

Human capital development 102-12, 102-15, 103-1, 404-2

Employees are a company's most important asset. Aiming to draw out the unlimited potential that every employee possesses to generate immense vitality, and utilize this vitality to the maximum possible extent as an organization. We strive to create an environment and a corporate culture in which both individuals and the company grow together through successful completion of work and making positive contributions to society.

Kao's creating value to address social issues

Social issues we are aware of

In the midst of trends such as the digital revolution symbolized by coexistence with AI, ESG management and the advent of a super-aged society in Japan, the optimal forms of how people live, social systems and jobs are undergoing major changes.

In conjunction with these changes, employment and human capital management are also entering a period of innovation. Human capital strategies that anticipate these types of changes are important for the continued growth of a company.

Kao's creating value

We are expanding our support measures in relation to childcare, nursing care and long-term care needs, and we are implementing measures to promote empowerment of female employees, promote normalization (expand employment and utilization of persons with disabilities), expand the continued employment and active utilization of older employees who have already passed retirement age, promote more flexible work styles, and raise productivity by enhancing efficiency and changing attitudes.

Furthermore, reflecting our awareness of the fact that employees' health represents not only a key foundation of each employee's life but also an important asset for the company and a fundamental source of corporate growth, we are providing active support to encourage employees to look after their own health properly.



→ p. 175 Walking the right path > Employee wellbeing & safety

We are therefore making a global effort to promote diversity and inclusion so that all employees are able to demonstrate their different characteristics and capabilities to the maximum possible extent.



→ p. 162 Walking the right path > Inclusive & diverse workplaces

We are strengthening and promoting, on a global basis, measures to cultivate human talent that can make a wide-ranging positive contribution to society through corporate activity.

Besides aiming to enhance both corporate growth and employee motivation, we eliminate authoritarian approaches and place great importance on a corporate culture in which top management and employees collaboratively work together to achieve business goals. In order to build favorable labor relations, we provide opportunities for sharing and discussion with employee representatives with regard to our current situation and policies as well as measures for human capital development. This encourages our employees to further exercise their creativity, and to provide even higher-quality products and services.

Risks related to realization of our vision by 2030

By reinforcing the development of next-generation

leaders who can anticipate changes, conducting business that enables each member of a diverse workforce to perform their work in a healthy and enthusiastic manner, and achieving growth by performing work and contributing to society, we will become a company with a global presence that undergoes continuous growth.

If we fail to maintain healthy labor relations, then employee engagement may fall, and there is a risk that we may be unable to achieve the business objectives that we planned in order to realize our vision for 2030.

Opportunities related to realization of our vision by 2030

By reinforcing the development of next-generation leaders who can anticipate changes, conducting business that enables each member of a diverse workforce to perform their work in a healthy and enthusiastic manner, and achieving growth by performing work and contributing to society, we will become a company with a global presence that undergoes continuous growth. By maintaining and developing healthy labor relations, we can strengthen employee engagement.

If our employees are able to further exercise their creativity, then it can be anticipated that we may be able to achieve results that surpass the business objectives that we planned in order to realize our vision by 2030.

Contributions to the SDGs



Policies

The efforts of each and every employee to pursue individual achievements by exercising his or her own abilities and characteristics to the utmost can contribute to the success of the employer. Based on this concept, we aim to create such an environment and corporate culture.

To this end, we have defined this policy as the Guidelines for Human Capital Development and have made clear what constitutes an Ideal Organization and Ideal Human Capital. With the objective of achieving this policy, we provide various opportunities and support for employees to develop their skills and capabilities within Kao's line management framework in accordance with their own level of motivation and organizational goals.

Furthermore, we clearly state roles and responsibilities and endeavor to fairly evaluate the performance of each employee on a regular basis in order to provide fair evaluations and compensation without regard for employment status, gender, or other individual attributes.

* Employee compensation is set at levels commensurate with our company capabilities and growth, and at levels ensuring market competitiveness through verification of external markets and other factors.
Through this verification, compensation levels also adequately take into consideration living wages.

Guidelines for Human Capital Development

Continuously improve overall efficiency based on creative and innovative activities aimed at the sustainable growth of the Kao Group through *Yoki-Monozukuri*.

(Pursuit of efficiency)

Provide a work environment where each individual's dignity is respected, and which makes full use of employees' autonomy and diversity, since the enthusiasm of all employees to display their boundless wisdom is the wellspring of creation and innovation.

