

Consolidated Financial Results for the Six Months Ended June 30, 2021 and FY2021 Forecast

Kao Corporation

August 3, 2021

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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.

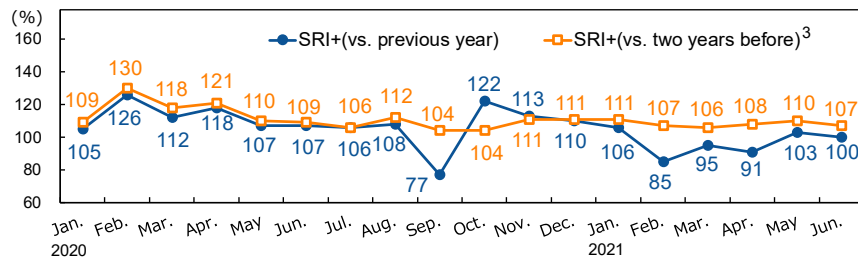
- The following is an overview of the reportable segments that have changed as of the three months ended March 31, 2021. (For details, please refer to page 42).
 - 1. The Hygiene and Living Care Business has been newly established and incorporates sanitary products from the former Human Health Care Business in addition to fabric care products and home care products, which were previously classified in the Fabric and Home Care Business.
 - 2. The Health and Beauty Care Business has been newly established and incorporates personal health products, which were previously classified in the Human Health Care Business, in addition to skin care products and hair care products, which were previously classified in the Skin Care and Hair Care Business.
 - 3. The Life Care Business has been newly established and incorporates health drinks, which were previously classified in the Human Health Care Business, in addition to commercial-use hygiene products, which were previously classified in the Fabric and Home Care Business.
 - 4. Due to the reorganization of segments described in 1 to 3 above, sales and operating income for the same period a year earlier have been restated.
- Numbers in parentheses in charts are negative

Consumer Products Market in Japan

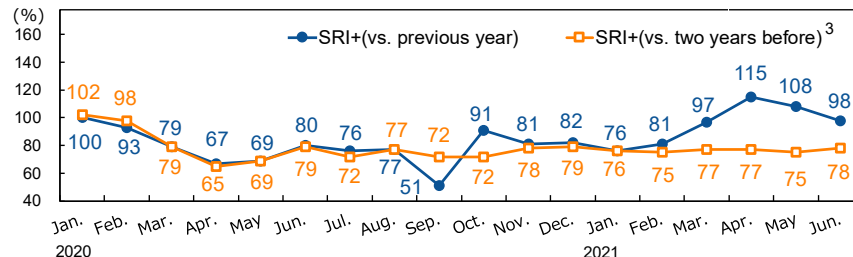


- ◆ Household and personal care market: Decreased 4% in the first half compared with same period a year earlier due to the absence of last year's special demand, mainly for hygiene-related products, but grew compared with two years before.
- ◆ Cosmetics market: Despite an upturn in April-May, decreased 5% in the first half compared with a year earlier when the market shrank substantially due to the impact of a declaration of a state of emergency. No recovery seen compared with two years ago.

■ Growth of Household & Personal Care Market¹



■ Growth of Cosmetics Market²



■ Market Growth Rates of Major Household & Personal Care Categories

(vs. previous year) (vs. two years before)

	21 Q1	21 Q2	21 H1	21 H1
Household & personal care total	94	98	96	108
Laundry detergents	102	110	106	110
Bath cleaning products	105	97	101	119
Toilet cleaning products	96	101	99	116
Sanitary napkins	75	112	90	99
Baby diapers	83	100	91	87
Hand soap	65	57	61	141
Hand sanitizers	110	24	45	652
Bath additives	111	104	108	124

■ Market Growth Rates of Major Cosmetics Categories

(vs. previous year) (vs. two years before)

	21 Q1	21 Q2	21 H1	21 H1
Cosmetics total	85	106	95	76
Skin care products	89	103	96	80
Facial cleansers	88	104	96	80
Serum	85	101	92	67
Makeup products	80	109	93	74
Base make	73	103	86	67
Point make	87	115	99	82
Other	72	114	98	65
UV care	67	115	98	61

1. 86 major household and personal care product categories
2. 26 cosmetics product categories
3. SRI+: Estimates based on POS data from approx. 6,000 retail outlets nationwide

(Source: SRI+ POS data by INTAGE Inc.)

Main Markets in Asia

- ◆ **China** : With success in suppressing the spread of COVID-19 since Q2/FY2020, the market continued to grow year-on-year and recovered steadily.
- ◆ **Indonesia** : The market has been sluggish since Q2/FY2020 due to the impact of the COVID-19 pandemic. Growth was solid in Q2/FY2021, but there are concerns about the recent increase in infections.
- ◆ **Thailand** : Although the growth rate improved in comparison with Q2/FY2020, the market is weak compared with FY2019 and there are no signs of recovery.

<Market Growth Rate (%)>

	China (including e-commerce)					Indonesia					Thailand				
	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2
Baby diapers	105	105	105	103	104	99	99	107	105	116	86	88	88	89	99
Sanitary napkins and panty liners	103	100	105	106	109	95	93	99	98	119	84	93	94	87	106
Laundry detergents	99	96	97	111	105	100	93	95	97	106	83	93	94	90	96
UV care	105	95	118	151	127						69	87	77	84	90
House cleaning products											105	99	107	85	102

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

Main Markets in the Americas and Europe

Vaccinations have progressed, the pandemic has settled down and the movement of people has been recovering. All markets and categories grew year-on-year in Q2/FY2021. However, markets in the U.K. and Germany have not returned to their pre-COVID levels of FY2019, and growth there was in reaction to the market shrinkage caused by lockdowns in the previous year.

<Market Growth Rate (%)>

	U.S.					U.K.					Germany				
	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2
Hair care	100	99	97	98	105	81	90	89	87	111	90	94	95	90	109
Facial cleansers	102	101	101	99	100						92	93	96	92	102
Anti-perspirants and deodorants	88	92	93	89	110										
Hand and body lotions	108	105	104	107	109										

Source: NielsenIQ/IRI (Results for Germany up to June 20, 2021)

Highlights of Consolidated Financial Results



Six months ended June 30				
(Billion yen)	FY2020	FY2021	Growth %	Change
Net sales	667.2	675.2	+1.2	+8.0
	Effect of currency translation ¹		+1.8	+11.9
	Like-for-like growth excluding effect of currency translation		(0.6)	(3.9)
Operating income	74.5	70.6	(5.3)	(3.9)
Operating margin(%)	11.2	10.4	-	-
Income before income taxes	73.7	74.1	+0.5	+0.4
Net income	51.5	53.5	+3.7	+1.9
Net income attributable to owners of the parent	50.6	52.5	+3.8	+1.9
EBITDA (Operating income + Depr. & amort.) ²	108.3	105.1	(3.0)	(3.3)
Basic earnings per share (yen)	105.21	110.12	+4.7	+4.91
Cash dividends per share (yen)	70.00	72.00	-	+2.00
Cash flow	Adjusted free cash flow ³		18.9 billion yen	
	Payments of cash dividends ⁴		34.0 billion yen	

1. Exchange rates: 107.73 yen/USD, 129.83 yen/Euro, 16.65 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

Amid declarations of a state of emergency and the absence of the previous year's special demand in Japan and severe conditions from the ongoing impact of the pandemic in Asia, net sales decreased on a like-for-like basis for January-June compared with the same period a year earlier. However, both net sales and operating income in April-June increased due to an upturn in sales of cosmetics and products for hair salons in the Americas and Europe and an increase in Chemical Business sales. Overall, results were almost as planned.

Net Sales

675.2 billion yen

+1.2% compared with the same period a year earlier

-0.6% on a like-for-like basis excluding effect of currency translation

- Household and personal care: Sales of products for hair salons in the Americas and Europe picked up. Although the Kao Group worked to enhance the *Laurier* sanitary napkin brand in China, due to the impact of declarations of a state of emergency and the absence of last year's special demand in Japan, global sales decreased compared with the same period a year earlier and fell slightly behind plan.
- Cosmetics: Second-quarter sales in China remained strong and sales in Europe were also on a recovery track. In Japan, digital transformation measures were successful and sales returned to growth. Global sales decreased slightly compared with the same period a year earlier, but were almost as planned.
- Chemicals: With the Kao Group benefitting from recovery in customer industries and strong performance by fat and oil derivative products used for disinfection, cleaning and other applications, sales increased compared with the same period a year earlier and exceeded the plan.

Operating Income

70.6 billion yen

-3.9 billion yen compared with the same period a year earlier

10.4% operating margin

Net income attributable to owners of the parent

52.5 billion yen

+1.9 billion yen compared with the same period a year earlier

Shareholder Returns

- Repurchased 6.88 million shares of the Company's stock for 50 billion yen. Retired 7 million treasury shares on June 23, 2021.
- Interim cash dividend for FY2021 is 72 yen per share, an increase of 2 yen per share, in line with the announced forecast.

Business Segment Overview

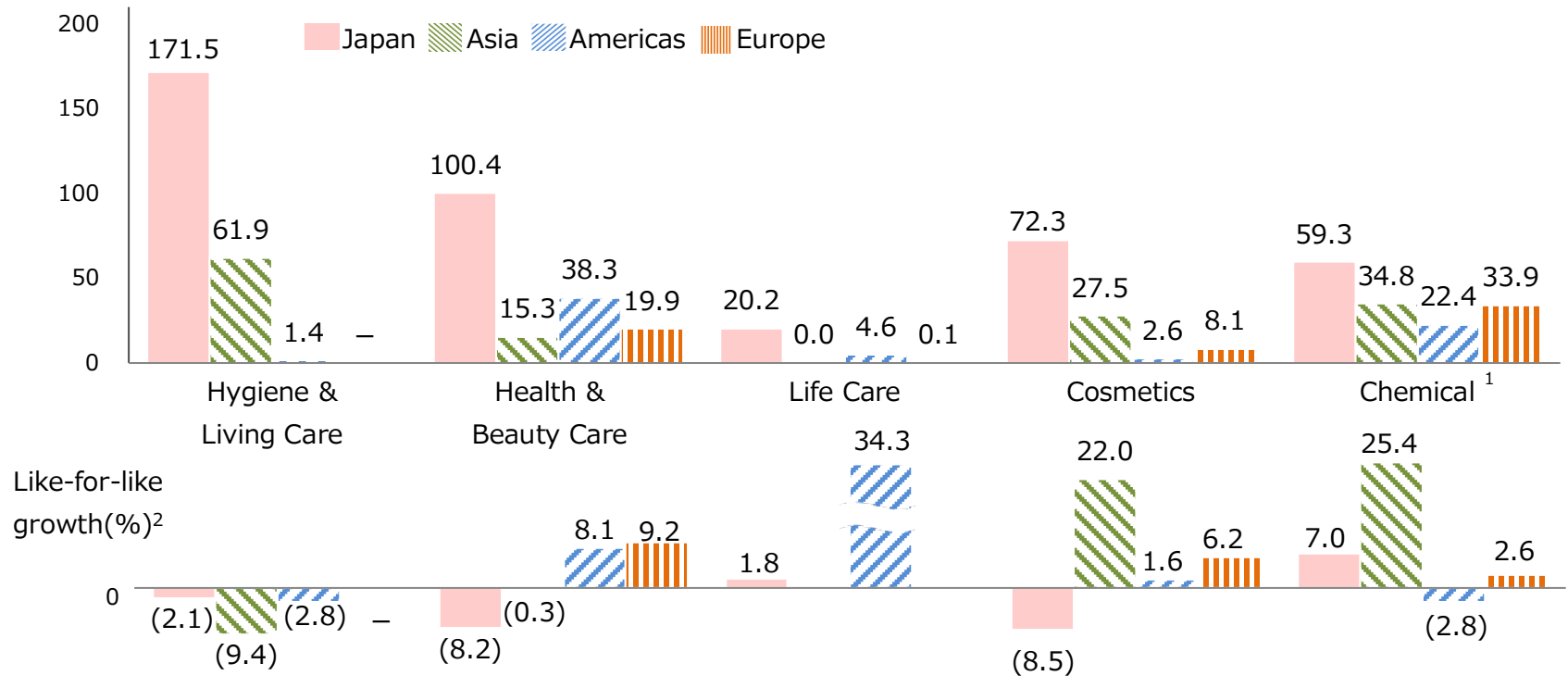
Market	Sales (vs. same period a year earlier)	Market Share (vs. same period a year earlier)	Operating Income (vs. same period a year earlier)	Sales (vs. plan)	Evaluation	Contribution from New and Improved Products	E-commerce/Digital Marketing
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[vs. same period a year earlier / Reasons for change / Main products]

