

Human capital development 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, ESG management and the advent of a super-aging society in Japan, societal issues concerning the optimal forms of how people live and social systems are becoming increasingly complex, and the way people work is changing drastically. The spread of COVID-19 in 2020 has hastened these changes and has brought about even more new changes. According to data from the Ministry of Health, Labour and Welfare of Japan, the implementation rate of telework at companies with more than 1,000 employees has risen to 74.7% during the COVID-19 crisis, and the number of companies that have implemented telework has doubled from what it was prior to this crisis.

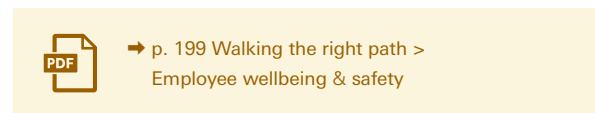
As these trends continue, it is pivotal that at Kao, we make optimal use of our assets through cooperation and collaboration and contribute to society through Kirei Lifestyle Plan activities with a commitment to innovation, to continuously progress in step with society.

Employment and human capital management are undergoing fundamental changes. We continue to maximize the vitality of our employees to push forward a human capital strategy that leads to changes and contributes to society.

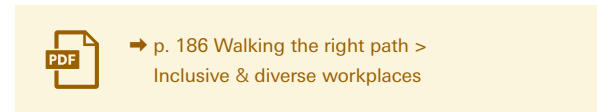
Kao's creating value

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.



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.



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 What Kao Aims to Be by 2030

It may be difficult to secure outstanding human resources as a result of the failure to systematically implement human resource hiring, development and assignment in a

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manner that anticipates major environmental changes, and this poses a risk of business stagnation.

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 What Kao Aims to Be by 2030.

Opportunities related to realization of What Kao Aims to Be 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 What Kao Aims to Be by 2030.

Contributions to the SDGs



Policies

At Kao, we believe that the diversity of our workforce and the efforts of each and every employee to pursue individual achievements by exercising his or her own

abilities and characteristics to the utmost contribute to the success of the employer and lead to growth as an organization. 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. To attain this, we support the growth of our employees based on the principles of line management by recruiting and selecting them in line with Ideal Human Capital from the employment stage and providing them with opportunities to develop their skills in accordance with the employee's own wishes and targets of the organizations.

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.

In order to achieve our vision by 2030 to make Kao a company with a global presence, we will further enhance our culture of innovation, which is part of the Kao Way, and aim to cultivate a company structure and culture in which every single employee takes on challenges without fear of failure.

Note: 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 commit 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 dialogue, 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 dialogue 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.

We continuously promote these activities, and widely share and disseminate with our employees the direction the company is going and the issues we're facing. In 2020, in-person activities were limited due to the effects of the COVID-19 crisis, but we continued to conduct activities online and via video streaming.

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.

Kao Forum and Employee-Management Meetings are where we share company policies, where employees directly convey and discuss their thoughts and opinions with senior management, and where employees and senior managers come together to consider the current state of the company and its future direction.

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.

