

Toward Achieving the K25 Goals



Shifting to a business model aimed at demand creation

Toshiaki Takeuchi

Senior Managing Executive Officer,
Representative Director

Changes in Conditions Affecting Business and Consumers' Purchasing Behavior

Our business environment continues to change rapidly. Digital technologies have penetrated a wide range of areas and different aspects of daily life over the last few years. The COVID-19 pandemic has led to a further acceleration of this digital shift, and there have been dramatic transformations in people's lifestyles. People are spending more time at home, which increases their exposure to digital technology in a wide range of areas, from online shopping to business and entertainment. At the same time, digital and cashless payment systems are being introduced in physical stores in the interest of hygiene as people try to avoid all unnecessary physical contact.

In markets and distribution as well, we find changing conditions—accelerating growth in e-commerce, increasingly borderless markets, digital communication efforts in offline channels, retail concentration, the rise of new business models such as subscription models and new entrants from different industries, and the advent of physical stores that focus on the personal and physical

experience, offering a seamless integration of offline and online retail.

Consumers live within a vast universe of information, which has a significant impact on their consumption behavior. The main segment of society that has led consumption to date has been the Baby Boomer generation and the children of Baby Boomers. That is now shifting to Millennials who have a family of their own. Millennials are digital natives with high information literacy. They are accustomed to online shopping, including C2C options using social media, flea markets apps and the like. Their generation values a sense of identification with brands, and personal experience. A generation with these values will gather information from the internet and via word of mouth, and compare products and services both offline and online to purchase what suits them best. Afterwards, they are likely to post or share information on their experience. This kind of purchasing behavior easily crosses the boundaries between real-world and online experiences.

Promoting One-to-One Marketing and ESG-driven Sales Activities

To adapt to these myriad changes in business conditions, we cannot rely on a business model such as O2O

(online to offline) that regards online and offline spheres as disconnected. Rather, we need to implement one-

to-one marketing based on the strategy of OMO (online merged with offline), which seamlessly combines the two worlds—using, for example, digital technologies to gather information and for payment. This approach aims to utilize vast amounts of collected digital data to deliver high-value-added products to individually targeted consumers. Moving forward, I feel it will be necessary to change our business model and start making a concerted push toward one-to-one marketing. Another major social change taking place is the worsening of issues affecting society, including environmental problems. The global community is putting pressure on corporations to face these issues head on and embrace social responsibility.

Kao will take further steps to promote sustainability in society by incorporating an ESG perspective into our sales activities. We have already been working with various stakeholders on efforts to transition to zero waste in our supply chain, along with many other initiatives, including improving distribution efficiencies to reduce environmental impact and improve working conditions for delivery workers.

To deal with environmental and social issues in the supply chain overall, which is difficult to do with our company's systems and structures alone, I am convinced that we can work together with stakeholders on initiatives that will shape a sustainable society to bring mutual prosperity.

Transforming into a Demand-Creating Business That Co-creates Value with Stakeholders

Amidst the swirling changes in our business environment, Kao must continue to provide new value to consumers and maintain sustainable development as a corporation. Many of today's issues can no longer be successfully addressed by an "issue-focused" business model that involves identifying issues based on analysis of historical data and on experience and then proposing solutions to these issues. What is needed now is for the enterprise to continue to transform itself while making a dynamic shift toward a "demand-creating" business model that is forward-looking and seeks to generate new demand by identifying the kinds of novelty and brand empathy that resonate with consumers. Through Kao's one-to-one marketing and ESG-based sales activities, we will transform our sales to a demand-creation business model. Shifting to this business model will deepen our commitment to providing value in Kao's core businesses and make possible an expansion into new territory, which will lead to the kind of enterprise we have set out

be in the Kao Group Mid-term Plan 2025 (K25). The demand-creating business model only starts to become achievable when we co-create with various stakeholders. We will pursue co-creation both with retailers who know consumers well and with global e-commerce platforms to carry out bona fide one-to-one marketing that reaches each consumer individually. Also, by co-creating with stakeholders in the supply chain, we will be able to address complex social issues that affect the industry as a whole, which would be difficult to do alone, and contribute to realizing sustainability in society.

This is the "Triple Win" model that achieves sustainable development not only for Kao, but for stakeholders as well, and provides new value to consumers. We will make this shift to a new business model, adapting to extraordinary societal change as a nascent enterprise—as "New Kao."

Evolution of Collaborative Relationship



Co-creation with retailers to realize sustainability in society



Toward Achieving the K25 Goals



To achieve our transformation to build robust business through investment

Tomoharu Matsuda

Managing Executive Officer,
Representative Director

Focus on Developing New Businesses and Reforming Existing Businesses

The Consumer Products Business has launched the Another Kao project to promote new businesses tasked with achieving major growth in the future, and the Reborn Kao project to reform existing businesses looking to the world post-COVID-19, in order to achieve the Kao Group Mid-term Plan 2025 (K25) objective of transforming to build robust business through investment. To work toward this objective, we are revising our organizational management and innovating our brand management.

We have created the new Life Care Business to realize our vision of Another Kao. We started our soap business with our corporate motto, “Clean citizens prosper,” and expanded our business to encompass cleanliness, hygiene, health and beauty. In today’s world where living to 100 is more common, we aim to further expand our business through our new challenge to establish Life Care Business that supports healthy life expectancy so that people can lead happy and fulfilling lives over their entire lifetime. The Life Care Business brings together technologies for safeguarding health that we have built up over many years and develops physiological monitoring technologies as well as makes

proposals for Precision Life Care personalized for individual circumstances.