Hygiene & Living Care	<ul style="list-style-type: none"> •Absence of last year's special demand •Launches of new and improved products 	<ul style="list-style-type: none"> •Laundry detergents ↑ •Home care products ↓ •Sanitary napkins ↓ 			<p>Concentrated investment in core brands. Although improved <i>Attack Zero</i> laundry detergent increased market share, the absence of last year's special demand for home care products and sanitary napkins had a negative impact. Sales and operating income decreased but achieved the plan. Market share was almost flat.</p>	✓✓	✓✓
Health & Beauty Care	<ul style="list-style-type: none"> •Restrictions on going outside •Absence of last year's special demand •Lifting of lockdowns in the Americas and Europe 	<ul style="list-style-type: none"> •Hand soaps ↓ •Hand sanitizers ↓ •Products for hair salons ↑ 			<p>Hand soaps and hand sanitizers gained substantial market share compared with 2019 as the market expanded. In 2021, the absence of the previous year's special demand had a greater impact than expected, and sales decreased and fell short of the plan. Outside Japan, products for hair salons were on a recovery track.</p>	✓	✓✓
Life Care	<ul style="list-style-type: none"> •Restrictions on going outside •Absence of last year's special demand 	<ul style="list-style-type: none"> •Commercial-use hygiene products for restaurants, banquet halls, travel, etc. ↓ 			<p>With restrictions on going outside, mandated temporary store closures and other factors, the environment was severe, particularly for commercial-use hygiene products for restaurants and banquet halls. The United States was on a recovery track as its economy normalized. Sales and operating income increased. Sales slightly exceeded the plan.</p>	✓✓	✓✓
Cosmetics	<ul style="list-style-type: none"> •Restrictions on going outside, mandated temporary store closures •Decrease in inbound demand •E-commerce campaign 	<ul style="list-style-type: none"> •Makeup products ↓ 			<p>Proactively launched new products from the second quarter and accelerated digital communication. Created hit products. Sales remained strong in China and were on a recovery track in Europe. Vigorously promoted structural reforms in Japan. Results were almost as planned.</p>	✓✓	✓✓✓
Chemical	<ul style="list-style-type: none"> •Recovery in customer industries •Telework 	<ul style="list-style-type: none"> •Disinfection and cleaning products → •Industrial applications ↑ •Toner and toner binder ↓ 			<p>Demand in customer industries recovered. Absorbed higher raw material costs. Accelerated development of products that will lead to the resolution of various social issues. Sales and operating income increased and exceeded the plan.</p>	✓✓	—

H1 Consolidated Net Sales by Segment/Geographic Region **KaO**

Net sales (Billion yen)



1. Net sales of the Chemical Business include intersegment transactions

2. Excluding the effect of currency translation

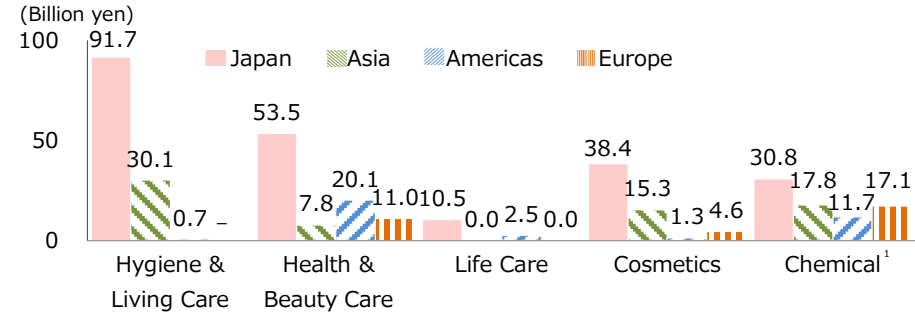
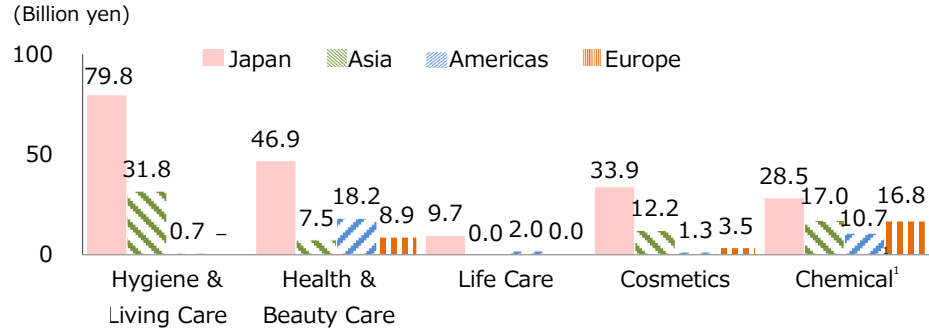
Sales by geographic region are classified based on the location of the sales recognized

Consolidated Net Sales by Segment/Geographic Region (Quarter) **KaO**

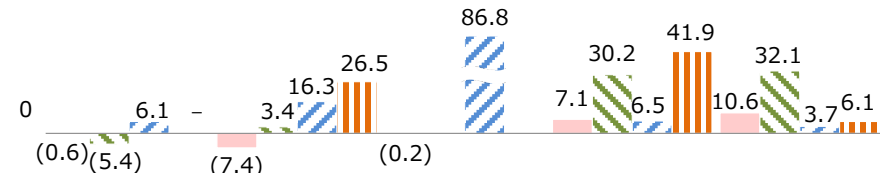
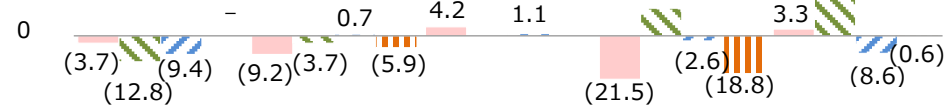
Q1 (January-March)

Q2 (April-June)

Net sales(Billion yen)



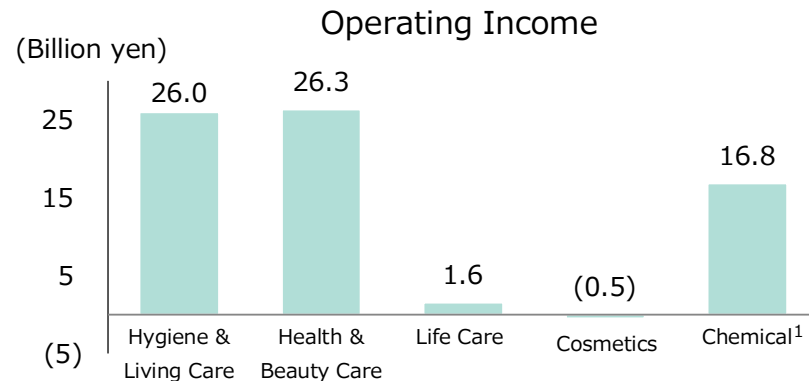
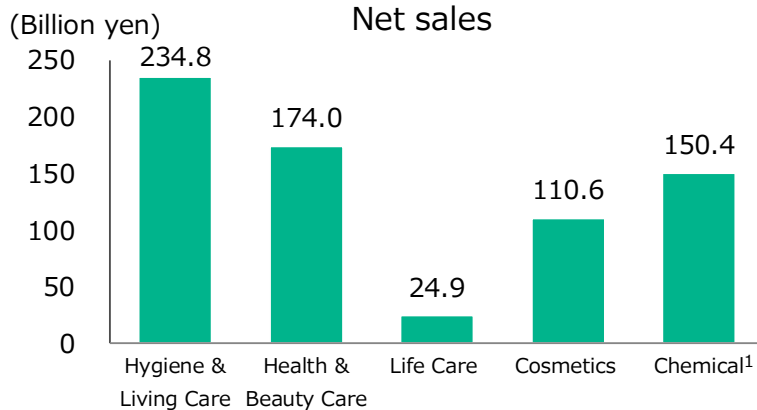
Like-for-like growth(%)²



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

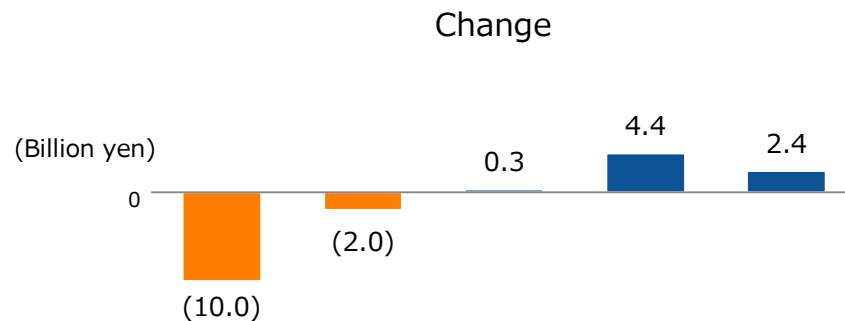
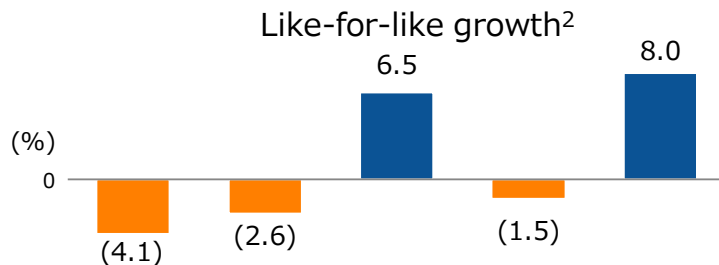
Sales by geographic region are classified based on the location of the sales recognized

