

Consolidated Financial Results

for the Nine Months Ended September 30, 2020

Kao Corporation

October 28, 2020



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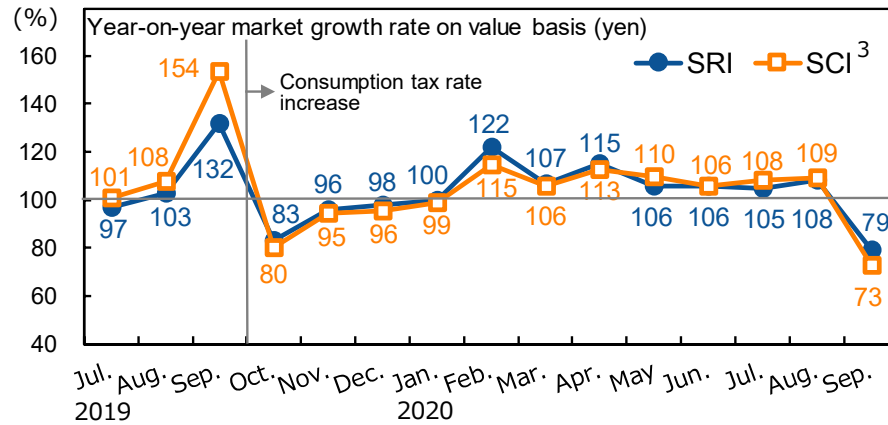
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Forward-looking statements such as earnings forecasts and other projections contained in this release are based on information available at this time and assumptions that management believes to be reasonable, and do not constitute guarantees of future 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
- Numbers in parentheses in charts are negative

Consumer Products Market in Japan

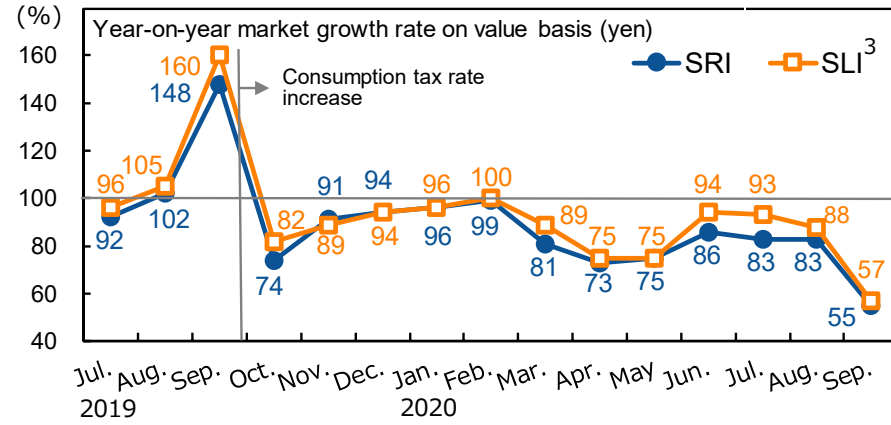
Growth of household and personal care market¹



	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	
SRI	Vs. same period of 2019	100	122	107	115	106	106	105	108	79
	Vs. same period of 2018 (Ref.)	102	125	112	114	107	106	102	110	104
SCI	Vs. same period of 2019	99	115	106	113	110	106	108	109	73
	Vs. same period of 2018 (Ref.)	104	119	113	115	113	112	109	118	113

