



【UPDATED】 2019 Q2 Presentation

August 5, 2019

Company name: Kao Corporation Tokyo Stock Exchange in Japan
Stock code: 4452 (URL: www.kao.com/global/en/investor-relations/library/presentations/)
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Kao Corporation has revised the abovementioned presentation materials it announced on July 31, 2019, Japan Standard Time, as follows.

Content of the Revision

Page 16, “ESG Initiatives to Enhance Corporate Value”
Under the heading “Zero Waste”

Before Revision	After Revision
Participation in Activities of the Ministry of Economy, Trade and Industry’s Clean Ocean Material Alliance (CLOMA)	Participation in Activities of the Japan Clean Ocean Material Alliance (CLOMA)

Consolidated Financial Results for the Six Months Ended June 30, 2019 and FY2019 Forecast

Kenichi Yamauchi

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

Kao Corporation

July 31, 2019



KaO

Enriching lives, in harmony with nature.

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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 IFRS 16 “Leases” in the three months ended March 31, 2019.

Overview of Consolidated Financial Results for the Six Months Ended June 30, 2019

January - June 2019 Initiatives

- Launch of new ESG strategy “Kirei Lifestyle Plan”
- Revitalization of baby diapers business/steady execution of strategy for business expansion in the Cosmetics Business
- Address issues related to the consumption tax rate increase in October in Japan
- Realization of technology innovations
- Paving the way to new businesses and vitalization of *Healthya* functional drinks
- Promotion of high-value-added products in the Chemical Business

January - June 2019 Business Overview

- Net sales and operating income both fell short of the plan. Like-for-like net sales growth: -0.2%; operating margin: 12.0%
- The Cosmetics Business continued to perform strongly. Although sales of baby diapers to consumers in China decreased compared with the same period a year earlier, they were on a recovery track. In the Fabric and Home Care Business, the Kao Group invested aggressively to nurture new laundry detergent *Attack ZERO*. The market for UV care and other products contracted due to adverse weather conditions. Chemical Business sales decreased due to a decline in prices for natural fats and oils.

Shareholder Returns

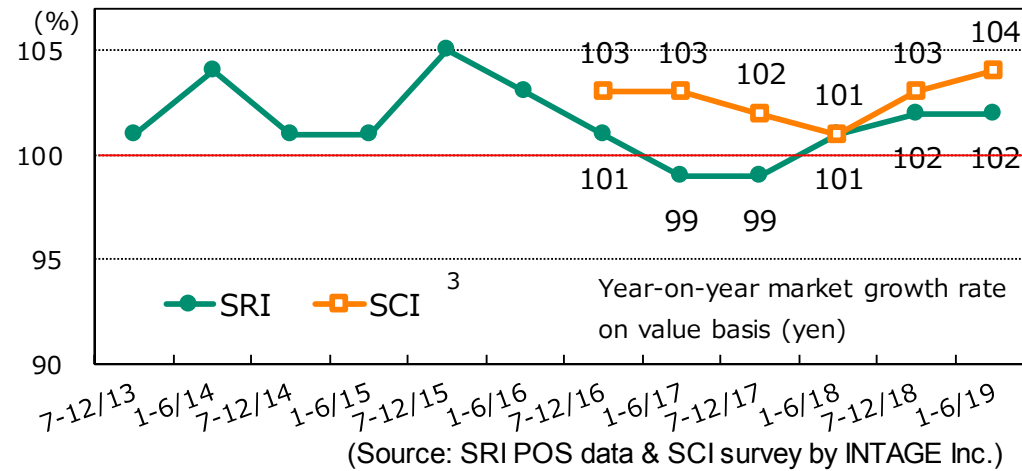
- Repurchased 5.78 million shares of the Company’s stock for 50 billion yen. Retired 6.70 million treasury shares on July 12, 2019.
- Interim dividend for FY2019 is 65 yen per share, an increase of 5 yen per share, in line with the announced forecast.

Business Strategies and Progress

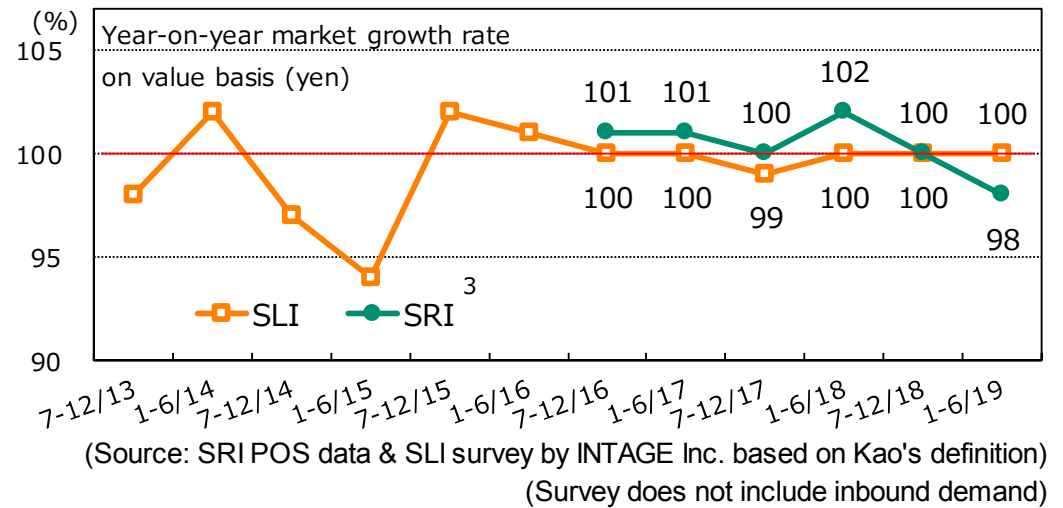
Cosmetics:	Sales and operating income increased in Asia and Japan as a result of growth of the eleven global strategy brands (G11) and eight regional strategy brands (R8) due to concentrated investment based on a new strategy, as well as a shift to digital marketing and enhanced activities in e-commerce and travel retail. The operating margin was 10.5%. G11 sales increased 19% and R8 sales increased 8% compared with the same period a year earlier.
Skin Care and Hair Care:	In skin care products, sales of new <i>Bioré</i> UV care products grew in Japan, but the market contracted due to adverse weather conditions. Sales were firm in Asia but competition remained stiff in the Americas. In hair care products, the mass market for shampoos and conditioners continued to shrink. Sales decreased overall in the Americas and Europe. However, <i>Oribe</i> , a super-premium-price brand for hair salons, performed strongly in the Americas, and in Europe, new <i>John Frieda</i> products performed steadily.
Human Health Care:	For <i>Merries</i> baby diapers, during January-March sales decreased as resellers' purchases of products from Japan to sell in China declined due to a new e-commerce law in China, with a drop in resellers' selling prices in China due to their stock clearance, and tough conditions continued for cross-border e-commerce, but a recovery began in April as expected. The Kao Group launched a super-premium product in China. Sales were strong in Indonesia and Russia. Sales of <i>Laurier</i> sanitary napkins continued to grow in Japan and China. <i>Healthya</i> was on a recovery track after a review of value-based appeal.
Fabric and Home Care:	The Kao Group launched innovative new laundry detergent <i>Attack ZERO</i> in Japan and steadily increased market share through investment in proactive marketing activities. Fabric softeners continued to face an intense competitive environment, but sales were firm. Sales of home care products were firm, despite stiff competition.
Chemical:	Sales fell short of the plan due to a decline in prices for natural fats and oils and the impact of slowing economic growth outside Japan, but operating income grew as planned.