H1 Consolidated Results by Segment



Operating margin (%)

Segment	Operating margin (%)
Hygiene & Living Care	11.1
Health & Beauty Care	15.1
Life Care	6.3
Cosmetics	(0.4)
Chemical ¹	11.1

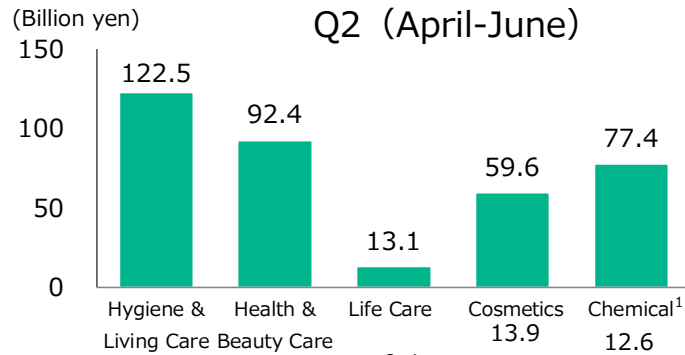
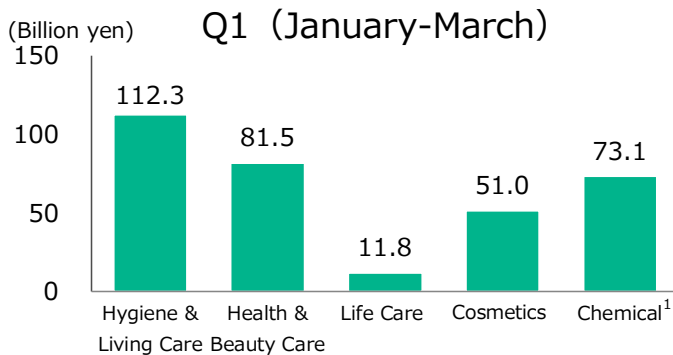


1. Net sales and operating income of the Chemical Business include intersegment transactions

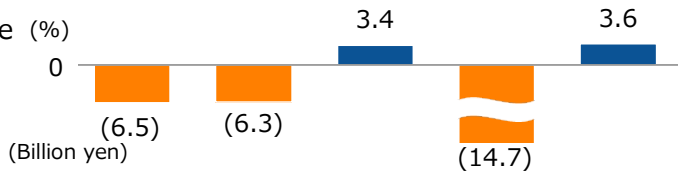
2. Excluding the effect of currency translation

Consolidated Results by Segment (Quarter)

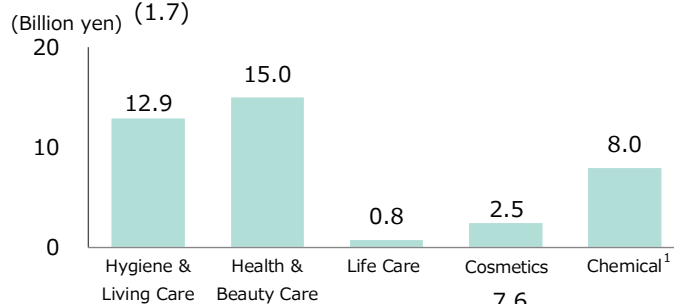
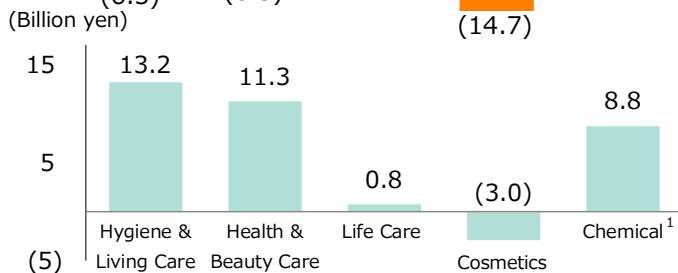
Net Sales



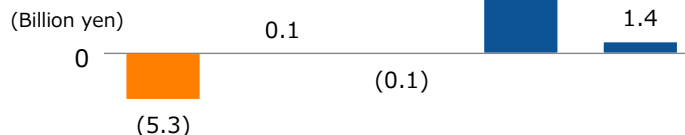
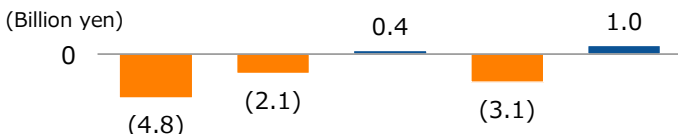
Like-for-like growth²



Operating Income



Change



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

2. Excluding the effect of currency translation

Consumer Products Business



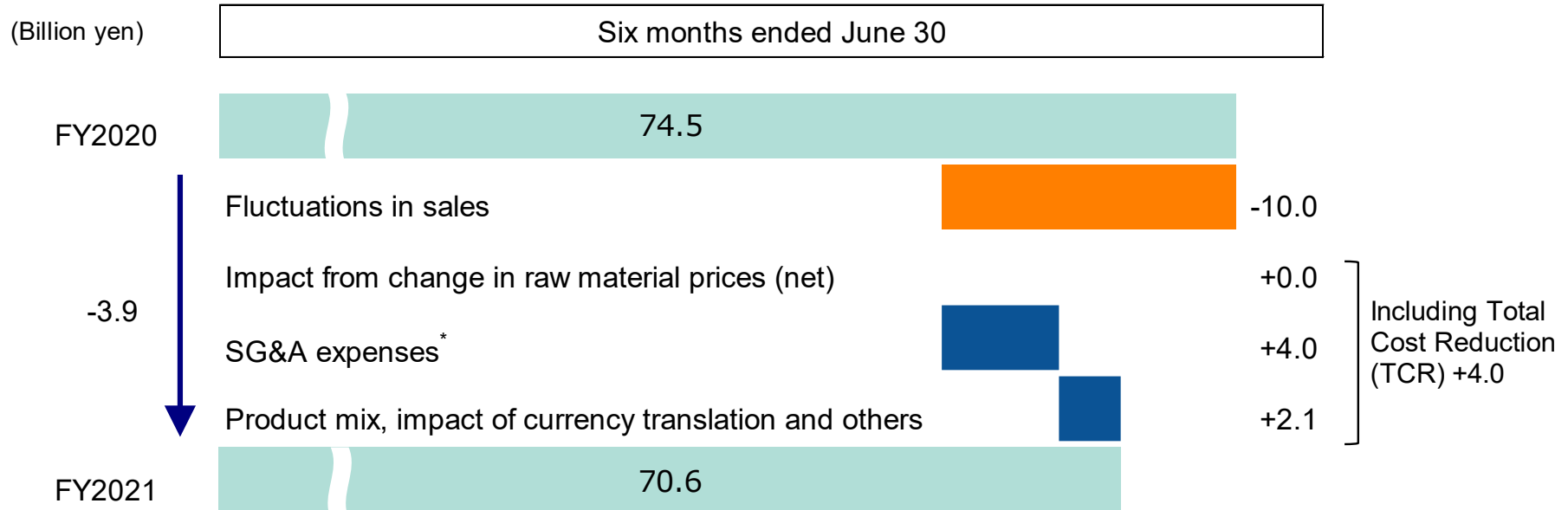
Six months ended June 30									
(Billion yen)	Net sales				Operating income			Operating margin %	
	FY2020	FY2021	Growth %	Like-for-like %*	FY2020	FY2021	Change	FY2020	FY2021
Japan	383.4	364.4	(5.0)	(5.0)	41.5	30.5	(11.1)	10.8	8.4
Asia	101.5	104.7	3.2	(1.6)	16.4	14.5	(1.9)	16.1	13.8
Americas	42.4	47.0	10.7	9.5	4.1	6.8	2.7	9.6	14.4
Europe	23.7	28.1	18.3	8.2	(1.2)	1.7	3.0	(5.1)	6.2
Consumer Products Business	551.1	544.2	(1.2)	(2.7)	60.8	53.4	(7.3)	11.0	9.8

Net sales growth rates of major companies (Like-for-like %*)	Kao China:	(1)%	Kao Taiwan:	(6)%	Kao Vietnam:	20%
	Kao Indonesia:	(2)%	Kao Thailand:	(5)%	Kao Hong Kong:	4%

* Excluding the effect of currency translation

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

Analysis of Change in Consolidated Operating Income KAO



* Excluding the effect of currency translation

Household and Personal Care Business

Sales of products for hair salons in the Americas and Europe picked up. Although the Kao Group worked to enhance the *Laurier* sanitary napkin brand in China, due to the impact of declarations of a state of emergency and the absence of last year's special demand in Japan, global sales decreased compared with the same period a year earlier and fell slightly behind plan.

Sales: 433.6 billion yen (-3.0% compared with the same period a year earlier)
Operating income: 53.9 billion yen (-11.8 billion yen compared with the same period a year earlier)
Operating margin: 12.4%

Japan:

- ➡ Sales grew due to proactive investment in core brands, product improvements, etc.
 - Laundry detergent, bath additives
- ➡ Despite market shrinkage due to the absence of last year's special demand, the Kao Group increased market share by strengthening hygiene-related products.
 - Home care products (+0.8 points), hand sanitizers (+22.2 points)
- ➡ The market shrank due to the absence of last year's special demand.
 - Sanitary napkins, hand soap

Asia:

- ➡ Sales of hygiene-related products remained firm in an ongoing severe environment due to the pandemic except in China and some other countries. In China, a large-scale campaign in the e-commerce channel went favorably. *Laurier* sanitary napkins performed strongly due to enhancement of the brand.

Americas & Europe:

- ➡ As economic activity headed toward normalization from the second quarter, sales of products for hair salons and commercial-use hygiene products in the Americas increased substantially compared with the same period a year earlier.



Information posted in various locations as part of activities to raise awareness of the correct way to sanitize hands



Expanded e-commerce for the *Oribe* brand for high-end hair salons at Sephora.com and other sites increased sales substantially.

*Arrows show progress compared with the sales plan. **Sales growth excluding effect of currency translation

44
Brands



32
Brands

13
Brands

Category-Leading Brands

To be the first brands in the category to come to mind

4
Brands

Life-Design Brands

Brands offering new lifestyle value by staying very close to loyal users

15
Brands

Niche Segment Brands

Brands for specific needs and specific products within categories

Second-quarter sales in China remained strong and sales in Europe were also on a recovery track. In Japan, digital transformation measures were successful and sales returned to growth. Global sales decreased slightly compared with the same period a year earlier, but were almost as planned.

