

Realization of the Kao Corporate Philosophy 102-16, 103-1, 103-2, 103-3

The Kao Way embodies our corporate philosophy and is the foundation for our business activities.

As our cornerstone, the Kao Way provides consistency to group activities from the formulation of mid- to long-term business plans to each business decision that we make every day. Accordingly, it acts as guiding principles for all of our members, bringing together the growth of our company and that of our individual members. As such, it is an essential element in making the work we do more rewarding and instilling in us a sense of purpose.

Kao employees share the Kao Way not as a manual or set of rules but as a foundation from which we are able to determine both the meaning of our work and the concerns we share.

In July 2021, the Kao Way was substantially updated for the first time since it was established in 2004.

Kao's creating value to address social issues

Social issues we are aware of

Environmental issues are increasing in severity day by day. We have contributed to improving people's daily lives by offering household and chemical products, but producing goods requires large amounts of substances and energy, and large amounts of waste are also created in the processes of producing, distributing, selling and consuming the goods. There is a pressing need to shift our manufacturing from an approach driven by consumption to one where resources are circulated.

In addition, to realize the mission set forth in the Kao Way, to provide care and enrichment for the life of all people and the planet, we must also consider solutions to social issues, such as poverty and human rights, as well as environmental problems.

Risks related to realization of What Kao Aims to Be by 2030

Kao aims to become a company with a global presence, valuable to society by 2030.

This is an ambitious goal and one that will be

impossible to achieve without all of our diverse employees around the world sharing the same philosophy and working together as one team based on trust. In other words, it will be exceedingly difficult to achieve our goal without the Kao Way serving as the shared language of all Kao employees.

Opportunities related to realization of What Kao Aims to Be by 2030

A range of social issues have gained broad recognition, and in addition to their economic activities, companies are being called on to make responsible contributions as members of society. To achieve our goal of becoming a company with a global presence, valuable to society by 2030, we must be able to take action on this point.

The Kao Way also shows us how to be a positively contributing member of society. The Kao Way is the shared philosophy of employees around the world, and as such, the trend in society of expecting companies to make positive contributions to society represents an excellent opportunity for Kao.

Kao's creating value

Since our founding, we have always worked with the

belief of doing everything in our power to make society and people's daily lives better. Put another way, we have consistently made efforts to provide solutions to the social issues that existed at the time. This spirit is also evident in the Kao Way.

Kao products are used by large numbers of people all over the world. Through our products and corporate activities, we offer solutions to various ESG issues including environmental problems. This is Kao's creating value.

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Policies

It is important that the Kao Way not only be known by employees, but that employees are able to utilize it as the basis for their actions in day-to-day tasks.

In 2021, the Kao Way was substantially updated for the first time since it was established. Without changing the core message of the Kao Way, the updated Kao Way emphasizes the three elements of caring for people and the planet, diversity and inclusion, and making bolder moves, in keeping with changes in the wider society. To achieve what we aim to be by 2030, establishing the updated Kao Way throughout the Kao Group is essential.

Education and promotion

The Kao Way communication activities have been conducted on a continual basis since the Kao Way was published in 2004.

We have conducted communication programs primarily focused on dialogue for all Kao employees for the purpose of having the Kao Way be understood, supported and reflected in employees' actions. In particular, at the many group companies outside Japan where employees have worked for Kao for a relatively short time, Kao Way communication activities are conducted for the purpose of fostering feelings of unity.

As the Kao Way was updated in 2021, the Kao

Head Office is once again encouraging group companies to strengthen the Kao Way communication activities.

The Kao Way Team at the Head Office provides a standard education program and communication tools (documents, videos and other materials). As the level of Kao Way establishment and organizational issues vary among business sites (group companies and divisions), staff in charge of Kao Way communication at each group company and division lead development and implementation of the communication activities for their business site.

Framework

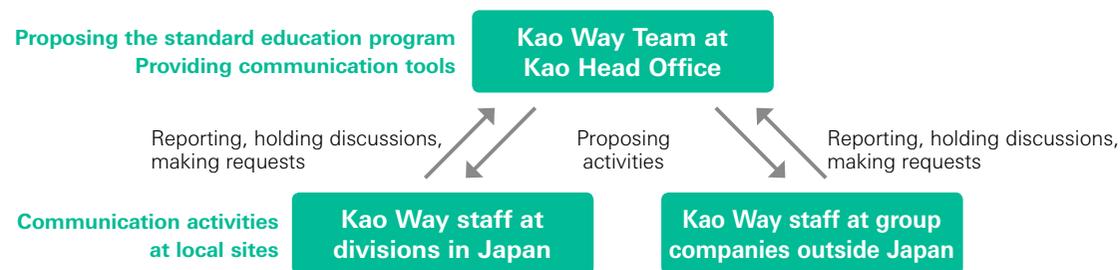
The Kao Way Team at the Head Office resides within the Corporate Strategy. This team has the following functions and leads global activities to communicate the Kao Way.

- Deciding the policy for Kao Way communication activities
- Proposing the standard education program
- Providing communication tools
- Reporting on the progress and results of the Kao Way communication activities to top management
- Overseeing the Kao Way

Kao Way communication activities at group companies and divisions are carried out by Kao Way staff at each business site. Based on information from the Kao Way Team at the Head Office, Kao Way staff develop and conduct communication activities tailored to the organizational conditions and issues at their group company or division.

The Kao Way Team supports the local activities of Kao Way staff by maintaining close communication, receiving reports and providing advice.

When the Kao Way was updated in 2021, its content was discussed and approved by the Board of Directors.



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Mid- to long-term targets and performance

2025 mid-term targets

Communication activities for the updated Kao Way are conducted at all group companies and divisions.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

We believe that the more the Kao Way becomes established, the higher the likelihood that the K25 numerical targets will also be achieved, because we can anticipate that employees will display initiative in taking action aligned with our strategy.

Social impacts

The Kao Way is the foundation for all Kao business activities. As such, conducting education on the Kao Way will result in progress on solutions to the social issues that Kao is engaged in.

Performance in 2021

Performance

- The President announced the updated Kao Way and the background to it to all employees
- Conducted a communication activity consisting of a lecture or video for employees: 43/44 organizations
- Conducted a dialogue-based communication activity for employees: 6/44 organizations
- Conducted a communication activity on the Kao Way for employees new to the organization: 42/44 organizations

Communication activities including lectures and videos were actively implemented following the announcement of the updated Kao Way in July.

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Our initiatives

Toward achieving our objectives

Announcing the updated Kao Way

In July 2021, the President announced the updated Kao Way to all employees.

He communicated to employees that the Kao Way represents the culmination of the thoughts and beliefs of our management team and employees to date and that we need to focus more on two areas going forward: caring for people and the planet and making bolder moves.



Mid-year CEO Address 2021



Education program for the updated Kao Way gets underway

While in-person meetings have not been possible due to COVID-19, group companies outside Japan utilized online tools to start communication activities.

- A lecture on the updated Kao Way was given for senior managers of Kao Group companies. The speaker was Dave Muenz, who led the project to update the Kao Way. He also engaged in a lively question and answer session with participants.



- Group companies in Europe and the Americas held a joint online Kao Way kick-off event. Employees involved in the project to update the Kao Way also conveyed how the updated Kao Way incorporated feedback from large numbers of employees, which was enthusiastically received by employees participating in the event.

