Consolidated Financial Results
for the Nine Months Ended September 30, 2017

Kao Corporation

October 30, 2017

FASF MEMBERSHIP

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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 Kao Group adopted International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2016.
- In the fiscal year ending December 31, 2017, the Kao Group adopted IFRS 15, "Revenue from Contracts with Customers" and its amendments early in tandem with a revision of its sales system for the Consumer Products Business in Japan.

Overview of Consolidated Financial Results
for the Nine Months Ended September 30, 2017

Commitments for 2017

1. Business model change:

   Deepen the post-deflation growth model and maximization of use of Kao Group assets executed in Kao Group Mid-term Plan K15, and establish a top-down business model.
2. Achieve the forecast announced for fiscal 2017 to ensure accomplishment of Kao Group Mid-term Plan K20.

Overview of Consolidated Financial Results for January to September 2017

- From January to June, overall results were steady, exceeding the announced forecast. July to September results were slightly less than planned. Aiming to achieve the full-year forecast of results as planned.
  - ✓ January to June results were driven by the start of distribution of *Merries* baby diapers through a new sales channel and growth of e-commerce in China and of cross-border e-commerce.
  - ✓ From July to September, results in Japan were impacted by poor weather, decline in inbound sales in cosmetics and higher raw material prices. There were issues with skin care and hair care products in the Americas and Europe. Human Health Care Business sales remained strong.
- More efficient deployment of marketing expenses went as planned, including effective use of digital marketing and promotional materials.
- The Kao Group will reliably add to sales and income from October to December to make progress toward achieving the full-year forecast.

Overview of Businesses

Beauty Care

Cosmetics: Due to a decline in inbound sales and a difference in timing of improved product launches, sales decreased compared with the same period a year earlier, but aiming for recovery over the full year.
Major reforms in progress. *SOFINA iP* and the global brand *KANEBO* sold steadily. Growth in Asia exceeded the plan. In Japan, improved *est* was launched in September.

Skin care/hair care: products In skin care products, *Bioré Deodorant Z* performed well. *Curél* helped expand the business with the launch of aging care products in Japan. In the Americas, *Bioré* continued to grow but marketing was strengthened due to intensifying competition. A rollout of *Bioré* began in Europe. Performance of hair care products was weak.

Human Health Care: *Merries* baby diapers performed well in cross-border e-commerce, e-commerce within China, and in Japan. Sales of *MegRhythm Steam Eye Mask* grew both in Japan and in China. Oral care products also performed well in Japan.

Fabric and Home Care: In Japan, performance of fabric softeners was strong, but performance of laundry detergents was weak due to higher-than-expected raw material prices. The Kao Group strengthened marketing in Japan and Asia due to intensifying competition. In addition to strong-selling dishwashing detergents, household cleaners and *Quickle* household cleaning mop kits performed well.

Chemical: Sales increased with growth from high-value-added products and selling price adjustments in light of rising prices of natural fats and oils, but operating income was flat due to higher raw material prices.

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Highlights of Consolidated Financial Results

Consumer Products Market[1] (January - September 2017)

Growth of household and personal care market in Japan:[2]	SRI: -1 point / SCI: +3 points
Growth of cosmetics market in Japan:[3]	Flat
Consumer purchase price for 15 major household and personal care categories in Japan:[4]	+1 point

Consolidated Operating Results (Nine months ended September 30)

(Billion yen)	FY2016	FY2017	Growth %	Change
Net sales	1,055.1	1,080.2	+2.4	+25.2
Impact of adoption of IFRS 15 and revision of sales system[5]			(4.5)	(47.9)
Effect of currency translation[6]			+0.9	+9.9
Like-for-like, excluding impact of above			+6.0	+63.2
Operating income	131.2	137.8	+5.0	+6.6
Operating margin	12.4%	12.8%	-	-
Income before income taxes	127.0	137.4	+8.2	+10.4
Net income	87.1	97.2	+11.6	+10.1
Net income attributable to owners of the parent	86.4	96.4	+11.7	+10.1
EBITDA (Operating income + Depr. & amort.)	169.4	178.1	+5.1	+8.7
Basic earnings per share (yen)	172.25	195.64	+13.6	+23.39

1. 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. [Surveys by INTAGE Inc.]
2. Year-on-year growth rate of market size on value basis (yen). (Source: SRI POS data, SCI data.)
3. Year-on-year growth rate of market size on value basis (yen). (Source: SLI data based on Kao's definition. Survey excludes inbound demand.)
4. Comparison with the same period of the previous fiscal year using an index with the 1st half of FY2008 as 100. (Source: SRI POS data)
5. In FY2017, the Kao Group adopted IFRS 15 early in tandem with a revision of its sales system for the Consumer Products Business in Japan.
6. Exchange rates: 111.94 yen/USD, 124.58 yen/Euro, 16.44 yen/Yuan

