

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

Under the management framework established in 2021, we revised our vision for 2030 from “a company with a global presence” to “Make Kao a company with a global presence, valuable to society,” and will pursue sustainable growth by integrating ESG into the core of our management as we work toward this vision. Our ESG Strategy, the Kirei Lifestyle Plan (KLP) released in April 2019, aims to enrich the lives of consumers, and as such is an ESG Strategy shaped from the consumer's point of view and unique to Kao.

Through ESG-driven *Yoki-Monozukuri* based on the KLP, our ESG Strategy will lead to realizing sustainability for society and increased corporate value.

Philosophy supporting Kao's ESG activities

The Kao Way

Since our founding, we have made it our mission to contribute to sustainability through our business activities. The Kao Way, our corporate philosophy, was updated in July 2021. In it, we define our mission as follows: “As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life—a cleaner, more beautiful, and healthier life for all people and the planet. Through innovation that provides excellent value, we share joy and create a safer, more harmonious world for all.”



Kao's Corporate Philosophy

P8



Kao's Corporate Philosophy

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Web

Kao Group Mid-term Plan K25 and Long-term Vision K30

We have integrated ESG into the core of our management in order to make Kao a company with a global presence, valuable to society, as defined in What Kao Aims to Be by 2030 in our Long-Term Vision K30. The three objectives of K30 are (1) to become an essential company in a sustainable world, (2) to be a high-profit global company that also significantly contributes to society and (3) to provide returns to stakeholders according to levels of growth. We envision these goals resulting in sales of 2.5 trillion yen. Developing our business for the purpose of benefiting society will grow our business as a result, and we will return the profits to society.

We announced the Kao Group Mid-term Plan 2025 (K25), which is focused on achieving K30, in December 2020. With the vision of “Sustainability as the only path” and the concept of “Kirei—Making Life Beautiful,” K25 sets three objectives: (1) Become an essential company in a sustainable world, (2) Transform to build robust business through investment and (3) Maximize the power and potential of employees.

To signal our resolve to implement ESG-driven management to achieve K25 on our journey to 2030, we have defined the ESG goals of “zero waste /

carbon zero” for E, “one and only personalization” for S, and “one team with integrity” for G. We will build business with our new focus of “Save lives, protect people,” and undertake this effort in collaboration with like-minded stakeholders.

Kirei Lifestyle Plan, Kao's ESG Strategy

Our ESG Strategy, the KLP, expresses the direction we are taking with specific ESG activities that put consumers in the driver's seat as well as our ambitions for the future. The KLP consists of Kao's ESG Vision and Kao's ESG Commitments and Actions to achieve 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 one of the core tenets of our founder Tomiro Nagase, “Good fortune is only given to those who work diligently and behave with integrity.”

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Kao's ESG Commitments and Actions

The KLP includes three main pillars connected to enriching the lives of people, namely “Making my everyday more beautiful,” “Making thoughtful choices for society,” and “Making the world healthier & cleaner.” “Walking the right path” is the foundation that supports these pillars.

Kao Actions, our priority action themes, are set for each pillar as well as our 2030 Commitments, our ambitious goals to achieve by 2030.

We believe that achieving K25 looking ahead to our vision for 2030 in the areas of society and the environment, where global-scale upheavals are anticipated, will require our resolve to transform ourselves to help bring positive transformation to society. As the importance of governance is growing, we will further strengthen the effectiveness of our governance in line with our core value of “walking the right path.”

Individual mid- to long-term targets have also been set for each of the 19 Kao Actions to facilitate effective and reliable activities.

Business growth through the realization of the Kirei Lifestyle

K25 is based on the approach of developing our business for the purpose of benefiting society, and achieving business growth as a result. We believe that

our ESG actions taken with the goal of enriching the lives of consumers and realizing a sustainable world will result in business growth and creation of a cycle where generated profit is returned to stakeholders, consumers and the wider society. The KLP is the main driver to achieve this management vision, and ESG is therefore positioned as investment and the basis for our future finances.

It is said that technological innovations are needed to address the severe social issues we are facing in the modern era and realize a sustainable world. We are focusing on *Yoki-Monozukuri* as the basis for the innovative solutions we offer, and we believe that ESG-driven *Yoki-Monozukuri*, which combines innovative technologies grounded in our Essential Research, will support our sustainable growth and can have transformative impacts on people, the wider society and the Earth.

We will deepen our existing three business fields, Cleanliness, Health and Beauty, and expand their boundaries based on the KLP, thereby amplifying our transformative impacts on society, and at the same time, achieving business growth. Our plan to build our business with the new focus of “Save lives, protect people” set forth in K25 is part of this.

The KLP will also contribute to increasing our corporate brand value and product brand value. The spirit of the KLP is also integrated into our products, campaigns, programs, communications and other activities. We believe that contributing to enriching

the lives of consumers and to society and environmental sustainability will allow us to gain the trust of consumers and a wide range of stakeholders, earn a strong reputation, and contribute to increasing our corporate brand value.

One of Kao Actions, “Purpose driven brands,” strengthens brands’ reason for existing as well as contributes to product brand value. One example of the actions is the launch of sales of the brand *MyKirei by KAO* in the U.S in 2020 with the purpose of realizing the Kirei Lifestyle. The brand fully mobilizes technologies born from our Essential Research and offers a portfolio of products made with our exceptional considerations for the environment and society. Going forward, we plan to expand the brand’s availability in stages in Europe, Japan and other countries in Asia.

The new Kao Group Mid-term Plan K25 as well as our new management framework and internal structure to implement K25 put in place in 2021 will further strengthen our purpose-driven, ESG-driven *Yoki-Monozukuri*. We believe that this will lead to Kao becoming an essential company in a sustainable world, development of business linked to contributing to a sustainable world, and business growth as a result.



Kao Integrated Report 2022
Kao's value creation model

www.kao.com/global/en/investor-relations/library/reports/

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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.



