

Kao's approach

We have committed to contribute to social sustainability by giving thorough consideration to environmental conservation and human safety in every aspect of our operations, including product development, manufacture, distribution, sales, usage and waste disposal.

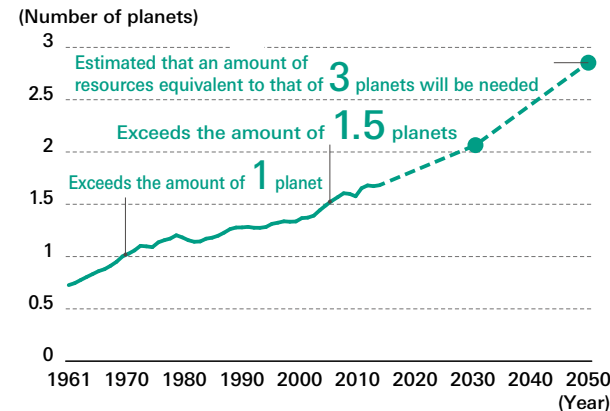
Kao's creating value to address social issues

Social issues we are aware of

Today humanity uses the equivalent of 1.5 planets to provide the resources we need to sustain our current lifestyles. If we continue to consume at this pace, in 2050 more than three planets will be needed. On the present trajectory, nature is being destroyed and life-threatening events are occurring all over the world. Environmental sustainability is hardly feasible with our current lifestyle. People must change their lifestyles, such as starting to engage in ethical consumption.

Specific environmental issues include climate change, resource efficiency, plastic packaging, and the water security. These resource cycle issues are recognized throughout the world at all levels of society and efforts are underway to help mitigate and adapt to circumstances and establish a social consensus. The need to minimize the most serious adverse effects of chemical substances on human health and the environment is growing more urgent every year. Also, the combined effect at multiple levels is resulting in many recorded cases of loss of biodiversity.

Estimated Transition of Ecological Footprint



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Supporting TCFD* Recommendations

In March 2019, Kao announced its support of the recommendations of The Task Force on Climate-related Financial Disclosures (TCFD) to analyze scenarios of and disclose information on the impact of climate change on corporate finances.

We recognize that climate change is a major risk as well as an opportunity for growth for companies as

they continue to do business into the future. We believe that disclosing information about our activities and engaging in dialogue with various stakeholders are key actions for both the planet and the sustainable growth of Kao.

We participate as a member of the Study Group on Implementing TCFD Recommendations for Mobilizing Green Finance through Proactive Corporate Disclosure launched by METI in 2018. We contributed to the study group's formulation of the Guidance on Climate-related Financial Disclosures designed to provide commentaries and introduce reference case examples for implementing the TCFD Recommendations and provide "sector-specific perspectives."

* TCFD (The FSB Task Force on Climate-related Financial Disclosures) Privately led task force established by the Financial Stability Board in response to a request from the G20 in 2015.



Kao's creating value

We believe that it is essential to address environmental issues at all stages of the product lifecycle and we focus on the four key issues listed below.

To address global warming, we supply products designed to consume less energy and less water when being used.

Our products offering high resource efficiency include disposable diapers made with a significantly reduced amount of raw materials.

To save water, we deliver products that are highly degradable in drainage after use, requiring less water consumption.

With regard to chemicals, some products that we supply use a significantly reduced amount of chemical substances and other products use safer chemical substances.