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Impact of Adoption of IFRS 15 and Revision of Sales System on Consolidated Statement of Income

Nine months ended September 30

(Billion yen)	FY2016	FY2017	Change	Sales system + IFRS 15	Sales system	IFRS 15	% of Net Sales Excluding Impact of Adoption of IFRS 15 and Revision of Sales System
Net sales	1,055.1	1,080.2	+25.2	(47.9)	(15.7)	(32.2)	
				[Reductions of net sales]			
Cost of sales	(463.1)	(610.1)	(146.9)	(94.3)	-	(94.3)	
[% of Net sales]	43.9%	56.5%					45.7%
Gross profit	592.0	470.2	(121.8)				
SG&A expenses	(461.5)	(333.8)	+127.6	+142.2	+15.7	+126.5	
		Sales promotion expenses, etc.				19.1	
		Center fees				13.1	
		Logistics/Freight expenses, personnel expenses, etc.				94.3	
[% of Net sales]	43.7%	30.9%					42.2%

Note: In FY2017, the Kao Group adopted IFRS 15 early in tandem with a revision of its sales system for the Consumer Products Business in Japan. As a result, certain items formerly treated as SG&A expenses are accounted for as reductions of net sales or cost of sales.

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Consolidated Net Sales by Segment/Geographic Area

Consolidated Net Sales (Nine months ended September 30)								
(Billion yen)				Japan	Asia	Americas	Europe	Consolidated
		Cosmetics	FY2017	138.7	16.1	1.8	12.0	168.6
			Year-on-year change (%)	(9.5)	18.1	2.4	0.3	(6.7)
			Like-for-like (%)[1]	(2.8)	28.6	(1.0)	2.3	(0.1)
		Skin care/hair care products	FY2017	146.2	23.5	55.0	32.3	257.0
			Year-on-year change (%)	(1.3)	(7.2)	5.5	(8.6)	(1.5)
			Like-for-like (%)[1]	3.0	7.1	3.5	(10.3)	1.7
	Beauty Care Business		FY2017	284.9	39.6	56.8	44.3	425.6
			Year-on-year change (%)	(5.5)	1.6	5.4	(6.4)	(3.6)
			Like-for-like (%)[1]	0.0	14.6	3.4	(7.1)	1.0
	Human Health Care Business		FY2017	140.9	72.1	0.0	-	213.0
			Year-on-year change (%)	6.0	19.3	-	-	10.2
			Like-for-like (%)[1]	10.1	28.2	-	-	15.8
	Fabric and Home Care Business		FY2017	209.4	28.8	1.5	-	239.6
			Year-on-year change (%)	(1.1)	(9.3)	16.0	-	(2.1)
			Like-for-like (%)[1]	2.4	(0.4)	12.1	-	2.1
Consumer Products Business			FY2017	635.2	140.4	58.3	44.3	878.3
			Year-on-year change (%)	(1.7)	7.2	5.7	(6.4)	(0.2)
			Like-for-like (%)[1]	2.9	17.2	3.6	(7.1)	4.5
Chemical Business[2]			FY2017	91.2	50.6	39.4	47.9	229.1
			Year-on-year change (%)	4.5	18.6	21.6	21.2	13.5
			Like-for-like (%)[1]	4.5	15.4	18.9	18.0	11.8
Consolidated			FY2017	703.0	188.6	97.6	91.0	1,080.2
			Year-on-year change (%)	(1.0)	10.0	11.6	6.1	2.4
			Like-for-like (%)[1]	3.2	16.9	9.3	4.3	6.0

1. Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.
2. Net sales of the Chemical Business include intersegment transactions.

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Consolidated Results by Segment

Nine months ended September 30									
	Net sales				Operating income			Operating margin %	
(Billion yen)	FY2016	FY2017	Growth %	Like-for-like %[1]	FY2016	FY2017	Change	FY2016	FY2017
Beauty Care Business	441.6	425.6	(3.6)	1.0	37.0	35.4	(1.6)	8.4	8.3
Human Health Care Business	193.3	213.0	10.2	15.8	18.2	28.5	10.4	9.4	13.4
Fabric and Home Care Business	244.7	239.6	(2.1)	2.1	53.5	51.0	(2.5)	21.9	21.3
Consumer Products Business	879.6	878.3	(0.2)	4.5	108.6	114.9	6.3	12.3	13.1
Chemical Business[2]	201.9	229.1	13.5	11.8	21.8	21.5	(0.3)	10.8	9.4
Consolidated	1,055.1	1,080.2	2.4	6.0	131.2	137.8	6.6	12.4	12.8

1. Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.
2. Net sales and operating income of the Chemical Business include intersegment transactions.

