

FY2016

From January 1 to December 31, 2016

Kao Corporation

February 2, 2017

This is a translation of materials used for the analyst meeting held in Japan on February 2, 2017.



These presentation materials are available on our website in PDF format:

http://www.kao.com/jp/en/corp_ir/presentations.html

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.

- Fiscal year end is December 31 from FY2012

Term of consolidation for FY2012

- Group companies whose fiscal year end was previously March 31*: April-December 2012
- Group companies whose fiscal year end was already December 31: January-December 2012

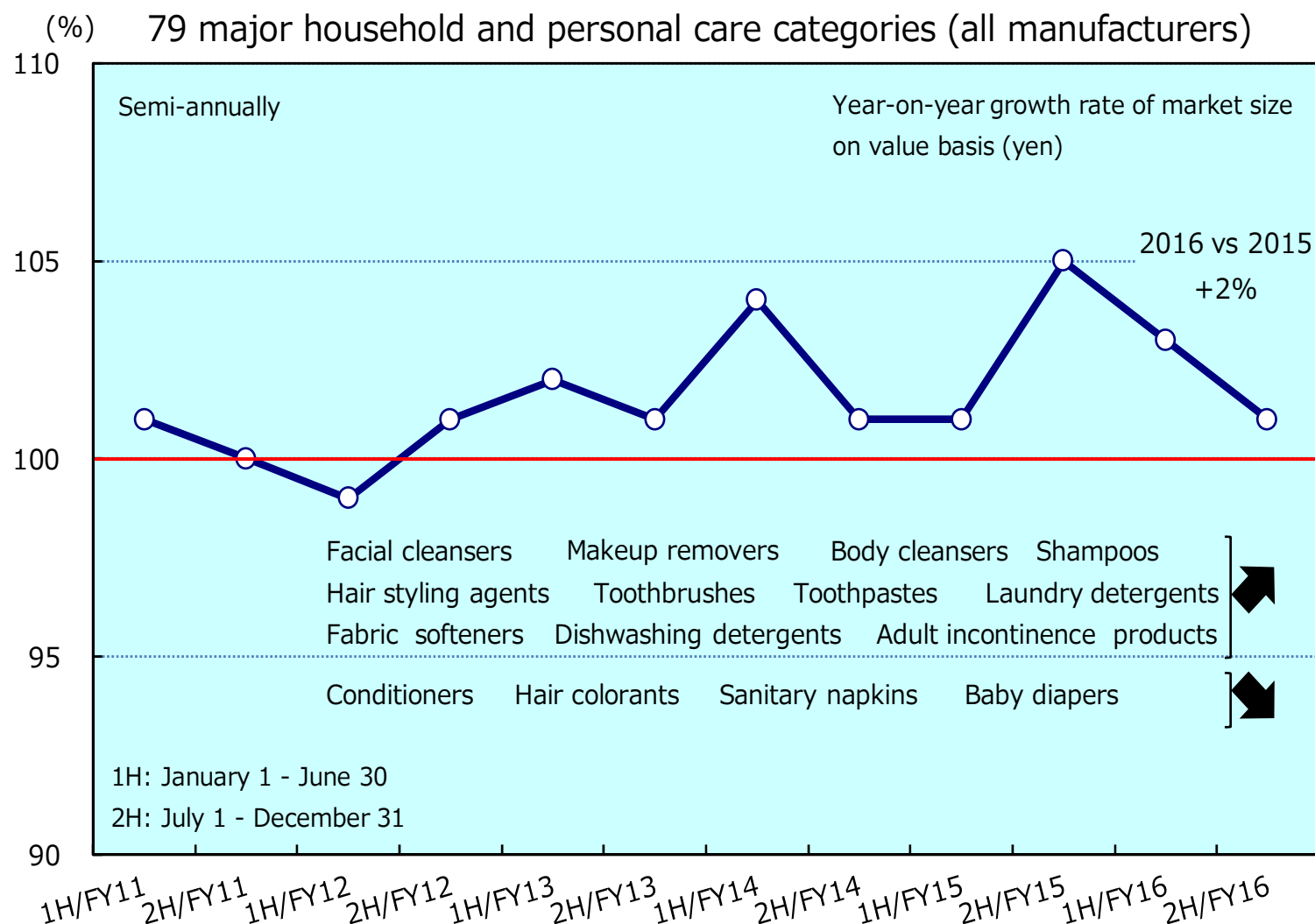
* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

- IFRS adopted in FY2016

Business Environment

January 1 - December 31, 2016

Consumer Products¹ Market in Japan

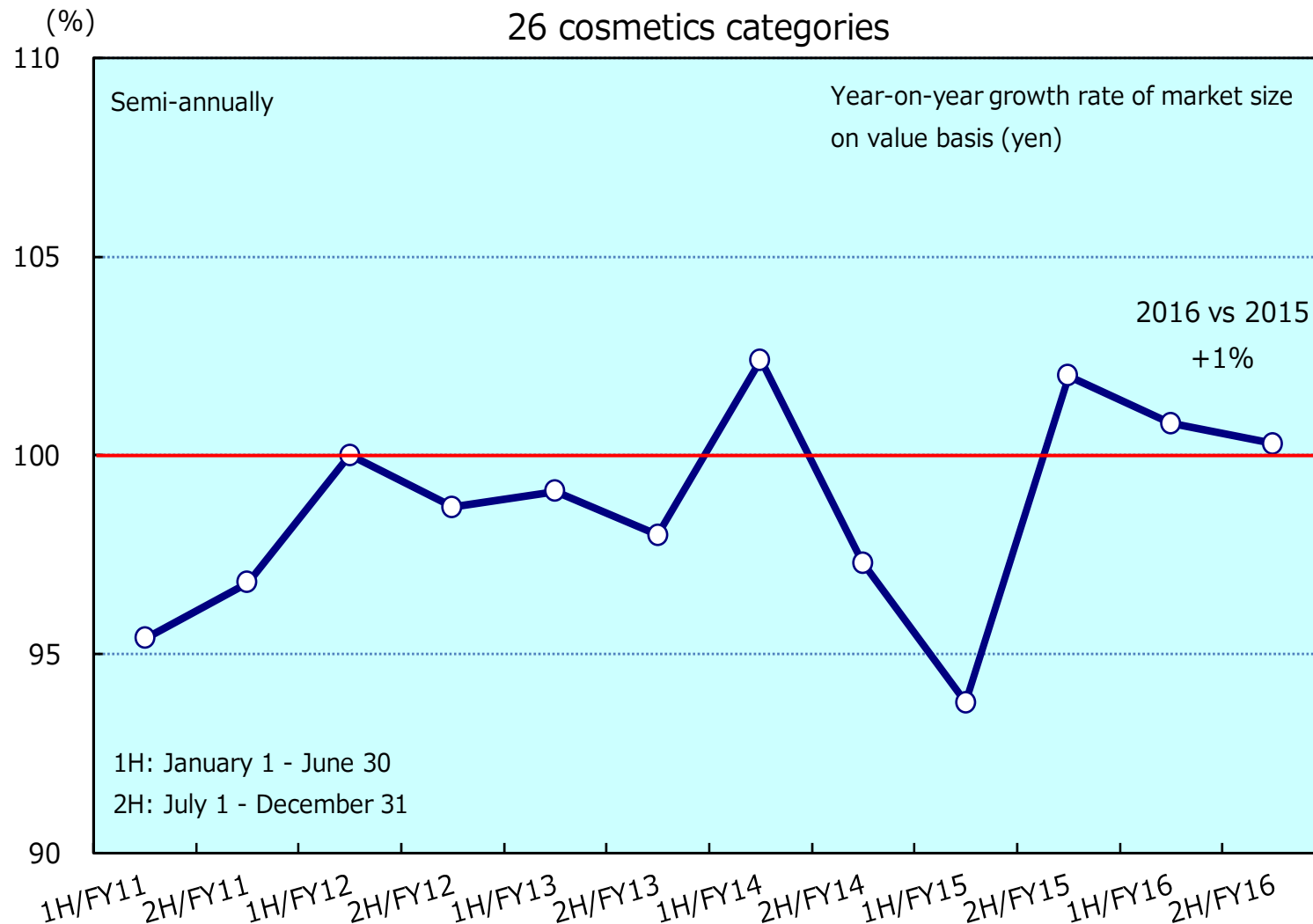


1 Consumer products do not include cosmetics

(Source: SRI POS data by INTAGE Inc.)

