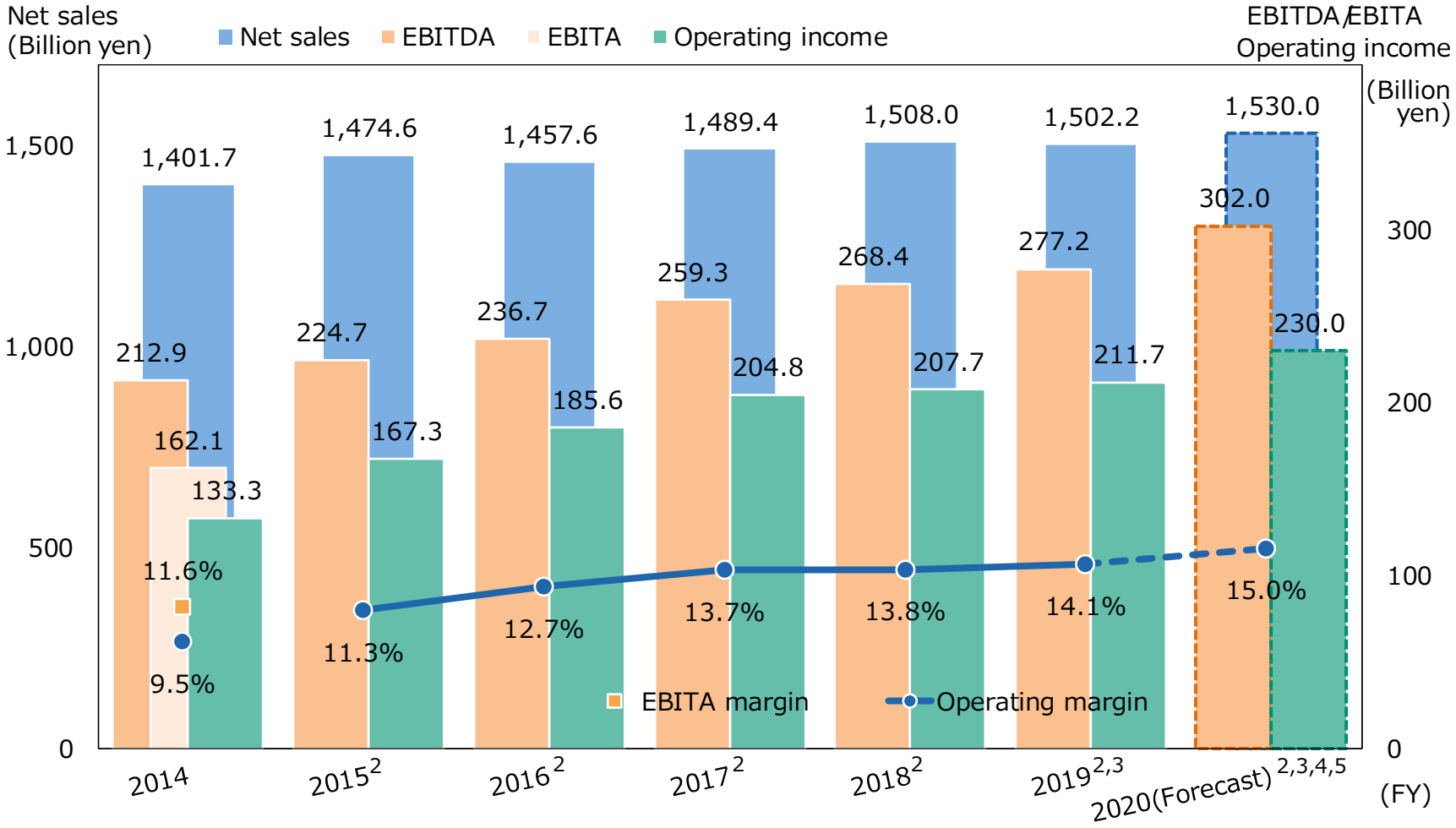
| | |
|---|---|
| Net sales: | ¥285.9 billion[2] |
| Like-for-like growth:[1] | -6.6% |
| Share of net sales:[3] | 16.3% |
| Operating margin: | 10.8% |

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



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# Consolidated Net Sales/EBITDA/EBITA[1]/Operating Income