In our pursuit of Reborn Kao, we have reorganized the Consumer Products Business into three fields centered around our corporate citizenship: the Hygiene and Living Care Business, which delivers Kirei in our interactions and everything our lives touch; the Health and Beauty Care Business, which delivers Kirei to make consumers’ lives better and brighter; and the Cosmetics Business, which delivers inspiration and Kirei to individual consumers. In each of these business fields, we will deliver new solutions for daily living for all people by pursuing cross-functional marketing from the standpoint of consumers’ life value.

At the same time, we will reform our businesses, which have grown to have multiple brands under a silo-type management system. We will clarify the role of each brand and shift to a more dynamic, optimized management system to achieve more efficient brand management.

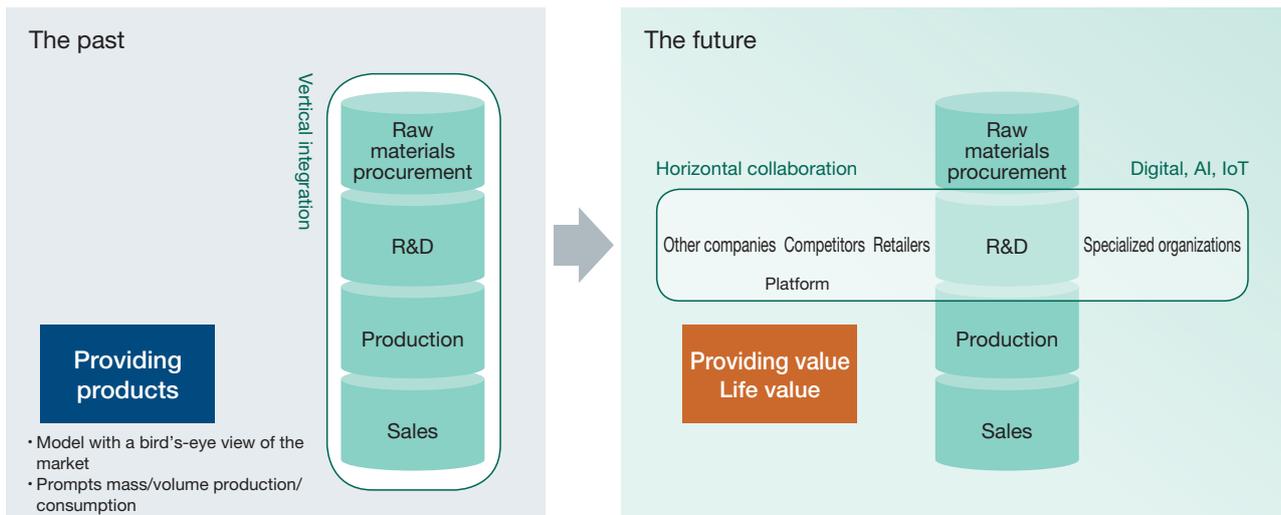
Promote Consumer-focused, Personalized Marketing

As consumers become increasingly interested in sustainability and society rapidly shifts to digitalization, we need to shift our business model from a vertical integration model optimized for mass consumption to a horizontal collaboration model that promotes co-creation and collaboration. To do this, we will partner with many outside organizations and companies and build a digital platform to serve as a conduit for new consumer information. Then using this new business model, we will further advance Life Value Solution Marketing, meaning marketing that originates from the concept of life value instead of the concept of products.

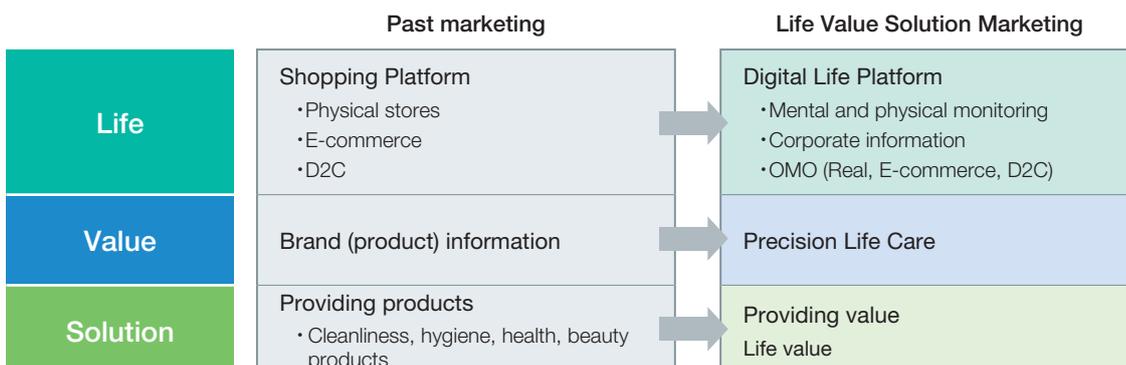
To achieve this, we also established the new DX Co-Creation Center to ramp up our internal digital transformation (DX) activities, and the new Product Business Development Center to advance our ESG-driven *Yoki-Monozukuri* to realize sustainability in the world. Through both of these centers, we will shift our marketing, which has traditionally been conducted for the main objective of communicating product value, to marketing with a focus on personalization that offers value for the individual consumer.

The Consumer Products Business will take on these bold challenges so that we can achieve K25.