2 An increase in Japan's consumption tax rate to 8% from 5% on April 1, 2014 had an impact on the domestic market.

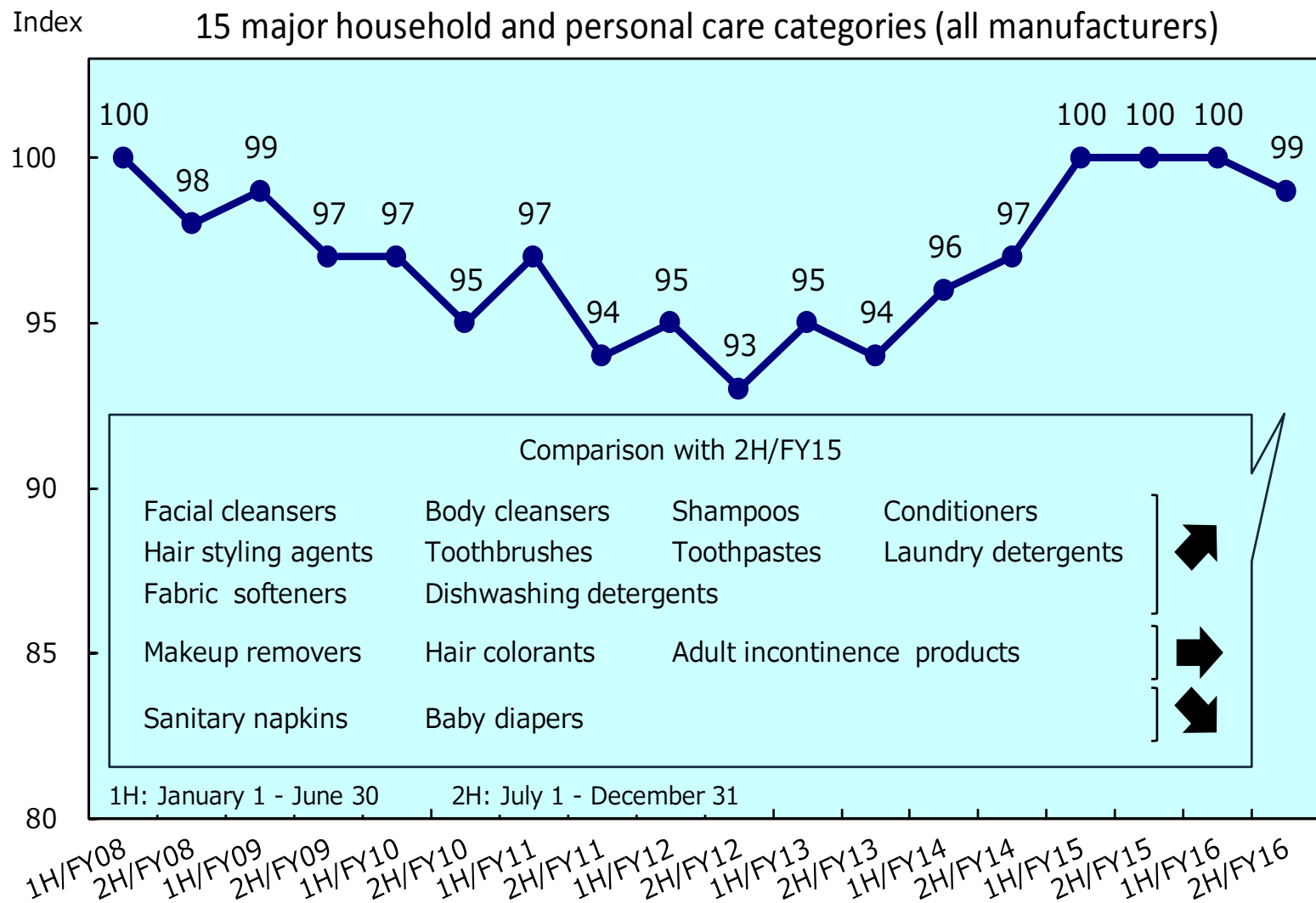
Cosmetics Products Market in Japan



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

* An increase in Japan's consumption tax rate to 8% from 5% on April 1, 2014 had an impact on the domestic market.

Consumer Purchase Prices in Japan



Consolidated Financial Results

January 1 - December 31, 2016

Key Points in FY2016

(Billion yen)	FY2015 ¹	FY2016 ¹	Growth %	Changes	vs Forecast	FY2016 Forecast
Net sales	1,474.6	1,457.6	(1.1)	(16.9)	(22.4)	1,480.0
	Effect of currency translation:		(4.3)	(63.9)	-	
	Excluding effect of currency translation:		+3.2	+47.0	-	
Operating income	167.3	185.6	+10.9	+18.3	+1.6	184.0
[% of Net sales]	11.3%	12.7%	-	-	-	
Income before income taxes	166.0	183.4	+10.5	+17.4	+0.4	183.0
Net income, attributable to owners of the parent	105.2	126.6	+20.3	+21.4	+6.6	120.0
EBITDA (Operating income + Depr.&amort.)	224.7	236.7	+5.3	+11.9	-	
ROE	16.1%	18.6%	-	-	-	
Basic earnings per share (yen)	209.82	253.43	+20.8	+43.61	+13.12	240.31
Cash dividends per share (yen)	80.00	94.00	+17.5	+14.00	+2.00	92.00

Cash flow	Free cash flow ²	95.7 billion yen
	Payments of cash dividends ³	45.1 billion yen
	Purchase of treasury shares ⁴	50.0 billion yen

1 IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS. 2016 Exchange rates: 108.76 yen/USD; 120.31 yen/Euro; 16.38 yen/Yuan

2 Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities

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

4 Excludes share repurchases of less than one trading unit.

Executive Summary

■ FY2016 was a full year of initiatives in preparation for Kao Group Mid-term Plan “K20”

- Operating income exceeded the forecast¹ and reached a record high for the 4th consecutive fiscal year²
- Announcement of Kao Group Mid-term Plan “K20”
- Preparation for the future

■ Shareholder returns

- Annual cash dividends per share for FY2016: Planned increase of 14 yen compared with the previous fiscal year to 94 yen, 2 yen higher than the forecast and the 27th consecutive fiscal year of increases in cash dividends
- Share repurchases: 50 billion yen

1. Forecast announced on February 3, 2016

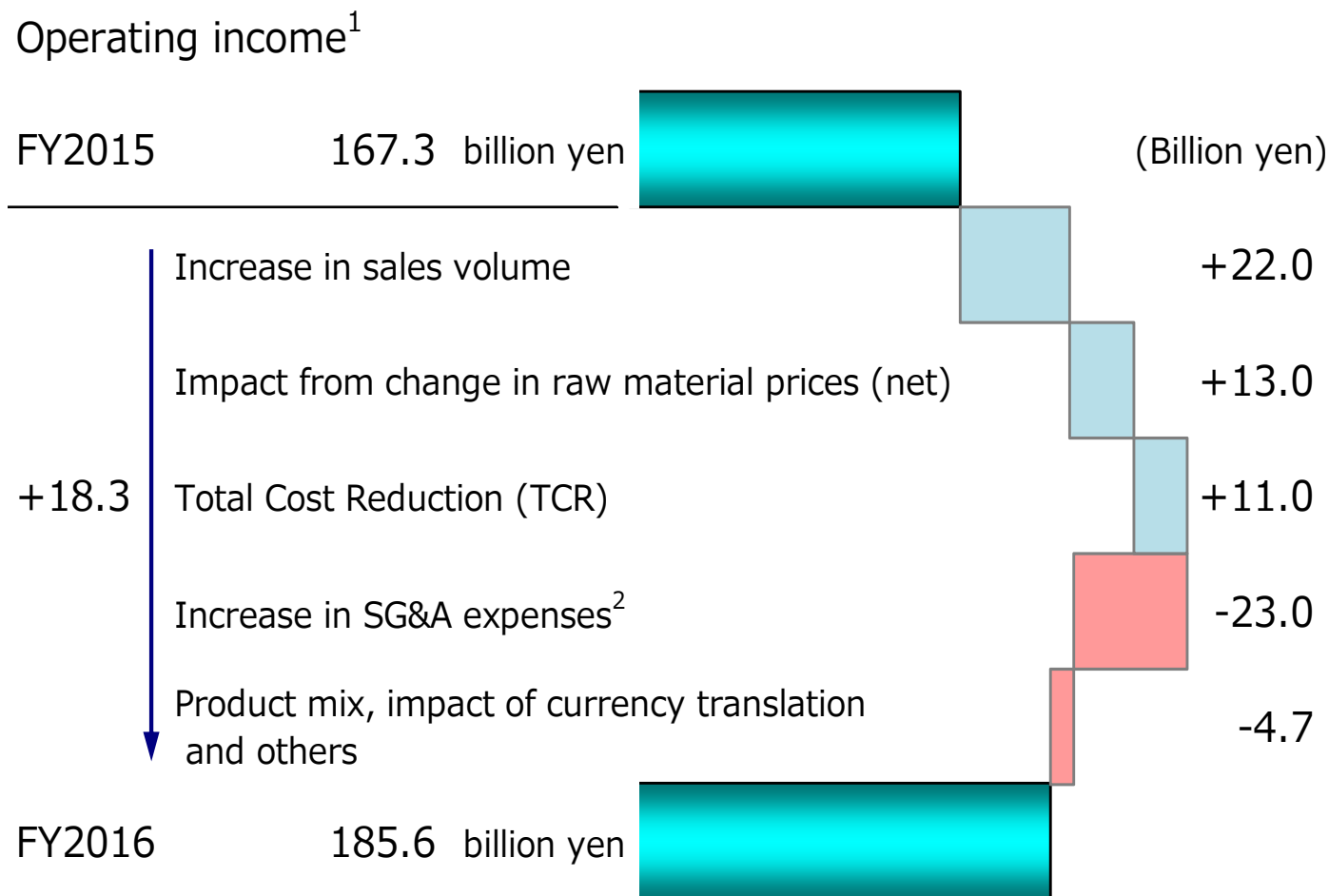
2. IFRS has been adopted from FY2016 (formerly accounting principles generally accepted in Japan)