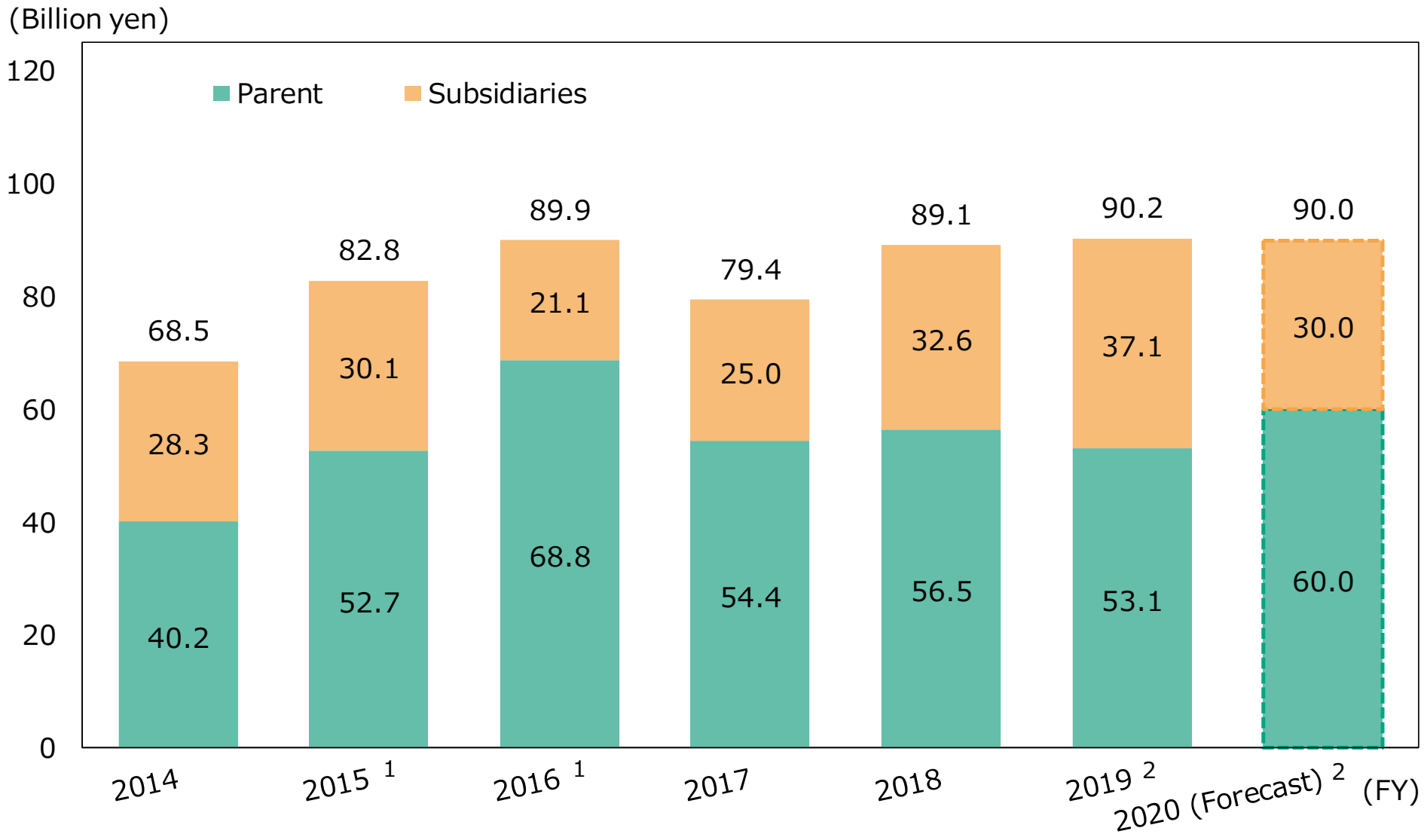



1. Operating income before amortization of goodwill and intellectual property rights related to M&A
2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS. EBITA is not presented from FY2015 because amortization of goodwill has been discontinued under IFRS.
3. EBITDA excludes depreciation of right-of-use assets
4. Calculated based on net sales of 1,530.0 billion yen as stated in the forecast of consolidated operating results for FY2020
5. As of the fiscal year ending December 31, 2020, the Company plans to change its method of recognizing sales for some transactions from the gross amount to the net amount.



