

## Kao's approach

Kao strives to develop good workplace environments on the basis of the recognition that favorable relationships and communication with employees are one of the most important aspects of the corporate culture. In addition to creating various opportunities for dialogue with employees, we conduct employee opinion surveys periodically.

## Kao's creating value to address social issues

### Kao's creating value

Besides aiming to enhance both corporate growth and employee motivation, we eliminate authoritarian approaches and place great importance on a corporate culture in which top management and employees collaboratively work together to achieve business goals.

In order to build favorable labor relations, we provide opportunities for sharing and discussion with employee representatives with regard to our current situation and policies as well as measures for human capital development. This encourages our employees to further exercise their creativity, and to provide even higher-quality products and services.

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

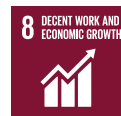
If we fail to maintain healthy labor relations, then employee engagement may fall, and there is a risk that we may be unable to achieve the business objectives that we planned in order to realize our vision for 2030.

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

By maintaining and developing healthy labor relations, we can strengthen employee engagement. If our

employees are able to further exercise their creativity, then it can be anticipated that we may be able to achieve results that surpass the business objectives that we planned in order to realize our vision by 2030.

### Contributions to the SDGs



## Policies

We strive to foster understanding between senior management and employees by facilitating opportunities for mutual talks, with the objective of developing unity throughout the group and enhancing employee engagement. We promote mutual understanding between senior management and employees by providing opportunities for the exchange of opinions and views whereby the senior management explains priority issues such as the company's current situation, policies and human capital development to employees as well as responding to their questions. In this way, we establish an understanding of the genuine concerns and opinions of employees, which then feeds into ongoing measures to develop human capital and

improve the workplace environment, among other undertakings.

There are regular opportunities for dialog between the factory labor unions at Kao Corporation's Wakayama Plant and Sakata Plant, and the labor unions of our affiliate companies, and our senior managers and personnel managers, enabling us to respond to the labor unions' proposals and expectations, and making it possible for management and employees to share details of our current situation and future strategy.

We also conduct employee opinion survey *Find*, periodically to realize the goal of creating a "Great place to work." We then confirm the respective strengths and areas where improvement is needed of each organization by visualizing the organizational status using numerical data. Subsequently, we identify our challenges based on analyses of these results, and formulate and set and implement effective action plans. In these ways, we endeavor to consolidate the RPDCA cycle\* to improve our organization and workplaces.

\* RPDCA cycle

This adds "Research" (which equates to "analysis of the current situation") to the PDCA cycle for operational improvement. Doing so has allowed us to strengthen our ability to respond to changing circumstances.