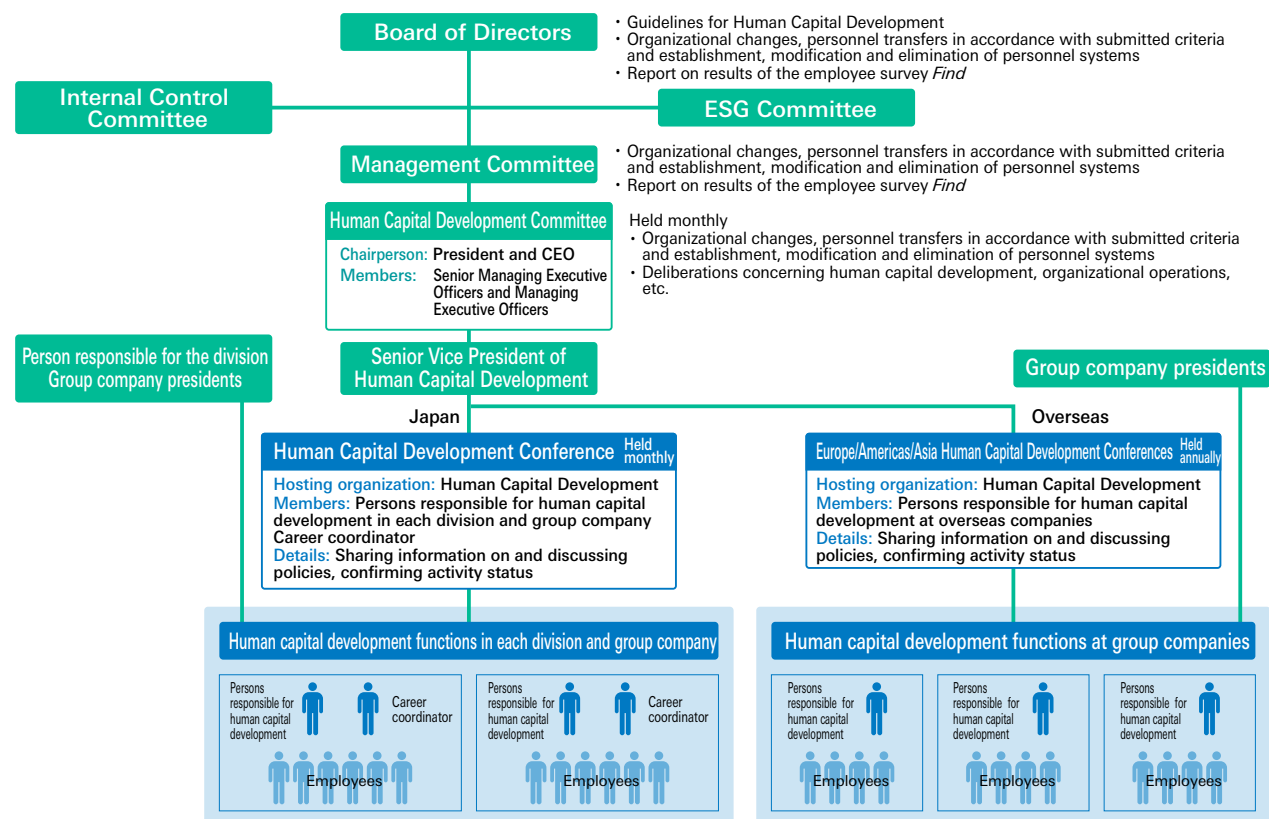
Major organizational changes, personnel transfers in accordance with submitted criteria and

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 reports on human capital development policies and the results of the employee 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 2020

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Employee dialogue structure

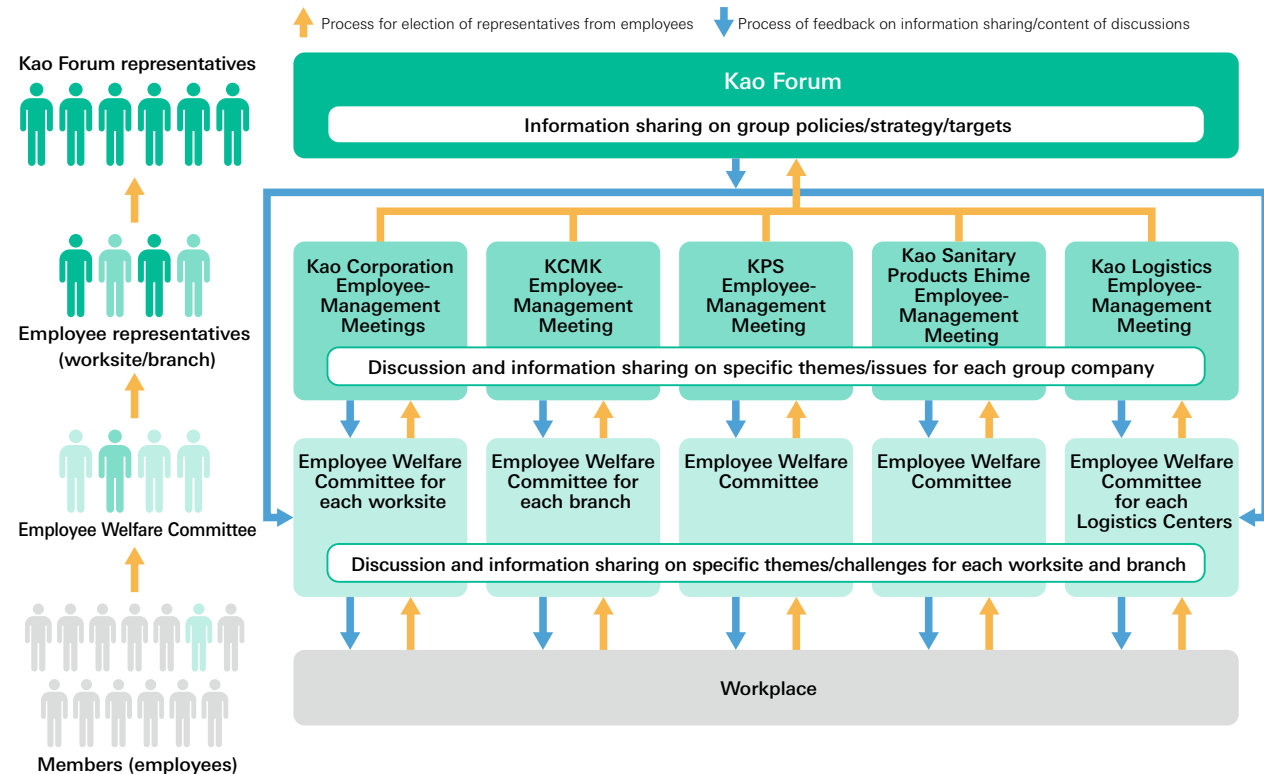
Platforms for regular dialogue with employees include Employee Welfare Committees at each worksite and branch, Employee-Management Meetings at every group company, and the Kao Forum for the group as a whole.