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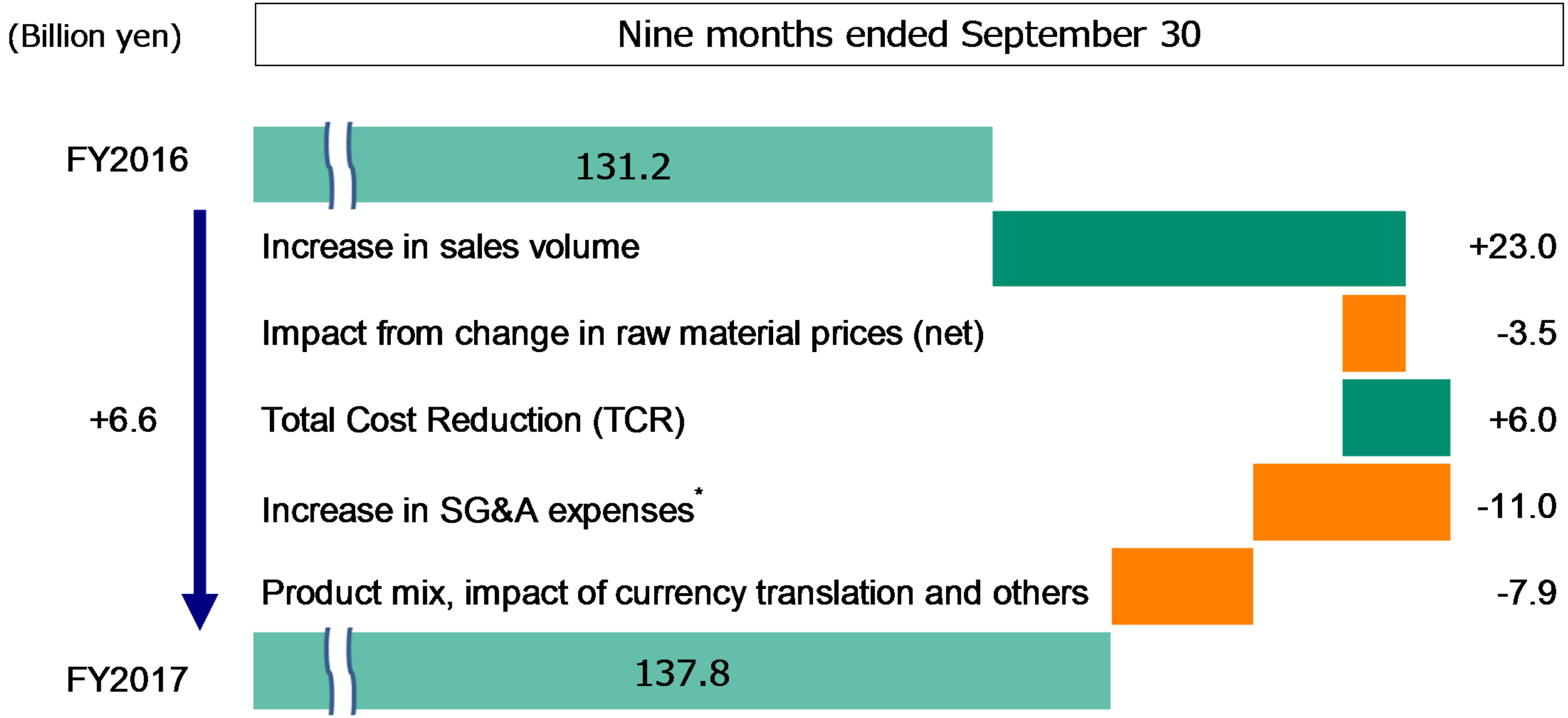
Analysis of Change in Consolidated Operating Income



* Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.

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Outlook

- Cosmetics sales for July-September decreased compared with the previous year due to timing difference of launches of improved products in Japan, but targeting recovery over the full year with improved *DEW* and *Lift Professional* among other factors during October-December. Cosmetics will continue to perform well in Asia. The Kao Group will strengthen skin care through major reform of cosmetics.
- In the Americas, the Kao Group will step up marketing for *Bioré* to deal with intensifying competition and work to expand the skin care business base together with *Jergens* hand and body lotion. For hair care in the Americas and Europe, the Kao Group will rebuild *John Frieda* and strengthen professional hair care products.
- Sales of baby diapers expected to continue growing. Aim to maintain strong sales of sanitary napkins in Asia. The Kao Group will work to achieve further growth in *MegRhythm* sales by attracting new users.
- In the Fabric and Home Care Business, sales will be firm in a competitive environment. Laundry detergents are on a recovery track in Thailand and Indonesia. The Kao Group intends to increase operating income despite higher prices for natural fats and oils.
- The Chemical Business will work to adjust selling prices in line with higher prices for natural fats and oils. Aiming to set a new record high for operating income with more high-value-added products.
- The Kao Group is committed to achieving its full-year operating income forecast of 200 billion yen through more efficient deployment of expenses and other factors.