

Kao's approach

As part of our effort to enrich lives and contribute to the sustainability of society, we conduct our corporate citizenship activities with the theme of "creating an environment and developing human capital to nurture the next generation." When it comes to issues that cannot be directly approached through business, we are working in tandem with local communities and NGOs/NPOs with a long-term perspective. Kao also sets up employee participation activities aimed at creating a connection to society and a place where employees can learn, along with Support of

the Arts activities in order to further the development of the culture at the foundation of *Yoki-Monozukuri*. We also implement various activities through The Kao Foundation for Arts and Sciences. Meanwhile, we established a new ESG Division in July 2018 to forge a closer connection between our R&D and our business activities, in addition to our conventional corporate citizenship activities. We are also studying how we can carry out our activities in a globally unified manner to ultimately increase corporate value from the long-term perspective.

Kao's creating value to address social issues

Social issues we are aware of

To work toward solving social issues such as of poverty, education, water and gender equality, which should be addressed by the international community as a whole, enterprises today are increasingly expected to contribute either through their business activities or through donations.

Kao's creating value

Besides contributing to creating a sustainable society through our business activities, we also target social issues that cannot be tackled through business activities and contribute to society on a broader scale as a good corporate citizen, to make it possible for people everywhere to enjoy happy, fulfilling lives.

We use our resources and strengths, in the three areas of environment, education and community, to instill proper daily habits in children based on cleanliness and hygiene. We also support educational activities to develop human capital to take leading roles in science and technology and local

communities in the future.

Furthermore, we aim to build a better society with diverse communities and provide support related to solving social issues that occur in each community, contributing to the stimulation of society. We also support the development of culture through our Support of the Arts activities.

Risks related to realization of our vision by 2030

Failure to give proper consideration to stakeholders and lack of engagement may cause customers, employees and all other stakeholders to lose trust in us and could also potentially damage our brand value in the future.

Opportunities related to realization of our vision by 2030

As a manufacturer of consumables, we have always stayed close to consumers in our business activities. This can also be viewed as manifestation of our desire to create a better society through improving each and

every consumer's convenience and satisfaction. We always look at things from the standpoint of society and think of how we can approach social issues like sanitation, water, health or better living standards that arise in everyday living, so that we can become an essential part of the lives of people all over the world.

Contributions to the SDGs



Policies

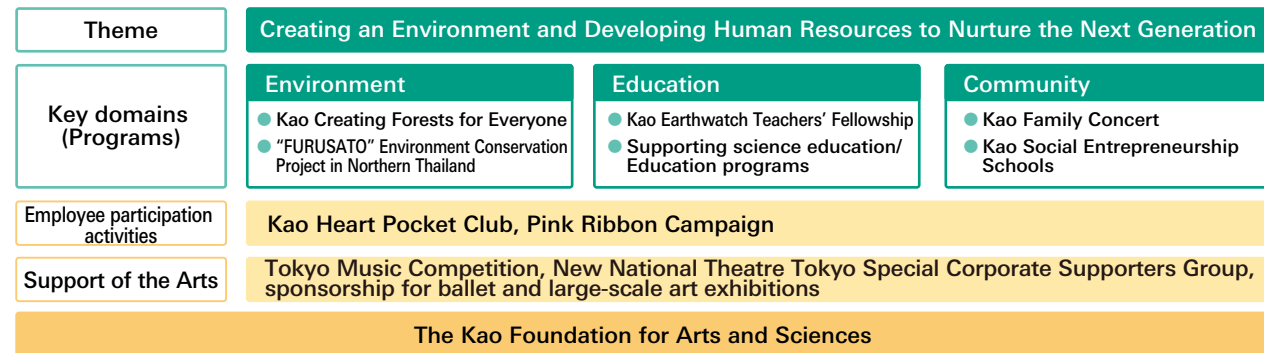
We conduct corporate citizenship activities in a planned manner in accordance with the following Corporate Citizenship Activity Guidelines.

Corporate Citizenship Activity Guidelines

- Conduct activities that play a role in nurturing the next generation.
- Conduct activities aimed at contributing to the development of regional communities and culture.
- Conduct activities that protect and nurture the environment to promote a sustainable society.
- Conduct activities that promote a barrier-free society as a form of social support.
- Conduct activities that make effective use of Kao's resources.
- Create an atmosphere in which every employee can participate in social activities as a good citizen.

