



Sustainability as the only path

Kao Sustainability Report 2022

Kao

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How to Use This PDF

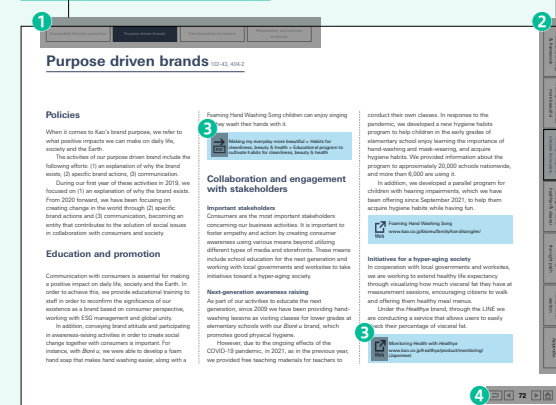
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Editorial Policy 102-50, 102-51, 102-52, 102-56

The Kao Integrated Report we publish summarizes a comprehensive range of financial and ESG information with the goal of communicating our value creation story in an easy-to-understand way for our stakeholders. The Kao Sustainability Report 2022 supplements the Kao Integrated Report 2022 and aims to present a comprehensive picture of the value that Kao provides. This report introduces various activities aligned with our ESG Strategy, the Kirei Lifestyle Plan, that contribute to the sustainability of the world, along with detailed performance data.

Scope and boundary of reporting

In general, we report the activities of the Kao Group (Kao Corporation, its subsidiaries and affiliates). Environmental and social performance data covers Kao Corporation and its subsidiaries.

Exceptions to this data scope have been clearly stated in the text.

In this report, “Kao” means the Kao Group. We have stated the names of individual organizations covered if it is necessary to identify the boundary.

Organizations covered



List of Kao Group companies
www.kao.com/global/en/about/outline/group-companies.html

Period covered

FY2021 (January 1, 2021–December 31, 2021)
 Some qualitative information includes performance of FY2022.

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) have applied since FY2016. Per unit of sales in this report is calculated based on Japanese standards up to FY2015, and on IFRS in FY2016 thereafter.

Independent assurance

We have had our reports independently assured since 2003. KPMG AZSA Sustainability Co., Ltd. provides independent assurance for this report. Indicators on which assurance is provided are marked with a check . A list of those indicators is shown in the independent assurance report and the GRI Standards table.

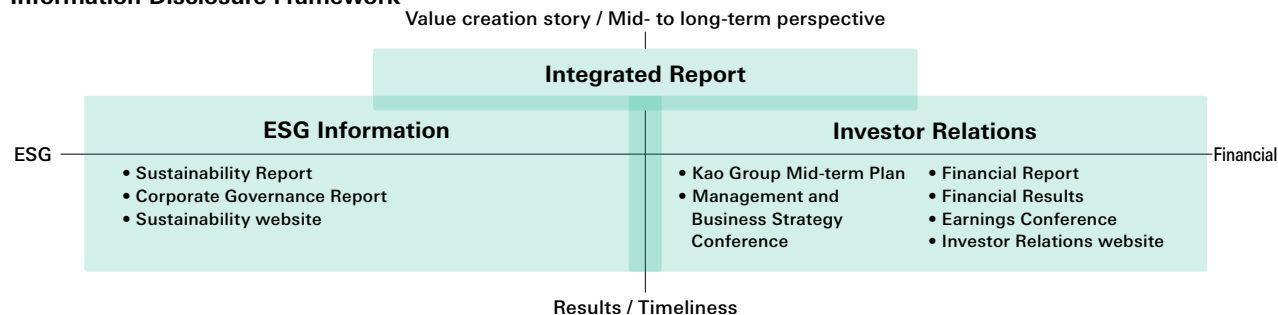
Issuance period

Issued on: June 29, 2022
 Next report scheduled for issue in: June 2023
 (Previous issue: June 23, 2021)

Guidelines referenced

- GRI Sustainability Reporting Standards
 - * The numbers of referenced GRI disclosures are noted next to the title of each page.
- Environmental Reporting Guidelines (2018) by the Ministry of the Environment of Japan
- Environmental Accounting Guidelines for Chemical Companies (November 2003) by the Japan Chemical Industry Association
- ISO 26000 (guidance on social responsibility)
- SASB Standards
- SDG Compass
- TCFD Recommendations

Information Disclosure Framework



Introduction of various informative tools



- [Reports]
- Kao Integrated Report 2022
 - Kao Sustainability Report 2022 (this report)
 - Corporate Governance
 - Financial Report
- [Websites]
- Corporate information
 - Investor relations
 - Sustainability
 - R&D

Disclaimer on forward-looking statements

Forward-looking statements contained in this report are based on information available at the time of publication, and on assumptions that management believes to be reasonable. These statements are not guarantees that Kao will achieve its targets. Various factors may result in substantially different outcomes.

Top Message 102-14

Rapidly Transforming into the New, Strong and Agile Kao



To our stakeholders

The world today continues to experience great turmoil. Rising geopolitical tensions are fueling divisions among people, the pandemic is still with us, and environmental problems are increasing in severity. On the other hand, economic activities are necessary for people to continue living their lives. There have been long-running debates on how to balance human life and the economy, the environment and the economy,

and so on. It is incumbent upon us to find this balance in the world in the 21st century. We have set our vision as “protecting future lives” in light of the tumultuous times that we are in, and have designated life, everyday lives and ecology as three areas where we will contribute to society. In the face of urgent environmental problems and complex social challenges associated with population aging and growing burden of health care expenses, Kao is more committed than ever to enabling healthy and sustainable everyday lifestyles.

Turbulent first year of the Kao Group Mid-term Plan 2025 (K25)

We kicked off K25, the new Kao Group Mid-term Plan, in FY2021. The strategic approach for K25 consists of the following three parts with a focus on the year 2030.

They are: (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. In addition, we must achieve business transformation to a high-revenue-earning business model in this tough business environment. From the starting year of K25, financial performance for FY2021 should and could have been stronger. While external factors including the prolonged COVID-19 pandemic and hikes in raw material prices are certainly present, it is also a fact that we under-invested in parts of our business that



Kao Integrated Report 2022
Top Message
www.kao.com/global/en/investor-relations/library/reports/

Top Message 102-14

needed more support. This is not an issue that has suddenly emerged, and it signifies that we must further increase the speed of our corporate reforms.

Our awareness of the issues

After peaking in 2018, three factors have contributed to a sharp decline in our Economic Value Added (EVA®) result.

The first is our delay in moving away from mass marketing in Japan. In the past, we have enjoyed best-in-market loyalty from consumers in many categories by leveraging our distinctive technologies and mass production capabilities. However, consumer needs are diversifying, and in some areas the speed and quality of our manufacturing has not kept pace with these expectations.

The second factor is the collapse in inbound demand for disposable baby diapers, which accounted for a large share of our sales. Our category leader Japanese-made *Merries* had become so popular in Japan that consumers could not even find them in stock. The combination of being out of stock, with the emergence of local Chinese products, resulted in declining levels of our brand name recognition. It is fair to say that our delay in changing our business model in anticipation of those developments significantly impacted our EVA.

The third factor is the contraction in the cosmetics market driven by the COVID-19 pandemic. Makeup products account for an especially large share of our sales, and the contraction in demand severely impacted

our business performance. We had advanced reforms through 2019 to transform the Cosmetics Business into a high-profit business, and as such the overall business impact was magnified because of the investment in business model transformation already underway.

Dual-track reforms to revitalize existing business and create new business

Since last year, we have been implementing dual-track reforms using the concepts of Reborn Kao, which aims to revitalize existing business, and Another Kao, which aims to create future focused new business. Just as the phrase implies, Reborn Kao is about reinforcing our current business with dynamic investments and fortifying our brand strategy, while Another Kao focuses on themes that we have not done, or have not been able to do, in the past. In order to deliver the dual-track approach, we have reset our innovation agenda and mobilized the team to ensure new business investments are highly leveraged against our current business competencies, capabilities and technologies. Optimizing synergies between our existing and new businesses to deliver maximum value is core to how we will lead the way forward. Our goal in this is stated in our Commitment to the Future.

Reborn Kao: Major reforms in manufacturing and marketing

The immediate priority to deliver on the Reborn Kao plan is to implement a series of significant

manufacturing and marketing reforms.

We will be making dynamic investments in category leading brands and deliver a dramatic shift in our approach to marketing. Marketing investment will be focused on creating strong ties with consumers and accelerate our rapid shift to loyalty and retention based relationship marketing. We need to have distinctive products that offer functional value to do this. Also important is offering value that touches consumers on an emotional level and has the power to make consumers want to tell other people about the products. New digital experiences, technology advancements and opportunities to maximize personalization are all key to success.

Integrated into these priorities is the advancement of our ESG agenda, we will accelerate our proposals for ESG-driven *Yoki-Monozukuri*, which we define as “maximum value with minimum waste,” to contribute to a circular society. In products designed for the future, it is important that the various types of value they provide to consumers is long-lasting and strongly satisfying while minimizing the energy, substances and labor required to make them.

Next, regarding globalization, we will distinguish ourselves in the global marketplace and avoid fierce competition of product and price, by ensuring we offer “only one” value to our customers. To compliment this, we are moving toward local production and consumption model, grounded in local value, cost performance and manufacturing.

Top Message 102-14

In the Americas, Europe, the Middle East and Africa (AEMEA), our goal is to become the No. 1 brand in the target categories. In the salon hair color field for example, we have strengthened our global presence and success through distinctive and innovative product. In the body skin care field in AEMEA, we are rolling out products that set us apart from other companies.

In the Chemical business, we already enjoy market leadership driven by unique and high performing products. Our focus is on driving forward and integrating ESG-based innovation to distinguish them even further.

