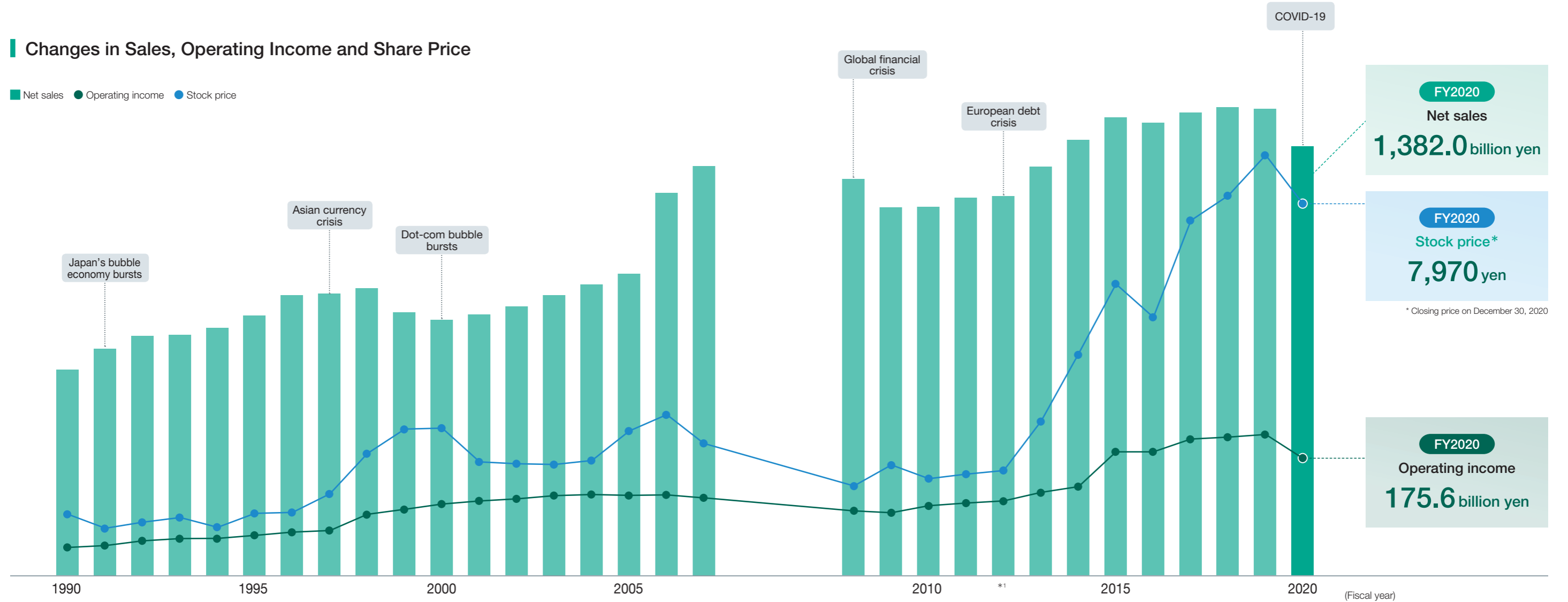


# Financial and Non-financial Highlights

## Changes in Sales, Operating Income and Share Price

■ Net sales ● Operating income ● Stock price



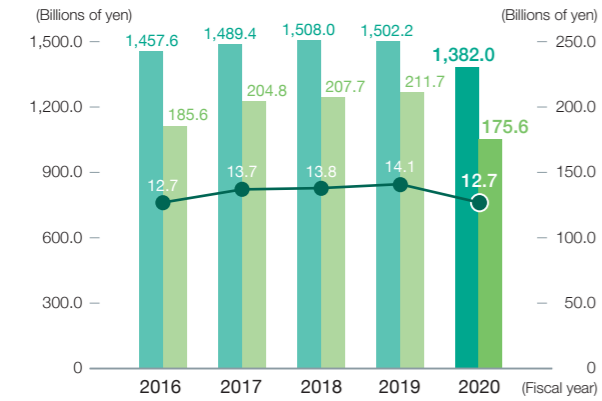
	FY1990	FY2020		FY1990	FY2020
<b>Foreign consolidated subsidiaries</b>	11 companies	94 companies	<b>Net sales</b>	662.0 billion yen	1,382.0 billion yen
<b>Sales ratio outside Japan</b> <small>* Based on customer location</small>	15.9%	38.2%	<b>Market capitalization</b>	711.3 billion yen	3,841.5 billion yen
<b>Female employees as percentage of total</b> <small>* Regular employees of Kao Group companies within Japan</small>	32%	51%	<b>Operating margin</b>	6.3%	12.7%

\*1 Starting from the year ended December 31, 2012, Kao Corporation's fiscal year end was changed from March 31 to December 31. Due to this change, the term of consolidation for the fiscal period ended December 31, 2012 consists of the 9 months from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the 12 months from January to December for subsidiaries whose fiscal year end was December 31.

## Financial and Non-financial Highlights

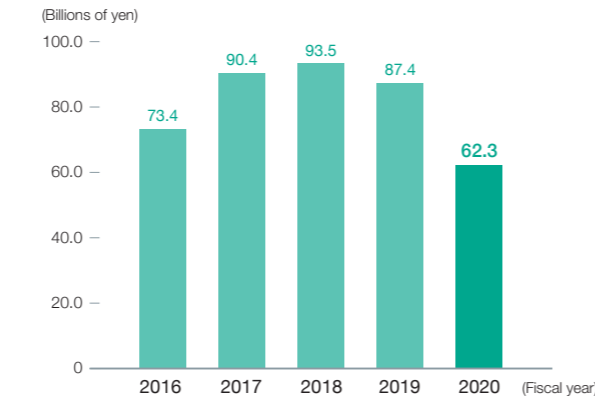
### Financial Highlights

#### Net Sales<sup>\*1</sup>/Operating Income/Operating Margin



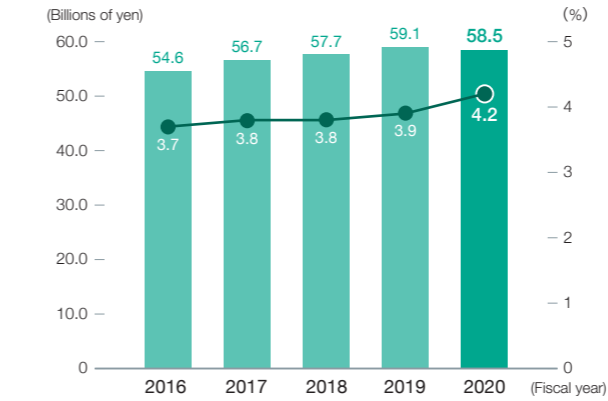
■ Net sales (left) ■ Operating income (right) ● Operating margin  
<sup>\*1</sup> As of the fiscal year ended December 31, 2020, the Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount.

