

Kirei Lifestyle Plan—Kao's ESG Strategy ¹⁰²⁻¹⁶

At Kao, we are building up our ESG activities to achieve our 2030 goal of establishing a global presence.

In 2019, we developed our policy on ESG activities and announced the Kirei Lifestyle Plan, which presents our ambitious intentions for the future outlined with specific activities. The values previously embodied in the Kao Sustainability Statement, continue to underpin the Kirei Lifestyle Plan (which represents a further evolution of the Kao Sustainability Statement), through which we will make greater contributions to the sustainability of society.

Philosophy supporting Kao's ESG activities

The Kao Way

Since our founding, we have made it our mission to contribute to the sustainability of society through our business activities. The Kao Way, our corporate philosophy, states, "Our mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective."



→ The Kao Way
www.kao.com/global/en/about/policies/kaoway/

Kirei Lifestyle Plan

In 2016, Kao adopted a long-term vision of what we aim to achieve by 2030. In conjunction with this, we established the Kirei Lifestyle Plan, an ambitious direction we will take with ESG with concrete focus areas.

The Kirei Lifestyle Plan comprises Kao's ESG Vision, and the Kao ESG Commitments and Actions, our strategy for realizing this Vision.

Kao's ESG Vision

Kao's ESG Vision is based on the concept that our ESG activities are designed to help people around the world live more sustainably and benefit the wider society and the Earth. Our value of walking the right path is presented as the foundation of our ESG activities and embodies the one of the core tenets of our founder Tomiro Nagase, "Good fortune is only given to those who work diligently and behave with integrity."

Kao's ESG Commitments and Actions

The activities in the Kirei Lifestyle Plan are presented in the Kao ESG Commitments and Actions. It consists of three new pillars connected to people's lifestyles: "Making my everyday more beautiful," "Making thoughtful choices for society," and "Making the

world healthier & cleaner." These pillars are rooted in our foundation of "Walking the right path."

Kao Actions, our priority action themes, are set for each pillar as well as our 2030 Commitments, our ambitious goals to achieve by 2030. Individual, mid-to long-term targets have also been set for each of the 19 Kao Actions to facilitate effective and reliable activities.



→ p. 10 Mid- to long-term targets

In the previous Kao Sustainability Statement, nine main themes were categorized in the three key areas: Conservation, Community, and Corporate Culture. These key areas and themes are incorporated into the three new pillars and the 19 Kao Actions based on people's lives.

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Kao's ESG Vision

A Kirei Lifestyle means living a beautiful life inside and out.

A Kirei Lifestyle is full of compassion. Where making your own life clean and beautiful never compromises the beauty and cleanliness of the world around you.

A Kirei Lifestyle is enjoying today, with the peace of mind that those joys will be there tomorrow.

It's the chance to express who you truly are, with the confidence that you are walking the right path. Even in the smallest, everyday moments.

That's why, at Kao, everything we do is in service of this lifestyle. It's why we do what is right, not what is easy.

We put our innovation and imagination to the task of enriching lives by finding ways for people the world over to live the Kirei Lifestyle.

Kao's ESG Commitments and Actions



Walking the right path

Business growth through the realization of the Kirei Lifestyle

The objective of our ESG activities and realizing the Kirei Lifestyle through them is business growth. The Kirei Lifestyle Plan is the primary engine for achieving our vision.


 → Kao Integrated Report 2019
 Kao's *Yoki-Monozukuri*
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2019e-all.pdf#page=12

Kao Group's Management Vision
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2019e-all.pdf#page=36

K20 mid-term plan

Our K20 mid-term plan, which commenced in 2017, is a key waypoint for achieving our vision by 2030.

ESG activities are essential to achieve each of the following three K20 targets.

FY2017 to FY2020 Mid-term Plan K20*

Three commitments:

Commitment to fostering a distinctive corporate image

- Become a company that is always by the consumer's side

Commitment to profitable growth

- Continue to set new record highs for profits
- Aim for like-for-like net sales CAGR of +5%
- Operating margin of 15%
- Three 100 billion yen brands (*Merries* baby diapers, *Attack* laundry detergents, *Bioré* skin care products)

Commitment to returns to stakeholders

- Shareholders: Continuous cash dividend increases (40% payout ratio target)
- Employees: Continuous improvement in compensation, benefits, and health support
- Customers: Maximization of win-win relationships

ESG activities to achieve the mid-term plan

- Contribute to the sustainability of society in ways unique to Kao, and communicate to and get feedback from stakeholders as part of these activities.
- Build a profitable growth model by integrating ESG into business activities.
- Provide returns to stakeholders by increasing corporate value and contributing to resolving social issues.

What Kao Aims to Be by 2030

What Kao Aims to Be by 2030*

Make Kao a Company with a Global Presence

A distinctive corporate image

A high-profit global consumer goods company

A high level of returns to stakeholders

ESG Activities for Achieving our Vision

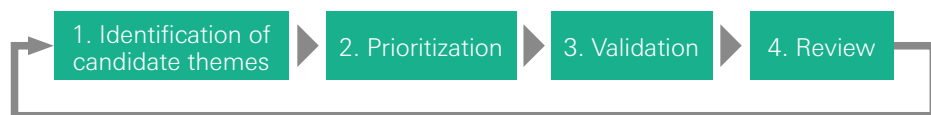
- Actively drive ESG initiatives through our business activities, viewing them not as a cost but as an investment in future growth.
- Undertake global initiatives under the leadership of the new ESG Division and the ESG Committee.
- Under this structure, we will implement Kirei Actions unique to Kao, aim to create unique experiences and touch the hearts of all the stakeholders through products filled with passion.

