

Full transparency 102-12, 102-15, 103-1

We believe that enhancing product transparency and communicating accurate information about our products, in ways that are appropriate and easy to understand, is essential to have people make the right choices and lead comfortable lives.

We disclose information in a timely manner through our websites and various opportunities to engage with stakeholders.

ESG Keyword	Information disclosure with a scientific basis	Disclosure of Fragrance Policy and names of fragrance ingredients
	Disclosure of policies relating to ingredients regarded as important by society	Supply chain transparency
		Disclosure of the benefits and safety of chemical substances

Kao's creating value to address social issues

Social issues we are aware of

Living in modern society today, individuals have greater needs and desires to obtain necessary or important information. At the same time, the development of the Internet of Things has made it easy to obtain a wide range of information. Ethical consumption, where products and services created with environmental and social considerations are chosen and consumed, is growing on the part of consumers. Consumers are also seeking information about corporate activities with the desire to purchase not only individual products of high quality, but also products from companies they can trust.

However, information relating to companies and the products and services they offer is still often fragmentary, preventing consumers from making the right choices for themselves. In addition, companies are expected to encourage dialogue with consumers and other stakeholders by properly disclosing accurate information.

At Kao, we are working to bring transparency to the connections between products, services and society, and to enable everyone to participate in building a better society. To this end, we strive to

facilitate mutual, unbiased sharing of information and opinions, as well as dialogue between the companies and stakeholders. We also believe that in addition to acting with integrity, we should continue to provide useful products with a scientific basis to consumers.

Furthermore, stakeholders as well as consumers look to companies to maintain transparency and fulfill their responsibility to disclose relevant information. In addition to complying with all applicable laws and regulations, we undertake to disclose information we deem useful to society with appropriate timing, in an accurate and fair manner. To this end, we strive to facilitate dialogue with shareholders, investors and external rating organizations, and provide them with fully adequate information disclosure content.

We place top priority on delivering information about products that consumers are in frequent, direct contact with and conduct activities accordingly.

Kao's creating value

Obtaining accurate information makes it easier for consumers to choose safe and reliable products and services, and be able to lead comfortable lives. In addition, the individual choices of consumers

contribute to the SDGs without them being aware of it, and we believe in the need for the environmental impact of these activities to stay within the range that our natural world can safely absorb.

The result of this helps create a world in which consumers and the wider society are filled with trust, sustainable growth and innovation are generated, and new markets and employment are created.

Contributions to the SDGs



Policies

Regarding transparency, we conduct activities founded in the Kao Way and the Kao Business Conduct Guidelines so that people can easily get the information they need when they need it for the right choices to be made for individuals, society and the Earth, and based on that accurate information, dialogue with stakeholders can become more developed.

Education and promotion

Integrity, or walking the right path, is fundamental to the Kao Way, and the basis for the My Kirei Lifestyle. Along with strict observance of laws and regulations, it is considered extremely important that each Kao employee act with social integrity, in accordance with ethics. This attitude is inculcated in Kao employees not only through specific training opportunities, but through their daily work, and practiced thoroughly in their daily life.

In addition, they practice taking a consumer-driven, global viewpoint as set forth in the Kao Way, and through dialogue with stakeholders, they study which kinds of information are necessary for consumers around the world.

Collaboration and engagement with stakeholders

We strive to understand the needs of society and the market, not only through direct inquiries from, and consultations with, consumers relating to product information, but also through dialogue with distributors, NPOs and NGOs.

Furthermore, collaboration with suppliers is essential to enhancing product transparency, and we work closely with industry groups to promote product information disclosure.

Moreover, we gather the latest scientific knowledge though ongoing interaction with academics.

Framework

We believe that conveying Kao accurately to all stakeholders will help ensure full transparency. Each managing division promotes activities to enhance transparency.

Of particular importance was our decision to accelerate promotion of these activities from a global, cross-divisional perspective, to respond to especially strong demand on the consumers, more in Europe and the Americas than in Japan, for information relating to products they come in frequent contact with.

To this end, in 2019 we established a task force for disclosing product information in the ESG Promotion Meeting, an organization under the ESG Committee, and it has begun conducting activities, focusing first on fragrance ingredient disclosure, for which there is strong global demand. The task force,

whose members are drawn from Kao employees in Japan, Europe and the Americas, operates through five working groups focused on such areas as information gathering, IT and other infrastructure and region-specific activities in Europe and the Americas. In 2020, the entire task force held meetings every two to three months to share updates on progress and issues, and the results were announced at the ESG Promotion Meeting.

The task force began as a pilot project centered on Europe and the Americas, but in 2020, as the project continued, teams were created to prepare for widening its scope to include consumer and cosmetics product brands for disclosure in Japan and Asia, and the task force became a forum for sharing progress and issue updates. Thanks to these efforts, the first step was made to expand the scope of activities from the regional and area level to a company-wide level.

Each preparation team defined priority levels for each brand for disclosure, gathered fragrance ingredients information and considered whether there were issues specific to the business area. In addition, the teams have begun considering IT systems to promote more accurate and timely information disclosure. Since the summer of 2020, the IT infrastructure team has been holding meetings on a near-weekly basis, and is making rapid progress toward at an early system launch.



