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Kao Announces Human Capital Strategy Linked to Its Management Strategy in Realization of Its Vision of Protecting Future Lives

Maximizing the Power and Potential of Employees
with Decisive Investment in Human Capital

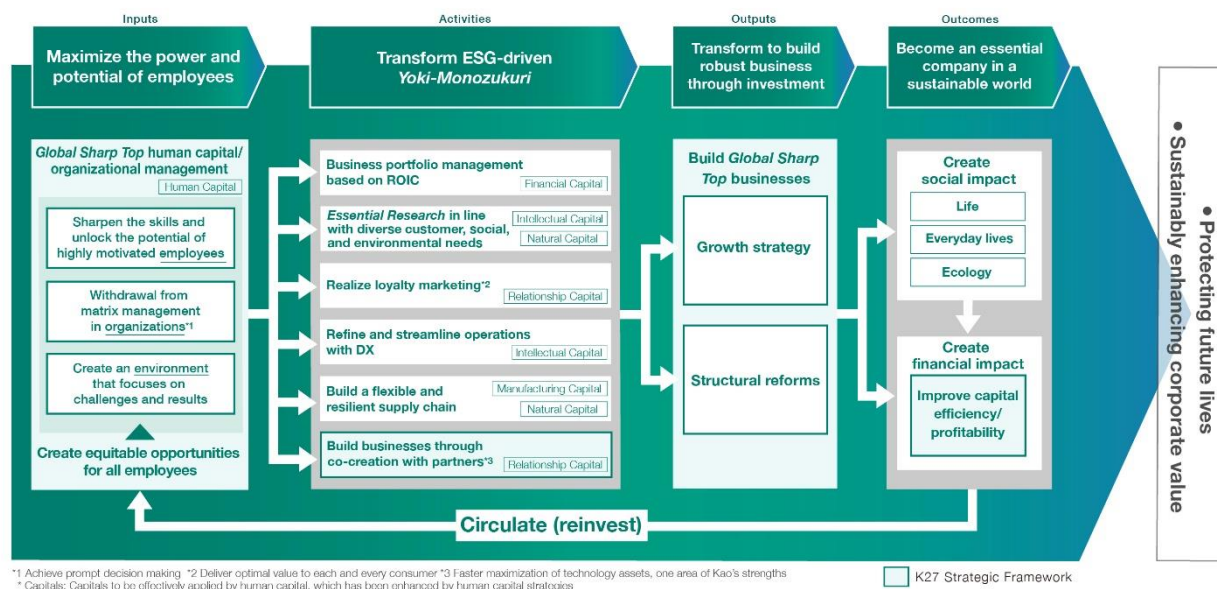
In the recently published Kao Integrated Report 2024, Kao Corporation announced its human capital strategy for realizing its Mid-term Plan 2027 (K27). To realize the vision of “protecting future lives” set forth in K27, Kao is engaging in *Global Sharp Top**¹ human capital/organizational management, which is based on decisive investment in human capital and withdrawal from matrix management in organizations. Through this, Kao intends to achieve further company development by transforming its *Yoki-Monozukuri* and building *Global Sharp Top* businesses.

*1 Contribute as the global No.1 with leading-edge brands and solutions that address the critical needs of customers

[Kao Integrated Report 2024](#)

[Management Strategy and Mid-term Plan 2027 \(K27\)](#)

Human Capital Strategy Linked to Kao's Management Strategy



Value creation cycle for enhancing corporate value

Kao's greatest asset is its employees, and continuing to maximize their vitality is a key issue in its human capital strategy. Through its human capital and organizations with global perspectives, high-level expertise, and the power to drive transformation, Kao will evolve its *Yoki-Monozukuri* and build robust businesses through investment. The impacts from this investment will then be reinvested in

human capital with the aim of driving further company development.

Kao's Guidelines for Human Capital Development contain the three policies of "from equality to equity," "from the relative to the absolute" and "from the uniform and formal to the diverse and having initiative." Under these guidelines, Kao is promoting *Global Sharp Top* human capital/organizational management, which expands decisive investment in highly motivated employees and enables prompt decision-making and implementation.