Business Model Reform



Life Value Solution Marketing Approach

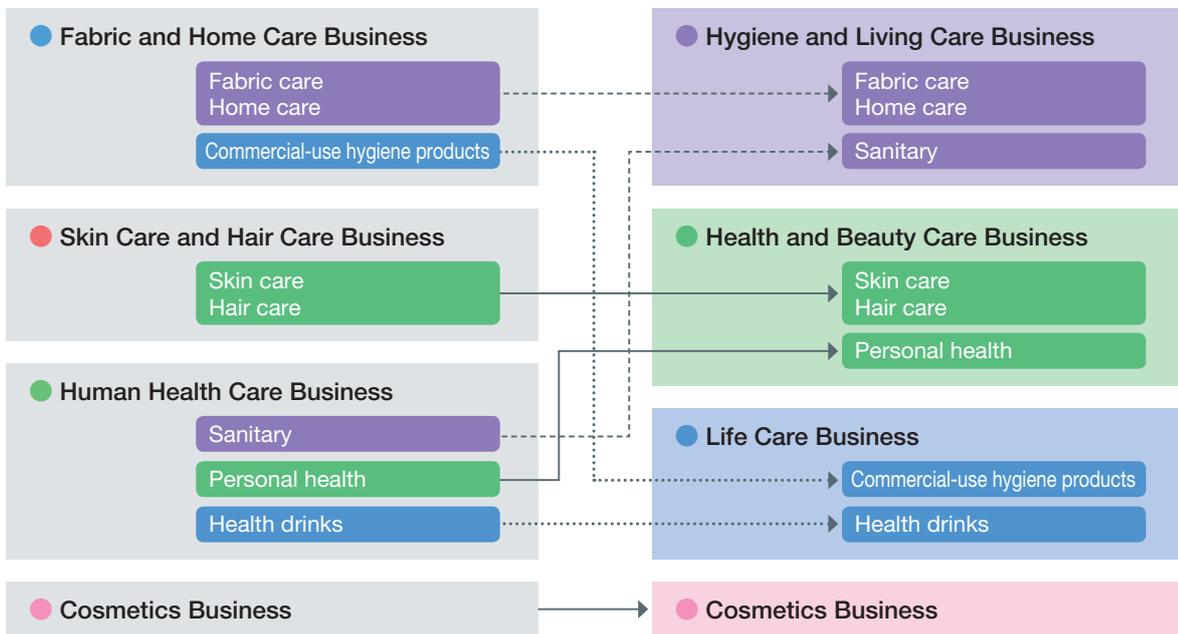


Reorganization of Business Segments

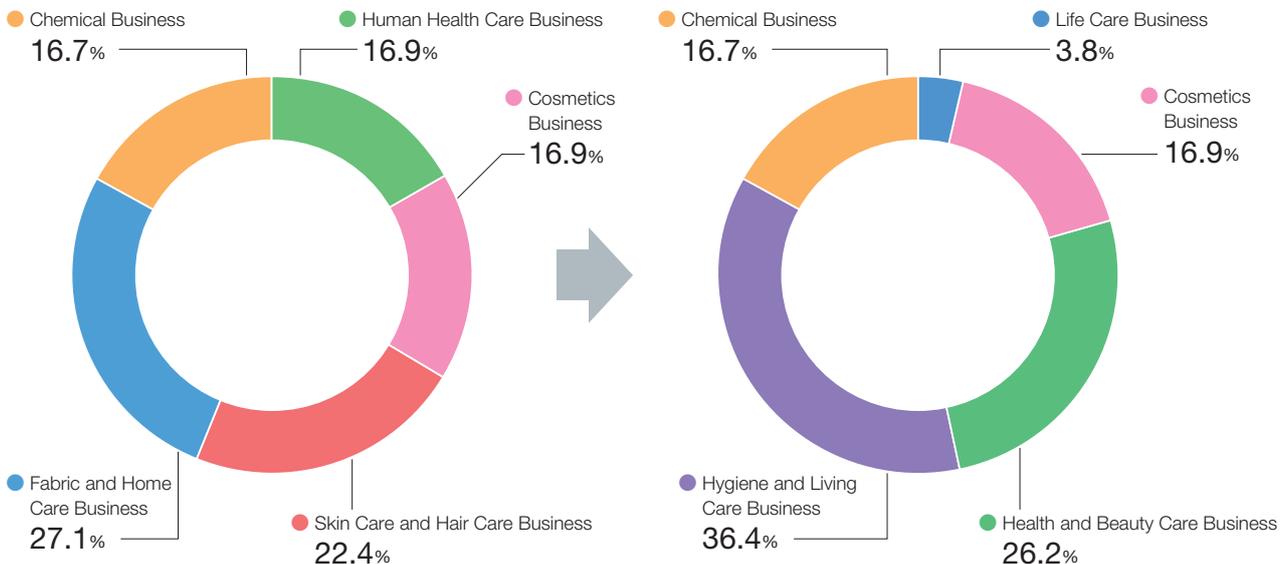
Aiming to clarify the social issues for which actions should be prioritized and build a model that contributes solutions to issues in each business segment, Kao reorganized the Consumer Products Business in January 2021. Kao develops its Consumer Products Business in four of its fields of business: Hygiene and Living Care, Health and

Beauty Care, Life Care and Cosmetics. In our Chemical Business, we develop a wide range of products that meet the various needs of industry. Kao believes that through these businesses we can contribute to the wholehearted satisfaction and enrichment of the lives of people throughout the world.

Consumer Products Business Segment Reorganization



Sales Composition (FY2020)



Consumer Products Business

Hygiene and Living Care Business

We offer products that support people's daily lives and society while contributing to greater comfort, including fabric care, home care and sanitary products. People's lifestyles and values continue to change, and we will help achieve comfort for people around the world by providing cleaning and hygiene products that enable everyone to live with peace of mind.

Health and Beauty Care Business

We offer skin care, hair care, and personal health care products that provide Kao's distinctive value, which is focusing on the entire human body to contribute to healthy beauty and hygienic cleanliness. Here, we will deliver products that can help consumers continue a daily routine of hygienic habits and physical and mental care that can lead to a brilliant life without special effort. In this way, we help achieve truly healthy living where people around the world can freely express their individuality.

