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Kirei—Making Life Beautiful

Consolidated Financial Results for the Six Months Ended June 30, 2022 and FY2022 Forecast

Kao Corporation
August 3, 2022



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

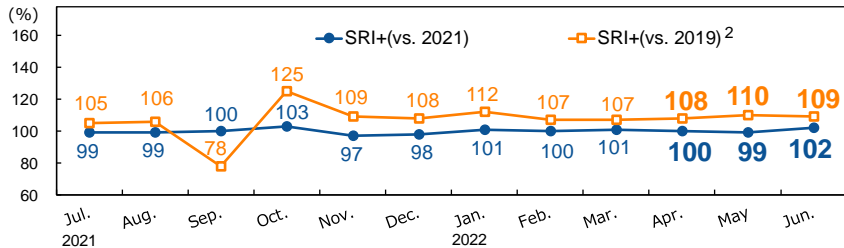
Notes:

1. Numbers in parentheses in charts are negative.
2. Year on year growth rates for net sales are all like-for-like, excluding the effect of translation of local currencies into Japanese yen.
3. Changes and comparisons are all with the same period a year earlier unless otherwise noted.

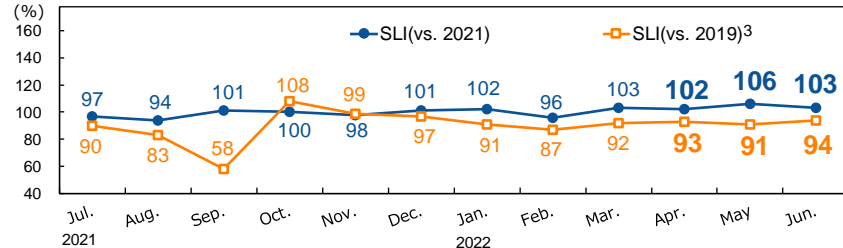
Consumer Products Market in Japan

- ◆ H&PC Market: Market recovery in Q2 continued from Q1, with 1% growth year on year.
- ◆ Cosmetics Market: Q2 growth was 3% year on year. Base makeup, point makeup and UV care products drove a recovery trend due to an increase in people going out.

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



■ Growth of Cosmetics Market (26 categories)



■ Market Growth Rates of Major H&PC Categories

(vs. previous year) (vs. 2019)

	22 Q1	22 Q2			22 Q2	
		Apr.	May	Jun.		
H&PC total	101	101	100	99	102	109
Laundry detergents	104	103	101	103	105	113
Fabric softeners	105	102	102	101	102	114
Bath cleaning products	108	105	105	103	106	122
Sanitary napkins	102	101	100	102	102	102
Baby diapers	94	94	95	89	98	83
Hand soap	94	95	95	94	95	132
Hand sanitizers	61	57	59	52	63	557
Bath additives	104	97	97	96	99	125

■ Market Growth Rates of Major Cosmetics Categories

(vs. previous year) (vs. 2019)

	22 Q1	22 Q2			22 Q2	
		Apr.	May	Jun.		
Cosmetics total	101	103	102	106	103	93
Skin care products	100	101	100	103	100	99
Facial cleansers / Makeup remover	102	102	100	105	102	95
Serum	98	100	98	102	100	101
Makeup products	104	110	107	109	114	78
Base makeup	100	109	105	107	116	73
Point makeup	107	111	110	110	112	84
Other	97	107	103	117	102	98
UV care	106	117	117	127	108	106

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

(Source: INTAGE Inc.)

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

Main Markets in Asia

- ◆ China : Sales in each category decreased year on year due to lockdowns in response to the COVID-19 pandemic.
- ◆ Indonesia : The number of infections decreased, and the movement of people continued to increase from Q1. The market also continued to expand.
- ◆ Thailand : The number of infections decreased, and the movement of people recovered. The market continued a trend from recovery to expansion.

<Market Growth Rate (%)>

	China (including e-commerce)					Indonesia					Thailand				
	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2
Baby diapers	105	99	93	97	92	117	109	108	108	107	99	88	87	95	96
Sanitary napkins and panty liners	102	101	102	96	97	119	112	114	116	116	106	91	92	100	112
Laundry detergents						107	107	109	118	115	95	79	81	87	109
UV care	128	103	110	99	75						90	68	91	104	137
House cleaning products											102	113	95	105	106

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

Main Markets in the Americas and Europe

The number of infections decreased from Q1, and in tandem the movement of people was in a recovery trend. Many categories grew year on year in the markets Kao has entered.

<Market Growth Rate (%)>

	U.S.					U.K.					Germany				
	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2
Hair care	105	108	109	103	104	110	103	105	106	106	108	110	106	108	109
Facial cleanser	100	102	101	99	101						103	101	90	89	94
Deodorant	115	112	110	111	115										
Hand and body lotions	110	108	107	106	105										

Source: NielsenIQ/IRI (Results for Germany up to June 19, 2022)

Highlights of Consolidated Financial Results

Six months ended June 30

(Billion yen)	FY2021	FY2022	Growth %	Change
Net sales	675.2	733.9	+8.7	+58.7
	Effect of currency translation ¹		+4.5	+30.5
		Like-for-like growth	+4.2	+28.2
Operating income	70.6	53.7	(23.9)	(16.9)
Operating margin(%)	10.4	7.3	-	-
Income before income taxes	74.1	60.5	(18.4)	(13.7)
Net income	53.5	39.8	(25.6)	(13.7)
Net income attributable to owners of the parent	52.5	38.9	(26.0)	(13.7)
EBITDA (Operating income + Depr. & amort.) ²	105.1	88.5	(15.8)	(16.6)
Basic earnings per share (yen)	110.12	82.17	(25.4)	(27.95)
Cash dividends per share (yen)	72.00	74.00	-	+2.00

Cash flow	Adjusted free cash flow ³	(23.4) billion yen
	Payments of cash dividends ⁴	34.4 billion yen

1. Exchange rates: 123.05 yen/USD, 134.33 yen/Euro, 18.98 yen/Yuan
2. Excluding depreciation of right-of-use assets
3. 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.
4. Includes payments of cash dividends to non-controlling interests

Overview of Consolidated Results

The Kao Group conducted strategic price increases for H&PC products and aggressively implemented cost structure reforms and Total Cost Reduction (TCR) activities. Despite the start of measures to outperform the competition in H&PC in Japan, net sales increased but operating income decreased year on year due to factors including hikes in raw material prices which we assumed as an upper limit and the impact of lockdowns in China.

Net Sales **733.9 billion yen (+8.7%)** +4.2% on a like-for-like basis

Operating Income **53.7 billion yen (-16.9 billion yen) 7.3% operating margin**

Positive factors	Negative factors
<ul style="list-style-type: none"> ● Strategic price increases of H&PC products ● Measures to outperform the competition in H&PC in Japan ● Adjustments of selling prices in the Chemical Business ● Cost structure reforms and TCR 	<ul style="list-style-type: none"> ● Hikes in raw material prices Gross: (52.0) billion yen Net*: (18.0) billion yen ● Logistics disruptions in the U.S. ● Lockdowns in China

* Offsetting with adjustments of selling prices in the Chemical Business

Net income attributable to owners of the parent **38.9 billion yen (-13.7 billion yen)**

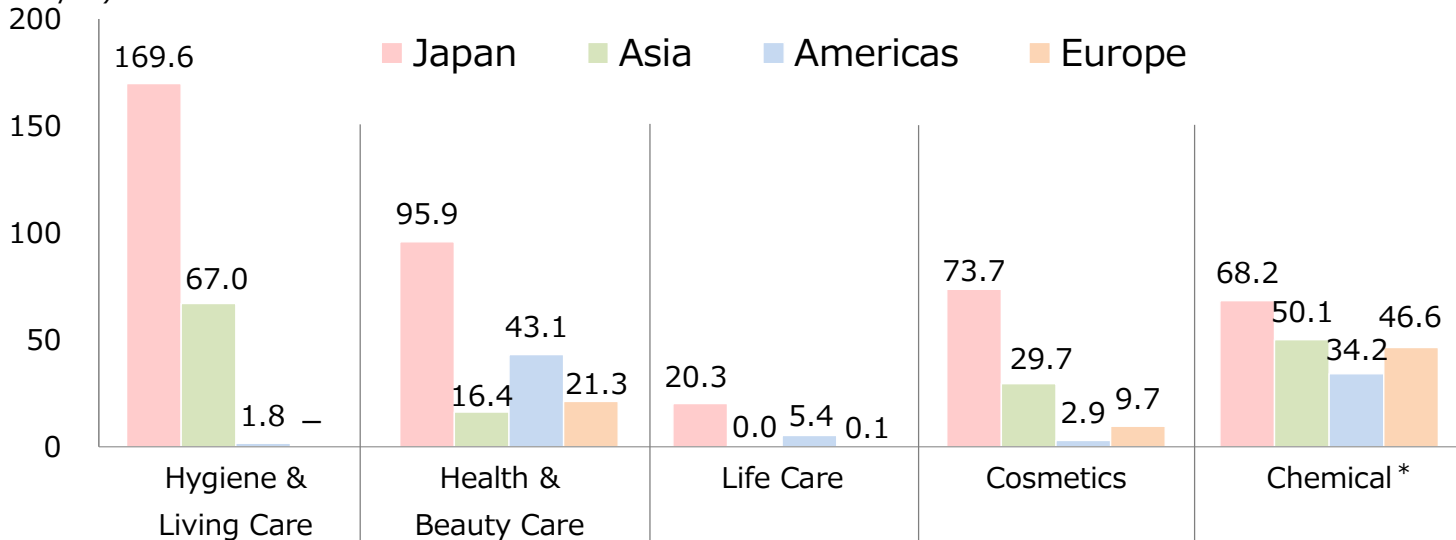
The direct impact of the Russia-Ukraine crisis on the business was immaterial.

