



# Kao Group Mid-term Plan “K20” 2017-2020

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## **Transforming Ourselves to Drive Change**

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[http://www.kao.com/jp/en/corp\\_ir/presentations.html](http://www.kao.com/jp/en/corp_ir/presentations.html)

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# 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 in net sales (¥1.0 trillion 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*<sup>1</sup>

## 2. Commitment to “profitable growth”

– Continue to set new record highs for profits

– Aim for like-for-like<sup>2</sup> net sales CAGR of +5%, operating margin of 15%

– Three ¥100 billion 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)

27<sup>th</sup> 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

### Notes:

1. *KIREI* is a Japanese word that represents the concept of cleanliness, beauty, health, purity, and fairness. Refer to page 6 for details.

2. Excluding the effect of currency translation, change 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 like-for-like net sales CAGR of +5%, operating margin of 15%
  - Three ¥100 billion 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

1. Commitment to fostering a distinctive corporate image

# Foster a Distinctive Corporate Image

Become a company that is always by the consumer's side with products that incorporate the passion of Kao Group's employees



New Year's 2016 corporate newspaper ad

## Proposed image: *KIREI*

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

The Japanese word *KIREI* has many meanings.

*KIREI* refers not only to external beauty but also to being sanitary and healthy and having a virtuous and pure state of mind.

*KIREI* enriches people's lives.

For more than 130 years since the launch of *Kao Sekken* bar soap, our unchanging passion has focused on bringing *KIREI* to people's lives.

## 2. Commitment to “profitable growth”

# “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

## 2. Commitment to returns to stakeholders

# ESG Initiatives to Enhance Corporate Value



Indented notch of shampoo bottle



- 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 containers<sup>1</sup> rose from 10% to 79%
  - Kao’s refill and replacement rate<sup>2</sup> for 2016 is 84%
- Started universal design in 1990 with bottles that distinguishes shampoo from conditioner; applied to more than 90% of new and renewed products in 2016.<sup>3</sup>
- 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.  
Plan to 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

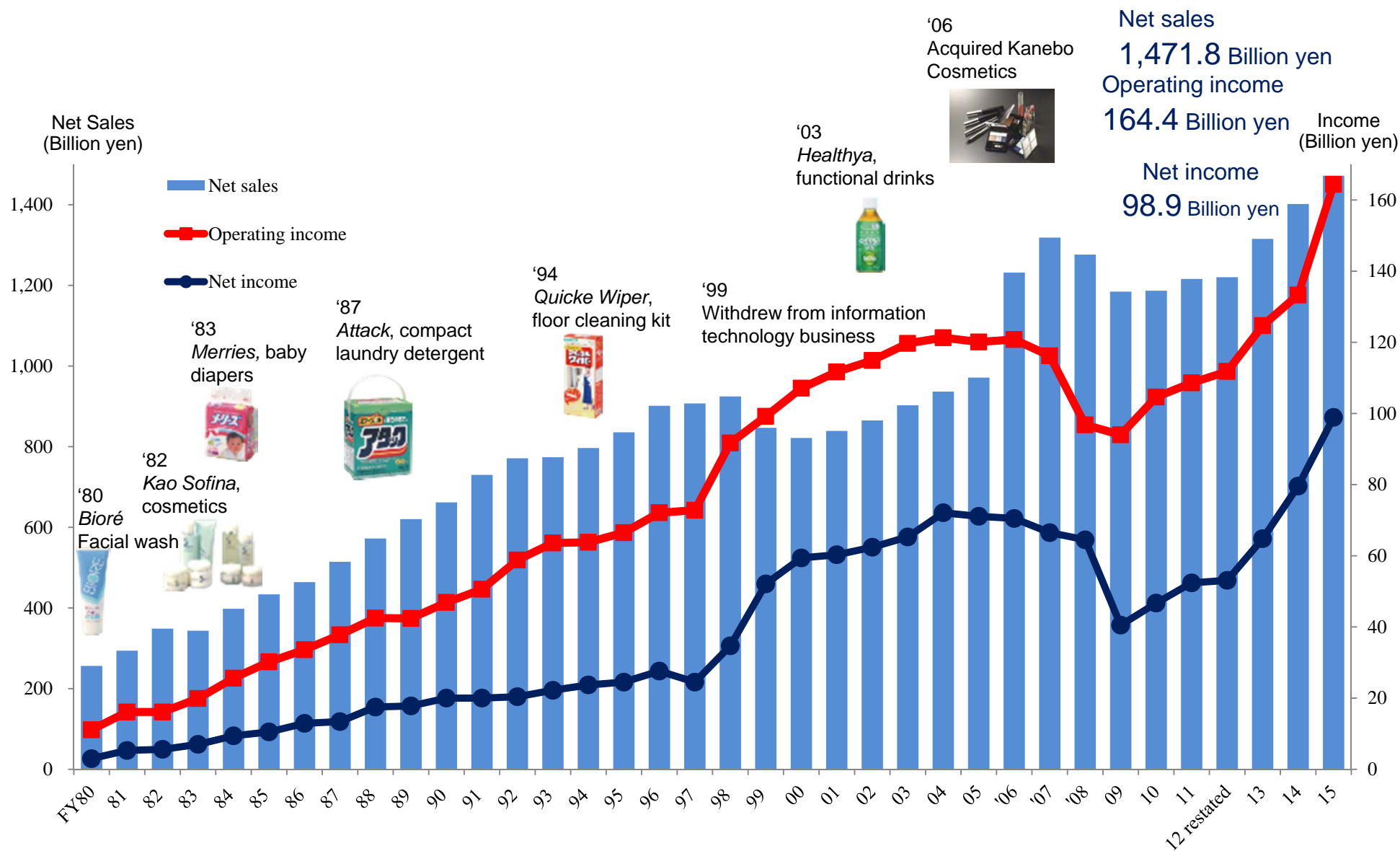
Notes:

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



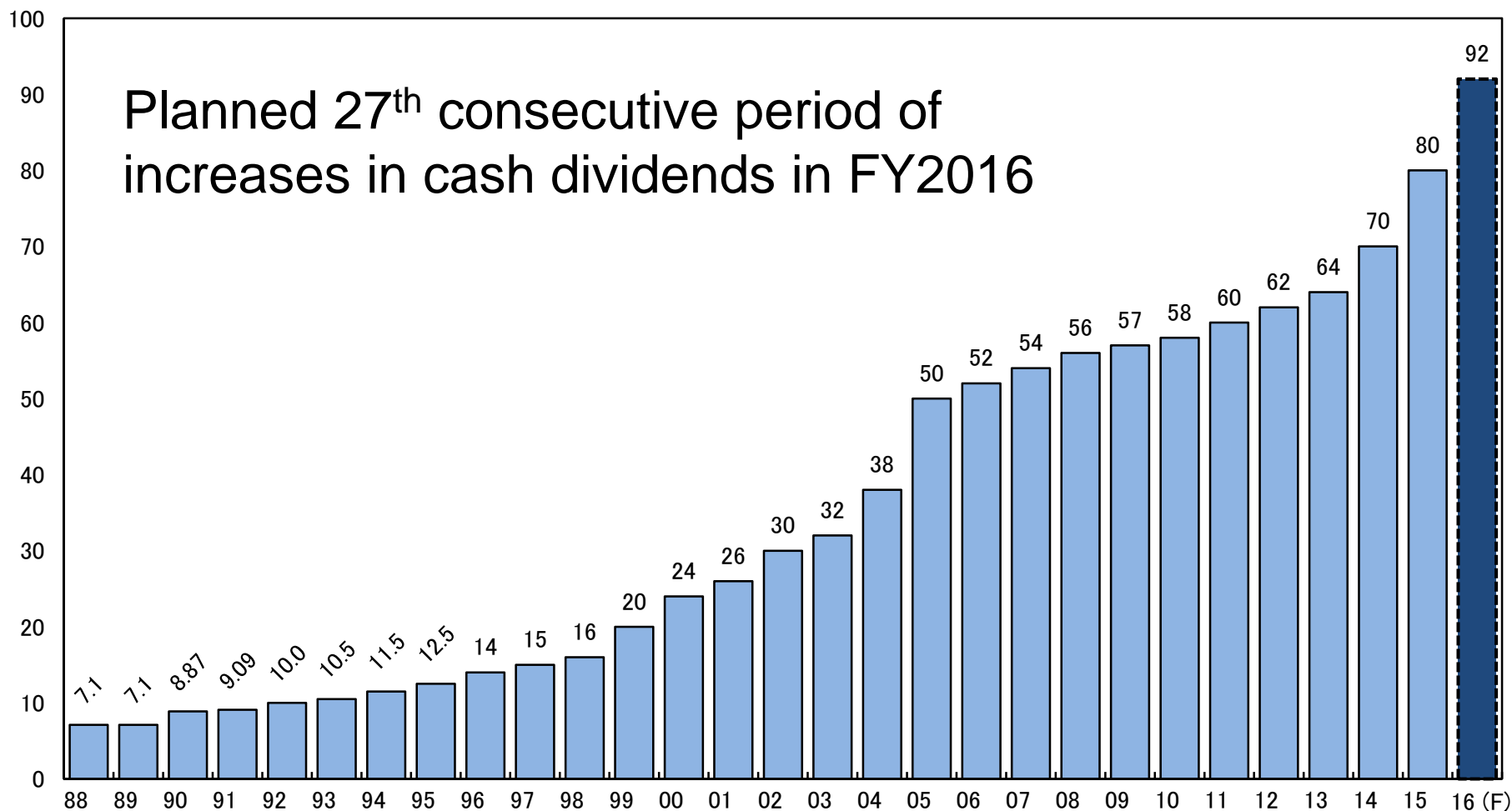


# Net Sales and Income



# Shareholder Returns

Cash dividends per share (Yen)



# KaO

Enriching lives, in harmony with nature.