

# Human capital development 102-12, 102-15, 103-1, 103-2, 103-3, 404-2

Employees are a company's most important asset. We aim to draw out the unlimited potential that every employee possesses to generate immense vitality, and utilize this vitality to the maximum possible extent as an organization. We strive to create an environment and a corporate culture in which both individuals and the company grow together through successful completion of work and making positive contributions to society.

## Kao's creating value to address social issues

### Social issues we are aware of

Adaptiveness is required to flexibly respond to increasing changes due to the spread of COVID-19 in 2020 as well as intensified global competition from the Fourth Industrial Revolution and the advent of a hyper-aging society in Japan.

Furthermore, values regarding individual careers and work styles are diversifying more than ever before, and in society overall job mobility is becoming even more prevalent.

In the midst of this, we continue to maximize the power and potential of employees and make maximum use of human capital so that the challenges tackled by all employees continue to be the wellspring of innovation contributing to the realization of a sustainable society.

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

If our organizational culture, work style reform and career, skills and health development are insufficient for allowing employees from diverse backgrounds to advance, we may be unable to retain or acquire outstanding talent, which could pose a problem for implementing plans to realize What Kao Aims to Be by 2030.

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

By conducting business that enables each member of a diverse workforce to perform their work in a healthy and enthusiastic manner and constantly tackle the challenges and grow, and encouraging collaboration across various positions premised on maintaining positive labor / management relations, we will become a company with a global presence that contributes to realizing a sustainable society.

### Kao's creating value

To flexibly respond to changes and drive societal transformation, we are stepping up and promoting initiatives so that all employees are able to keep tackling the challenges that extend beyond divisions, position hierarchies and other boundaries and demonstrate the combined capabilities of the group to the maximum possible extent.

We are therefore making an effort to promote human capital development, career development, Diversity & Inclusion (D&I) so that we can attract talent with diverse background and all employees are able to demonstrate their characteristics and capabilities to the maximum possible extent.

Furthermore, reflecting our awareness of the fact that employees' health represents not only a key foundation of each employee's life but also an important asset for the company and a fundamental source of corporate growth, we are providing active support to encourage employees to look after their own health properly.



Walking the right path > Employee wellbeing & safety

These initiatives encourage our employees to further exercise their creativity, and to provide even higher-quality products and services.

### Contributions to the SDGs



Walking the right path > Inclusive & diverse workplaces

# Human capital development<sup>102-43, 404-2, 404-2</sup>

## Policies

At Kao, we believe that the diversity of our workforce and the efforts of each and every employee to pursue individual achievements by exercising his or her own abilities and characteristics to the utmost lead to growth as an organization and become combined capabilities of the company. Based on this concept, we aim to create such an environment and corporate culture.

To achieve What Kao Aims to Be by 2030, we have established the following three policies, aiming to be an organization teeming with talent who are extremely ambitious and continue to tackle new challenges.

From equality to equity

We provide opportunities for all employees to challenge themselves.

From relative to absolute

We recognize, evaluate and reward the challenges undertaken by each person.

From standardization and conformity to diversity and self-reliance

We draw out unlimited individual features, characteristics and motivation.

In accordance with these policies, we will develop initiatives to encourage all employees to tackle the challenges and collaborate across positions, foster a

corporate culture and develop human capital to lay the foundation for a highly specialized, diverse human capital to fully demonstrate their capabilities, and create an environment to realize effective and flexible work styles.

Furthermore, we clearly state roles and responsibilities and endeavor to appropriately evaluate the contributions and challenges undertaken by each employee in order to provide fair evaluations and compensation without regard for employment status, gender or other individual attributes. Employee compensation is set at levels commensurate with our company capabilities and growth, and at levels ensuring market competitiveness through verification of external markets and other factors giving due consideration to the cost of living.

## Education and promotion

Via our internal intranet, we provide an environment where our employees can always confirm our various policies and initiatives on human capital development. We are also working to ensure that these are disseminated as widely as possible, by sharing them with employees during a wide range of training activities, including training for employees who have just been appointed to managerial positions, and training for cultivating global leaders.

In addition, we strive to foster understanding

between senior management and employees by facilitating opportunities for mutual dialogue, with the objective of developing a sense of unity throughout the group.

We continuously promote these activities, and widely share and disseminate with our employees the direction the company is going and the issues we're facing.

## Collaboration and engagement with stakeholders

We hold various activities involving the exchange of views and ideas between senior management and employees as opportunities for dialogue.

We promote mutual understanding between senior management and employees by providing opportunities for the senior management to explain priority issues such as the company's current situation, policies and human capital development to employees as well as responding to employees' questions.

In addition, by conducting the employee survey, job stress assessment and various employee questionnaires and studies on work styles, we establish an understanding of the genuine concerns and opinions of employees, which then feeds into ongoing measures to improve human capital development policies and the workplace environment, and increases our engagement with employees as well.

# Human capital development 404-2

Platforms for regular dialogue with employees include Employee Welfare Committees at each worksite and branch, Employee-Management Meetings at every group company, and the Kao Forum for the group as a whole.

The Kao Forum is held in both Japan and Europe, with employee representatives from Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd. and Kao Logistics Co., Ltd. participating in the Kao Forum in Japan.

Meetings of the Employee Welfare Committee are conducted monthly, and the Employee-Management Meetings and Kao Forum are conducted twice a year. Continuous mutual information sharing on the content of the discussions and information shared at each meeting is implemented for all employees through the employee representatives and Employee Welfare Committees.

We share the company policies with the local union of Kao Corporation's Wakayama Plant and Sakata Plant and the labor union of Kao Group companies and promote understanding through labor-management consultations, and thereby we reflect the views of employees in the management initiatives.

Note: Within the group as a whole, the percentage of employees that are union members is 43%.