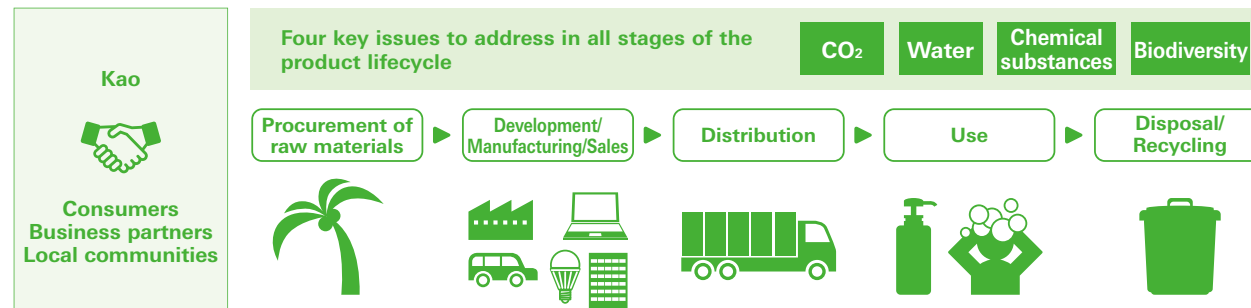
In terms of biodiversity, where the effects are multitiered, we have been early to commit publicly to zero deforestation and we will demonstrate leadership in this area by engaging genuinely with stakeholders to achieve this goal.

In Japan, where 40 our products on average are used per household in a year, our products have a significant impact, so we believe that we can contribute to changing consumers' lifestyles through our products and educational activities.

Risks related to realization of our vision by 2030

To achieve sustainable lifestyle where resource consumption does not exceed the biological production of Planet—one-planet biocapacity—

Four key issues



requires manufacturers to carry out manufacturing with low environmental impact in a way that will lead to changes in lifestyles while satisfying the needs of consumers. We believe that it is necessary to properly convey this goal to consumers. We are focusing on technological development that can bring about innovations to make such change possible.

Stakeholders outside of the company must be able to properly understand these corporate efforts or they will not recognize the contributions the company is making to social sustainability; a lack of understanding can lead to reputational damage and the loss of corporate value. Likewise, it will not be possible to achieve our goals if the technology we develop is unable to meet the needs of consumers or if we fail to develop the technology in the first place.

Opportunities related to realization of our vision by 2030

Consumers are expected to become more ethical in their consumption patterns in the future. Creating products for ethical consumption offers a substantial business opportunity and we already have a large

number of ongoing research and development projects in this area. We are working with stakeholders to gain an understanding of the latest trends in ethical consumption and to encourage this type of consumer behavior. Such actions we believe will lead to increased sales and we are also proactively disclosing this to outside stakeholders.


In 2018, we redesigned its ESG promotion framework and established an ESG Division to better integrate these activities and carry them out faster to generate higher corporate value.


Contributions to the SDGs



Policies


In the Kao Environmental Statement and “eco together” environmental initiatives, we pledge our commitment to environmentally responsible management and to conducting environmental conservation efforts together with customers, suppliers, production outsourcing partners, local communities, NGOs, governments, and other stakeholders across the entire product lifecycle of Kao products from materials procurement to manufacturing, office work, distribution, usage, product disposal, and recycling.

 → Kao Environmental Statement
www.kao.com/global/en/sustainability/environment/statement-policy/statement/

 → “eco together”
p. 37 Conservation > CO₂ > Policies

We specify the efforts we are taking to save resources and energy, and reduce waste in our Basic Policies on Environmental Measures, and define our activities policy in the Kao Responsible Care Policy. These policies apply to all of our business activities including M&A and entering into new projects.

Furthermore, our Environmental Management Regulations, which define specific activity items, also stipulate that environmental impact assessments must be conducted before installing new facilities or setting up a new plant.

 → Basic Policies on Environmental Measures
www.kao.com/global/en/sustainability/environment/statement-policy/policy/philosophy-policies/


→ Kao Responsible Care Policy
www.kao.com/global/en/sustainability/environment/statement-policy/policy/responsible-care/

Framework

The management of environmental opportunities is managed by the ESG Committee and its subordinate ESG Promotion Committee. Risk is managed by the Internal Control Committee and its subordinate Risk and Crisis Management Committee and Responsible Care Promotion Committee.

 → p. 9 Kirei Lifestyle Plan > Kao's ESG Strategy > ESG promotion framework

 → p. 195 Governance > Responsible care activities


 → p. 202 Governance > Risk and crisis management


Education and promotion

If we are to build a sustainable world, we need to develop and deliver products with less impact on the environment and raise consumer awareness toward choosing them. Our employees are not only in the position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are the ones who select those products. We thus recognize the importance of giving our employees the chance to learn about environmental issues through various programs and actively engage in environmental conservation activities of their own accord.