(Respect for human dignity)

Integrate organizational efforts and individual efforts through creative and innovative activities so as to achieve evolution for all. Make efforts to improve policies in order to offer all individuals freedom to display wisdom, and to enable combined individual efforts to lead the Kao Group to further prosperity.

(Efforts aimed at integration)

Vision of Human Capital Development

Ideal Organization

We are committed to building organizations that are characterized by openness and frankness so as to encourage people to pursue innovation, by empowerment characterized by greater transparency, and by organizational management based on the Kao Way. We also endeavor to actualize organizations in which the entire Kao Group operates harmoniously based on the concept of an "organically functional organization" that flexibly and quickly adapts to environmental change.

Ideal Human Capital

1. People with consistent willingness to take on challenges
Challenge & Change
2. People with high expertise
Professional Capabilities
3. People with a global perspective
Global Perspective
4. People with the team spirit needed to achieve superior performance
Communication & Collaboration
5. People with strong ethics
Integrity

Education and promotion

Our Guidelines for Human Capital Development, and the concepts of the Ideal Organization and Ideal Human Capital that constitute our vision for human capital, are posted on our company's intranet so that employees can check them at any time. We are also working to ensure that this vision is disseminated as widely as possible, by sharing the vision during a wide range of training activities, including training for employees who have just been appointed to managerial positions, and training for cultivating global leaders, etc.

In addition, we strive to foster understanding between senior management and employees by facilitating opportunities for mutual dialog, with the objective of developing a sense of unity throughout the group. We promote mutual understanding between senior management and employees by providing opportunities for the exchange of opinions and views whereby the senior management explains priority issues such as the company's current situation, policies and human capital development to employees as well as responding to their questions. In this way, we establish an understanding of the genuine concerns and opinions of employees, which then feeds into ongoing measures to develop human capital and policies to improve the workplace environment, among other undertakings.

There are regular opportunities for dialog between the factory labor unions at Kao Corporation's Wakayama Plant and Sakata Plant, and the labor unions of our affiliate companies, and our senior managers and human resource managers, enabling

us to respond to the labor unions' proposals and expectations, and making it possible for management and employees to share details of our current situation and future strategy.

Collaboration and engagement with stakeholders

We strive to enhance employee engagement by holding activities involving the exchange of views between senior management and employees as opportunities for dialogue.

We also conduct *Find* employee survey, periodically to realize the goal of creating a "Great place to work." We then confirm the respective strengths and areas where improvement is needed of each organization by visualizing the organizational status using numerical data. Subsequently, we identify our challenges based on analyses of these results, and formulate and set and implement effective action plans. In these ways, we endeavor to consolidate the RPDCA cycle* to improve our organization and workplaces.

In the 2018 employee survey *Find*, the global response rate was 70%, with the affirmative answer rates to a question on "Engagement/Employer of Choice" of 66% and to a question on "Development Opportunities & Climate" of 52%.

* RPDCA cycle

This adds "Research" (which equates to "analysis of the current situation") to the PDCA cycle for operational improvement. Doing so has allowed us to strengthen our ability to respond to changing circumstances.

Framework

Human Capital Development Structures

To promote activities within the group in accordance with the Guidelines for Human Capital Development, we have introduced a framework that is shared and utilized globally. For example, we manage labor costs and make use of human capital information via a global human capital information system. We also improve our organizational capabilities through the employee survey *Find* and bolster our human capital management and development through the establishment of job rank, evaluation and training systems and compensation policies that are shared globally.

We pursue these activities under Senior Vice President of Human Capital Development and our matrix management structures in cooperation with the human capital development divisions of each group company, both within and outside Japan.

Furthermore, we have set up human affairs functions within major divisions in Japan while also establishing on-site career coordinators who oversee the nurturing of each employee and provide assistance in career development.

The Human Capital Development Conference, which is made up of the persons responsible for human capital development in major divisions and group companies in Japan, meets monthly, while persons responsible for human capital development overseas meet annually to share information on and discuss policies relating to human capital development throughout the group and the status of activities at each group company.

