



**Kao Corporation**

**The 115<sup>th</sup>  
Annual General Meeting  
of Shareholders**



- **Summary of the Kao Group  
Mid-term Plan 2020 “K20”**
- Overview of Fiscal 2020 Activities
- Future Direction of the Kao Group

## K20 Goals – Three Commitments

### 1. Commitment to fostering a distinctive corporate image

### 2. Commitment to profitable growth

- Continue to set new record highs for profits
- Aim for like-for-like<sup>1</sup> net sales CAGR<sup>2</sup> of +5%, operating margin of 15%
- Three 100 billion yen brands

### 3. Commitment to returns to stakeholders

1. Excluding the effect of currency translation, change of sales system, etc. 2. CAGR: Compound annual growth rate.

# Achievements of K20



Kao	<b>1. Commitment to fostering a distinctive corporate image</b> <ul style="list-style-type: none"> <li>✓ <b>Enhanced the corporate image</b> (ESG, technologies, China)</li> <li>✓ <b>High evaluations from external organizations</b> (Women's empowerment, environment, products, research)</li> </ul>
Business	<b>2. Commitment to profitable growth</b> <ul style="list-style-type: none"> <li>• <b>Continue to set new record highs for profits (Not achieved)</b></li> <li>• <b>Aim for like-for-like<sup>1</sup> net sales CAGR<sup>2</sup> of +5%, operating margin of 15% (Not achieved)</b></li> <li>✓ <b>Three 100 billion yen brands:</b> <i>Merries</i> baby diapers, <i>Attack</i> laundry detergents, <i>Bioré</i> skin care products (Achieved)</li> <li>✓ <b>Growth of business in Asia</b> (China, Indonesia)</li> <li>✓ <b>Improved profitability of Chemical Business</b></li> </ul>
Stakeholders	<b>3. Commitment to returns to stakeholders</b> <ul style="list-style-type: none"> <li>✓ <b>Shareholders:</b> Continuous cash dividend increases (40% payout ratio target)</li> <li>✓ <b>Employees:</b> Continuous improvement in compensation, benefits and health support</li> <li>✓ <b>Customers:</b> Maximization of win-win relationships</li> <li>✓ <b>Society:</b> Advanced measures to address social issues</li> </ul>

1. Excluding the effect of currency translation, change of sales system, etc. 2. CAGR: Compound annual growth rate.

# Achievements of K20

Kao

(Billion yen)

	2016	2017	2018	2019	2020
Net sales	1,457.6	1,489.4	<b>1,508.0</b>	1,502.2	1,382.0
Operating income	185.6	204.8	207.7	<b>211.7</b>	175.6
Operating margin (%)	12.7	13.7	13.8	<b>14.1</b>	12.7
Net income	126.6	147.0	<b>153.7</b>	148.2	126.1
Basic earnings per share (Yen)	253.43	298.30	<b>314.25</b>	306.70	262.29
ROE (%)	18.6	<b>19.8</b>	18.9	17.6	14.2
Cash dividends per share (Yen)	94	110	120	130	<b>140</b> (plan)

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# Consolidated Results by Segment

KaO

(Billion yen)

	Net sales			Operating income			Primary factors
	FY2019	FY2020	Like-for-like (%)	FY2019	FY2020	Change	
Skin Care and Hair Care Business	340.8	308.9	+1.4	49.5	50.8	+1.3	Increasing demand for sanitation and disinfection Hair salons temporary closure due to lockdown
Fabric and Home Care Business	359.5	374.4	+4.5	71.8	80.9	+9.1	Increasing demand for sanitation and disinfection
Cosmetics Business	301.5	234.1	(22.1)	41.4	2.6	(38.8)	Decline in cosmetic demand due to refraining from going out and wearing masks
Human Health Care Business	255.2	234.0	(7.3)	17.2	12.9	(4.3)	Fierce competition for baby diapers in China
Chemical Business	285.9	269.2	(4.7)	30.8	27.7	(3.1)	Temporary decline in demand for automobiles and printing



# Activities for the Protect Kirei<sup>1</sup> Lifestyles Project

KaO



Transmit latest hygiene information and products based on scientific knowledge

## ■ Transmit hygiene information

暮らしに役立つ衛生情報  
今 必要な衛生情報をご紹介します。

- 感染対策に関して最近増えたお問い合わせ
- ウイルス除去までできる、お掃除のご紹介
- 手指の衛生
- 暮らしのきれいを守ろう
- 布マスクの洗い方

[click here >](#)



## ■ Appeal evidence-based virus removal products



1. The Japanese word "kirei" means beautiful or clean, not only on the outside but also on the inside. At Kao, Kirei is the value we want to bring to everyday life with our brands, products, and services – now and in the future.