Collaboration with stakeholders

To achieve one-planet sustainable lifestyle, we consider the top priority to be changing people's lifestyles, which includes consumer awareness, consumer behavior and product selection. Based on our Declaration of Consumer-orientation, we carry out awareness-raising activities to promote lifestyle change by actively interacting with consumers while collaborating with a wide range of stakeholders.

 → Declaration of Consumer-orientation
www.kao.com/jp/corporate/sustainability/declaration/customer-first/ (Japanese)

 → p. 24 Stakeholder engagement

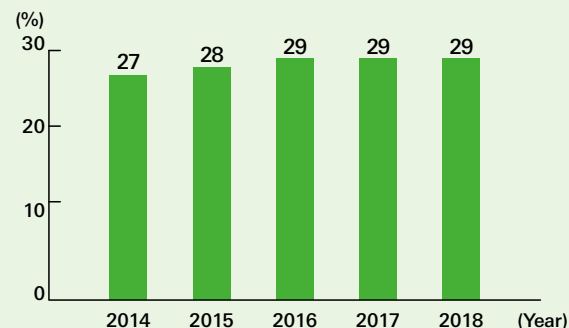
Performance in 2018

Expansion of products to display the "eco together" logo

Products with less environmental impact that have passed our original rigorous certification standards display the "eco together" logo.

The 2018 sales percentage of products displaying the "eco together" logo was 29%, the same as last year.

Sales percentage of products displaying the "eco together" logo (Consumer products in Japan)



→ "eco together" logo display standards
www.kao.com/global/en/sustainability/environment/statement-policy/eco-friendly-products/eco-together-logo/

→ List of products displaying the "eco together" logo
www.kao.com/jp/corporate/sustainability/environment/phase/eco-together-products.html
 (Japanese)

Opportunities for environmental education and study

Educational seminars on the environment

We hold the seminars to build awareness and understanding of the Kao Environmental Statement. In new employee group trainings, 181 new employees took these seminars, along with 330 current employees took these seminars in group trainings held according to employee rank and division.

Employees serve as staff at environmental exhibitions

We have employees participate as staff at environmental exhibitions, providing information to build understanding of our environmental initiatives. In 2018, 153 employees participated in these exhibitions.

Education through ISO 14001 and other environmental management systems

We provide this training to all employees including new and transferred employees at least once a year.

Education under the Responsible Care (RC) promotion framework

Under this framework, the Kao RC Promotion Committee Secretariat and staff in promoting divisions conducted educational activities for employees and employees at partner companies as needed. In 2018, The secretariat held educational activities 49 times for a total of 1,212 participants (23 times in Japan with 1,043 participants; 26 times in Asia, the Americas and Europe with 169 participants).

Volunteering in environmental activities

Recognizing that it is important in raising environmental awareness among employees for them to extend beyond in-house education to participate in environmental activities with external stakeholders, we encourage volunteering in community environmental activities.

CDP* evaluation

Our initiatives for the environment have been highly rated by the CDP.



* CDP
 CDP is a London-based NPO operated by institutional investors, and it motivates companies to disclose information related to climate change, water and forests.

CDP evaluation

Area	2016	2017	2018
Climate change	A-	A-	A-
Forests (Timber)	A-	A-	A-
Forests (Palm Oil)	A-	A-	A-
Water Security	A	A-	A
Supplier engagement	B	A	A



→ CDP results

CDP 2018 Climate change
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2018-001.pdf

CDP 2018 Forests
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2018-003.pdf

CDP 2018 Water Security
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2018-002.pdf

Our initiatives

Product design with environmental considerations

We employ the following two systems to ensure that our products are designed with environmental considerations.

One system is to verify the environmental impact of our products before releasing them into the world, and the other is to communicate to consumers that the products are environmentally friendly by displaying the “eco together” logo on the products. These systems have cleared our rigorous certification standards.