Consolidated Statement of Income

(Billion yen)	FY2015		FY2016		Changes
		% of Net sales		% of Net sales	
Net sales	1,474.6	100.0	1,457.6	100.0	(16.9)
Cost of sales	(658.9)	44.7	(637.5)	43.7	21.4
Gross profit	815.7	55.3	820.1	56.3	4.4
SG&A expenses	(642.7)	43.6	(633.4)	43.5	9.4
Other operating income/expenses	(5.6)	0.4	(1.2)	0.1	4.5
Operating income	167.3	11.3	185.6	12.7	18.3
Financial income/expenses	(2.8)	0.2	(4.0)	0.3	(1.2)
Share of profit in investments accounted for using the equity method	1.5	0.1	1.9	0.1	0.4
Income before income taxes	166.0	11.3	183.4	12.6	17.4
Income taxes	(60.1)	4.1	(55.5)	3.8	4.5
Net income	106.0	7.2	127.9	8.8	21.9
Attributable to owners of the parent	105.2	7.1	126.6	8.7	21.4
Attributable to non-controlling interests	0.8	0.1	1.3	0.1	0.6

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

FY2016 Consolidated Operating Income Analysis



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

2 Excluding the impact of currency translation.

Consolidated Results by Segment

(Billion yen)		FY2015		FY2016		Changes	Growth
			% of Net sales		% of Net sales		%
Beauty Care Business	Net sales	608.6	-	601.6	-	(7.0)	(1.1)
	Operating income	37.9	6.2	51.1	8.5	13.2	34.7
Human Health Care Business	Net sales	281.7	-	273.1	-	(8.6)	(3.1)
	Operating income	33.4	11.8	25.9	9.5	(7.4)	(22.2)
Fabric & Home Care Business	Net sales	335.3	-	345.2	-	9.9	2.9
	Operating income	66.1	19.7	78.1	22.6	12.0	18.1
Chemical Business	Net Sales	288.5	-	273.8	-	(14.7)	(5.1)
	Operating income	28.6	9.9	29.7	10.8	1.1	3.8
Consolidated	Net sales	1,474.6	-	1,457.6	-	(16.9)	(1.1)
	Operating income	167.3	11.3	185.6	12.7	18.3	10.9

* IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS. Net sales and operating income of segments are before elimination of intersegment transactions.

Breakdown of Beauty Care Business

(Billion yen)		FY2015		FY2016	Changes	Growth
			% of Net sales	% of Net sales		%
Beauty Care Business	Net sales	608.6	-	601.6	(7.0)	(1.1)
	Operating income	37.9	6.2	51.1	13.2	34.7
Cosmetics	Net sales	254.8	-	255.0	0.1	0.0
	Operating income	(9.7)	(3.8)	4.0	13.7	-
Skin care/Hair care (mass products) & professional hair care products	Net sales	353.8	-	346.7	(7.1)	(2.0)
	Operating income	47.7	13.5	47.1	(0.6)	(1.2)

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

Consumer Products Business

(Billion yen)	Net sales				Operating income		% of Net sales	
	FY2015	FY2016	Growth %	Like-for-like %	FY2015	FY2016	FY2015	FY2016
Japan	923.8	943.0	2.1	2.1	115.5	132.0	12.5	14.0
Asia	182.7	180.8	(1.1)	13.0	12.3	15.8	6.7	8.7
Americas	89.7	80.1	(10.7)	(0.5)	3.7	2.8	4.1	3.6
Europe	89.9	78.1	(13.1)	(0.8)	7.0	3.7	7.8	4.7
Eliminations	(60.5)	(62.2)	-	-	(1.1)	0.8	-	-
Consumer Products Business	1,225.6	1,219.8	(0.5)	3.0	137.4	155.1	11.2	12.7

Net sales growth rates	China:	24%	Taiwan:	5%	Vietnam:	24%
of main countries (Like-for-like%)	Indonesia:	19%	Thailand:	1%		

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

Like-for-like % are growth excluding the effect of currency translation.

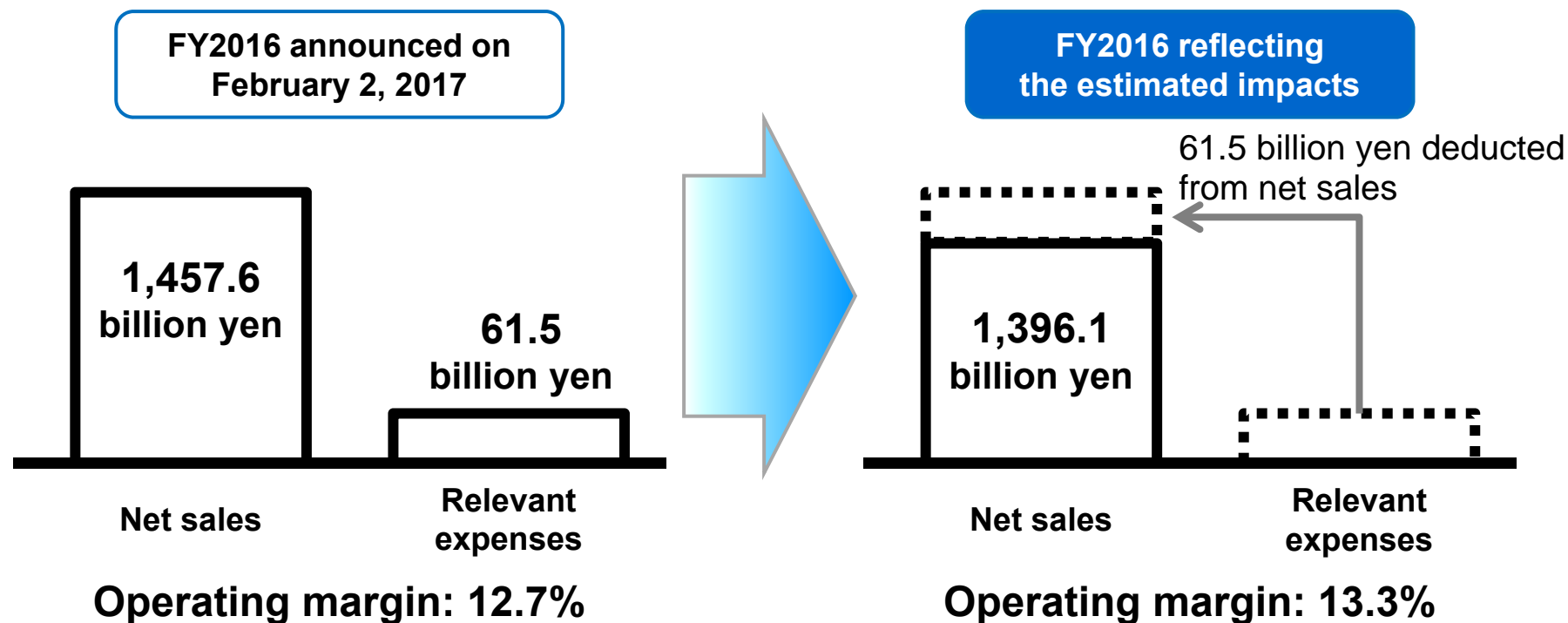
Forecast for FY 2017

Impact of IFRS 15 and Revision of Sales System

Reflect the estimated impacts to FY2016 net sales

Change in recording of sales from FY2017

- Early adoption of IFRS 15 “Revenue from contracts with customers”
- Revision of sales system in the Consumer Products Business in Japan



Major Assumptions for FY2017 Forecast

◆	Year-on-year growth rate of consumer products ¹ market size in value (yen) in Japan	+1%
◆	Year-on-year growth rate of cosmetics market size in value (yen) in Japan ²	Flat
		<u>Growth</u>
◆	Net sales	¥1,470.0 billion +5.3%
	• Effect of currency translation	+¥8.0 billion +0.6%
	• Sales growth excluding effect of currency translation	+¥65.9 billion +4.7%
		<u>Estimated impact on income</u>
◆	Impact from change in raw material prices billion	• Gross impact -¥1.0
		• Net impact -¥1.0 billion
◆	Total Cost Reduction (TCR) activities	+¥7.0 billion
◆	Capital expenditures/depreciation and amortization	• Capital expenditures ¥80.0 billion
		• Depreciation and amortization ¥55.0 billion

Exchange rate assumptions

◆ 110 yen/USD	(FY2016 actual exchange rate [average]	108.76 yen/USD)
◆ 123 yen/Euro	(FY2016 actual exchange rate [average]	120.31 yen/Euro)
◆ 16.8yen/Yuan	(FY2016 actual exchange rate [average]	16.38 yen/Yuan)

1 Consumer products do not include cosmetics

2 Excludes inbound demand

Consolidated Operating Results Forecast

(Billion yen)	FY2016				FY2017 (F) ²	
	Growth %		Change ¹		Growth%	
Net sales	1,457.6	(1.1)	1,396.1	(615)	1,470.0	+5.3
Operating income	185.6	+10.9			200.0	+7.8
[% of Net sales]	12.7%				13.6%	-
Income before income taxes	183.4	+10.5			199.0	+8.5
[% of Net sales]	12.6%				13.5%	-
Net income, attributable to owners of the parent	126.6	+20.3			138.0	+9.0
[% of Net sales]	8.7%				9.4%	-
Basic earnings per share (yen)	253.43	+20.8			280.00	+10.5
ROE	18.6%				19.1%	-
EBITDA (Operating income + Depr. & amort.)	236.7	+5.3			255.0	+7.7
Cash dividends per share (yen)	94.0	+17.5			108.0	+14.9

1 Revision of sales system for Consumer Products Business in Japan and early adoption of IFRS 15 planned from the fiscal year ending December 31, 2017. Amount calculated using the same standard for FY2016.