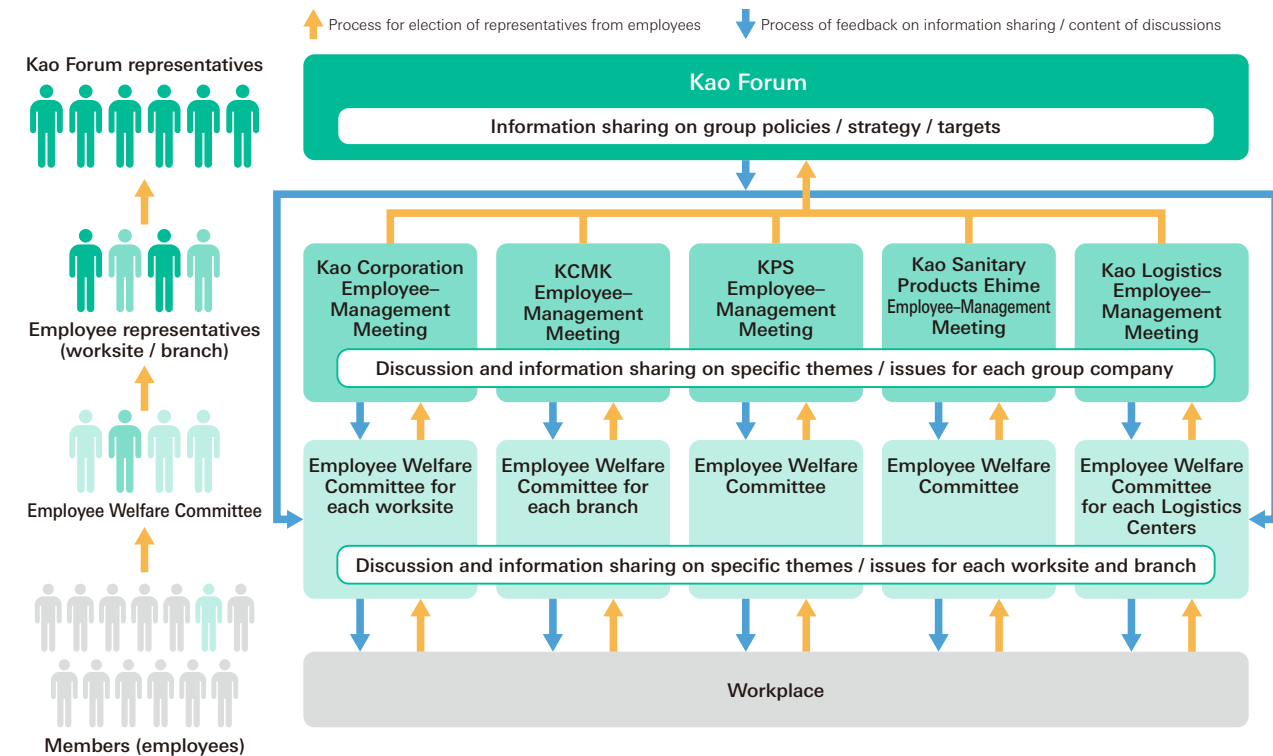
Note: This figure excludes Kao Group member companies that do not track the number of employee union member. Due to information protection reasons and freedom of association of countries / regions

where they operate business, employer doesn't have the rights to confirm about the union membership.

We recommend policy to government agencies via our participation as a member in the subcommittees

of Keidanren (Japan Business Federation) and activities for the chemical industry association and external employment-related organizations, and present case studies via external lectures, etc.

## Employee dialogue structure



# Human capital development 102-8, 102-20, 404-2

## Framework

After the Board of Directors discuss policies for human capital strategies, we discuss and deliberate on various issues and initiatives pertaining to human capital development and share our progress at the Human Capital Development Committee held monthly and whose members consist of top executives. In concrete terms, the committee discusses and deliberates on essential, newly established organizations and reorganization, the appointment and dismissal of key positions, plans for personnel and labor costs, and the establishment, modification and elimination of essential personnel initiatives, and conducts a review after implementing these changes, leading to further improvements.

In addition, to promote activities within the group in accordance with the Guidelines for Human Capital Development, we have introduced a framework that is shared and utilized globally. For example, we make use of human capital information via a global human capital information system. We also bolster our human capital management and development through Objectives and Key Results (OKR), the establishment of job ranking, evaluation and training systems and compensation policies that are shared globally.

We pursue these activities under Senior Vice President of Human Capital Development in cooperation with the human capital development divisions of each group company, both within and outside Japan.