Reborn Kao: Significant reform for high-profit businesses

We are also aiming to make a major pivot to a high-profit business. To clarify our investment policy, we separated our business into three domains last year: Stable Earnings, Growth Drivers and Business Transformation. Stable Earnings relies on high margin category leading businesses where we lead in the industry. In Growth Drivers domain, we will accelerate our global growth through targeted investment and Business Transformation efforts will be focused on delivering increased profitability. We are currently pressing ahead with these reforms.

In addition to these efforts will be a focus on purpose-driven brand management in our Consumer Products Business. We will design our distinctive brands to create synergies built around their brand

purpose and leverage the authenticity and performance of our portfolio of brands to deliver growth.

Last year, we saw growth in brands and business that digitized early. These were primarily in cosmetics and men's facial cleanser in Japan, professional hair care in Europe, and body skin care in the Americas. We delivered new innovation in disposable baby diapers in China to positively support newborn development.

These diapers are resistant to swelling after urination, so they do not interfere with babies' walking gait. Also, parents can use smartphones to monitor the development of their baby's earliest walking movements, and we launched a service that provides advice based on the stage of a baby's individual development. The diapers have been positively received in the market, and we are proceeding with local production. These are some of the ways in which we have moved the "yardstick" used to measure value with consumers, and evidence that we are increasing the value experienced by customers.

Another Kao: Create new businesses

Specific measures for Another Kao, which aims to create new business models, commenced in 2022. This business model mobilizes our deep expertise in monitoring technologies and allows us to deliver precise and customizable solutions. Generally speaking, for issues where the cause is clear, precise and effective product design is possible. There are many

cases, however, where the cause is unclear, and often the solutions that are provided then need to be highly generalized. This then results in a sharp drop in the value that is experienced. Kao is well advanced in developing platforms to analyze causal relationships from easily obtainable data such as with sebum RNA monitoring and walking motion monitoring. This enables us to offer more precise and targeted solutions. These monitoring solutions are not done solely by Kao; anyone can use them and improve their applicability.

We have also started utilization of the Virtual Human Body Generative Model this year, which can be versatily applied to meet needs by estimating correlations even when causes are not identified. This model is able to utilize wide-ranging attributes that by their nature have been difficult to connect as input data, and is able to return estimated values for a number of requests. It can thus be utilized in cooperation with partners in many different industries and fields, and this year we have started a large number of collaborative projects. Preferred Networks, Inc., a company with some of the most advanced deep-learning technology in the world, was involved in the development of this model, which utilizes our unique data set.

We are also deploying solutions in industrial fields based on Precision Monitoring in areas such as adjuvants (agriculture) and infrastructure (roads). These are a few of the advancements we are making to advance new business development in alignment with our ESG-driven *Yaki-Monozukuri* commitment.

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People's energy is our driving force

The Kao Way, our Corporate Philosophy, was created in 2004 and established part of our company culture and core DNA in order to spread our valued spirit passed down from our predecessors to all employees. Employees have put the Kao Way into practice as the cornerstone and the starting point of everything we do.

In the midst of transformation, it is vital that our employees question the status quo. As part of this, in 2021 we revised three points in our philosophy that we need to achieve going forward. The first is

establishing our new Mission of "As one, we create a Kirei life for all—providing care and enrichment for the life of all people and the planet." Then we updated our Vision "To be closest to the individual and beyond their expectation," and finally we added "We act with courage" to our Principles.

The updated Kao Way was developed with input and ideas from employees all around the world. Our commitment to our core values of Integrity as the only choice, *Yoki-Monozukuri* in plan and action, and Innovation for today and tomorrow have not changed.

In parallel with these updates, we implemented an OKR (Objectives and Key Results) system. We are already experiencing positive changes as employees are encouraged to set higher and more challenging goals.

In conclusion

As we declared last year, we will transform our manufacturing from an approach driven by consumption to one where resources are circulated. This represents a transition from a linear economic model based on units and volumes to a circular economy based on quality and human connections. It is a more just and sustainable business model for all, poised for success as we remain focused on serving fundamental human needs while solving for complex environmental and social problems. We expect to enact business reforms in FY2022 amid the challenging global business environment. We view the current turbulence as an opportunity to reform and, are fully committed to transform rapidly into the new, stronger and more agile Kao.



Representative Director
President and Chief Executive Officer

Evolution of the future-oriented Kao Way



Message by Dave Muenz¹⁰²⁻¹⁴



ESG at the core of our business

With our K25 mid-term business strategy's vision of becoming a company that protects people and our world's future by pursuing sustainability as the only path, we are putting ESG (Environmental, Social and Governance) at the core of our business. Our key approach of creating maximum value with minimum waste will drive ESG actions across our entire organization.

Guiding our ESG actions is our long-held value of Integrity, passed down from our founder. It enables us to be committed to doing what is right and not what is easy. This commitment to a purpose-driven business is rooted in our corporate philosophy: the Kao Way.

This year, we reinforced our ESG governance structure by setting up ESG steering committees for four key areas. The Decarbonization Steering Committee will focus on accelerating actions toward our corporate decarbonization goals of becoming carbon zero by 2040 and carbon negative by 2050. Our ambition to become carbon negative will be powered by our ongoing development of technologies that aim to create raw materials out of carbon and apply them to our products. The steering committee focused on plastic packaging will drive actions toward a truly resource-circulating society. In order to create a foundation upon which all people and the planet can thrive, Human Rights and DEI, and Chemical Stewardship Steering Committees have been established.

ESG-driven *Yoki-Monozukuri*, or creating our products and brands from an ESG mindset by design will unlock innovations for both positive social and business impacts.

Making a difference through partnerships and people

To make lasting and meaningful change, we will work across our entire value chain. Managing our high-risk supply chains, such as palm oil, is critical.

We will work jointly with our suppliers, with a priority on securing traceability to protect both the environment and human rights. More recently, we stepped up our efforts with the Smallholder Inclusion for Better Livelihood & Empowerment program

(SMILE), with our business partners.

Partnerships will be key in building a resource-circulating society. We will further our efforts by working with organizations in and outside our industries, and with both local and central governments, to explore and build novel systems to address the challenges of plastic waste.

Most of all, we will continue to engage with our diverse and dedicated employees that are the driving force behind our ESG actions.

Looking ahead

As a maker of everyday products that touch the homes and lives of millions of people around the world, as well as chemical products, we will accelerate our efforts in realizing a Kirei life for all —providing care and enrichment for the life of all people and the planet, through our ESG Strategy, the Kirei Lifestyle Plan.

Our purpose-driven brands powered by our R&D capabilities will help close the gap between intention to action amongst people, helping them to make the right choices that will create a truly resource-circulating and sustainable society, now and in the future. Please join us in creating a Kirei life for all.

David J. Muenz

Director
Managing Executive Officer
Senior Vice President, ESG, Global

Kao's Corporate Philosophy 102-16

The “Kao Way” embodies our corporate philosophy, and is the foundation of the business activities of the Kao Group. 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 a guiding principle 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 Group companies and members share the “Kao Way” not merely as a manual or set of rules but as a foundation from which we are able to determine both the value of our work and the concerns that we face.



Mission

As one, we create a Kirei life for all—providing care and enrichment for the life of all people and the planet

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.

The Japanese word kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.

Vision

To be closest to the individual and beyond their expectation

By deeply knowing and understanding our world and its people, we aim to improve people's lives beyond their expectations for a future where humans and nature thrive together.



The Kao Way (corporate philosophy)
www.kao.com/global/en/about/our-story/kaoway/

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

www.kao.com/global/en/about/our-story/kaoway/

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.”

Kirei Lifestyle Plan—Kao's ESG Strategy^{102-15, 102-16}

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/

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

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

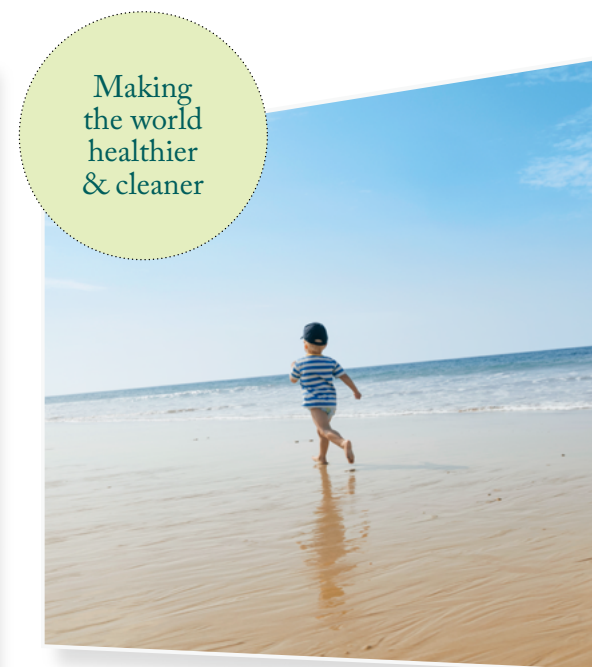
We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives — greater cleanliness, easier aging, better health and confidence in self expression



