

## Kao's approach

Kao believes that the vitality that derives from diversity can create new value for society. Reflecting this attitude, Kao aims to create an organizational environment that accepts the diverse personalities and values of individual employees, and in which all employees are able to demonstrate their passion and capabilities to the maximum possible extent.

## Kao's creating value to address social issues

The promotion of Diversity & Inclusion (D&I) not only helps to underpin the exercise of creativity and innovative thinking by employees, it also serves to strengthen the organization's ability to cope with risk, and constitutes a key aspect of Kao's mid-term organizational development and human capital development planning.

### Contributions to the SDGs



## Policies

We put in place the corporate ethos and frameworks needed to enable employees to demonstrate their enthusiasm and capabilities to the maximum extent. Taking as a foundation the relationship of trust that has been formed through smooth communication between management and employees, we are working to create an environment in which employees can focus on their work with peace

of mind, and an ethos and environment in which employees of all kinds feel that they are rewarded for doing their utmost, regardless of each employee's personal attributes.

Through these efforts, we aim to realize a virtuous circle of organizational and personal growth.

## Framework

Matters relating to D&I promotion strategy etc. for the Kao Group as a whole are discussed by the Human Capital Development Committee, consisting of executive officers. To ensure the dissemination and effective implementation of D&I promotion in day-to-day management, Human Capital Development Meetings and D&I Awareness Activity Meetings are held, realizing the sharing of information, exchange of ideas, and discussion, on a broad scale.

Individual Kao Group companies and divisions formulate and implement D&I Promotion Plans based on analysis of the current situation, with the aim of ensuring continuous improvement.

The D&I Awareness Activity Meetings, which are attended by Employee Welfare Committee secretariat managers from nine Kao Corporation

business locations and six major Group companies, undertake the dissemination of information regarding the D&I Awareness Months that are held five times a year, report on the holding of special events in response to employee requests, and share information about the latest D&I-related topics, etc.

The Meetings outlined above also introduce new topics to one another, to facilitate multi-layered D&I promotion.

## Education and promotion

Recognizing that managers have a particularly important role to play in the realization and dissemination of D&I, we have begun implementing Diversity Management Training Sessions for managers in Japan since 2016. The aim is for every Kao manager to have attended at least two of these training sessions by 2019.

## Mid- to long-term targets and performance

Within Japan, we will continue to implement measures aimed at creating an environment and corporate ethos that encourage all employees to enthusiastically play an active role in the company, regardless of gender, disabilities, or whether they have childcare, nursing care or other family responsibilities.

Up until now, individual Group companies in each country have implemented various measures of their own. However, in the future, we will promote the establishment of a unified framework across the whole group, including Group companies outside Japan.

Through these measures, we aim to build an organization that respects and actualizes every individual employee, regardless of that employee's personal attributes, thereby realizing a virtuous circle of organizational and personal growth.

### Performance in 2017

Review was undertaken aimed at putting in place a framework for further strengthening of D&I throughout the group as a whole.

While focusing the most attention on Japan, which has the largest number of Kao employees and many issues that need addressing, we have also engaged in discussions with overseas personnel managers regarding unified measures for Group companies outside Japan that take account of the differences in organizational issues and culture.

At Kao Group Customer Marketing Co., Ltd. (KCMK), which is mainly responsible for the selling of Kao products, the scope of activities has been expanded to include not only sales personnel but also beauty advisors, with the implementation of measures aimed at providing support for the promotion of women's participation and advancement in the workplace, employee career development, and work-life balance.

## Collaboration with stakeholders

- In 2010, we signed the Women's Empowerment Principles, which are international guidelines for women's participation in society based on UN Women and the UN Global Compact.
- We have given case study presentations as part of seminars and other initiatives organized by government agencies and NPOs, etc., with the aim of fostering the promotion of D&I throughout society.

### Main case study presentations in 2017

- Bureau of Industrial and Labor Affairs, Tokyo Metropolitan Government, "Website for Providing Support to Help Workers in Tokyo Balance Care and Work Responsibilities."
- The 19th Annual Meeting of the Japan Society for Health Care Management.
- "Work Style Reform" promotion measures implemented by the Bureau of Industrial and Labor Affairs, Tokyo Metropolitan Government.
- "Seminar to Promote Women's Activities that Lead to Corporate Growth," organized by the National Women's Education Center.
- Kao employees participated in the "Integrated Seminar on the Provision of Support to Help Employees Balance Work and Childcare Responsibilities" which was organized by the Ministry of Health, Labour and Welfare (MHLW) and held over the period from June 2017 to March 2018, to share their experience of practical implementation within a business enterprise.