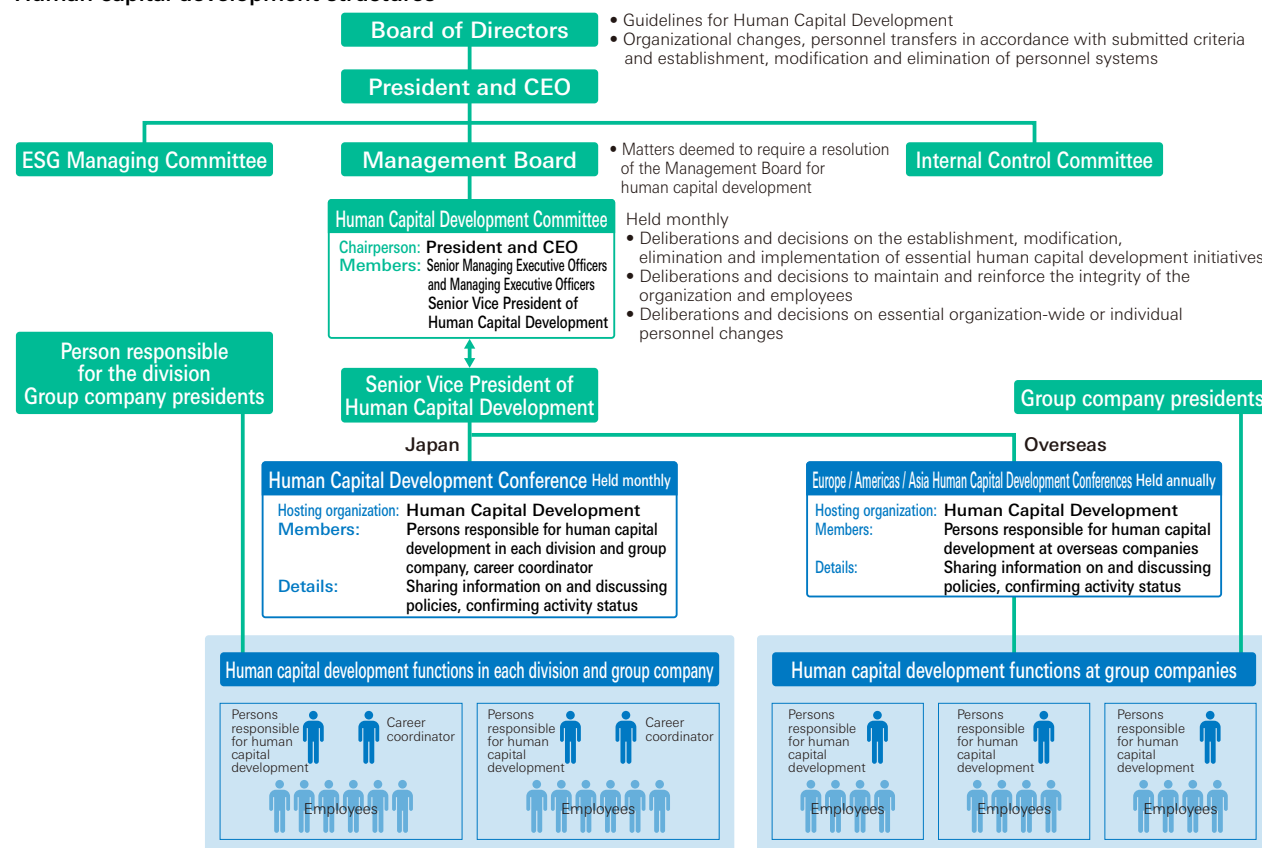
Furthermore, we have set up human affairs functions within major divisions in Japan while also

establishing on-site career coordinators who oversee the nurturing of each employee and provide assistance in career development.

The Human Capital Development Conference, which is made up of the persons responsible for human capital development in major divisions and

group companies in Japan, meets monthly, while persons responsible for human capital development overseas meet on a regular annual basis to share information on and discuss policies relating to human capital development throughout the group and the status of activities at each group company.

### Human capital development structures



# Human capital development<sup>404-2</sup>

## Mid- to long-term targets and performance

### Mid- to long-term targets

We are addressing the following three key undertakings for maximizing the power and potential of employees.

- Encouraging all employees to tackle major challenges and collaborate across positions
- Career development and human capital development to lay the foundation for highly specialized, diverse human capital to fully demonstrate their capabilities
- Creating an environment to realize effective and flexible work styles

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

#### Business impacts

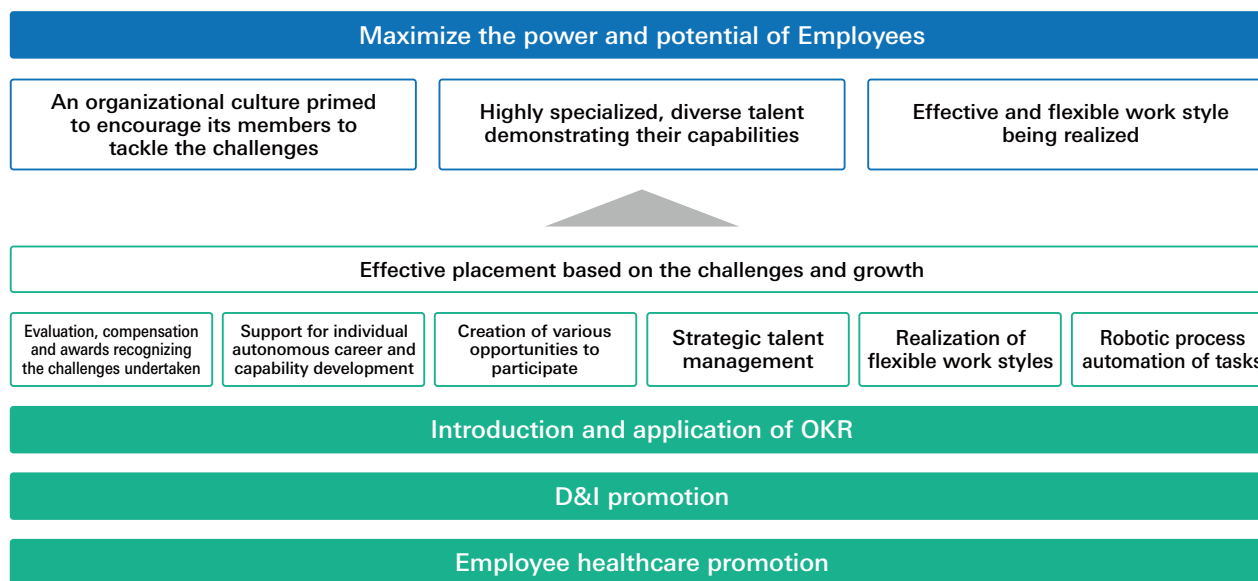
- Retention and acquisition of outstanding talent and improvement of employee engagement through promoting participation from diverse talent
- New business creation, and making existing businesses more resilient, that contribute toward addressing society's problems, through fostering and implementing a culture to encourage tackling challenges and collaboration

### Social impacts

- Secure employment through the creation of an environment where diverse talent can actively participate
- Better products and services and realization of a sustainable society through making maximum use of human capital
- Contribution to solving social issues through placing human capital proactively in external organizations such as government agencies and industry bodies

Toward achieving our objectives, we verify the activity of employees and the organization, and the conditions of career development, work styles and compensation broadly across the organization, and work to improve these.

