

COVID-19 Response 102-15

COVID-19 has upended our lives.

The Kao Group's first priority is the health and safety of all our stakeholders, including our customers and our employees and their families, and we are working hard to prevent the spread of the virus.

As a company that has engaged in research on cleanliness and hygiene and delivered products in these fields, we have undertaken concerted efforts to supply hygiene-related products needed to maintain hygienic living conditions and communicate hygiene information useful in daily life together with governments, scientific and industry associations and related companies, with the goal of establishing good hygiene habits that safeguard health in daily life.

ESG Keyword

Infection risk assessment

Ensuring the safety of employees and their families

Continuation of business activities

Contributions to society through business activities

Kao's creating value to address social issues

Social issues we are aware of

The global spread of COVID-19 is having a significant impact on the global economy, including delays in raw material procurement, manufacturing, distribution and other areas, immigration restrictions imposed in countries and regions, restrictions on business and social activities and mandated temporary store closures.

The COVID-19 pandemic has become prolonged, with second and third waves occurring in many countries and regions. The uncertain business environment is expected to continue, with years potentially required for the impact of COVID-19 to be reduced through vaccines and other measures, and for the global economy to recover.

Kao's creating value

As a specialist who has engaged in research on cleanliness and hygiene and delivered products in these fields, we aim to spark social innovation related to personal hygiene together with consumers.

Protect Kirei Lifestyles Project

For Japan, we have created the slogan, Protect Kirei Lifestyles Project. By ensuring (1) the stable supply of hygiene and cleaning products, (2) the provision of research findings in the fields of hygiene and cleanliness to research facilities, medical practitioners and other professionals and (3) the provision of accurate, evidence-based information on hygiene and cleanliness to consumers, we aim to provide peace of mind in daily life.



→ Protect Kirei Lifestyles Project
www.kao.com/jp/new-hygiene/ (Japanese)

→ Kao's response to COVID-19
www.kao.com/global/en/what-we-stand-for/



Increased production of disinfectant (Japan)

Impacts and risks to Kao due to rising COVID-19 infections

Under these circumstances, in Japan, which is our main market, the cosmetics market shrank significantly from the previous year due to the impact of factors including a substantial decline in inbound demand and people's voluntarily refraining from going outside, while the household and personal care products market grew due to increased demand for hygiene-related products.

The COVID-19 pandemic has caused changes in people's awareness of hygiene, and changes in values regarding makeup and related products as people have voluntarily refrained from going outside and wearing masks has become common practice. It has caused changes in consumer behavior including a rapid increase in the use of e-commerce.

Risks associated with the COVID-19 pandemic and related changes in people's behavior are as follows. Inability to take appropriate measures could cause net sales and profits to deviate significantly from targets.

- Temporary suspension of operations or obstacles to providing products and services due to multiple infections (clusters) at our bases or in the supply chain
- Delays in product development and launch plans due to a resurgence of infections or prolonged pandemic, due to work that cannot be performed remotely
- Delays in the recovery of the Cosmetics Business or other businesses due to a resurgence of infections or prolonged pandemic
- Inadequate response to changes in people's awareness and values, and changes in consumer behavior

Policies

In response to COVID-19, on February 3, 2020, we held a meeting of the Emergency Response Team Headquarters headed by the President and Chief Executive Officer to decide on Group-wide policies regarding (1) ensuring the safety of employees and their families, (2) continuity of business activities, and (3) contributions to society, and took the following actions. In addition, these actions have been reported to the Board of Directors.