#### EVA<sup>\*2</sup>



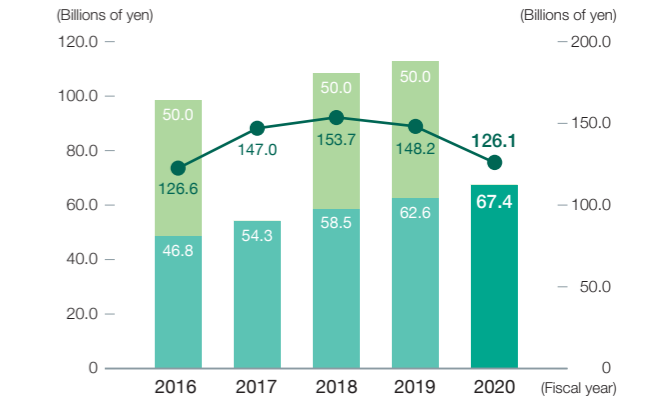
<sup>\*2</sup> EVA<sup>®</sup> is a registered trademark of Stern Stewart & Co.

#### R&D Expenses/R&D Expenses Ratio



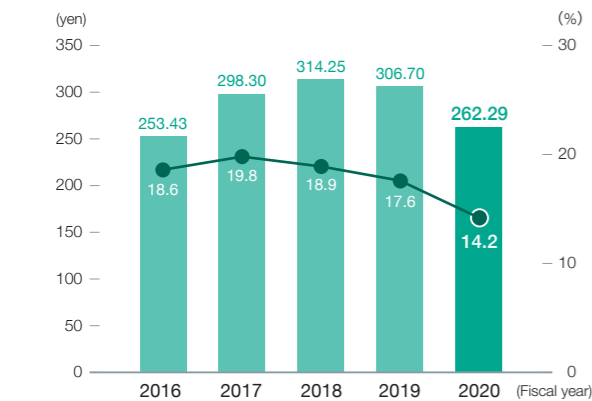
■ R&D expenses (left) ● R&D Expenses ratio (right)

#### Net Income Attributable to Owners of the Parent/Shareholder Returns<sup>\*6</sup>



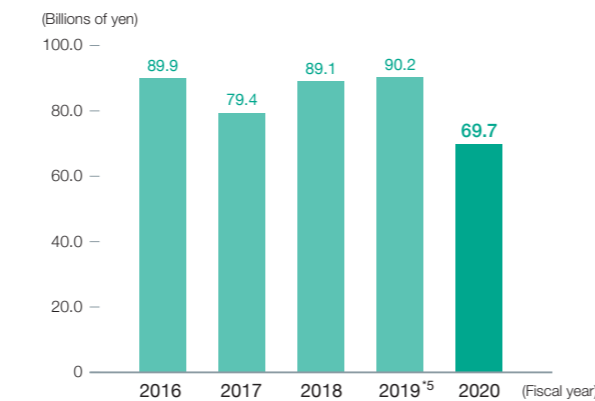
● Net income attributable to owners of the parent (right)  
 ■ Total dividend amount (left) ■ Share repurchases (left)  
<sup>\*6</sup> Excludes repurchase of shares of less than one trading unit

#### ROE<sup>\*3</sup>/EPS<sup>\*4</sup>



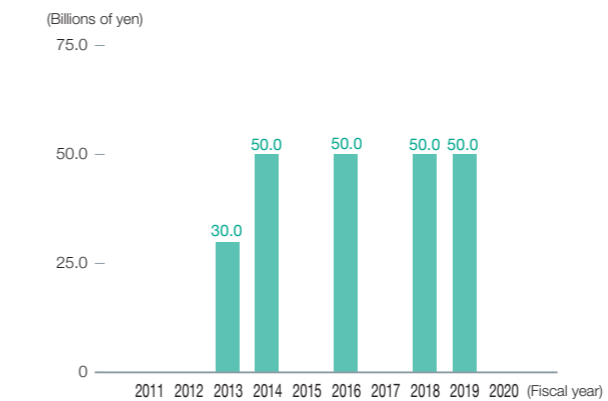
● ROE (right) ■ EPS (left)  
<sup>\*3</sup> Ratio of net income to equity attributable to owners of the parent  
<sup>\*4</sup> Basic earnings per share

#### Trend in Capital Investments

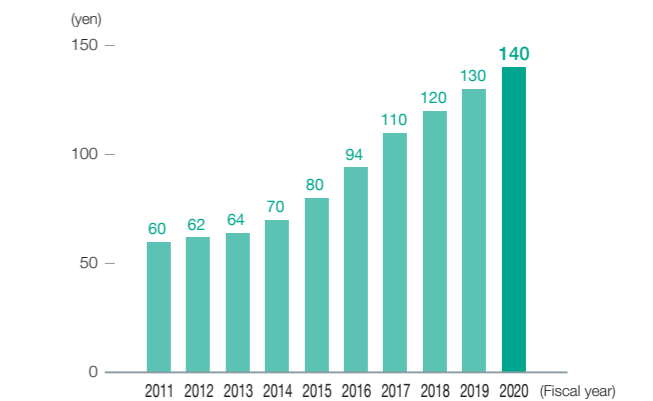


<sup>\*5</sup> Excludes right-of-use assets from the fiscal year ended December 31, 2019.