### Overview of human capital development



# Human capital development<sup>404-2</sup>

## Performance in 2021

### Performance

#### Encouraging all employees to tackle major challenges and collaborate across positions

##### Introduction of OKR

We introduced OKR aiming to have all employees learn about other employees' individual activities and to form one team where they learn from each other, help each other and rely on one another as well as to motivate each employee to be more willing to tackle major challenges.

Since starting this in 2021, we have currently implemented it for all Kao Corporation employees and 95% of Kao Group employees in Japan. This is being phased in at the overseas companies of the group and in 2021 has been implemented for 54% of management.

##### Introduction of 0★1Kao

Since July 2021, we have been introducing the 0★1 Kao program as a system to solicit new ideas from employees, with the objective of expanding employees' prospects to go beyond the scope of the roles they are responsible for.

The first idea meeting was held in October. At this meeting, employees proposed their own ideas directly to the President, most of which are approved for implementation. Thereafter, we hold idea meetings with each executive officer as needed.

Close to 100 ideas have been received and there has been a lively exchange of ideas for their realization.

#### Career development and human capital development to lay the foundation for highly specialized, diverse human capital to fully demonstrate their capabilities Support for career self-reliance and a variety of professional opportunities

We are committed to the existing initiatives on various forms of career development and support our diverse talent so that they can actively participate.

In addition, we are expanding the placement of employees to government agencies and partner institutions for the industry with the objective of leveraging the skills and expertise of our employees to solve major issues working together as an entire society. As of the end of December 2021, 45 employees were making effective use of the experience that they had accumulated within the Kao Group to play an active role outside the group.

##### Training to improve the level of management

We reviewed the training program for new managers (Managing Human Performance Program: MHPP). Along with the introduction of OKR, notably in this program we integrate target configurations for the major challenges, status updates and evaluations for the achievement of these targets, communication methods for feedback and role play. In 2021, 96% of employees of the targeted 312 employees participated. (To be conducted in 2022 for the 4% who were absent)

To support the next generation of managers, we have developed liberal arts studies as a training program aimed at gaining a broader perspective,

deeper insight and a new awareness of human perception. A total of 15 people (for a total of 285 hours) have attended this program.

#### Introduction of on-demand program to support the growth of employees educating themselves

After introducing in 2020 an e-learning platform with a new concept that automatically gathers online learning content based on each employee's individual interests and can easily be shared with other employees, we introduced and expanded an on-demand program in which employees can study topics such as digital transformation in-depth based on the responsibility of their job.

#### Support seminar to meet different career needs

Starting in 2017, we have implemented a 50+ Career Seminar for employees who have reached the age of 50, in addition to the Life Career Design Seminar for employees who have reached the age of 45 and the Life Plan Seminar for employees in their late 50s.

In FY2021, 42% of the target demographic attended the seminar, which received positive feedback with 96% of attendees rating their satisfaction as "very good" or "good."

#### Expanding the scope for active participation by senior employees

We are working to expand the range of opportunities—both within and outside the company—for senior employees to utilize the



# Human capital development<sup>404-2</sup>

experience and specialist expertise that they have accumulated at Kao to remain active.

In October 2021, we introduced the Special Mission Expert System with the objective of further expanding opportunities for the active participation of senior employees who have high-level expertise, skills and experience. These special experts, consisting of six fellows for special mission as of the end of December 2021, are significantly contributing to business growth.

## **Creating an environment to realize effective and flexible work styles**

### **Promotion of work styles not constrained by a specific time or location**

We have continued to promote work styles that are not constrained by a specific time, such as the discretionary labor system for professional work and flextime.

Due to the spread of COVID-19 in 2020, we have also been incorporating remote work such as teleworking and diversifying not only work hours but also locations and environments.

At Kao Group companies in Japan 30 to 50% of employees were going in to the office in 2021, while at Kao Corporation this percentage was close to 30%, excluding the divisions where personnel are required to use equipment at R&D and manufacturing sites and other physical locations.

### **Initiatives to effectively leverage remote work**

In working remotely, we have created an online environment and digitized various work processes

for major meetings, business discussions, hiring and training, presentations and forums.

In addition, we have been transforming the past layout of our offices that assumed work was done while physically there to one that encourages flexible work styles that better demonstrate employees' creativity.

## **Dialogue with employees**

### **Confirmation and response to the circumstances of the organization and employees based on surveys**

We conducted activities that will lead to improvements via dialogue with the workplace and individual employees based on our analysis of the findings from the statutory job stress assessment implemented in Japan in compliance with Industrial Safety and Health Act.

### **Creation of opportunities for dialogue with employees online**

In 2021, we conducted online opportunities for dialogue via Kao Group Employee-Management Meetings and Kao Forum twice—in February and July for employees in Japan. At Kao Forum, 4 Kao senior managers and approximately 30 Kao Group employee representatives in Japan had a lively discussion and exchanged their opinions on a wide range of themes such as the Kao Group Mid-term Plan 2025 (K25), business and marketing strategies, ESG activities and new work styles.

At the Kao Corporation's Employee-Management Meetings, over a dozen employee representatives and the Human Capital Development

had a lively discussion under the themes of training systems, compensation systems and OKR.

The Kao European Forum was also conducted online in November and 17 representatives of employees throughout Europe participated in sharing business policies, exchanging their opinions on human capital development, and discussing future work styles.

## **Reviews of performance**

### **Encouraging all employees to tackle major challenges and collaborate across positions**

- OKR has become a common language through which incentives to tackle major challenges and collaboration with other venues are initiated. Additionally, the 0★1 Kao program is garnering interest from employees, who continue to actively exchange their opinions and make suggestions, and has got off to a good start with incentives and a corporate culture to maximize the power and potential of employees. At the same time, since OKR and the 0★1 Kao program are at the implementation stage, we need to push forward initiatives to make maximum use of these frameworks in conjunction with implementing them at companies where they are yet to be introduced.