* For the period between 2020 and 2030, Kao may develop a separate business plan to tie K20 and the 2030 vision together.

Selection process for the Kao Actions as material themes

Kao selected the 19 Kao Actions in the Kao ESG Commitments and Actions through the following four steps.

Selection process



Objectives of selecting the Kao Actions

1. Targeted action in view of changing social circumstances and issues, and the changing expectations for Kao.
2. Strategic implementation of ESG activities based on Kao policy and changes in business environment and strategy.
3. Efficient investment and effective use of management resources.

Selection of Kao Actions implemented in 2018

1. Identification of candidate themes

1.1 Making a list of candidate themes

We used the following to help identify candidate themes:

- ISO 26000
- GRI Standards
- SDGs
- Evaluation items used by ESG assessment bodies
- Global mega-trends
- In-house workshops
- Materiality at other companies
- Third-party opinions

As a result of this process, 78 candidate themes (17 environmental, 37 social, and 24 governance) were selected.

1.2 Top management interviews

We held interviews with eight members of top management including representative directors, directors, and managing executive officers, and compiled their thoughts and requests regarding Kao's ESG strategy.

1.3 Region-based workshops

Using a workshop format in the regions of Asia, the Americas, and Europe, we identified activities that would simultaneously satisfy business needs, sustainability needs, and customer and consumer needs from the viewpoint of our operational sites. We then identified elements in those activities that serve becoming a company with a global presence.

2. Prioritization

Of the 78 candidate themes identified in 1.1, we asked some external stakeholders and employees to rate their priority in growing our business and increasing our corporate value.

Evaluator attributes

- External stakeholders: 32 (21 Japanese, 11 non-Japanese)
- Employees: 71 (39 Japanese, 32 non-Japanese)

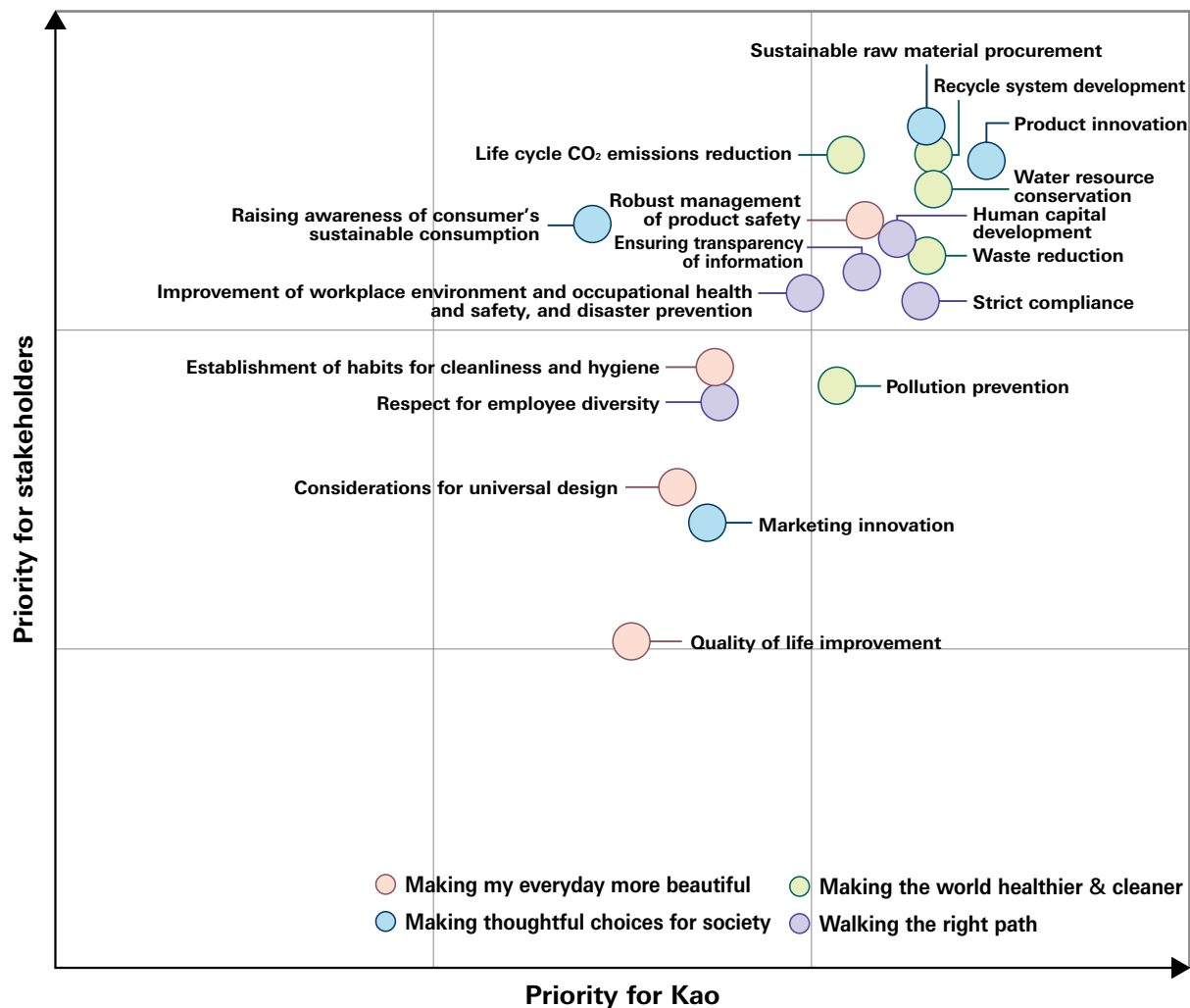
External stakeholders who provided evaluations fall under the following groups:

- Consumers/customers
- Suppliers
- Local community members
- NGO/NPO representatives
- Academics
- Industry body/same industry representatives
- Shareholders/investors

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We then organized the results of their evaluation in the Matrix of Materiality, which maps materiality along two axes: priority for stakeholders and priority for Kao.

Matrix of Materiality



The ESG Promotion Meeting, attended by division leaders, reviewed the results of the evaluation based on third-party opinions, and then selected the 19 Kao Actions.

Themes that were not included in the Kao Actions despite being relatively highly rated in the evaluation will be managed and implemented under a separate organization. For instance, "Disaster preparation and reconstruction assistance" was highly rated externally. These themes have been and will continue to be implemented under the Responsible Care Promotion Committee.

3. Validation

The ESG Committee reviewed the 19 Kao Actions selected in the ESG Promotion Meeting, and the Board of Directors approved them.

Based on this, divisions set their own targets and action plans to conduct ESG activities.

4. Review

The 19 Kao Actions will be periodically reviewed and revised using selection steps 1 to 3.



→ For details concerning the structure, see p. 9, ESG promotion structure.

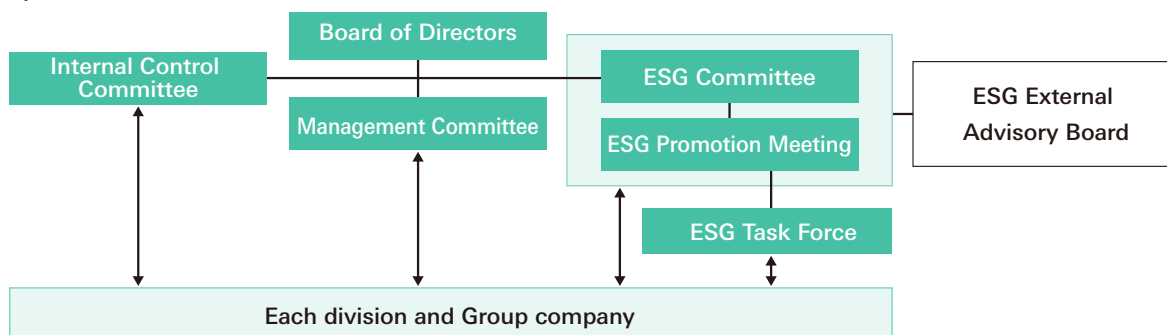
ESG promotion structure

The ESG promotion structure was updated in 2018 to achieve greater flexibility and resilience in implementation. It is made up of the ESG Committee, the highest decision-making body for ESG matters under the Board of Directors; the ESG External Advisory Board, comprised of outside experts to reflect external viewpoints; the ESG Promotion Meeting, designed to effectively implement the ESG strategy; and the ESG Task Force, which proposes activities for focus themes.

This structure drives ESG activities in the divisions.

The ESG Committee consists of members of the management team, and the ESG Promotion Meeting is attended by the heads of business divisions, regions, functional divisions and corporate divisions. These bodies are able to make swift management decisions on ESG matters, and the structure enables divisions with global operations to integrate ESG into their business activities.

ESG promotion structure



Roles, structure, and frequency of meeting of each organization

Organization	Roles	Structure	Frequency of meetings
ESG Committee	<ul style="list-style-type: none"> Develop policy and strategy for our Group ESG activities. Present guidelines for developing detailed plans based on the ESG Promotion Meeting. Deliberate and decide on matters raised in the ESG Promotion Meeting. 	Committee chairperson: President & CEO; Members: Senior managing executive officers, managing executive officers, other executives	Four times/year
ESG External Advisory Board	<ul style="list-style-type: none"> Give advice and recommendations to the ESG Committee from outside viewpoints. Provide information to the ESG Committee to enable development and implementation of world-class plans. Provide opportunities for collaboration and cooperation with external parties. 	Chairperson and members: External influential experts	Once/year
ESG Promotion Meeting	<ul style="list-style-type: none"> Flesh out and advance the ESG strategy in the Kao Group. Integrate ESG into the business strategy and operations. Establish task forces as necessary to implement focus themes. 	Meeting chairperson: Head of the ESG Division; Members: Heads of business divisions, regions, functional divisions and corporate divisions	8–12 times/year
ESG Task Force	<ul style="list-style-type: none"> Separate task forces are established for each focus theme. Propose activities based on the detailed plan developed by the ESG Promotion Meeting. 	Members: Staff of the division relevant to the focus themes	As necessary

Education to promote ESG

Since we released the Kao Sustainability Statement, we have conducted educational activities for employees using a variety of approaches.

