

Kao's approach

The Kao Way embodies our corporate philosophy and is the foundation of the business activities of the Kao Group. As our cornerstone, the Kao Way provides consistency to Group activities, from the formulation of mid- to long-term business plans to each individual business decision that we make in our day-to-day operations. Kao Group companies and members share the Kao Way not merely as a manual or set of rules but as a foundation from which we are able to determine both the value of our work and the concerns that we face.

Kao's creating value to address social issues

Since its establishment, Kao has been aiming to enrich the lives of people around the world and contribute to society through our core value of *Yoki-Monozukuri*. *Yoki-Monozukuri* embraces issues such as whether high quality is being maintained; whether the value of products measures up to their price; and whether sufficient care is being paid to the environment. At the same time, the meaning of *Yoki-Monozukuri* has evolved to include responding to the various social issues which arise as times change.

As a company aiming both to achieve profitable growth and contribute to the sustainability of the world, we will continue to deliver new value by constantly examining and refining the meaning of *Yoki-Monozukuri* with not only the continuous growth of our business but also sustainability in mind.

Contributions to the SDGs



Policies

To apply the Kao Way in practice, it is important to understand the connection between the abstract concepts of our corporate philosophy and our daily work. To help achieve this, we emphasize workshops implemented at the workplace level. By discussing the fulfillments and occasional frustrations we share with our coworkers, using the Kao Way as our shared foundation, we will deepen our understanding of our corporate philosophy and of our work, identifying potential points for improvement. These workshops also help to create an organizational culture of openness and mutual respect.

As opposed to being implemented in a rigid and uniform style across the entire Kao Group, workshops are coordinated independently and autonomously to align with the various business or organizational management issues relevant to each division and Group company, using as a base the programs provided by the Kao Way coordinating office at Kao's Head Office.

We also use the Kao Way as a common language to achieve smooth communication between the

Head Office and subsidiaries and Group companies outside Japan.