2 Exchange rate assumptions: 110 yen/USD, 123 yen/Euro, 16.8 yen/Yuan

Sales Outlook by Segment - FY2017

Consolidated net sales Billion yen Growth¹
 1,470.0 5.3%

(Billion yen)

By Segment ²			Reference: By Geographic Area ²		
		Growth ¹			Growth ¹
Beauty Care	601.0	5.3%	Japan	1,030.0	3.7%
Human Health Care	280.0	8.7%	Asia	279.0	6.1%
Fabric & Home Care	340.0	2.9%	Americas	130.0	4.7%
Chemical	284.0	3.9%	Europe	150.0	10.1%

1 Growth rate taking into account revision of sales system for Consumer Products Business in Japan and early adoption of IFRS 15 from the fiscal year ending December 31, 2017.

2 Before elimination of transactions among segments or geographic areas.

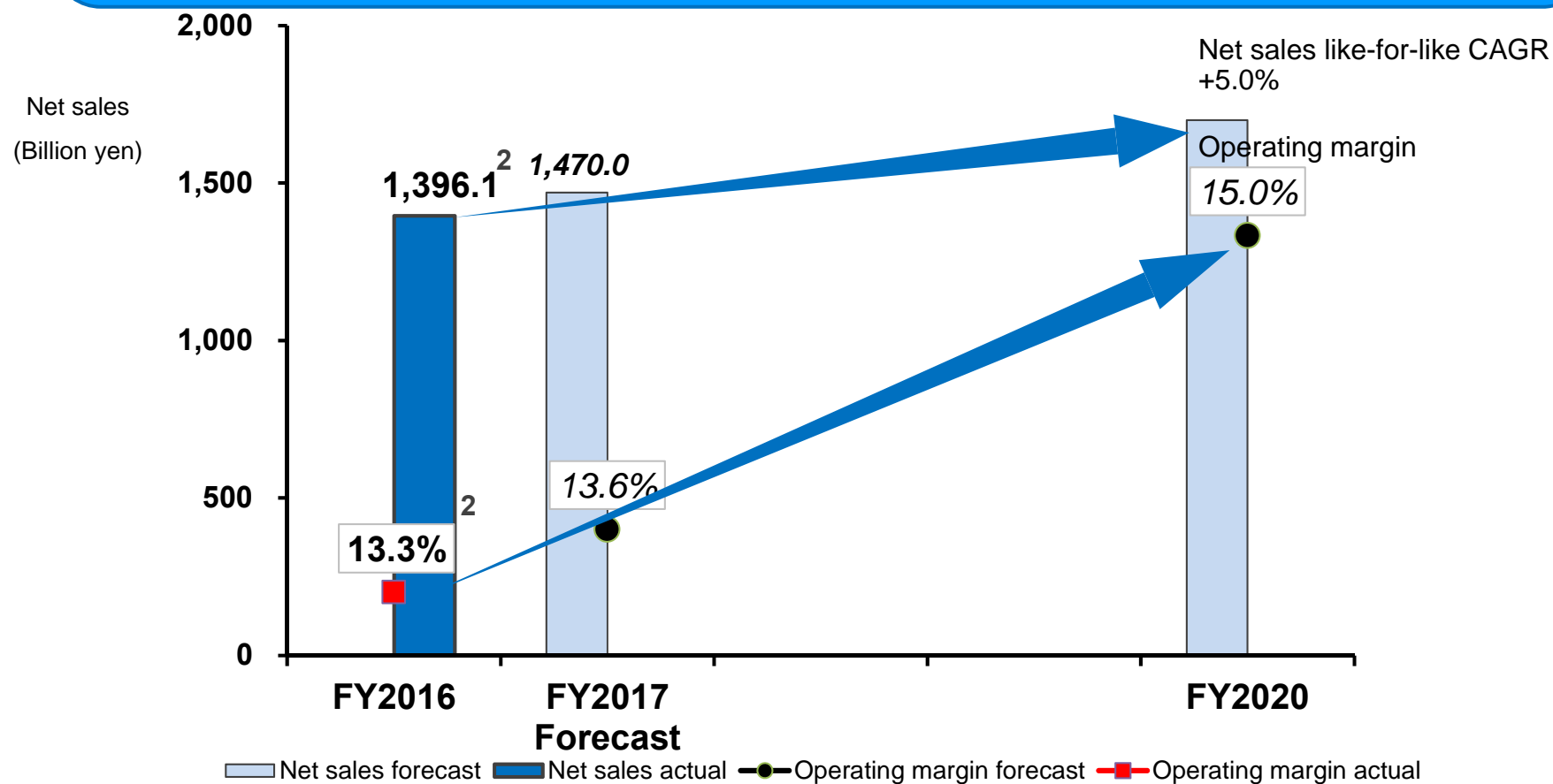
“K20” Net Sales and Operating Income

Net sales like-for-like¹ CAGR: +5.0%

(Like-for-like¹ growth rates: FY12 +1.1%, FY13 +2.1%, FY14 +4.7%, FY15 +2.8%, FY16 +3.2%)

Operating margin improvement: +1.7 percentage points

(FY2012-FY2016: +0.9 percentage points)



1. Excluding the effect of currency translation

2. Adjusted to reflect adoption of IFRS 15 and revision of sales system

Use of Cash Flow* and Shareholder Returns

Use steadily generated cash flow effectively in order of priority shown below from an EVA standpoint toward further growth.

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

* Net cash flows from operating activities

ESG Initiatives to Enhance Corporate Value

- Development of easy-to-refill products to help achieve a recycling-oriented society. Made efforts to spread this throughout the industry, contributing to reduction of plastic.
 - Over the 20 years since 1995, the industry percentage of refill and replacement containers¹ rose from 10% to 79%
 - Kao's refill and replacement rate² for 2016 is 84%
- Started universal design in 1990 with bottles that distinguish shampoo from conditioner; applied to more than 90% of new and renewed products in 2016.³
- Began offering a water-conserving category that includes single-rinse compact laundry detergent *Attack Neo*, dishwashing detergent with fast-rinsing foam *CuCute*, etc.
 - Selected as an A List Company in the field of water for 2016 by CDP, a UK-based nonprofit organization
- Ongoing promotion since 2012 of a “water-saving campaign” in cooperation with the Chinese government to raise awareness of water conservation in China.
- First in Japan to introduce Forest Stewardship Council (FSC®)-certified corrugated cardboard. Completed switch to FSC®-certified materials for 50% of new corrugated cardboard used by end of 2016.
- Promotion of health management.
 - Chosen for the “Health & Productivity Stock Selection” for the second consecutive year in 2016
- Compact Board of Directors for strengthened oversight function and ongoing discussions from a medium-to-long-term perspective.
 - Selected as one of the World's Most Ethical Companies for the tenth consecutive year in 2016



Notches on shampoo bottle



Notes:

1. Industry percentage of refill and replacement containers: Announced by the Japan Soap and Detergent Association
2. Refill and replacement rate: Percentage of sales volume of Kao refill and replacement products (unit basis)
3. Based on new and renewed products for consumers in Japan

Evaluations from External Organizations

■ Selected as the Grand Prix Recipient of the 5th Corporate Value Improvement Award by Tokyo Stock Exchange, Inc.

In recognition of the Kao Group's efforts to continuously improve corporate value using management that factors in the cost of invested capital by incorporating EVA®* as the main management metric.



■ Selected as a winner of Corporate Governance of the Year® 2016 Prize

Japan Association of Corporate Directors established the prize to support greater management efficiency and mid- to long-term growth of corporations that operate in Japan by enhancing their corporate governance.

■ Received RobecoSAM Bronze Class 2017 distinction in the personal products industry

RobecoSAM evaluates the sustainability practices of leading global companies in terms of economic, environmental and social criteria and announces its assessment annually in the Sustainability Yearbook.



* EVA® is a registered trademark of Stern Stewart & Co, a consulting company in the United States.

Kao

自然と調和する こそ豊かな毎日をめざして

SRI Indexes and External CSR Evaluations

SRI indexes for which Kao has been selected

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



FTSE4Good

MSCI



2016 Constituent
MSCI Global
Sustainability Indexes

<https://www.msci.com/esg-integration>



TOP 100
COMPANY
2016

Thomson Reuters
Diversity & Inclusion Index

CSR-related evaluations from external organizations



ROBECOSAM
Sustainability Award
Bronze Class 2017



CSR: Corporate Social Responsibility
SRI: Socially Responsible Investment

(As of February 2, 2017)

KAO

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Appendices

Business Segments and Main Product Categories



Note: Sales include intersegment sales. Like-for-like growth excludes the effect of currency translation. Share of net sales is calculated based on sales to customers.