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

Kirei Lifestyle Plan—Kao's ESG Strategy 102-16, 102-47

Kao's ESG Commitments and Actions

Kao Commitments by 2030

Kao Actions



Walking the right path

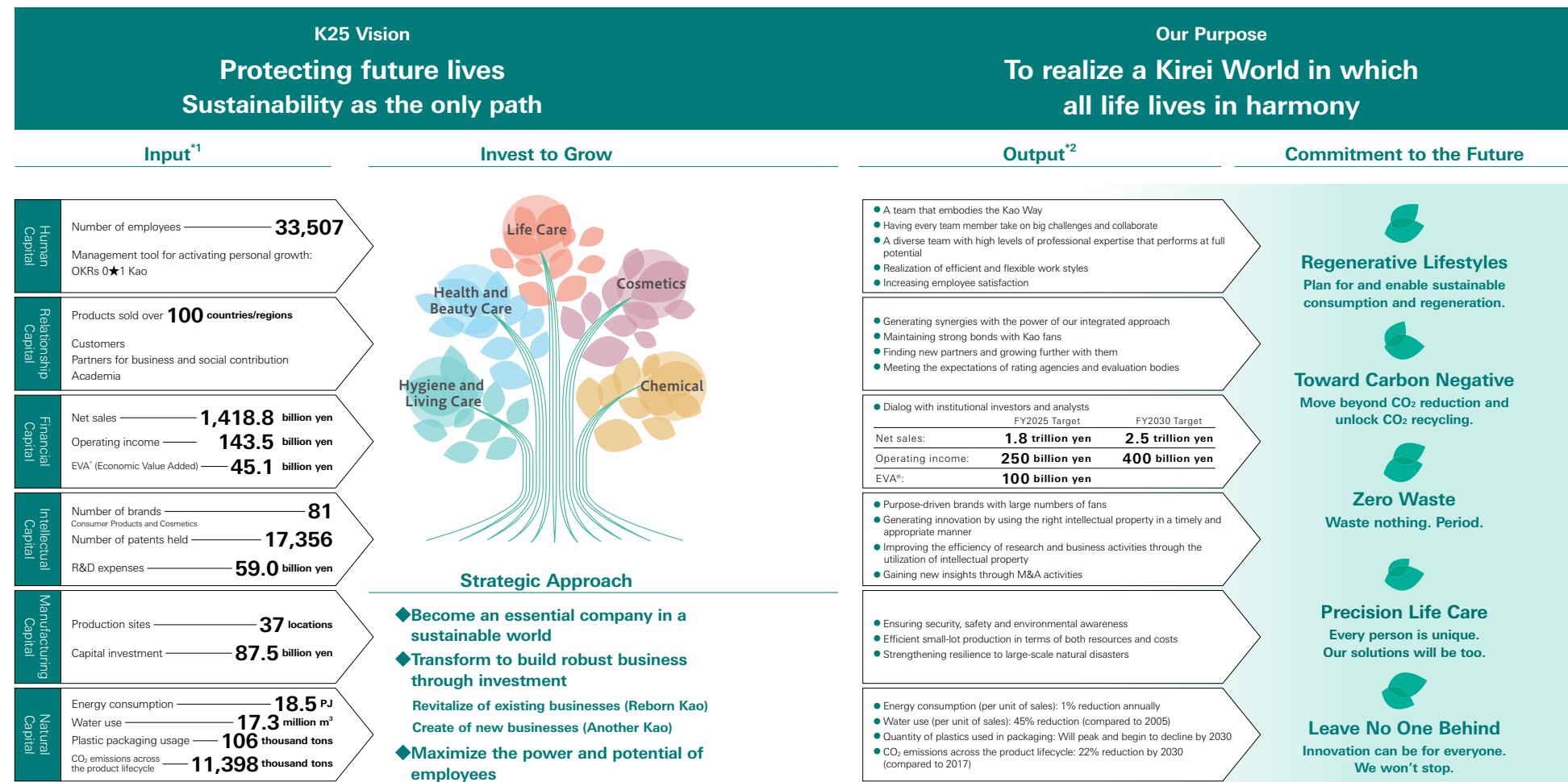
Kirei Lifestyle Plan—Kao's ESG Strategy 102-15, 102-16



Kao Integrated Report 2022
www.kao.com/global/en/investor-relations/
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

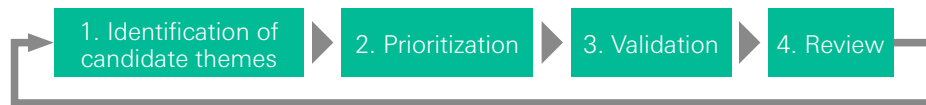
*2 Target of December 31, 2025, unless otherwise noted

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

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.

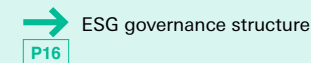
3. Validation

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

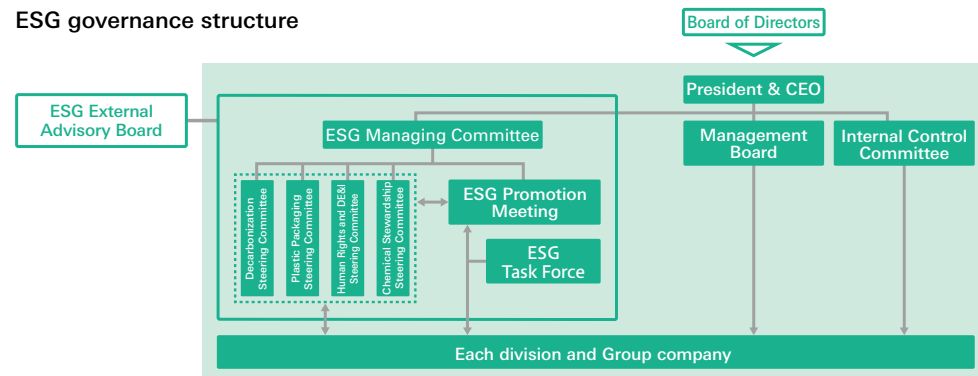
Implementing the Kao Actions in the KLP

- 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

Kirei Lifestyle Plan—Kao's ESG Strategy

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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 - Duales 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.

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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.

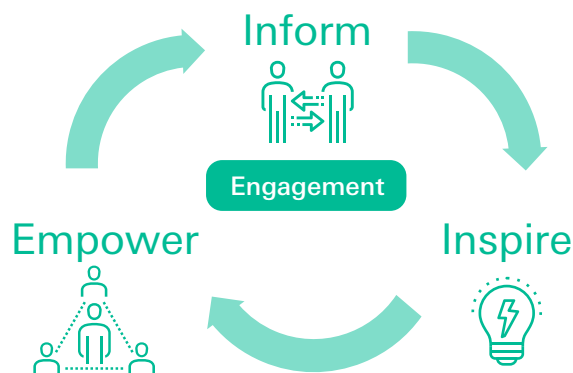
On the other hand, there is the formulation of overarching long-term commitments such as the setting of new targets for decarbonization: zero carbon by 2040, negative carbon status by 2050 and support of Science Based Targets initiative (SBTi) to fulfill the 1.5°C target of the Paris Agreement.

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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

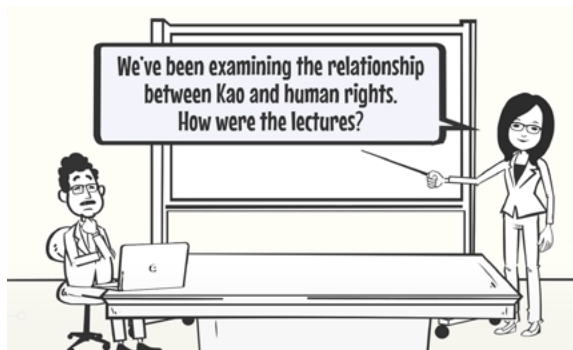
As a follow-up measure subsequent to studying the “why” in the Kirei Lifestyle Plan Caravan, since 2020 we have been developing the Kirei Lifestyle Plan Lecture, an e-learning program providing the knowledge needed to implement the KLP. The purpose of this program is to further educate employees about 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

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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.

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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

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Kirei Lifestyle Plan—Kao's ESG Strategy ¹⁰²⁻¹⁵