→ Overview of Corporate Citizenship Activities
www.kao.com/global/en/sustainability/society/approach/

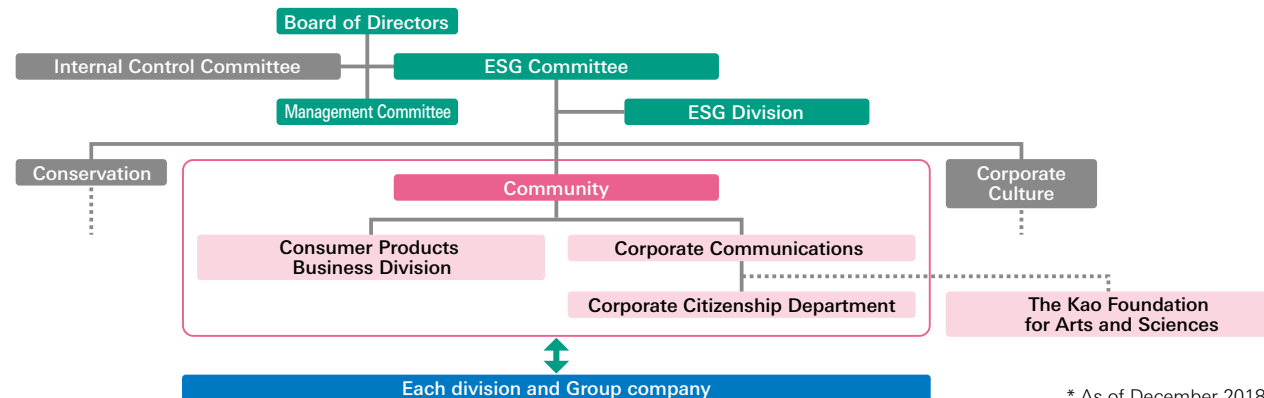
Overview of corporate citizenship activities



Framework

Focusing on Community, one of the key areas in our Sustainability Statement, we work to promote cooperation with relevant departments, mainly the Corporate Communications and the Corporate Citizenship Department and also by the Consumer Products Business Division, other related divisions and our global group companies. The senior vice president of the Corporate Communications reports once a year to the Board of Directors, giving a summary of activities, expenses for activities and so forth. The newly established ESG Division reviews and executes the corporate citizenship activities we conduct globally and which are closely linked to our R&D and our business activities.

Implementation framework for corporate citizenship activities



* As of December 2018.

Education and promotion

We endeavor to enhance understanding of our activities by communicating information on a wide scale, both within and outside of Kao.

Internally, we share case studies via the company intranet or employee training sessions, and we aim to create connections with society and cultivate a broader outlook among employees by providing them with opportunities to participate.

Externally, we make use of brochures describing our activities and of our company websites, to inform stakeholders about our activities and about events that we have organized.

Collaboration with stakeholders

Our corporate citizenship activities are implemented in collaboration with many different stakeholders, including NGOs and NPOs. By ensuring opportunities to exchange information regularly with operational partners in key corporate citizenship projects, we are able to monitor program implementation status and make improvements where necessary. Meanwhile, we receive regular activity reports from the NPOs and other organizations whose activities we support. By helping to give us a deeper understanding of the social issues that represent the background to these activities and of the social impact of these activities, these reports assist in contributing to the realization of our vision of enriching people's lives. Periodically exchanging information and listening to feedback on site allows us to brush up programs to meet on-site needs and society's movement.

Mid- to long-term targets and performance

Mid- to long-term targets

In the areas of environment, education and community in which we concentrate our corporate citizenship activities, we work to achieve solutions globally with local communities when social issues cannot be approached through our business activities.

Voluntary participation in corporate citizenship activities gives our employees a way to develop a connection with society and opportunities for personal growth which they can apply to their work.

1. Instilling good lifestyle habits in children

Water and Sanitation Project for Schools in Vietnam: We aim to support 35,000 students at 60 schools over the five-year period from 2016 to 2020.

2. Nurturing people who will lead future science and technology development

JSEC (Japan Science & Engineering Challenge): We support a maximum of nine high school students at three schools every year.

3. Community participation and problem solving support

Kao Social Entrepreneurship Schools: We support three organizations every year.