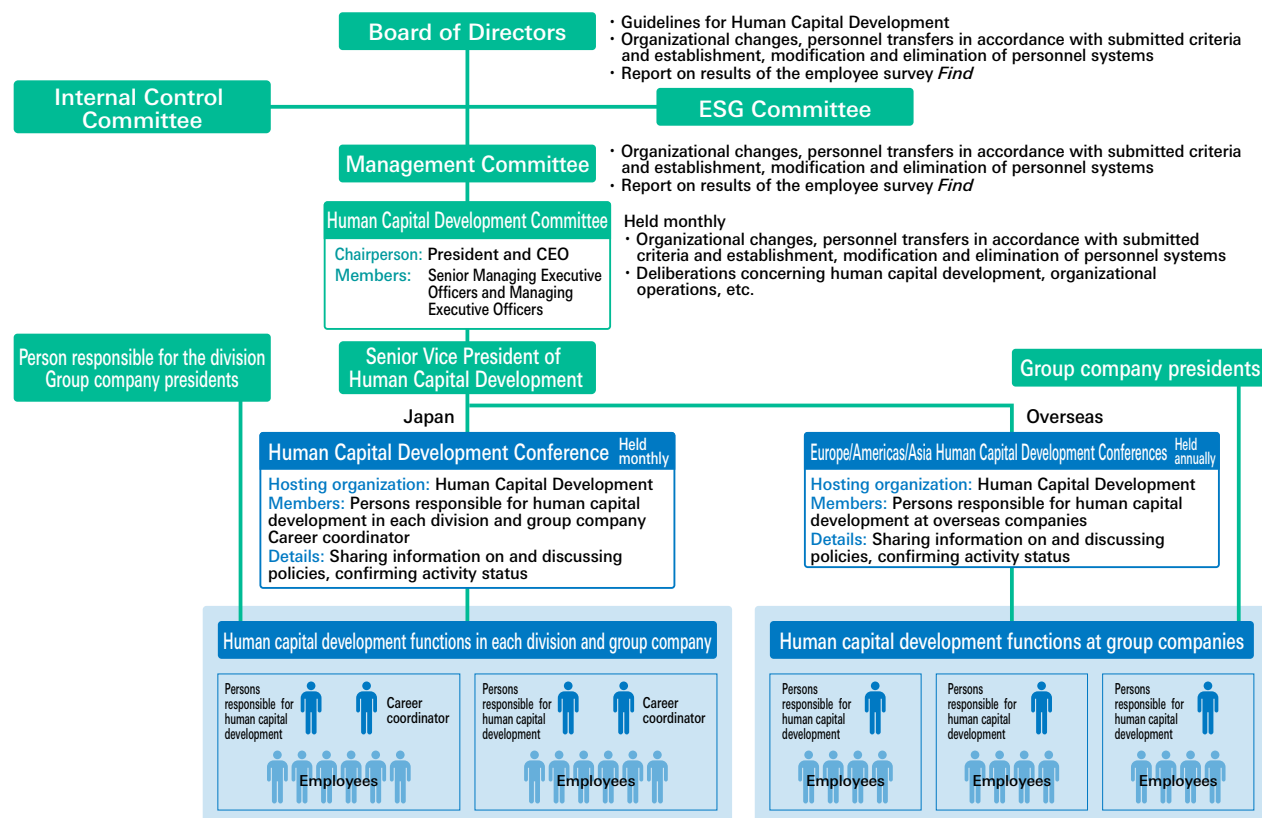
Major organizational changes, personnel transfers in accordance with submitted criteria and establishment, modification and elimination of personnel systems are

deliberated on by the Board of Directors, Management Committee and Human Capital Development Committee.

In addition to the above, the officer responsible for the Human Capital Development Division reports on human capital development policies and the results of the employee opinion survey *Find* to the Board of Directors.

The Human Capital Development Committee, where top executives participate as members, meets monthly to discuss human capital development, organizational operation and other matters in addition to deliberation matters pursuant to submitted criteria.

Human Capital Development Structures



* As of December 2019.

Kirei Lifestyle Plan

Making my everyday more beautiful

Making thoughtful choices for society

Making the world healthier & cleaner

Walking the right path

Human capital development 103-2, 103-3, 404-2

Employee dialogue structure

Platforms for regular dialogue with employees include Employee Welfare Committees at each worksite and branch, Employee-Management Meetings at every group company, and the Kao Forum for the group as a whole.