- Kao Peony Co., Ltd. has been providing support to help people with disabilities secure employment, including arranging workplace visits and workplace training opportunities for students from special needs schools. The company has also collaborated with an NPO engaged in providing employment-related support for people with disabilities to establish an employment skills training facility within the company's head office located in Kayaba-cho of Chuo ward in Tokyo.

Conservation

Community

Corporate Culture

Governance

## Our initiatives

### Support for the active diverse human capital

- Based on the results of surveys on D&I implementation status in individual overseas countries in which we operate, which were conducted in 2016, we continued internal discussion and exchange of views in 2017 regarding issues that we should focus on, both within and outside Japan.
- Kao Corporation has held the Diversity Management Training Session for Managers (basic edition) on 35 occasions (with a total of 1,781 trainees participating in 2017). For those managers who had not been able to attend the Training Session, the e-learning with same content was provided in January 2018.
- KCMK also had held the Diversity Management Training Session for Managers (basic edition) on 19 occasions (with a total of 660 trainees participating in 2017). In addition, as part of efforts to provide career support for beauty advisors, KCMK held career development seminars for younger beauty advisors as well as leader development seminars.
- Besides developing new career opportunities to enable senior employees to continue to remain active and make a contribution after reaching retirement age by utilizing their experience and specialist expertise, either within Kao or elsewhere, we have also established a new Senior Career Consultation Service.
- In order to promote a better understanding of LGBT issues among Kao employees, the lectures at individual worksites have been introduced since 2015, and one lecture was held in 2017 (at the Kawasaki Plant, with 68 people participating). These lectures have been held at five worksites, with a cumulative total of 300 people participating. In Kao's in-house newsletter for employees of Kao Group companies within Japan, besides publishing interviews with LGBT employees, we announced a consultation services regarding LGBT and the commencement of recruitment of ALLYs.\*

\* ALLY:  
Employees who may not necessarily be LGBT themselves, but who understand the issues that LGBT employees are facing and who wish to provide support.

#### Number of Kao Group employees (regular employees)

	Total (persons)	Male (persons)	Female (persons)	Female employees as percentage of total (%)
<b>Total</b>	33,560	16,970	16,590	49.4
<b>Japan</b>	22,211	10,812	11,399	51.3
<b>Asia and Oceania (excluding Japan)</b>	7,191	3,957	3,234	45.0
<b>Europe and the Americas</b>	4,158	2,201	1,957	47.1

#### Status of regular employees (Kao Corporation)

	2015	2016	2017
<b>Regular employees (persons)</b>	6,970	7,195	7,332
<b>Male</b>	5,414	5,568	5,631
<b>Female</b>	1,556	1,627	1,701
<b>Female employee ratio as percentage of total (%)</b>	22.3	22.6	23.2
<b>Female manager ratio as percentage of total (%)</b>	8.7	14.0	15.5
<b>Female managers (persons)</b>	90	336	381
<b>Female executive officers ratio as percentage of total (%)</b>	8.8	8.8	8.6
<b>Female executive officers (persons)</b>	3	3	3
<b>Average age (years)</b>	41.7	41.2	41.0
<b>Male</b>	42.6	42.0	41.7
<b>Female</b>	38.6	38.5	38.6
<b>Average length of employment (years)</b>	18.5	18.3	17.4
<b>Male</b>	19.8	19.4	18.4
<b>Female</b>	14.1	14.5	13.9
<b>Number of recent graduates hired (persons)</b>	264	283	269
<b>Male</b>	195	214	196
<b>Female</b>	69	69	73
<b>Employee turnover (%)</b>	0.7	0.5	0.6

#### Status of female employees in the Kao Group

		2015	2016	2017
<b>Female employees</b>				
<b>Global</b>	Percentage (%)	52.5	49.2	49.4
	No. of employees (persons)	17,340	16,332	16,590
<b>Japan</b>	Percentage (%)	54.8	50.6	51.3
	No. of employees (persons)	12,120	11,130	11,399
<b>Female managers</b>				
<b>Global</b>	Percentage (%)	27.5	25.4	25.1
	No. of employees (persons)	1,301	1,700	1,618
<b>Japan</b>	Percentage (%)	10.4	13.1	14.6
	No. of employees (persons)	335	573	648
<b>Female executive officers</b>				
<b>Global</b>	Percentage (%)	6.5	6.7	7.7
	No. of employees (persons)	11	11	14
<b>Japan</b>	Percentage (%)	3.1	4.1	4.5
	No. of employees (persons)	4	5	6

\* The definition of "managers" was revised in 2016 in line with Kao's promotion of unified Group-wide operation.