4. Promoting the participation of Kao employees in social activities

Anticipated benefits from achieving mid- to long-term targets

Cost reductions or profit increase

Ethical consumption behavior is becoming more widespread today, and we can gain consumers' trust by steadily carrying out the activities we aim toward our goals and continuing to communicate. In this way we hope that these activities will help us win long-term loyal customers.

Impacts on society

By instilling proper daily cleanliness and sanitation habits, we hope that we can improve sanitation in the communities we support and contribute to improving living standards over the medium to long term. We believe that offering support for developing human capital that will play leading roles in science and technology in the future, and nurturing young leaders who can invigorate their communities, will help make the next generation the driving force that will bring everyone a prosperous and comfortable life.

At the same time, encouraging our employees to participate in corporate citizenship activities will help stimulate their creativity and translate into more innovative, higher-value *Yoki-Monozukuri*.

Performance in 2018

Implemented a corporate citizenship activity program

1. Instilling good lifestyle habits in children

① Water and Sanitation Project for Schools in Vietnam (in cooperation with UNICEF).

- Provided education about hygiene to 2,100 students at seven schools in An Giang Province.
- Improved toilets and sanitation facilities at two public kindergartens in An Giang Province.
- Trained approximately 100 voluntary instructors and community leaders.
- Supported installation of water purifiers with ceramic filters at 40 schools (serving 12,000 students and teachers) in An Giang Province.
- Conducted a basic study at 22 schools in remote areas of Dien Bien Province.

② Hand washing awareness

- Japan
 - Hand washing class: Conducted educational activities for 5,940 students at 88 schools throughout Japan. (With other types of class included, classes were held in a total of 135 schools, with 9,773 students receiving instruction.)
 - A total of 806 Kao employees participated as instructors.
 - We provided 1,583 educational kits (2,460 in total for all types of educational kits).
 - Education professionals participated in four training sessions.

- Outside of Japan (Taiwan, Indonesia, Thailand)

- We conducted hand washing awareness sessions for 67,609 children.

③ First menstrual education

- Japan
 - We distributed first menstruation kits to approximately 744,700 elementary school girls.

- Outside of Japan (Indonesia, Vietnam, Thailand, Malaysia, Hong Kong, Taiwan, China)

- First menstruation sets were distributed to 491,000 elementary and junior high school girls in these areas.

2. Nurturing people who will lead future science and technology development

Supporting an independent research contest (JSEC) for science and technology

- Invited the winning JSEC 2017 schools for a study tour (March).
- As special sponsors of JSEC 2018, we presented the Kao Award and the Kao Special Incentive Award to eight students from three high schools (December).

3. Community participation and problem solving support

① Family Concerts at worksite areas (Japan)

- Concerts were held in Mashiko-machi in Tochigi Prefecture (April) and Sakata City in Yamagata Prefecture (October).

② Kao Social Entrepreneurship Schools (Japan)

- Three organizations were chosen to receive support and providing opportunities for business growth.
- An “open dialog” meeting to exchange views with Kao employees was held in November for the purpose of presenting reports on results achieved by groups that Kao supported in 2017, and for the launching of support for groups receiving our support in 2018.

③ Disaster relief and recovery support activities (Global)

- Made donations via the Japanese Red Cross Society to help recovery after the Hokkaido Eastern Iburi earthquake in September 2018. In addition, Kao delivered emergency supplies and sets of household essentials, at the request of local government authorities.
- Made donations via the Japanese Red Cross Society to help recovery after the flooding in western Japan in July 2018. In addition, Kao delivered emergency supplies and sets of household essentials, at the request of local government authorities.
- Kao Corporation provided relief funds through Japan Platform, an NPO, and PT Kao Indonesia provided a donation and products after the Sulawesi earthquake in Indonesia in September 2018.
- Kao (Taiwan) and Taiwan Kanebo Cosmetics provided a donation after the Hualien earthquake in Taiwan in February 2018.
- Kao Specialties Americas provided relief goods after the Greensboro (North Carolina) tornado in April 2018 and Hurricane Florence (eastern seaboard of the United States) in September 2018.

4. Promoting the participation of Kao employees in social activities

① Kao Heart Pocket Club (Japan)

- At regular and ad interim meetings held by the Heart Pocket Club, decisions were made as to which groups and activities would be supported.
- The Heart Pocket Club implemented local support, giving support to groups involved in community activities in Tochigi, Wakayama

and Ibaraki prefectures where Kao worksites are located.