Shareholder Returns

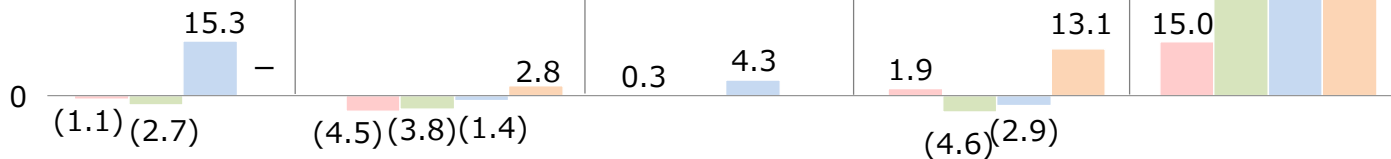
- Stock repurchase based on a resolution of the Board of Directors at a meeting on May 11, 2022
Period: From May 12, 2022 to August 31, 2022/Total amount: Up to 50 billion yen
Total numbers of shares: Up to 12 million shares
- Interim cash dividend for FY2022
74 yen per share, an increase of 2 yen per share, in line with the announced forecast

Consolidated Net Sales by Segment/Geographic Region (Six months ended June 30, 2022)

Net sales
(Billion yen)



Like-for-like
growth(%)



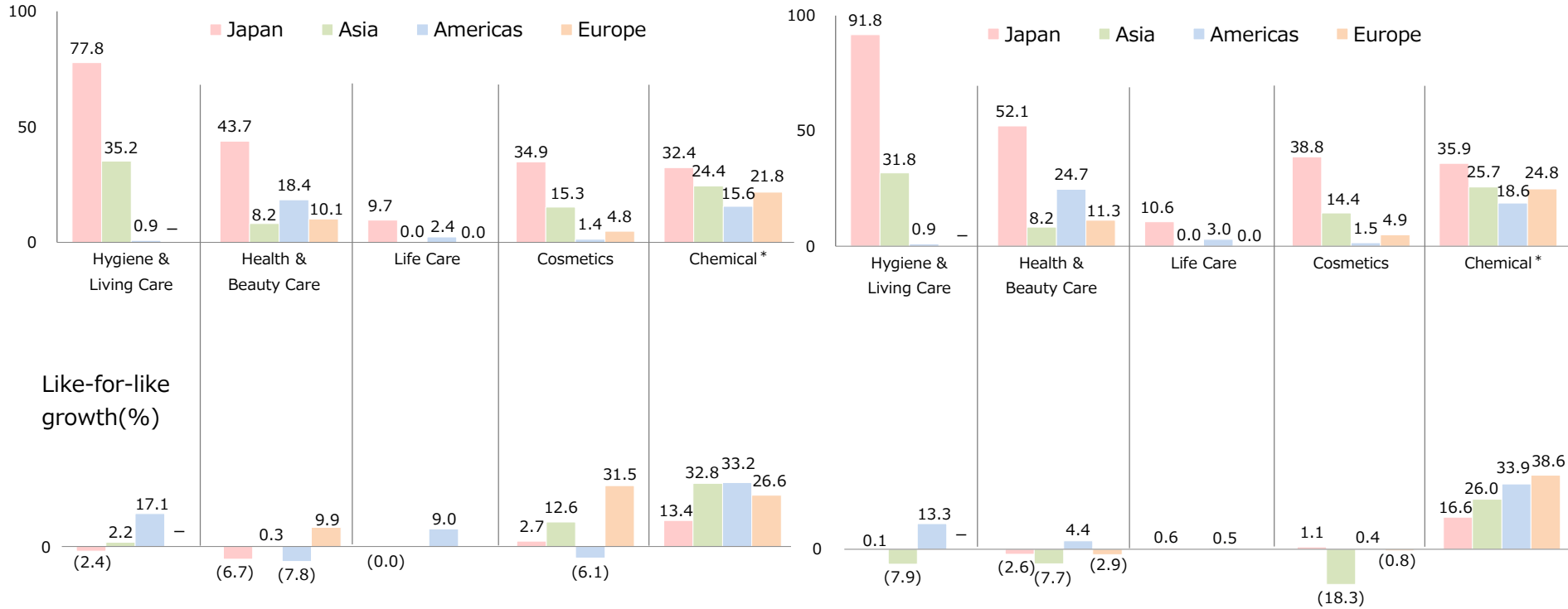
* Net sales of the Chemical Business include intersegment transactions
Sales by geographic region are classified based on the location of the sales recognized

Consolidated Net Sales by Segment/Geographic Region (Quarter)

Q1 (January-March)

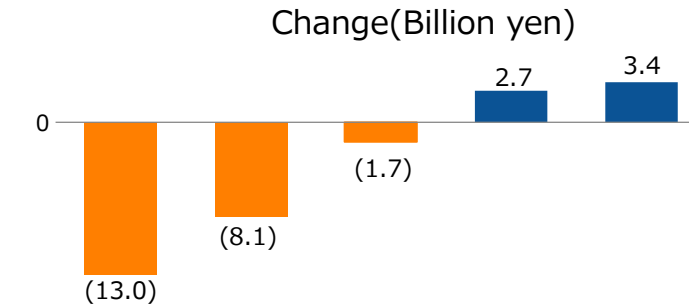
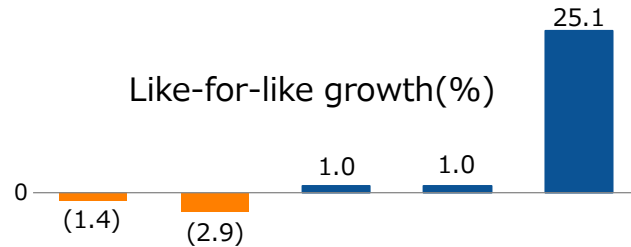
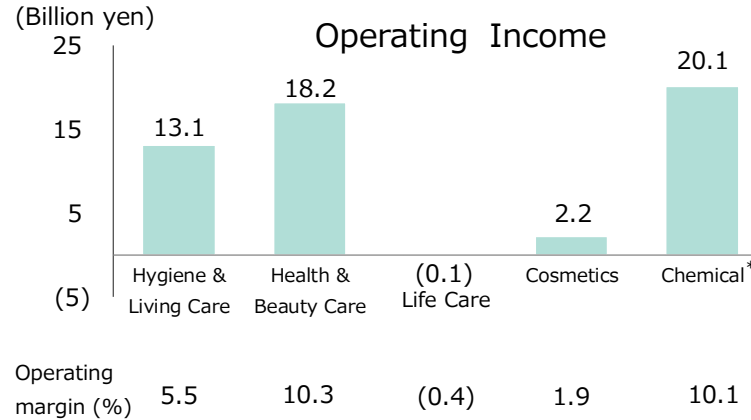
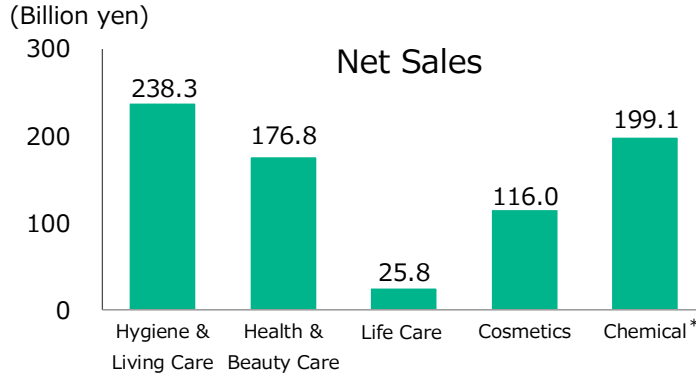
Q2 (April-June)

Net sales(Billion yen)



* 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 (Six months ended June 30, 2022)



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

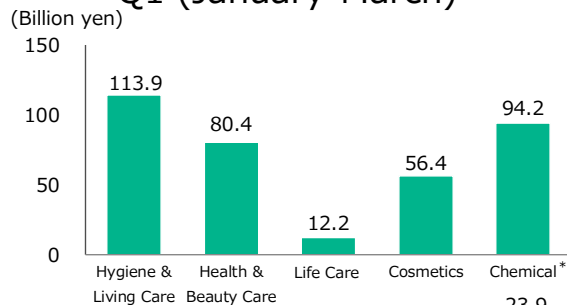
Impact of hikes in raw material prices on Consumer Products Business:

Hygiene & Living Care:70%, Health & Beauty Care:25%, Others:5%

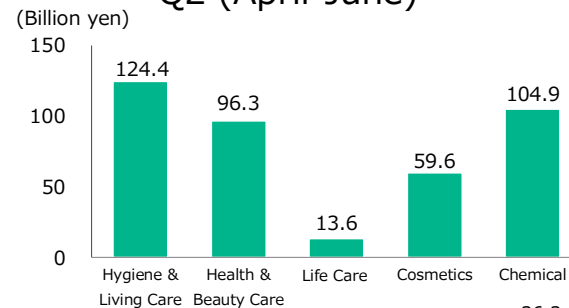
Consolidated Results by Segment (Quarter)

Net Sales

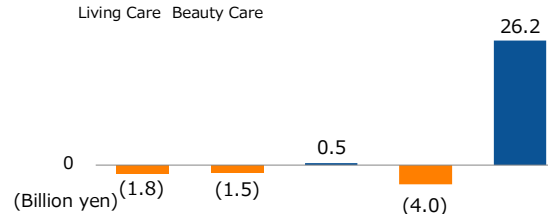
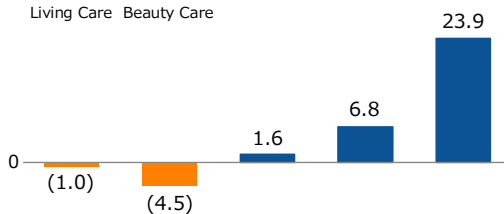
Q1 (January-March)



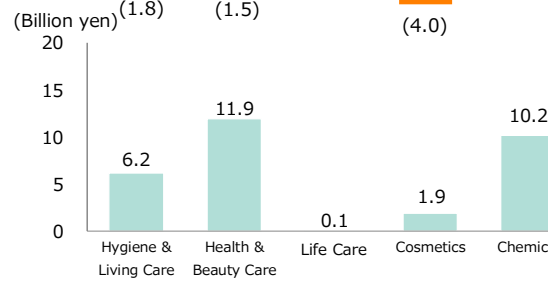
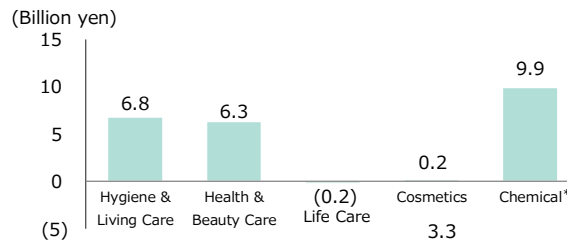
Q2 (April-June)



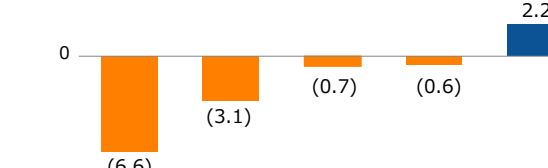
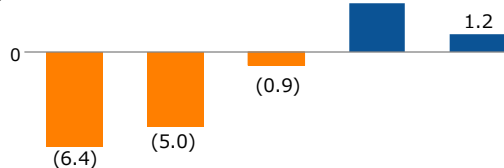
Like-for-like growth(%)



Operating Income



Change (Billion yen)