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

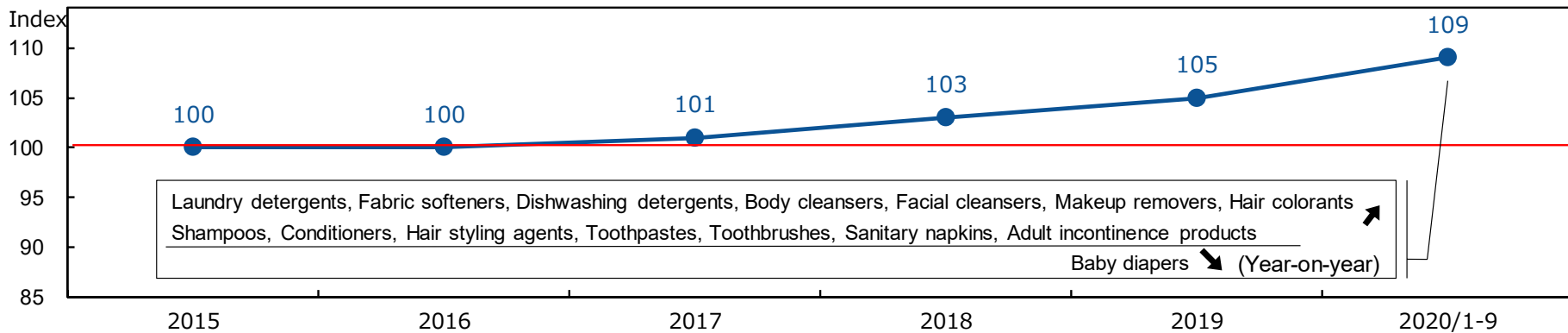
Growth of cosmetics market²



	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	
SRI	Vs. same period of 2019	96	99	81	73	75	86	83	83	55
	Vs. same period of 2018 (Ref.)	95	99	79	68	75	84	77	85	81
SLI	Vs. same period of 2019	96	100	89	75	75	94	93	88	57
	Vs. same period of 2018 (Ref.)	95	100	91	75	75	94	89	93	92

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

Consumer purchase price for 15 major household and personal care categories⁴



(Source: SRI POS data by INTAGE Inc.)

- 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 2015 as 100

Highlights of Consolidated Financial Results

Consolidated Operating Results (Nine months ended September 30)

(Billion yen)	FY2019	FY2020	Growth %	Change
Net sales	1,109.3	1,005.3	(9.4)	(104.1)
		Effect of currency translation ¹	(0.8)	(8.8)
		Impact of change in method of recognizing sales ²	(2.1)	(25.0)
		Like-for-like growth excluding above impact	(6.5)	(70.3)
Operating income	151.0	120.1	(20.5)	(30.9)
Operating margin	13.6%	11.9%	-	-
Income before income taxes	149.4	119.1	(20.3)	(30.3)
Net income	105.1	87.4	(16.9)	(17.7)
Net income attributable to owners of the parent	103.6	85.9	(17.0)	(17.6)
EBITDA (Operating income + Depr. & Amort.) ³	199.5	171.0	(14.3)	(28.6)
Basic earnings per share (yen)	213.99	178.70	(16.5)	(35.29)

1. Exchange rates: 107.55 yen/USD, 120.90 yen/Euro, 15.38 yen/Yuan

2. As of the fiscal year ending December 31, 2020, the Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount

3. Excluding depreciation of right-of-use assets

Overview of Consolidated Financial Results for the Nine Months Ended September 30, 2020

Market Overview

While there is no telling for certain when the global COVID-19 pandemic will subside, the Kao Group has been protecting employees who work in production, logistics, sales and other activities that are of use to society and promptly providing a large quantity of products that help prevent infection. In addition, the Kao Group has been communicating timely and accurate information that helps people live with peace of mind, while working to gradually bring business activities back to normal. In the second half of the year, global efforts were implemented to cope with both infection prevention measures and economic recovery, and while markets gradually recovered centered on the Americas and Europe, the number of newly infected people in Japan began to rise again, delaying economic recovery. Moreover, due to factors including a challenging year-on-year hurdle resulting from last-minute-demand in September 2019 ahead of a consumption tax rate increase implemented in Japan in October 2019, the business environment remained severe.

Overview of Results

Net sales 1,005.3 billion yen: Like-for-like growth (vs. same period a year earlier) -6.5% (Consumer Products Business: -6.4%, Chemical Business: -6.6%)

Change from same period a year earlier -104.1 billion yen: Like-for-like -70.3 billion yen, impact of change in method of recognizing sales -25.0 billion yen, effect of currency translation -8.8 billion yen

Operating income 120.1 billion yen: -20.5% or -30.9 billion yen compared with the same period a year earlier, operating margin 11.9%