- The Heart Pocket Club also donated funds through the Mirai Pocket Fund, which supports larger-scale activities.
- Emergency support following natural disasters.

② Pink Ribbon Campaign (Global)

- Began supporting a cancer education project targeting junior and senior high school students.
- Between October–November, awareness-rising activities were conducted by our beauty advisors at cosmetics counseling corners, etc. in nine different countries and regions.
- Information offered through a special website.
- Made donations matched according to the number of items purchased.
- Support for communicative events: Pink Ribbon Walk (Tokyo).
- Company employees wear Pink Ribbon badges, with information relayed through our intranet system.
- Employee involvement-based donation program: Photo donation.

Spreading information within and outside the company

For Internal

- Providing activity summaries and information related to employee participation activities via Kao's intranet, etc. (33 items)
- Provided information about our corporate citizenship activities during initial training for new employees. (attended by 305 new employees)
- Employee participation volunteer planning: Kao employees engage in volunteering in areas affected by the Great East Japan Earthquake of 2011 with activity presentation meetings and volunteering activities, volunteering activities carried out through the Kao Heart Pocket Club (a donation organization composed of Kao Group employees), and local contribution activities carried out by individual Kao worksites, etc.

For External

- 50 items of information have been distributed via our company website and Facebook.



→ Corporate Citizenship Activities Report
www.kao.com/global/en/sustainability/society/social-reports/

→ Sustainability section of the Kao website >
 Measures to Contribute to Society
www.kao.com/global/en/sustainability/society/

Our initiatives

Instilling good daily cleanliness and sanitation habits in Vietnam

As part of our mid-term business strategy, Kao is seeking to expand the scope of our business activities in Asia. One of the countries in which we are working to grow our business is Vietnam. However, because of the significant income gap, there are many people in Vietnam who we cannot reach through our business activities. Sanitation and hygiene conditions in Vietnam's rural and mountainous districts, and districts with large ethnic minority populations, tend to be unsatisfactory, with chronic diarrhea and other diseases causing problems to children's health and impeding their development.

Supporting UNICEF's school sanitation project

Since 2016, we have been supporting school sanitation project activities through the United Nations Children's Fund (UNICEF).

Following good results with the program in An Giang Province in the Mekong River Delta in the southern part of the country, in 2018 we have expanded support to Dien Bien Province, a mountainous region in the north where most people are ethnic minorities. After a basic study to ascertain conditions and draw up a support program, we conducted sanitation improvement activities similar to those in An Giang Province. In 2018, we conducted sanitation promotion activities targeting residents of 54 villages in An Giang Province and Dien Bien Province, and made improvements to toilet and

sanitary facilities at two schools, thereby helping to improve the learning environment so that children can feel safe about using the sanitary facilities. We also trained approximately 100 teachers, volunteer instructors and community leaders.

Children spread hygiene awareness, which they learned at school to their families and communities, providing the opportunity to place a new toilet in a home where there was no toilet previously.

Our activities have encouraged An Giang Province to take action to meet standards set by Vietnam's Ministry of Health to eradicate open defecation in more than 240 villages there.

Additionally, to ensure access to safe drinking water in remote areas or in emergencies, we are supporting water purifiers with ceramic filters. This program is linked with the "eco together diary" project among 10-year old elementary school students in Japan, where the children's water-saving efforts are matched with equivalent donations of water purifiers to elementary schools in Vietnam. In 2018, 484 schools participated, and 400 filters were sent to schools in Vietnam.

We will continue working in both the north and south of Vietnam in 2019 to support efforts to improve the sanitation environment and instill good hygiene habits so that schools and communities there can be certified as having eradicated open defecation.



Children washing their hands before lunch at an elementary school in Dien Bien Province

JSEC Sponsorship to help support science education for senior high school students

We believe that the foundation of *Yoki-Monozukuri* is born from cutting-edge innovations created by science and technology, and in order to contribute to a brighter future, we support fostering young science researchers. As part of this, we sponsor the Japan Science & Engineering Challenge (JSEC), which is organized by the Asahi Shimbun Company and TV Asahi Corporation and a contest of independent science and engineering research targeting high school and technology college students nationwide, with the goal of supporting and nurturing.

Every year we present the Kao Award and the Kao Special Incentive Award to recognize excellent work. The review process for selection of the award winners is carried out by our researchers based on a reading of the participants' papers and presentations.