## **Corporate culture, human capital development and career development to lay the foundation for highly specialized, diverse human capital to fully demonstrate their capabilities**

# Human capital development<sup>404-2</sup>

- While the impact of COVID-19 put certain constraints on personnel transfers across countries and regions from 2020 to 2021, we continued to provide a variety of professional opportunities for all employees to actively develop their career. The opportunities for employees to demonstrate their unlimited capabilities and potential are expanding to various divisions within and outside the group and partner institutions. We believe that in the near future it will be necessary to more thoroughly grasp employees' career aspirations from the perspective of the entire group as well as to enhance initiatives for assessing employees' aptitude and developing their skills and careers over the long term.

- We received many positive responses from participants at the training for new managers (MHPP), which included comments such as "Besides the objectives and affinity with OKR, I rediscovered the importance of the management cycle to encourage tackling the challenges and growth i.e., delegating (believing in your team members), being permissive (being receptive to challenges and allowing for failure) and being appreciative (appreciating others' initiatives, praising their successes, and evaluating the challenges tackled and initiatives)" and "I learned about management and coaching which I can use in the future." Going forward, we expect this to be a positive loop for workplace management.

Our liberal arts training also provides opportunities to expand scope of thought and to enhance different perspectives.

## **Creating an environment to realize effective and flexible work styles**

- The expansion of remote work fostered better cross-site communication. Additionally, in the internal questionnaire on remote work, we received positive feedback about how this allowed employees to use their time more efficiently, gave them a better work-life balance, enabled them to complete their daily work, management and communication without any issues and led to a revised work process.

At the same time, there were concerns about a reduction in co-creation and ideas born from casual in-person conversations as well as isolation.

Going forward, we will resolve these issues while promoting even more flexible work styles adapted to each position and role.

## **Dialogue with employees**

- The employee engagement survey *Find*, which has been conducted once every two years, significantly contributes to improved communication, improved work environments and other improvements based on employee feedback with the RPDCA cycle\*, which encompasses responding to multifaceted questionnaires, thoroughly analyzing additional comments to determine how viable the power of

the company and culture and organization capacity are, identifying issues, linking them to improvement actions in the workplace and verifying the results of these actions with the next survey.

However, under the current circumstances in which employees' values are diversifying and changing at a rapid speed, it is imperative to alter this format so that we can more quickly ascertain the situation and take measures. Going forward, we plan to implement the employee engagement survey in the new format in FY2022 while also integrating other surveys currently being conducted from the perspective of visualizing the circumstances of our employees and organization.

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

- Strengthening opportunities for dialogue  
We are continuing to hold Kao Forum, Employee-Management Meetings and labor-management consultations with labor unions to provide valuable opportunities to have direct dialogue between senior management and employee representatives. The K25 was started in 2021 and different views on new direction of the company and how to maximize the power and potential of employees have been actively exchanged. In the future, we will enhance its content such as the revisions to opportunities for dialogue and set themes so as to provide opportunities for more serious discussions between labor and management.



# Human capital development<sup>404-2</sup>

## Our initiatives

### Promotion of initiatives to tackle major challenges and collaboration

#### Introduction of OKR

In OKR implemented since 2021, all employees specify the major challenges that they will tackle to realize an ideal society and company under the three main pillars of business contribution, ESG, and one team and my dream.

This OKR for each employee is a framework in which all employees of the group can share and search for information and can freely communicate with all their colleagues via this system. This promotes collaboration across national borders, regions, jobs and positions.

With the introduction of OKR, the performance evaluation system has been modified from focusing on past results to a framework emphasizing initiatives to tackle major challenges.

We revised the CEO Awards and Division Awards aiming to further recognize and applaud the challenges taken through routine activities.

At each Kao Group company and division, we implement an activity to share and recognize each other's challenges (challenge sharing session) and revise this process so that employees are awarded for activities at each workplace. In addition, we also held communication events (e.g. lectures and study sessions) to foster a corporate culture that is willing to take on challenges.

#### Introduction of 0★1Kao

With 0★1 Kao implemented since July 2021, all our employees can freely make suggestions about new businesses, products and services as well as activities for internal structural reforms.

These suggested ideas are shared with all our employees including top executives via online tools and can be discussed freely among various people there and receive advice, which contributes to deepening these ideas and creating a network that crosses boundaries.

An idea meeting for top executives is held as needed, and we provide support for costs and workforce required for outstanding suggestions in order to make all our employees' dream come true and advance society and the company.

### Diverse career development

We are committed to the existing initiatives on various forms of career development and in 2021 continued to utilize "Self Education & Development Scheme (SeEDS)" and the "Career coordinator system" to support our diverse talent so that they can succeed.

#### Skill and career development support

We develop "Self Education & Development Scheme (SeEDS)" and provide an opportunity once a year for individuals to report skills they obtained through their

work and their desired career trajectory. These individual's supervisors confirm the content of the report through interviews with employees, and in collaboration with career coordinators, move forward as planned to develop individual careers in terms of human capital development and "the right person in the right place."

#### Career coordinator system

At Kao Group in Japan, we have appointed career coordinators in each division and company to further all employees' skill and career development.

The career coordinator transfers and places personnel within and outside the group based on career interviews, the content of the employees' report for the "Self Education & Development Scheme" and the education plan from their supervisor as well as concentrates human capital in the new business called Another Kao and specific sectors to establish a foothold to realize the mid-term business plan.

