

As stated in the mission of the Kao Group, we implement wholehearted *Yoki-Monozukuri* from a consumer and customer perspective for the satisfaction and enrichment of the lives of people globally. At all stages from raw materials to R&D, production, distribution and sales, we pursue product safety at a high level from a thorough consumer and customer perspective, and strive to continuously improve the quality of our products, in order to contribute to the sustainability of society.

Kao's creating value to address social issues

Social issues we are aware of

Amid major changes to the society and the natural environment, we have positioned environmental, social and corporate governance (ESG) as the foundation of our business management, and we are working to address social issues such as the environment, health, the aging population, hygiene, etc., through ESG-driven *Yoki-Monozukuri*.

Kao's creating value

We aim to ensure high levels of safety and quality by identifying risks throughout the product lifecycle from a consumer perspective. Besides providing information to help consumers use our products correctly and safely, we are also promoting Universal Design to help all consumers, including senior citizens, enjoy a stress-free lifestyle.

By means of thorough management of raw materials, production processes and products, we aim to always provide safe, high-quality products. The valuable consumer feedback that we receive through consumer consultations is shared throughout the company, and we make effective use of this information to realize improvements in products and labeling, etc.

We also promote visualization of product quality management activities and communication of those activities with all stakeholders.

Moreover, we facilitate changes for addressing social issues through trust and cooperation.

Policies

The foundation of our quality management activities is our wholehearted commitment to consumer- and customer-driven *Yoki-Monozukuri* as expressed in our group mission, the Kao Way. We have implemented consumer- and customer-driven quality management activities with the participation of all employees, in all phases from raw material procurement to R&D, production, distribution and sales.

Basic Policy for Quality Management Activities

- Consumers/customers decide on the quality of the products
- Providing products that users want to continue using
- Ensuring safe usage for consumers/customers
- Legal compliance
- Transparency and accountability

Education and promotion

So that our corporate philosophy permeates throughout our Group, we provide education and training based on the Kao Way and Kao Business Conduct Guidelines, which are the foundations of Kao's quality management activities.

We are further strengthening education on quality awareness and regulations such as the Pharmaceutical and Medical Devices Act, Good Quality Practice (GQP), and Good Vigilance Practice (GVP).

We also provide education for Good Manufacturing Practice (GMP) and various ISO standards. At our manufacturing divisions, we continue its own QC circle activities based on the number of consumer contacts as an indicator.

We provide various education and awareness-raising

initiatives through day-to-day quality management activities and Quality Improvement Study Meetings to ensure permeation of our quality management activities policy.

We are also strengthening education for those who are planning to work overseas and local employees, and are working to raise the level of quality management activities of overseas group companies. In addition, in order to increase motivation for quality management activities, we award employees who achieved excellent activities every year.

Collaboration and engagement with stakeholders

Making good use of consumer feedback in *Yoki-Monozukuri*

We use consumer feedback to improve our products, information and services by promptly sharing this feedback through the Kao ECHO System.

Collaboration with contractors

We hold quality-related meetings with contract manufacturers and raw material suppliers to promote consumer-driven quality improvement activities. We will cooperate with more business partners to develop consumer-driven quality management activities.

Actively engaged in industry initiatives

We actively participate in industry associations around the world, and we are taking part in international efforts to realize harmonization of national product quality and safety standards, establish new standards and test methods, and management of chemical substances. By doing so, we strive to provide reliable products to customers around the world.

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Safety management across the product lifecycle

We ensure a high level of product safety and quality so that our products can be used safely, securely and comfortably, through company-wide safety management following product launch, and at every stage from R&D, through commercialization, manufacturing and sales, to the after-sales stage.

As to raw materials selection at the product development stage and product ingredients after product launch, we regularly collect information on legislation and safety within and outside Japan. We evaluate a wide range of information from industry sources, NGOs and NPOs, etc., from multiple perspectives including the scientific approach and society's concerns, and formulate necessary countermeasures.

In addition, we earnestly listen to all consumer feedback following product launch, confirm the specifics, and implement precise safety checks and safety management in collaboration with a network that includes medical professionals and governmental authorities.