Education through in-house trainings

A sustainability unit is incorporated into various training programs organized by the HCD Division and the SCM Division. In 2018, sustainability lectures were given at pre-assignment trainings held for abroad top management before they went overseas, career trainings for mid-career hires, basic seminars for the SCM Division, and in the Global Techno School.

Lectures and presentations

Kao Corporation has invited outside experts to give in-house presentations. In 2018, Takejiro Sueyoshi, special advisor to the United Nations Environment Programme Finance Initiative and chairman of the World Wildlife Fund Japan, gave a presentation on the latest trends related to climate change.

Workshop

We have communicated future ESG promotion policy and related information at workshops held in Asia, the Americas, and Europe.

Education for ESG Promotion Meeting members

We communicated the ESG promotion policy and related information at the ESG Promotion Meeting.

Mid- to long-term targets

Individual mid- to long-term targets are set for each of the 19 Kao Actions.

Based on the mid- to long-term targets, divisions set their own targets according to their business activities and in 2019 started activities based on their plans.

We will confirm the progress of these plans while monitoring division activities.

Mid- to long-term targets for the 19 Kao Actions

Prioritized actions	Indicator	Target value	Target year	Base year	SDGs
Making my everyday more beautiful					
Improved quality of life	% of new or improved products which contribute to a comfortable, beautiful, healthy life and touch the heart of people.	100%	2030	—	1 3 5 17
Habits for cleanliness, beauty & health	Coverage of enlightening activities that stimulate habits for cleanliness, beauty & health using Kao products and services. Scope: targeted brands/categories	100%	2030	—	3 6 17
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines.	100%	2030	—	10 12 17
Safer healthier products	% of targeted ingredients of concern on which views are disclosed.	100%	2030	—	3 12 17
Making thoughtful choices for society					
Sustainable lifestyle promotion	Coverage of distribution of information, information tools, and enlightening or communication activities for sustainable lifestyle. Scope: targeted brands/categories	100%	2030	—	4 11 12 17
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize brand's social usefulness.	100%	2030	—	11 12 17
Transformative product innovation	Cumulative number of transformative sustainable product innovations launched.	10 or more	2030	—	9 12 13 17
	% of new or improved products which meet Kao sustainability guidelines.	100%	2030	—	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products.	100%	2025	—	8 12 14 15 17
	Confirm traceability to small oil palm farm.	Finish	2030	—	

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Prioritized actions	Indicator	Target value	Target year	Base year	SDGs
Making the world healthier & cleaner					
	Kao recognition or achievement level by external ratings firms.	Highest evaluation level	Every year	—	3 6 7 12 13 14 17
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions.	22%	2030	2017	7 12 13 17
	% reduction in absolute scope 1 + 2 CO ₂ emissions.	22%	2030	2017	
Zero waste	Quantity of innovative film based packaging penetration for Kao and others per annum.	300 million	2030	—	12 14 17
	Quantity of waste not for recycling from factories and offices.	Zero	2030	—	
Water conservation	% reduction in full lifecycle water use per unit of sales.	10%	2030	2017	6 12 17
	% reduction in full lifecycle water use per unit of sales in regions with water scarcity.	40%	2030	2017	
Air & water pollution prevention	% of factories which disclose VOC and COD emissions.	100%	2025	—	3 6 12 14 17
Walking the right path					
Effective corporate governance	Kao recognition or achievement level by external ratings firms.	Highest evaluation level	Every year	—	
	Number of serious compliance violations per annum.	Zero	Every year	—	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information.	100%	2030	—	12 17
Respecting human rights	% response rate to human rights due diligence. (risk assessment across internal, suppliers and contractors)	100%	2030	—	5 8 17
Inclusive & diverse workplaces	Affirmative answer rate to a question on “Inclusion and Diversity” on “Find”, our employee survey with voice of employees.	75%	2030	—	5 8
	% of female managers.	Same as % female employees	2030	—	
Employee wellbeing & safety	Lost time accident frequency rate.	0.1	2030	—	3 8
	Average number of lost long-term work days. * Starting from Japan.	105	2030	—	
	Ratio of employees who have lost long-term work days per one thousand employees. * Starting from Japan.	0.12	2030	—	
Human capital development	Affirmative answer rate to a question on “Development Opportunities & Climate” on “Find”, our employee survey with voice of employees.	75%	2030	—	8
	Affirmative answer rate to a question on “Engagement/Employer of Choice” on “Find”, our employee survey with voice of employees.	75%	2030	—	
Responsible chemicals management	% of chemical products and raw materials with disclosed information of benefit and safety to ensure safe usage for our customers.	100%	2030	—	3 6 12 14 17
	% of areas where impact on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal.	100%	2030	—	

Performance in 2018

Our 2018 performance and returns to business and society are as follows.

Beneficial effects on business

1. Business growth

Effects from eco-conscious products

In 2018, the sales ratio of products featuring the “eco together” logo (consumer products in Japan) was 29%, the same as in the previous year. The consumer business in Japan decreased from 886.2 billion yen to 883.9 billion, down approximately 0.3%. Eco-conscious products were not able to contribute to business growth, but did maintain sales at the same level as the prior year.