#### Expanding the scope for active participation by senior human capital

Since 2016, Kao Corporation has held open recruitment for people aged 55 or over. We are implementing careful matching of human talent with positions, expanding the opportunities for senior citizens to use their experience, specialist expertise and other strengths to include not only positions within our company but also positions at non-profit or

# Human capital development 404-2, 404-3

non-governmental intermediary support organizations. In 2018, we set up a dedicated page on our intranet, which is used to disseminate relevant information and provide individual career consultations.

In October 2021, Kao Corporation established the Special Mission Expert System in addition to the current senior partner system (reemployment system for people aged over 60). The Special Mission Expert System aims to further expand opportunities for the active participation of senior employees by assigning to them the necessary tasks to greatly contribute to our business growth based on their high-level expertise, skills and experience for up to five years after their mandatory retirement.

## Assistance to meet different career needs

We hold training to foster a sense of career self-reliance by having employees describe their ideal future for both their job and private life when they are 45, 50 and 55 years old. Employees simultaneously create a future financial plan and clarify their own strengths and values, leading them to participate in various courses for reskilling. As in-person meetings are restricted with the prolonged COVID-19 pandemic, we are implementing a counseling framework in which we can have scheduled interviews and easily discuss matters by utilizing online chatting and creating an environment for video conferencing.

## Human capital development programs

### Revisions to new manager training

In the new manager training (MHPP), we added programs encompassing the introduction of OKR details and collaboration, challenges to be tackled, initiatives, and the sharing of opinions and information with the objective of encouraging the divisions in each company to take on greater challenges and strengthen collaborations. We also incorporated the maintenance of psychological safety and management theories which are essential for fostering a corporate culture that is willing to take on challenges. Going forward, in addition to the introductory training, we will provide follow-up training sessions to review, modify, and create an upward spiral for those taking MHPP, and hands-on experience.

### Implementation of training programs during the COVID-19 crisis

Due to the spread of COVID-19 infections, face-to-face trainings were put on hold in 2021 as well and various trainings were conducted online.











The reviews received from participants indicate that the effectiveness of these trainings has been on par with the conventional face-to-face training, due to the incorporation of the latest online meeting tools

and the expansion of preliminary and concluding topics, in addition to the selection of online training formats in accordance with the objectives, content and participants of each training program.

### Providing employees with diversified development support

- In-house trainers have been cultivated at individual Kao business locations, working with speed and attention to detail to ensure that all employees absorb the Kao Way and Kao's emphasis on Integrity, and acquire necessary business skills.
- By expanding opportunities for cross-industry exchange when employees are reaching milestones in their careers, and building networks to expand employees' perspectives, we have provided enhanced stimulus for intellectually creative activity.
- We also made effective use of new learning tools such as e-learning and other internet-enabled tools. Besides creating new learning environments in this way, we also actively supported employees' own self-directed learning efforts.

# Human capital development 404-2, 404-3

Kao Group global common training programs		Specialist programs				
		Marketing	Sales	SCM	R&D	Enterprise Information Solutions
Senior management / senior professional level	 Global Leadership					
	 Global Top Management					
	 Training for Promotion to G3 Level		Executive Business Leader	G-SELECT II		Stage 3 Integrated IT Training
Management / professional level	 Global Leadership		Smart Learning Mgmt.	G-SELECT I		Stage2 Methodology Training (Practical)
	 Managing Human Performance Program (MHPP)		Smart Learning Trend		Specialist Programs	Application Training (Practical)
Leading staff level	 Training Program for International Assignment	Marketing University (Master Level)	Smart Learning Skills	• Kao Techno School • Kao Engineer School • High Pressure Academy • Quality On-the-job Training • SHIC	Managers and Supervisors Forum	Technology Training (Practical)
	 Business Skills Facilitation, negotiation, project management	Marketing University (Basic Level)	Leader I Program		Science Basics Academy	Stage 1 Methodology Training (Basic)
	 Kao Way  Integrity	Product Development Academy	Sales Training (Advanced)			Application Training (Basic)
Staff level	 New Employee Orientation	Practical Marketing Course	Sales Training (Basic)	Monozukuri Skills Transmission C	Freshman Forum	Technology Training (Basic)
		Marketing Fundamentals				Specialist IT Training for New Employees

# Human capital development 102-43, 102-44, 404-2

## Promotion of diversified and flexible work styles

### Working-from-home system

In 2020, we took special measures for employees to work from home for any reasons, including childcare or family care, due to the spread of COVID-19 infections. As we proceed with further dialogue and discussions on new work styles in the New Normal, since July 2021, we have expanded the working-from-home system at Kao Group in Japan. Thereby, each division can select the most effective work style in accordance with their respective assignments.

We are continuing to review new work styles for companies outside Japan.

### Creating an environment to promote flexible work styles

As remote work expands and meetings and communications using web conferencing and business chat become more common, we are increasingly establishing new web conference areas and equipment inside the company in conjunction with revised office layouts.

In addition, we are sharing information to encourage communication during remote work, to promote health and on systems that can be used via the internal intranet.

It is more difficult to ascertain working conditions while telecommuting compared to work done inside the company, and therefore, as a measure for this, we

are visualizing PC usage and creating a system to leverage in employment management at the workplace.

## Improvement of dialogue with employees and engagement

### Employee engagement survey and actions taken based on its results

We have implemented the action plan for 2021 based on the results obtained in the employee engagement survey *Find* that was implemented globally in 2018.

Based on our analysis of the job stress assessment, we worked specifically on the key undertakings for workplaces where issues appear.

### Review of employee engagement survey

This fiscal year, we considered reviewing employee engagement survey for maximizing the power and potential of employees.

Going forward, we plan to implement the new employee engagement survey while also integrating other surveys that companies are currently implementing, concentrating on visualizing the circumstances of employees and the organization.

To maximize the power and potential of employees, in addition to data on the circumstances of employees and the organization obtained via the new survey, we plan to use this along with a variety of data on the organization and human capital such as

employment data to ascertain up-to-date circumstances in real time, identify issues, formulate and implement improvement measures for each problem through joint initiatives via dialogue between members and managers using OKR and dialogue with members of the Human Capital Development, which will ultimately create a better workplace and improve employee engagement.