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# Capital Expenditures

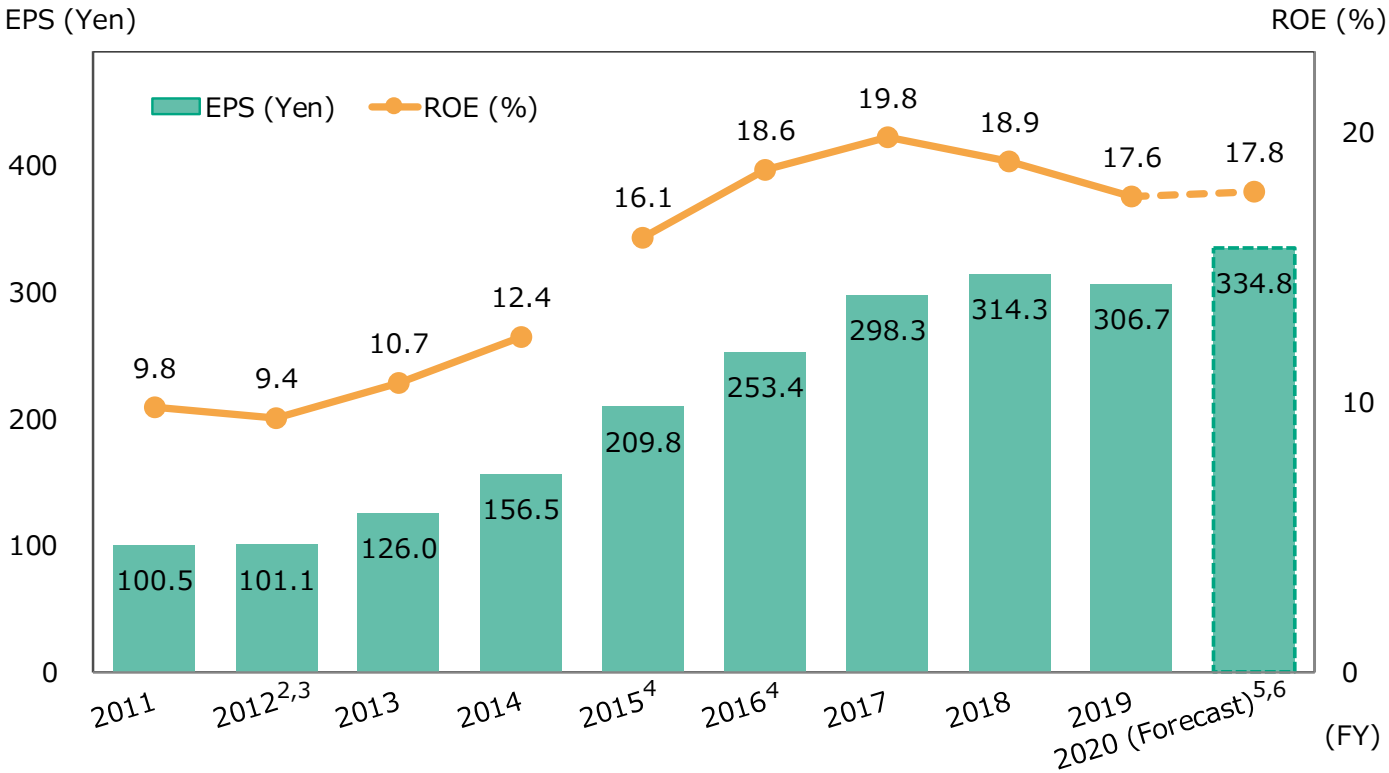



1. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS.
2. Excluding right-of-use assets



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# ROE & EPS[1]