Making
my everyday
more
beautiful

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



Making
thoughtful
choices
for society

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



Making
the world
healthier
& cleaner

BY 2030

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

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Kao's ESG Commitments and Actions

Kao Commitments by 2030

Kao Actions



Walking the right path

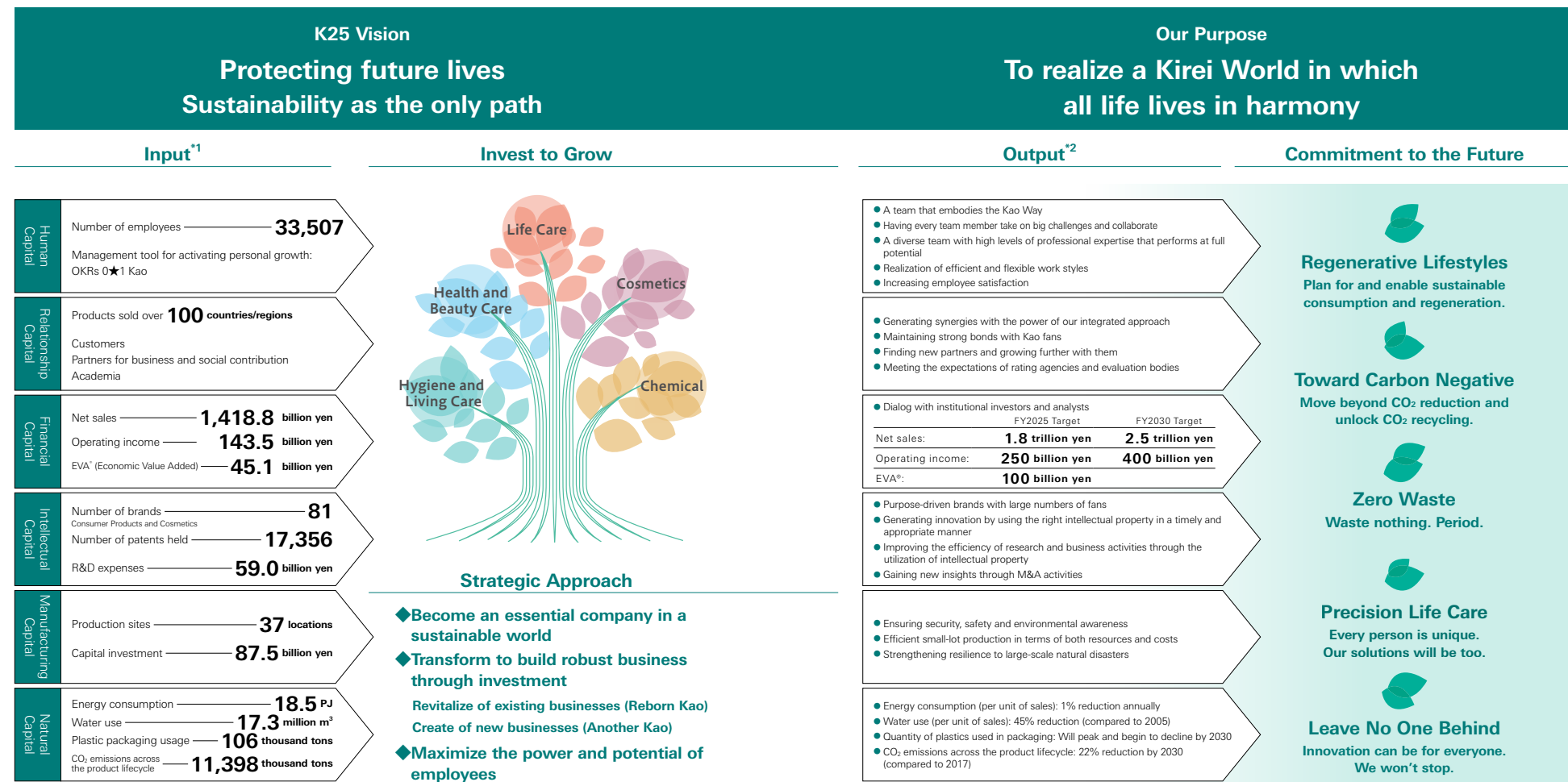
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Kao Integrated Report 2022
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library/reports/

Mid-term Plan 2025 (K25) and value creation model

K25 is an important milestone for delivering our purpose to realize a Kirei World in which all life lives in harmony. Through K25, we will transform our business model and evolve into a company that protects future lives. Furthermore, we will accelerate our value creation and profitable development in cooperation with our many partners tackling the challenges of social issues.



*1 As of December 31, 2021

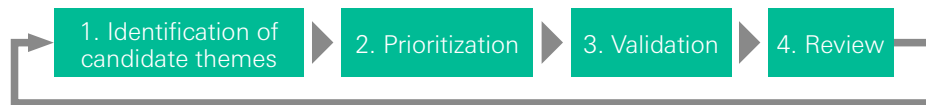
*2 Target of December 31, 2025, unless otherwise noted

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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
- Sustainable Development Goals (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)

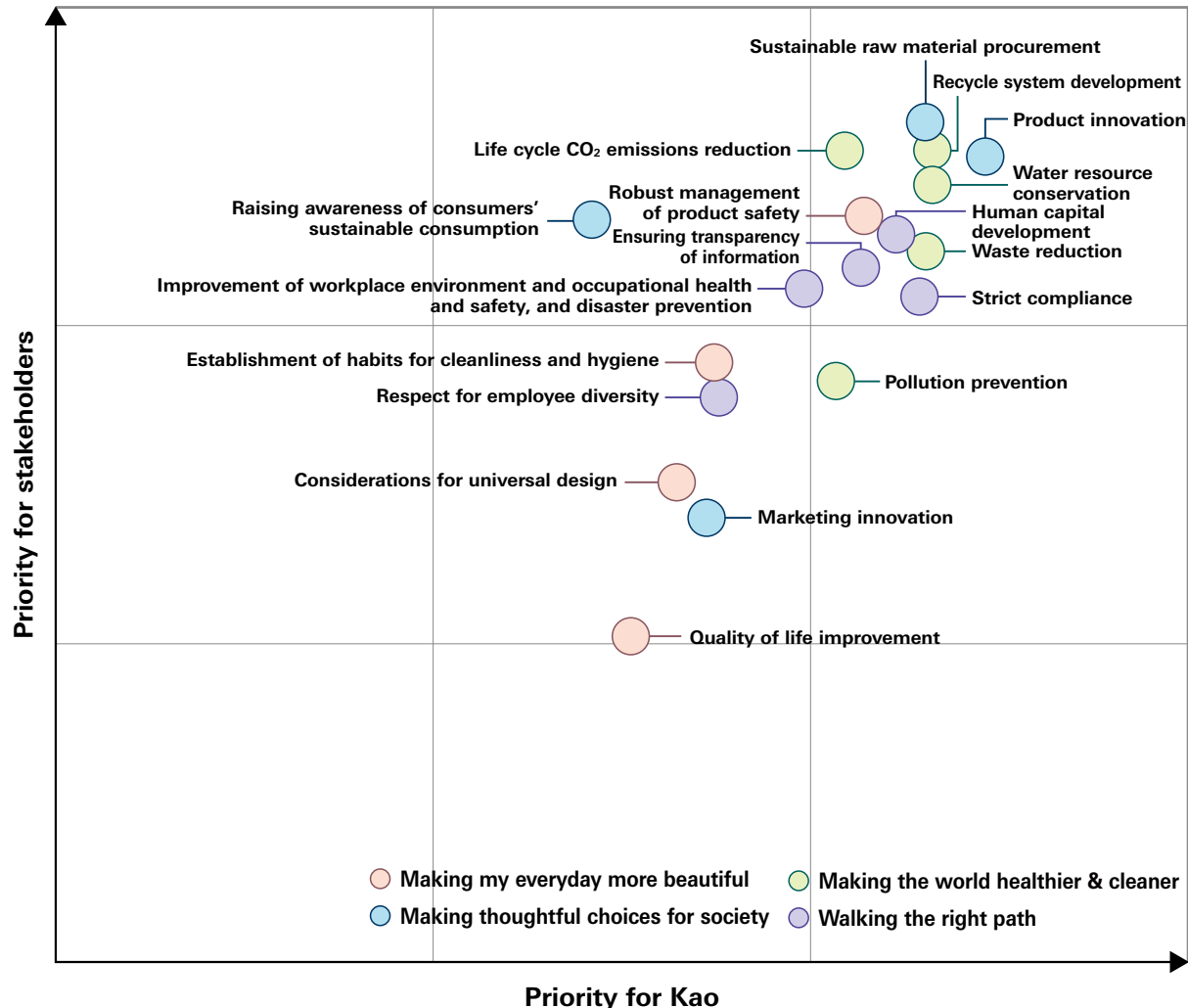
External stakeholders who provided evaluations fall under the following groups:

- 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 evaluations 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 materiality based on the results of the evaluations and 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 evaluations 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.

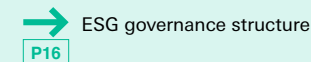
3. Validation

The ESG Committee (now ESG Managing 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 the selection steps 1 to 3. In addition, the actions are reviewed each year at a meeting of the ESG External Advisory Board.



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ESG governance structure

We are building an ESG governance structure to realize more flexible and robust ESG activities so that we strengthen our resilience to the major changes taking place globally and ensure expansion of business opportunities. Characteristics of this structure include an organization with outside committee member participation that functions to provide oversight and advice, and the swift and targeted implementation of management decisions broken down into innovation and initiatives.

Our ESG governance structure functions under the Board of Directors and consists of the President and CEO and subordinate organizations. The ESG Managing Committee discusses and decides the direction of activities related to the ESG Strategy, and reports the status of activities to the Board of Directors. Comprising outside experts, the ESG External Advisory Board provides external viewpoints that are input into our ESG activities. The ESG Promotion Meeting works to achieve the ESG Strategy, and the ESG Task Force proposes activities for focus themes, while divisions implement activities.

The ESG Managing Committee consists of members of the management team, and the ESG Promotion Meeting is attended by the heads of business divisions, regions, and functional and corporate divisions. These bodies are able to

make swift management decisions on ESG matters, and the structure enables divisions to advance ESG activities.

To ensure that actions are quickly taken for priority issues, ESG Steering Committees were setup for the first time in 2022 in four key areas. The priority issues are decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship. Under the committee owners, who are executive officers, the steering committees coordinate with the ESG Managing Committee and have the ability to make suggestions to divisions and group companies. We are building effective governance and integrating ESG into division policies, targets and plans by having divisions engage in ESG-driven operations based on divisions taking management responsibility and reporting lines in the organization. Divisions also conduct these operations for global Kao Group companies, with individual group companies conducting activities as appropriate according to the content.

The ESG External Advisory Board is made up of external experts who provide advice and suggestions to issues raised by the ESG Managing Committee and offer outside viewpoints that are input into management.

While the actions taken across the ESG promotion structure basically relate to all aspects of ESG, placing a primary focus on KLP actions drives strategic ESG implementation.

Through this ESG governance structure, we gain an understanding of our global ESG activities and make

management decisions on strategy, investments and other matters based on their impact on our business and society.

In this way, we are interlinking the activities of the ESG Managing Committee, the ESG Promotion Meeting and the ESG Steering Committees, connecting the activities of the responsible divisions for the 19 Kao Actions and other divisions, and incorporating ESG activities into divisions including their global operations.

In 2021, we introduced and began using a new evaluation framework that includes ESG perspectives. In the framework, called Objectives and Key Results (OKR)*, all employees including executive officers set a portion of their total targets as ESG targets, and they are evaluated based on the degree of challenge in the undertaken activities. Using this system is anticipated to result in all employees working together to tackle ESG issues and ramp up the level of activity.

* An objectives management system

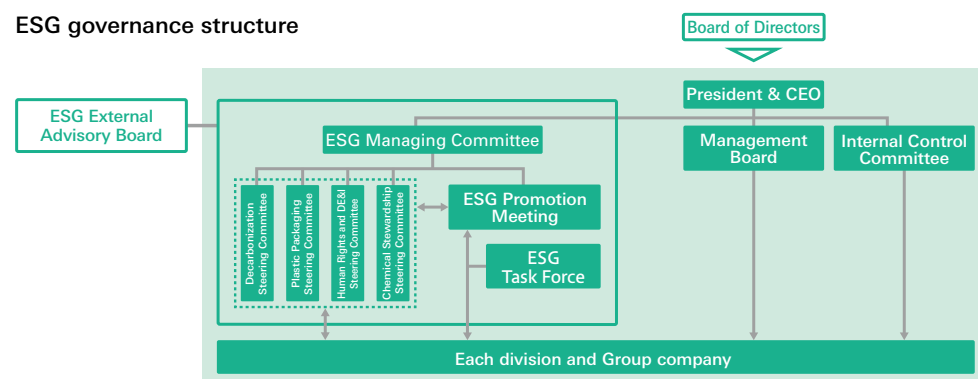
Implementing the Kao Actions in the KLP

- The responsible divisions design the details of the respective actions, devise the mid- to long-term targets, regularly consolidate data on division progress and manage company-wide progress.
- The target divisions devise and implement their division targets and activity plan for each action.

ESG promotion at divisions

- Each division creates its promotion structure. They devise their division targets and activity plan, and implement the PDCA cycle.
- The progress of division activities is reported to the ESG Promotion Meeting, which then gives the divisions feedback including requests to revise plans.
- Global implementation by divisions is the general rule, with support for implementation by individual Kao Group companies provided as needed.
- The members of the ESG Promotion Meeting in each division give direction and guidance on incorporating the company-wide ESG Strategy into division strategy.
- The level of ESG activities is ramped up by linking them with the OKR framework.