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

Consumer Products Business

Six months ended June 30

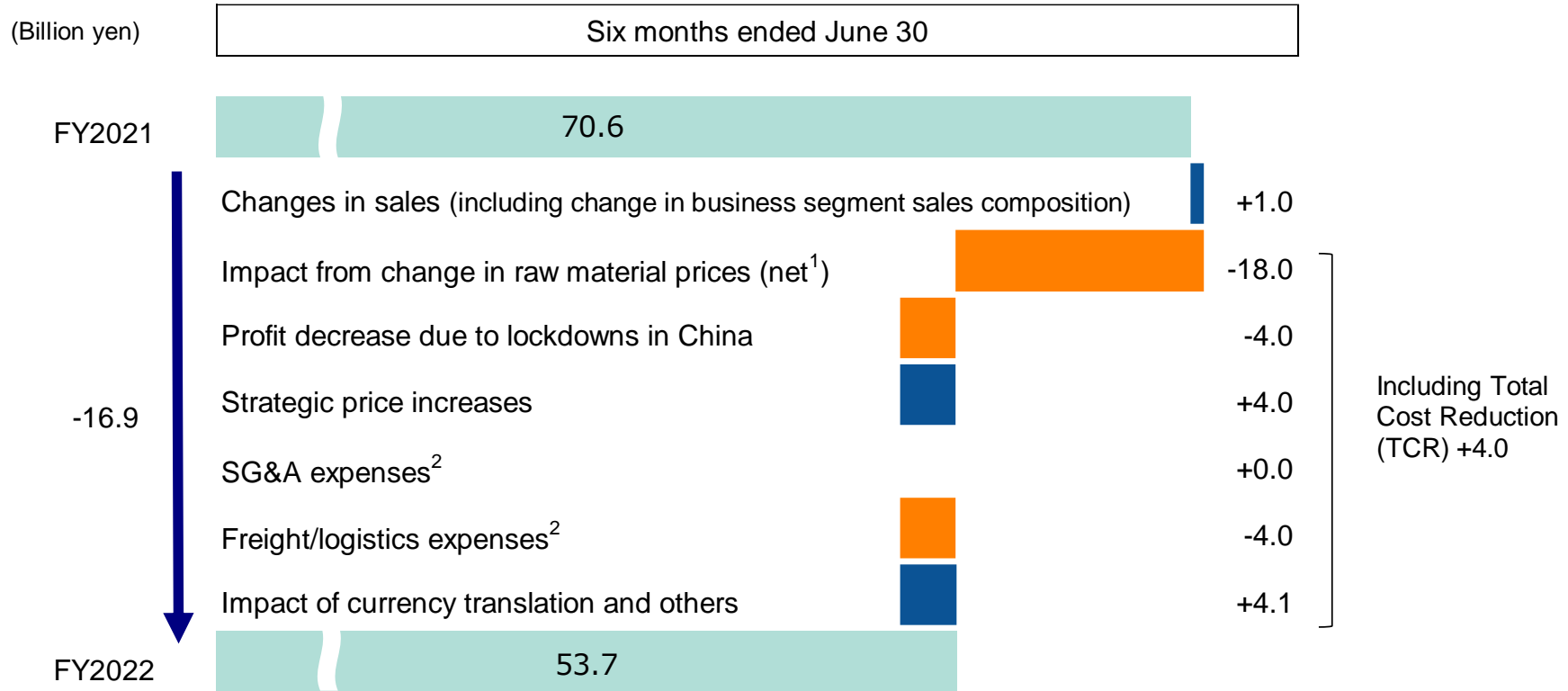
(Billion yen)

	Net sales				Operating income			Operating margin %	
	FY2021	FY2022	Growth %	Like-for-like growth %	FY2021	FY2022	Change	FY2021	FY2022
Japan	364.4	359.4	(1.4)	(1.4)	30.5	15.4	(15.1)	8.4	4.3
Asia	104.7	113.2	8.1	(3.3)	14.5	14.6	0.2	13.8	12.9
Americas	47.0	53.2	13.3	(0.4)	6.8	2.4	(4.4)	14.4	4.4
Europe	28.1	31.1	10.7	5.8	1.7	1.0	(0.8)	6.2	3.2
Consumer Products Business	544.2	556.9	2.3	(1.3)	53.4	33.3	(20.1)	9.8	6.0

Net sales growth rates of major companies (Like-for-like growth)	Kao China:	(11)%	Kao Taiwan:	(7)%	Kao Vietnam:	2%
	Kao Indonesia:	7%	Kao Thailand:	(0)%	Kao Hong Kong:	2%

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

Analysis of Change in Consolidated Operating Income



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

Generating Results from Investment for Transformation into a Robust Business (H1 Results)

Reborn Kao		
Stable Earnings	Growth Driver	Business Transformation
<ul style="list-style-type: none"> ● <u>Laundry detergents</u> Attack brand enhancements, increased market share and profitability (Q1) 38.0% ▶ (Q2) 39.2% Share over 40% and strong sales in July ● <u>Dishwashing detergent</u> CuCute brand enhancements firmed up No. 1 market share (Q1) 46.5% ▶ (Q2) 47.7% 	<ul style="list-style-type: none"> ● <u>Cosmetics (G11 brands)</u> Sales of focal “G11” continued to grow globally +5% year on year ● <u>UV care products</u> Major contribution from two focal products substantially increased category sales and market share Sales +4% year on year (+13% in Q2) Market share (Q1) 17.4% ▶ (Q2) 20.7% 	<ul style="list-style-type: none"> ● <u>Sanitary napkins</u> Continued sales growth from marketing innovations, and ongoing transformation into a high-profit business +5% year on year ● <u>ORIBE</u> Sales growth from the expansion in the high-end hair salon market and EC channel, substantial contribution to transforming the profit structure of the entire business for hair salons +7% year on year

Consolidated Operating Results Forecast for FY2022

Major Assumptions for FY2022 Forecast

Business Environment Assumptions in H2

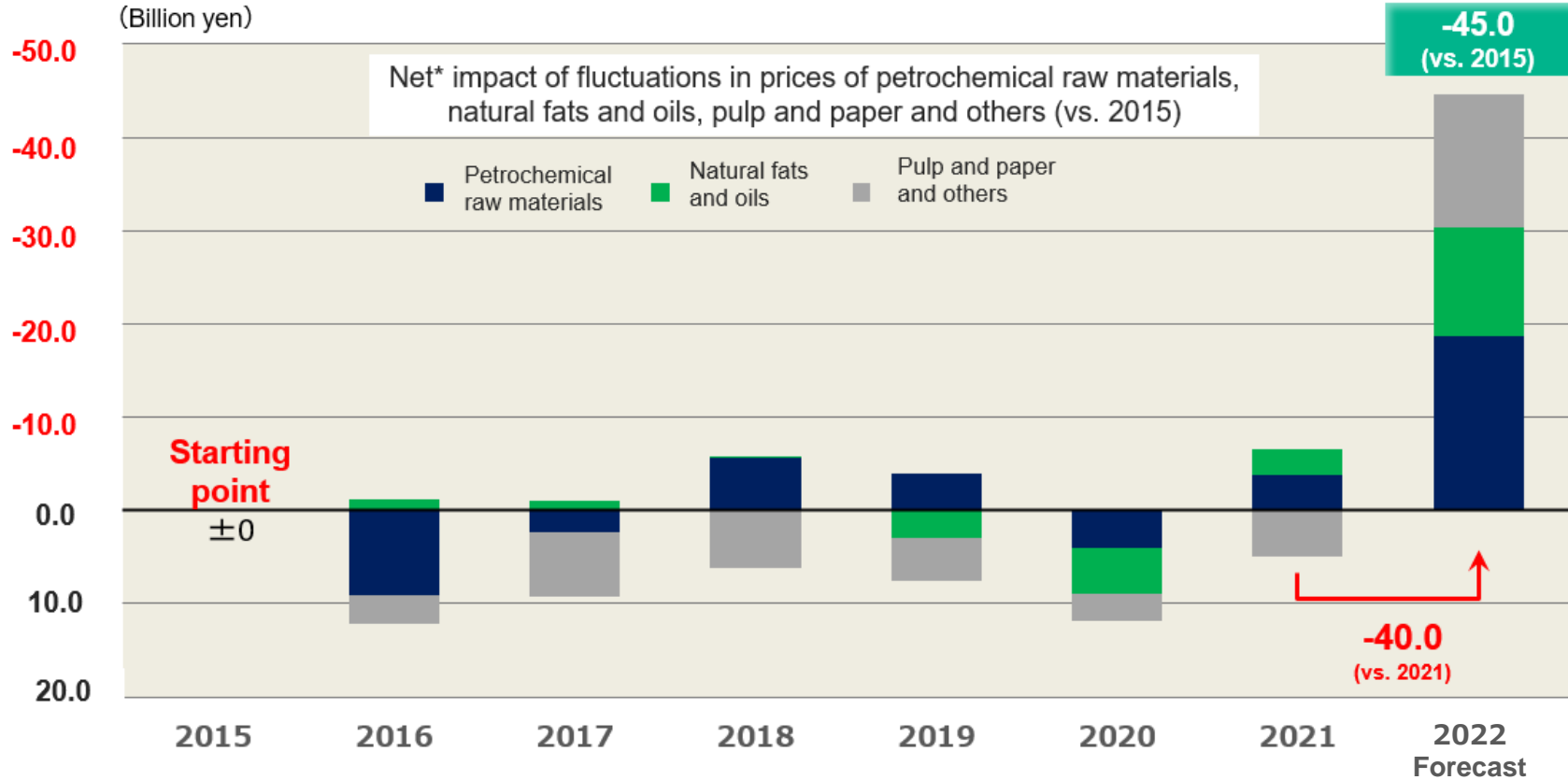
Consumer Products Market	<ul style="list-style-type: none"> ● Japan: Despite a recovery trend, the speed of that recovery is expected to be slow due to the resurgence of infection. Expected increase in demand as a result of a heat wave. ● Asia: The impact of lockdowns in China will gradually subside. We assume China's economic growth is expected to slow down. ● Americas and Europe: Only moderate growth due to concerns about an economic slowdown caused by inflation.
Chemical Market	<ul style="list-style-type: none"> ● Fats and oils: Market prices fell in Q2 and are expected to remain at the same level in H2. Selling prices will be in an adjustment phase. ● Although the semiconductor market will remain strong, recovery will be limited in the automobile industry. An inflation-triggered recession is a cause for concern.