After implementing "Create equitable opportunities for all employees," in order to "Sharpen the skills and unlock the potential of highly motivated employees," Kao optimally assigns employees based on their career plans and the company's plans. The company also expands opportunities for reskilling and skills improvement, including education on digital transformation (DX), making efforts to "Withdraw from matrix management in organizations" by reinforcing a scrum-type approach, in which employees capable of prompt decision-making are brought together for key tasks. Key employees will be identified at the preliminary stages of their careers to undergo systematic and proactive training and assignment. At the same time, Kao will strive to "Create an environment that focuses on challenges and results," by providing greater transparency in performance evaluations and rewarding employees who tackle difficult challenges and produce results.

As stated by Hideki Mamiya, Senior Executive Officer and Senior Vice President, Human Capital Strategy, "Kao has always recognized the strengths of employees as its greatest asset and has worked to maximize their vitality. Now, to achieve K27 and evolve our *Yoki-Monozukuri*, there is a need for our human capital/organization to become *Global Sharp Top*. We have begun swiftly implementing decisive human capital measures and activities around the pillar of transitioning 'from equality to equity.'"

Revitalizing Employees and Organizations Through Dialogue



Human capital strategy toward achieving K27

The basis for all activities is ongoing dialogue from all directions. Kao is further implementing initiatives and approaches to expand this dialogue as diverse work styles tailored to roles become more prevalent.

Kao conducts regular employee engagement surveys, including with group companies in Asia, Americas and EMEA, to verify the state of employees and organizations while verifying the effectiveness of the respective measures at the time. Based on these activities, Kao strives to implement efficient measures to further expand its pool of highly motivated employees. As an indicator for this, Kao has set the FY2027 target of a total score of 75 (out of a perfect score of 100) in the employee engagement survey (FY2023 score was 63^{*2}).

^{*2} In 2023, 27,460 Kao employees responded to the survey

● **Create equitable opportunities for all employees: well-being, DE&I and OKR**

To maximize the power and potential of employees, Kao is working together with health insurance associations to conduct Health and Productivity Management^{*3} that promotes well-being. At the same time, the company is promoting the empowerment of all employees, including those who identify as female, members of the LGBTQ+ community, have disabilities, are from different cultures, and/or are raising children or providing care to family members.

^{*3} Health and Productivity Management is a registered trademark of Non-Profit Organization Kenko-keiei.

News Releases from March 2024

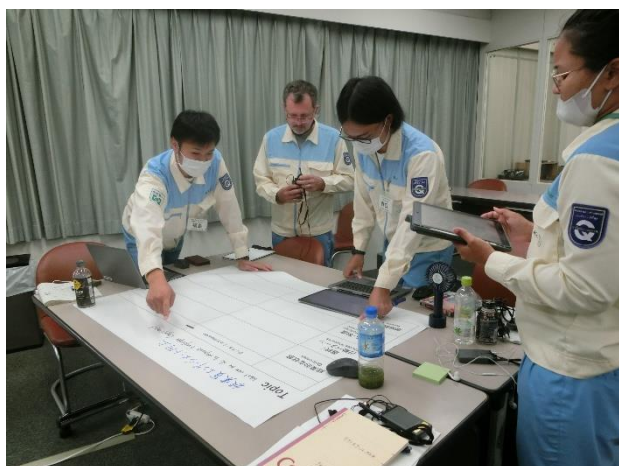
[Kao Selected as a Health & Productivity Stock Selection Brand for the Ninth Time](#)

Introduced in 2021, Objectives and Key Results (OKR) is an initiative in which employees set challenging goals and work toward them from the three focus areas of business contributions, ESG and “One Team & My Dream.” Currently, 72% of global employees and 90% of employees in Japan have set goals and activities based on OKR. All employees are able to view each other’s OKRs in the system. Employees engage in dialogue and collaboration transcending countries, regions and positions, which drives innovation and increases business velocity. Kao also provides opportunities for employees to learn about psychological safety and unconscious bias to help build an organizational culture with a dialogue focus.

● **Create an environment that focuses on challenges and results: More transparency in evaluation**

Kao is expanding 360-degree feedback, which has been introduced in some organizations, to all Kao Group companies in Japan from FY2024 to support the growth of the management team and improve the transparency of organizational management. This tool provides feedback from various directions, not just senior positions, thereby enabling management-level employees to objectively assess their own capabilities and the degree of leadership they demonstrate. This leads to capacity building and enhances the transparency and reliability of performance evaluations for managers.