#### Status of Share Repurchases

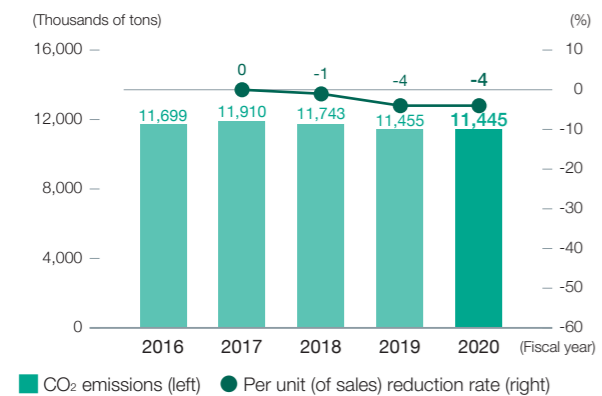


#### Performance of Cash Dividends per Share



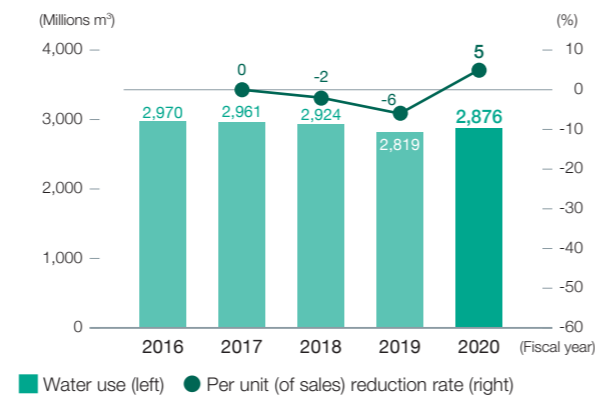
### Non-financial Highlights

#### CO<sub>2</sub> Emissions across the Product Lifecycle<sup>\*7</sup>



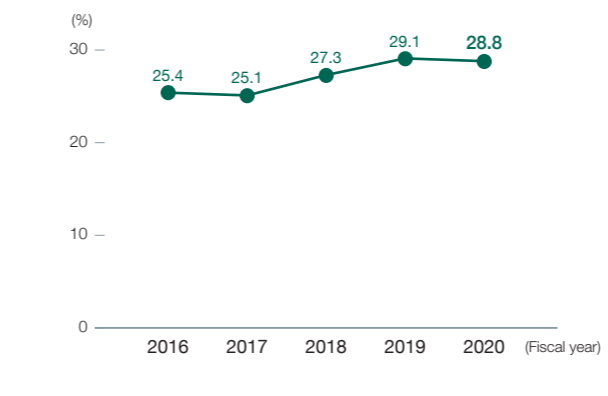
■ CO<sub>2</sub> emissions (left) ● Per unit (of sales) reduction rate (right)

#### Water Use across the Product Lifecycle<sup>\*8</sup>



■ Water use (left) ● Per unit (of sales) reduction rate (right)

#### Percentage of Female Managers<sup>\*9</sup>



<sup>\*7</sup> "CO<sub>2</sub> emissions across the product lifecycle" is defined as the combined total for the amount of lifecycle emissions of individual products, excluding emissions during manufacturing and distribution, multiplied by their annual sales quantity and the amount of emissions from the group's manufacturing and distribution processes. However, this amount does not include emissions related to the use and disposal of Chemical products.

<sup>\*8</sup> "Water use across the product lifecycle" is calculated by multiplying lifecycle water use of individual products, excluding use during manufacturing and distribution, by their annual sales quantity and the amount from the group's manufacturing and distribution processes. This amount includes water used for procurement in regard to Chemical products but does not include water used in the use and disposal of such products.

<sup>\*9</sup> Regular employees of Kao Group companies

# External Evaluation (As of March 26, 2020)

## First Japanese Corporation to Receive Triple A Score

CDP, a leading international NPO, selected Kao Corporation in its 2020 survey for inclusion in the A List, the highest rating, in the categories of climate change, forest and water. Just 10 companies out of 5,800 firms evaluated received triple A rating worldwide. Kao Corporation received high praise for its response to environment issues.



## Selected as One of the World's Most Ethical Companies® (15th consecutive year)

Kao Corporation was selected by U.S. think-tank Ethisphere Institute for inclusion in the World's Most Ethical Companies® for the 15th year in a row. Kao has been chosen every year since the Institute began its ranking in 2007, making it the only company in Japan and greater Asia with this honor. Kao has made the securing of inclusion on the list a Key Performance Indicator (KPI) for its executive officers.



## Named to the Dow Jones Sustainability World Index (Seventh consecutive year)

Kao Corporation was selected for inclusion in the 2020 Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), which are jointly offered by S&P Dow Jones Indices in the U.S. and SAM in Switzerland. For the seventh year in a row, Kao was one of 318 firms (39 Japanese) named out of the 3,467 major companies evaluated.



## External Evaluation

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
World's Most Ethical Companies®	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CDP (climate change)		● Outstanding information disclosure	● Outstanding information disclosure	● Outstanding information disclosure	● Outstanding information disclosure		● Outstanding information disclosure	● Outstanding information disclosure	● Outstanding information disclosure	A-	A-	A-	A	A
CDP (water security)										A-	A	A	A	A
CDP (forests, timber)										A-	A-	A-	A-	A-
CDP (forests, palm oil)										A-	A-	A-	A-	A
CDP (supply chain)									A-	A	A	A	A	A
DJSI World		●	●					●	●	●	●	●	●	●
MSCI ESG Leaders Indexes				●	●	●	●	●	●	●	●	●	●	●
FTSE4Good Index Series		●	●	●	●	●	●	●	●	●	●	●	●	●
Bloomberg Gender-Equality Index												●	●	●

**WEB** The FTSE4Good index series  
[www.ftse.com/products/indices/FTSE4Good](http://www.ftse.com/products/indices/FTSE4Good)  
 MSCI  
[www.msci.com/](http://www.msci.com/)

## SRI Indices (Socially Responsible Investment)

Companies highly evaluated not only in financial terms but also in terms of environmental, social and governance, are recognized as companies with potential for long-term sustainable growth, and receive attention from a wide range of investors. Kao has been included in the following leading indexes in recognition of having this credibility globally.