Life Care Business

We seek to pursue new businesses that protect human lives by fully utilizing the fundamental technologies that have supported Kao. We provide high-performance products realized through our extensive research and development efforts, as well as high-precision life care solutions optimized to individuals using our monitoring technologies. As a result, we support well-being in both mind and body while raising the standard of consumer life care.

Cosmetics Business

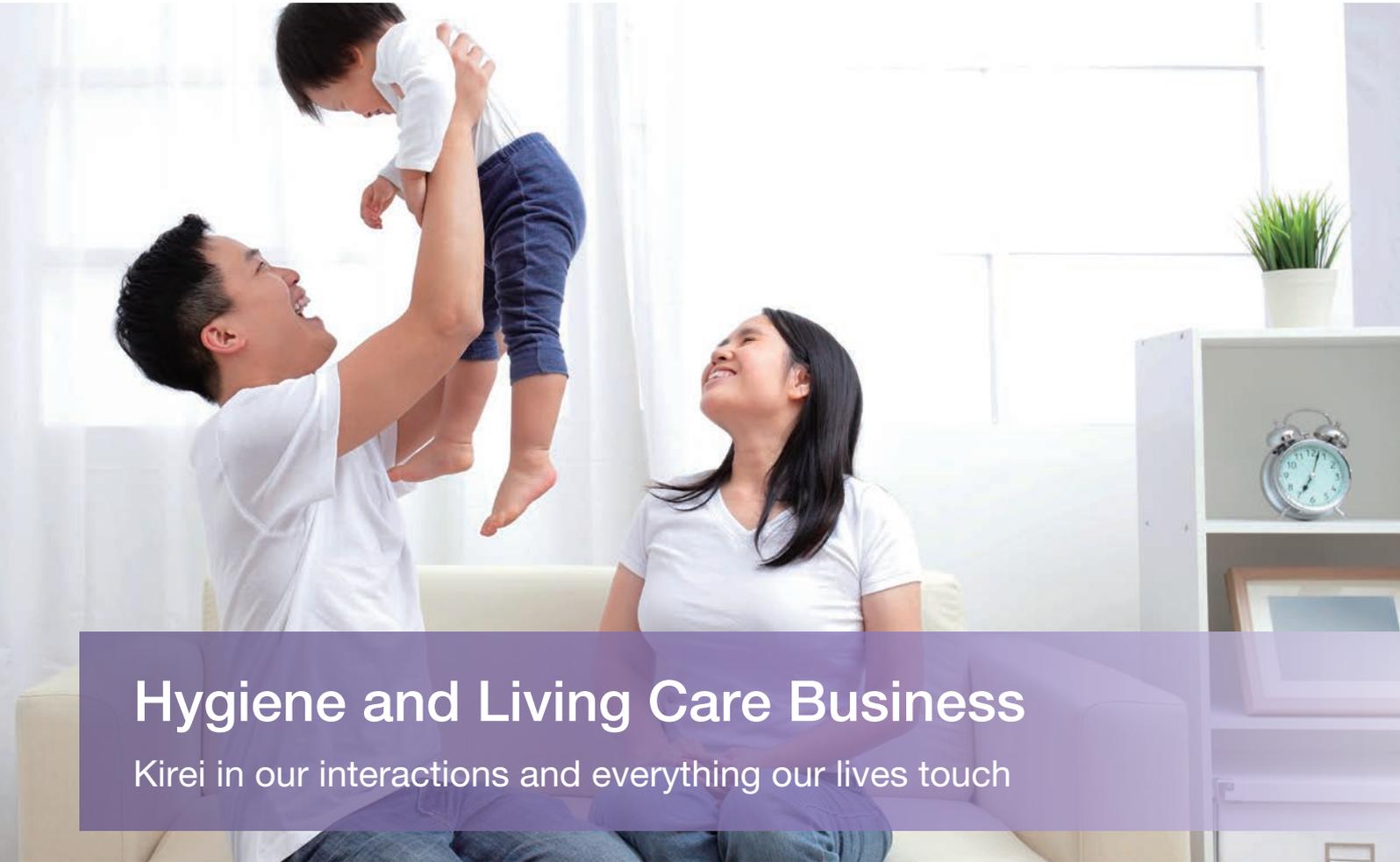
We stay attuned to the beauty and individuality of each person, and draw upon both solid science and our abundant sensitivity as we offer skin care and makeup products to provide "hope" and "Kirei" to consumers. These activities create social values allowing us to provide a culture of joyful living through beauty, and we will continue to help realize a society where everyone can shine.

Chemical Business

Chemical Business

The Chemical Business offers an expansive array of products globally to cater to diverse needs in a wide range of industrial fields, such as oleo chemicals manufactured from natural fat and oil, performance chemicals such as surfactants, and specialty chemicals such as toners, toner binders and water-based pigment inkjet ink. We help pave the way to the future of industry while realizing a sustainable society by providing innovative products and solutions.

Growth Strategy by Business Segment



Hygiene and Living Care Business

Kirei in our interactions and everything our lives touch

[Main Products]



Strengths

- Fabric care and home care products with many leading brands
- Sanitary products enjoy deep-rooted popularity in Asia
- Diverse range of technologies supporting cleanliness and hygiene in daily life

Opportunities

- Growing needs for clothing and home hygiene globally
- Increased environmental consciousness
- Advancement of women in society, falling birth rates and aging populations

K25 Strategy

1 Offer products that deliver clean and comfortable living

Strengthen cleaning and disinfecting products for clothing and the home to meet needs for growing hygiene awareness

By offering products and services that keep clothing and home spaces clean and lessen the burden of housework, we contribute to creating living spaces where everyone can live with peace of mind.



