

### Kao's approach

Kao continues to use close, in-depth communication with consumers to ensure that customers' feedback can be utilized effectively to enhance *Yoki-Monozukuri* and the services that we offer, while providing essential lifestyle information to consumers of all ages. In aging populations, steadily increasing levels of digitalization and continuing globalization, the question of how best to interact with consumers has become a vitally important issue when deciding on consumer communication strategies. Kao adopts a forward-looking response to changes in our consumers' living environments and the accelerating digitalization of communication methods, and we will continue to proactively develop new measures in this area with the aim of being a trusted partner for consumers 24 hours a day, 365 days a year.

### Kao's creating value to address social issues

#### Social issues we are aware of

The changes taking place in society are very much reflected in our communication with consumers. For example, the number of inquiries about our products from senior citizens has steadily increased. At the same time, the use of social media for communication purposes has become increasingly common, particularly among younger people and a wide range of information is now being exchanged via social media.

In this kind of society, it is easy for information gaps to emerge between consumers who are unable to respond to digitalization and business enterprises and it becomes increasingly difficult for consumers to make reasoned decisions based on their own knowledge. At the same time, there is a strong tendency for the digital native generation to pursue their own solutions through online means and to consult with businesses less frequently. Online information is not necessarily accurate, and consumers attempting to implement solutions based on incorrect information are a matter of concern.

In addition, the impact of consumption by foreign tourists to Japan is increasing. Proper understanding and use of products by foreign visitors and residents in Japan are also issues of concern.

#### Kao's creating value

We believe that by endeavoring to provide consumers with fair, accurate and easily understood product information as well as information relating to consumer lifestyles such as residences and clothing, we can help consumers engage in ethical and safe consumption behavior that takes society and the environment into consideration.

At our consumer consultation desk inside our Consumer Communication Center, we take feedback from individual consumers seriously and strive to understand their feelings, solve their problems and understand the background in support of *Yoki-Monozukuri* from a consumer-driven point of view. In order to enable consultation desk to provide service to everyone in accordance with the concept of universal design, we set up a consultation desk for sign language, taking into account people with hearing impairments. For people with visual impairments, we have added descriptive text to the images and tables in our product catalog on the Kao website that can be read audibly with speech reading software.

To facilitate communication with a wide range of consumers and disseminate accurate information online, we are working to diversify the channels through which we communicate with consumers, by strengthening active support using SNS (Yahoo! Chiebukuro; Japan's largest knowledge-sharing community service), among

other ways. We are also adopting multi-lingual labeling of product information to ensure accurate understanding of our products by the increasing numbers of foreign visitors and residents in Japan. Two-dimensional codes are being applied to product information installed in stores so that consumers can immediately access product information in Chinese or English on the Kao website.

#### Risks related to realization of our vision by 2030

1. Dissatisfaction with the lack of information in response to demands for disclosure of ingredients, safety information, and so on as a result of rising consumer awareness regarding safety and security.
2. Reputation risks in cases of delayed or inadequate responses to substances of concern (environmental and safety).
3. Dissatisfaction with products as a result of inadequate consideration of biodiversity.
4. Expansion of damage caused by inadequate quality or defects.
5. Outflow of products to foreign countries as a result of cross-border e-commerce.
6. Leaks of acquired personal information and tighter regulations relating to the protection of personal information.

### Opportunities related to realization of our vision by 2030

1. Provision of accurate product information relating to ingredients, safety, etc.
2. Disclosure of reliability information relating to safety and security.
3. Opportunities to call for improvements in product development and products sold.
4. Development of new products and opportunities for improvement proposals through global information sharing.

### Contributions to the SDGs



## Policies

The Consumer Communication Center serves as our contact point with consumers, to not only respond helpfully to specific comments and requests submitted by consumers in an accurate, quick and courteous manner, but also to gain a well-developed understanding of actual usage situations through our customers' concerns and lifestyle habits and of feelings as a person.

### Declaration of Consumer-orientation

In January 2017, we announced Declaration of Consumer-orientation. Under the group philosophy, the Kao Way, we will promote top management's commitments to all of our employees, ensuring corporate governance as well as achieving customer satisfaction. Moreover, with all employees taking part in *Yoki-Monozukuri* to provide products and brands useful to the sustainability of society, we take customer feedback seriously, utilizing it to improve our products and services, and proclaim that we will provide information from the point of view of our customers in addition to actively engage with customers.



→ p. 112 Our initiatives: Evaluation of consumer-oriented initiatives



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

## Collaboration with stakeholders

### Exchanging information with consumer groups and with government agencies responsible for consumer affairs

We paid visits to 82 local consumer centers and other such facilities located primarily in the Tokyo Metropolitan and Kinki regions to exchange opinions on consultations regarding our products, recent consumer trends and noteworthy consultation issues.

### Implementation of exchange activities involving consumer-oriented events

We continue to participate in Children's Day for Visiting Kasumigaseki and the Sumida Consumer Lifestyles Exhibition in response to requests from governmental agencies, and we offer a wide range of information concerning laundry, hand washing, cleaning, oral health care, universal design and other topics.