ESG governance structure



As of April 2022

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Roles, structure and frequency of meeting of each organization

Organization	Roles	Structure	Performance (2021)	
			Frequency of meeting	Main deliberated items
ESG Managing Committee	<ul style="list-style-type: none"> Develop policy and strategy for Kao's ESG activities Gain an understanding of the issues, risks and opportunities for sustainability of Kao and society and ESG Deliberate and decide on matters raised in the ESG Promotion Meeting Make decisions on investments for promoting ESG activities Confirm the status of company-wide ESG activity implementation and take action accordingly 	Committee chairperson: President & CEO; Members: Senior managing executive officers, managing executive officers, other executives	Six times / year	<ul style="list-style-type: none"> Deliberated and approved the revised draft of the mid- to long-term targets for the KLP Examined the proposals from the ESG External Advisory Board Discussed and approved setting up ESG Steering Committees Discussed and approved ESG investment standards and management plans Discussed and approved ESG investment projects Reviewed the progress made on each Kao Action in the KLP Held lectures by external experts (twice)
ESG External Advisory Board	<ul style="list-style-type: none"> Give advice and recommendations for issues raised by the ESG Managing Committee from outside viewpoints Provide information to the ESG Managing Committee to enable development and implementation of world-class plans Provide opportunities for collaboration and cooperation with external parties 	Members: External influential experts <ul style="list-style-type: none"> Lisa MacCallum Founder of Inspired Companies Specialization: Business reforms Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption Jalal Ramelan Chairman, ESG Indonesia Specialization: Sustainable development field Helmut Schmitz Director of Communication and Public Affairs, Der Grüne Punkt - Duesse System Holding GmbH & Co. KG Specialization: Recycling systems for packaging 	Twice / year	<ul style="list-style-type: none"> Proposed expectations for and risks to Kao based on the social climate Reviewed and evaluated the progress made on the KLP
ESG Promotion Meeting	<ul style="list-style-type: none"> Promote implementation of the ESG Strategy based on the direction decided by the ESG Managing Committee and its directives and suggestions Confirm the status of division ESG activities and take action accordingly Establish task forces as necessary to implement focus themes 	Chair: Person responsible for the ESG Division; Members: Responsible persons at business divisions, regions, functional divisions and corporate divisions	Nine times / year	<ul style="list-style-type: none"> Drafted proposed revisions to the mid- to long-term targets in the KLP Considered proposals to set up ESG Steering Committees Established ESG investment standards and management plans Confirmed the progress and future plan for each Kao Action in the KLP Confirmed the progress of division ESG activities Designed employee engagement Held lectures by external experts (twice)
ESG Task Force	<ul style="list-style-type: none"> Establish for individual focus themes when a cross-functional structure is needed. Propose activities based on the detailed plan developed by the ESG Promotion Meeting 	Members: Staff of the division relevant to the focus themes	As needed	<ul style="list-style-type: none"> Developed an information integration system (completed in July 2021), created future activities plan based on the response to information disclosure, through the Transparency Task Force

Evaluation, requests and future expectations from the ESG External Advisory Board

The board members discussed Kao's ESG activities and provided wide-ranging advice from broad viewpoints.

Messages from the ESG External Advisory Board members are published on the following pages.

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Message from the ESG External Advisory Board

Lisa MacCallum

Founder, Inspired Companies



Feedback from Kao about last year's message

In 2021, there was a request for us to take a more active approach in broadly communicating the concept, vision and objectives of the KLP both inside and outside the Kao Group. We introduced the OKR system to reform employee awareness about tackling challenges and increase the transparency of our ESG activities internally. Through this, we aim to markedly improve awareness for company-wide and individual ESG initiatives, and for our employees to more actively communicate and share targets and ideas and have them be more quickly achieved with fewer barriers. Going forward, we will regularly verify the progress of the OKRs and foster a corporate culture where new challenges are undertaken to achieve the Kirei Lifestyle around the world.

We will also further expand opportunities to form alliances and partnerships with outside groups in order to share our ESG targets and commitments.

Over the three years I have been on the ESG External Advisory Board, Kao's commitment to *doing the right thing* and *solving problems that matter* has been ever present. Across all of our interactions, there has been an abundance of science, facts, diligence and innovation that is refreshingly believable and confidence building. Whether I am working with the CEO, an executive or a regular hard-working member of staff, it is the same. Those qualities are in Kao's cultural DNA in a way that seems effortless.

It probably has a lot to do with its 135-year commitment to the values represented in the Kao Way. Not many companies maintain their founding values as they grow into a large global company. Most corporate cultures lose their way, forgetting what they believe in and what they stand for in the relentless pursuit of growth and narrow view of success. Kao has very uniquely held onto its values, and in the 21st century that is a huge competitive advantage.

Over the course of 2021 and with an almost limitless amount to do, impressive progress has been made to make the Kirei Lifestyle Plan a reality. Highlights include:

- A holistic approach to decarbonization, zero waste and zero landfill targets—demonstrating **Kao's commitment to operating in full harmony with nature;**
- New and **assertive efforts** that go beyond preservation to focus on **rebuilding biodiversity** in product design, development and operations;
- **A step change in the emphasis on circular economy** activities;
- **New forms of multi-stakeholder collaboration** to increase positive environmental and social impact, including unprecedented collaborations with competitors;
- **Serious reflection** on opportunities for greater progress

with **diversity, equity and inclusion** targets; and

- **A diligent, smart and hard-working ESG team** that is asking great questions and digging for answers in a collaborative and highly cooperative spirit.

It is clear that leaders at Kao are not just working toward incremental improvements. They are fundamentally looking for ways to *wire the company to do exponentially more*. To go beyond words to a place of ESG mindset and psychology. This is reinforced by the enormous effort currently underway to realign the company's strategic planning for Objectives and Key Results (OKR). While it will take several planning cycles for this way of working to become second nature, it gives me great comfort that the ambitious targets set will have a chance to deliver at a very practical level.

The area of opportunity that will not be a surprise is time-to-market. R&D breakthroughs and innovations already available to Kao that solve real-world human health, safety and wellness issues cannot come fast enough. Finding new ways to clear the path to market will be key to successful delivery of the K25 plan.

In everything I have had the chance to review and assess, it is clear that Kao is poised for a next-level trajectory of innovation, brand distinction and sustainable growth. It has been a privilege to be part of the Advisory Board together with Ms. Rika Sueyoshi. I am thoroughly excited about the portfolio innovations in Kao's pipeline and have confidence that they will accelerate the strategic repositioning of Reborn Kao and open the new markets promised by Another Kao.

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Message from the ESG External Advisory Board

Rika Sueyoshi
CEO, Ethical Association



Feedback from Kao about last year's message

The 2021 message contained expectations for us to become a leader in creating a sustainable future based on full transparency and information disclosure. On this point, we have led our industry in releasing our Supply Chain ESG Promotion Guidelines*, and together with suppliers have strengthened initiatives to ensure traceability throughout the entire supply chain, conserve resources and the environment, ensure safety, and solve social issues such as human rights issues. Going forward, we will ascertain risks through dialogue at local sites, conduct initiatives to solve issues together with suppliers and NGOs, and release information on the progress we make.

* In June 2022, the Supply Chain ESG Promotion Guidelines were revised and renamed as ESG Promotion Activities with Suppliers.