Kao Group Mid-term Plan “K20”

Transforming ourselves to drive change

K15

- Expand the Consumer Products Business globally
- Further reinforce the Fabric and Home Care Business, and accelerate profitable growth in the Beauty Care and Human Health Care Businesses
- Reinforce the Chemical Business

K20

Goals

- Commitment to fostering a distinctive corporate image
- Commitment to “profitable growth”
- Commitment to returns to stakeholders

“Profitable Growth” 2020 Strategy

- Thoroughly instill “integrity”
- Make full use of Kao Group assets: Stage II
- Maximize Kao Group assets
- Build new assets

Make Kao a company with a global presence

- A distinctive corporate image
- A high-profit global consumer goods company
- A high level of returns to stakeholders

Enhance corporate value

Contribute to the sustainability of the world while achieving profitable growth

Kao's unique ESG activities
Innovation in corporate governance

The Kao Way

	2013	2015	2017	2020	2030
		Targets	Actual		
Net sales (outside Japan)		1.4 trillion yen	1.47 trillion yen	Like-for-like net sales CAGR: +5%	
		30% or more	35.0%		
Profits		Operating income		Operating margin: 15% Continue to set new record highs for profits	
		150 billion yen	164.4 billion yen		
ROE			14.8 %		20 %
Consolidated payout ratio			40.6 %	40%	
100 billion-yen brands (establish strong global brands)				3 brands (<i>Merries</i> , <i>Attack</i> , <i>Bioré</i>)	5 brands

Exceed

Our Vision by 2030

Make Kao a company with a global presence

- **A distinctive corporate image**
- **A high-profit global consumer goods company that exceeds:**
 - 2.5 trillion yen in net sales (1.0 trillion yen outside Japan)
 - 17% operating margin
 - 20% ROE
- **A high level of returns to stakeholders**

“K20” is an important milestone toward achieving our vision by 2030.

“K20” Goals — Three Commitments

1. Commitment to fostering a distinctive corporate image

Become a company that is always by the consumer's side

Proposed image: Kao is a company that embodies *KIREI*¹

2. Commitment to “profitable growth”

- Continue to set new record highs for profits
- Aim for net sales like-for-like² CAGR of +5%, operating margin of 15%
- Three 100 billion yen brands (*Merries* baby diapers, *Attack* laundry detergents, *Bioré* skin care products)

3. Commitment to returns to stakeholders

- Shareholders: Continuous cash dividend increases (40% payout ratio target) 27th consecutive period in FY2016 (planned): Longest in Japan
- Employees: Continuous improvement in compensation, benefits and health support
- Customers: Maximization of win-win relationships
- Society: Advanced measures to address social issues

¹ *KIREI* is a Japanese word that represents the concept of cleanliness, beauty, health, purity, and fairness.

² Excluding the effect of currency translation, revision of sales system, etc.

“Profitable Growth” 2020 Strategy and “K20” Promotion Projects

- 1. Commitment to fostering a distinctive corporate image**
- 2. Commitment to “profitable growth”**
 - Continue to set new record highs for profits
 - Aim for net sales like-for-like* CAGR of +5%, operating margin of 15%
 - Three 100 billion yen brands (*Merries* baby diapers, *Attack* laundry detergents, *Bioré* skin care products)
- 3. Commitment to returns to stakeholders**

“Profitable Growth” 2020 Strategy

- Thoroughly instill “integrity”
- Make full use of Kao Group assets Stage II
- Maximize Kao Group assets
- Build new assets

“K20” Promotion Projects

- Innovate current procedures, approaches and concepts
- Foster a distinctive corporate image
- Create the Kao Group’s future
- Maintain the health of employees and their families
- Apply state-of-the-art technologies and infrastructure

* Excluding the effect of currency translation, revision of sales system, etc.

“Profitable Growth” 2020 Strategy

1. Thoroughly instill “integrity”

- Practice the Kao Way, the Kao Group’s corporate philosophy
- Maintain a high level of risk and crisis management and respond to changes in ways such as thorough quality control, consumer consultations, compliance, etc.

2. Make full use of Kao Group assets Stage II

- Enhance and energize human capital
- Continuously strengthen high-margin businesses
- Expand the Consumer Products Business in Asia and increase its margin

3. Maximize Kao Group assets

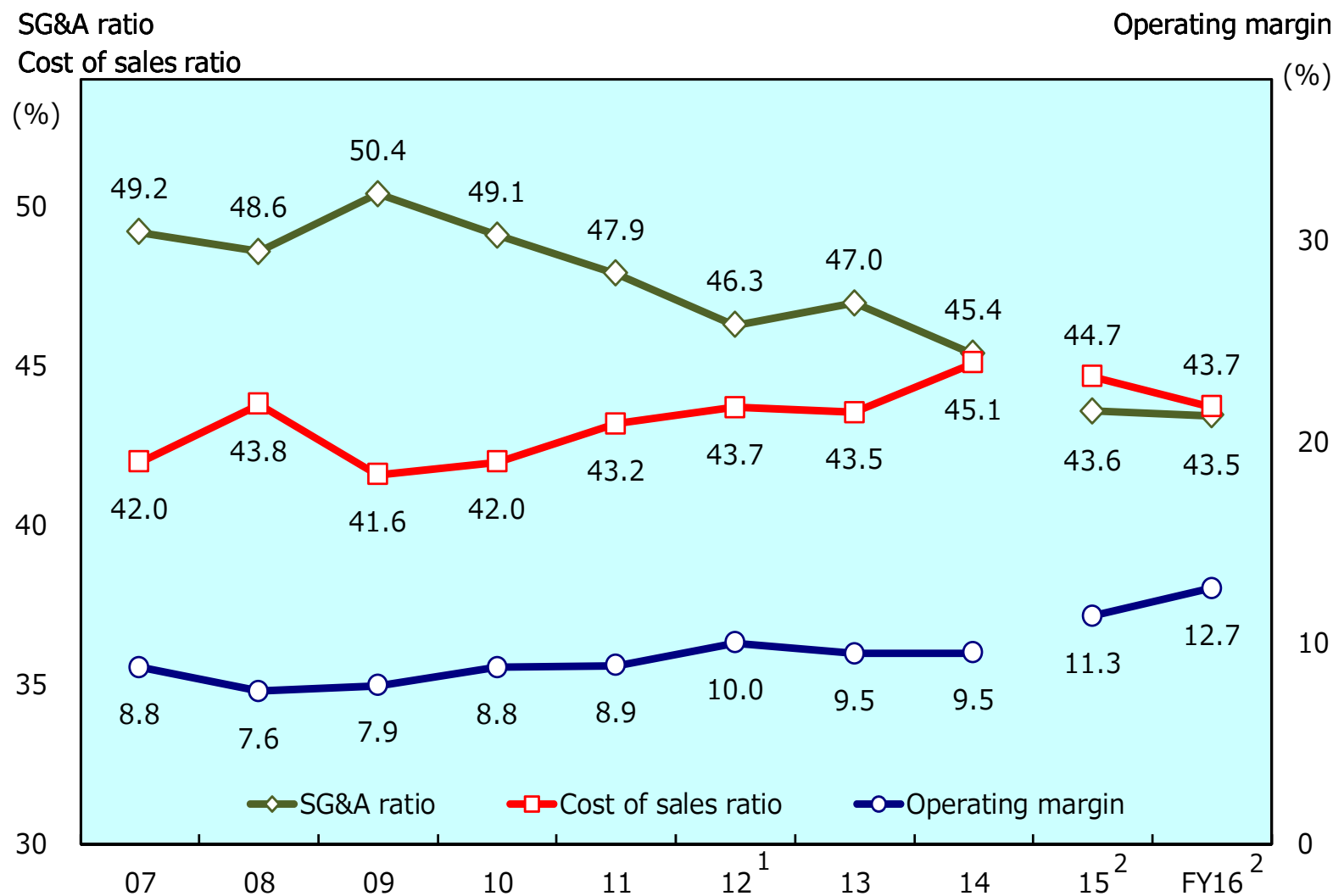
- Make cosmetics a pillar of growth
- Achieve a high margin (10% operating margin) in the Consumer Products Business in the Americas and Europe
- Accelerate development of high-value-added products in the Chemical Business

4. Build new assets

- Create new businesses
- Re-enter the food business
- Acquire new assets through M&A

Financial Data

Consolidated Cost of Sales and SG&A to Net Sales



1 Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

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

Consolidated Results by Geographic Area

(Billion yen)		FY2015		FY2016		Changes	Growth
			% of Net sales		% of Net sales		%
Japan	Net sales	1,019.8	-	1,035.7	-	15.9	1.6
	Operating income	127.8	12.5	145.1	14.0	17.4	13.6
Asia	Net sales	284.8	-	281.5	-	(3.3)	(1.1)
	Operating income	20.9	7.3	22.8	8.1	2.0	9.5
Americas	Net sales	137.8	-	124.7	-	(13.2)	(9.6)
	Operating income	7.8	5.6	7.2	5.8	(0.6)	(7.4)
Europe	Net sales	154.4	-	137.2	-	(17.1)	(11.1)
	Operating income	12.1	7.8	9.4	6.8	(2.7)	(22.3)
Consolidated	Net sales	1,474.6	-	1,457.6	-	(16.9)	(1.1)
	Operating income	167.3	11.3	185.6	12.7	18.3	10.9

* IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS. Net sales and operating income by geographic area are before elimination of transactions among geographic areas.