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

Kirei Lifestyle Plan—Kao's ESG Strategy ¹⁰²⁻¹⁵

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			●			●						●		●			●

Kirei Lifestyle Plan—Kao's ESG Strategy ¹⁰³⁻¹

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	●	●	●	●	●	●

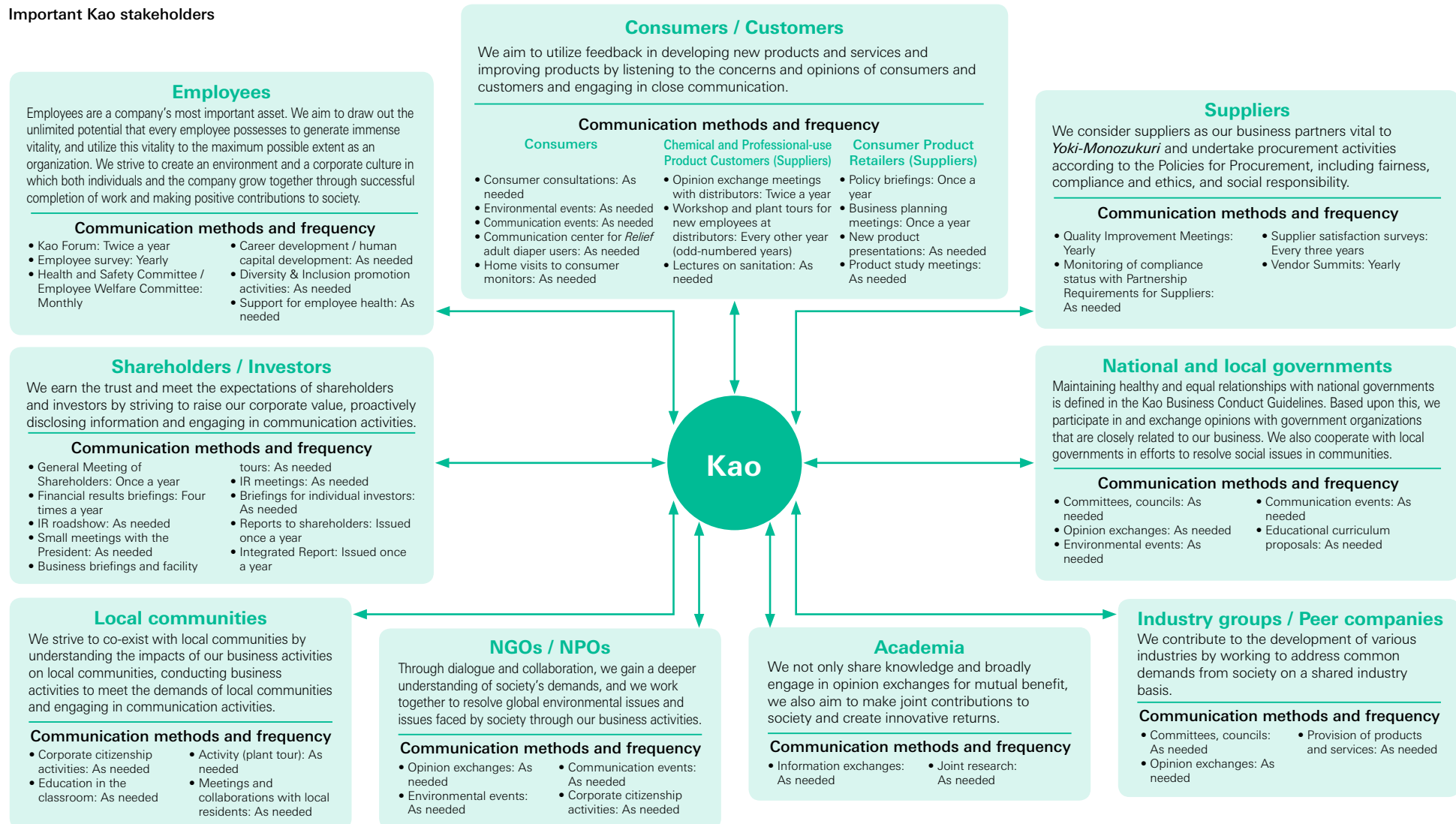
Stakeholder Engagement 102-40, 102-43

Kao's important stakeholders include consumers and customers as well as suppliers, employees, local communities, national and local governments, non-governmental and non-profit organizations (NGOs / NPOs), academia, industry groups and peer companies, and shareholders and investors.

In the Kao Way, our corporate philosophy, we define our vision as this: "By deeply knowing and understanding our world and its people, we aim to improve

people's lives beyond their expectations for a future where humans and nature thrive together." Through two-way communication with stakeholders, we deepen mutual understanding and provide information useful to society and in daily life, and use feedback we receive to improve our management, corporate activities and services, including by reporting on feedback to the Management Board and Board of Directors and having feedback reflected in deliberations of material matters.

Important Kao stakeholders



Stakeholder Engagement 102-40, 102-43

Collaboration and engagement with stakeholders

Stakeholders	Initiatives			
Employees	<ul style="list-style-type: none"> ○ COVID-19 Response ○ Effective corporate governance ○ Respecting human rights 	<ul style="list-style-type: none"> ○ Human capital development ○ Inclusive & diverse workplaces ○ Employee wellbeing & safety 	<ul style="list-style-type: none"> ○ Responsible care activities ○ Information security ○ Biodiversity 	<ul style="list-style-type: none"> ○ Process safety and disaster prevention ○ Corporate citizenship activities
Consumers / Customers	<ul style="list-style-type: none"> ○ COVID-19 Response ○ Improved quality of life ○ Universal product design ○ Safer healthier products 	<ul style="list-style-type: none"> ○ Sustainable lifestyle promotion ○ Purpose driven brands ○ Decarbonization ○ Zero waste 	<ul style="list-style-type: none"> ○ Water conservation ○ Effective corporate governance ○ Full transparency ○ Respecting human rights 	<ul style="list-style-type: none"> ○ Responsible chemicals management ○ Product quality management ○ Strategic digital transformation (DX) ○ Communication with consumers
Suppliers	<ul style="list-style-type: none"> ○ Sustainable lifestyle promotion ○ Responsibly sourced raw materials ○ Decarbonization 	<ul style="list-style-type: none"> ○ Zero waste ○ Water conservation ○ Effective corporate governance 	<ul style="list-style-type: none"> ○ Full transparency ○ Respecting human rights ○ Risk and crisis management 	<ul style="list-style-type: none"> ○ Product quality management ○ Information security ○ Biodiversity
Shareholders / Investors	<ul style="list-style-type: none"> ○ Respecting human rights ○ Corporate governance 	<ul style="list-style-type: none"> ○ Investor Relations websites www.kao.com/global/en/investor-relations/ 		
National and local governments	<ul style="list-style-type: none"> ○ COVID-19 Response ○ Improved quality of life ○ Habits for cleanliness, beauty & health ○ Universal product design ○ Safer healthier products 	<ul style="list-style-type: none"> ○ Sustainable lifestyle promotion ○ Purpose driven brands ○ Decarbonization ○ Zero waste ○ Air & water pollution prevention 	<ul style="list-style-type: none"> ○ Respecting human rights ○ Inclusive & diverse workplaces ○ Employee wellbeing & safety ○ Responsible chemicals management ○ Risk and crisis management 	<ul style="list-style-type: none"> ○ Product quality management ○ Intellectual property ○ Tax strategies ○ Biodiversity ○ Corporate citizenship activities
Local communities	<ul style="list-style-type: none"> ○ Improved quality of life ○ Habits for cleanliness, beauty & health ○ Purpose driven brands ○ Responsibly sourced raw materials 	<ul style="list-style-type: none"> ○ Decarbonization ○ Zero waste ○ Water conservation ○ Air & water pollution prevention 	<ul style="list-style-type: none"> ○ Respecting human rights ○ Responsible chemicals management ○ Risk and crisis management ○ Process safety and disaster prevention 	<ul style="list-style-type: none"> ○ Corporate citizenship activities
NGOs / NPOs	<ul style="list-style-type: none"> ○ Responsibly sourced raw materials ○ Decarbonization ○ Zero waste 	<ul style="list-style-type: none"> ○ Water conservation ○ Full transparency ○ Respecting human rights 	<ul style="list-style-type: none"> ○ Inclusive & diverse workplaces ○ Biodiversity ○ Corporate citizenship activities 	
Academia	<ul style="list-style-type: none"> ○ Transformative innovation 	<ul style="list-style-type: none"> ○ Full transparency 	<ul style="list-style-type: none"> ○ Employee wellbeing & safety 	
Industry groups / Peer companies	<ul style="list-style-type: none"> ○ COVID-19 Response ○ Safer healthier products ○ Sustainable lifestyle promotion ○ Transformative innovation 	<ul style="list-style-type: none"> ○ Responsibly sourced raw materials ○ Air & water pollution prevention ○ Inclusive & diverse workplaces ○ Employee wellbeing & safety 	<ul style="list-style-type: none"> ○ Responsible chemicals management ○ Risk and crisis management ○ Product quality management ○ Intellectual property 	<ul style="list-style-type: none"> ○ Tax strategies ○ Communication with consumers

COVID-19 Response

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

The Kao Group's first priority is the health and safety of all our stakeholders, including our customers and our employees and their families, and we are working hard to prevent the spread of the virus.

As a company that has engaged in research on cleanliness and hygiene and delivered products in these fields, we make concerted efforts to supply related products needed to maintain hygienic living conditions and communicate health-related information useful in daily life together with government agencies, scientific and industry associations and related companies, with the goal of safeguarding consumers' health in their daily lives.

Kao's creating value to address social issues

Social issues we are aware of

The COVID-19 pandemic continues to have a major impact on social and economic activities and how people around the world live their lives. While vaccination rates have been rising around the world, COVID-19 variants have also been spreading and repeated waves of infections have occurred in many countries and regions. Uncertainty in the business environment is expected to continue, with years potentially required for the pandemic to fully subside and for the global economy to recover.

Also in terms of how people around the world live their lives, we have had to cope with a large number of constraints on our daily activities over a long period of time, and with the changes to consumption, work styles and much more forced on society in general, we now find ourselves at a major crossroads. Many people are worried about the potential for this situation to continue in the future as well.

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

By 2030 we aim to be a company with a global presence, valuable to society, by achieving both sustainable and profitable development and making contributions to the sustainability of society. A large

number of unknown problems such as the emergence of variants still need to be solved before we can overcome the COVID-19 pandemic, and the uncertainty continuing in the business environment is a risk to achieving sustainable and profitable development.

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

Providing expertise and products on cleanliness and hygiene for the COVID-19 pandemic and further strengthening our capabilities in infection control and prevention represent opportunities to make contributions to the sustainability of society that will give reassurance to many people around the world as they lead their lives.

Kao's creating value

As a company that has engaged in research on cleanliness and hygiene and delivered products in these fields, we can make large contributions to helping people around the world live their lives with greater cleanliness, easier aging, better health and confidence in self-expression through the actions we take to respond to the pandemic.

Impacts and risks to Kao due to rising COVID-19 infection rates

Japan is one of our group's key markets. Its cosmetics market was greatly impacted by the repeated state of emergency declarations nationwide and is not showing

a strong recovery.

The following are risks associated with the COVID-19 pandemic and related changes in consumers' behavior. Not taking appropriate measures in response could cause net sales and profits to deviate significantly from targets.

- Temporary suspension of operations or obstacles to providing products and services due to multiple infections (clusters) at Kao Group bases or in the supply chain, or due to requests from the national and local governments because of highly contagious variants or other developments
- Delays in product development and launch plans due to work that cannot be performed remotely
- Delays in the recovery of the cosmetics market or other businesses due to a resurgence of infections or prolonged pandemic
- Lower competitiveness due to inadequate response to changes in people's awareness and values and changes in consumer behavior

Contributions to the SDGs



COVID-19 Response 102-15, 102-43

Policies

As our response to the COVID-19 pandemic, we are holding meetings of the Emergency Response Team Headquarters and have set response policies focusing on ensuring the safety of employees and their families and continuity of business activities, based on the response priorities outlined in the Kao Risk and Crisis Management Policy (1. Protection of human lives, 2. Environmental conservation, 3. Continuation of operations, 4. Protection of assets).