Offer sanitary products for each life stage

We offer sanitary products for each life stage so that everyone can lead their lives how they wish at any age and in comfort no matter what the situation.



2 Further strengthen leading brands

Create strong brands that are loved globally

We are proactively leading efforts to reduce plastic consumption and the use of chemical substances. We will strengthen our ties with users through leading brands that are essential to daily life, and create strong brands that are loved globally.

3 Strengthen regional expansion

Strengthen product development to meet local needs in Asia

We build trust with consumers by developing products with a focus on the needs in various countries and conducting awareness-raising activities, and establish business that supports the foundation of daily living in Asia.

Growth Strategy by Business Segment



Health and Beauty Care Business

Kirei that makes life shine

[Main Products]



Strengths

- Global business development of skin care, hair care products and products for hair salons
- Diverse range of technologies for hygiene and environmental needs
- Many leading brands

Opportunities

- Higher level of prevention and personal hygiene practices amid the COVID-19 pandemic
- Needs to care for damage as a result of climate change
- Increased awareness toward environmental consciousness
- Increased awareness of health care

K25 Strategy

1 Offer solutions that improve Quality of Life (QOL)

Provide a wide range of products and information to offer value unique to Kao that covers all aspects of people's daily lives

We offer a wide range of health care, skin care and hair care products to meet personal needs in many facets of daily life. We are striving to strengthen our solutions that have global demand. And we are strengthening our development of competitive products to expand the areas in which we offer solutions.



Offer products and information in response to increased awareness of health care

Along with protective and preventive measures to safeguard against external factors such as infectious diseases and UV rays, we also offer products and information able to boost the immune system and are developing ways to care for environmental stresses and create safety and reassurance in daily life. We are strengthening product development that gives consideration to environmental and social issues.



2 Strengthen global business development

Strengthen skin care, hair care products and products for hair salons that are available globally

We are striving to further strengthen our business development outside Japan through megabrand *Bioré*, brands for hair salons and more.



Main brands available in Europe and the Americas



Growth Strategy by Business Segment



Life Care Business

Supporting health so people can lead happy and fulfilling lives

[Main Products]



Strengths

- Development technologies built up in our existing businesses including metabolic syndrome care and skin care technologies
- Data-driven marketing using the advanced technologies
- Monitoring technologies

Opportunities

- Market expansion for improving personal health including aging societies, lifestyle diseases and geriatric syndrome prevention
- Advances in digital technologies
- Commercial-use hygiene product market expansion

K25 Strategy

1 Offer Precision Life Care solutions

Utilize monitoring technologies to offer solutions optimized for individuals

With the help of AI, identify customers' true needs that even they are not aware of from a large quantity of observation data obtained in monitoring their physical and mental state, and deliver "optimum solutions matching the true physical and mental needs" of a diverse range of individuals.



© Bodygram

2 Expand the business domain from health drinks

Expand the target business domain from health drinks to life care

Based on technologies built up in the existing businesses, expand the business domain beyond prevention of lifestyle diseases targeted by *Healthya* to include geriatric syndromes arising with super-aged societies, treatments for patients suffering from refractory diseases, and sanitation of home environments to prevent the spread of infectious diseases.



3 Develop the self-treatment business

Realize self-medication that fits consumers' lifestyles

Aiming to realize well-being in daily life and in view of the nature of issues consumers face, take steps to realize self-medication that consumers can begin and continue without difficulty.

4 Strengthen outside collaboration

Advance co-creation and collaboration with various stakeholders

Through cross-collaboration with like-minded companies, research institutions, public-interest groups, local governments and others, we will engage in accelerated co-creation that produces greater value in everyday life.

5 Strengthen the commercial-use hygiene products business

Offering total solutions using advanced technologies including cleaning, antibacterial, odor removal and other technologies

We provide solutions through a wide range of products, services and information that meet the actual needs of professional workplaces such as restaurants and other food service industry, hotels and other types of lodging facilities, medical institutions and nursing facilities. We are strengthening business development not only in Japan but globally. We contribute to people's safety with a focus on hygiene and sanitation.



Growth Strategy by Business Segment



Cosmetics Business

Inspiration and Kirei for all

[Main Products]



Strengths

- Evidence-based, in-depth insights into skin
- Original state-of-the-art technologies (Fine Fiber, RNA Monitoring)
- Power to communicate makeup trends
- Customer identification with functionality and brand purpose

Opportunities

- New skin awareness and makeup use arising from new lifestyle habits
- Mid- to long-term global market expansion
- New purchase and trial experiences made possible with advances in digital technology

K25 Strategy

1 Accelerate brand enhancement

Optimize the brand portfolio

We are improving and elevating 11 global strategic brands (G11) available globally and 8 regional strategic brands (R8) available mainly in Japan to be purpose-driven brands that individual customers view as essential to their lives.



2 Advance the digital transformation (DX)

Create new user experiences

Through digital transformation (DX), we are strengthening our customer engagement by offering new customer experiences with seamless online and offline integration.

3 Accelerate global development

Strengthen business development in China and Europe

We are strengthening our business in the Chinese market by building on our prestige brands, and our implementing a discontinuous growth strategy in the European market.



4 Strengthen business operations structure

Promote integrated operations of the Cosmetics Business

We have reorganized the Cosmetics Business to align with our growth strategy. We are striving to make full use of our assets, including expertise, know-how and human capital, and respond more quickly to change.



