

Full transparency 102-12, 102-15, 103-1, 103-2, 103-3

Through product transparency, Kao aims to build stronger trust with consumers. We believe that sharing information that consumers need in an appropriate and easily understand manner is important if they are to make the right choices for themselves and lead beautiful lives. We disclose information in a timely manner through our websites and various opportunities to engage with stakeholders.

Kao's creating value to address social issues

Social issues we are aware of

In modern society, individuals have a greater need and desire to obtain necessary and important information. At the same time, the development of social media has made it easy to obtain a wide range of information. Ethical consumption, where products and services created with environmental and social considerations in mind are chosen and consumed, is growing on the part of consumers. Consumers are also seeking information about corporate activities with the desire to purchase not only individual products of high quality, but also products from companies they can trust.

However, information relating to companies and the products and services they offer is still often fragmentary, preventing consumers from making right and satisfactory choices for themselves.

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

If a company is unable to share information that is sufficient in terms of both quality and quantity, at the right time, with a quickly changing market and with consumers, and if that information is not compatible with the company and the products it offers, then the

products to be purchased, or even the company itself, may be excluded from consumers' choices.

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

We believe we can become a sustainable company with people, society and the planet by walking the right path and continuing to provide science-based products that support enriched lives for consumers.

Kao's creating value

Obtaining necessary information makes it easier for consumers to choose safe, reliable products and services, and lead comfortable lives. In addition, the individual choices of consumers contribute to the SDGs without them being aware of it, and we believe in the need for the environmental impact of these activities to stay within the range that our natural world can safely absorb.

And by providing innovation and new value to the world with appropriate information, we will create new markets and help realize a world that is sustainable and filled with trust.

Contributions to the SDGs



Policies

Regarding transparency, we conduct activities founded in the Kao Way, Kao Business Conduct Guidelines and Disclosure Guidelines so that people can easily get the information they need when they need it for the right choices to be made for individuals, society and the Earth, and based on that accurate information, dialogue with stakeholders can become more developed. We will disclose information to all stakeholders in a timely, accurate and fair manner, aiming to be a company that is trusted and supported by society.

First, transparency must be mainstreamed in all business activities within Kao. We hope that activities can then be expanded and upgraded a step ahead of the scope and level of transparency required by the times, and that transparency will be promoted through the voluntary efforts of employees. We will also encourage the integration of each database, which was designed individually for the primary purpose of storing and managing information, and require systemic measures to ensure a smooth two-way flow of information with internal and external stakeholders. We believe that by further enhancing transparency, we can move beyond merely disclosing required information to actively promoting communication and interactive activities that will realize the Kirei Lifestyle Plan and lead to ESG-driven *Yoki-Monozukuri*. We also hope to move closer to the vision set forth in the Kao Way: To be

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closest to the individual and beyond their expectation.

Education and promotion

Integrity, or walking the right path, is fundamental to the Kao Way, and the basis for the My Kirei Lifestyle. Along with strict observance of laws and regulations, it is considered extremely important that each Kao employee act with social integrity, in accordance with ethics. This attitude is inculcated in Kao employees not only through specific training opportunities, but through their daily work, and is practiced thoroughly in their daily life.

In addition, in accordance with the “we think from the Genba” viewpoint set forth in the Kao Way, we learn through dialogue with stakeholders what information is needed by consumers globally.

Collaboration and engagement with stakeholders

Collaboration with suppliers is essential for enhancing transparency, and we work closely with industry groups to promote product information disclosure.

Moreover, we gather the latest scientific knowledge through ongoing interaction with academics.

We strive to understand the needs of society and the market, not only through direct inquiries from, and consultations with, consumers relating to product

information, but also through dialogue with distributors, NPOs and NGOs.

Framework

We believe that conveying Kao accurately to all stakeholders will help ensure full transparency. Each managing division promotes activities to enhance transparency.

Of particular importance was our decision to accelerate promotion of these activities from a global, cross-divisional perspective for information relating to products that consumers come in frequent contact with.

To this end, in 2019 we established a task force for disclosing product information in the ESG Promotion Meeting, an organization under the ESG Committee (now the ESG Managing Committee), and it has begun conducting activities, focusing first on fragrance ingredient disclosure, for which there is strong global demand. In February 2020, the ESG Committee deliberated on and approved proposals to disclose our Fragrance Policy, and to begin disclosing the names of fragrance ingredients in line with this policy disclosure, as well as deliberating on and approving the targets for 2030. The task force, whose members are drawn from Kao employees in Japan, Europe and the Americas, operates through five working groups focused on such areas as information gathering, IT and other infrastructure and region-

specific activities in Europe and the Americas. In July 2020, we established two preparatory teams to expand the scope of our activities to include consumer and cosmetic products in Japan and Asia, and we have also created a forum for sharing progress and issue-related information.

It is also necessary to promote and deepen engagement with stakeholders and enhancement of the education and understanding of employees to improve the inculcation of understanding.