Education and promotion

As COVID-19 cases grew and the pandemic became prolonged, we communicated common symptoms of COVID-19 infections, effective ways to prevent infection, information about the efficacy of vaccines and other evidence-based information in easy-to-understand ways via our internal portal site. We also worked to build awareness for key actions that should be taken both in workplaces and at home, including changes to work frameworks and work styles depending on infection rates as well as precautions to take when traveling and eating, in both work and personal life.

Collaboration and engagement with stakeholders

We have been collaborating with all of our stakeholders to help build a society offering greater cleanliness and peace of mind, with first priority on ensuring safety and health.

- Coordinating with the national and local governments, we have held workplace vaccination drives and quickly responded when someone became infected or was in close contact with an infected person.
- We have worked with researchers in the field of hygiene, medical professionals and other experts to mutually improve the quality of our activities by sharing information on infection control measures based on scientific knowledge.
- With our business partners, we have conducted business activities based on actively sharing and discussing our findings related to infection control measures, with first priority on ensuring the safety and health of customers and employees.

Framework

When a crisis occurs, we evaluate the level of severity of the crisis on the basis of its potential group-wide impact (designating it as level one, two or three depending on the severity of the accident, disaster,

epidemic, etc. in question), and an organizational framework is established to deal with the crisis according to the level of severity.

The global COVID-19 pandemic was designated a crisis with the highest severity level of three (company-wide impact and impact on Kao's business), and we established the Emergency Response Team Headquarters, the Emergency Response Team Headquarters Executive Office and the Infection Countermeasures Team in February 2020.

The Emergency Response Team Headquarters, with the President serving as its chair, holds meetings to decide the group-wide response policy. The Emergency Response Team Headquarters Executive Office monitors conditions and the response in our group as a whole, while the Infection Countermeasures Team establishes and publicizes the specific response measures. In July 2020, we launched the Infectious Disease Risk Assessment Project, through which we communicate evidence-based infection control measures globally along with providing support for strengthened infection control measures at local worksites. The Board of Directors had responsibility for approving these response measures.



Risk and crisis management > Framework

COVID-19 Response 102-15

Performance in 2021

Performance

We set the emergency level at level 3, the highest level, and held Emergency Response Team Headquarters meetings (headed by the President) 11 times to decide our response policies focused on ensuring the safety of employees and their families and continuity of business activities, and implemented them accordingly. The Board of Directors had responsibility for approving these response measures.

Ensuring the safety of employees and their families

- As crisis management measures, followed national and local government policies, and additionally implemented work systems and styles compatible with the status of infection (promotion of remote work / teleworking, restrictions on business trips, restrictions on training / events / tours, etc.)
- Tracked infections among employees and their family members as well as people who were in close contact with infected persons, provided care for those needing it, and implemented measures to prevent cluster infections at global worksites
- Held workplace vaccination drives for employees and their families
- Strengthened infection control measures in countries and regions where cases were rising

Continuity of business activities

- To maintain the supply chain, implemented higher-level infection control measures at production sites and rolled them out to subcontractors and other

related parties, in addition to conducting relevant activities for raw materials procurement

- Further expanded the digitalization of operations for remote work
- Revised company systems for new work styles, including remote work
- Conducted business continuity activities by strengthening collaboration among group companies

We also conducted the following corporate citizenship activities.

- Continued to provide Kao Group product kits free of charge to medical professionals
- Conducted a new hygiene habits program for children in the early grades of elementary school (provided educational materials)
- Through our website, provided information on hygiene in daily life, based on the knowledge of experts and our own know-how. Also, for hygiene researchers, medical professionals, public health nurses working at educational institutions and other professionals, provided a wide range of information, including expert knowledge on measures for preventing the spread of infection based on academic papers

Improving employees' awareness and sensitivity

We conducted the following activities for the purpose of improving the awareness and sensitivity of employees, in relation to the prolonged COVID-19 pandemic, on an ongoing basis.

- Communicated messages to all employees from the

President linked with crisis management measures

- Communicated information about vaccine efficacy and precautions as well as work support measures
- Developed a tool that uses a smartphone to evaluate infection risk from the number of people using the office or meeting room, the ventilation, infection control measures and so on, so that employees can perform their work with peace of mind
- Gave all employees a questionnaire on infection control measures and provided feedback on key points for strengthening individuals' measures
- Throughout the year we communicated a range of risk-related information as COVID-19 cases rose, including on information security, personal information protection and compliance precautions related to remote work, working from home and vaccinations

Reviews of performance

Continuing from last year, we were able to fulfill our social responsibility of ensuring the safety of our employees and their families and the continuous supply of hygiene-related products by swiftly taking company-wide actions led by our management team. As a company that has engaged in research on cleanliness and hygiene and delivered products in these fields to society, in addition to continually supplying products, we were able to make contributions to protecting consumers' lives by communicating useful health-related information.

Going forward, we aim to protect consumers' lives by continuing our response to the COVID-19 pandemic.

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.

Realization of the Kao Corporate Philosophy ¹⁰²⁻¹⁶

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

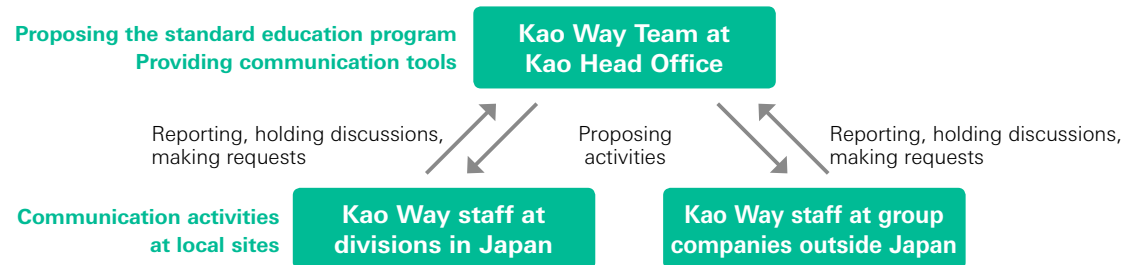
The Kao Way Team at the Head Office resides within the Corporate Strategy. This team has the following functions and leads global activities to communicate the Kao Way.

- 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.



Realization of the Kao Corporate Philosophy ¹⁰²⁻¹⁶

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.

Realization of the Kao Corporate Philosophy 102-16, 404-2

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



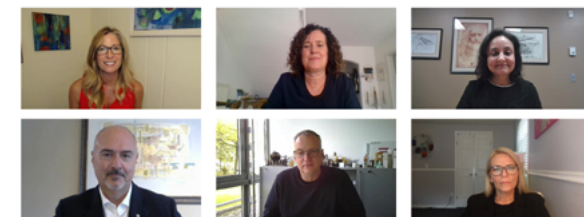
Education program for the updated Kao Way gets underway

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.



Making my everyday more beautiful

Page	Kao Action	ESG keyword
P40	Improved quality of life 	<ul style="list-style-type: none"> • QOL improvement through effective utilization of products and services • QOL improvement through prevention awareness raising and early mitigation awareness raising • Addressing global warming (climate change) <ul style="list-style-type: none"> • Addressing changes in the hygiene environment • Responding to a hyper-aging society • Actions to support women's empowerment • Responding to the diversification of society
P45	Habits for cleanliness, beauty & health 	<ul style="list-style-type: none"> • COVID-19 • Changes as a result of climate change <ul style="list-style-type: none"> • Increased awareness toward environmental consciousness • Increased awareness of healthcare
P49	Universal product design 	<ul style="list-style-type: none"> • Product development from UD perspectives • Communicating information from UD perspectives <ul style="list-style-type: none"> • Promoting understanding of UD perspectives among stakeholders
P56	Safer healthier products 	<ul style="list-style-type: none"> • Safe and reliable ingredient use and information disclosure • Science-based safety information <ul style="list-style-type: none"> • Our approach to ingredient use

Improved quality of life 102-12, 102-15, 103-1, 103-2, 103-3

Help people to enjoy more beautiful lives through our products, services and communications.

Kao's creating value to address social issues

Social issues we are aware of

We have identified several key factors affecting society that are closely related to quality of life (QOL) for consumers: global warming, changes in the hygiene environment, obstacles to women's empowerment, the hyper-aging society, and an inadequate response to the diversification of society.

Global warming's impacts on the human body include skin damage caused by ultraviolet rays, and the negative effects on human health of the increased incidence of heatstroke. Issues relating to the hygiene environment include the pronounced disparities in public sanitation and hygiene habits between different countries and regions in an era in which infectious diseases are becoming more common.

With regard to the emergence of the hyper-aging society, the disparity between senior citizen's healthy lifespan and their average overall lifespan is leading to an increase in the care burden. There are also problems with senior citizens becoming socially isolated, which can result in them losing their sense of purpose in life.

While progress has been made in terms of women's enhanced participation in society, unfairness in the division of labor within the home, and a lack of understanding of the difficulties that women face on the part of both their families and their workplaces, have led to an increased physical burden on women and an increase in the level of stress that they experience.

If the response to the diversification of society is inadequate, then consumers will not be able to enjoy

equitable access to the benefits of products and services, accessibility will be inadequate, and it will not be possible to realize a society in which everyone can enjoy invigorating, fulfilling lives.

As a result of social issues such as these, many consumers are at risk of significant lowering of their QOL in their lives.