Consumer Products Market in Japan

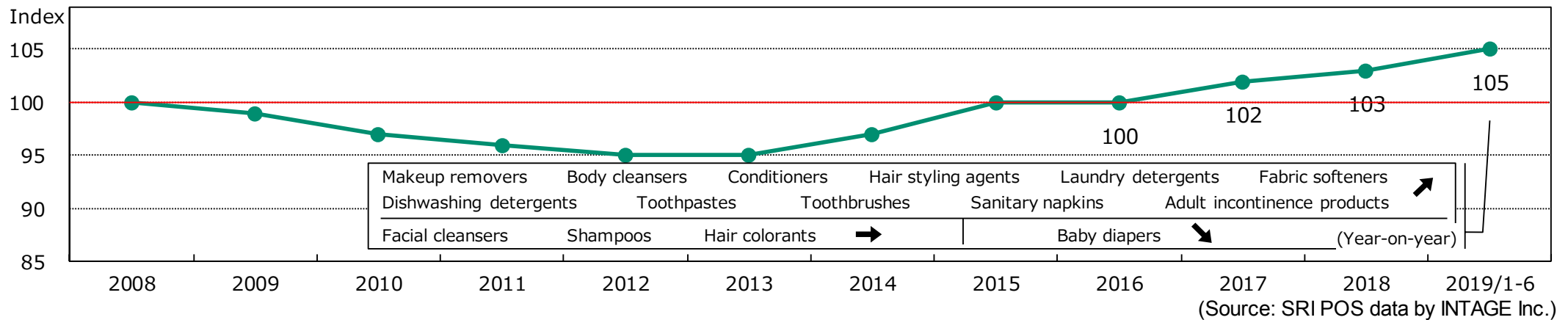
Growth of household and personal care market¹



Growth of cosmetics market²



Consumer purchase price for 15 major household and personal care categories⁴



- 82 major household and personal care product categories
- 26 cosmetics product categories
- 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
- Index with January to December 2008 as 100

Highlights of Consolidated Financial Results

Consolidated Operating Results (Six months ended June 30)

(Billion yen)	FY2018	FY2019	Growth %	Change
Net sales	729.0	721.4	(1.0)	(7.6)
	Effect of currency translation ¹		(0.9)	(6.3)
	Like-for-like, excluding effect of currency translation		(0.2)	(1.4)
Operating income	90.8	86.4	(4.8)	(4.4)
Operating margin	12.4%	12.0%	-	-
Income before income taxes	89.9	85.5	(4.9)	(4.4)
Net income	63.5	58.2	(8.3)	(5.3)
Net income attributable to owners of the parent	62.8	57.3	(8.8)	(5.5)
EBITDA (Operating income + Depr. & amort.)	120.2	118.4 ²	(1.5)	(1.8)
Basic earnings per share (yen)	127.76	117.98	(7.7)	(9.78)
Cash dividends per share (yen)	60.00	65.00	-	+5.00

Cash flow	Free cash flow ³	25.5 billion yen
	Payments of cash dividends ⁴	30.4 billion yen
	Purchase of treasury shares ⁵	50.0 billion yen

1. Exchange rates: 110.04 yen/USD, 124.33 yen/Euro, 16.22 yen/Yuan

2. Excluding depreciation of right-of-use assets

3. Free cash flow = Net cash flows from operating activities (adjusted for depreciation of right-of-use assets) + Net cash flows from investing activities

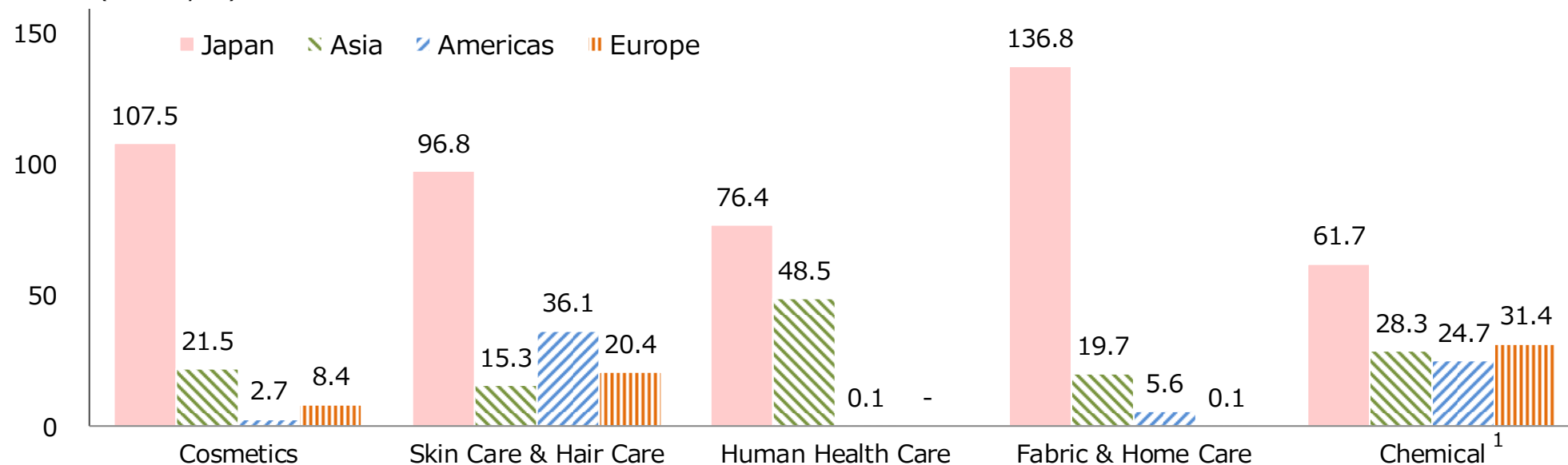
4. Includes payments of cash dividends to non-controlling interests

5. Excludes share repurchases of less than one trading unit

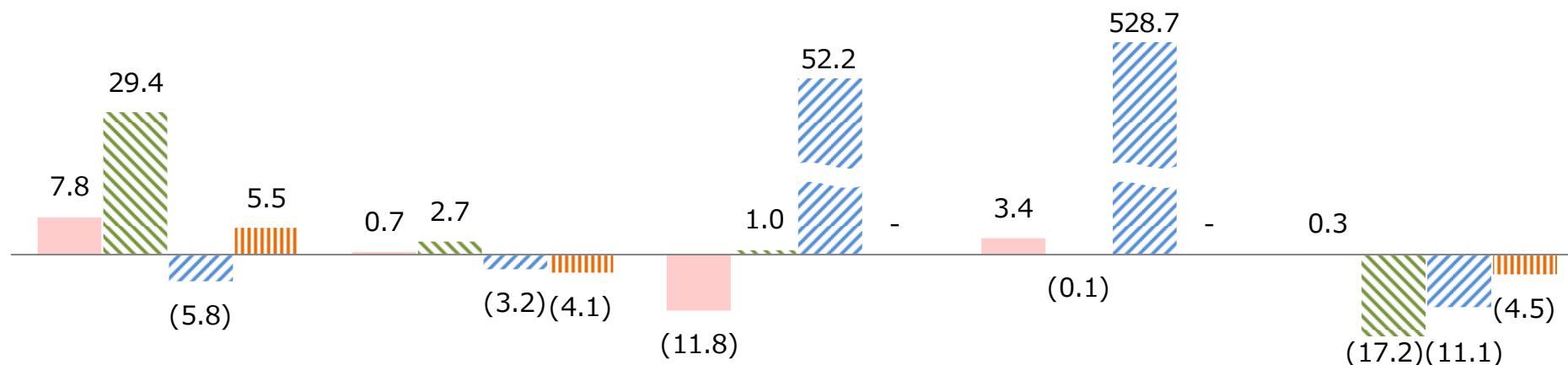
Consolidated Net Sales by Segment/Geographic Area

Six months ended June 30, 2019

Net sales (Billion yen)



Like-for-like growth (%)²



1. Net sales of the Chemical Business include intersegment transactions

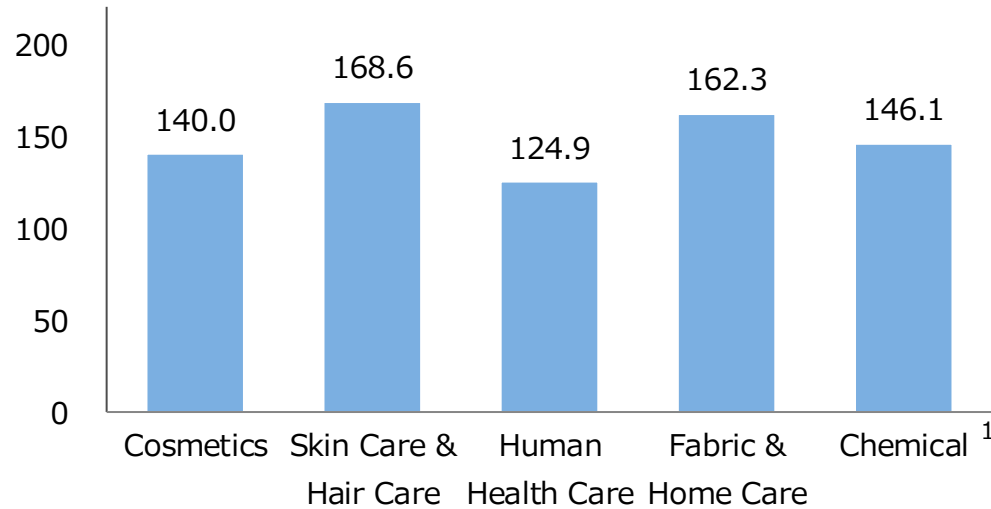
2. Excluding the effect of currency translation