- **Sharpen the skills and unlock the potential of highly motivated employees: Kao Techno School, DX Adventure Program and the Kao Group Internal Job Posting system**



Kao Techno School, which trains employees to be the next *Genba* leaders in Supply Chain Management Division, is a program that enhances employees' management capabilities both in terms of demonstrating excellent character and insight (spirit) and having a wide range of subject-matter expertise and competencies (skills). Young employees globally are selected to participate in this program, with 1,047 having completed the program so far. Eighty percent of employees in

leader roles at worksites that handle high-pressure gasses, where safety management is a critical need, have completed this program. In the last three years, 45% of participants were selected from group companies in Asia, Americas and EMEA, making this a global learning program. Graduates who have developed new knowledge, skills and the spirit of challenge have become standout employees who are contributing to revitalizing their workplaces.



In addition to proactive efforts to foster “citizen developers^{*4},” Kao introduced the DX Adventure Program in November 2023 to promote the enhancement of digital skills among all employees. Kao is bolstering its activities to discover and foster “DX employees” and accelerate the creation of new value and business process transformation in all Kao companies and divisions. Kao is bringing visibility to employees’ skills by adopting Open Badges (digital certificates) to boost employee motivation. This program has started in Japan and will expand worldwide from 2024.

^{*4} Activities with a *Genba*-oriented perspective to promote operational improvements by regular employees without IT expertise through the use of low-code or no-code tools

The Kao Group Internal Job Posting system was launched in January 2024 as a means of providing highly motivated employees with opportunities to shape their careers themselves. Based on their interests and motivation to take on challenges, employees can apply for open positions that are directly linked to the management strategy.

● **Withdrawal from matrix management in organizations: Business Steering Board**

Kao is evolving its matrix-type organizational management that leverages the freedom of business and functional divisions and promoting “scrum-type management,” which aims to achieve targets for priority tasks at maximum speed. In 2023, Kao launched the Business Steering Board in its key businesses, which include the Fabric Care, Sanitary and Hair Care categories, comprising key employees from each business and function. The Business Steering Board holds spirited discussions on priority issues based on group-wide strategy and quickly makes decisions, leading to accelerated velocity of initiatives targeting business expansion. The brand *melt*, which was launched in April 2024, is a new hair care brand created by the Business Steering Board.

News Releases from February 2024

[Kao Launches Business Transformation to Build Hair Care Business into a Growth Driver: \[1st Launch\] New Brand melt](#)

The Kao Group has been promoting the Kao Group Mid-term Plan, with its vision of “protecting future lives” and “sustainability as the only path,” since 2021. It contains 19 key leadership actions and the human capital strategy relates to many of them, such as respecting human rights, inclusive and diverse workplaces, employee well-being and safety and human capital development. The Kao Group will continue to integrate its ESG strategy into its management practices, develop its business, provide better products and services for consumers and society, and work toward its purpose, “to realize a Kirei world in which all life lives in harmony.”

About the Kirei Lifestyle Plan

Over the past 130 years, Kao has worked to improve people’s lives and help them realize more sustainable lifestyles—a Kirei Lifestyle. The Japanese word ‘kirei’ describes something that is clean, well-ordered and beautiful, all at the same time. The Kao Group established its ESG strategy, the Kirei Lifestyle Plan in April 2019, which is designed to deliver the vision of a gentler and more sustainable way of living. By 2030, Kao aims to empower at least 1 billion people, to enjoy more beautiful lives and have 100% of its products leave a full lifecycle environmental footprint that science says our natural world can safely absorb.

Please visit [the Kao sustainability website](#) for more information.

About Kao

Kao creates high-value-added products and services that provide care and enrichment for the life of all people and the planet. 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 business, which contributes to a wide range of industries, Kao generates about 1,530 billion yen in annual sales. Kao employs about 34,300 people worldwide and has 137 years of history in innovation.

Please visit [the Kao Group website](#) for updated information.

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Related Information

[Kao Releases the Kao Integrated Report 2024](#)

[Kao Releases Progress Reports on its ESG Strategy—the Kirei Lifestyle Plan](#)

[Kao launches new ESG Strategy “Kirei Lifestyle Plan” to support consumer lifestyle changes](#)

[Kao’s New Challenges for the Future: Accelerating Purposeful Business Commitment with ESG](#)

[Kao sustainability website](#)