Sales: 110.6 billion yen

(H1: -1.5% compared with the same period a year earlier, Q1 -14.7% / Q2: +13.9%)

Operating income: -0.5 billion yen

(+4.4 billion yen compared with the same period a year earlier)

Operating margin: (0.4)%

Japan: H1: -8.5% compared with the same period a year earlier (Q1 -21.5% / Q2 +7.1%)

- The substantial impact of the disappearance of inbound demand and repeated declarations of a state of emergency delayed market recovery, especially for makeup products, with tough conditions for sell-out from retailers to consumers.
- The Kao Group used cosmetics offerings and digital measures adapted to the new normal to create hit products such as *KATE Lip Monster* and *DEW Clear Clay Fondue*.

Asia: H1: +22.0% compared with the same period a year earlier (Q1 +13.6% / Q2 +30.2%)

- Sales increased substantially (+30%) compared with the same period a year earlier in China, with strong sales of *freepius* and *Curél*.
- Started business at the Hainan Island duty-free shopping complex in April. Introduced prestige brands *SENSAI*, *est* and *Biomimesis Veil*, which incorporates Fine Fiber Technology.

Europe: H1: +6.2% compared with the same period a year earlier (Q1 -18.8% / Q2 +41.9%)

- Sales of *Molton Brown* and *SENSAI* were firm due to strengthening of the e-commerce channel in addition to market recovery after the easing of lockdowns.

■ E-commerce ratio

	2020		2021
	H1	H2	H1
Japan	10%	10%	11%
China	66%	71%	70%
Europe	51%	44%	41%

Source: INTAGE Inc. SLI survey for Japan; ratio of e-commerce to total sales for China and Europe

■ G11 and R8 Brands growth compared with the same period a year earlier and share of sales

	2020 Full year		2021 H1	
	Growth	Share of Sales	Growth	Share of Sales
G11	(10)%	61%	+9%	64%
R8	(28)%	23%	(10)%	23%
Other	(36)%	16%	(22)%	13%

*Arrows show progress compared with the sales plan. **Sales growth excluding effect of currency translation

Cosmetics Business Initiatives in the First Half

Faced with unexpected measures against COVID-19 in the Japanese market in Q2, including extensions of the state of emergency, the Kao Group offered cosmetics for the new normal. It also stepped up initiatives in the prestige market and Chinese market, where there are substantial growth opportunities.

Cosmetics Offerings for the New Normal

- Makeup offerings, as wearing masks becomes common practice
 - ~ *KATE Small Face Silhouette Mask*
 - ~ Lip makeup that does not smudge easily, even when wearing a mask
- A home beauty offering that requires a little extra time and effort
 - ~ *DEW* skin care offering that takes 3 minutes to permeate and purify the skin and spirit



Cultivating Prestige Brands

- *Molton Brown* ~ Conducted 50th anniversary measures, promoted Online Merges with Offline (OMO)
- *SENSAI* ~ Started directly managed e-commerce in Europe and opened first counter in a Hainan Island duty-free shop complex in China
- *SUQQU* ~ Started cross-border marketing using affiliates



China

- Continued to enhance strong-selling *Curél* and *freeplus*
 - ~ Stepped up regular monthly promotions in addition to large-scale e-commerce campaigns



freeplus



Digital Transformation (DX) Initiatives

Stepped up business with e-commerce platforms, started Kao's own e-commerce (D2C) sites and enhanced digital communications in response to new purchasing behavior resulting from the COVID-19 pandemic.

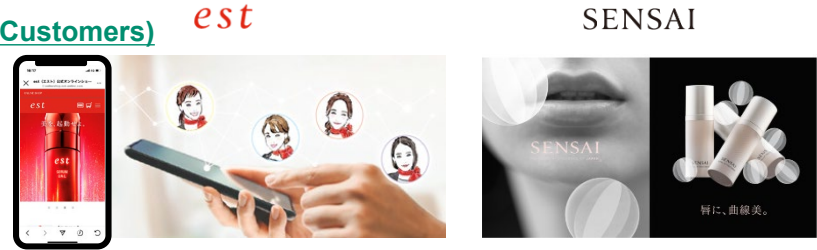
Stepped Up Offerings That Leverage the Features of E-commerce Platforms

- Introduced ultra-large sizes to capture bulk buying needs.
- Conducted advance rollouts of new products starting with e-commerce trials.
- Expanded sales through SCM initiatives for big sales.
~ (Sales Growth Challenge) Beverages 6-fold increase / Cosmetics 2-fold increase / Household and personal care products 1.7 times increase



Started Kao's Own E-commerce (D2C Business Model for a Direct Link to Customers)

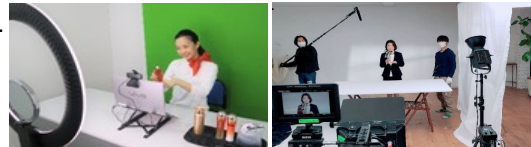
- *est* Promoted OMO to deepen ties through two-way communication with users via both real-world (offline) and digital (online) contact points.
- *SENSAI* Started Kao's own e-commerce in Europe.



Further Accelerated Digital Communication

- Cultivated digital communication that connects directly with users online.
- Disseminated the latest brand and beauty information live from a studio.

Streaming facilities at new Hakozaki Office



KATE CHANNEL



With the Kao Group benefitting from recovery in customer industries and strong performance by fat and oil derivative products used for disinfection, cleaning and other applications, sales increased compared with the same period a year earlier and exceeded the plan. Proactively rolled out products developed from ESG perspectives.

Sales: 150.4 billion yen (+8.0% compared with the same period a year earlier)
Operating income: 16.8 billion yen
(+2.4 billion yen compared with the same period a year earlier)
Operating margin: 11.1%

Japan: +7.0% compared with the same period a year earlier

➡ Sales increased due to steadily meeting demand resulting from market recovery in automobile-related and other fields.

Asia: +25.4% compared with the same period a year earlier

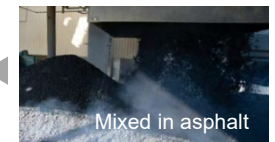
➡ Fat and oil derivative products continued to perform strongly in China, Thailand, Indonesia and elsewhere.

Americas: -2.8% compared with the same period a year earlier

➡ Demand for toners and toner binders was weak due to the impact of the spread of telework.

Europe: +2.6% compared with the same period a year earlier

➡ While the slump in toners and toner binders continued, sales of fat and oil derivative products for disinfection and cleaning were firm.



Rollout in various locations of highly durable asphalt modifier made from recycled PET waste



Agricultural chemicals business that enables increased food production while preserving the environment

Major Assumptions for FY2021 Forecast

Business Environment Assumptions	
Consumer Products Market	<p>It is assumed that the market will gradually recover and that large-scale mandated temporary store closures and restrictions on going outside will not be implemented in the fourth quarter.</p> <ul style="list-style-type: none"> ● Japan: Amid new lifestyles, vaccinations will continue but virus variants may have an impact. ● Asia: Other than in China, a full-scale recovery in economic activity is forecast to take time. ● Americas and Europe: Vaccinations will continue and market recovery is forecast to progress in stages
Chemical Market	<ul style="list-style-type: none"> ● There will be a recovery trend in the automobile-related and other customer industries, but it will be unclear in some cases. Demand for disinfection and sterilization-related products will be firm. ● Recovery in demand for printing-related products will be limited due to the popularization of telework.

■ Net sales		1,430.0 billion yen	Growth +3.5%
	Effect of currency translation	20.0 billion yen	+1.5%
	Sales growth excluding effect of currency translation	28.0 billion yen	+2.0%
■ Impact from change in raw material prices		Estimated impact on income	
		Gross impact	(30.0) billion yen
		Net impact	(8.0) billion yen
■ Total Cost Reduction (TCR) activities			+8.0 billion yen
■ Capital expenditures/depreciation and amortization		Capital expenditures ¹	90.0 billion yen
		Depreciation and amortization ²	72.0 billion yen
■ Exchange rate assumptions:	108 yen/USD, 127 yen/Euro, 16 yen/Yuan		

1. Excluding right-of-use assets

2. Excluding depreciation of right-of-use assets

Consolidated Operating Results Forecast for FY2021

Fiscal year (January 1 to December 31)

(Billion yen)	FY2020		FY2021 (Forecast)	Growth %	Change
		Growth %			
Net sales	1,382.0	(8.0)	1,430.0	+3.5	+48.0
			Effect of currency translation ¹	+1.5	+20.0
			Sales growth excluding effect of currency translation	+2.0	+28.0
Operating income	175.6	(17.1)	177.0	+0.8	+1.4
Operating margin	12.7%	-	12.4%	-	-
Income before income taxes	174.0	(17.4)	177.0	+1.7	+3.0
[% of Net sales]	12.6%	-	12.4%	-	-
Net income attributable to owners of the parent	126.1	(14.9)	127.0	+0.7	+0.9
[% of Net sales]	9.1%	-	8.9%	-	-
EBITDA (Operating income + Depr. & amort.) ²	243.9	(12.0)	249.0	+2.1	+5.1
ROE	14.2%	-	13.7%	-	-
Basic earnings per share (yen)	262.29	(14.5)	267.11	+1.8	+4.82
Cash dividends per share (yen)	140.00	-	144.00	-	+4.00

1. Exchange rate assumptions: 108 yen/USD, 127 yen/Euro, 16 yen/Yuan

2. Excluding depreciation of right-of-use assets

Sales Forecast for FY2021



Consolidated Net Sales (Year ending December 31)

FY2021 (Forecast) (Billion yen)	Japan		Consolidated		Japan	Consolidated	
		Growth (%)		Like-for-like growth (%) ¹			Like-for-like growth (%) ¹
Hygiene and Living Care Business	368.0	(1.7)	499.0	(1.9)		882.0	(0.7)
Health and Beauty Care Business	219.0	(3.8)	368.0	0.2	Asia	282.0	6.8
Life Care Business	47.0	4.4	55.0	5.3	Americas	137.0	6.0
Cosmetics Business	165.0	0.8	247.0	4.2	Europe	129.0	8.3
Consumer Products Business	799.0	(1.5)	1,169.0	0.3			
Chemical Business ²			299.0	8.7			
Consolidated			1,430.0	2.0	Consolidated	1,430.0	2.0