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

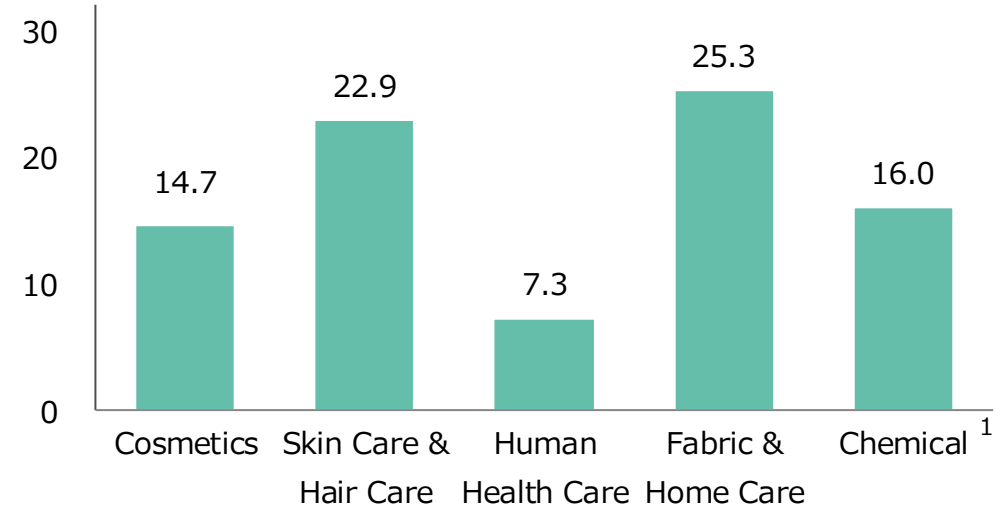
Consolidated Results by Segment

Six months ended June 30, 2019

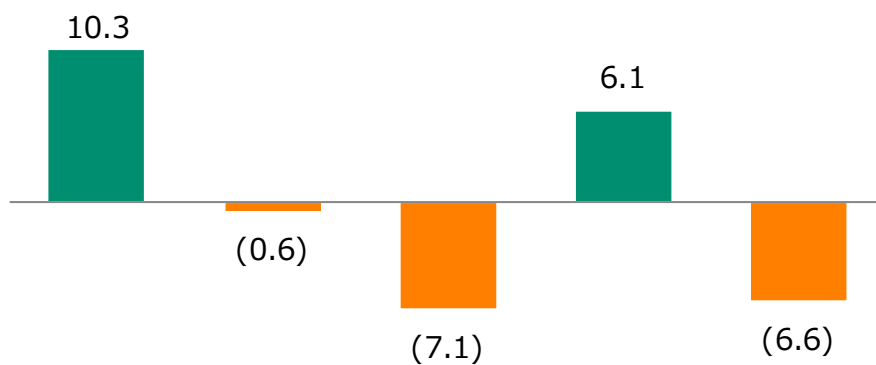
Net sales (Billion yen)



Operating income (Billion yen)



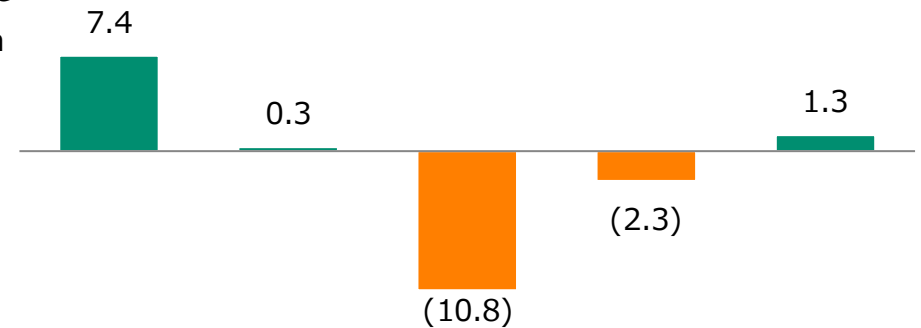
Like-for-like growth (%)²



Operating margin (%)

10.5 13.6 5.8 15.6 11.0

Change (Billion yen)



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

2. Excluding the effect of currency translation

Consumer Products Business

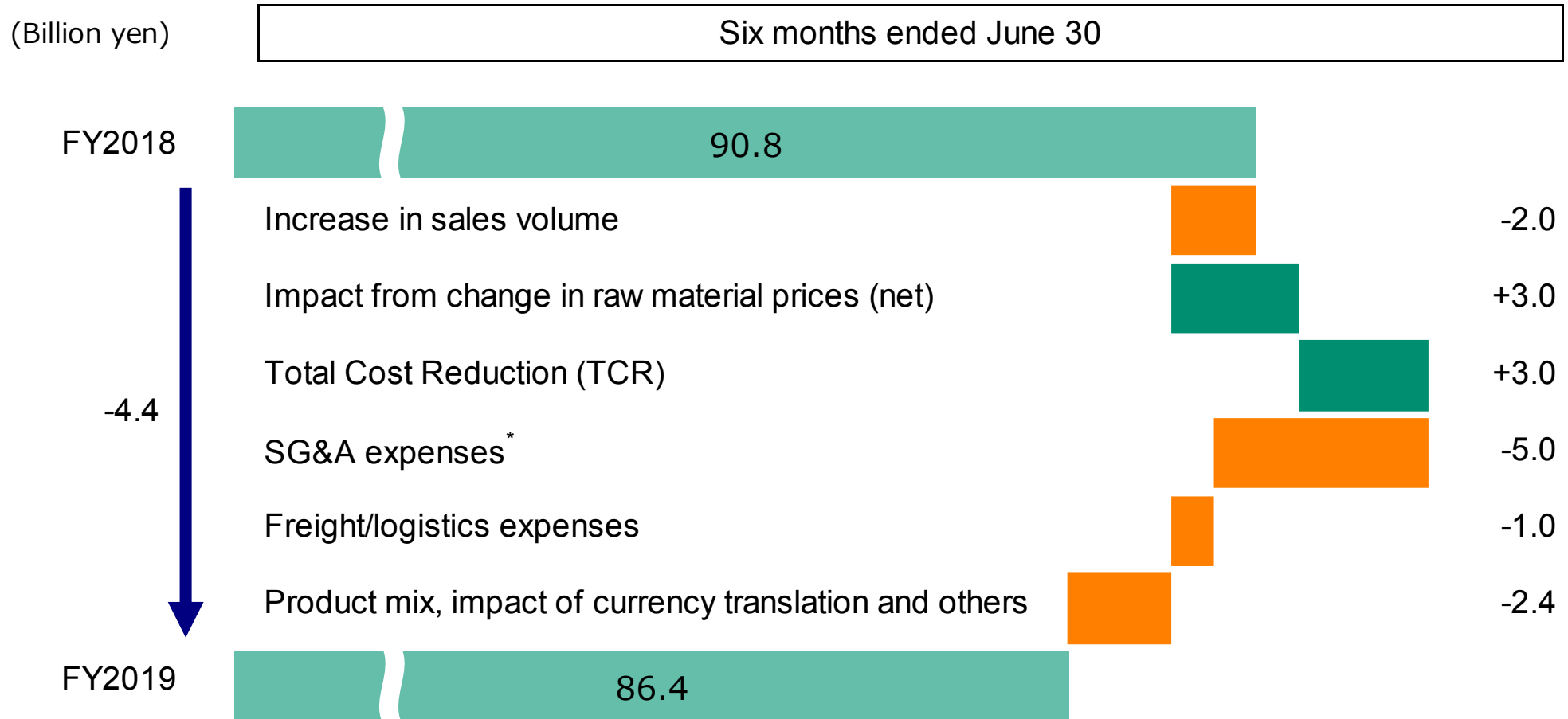
Six months ended June 30									
(Billion yen)	Net sales				Operating income			Operating margin %	
	FY2018	FY2019	Growth %	Like-for-like %*	FY2018	FY2019	Change	FY2018	FY2019
Japan	414.8	417.5	0.6	0.6	58.0	52.4	(5.6)	14.0	12.6
Asia	102.0	105.0	3.0	5.9	15.9	14.4	(1.6)	15.6	13.7
Americas	41.0	44.5	8.7	8.4	2.7	3.2	0.6	6.5	7.2
Europe	30.6	28.9	(5.7)	(1.1)	(0.9)	0.2	1.1	(2.9)	0.6
Consumer Products Business	588.4	595.9	1.3	2.0	75.7	70.2	(5.5)	12.9	11.8