The new, revised employee engagement survey is scheduled to be implemented from FY2022.

### Dialogue with employees

At Kao Forum for the group in Japan, senior management has a dialogue with employee representatives from each Kao Corporation business and employee representatives from the group companies. We had unconventional, lively dialogue in 2021 by holding meetings online, not only could we have direct discussions, we could also use the chat function, and top executives answered questions from employee representatives not only during meeting but also afterwards.

By providing a written response to the 75 themes that we were unable to discuss during the Kao Corporation Employee-Management Meetings, we answered most of our employees' questions and worked to boost engagement.

The details of these discussions and dialogues are broadly disseminated and shared to our employees via the company website and the Employee Welfare Committee at their worksite.

# Human capital development

## Employees' voice

### Initiatives to reform organizational culture through the introduction of OKR

#### Noriko Kato

Learning & Development,  
Human Capital Development,  
Kao Corporation



After establishing themes to promote an understanding and implementation of OKR (i.e. getting more familiar, setting OKRs, having dialogues, getting connected etc.) and developing various Japanese and English-language contents (e.g. interviews, PR videos, various guides) on the portal site, we held different types of seminars.

As seen in the testimonials from employees, the introduction of OKR appears to be effective. They left comments such as, "I feel empowered by being able to express and work on my dream," "In promoting OKR, I have come to understand what the meaning of OKR is, such as the importance of expressing my aspirations and collaboration to achieve them," and "I could gain a better understanding of the role that the management cycle of delegating, welcoming challenges, dialogue and appreciation plays and how significant it is."

Going forward, we will plan to disseminate various content and to hold round table talks encouraging tackling the challenges and collaboration to instill OKR and maximize its use. We will also continue implementing activities to instill OKR throughout the group.

## Main systems for supporting diversified work styles (Kao Corporation)

Main systems	Content
Flextime system	With the exception of some shift workers, flextime is applied to all employees, regardless of grounds. There is no required core time period. The times for the start of work and end of work are set within a flextime range of 07:00–20:00. Settlement periods have been set at one-month units.
Working-from-home system	With the exception of some shift workers, flextime is applied to all employees, regardless of grounds. The usage of this system is set for each division based on the nature of their business and its necessity for the operation of the organization. This system can be used in increments of either one day or one hour.
Remote work system	In any unavoidable circumstances for nursing care, family care, childcare, and personal injury or sickness, constant remote work is available from a distance. One condition is that the employee is engaging in work that would not be hindered by working outside of the office.
Ability to take annual paid leave in hourly increments	Annual paid leave can be taken in hourly increments up to a maximum of five day-equivalents within any one-year period, regardless of the reason.
Special leave for personal injury or sickness	Special paid leave is available for employees who incurred a personal injury or sickness (up to a maximum of either 40 days a year or 20 days a year), which is in principle available for periods of leave of at least 8 days.
Family leave for overseas assignments	Where an employee's spouse is on an overseas assignment and the employee wishes to accompany the spouse, a period of leave of at least one year and no more than two years can be taken.
Special leave for volunteering activities	Special paid leave is available for employees who participate in volunteering activities approved by the company (up to a maximum of 5 days a year). This leave can be taken in increments of either one day or half a day.
Reward Program for Continuous Service	Special paid leave is available to commemorate 10, 20, 30 and 40 years of continuous service (up to a maximum of 5 days a year).

Note: Additionally, the system of support for childcare, nursing care and family care is mentioned in the Inclusive & Diverse Workplaces section.

## Employment system utilization status (Kao Corporation)

	2018	2019	2020	2021	Unit
Average hours worked outside regular working hours (per month)	18.7	17.7	14.4	14.3	(Hours)
Average days of paid leave taken	15.1	14.4	13.3	15.5	(Days)
Average paid leave utilization rate	78.8	74.6	69.6	80.6	(%)
Average hours of leave taken in hourly increments	3.30	2.98	2.41	2.71	(Hours)
No. of employees taking family leave for overseas assignments (male)	0	0	0	0	(Persons)
No. of employees taking family leave for overseas assignments (female)	8	8	3	6	(Persons)
Average number of days of special leave for volunteering activities taken	1.9	1.0	1.0	1.3	(Days)
Total number of employees taking special leave for volunteering activities	9	30	9	90	(Persons)
No. of employees utilizing the working-from-home system	308	584	7,218	7,781	(Persons)

Note: Including non-regular employees.

# Human capital development 102-8, 102-41, 404-1

## Number of employees / management positions (persons)

		2018			2019			2020			2021		
		Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Global	Employees	33,664	16,916	16,748	33,603	16,946	16,657	33,449	16,814	16,635	33,507	16,589	16,918
	Management positions	6,582	4,783	1,799	6,770	4,779	1,991	6,501	4,629	1,872	6,539	4,567	1,972
Japan	Employees	22,323	10,859	11,464	22,101	10,809	11,292	22,038	10,715	11,323	21,816	10,485	11,331
	Management positions	4,604	3,757	847	4,751	3,745	1,006	4,499	3,634	865	4,495	3,574	921
Of which, Kao Corporation	Employees	7,655	5,831	1,824	7,905	5,979	1,926	8,135	6,077	2,058	8,508	6,147	2,361
	Management positions	2,565	2,133	432	2,637	2,158	479	2,712	2,166	546	2,919	2,245	674
Asia	Employees	7,015	3,784	3,231	7,170	3,900	3,270	7,202	3,914	3,288	7,057	3,876	3,181
	Management positions	1,082	575	507	1,131	592	539	1,096	551	545	1,111	554	557
Europe	Employees	2,916	1,571	1,345	2,934	1,547	1,387	2,830	1,514	1,316	3,222	1,533	1,689
	Management positions	539	274	265	540	276	264	574	296	278	564	268	296
Americas	Employees	1,410	702	708	1,398	690	708	1,379	671	708	1,412	695	717
	Management positions	357	177	180	348	166	182	332	148	184	369	171	198

Note: Not including Board of Directors and Audit & Supervisory Board Members in Japan until 2020. Only regular employees from 2021.