Growth Strategy by Business Segment

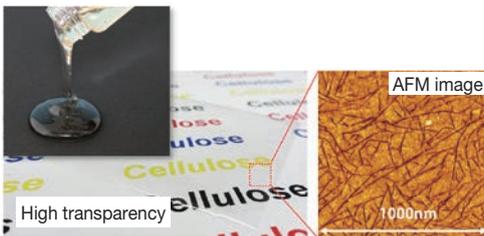


Chemical Business

Through the power of chemistry,
a future of Kirei for people, society and the planet

[Major eco-technology developments]

•The “ultimate eco-material,” cellulose nanofiber dispersion technology

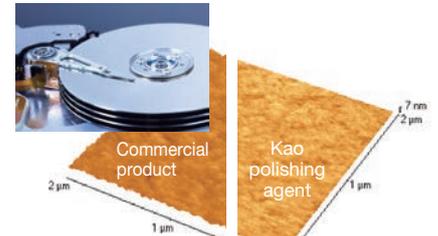


•Hardening technology to prevent cement from contaminating water



Cement only + Visco Top

•Polishing technology that offers precision surface control at the nano-level



Comparison of surface roughness

Strengths

- Original, distinctive product portfolio
Oleo Chemicals, high-performance fat and oil derivatives, Specialty Chemicals
- Ability to offer business solutions for a wide range of industrial fields
- Synergies with the Consumer Products Business
- Business foundation that enables global growth

Opportunities

- Growing needs for environmental and social responsiveness
- Expanding social expectations for product safety and security, hygiene and health
- More advanced digital technologies and their expanded use
- Economic development in emerging countries

K25 Strategy

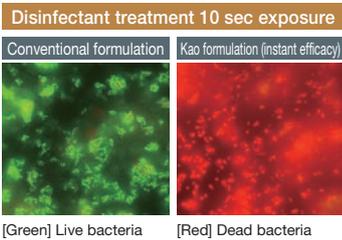
1 Expand strategic businesses

Strengthen solutions for environmental and social issues with original technologies

● Disinfection/cleaning

Disinfection and cleaning business through integration of surface and microorganism control

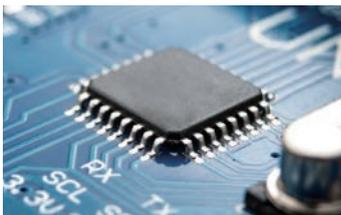
- Formulations with reduced use of chemicals
- Immediate results
- Long-lasting efficacy



● Semiconductor

Process agents and materials business contributing to advanced semiconductors

- Precision polishing agents
- Etching agents
- Cleaners
- Insulating film materials
- Photoresist strippers



● Agriculture

Agrochemical business making increased food production possible while preserving the environment

- Reduced use of pesticides
- Disease prevention
- Plant activators
- Soil improvement



● Industrial inkjet printing

Environmentally-conscious ink business for industrial digital printing

- Colorants
- Inks
- Print head modules



● Road/tire

Road additives business to extend the service life of asphalt, chemically recycle waste PET and reduce environmental load with low-temperature processes

- Additives for pavement with higher durability
- Tire additives



2 Strengthen growth foundation

Strengthen priority regions, collaborate with other companies, accelerate digitalization

● Accelerate growth globally

- Expand business in major markets including Europe, the United States and China
- Create the business foundation in emerging countries

● Strengthen development of strategic businesses

- Expand business in the industrial printing field strengthened through M&A
- Take action on global-scale social issues through value co-creation with cooperating companies

● Strengthen communication and points of contact with customers, accelerate product development

- Promote co-creation by globally communicating our diverse array of distinctive technologies
- Innovate business by actively introducing digital technologies

Roundtable Talk by Business Division Heads Implementing ESG-driven *Yoki-Monozukuri** in Our New Business Division Structure

Kao promotes the concept of “Kirei—Making Life Beautiful” and is implementing ESG-driven *Yoki-Monozukuri* to contribute to the sustainability of society. To accelerate this effort, business divisions were reorganized in January 2021 from the perspective of contributing to society. In the roundtable talk, the heads of these business divisions discuss their commitment.

* The Kao Group defines *Yoki-Monozukuri* as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, *Yoki* literally means “good/excellent,” and *Monozukuri* means “development/manufacturing of products.”

Roundtable Talk Participants



Yoshihiro Murakami

Managing Executive Officer
Responsible for
Cosmetics Business,
DX Co-Creation



Akira Shimotoyodome
Executive Officer
Responsible for Life
Care Business



Kotaro Nuriya

Executive Officer
Responsible for
Health
and Beauty Care
Business



Natsumi Hotta

Executive Officer
Responsible for
Hygiene and
Living Care Business



Masahiro Katayose

Executive Officer
Responsible for
Chemical Business



Mami Murata

Executive Officer
Responsible for
Strategic Public
Relations
(Facilitator)

Facing Consumer Individuality and Deepening Ties to Consumers

—**Murata:** COVID-19 has changed the world. During the year of the pandemic, we were forced to rethink the meaning of Kao’s existence and ask how we can help people in their lives and address social issues. Kao Group Mid-term Plan 2025 (K25) was launched under these circumstances. The Consumer Products Business was reorganized significantly, so please tell us about the plans you have in your respective divisions.

Murakami: The Cosmetics Business launched a new growth strategy in FY2018, and since then we have been taking steps aimed at brand enhancement.

Behind this effort is a desire to deepen our ties to consumers for each brand. We respect the lifestyle of every consumer and want to create a brand that suits

Celebration of Individuality

We want to give inspiration and offer Kirei to everyone by creating a brand that suits people’s individuality.



All of us first need to feel excited, and then we can make consumers feel excited and lead them to a better place in the future with the sentiment, “Let’s create places that offer adventure.”