We exchange information with managers in Europe, the Americas, Asia, etc. on a regular basis to utilize consumer feedback from all over the world, and undertake activities to enhance our overall level of product safety from a global perspective.

Regarding our household products, cosmetics and food products, we set safety standards with the aim of ensuring a high level of safety. This is because the consumer's safety is always the highest priority.

We established new product safety standard regarding our cosmetics in April 2014. Based on our standards prior to that, we have developed a much wider range of databases, wider use of tests and more detailed safety inspections.



→ Kao Safety Standards for Household Products
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/houseware-quality/

→ Kao Safety Standards for Cosmetic Products
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/cosmetics-quality/

→ Kao Safety Standards for Food Products
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/food-quality/

Kao's policy on animal testing

The global community is taking steps toward the abolition of animal testing, and the group supports this approach.

In our development of cosmetics, we do not and will not conduct animal testing nor do we outsource this task to anyone.*1

For products other than cosmetics, our policy is to not conduct animal testing unless it cannot be avoided due to lack of availability of alternative methods, regulatory requirements or other similar reasons.*2

Ensuring the safety of our products is our utmost priority and, in this regard, we have established and observe the Kao safety standards. In accordance with such standards, Kao widely collects safety data, makes use of its safety information database that contains the knowledge accumulated over many years and adopts alternative methods to animal testing as much as possible. After ensuring product safety through the above, we conduct further testing of the product in actual usage settings.

We have been working on the development of alternative

methods to animal testing since the late 1980s. We believe that alternative methods should be official test methods that can be used globally. In this regard, Kao is actively working with research institutions globally for the development of alternative methods to be adopted as international guidelines. We are also a member of the project to develop alternative methods to animal testing of Cosmetics Europe. We will continue to proactively work on the development of alternative methods to animal testing in cooperation with industry associations, other companies and other related third parties within and outside Japan.

*1 This excludes instances where we need to respond to societal expectations to evidence the safety of a product or when required to do so by government agencies in particular countries.

*2 If testing on animals is unavoidable, we keep such testing to a minimum following the principles of animal welfare of the 3Rs (replacement, reduction and refinement).



→ Kao's Policy on Animal Testing
www.kao.com/global/en/sustainability/topics-you-care-about/animal-testing-policy/

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Framework

We have established a company-wide quality management system that involves all employees at all stages from product development to post-sales, which is from R&D, marketing, production and distribution through to sales, in continuous improvement activities.

Before product launch, we adopt gate control to maintain the quality and to verify the evidence comprehensively at searching, development, commercialization and production stages, thus sufficiently ensuring our high safety and quality standards.

After product launch, we promote company-wide activities in pursuit of continuous product improvement and the sincere receipt of consumer and customer feedback. In these ways, we strive to be highly transparent with the public and to always fulfill our social responsibilities.

In these ways, we strive to achieve *Yoki-Monozukuri* every day. Nevertheless, the possibility of significant safety or quality related issues emerging are not negligible. For this reason, we have set up the Kao Group Critical Product Management System. The group companies both within and outside Japan respond to risk events based on this system.

We also maintain a corporate governance system that includes internal control systems, and we hold quarterly meetings of the Quality Management Committee, which is a sub-body of the Internal Control Committee with the President and CEO serving as chairperson.