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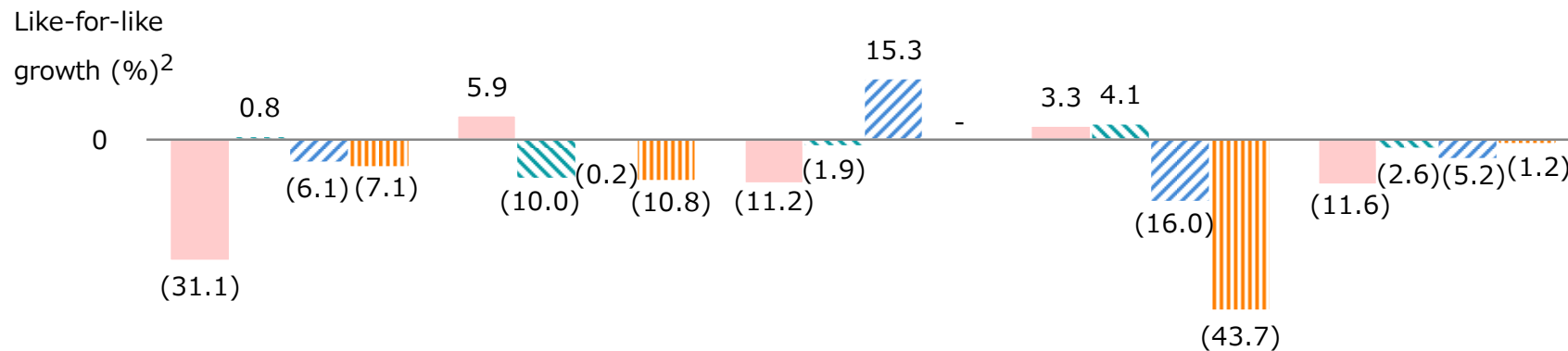
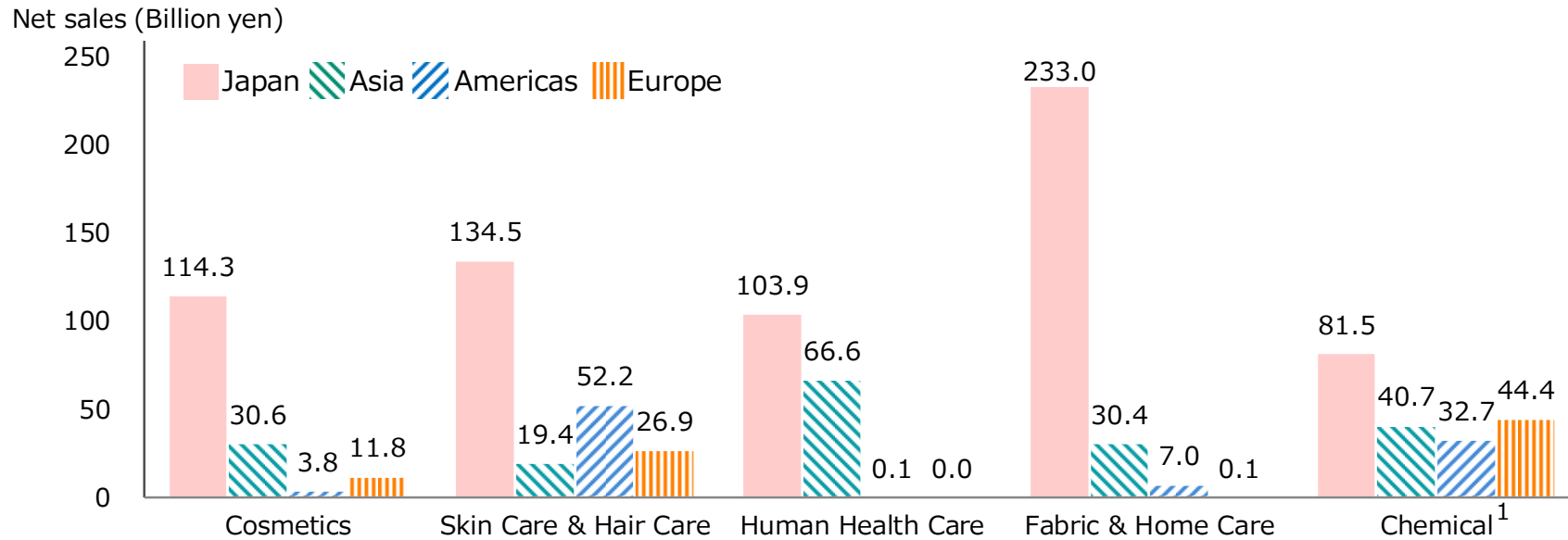
Overview of Consolidated Financial Results for the Nine Months Ended September 30, 2020