Yoshihiro Murakami
Managing Executive Officer
Responsible for Cosmetics
Business, DX Co-Creation

people’s individuality which they can use throughout their lives. We want to provide inspiration and offer Kirei to everyone. There are as many forms of beauty as there are people, and that is the idea expressed in “Celebration of Individuality.”

The Cosmetics Business Division and related companies were reorganized in FY2021 and we are now moving ahead with integrated operations among the business division, sales companies and beauty experts. Around 10,000 Kao members work in the Cosmetics Business, and we had thorough discussions about how to create a new collective culture. The concept we settled on was “Play Park.” It is based on the idea that if we are going to make consumers feel excited, the members of the Cosmetics Business first need to feel excited and create places that offer adventure and invite people and the future to reach a better place.

—**Murata:** The boundaries between business domains that Mr. Nuriya and Ms. Hotta are responsible for have shifted. What approach are you taking to manage your new business division?

Nuriya: The Health and Beauty Care Business absorbed skin care, hair care and health care, so it has become a business that cares for “the whole body” of consumers. I feel that Kao has distinctive capabilities to propose ideas spanning the entire day for individual

lifestyles that no other company has. With the new business structure, we all came to recognize what we had only intuited before—that issues treated separately in different fields are actually connected. Looking ahead, we want to offer new division solutions, such as in improving hygiene and boosting the immune system.

The key to success in those endeavors will certainly be to understand consumers’ lifestyle patterns more fully. It is not enough simply to observe, to ask questions and gather data. The key point is to understand deeply the needs of each person. It is essential that we find out what people’s dissatisfactions and under-the-surface frustrations are and resolve them. People are now living to the age of 100, so we will attempt to uncover those latent needs and develop solutions to allow people to lead long, healthy lives.

Hotta: The Hygiene and Living Care Business brings fabric care and home care together with sanitary products.

What these three have in common is that they are essential to people’s lives wherever you go in the world. By working in this essential business, which handles products that people cannot live without in their daily lives, we are fulfilling our own mission of supporting infrastructure for life and society. By creating products that consumers feel confident using and communicating useful information, we want to build brands that are trusted and loved by consumers and

By working in this business that handles products essential to people’s lives, we are fulfilling our own mission of supporting infrastructure for life and society.

Natsumi Hotta
Executive Officer
Responsible for Hygiene
and Living Care Business



Roundtable Talk by Business Division Heads
Implementing ESG-driven *Yoki-Monozukuri*
in Our New Business Division Structure

become the No. 1 in their category. We are also open to working with companies that have unique strengths that complement Kao's to win over new fans and accelerate the speed of product development through collaboration.

—**Murata:** The common thread through all of our businesses is deepening connections to consumers and customers. In the Life Care Business, we are developing new areas of business that further involve life issues.

Shimotoyodome: The Life Care Business has been organized to realize the K25 vision of “Becoming a company that saves future lives.” I joined Kao as a researcher and have always wanted to contribute to people's health. That intention has not changed with my move to the business division.

What Kao needs from this point forward is to incorporate the viewpoint of individuality in health care. Up to this point, we have viewed all living organisms homogeneously at the cellular level. But if we consider that every person is an individual, then life can be thought of as a huge mass of individuality. I would like us to anticipate future risk and change with precision—derived from things like consumer individuality and lifestyles—so as to provide optimally personalized products and services to everyone.



Going forward, how well we can convert information into value will be crucial.

Akira Shimotoyodome

Executive Officer
 Responsible for Life Care Business

Aiming to Break Away from Just Manufacturing and Becoming a UX Creation Company

—**Murata:** Our newly developed digital transformation (DX) strategy is getting a lot of attention both within and outside the company.

Murakami: The meaning of DX, to state it bluntly, is to stop thinking of the company as a manufacturer and instead see ourselves primarily as a user experiences (UX) creation company. We are aiming to provide the value of personalized experience to people by adding value to products in the digital realm. For example, in the Cosmetics Business in FY2021, we established the *Kate Makeup Lab.* service on *Kate's* official social media account. The purpose is to provide content that supports each person in expressing with makeup how they want to appear. Kao is using its strengths in combination with cutting-edge technologies to provide unique experiences to its many users.

The basis for the value we provide is nothing other than what we know. As Mr. Nuriya said, I feel that Kao's strength is understanding its consumers well. And although it is important to get to understand them in a close and direct way using analog methods as we have always done, times are changing and our methods must adapt. Going forward, it will be vital to get to understand them using digital technologies. That will likely mean the monitoring technologies that form a central part of K25.

Shimotoyodome: Yes, the ability to manage the information we collect will become ever more important. Up to now, we have tended to identify Kao as a manufacturer—a company that processes materials into products. But going forward, how well we can convert information into value will be crucial. If we are able to transform the asset of collected data rapidly into business value in this age of overwhelmingly large amounts of data, the Life Care Business is sure to prosper.

ESG-driven *Yoki-Monozukuri* Contributes to the Sustainability of Society

—**Murata:** ESG-driven *Yoki-Monozukuri* will be essential to achieve sustainability throughout society.

It is important to create a business model that makes the customer, society and Kao all happy.

Masahiro Katayose

Executive Officer
Responsible for Chemical Business



With its industry-facing global endeavors, where is the Chemical Business placing its energy?

Katayose: For many years we have been providing useful solutions for the E (environment) and for S (society) through eco-chemical products and innovative technologies. The COVID-19 pandemic intensified existing uncertainties, and major market changes occurred, so we anticipate a multipolar shift—including markets that have ever-growing demand alongside markets that shrink and cannot bounce back. In such circumstances, we want to especially focus on utilizing Kao’s technological assets. The Chemical Business also develops raw materials for the Consumer Products Business, and has therefore contributed to their increased competitiveness. We feel that it is possible to promote the technologies globally that we have built up, such as in the Americas and Europe.

