

Kao Corporation

Notice Regarding the Transition of Kao Group Sales-Related Subsidiaries to a Holding Company Structure and the Establishment of a Preparation Company

September 24, 2015

Kao Corporation (the “Company” – *Ticker Code:4452*) hereby makes the following announcement: pursuant to the resolution made at the meeting of the Board of Directors held today, the Board of Directors resolved to commence preparations to consolidate the Company’s domestic sales subsidiaries under a newly established Holding Company with the planned effective date of January 1, 2016 and to establish a preparation company for establishing such a Holding Company that is wholly owned by the Company (the “Preparation Company”).

1. Purpose

The Kao Group provides consumers and retailers with products and services through Kao Customer Marketing Co., Ltd., which handles consumer products, Kanebo Cosmetics Sales Inc., which handles Kanebo cosmetics and Kao Field Marketing Co., Ltd., which provides services at the store (collectively, the “Three Sales Companies”).

It has been decided to advance further with the integration of the Company’s sales-related functions in order to provide products and services at a higher level by using the “comprehensive strength of the Kao Group.” With this integration, the Company will strengthen its cosmetics business. After transition to the Holding Company Structure, the Preparation Company will be in charge of the head office function of the Three Sales Companies such as strategy planning/promotion and business management. In addition, the Three Sales Companies will, under the holding company, enhance “expertise in brands” and “development of strategies at the store” centered on activity in the field.

This transition to the Holding Company Structure is part of the movement to advance management integration in quality assurance, research & development, supply chain management etc. between Kao and Kanebo Cosmetics in the sales area.

2. Main Points Regarding the Transition of Sales-Related Subsidiaries to the Holding Company Structure

i. Method of Transition

The Company will, after obtaining all of the shares of Kanebo Cosmetics Sales Inc. and Kao Field Marketing Co., Ltd. from Kanebo Cosmetics Inc. and Kao Customer Marketing Co., Ltd. respectively, transfer all the shares of the Three Sales Companies to the Preparation Company by company split, effective on January 1, 2016 (planned) (the “Company Split”).

The Company is planning to maintain its listed status as the parent company of the Preparation Company, which is the holding company of the Three Sales Companies.

ii. Planned Schedule:

Establishment of the Preparation Company:	October 1, 2015
Meeting of the Board of Directors of the Company Regarding Approval of Company Split Contract:	Mid-November, 2015
Execution of Company Split Contract:	Mid-November, 2015
Effective Date of Company Split:	January 1, 2016

Since the Company Split is a simplified company split stipulated in Article 784 (2) of the Companies Act, the Company may proceed with it with the approval of its Board of Directors.

3. Overview of the Preparation Company to be established upon transition to Holding Company System of Sales-Related Subsidiaries

i. Name	Kao Group Customer Marketing Preparation Co., Ltd.	
ii. Location	8-3, Nihonbashi Koamicho, Chuo-ku, Tokyo, JAPAN	
iii. Representative	Representative Director President and Chief Executive Officer Mr. Toshiaki Takeuchi	
iv. Business Content	Sales of Consumer Products, etc.	
v. Capital (JPY)	10 million	
vi. Establishment (Planned)	October 1, 2016	
vii. Outstanding Stock	200 shares	
viii. End of Fiscal Year	December 31	
ix. Major Shareholders / Stake Rates	Kao Corporation / 100%	
x. Relation with the Company	Capital Relation	Established as a subsidiary wholly owned by the Company
	Human Relation	Director(s) and Auditor(s) will be dispatched from the Company
	Business Relation	No business relation with the Company as it has not started business operations

The Preparation Company will change its name to “Kao Group Customer Marketing Co., Ltd.” on January 1, 2016.

4. Future Plan

The specific information in association with the Company Split and the transition to the Holding Company Structure and future plans will be released as soon as the details have been determined.

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