Net sales growth rates of	China:	8%	Taiwan:	(6)%	Vietnam:	7%
major countries and regions (Like-for-like %*)	Indonesia:	18%	Thailand:	(1)%	Hong Kong:	(1)%

* 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



* Excluding the effect of currency translation

Initiatives and Forecasts for July - December 2019

- Cosmetics: Aim for further growth centered on enhancement of G11 brands including *freeplus*, *Curél* and *Sofina iP* and expansion of prestige skin care brands such as *SENSAI* and *est*.
- Skin Care and Hair Care: In skin care, work for expansion by proposing new cleansing habits with a new series of *Bioré u* body cleansers.
In hair care, work to enhance the premium line with the new brand *and and*, improved *Merit Pyuan* and the new series *Essential flat*.
- Human Health Care: Work to strengthen the brand power of *Merries* baby diapers with the super-premium product *Tender Love* launched in China. In Japan, work to expand market share with enhanced sales promotion, etc., and aim for full-year recovery with an improved profit margin.
- Fabric and Home Care: Work to increase market share by enhancing communication of the value of *Attack ZERO* while addressing the consumption tax rate increase in Japan.
- Chemical: Work to expand high-value-added products and aim to set new record-high operating income.
- Conduct ESG activities unique to Kao, based on the ESG strategy “Kirei Lifestyle Plan”, and aim for profitable growth through *Yoki-monozukuri** using technology innovations with an ESG perspective.
 - Work for further growth with new offerings such as technology innovations including Fine Fiber and the launch of products with a novel approach in the hygiene domain as a new business.
 - Aggressively expand sales with the aim of achieving the originally announced forecast of consolidated operating results for FY2019.
 - Aim to pay annual dividends per share for FY2019 of 130 yen, a year-on-year increase of 10 yen, for the 30th consecutive fiscal year of dividend increases.

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

Major Assumptions for FY2019 Forecast

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

Slightly higher
than previous year

■ Net sales	¥1,580.0 billion	Growth +4.8%
Effect of currency translation	-¥14.9 billion	-1.0%
Sales growth excluding effect of currency translation	+¥86.9 billion	+5.8%

Estimated impact on income		
■ Impact from change in raw material prices	Gross impact	+¥16.0 billion
	Net impact	+¥7.0 billion
■ Total Cost Reduction (TCR) activities		+¥6.0 billion
■ Capital expenditures/depreciation and amortization	Capital expenditures	¥100.0 billion
	Depreciation and amortization*	¥65.0 billion

■ Exchange rate assumptions

110 yen/USD	(FY2018 actual exchange rate [average])	110.45 yen/USD)
125 yen/Euro	(FY2018 actual exchange rate [average])	130.42 yen/Euro)
16 yen/Yuan	(FY2018 actual exchange rate [average])	16.71 yen/Yuan)

* Excluding depreciation of right-of-use assets

Consolidated Operating Results Forecast for FY2019

Fiscal year (January 1 to December 31)					
(Billion yen)	FY2018		FY2019 (Forecast)		
		Growth %		Growth %	Change
Net sales	1,508.0	+1.2	1,580.0	+4.8	+72.0
		Effect of currency translation ¹		(1.0)	(14.9)
		Like-for-like, excluding effect of currency translation		+5.8	+86.9
Operating income	207.7	+1.4	225.0	+8.3	+17.3
Operating margin	13.8%	-	14.2%	-	-
Income before income taxes	207.3	+1.4	225.0	+8.6	+17.7
[% of Net sales]	13.7%	-	14.2%	-	-
Net income attributable to owners of the parent	153.7	+4.5	162.0	+5.4	+8.3
[% of Net sales]	10.2%	-	10.3%	-	-
EBITDA (Operating income + Depr. & amort.)	268.4	+3.5	290.0 ²	+8.1	+21.6
ROE	18.9%	-	19.2%	-	-
Basic earnings per share (yen)	314.25	+5.3	335.23	+6.7	+20.98
Cash dividends per share (yen)	120.00	-	130.00	-	+10.00

1. Exchange rate assumptions: 110 yen/USD, 125 yen/Euro, 16 yen/Yuan

2. Excluding depreciation of right-of-use assets

Sales Forecast for FY2019

Consolidated Net Sales (Year ending December 31)							
FY2019 (Forecast)	Japan		Consolidated			Consolidated	
(Billion yen)		Growth (%)		Like-for-like growth (%) ¹			Like-for-like growth (%) ¹
Cosmetics Business	232.0	6.5	304.0	9.7	Japan	1,034.0	5.8
Skin Care and Hair Care Business	208.0	6.2	355.0	5.1	Asia	276.0	7.0
Human Health Care Business	181.0	5.5	283.0	6.6	Americas	144.0	7.1
Fabric and Home Care Business	322.0	7.8	375.0	9.1	Europe	126.0	1.8
Consumer Products Business	943.0	6.7	1,317.0	7.6			
Chemical Business ²			302.0	(1.7)			
Consolidated			1,580.0	5.8	Consolidated	1,580.0	5.8

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

Use of Cash Flow* and Shareholder Returns

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

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

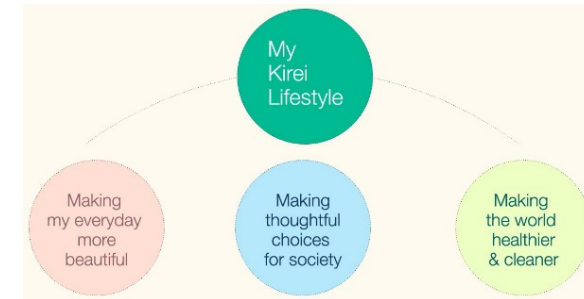
* Net cash flows from operating activities

ESG Initiatives to Enhance Corporate Value

Announcement of New ESG Strategy

- Announcement of new ESG Strategy “Kirei Lifestyle Plan”

Announced on April 22, 2019, the “Kirei Lifestyle Plan” consists of Kao’s ESG vision, three commitments and 19 detailed leadership actions that Kao will strive for by 2030. Kao has set and disclosed specific targets for 2030 for each action.
(www.kao.com/global/en/news/2019/20190422-001/)



“Kirei Lifestyle Plan,” Kao’s ESG strategy

Decarbonization

- Announcement of Support for TCFD Recommendations

Kao announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Kao evaluates climate change-related risks and opportunities, incorporates them into its management strategies and risk management, and analyzes and discloses their financial impact.

- Greenhouse Gas Emissions Reduction Target Approved as a Science-Based Target

Kao’s target for reducing CO₂ emissions by 2030 has been approved by the Science Based Targets initiative (SBTi), verifying that the target is science-based and in line with the target level set by the Paris Agreement of keeping global temperature increase below 2 degrees Celsius compared to pre-industrial levels.



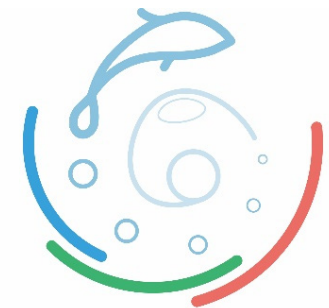
Zero Waste

- Announcement of “Our Philosophy & Action on Plastic Packaging”

(www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/plastic-packaging-001.pdf)

- Participation in Activities of the Japan Clean Ocean Material Alliance (CLOMA)

Promotion of innovation through cross-industry cooperation between companies to resolve the problem of marine plastic waste



Clean Ocean Material Alliance

Product development/manufacturing from an ESG Perspective

- Launch of Attack ZERO in April 2019

Attack ZERO achieves the highest cleaning power in the history of Attack liquid laundry detergent with its main ingredient Bio IOS, Kao’s original sustainable detergent base made using the residue of pressed palm oil from the fruit of oil palm, which had been difficult to use effectively.