For the major product categories, we evaluate multifaceted environmental aspects in an integrated manner and analyze the characteristics of the environmental impact to facilitate product development.

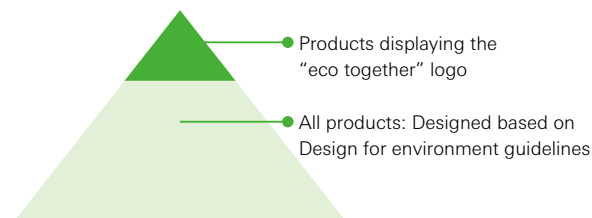
1. Design for environment guidelines

When deciding to launch new and improved products, we verify that the products satisfy our environmental standards. How this is implemented and the standards are defined in our Design for environment guidelines. These guidelines also define how assessments of CO₂ emissions across the entire product lifecycle (LCA) are conducted.

2. “eco together” logo display standards

Our products with less environmental impact display the “eco together” logo. This shows consumers that the product achieves a high level of environmental performance and can be used as a guide at the time purchase. Our rigorous certification standards require products to reduce lifecycle CO₂ emissions compared with comparable standard products and clear at least one of the certification criteria that we have set.

Environmental standards for new and improved products



→ Design for environment guidelines
www.kao.com/global/en/sustainability/environment/statement-policy/eco-friendly-products/designing/

→ “eco together” logo display standards
www.kao.com/global/en/sustainability/environment/statement-policy/eco-friendly-products/eco-together-logo/

Environmental impact assessments of products using the LCA framework

The LCA framework comprehensively assesses the impacts of a product on various aspects of the environment. Receiving advice from Norihiro Itsubo, Professor, Faculty of Environment Studies, Tokyo City University, we are using LIME2* (second version of the Japanese lifecycle impact assessment method), which enables quantification of comprehensive environmental impacts. By assessing multiple environmental aspects in an integrated manner, this method can identify hot spots such as a large impact on water resources even though CO₂ emissions are low. We conduct environmental impact assessments for 35 major product categories and gain an understanding of the balance of environmental aspects to benefit product development.

* ILCD Handbook, p. 33–36.

<https://epica.jrc.ec.europa.eu/uploads/ILCD-Handbook-LCIA-Background-analysis-online-12March2010.pdf>

Raising environmental awareness through the Kao International Environment Painting Contest for Children

"eco together" with customers

"eco together" with society

We have been holding the Kao International Environment Painting Contest for Children since 2010 with the wish of reaching people around the world to think about the environment and to take actions in their daily life. In the contest, children think seriously about the future of the Earth's environment and steps we can take to conserve it in our daily lives, and then express their ideas in paintings, which we communicate to large numbers of people.

The 9th Kao International Environment Painting Contest for Children

In 2018, we received 12,563 entries from children in 44 countries and regions around the world (848 entries from Japan, 10,812 entries from Asia Pacific, 134 entries from the Americas, 254 entries from Europe, 509 entries from the Middle East, and 6 entries from Africa). After a preliminary screening by Kao's designers, a final screening was conducted by a panel of judges from inside and outside Kao, 1 entry was selected for the "eco together" Planet Earth Grand Prix, 8 for the "eco together" Kao Prize, and 23 for an award of excellence. The 32 prizewinning works were exhibited at the Kao booth at EcoPro 2018 held in December, and were seen by many visitors. On the final day of the exhibition, the top nine winners were invited to an awards ceremony. In an interview session after the ceremony, the winners talked about the environment in their home country or region as well as the message of their painting.



Commemorative photo of the awards ceremony

Painting exhibitions in collaboration with NPOs, governments and business partners

We seek out ways to exhibit current and former prizewinning paintings to communicate to as many people as possible the messages of the children from around the world through their paintings.