Consolidated Statement of Financial Position

(Billion yen)	Dec/2015	Dec/2016 Changes			Dec/2015	Dec/2016 Changes	
Assets				Liabilities and equity			
Current assets				Liabilities			
Cash and cash equivalents	309.9	303.0	(6.9)	Current liabilities			
Trade and other receivables	210.7	208.5	(2.2)	Trade and other payables	206.8	216.9	10.1
Inventories	151.3	165.2	13.9	Bonds and borrowings	0.3	30.3	29.9
Current income tax assets	2.1	1.5	(0.6)	Income tax payables	32.2	32.6	0.4
Other financial assets	5.1	13.0	8.0	Other financial liabilities	6.9	8.2	1.2
Other current assets	38.0	23.8	(14.2)	Provisions	16.8	11.4	(5.4)
Subtotal	717.0	715.0	(2.1)	Other current liabilities	125.4	131.1	5.7
Non-current assets held for sale	1.3	0.3	(1.0)	Total current liabilities	388.4	430.4	42.0
Total current assets	718.4	715.3	(3.0)				
				Non-current liabilities			
Non-current assets				Bonds and borrowings	120.2	90.4	(29.9)
Property, plant and equipment	338.0	370.8	32.8	Retirement benefit liabilities	75.7	94.8	19.1
Goodwill	138.3	137.8	(0.5)	Other financial liabilities	11.8	11.7	(0.2)
Intangible assets	15.7	14.7	(1.0)	Provisions	17.7	13.8	(3.9)
Investments accounted for using the equity method	4.2	4.7	0.5	Other non-current liabilities	4.9	5.3	0.3
Other financial assets	29.3	25.5	(3.9)	Deferred tax liabilities	0.3	0.5	0.2
Other non-current assets	17.7	18.5	0.8	Total non-current liabilities	230.7	216.4	(14.3)
Deferred tax assets	49.5	50.9	1.5	Total liabilities	619.1	646.8	27.8
Total non-current assets	592.7	623.0	30.3				
Total assets	1,311.1	1,338.3	27.2	Equity			
				Share capital	85.4	85.4	-
				Capital surplus	108.7	107.6	(1.0)
				Treasury shares	(8.2)	(57.1)	(48.9)
				Other components of equity	(4.2)	(21.8)	(17.6)
				Retained earnings	499.3	565.7	66.4
				Equity attributable to owners of the parent	681.0	679.8	(1.2)
				Non-controlling interests	11.0	11.6	0.6
				Total equity	692.0	691.5	(0.5)
				Total liabilities and equity	1,311.1	1,338.3	27.2

* IFRS adopted in FY2016. Dec/2015 figures are calculations based on IFRS.

Consolidated Statement of Cash Flows

(Billion yen)	FY2015	FY2016	Changes
Net cash flows from operating activities	181.7	184.3	2.6
Net cash flows from investing activities	(74.1)	(88.6)	(14.5)
Net cash flows from financing activities	(20.8)	(95.0)	(74.3)
Net increase (decrease) in cash and cash equivalents	86.8	0.6	(86.2)
Cash and cash equivalents at the beginning of the year	229.0	309.9	81.0
Effect of exchange rate changes on cash and cash equivalents	(5.8)	(7.5)	(1.7)
Cash and cash equivalents at the end of the year	309.9	303.0	(6.9)
Bonds and borrowings at the end of the year	120.5	120.6	0.1
Free cash flow	107.5	95.7	(11.9)

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

Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities

Net cash flows from investing activities

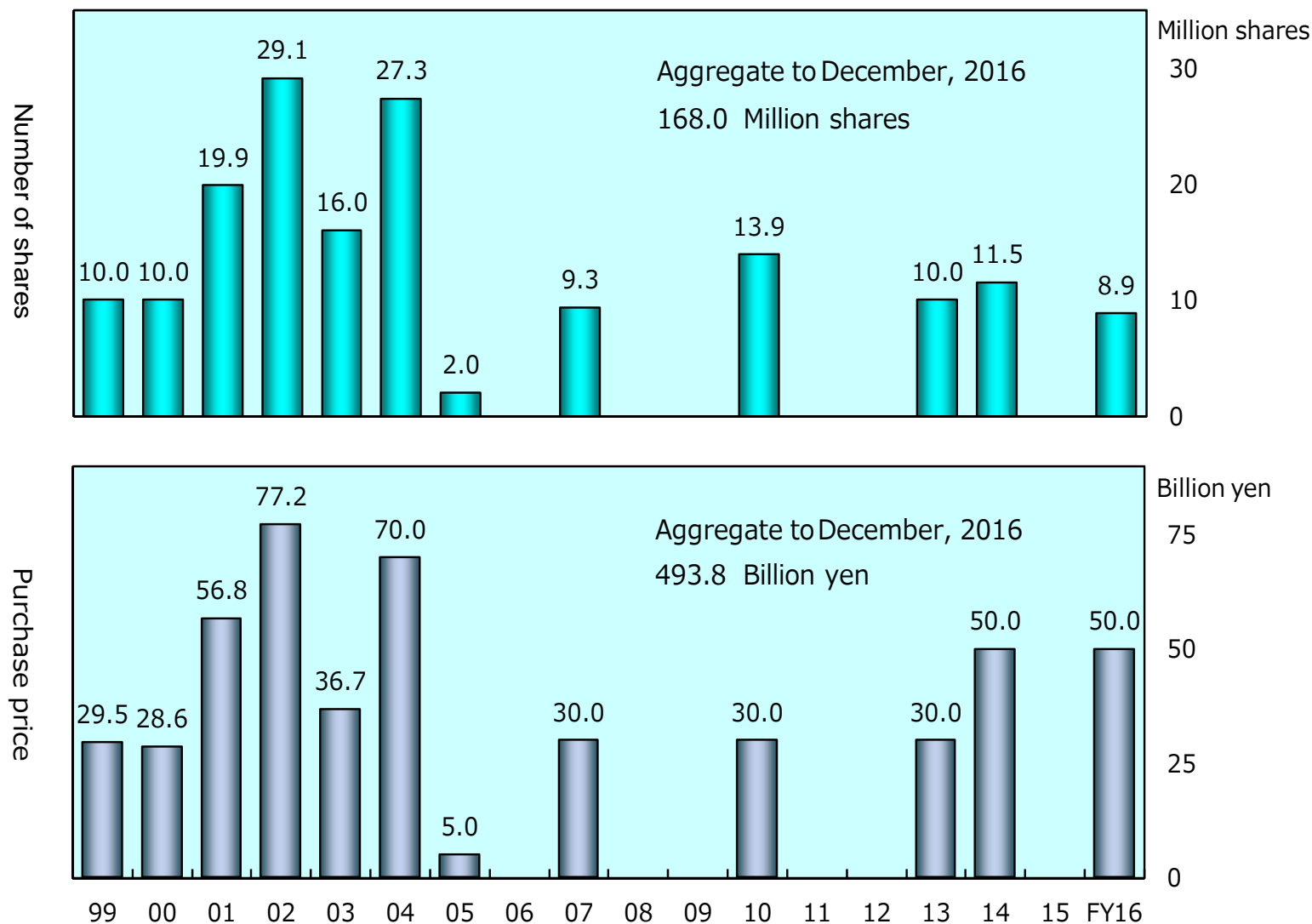
Capital expenditures:

- Production capacity expansion for sanitary products in Japan
- Production capacity expansion for fabric and home care products in Japan
- Integration in Odawara near Tokyo, Japan
- Production capacity expansion for consumer products in Indonesia

Net cash flows from financing activities

- Payments of cash dividends (Includes payments of cash dividends to non-controlling interests)
45.1 billion yen
- Purchase of treasury shares (Excludes repurchase of shares of less than one trading unit)
50.0 billion yen

Share Repurchase



* Excludes repurchase of shares of less than one trading unit.

Number of issued shares including treasury shares as of December 31, 2016 is 504.0 million shares.

Sales Outlook for the Consumer Products Business in Japan - FY2017

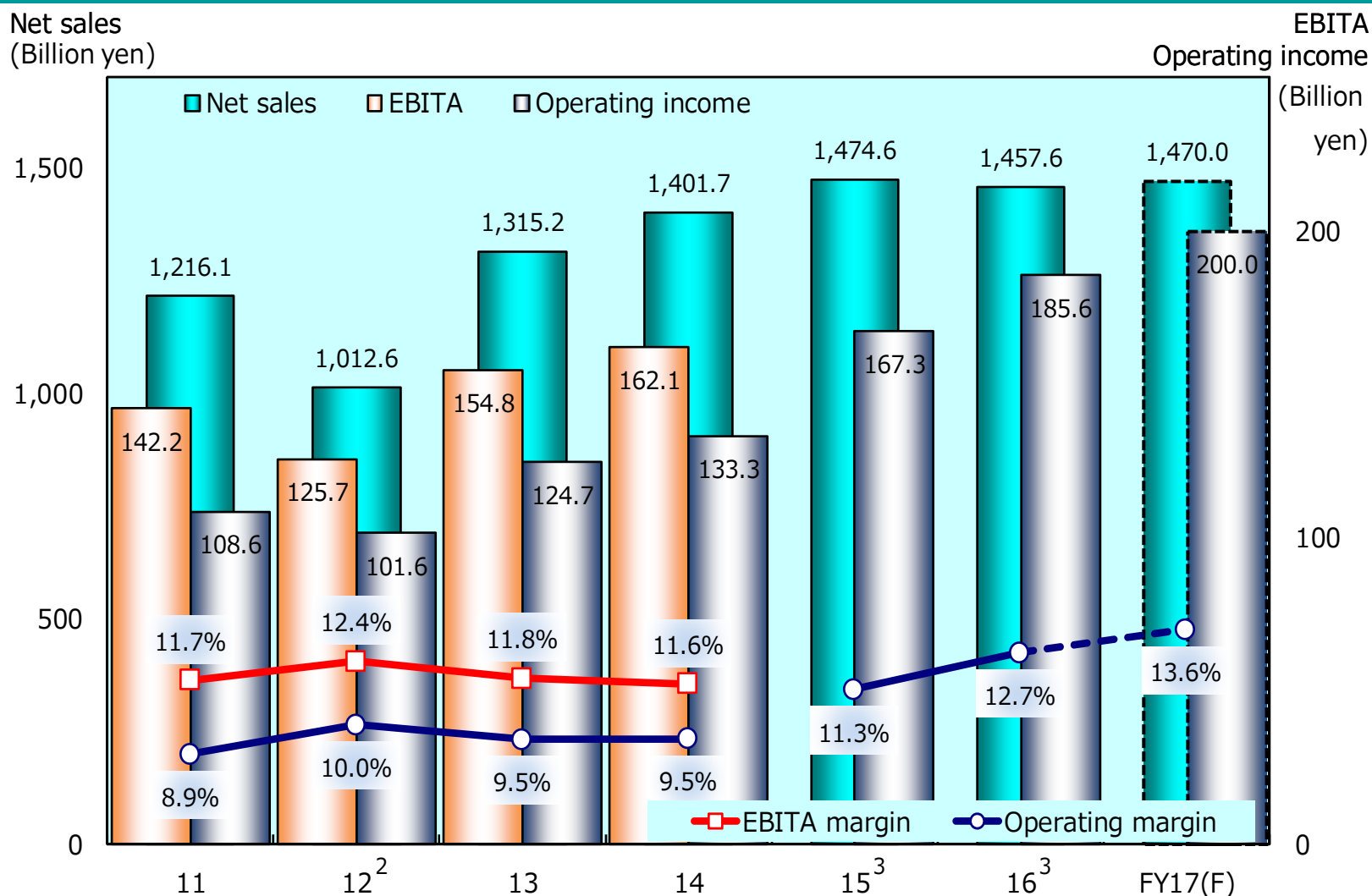
(Billion yen)