## Evaluations from External Organizations



# Financial Data

## Historical Data

IFRS	(Millions of yen)					
	Dec. 2020	Dec. 2019	Dec. 2018	Dec. 2017	Dec. 2016	Dec. 2015
<b>For the year:</b>						
Economic Value Added (EVA®)	62,265	87,403	93,530	90,394	73,357	58,557
Net sales	1,381,997	1,502,241	1,508,007	1,489,421	1,457,610	1,474,550
Operating income	175,563	211,723	207,703	204,791	185,571	167,318
(% of sales)	12.7	14.1	13.8	13.7	12.7	11.3
Income before income taxes	173,971	210,645	207,251	204,290	183,430	166,038
Net income	128,067	150,349	155,331	148,607	127,889	105,952
Net income attributable to owners of the parent	126,142	148,213	153,698	147,010	126,551	105,196
Net cash flows from operating activities	214,718	244,523	195,610	185,845	184,307	181,672
Net cash flows from investing activities	(61,941)	(94,266)	(157,895)	(96,146)	(88,639)	(74,124)
Free cash flow	131,161	128,539	37,715	89,699	95,668	107,548
Net cash flows from financing activities	(87,065)	(126,166)	(108,579)	(53,244)	(95,043)	(20,773)
Capital expenditures	86,149	113,387	89,097	79,355	89,900	82,848
Depreciation and amortization	86,080	83,369	60,662	54,508	51,116	57,423
Research and development expenses	58,509	59,143	57,673	56,703	54,567	52,699
(% of sales)	4.2	3.9	3.8	3.8	3.7	3.6
Advertising	71,984	77,545	80,274	89,935	97,437	94,745
(% of sales)	5.2	5.2	5.3	6.0	6.7	6.4
<b>At year end:</b>						
Total assets	1,665,616	1,653,919	1,460,986	1,427,375	1,338,309	1,311,064
Equity attributable to owners of the parent	923,687	857,695	822,360	806,381	679,842	680,996
Ratio of equity attributable to owners of the parent to total assets (%)	55.5	51.9	56.3	56.5	50.8	51.9
Number of employees (people)	33,409	33,603	33,664	33,560	33,195	32,282
<b>Per share:</b>						
Basic earnings per share (EPS) (yen)	262.29	306.70	314.25	298.30	253.43	209.82
Annual cash dividends per share (yen)	140.00	130.00	120.00	110.00	94.00	80.00
Number of issued shares, including treasury shares, at the end of the year (in thousands of shares)	482,000	482,000	488,700	495,000	504,000	504,000
Share price at the end of the year (yen)	7,970	9,025	8,154	7,619	5,541	6,255
<b>Key financial ratios:</b>						
Ratio of net income to equity attributable to owners of the parent (ROE) (%)	14.2	17.6	18.9	19.8	18.6	16.1
Ratio of income before income taxes to total assets (ROA) (%)	10.5	13.5	14.4	14.8	13.8	13.1

- The Kao Group adopted IFRS for the fiscal year ended December 31, 2016.
- EVA® is a registered trademark of Stern Stewart & Co.
- As of the fiscal year ended December 31, 2020, the company has changed its method of recognizing sales for some transactions from the gross amount to the net amount.
- Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities. Starting from the fiscal year ended December 31, 2019, cash flows from operating activities exclude depreciation of right-of-use assets and other expenses.
- Capital expenditures include investments in property, plant and equipment, intangible assets, and other non-current assets. Starting from the fiscal year ended December 31, 2019, capital expenditures include investments in right-of-use assets.

Japanese GAAP	(Millions of yen)						
	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012 (restated)	Dec. 2012	Mar. 2012	Mar. 2011
<b>For the year:</b>							
Net sales	1,471,791	1,401,707	1,315,217	1,220,359	1,012,595	1,216,096	1,186,831
<b>Business segments</b>							
Beauty Care Business	607,692	589,907	570,268	537,814	444,425	537,938	533,514
Human Health Care Business	280,723	240,077	210,628	189,614	151,977	181,758	175,761
Fabric and Home Care Business	334,416	324,505	311,023	291,988	236,748	285,645	279,008
Consumer Products Business	1,222,831	1,154,489	1,091,919	1,019,416	833,150	1,005,341	988,283
Chemical Business	288,456	288,022	261,192	236,473	208,071	247,635	231,997
Eliminations	(39,496)	(40,804)	(37,894)	(35,530)	(28,626)	(36,880)	(33,449)
<b>Geographic areas</b>							
Japan	1,019,016	997,309	959,405	933,767	720,789	925,339	912,443
Asia	281,533	244,903	199,655	160,005	159,857	—	—
Asia and Oceania	—	—	—	—	—	173,588	152,361
Americas	137,827	124,216	108,599	89,998	89,998	—	—
North America	—	—	—	—	—	85,397	80,328
Europe	154,350	152,056	134,168	110,519	110,519	117,005	112,123
Eliminations	(120,935)	(116,777)	(86,610)	(73,930)	(68,568)	(85,233)	(70,424)
Operating income	164,380	133,270	124,656	111,791	101,567	108,590	104,591
Net income attributable to owners of the parent	98,862	79,590	64,764	53,107	52,765	52,435	46,738
Capital expenditures	83,414	68,484	63,687	—	41,929	47,178	49,101
Depreciation and amortization	73,623	79,660	77,297	—	59,788	79,798	81,380
Cash flows	135,394	125,436	109,497	—	80,200	101,960	97,028
Research and development expenses	51,987	51,739	49,650	—	37,493	48,171	45,516
(% of sales)	3.5	3.7	3.8	—	3.7	4.0	3.8
Advertising	94,496	92,410	86,406	—	67,045	82,209	81,082
(% of sales)	6.4	6.6	6.6	—	6.6	6.8	6.8
<b>At year end:</b>							
Total assets	1,281,869	1,198,233	1,133,276	—	1,030,347	991,272	1,022,799
Net worth	675,608	658,232	628,709	—	582,699	538,030	528,895
Number of employees (people)	33,026	32,707	33,054	—	33,350	34,069	34,743
<b>Per share:</b>							
Net income per share (EPS) (yen)	197.19	156.46	126.03	101.77	101.12	100.46	87.69
Annual cash dividends per share (yen)	80.00	70.00	64.00	—	62.00	60.00	58.00
Net worth (yen)	1,347.29	1,313.63	1,227.54	—	1,116.61	1,031.08	1,013.05
Weighted average number of shares outstanding during the period (in thousands of shares)	501,352	508,687	513,880	—	521,824	521,936	532,980
<b>Key financial ratios:</b>							
Return on sales (%)	6.7	5.7	4.9	4.4	5.2	4.3	3.9
Return on equity (ROE) (%)	14.8	12.4	10.7	9.5	9.4	9.8	8.5
Net worth ratio (%)	52.7	54.9	55.5	—	56.6	54.3	51.7

- Starting from the year ended December 31, 2012, Kao Corporation's fiscal year end was changed from March 31 to December 31. Due to this change, the term of consolidation for the fiscal period ended December 31, 2012 consists of the 9 months from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the 12 months from January to December for subsidiaries whose fiscal year end was December 31.
- December 2012 (restated) represents figures for the year from January 1 to December 31, 2012, for Kao Group companies whose fiscal year end was previously March 31.
- As of January 2014, certain changes were made in inter-company transactions among subsidiaries in the Consumer Products Business in the Americas and Europe.
- Australia and New Zealand, which had been included in Asia and Oceania until the fiscal year ended March 31, 2012, were reclassified under Americas from the fiscal period ended December 31, 2012.
- Net sales by segment include inter-segment sales and transfers.
- Net sales by geographic area including inter-region sales are classified based on the location of Kao Group companies.
- Cash flows are defined as net income attributable to owners of the parent plus depreciation and amortization minus cash dividends.
- Net income per share is computed based on the weighted average number of shares outstanding during the respective years.
- Cash dividends per share are the amounts applicable to the respective years, including dividends to be paid after the end of the year.
- Net worth is equity, excluding non-controlling interests and stock acquisition rights.