Kirei Lifestyle Plan – Kao's ESG Strategy

Kao calls the lifestyle consumers seek the “Kirei Lifestyle,” and in order to realize it, Kao has formulated the Kirei Lifestyle Plan as its ESG strategy, consisting of its vision, commitments and actions. Through the Kirei Lifestyle Plan, Kao will continue to contribute to society into the future.

Our ESG Vision

A Kirei lifestyle means living a beautiful life inside and out.

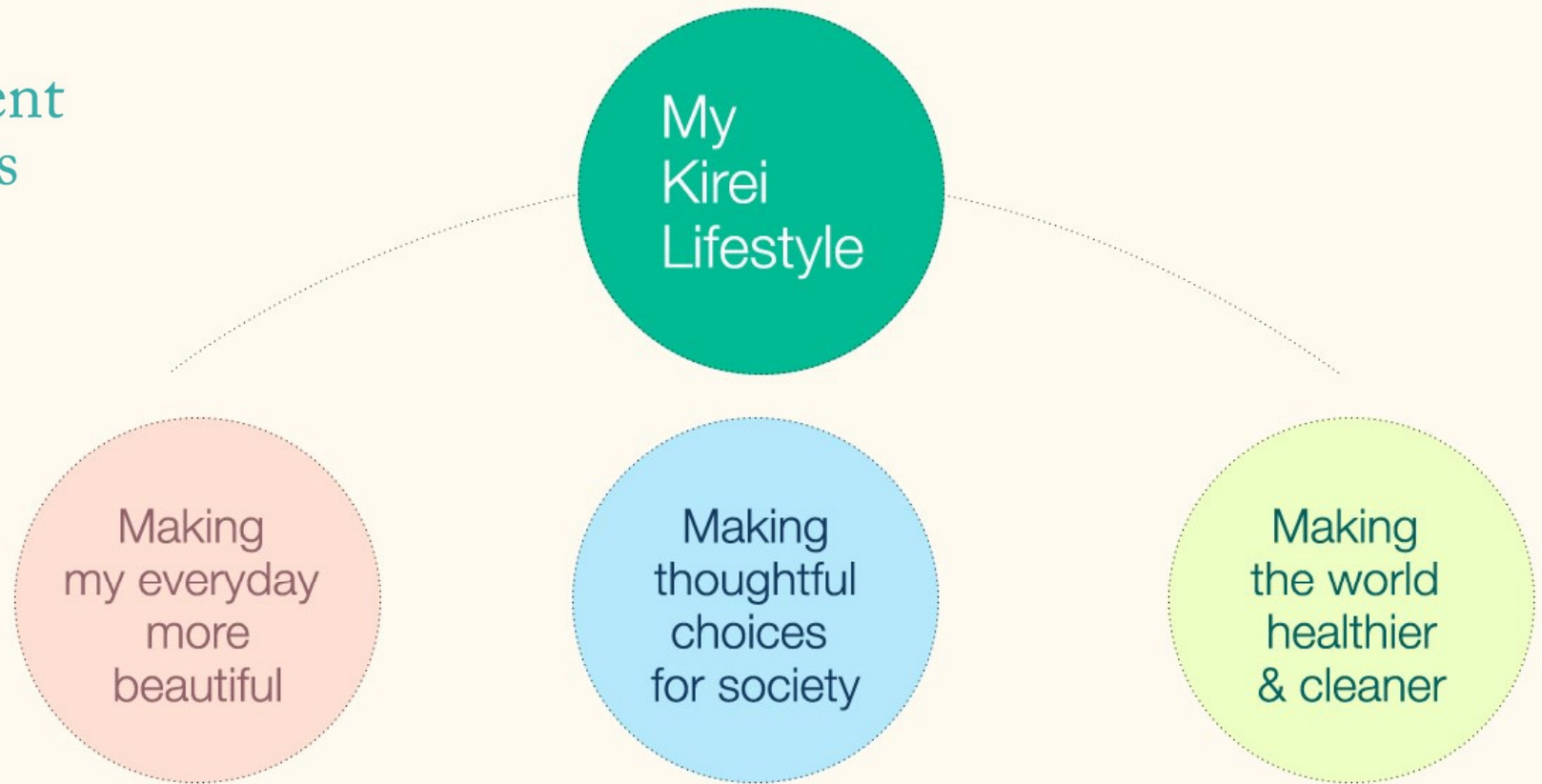
A Kirei lifestyle is full of compassion. Where making your own life clean and beautiful never compromises the beauty and cleanliness of the world around you.

A Kirei lifestyle is enjoying today, with the peace of mind that those joys will be there tomorrow. It's the chance to express who you truly are, with the confidence that you are walking the right path. Even in the smallest, everyday moments.

That's why at Kao, everything we do is in service of this lifestyle. It's why we do what is right, not what is easy. We put our innovation and imagination to the task of enriching lives by finding ways for people the world over to live the Kirei lifestyle.

Kirei Lifestyle Plan – Kao's ESG Strategy

Our ESG Commitment and Actions



Kao Commitments by 2030

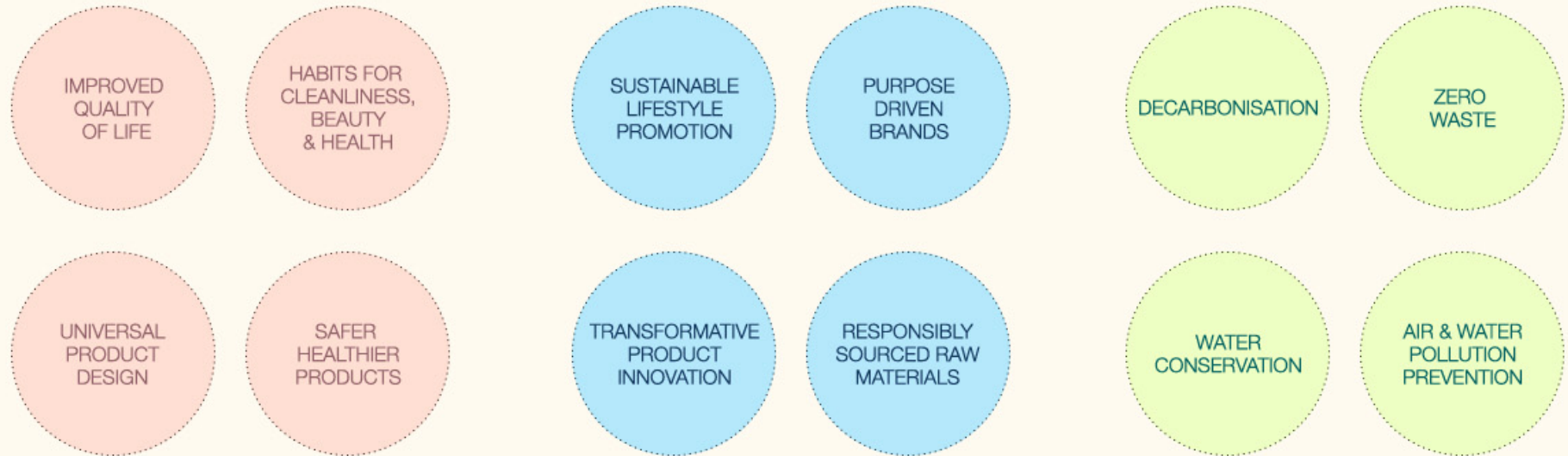
BY 2030
We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives — greater cleanliness, easier aging, better health and confidence in self expression

BY 2030
100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society

BY 2030
100% of our products will leave a full life cycle environmental footprint that science says our natural world can safely absorb

Kirei Lifestyle Plan – Kao's ESG Strategy

Kao Actions



Walking the right path

EFFECTIVE
CORPORATE
GOVERNANCE

FULL
TRANSPARENCY

RESPECTING
HUMAN
RIGHTS

INCLUSIVE
& DIVERSE
WORKPLACES

EMPLOYEE
WELLBEING
& SAFETY

HUMAN
CAPITAL
DEVELOPMENT

RESPONSIBLE
CHEMICALS
MANAGEMENT

ESG Investment Indices and Evaluations from External Organizations

ESG indices for which Kao has been selected

MEMBER OF
Dow Jones Sustainability Indices

In Collaboration with RobecoSAM



FTSE4Good **FTSE Blossom Japan**

MSCI



2018 Constituent
MSCI ESG
Leaders Indexes

MSCI

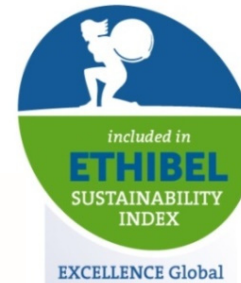


2018 Constituent
MSCI Japan ESG
Select Leaders Index

MSCI



2018 Constituent
MSCI Japan Empowering
Women Index (WIN)



Evaluations from/activities with external organizations



WATER SECURITY



2019



健康経営銘柄
Health and Productivity



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



平成30年度認定



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



rated by **oekom research**



子育てサポートしています



Enriching lives, in harmony with nature.