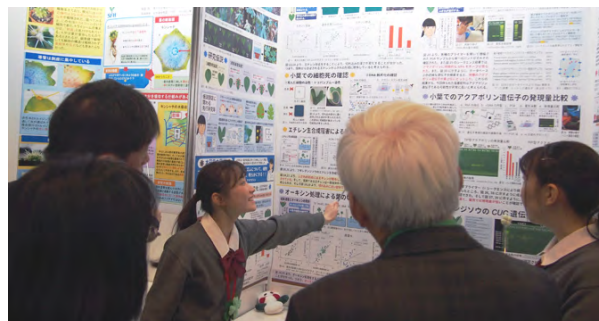
Top JSEC prize-winners are qualified to enter the Intel International Science and Engineering Fair (Intel ISEF) in the U.S.

Also, we invited these award-winning schools to participate in our study tour, during which students have opportunities to visit our facilities and engage in discussions with our researchers, thereby providing support for senior high school students' education and career planning.

Performance in 2018

The Kao Award and the Kao Special Incentive Award were presented at JSEC 2018

- The Kao Award
"Discovery of a Remarkable Oscillatory Color Change in the Iodine Starch Reaction during the Early Stage of Acid Hydrolysis of Potato Starch"
Hayato Shoyama, Momoko Hayashida, Shintaro Yamamoto (Fukuoka Prefectural Meizen High School, Fukuoka Prefecture).
- The Kao Special Incentive Award
"The mechanism of foliole morphogenesis in water clover (*Marsilea schelpiana*)"
Moe Maeda, Hina Tsubokura (Notre Dame Seishin Gakuen Senior Girls' High School, Okayama Prefecture).
"Chemical oscillation in Iron-Nitric acid reaction: Research into a new method for reproducing an oscillating reaction without electrical stimulus"
Shiori Ogawa, Hiori Ikegawa, Shota Miyake (Asahikawa Higashi High School, Hokkaido).



Our researchers listening to passionate presentations of high school students during the final round of judging

Intel ISEF 2018 Excellence Award Recipients

The JSEC 2017 Kao Award recipients, Norika Narimatsu, Ayaka Kosai and Akiho Takata, of Kumamoto Prefectural Uto Senior High School, were selected to represent Japan at Intel ISEF 2018, where they received a fourth-place excellence award in the physics and astronomy division. (June 2018)

Study tours

We organized a study tour for the prize-winning students from Kumamoto Prefectural Uto Senior High School (Kao Award), Nagasaki Prefectural Nagasaki Nishi High School (Kao Special Incentive Award) and Yokohama Municipal Yokohama Science Frontier High School (Kao Special Incentive Award) who won the awards at JSEC 2017, giving the students an opportunity to engage in discussions with our researchers. (March 2018)

Future projects

We intend to arrange study tours for the prize-winning schools from JSEC 2018 and to provide special sponsorship for JSEC 2019.

Expansion of first menstrual education support activities for elementary and junior high school girls

Since first launching sanitary products in 1978, we have offered first menstrual education to girls beginning menstruation as well as families and elementary schools for more than 40 years.

Our first menstruation education set is a pouch that contains an awareness booklet which briefly covers menstruation and bodily changes, along with sample sanitary products, distributed free of charge. In 2017, we began working together with the Japanese Association of School Health, aiming to expand distribution of our sets to 20,000 schools throughout Japan.

Additionally, in 2018, we produced a CD narrating revised content of an awareness booklet titled “Physical changes: What it means to become an adult,” to expand outreach to girls with visual impairments, who tend not to have enough information, their families and educators serving them. Since 2003 we are taking the opportunity of this revision to meet with teachers at schools for the visually impaired and visually impaired individuals, and, based on what we learned at those meetings, we compiled information about how to choose and use sanitary products, personal care during menstruation and so on, taking the daily circumstances of young girls with visual impairments more fully into account.

We plan to distribute this CD to all schools for the visually impaired in Japan and to Braille libraries.



Laurier first menstrual education set



CD narrating the content of the “Physical changes: What it means to become an adult” awareness booklet

Abroad, we began supporting UNICEF’s Menstrual Hygiene Management Project in Indonesia in 2018.

There is not enough correct knowledge about menstruation in Indonesia, where one in four girls does not know about menstruation until she actually starts having a period. Furthermore, superstitions and discrimination regarding menstruation persist. Additionally, since schools do not provide enough

education about menstruation and sanitation facilities are inadequate, one in six girls misses at least one day of school during menstruation, which is one reason for lower school attendance among girls.