→ p. 18 ESG promotion structure

Mid- to long-term targets and performance

2030 long-term targets

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. And we have set the target of making all our brands selling consumer products transparent brands by 2030. We are also looking at how to disclose information in ways that consumers find easier to understand.

Anticipated benefits from achieving mid- to long-term targets

We expect these efforts to eliminate asymmetries between companies and consumers with respect to the information displayed on products, and increase the number of product choice selection criteria. We believe that consumers and companies accessing the same information will contribute to ESG-driven *Yoki-Monozukuri* and the building of a better society.

Business impacts

We believe that when consumers have access to the information they need, and can select products that have meaning for them and are safe and reliable, it will generate opportunities for market expansion, and lead us to take actions and develop products correctly.

In addition, certain retailers select products that incorporate information not only concerning fragrance ingredients, but on other ingredients and the impact they have on the environment. For Kao, sustainable manufacturing that is friendly to the environment and promotes biodiversity, and promoting product

information disclosure, will become more and more important.

According to survey data*, approximately 40% of Millennials and Generation-Z consumers, who dominate the market now and will continue to do so in the future, are selectively procuring products with a positive influence on the environment and society, and we believe that it is important to meet the demands of these generations.

* Deloitte Global Millennial Survey 2019

Social impacts

When consumers choose products that have meaning for them and are safe and reliable based on correct information, it creates opportunities for changed behavior not only for Kao, but for other companies as well. We believe that this will lead to the society where people choose sustainable lifestyles, products and services that are friendly to the environment and promote biodiversity.

We also believe that as information regarding issues that arise are shared with the public and become visible, new collaborations will be created among the individuals, companies and organizations possessing the means to address those issues who enter the market.

Performance in 2020

We disclosed our Fragrance Policy on our Japanese and global websites. In addition, a total of 11 brands in Japan and the U.S. disclosed their fragrance ingredients. We also disclosed information regarding five product ingredients (preservatives, parabens, plastic microbeads, silicones and UV absorbents) about which there is a high level of concern in society on our Japanese and global websites.

Reviews of performance

We were able to initiate information disclosure relating to fragrance ingredients thanks to the understanding and cooperation of our suppliers, who sympathized with the goal of enhancing product transparency. Nevertheless, in 2020 we were only able to disclose information relating to a small portion of our brands, and going forward, we feel it will be important for us to collaborate closely with a larger number of fragrance ingredient suppliers.

Through our activities in 2020, we ascertained the amount of work required, and issues relating to supplier negotiations and contracts, information gathering and compiling, and a framework for responding to inquiries following information disclosure. We also confirmed that in order to expand the number of brands disclosing information and convey information in a timelier manner going forward, it will be essential to link our internal databases and systems. We have already begun augmenting and automating certain system functions, and plan to launch them before the end of 2021.

In addition, there has been a recent increase in demands for information, not only relating to fragrance ingredients, but also for other ingredients as

well as environmental impact and the overall transparency of our supply chain, and this information must be conveyed to a wide range of stakeholders in addition to consumers. To this end, we will promote further strengthening of internal structures, database enhancement, system linkage and collaboration with internal and external partners, and plan to move up our 2030 deadline for achievement of 100% transparent brands.

Contents	Editorial Policy	CEO Message	Kirei Lifestyle Plan KPI definitions	Independent assurance report
Kirei Lifestyle Plan	Making my everyday more beautiful	Making thoughtful choices for society	Making the world healthier & cleaner	Walking the right path

Our initiatives

Considerations in the product catalog website and individual product websites

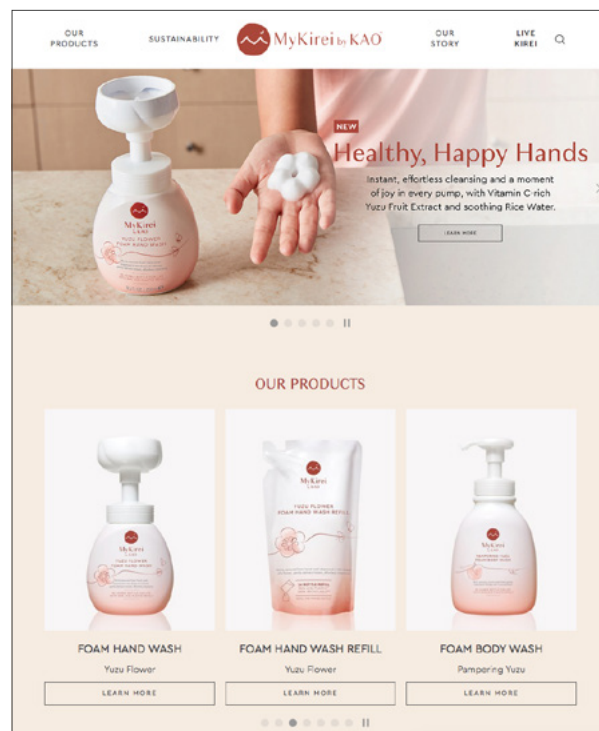
We disclose information needed to make decisions about whether products that customers are planning to purchase and products that customers already have purchased can be purchased and used with peace of mind.