2. Cost reductions

Economic effects as a result of environmental conservation measures

We received an economic benefit of 4.1 billion yen in 2018. The largest factor was reduced expenses from resource savings, which contributed 2.3 billion yen.



→ p. 94 Conservation > Environmental accounting

3. Risk reductions

We did not experience serious loss of business opportunity from emerging risks in 2018.

4. Increased credibility

In February 2019, Kao was selected for the list of the World's Most Ethical Companies 2019 by the U.S. think-tank Ethisphere Institute. We have been named to the list 13 straight years since the award's inception 2007. We are the only Japanese company, and the only manufacturer of fast-moving consumer goods and chemicals in the world to be honored for 13 consecutive years.

This recognition reflects the fact that the spirit of integrity passed down from our founder continues to be implemented by all Kao Group members in day-to-day operations through practice of the Kao Way and the Kao Business Conduct Guideline (BCG).

Effects on society

In 2017, we attempted to evaluate the returns from our business activities in an integrated manner by converting non-financial effects that result from our business activities into monetary values and combining them with financial impacts. We have compiled the results as research findings that show a large positive effect on returns. This was due to using a calculation method that predominantly relied on employee wages. Future topics to research include broader calculation of as-yet calculated elements and adding more detail to factors for converting financial effects into monetary values.



→ Study on returns to Kao's stakeholders 2017
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf

Contributions to the SDGs

Looking ahead to 2030, Kao is focused on the Sustainable Development Goals (SDGs) that have been agreed upon and adopted by the international community. As indicators for realizing a sustainable society, the SDGs set forth an integrated approach for improving the economy, society, and the environment. Contributions by companies are considered extremely important to achieving the SDGs.

As indicated below, we are working to address the Kao Action topics set in the Kao ESG Commitments and Actions with the aim of achieving the SDGs.

The SDGs that the 19 Kao Action topics contribute to

Prioritized actions	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELLBEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Making my everyday more beautiful																	
Improved quality of life	●		●		●												●
Habits for cleanliness, beauty & health			●			●											●
Universal product design										●		●					●
Safer healthier products			●									●					●
Making thoughtful choices for society																	
Sustainable lifestyle promotion				●							●	●					●
Purpose driven brands											●	●					●
Transformative product innovation								●				●	●				●
Responsibly sourced raw materials								●				●		●	●		●
Making the world healthier & cleaner																	
Decarbonization							●					●	●				●
Zero waste												●		●			●
Water conservation						●						●					●
Air & water pollution prevention			●			●						●		●			●
Walking the right path																	
Effective corporate governance																	
Full transparency												●					●
Respecting human rights					●			●									●
Inclusive & diverse workplaces					●			●									
Employee wellbeing & safety			●					●									
Human capital development								●									
Responsible chemicals management			●			●						●		●			●

Impacts on society through the value chain

Our business activities have various impacts on society through the value chain.

The table below shows the 19 Kao Actions set in the Kao ESG Commitments and Actions, our ESG strategy, and their relationship to the value chain.

The items indicate areas where our impact on society is particularly large and where the expectations on us are similarly greater. These are high-priority areas for our business growth and increasing our corporate value.

Relationship between 19 Kao Actions and the Value Chain

Prioritized actions	Material procurement	Development / Manufacturing	Distribution	Sales	Use	Disposal / Recycling
Making my everyday more beautiful						
Improved quality of life				●	●	
Habits for cleanliness, beauty & health				●	●	
Universal product design				●	●	●
Safer healthier products					●	●
Making thoughtful choices for society						
Sustainable lifestyle promotion				●	●	●
Purpose driven brands	●	●			●	●
Transformative product innovation	●	●			●	●
Responsibly sourced raw materials	●					
Making the world healthier & cleaner						
Decarbonization	●	●	●	●	●	●
Zero waste	●	●	●	●	●	●
Water conservation	●	●	●	●	●	●
Air & water pollution prevention		●			●	●
Walking the right path						
Effective corporate governance	●	●	●	●	●	●
Full transparency	●	●	●	●	●	●
Respecting human rights	●	●	●	●	●	●
Inclusive & diverse workplaces		●	●	●		
Employee wellbeing & safety		●	●	●		
Human capital development		●	●	●		
Responsible chemicals management	●	●	●	●	●	●

The Kao ESG Commitments and Actions responds to global mega-trends

Kao is taking measures regarding the 19 Kao Actions set in the Kao ESG Commitments and Actions with a focus on the conditions in international society in which we operate.

Global mega-trends that we monitor (excerpts)

Digital Society

The advance of the digital society influences the shaping of virtual communities and people's actions and values. Consumers are predicted to demand greater amounts of information when selecting products due to this trend. Part of "Making thoughtful choices for society" in the Kirei Lifestyle Plan is strengthening communication and marketing by increasing the amount of product information available pertaining to sustainability.

Aging Society

Developed countries are already experiencing aging populations, and developing countries are also expected to have aging populations in the future. Universal design is a key solution to help people live more comfortably as they get older.