消毒の必需品  
Joan Quatrin  
ジョアン  
消毒の必需品



Let's protect  
Kirei lifestyle  
from harm



# A Relay of Thanks between Consumers and Medical Professionals



## Products for relaxing and home anti-virus



このうち3~4品を詰め合わせ



Delivering Kao products to the medical professionals with messages received from people across Japan.

日々最前線で  
闘っている皆さん  
心からの尊敬と感謝の念を込めて。

私も自分のできることを徹底し、  
陰ながら皆さんの支えとなれるよう  
頑張ります!

東京都 ひまわり

## Message from consumer and Kao Group members

人々の健康と安心のために  
ご尽力くださり、ありがとうございます。  
激務の続く毎日に、花王製品を  
お役立ていただければと思います。  
お身体に気をつけてお過ごしください。

花王グループ社員一同

## Thank you letter from medical professionals

I am the head of the nursing department. I would like to thank you on behalf of all the staff. I am very, very happy to receive your messages. All of us were very happy to receive your messages. Our mission in nursing is to support others. However, we are reminded that our courage and strength come from people like you who warmly support us.

We will continue to do our best to protect everybody's health. I would also like to thank you for the Kao product set. Each product was filled with warmth and meaning, and I was touched by it.

I am so touched by your messages that there are so many people who support medical professionals.

I used to work with the fear of getting Covid-19. I realized that it is not only us, but also everyone.

I am going to do my best every day, thinking that there is always an end.

Every word was filled with love, and I felt rewarded for my work. Not only in the medical profession, but in other jobs as well.

We live in a society where everyone supports each other. I would like to thank everyone for their support.



# Major ESG Investment<sup>1</sup> Indices and Evaluations from External Organizations

## ESG indices for which Kao has been selected

Member of

**Dow Jones Sustainability Indices**

Powered by the S&P Global CSA



FTSE4Good



FTSE Blossom Japan



EXCELLENCE Global



2020 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

## Evaluations from/activities with external organizations



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

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- **Future Direction of the Kao Group  
Kao Group Mid-term Plan “K25”**

Vision

# Saves future lives

Sustainability as the only path

Concept

## Kirei — Making Life Beautiful

Beautiful

### Ecology

Good for nature

Beautiful

### Life

Living in Homeostasis

Beautiful

### Everyday Lives

People live healthy lives

# K25 Basic Principles Toward 2030



## 1. Become an essential company in a sustainable world

Take leadership in a self-sufficient, sustainable society

Investment to turn society around (ESG investment)  
=Business that will be booming in the future  
(Reflection of future earnings)

## 2. Transform to build robust business through investment

Launch of Another Kao and reinforcement of Reborn Kao

Realization of satisfaction and enrichment of the lives of people (revenue base)  
+Save lives, protect people (growth/expansion)

## 3. Maximize employee vitality

Double the productivity of our business activities

- Flexible promotion of human resources
- Utilization of open resources to depart from all-by-ourselves-ism
- Maximizing digital utilization

### Record-high sales and profit growth (Financial goals)

Net sales 1.8 trillion yen, Operating income 250 billion yen

### Dividend

36 consecutive years



# Expanding Issues in the World and Japan

Kao

## Life

World

Infection

Mosquitoes

Annual deaths  
**Over  
830,000<sup>1</sup>**

COVID-19

Annual deaths  
**Over  
2,500,000<sup>2</sup>**

Japan

Medical  
expenses

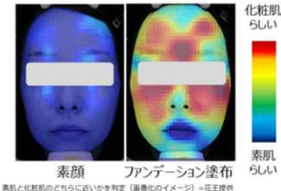
Annual medical  
expenses  
**3rd  
43.6 trillion yen<sup>3</sup>**

Aging  
society

Aging rate  
**1st  
27.6%<sup>4</sup>**

**AI evaluation of  
skin impressions**  
Objective  
evaluation of  
cosmetics product  
development

Nikkei morning edition, 2/4/2021  
License number:30081068  
花王、肌の印象AI評価 化粧品開発に客観的判断  
2021/2/4付 | 日本経済新聞 朝刊



花王は人工知能（AI）を活用し、肌の見た目の印象を評価し画像化する技術を開発した。化粧の程度、年齢による印象などを客観的に評価することができる。従来は肌の印象の違いを人の目と同じレベルで評価することは難しく、測定も困難だった。開発した技術を肌の実態調査や商品評価に広く活用し、新たな化粧品開発につなげていく。