■ Net sales		1,570.0 billion yen	Growth +10.7%
	Effect of currency translation	+80.2 billion yen	+5.7%
	Like-for-like growth	+71.0 billion yen	+5.0%
		Estimated impact on income	
■ Impact from change in raw material prices (net ¹)			(40.0) billion yen
■ Total Cost Reduction (TCR) activities			+10.0 billion yen
■ Capital expenditures/depreciation and amortization	Capital expenditures ²		80.0 billion yen
	Depreciation and amortization ³		73.0 billion yen
■ Exchange rate assumptions (annual average): 130 yen/USD, 138 yen/Euro, 20 yen/Yuan			

1. Offsetting with adjustments of selling prices in the Chemical Business
2. Excluding right-of-use assets
3. Excluding depreciation of right-of-use assets

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

Raw Material Price Hikes to Unprecedented Levels in FY2022



* Offsetting with adjustments of selling prices in the Chemical Business

Consolidated Operating Results Forecast for FY2022

Fiscal year (January 1 to December 31)

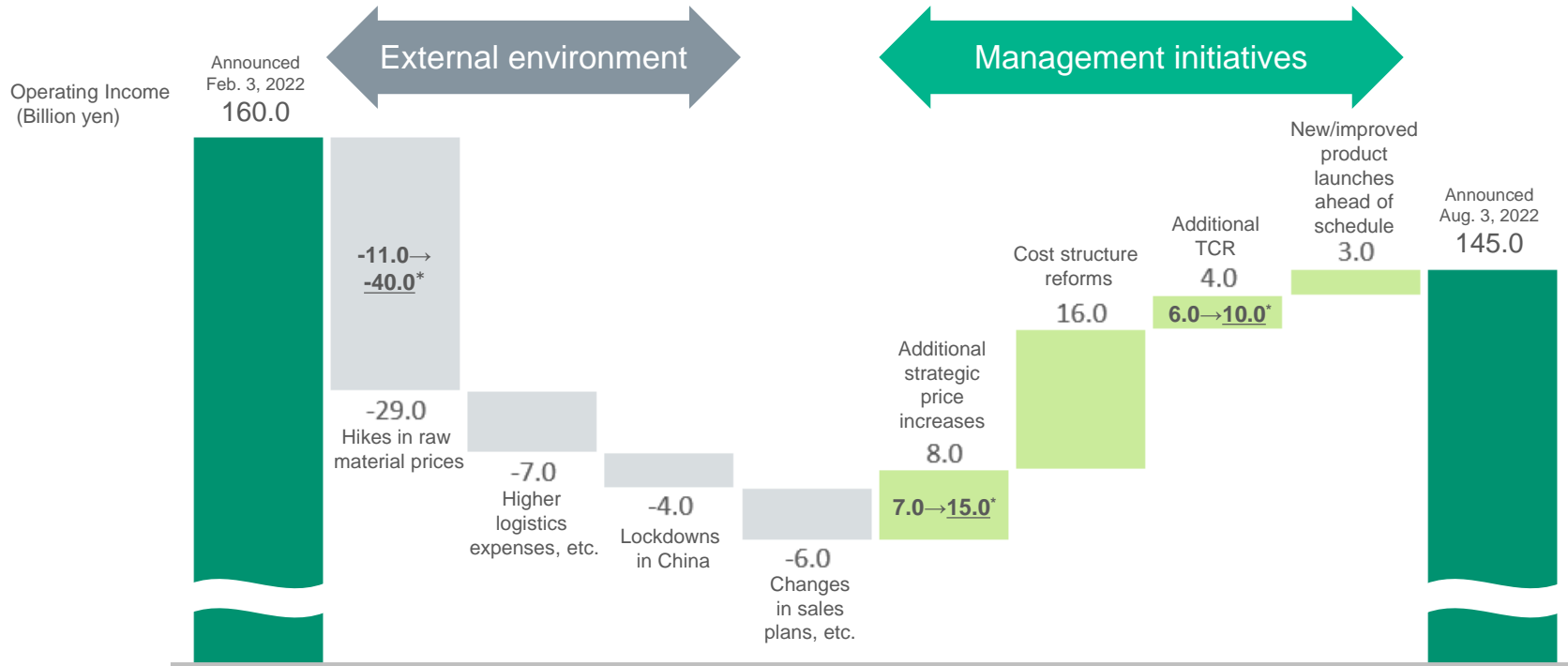
(Billion yen)	FY2021		FY2022	FY2022	Growth %	Change
		Growth %	(Forecast announced on Feb. 3, 2022)	(Forecast announced on Aug. 3, 2022)		
Net sales	1,418.8	+2.7	1,490.0	1,570.0	+10.7	+151.2
				Effect of currency translation ¹	+5.7	+80.2
				Like-for-like growth	+5.0	+71.0
Operating income	143.5	(18.3)	160.0	145.0	+1.0	+1.5
Operating margin	10.1%	-	10.7%	9.2%	-	-
Income before income taxes	150.0	(13.8)	160.0	156.0	+4.0	+6.0
[% of Net sales]	10.6%	-	10.7%	9.9%	-	-
Net income attributable to owners of the parent	109.6	(13.1)	117.0	111.0	+1.2	+1.4
[% of Net sales]	7.7%	-	7.9%	7.1%	-	-
EBITDA (Operating income + Depr. & amort.) ²	212.7	(12.8)	233.0	218.0	+2.5	+5.3
ROE	11.6%	-	11.8%	11.2%	-	-
Basic earnings per share (yen)	230.59	(12.1)	246.90	236.53	+2.6	+5.94
Cash dividends per share (yen)	144.00	-	148.00	148.00	-	+4.00

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

2. Excluding depreciation of right-of-use assets

Analysis of Changes in FY2022 Results Forecast (Operating Income)

Although strategic price increases and cost structure reforms will offset the impact of hikes in raw material prices, the forecast has been revised downward due to unforeseen lockdowns in China and changes in sales plans.



*Changes from Feb. 3, 2022 forecast to Aug. 3, 2022 forecast

Operating income -15.0 billion yen

Strategic Price Increase Progress and Plan: Change to a Resilient Business Structure Independent of Market Conditions

Minimize the Impact of Raw Material Price Hikes

- In H1, price increases mainly for fabric care products and baby diapers in Japan, and for laundry detergents, skin care and other products outside Japan were implemented as planned. Effects were generally as expected.
- In H2, we plan to expand strategic price increases to other categories.

Strategic Price Increase Procedures

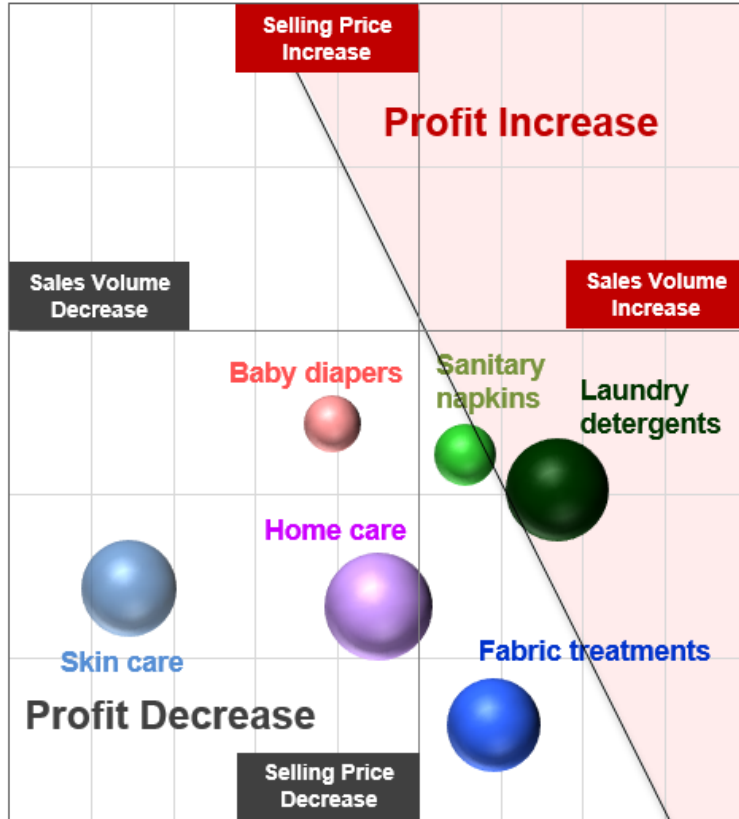
- Streamlining of sales promotion expenses
- Simple price increase
- Add higher value
- Reducing product contents, etc.

Effects of Strategic Price Increases

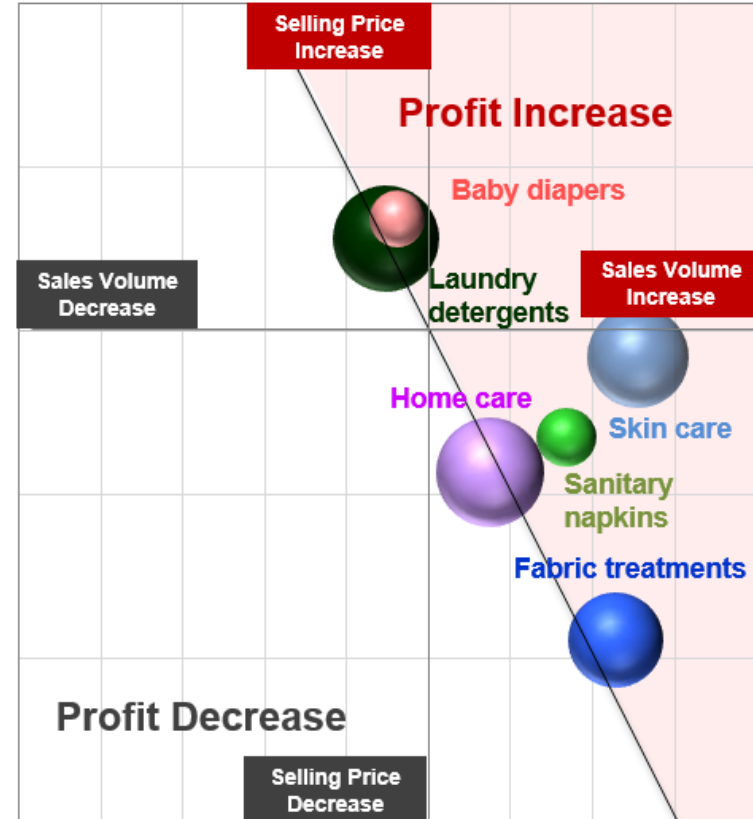
(vs. previous year) Billion yen	H1 Results	H2 Forecast	Full-year Forecast
Japan	+2.0	+7.0	+9.0
Outside Japan	+2.0	+4.0	+6.0
Total	+4.0	+11.0	+15.0

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

2022 Q1 (vs. 2021)



2022 Q2 (vs. 2021)



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

Aiming to Achieve the Revised Earnings Forecast

Reborn Kao

Stable Earnings

- **Fabric care**
 - **Expand market share** of focal brands **Attack** and **Humming** and **increase profitability** of the entire category



- **Home care**
 - **Firm up and expand market share** and **improve profitability** of focal brands **CuCute** and **Magiclean**



Growth Driver

- **Cosmetics**

- Continuing to offer new products in **KATE**, which is performing strongly
- New value offerings through **technologically innovative products** in **TWANY** and **KANEBO**
- Full-scale operation of D2C for cosmetics
- Launch a **“local production for local consumption” business model** for **Curél** in China



- **Chemical**

- **Start shipments** of one-of-a-kind products



- **Skin care**

- Cultivate and enhance high value-added cleansing products in **Bioré**

Sales Forecast for FY2022

Consolidated Net Sales (Year ending December 31)

FY2022(Forecast)	Japan		Consolidated			Consolidated	
		Growth (%)		Like-for-like growth (%)			Like-for-like growth (%)
(Billion yen)							
Hygiene and Living Care Business	368.0	0.4	519.0	0.6	Japan	879.0	2.7
Health and Beauty Care Business	203.0	(1.1)	375.0	(0.2)	Asia	345.0	6.7
Life Care Business	44.0	1.2	55.0	1.6	Americas	184.0	7.2
Cosmetics Business	163.0	6.6	267.0	5.6	Europe	162.0	14.1
Consumer Products Business	778.0	1.3	1,216.0	1.4			
Chemical Business*			398.0	18.8			
Consolidated			1,570.0	5.0	Consolidated	1,570.0	5.0

* Net sales of the Chemical Business include intersegment transactions

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

KaO

Kirei—Making Life Beautiful

Next Strategic Direction

Representative Director,
President and Chief Executive Officer
Yoshihiro Hasebe



FY2022 Management Policies

■ Change to a resilient business structure independent of market conditions

- Minimize the impact on costs due to fluctuations in raw material prices (strategic price increases/TCR)
- Increase the ratio of high-value-added and highly profitable products (performance chemicals, prestige cosmetics)