Ocean Plastic Pollution

The attention focused on the problem of ocean plastic pollution has grown sharply. This situation can be considered a risk for us, since we use plastics in our packaging, but by implementing the Kao Actions of "Zero waste" and "Transformative product innovation," we can contribute to society by reducing packaging and building a recycling system, leading to increased corporate value.

Climate Change

Climate change has been one of the world's highest priority issues for some time and is receiving more attention with each passing year, from the increasing frequency of extreme weather events to the United States' withdrawal from the Paris Agreement. Suspended operations from extreme weather events and increased costs from strengthened regulations are risks, but the Kao Action of "Decarbonization" will help reduce CO₂ emissions not only in our own operations but also in the activities of consumers and our business partners. As such, by connecting lifecycle CO₂ reductions with "Sustainable lifestyle promotion" and "Purpose driven brands," we believe that more customers and consumers will choose Kao products and that we can increase our business opportunities.

Kao's ESG Commitments Pillar 1: Making my everyday more beautiful

Mid- to long-term targets

BY 2030

We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self expression.



Kao's approach

"Making my everyday more beautiful" is one of the core concepts supporting the Kirei Lifestyle. It is a concept that has driven our business since our founding and inspires our belief that we can demonstrate our strengths to help solve problems.

Kao Actions



Social issues and mega-trends we are aware of

Cleanliness and hygiene serve as the foundation of daily life, but not everyone around the world can access their benefits. For example, just 39% of the world population has access to properly managed sanitary facilities (2015). Improving the quality of life remains a challenge even if material goods are abundant. In developed countries in particular, interest is rising in addressing needs associated with an increasingly aging population and the effects of chemical substances on health.

Specific approach methods

- Efforts through product design and product development with new concepts
- Consumer education and marketing activities
- Collaboration with stakeholders

Returns to society and business

Returns to society

Through our products, we directly offer individuals who make up society the following three stages of returns.

1. Pleasant, safer and healthier product use experience
Using products made with universal design considerations allows not just older consumers but all people to live each day with greater comfort. Using safer and healthier products leads to a sense of reassurance and well-being.

2. Adopting everyday habits for cleanliness, beauty & health

For example, when washing hands with a hand soap product becomes a habit that is performed at the right places and times, individuals can maintain cleanliness and hygiene, communicable diseases can be prevented, and a building block for a healthy life is created.

3. Improved quality of life

Quality of life encompasses more than just everyday habits. It is a measure of living life with dignity and being authentic to oneself. QOL creates beauty not just on the outside but also on the inside, and helps people have confidence in expressing their authentic self.

Returns to Kao

Efforts based on providing returns to society also lead to growth for Kao at the same time.

Products that offer tangible comfort, and products that contribute to greater safety and health, offer consumers reassurance and build trust, which in turn increases consumer loyalty. Consumers that then continue to choose Kao products as a result leads to our business growth.

Educating consumers about the products we offer is also key to adopting habits for better cleanliness, beauty & health.

Educational activities provide an opportunity to increase product awareness and allow products to be selected more effectively. Communication also builds trust and enhances our reputation. As such, we believe that communication contributes to business growth.

Trust is placed in us when our products and activities reach people on an emotional level and make people feel that their everyday is more beautiful. This positive reputation then extends from our current consumers to the people in their lives. A larger number of people using Kao products contribute to our business growth, and solid trust placed in us allows us to better withstand reputational risks, which also contributes to business risk reduction.

Through our efforts to create quality products and services, we will make everyday life more beautiful

for people around the world. The trust and value people place in us will help further grow our business and increase our corporate value.

Kao's ESG Commitments Pillar 2: Making thoughtful choices for society

Mid- to long-term targets

BY 2030

100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society.



Kao's approach

The Kirei Lifestyle is achieved when the people around you, communities and the wider society are sustainable. We at Kao recognize that the choices made by not only ourselves but also our stakeholders including consumers, corporate customers, and our suppliers make a big impact. We make responsible choices throughout the product lifecycle from procurement to transportation. At the same time, by ensuring that Kao brands are meaningful choices for consumers, we will contribute to the sustainability of society.

Kao actions

Through our efforts to resolve social issues with innovation, and by globally implementing a range of related activities, we will support consumers to lead a sustainable lifestyle. We have established the following Kao Actions concerning society, and are implementing them with a comprehensive approach.



Note: Purpose is an English word that means the reason to exist, the reason for being. At Kao Purpose Driven Brands are brands that not only deliver on the promise of the brand to the consumer and bring profit to the company, but also brands that contribute to a higher cause, creating positive impact to a broader society and people.

Social issues and mega-trends we are aware of

Ethical consumption, where goods and services created with considerations for the environment and society are chosen and consumed, is growing. In the area of environmental considerations, increasing the use of refill products for example can make a large contribution to resolving the recently highlighted problem of ocean plastic pollution. It is essential that we develop refill products that consumers and corporate customers will choose, expand their range of use, and educate people on the utility of refill products. We must also make responsible choices in all types of raw materials procurement. For example, selecting palm oil that does not cause deforestation when procuring this ingredient for detergents.

Specific approach methods

- Efforts through product design and product development with new concepts
- Consumer education and marketing activities
- Collaboration with stakeholders

Returns to society and business

Returns to society

Returns are provided to society through the four actions in the following three areas.

