

Human Capital Development and Engagement

Strong company is driven by motivated and engaged employees

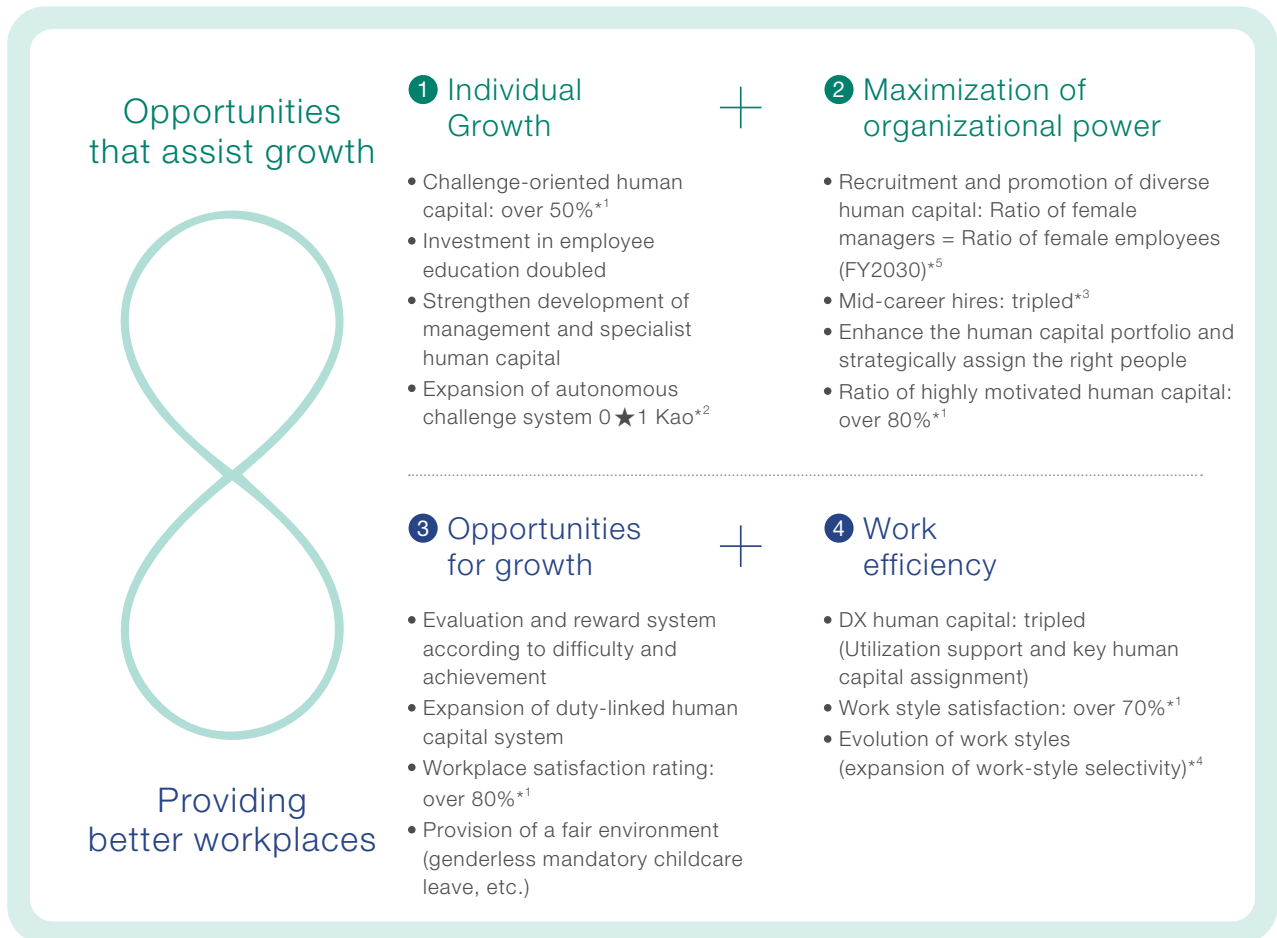
We believe that empowered employees working with passion for what they do strengthen the company. We implemented OKR (Objectives and Key Results) system as a way to revitalize our human capital. We aim to create a corporate culture in which each and every employee has aspirations and is willing to take on challenges. We should make the most of individuality

and support **individual growth**. We will **maximize our organizational power** by building a team in which each individual can make biggest synergy.

