

Transforming ourselves to drive change, we will generate significant growth through our distinctive ESG activities “Kirei^{*1} Action.”



I would like to thank you, our shareholders, for your exceptional understanding and support of the Kao Group’s business and corporate activities.

While passing down our *Yoki-Monozukuri*^{*2} spirit, we have been conducting corporate activities aimed at achieving the wholehearted satisfaction and enrichment of the lives of people globally and contributing to the sustainability of the world. It has been 130 years since we launched the first high-quality bar soap produced in Japan. During this time, the society and economic environment have seen dramatic changes, and people’s lifestyles have also changed accordingly. Along with this, we have been transforming ourselves and achieved significant growth.

Yoki-Monozukuri implemented by the Kao Group to date has also pursued environmental consciousness and user friendliness while staying close to society and people and quickly understanding their needs. However, the recent changes taking place in the business environment and society, increase in the amount of information available caused by the digital revolution and the resulting changes in consumer awareness, are unprecedented in terms of their speed and scale. Along with this, social issues beginning with the worsening global environment are rapidly increasing in severity, and the responsibility of global corporations has become even heavier.

Therefore, in FY2019 we declared our commitment to shifting to ESG-driven management. This is not an extension of our existing value of *Yoki-Monozukuri*, but a

way to realize a more sustainable society focused on the future and management efforts to do this.

In addition, we announced our ESG Strategy, the “Kirei Lifestyle Plan,” which further integrates ESG into our business strategy, in FY2019, the third year of the Kao Group Mid-term Plan 2020 (K20).

The “Kirei Lifestyle Plan (KLP)” was established based on the Kao Group’s *Yoki-Monozukuri* spirit to serve people’s needs and desire to live a more sustainable lifestyle. The Kao Group defines this desired life as the “Kirei Lifestyle,” and aims to advance innovations in all aspects of business to contribute even more to society.

Kao continued to grow in FY2019, achieving 10th consecutive year of increases in operating income, 7th consecutive year of record-high operating income and 30th consecutive year of increases in cash dividends.

While staying close to consumers and customers, we at the Kao Group will boldly take on challenges so that we can contribute to the lives of people globally and the sustainability of the world.

I would appreciate your continued understanding and support of the Kao Group’s business and corporate activities.

A handwritten signature in black ink that reads "Michitaka Sawada".

Michitaka Sawada
Representative Director
President and Chief Executive Officer

^{*1} The Japanese word “kirei” describes something that is clean, well-ordered and beautiful, all at the same time. For Kao, this concept of Kirei not only describes appearance, but also attitude—to seek to create beauty for oneself, and also for other people and for the natural world around us.

^{*2} 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.”