1. Support for consumers and customers to choose sustainable brands and products

Daily necessities are used every day by consumers the world over, and have a large impact on society. With this in mind, creating sustainable products that are chosen by consumers provides returns to every aspect of the environment and society. Creating sustainable consumption patterns is key to building a sustainable society.

As standards of living rise in Asia and elsewhere around the globe, rising mass consumption is a concern. We engage directly with consumers and can therefore make contributions to transforming product choices, how products are used, and disposal and recycling efforts. Responsible consumption is also an important element of the SDGs.

Business customers that use products offered by our Chemical Business also impact society, albeit to a varying degree depending on their scale, as the chemical products become part of their final products.

2. Building brand and product performance that is chosen by consumers and customers

Building brand and product performance that is chosen by consumers and customers is a must. The Kao Action of "Purpose driven brands" serves as a milestone for providing returns to society. We will create excellent products with "Transformative product innovation" based on the brand's purpose. By offering "Purpose driven brands," we will encourage our customers and consumers to make small but meaningful choices that,

together, make a big impact.

We have been making large investments in creating innovation unique to Kao for some time. We will continue to drive innovation that contributes to meaningful changes throughout society as a whole.

3. Responsibly sourced raw materials

Through responsible raw material procurement in the global supply chain that extends around the world, we will contribute to building a sustainable society.

Returns to Kao

These efforts based on providing returns to society will also lead to our growth.

Giving brands and products specific purpose that is reflected in their sustainable performance and brand policy will gain the understanding and support of consumers and customers; therefore increasing trust and customer loyalty. This in turn will prompt people to choose Kao products on an ongoing basis, leading to business growth.

In the information age, we believe that communicating information on brand and product sustainability to consumers and customers in a variety of forms will lead to business opportunities. Incorporating consumer and customer wishes and expectations from society into product development and manufacturing will further enhance the trust placed in us and our reputation, which connects to business growth.

"Transformative product innovation" will lead to differentiated Kao products and brands, which will build value propositions unique to Kao. We will drive business growth by offering Kao products with tangible innovation globally.

"Responsibly sourced raw materials" reduces risks in the procurement process. Procurement of non-sustainable materials is more than just a problem for society; it also invites the risks of receiving corrective instructions from the authorities or industry groups, suspension of production or product supply, and loss of business opportunities.

Our efforts will contribute to a sustainable society and at the same time contribute to the SDGs. We are confident that this will grow our business and increase our corporate value, which in turn will enhance our global presence.

Kao's ESG Commitments Pillar 3: Making the world healthier & cleaner

Mid- to long-term targets

BY 2030

100% of our products will leave a full life cycle environmental footprint that science says our natural world can safely absorb.

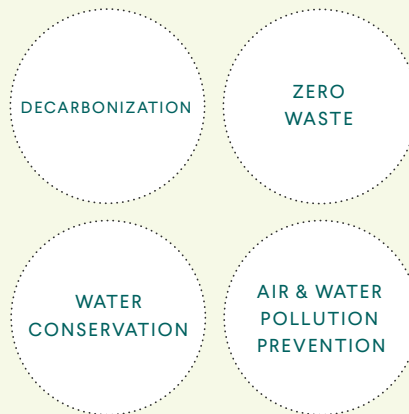


Kao's approach

"Making my everyday more beautiful" is supported by sustainable communities and the wider society. To complete the Kirei Lifestyle, the natural world that encompasses and supports communities and the wider society must also be healthier and cleaner.

Kao Actions

We have set the following Kao Actions for social issues involving the natural world and are implementing them with a comprehensive approach.



Social issues and mega-trends we are aware of

Adopted in 2015, the Paris Agreement creates a global framework for reducing greenhouse gas emissions. Nevertheless, average temperatures are continuing to rise, and the damage from frequent extreme weather events is only getting worse. As various research findings have become known, the problem of ocean plastic pollution has taken on urgency. Reducing waste and building a recycling system in the wider society will require cooperation from actors in various fields. We are now at the stage where limited efforts are beginning to ramp up, and it is expected to take time before we achieve an ideal situation. Water resource conservation is imperative not only to sustain life for human beings but for all living creatures. Water scarcity is predicted due to future population increases and climate change, and is a grave issue that can lead to conflict. We need high-quality water to manufacture our products, and consumers and customers also need high-quality water when using our products. Water is inseparable from our business activities. Some success with preventing air and water pollution has been achieved in developed countries, but pollution remains a serious issue in developed countries. Preventing pollution in living spaces is also attracting attention.

Specific approach methods

- Efforts through product design and product development with new concepts.
- Consumer education and marketing activities.
- Collaboration with stakeholders.
- Approaches to governments and international organizations.

Returns to society and business

Returns to society

1. Decarbonization

We are working to reduce CO₂ emissions in terms of the product lifecycle. The stages of use and raw material procurement account for approximately 80% of all Kao lifecycle CO₂ emissions. Therefore, by selecting raw materials with lower CO₂ emissions and offering products that require less water and less electricity during use, for example in laundry with washing machines, we can contribute to reducing CO₂ emissions in society.