I would like to work with Ms. Murata on the PR strategy for this. Even though this is the B2B business, more widely promoting our contributions to sustainability in the world will still be important going forward. Taking a “Business to Society for Sustainability” approach, we can properly promote our mission and become the kind of company that is trusted by society and customers.

—**Murata:** An important role of PR activities is to understand each other’s way of thinking and to find others with whom you can build a better future through

improved communication. So, let’s work together, for sure.

Hotta: The Fabric and Home Care Business has grown out of continued E (environmental) and S (social) initiatives. For example, the feat of downsizing and concentrating laundry detergents grew out of the pursuit to eliminate waste in packaging design and transport efficiency, and led to reducing E and S impacts. Going forward, it will come down to how we can demonstrate new value with *Yoki-Monozukuri*.

That will require seeing consumers in a new light, I feel. Take market surveys in home care products, for example. We tend to target women, who are the main users of Kao products. But in many households both adults work, while more seniors are living alone. We need to conduct research from the viewpoint of how to truly help people who need it, and by so doing we can gain support from more people.

Murakami: In the Cosmetics Business, while E (environmental) is of course important, I feel that S (social) is quite a key perspective. Each brand has to have a clear purpose, namely what its presence in society stands for, and business activities need to be based on that.

A good example is *Curél*, which promises to “free people with dry, sensitive skin from their problems and improve quality of life (QOL).” A succession of brand managers has unswervingly carried out business according to that purpose, and such focus has led to the brand’s strength today. In fact, there is a saying that has been handed down among *Curél* brand managers: “Make this not a 10-billion-yen brand, but a brand that will be loved for 10 decades.” This was what one person said on the eve of reaching that sales milestone. I feel that the expression represents purpose-driven branding perfectly.

Nuriya: A clear purpose definitely becomes a motivation for work, as I constantly ask myself “What am I working for? What meaning does my work have?” For example, as the COVID-19 pandemic spread last year, hand sanitizers were out of stock in the stores in Japan. I came to know some families that were taking care of children at home who had serious diseases. These families were in terrible needs, so we gave them some hand sanitizers we could find in our warehouse

Roundtable Talk by Business Division Heads
Implementing ESG-driven *Yoki-Monozukuri*
 in Our New Business Division Structure

I felt keenly how the work we are involved in actually saves lives and protects people, which create a strong sense of responsibility that motivates me even more.

Kotaro Nuriya

Executive Officer
 Responsible for Health
 and Beauty Care
 Business



inventory. Later we received letters of thanks from the families, which touched me deeply. I have worked at Kao for many years, but this incident drove home for me how the work we are involved in goes beyond being merely being useful to people and making them happy to use our products, we are actually saving future lives. The business I am in charge of is quite clear about its role in helping society, so I felt very grateful for the

letters, and at the same time felt a strong responsibility, which motivates me even more.

As startups in the global marketplace grow, perhaps the most important thing for Japanese manufacturing to survive, as Mr. Murakami said, is to have purpose and focus, and thereby gain the affinity of and win the loyalty of consumers. I want to apply Kao's unique ESG-driven *Yoki-Monozukuri* and generate new value for the world.

Katayose: In FY2020 we came out with an asphalt modifier made from discarded PET materials. This is the essence of ESG-driven manufacturing unique to Kao. The modified asphalt has high durability and is safe and reliable for the customer while reducing costs to companies that used to dispose of PET as waste. Its cost to produce is much lower for Kao than the conventional products. I think it is important, therefore, to create a business model that makes all stakeholders happy, including customers and society, while generating profit sustainably for Kao.

Generating New Value through Connections Both within and Outside the Company

—**Murata:** One of the focuses in K25 is for the new business structure to break down organizational silos in

Thank-you letters from families that we gave *Bioré u Hand Sanitizers* to



With no end to the pandemic in sight, it was impossible to buy hand sanitizer and we couldn't help but worry as what we had left decreased day by day. So this one bottle is physically a great help and was such a relief emotionally as well.



We also told our daughter that someone far away was looking out for us. We intend to overcome the COVID-19 pandemic, and also raise our daughter to one day overcome her handicap and give back this kindness that we have received.





Measuring the strength of the asphalt modifier in the lab, and a paving project using the product. Adding just 1% asphalt modifier improves the durability of the asphalt pavement approximately five-fold.

other words, break down barriers among divisions, and create connections within and outside the company that will lead to products and services that generate new value.

Shimotoyodome: For me, the important thing in building horizontal connections, whether inside or outside the company, is to first decide clearly what we are trying to achieve. I believe that collaboration begins with polishing our vision to a level that makes it easy to communicate to people, and firmly declaring our intention.

Katayose: The same can be said for connections outside the company in the Chemical Business. Kao excels in strong materials and reliable evaluation techniques, so let's say, for example, that we have a material that doesn't irritate the skin and can control the texture of foam. On the other hand, there are different companies that have excellent surfactants but have issues with their foaming. A collaborative business effort could help create better products and services for customers and take both customers and Kao into uncharted territory.

—**Murata:** Under our ESG Strategy, I believe Kao will break down barriers both within and outside the company to pursue initiatives more creatively. I would like to see us more energetically express “this is how

we want to be” and work to generate new value. Thank you for your participation today.

I want us to express what we want to be both internally and externally and generate new value.

Mami Murata
Executive Officer
Responsible for
Strategic Public
Relations
(Facilitator)