Note: Data on the percentage of women is mentioned in Inclusive & Diverse Workplaces section.

## Percentage of employees by nationality (Global) (%)

		2021
Japan	Employees	64.9
	Management positions	69.4
Indonesia	Employees	6.0
	Management positions	2.5
China	Employees	4.4
	Management positions	4.8
Thailand	Employees	4.1
	Management positions	5.0
Germany	Employees	2.7
	Management positions	5.8
Taiwan	Employees	1.6
	Management positions	1.6

Note: Top six countries accounting for the largest shares of employees

Note: Regular employees only, unless otherwise noted. Data are calculated as of the end of December in each year.

Note: Some data do not include the following 5 companies which account for 0.4% of all Kao Group employees out of 98 consolidated companies.

Kao do Brasil Representacao Comercial Ltda., Kao Chemicals Europe, S.L., TBP and STAR (Delaware) Realty LLC, Taiwan Kanebo Cosmetics, Co., Ltd.

## Percentage of employees by age group (%)

		2021
Global	<30 years old	20.6
	30–50 years old	51.4
	> 50 years old	27.9
Japan	<30 years old	19.5
	30–50 years old	49.4
	> 50 years old	31.2

## Situation regarding union members

		2018	2019	2020	2021
Global	No. of union members (persons)	9,394	11,038	10,523	13,097
	Percentage (%)	32	36	34	43
Japan	No. of union members (persons)	7,216	6,979	6,773	8,838
	Percentage (%)	32	32	31	40

Note: Excludes companies where this information is not disclosed

## Human capital development investment per regular employee

		2018	2019	2020	2021
Global	Average hours of training (hours)	12.59	14.13	9.19	10.47
	Average cost of training (yen)	56,000	51,000	27,000	29,000
Japan	Average hours of training (hours)	10.19	11.53	9.67	11.81
	Average cost of training (yen)	65,000	58,000	28,000	30,000

Note: Starting from 2020, training has mainly been conducted online due to the impact of the COVID-19 pandemic.



# Human capital development 102-8, 401-1

## Situation regarding newly hired employees

		2018	2019	2020	2021
Global	Total (persons)	2,141	1,841	1,829	1,568
	Male (persons)	836	783	783	702
	Female (persons)	1,305	1,058	1,046	866
	Female employees as percentage of total (%)	61.0	57.5	57.2	55.2
Japan	Total (persons)	1,250	1,023	1,001	567
	Male (persons)	443	407	402	250
	Female (persons)	807	616	599	317
	Female employees as percentage of total (%)	64.6	60.2	59.8	55.9
Of which, Kao Corporation	Total (persons)	417	411	398	269
	Male (persons)	302	290	275	170
	Female (persons)	115	121	123	99
	Female employees as percentage of total (%)	27.6	29.4	30.9	36.8

Note: Until 2020, excludes companies with HR systems not yet linked (22 out of 98 consolidated companies).

## Percentage of newly hired employee by age group (%)

		2018	2019	2020	2021
Global	< 30 years old	84.9	81.5	69.3	68.0
	30–50 years old	14.2	17.7	27.4	27.0
	> 50 years old	0.8	0.9	3.3	4.0
Japan	< 30 years old	87.4	84.8	84.0	90.0
	30–50 years old	11.8	14.7	15.5	10.0
	> 50 years old	0.8	0.5	0.5	0.0

Note: Until 2020, excludes companies with HR systems not yet linked (22 out of 98 consolidated companies).

## Hiring cost per regular employee (yen)

	2018	2019	2020	2021
Global	—	—	—	424,480
Japan	483,388	622,206	507,638	624,912

## Percentage of open positions filled by internal candidates (%)

	2018	2019	2020	2021
Global	—	—	—	84.62
Japan	88.54	87.99	88.70	90.19

## Percentage of career hires in new hires (%)

	2018	2019	2020	2021
Kao Corporation	27.1	25.7	34.0	9.7
Kao Group Customer Marketing Co., Ltd.	12.6	19.7	15.7	8.0
Kao Beauty Brands Counseling Co., Ltd.	—	—	—	0.0
Kanebo Cosmetics Inc.	14.8	5.6	13.3	0.0
Kao Logistics Co., Ltd.	0.0	0.0	0.0	0.0
Kao Professional Services Co., Ltd.	15.4	40.0	44.2	54.8
Nivea-Kao	100.0	100.0	100.0	100.0
Kao Business Associe Co., Ltd.	0.0	100.0	100.0	100.0
Kao Sanitary Products Ehime	61.5	36.8	18.2	0.0
Kao Cosmetic Products Odawara Co., Ltd.	18.5	3.7	0.0	0.0
Kao Paper Manufacturing Fuji	100.0	50.0	0.0	0.0
Kao Peony Co., Ltd.	100.0	100.0	100.0	0.0

## Situation of re-employed after retirement (Kao Corporation)

	2018	2019	2020	2021
Number of employees who reached retirement age	109	129	174	183
Of which, Number of employees re-employed after retirement	92	110	144	165
Percentage	84.4	85.3	82.8	90.2

Note: Regular employees only, unless otherwise noted. Data are calculated as of the end of December in each year.

Note: Some data do not include the following 5 companies which account for 0.4% of all Kao Group employees out of 98 consolidated companies.

Kao do Brasil Representacao Comercial Ltda., Kao Chemicals Europe, S.L., TBP and STAR (Delaware) Realty LLC, Taiwan Kanebo Cosmetics, Co., Ltd.