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

Transforming Ourselves to Drive Change

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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.

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

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*¹

2. Commitment to “profitable growth”
   – Continue to set new record highs for profits
   – Aim for like-for-like² 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)
   – 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%
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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
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

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

- 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\(^1\) rose from 10% to 79%
  - Kao’s refill and replacement rate\(^2\) 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.\(^3\)
- 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. 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

- **Net sales**: 1,471.8 Billion yen
- **Operating income**: 164.4 Billion yen
- **Net income**: 98.9 Billion yen

Key dates and events:
- '80: Kao Sofina, cosmetics
- '82: Bioré Facial wash
- '83: Merries, baby diapers
- '87: Attack, compact laundry detergent
- '94: Quicke Wiper, floor cleaning kit
- '99: Withdrew from information technology business
- '03: Healthya, functional drinks
- '06: Acquired Kanebo Cosmetics

Graph showing net sales, operating income, and net income from FY80 to FY15.
Shareholder Returns

Planned 27th consecutive period of increases in cash dividends in FY2016
Kao
Enriching lives, in harmony with nature.