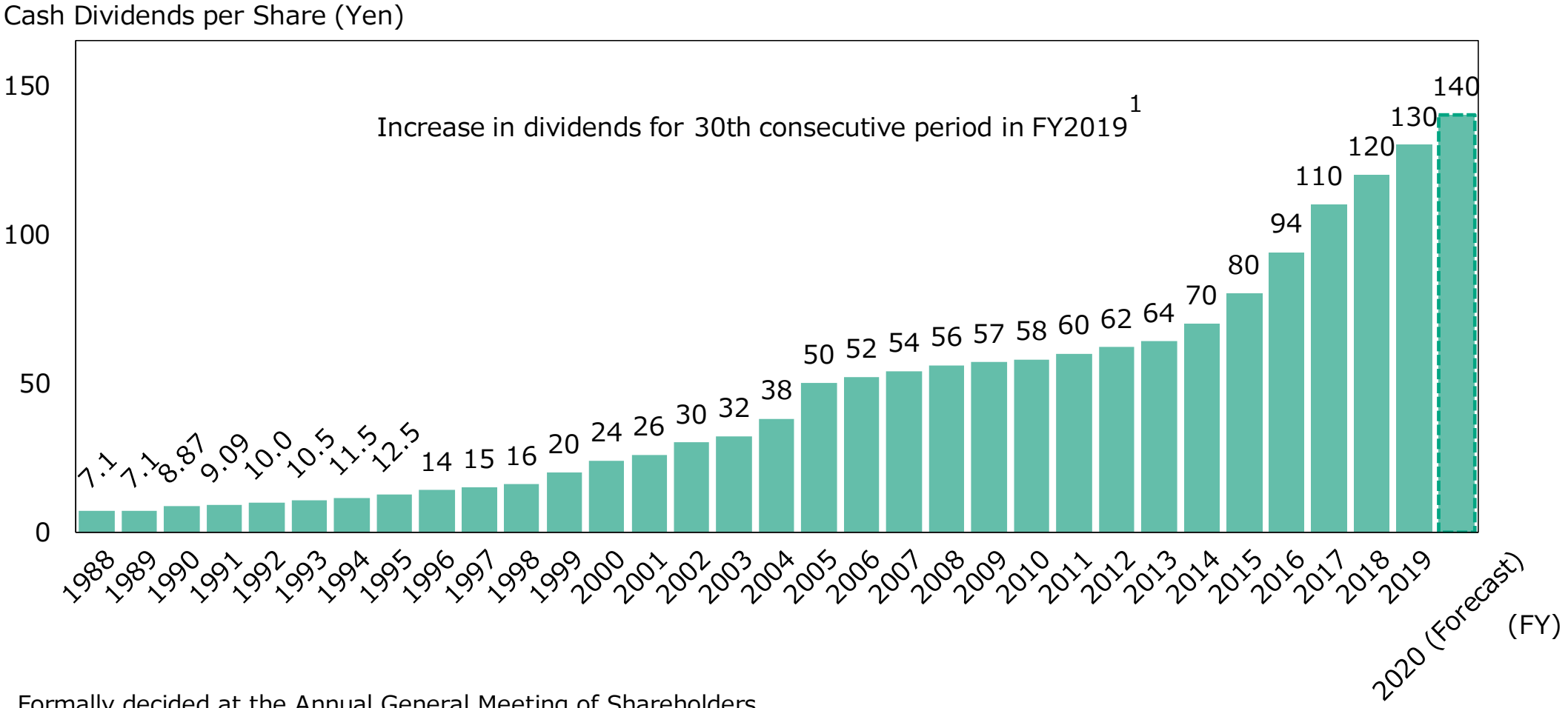

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Weighted average number of shares outstanding (Million shares) | 521.9 | 521.8 | 513.9 | 508.7 | 501.4 | 499.4 | 492.8 | 489.1 | 483.3 | 480.9 |
| Net income [J-GAAP] / Net income attributable to owners of the parent [IFRS] (Billion yen) | 52.4 | 52.8 | 64.8 | 79.6 | 105.2 | 126.6 | 147.0 | 153.7 | 148.2 | 161.0 |

1. Net income per share [J-GAAP] / Basic earnings per share [IFRS]
2. 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).
3. ROE of FY2012 is for the transitional period connected with the change in fiscal year end
4. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS.
5. Calculated based on net sales of 1,530.0 billion yen as stated in the forecast of consolidated operating results for FY2020
6. As of the fiscal year ending December 31, 2020, the Company plans to change its method of recognizing sales for some transactions from the gross amount to the net amount.