## Financial Data

## Consolidated Statement of Financial Position

	(Millions of yen)	
	Current fiscal year (As of December 31, 2020)	Previous fiscal year (As of December 31, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	353,176	289,681
Trade and other receivables	200,087	208,839
Inventories	197,641	199,672
Other financial assets	7,257	13,788
Income tax receivables	2,085	2,440
Other current assets	18,150	22,606
Total current assets	778,396	737,026
<b>Non-current assets</b>		
Property, plant and equipment	430,914	436,831
Right-of-use assets	149,543	164,822
Goodwill	177,031	179,707
Intangible assets	48,256	47,770
Investments accounted for using the equity method	8,657	8,287
Other financial assets	23,608	26,104
Deferred tax assets	42,274	47,876
Other non-current assets	6,937	5,496
Total non-current assets	887,220	916,893
Total assets	1,665,616	1,653,919
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	215,842	222,314
Bonds and borrowings	30,465	25,505
Lease liabilities	19,787	19,653
Other financial liabilities	6,571	6,766
Income tax payables	28,109	36,208
Provisions	1,811	2,054
Contract liabilities	23,098	20,616
Other current liabilities	99,721	99,411
Total current liabilities	425,404	432,527
<b>Non-current liabilities</b>		
Bonds and borrowings	97,229	101,636
Lease liabilities	126,725	141,438
Other financial liabilities	7,862	7,527
Retirement benefit liabilities	51,858	80,579
Provisions	9,175	10,122
Deferred tax liabilities	4,584	3,747
Other non-current liabilities	4,585	4,922
Total non-current liabilities	302,018	349,971
Total liabilities	727,422	782,498
<b>Equity</b>		
Share capital	85,424	85,424
Capital surplus	106,618	108,715
Treasury shares	(3,865)	(4,309)
Other components of equity	(43,376)	(32,974)
Retained earnings	778,886	700,839
Equity attributable to owners of the parent	923,687	857,695
Non-controlling interests	14,507	13,726
Total equity	938,194	871,421
Total liabilities and equity	1,665,616	1,653,919

## Consolidated Statement of Income

	(Millions of yen)	
	Current fiscal year (January 1, 2020–December 31, 2020)	Previous fiscal year (January 1, 2019–December 31, 2019)
Net sales	1,381,997	1,502,241
Cost of sales	(791,304)	(848,723)
Gross profit	590,693	653,518
Selling, general and administrative expenses	(415,826)	(442,912)
Other operating income	15,801	15,192
Other operating expenses	(15,105)	(14,075)
Operating income	175,563	211,723
Financial income	1,711	2,027
Financial expenses	(5,839)	(5,231)
Share of profit in investments accounted for using the equity method	2,536	2,126
Income before income taxes	173,971	210,645
Income taxes	(45,904)	(60,296)
Net income	128,067	150,349
<b>Attributable to</b>		
Owners of the parent	126,142	148,213
Non-controlling interests	1,925	2,136
Net income	128,067	150,349
<b>Earnings per share</b>		
Basic earnings per share (Yen)	262.29	306.70
Diluted earnings per share (Yen)	262.25	306.63

## Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Current fiscal year (January 1, 2020–December 31, 2020)	Previous fiscal year (January 1, 2019–December 31, 2019)
Net income	128,067	150,349
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	168	(6)
Remeasurements of defined benefit plans	16,365	(1,180)
Share of other comprehensive income of investments accounted for using the equity method	25	(17)
Total of items that will not be reclassified to profit or loss	16,558	(1,203)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(9,942)	(2,489)
Share of other comprehensive income of investments accounted for using the equity method	(167)	(36)
Total of items that may be reclassified subsequently to profit or loss	(10,109)	(2,525)
Other comprehensive income, net of taxes	6,449	(3,728)
<b>Comprehensive income</b>	134,516	146,621
<b>Comprehensive income attributable to:</b>		
Owners of the parent	132,941	144,508
Non-controlling interests	1,575	2,113
Comprehensive income	134,516	146,621

## Financial Data

## Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges
<b>January 1, 2019 (as previously reported)</b>	85,424	108,245	(11,282)	546	(37,032)	(1)
Changes in accounting policy*	—	—	—	—	—	—
January 1, 2019 (after adjustment)	85,424	108,245	(11,282)	546	(37,032)	(1)
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(2,598)	1
Comprehensive income	—	—	—	—	(2,598)	1
Disposal of treasury shares	—	(108)	57,006	(98)	—	—
Purchase of treasury shares	—	—	(50,033)	—	—	—
Share-based payment transactions	—	337	—	—	—	—
Dividends	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	241	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Total transactions with the owners	—	470	6,973	(98)	—	—
<b>December 31, 2019</b>	<b>85,424</b>	<b>108,715</b>	<b>(4,309)</b>	<b>448</b>	<b>(39,630)</b>	<b>—</b>
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(9,738)	(0)
Comprehensive income	—	—	—	—	(9,738)	(0)
Disposal of treasury shares	—	(98)	471	(177)	—	—
Purchase of treasury shares	—	—	(27)	—	—	—
Share-based payment transactions	—	(394)	—	—	—	—
Dividends	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	(1,605)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(3)	—	—
Total transactions with the owners	—	(2,097)	444	(180)	—	—
<b>December 31, 2020</b>	<b>85,424</b>	<b>106,618</b>	<b>(3,865)</b>	<b>268</b>	<b>(49,368)</b>	<b>(0)</b>