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- Results were largely in line with the revised forecast as of the end of the third quarter (September 30, 2020).
- Hygiene-related products business* (hand soap, hand sanitizer, home care products, etc.): In an expanding market, sales and operating income increased substantially compared with the same period a year earlier. The Kao Group stepped up production and supply capacity for hand soap and hand sanitizer in Japan, and market share grew. Sales of home care products were strong in Japan and Asia.
- Cosmetics Business: Although Kao China performed well (20% increase in sales compared with the same period a year earlier), inbound demand decreased in Japan, and there was a slump in sales of makeup products, which account for a high proportion of sales, as people refrained from going out and wearing masks became common practice, among other factors. There were signs of recovery after the state of emergency was lifted in May, but sales were affected by a resurgence of the COVID-19 pandemic in July. Moreover, due to a challenging year-on-year hurdle resulting from last-minute demand in September 2019 ahead of a consumption tax rate increase, sales and operating income both decreased substantially compared with the same period a year earlier.

* Hand soap and hand sanitizer include sales of commercial-use products (Fabric and Home Care Business).

Consolidated Net Sales by Segment/Geographic Area (Nine months ended September 30, 2020)



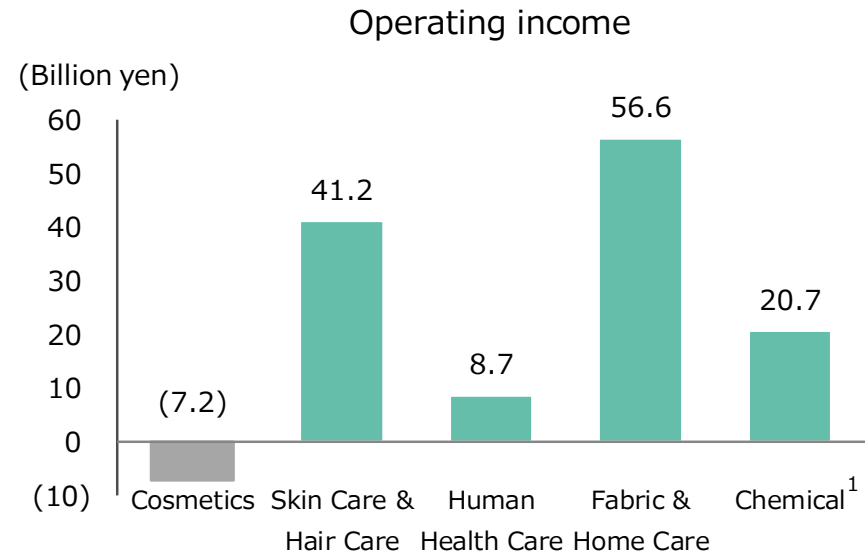
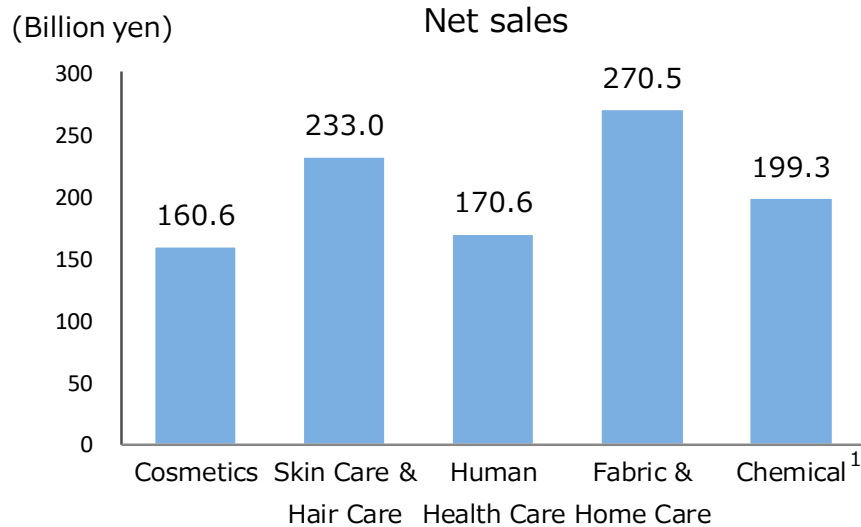
1. Net sales of the Chemical Business include intersegment transactions