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# Cash Dividends per Share

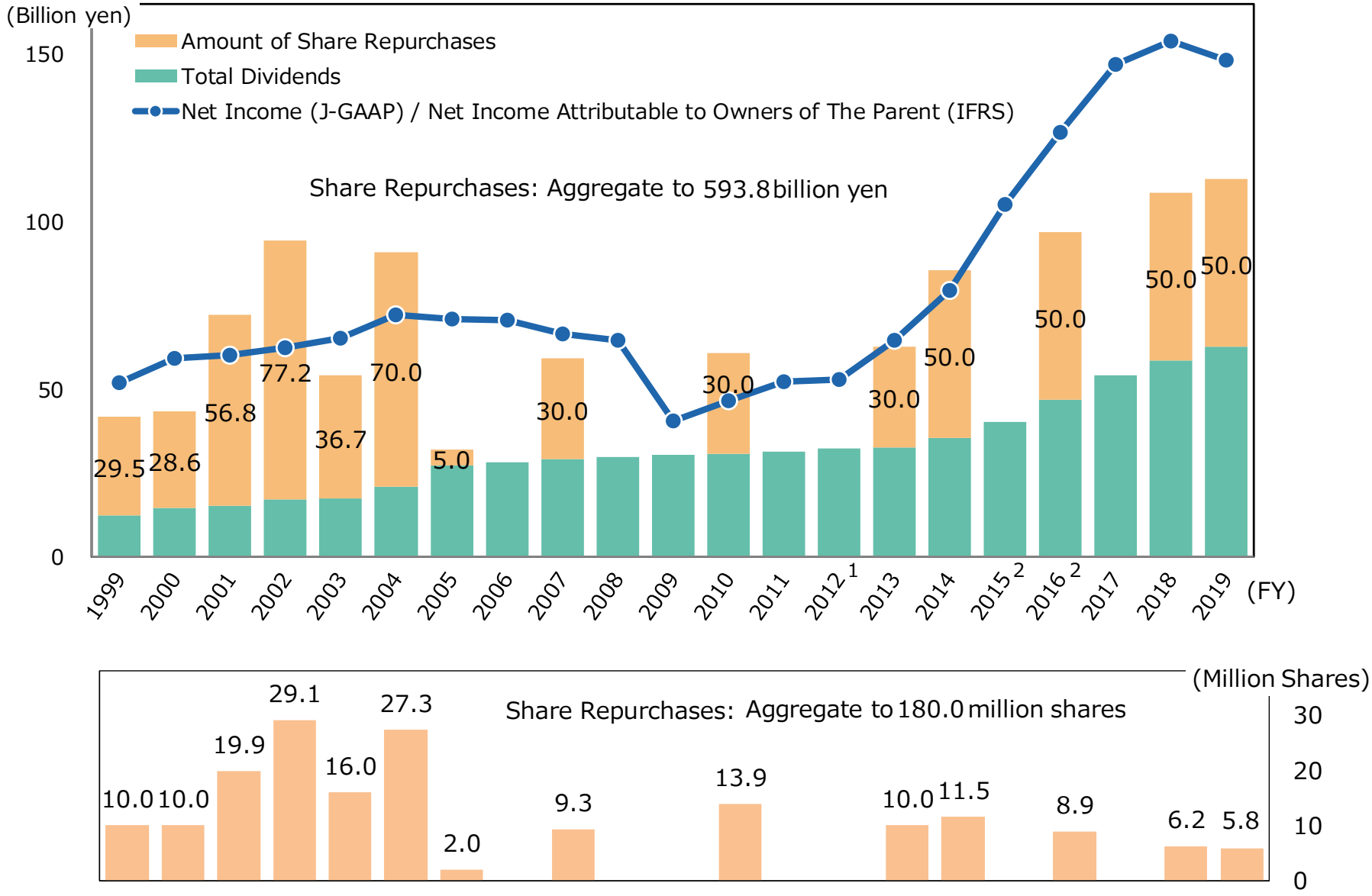



1. Formally decided at the Annual General Meeting of Shareholders
Impacts of share splits are retroactively reflected



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# Shareholder Returns

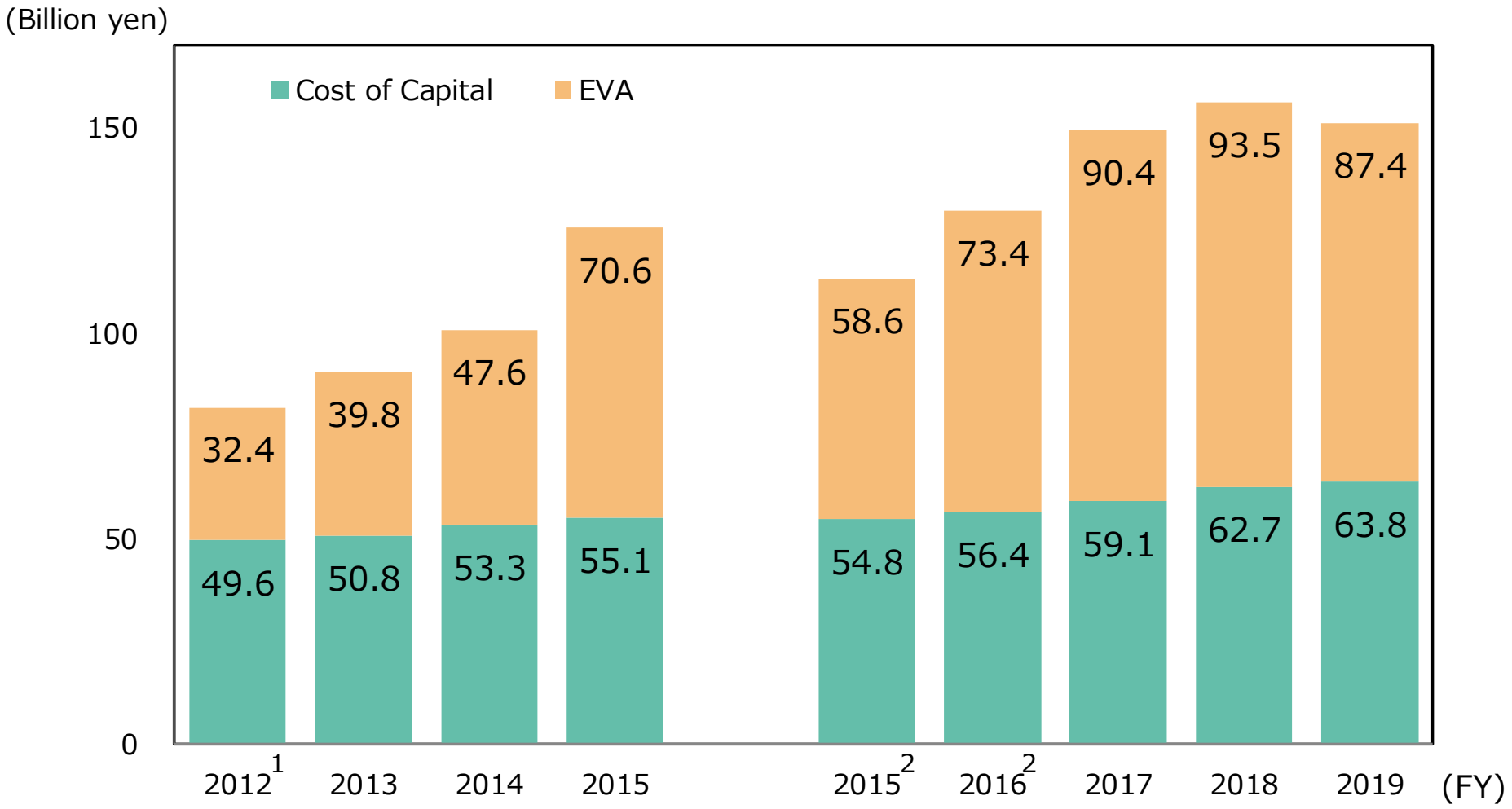



1. Fiscal year end changed from March 31 to December 31 in FY2012 (FY2012 results are for the nine-month period from April to December for Group companies whose fiscal year end was previously March 31 and the twelve-month period from January to December for Group companies whose fiscal year end was December 31).
2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS.



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# EVA




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.



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# Impact of Adoption of IFRS 16

The Kao Group adopted IFRS 16 “Leases” in the year ended December 31, 2019.
For lease contracts previously accounted for as operating leases, right-of-use assets and lease liabilities are recognized in the consolidated statement of financial position.

Amount of transition at beginning of the year

(Billion yen)

| Consolidated Statement of Financial Position | | | |
|---|---|---|---|
| Assets | | Liabilities and equity | |
| **Right-of-use assets** | **+171.9** | **Lease liabilities** | **+167.4** |
| **Other** | **-6.4** | **Other** | **-1.9** |
| Total impact of IFRS 16 Adoption | +165.5 | | +165.5 |

The impact of this change on the consolidated statement of income and consolidated statement of cash flows for the year ended December 31, 2019 is shown below.

| Consolidated Statement of Income | | |
|---|---|---|
| Net sales | - | |
| Lease payments | +21.7 | (Decrease) |
| Depreciation and other expenses | -20.9 | (Increase) |
| **Operating income** | **+0.8** | |
| Financial expenses (Interest expenses) | -1.6 | (Increase) |
| **Income before income taxes** | **-0.8** | |

| Consolidated Statement of Cash Flows | |
|---|---|
| Income before income taxes | -0.8 |
| Depreciation and other expenses | +20.9 |
| **Net cash flows from operating activities** | **+20.1** |
| Net cash flows from investing activities | - |
| Repayments of lease liabilities | -20.1 |
| **Net cash flows from financing activities** | **-20.1** |
| Net increase (decrease) in cash and cash equivalents | - |



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