Fostering a good working environment is also important. It is our responsibility to **create a place where our employees can exercise their full potential**, achieve results and grow.

It motivates people more than anything when their efforts lead to results. We manage the effectiveness of work through ROIC for each business along with other indicators, and we promote the provision of places where people can demonstrate their abilities. It is also essential to **improve work efficiency** to increase the speed and standard of these efforts. We will integrate our management strategy and human capital strategy, leading to the growth of the company and employees.

▼ Providing better workplaces and opportunities that assist growth



Unless specifically stated, target deadlines are FY2025, and target values for rate of change are comparisons with FY2020
 *¹ Employee Opinion Survey Index, *² Kao's original new proposal system,
 *³ Targets for DX human capital and specialized human capital, *⁴ Workplace aptitude judgment, *⁵ FY2030 targets

1 Individual growth

It is important to continuously enhance the abilities of each and every employee to drive company growth. Introducing OKRs to align the direction for individual and company growth and to integrate them for organizational strengths. As of FY2022, 90% of employees in Japan and 62% of global employees have set their own goals using OKRs.

Employees are encouraged to set minimum KPIs related to their basic role in addition to challenging goals, and the system is designed to evaluate effort that exceed the KPIs as an additional achievement. In a sense, it is a more rigorous evaluation system than KPIs, but depending on the degree of achievement, the company will evaluate, reward and recognize employees and provide opportunities for the next stage of growth. According to the results of an employee survey, about 25% of employees have already set their own challenging goals and are putting them into practice.

Expand learning opportunities

To achieve OKRs as set by the employee, we provide self-development programs that promote individual learning opportunities. Personal development is encouraged through a variety of programs, including e-learning courses that provide more opportunities without time restriction. We have also reorganized our training programs for managers to enhance leadership and management, as well as dialogue programs.



New job assignments for experience expansion and talent development

In FY2022, we conducted personnel transfers and placements inside and outside the company based on their career orientation and aptitude of employees. We have implemented 438 cross-departmental rotations while prioritizing areas with importance in terms of management, thereby working to develop of employees with a long-term perspective.

We are also expanding the number of employees seconded to solve social problem together the government and industry institutions. As of the end of December 2022, 70 employees are actively working outside the company. We believe that the experience of these employees will help improve the skills of individuals and organizations.

Further promotion of 0★1 Kao

We are promoting 0★1 Kao, which creates a challenge for employees to make proposals that transcend their responsibilities and roles. Nearly 100 proposals have been submitted by the end of FY2022, and some of them are in the process of being implemented.

Proposers can freely exchange ideas with each other, and supporters are given the opportunity to make their own proposals by providing their ideas. This has led to the expansion of our culture for taking on challenges and the enhancement of our ability to promote innovation.

2 Maximization of organizational power

Through OKRs and 0★1 Kao, employees' challenge spirits are increasing. We are providing opportunities for individuals that can take challenges to maximize the power in each into the power of the organization as a whole.

Empowered by diversity

For an organization to grow, it is essential that diverse human capital can exercise its full potential in a good working condition.

In FY2023, we introduced new measures in Japan to promote the active participation of women, and we release monthly informative contents on multiple themes such as LGBTQ+, disabilities and nursing care to promote understanding among our diverse employees and to establish appropriate practices in the workplace. Ensuring a time and environment in which all employees can play an active role in the organization is a crucial factor for allowing individuals to resonate with each other. In addition, we appointed four non-Japanese and six female executive officers out of 36 in FY2023 to incorporate diverse perspectives into discussions and decision-making on important management issues. We believe that maximizing our organizational power means integrating the power of distinctive individuals, and we are promoting a viewpoint that **recognizes diverse organizations as standard practice.**

Overview of measures

to promote women's participation

Aim to bring diverse perspectives into decision-making process



Scrum-style management

To develop and secure promising human capital over the mid- to long-term, we manage human capital information from multiple perspectives, based on their backgrounds, achievements and potential. This information also serves as a profile for the formation of new teams.