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

The five key issues affecting the environment in which Kao operates, and the risk of reduced QOL for consumers

Global warming	<ul style="list-style-type: none"> • Skin damage caused by ultraviolet rays • Increased incidence of heatstroke
Changes in the hygiene environment	<ul style="list-style-type: none"> • Increased spread of infectious diseases • Growing disparities between regions in terms of public sanitation and hygiene habits
The hyper-aging society	<ul style="list-style-type: none"> • Increased care burden • Isolation of senior citizens
Obstacles to women's empowerment	<ul style="list-style-type: none"> • Unfair division of labor within the home • Lack of understanding of the difficulties that women face on the part of their families and workplaces • Excessive physical burden on women, and stress
Inadequate response to the diversification of society	<ul style="list-style-type: none"> • Consumers not able to enjoy equitable access to the benefits of products and services • Inadequate accessibility

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

If we fail to implement initiatives addressing social issues, such as initiatives in response to global warming, changes in the hygiene environment, the hyper-aging society, obstacles to women's empowerment, and the need to respond to diversification, and if we fail to respond to the changes in people's needs, then we will not be able to

win the approval of consumers and of society as a whole. This could lead to a fall in our corporate value and brand value, and to a deterioration in profitability and market competitiveness.

Kao's creating value

We aim to contribute toward enabling all consumers to realize their potential and to enjoy happy, enriching lives. To this end, we will be implementing initiatives to address the five key issues affecting society that we have identified as being particularly significant, and we will be providing products, services and awareness-raising activities in line with the changes in consumers' needs.

Global warming	<ul style="list-style-type: none"> • Protecting against ultraviolet rays • Moisturizing products • Providing products that keep people feeling cool and fresh
Changes in the hygiene environment	<ul style="list-style-type: none"> • Providing solutions to support infection prevention • Implementing hand-washing awareness-raising activities for the next generation • Providing hygiene products
The hyper-aging society	<ul style="list-style-type: none"> • Offering healthy habit proposals • Providing support to help senior citizens maintain their autonomy and sense of purpose
Women's empowerment	<ul style="list-style-type: none"> • Spreading awareness of the need to share housework and childcare responsibilities • Developing products that enable anyone to do housework easily • Developing preventative healthcare products for women, and products that help reduce stress for women
Diversity	<ul style="list-style-type: none"> • Product development, communication and awareness-raising activities that take diversity into account • Content that provides enhanced web accessibility

Contributions to the SDGs

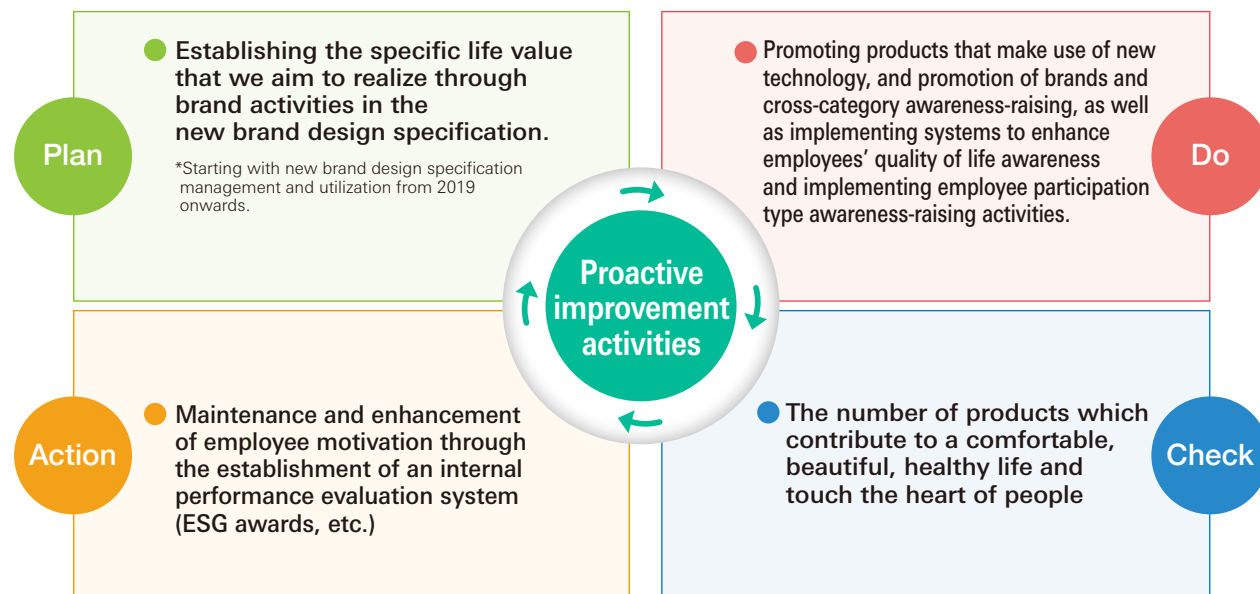


Improved quality of life 102-43, 404-2

Policies

In response to the five main risk factors that could lead to reduced QOL, due to various problems affecting society and changes in the social environment, we have identified key topics for addressing these risks, and we are taking action to tackle them. Going forward, we will be working together with consumers to help solve the problems covered by these topics, in collaboration with stakeholders such as local communities, government agencies and our business partners.

PDCA cycle aimed at enhancing QOL



Education and promotion

With the implementation of a PDCA cycle that includes the proposal of products that use new technology, collaboration between employees, consumers and other stakeholders, the wide-ranging dissemination of information both within and outside the company, obtaining evaluations from third-party organizations, etc., we are constantly reviewing our activity themes and working to expand them.

Collaboration and engagement with stakeholders

To enhance QOL for people throughout the world, we are focusing on five key topics: global warming, changes in the hygiene environment, the hyper-aging society, women's empowerment and diversity.

The provision of related products, providing information that is useful in consumers' daily lives, and awareness-raising activities are all important for addressing these topics.

- Policy briefings for suppliers: Once a year
- Business planning meetings with suppliers: Once a year
- Information exchange with suppliers regarding the SDGs: As needed
- Collaboration with local government authorities and educational institutions

Improved quality of life

Framework

Of the 19 actions included in our Kirei Lifestyle Plan (KLP), improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.

The ESG Managing Committee, which meets six times a year, deliberates on these matters under the supervision of the Board of Directors. The committee is chaired by the President, and its members include directors and executive officers responsible for ESG, Business, R&D, Product Quality Management, SCM, Sales, etc., helping the committee to coordinate its activities with our business activities. The committee reports on its activities to the Board of Directors at least once a year, and receives oversight from the board.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

Mid- to long-term targets and performance

2030 long-term targets

- The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people

Target for 2030: 7 billion products

- Increase the number of new products that help to enhance QOL
- Increase the number of activities and initiatives undertaken in collaboration with national and local governments that help to enhance QOL

Anticipated benefits from achieving mid- to long-term targets

Business impacts

- Improved sales performance for fabric care, home care, sanitary, *Merries*, skin care and hair care products

Social impacts

- Measurement of consumers' sense of identification with Kao and of Kao's corporate image using methods such as corporate image questionnaires forming part of consumer attitude surveys

Performance in 2021

- The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people
Performance in 2021: 4.5 billion products

Reviews of performance

The above figure represents a decrease of 200 million products compared to the previous year. The performance in 2021 fell below that in 2020, due to the fact that demand in the consumer products market in Japan was lower than in 2020, partly due to a rebound from the rapid increase in demand which was seen in 2020, and partly due to the series of declarations of emergency that were issued in Japan over the course of 2021.

The main reasons for this situation are the continuing impact of the COVID-19 pandemic on the cosmetics market, and the fact that, although usage rates of hygiene products such as sanitizer had risen, 2021 saw a decline in sales of such products compared to the previous year. Going forward, we will be aiming to meet our mid- to long-term targets by developing sales of hygiene products in countries where hygiene habits still leave room for improvement, and through awareness-raising activities.

Improved quality of life 102-43

Our initiatives

Support for women's empowerment through the Pink Ribbon Campaign

With increased female participation in society, higher female employment rates, an increase in the number of female managers, etc., society now offers more opportunities for women's advancement. At the same time, however, because of the trend toward later marriage and the fall in the percentage of women with experience of pregnancy and childbirth, there has been an increase in the incidence of female-only cancers, which has become a significant social problem. We support the Pink Ribbon movement, a global initiative that seeks to educate women about the importance of early diagnosis for breast cancer, and since 2007 we have been implementing the Kao Pink Ribbon Campaign.

We are also undertaking development of related products that contribute to enhanced QOL.

We are currently taking the following two activities as the main pillars of our support for women's health.



 Pink Ribbon Campaign 2021
www.kao.com/jp/pinkribbon/ (Japanese)

1. Preventive awareness-raising and donation activities that make effective use of Kao's resources

Since 2007, we have been implementing activities to communicate the importance of early diagnosis of breast cancer directly to customers through in-store *Sofina, est* and *Kanebo Cosmetics* counters, focusing mainly on Japan and the Asia region.


In 2021, a method for performing self-checks using *Body Lipid Wear* was introduced to customers at *Kanebo* outlets and via the *Kanebo* website. Part of the revenue from product sales was donated to a cancer education project.

In addition, our *Laurier* sanitary products brand implemented a limited-period brand-wide campaign to support women's health. During the campaign period, donations were made to activities that support women's health through a click-to-donate platform using a special website established for this campaign.



Kanebo Body Lipid Wear

Laurier Shiwase Suhada (Left) and
Laurier Slimguard (Right)

 Corporate citizenship activities: Support for cancer education through the Pink Ribbon Campaign
www.kao.com/jp/pinkribbon/activities/#shohin (Japanese)

2. Providing support for activities to educate the next generation through Pink Ribbon Advisors

Since FY2018, we have been supporting the "Project of Cancer Education by Pink Ribbon Advisors*" (Organizer: Japan Society of Breast Health, certified specified non-profit organization).

Pink Ribbon Advisors who have experienced cancer visit junior high schools and high schools to give special lectures. The aim is for the advisors to use their own experience to help children develop an accurate and deeper understanding of cancer, thereby helping to boost cancer screening rates in the future, and also cultivate greater health awareness among the students' families and society as a whole.