	1st Half				Full year			
	FY2016		FY2017	Growth ² %	FY2016		FY2017	Growth ² %
	Actual	¹	Forecast		Actual	¹	Forecast	
Beauty Care	202.5	190.0	199.0	4.7	425.3	401.0	420.0	4.7
Human Health Care	103.6	100.3	101.0	0.7	215.3	208.5	219.0	5.0
Fabric & Home Care	133.8	129.5	134.0	3.5	302.3	291.9	298.0	2.1
Consumer Products Business	439.9	419.8	434.0	3.4	943.0	901.3	937.0	4.0

1 Revision of sales system for Consumer Products Business in Japan and early adoption of IFRS 15 planned from the fiscal year ending December 31, 2017. Amount calculated using the same standard for FY2016.

2 Growth rate taking into account revision of sales system for Consumer Products Business in Japan and early adoption of IFRS 15 from the fiscal year ending December 31, 2017.

Consolidated Net Sales/EBITA¹/Operating Income



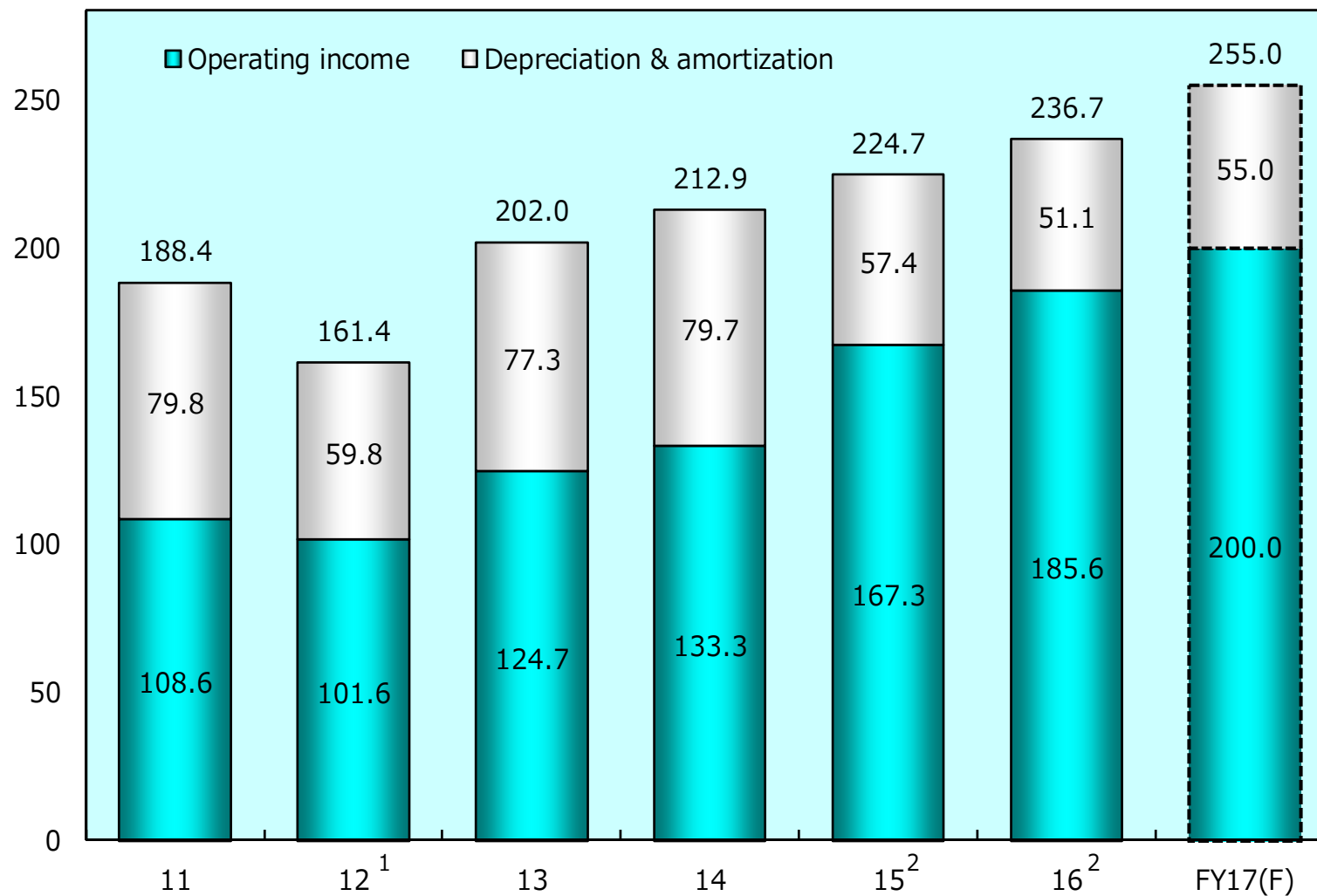
1 Operating income before amortization of goodwill and intellectual property rights related to M&A.

2 Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

3 IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS. EBITA is not presented because amortization of goodwill has been discontinued under IFRS.

EBITDA

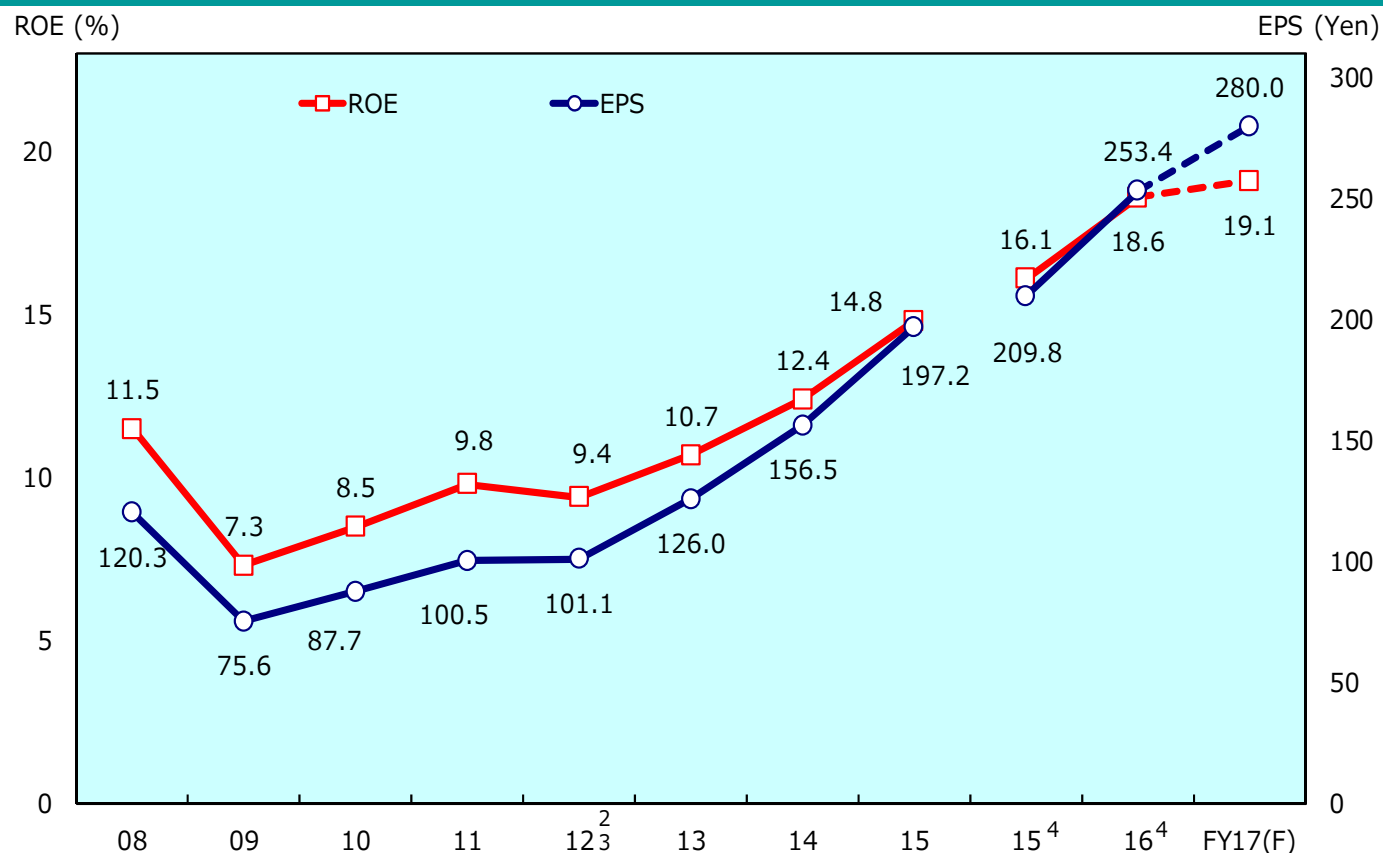
(Billion yen)