花王が開発したAIは素肌か、化粧をした肌かを部分ごとに判断する。この技術を活用して、肌年齢や化粧の状況を推定する。（後略）

**RNA monitoring  
technology, skin  
analysis from  
sebum**  
Providing  
products suitable  
for individuals

Nikkei Business Daily, 12/10/2020  
License number:30081068  
花王、皮脂から肌診断 RNA採取し解析  
個人に適した商品提供  
2020/12/10付 | 日経産業新聞



わずか1分で皮脂を採取し、肌状態を解析する

花王は皮脂から採取したRNA（リボ核酸）を活用し、肌状態を解析するサービス始めた。DNAと異なり環境によって日々変化するRNAは肌状態の解析に有効とされる。一人ひとりに合ったパーソナライズ商品は技術的な課題が少なくない。RNA（後略）

**Develop  
antibodies that  
inhibit the  
growth of the  
new Corona**  
Kao and Kitasato  
University, etc.

Nikkei electronic version, 5/7/2020  
License number:30081068

新型コロナウイルスの増殖を抑える抗体 花王や北里大などが開発  
2020/5/7 17:02 | 日本経済新聞 電子版



新型コロナウイルスの検査薬や治療薬への応用を見込む

花王と北里大学は7日、医療系のスタートアップ企業と共同で新型コロナウイルスの増殖を抑える抗体を開発したと発表した。小型で安価な特徴をいかし、製薬会社などと提携して治療薬や検査薬の製品化につなげる。（後略）

**Develop  
technology for  
preventing  
mosquito  
bites by  
creating a  
skin surface  
mosquitoes  
dislike**

Impress Watch, 12/9/2020  
Licensed by Impress Corporation  
花王、蚊の嫌う肌表面をつくる蚊よけ技術を開発  
加藤 綾 2020年12月9日 20:15



花王 パーソナルヘルスケア研究所・マテリアルサイエンス研究所は、肌表面を蚊の嫌う物性に変化させることによって、蚊を寄せ付けず蚊よけ技術を開発した。

同社が明らかにしたのは、肌上に低粘度のシリコンオイルを塗布することで、蚊が肌にとどまらず、吸血を阻害できること。従来の忌避剤（虫よけ）とは異なる、蚊の脚がもつ微細な構造に着目した、新しい着眼点の蚊よけ技術としている。（後略）

1. GatesNote, October 10, 2016, Mapping the end of Malaria 2. Ministry of Health, Labor and Welfare website, March 3, 2021 3. Press release, Ministry of Health, Labor and Welfare, August 28, 2020  
4. World Bank data, 2018

# Expanding Issues in the World and Japan

Kao

## Environment

### Plastic waste

Plastic waste flowing into oceans

**8 MT<sup>1</sup>**  
(50,000 jumbo jets)

### Plastic waste

Plastic packaging waste per capita

**2nd 32kg<sup>2</sup>**

Kao and Kyoto University  
Begin verification testing of a used disposable  
diaper carbonization recycling system

Nikkei Business Daily, 1/14/2021  
License number:30081068

花王 使用済み紙おむつリサイクル  
京大と実証実験

2021/1/14 18:06 | 日本経済新聞 電子版

花王は14日、使用済み紙おむつのリサイクルに向けた実証実験を始めると発表した。独自の技術で紙おむつを炭素素材に変え、活性炭など別の用途で再利用を目指す。紙おむつは大半が焼却処理され、二酸化炭素(CO2)の排出や焼却コストが課題となっている。2025年の実用化を目指す。  
(後略)

High durability  
pavement by  
reusing waste  
plastic

Nikkei Business Daily, 2/18/2021  
License number:30081068

ペットボトル、舗装で再利用  
花王、アスファルトを高耐久に

2021/2/18付 | 日経産業新聞

花王が使用済みのペットボトルを道路や駐車場の舗装に再利用する取り組みを進めている。粉砕したペットボトルを加工してからアスファルトに混ぜ、耐久性を高める独自技術を開発した。将来的に自動運転が普及すれば、同じ箇所での走行が増え道路の劣化が速まる懸念があり、需要の拡大を見込む。

1月末に開店したウエルシア藤沢用田店(神奈川県藤沢市)の駐車場で使用した。約500平方メートルのアスファルト舗装に、500ミリリットル換算で約7000本のペットボトルが再利用されている。