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total			
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total					
<b>January 1, 2019 (as previously reported)</b>	6,458	—	(30,029)	670,002	822,360	13,149	835,509	
Changes in accounting policy*	—	—	—	740	740	—	740	
January 1, 2019 (after adjustment)	6,458	—	(30,029)	670,742	823,100	13,149	836,249	
Net income	—	—	—	148,213	148,213	2,136	150,349	
Other comprehensive income	(23)	(1,085)	(3,705)	—	(3,705)	(23)	(3,728)	
Comprehensive income	(23)	(1,085)	(3,705)	148,213	144,508	2,113	146,621	
Disposal of treasury shares	—	—	(98)	(56,799)	1	—	1	
Purchase of treasury shares	—	—	—	—	(50,033)	—	(50,033)	
Share-based payment transactions	—	—	—	—	337	—	337	
Dividends	—	—	—	(60,459)	(60,459)	(1,290)	(61,749)	
Changes in the ownership interest in subsidiaries	—	—	—	—	241	(246)	(5)	
Transfer from other components of equity to retained earnings	(227)	1,085	858	(858)	—	—	—	
Total transactions with the owners	(227)	1,085	760	(118,116)	(109,913)	(1,536)	(111,449)	
<b>December 31, 2019</b>	<b>6,208</b>	<b>—</b>	<b>(32,974)</b>	<b>700,839</b>	<b>857,695</b>	<b>13,726</b>	<b>871,421</b>	
Net income	—	—	—	126,142	126,142	1,925	128,067	
Other comprehensive income	184	16,353	6,799	—	6,799	(350)	6,449	
Comprehensive income	184	16,353	6,799	126,142	132,941	1,575	134,516	
Disposal of treasury shares	—	—	(177)	(194)	2	—	2	
Purchase of treasury shares	—	—	—	—	(27)	—	(27)	
Share-based payment transactions	—	—	—	—	(394)	—	(394)	
Dividends	—	—	—	(64,925)	(64,925)	(1,269)	(66,194)	
Changes in the ownership interest in subsidiaries	—	—	—	—	(1,605)	475	(1,130)	
Transfer from other components of equity to retained earnings	(668)	(16,353)	(17,024)	17,024	—	—	—	
Total transactions with the owners	(668)	(16,353)	(17,201)	(48,095)	(66,949)	(794)	(67,743)	
<b>December 31, 2020</b>	<b>5,724</b>	<b>—</b>	<b>(43,376)</b>	<b>778,886</b>	<b>923,687</b>	<b>14,507</b>	<b>938,194</b>	

\*It represents the financial effect from the adoption of IFRS 16 "Leases."

## Consolidated Statement of Cash Flows

(Millions of yen)

	Current fiscal year (January 1, 2020–December 31, 2020)	Previous fiscal year (January 1, 2019–December 31, 2019)
<b>Cash flows from operating activities</b>		
Income before income taxes	173,971	210,645
Depreciation and amortization	86,080	83,369
Interest and dividend income	(1,571)	(1,885)
Interest expense	2,533	2,840
Share of profit in investments accounted for using the equity method	(2,536)	(2,126)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	3,301	3,323
(Increase) decrease in trade and other receivables	6,443	12,862
(Increase) decrease in inventories	646	(2,848)
Increase (decrease) in trade and other payables	(4,227)	696
Increase (decrease) in retirement benefit liabilities	(28,818)	(3,788)
Other	31,852	(2,936)
Subtotal	267,674	300,152
Interest received	1,516	1,711
Dividends received	2,060	2,146
Interest paid	(2,650)	(2,806)
Income taxes paid	(53,882)	(56,680)
Net cash flows from operating activities	214,718	244,523
<b>Cash flows from investing activities</b>		
Payments into time deposits	(14,053)	(35,188)
Proceeds from withdrawal of time deposits	19,661	36,660
Purchase of property, plant and equipment	(59,396)	(83,959)
Purchase of intangible assets	(10,454)	(9,819)
Other	2,301	(1,960)
Net cash flows from investing activities	(61,941)	(94,266)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	(41)	19
Proceeds from long-term borrowings	1,080	46,220
Repayments of long-term borrowings	(48)	(40,054)
Proceeds from issuance of bonds	24,939	—
Redemption of bonds	(24,942)	(12)
Repayments of lease liabilities	(20,912)	(20,565)
Purchase of treasury shares	(28)	(50,033)
Dividends paid to owners of the parent	(64,987)	(60,512)
Dividends paid to non-controlling interests	(1,235)	(1,287)
Other	(891)	58
Net cash flows from financing activities	(87,065)	(126,166)
Net increase (decrease) in cash and cash equivalents	65,712	24,091
Cash and cash equivalents at the beginning of the year	289,681	265,978
Effect of exchange rate changes on cash and cash equivalents	(2,217)	(388)
Cash and cash equivalents at the end of the year	353,176	289,681

# Kao Actions and Targets in the ESG Strategy

Kao Actions	Indicator	Results		Mid- to long-term targets		SDGs
		2019	2020	Value	Year	
<b>Making my everyday more beautiful</b>						
<b>Commitment</b>	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	–	Plan to disclose in 2022 <sup>*5</sup>	1 billion	2030	3 5 6 10 12 14 17
<b>Improved quality of life</b>	The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people <sup>*2</sup>	–	4.7 billion	7 billion <sup>*2</sup>	2030	3 5 12 17
<b>Habits for cleanliness, beauty &amp; health</b>	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016) <sup>*2</sup>	30 million	34 million	0.1 billion <sup>*2</sup>	2030	3 6 17
<b>Universal product design</b>	% of new or improved products that meet Kao's Universal Design Guidelines	44%	53%	100%	2030	10 12 17
<b>Safer healthier products</b>	% of targeted ingredients of concern on which views are disclosed	–	31%	100%	2030	3 12 14 17
<b>Making thoughtful choices for society</b>						
<b>Commitment</b>	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	–	Plan to disclose in 2022 <sup>*5</sup>	100%	2030	4 8 9 10 11 12 13 15 17
<b>Sustainable lifestyle promotion</b>	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016) <sup>*2</sup>	2.61 million	3.07 million	0.1 billion <sup>*2</sup>	2030	4 11 12 17
<b>Purpose driven brands</b>	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness	–	Plan to disclose in 2022 <sup>*5</sup>	100%	2030	12 17
<b>Transformative innovation</b>	Cumulative number of proposed or realized products with big positive impact on lifestyles (cumulative since 2019) <sup>*3</sup>	2	3	10 or more	2030	9 12 13 17
	Cumulative number of proposed or realized businesses and systems with big positive impact on lifestyles (cumulative since 2019) <sup>*2</sup>	–	1	10 or more <sup>*2</sup>	2030	
<b>Responsibly sourced raw materials</b>	% of certified paper products and pulp for consumer products	91%	94%	100%	2025	8 10 12 15 17
	Confirm traceability to small oil palm farm	Completed for large plantations	Completed up to own farm managed by oil and fat supplier	Finish	2025	



\*1 New target \*2 Change of indicator and target value \*3 Change due to enlarging scope \*4 Revised the Find employee survey to the employee engagement survey  
\*5 Reviewed detailed 2020 requirements \*6 Built 2020 data collection system \*7 See Zero waste section, Kirei Lifestyle Plan Progress Report 2021 for detailed information

In May 2021, we established new targets for realizing a decarbonized society, aiming to become aiming to achieve net zero carbon emissions by 2040 and carbon negative by 2050. Based on these targets, we have added decarbonization indicators and revised our target values.