### Evaluating communication with consumers

To verify whether our communication with consumers is satisfactory, we implement regular consumer surveys regarding our consumer communication.

In 2018, we asked consumers to assess the quality of how we answered inquiries by either telephone or e-mail, and their level of satisfaction. The results showed that around 90% of consumers were satisfied with our answers.

We will be using the evaluation comments that we received from consumers to realize further improvements in our handling of customer inquiries, and we will be working to achieve even higher levels of customer satisfaction.

### Framework

We developed the Kao ECHO System database in 1978. This system, which has been upgraded since then, serves as a bridge for effective communication between consumers and us, and provides a foundation for our entire company to share and utilize consumer feedback. In 2017, we developed a new system that allows sharing of global customer feedback and first introduced the system in Japan. We plan to also introduce the system in Asian countries in stages.

The database stores a wide range of information on all our products, ranging from basic product information, including product improvement history, to daily lifestyle related information. By accessing this information, staff at the Consumer Communication Center can respond to inquiries from consumers in a prompt and appropriate manner. In addition, while taking

suitable measures to protect personal information, the system compiles a list of all consumer inquiries received each day and makes this data available to all divisions.

Related divisions are able to make effective use of the Kao ECHO System by analyzing inquiry trends by product category and using the results in product development, marketing and quality improvement activities and so on.

Divisions involved in responding to consumers prepare monthly reports for distribution to and sharing with the entire company including top managers and persons responsible for each division. In addition, urgent and important matters reported by customers are sent to relevant divisions the same day and the information is shared throughout the entire company including top management promptly so that responses can be made.

### Education and promotion

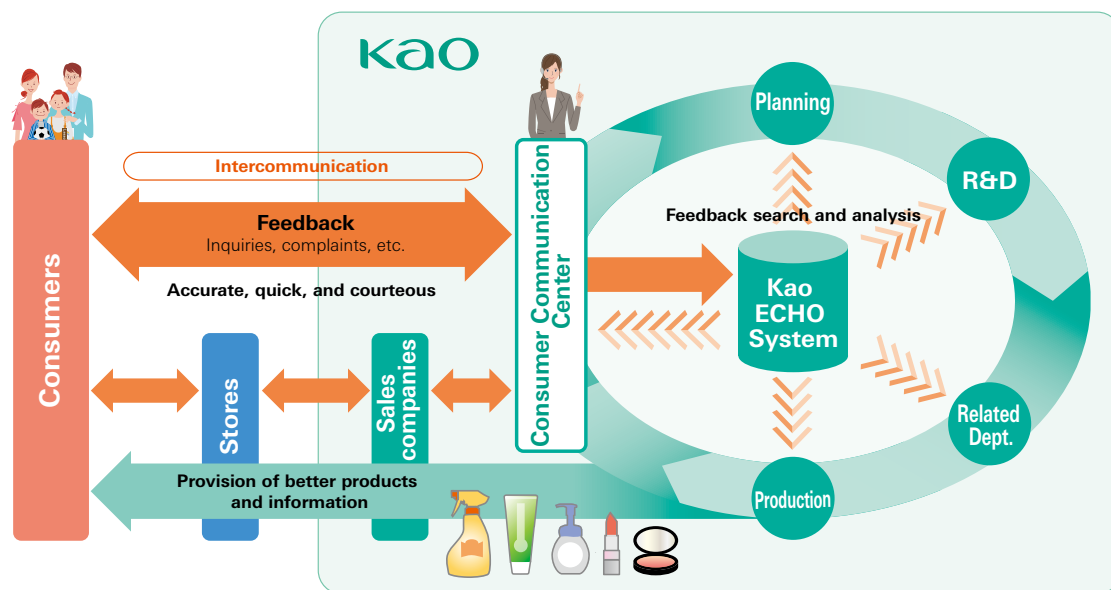
To enhance our capability to respond to consumer inquiries, we implement periodic assessments of our consumer inquiry response ability. We also work actively to create training opportunities by, for example, arranging for external instructors to provide response quality improvement training for employees, and by encouraging employees to make use of external training providers.

In order to better understand our consumers' viewpoints, we hold training sessions (Real Voice Training) in each relevant division, in order to put them toward business use. In 2018, training was conducted for the Education Division, Legal Affairs Division and Human Capital Division, which are divisions that conduct counseling operations.

To help ensure appropriate, timely response to consumer inquiries based on the Kao Way, we carefully monitor consumer communication activities in group companies throughout Asia, using the daily exchange of information by means of e-mail and telephone calls, as well as regular web conference meetings to ensure consultation responses in accordance with shared value criteria and action criteria.

In 2018, consultation response activities in each country were made visible and targets were clarified for the purpose of providing consultation responses tailored to the business environment and social environment in each country. Once a year, we hold a conference that brings together staff from all over Asia responsible for consumer communication to report on activity results in their respective countries during the past year as an opportunity to learn from one another, leading to improvements in consumer consultation responses in each country.