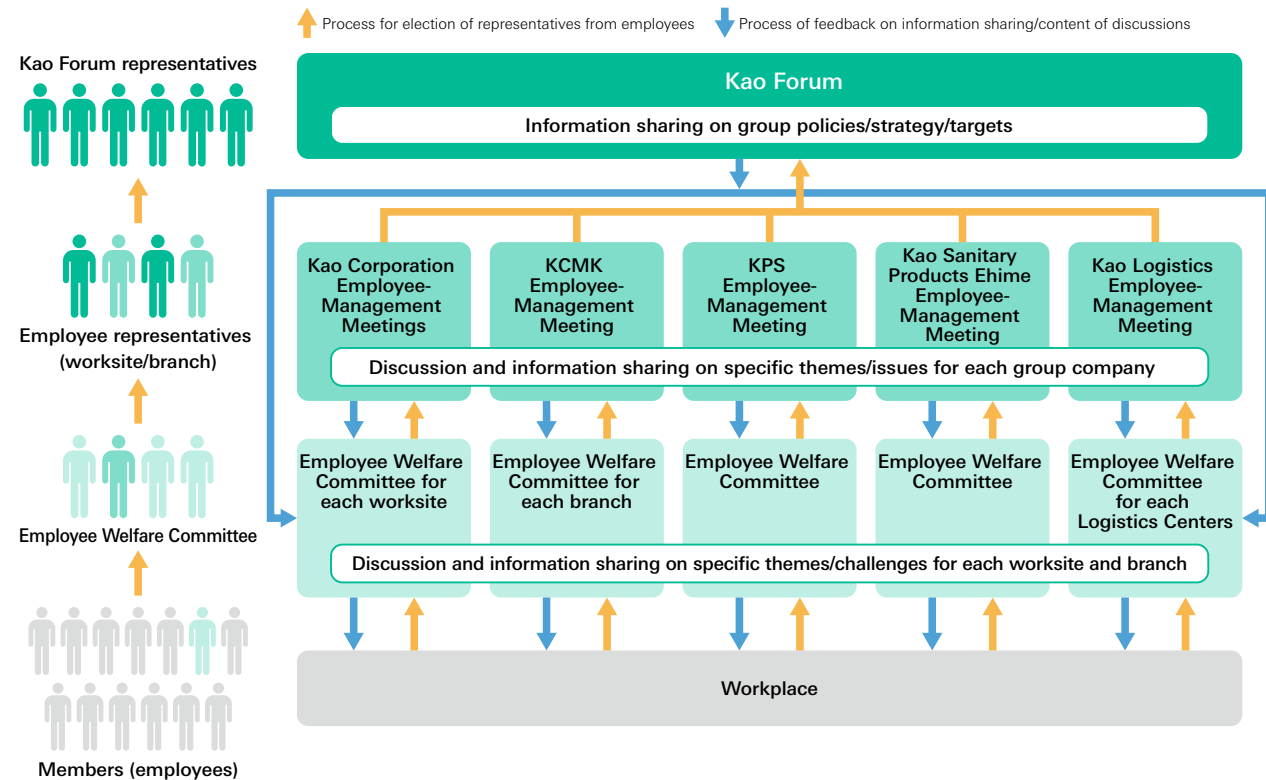
The Kao Forum is held in both Japan and Europe, with employee representatives from Kao Corporation, Kao Group Customer Marketing Co., Ltd. (KCMK), Kao Professional Services Co., Ltd. (KPS), Kao Sanitary Products Ehime Co., Ltd. and Kao Logistics Co., Ltd. participating in the Kao Forum in Japan.

Meetings of the Employee Welfare Committee are conducted monthly, and the Employee-Management Meetings and Kao Forum are conducted twice a year. Continuous mutual information sharing on the content of the discussions and information shared at each meeting is implemented for all employees through the employee representatives and Employee Welfare Committees.

Within the group as a whole, the percentage of employees that are union members is 36%*.

* This figure excludes Kao Group member companies that do not track the number of employee union member. Due to information protection reasons and freedom of association of countries/regions where they operate business, employer doesn't have the rights to confirm about the Union membership.

Employee dialogue structure



Mid- to long-term targets and performance

Mid- to long-term targets

For the process of respecting, eliciting and fostering the potential inherent in all individuals, such as pursuit of the essence, creating to generate new values, and learning on their own initiative, we seek to identify the potential of each individual from multiple perspectives, and we provide support so that all employees can continue to hone their capabilities, knowledge, skills and experience on an ongoing basis.