Special lecture given by a Pink Ribbon Advisor

* Pink Ribbon Advisors:

This is a certification program run by the Japan Society of Breast Health, an NPO, participants in which learn about cancer, cancer screening and treatment etc., and take a test to check their knowledge. Approximately 7,000 Pink Ribbon Advisors are undertaking awareness-raising activities throughout Japan, with the aim of creating a society that takes breast cancer seriously, by encouraging people to safeguard themselves from breast cancer, talk to their family and friends about breast cancer, encourage work colleagues to undergo breast cancer screening, etc.

Improved quality of life

Product proposals to enhance QOL

Hygiene product proposals

Launching Bioré Guard Antibacterial Body Wash

With the rise in hygiene awareness, people have become more aware of the need to combat viruses and bacteria that they may have picked up while outside by washing and sanitizing their hands, and also by emphasizing whole-body hygiene. (According to a 2020 Kao survey)

In April 2021, we launched a new medicated body wash product that can also be used for washing the hair (in Japan, this is classed as a quasi-drug product, which is able to clean, sterilize and disinfect the skin). Its sanitizing ingredients enables it to remove viruses and bacteria from the skin. It washes dirt off the body, and leaves the skin clean and fresh.

It can also be used for washing the hair.



Launching Bioré Guard Sanitizer Foam

According to a survey on hand sanitizer usage, consumers tend to use an inadequate amount of sanitizer, and tend not to rub enough sanitizer on every part of their hands. (According to a 2021 Kao survey)

With this in mind, in October 2021 we launched Bioré Guard Sanitizer Foam (in Japan, this is classed as a designated quasi-drug product, which is able to clean the fingers and skin, and has disinfecting properties), which has been made easy-to-use for consumers. It is designed so that, because the cleaner comes out as foam, it is unlikely to spill even if the dispenser pump is pressed down firmly, making it easy for children and senior citizens to use.



Healthy habit proposals

Launching the Healthy W likoto Meguri product line

The percentage of people who worry about their blood pressure as they get older is tending to increase. In particular, around 70% of men in their 40s or older who are concerned about their blood pressure are also worried about having too much body fat. (According to a 2020 Kao survey)

The Healthy W (Double) likoto Meguri product line is a Food with Function Claims product with chlorogenic acid derived from coffee beans—which has been reported as having the two functions of helping to reduce high blood pressure and reducing visceral fat—as the functional ingredient.

This new product line includes three items: a bottled beverage (specifically, a blended tea drink) that can be drunk straight out of the bottle, and two beverages in powdered form (coffee flavor and black soybean tea flavor) that can be added to various different drinks. With this product line, we are proposing a healthy habit that is easy to maintain, and where consumers can choose the option that best suits their lifestyle and preferences, with the target consumers being people who are concerned about their high blood pressure and visceral fat.



Habits for cleanliness, beauty & health 102-12, 102-15, 102-43, 103-1, 103-2, 103-3, 404-2

Inspire and enable people to develop better habits for cleanliness, beauty and health through our products, services and communications.

Kao's creating value to address social issues

Social issues we are aware of

Global warming	<ul style="list-style-type: none"> • Skin damage caused by ultraviolet rays • Increased incidence of heatstroke
Changes in the hygiene environment	<ul style="list-style-type: none"> • Increased spread of infectious diseases • Growing disparities between regions in terms of public sanitation and hygiene habits
Obstacles to women's empowerment	<ul style="list-style-type: none"> • Physical and mental discomfort accompanying the body's growth and development, aging and lifestyle changes
Inadequate response to the diversification of society	<ul style="list-style-type: none"> • Consumers not able to enjoy equitable access to the benefits of products and services • Inadequate accessibility

The spread of the COVID-19 pandemic throughout the world, which in 2021 still showed no sign of abating, brought home to people once again just how important it is to maintain good hygiene.

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

If we fail to implement initiatives addressing social issues, such as initiatives in response to global warming, changes in the hygiene environment, the hyper-aging society, obstacles to women's empowerment, and the need to respond to diversification, and if we fail to respond to the changes in people's needs, then the value that we provide through our products and services will not be able to win the approval of consumers and of society

as a whole, which could lead to a fall in our corporate value and brand value, and to a deterioration in profitability and market competitiveness.

Kao's creating value

Global warming	<ul style="list-style-type: none"> • Awareness-raising to protect pre-school children and schoolchildren from ultraviolet rays • Provision of environmental education teaching materials for schoolchildren and students
Changes in the hygiene environment	<ul style="list-style-type: none"> • Handwashing and cleaning awareness-raising activities for pre-school children and schoolchildren
Women's empowerment	<ul style="list-style-type: none"> • Menstrual hygiene education for schoolchildren
Diversity	<ul style="list-style-type: none"> • Provision of handwashing awareness-raising teaching materials for pre-school children and schoolchildren with disabilities

Contributions to the SDGs



Policies

At a time when people's lifestyles and values are changing, besides delivering cleaning and hygiene products that can help consumers to live with peace of mind and to enjoy a brilliant life, we also promote awareness-raising activities that can enable people to continue a daily routine of hygienic habits and actions

and physical and mental care without special effort. We contribute toward making it possible for consumers to realize authentic, healthy lives. In the future, we will be adopting a more proactive approach to implementing activities that aim to promote adoption of good hygiene habits in the countries of Europe and the Americas, where people tend to be lax about hand-washing and mask-wearing, and also in the Asia region.

Education and promotion

Over the period from 2009 to 2019, as part of our efforts to encourage all Kao employees to participate in ESG activities, we provided support for the implementation of visiting classes at schools, including hand-washing lessons for children in the early years of elementary school.

During the COVID-19 pandemic, while we were concerned that sending employees to visit schools to give lessons might exacerbate the spread of the disease, we also felt that, precisely because this was a pandemic, it was even more important than ever to instill correct hygiene habits in as many children as possible. With this in mind, starting from 2020, we began providing remote classes for pre-school children, and we developed teaching programs whereby teachers at elementary schools could make use of teaching materials supplied by Kao in their classes.

Habits for cleanliness, beauty & health

Collaboration and engagement with stakeholders

By providing programs tailored to the changes affecting society, we implement activities for cultivating the next generation that help to develop children's life skills and their ability to solve problems. In developing these programs, we work together with government agencies, local government authorities, schools, etc. to expand the content of the programs and enable them to be used effectively in the classroom.

Framework

Of the 19 actions included in our Kirei Lifestyle Plan (KLP), improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.

The ESG Managing Committee, which meets six times a year, deliberates on these matters under the supervision of the Board of Directors. The committee is chaired by the President, and its members include directors and executive officers responsible for ESG, Business, R&D, Product Quality Management, SCM, Sales, etc., helping the committee to coordinate its activities with our business activities. The committee reports on its activities to the Board of Directors at least once a year, and receives oversight from the board.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

Mid- to long-term targets and performance

2030 long-term targets

- Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services

Target for 2030: 0.1 billion people

Within Japan, we will be focusing on providing teaching materials that teachers can use themselves at school, while combining this with visiting classes, including classes provided remotely, and we will be approaching even more educational institutions, with the aim of establishing good hygiene habits in both pre-school-age children and young schoolchildren. We will also be working to disseminate accurate information and expand the scope of hygiene awareness-raising activities in the Asia region, and in Europe and the Americas, in a similar way to that used in Japan.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Even in Japan, where people are already in the habit of washing their hands regularly, it can be anticipated that having people learn hygiene behavior from when they are children and make it habitual will lead to an increase in the percentage of people who use hand soap, hand sanitizer and other disinfectant products, and an increase in the frequency of use. Spreading Japanese hygiene habits to other countries will help to improve hygiene habits in the Asia region, and should contribute toward a dramatic increase in demand for hygiene products.

Social impacts

It can be anticipated that the adoption of habits for cleanliness, beauty & health will help to improve people's quality of life, improve public hygiene, and reduce the risk of infectious diseases.

Habits for cleanliness, beauty & health 102-43

Our initiatives

Educational program to cultivate habits for cleanliness, beauty & health

Education for the next generation through the provision of educational materials

We believe that safeguarding one's own hygiene status helps to safeguard the hygiene status of society as a whole (in other words, the people around us). In line with this belief, we undertake activities for the cultivation of the next generation, with the aim of cultivating children's life skills and their ability to solve problems, through the provision of educational programs tailored to the changes taking place in society.



Kao's cultivation of the next generation
www.kao.com/jp/education/next-generation/
(Japanese)

Provision of educational materials

Our new hygiene habits program: Let's All Wash Our Hands Together! For First and Second Grade Elementary School Students



In 2021, as in the previous year, we provided free teaching materials, aimed at children in the younger years at elementary school, for teachers to conduct

their own classes. In response to the pandemic, we developed a new hygiene habits program to help children in the early grades of elementary school enjoy learning the importance of hand-washing and mask-wearing, and acquire hygiene habits. We provided information about the program to approximately 20,000 schools nationwide, and more than 6,000 are using it.

Our new hygiene habits program: Let's All Wash Our Hands Together! For Schools for the Deaf



We developed a parallel program for children with hearing impairments, which we have been offering since September 2021, to help them acquire hygiene habits while having fun. As of December 2021, this program was being used by around 60% of schools for the deaf in Japan.

The members of Kakehashi*, an internal community in which Kao employees with hearing impairments play a central role, were involved in developing this program. With the aim of making the teaching materials easy to understand and able to stimulate interest, trial classes were implemented with collaboration from schools for the deaf, and a repeated process of verification was conducted in which, for example, the schools'

teachers were asked for their opinions. When explaining the six key positions that should be used when washing your hands in order to get every part of the hands clean, a major effort was made to ensure that the explanation could be done properly, for example by using fingerspelling.

* Kakehashi is an internal community formed within the Kao Group in December 2020, in which employees with hearing impairments play a major role. Based on the philosophy that "By sharing everyone's concerns in a forward-looking manner, people who can't hear and people who can hear can collaborate on building a bridge to the future," Kakehashi undertakes both internal and external activities aimed at finding solutions to various social problems.



Trial class being given at a school for the deaf by members of Kao's Kakehashi group

Developing hand-washing awareness in the U.S.