To make a dent in this issue, 40 public junior high schools in Tangerang, Banten Province, are engaged in menstruation education to provide more comprehensive knowledge to their students about menstruation sanitation. They have begun training specialized instructors and encourage student-led creation of educational materials, in order to change behavior. Provincial officials, head teachers from the cooperating schools, teacher representatives and employees from Kao Indonesia participated in a meeting to start the project, on May 30, 2018. The program’s aim is to give lectures to over 12,000 students by 2020, including boys, and to encourage more than 2,500 students to change their behavior.



Children discussing menstruation hygiene teaching materials ©UNICEF Indonesia/2018

Topic Kao launches the Hygiene Development Program in Vietnam

With the aim of helping to promote the widespread adoption of cleanliness and hygiene practices in Vietnam, Kao has launched the Hygiene Development Program in Vietnam. This program comprises four component parts: Leader Development for Infection Control, Scholarship for Hygiene Management, Water and Sanitation Project for Schools, and Enhancing Hygiene in the Community. In October 2018, a signing ceremony was held at Hanoi Medical University in Vietnam, with relevant parties including representatives of Hanoi Medical University, Kanagawa University of Human Services and Tohoku University, who signed an agreement on the Leader Development for Infection Control and Scholarship for Hygiene Management components of the Program.

Leader Development for Infection Control will involve putting infection control measures on a more systematic basis, as well as the holding of seminars for medical professionals and students, focusing on infection control measures and hygiene management. This component of the program is being implemented in collaboration with Hanoi Medical University, Tohoku University and St. Marianna University School of Medicine. Other Japanese universities and university hospitals are also expected to participate in the project in the future.

The Scholarship for Hygiene Management, which is intended for graduates of Hanoi Medical University, will provide scholarships to enable Vietnamese students to undertake postgraduate study at Kanagawa University of Human Services in Japan. By cultivating food sanitation management experts who can play an active role in the health and hygiene field in Vietnam, Kao is hoping to contribute toward the realization of healthy lives for Vietnamese citizens.



Agreement signing ceremony

A message from the President of Hanoi Medical University



(Left)
A/Prof. Nguyen Duc Hinh, MD, PhD
Former President, Hanoi Medical University
(2008–2018)

(Right)
Prof. Ta Thanh Van, MD, PhD
President, Hanoi Medical University

2018 is the 45th anniversary of the establishment of formal diplomatic relations between Vietnam and Japan. Various special events are being held to celebrate this anniversary, and relations between our two countries have grown closer than ever. The signing ceremony for the Vietnam Hygiene Development Program has been recognized by the committee responsible for organizing the 45th anniversary celebration as one of the anniversary events.

Hanoi Medical University has close links with Japan. Professor Ta Thanh Van (President of Hanoi Medical University since December 2018) and Associate Professor Tran Huy Thinh, who are involved in cancer immunotherapy research at Hanoi Medical University, learned a great deal while working as researchers under Prof. Tasuku Honjo (Awarded The Nobel Prize in Physiology or Medicine 2018), and Distinguished Professors at Kyoto University. Our Vice President spent eight years undertaking research in Japan, and 40 of our faculty members have experience of performing research in Japan over an extended period.

At Hanoi Medical University, besides the Faculty of Medicine, we also have Vietnam's first Faculty of Nutrition, and infection control measures and hygiene management in relation to medical facilities and areas where food preparation is undertaken are important research areas for our University. I believe that the agreement we have just signed regarding the Leader Development for Infection Control and Scholarship for Hygiene Management projects will contribute to the ongoing cultivation of outstanding "hygiene management leaders" through the integration of the specialist knowledge possessed by research institutions such as Hanoi Medical University, Kanagawa University of Human Services, Tohoku University and St. Marianna University School of Medicine with the medical facility and kitchen hygiene management know-how that Kao has accumulated through its business operations.

I would like to take this opportunity to express my sincere gratitude for the extensive support that Hanoi Medical University and Vietnam as a whole have received from the people of Japan over the years. I very much hope that we will be able to benefit from your continued support in the future.

* This message was contributed by Dr. Nguyen Duc Hinh in October 2018, while Dr. Nguyen was still serving as President of Hanoi Medical University. Professor Ta Thanh Van succeeded Dr. Nguyen as President of the University in December 2018.