While CO₂ emissions from production activities at our plants and from our offices do not account for a large proportion of our total emissions, we are still proactively working to reduce these emissions. We believe that actively working to reduce emissions as a leading consumer products company is not only beneficial for our own CO₂ reductions, but also increases the momentum to reduce emissions in society as a whole.

2. Zero waste

We are reducing the amount of plastic we use in our packaging, replacing the materials we use, and building collection and recycling systems. These are some of the ways we are contributing to resolving the problems of waste, its illegal dumping and landfill use, and ocean plastic pollution. The problem of ocean plastic pollution is a global-scale problem that requires the cooperation and collaboration of society as a whole. This is no easy task, but the returns will be great if we can collectively solve this problem.

3. Water conservation

The perspective of the product lifecycle is important for reducing water consumption. The product usage stage accounts for a major portion of water consumption in the lifecycle of Kao products—approximately 90% of the total. Kao supplies many cleaning products that require water during use, and consequently, producing water-saving products can lead to reduced water consumption throughout the world.

In addition, the use of water during production in plants also has a certain impact on the vicinity of the plant, so we are taking action to reduce water consumption during production as well.

4. Air & water pollution prevention

Kao products use chemical substances including natural compounds. We are reducing air and water pollution from chemical substances produced from manufacturing processes and product use, and minimizing the impacts on human health and the natural world. Some of the specific initiatives we are implementing are reducing gas emissions and improving water treatment technologies during manufacturing processes, and ensuring the biodegradability of cleaning ingredients.

Returns to Kao

These efforts rooted in providing returns to society will also lead to our growth at the same time.

Environmental problems have a large negative impact on society. Therefore, our various actions to reduce environmental impacts reduce our risks and lead to business growth.

It is also important that we identify region-based risks that may create serious environmental impacts in local areas. Controlling these risks and enhancing our credibility and reputation through robust governance expands opportunities for consumers and customers to choose Kao brands and products.

Environmental impacts are a result of fuel, water, chemical substance, or other input. Efforts to reduce these inputs also lead to reduced costs.

Through these actions, we are contributing to maintaining a healthier and cleaner world. At the same time, we are gaining an understanding of how natural capital leads to business growth and improves our corporate value, and using this understanding in management decisions.

Foundations of Kao's ESG commitment: Walking the right path

Kao's approach

Walking the right path is the supporting foundation for the Kirei Lifestyle. We will create corporate governance systems and a corporate culture so that all Kao employees can walk the right path at all times. By ensuring that our business activities are conducted with sincerity and integrity, we will help people around the world lead beautiful lives.

Kao Actions

We have established and are implementing the following Kao Actions for governance and our corporate culture.



Social issues and mega-trends we are aware of

The importance of information disclosure based on transparency is increasingly expected in both financial and non-financial areas. For example, the publication of the recommendations from the FSB Task Force on Climate-related Financial Disclosures illustrate that specific, detailed non-financial information has become meaningful input for decisions related to investing and corporate ratings.

Human rights involve contributing factors that are not readily solvable, such as poverty, political instability, and migration of the labor force. Many of these issues must still be addressed. Risks are rising due to the increasingly global nature of company activities and the growth of the supply chain.

Returns to society and business

Returns to society

“Walking the right path” is the foundation that supports the three pillars of “Making my everyday more beautiful,” “Making thoughtful choices for society,” and “Making the world healthier & cleaner.” By walking the right path, we will earnestly carry out the Kao Actions set for each of these three pillars and further build on them, which will create strong returns for the wider society.

Effective corporate governance helps us achieve efficient, sound, fair, and highly transparent management, while full transparency encourages us to communicate our situation and philosophy to society and to embrace expectations from society in what we do.

The actions involving employees and workplaces are essential to ensuring we carry out our basic activities as well as actions that will bring about social transformation. Innovative activities require the capacities of highly skilled and motivated employees.

Furthermore, responsible chemicals management ensures that we can supply safe and reassuring products to society by reliably managing chemical substances responsibly as an enterprise that provides value through chemicals.

Each of the Kao Actions for “Walking the right path” is foundations of the three pillars of the Kirei Lifestyle Plan will contribute to improving individuals’ lives, further building on our actions for society, the environment, to realize a sustainable world.

Returns to Kao

Reliable implementation of effective corporate governance and full transparency provide returns to Kao, namely reduced risk, increased trust, and an enhanced reputation.

Communicating accurate information to consumers about our brands and products leads to greater reassurance and trust, and expands opportunities for consumers and customers to choose Kao brands and products.

Ensuring transparent corporate governance and creating a system that allows corporate governance oversight by external groups play major roles in strengthening effective corporate governance. This allows us to be a good corporate citizen.

Human capital is indispensable to elevating who we are and what we do. Through the Kao Actions involving employees and workplaces, we will develop highly skilled and motivated employees, develop our global operations necessary to achieve our vision by 2030, and promote innovation, which will lead to business growth.

When consumers and customers purchase Kao products with reassurance and confidence as a result of our responsible chemicals management, this increases the value of Kao through offering value by means of chemicals and expands business.

In addition, by appropriately disclosing our company activities based on “Walking the right path,” stakeholders can gain a deeper understanding of our ESG activities. This encourages cooperation on efforts for a sustainable society based on relationships of mutual trust. Proper assessments of our ESG activities from stakeholders raise the level of our activities and drive business growth.