\* The figure of "Female executive officers as percentage of total" covers executive officers of major Kao Group companies (52 companies in 2017).

#### Number of re-employment after retirement (Kao Corporation)

	2015	2016	2017
<b>Number of employees who reached retirement age*</b>	125	104	93
<b>Of which, Number of employees re-employed after retirement</b>	94	86	73
<b>Percentage</b>	75.2%	82.3%	78.5%

\* Number of employees who reached retirement age  
= Number of retired employees + Number of re-employment after retirement

## Promoting better understanding of disability, and promoting the employment of persons with disabilities

We position support for people with disabilities as an important part of our D&I efforts, and have formulated a basic policy of "Striving for a society where people with and without disabilities work and live together, we create workplace environments for employees with disabilities that make life easier for them and foster a sense of pride in one's work."

Besides having prepared our "Disabled Persons Employment Manual," which is intended to help strengthen employees' understanding of disability, and our "Communication Support Guidelines" for people with hearing disabilities, we have also assigned Vocational Life Consultants for Persons with Disabilities to sites throughout Japan to serve as a contact point that can help to arrange suitable accommodation for different types of disability.

### Measures implemented at regular workplaces

- We held an Employees with Disabilities Support Meeting in February 2017 to help Vocational Life Consultants for Persons with Disabilities upgrade their skills and strengthen the overall support system for persons with disabilities.
- September has been designated as "Disability Understanding Promotion Month"; in September 2017, various awareness-raising activities were conducted, including the sharing of information by the Employee Welfare Committee and the issuing of newsletters.

### Measures implemented at special subsidiaries

Kao Peony Co., Ltd. was established as a special subsidiary in October 2005, with the goal of encouraging hiring of persons with disabilities.

The company comprises a Production Department, which mainly undertakes the sorting and packaging of cosmetics products and other personal care products, and the newly-established Office Support Department (created in July 2017), which undertakes accounts monitoring processing work for the group.

As of January 2018, a total of 27 employees work at Kao Peony, including 20 with intellectual disabilities.



Kao Peony Co., Ltd. Production Department employees carrying out sorting and packaging operations

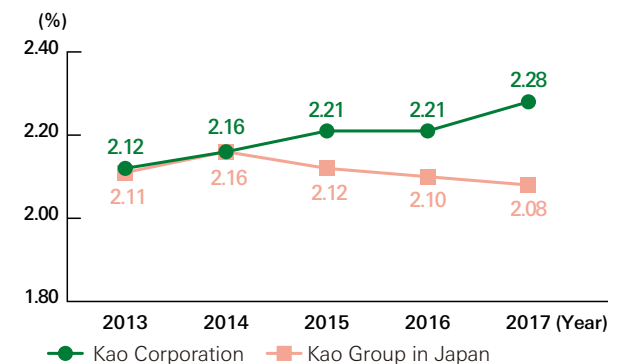


Employees of Kao Peony's newly-established Office Support Department (which was established in July 2017) undertaking accounts monitoring processing work.

### Kao Group employment rate of person with disabilities

Currently, persons with disabilities account for 2.08% of the total workforce of the Kao Group within Japan, exceeding the statutory minimum rate of 2.0% (as of June 2017).

#### Kao Group employment rate of person with disabilities\*



(As of June 1, 2017)

\* Scope: 12 domestic affiliates that are required to employ people with disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Customer Marketing Co., Ltd., Kao Field Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., Kanebo Cosmetics Inc., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd. and special subsidiary Kao Peony Co., Ltd.).

# Diversity and inclusion

## Realization of diversified work style

### Projects implemented in 2017

With the aim of making it possible for diverse employees to maximize their potential in different workplaces, and to realize flexible work styles, we have begun efforts to promote the effective utilization of existing personnel systems and to implement pilot projects aimed at fostering active participation of diverse employees in workplaces where shift work is in operation.