The year 2021 was yet another challenging year for people around the world. While the concentration of carbon dioxide in the atmosphere has risen, plastic increasingly flows out to the ocean, and deforestation also continues apace, COVID-19 has also caused poverty and starvation to worsen. Even in these dispiriting times, Kao has spent this year taking steps to execute its Kirei Lifestyle Plan (KLP) with enhanced drive and positivity. Even from my position as a member of the ESG External Advisory Board, seeing Kao employees working with sincerity to tackle challenges has been a moving experience.

First, what left an impression on me in 2021 was the announcement of the Supply Chain ESG Promotion Guidelines*, which create a higher level of engagement for Kao's actions on the environment and human rights. After defining suppliers with inadequate due diligence in the areas of human rights and the environment as high risk, Kao prioritizes third-party audits of them. The potential suspension of business is raised in the case of violations of the supply chain guidelines, and at the same time, not only a strict suspension of business but also holding trainings for suppliers in coordination with NGOs. It is also a fact that many Japanese companies are now using Kao as their benchmarking standard in palm oil procurement management. I would like to give high marks to Kao for these points in particular. However, due diligence for overseas plantations that have multiple customers apart from Kao is not easy, and an ongoing period of trial and error to realize effective implementation of the guidelines will be necessary. To lead the world, it is important to use your company's influence for example to achieve zero instances of human rights violations among suppliers (as a whole). The supply chain guidelines are a tool to achieve this kind of company-led rule creation. As the skillful way the supply chain guidelines are put together allows us to now see whether a company's activities are good or not, I am confident that this

will lead to Kao earning the support of more consumers in the future due to requiring full transparency.

Next, to achieve carbon neutrality, new packaging initiatives that boost the velocity of eliminating the use of plastic bottles are incredibly important. Even looking around the world, only a few places are currently developing packaging based not on the concept of recycling but of reducing resource use. For packaging recycling, an essential first step to realizing a resource-circulating society is beginning to work together with local governments, competing companies, retailers and others instead of working alone. Going forward, I hope to see Kao focus on creating ways to spark change in social systems while working together with partners in wide-ranging sectors and sharing its expertise.

While many Japanese companies are just trying to minimize the negative impacts of climate change, Kao's visionary management plan thoroughly embodies the high-level concepts in the KLP and makes consumers the leading actor, which is truly unique to and characteristic of Kao. Meanwhile, to deliver the experience of things being good for you and good for the world in a real sense to consumers, all products and services that Kao offers need to eliminate external diseconomy (negative externality). It must be said that many things remain to be done to achieve this.

The word "compassionate" can be found throughout the Kirei Lifestyle Plan. I replace "compassionate" with "ethical" in my mind, but an even easier way to understand this idea is to connect it to the three correlated values care, share and fair. Seen through the lens of cultural anthropology, 99% of economic activity in the history of humankind has been based on the values of care, share and fair. Kao has 135 years of history, and I look forward to seeing Kao become a leader embodying these three values.

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Message from the ESG External Advisory Board



Jalal Ramelan

Chairman, ESG Indonesia

Feedback from Kao about last year's message

The 2021 message contained expectations for us to maintain our high level of ESG activities while taking in additional requests from stakeholders and achieving ambitious targets to mitigate climate change. Last year, we established new targets for realizing a decarbonized society, and pledged to achieve net zero carbon emissions by 2040 and become carbon negative by 2050. With a focus on achieving these targets, we raised our emission reduction target to the 1.5°C level recommended by the Science Based Targets initiative (SBTi), and we are also participating in the international RE100 initiative, which seeks to have 100% of electricity used in business be generated from renewable energy. Going forward, we will also strive to achieve these targets by developing products, services and technologies that contribute to reducing CO₂ emissions throughout society at large.

Entering the third year of involvement as a member of the Kao Corporation ESG External Advisory Board, I am constantly amazed by the sincerity of Kao Corporation in upholding its sustainability principles and policies. It is clear that Kao Corporation understands the expectations of its global stakeholders, and has demonstrated performance that has not only met expectations but also, in several important respects, has exceeded those expectations.

As a member of the Advisory Board with a particular interest in issues related to climate change, I can state that Kao Corporation has provided excellent responses to the issues I raised throughout 2021.

In early 2021, I expressed my expectation that Kao Corporation would achieve, even exceed, its previous targets for climate change mitigation in response to further requirements from stakeholders, while sustaining high-level ESG performance on other material issues. Not only were expectations related to mitigation met, Kao even responded by formulating new targets to realize a decarbonized society and boldly declared that it would aim for zero carbon by 2040 and achieve carbon negative status by 2050.

This target makes Kao Corporation one of the companies with the most ambitious targets among companies in the same industry. In order to achieve this goal, Kao Corporation has upgraded its target certification that was awarded by the Science Based Targets initiative (SBTi) to the 1.5°C target, which is strictly in accordance with the Paris Agreement as well as the Sixth Assessment Report of the IPCC.

Kao Corporation is also a member of RE100, an international

initiative that brings together business operators to commit to the use of 100% renewable electricity. Thus, I believe, Kao Corporation will be able to continue developing products, services and technologies that contribute to the reduction of CO₂ emissions throughout society and endeavor to achieve its climate goals.

However, as I have said, the expectations expressed are not only related to performance in dealing with climate change. On other issues, Kao Corporation has very clearly demonstrated performance that also exceeds expectations. Proof of this can be seen in Kao Corporation again being awarded a Triple A rating from CDP for Climate Change, Forests and Water Security. There are only 14 companies around the world who managed to get this rating in 2021, and of course this is a very proud achievement.

Several other awards Kao Corporation has received are also a sign of its commitment to sustainability, including maintaining its position on the FTSE4Good Index since 2008, the MSCI Leaders Index since 2017, the Ethibel Sustainability Index (ESI) Global Excellence since 2007, the Euronext Vigeo World 120 Index since 2017, and many others that could be mentioned.

But Kao Corporation definitely will not be satisfied with its achievements to date. What makes me strongly believe that Kao Corporation will continue to improve its sustainability performance—in social, environmental and governance aspects—is the commitment of those who work for this company. As someone who has worked with many companies, especially in the Asia-Pacific region, I know that Kao Corporation has top and middle management teams who are fully committed to sustainability.

Kirei Lifestyle Plan—Kao's ESG Strategy ¹⁰²⁻⁴⁴

Message from the ESG External Advisory Board

Helmut Schmitz

Director of Communication and Public Affairs,
Der Grüne Punkt - Duales System Holding GmbH & Co. KG



Feedback from Kao about last year's message

The 2021 message contained expectations for us to lead the creation of systems and become a game changer through our activities to realize plastic circularity for packaging and other plastics, as the responsibility of a company that offers household products. On this point, we have been conducting an initiative to collect and recycle plastics in collaboration with other companies in our industry, retailers, local governments and others, and are implementing horizontal recycling of plastic bottles and film type packaging. Going forward, we aim to expand the area where this initiative operates in collaboration with a greater number of partners and achieve Innovation in Recycling.