In product catalogs on our website and on individual product websites, we provide information on product features and the ingredients used in products based on scientific evidence.

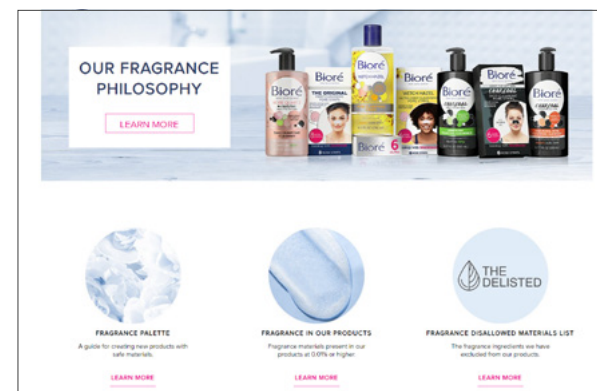
In 2020, we began disclosing information relating to fragrance ingredients for the *MyKirei by Kao* and *Bioré* brands in the U.S., and for certain fabric and home care products in Japan, to consumers with strong awareness for ethical consumption.



→ Product catalog website
www.kao.com/jp/en/products/



→ *MyKirei by Kao* brand website
www.mykirei.com/en-us/



→ *Bioré* U.S. website
www.biore.com/en-us/fragrance/

Full transparency ⁴¹⁷⁻¹

Disclosure of Fragrance Policy and names of fragrance ingredients

Kao's Fragrance Policy, issued in May 2020, included information on our commitment to *Yoki-Monozukuri* and the value we seek to offer through fragrances, and examples of fragrance-related research. In addition, the policy notes our intention to disclose levels of fragrance ingredients whose weight is 0.01% or greater of the product weight.

Based on this basic policy, and in line with the trend in the industry, we began disclosing the names of fragrance ingredients in a total of 11 brands in the U.S. and Japan.

Disclosure of policies relating to ingredients regarded as important by society

In December 2020, we disclosed information relating to five product ingredients (preservatives, parabens, plastic microbeads, silicones and UV absorbers), about which there is a high level of concern in society. The information includes the policy for, and our approach, to the use of these ingredients based on scientific evidence.



→ p. 57 Making my everyday more beautiful >
Safer healthier products

Supply chain transparency

We are also promoting activities to enhance the transparency of our supply chain. We strive to source our raw materials in a way that protects natural resources, the environment and human rights through supply chain traceability and collaboration with suppliers.

In 2020, we published a list of mills from which we source palm oil.



→ FY2020 mill list
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/progress-2020-001.pdf



→ p. 79 Making thoughtful choices for society >
Responsibly sourced raw materials

Disclosure of the benefits and safety of chemical substances

In addition to the easily understood information disclosure for consumers and society that we have so far carried out with respect to chemical substances safety under our SAICM Promotion Policy and in line with responsible chemicals management, we began efforts to disseminate information relating to the benefits of chemical substances.



→ p. 219 Walking the right path >
Responsible chemicals management

Employees' voice

Kao promotes disclosure of fragrance ingredients worldwide

Atsuto Mori

Director, Technology Law Center, Kao Corporation



In line with our ESG Strategy, we are promoting a project to disclose fragrance ingredients on a global basis. Fragrances are necessary to enhance consumer product attractiveness. To convey their delicate nuances effectively, fragrance chemicals are compounded from a wide range of raw materials. However, ingredient-related information is seldom disclosed, preventing consumers from obtaining assurance in that respect.

Interest in fragrance ingredients varies widely by region and individual, and it is not easy to promote uniform disclosure on a global basis. Team members in Europe and the Americas are currently working actively to address the issues. We believe that by disclosing ingredients actively and in easily understood ways, we can enhance peace of mind for all consumers and contribute to happier everyday lives.

Ingredient disclosure is key to correct consumer selection

Chrysann Wallace

Senior Manager, Mass ESG, Americas Human Capital Development



As a part of Kao's commitment to full transparency in the Kirei Lifestyle Plan, knowing more information about product ingredients will help consumers know which products may be the best for them. Providing more transparency about fragrances is one additional way we continue the trusted relationship and communication between Kao and the people around the world who love our products.

In this age of information, it is crucial we provide people with verifiable data in a way that is meaningful to them. We are proud that consumers can use our products with the peace of mind to know their safety is being prioritized at every step during the product development process.

Selection of, and disclosure relating to, raw materials with no influence on the human body or the environment

Dr. Frank Golinski

Director, Hair Beauty Care, Kao Europe Research Laboratories



Our customers want to know how our products are formulated, what the origin of their components are, how they are manufactured and about the impact on human health and environment.

Our mission in R&D is to carefully select the raw materials for our products with a maximum of performance, no negative impact on human health and a minimum impact on environment and last but not least to make all these efforts as transparent as possible.