The Kao Forum is held in both Japan and Europe, with employee representatives from Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Professional Services Co., Ltd., 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 34%*.

* 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



→ p. 18 ESG promotion 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.

While continuing and strengthening our ongoing initiatives, we will investigate and promote new initiatives for the Kao Group Mid-term Plan 2025 (K25).

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 dialogue 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 2020

Performance

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

- Implementation of training programs during the COVID-19 crisis

Our priority is the safety and security of our employees undergoing training (as well as their coworkers and families), so various training programs, that were conventionally conducted in a face-to-face setting, were moved online given the effectiveness of this training (its content and timing).

We conducted training by combining online streaming and e-learning, using newly created videos and materials, and interactive training that incorporates online meeting tools in accordance with the objectives, content and participants of each training program. The reviews received from participants indicate that the effectiveness of this training has been on par with the conventional group training. Going forward, we will optimize the format of this training for the COVID-19 situation and for the content and effectiveness of learning.

- For creating an environment of self-learning and cultivating a culture that makes learning fun
We introduced an e-learning platform with a new concept that automatically gathers online learning content based on each employee's individual interests and can easily be shared with other employees. Through this, employees can efficiently collect and record this content. The ease of information sharing between employees is expected to result in interconnection and synergy of mutual learning. Going forward, we will implement initiatives to tackle any issues for retaining the usage of this platform.

- 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

The spread of COVID-19 in 2020 resulted in the Kao Group Employee-Management Meetings and Kao Forum being put on hold. The Kao European Forum was conducted online in November and 19 representatives of employees throughout Europe participated. This was a year where face-to-face communication between senior management and employees became more difficult. However, this increased the opportunities to periodically send messages through the company intranet and share information about strategies and policies. In the future, it is our wish to enrich the way we communicate, so we will examine new forms of communication that incorporate online meeting tools.

- Working-from-home system

In 2020, we took special measures for employees to work from home for any reasons, including child care or family care, due to the spread of COVID-19 infections. We are continuing to share opinions and discuss new ways to work in the new normal.

- 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 investment

	2016	2017	2018	2019	2020
Average training hours	—	13.0	12.6	14.1	9.2
Expenditure on education and training per employee (consolidated)	66,000 yen	58,000 yen	56,000 yen	51,000 yen	27,000 yen

Reviews of performance

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

From 2021 onwards, we will strengthen our programs for training and supporting the next generation of managers who will become the global business leaders to achieve K25. 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 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 continued to work on action plans formulated to address the issues identified from the results obtained in the employee survey *Find 2018*, and we implemented measures to resolve these issues. We implemented concrete action plans, in line with the issues affecting individual organizations, which embody the key features of the strategy adopted for company-wide initiatives, including Communication and Challenge.

Our future objectives are to encourage employees to take on challenges and double the productivity of our business activities by giving examples of maximizing the power and potential of employees in K25 and introducing Objectives and Key Results. We intend to keep supporting each employee to set their sights high and work together as a team and as one integrated organization.

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

Human capital development programs

Implementation of training programs during the COVID-19 crisis

Due to the spread of COVID-19 infections, face-to-face training was put on hold in 2020 and various training was conducted online.

The reviews received from participants indicate that the effectiveness of this training has been on par with the conventional face-to-face training, due to the incorporation of the latest online meeting tools and the expansion of preliminary and concluding topics, in addition to the selection of online training formats in accordance with the objectives, content and participants of each training program.