At Kao, we held temporary exhibitions of the prizewinning paintings at the Kayabacho Head Office, Sumida Office, Osaka Office and Shinagawa Training Center and Arida Training Center. The paintings were also exhibited at our offices in China, Indonesia, Thailand and Vietnam, providing the chance for many employees to see them. We also exhibit paintings at permanent exhibitions at all 10 plants in Japan as well as at PT Kao Indonesia's Karawang Plant and Kao Corporation Shanghai Plant, where the paintings have been viewed by approximately 50,000 visitors and guided tour participants.



Exhibition at PT Kao Indonesia's office

Outside Kao, we are in the second year of lending paintings free of charge to environment-related facilities operated by government bodies and NPOs and NGOs throughout Japan, with the NPO BeGood Cafe serving as the secretariat of the exhibition. In 2018, a total of 21 facilities and groups borrowed paintings, which were viewed by more than 40,000 people.



Exhibition at Eco Messe Kasugai

We are also promoting the use of environmental events as content. Of the environmental events held jointly with business partners and government bodies, Kao CMK exhibited paintings at 12 locations, having approximately 7,000 visitors. Kao (China) Holding and Kao (Taiwan) also incorporate exhibits of paintings into their environmental awareness campaigns in their respective regions.

Expanding experience-based environmental awareness-raising activities in the next generation

"eco together" with customers

"eco together" with society

Raising the environmental awareness of the next generation of consumers is vital for the global environment, for society and for Kao. That is why we promote experience-based awareness-raising activities for elementary and junior high school students and university students, while taking into account what approaches would be most effective for each age group and region.

Developing and holding experience-based educational programs about the environment through collaborations

In 2018, the Society for Sustainable Food and Life Styles (established by Kao, Ajinomoto Co., Inc. and E-Square Inc.) conducted a three-day experience-based educational program called The Earth's Future through Food and Living—Summer Challenge for 21 sets of 5th-grade students and their parents in Kawasaki City in cooperation with the city government.

Through facility tours, experiential activities and workshops at Kawasaki City municipal facilities and at Kao and Ajinomoto plants, and by keeping journals for about four weeks, the parents and children consider how environmental issues are connected to their daily life and consider modifying their lifestyles. In this third year, in addition to the NGOs and NPOs we have so far cooperated with, we promoted the participation of university students and cooperated with elementary schools to add new perspectives, the activities have thus become better established in the community.



Day 2 of the program (at Kao's Kawasaki Plant)

Developing and holding environmental awareness-raising program in junior high schools

Since 2016, PT Kao Indonesia has been providing education on the environment and hygiene through the Anak Kao program at elementary schools jointly with the NGO YCAB Foundation. In 2018, the focus was changed to junior high school students, and a new program, Remaja Kao, was launched to provide education on the environment and self-esteem. The program was held in Jakarta and the districts with Kao plants, Cikarang and Karawang, reaching 2,800 children in 25 junior high schools.

Communication activities at the Kao Eco-Lab Museum

The Kao Eco-Lab Museum uses experiential content to engage in direct dialogue with consumers and many other stakeholders throughout the year.

Approximately 11,500 people visited the museum in 2018. Of this number, there were visits from over 100 schools—elementary, junior high and high schools. We also held 16 tours that offer experiential and dialogue content for community residents and parents and children.

Awareness-raising activities at EcoPro 2018

In 2018, we introduced Kao's activities under the theme of Kirei for People and the Planet. We communicated the importance of the environment and good hygiene and raised awareness of the SDGs. The awareness-raising

activities were aimed at elementary school and junior high school students who will be the main consumers in the near future. Interactive displays and hands-on workshops were designed to be memorable and to help children take a fresh look at lifestyle. The number of visitors exceeded 10,000.



The Kao booth with the theme of Kirei for People and the Planet



Communication between employees and visitors

Experience-based SDG-awareness-raising program developed together with university students

We sponsored a student-run event Sustainable Week 2018, held at the Biwako-Kusatsu Campus of Ritsumeikan University in October. At this event, students raised awareness of the SDGs through events involving the university and local area.