■ Make strategic investments for a competitive advantage

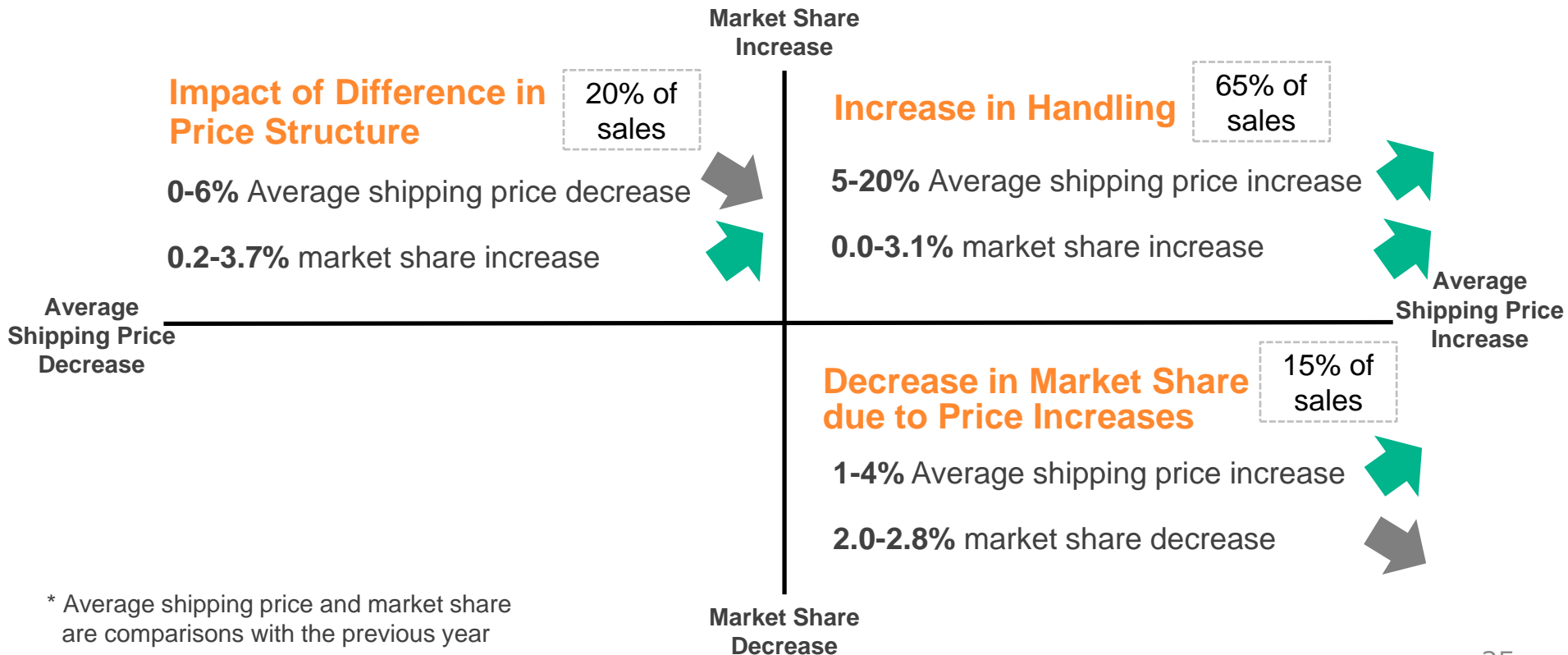
- Increase loyalty to brands that have stable profit (Consumer Products: 8 brands)
- Invest strategically in growth drivers (full use of DX, eco-chemical products)
- Increase presence of global business (skin care, sanitary products, products for hair salons)

■ Start businesses that grow rapidly by anticipating change

- Launch digital life platform business (announced in February)
- Hygiene business in Asia (reliable mosquito repellent, leading-edge agricultural and forest conservation)
- Used product container upcycling business

Price Increases of *Merries* in Japan (at 10 Major Retailers)

Price increases at stores produced good results. Situation may improve further as competitors follow suit in Q3 and beyond.



H&PC Market Share in Japan (H1 Results)

0.9 pt. recovery in market share from Q1 to Q2. We will continue to increase categories in which market share grew.

Increase in market share from Q1 to Q2

42 categories

Previous year: **19** categories

Laundry detergents, Fabric softeners
Baby diapers
Sanitary napkins
Facial cleansers
Bath additives, etc.

Decrease in market share from Q1 to Q2

32 categories

Previous year: **55** categories

Shampoos, Conditioners
Body cares
Laundry deodorants
Men's facial cleansers
Mold removers, etc.

Transform to Build Robust Business through Investment

Reborn Kao		
Stable Earnings	Growth Driver	Business Transformation
<p>Market share increase: 10 major categories</p> <p>Average 0.71 pt. </p> <p>Market share decrease: 10 major categories</p> <p>Average 0.64 pt. </p>	<p>Market share increase: 7 major categories</p> <p>Average 1.6 pt. </p> <p>Market share decrease: 3 major categories</p> <p>Average 2.0 pt. </p> <p>Cosmetic Sales</p> <p>G11: +5% year on year </p> <p>R8: -1% year on year </p>	<p>Hair Care</p> <p>Market share increase: 0 major categories</p> <p>Market share decrease: 3 major categories</p> <p>Average 0.1 pt. </p> <p>Sanitary Products</p> <p>Market share increase: 3 major categories</p> <p>Average 1.0 pt. </p> <p>Market share decrease: 1 major category</p> <p>Average 0.2 pt. </p>

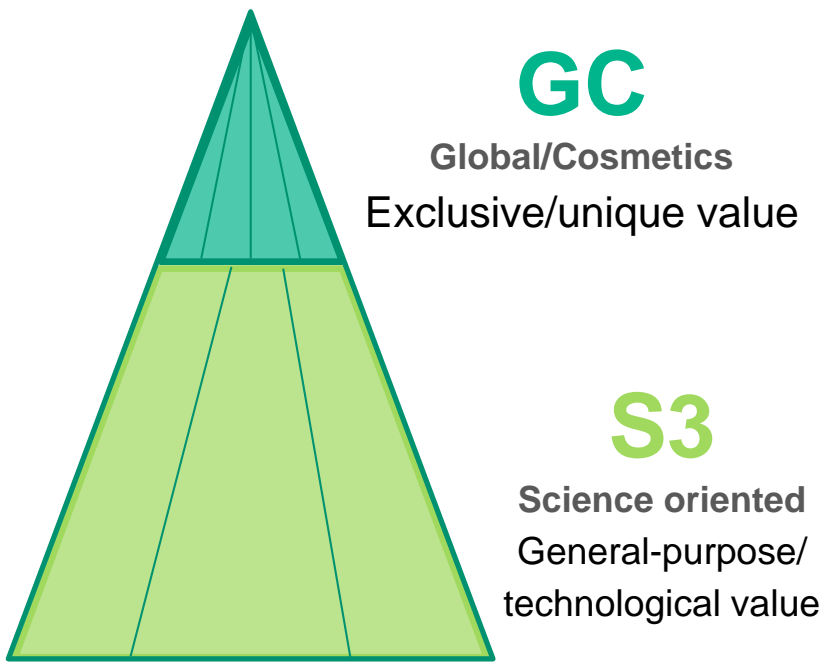
* Figures show changes in market share from Q1 to Q2.

* Figures in column above exclude commercial-use hygiene products and Chemical Business.

* Figures in column above exclude products for hair salons and Life Care Business.

Structural Reform Policy for Hair Care Business in Japan

Rollout of Global/Cosmetics brands in premium channel in Japan and revitalization of core brands based on hair science.

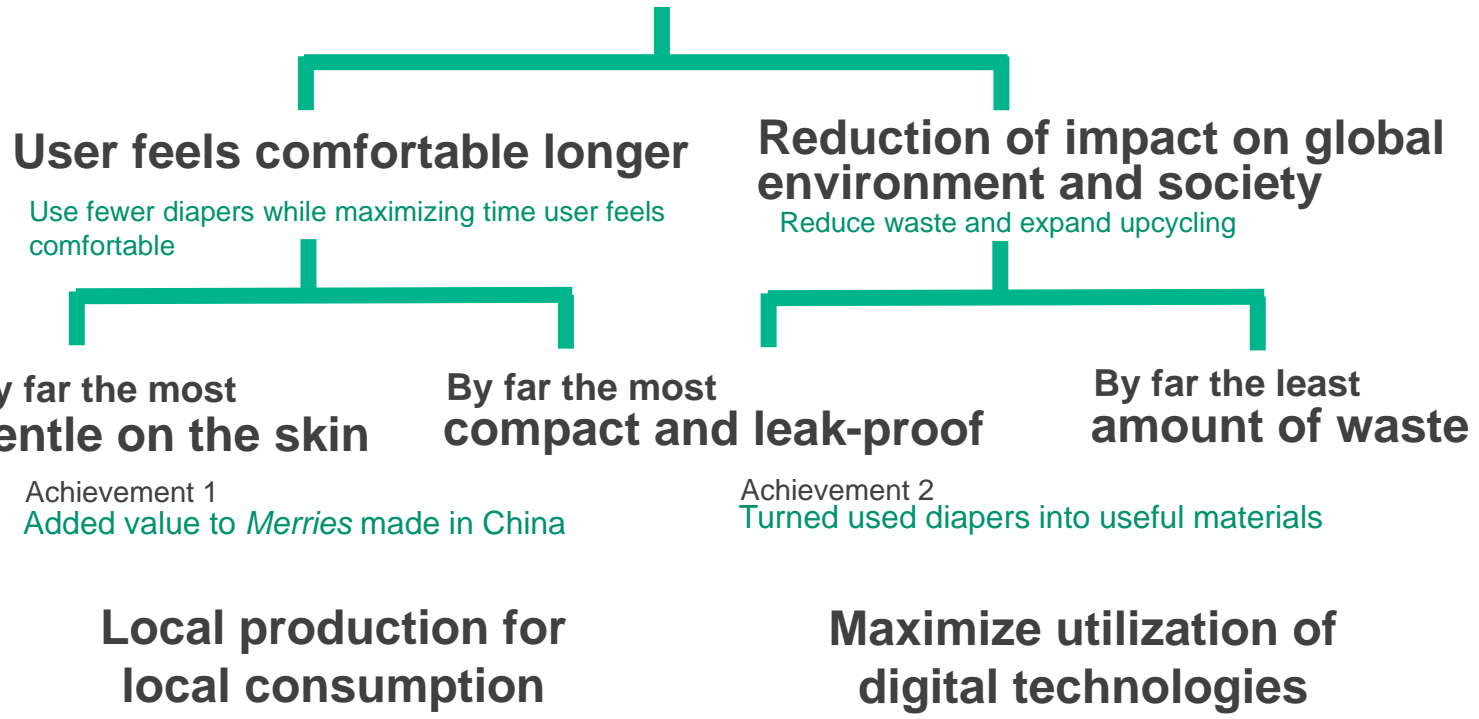


Sales	Value Category	Target Brands (Loyalty-centered Strategy)
Contract stores E-commerce, D2C Premium range	Cosmetics brands	<i>vogne</i> KATE TOKYO Curel <i>ines</i>
	Europe and Americas brands	GUHL Germany JOHN FRIEDA. LONDON PARIS NEW YORK kms california
General stores Mid-range	THE BEAUTY CARE	Essential
	THE NATURAL CARE	<i>merit</i> メリット
	THE AGING CARE	Segreta セクレタ

