



Notice Regarding Kao Group Mid-term Plan 2020

December 12, 2016

To enhance corporate value, Kao Group has formulated objectives to be achieved by 2030, and established the Kao Group Mid-term Plan 2020 (K20) targeting the four years from FY2017 to FY2020.

Kao aims to become a company with a strong global presence by combining contribution to sustainability on a global scale and constant profitable growth. The Group will continually seek to provide solutions to social issues and undertake CSR activities through its business operations.

1. Our Vision by 2030

Make Kao a company with a global presence through:

- 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

2. 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-like^{*2} net sales 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^{*3}
(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

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

Notes:

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

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

*3. 27th consecutive period in FY2016 (planned): Longest in Japan

Kao upholds Integrity, passed down from Kao's founder, as one of the core Values of its corporate philosophy the Kao Way. This Integrity will continue to be embraced as K20 guides the Group's daily business activities. The mid-term plan directs the Kao Group to maintain thorough quality control, sincere consumer communications, strict compliance implementation and effective crisis management. Through such endeavors, Kao aims to reinforce its credibility in a global society.

Moreover, Kao promotes to extend its profitable growth by creating new asset bases while making the best use of Group's existing assets.

Please refer to related materials at

http://www.kao.com/jp/en/corp_ir/presentations_fy2016.html

About Kao

Kao creates high-value-added products that enrich the lives of consumers around the world. Through its portfolio of over 20 leading brands such as *Attack*, *Bioré*, *Goldwell*, *Jergens*, *John Frieda*, *Kanebo*, *Laurier*, *Merries* and *Molton Brown*, Kao is part of the everyday lives of people in Asia, Oceania, North America and Europe. Combined with its chemical division, which contributes to a wide range of industries, Kao generates about 1,500 billion yen in annual sales. Kao employs about 35,000 people worldwide and has more than 120 years of history in innovation. Please visit the Kao Group website for updated information.

<http://www.kao.com/group/en/group/>

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