2. Excluding the effect of currency translation

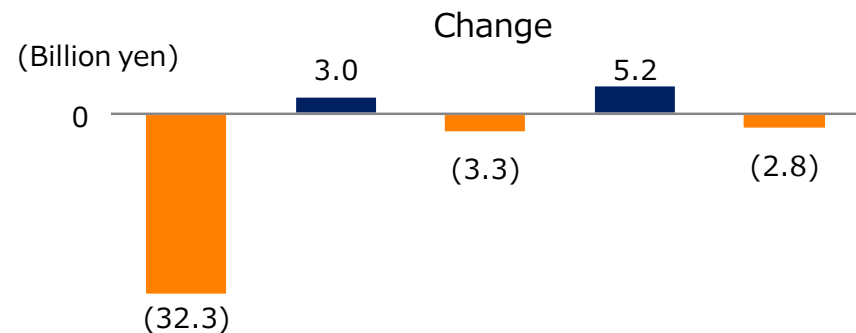
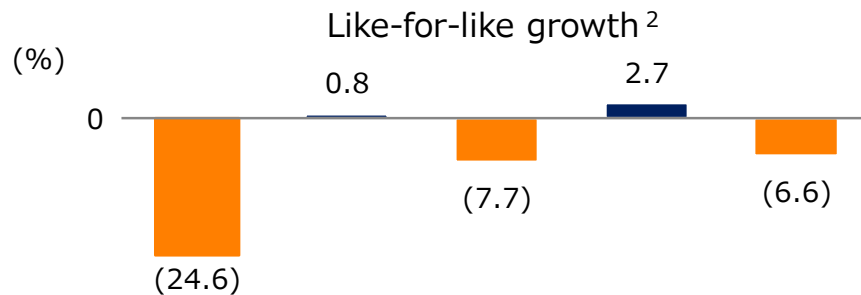
Also excluding the effect of the change in the Company's method of recognizing sales for some transactions for the Skin Care and Hair Care Business from the gross amount to the net amount as of the fiscal year ending December 31, 2020.

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

Consolidated Results by Segment (Nine months ended September 30, 2020)