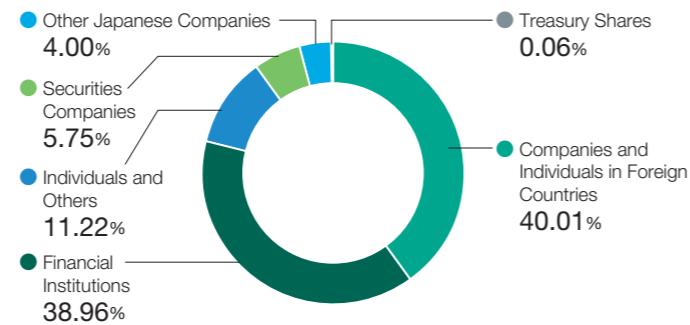
Kao Actions	Indicator	Results		Mid- to long-term targets		SDGs
		2019	2020	Value	Year	
<b>Making the world healthier &amp; cleaner</b>						
<b>Commitment</b>	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb	–	Plan to disclose in 2022 <sup>*5</sup>	100%	2030	3 6 7 12 13 14 15 17
	Kao recognition or achievement level by external ratings	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A-	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A	Highest evaluation level	Every year	3 6 7 12 13 14 15 17
<b>Decarbonization</b>	% reduction in absolute full lifecycle CO <sub>2</sub> emissions (Base year: 2017)	4%	4%	22%	2030	
	% reduction in absolute scope 1 + 2 CO <sub>2</sub> emissions (Base year: 2017)	9%	15%	14% <sup>*1</sup>	2025 <sup>*1</sup>	7 12 13 17
	% of renewable energy in electricity consumption <sup>*1</sup>	21%	28%	100% <sup>*1</sup>	2030	
<b>Zero waste</b>	Quantity of innovative film-based packaging penetration for Kao and others per annum	–	1 million	300 million	2030	
	Practical use of innovative film-based packaging made from collected pouches <sup>*1</sup>	–	Continued development	Products launch <sup>*1</sup>	2025 <sup>*1</sup>	
	Use of PCR (recycled plastic) for PET containers <sup>*1</sup>	–	Plan to disclose in 2022 <sup>*5</sup>	Plan to disclose in 2022 <sup>*5</sup>	Plan to disclose in 2022 <sup>*5</sup>	12 14 15 17
	Quantity of waste not for recycling from factories and offices	–	Plan to disclose in 2022 <sup>*5</sup>	Zero	2030	
<b>Water conservation</b>	Reduction from discarded products and discarded sales promotion materials <sup>*1</sup>	–	Plan to disclose in 2022 <sup>*1</sup>	Plan to disclose in 2022 <sup>*1</sup>	Plan to disclose in 2022 <sup>*1</sup>	
	% of products which have eliminated eye-catching plastic stickers <sup>*7*1</sup>	–	73%	100% <sup>*1</sup>	2021 <sup>*1</sup>	
	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	6%	-5%	10%	2030	6 12 15 17
<b>Air &amp; water pollution prevention</b>	% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)	–	Plan to disclose in 2022 <sup>*5</sup>	40%	2030	
	% of factories which disclose VOC and COD emissions	VOC 0%, COD 100%	VOC 0%, COD 100%	100%	2025	3 6 12 14 17
<b>Walking the right path</b>						
<b>Effective corporate governance</b>	Kao recognition or achievement level by external ratings	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Every year	8 16
	Number of serious compliance violations* per annum * Compliance violations that have a significant impact on management and significantly damage corporate value	Zero	Zero	Zero	Every year	
<b>Full transparency</b>	% of consumer product brands for which people can easily access complete ingredients information	–	8%	100%	2030	8 12 16 17
<b>Respecting human rights</b>	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100%, suppliers: 20%, contractors: 0%	Internal: 100%, suppliers: 55%, contractors: 0%	100%	2030	5 8 10 17
<b>Inclusive &amp; diverse workplaces</b>	Affirmative answer rate to a question on "Inclusion and Diversity" on our employee engagement survey <sup>*4</sup>	–	Did not conduct	75%	2030	5 8 10
	% of female managers	29.4% (% of female employees: 49.6%)	28.8% (% of female employees: 49.7%)	Same as % of female employees	2030	
<b>Employee wellbeing &amp; safety</b>	Lost time accident frequency rate (per million hours worked)	0.78	0.53	0.1	2030	
	Average number of lost long-term work days (days/people) * Starting from Japan	129	146	105	2030	3 8
	Ratio of employees who have lost long-term work days per one thousand employees * Starting from Japan	0.198	0.185	0.12	2030	
<b>Human capital development</b>	Affirmative answer rate to a question on "Development Opportunities & Climate" on our employee engagement survey <sup>*4</sup>	–	Did not conduct	75%	2030	3 4 5 8 10
	Affirmative answer rate to a question on "Engagement/ Employer of Choice" on our employee engagement survey <sup>*4</sup>	–	Did not conduct	75%	2030	
<b>Responsible chemicals management</b>	% of chemical products and raw materials with disclosed information of benefit and safety to ensure safe usage for our customers	–	Plan to disclose in 2022 <sup>*6</sup>	100%	2030	3 6 12 14 17
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal	–	Plan to disclose in 2022 <sup>*6</sup>	100%	2030	

# Corporate Information (As of December 31, 2020)

## Stock Information

Stock Listing: Tokyo Stock Exchange  
 Ticker Symbol Number: 4452  
 Total Number of Authorized Shares: 1,000,000,000 shares  
 Total Number of Issued Shares: 482,000,000 shares  
 Number of Shareholders: 72,078  
 Administrator of Shareholder Register: Sumitomo Mitsui Trust Bank, Limited  
 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