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 also make effective use of new learning tools such as e-learning and other internet-enabled tools for language learning, etc. Besides creating new learning environments in this way, we also actively support employees' own self-directed learning efforts.
- 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, 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 the following series of linked processes: (1) Setting of targets and task implementation, (2) Review the performance status and follow-up as needed, (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		Executive Business Leader			Stage 3 Integrated IT Training
	Global Leadership Development Program I		Leader II Program	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)	"Marketing University" (Master Level)	Leader I Program	<ul style="list-style-type: none"> • Kao Techno School • Kao Engineer School • "High Pressure Academy" • "Anti-microbial Technology Academy" • Quality On-the-job Training (OJT) • SHIC 		Science Basics Academy
	S Level	Training Program for International Assignment	"Marketing University" (Basic Level)		Business Skill Smart Learning	
S Level		Business Skills Facilitation, negotiation, project management	Marketing Fundamentals II	Sales Training (Advanced)	Monozukuri Skills Transmission C	
	S Level	Kao Way Integrity	Marketing Fundamentals I	Sales Training (Basic)		
S Level		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 engagement survey, and drafting of action plans

The employee engagement 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 the effective implementation of the RPDCA cycle.

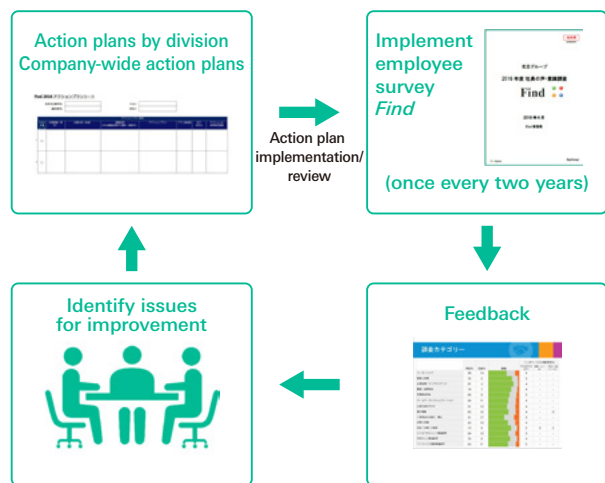
In 2020, we implemented, on a company-wide basis, the action plan based on the results obtained in

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

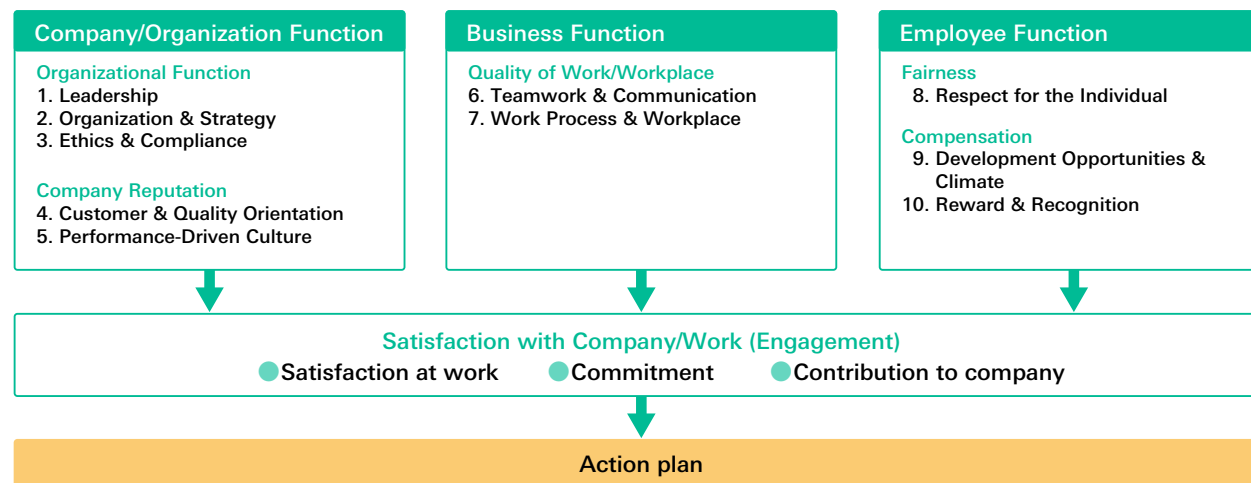
action plans with an ownership mindset. To ensure that action plans were properly implemented, the progress status was monitored on a periodic basis by both the company and the individual employees.

Going forward, we plan to implement the survey in 2021 after reexamining how to implement it in a way that leads to the most effective initiatives. In the years ahead, we will work with every employee to improve our organizational capabilities.

RPDCA to improve organizational capacities



Employee survey *Find* questionnaire items



Human capital development

Employees' voice

Online training due to the COVID-19 crisis

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Due to the spread of COVID-19 infections, face-to-face training had to be put on hold in 2020. However, in response to the strong desire to continue these studies, we were able to conduct training online due to the tenacity of the staff in charge of training and the incredible support from everyone involved in these programs.

One of the training participants expressed that "I wanted to meet and chat with other participants", while another expressed, "It was nice that I didn't need to go or stay overnight anywhere."

We are examining how to conduct and format training in the future with COVID-19 and after COVID-19.