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

Appendices

Business Segments and Main Product Categories

Consumer Products Business

Cosmetics Business

Counseling cosmetics, self-selection cosmetics

Six months ended June 2019

Net sales: ¥140.0 billion
Like-for-like growth:¹ +10.3%
Share of net sales: 19.4%
Operating margin: 10.5%



Skin Care and Hair Care Business

Skin care (mass products), hair care (mass products), professional hair care products

Six months ended June 2019

Net sales: ¥168.6 billion
Like-for-like growth:¹ (0.6) %
Share of net sales: 23.4 %
Operating margin: 13.6 %



Human Health Care Business

Sanitary products, blood circulation enhancement products (incl. bath additives and thermal pads), oral care, beverages

Six months ended June 2019

Net sales: ¥124.9 billion
Like-for-like growth:¹ (7.1) %
Share of net sales: 17.3 %
Operating margin: 5.8 %



Fabric and Home Care Business

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

Six months ended June 2019

Net sales: ¥162.3 billion
Like-for-like growth:¹ +6.1%
Share of net sales: 22.5%
Operating margin: 15.6%



Chemical Business

Six months ended June 2019

Net sales: ¥146.1 billion²
Like-for-like growth:¹ (6.6) %
Share of net sales:³ 17.4 %
Operating margin: 11.0 %