We also seek enhance and consolidate the RPDCA cycle moving toward regular implementation of employee survey *Find* and organizational improvements.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

By promoting the enhancement of employees' skills and sense of purpose and the retention of human capital, and by enabling individual employees to fully demonstrate their abilities, the organization as a whole can generate high performance, while ensuring appropriate opportunities for dialog and thereby enhancing employee engagement. In this way, we can achieve our planned growth goals, or even achieve results that exceed these goals, which in turn will ensure and expand profitability.

In addition, the reduction in employee turnover can be expected to lead not only to a fall in recruitment costs and an improved return on investment in human capital, but also to an enhancement in Kao's reputation as an employer.

Social impacts

When, thanks to improved employee engagement, employees boldly take on challenges without fearing change in workplaces where they feel a sense of purpose, ideas that potentially solve social problems are generated, and we can provide products and services that enhance consumer satisfaction and even better products and services that help to realize a sustainable society.

Performance in 2019

Implementation of training programs to encourage self-learning and lead change

- Development of global leaders

The Global Leadership Development Program has been implemented as a global program common to all group companies, in which members selected from individual group companies study Kao's management challenges from a broader perspective and make proposals to top management.

The program had 19 participants in 2019 (8 from Kao Group companies outside Japan, and 11 from Kao Group companies within Japan).

In addition, we have implemented the roll-out of the Managing Human Performance Program (MHPP) in countries around the world to strengthen line management capabilities.

In 2019, a total of 361 employees (174 male employees and 187 female employees) underwent MHPP training in Japan. A revised MHPP program has been implemented in Kao Group companies outside Japan since 2017 to foster closer coordination and collaboration throughout the group and strengthen management.

Each of these programs has received high evaluations from participants.

- Providing employees with diversified development support Starting in 2017, we have implemented a 50+ Career Seminar for employees who have reached the age of 50 (starting with Kao Corporation), in addition to the Life Career Design Seminar for employees who have reached the age of 45 and the Life Plan Seminar for employees in their late 50s.

Dialogue with employees

- Employee survey *Find* and actions taken based on the results

We have implemented the action plan based on the results

obtained in the employee survey *Find* that was implemented in 2018.

- Employee communication

In February and July 2019, Employee-Management Meetings and the Kao Forum were conducted in each Kao Group company. The Kao European Forum was conducted in the European region in June 2019, with 18 employees participating as regional representatives.

At the Kao Forum, where employee representatives from different Kao Group companies were brought together, a total of 29 employee representatives participated: 15 from Kao Corporation, 10 from KCMK, two from KPS, one from Kao Sanitary Products Ehime Co., Ltd., and one from Kao Logistics Co., Ltd. Questions were fielded from employee representatives, which included questions regarding the orientation of respective business areas, product development and deployment of sales measures, activities relating to advanced technology, and ESG activities, etc. Many positive comments were received from employee representatives, including: "My sense of belonging to the Kao Group has increased" and "I learned more about our direction and approaches, which will serve as a useful guide for the future."

At the Employee-Management Meetings, there was concrete discussion regarding the strategies and measures being implemented by individual companies, etc. During the Employee-Management Meeting at Kao Corporation, the discussion between human resources management and employees focused on issues relating to human resources and employee welfare matters, with an exchange of views regarding measures to promote better workstyles.

- Following the adoption of the working-from-home system, we share information regarding the system's usage status and continue to exchange views.

- Regarding the expansion of career support options for employees who are re-employed after reaching retirement age, we report on progress and exchange views.

Human capital development costs

	2015	2016	2017	2018	2019
Average training hours	—	—	13.0	12.6	14.1
Expenditure on education and training per employee (consolidated)	69,000 yen	66,000 yen	58,000 yen	56,000 yen	51,000 yen

Reviews of performance

Implementation of training programs to encourage self-learning and the ability to guide change

From 2020 onwards, we will be strengthening our programs for supporting the developing the next generation of managers who will function as global business leaders. We will also be creating opportunities for managers to undertake liberal arts study at an earlier stage. In addition, we are further expanding the Managing Human Performance Program (MHPP) to strengthen line management capabilities. We will expand learning the range of opportunities for individual employees to learn according to their own needs, so that employees with a high level of motivation to continue to learn, change and grow by themselves can put themselves forward and challenge themselves.

Dialogue with employees

In 2020, we are continuing to implement action plans formulated to address the issues identified from the results obtained in the employee survey *Find 2018*, and we are implementing measures to resolve these issues. We implement concrete action plans, in line with the issues affecting individual organizations, which embody the key features of the strategy adopted for company-wide measures, including Communication and Challenge, etc.