In 2021, representatives from Japan, Europe and the Americas joined us at the beginning of the year to review 2020 activities and share plans for 2021. We also agreed to collaborate on the development of a system to centralize information. On the Japan side, we discussed the overall progress of the task force and next actions every two to three months, and shared the results with the two preparatory teams.

In system terms, we have made modifications to systematize (automate) the process of disclosing fragrance ingredient names, which had been partly dependent on manual operations. Meetings were held on a weekly basis, and the system began operation in July 2021, as originally scheduled.

At the ESG Promotion Meeting held in June, we reported results of activities after the task force was established, response after the release of information, and plans for future activities. In October, we summarized for the business, research and related divisions the reception system for inquiries from various directions, and trends in the number of

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consumer inquiries among others, and reported that activities were progressing without major problems.

→ Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure
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Mid- to long-term targets and performance

2030 long-term targets

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. And we have set the target of making all our brands selling consumer products transparent brands by 2030. We are also looking at how to disclose information in ways that consumers find easier to understand.

Anticipated benefits from achieving mid- to long-term targets

We expect these efforts to eliminate asymmetries between companies and consumers with respect to the information displayed on products, and increase the number of product choice selection criteria. We believe that consumers and companies accessing the same information will contribute to ESG-driven *Yoki-Monozukuri* and the building of a better society.

Business impacts

We believe that when consumers have access to the information they need, and can select products that have meaning for them and are safe and reliable, it will generate opportunities for market expansion, and lead us to take actions and develop products correctly.

In addition, certain retailers select products that incorporate information not only concerning fragrance ingredients, but on other ingredients and the impact they have on the environment. For Kao, sustainable manufacturing that is friendly to the environment and promotes biodiversity, and promoting product information disclosure, will become more and more important.

Social impacts

When consumers choose products that have meaning for them and are safe and reliable based on correct information, it creates opportunities for changed behavior not only for Kao, but for other companies as well. We believe that this will lead to the society where people choose sustainable lifestyles, products and services that are friendly to the environment and promote biodiversity.

We also believe that as information regarding issues that arise are shared with the public and become visible, new collaborations will be created among the individuals, companies and organizations possessing the means to address those issues who enter the market.

Performance in 2021

Performance

Between June and September 2021, fragrance ingredient names were disclosed in the product catalog of our Japan website for four brands in the Hygiene and living care. In October, global cosmetics brand *SENSAI* began disclosing fragrance ingredient names on its EC sites in Japan and Europe. We disclosed fragrance ingredients for a total of 16 brands.

In addition, *KMS* in Europe promoted the display of QR codes* on packages.

Moreover, we are working to establish an IT system to facilitate more accurate and timely disclosure of fragrance ingredients. To date, maintenance of the list of fragrance ingredient names for disclosure has been handled manually, creating a heavy workload. As part of these efforts, a new system able to automatically create a list of fragrance ingredient names from a database was launched in July. This new system is being used to update information relating to brands that have already disclosed information, and as a new effort for this year, to disclose the names of fragrance ingredients in the Cosmetics.

* QR code is a registered trademark of Denso Wave Incorporated.

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Along with the five ingredients of particular interest to society that we disclosed last year, we have also disclosed our approach to alkyl sulfates, formaldehyde-releasing preservatives, 1,4-dioxane and talc on our Japanese and global websites.

Reviews of performance

This year we disclosed the names of fragrance ingredients for five brands, including *SENSAI*. This was our first effort to disclose *SENSAI*-related information on its Japan and European websites within a short period of time, since the number of products under the brand is much larger than that of general household products.

SENSAI must negotiate and contract with suppliers and obtain and organize information for more than 100 products, which is a process that is difficult to automate and inevitably requires a considerable amount of time. In addition, since brands that have disclosed information to date have done so mainly on their home-country websites, it can be presumed that the sensitivity of recipients and information providers to issues of expression and the manner in which information is received are relatively similar. This effort to disclose fragrance ingredient names on websites in Japan and Europe, which have different levels of

sensitivity to information, involved numerous complex and difficult challenges that had to be met in parallel. We believe that this effort was made possible by the *SENSAI* brand's long history of doing business and accumulating knowledge in Europe—where people are sensitive to information regarding ingredients and safe products, and are strongly predisposed to gather information—as well as by the employees and external parties supporting the brand.

Displaying QR codes* on packages of *KMS* products in Europe prepares us for the increasing number of ingredients that may be required to be disclosed in Europe going forward, and is a means to provide consumers with more information by posting information on the website that cannot be included with the package. The website explains that the purpose of the QR code placement is to enable consumers to access the website more easily, and find the transparency policy and ingredients list. From this experience, we learned from our European members the importance of communicating the purpose of our actions to consumers.

In addition, there has been a recent increase in demands for information, not only relating to fragrance ingredients, but also for other

ingredients as well as environmental impact and the overall transparency of our supply chain, and this information must be conveyed to a wide range of stakeholders in addition to consumers. To this end, we will promote further strengthening of internal structures, database enhancement, system linkage and collaboration with internal and external partners, and strive to move up our 2030 deadline for achievement of 100% transparent brands.