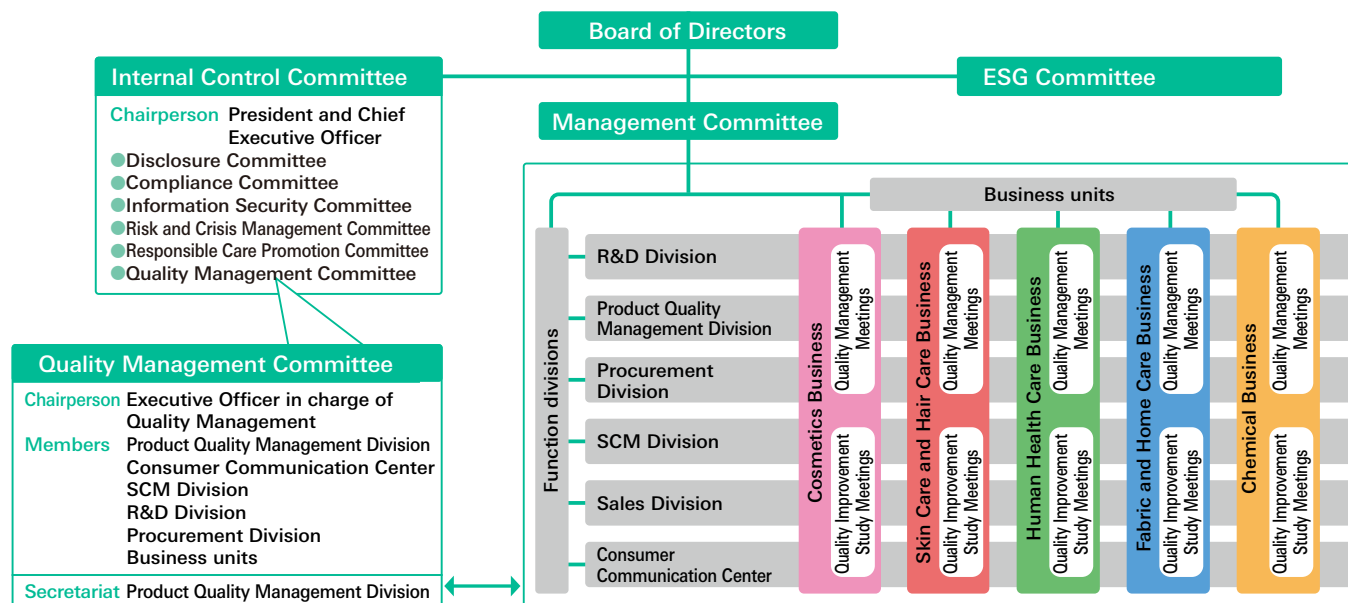
At the Quality Management Committee, we confirm the efficacy and reliability of group-wide quality management activities. Following the policies decided on by Quality Management Committee, we hold annual

Quality Management Meetings at respective business field level and confirm the quality management activities policy, product quality issues and the progress of our quality management activities.

Furthermore, representatives of relevant divisions (business, manufacturing, R&D, consumer communications, product quality management, etc.) attend monthly Quality Improvement Study Meetings, held by the president of the business division, to improve products, information and services, based on consumer feedback. We will expand these activities globally.

These group-wide activities are coordinated and promoted by the Product Quality Management Division. The Managing Executive Officer in charge of quality management supervises the Division's activities, submitting periodic reports on these activities at meetings of the Management Committee, and reporting on important issues as appropriate. The Managing Executive Officer in charge of quality management also participates in discussion regarding important management issues in general.

Product Quality Management System



* As of December 2019.

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Mid- to long-term targets and performance

Mid- to long-term targets

1. Strive for world-leading levels of product quality through our committed consumer- and customer-driven approach, applying our collective capabilities and making full use of the group's assets.
2. Fulfil our responsibility to consumers, customers and society as a whole and build trust through quality management activities that are underpinned by integrity.
3. Take a strategic approach to globalization and informationization, and establish a quality management system that can accommodate e-commerce and new business domains.

Business impacts

- Ensuring competitiveness through proactive development of alternative technologies that meet regulatory changes and new requirements for safety and environmental issues in each country and region, as well as expanding overseas business by establishing a strategic quality management system for diversification of supply chains due to globalization and borderless economy.
- Increasing loyal users through close communication with all stakeholders, including consumers, customers, governments, NGOs and NPOs.

Social impacts

- Contributing to social sustainability by promoting ESG-driven *Yoki-Monozukuri* in a situation where social conditions and the natural environment are changing drastically.
- In response to the increased risk of product accidents due to the aging population and the growing number of foreigners in Japan, we will promote universal design, reduce the risk of product accidents by providing multilingual information, and contribute to safe and secure consumer life.