Our initiatives

Human Capital Development Programs

Developing global leaders

In developing future leaders who can drive our global business development, we collaborate with high-profile international business schools to implement intensive training. Besides working to enhance trainees' management skills, we have also been working to expand opportunities for them to encounter the latest discoveries in a wide range of fields and to build their personal networks. Liberal arts studies have also been included as a way to cultivate depth of insight and a strong value system.

Providing employees with diversified development support

- In-house trainers have been cultivated at individual Kao business locations, working with speed and attention to detail to ensure that all employees absorb the Kao Way and Kao's emphasis on Integrity, and acquire necessary business skills.
- By expanding opportunities for cross-industry exchange when employees are reaching milestones in their careers, and building networks to expand employees' perspectives, we have provided enhanced stimulus for intellectually creative activity.

- We have adopted the Self Education & Development Scheme (SeEDS), whereby, once the direction that the individual employee hopes to take their career in has been confirmed, we promote individualized career development based on human capital development and suitability perspectives.

- In Japan, recognizing the growing importance of career development that takes into account the work styles appropriate for employees who wish to continue working after the age of 60, we have been implementing programs such as the Life Plan Seminar for middle-aged and older employees.

Career development support

- We are promoting individual career development throughout the group for all employees regardless of which group company they are employed by and regardless of the type of employment and are building an environment in which all employees can challenge themselves while working toward forward-looking goals.

- We have adopted the Self Education & Development Scheme (SeEDS), whereby, once the individual employee has decided on which direction they hope to take their career in, we implement

individualized career development support based on human capital development and suitability perspectives.

Human capital development through the employee evaluation system

- Through our fair and transparent evaluation system, we are able to draw out the motivation, pride and personal growth of individual employees through the process of taking on challenges and achieving goals, implementing systematic and carefully planned human capital cultivation over both the short term and the medium to long term.

- We have standardized our performance management system with some of our affiliates in Japan, Europe, the Americas and Asia, and have put into operation infrastructure using common metrics. We implement an annual cycle that includes a series of linked processes as follows: (1) Setting of targets and task implementation, (2) Monitoring of performance and follow-up during the implementation period, (3) Evaluation determination based on confirmation of the results achieved, and (4) Capability development review using feedback interview sessions.

Human capital development 404-2

Kao Group global common training program and specialist programs

		Marketing	Sales	SCM	R&D	Information Systems
SMP Level	Global Leadership Development Program II					
	Global Top Management					
MP Level	Training for Promotion to G3 Level					Stage 3 Integrated IT Training
	Global Leadership Development Program I		BLDP Advanced	Supply Chain Development Program - Advanced Course	Specialist Programs Managers and Supervisors Forum	Stage 2 Methodology Training (Application) Applied Application Training Applied Technology Training
LS Level	Managing Human Performance Program (MHPP)		BLDP Basic Sales	<ul style="list-style-type: none"> Supply Chain Development Program - Basic Course Kao Techno School Kao Engineer School "High Pressure Academy" "Anti-microbial Technology Academy" Quality On-the-job Training (OJT) SHIC 		Science Basics Academy
	Training Program for International Assignment	"Marketing University" (Master Level) "Marketing University" (Basic Level)	Exchange Program		<ul style="list-style-type: none"> AC Training Key Account Management Excellence 	
S Level	Business Skills Facilitation, negotiation, project management	MK Management Strategy Fundamentals • Communication • Research • Marketing Fundamentals II	Introductory Training	Field Sales Excellence	"Freshman Forum"	Specialist IT Training for New Employees
	Kao Way Integrity	Marketing Fundamentals I		Monozukuri Skills Transmission C		
	New Employee Orientation					

SMP Level: Senior management/senior professional level
 MP Level: Management/professional level
 LS Level: Leading staff level
 S Level: Staff level

Implementation of the employee survey *Find*, and drafting of action plans

The employee survey *Find* is implemented regularly, once every two years. In the first year, the focus is on survey implementation, results analysis and development of action plans. In the second year, the action plans are put into practice. The implementation results are then verified in the next *Find* survey, thus ensuring effective the implementation of the RPDCA cycle.