Oleo chemicals,
performance chemicals,
specialty chemicals

Specialty asphalt additives

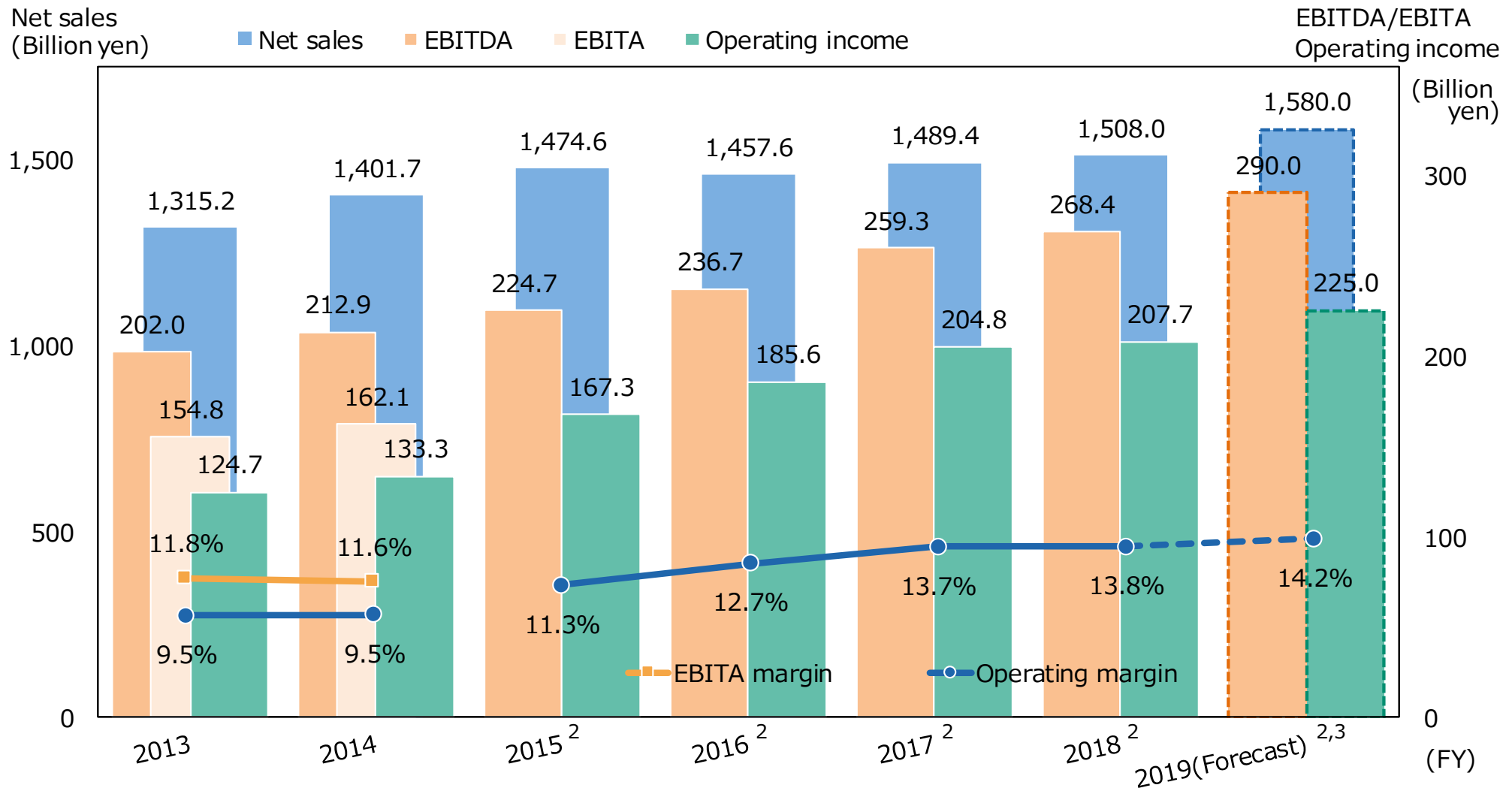


Water-based pigment inkjet ink



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

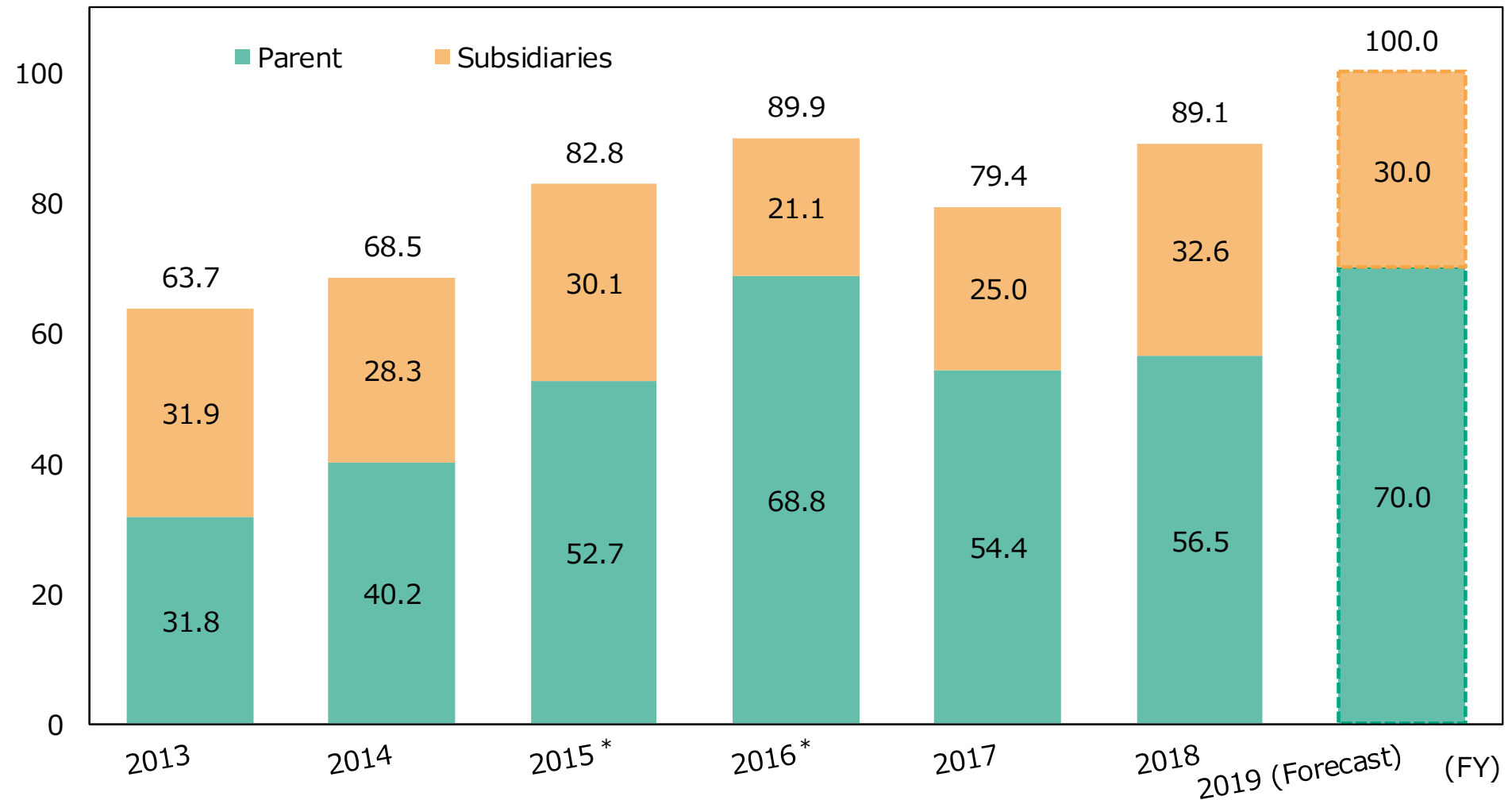
Consolidated Net Sales/EBITDA/EBITA¹/Operating Income



1. Operating income before amortization of goodwill and intellectual property rights related to M&A
2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS. EBITA is not presented from FY2015 because amortization of goodwill has been discontinued under IFRS.
3. EBITDA excludes depreciation of right-of-use assets

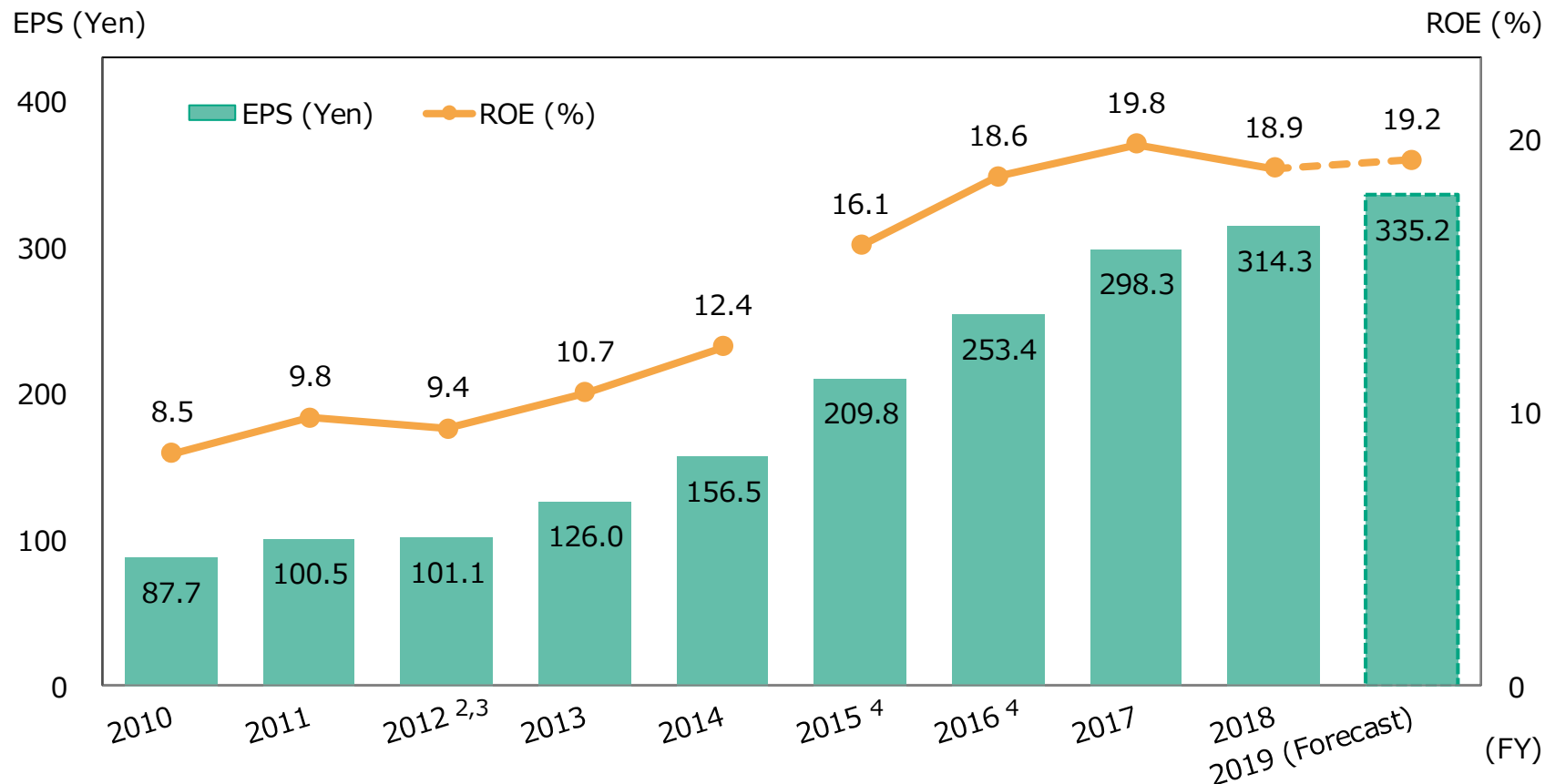
Capital Expenditures

(Billion yen)