1. Excluding the effect of currency translation

2. Net sales of the Chemical Business include intersegment transactions

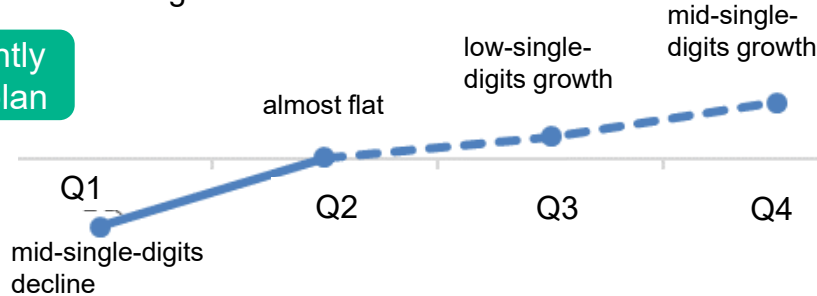
Sales by geographic region are classified based on the location of the sales recognized

Sales Plan and Main Initiatives Going Forward

Household and Personal Care Products: Decisive investment in enhancing core brands and comprehensive offerings for healthy lifestyles including measures to prevent infection

Envisioned YoY sales growth

H1: Slightly behind plan



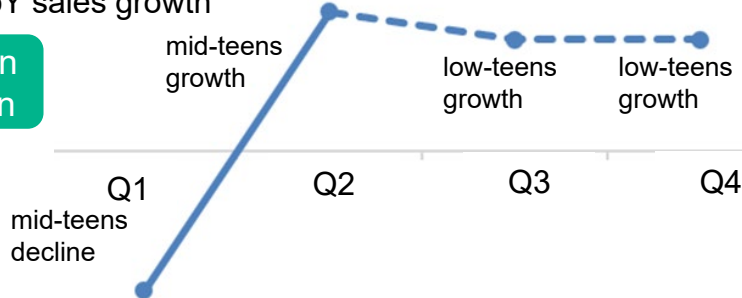
- ✓ Concentrated investment in core brands
 - Essential THE BEAUTY*: Launch of new series for hair texture beauty
 - Bath Magiclean*: Launch of an innovative new product with universal design
- ✓ Launch of new *Merries* baby diapers made in China: Thin diapers for all-day use
- ✓ Step up cooperation with e-commerce platforms
- ✓ Initiatives to protect kirei* lifestyles (hygiene-related products)

* The Japanese word "kirei" means beautiful or clean, not only on the outside but also on the inside. At Kao, Kirei is the value we want to bring to everyday life with our brands, products and services - now and in the future.

Cosmetics: Proactive promotions with offerings that anticipate the post-COVID era. Accelerate digital communication by promoting DX.

Envisioned YoY sales growth

H1: Almost in line with plan



- ✓ Proactive new product launches and promotional offerings
- ✓ Expand e-commerce business by promoting DX
- ✓ Step up prestige brands, travel retail and cross-border e-commerce
- ✓ Improve profitability by promoting business structural reforms

Promote Reborn Kao.

Enhance brands through proactive new product offerings for the Japanese market and offer new baby diapers made in China for the Chinese market.

Bolster Bedrock Businesses with Decisive Investments in Marketing

- *Attack* ~ *Attack Zero* offering for “deep cleaning” of laundry
- *Bioré* ~ Offerings for hand hygiene during the COVID-19 pandemic and hot weather countermeasures
- *Merries* ~ Enhance premium pants-type diapers in Japan
- *Laurier* ~ Continue to enhance high-value-added line



Create Dominant Leading Brands with Technologically Innovative Products

- *Magiclean* ~ New bath cleaning product offering incorporating universal design
- *Essential* ~ New offering for hair texture beauty at home
- *Merries* ~ Support growing babies with the launch of new *Merries* made in China using leading-edge technology



Proactive Promotion of D2C2C

- Strengthen bonds between brands and consumers
Step up digital communication
E-commerce (EC platforms, D2C)



Cosmetics Business Initiatives in the Second Half

Anticipating market recovery in Japan as more people are vaccinated, the Kao Group will enhance its brands through proactive new product offerings and continue its approach to the Chinese market, which continues to grow.

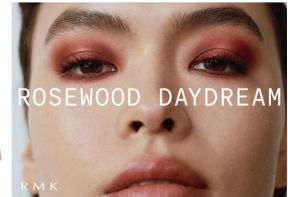
Cosmetics Offerings for the New Normal

- *DEW* ~ Third and fourth offerings for a home beauty
- *SOFINA iP* ~ New product that applies carbonation technology
- *Curél* ~ Concentrated ceramide care mask
- *KATE* ~ Lash Former EX



Cultivating Prestige Brands

- *KANEBO* ~ Conveying the “hope” that cosmetics instill. Smile Performer brings a smile to users’ faces
- *SUQQU* ~ Offering 23 colors of foundation for diverse skin types
- *RMK* ~ Autumn/winter collection of offerings from new creative director Yuki



China

- Continue to enhance strong-selling *Curél* and *freeplus*
- Expansion of counters for *SENSAI* at Hainan Island duty-free shopping complex and for *SUQQU* at tax-free shops in cities



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 and early repayment of interest-bearing debt including borrowings

* Net cash flows from operating activities

Business Policies and K25

Yoshihiro Hasebe
Representative Director, President and Chief Executive Officer

Kao Corporation
August 3, 2021

Plans for Second-Half of FY2021

	Market		Sales		Operating Income	
	H1 Conditions (vs. same period a year earlier)	H2 Forecast	H1 Results (vs. same period a year earlier)	H2 Plan	H1 Results (vs. same period a year earlier)	H2 Plan
Hygiene & Living Care				<p>Contribution of new products</p>		
Health & Beauty Care				<p>Contribution of new products</p>		
Life Care						
Cosmetics				<p>Contribution of DX initiatives</p>		
Chemical				<p>Contribution of raw materials for hygiene</p>		

Kao's Corporate Stance

Sustainability as the only path

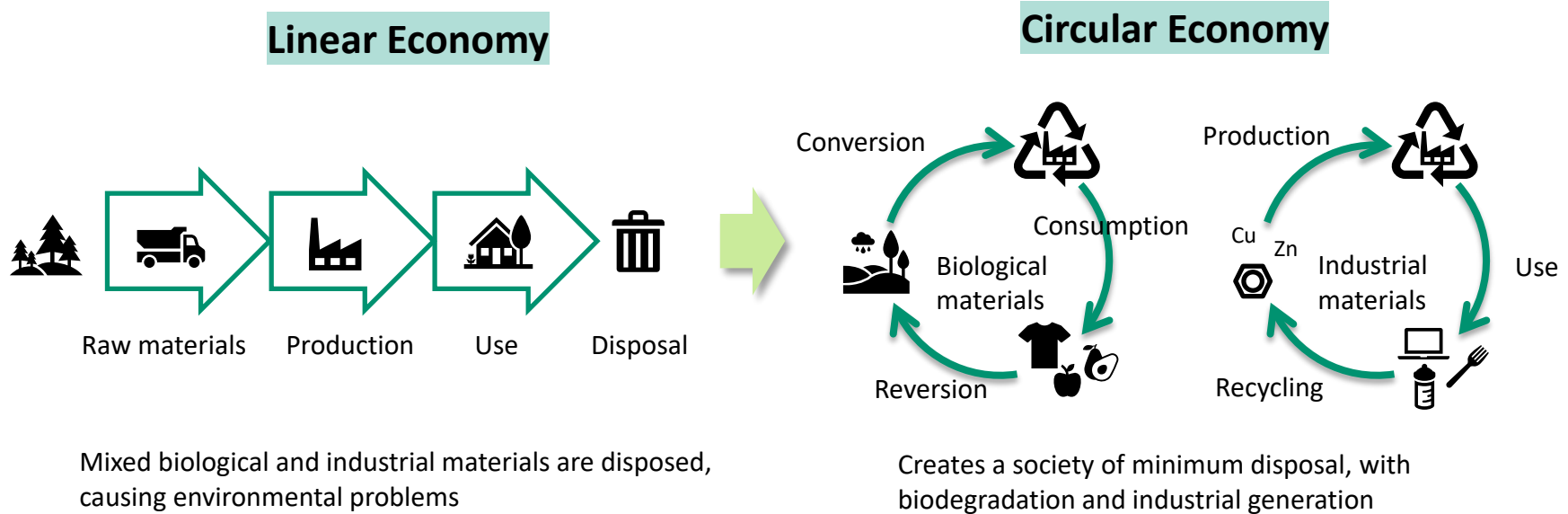


Aiming for the **maximum** value and profit from the **minimum** materials, energy and labor

Maximum with Minimum

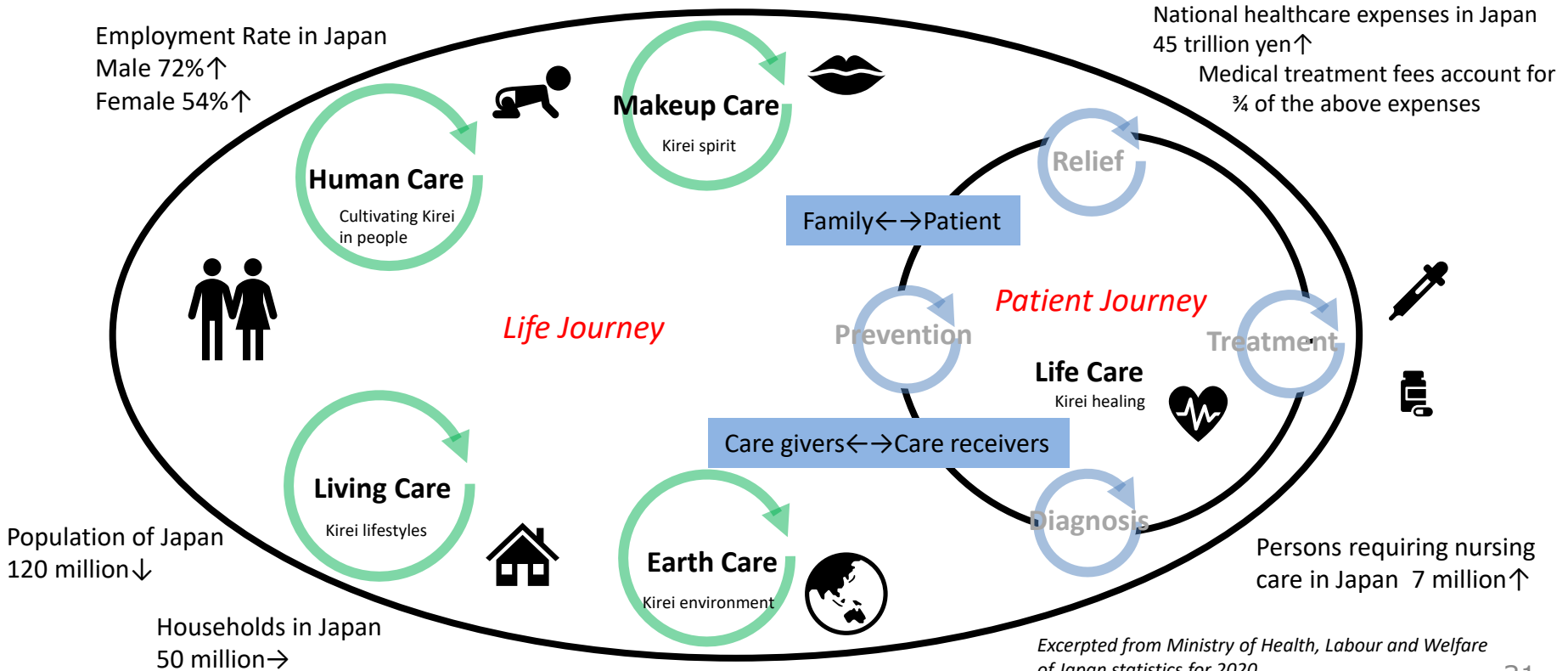
There are limits to growth, but not development

Direction 1: Pursuing transition from a linear economic model based on **volumes and units** to a circular economy based on **quality and human ties**.