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Our initiatives

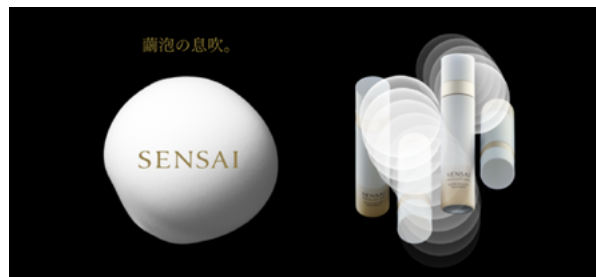
Considerations in the product catalog website and individual product websites

We disclose information needed to make decisions about whether products that customers are planning to purchase and products that customers already have purchased can be purchased and used with peace of mind.

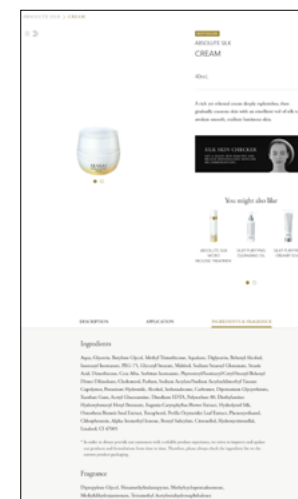
In product catalogs on our website and on individual product websites, we provide information on product features and the ingredients used in products based on scientific evidence.



Product catalog website
www.kao.com/jp/en/products/



SENSAI Japan brand website
www.sensai-cosmetics.com/jp/ja/ (Japanese)



SENSAI Europe brand website
www.sensai-cosmetics.com/global/en/

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KMS product website
www.kmshair.com/en-UK/kms-goes-solid/

Disclosure of Fragrance Policy and names of fragrance ingredients

Kao's Fragrance Policy, issued in May 2020, included information on our commitment to *Yoki-Monozukuri* and the value we seek to offer through fragrances, and examples of fragrance-related research. In addition, the following three points are listed as disclosure policies.

1. Ensure all of our fragrance formulations are fully compliant to the local regulations of the regions where they are marketed, and ensure that the latest safety data is collected.
2. Only create fragrances using ingredients that are in line with the guidelines set forth by the International Fragrance Association (IFRA).
3. Begin the process of providing information of fragrance ingredients accounting for 0.01% or more of the product weight.



Fragrance Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/fragrance-policy.pdf

The disclosure threshold (0.01% or more of fragrance ingredients by weight of product) is determined by reference to the SCCS opinion. This standard is consistent with the disclosure standards of peer companies in Europe and the Americas.



SCCS opinion on fragrance allergens in cosmetic products
www.bibra-information.co.uk/sccs-opinion-on-fragrance-allergens-in-cosmetic-products/

Based on this basic policy, and in line with the trend in the industry, we began disclosing the names of fragrance ingredients in a total of 16 brands in Japan and the U.S.

Disclosure of the benefits and safety of chemical substances

In addition to the easily understood information disclosure for consumers and society that we have so far carried out with respect to chemical substances safety, based on our Responsible Chemicals Management Promotion Policy, we began efforts to disseminate information relating to the benefits of chemical substances.



Walking the right path > Responsible chemicals management
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Disclosure of policies relating to ingredients regarded as important by society

In August 2021, we disclosed our science-based policy and approach to four ingredients of particular interest to society: alkyl sulfates, formaldehyde-releasing preservatives, 1,4-dioxane and talc.



Making my everyday more beautiful > Safer healthier products
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Full transparency

Supply chain transparency

We are also promoting activities to enhance the transparency of our supply chain. We strive to source our raw materials in a way that protects natural resources, the environment and human rights through supply chain traceability and collaboration with suppliers. We plan to complete traceability confirmation for small oil palm farms by 2025. In 2021, we published a list of mills from which we source palm oil.



2021 mill list

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/progress-2021-001.pdf



Making thoughtful choices for society > Responsibly sourced raw materials

We disseminated these results through overseas lectures and other means.



Perspectives from Japanese government and industry toward 2030 based on the well-balanced regulations and self-initiatives

events.chemicalwatch.com/270749/key-regulatory-updates-europe-asia-and-the-americas/programme

Employees' voice

Reinforcing person-to-person connections through improved transparency



Junichi Ukou

Product Development Manager,
Kanebo Cosmetics (Europe) Ltd.

As part of our global ESG Strategy, *SENSAI*, a brand with operations in Europe, Japan and China, has begun disclosing the names of fragrance ingredients on its website. *SENSAI* offers products in more than 40 countries, and our customers have a wide range of interests and tastes relating to our products. At the same time, we felt that the need for safe products and information disclosure was growing worldwide.

This project was promoted not only through R&D, marketing and product development, but also through collaboration with local staff involved in European EC operations. As a result, we believe we have not only enabled our customers to feel more secure than ever in using our products, but also strengthened our relationship of trust, and we will continue this effort going forward.