On the way to a sustainable future with a concept, a compass and concrete activities

When it comes to concepts for achieving sustainability and circularity, it is worth looking back at wise people. The future depends on what we do today, Mahatma Gandhi said. Achieving the Sustainable Development Goals today requires initiative and courage. In this sense, Kao is a pioneer. To meet the major challenges of our time, such as climate change or supply chain management, and to successfully assume responsibility, companies need a sustainability-oriented compass that involves all employees. Kao is implementing this compass successively in dialogue and in an exemplary manner. Examples seen in 2021 include the renewal of Kao Group's corporate philosophy, the Kao Way, and the revision of its corporate slogan, "Kirei—Making Life Beautiful." Good steps have been taken with the start of implementation of OKR activities by all global employees.

Kao clearly addresses the desire for change in practice with its activities regarding raw materials

A good example is plastic or the plastic recycling activities for PET. From a global perspective, only a very small proportion of plastics have been used in a circular process to date. However, the development of PET plastics shows that circularity is possible. The topics of resource utilization and a circular economy are of central importance: Today, we do not know what happens to 90% of the materials, namely 90 billion tons/year, that our throwaway society moves after use. Also, of the roughly 10 billion tons we know about, only 15% are part of the world's global industrial raw materials, for which circular systems at least partly exist today (steel, paper, plastics, etc.).

In a competitive market economy, Kao is driving change through networking activities. The described collaborations of

2021 with other active companies in the branch (competitors), local governments and distributors are the direction to go. Activities such as collection and recycling of plastic packaging and containers, participation in recycling demonstration experiments, horizontal recycling of bottles and film containers and horizontal recycling of refill packs create an important foundation for the upcoming scaling tasks at the national level.

Kao is a company in the plastics value chain. Structured and intensive dialogue in this chain is essential to the success of the desired paradigm shift. Using plastics as an example again, I would like to highlight four key areas of action that stakeholders such as Kao, an important industry player and frontrunner, can support in their respective roles addressing the technical, social, economic and environmental opportunities and challenges that this shift will bring: (re)organizing the plastics industry for circularity; making closed-loop recycling the responsibility of all stakeholders; creating regulatory incentives for a circular plastics economy; and designing products for circularity.

Kao is engaged at the different levels mentioned

On the one hand, there are the first very concrete individual measures such as starting to use 100% recycled plastic and chemical recycling of PET materials in product packaging and containers.

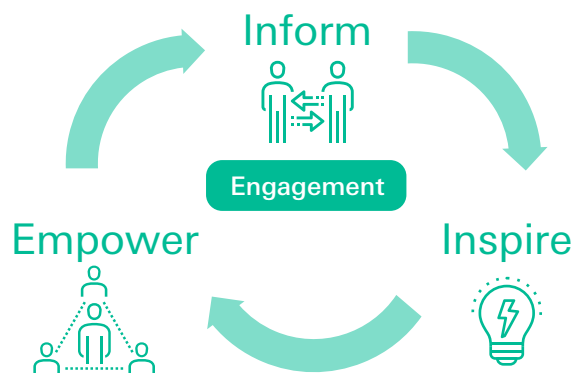
On the other hand, there is the formulation of overarching long-term commitments such as the setting of new targets for decarbonization: zero carbon by 2040, negative carbon status by 2050 and support of Science Based Targets initiative (SBTi) to fulfill the 1.5°C target of the Paris Agreement.

Kirei Lifestyle Plan—Kao's ESG Strategy 102-43, 404-2

Employee engagement

We believe that it is essential that all Kao employees identify with and implement the Kirei Lifestyle vision, both as consumers and as employees, in order to achieve the goals set forth in K25 and our ESG Strategy, the KLP. For this reason, we continue to take steps to cultivate employee engagement, providing employees with information and inspiration that have the potential to take action on their part. In 2021, we improved and expanded the content of a program for employees to obtain the knowledge and globally-minded approach that is required to implement ESG-driven *Yoki-Monozukuri*. As a new initiative, we launched a project to gather and disseminate employees' thoughts on and hopes for the Kirei Lifestyle.

The three aspects of employee engagement



Learning the “why” through the Kirei Lifestyle Plan Caravan

The Kirei Lifestyle Plan Caravan was conducted from 2019 to 2020 primarily for divisions in Japan with the aim of deepening understanding of why Kao is pivoting to ESG-driven management. In 2021, we began holding Leadership Dialogue sessions with business leaders in other Asian countries, thereby fully launching the dissemination of such communication to all Kao Group companies in Asia. Through online sessions with key persons in each country, we have introduced the educational content and communication tools that have been developed for global use so far, aiming to further activate local employee engagement measures.

Leveraging the shift to a predominantly remote working style due to the COVID-19 pandemic, we revised instructional video content developed in 2020 to reflect the latest updates. The video covers several topics such as global trends surrounding ESG, the impact and significance of ESG on Kao's business, and Kao's potential opportunities for societal transformation, as well as a discussion from the Senior Vice President of Kao's ESG Division on why Kao has pivoted to ESG-driven management and providing an overview of the KLP. The video is available in Japanese, English and Chinese, and is included in the training program for new global employees to ensure that the content is regularly incorporated in employee education.



Presentation by the Senior Vice President of the ESG Division distributed as video content

Empowering all employees with the knowledge to create a foundation for the “how” in implementing the KLP

As a follow-up measure subsequent to studying the “why” in the Kirei Lifestyle Plan Caravan, since 2020 we have been developing the Kirei Lifestyle Plan Lecture, an e-learning program providing the knowledge needed to implement the KLP. The purpose of this program is to further educate employees about the background information of the Kao Actions in the KLP and related knowledge, about global perspectives and criteria, and about Kao's activities, in order to better implement the KLP.

To date, we have created a program on Decarbonization that was made available on our globally accessible e-learning platform. Following Decarbonization, in 2021 we developed and launched programs in Japanese and English on Lifecycle Assessment, Zero Waste and Water Conservation, which are foundational elements of our environmental actions, and a program on Human Rights, an

Kirei Lifestyle Plan—Kao's ESG Strategy 102-43, 404-2

essential social responsibility for corporations. These programs consist of short, ten-minute chapters filled with engaging elements that allow employees to easily study them throughout the course of their daily work. The programs cover not only general knowledge, but also the significance for Kao, and areas that should be addressed.

As a result, the Kirei Lifestyle Plan Lecture has been offered in individual divisions in Japan as well as in other Asian countries, Europe and the Americas, resulting in the Japanese and English programs being viewed a total of 10,000 times.