With regard to existing personnel systems, we have recognized the importance of cultivating a corporate ethos that is more conducive to active participation, and we have organized several seminars on themes including childcare, nursing care and family care.

### 2017 performance

- In the past, Kao employees who needed to take leave to provide nursing care or long-term care for family members were able to make use of a special leave system that allowed them to take such leave from their own sick leave allowance. However, we have now established an independent system of Special Nursing Care and Family Care Leave. (starting in January 2017)
- We have extended the length of the period during which employees can make use of the shortened working hours and flexible working hours for employees with nursing care or family care responsibilities. (starting in January 2017)

- In our production sites, with respect to paper processing production lines\* where the physical effort required by the work is particularly high, we have made improvements to equipment and adjustments to working methods in order to realize “production lines that anyone can operate,” including women and senior citizens. Initially, we have focused on operation of these lines by female operatives.

In particular, at the Sakata Plant, we have put in place a shift work system that involves only female operatives. We are currently engaged in identifying problems that female operatives face, and developing solutions to remedy these issues. Discussions are underway with the aim of expanding the scope of this project to include senior citizens in the future.

- We have held “Thinking About Work Styles in an Era of Diversity” seminars for employees of Group companies in Japan. Fourteen sites were linked up for teleconferencing, with over 300 personnel (including managers) participating.

\* These production lines are located at Kao’s Sakata Plant, Tochigi Plant and Tochigi Plant, and at Kao Sanitary Products Ehime.

### Main systems for supporting work-life balance

#### Support for balancing work and child-care responsibilities

- Holding of F&M (Father & Mother) Meetings (discussion meetings, seminars, etc. for male and female employees with children)
- Seminars for employees returning from child-care leave (Tatsuno-oshigoto Seminar)  
Note: It is recommended that employees’ partners also attend the seminar.
- Provision of an on-site day care facility (Merries Garden)
- Pre- and post-child-care leave interviews.
- Child-care leave reports
- e-Learning for managers (“Work and Life Balance Management”)

#### Support for balancing work and family care responsibilities

- Holding of family care seminars
- Provision of family care handbooks
- Establishment of an external family care consultation service

#### General work-life balance measures

- Encouragement of employees to make full use of relevant allowances and services
- Awareness-raising activities for managers, including manager training sessions, lectures, etc.
- Dissemination of awareness-raising newsletters
- Provision of the Work and Life Balance Guidebook

# Diversity and inclusion 401-3

Kao's approach

Our initiatives

## Main systems for supporting diversified work styles (Kao Corporation)

Main systems	Content	
	Childcare related	Nursing care and family care related
Leave	In principle, childcare leave can be taken until the first April 30th following the child's first birthday. Paid leave is provided for the first five days after the commencement of childcare leave.	Nursing care and family care leave can be taken for a maximum period of one year. During the period in which nursing care and family care leave is permitted, such leave can be taken in a maximum of three blocks of time.
Reduced working hours and staggered working hours	This is available until the child finishes the third year of elementary school. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.	Provision for reduced working hours and staggered working hours, and provision for working either three days a week or a half-day five days a week, can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.
Working a 3-day week or working only half-days	In principle, this can be implemented, on the request of the company until the first April 30th following the child's first birthday. Employees can either work three days a week, or work a half day five days a week.	Provision for reduced working hours and staggered working hours, and provision for working either three days a week or a half-day five days a week, can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Employees can either work three days a week, or work a half day five days a week.
Restriction on extra working hours	Up until the first April 30th following the child's enrollment in elementary school as a first grader, the employee can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night.	Employees who have family members requiring nursing care or family care for a period of more than two weeks can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night either.
Working at home	In cases where an employee is working a half-day each day in order to fulfil childcare responsibilities, the employee has the option of working at home.	In cases where an employee is working a half-day each day in order to fulfil nursing care or family care responsibilities, the employee has the option of working at home.
Special leave for nursing Care and family care	Special leave is available for employees who need to fulfill nursing care or family care responsibilities (up to a maximum of either 40 days a year or 20 days a year).	Special leave is available for employees who need to fulfill nursing care or family care responsibilities (up to a maximum of either 40 days a year or 20 days a year). This leave can be taken in increments of either one-day, half-day, or hours.