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

ROE & EPS¹

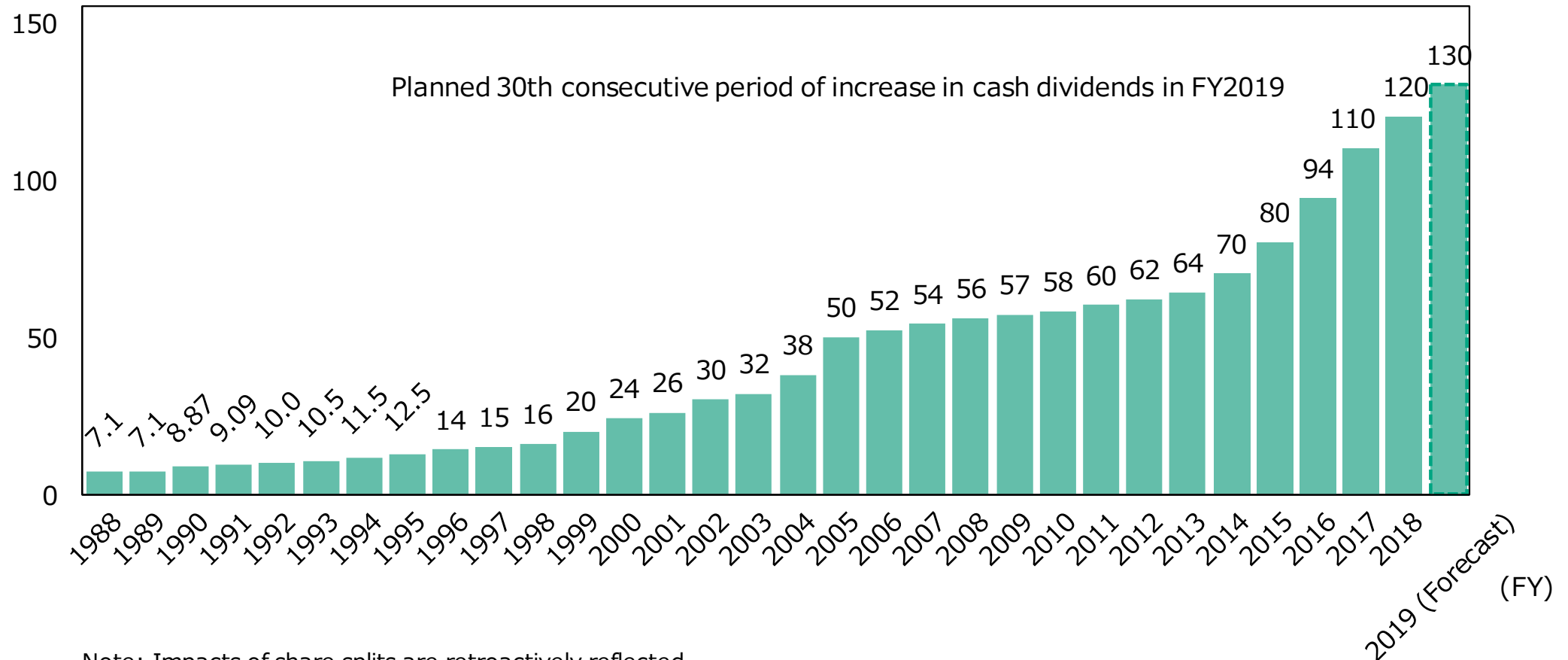


Weighted average number of shares outstanding (Million shares)	533.0	521.9	521.8	513.9	508.7	501.4	499.4	492.8	489.1	483.3
Net income [J-GAAP] / Net income attributable to owners of the parent [IFRS] (Billion yen)	46.7	52.4	52.8	64.8	79.6	105.2	126.6	147.0	153.7	162.0

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.

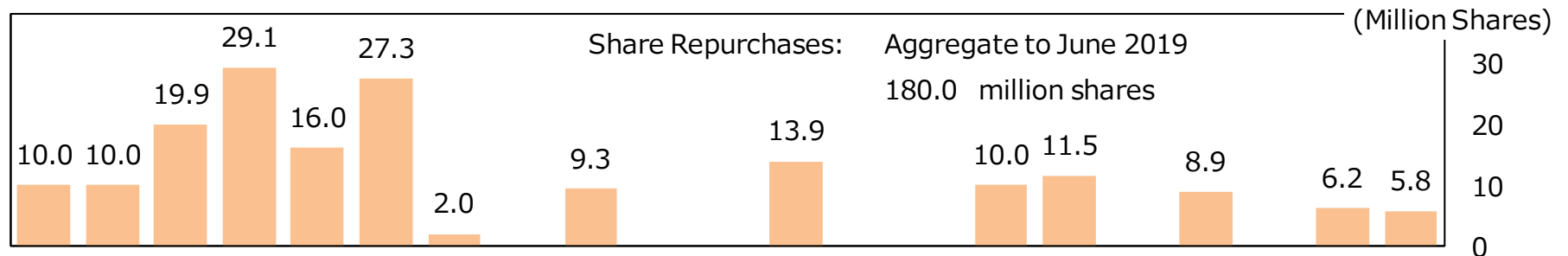
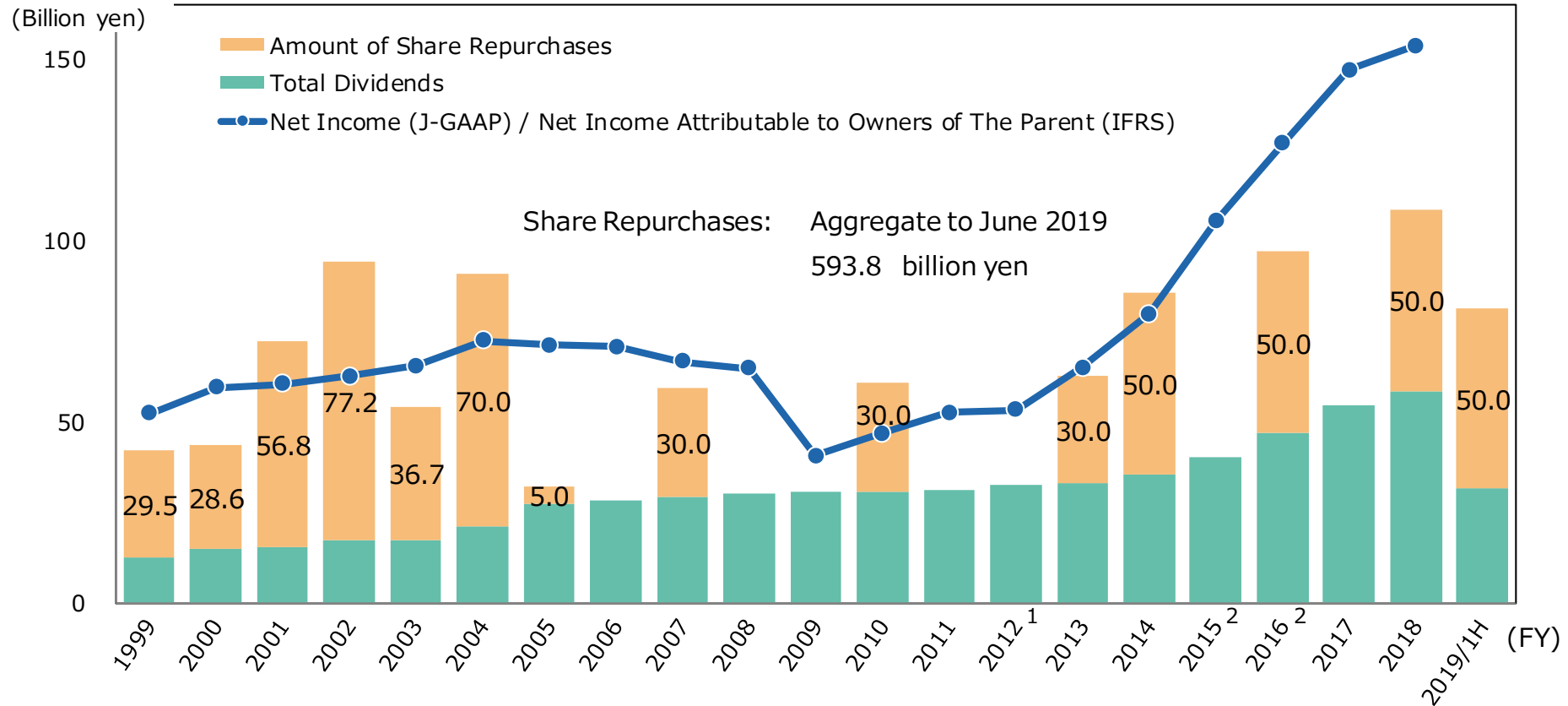
Cash Dividends per Share

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.

Impact of Adoption of IFRS 16

The Kao Group adopted IFRS 16 “Leases” in the three months ended March 31, 2019.

For lease contracts previously accounted for as operating leases, right-of-use assets and lease liabilities are recognized in the consolidated statement of financial position.

Amount of transition at beginning of current period	Consolidated Statement of Financial Position				(Billion yen)
	Assets		Liabilities and equity		
	Right-of-use assets	+171.9	Lease liabilities	+167.4	
	Other	-6.4	Other	-1.9	
	Total impact of IFRS 16 Adoption	+165.5		+165.5	

The impact of this change on the consolidated statement of income and consolidated statement of cash flows for the six months ended June 30, 2019 is shown below.

Six months ended June 30, 2019	Consolidated Statement of Income			Consolidated Statement of Cash Flows	
	Net sales	-		Income before income taxes	-0.4
	Lease payments	+10.7	(Decrease)	Depreciation	+10.3
	Depreciation	-10.3	(Increase)	Net cash flows from operating activities	+9.9
	Operating income	+0.4		Net cash flows from investing activities	-
	Financial expenses (Interest expenses)	-0.8	(Increase)	Repayments of lease liabilities	-9.9
	Income before income taxes	-0.4		Net cash flows from financing activities	-9.9
				Net increase (decrease) in cash and cash equivalents	-

The logo for Kao, featuring the word "Kao" in a bold, teal-colored sans-serif font. The letter "K" is slightly larger and more prominent than the "a" and "o".

Kao

Enriching lives, in harmony with nature.