Human rights awareness e-learning program using live-action and animated videos

Honing information sensitivity to ESG topics among all employees

Since December 2020, the ESG Trends Newsletter has been published every month on our internal portal, and e-mail distribution is being rolled out in phases globally to guarantee its communication to all employees. Designed to inspire the advancement of ESG-driven *Yoki-Monozukuri*, the newsletter features information on the latest ESG trends globally including perspectives from Europe, the Americas and Asia, as well as ESG activities at Kao Group locations and a message from the Senior Vice President of the ESG Division touching on the context of internal and external trends.

New content featuring thoughts from leaders and employees from the *genba*, who take actions daily to achieve the Kirei Lifestyle has also been developed and is being communicated globally through the ESG Trends Newsletter. We have received messages of support from employees in Japan as well as Asia, Europe and the Americas.

As a result of these activities, the ESG Trends Newsletter is read by approximately 6,000 employees each month, who have provided feedback such as "It's encouraging," "I learned a lot" and "It has inspired me to be more proactive in ESG initiatives."

Going forward, we will carry out a questionnaire on our awareness-raising and communication tools for employees within and outside Japan, to identify issues and make further improvements. We will also plan and implement inclusive engagement activities,

aiming to lead employees to take actions aligned with ESG-driven *Yoki-Monozukuri*.

Employees' voice

My dream is for all employees to become Kirei Ambassadors



Shota Takahashi
ESG, Kao Corporation

The key to becoming a company truly essential to a sustainable society is for all employees to embrace the Kirei Lifestyle vision as consumers themselves and take action as Kirei Ambassadors.

To do this, we strive to organize information and knowledge in ways that are easy to digest in light of rapidly shifting global ESG trends, with the aim of serving as a source of inspiration for all employees. We compile and release video messages and photos from our valuable employees around the world about their own views on the Kirei Lifestyle with hopes of fostering a sense of unity and increasing ESG engagement.

In doing this, we have received feedback from employees about how they have been inspired to learn about ESG as a community, understand it and become more actively involved in ESG measures. We will continue to adapt and innovate employee engagement measures as required and to encourage employees to become Kirei Ambassadors.

Kirei Lifestyle Plan—Kao's ESG Strategy^{103-1, 103-2, 103-3}

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 sub-targets aligned with their business activities and conduct activities based on their plan.

To make even more contributions to society through our activities, in 2021 we continued to revise these targets through the ESG Managing Committee and ESG Promotion Meeting. As a result of this, we have added new targets and revised some of our mid- to long-term targets. The applicable targets are noted in the table.

We were not able to present some of the 2021 results due to delays in establishing the evaluation methods or framework for collecting results. For these targets, our anticipated timing for releasing the information is noted in the table. As described on p. 373–375 we set indicators for the three commitments in 2021, are gathering performance data starting in 2022, and will release the information in 2023.

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

Kao Actions	Indicator	Results			Mid- to long-term targets		SDGs	
		2019	2020	2021	Value	Year		
Making my everyday more beautiful								
Commitment	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	—	—	Plan to disclose in 2023*4	1 billion	2030	3, 5, 6, 10, 12, 14, 17	
Improved quality of life	The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	—	4.7 billion	4.5 billion	7 billion	2030	3, 5, 12, 17	
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)	30 million	34 million	45 million	0.1 billion	2030	3, 6, 17	
Universal product design	% of new or improved products that meet Kao’s Universal Design Guidelines	(44%)*7	(53%)*7	98%*3	100%	2030	10, 12, 17	
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	—	31%	56%	100%	2030	3, 12, 14, 17	
Making thoughtful choices for society								
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	—	—	Plan to disclose in 2023*4	100%	2030	4, 8, 9, 10, 11, 12, 13, 15, 17	
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)	2.61 million	3.07 million	3.10 million	0.1 billion	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 with the brand’s social usefulness	—	—	Plan to disclose in 2023*5	100%	2030	12, 17	
Transformative innovation	Cumulative number of proposed or realized products with big positive impact on lifestyles (cumulative since 2019)	2	3	4	10 or more	2030	9, 12, 13, 17	
	Cumulative number of proposed or realized businesses and systems with big positive impact on lifestyles (cumulative since 2019)	—	1	3	10 or more	2030		
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	91%	94%	96%	100%	2025	8, 10, 12, 15, 17	
	Confirm traceability to small oil palm farm	Completed for large plantations	Completed up to own farm managed by oil and fat supplier	Completed up to own farm managed by oil and fat supplier	Finish	2025		

^{*1} New target

^{*2} Change of indicator and target value

^{*3} Change of definition

^{*4} Decided 2021 KPI definitions. See p. 373–375 for detailed information

^{*5} Conducted examination of detailed 2021 requirements. See p. 74 for detailed information on the future direction