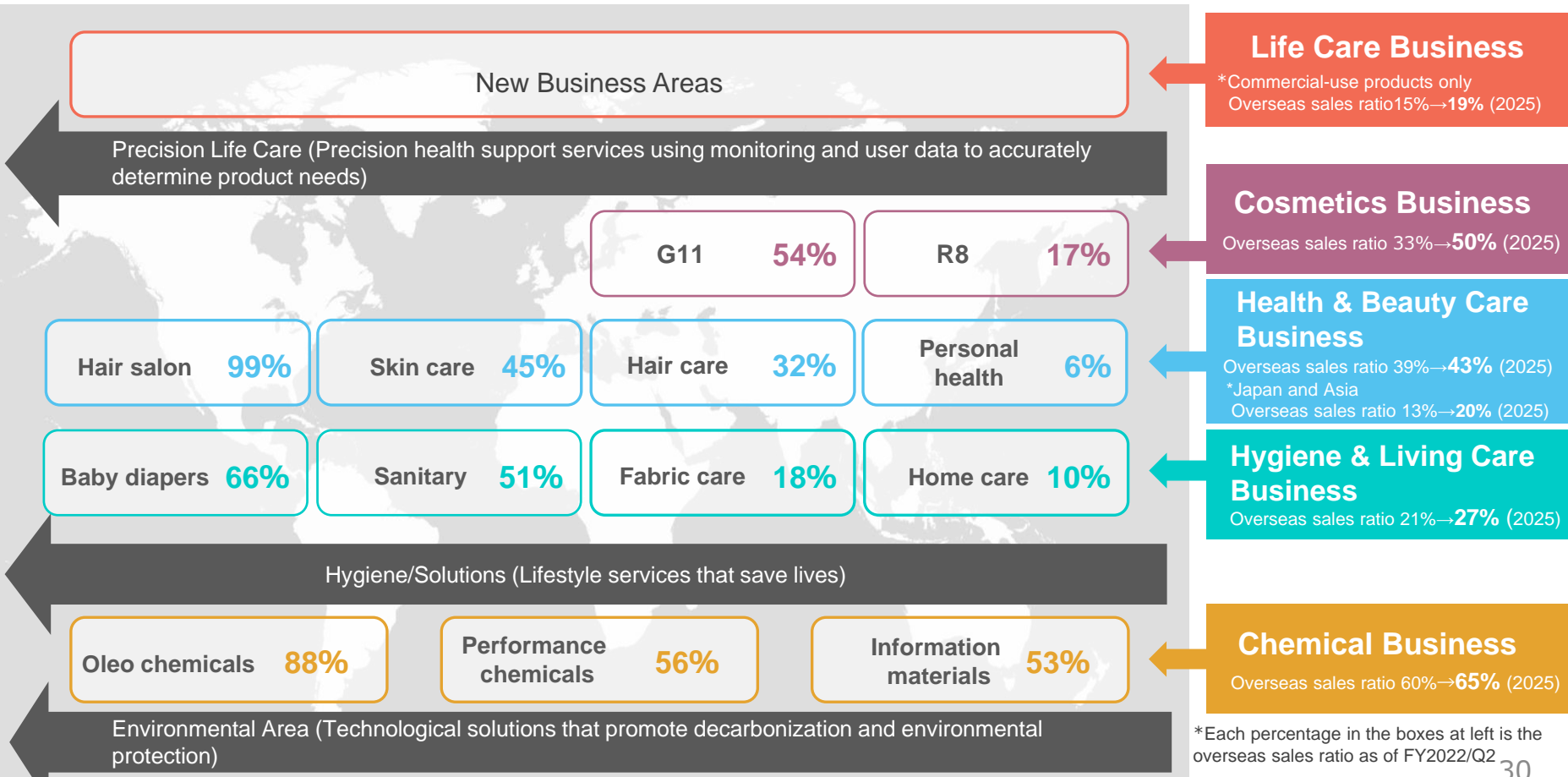
Structural Reform Policy for Diaper Business

Transition to an ESG-oriented diaper business

- Policy Change
- Strategic Guidelines
- Core Value
- Global Business Operations



Accelerated Rollout of Global Business



*Each percentage in the boxes at left is the overseas sales ratio as of FY2022/Q2

Revitalizing Existing Businesses and Creating New Businesses

[2022 Policy]

[2022 Progress]

Reborn Kao		
Stable Earnings	Growth Driver	Business Transformation
Increase market share and secure profitability from major brands	Launch new products unique to Kao Investment for global growth	Measures for fundamental reform

Another Kao		
Health Care	Digital	Environment
First step: Start of mosquito repellent business (Thailand)	Increase partners in the Precision Life Care Business	Proposal to the government of highly durable road pavement with asphalt modifier that uses waste PET

Appendices

Household and Personal Care Business (H1 Results)

As the Kao Group worked toward goals including increasing loyalty of consumers and market share through promotion of digitalization, decisive investments and other measures, the fabric care and home care businesses expanded its market share mainly through new products. In the skin care business in Japan, UV care products steadily increased sales and market share in Q2, but recovery in the sanitary and hair care businesses will be delayed due to the ongoing business transformation. The impact of hikes in raw material prices on profit was -21.0 billion yen

Sales: 440.9 billion yen (-1.9%)

Operating income: 31.2 billion yen (-22.7 billion yen) **Operating margin: 7.1%**

Japan: Sales on a recovery track (Q1: -3.7% → Q2: -0.8%)

- Increased market share of laundry detergents by offering new *Attack* products (Q2 vs. Q1: +1.2%)
- Firmed up No.1 market share through overall renewal of *CuCute* and communication innovations (Q2 vs. Q1: +1.2%)
- Increased market share of sanitary napkins through purpose-driven communication for *Laurier* (Q2 vs. Q1: +0.9%)
- Despite delayed store launches of UV care and other seasonal products in Q1, H1 sales and market share grew due to the early end of the rainy season and a heat wave in Q2.



Asia: Strong in Q1, but substantial impact from lockdowns in China in Q2

- China: H1 sales decrease rate in upper teens due to slump for *Merries* baby diapers in Q1 and lockdown-related production capacity shortfall for sanitary napkins in Q2.
- Indonesia: 7% increase in sales in H1. Firm growth in both sales and market share for *Merries* and *Laurier*.
- Thailand: *Bioré* brand mosquito repellent lotion launched in June to help resolve the social issue of dengue fever.



Americas and Europe: Despite lost sales opportunities due to logistics disruptions, JERGENS recovered in Q2 and products for hair salons sold strongly

- Logistics disruptions, which had a major impact in Q1, were resolved month by month during Q2.
- Sales growth rate of products for hair salons was in the mid-single digits due to strong sales of new products from *Goldwell* and *ORIBE* brands.



Cosmetics Business (H1 Results)

Although the market in Japan recovered less than expected, it grew by 1.9% year on year due to gradual recovery from the end of April. Sales were strong in China in Q1, but decreased significantly year on year in Q2 due to delays in customs clearance and logistics caused by lockdowns, and H1 sales decreased 5.0% year on year. Sales in Europe remained steady, with double-digit growth. Total global sales for H1 increased only 1.0% year on year, but sales of focal G11 brands increased 5.0%.

Sales: 116.0 billion yen (+1.0%)

Operating income: 2.2 billion yen (+2.7 billion yen) Operating margin: 1.9%

Japan: Kao +1.9% (G11 and R8 combined +4%) vs. + 2%¹ market growth

- Growth in market share from strong sales of *KATE LIP MONSTER*, new eye shadow and eyeliner.
- New products Kao was focusing on became successful as expected
- *SUQQU THE LIQUID FOUNDATION*, *KANEBO VEIL OF DAY* and *est CLARIFYING GEL WASH*
- *SOFINA iP pore clearing gel wash* and *Primavista LONG-LASTING PRIMER UV SPF50*

China: -5% year on year due to impact of lockdowns in Q2, despite strong Q1 performance

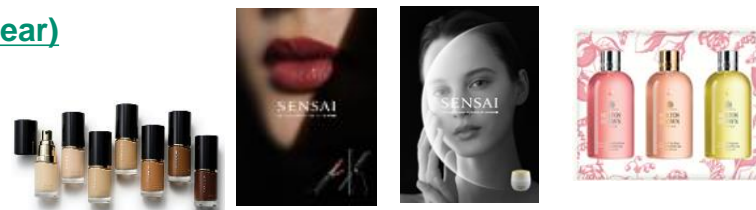
- Q1: +17% year on year. Strong sales of *freepius* and *Curél*, met sales target for International Women's Day (March 8).
- Q2: -21% year on year. Spread of COVID-19 and logistics delays impacted measures for 6.18 campaign event (June 18).

■ G11 and R8 Brands growth and share of sales

	2020		2021		2022 H1	
	Growth	Share of Sales	Growth	Share of Sales	Growth	Share of Sales
G11	(10)%	61%	+8%	65%	+5%	68%
R8	(28)%	23%	(8)%	23%	(1)%	22%
Other	(36)%	16%	(20)%	12%	(17)%	10%

Europe: Growth significantly exceeded the market (+13.1% year on year)

- *SENSAI*: New product *Contouring Lipstick* sold strongly.
- *MOLTON BROWN*: Initiatives for Mother's Day and OMO² strategy proceeded smoothly.



1: SLI data by INTAGE Inc.

2: OMO: Online Merges with Offline

Chemical Business (H1 Results)

Results increased year on year and exceeded the plan, due in part to expansion in fields from steadily capturing growth and recovery in customer industries, in addition to the contribution of selling price adjustments in response to raw material price hikes, mainly for fat and oil products outside Japan. Continue to develop products from ESG perspectives.

Sales: 199.1 billion yen (+25.1%)
Operating income: 20.1 billion yen (+3.4 billion yen)
Operating margin: 10.1%

Japan: +15.0%

- Sales increased due to the progress of price adjustments and expansion in fields where customer industries recovered and grew.

Asia: +29.3%

- Contribution from selling price adjustments, mainly for fat and oil products, offset the impact of lockdowns in China.

Americas: +33.5%

- Contribution from selling price adjustments for fat and oil products. Toner and toner binder also grew by capturing the recovery in demand

Europe: +32.7%

- Substantial contribution from selling price adjustments for various products, mainly fat and oil derivative products.



Test construction was conducted in Taiwan for overseas rollout of highly durable asphalt modifier using waste PET.



Tunnel interior when not used Tunnel interior when used

Developed a product significantly reduces dust from concrete during tunnel construction. It markedly improves the working environment, thus contributing to reducing the risk of dust-induced pneumoconiosis, which has been an issue for many years.