*1 Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

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

ROE & EPS¹



Weighted average number of shares outstanding (Million shares)	536.1	536.0	533.0	521.9	521.8	513.9	508.7	501.4	501.4	499.4	499.4
Net income [J-GAAP] (Billion yen)	64.5	40.5	46.7	52.4	52.8	64.8	79.6	98.9			
Net income, attributable to owners of the parent [IFRS] (Billion yen)									105.2	126.6	138.0

1 Net income per share [J-GAAP] / Basic earnings per share [IFRS]

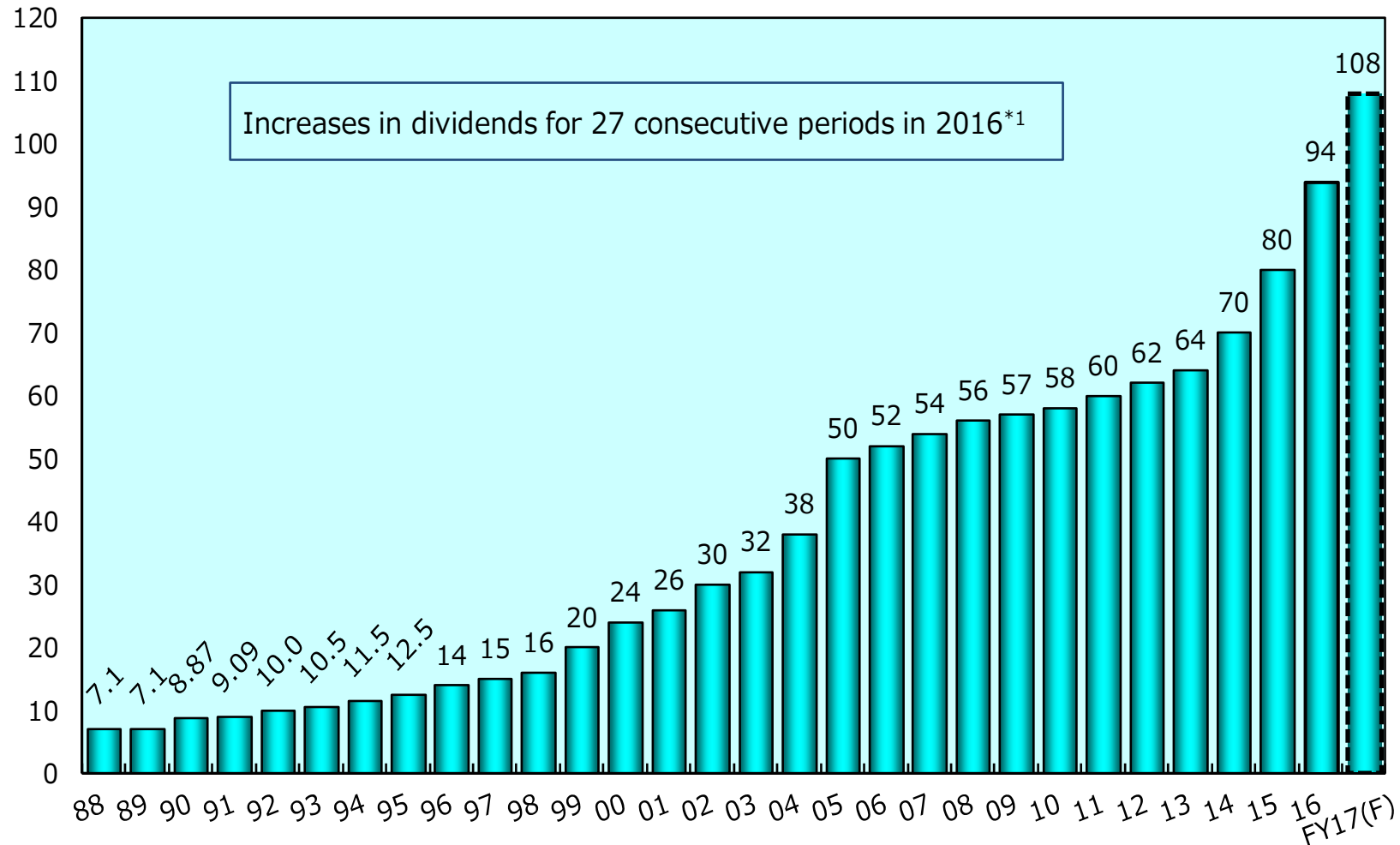
2 Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

3 ROE of FY2012 are 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)

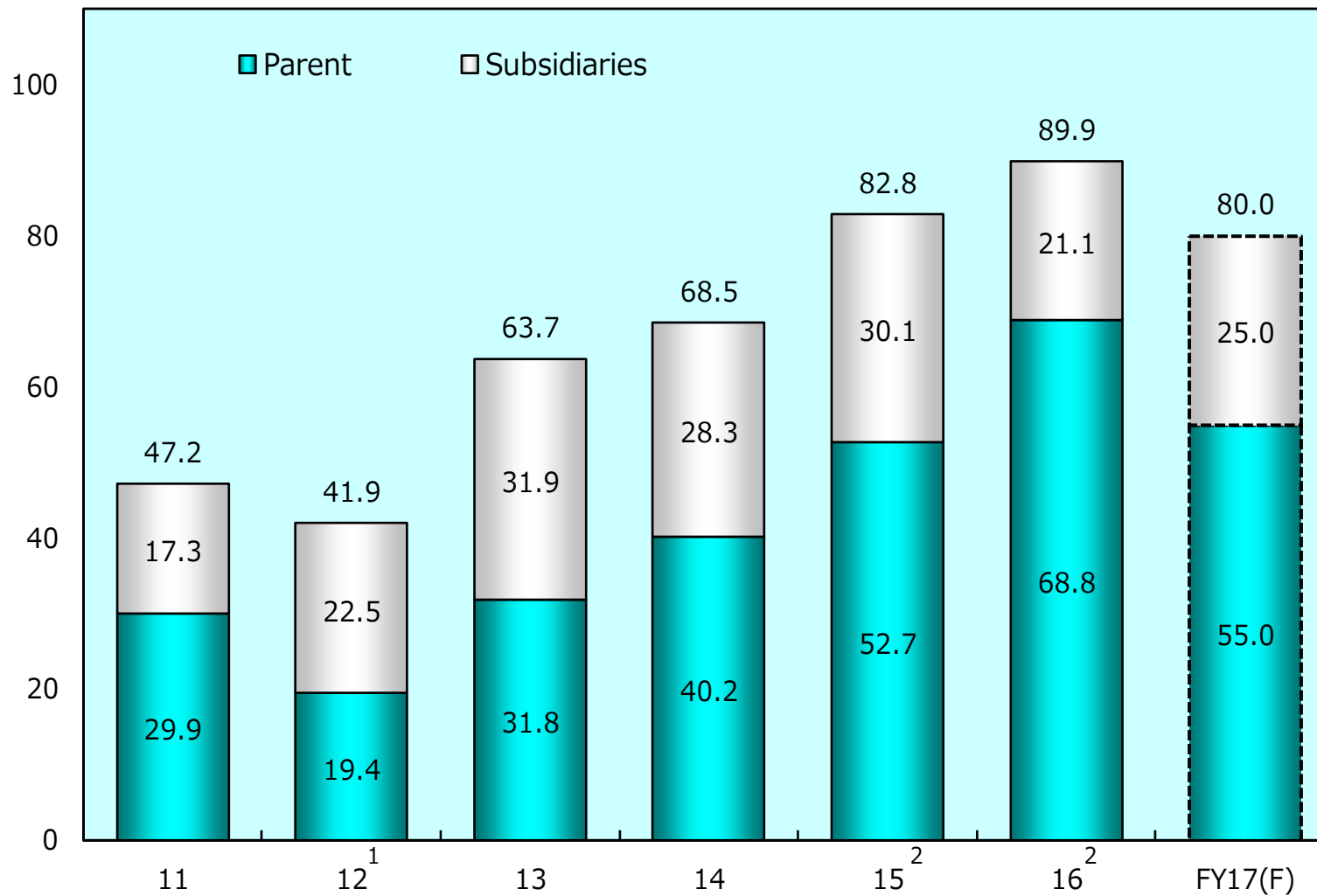


*1 Formally decided at the Annual General Meeting of Shareholders.

*2 Impacts of share splits are retroactively reflected.

Capital Expenditures

(Billion yen)



1 Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

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

The Kao logo is rendered in a dark teal color. It features a bold, sans-serif 'K' followed by a lowercase 'a' and an uppercase 'O'. The 'a' is stylized with a small loop at the bottom, and the 'O' is a simple, rounded shape.

Enriching lives, in harmony with nature.