### Framework for reflecting consumer feedback in products



## Mid- to long-term targets and performance

### Mid- to long-term targets

While collaborating closely with our partner companies, we are striving to enhance the overall level of our advantageous consumer- and customer-driven approach and of the capabilities of frontline operations (*genba*) and our total strength, which together constitute an integrated system, so as to accelerate the implementation of our business strategy. To this end, we are committed to the continuing exchange of information with consumers in our role as a trusted partner for consumers, and will provide consumers with optimal solutions for their problems, wherever and whenever they need our help.

By promoting effective communication with consumers, we can identify risks at an early stage and take appropriate, timely action to deal with them, while also using the collection and analysis of customer

feedback to invigorate the group's *Yoki-Monozukuri*.

### Main initiatives related to consumer communication

1. Answering consumer inquiries by means such as telephone or e-mail.
2. Providing practical information on our website.
3. Providing active support for questions posted via SNS (Yahoo! Chiebukuro).
4. Exchanging information with consumer groups and with government agencies responsible for consumer affairs.
5. Implementation of exchange activities involving consumer-oriented events.

### Anticipated benefits from achieving mid- to long-term targets

## Kao's approach

### Cost reductions or profit increase

- Higher efficiency of consumer communication by providing various means of information acquisition.
- Enhanced information disclosure leads to higher resolution of issues by consumers on their own, reducing the number of inquiries.
- Higher efficiency through virtual responses using AI.
- Multi-lingual support by consumer consultation desks.
- Increased loyalty to our brand through control of reputation diffusion.

### Positive influences on society

- Contributions to better consumer lifestyles from the perspective of diversity as a result of enhanced information provision, multi-lingual support, and diversification of means of information acquisition.

## Performance in 2018

### 1. Answering consumer inquiries by means such as telephone and e-mail (Global)

Working together in 2018, Kao Corporation, Nivea-Kao Co., Ltd., and Kanebo Cosmetics Inc. answered around 216,000 consumer inquiries received via telephone and e-mail in Japan (equivalent to 99% of the previous year's total). In Japan, there has been an increase in inquiries from the elderly regarding product differences and usage, especially from older men, reflecting Japan's superannuated society. People aged 60 or above now account for more than 40% of all inquiries received. Outside Japan, we make effective use of the Kao ECHO System to ensure effective implementation of our quality management activities.

### 2. Providing practical information on our website (Japan)

Product information for our products can be viewed online using our online product catalog. Our product catalog website displays not only product images and details of product features for all our regular products, but also basic information displayed on product packaging labels including product components, acidity/alkalinity, usage and other important notice.

### 3. Providing active support for questions posted via social media (Japan)

On Yahoo! Chiebukuro, under the user name "kao\_official," Kao Official Support began providing answers to

consumers' questions posted to the service beginning in 2015. In 2018, an estimated total 2,600 new questions were answered. One of the key features of social media is that answers of questions stay on the feed and can be read by many people with similar issues, thereby contributing to the wider dissemination of accurate information. In 2018, the approximately 6,800 responses provided to date were viewed some 1.59 million times (an average of 130,000 times per month), nearly doubling every year. In addition to responding to inquiries, we also monitor questions concerning Kao brand and focus on collecting information on methods of product use frequently discussed on SNS and through word of mouth communications.

### Our initiatives

#### Providing information on the Kao website

##### Providing information on whether a product corresponds to dangerous goods for air transport (dangerous goods classified by the UN)

Inquiries such as “I’d like to send this item to a friend or acquaintance overseas, but is that okay?” regarding overseas transport via aircraft have increased. In the past, we posted the “Warning When Sending the Product by Air” online for applicable products so that consumers can confirm necessary information when shipping our products overseas, and in 2018, we also posted information for non-applicable products.

##### Reinforcement of consultation framework for skin problems with cosmetic products

In response to consultations regarding physical problems, we established a structure that can determine the initial symptoms of customers whose symptoms have not improved and provide detailed support.

#### Evaluation of consumer-oriented initiatives

##### Received the First-Year Selection of Consumer-Oriented Management Companies for Best of the Minister of State Commendation

In 2018, we announced to the status of follow-up activities to the Voluntary Declaration of Consumer-oriented Management released in 2017. We promote top management commitment, ensure corporate governance, advance the spirit of *Yoki-Monozukuri* to achieve customer satisfaction and provide products and brands useful to the sustainability of society, take customer feedback seriously so as to improve our products and services, and provide information from the customers’ perspectives, and actively engage with them. These dynamic commitments and activities have led to the honor we received this time. Details can be found on our website under Voluntary Declaration of Consumer-oriented Management 2017 Activities Report.



Awards ceremony

##### Received the Consumer-Oriented Activity Prize of the 3rd ACAP Consumer-Oriented Activity Awards

We received the Consumer-Oriented Activity Prize of the 3rd ACAP Consumer-Oriented Activity Awards in February 2018. The Association of Consumer Affairs Professionals (ACAP) recognizes consumer-oriented management initiatives that conserve as models for others (the award is presented with support from the Consumer Affairs Agency and Keidanren [Japan Business Federation]).

We were commended for its active provision of support relating to consumer concerns regarding housekeeping and beauty using an official account on Yahoo! Chiebukuro, an online Q&A site, since 2015.