Main systems	Content
	In common
Flexitime system	With the exception of some shift workers, flexitime is applied to all employees, regardless of grounds. The times for the start of work and end of work will be set within a flexitime range of 07:00 - 20:00. No "core time period" will be set.
Hourly leave system	Annual paid leave can be taken in hourly increments up to a maximum of five day-equivalents within any one-year period, regardless of grounds.
Family leave for overseas assignments	Where an employee's spouse is on an overseas assignment and the employee wishes to accompany the spouse, a period of leave of at least one year and no more than two years can be taken.
Special leave for personal injury or sickness	Special leave is available for employees who participate in volunteering activities approved by the company (up to a maximum of 5 days a year). This leave can be taken in increments of either one-day or half-day.
Special leave for volunteering activities	Special leave is available for employees who participate in volunteering activities approved by the company (up to a maximum of 5 days a year). This leave can be taken in increments of either one-day or half-day.
Refreshment leave	This leave is granted to employees who have completed 10, 20, 30 or 40 years of service with the company (up to a maximum of 5 days a year).

## Employment systems utilization status (Kao Corporation)

Employment system	2017	Unit
Average hours worked outside regular working hours (per month)	19.5	(Hours)
Average days of paid vacation taken	13.7	(Days)
Average paid vacation utilization rate	72.8	(%)
Average hours of leave taken in hourly increments	1.73	(Hours)
No. of employees taking child-care leave (male)	101	(Persons)
No. of employees taking child-care leave (female)	90	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	11	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	85	(Persons)
No. of employees taking nursing care or family care leave (male)	2	(Persons)
No. of employees taking nursing care or family care leave (female)	2	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	1	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	0	(Persons)
No. of employees taking family leave for overseas assignments (male)	0	(Persons)
No. of employees taking family leave for overseas assignments (female)	6	(Persons)
Average number of days of special leave for volunteering activities taken	0.9	(Days)
Total number of employees taking special leave for volunteering activities	7	(Persons)

### Kao is awarded Platinum Kurumin certification

In May 2016, Kao Corporation was awarded Platinum Kurumin Certification for creating a supportive workplace for employees with children, in accordance with the provisions of the Act for Measures to Support the Development of the Next Generation.



Platinum Kurumin

Conservation

Community

Corporate Culture

Governance



## Kao Sanitary Products Ehime Co., Ltd. is visited by the Director of the Ehime Labor Bureau in recognition of its status as a "Best Practice Enterprise"

On November 8, 2017, the Director made visit to Kao Sanitary Products Ehime Co., Ltd. as part of the Ehime Labor Bureau's "Overwork Elimination Campaign." This visit was part of a program whereby the Directors of prefectural Labor Bureaus visit business enterprises that have been working actively to implement work style reform by reducing working hours, etc., so that details of the specific measures adopted can be widely publicized, thereby helping to eliminate overwork.

During this workplace visit, Kao Sanitary Products Ehime managers gave presentations on the work style reform that the company is implementing to reduce working hours, and the activities being implemented to improve employee health. There was also an exchange of views and ideas regarding work-life balance.

This visit represented a marvelous opportunity for publicizing the workplace goals that have been adopted, and for enabling outsiders to see how the management of the finishing work time etc. actually works in practice, as well as providing visibility for the company's other activities.

### Initiatives at Kao Sanitary Products Ehime Co., Ltd.

#### Communication

- Dissemination of messages to employees that embody company representatives' vision regarding work style reform.
- Implementation of exchange of views and ideas between younger employees and managers through the use of "cross-talk meetings" etc., with the aim of "building good relationships with colleagues through mutual understanding and mutual influence."

#### Action taken to reduce working hours

- Announcing numerical targets for working hours at the level of individual workplace groups and implementing effective management to realize these targets.
- Setting of "No Overtime Days" in line with individual schedules, and ensuring that these are effectively implemented.
- Reducing the length of meetings and adjusting the frequency of meetings and the personnel required to attend, along with the setting and effective implementation of "No Meeting Periods."



Reporting on the activities implemented at Kao Sanitary Products Ehime Co., Ltd. to the Director of the Ehime Labor Bureau.



Introducing the actual action targets set in the workplace

Conservation

Community

Corporate Culture

Governance