At the pre-event in June, our employees joined high school students, university students and Kusatsu City staff to create plans to experience the SDGs. We also cooperated with this October event and participants experienced SDGs through planned events.

We will use the knowledge gained as a model for future community-based awareness-raising activities carried out by the next generation of consumers themselves.

Communication targeting consumers at stores

"eco together" with customers

"eco together" with partners

"eco together" with society

To communicate the environmental value of Kao products to consumers and promote "eco together," Kao Group Customer Marketing Co., Ltd. holds environmental events together with distribution companies and local governments on the theme of conserving water and electricity and reducing waste. The wide ranges of fun, experience-based events include exhibits of prizewinning works from the Kao International Environment Painting Contest for Children and attract the attention of consumers. In 2018, these events were held at 60 stores and other venues nationwide in Japan, attracting over 30,000 visitors.

For Environment Month in June, we also initiated the Creating Kirei Eco Style Campaign, implemented in a total of 12,000 stores, which combined presentations, using Kao products, of useful information relating to daily living activities with an introduction to our environmental initiatives.

Seventh year of water conservation campaign in cooperation with the Chinese government

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Kao (China) has conducted the Nationwide Cleanliness and Water-saving Initiatives jointly with the Center for Environmental Education and Communications (CEEC), part of the State Environmental Protection Administration (SEPA) of China, since 2012.

These initiatives encourage people in China to conserve water with the slogan of "Save 10,000 liters of

water annually per household." In China, the shortage of water resources has become a serious problem. The Chinese government's promotion of the importance of conserving water aligns with Kao's wish to promote environmental activities that can be undertaken together with consumers in China, through sales of water-saving laundry detergent. We have been jointly implementing related initiatives in collaboration with the Chinese government for seven consecutive years.

The campaign begins in March each year, with informational sessions held in various cities on conserving water and the importance of water resources. The initiatives were expanded in 2015 to include awareness-raising events held at universities in China. In 2018, these events were held at 113 universities in 27 provinces including Guangzhou, Xi'an, Liaoning, Anhui, Zhejiang and Inner Mongolia.

An environmental protection contest for university students in China has also been held since 2015. In 2018, 149 entries were received from all over the country, from which we selected 64 to be implemented. The university students actively proposed and executed their ideas themselves, so the contest clearly helped to raise environmental awareness.

In June, a closing ceremony was held at a university in Yunnan, with awards presented to the contest winners.

Gathering wisdom and researching the future washing

"eco together" with society

Washing is an essential activity for human beings to have clean, comfortable living conditions. In the world today, washing uses a large amount of raw materials, water and energy. With the large amount of wastewater and trash that societies generate, it is unclear whether

our current systems for washing will be sustainable for people around the world in the future.

Kao, Future Earth,*1 and The University of Tokyo Integrated Research System for Sustainability Science (IR3S)*2 launched the Future of Washing Initiative in 2018. The initiative is creating a platform to explore innovative and sustainable ways of washing, aiming to encourage people around the world to lead sustainable, clean, and comfortable lives. The initiative will gather wisdom from industry, academia and citizens across boundaries of traditional business domains and academic fields, and will discuss and propose washing solutions for the future.

First, with a focus on the laundry, acknowledging the existence of diversity and sharing that understanding, the discussion can be expanded to incorporate the perspectives of lifecycles and social environments. As part of the initiative, forums for the exchange of opinions and information will be built—to include seminars, events and SNS platforms—and supporters gathered from all over the world.

On December 7, 2018, a public forum launching the initiative was held, entitled "Let's think together! Sustainable laundry for the future" with over 140 participants.

*1 Future Earth

An international joint research platform for the realization of a sustainable global society, launched in 2015 at the initiative of UN agencies and other groups. The organization emphasizes collaboration between the research community and various stakeholders in society. Japan plays an active role in both research promotion and executive management.

*2 The University of Tokyo Integrated Research System for Sustainability Science (IR3S)

Established in 2005 to maintain and develop the world's top research centers on sustainability science. The organization aims to build an international meta-network that links research and educational institutions in developed and developing countries.