Protecting everyday good health for enriched lives

Direction 2: Aim to minimize the time people spend in ill health while enriching daily life.



Become a company that uses its integrated power* to offer solutions for the world's social issues

* We use the phrase integrated power in contrast to the concept of total power. Total power generally signifies the collective sum of all power, while integrated power has the meaning of synergies created from disparate powers or new power created from new combinations.

Social issues of focus

Business activities and output

Environmental issues

- Global warming
- Ocean, water, soil and air pollution
- Deforestation

Population aging

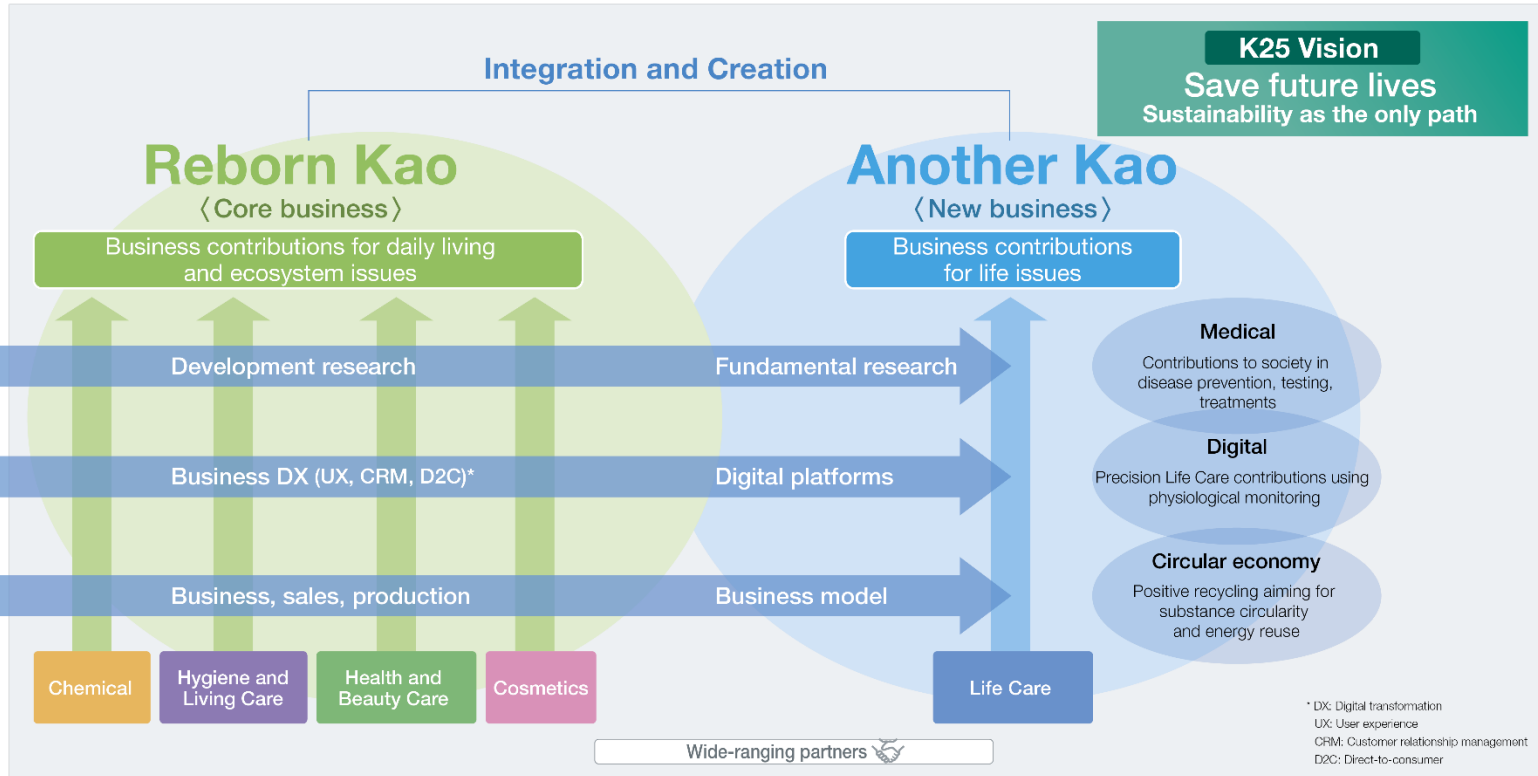
- Extension of healthy life expectancy
- Medical insurance and social security programs
- Medical welfare

Pandemics

- Viral diseases
- Bacterial diseases
- Parasitic diseases

Diversification

- Extraordinary increase in the number of products
- False or exaggerated advertising, abuse of anonymity



* DX: Digital transformation
UX: User experience
CRM: Customer relationship management
D2C: Direct-to-consumer

Main stakeholders

• Shareholders/investors

• Employees

• Customers

• Consumers

Appendices

Major ESG Investment* Indices and Evaluations from External Organizations **KAO**

ESG indices for which Kao has been selected

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA



FTSE4Good



FTSE Blossom Japan

2021 MSCI ESG Leaders Indexes Constituent

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX



Sense in sustainability



Evaluations from/activities with external organizations



CLIMATE FORESTS WATER

RE100

CLIMATE GROUP



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



SPORTS YELL COMPANY 2021



DBJ健康格付 2020



健康経営銘柄 2021 Health and Productivity



健康経営優良法人 ホワイト500



イラチナくみん



DIVERSITY MANAGEMENT SELECTION 100 2013



NADE SHI KO Semi 2021



Clean Ocean Material Alliance



NIKKEI Smart Work 2020 Best 50

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

Initiatives with a Focus on ESG

Resolving Social Issues

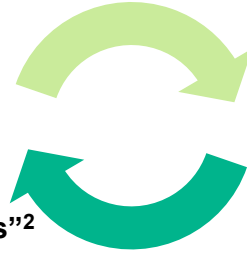
Set ambitious targets for decarbonization¹

- 2040 Carbon zero
- 2050 Carbon negative
- 2030 New targets:
 - 55% reduction in Scope 1 + 2 CO₂ emissions
 - 100% of electricity sourced from renewable energy
 - 10-million-ton reduction in CO₂ emissions by Kao offices and factories



RE100

CLIMATE GROUP



Resolving Social Issues + Expanding Business/Creating New Businesses

Local governments and private companies use highly durable asphalt modifier made from waste PET⁵

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



Announced “Supply Chain ESG Promotion Guidelines”² and increased procurement targets³



Started using 100% recycled plastic and chemically recycled PET materials in product containers⁴



Co-Creation with Partners

Steady progress of recycling field testing in collaboration with Lion Corporation

Right photo: Collection box for used refill packs (outlined in red)



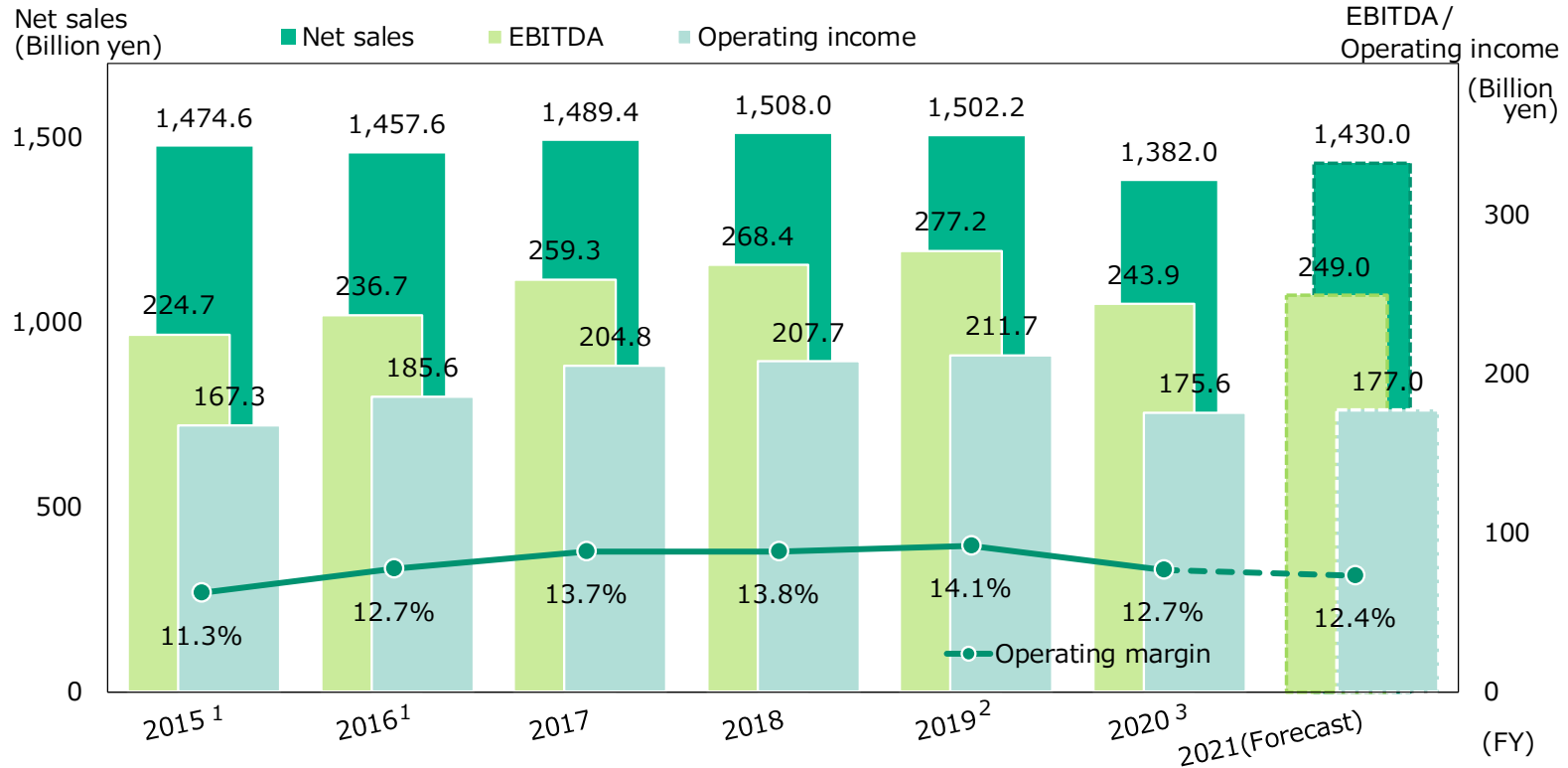
Launched a collaborative program with Unilever Japan to collect and recycle plastic bottles⁶