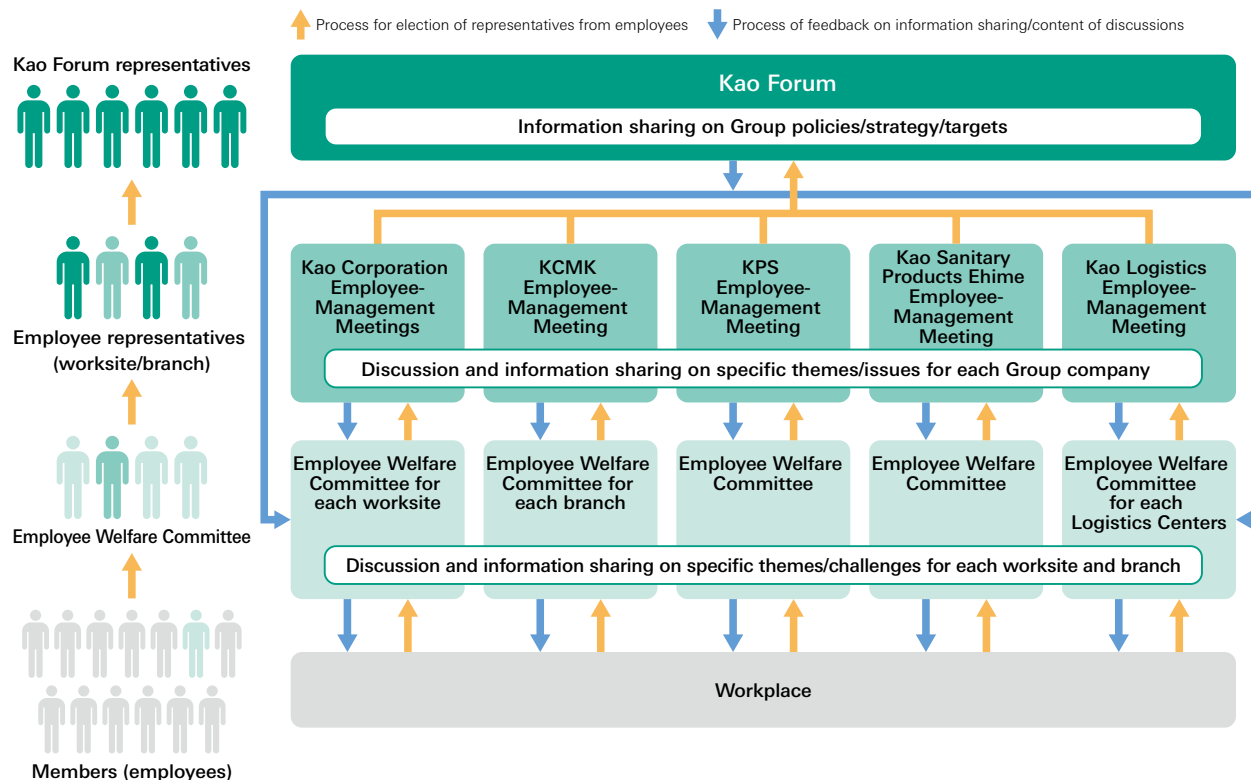
### Framework

Platforms for regular dialogue with employees include Employee Welfare Committees at each worksite and branch, Employee-Management Meetings at every Group company, and the Kao Forum for the group as a whole. We hold the Kao Forum in both Japan and Europe. Employee representatives from Kao Corporation, Kao Group Customer Marketing Co., Ltd. (KCMK), Kao Professional Services Co., Ltd. (KPS), Kao Sanitary Products Ehime Co., Ltd. and Kao Logistics Co., Ltd. participate in the Kao Forum in Japan.

Meetings of the Employee Welfare Committee are conducted monthly, and the Employee-Management Meetings and Kao Forum are conducted twice a year. Continuous mutual information sharing on the content of the discussions and information shared at each meeting is implemented for all employees through the employee representatives and Employee Welfare Committees. Within the group as a whole, the percentage of employees that are union members is 32%.\*

\*This figure excludes Kao Group member companies that are prohibited from disclosing employee union membership information due to information protection regulation of countries/regions where they operate business.

### Employee dialogue structure



## Mid- to long-term targets and performance

### 2020 mid-term target

Enhance and consolidate the RPDCA cycle toward regular implementation of employee opinion surveys and organizational improvements.

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

#### **Cost reductions or profit increase**

It can be anticipated that enhanced employee engagement will be accompanied by the ability to maintain or grow revenue as a result of achieving or exceeding our planned growth targets. In addition, the reduction in employee turnover can be expected to lead not only to a fall in recruitment costs but also to an enhancement in Kao's reputation as an employer.

#### **Impacts on society**

The enhancement of employee engagement will lead our employees to further exercise their creativity, and to provide even higher-quality products and services. It can be anticipated that a reduction in the environmental burden and an increase in employee satisfaction will be realized.