## Composition of Shareholders

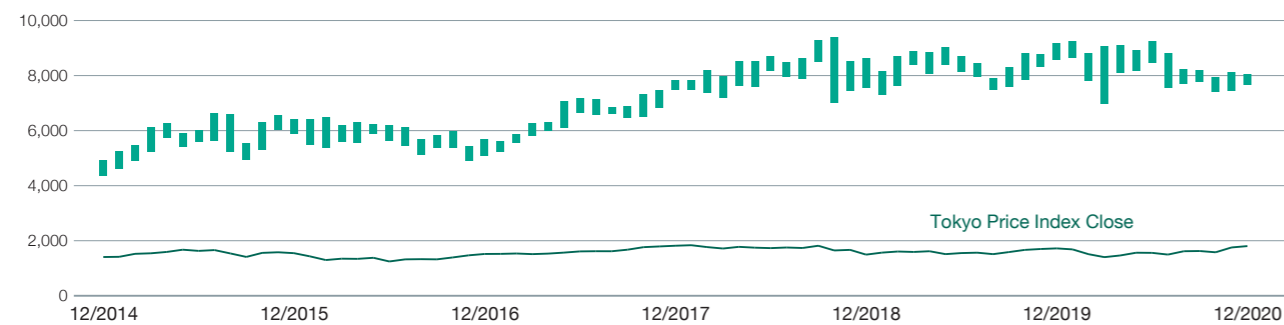


## Status of Top 10 Shareholders

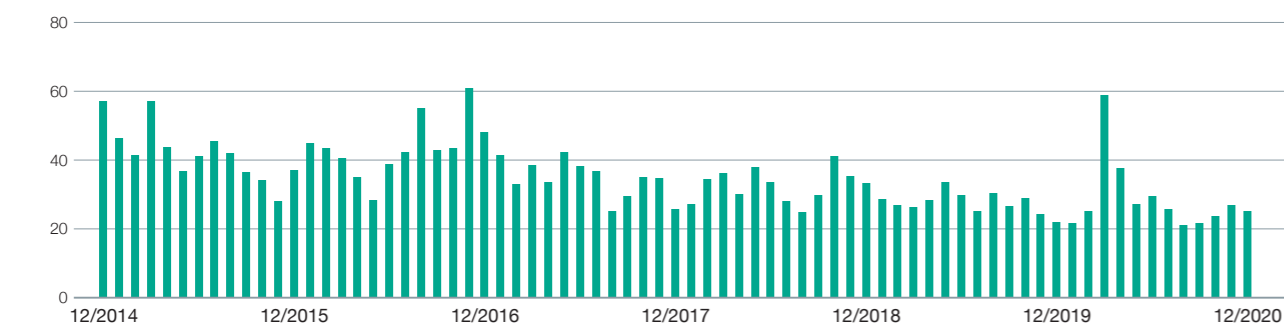
Name of Shareholder	Number of Shares (thousand shares)	Shareholding (percentage)
The Master Trust Bank of Japan, Ltd. (Trust Account)	58,555	12.15
Custody Bank of Japan, Ltd. (Trust Account)	32,814	6.81
STATE STREET BANK AND TRUST COMPANY 505223	14,418	2.99
Custody Bank of Japan, Ltd. (Trust Account 7)	12,091	2.51
SMBC Nikko Securities Inc.	7,968	1.65
STATE STREET BANK WEST CLIENT – TREATY 505234	7,612	1.58
Custody Bank of Japan, Ltd. (Trust Account 5)	7,601	1.58
Custody Bank of Japan, Ltd. (Trust Account 6)	6,859	1.42
Japan Securities Finance Co., Ltd.	6,717	1.39
Nippon Life Insurance Company	6,691	1.39

## Share Price Range and Trading Volume (Tokyo Stock Exchange)

### Share Price Range (Yen)



### Monthly Trading Volume (Million shares)



## Corporate Overview

Company: Kao Corporation  
 Head Office: 14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo 103-8210, Japan  
 Founded: June 19, 1887  
 Incorporated: May 21, 1940  
 Share Capital: 85,424,265,916 yen  
 Employees: 8,112 (Number of employees in Kao Group consolidated companies: 33,409)  
 Subsidiaries: 114 (of which 94 are subsidiaries outside Japan)  
 Associates: 5 (of which 2 are associates outside Japan)



## Editorial Policy

This report summarizes the full story of financial and non-financial information, including information on business activities and strategy, business performance and the corporate governance structure, for stakeholders. The Kao Sustainability Data Book, designed to provide more in-depth understanding of the non-financial information in the Integrated Report, is published on the Kao website.

- Kao Sustainability Data Book Kirei Lifestyle Plan Progress Report 2021**  
[www.kao.com/global/en/sustainability/pdf/#area-LocalNavBottom01](http://www.kao.com/global/en/sustainability/pdf/#area-LocalNavBottom01)
- Kao Sustainability Data Book 2021**  
[www.kao.com/global/en/sustainability/pdf/#area-LocalNavBottom02](http://www.kao.com/global/en/sustainability/pdf/#area-LocalNavBottom02)

### Disclaimer on Forward-looking Statements

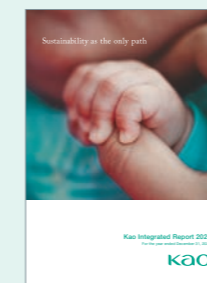
Forward-looking statements such as earnings forecasts and other projections contained in this report are based on information available at the time of publication, and on assumptions that management believes to be reasonable. These statements are not guarantees that Kao will achieve its targets. Actual results may differ materially from Kao's expectations due to various factors.

### Scope of This Report

In principle, this report covers the activities of the Kao Group (Kao Corporation and its subsidiaries and affiliates). However, environmental and social data covers only Kao Corporation and its subsidiaries. In the event that the data does not apply to the Kao Group, the scope of such data is specified accordingly. "Kao" refers to the Kao Group within this report. In cases where it is necessary to specify the scope of reporting, this report lists the applicable institution individually.

### Reporting Period

FY2020 (January 1, 2020–December 31, 2020). However, certain sections of this report include information on activities from periods prior to FY2019 as well as on expected activities from FY2021 and onward. Also, this report covers periods outside of the reporting period in cases where it is appropriate to provide past details and data or recent examples.



## Cover Explanation

### Sustainability as the only path

The baby's grip seems determined to communicate something. From this baby's tiny hand, we see the connections people have to each other, to the Earth, and ultimately to an enriched future. Putting our hearts and minds together and with our own determination, we will open the door to the future.