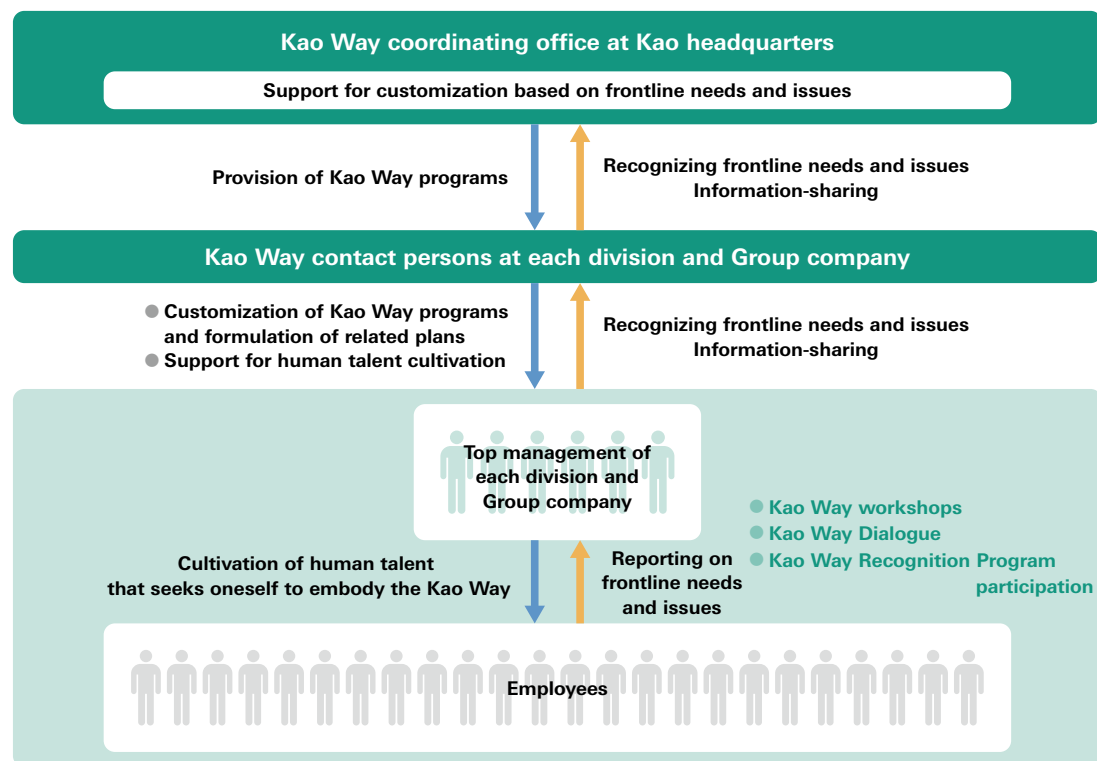
Framework

Kao's Guidelines for Human Capital Development note that human capital management by line managers is of fundamental importance for the Group. Managers at all levels have a key role to play in human capital development, and the cultivation of human capital that shares the values of the Kao Way and that is able to implement the values in their own work is of great importance.

In accordance with this policy, the main owners of Kao Way activities are the management lines for each division and Group company.

The Kao Way coordinating office support those activities by maintaining a network with Kao Way contact persons at each division and Group company who support these activities.

Framework for promoting Kao Way activities



Education and promotion

We also conduct training seminars aimed at new employees, both within and outside Japan, to introduce the Kao Way. In 2017, we conducted such training for 1,216 persons for the Group as a whole, representing 100% of new employees.

For realization of the Kao Corporate Philosophy 103-1,103-2,103-3

Kao's approach

Our initiatives

Mid- to long-term targets and performance

Main targets

We focus on the cultivation of leadership based on the Kao Way.

Leadership based on the Kao Way specifically refers to the following types of behavior:

- **Taking the initiative to set a good example for others in the knowledge that you are responsible for putting the Kao Way into practice.**
- **Being able to express the Kao Way in your own words based on your experiences.**

- **Being able to explain the background and purpose of your decision-making based on the Kao Way.**
- **Habitually referring back to the Kao Way in your mind when confronted with major challenges.**

We are aiming to cultivate leaders capable of developing the talents of their teams and building a corporate culture bursting with energy to pass on to the next generation.

Performance in 2017

- In Japan, we continued to implement the Kao Way Dialogue program and corresponding programs aimed at leaders, introduced in 2014.
- Outside Japan, we implemented the same program in Singapore, Indonesia and Thailand.
- To honor teams and individuals which have put the Kao Way into practice in an exemplary fashion, we

implement the Kao Way Recognition Program at their respective workplaces.

In 2017 this was implemented in two divisions in Japan and 12 companies outside Japan with the number of persons receiving commendations totaling 784.

Conservation

Community

Corporate Culture

Governance

Our initiatives

Identifying issues through dialogue

In 2017, we continued to implement the Kao Way Dialogue program, which aims to develop leadership based on the Kao Way, in Japan while also implementing the program at three Group companies in Singapore, Indonesia and Thailand.

The Kao Way Dialogue program involves bringing together organization members who are engaged in the same type of work to discuss workplace issues and the outlook for the future on the basis of the values represented by integrity, *Yoki-Monozokuri* and Innovation, which are the three core elements of the Kao Way. Besides providing an opportunity to rethink the work that keeps employees busy in their day-to-day operations, the Kao Way Dialogue program is also intended to help employees "reset" their feelings and cultivate renewed vitality that will help them move forward into the future.

Through this series of dialogue activities, a group of key themes that are common to all divisions and Group companies have emerged, including the need to cultivate an open corporate culture and maintain the right balance between long-term vision and short-term results.

In the future, we will continue to explore and intensify activities aimed at addressing these topics by making effective use of the Kao Way.

Realizing the Kao Way for the future

The mission embodied by the Kao Way is to strive for the wholehearted satisfaction and enrichment of the lives of people globally. We developed a new program called the Kao Way Future Session, developed based on a conceptual query; what is a satisfying and enriching life? doesn't it start by asking what happiness means to each of our individual employees?

'What will the future look like, and how is society changing?' and 'how are the Kao Group and the work and lives of our employees changing?' In this program, as we look ahead to the future, we discuss about what is the best way of practicing the Kao Way in terms of what kind of happiness we should be working for and for whom.

We anticipate that through this processes we will bring new ideas and perspectives to Kao's business activities and thus contribute to innovation. Going forward, we plan to implement this program by bringing members of different divisions without regard to their seniority or job content.



Implementation of the Kao Way Dialogue program in different countries within the Asia region (Singapore)



Personnel from different divisions participating in the Kao Way Future Session