## Performance in 2018

### Performance

- In April 2018, we implemented the employee opinion survey *Find* 2018.
- In February and July 2018, Employee-Management Meetings and the Kao Forum were conducted in each Kao Group company. The Kao European Forum was conducted in the European region in May 2018, with 17 employees participating as regional representatives.
- At the Kao Forum, where employee representatives from different Kao Group companies are brought together, a total of 29 employee representatives participated: 15 from Kao Corporation, 10 from KCMK, two from KPS, one from Kao Sanitary Products Ehime Co., Ltd., and one from Kao Logistics Co., Ltd.. Questions were fielded from employee representatives, which included questions regarding the orientation of respective business areas, product development and deployment of sales measures, and CSR activities, etc. Many positive comments were received from employee representatives, including: "My sense of belonging to the Kao Group has increased" and "I learned more about our direction and approaches, which will serve as a useful guide for the future."
- At the Employee-Management Meetings, there was concrete discussion regarding the strategies and measures being implemented by individual

companies, etc. During the Employee-Management Meeting at Kao Corporation, the discussion between human resources management and employees focused on issues relating to human resources and employee welfare matters, with an exchange of views regarding measures to promote better workstyles.

→ Remote work system: Thanks to the exchange of views, we were able to take employees' views into account when implementing working at home on a trial basis and putting in place the related systems.

→ Adjustment of living allowances: Progress reports and exchange of views were implemented on an ongoing basis.

### Reviews of performance

- In 2019, we formulated action plans to address the issues identified from the results obtained in the employee opinion survey *Find* 2018, and implemented measures to resolve these issues. We formulate concrete action plans, in line with the issues affecting individual organizations, which embody the key features of the strategy adopted for company-wide measures, including Communication and Challenge, etc.
- In FY 2019, we intend to implement the Kao European Forum, Kao Forum and Employee-Management Meetings as planned.

## Our initiatives

### Implementation of the *Find* employee opinion survey, and drafting of action plans

The *Find* employee opinion survey is implemented regularly, once every two years. In the first year, the focus is on survey implementation, results analysis and development of action plans. In the second year, the action plans are put into practice. The implementation results are then verified in the next *Find* survey, thus ensuring effective the implementation of the RPDCA cycle.

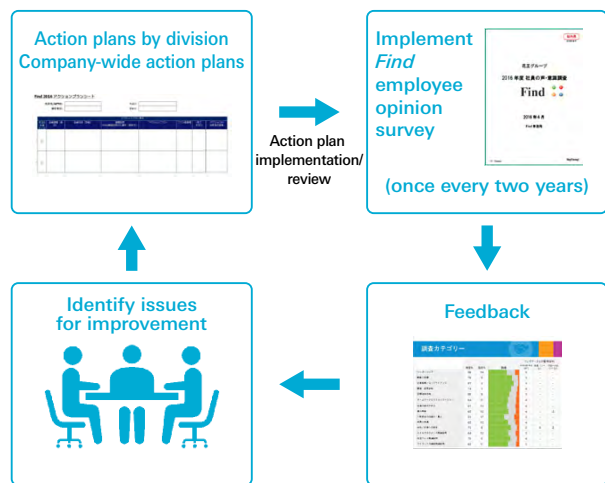
2018 was a year in which the *Find* survey was implemented. Survey implementation targeted 34,648 employees, and the vast majority of these employees

responded to the survey, with a response rate of 94%. This means that, globally, 70% of all Kao Group employees responded to the survey. The questions included in the survey were organized into four categories: Company/Organization Function, Business Function, Employee Function, and Satisfaction with Company/Work. In replying to the question regarding "Pride in working for the Kao Group," 77% of employees responded positively that they did feel pride in working for Kao. Feedback on the survey results was provided to each unit, and units were

helped to identify their individual strengths as well as areas where they have been slow to respond to a changing environment and other challenges.

As regards the overall strategic direction for company-wide action, we selected five key items—including moving forward to the big changes and challenges toward K20, Return to the basics of the Kao Way "To be closest to consumers and customers"—and, following discussion with each individual unit, formulated concrete action plans.

#### RPDCA to improve organizational capacities



#### Employee opinion survey *Find* questionnaire items