Performance in 2019

Implementing the Global Product Development Support System

In order to deliver our cosmetics and personal care products rapidly to consumers all over the world, we have developed a product development support system which, for example, can run regulatory checks on targeting countries and regions, etc.

Following on from the roll-out of 2017 in Asia, the new system has been introduced to the Americas and Europe toward the end of 2018. Therefore, global system operation has begun since 2019.

In 2019, a global council was established to manage system maintenance and improvement. Since the global launch, the council has been monitoring global stable operation. The council has also been upgrading the database to incorporate regulatory changes in individual countries and regions.

Strengthened global cooperation of quality management activities

Responding to globalization of business and borderless product distribution, the Kao ECHO System has been revamped to centrally database the voices of consumers and customers collected by Kao Group companies around the world, as well as to provide enhanced analysis capabilities to group companies. Based on the voices of consumers and customers gathered in the Kao ECHO System, we are strengthening cooperation between Kao Group companies in Japan and overseas so that we can carry out improvement activities more quickly. In 2019, following the integration of Quality Improvement Study Meetings for sanitary products such as *Merries* baby diapers in Japan and China, we started integrating Quality Improvement Study Meetings for cosmetics in Japan and China.



Quality management activity education in Japan (at a research institute)



Quality management activity education overseas (at a manufacturing site in Thailand)

Company-wide promotion of quality management activities

Quality management activity education

Within Japan: A total of 1,957 employees in 32 departments

Outside Japan: A total of 184 employees in 6 sites

- Education relating to Good Manufacturing Practice (GMP) standards and ISO standards, etc.: 468 sessions.
- Quality Improvement Study Meetings: 202 sessions (111 in Japan, 91 outside Japan).
- QC circle activities: 314 improvement issues (104 in Japan, 210 outside Japan).

Product recall over the last 4 years*

| Year | 2016 | 2017 | 2018 | 2019 |
|-------|------|------|------|------|
| Cases | 0 | 0 | 0 | 0 |

* Product recall from consumers and the market with the company's announcement

Our initiatives

Company-wide consumer- and customer-driven quality management activities

Rapid information provision using automatic generation of MSDS for Transport Use

Due to factors such as the growth in both inbound and outbound tourism, there is growing demand among consumers and customers for sending household products and cosmetics products overseas, and consequently there has been an increase in inquiries regarding the sending of these products by air. We handle these inquiries both through the Kao Consumer Communication Center and through the posting of information on our website, and we provide MSDS for Transport Use*.

With the development and adoption in 2019 of Automatic Generation Software for MSDS for Transport Use utilizing artificial intelligence (AI), we have begun the rapid provision of accurate information.

* MSDS for Transport Use

The Material Safety Data Sheet (MSDS) for Transport Use is a document that provides the information required to ensure safe transport of a given product.



→ For more information:
[www.kao.com/jp/soudan/\(Japanese\)](http://www.kao.com/jp/soudan/(Japanese))

Strengthening of Quality Management Education Programs

In 2019, we conducted a major review of our quality management education program to further develop our Total Quality Management activities.

We have expanded our education to all departments involved in *Yoki-Monozukuri* and conduct quality management education with the aim of improving quality awareness and acquiring knowledge of quality management activities.

Verifying quality management activities through audits and self-checks

We maintain ISO 9001 and GMP certification at our work-sites in Japan, Asia, the Americas and Europe.

Besides, we conduct external and internal audits, self-check for contract manufacturers and raw material suppliers, and hold quality meetings.

As part of our efforts to strengthen our product quality management audit and self-check frameworks, we hold Quality Audit Promotion Meeting with participants that include not only Product Quality Management Division personnel, but also leaders from relevant divisions. These meetings are used to help drive audit activities by deciding which areas auditing should focus on.

In 2019, we conducted an internal audit with respect to quality reliability assurance in relation to quasi-drug products within Japan, and reported the results to the Internal Control Committee.

In addition, the implementation status of external audits for group companies in Japan, Asia, the Americas and Europe during the previous year was reported to the Quality Management Committee.



→ Certification Status of ISO and Other Standards
www.kao.com/global/en/sustainability/our-approach-to-klp/environment-activity-data/certification/