アスファルト舗装は親水性の石や砂と親油性のアスファルトを混ぜ合わせて作られるため、コンクリートに比べて耐久性が低い。メンテナンスの頻度をいかに減らすかが課題となっている。  
(後略)

Kao and Lion  
Cooperation in recycling  
laundry detergent refill

Nikkei Business Daily, 9/10/2020  
License number:30081068

花王とライオン、洗剤の詰め替え容器リサイクルで連携

2020/9/10 19:20 | 日本経済新聞 電子版

花王とライオンというライバル企業が洗剤などの詰め替え容器のリサイクルで異例のタッグを組む。両社は10日、使用済み容器回収の仕組み作りやリサイクル技術の開発で連携すると発表した。国内の詰め替え品の普及率は8割と世界的にみて高いが、リサイクルは実現できていない。普段は競合する2社が技術を持ち寄り「ジャパン・モデル」の確立を目指す。

「徹底的にプラスチック使用量を削減してきたが、大規模なリサイクルにはつながっていない。リサイクルができれば循環型社会の構築に結びつく」。花王の沢田道隆社長は、こう強調する。

これまで両社は「リデュース」に力を入れてきた。プラ使用量が本体容器の2〜3割で済む詰め替え容器は典型例だ。日本石鹸洗剤工業会によれば、1998年に28%だった詰め替え比率は18年に79%まで高まった。  
(後略)



1. Jambeck, Jenna R., et al., Science 347.6223 (2015): 768-771. 2. UNEP Report, Single use plastics, 2018

# Becoming a Company that Solves Global Social Issues with the Power of Aggregation



Actual and market data are YOY comparison

Kao Professional Services Co., Ltd.  
(Commercial-use products)

Actual **117%**/ Market **97%**

## Precision healthcare (Interactive health support services)

SENSAI skincare (Germany)

Actual **96%**/ Market **86%**<sup>2</sup>

Curél (China)

Actual **189%**/ Market **104%**<sup>3</sup>

freeplus (China)

Actual **132%**/ Market **104%**<sup>3</sup>

Oribe

Actual **98%**/ Market **84%**<sup>1</sup>

Hand soap market

2025 forecast **1.6 times**<sup>1</sup>

## Digital platform (Daily experience service of life benefits)

Mass skincare and haircare in Americas and Europe

Actual **104%**/ Market **100%**<sup>1</sup>

Hand sanitizer market

2025 forecast **1.4 times**<sup>1</sup>

## Environment and hygiene

Environmental conservation  
(roads and civil engineering)

Actual **120%**

Energy saving  
(electronic and battery materials)

Actual **110%**

Increase food production  
(agriculture)

Actual **112%**

## Environmental field (Technology solutions to advance decarbonization and environmental protection)

### Life Care Business New

\*Commercial-use products only  
Overseas rate 15%→**19%** (2025)

### Cosmetics Business

Overseas rate 33%→**50%** (2025)

### Health and Beauty Care Business

Overseas rate 39%→**43%** (2025)

\*Asia 13%→20%(2025)

### Hygiene and Living Care Business

Overseas rate 21%→**27%** (2025)

### Chemical Business

Overseas rate 60%→**65%** (2025)

1. Nielsen data

2. Beauty Alliance2020 data

3. Euromonitor 2020 Market Forecasts

# Forecast for Fiscal 2021

**kaO**

(Billion yen)

	<b>FY2020</b>	<b>FY2021 (Forecast)</b>	<b>Growth/ Change</b>
<b>Net sales</b>	<b>1,382.0</b>	<b>1,430.0</b>	<b>+4.0%</b> Like-for-like
<b>Operating income</b>	<b>175.6</b>	<b>177.0</b>	<b>+1.4</b>
<b>Operating margin</b>	<b>12.7%</b>	<b>12.4%</b>	<b>-</b>
<b>Net income attributable to owners of the parent</b>	<b>126.1</b>	<b>127.0</b>	<b>+0.9</b>
<b>Cash dividends per share</b>	<b>140 yen</b>	<b>144 yen</b>	<b>+4 yen</b>



The Kao logo is located in the top right corner of the image. It consists of the word "kao" in a lowercase, sans-serif font, colored in a light blue or teal shade. The background of the entire image is a serene night scene featuring a large, silhouetted tree on the left, a calm body of water in the middle ground, and a bright, crescent moon in the dark blue sky. In the foreground, the silhouettes of three people (two adults and a child) are visible, looking out over the water and pointing towards the horizon. The overall mood is peaceful and contemplative.

kao

Kirei — Making Life Beautiful