Operating margin (%) (4.5) 17.7 5.1 20.9 10.4

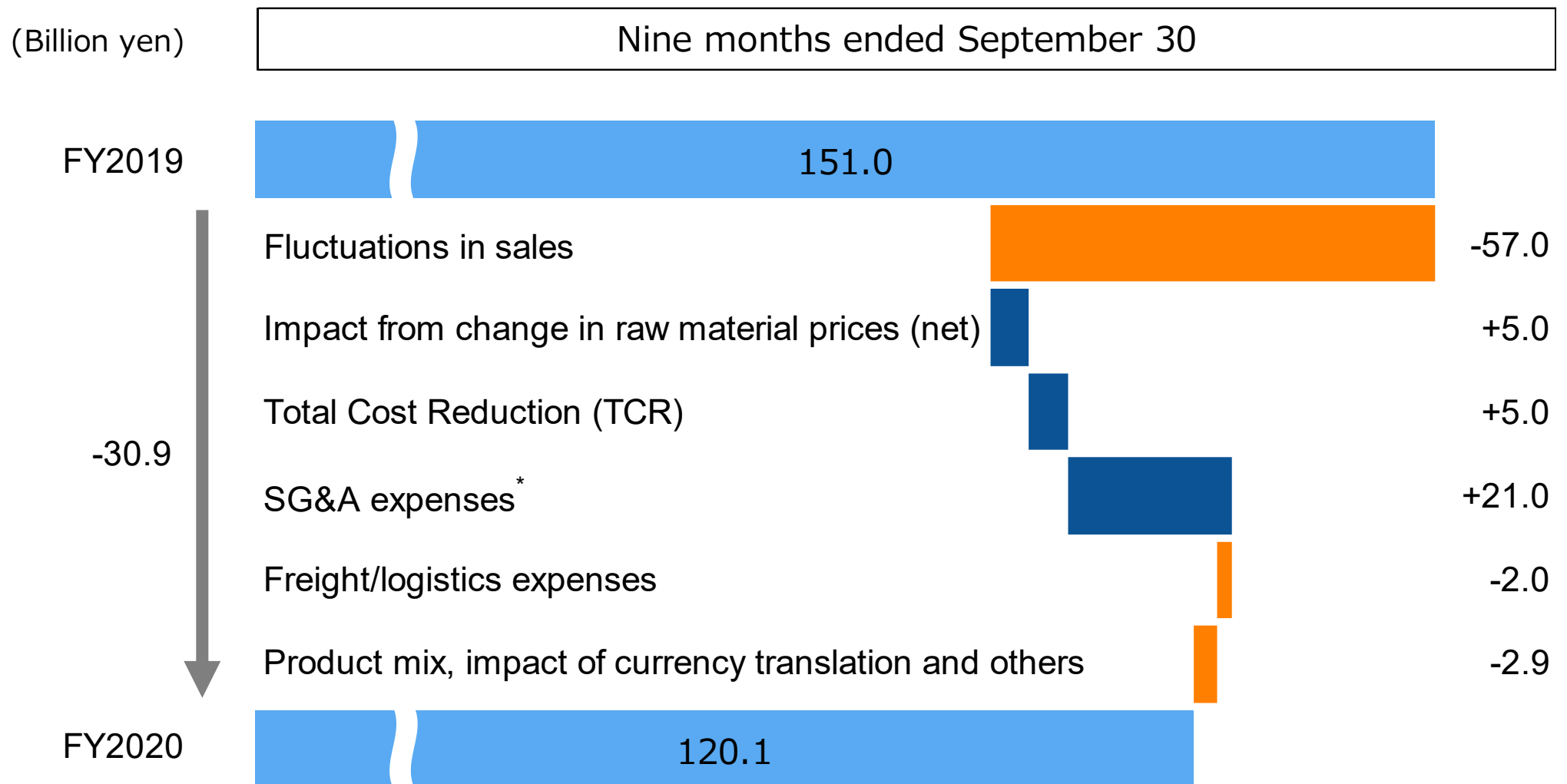


1. Net sales and operating income of the Chemical Business include intersegment transactions

2. Excluding the effect of currency translation

Also excluding the effect of the change in the Company's method of recognizing sales for some transactions for the Skin Care and Hair Care Business from the gross amount to the net amount as of the fiscal year ending December 31, 2020.

Analysis of Change in Consolidated Operating Income



* Excluding the effect of currency translation

Initiatives and Forecasts for October-December 2020

Market Assumptions

- Amid a resurgence of the COVID-19 pandemic, efforts are underway in each country and region to normalize economic activity premised on the “new normal,” but the recovery lacks vigor and progress is expected to be slow.

Key Points of October-December Initiatives

- The progress of recovery of the Cosmetics Business is expected to continue to significantly influence the overall performance of the Kao Group.
- In the Cosmetics Business, the Kao Group will conduct structural reforms as it proactively launches new products and resumes marketing activities at stores while implementing measures to prevent infection. In addition, Kao China aims for record-high growth in sales and operating income, using Singles’ Day on November 11 as a business opportunity.
- For household and personal care products, in addition to initiatives for the season when infectious diseases are most likely to spread, the Kao Group will launch new and improved products and conduct various campaigns for the end of the fiscal year.
- In a business environment that is expected to be uncertain and severe, the Kao Group will make the utmost effort globally in working to achieve its announced forecast.

Announced Forecast

- Forecast of consolidated operating results for the full year: Net sales 1,430 billion yen (-4.8% compared with the previous fiscal year, -1.9% on a like-for-like basis), operating income 190 billion yen (-10.3%), net income attributable to owners of the parent 134 billion yen (-9.6%)

The Kao Group aims to pay dividends for FY2020 of 140 yen per share, an increase of 10 yen per share in line with the forecast, for the 31st consecutive fiscal year of increases.

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