Allocate Capital in Three Areas Based on Management Strategy

Stable Earnings

Make investments appropriate for a high-profit core business and emphasize contribution to profit

- **Fabric care**
- **Home care**
- **Personal health**

Growth Driver

Achieve growth in sales and profit by investing in growth strategies

- **Cosmetics**
- **Chemical**
- **Skin care**
- **Commercial-use hygiene products**

Business Transformation

Effectively realize profit through carefully selected investments aimed at one-of-a-kind value

- **Sanitary products**
- **Hair care**
- **Products for hair salons**
- **Health drinks**

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 (40% payout ratio target)
- Share repurchases

* Net cash flows from operating activities

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 WATER FORESTS



*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.

Resolving Social Issues

Raising the internal carbon price to 18,500 yen/ton-CO₂ to promote decarbonization¹



• Kao has raised its internal carbon price from the conventional 3,500 yen/ton-CO₂ to 18,500 yen/ton-CO₂ and is promoting the use of energy-saving equipment, the use of equipment with low CO₂ emissions, and the procurement of renewable energy.



Establishment of ESG steering committees to strengthen ESG governance structure¹

• Established to address the respective issues of decarbonization, plastic packaging, human rights and DEI,* and chemical stewardship. Their owners are executive officers.



* Diversity Equity Inclusion

Resolving Social Issues + Expanding Business/Creating New Businesses

More logistics companies and local governments adopt highly durable asphalt modifier made from waste PET²



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



Kao launches a newly developed mosquito repellent in Thailand³ and announces it at an awareness-raising event for dengue fever held with MOPH** (Thailand) and others

• In June, Kao launched *Bioré GUARD Mos Block Serum*, an innovative mosquito repellent product.

** Ministry of Public Health



Co-Creation with Partners

Kao plans to begin operation of a grievance mechanism for oil palm smallholders and is steadily rolling out other activities⁴

• With Kao’s support, 600 smallholders are scheduled to obtain RSPO*** Certification by the end of 2022. Kao plans to purchase all the RSPO Credits they sell.

*** Roundtable on Sustainable Palm Oil



Verification testing of a used disposable diaper carbonization recycling system with Kyoto University and verification of effectiveness of carbonization equipment at a childcare facility⁵

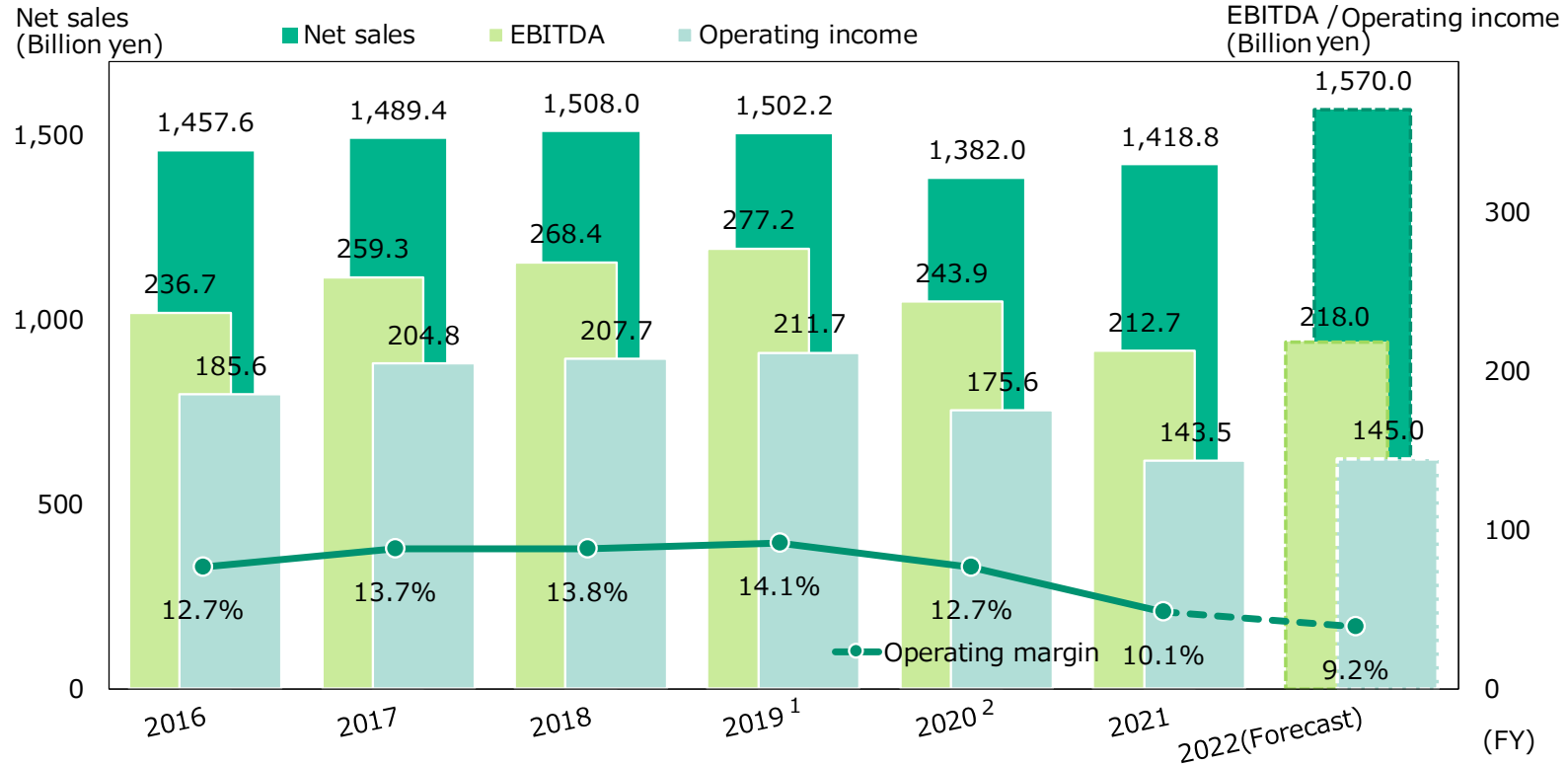


*1 : [Kao Releases Progress Reports on its ESG Strategy](#), *2 : [Highly Durable Asphalt Modifier Made from Waste PET Developed at Kao Corporation](#),

*3 : [Kao Launches Bioré GUARD Mos Block Serum](#), *4 : [Progress of Helping Oil Palm Smallholders in Indonesia](#),

*5 : [Progress in Kao and Kyoto University's Verification Testing of a Used Disposable Diaper Carbonization Recycling System](#)