Collection boxes installed in collaboration with Higashi-Yamato City, Tokyo, Japan (image)



1. [Kao Is Aiming to Reduce Its CO₂ Emissions to Zero by 2040, and to Be Carbon Negative by 2050](#) 2. [Supply Chain ESG Promotion Guidelines](#) 3. [Responsibly Sourced Raw Materials](#),
 4. [Kao to Start Using 100% Recycled Plastic for Its Bottles in Japan](#) 5. [Highly Durable Asphalt Modifier Made from Waste PET Developed at Kao Corporation](#)
 6. [Unilever Japan and Kao Launch a Collaborative Plastic Recycling Program](#)

Consolidated Net Sales/EBITDA/Operating Income KaO



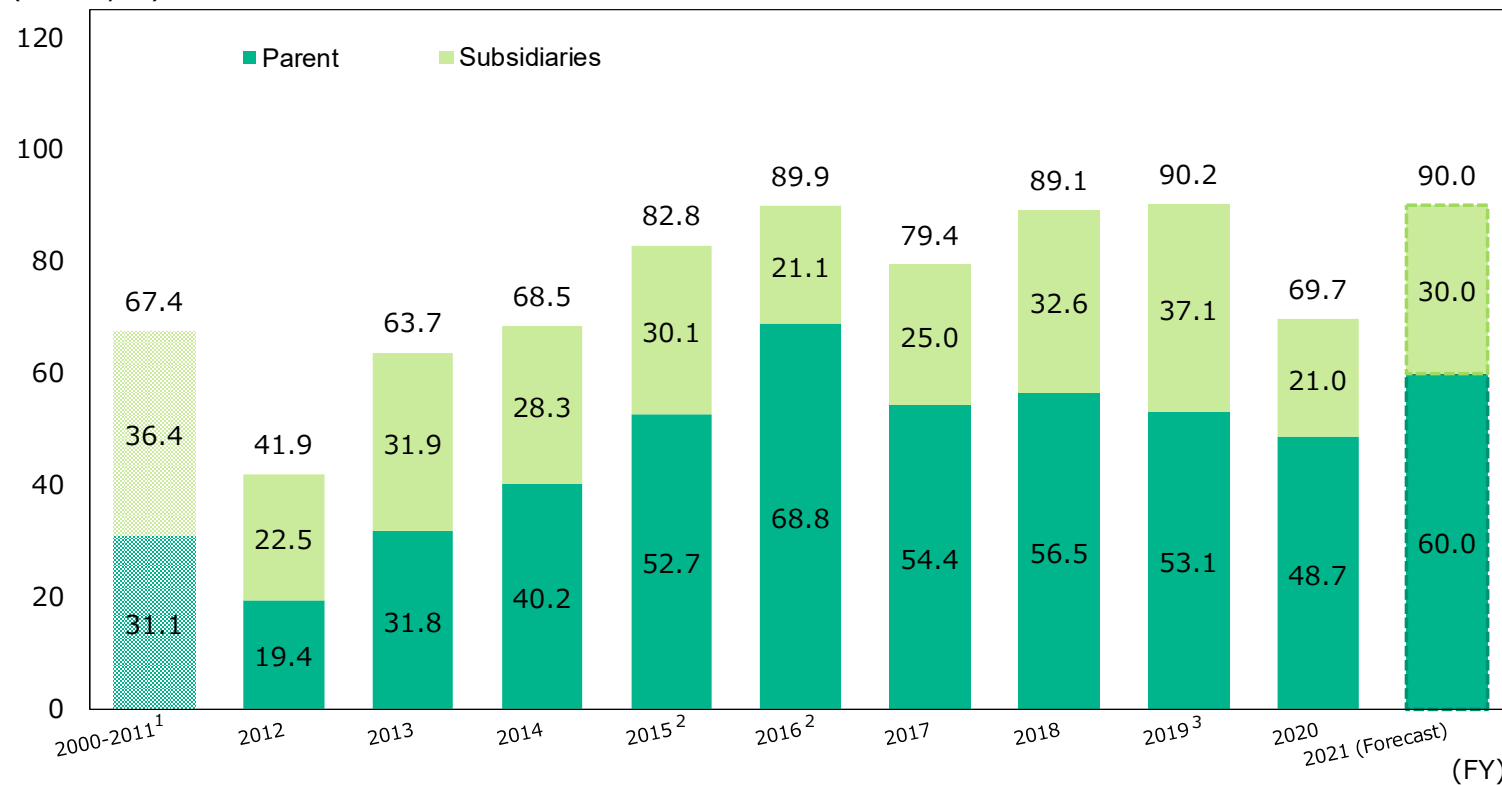
1. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS

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

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

Capital Expenditures

(Billion yen)

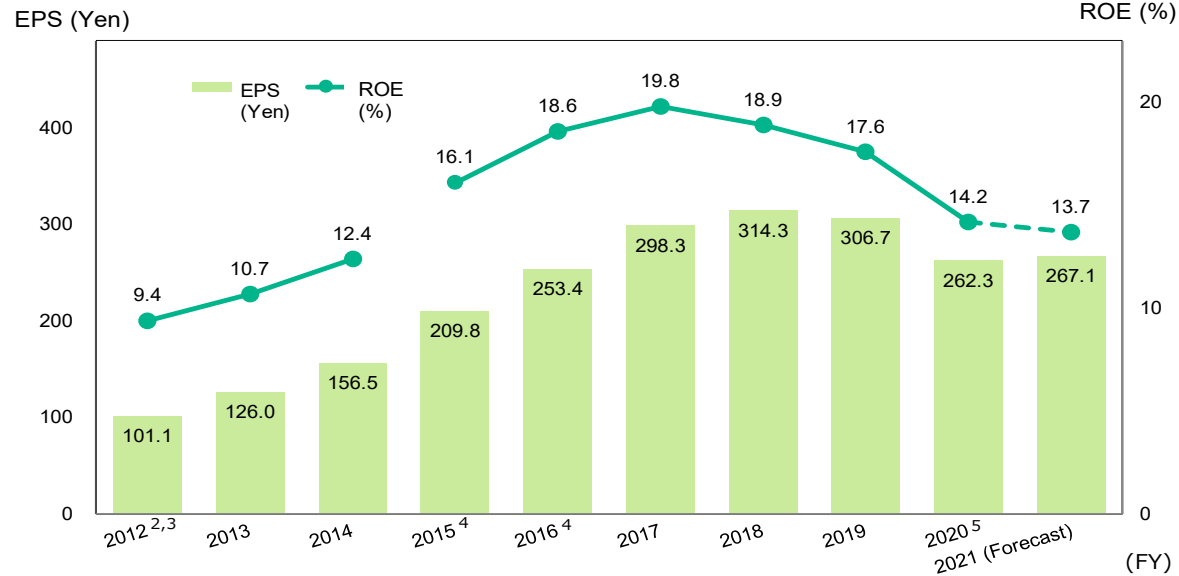


1. Average between FY2000 and FY2011

2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS

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

ROE & EPS¹

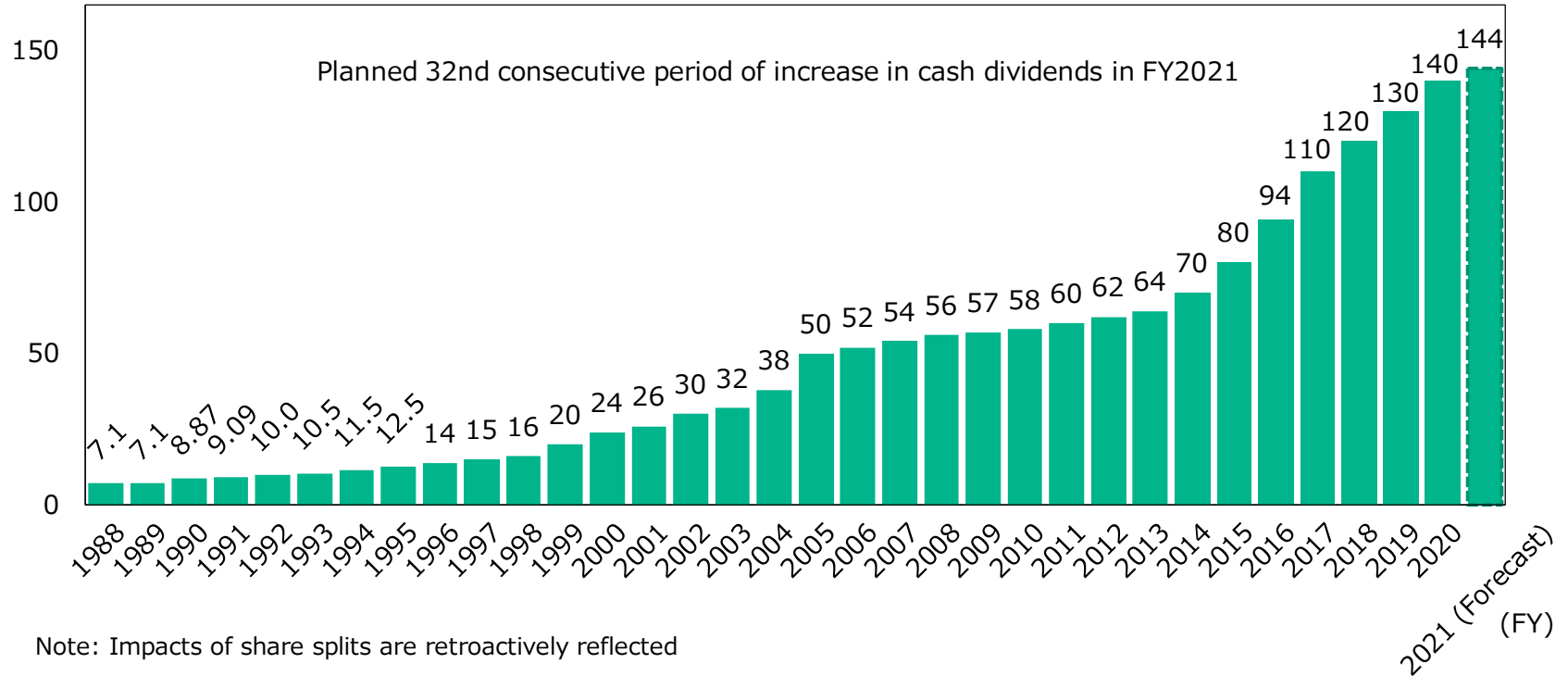


Weighted average number of shares outstanding (Million shares)	521.8	513.9	508.7	501.4	499.4	492.8	489.1	483.3	480.9	475.5
Net income [J-GAAP] / Net income attributable to owners of the parent [IFRS] (Billion yen)	52.8	64.8	79.6	105.2	126.6	147.0	153.7	148.2	126.1	127.0