1. Ensuring the safety of employees and their families

- As a crisis management measures, followed national and local government policies, and implemented work systems and styles compatible with the status of infection in each country and region (promotion of remote work/teleworking, restrictions on business trips, restrictions on training/events/tours, etc.)
- Identified the status of infected employees and family members or those who have been in close contact with infected persons, and implemented care as applicable, and measures to prevent the occurrence of infection clusters
- Launched the Infectious Disease Risk Assessment Project to reinforce infection prevention measures in the workplace and at home

2. Continuity of business activities

- To maintain the supply chain, implemented higher-level infection control measures at production sites and rolled them out to subcontractors and other related parties, in addition to conducting relevant activities for raw material procurement



Provision of product kits free of charge to medical practitioners



Release of hygiene information related to infection prevention (Hygiene Information Useful in Daily Life)

Kirei Lifestyle Plan

Making my everyday more beautiful

Making thoughtful choices for society

Making the world healthier & cleaner

Walking the right path

- Enhanced information systems for remote work and promoted digitalization of operations
- Reviewed Group systems for new work styles
- Formulated and implemented a business strategy for dealing with COVID-19

3. Contributions to society

- Provided a continuous supply of hygiene-related products for cleanliness and worry-free daily life
- Increased production of alcohol disinfectant to 20 times the previous level and supplied them on a priority basis to medical institutions, nursing facilities and other locations with urgent needs
- Through our website, provided information on hygiene in daily life, based on the knowledge of experts and our own know-how. Also, for hygiene researchers, medical professionals, public health nurses working at educational institutions and other professionals, provided a wide range of information, including expert knowledge on measures for preventing the spread of infection based on academic papers
- Contributed to the development of therapies and diagnostic tools for COVID-19, including the discovery of VHH antibodies that can be anticipated to inhibit infection



→ Results of Joint Research on COVID-19
Conducted with Kao
www.kao.com/global/en/news/rd/2020/20200513-001/

Framework

Within the Kao Group, when a crisis occurs, the head of the Crisis Response Team evaluates the level of severity of the crisis on the basis of the potential impact on the Kao Group (designating the crisis as level one, level two or level three depending on the severity of the accident, disaster, epidemic, etc. in question), and an appropriate organizational framework is established for dealing with the crisis in accordance with the level of severity.

The spread of COVID-19 infections in 2020 was designated a crisis with severity of level three (company-wide impact and impact on Kao's business), and the Emergency Response Team Headquarters, Emergency Response Team Headquarters Executive Office and the Infection Countermeasures Team were established.

The Emergency Response Team Headquarters, with the President and Chief Executive Officer serving as its chair, decided the company-wide action policy for the Kao Group and implemented actions accordingly. Collecting and sharing information and managing the progress of specific activities were led by the Infection Countermeasures Team headed by the Senior Vice President of Human Capital Development (Executive Officer). Activities were coordinated by the Emergency Response Team Headquarters Executive Office, which is headed by the Senior Vice President of Corporate Strategy (Managing Executive Officer) and whose members include the Vice President of Risk and Crisis Management.



→ Risk and crisis management > Framework
www.kao.com/content/dam/sites/kao/www-kao.com/global/en/sustainability/pdf/sus-db-2021-e-all.pdf#page=22

Business impacts

Cosmetics business

The cosmetics market in Japan was severely impacted, contracting 28% year on year, with the market for makeup in particular contracting 25% year on year, due to declining inbound demand, fewer opportunities to go out, and regular use of masks due to the spread of COVID-19.

Our Cosmetics was hit even harder, as makeup products account for approximately 10% more of its total sales than the market average.

Skin care and hair care business / Fabric and home care business

Amid substantially higher demand for hygiene-related products due to the spread of COVID-19 in Japan, we increased production of hand soap and hand sanitizer, and our sales and market share grew significantly (sales of hand soap tripled year on year). As a result, sales in Skin care grew 10% year on year.

Education and promotion

In response to the global spread of COVID-19, through our internal portal site and other means we communicated to employees the status of infections nationally and regionally and work systems and styles to adopt corresponding to national and local government policies as part of our crisis management measures, and employees put them into practice.

We also communicated a wide variety of information related to COVID-19 infection protection measures over the year, including ways to strengthen infection protections at workplaces and at home, the response when employees or their family members become infected or are in a close contact with infected person, and systems and precautions when working from home.