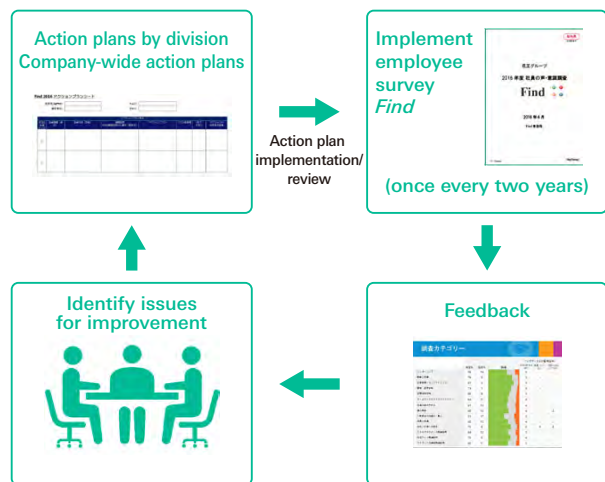
In 2019, we implemented, on a company-wide basis, the action plan based on the results obtained in the 2018 employee survey *Find*. As regards the overall

strategic direction for company-wide action, we selected five key items, including moving forward to the big changes and challenges relating to implementation of K20, and Return to the basics of the Kao Way "To be closest to consumers and customers." Action plans were formulated following discussion at each worksite, and taking into account the issues already affecting individual companies and divisions. All employees worked to implement these action plans with an ownership mindset. To ensure that action plans were properly implemented, the

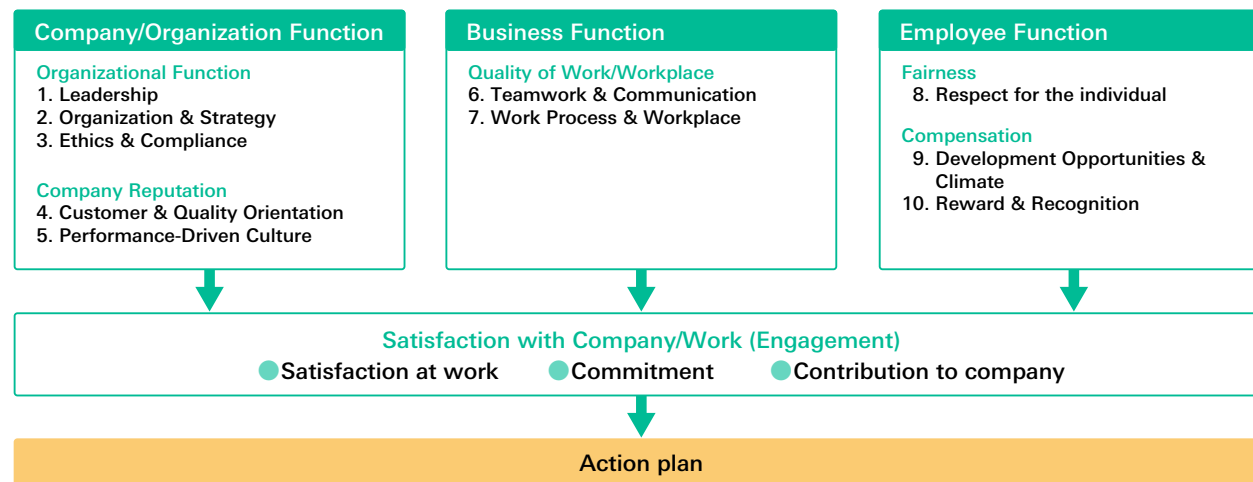
progress status was monitored on a periodic basis by both the company and the individual employees.

The *Find* survey is normally implemented once every two years. However, in order to reevaluate the questions, so as to be able to implement more effective measures, the next survey is being postponed by one year, and will now be implemented in 2021. In 2020, we will continue to focus on implementation of the action plans, with all employees working together to enhance our overall organizational capabilities.

RPDCA to improve organizational capacities



Employee survey *Find* questionnaire items



Human capital development

Topic **External Evaluation**

Recognition in Nikkei's Smart Work survey

Kao Corporation received an evaluation of 4.5 stars in the Smart Work enterprise management survey implemented by Nikkei, Inc.

The survey, which targets Japan's listed companies and some larger unlisted companies, defines Smart Work management as business management that realizes the maximization of organizational performance through the effective integration of three key elements such as the adoption of diverse and flexible work practices, a corporate structure that fosters innovation, and the ability to develop markets. Evaluation and certification is performed using a five-point scale that also takes into account other management fundamentals, such as corporate governance.



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Walking the right path