^{*6} Reviewed detailed 2021 requirements

^{*7} Value based on former definition

^{*8} See p. 64 and 125 for detailed information

Kirei Lifestyle Plan—Kao's ESG Strategy

103-1, 103-2, 103-3

Kao Actions		Indicator	Results			Mid- to long-term targets		SDGs
			2019	2020	2021	Value	Year	
Making the world healthier & cleaner								
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb	—	—	Plan to disclose in 2023*4	100%	2030	3, 6, 7, 12, 13, 14, 15, 17	
	Kao recognition or achievement level by external ratings firms	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A-	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	Highest evaluation level	Every year	3, 6, 7, 12, 13, 14, 15, 17	
Decarbonization	% reduction in absolute full lifecycle CO2 emissions (Base year: 2017)	4%	4%	4%	22%	2030	7, 12, 13, 17	
	% reduction in absolute scope 1 + 2 CO2 emissions (Base year: 2017)	9%	15%	20%	28%*2	2025		
					55%	2030		
	% of renewable energy in electricity consumption	21%	28%	38%	100%	2030		
Zero waste	Quantity of fossil-based plastics used in packaging*1	—	—	104 thousand	Will peak and begin to decline*1	2030*1	12, 14, 15, 17	
	Quantity of innovative film-based packaging penetration for Kao and others per annum	—	7 million*3 (1 million)*7	11 million*3	300 million	2030		
	% of products which have eliminated eye-catching plastic stickers*8	—	73%	100%	100%	2021		
	% of recycled plastic in plastic packaging*1	—	—	1%	Plan to disclose in 2023*1	2030*1		
	Practical use of innovative film-based packaging made from collected pouches	—	Continued development	Continued development	Products launch	2025		
	% of recycled plastic used in PET containers (Japan)*2	—	—	19%	100%*1	2025*1		
	Of the waste generated from Kao sites*, ratio of waste that cannot be recycled * Beginning with production sites*2	—	—	9.1%	Zero (less than 1%)	2030		
	% reduction of discarded products and discarded sales promotion materials (Base year: 2020)*2	—	—	14%	95%*1	2030*1		
	Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	6%	-5%	-5%	10%		2030
% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)		—	—	Plan to disclose in 2023*6	40%	2030		
Air & water pollution prevention	% of factories which disclose VOC and COD emissions	VOC 0%, COD 100%	VOC 0%, COD 100%	VOC 65%, COD 100%	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 (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Every year	8, 16	
	Number of serious compliance violations* per annum * Compliance violations that have a significant impact on management and significantly damage corporate value	Zero	Zero	Zero	Zero	Every year		
Full transparency	% of consumer product brands for which people can easily access complete ingredients information	—	9%*3 (8%)*7	12%*3	100%	2030	8, 12, 16, 17	
Respecting human rights	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100%, suppliers: 20%, contractors: 0%	Internal: 100%, suppliers: 55%, contractors: 0%	Internal: 100%, suppliers: 60%, contractors: 3%	100%	2030 * Suppliers: 2025*2	5, 8, 10, 17	
Inclusive & diverse workplaces	Affirmative answer rate to a question on “Inclusive organizational culture” on our employee engagement survey*2	—	Did not conduct	Scheduled to be implemented starting from FY2022	75%	2030	5, 8, 10	
	% of female managers	29.4% (% of female employees: 49.6%)	28.8% (% of female employees: 49.7%)	30.2% (% of female employees: 50.5%)	Same as % of female employees	2030		
Employee wellbeing & safety	Lost time accident frequency rate (per million hours worked)	0.78	0.53	0.65	0.1	2030	3, 8	
	Average number of lost long-term work days (days/people) * Starting from Japan	129	146	197	105	2030		
	Ratio of employees who have lost long-term work days per one thousand employees * Starting from Japan	0.198	0.185	0.232	0.12	2030		
	Affirmative answer rate to a question on “Degree of vitality” on our employee engagement survey*1	—	Did not conduct	Scheduled to be implemented starting from FY2022	85%*1	2030*1		
Human capital development	Affirmative answer rate to a question on “Organizational culture in which employees are encouraged to take on challenges” on our employee engagement survey*2	—	Did not conduct	Scheduled to be implemented starting from FY2022	75%	2030	3, 4, 5, 8, 10	
	Affirmative answer rate to a question on “Effective and flexible work style” on our employee engagement survey*2	—	Did not conduct	Scheduled to be implemented starting from FY2022	75%	2030		
Responsible chemicals management	% of chemical products and raw materials with disclosed information of benefits and safety to ensure safe usage for our customers	—	—	14%	100%	2030	3, 6, 12, 14, 17	
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal	—	—	96%	100%	2030		

*1 New target

*2 Change of indicator and target value

*3 Change of definition

*4 Decided 2021 KPI definitions. See p. 373–375 for detailed information

*5 Conducted examination of detailed 2021 requirements. See p. 74 for detailed information on the future direction

*6 Reviewed detailed 2021 requirements

*7 Value based on former definition

*8 See p. 64 and 125 for detailed information

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Performance in 2021

Beneficial effects on business

1. Business growth

Beneficial effects of products made with sustainability in mind

In Consumer products, the 2021 sales ratio of products displaying the “eco together” logo (consumer products in Japan) was 29%, an increase of 1% from 28% in 2020. Our consumer business in Japan saw sales decline 5.3%, from 811.0 billion yen to 768.1 billion yen. While it did not lead to an increase in our overall sales, ethical consumption is expanding and our environmentally friendly products made a definite contribution to sales.

In addition to environmental areas, we also conducted activities in social areas that contributed to business in 2021. For example, we launched a product based on universal product design that contributed to business growth. With one pull of the lever creating a long-lasting spray, *Bath Magiclean Airjet* makes it easier to do housework and saves time. This product has successfully expanded its market share.

Chemical actively rolled out ESG-focused products again in 2021. For example, its asphalt modifier to improve durability that uses waste PET contributes to environmental conservation not only by recycling waste PET but also by extending the life of roads approximately five-fold. Launched in December 2020, uptake of the product by distributors and local

governments expanded in 2021, and we project that it will also contribute to business growth going forward.



Transformative innovation > Our initiatives > Essential Research on Materials: Social implementation of environmentally friendly functional materials: *NEWTLAC 5000* asphalt additive

2. Cost reductions

Economic effects as a result of environmental conservation measures

We received an economic benefit of 4.5 billion yen in 2021. The largest factor was resource conservation, which contributed 2.9 billion yen.



Making the world healthier & cleaner > Environmental accounting

3. Risk reductions

The global COVID-19 pandemic continued throughout 2021, and with the emergence of highly contagious variants, our business connected to people going out and inbound demand was impacted.

Meanwhile, during the pandemic we implemented rigorous risk management measures, continued to produce sanitizer and hygiene products, and were able to capture business opportunities based on our ESG Strategy, which also enabled us to control company-wide risks.

4. Increased credibility

In March 2022, we were selected for the list of the World's Most Ethical Companies 2022® by the U.S. think-tank Ethisphere Institute. We have been named to the list 16 straight years since the award's inception in 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 16 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 Guidelines.

Beneficial effects on society

The impacts of the COVID-19 pandemic have continued to be felt around the world in 2021, and we have deepened and expanded our initiatives accordingly. We have expanded our fun education program and campaigns to have children acquire good hygiene habits in order to help protect them from infection. Based on the hand-washing lessons that employees in Japan go out to schools to teach, we developed a new program that can be conducted independently by a greater number of schools, and this has now been launched. We also created and launched a new version of the same program for schools for the deaf. In the U.S., the hand-washing campaign we conducted was also covered by

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the media.

The use of mass COVID-19 vaccination sites increased around the world in 2021. Mass vaccination sites opened in Japan as well, and hygiene management at the venues was a challenge. We therefore harnessed our expertise in hygiene management for medical settings to create a manual and propose hygiene management plans, which were used by a large number of local governments. In the U.S., Kao Specialties Americas LLC opened a drive-thru vaccination clinic at the request of the local government to contribute to the community.

We expanded our activity to provide product kits free of charge to medical practitioners working to treat infectious diseases that we began in Japan in 2020 to deliver them to a greater number of people in 2021, and also began the activity in Indonesia.

If we can make the impacts we have on society visible, it will lead to a higher level of dialogue between the operating companies and investors, a higher level of activity, and increased corporate value. In 2021, we continued to participate in the ESG Disclosure Study Group and deepened discussions on how to disclose information on ESG. As there are growing calls to quantify corporate value and non-financial aspects, in 2018 we conducted a trial evaluation and converted our social impacts into monetary equivalents. In 2021, we continued examining the various methods under development and review around the world while collecting

information and performing trial calculations.



Study on Returns to Kao's Stakeholders in FY2017
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf

Kirei Lifestyle Plan—Kao's ESG Strategy¹⁰²⁻¹²

Contributions to the SDGs

Looking ahead to 2030, Kao is focused on the 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

Kao Actions	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	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 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			●			●						●		●			●

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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 the 19 Kao Actions and the value chain

Kao 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 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	●	●	●	●	●	●