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. 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

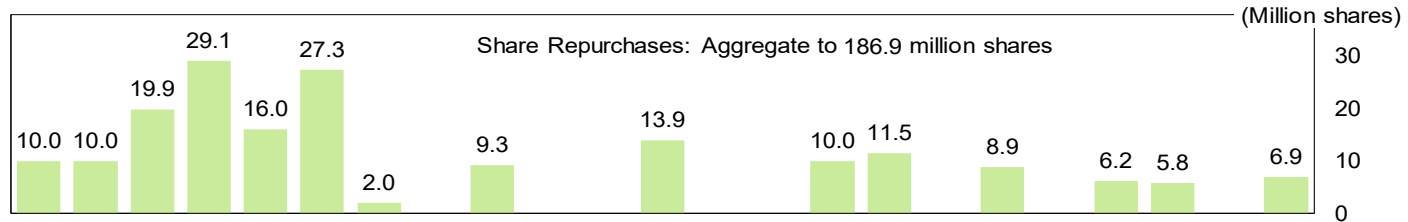
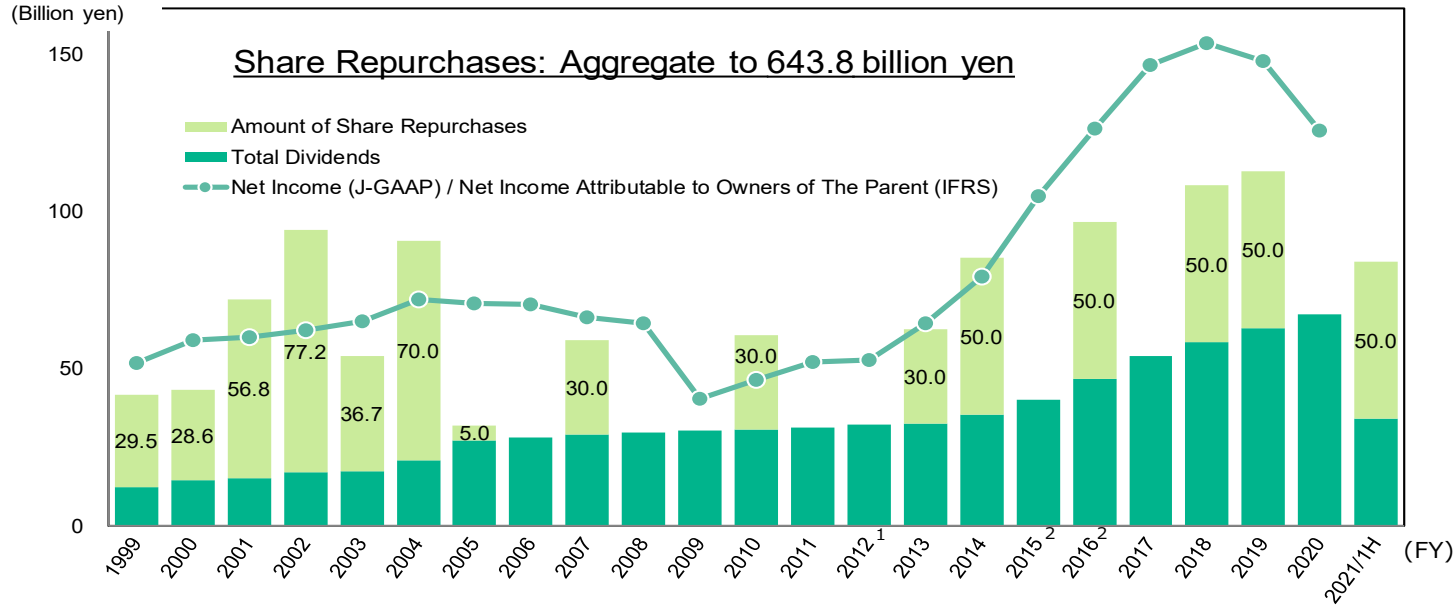
Cash Dividends per Share

Cash Dividends per Share (Yen)



Note: 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

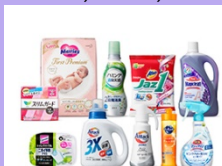
Consumer Products Business

Hygiene and Living Care Business

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

Six months ended June 2021

Net sales: 234.8 billion yen
 Like-for-like growth:¹ (4.1)%
 Share of net sales: 34.8 %
 Operating margin: 11.1 %



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 2021

Net sales: 174.0 billion yen
 Like-for-like growth:¹ (2.6)%
 Share of net sales: 25.7 %
 Operating margin: 15.1 %



Life Care Business

Commercial-use hygiene products, Health drinks

Six months ended June 2021

Net sales: 24.9 billion yen
 Like-for-like growth:¹ 6.5 %
 Share of net sales: 3.7 %
 Operating margin: 6.3 %

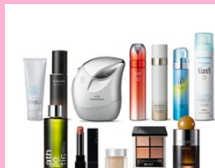


Cosmetics Business

Counseling cosmetics, self-selection cosmetics

Six months ended June 2021

Net sales: 110.6 billion yen
 Like-for-like growth:¹ (1.5)%
 Share of net sales: 16.4 %
 Operating margin: (0.4)%



Chemical Business

Six months ended June 2021

Net sales: 150.4 billion yen²
 Like-for-like growth:¹ 8.0 %
 Share of net sales:³ 19.4 %
 Operating margin: 11.1 %

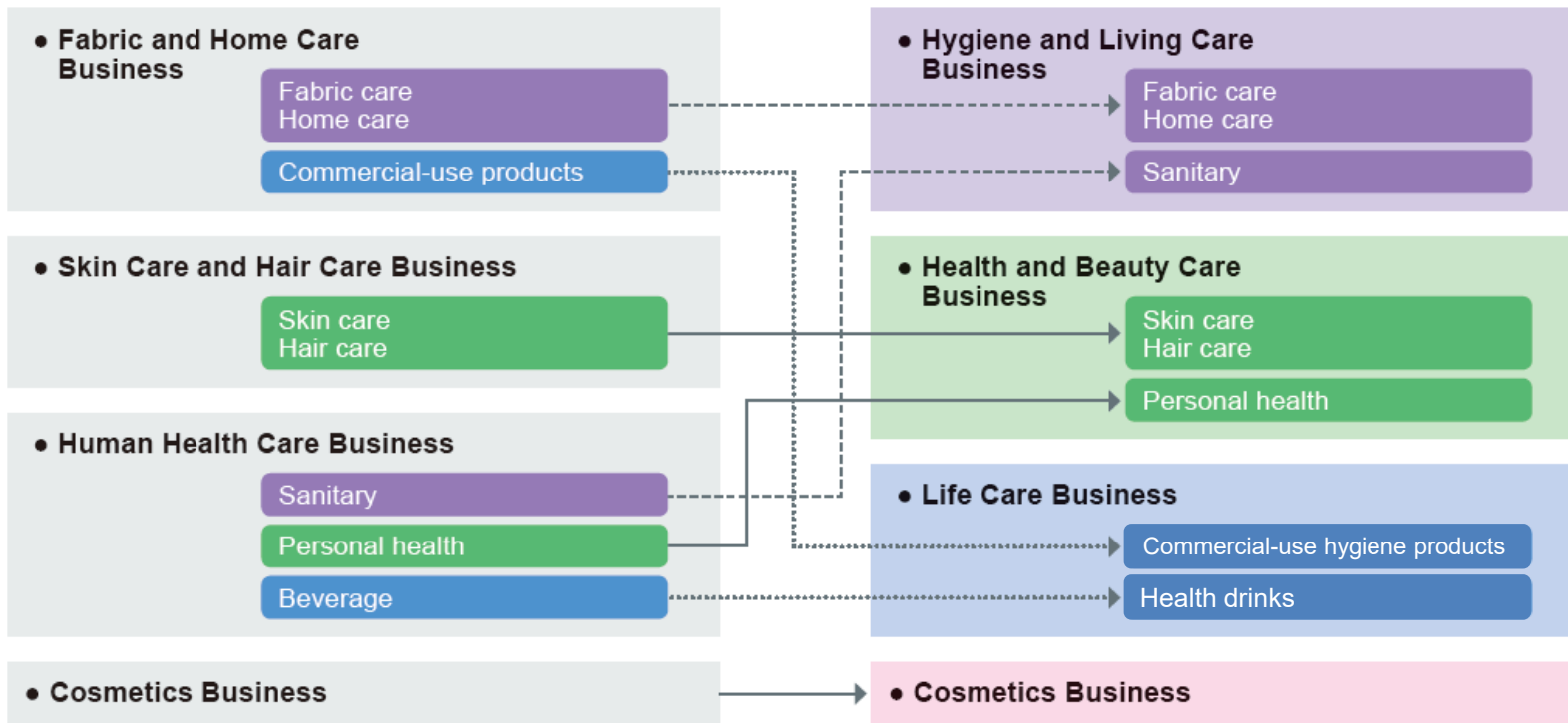
Oleo chemicals,
 performance chemicals,
 specialty chemicals



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

Changes in Business Segment (As of January 2021)

The Consumer Products Business was restructured in January 2021 to conduct business with a focus on the fundamental value people seek. The Kao Group established the Hygiene and Living Care Business, which contributes to more comfortable lifestyles with support for people's daily lives and society, and the Health and Beauty Care Business, which offers care for the entire body to maximize healthy beauty. The Kao Group also established the Life Care Business to promote new businesses that protect human lives by fully utilizing the fundamental technologies that have supported the Kao Group.



Reference: Consolidated Financial Results for FY2020 (New Segments)



	Net sales (Billions of yen)	Share of net sales ² (%)	Operating income (Billions of yen)	Operating margin (%)
Hygiene and Living Care Business	503.2	36.4	79.6	15.8
Health and Beauty Care Business	362.3	26.2	60.5	16.7
Life Care Business	52.2	3.8	4.7	8.9
Cosmetics Business	233.6	16.9	2.4	1.0
Consumer Products Business	1,151.3	83.3	147.2	12.8
Chemical Business ¹	269.2	16.7	27.7	10.3
Total	1,420.5	—	174.9	12.3
Elimination and Reconciliation	(38.5)	—	0.7	—
Consolidated	1,382.0	100.0	175.6	12.7

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

2 Share of net sales is calculated based on sales to customers

Note: Consolidated financial results for FY2020 have been restated according to the new segments. (Please refer to page 42 for details of the reportable segments.)

KaO

Kirei — Making Life Beautiful