Consolidated Net Sales/EBITDA/Operating Income

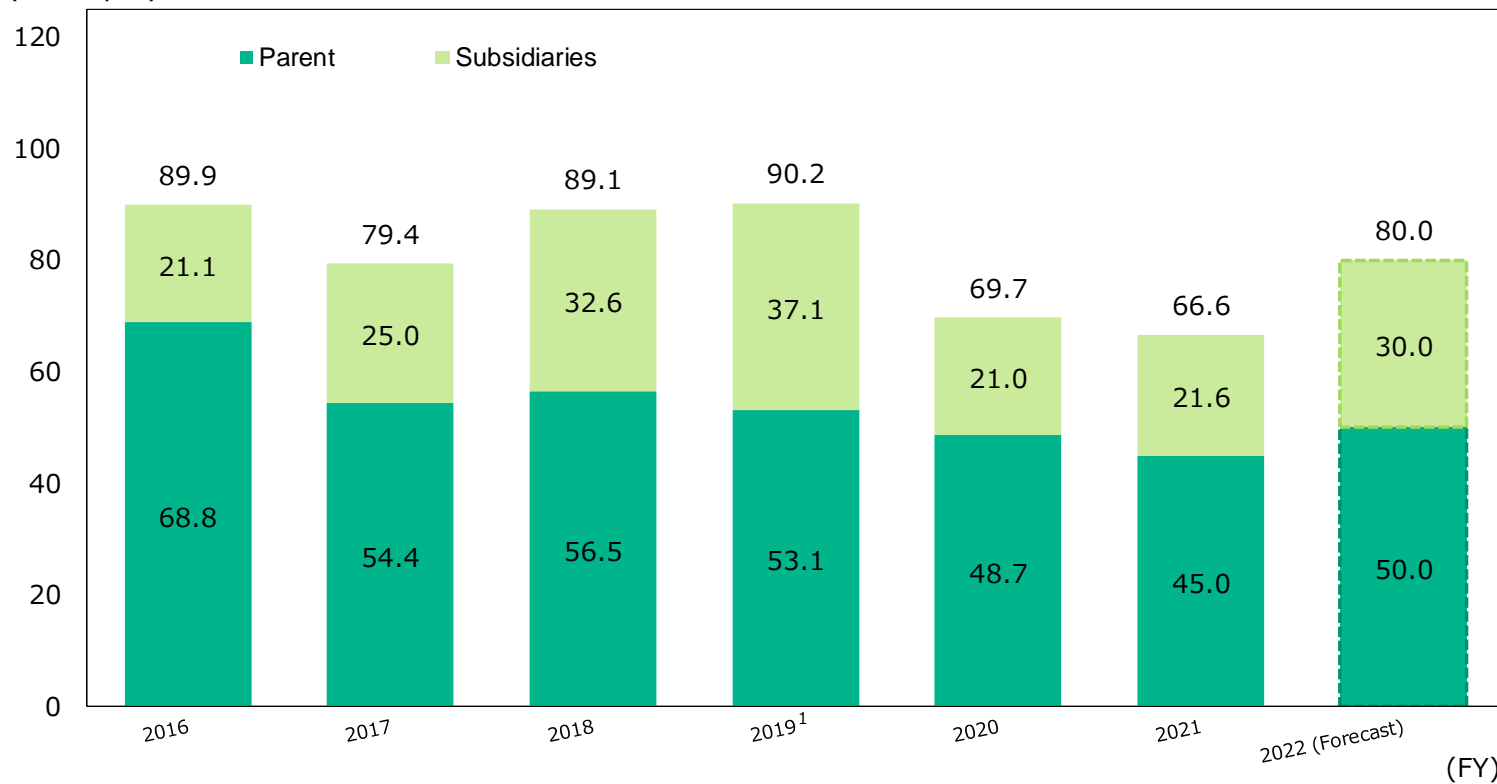


1. As of the fiscal year ended December 31, 2019, EBITDA excludes depreciation of right-of-use assets

2. 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

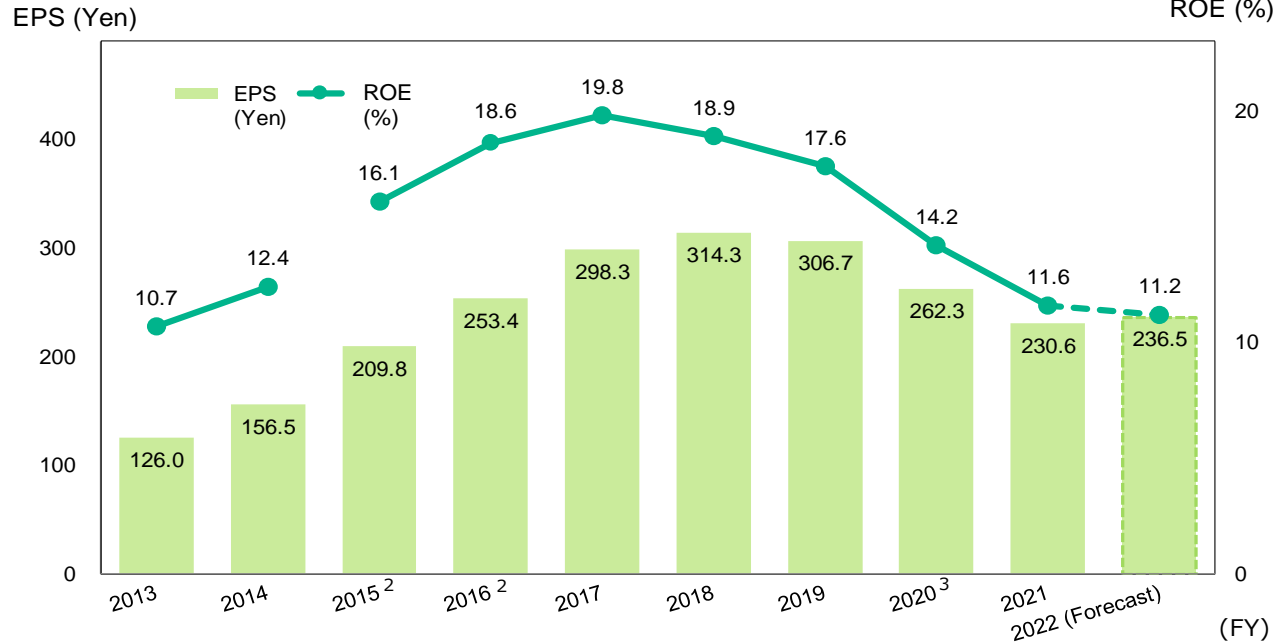
Capital Expenditures

(Billion yen)



1. Excludes right-of-use assets as of the fiscal year ended December 31, 2019

ROE & EPS¹

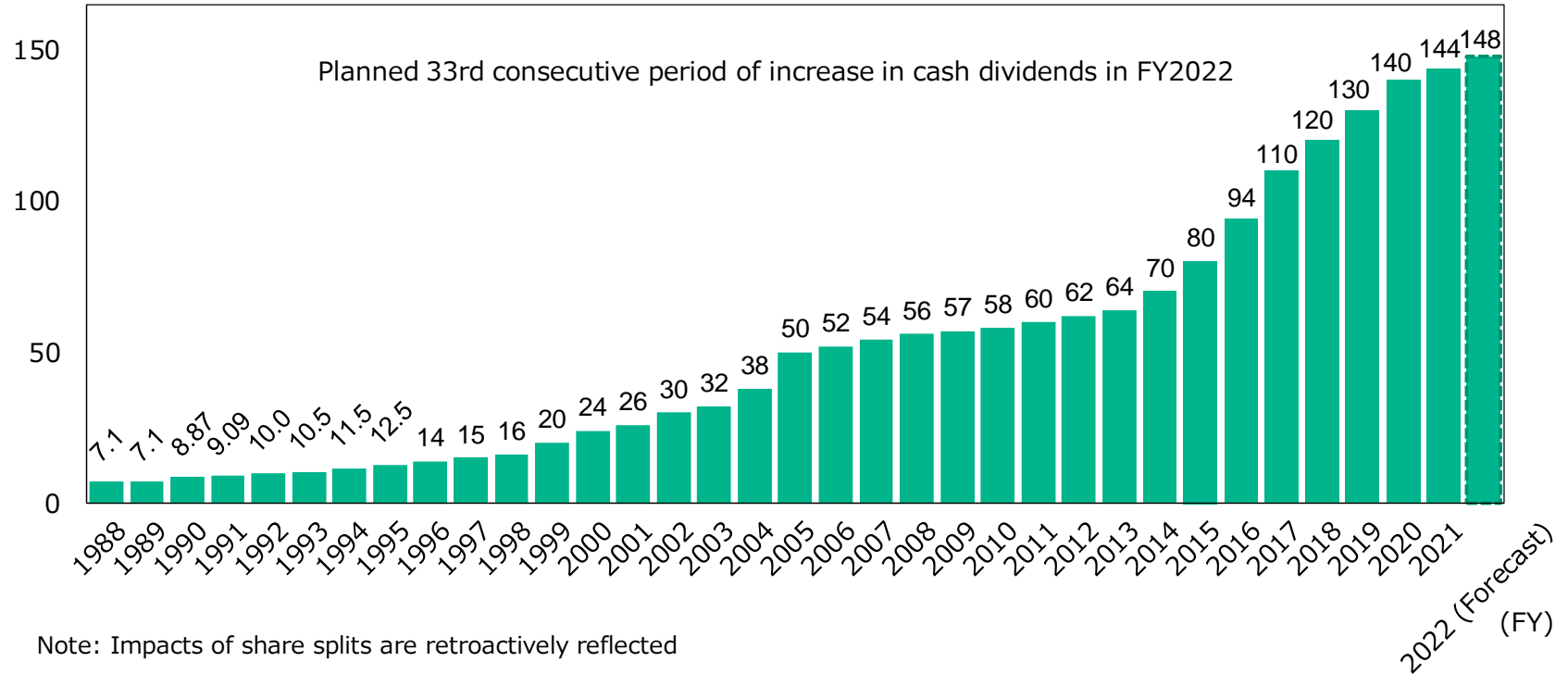


Weighted average number of shares outstanding (Million shares)	513.9	508.7	501.4	499.4	492.8	489.1	483.3	480.9	475.5	469.3
Net income [J-GAAP] / Net income attributable to owners of the parent [IFRS] (Billion yen)	64.8	79.6	105.2	126.6	147.0	153.7	148.2	126.1	109.6	111.0

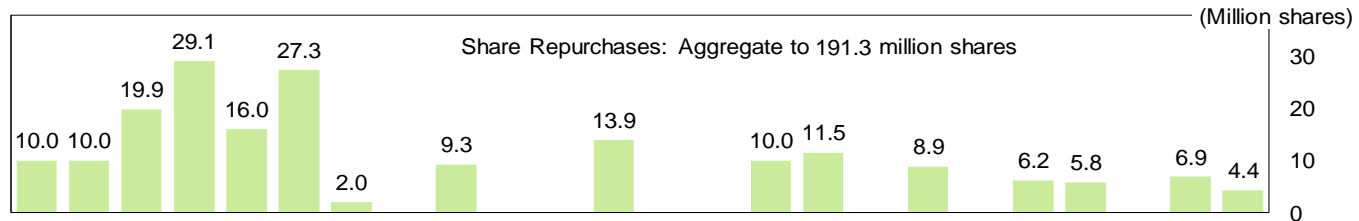
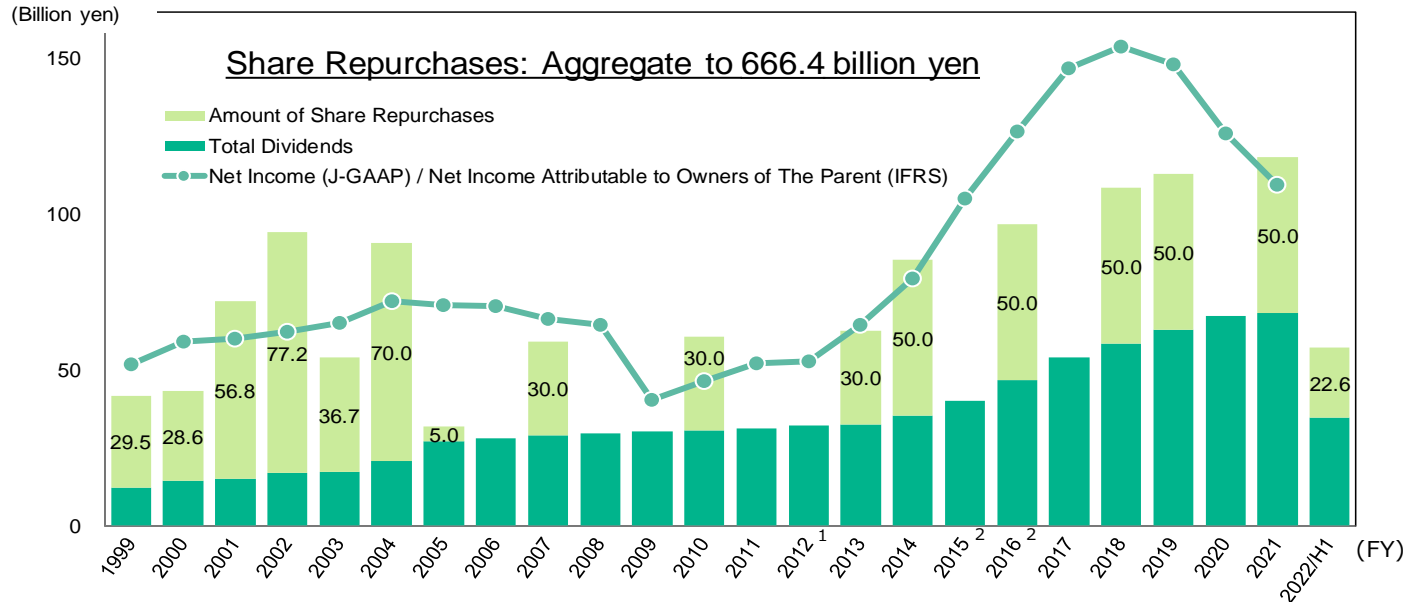
1. Net income per share [J-GAAP] / Basic earnings per share [IFRS]
2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS
3. As of the fiscal year ended December 31, 2020, the Company changed its method of recognizing sales for certain transactions from the gross amount to the net amount

Cash Dividends per Share

Cash Dividends per Share (Yen)



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

Business Segments and Main Product Categories

Consumer Products Business

Hygiene and Living Care Business

Laundry detergents, fabric treatments, products for kitchen, bath, toilet and living room care, sanitary products

Six months ended June 2022

Net sales: 238.3 billion yen
Like-for-like growth:¹ (1.4)%
Share of net sales: 32.5 %
Operating margin: 5.5 %



Health and Beauty Care Business

Skin care products, hair care products, professional hair care products, bath additives, oral care products, thermal pads

Six months ended June 2022

Net sales: 176.8 billion yen
Like-for-like growth:¹ (2.9)%
Share of net sales: 24.1 %
Operating margin: 10.3 %



Life Care Business

Commercial-use hygiene products, health drinks

Six months ended June 2022

Net sales: 25.8 billion yen
Like-for-like growth:¹ 1.0 %
Share of net sales: 3.5 %
Operating margin: (0.4)%



Cosmetics Business

Counseling cosmetics, self-selection cosmetics

Six months ended June 2022

Net sales: 116.0 billion yen
Like-for-like growth:¹ 1.0 %
Share of net sales: 15.8 %
Operating margin: 1.9 %



Chemical Business

Six months ended June 2022

Net sales: 199.1 billion yen²
Like-for-like growth:¹ 25.1 %
Share of net sales:³ 24.1 %
Operating margin: 10.1 %

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

KaO

Kirei—Making Life Beautiful