Priority tasks must be driven forward in a speedy and advanced manner, so the best team formation is needed to

meet the objectives. Human Capital Strategy has a mission to propose the best team formation derived from talent profiles. We are evolving a matrix structure and working to implement scrum-style management in a way that is centered on maximizing the speed of achieving results. We aim to **make decisions in Genba** while avoiding silos and uniformity that tend to occur in large organizations.

Supporting employee health and expanding into society: Promoting health care management

Employee health and well-being are key to our business activities. This does not only represent the foundation of the work environment, but it also serves as an important element for individual growth and company performance. Kao has utilized knowledge and solutions in the area of health conditioning for employees and their families, and is **promoting practical health activities.** We also collaborate with external organizations to promote excellent initiatives among local residents, thereby contributing to the realization of a healthy society.



3 Opportunities for growth

It is important for people to work in an organization where they can improve themselves. However, this can only be achieved with the foundation of a workplace that enables employees to do so. A workplace where employees can grow is created by providing a mission in which their achievements are properly evaluated and rewarded. OKRs play

a role in motivating employees by visualizing the connection between their own goals and those of the organization/company.

It is also essential to set rewarding work that matches the aptitude of employees to improve their activity. We will expand the job-linked human resources system to maximize workplace satisfaction. We aim for continuous growth and maximization of the activities of human resources by selecting jobs that should be prioritized, and by allocating them appropriately.

4 Work efficiency

“Efficiency” is the ratio of results obtained to the effort expended, and “work efficiency” is the ratio of work obtained within a given time frame. Kao’s emphasis is not on “efficiency,” but on “work efficiency,” which is **the ability to increase the amount of work that can be done in a given amount of time**. To this end, it is imperative to carry out **a drastic review of work styles and utilize IT on a daily basis**.

Work-style reform

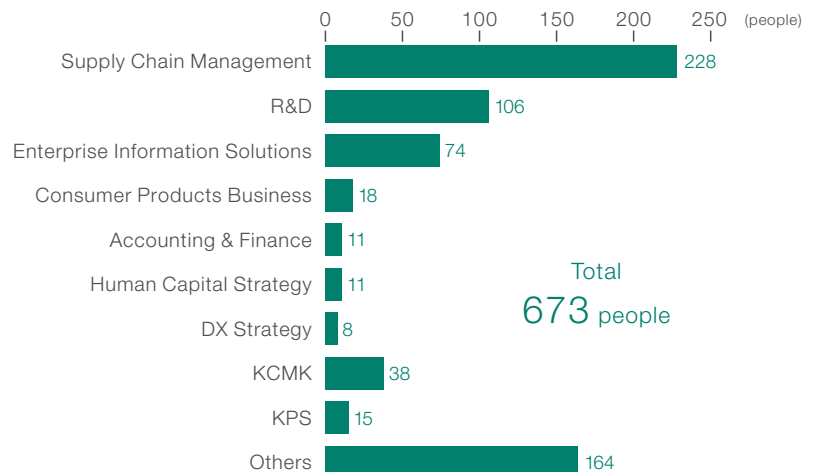
Practicing the optimal work style to suit the function and characteristics of the organization and the role of the individual will increase the amount of work per hour and the standard of results. In other words, this will lead to an enhancement of organizational efficiency. In the wake of the COVID-19 pandemic, a hybrid work style that combines remote and in-office work is currently taking root. To promote this style, Kao is evolving its IT facilities and office environment by installing web conferencing areas and a webcasting studio, as well as a Smart Work Support (SWS) that enables the monitoring of employees working from home. In addition, Kao has introduced a remote work system to create an environment in which employees who work while nursing or caring for sick or elderly family members or while receiving education can play an even more active role.



Wider utilization of IT

In addition to the use of Robotic Process Automation (RPA) and chatbots, which we have been promoting for some time, we are also actively improving our processes and efficiency through new business applications. The number of citizen developers who can build their own solutions has also increased, and as of February 2023, there were 673 creators and 2,862 projects. The extra capacity of individuals and organizations freed through these efforts will be allocated to such as more creative work and to reallocate personnel, thereby accelerating enhancements in efficiency.

Number of application creators in each division (as of February 2023)



KCMK: Kao Group Customer Marketing Co., Ltd.; KPS: Kao Professional Services Co., Ltd.