Starting from March 2021, Kao USA has been rolling out a new Clean Routine for Healthy Hands program under the *MyKirei by Kao* brand to teach elementary school students in the U.S. the importance of good hygiene habits. This program was developed by

Habits for cleanliness, beauty & health 102-43

modifying the new hygiene habits program that we have deployed in Japan. It aims to support teachers' efforts to provide children with hand-washing guidance by using content that treats hand-washing as something fun to do, rather than just something that has to be done every day. As of December 2021, teaching materials had been provided to ten schools, and it is anticipated that the scope of program implementation will be expanded in the future.



Foaming Hand Washing Song
www.kao.co.jp/bioreu/family/hand/song/en/



Kao's hygiene information
www.kao.com/jp/new-hygiene/ (Japanese)

Our new hygiene habits program: Keeping Your Surroundings Clean



As the next step after children have got into the habit of washing their hands, we developed another new hygiene habits program—Keeping Your Surroundings Clean—to help children understand the importance of

keeping their surroundings clean. We began providing this program in September 2021, only for elementary schools that have already implemented our Let's All Wash Our Hands Together! For First and Second Grade Elementary School Students program. This is an experiential program, through which children acquire the habit of keeping things clean yourself by focusing on what you can do in a fun way, through practice in cleaning desks and activities that can be performed at home.

Developing a program for thinking about marine plastic waste in collaboration with an elementary school affiliated with Wakayama University Faculty of Education, for provision to public elementary schools in Wakayama City

In October 2020, we concluded a cooperation agreement with Wakayama City for promotion of the Sustainable Development Goals (SDGs). We are aiming to make contributions through our wide-ranging business fields and our research technologies that support them to Wakayama City's efforts toward the SDGs and to the sustainable development of the local community of Wakayama City. As part of these efforts, and with a focus on cultivating human talent for the future, we are working together with an elementary school affiliated with Wakayama University Faculty of Education to jointly develop a program for thinking about and addressing the issue of marine plastic waste. The program has been formulated using know-how acquired at the school,

and was implemented for public elementary schools in Wakayama City in 2021. Building on these activities, in the 2022 academic year we began to provide the program's teaching materials to schools throughout Japan. The aim of the program is to provide classes in which, while learning about the efforts being made to reduce plastic waste and about recycling, children can learn to think for themselves, identify issues and acquire problem-solving skills.



Online lesson by a Kao employee being given for an elementary school affiliated with Wakayama University Faculty of Education



Fundamental section > Corporate citizenship activities > Kao Hygiene Development Program in Vietnam
P354



Fundamental section > Corporate citizenship activities > Contributions to improving menstrual education and menstrual hygiene conditions
P355

Universal product design 102-12, 102-15, 103-1, 103-2, 103-3

As part of Kao's ESG-driven *Yoki-Monozukuri*, we provide products and services based on our Universal Design Guidelines.

Kao's creating value to address social issues

Social issues we are aware of

In order to realize continued, sustainable growth for society, it is important to realize a world in which all individuals are respected, and in which people can fulfil their potential in the way that suits them best. For this reason, we believe that there is a need to provide products that are easy to use for everyone, regardless of cultural background, nationality, beliefs, ethnicity, gender, identity or abilities, and to provide related information in a way that is easy to access.

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

If products do not take universal design considerations into account adequately, then there is a risk of improper usage by consumers, and of other safety issues. Furthermore, even products developed with safety in mind may be used improperly if easily understood information about how to use them correctly is not provided. Failure in this regard could have a negative impact on safety for consumers, and could lead to a loss of trust in our products and in the company itself.

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

Helping to enrich the lives of people all over the world through Kao products and through the provision of information will reinforce trust in our company as an enterprise that is vital to maintaining a sustainable society.

Kao's creating value

We have promoted development and provision of products that anyone can use easily under the basic concept of our consumer-focused *Yoki-Monozukuri*. Going forward, to contribute to the universal SDG target of leaving no one behind, we will deliver satisfaction and inspiration to all the consumers we serve, and strive to enrich people's lives.

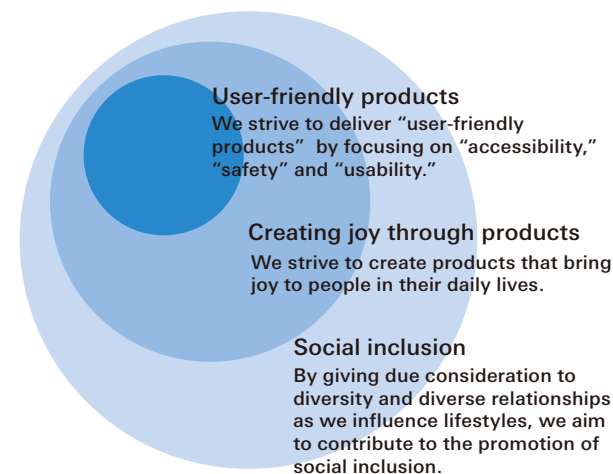
To this end, we will implement manufacturing and provide products based on a consumer-focused perspective, so that all consumers can enjoy a stress-free experience in the various stages of selecting, purchasing, using and disposing of products. We also aim to provide support so that using the information we disseminate and the products we supply will contribute toward a strengthening of the links between people and between people and society.

Contributions to the SDGs



Policies

Kao Universal Design Guidelines



We implement universal product design in accordance with the Kao Universal Design Guidelines, which were formulated in 2011.

We will promote ESG-driven *Yoki-Monozukuri* throughout the company, and by delivering satisfaction and inspiration to all consumers in their daily lives through the use of Kao products, we will strive to become a consumer product industry leader in the use of Universal Design (UD).

Universal product design 102-43, 404-2

Specific initiatives to achieve this are set forth below.

1. Adoption of the consumer's viewpoint in the promotion of UD, from product awareness to consumption and final disposal in the home **Realizing user-friendly products, which is a core aspect of the Kao Universal Design Guidelines**

Along with focusing on accessibility and usability as well as safety and security, we will disseminate easily understood product and service information at each stage from product awareness and selection to purchase and disposal.

Regarding the key points of accessibility, usability, and safety and security, we implement checks both at the product development stage, and at the after-sales stage (including utilization of feedback received from consumers). The results of these checks are reflected in subsequent product development and information provision.

2. Monozukuri Project promotion and strategic PR from a UD-centered perspective

We believe that for the socially vulnerable, UD is not merely value added, but is the value of the product itself. Going forward, we will launch UD-focused Monozukuri Promotion Projects in each business division that target senior citizens, who constitute a core group in Japan's hyper-aging society, and we will expand our offering of products that embody an enhanced UD perspective.

We will also strengthen our information and service offerings that utilize information and communication technology, and collaborate with stakeholders including distribution companies and local governments, and actively convey the customer perspective.

3. Promoting UD from a global perspective

Further promotion of UD will require an approach that takes differences in culture and habits into account at the level of the individual country or region. At the same time, an approach to UD that takes diversity into account is something that is needed globally, and which will need to be updated on an ongoing basis. While responding to the need for a UD perspective in those countries and regions where there is the highest demand for it, and taking these initiatives as pioneering examples of what can be achieved, we will also be expanding the addressing of UD concerns to bring about an overall enhancement of UD on a global basis.

Education and promotion

Deploying a structure for UD-centered manufacturing throughout the company

A cross-business approach is vitally important for UD promotion. Each business division has appointed a new UD promotion leader to collaborate with our Consumer Communication Center, which features a consultation window that deals directly with consumer requests and feedback, as well as with R&D and Creative, to promote UD-centered manufacturing.

In addition, rather than the internal ESG awards that were originally planned, we have adjusted our internal recognition system, creating opportunities for the expression of thanks and for commendations relating to everyday initiatives not only at a company-wide level but also within individual units. Through these measures, we are aiming to enhance UD promotion awareness for all employees, and to help employees

recognize that UD is directly relevant to them.

Internal education system

We hold Workshops for Promoting Empathy with Elderly People, with the aim of helping our employees develop greater empathy for the elderly and a sense of direct connection with the problems they face. During the COVID-19 pandemic, taking into account the needs of infection prevention, we have been disseminating information by video, and expanding the provision of online and virtual activities for our employees.

Collaboration and engagement with stakeholders

Manufacturing that reflects consumers' views

Kao's consumer support desk inside our Consumer Communication Center receives large numbers of consumer comments on and responses to Kao products that are already on sale. These comments are shared in daily, monthly and annual reports, in a manner that considers why the comments were received, the background to the comments, and the feelings that they embody. In addition, the comments are also shared at the Quality Improvement Study Meetings that individual business divisions hold on a monthly basis, and lead to further improvements in products.

By utilizing consumer feedback in product development and improvement, and providing related information, not just at the development stage but also in the after-sales stage, we are able to develop products that are even more user-friendly.

Universal product design 416-1, 417-1

Implementing communication with diverse consumers enables us to adjust our approach to products and to information.

Exchanging information with consumer groups and consumer protection agencies

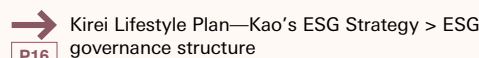
By exchanging information on a regular basis with government consumer protection agencies, including local consumer affairs centers, and with consumer groups, we are able to inform them about, and secure their understanding regarding, the proper ways to use and dispose of products, which can help to prevent consumer issues from emerging in advance, and regarding risk prevention, ensuring product effectiveness from a hygiene perspective, and the key aspects of UD. We have also been able to win the support of local communities for our efforts to ensure that consumers can enjoy safe lives with peace of mind.

Framework

Of the 19 actions included in our Kirei Lifestyle Plan (KLP), improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.

The ESG Managing Committee, which meets six times a year, deliberates on these matters under the supervision of the Board of Directors. The committee is chaired by the President, and its members include directors and executive officers responsible for ESG, Business, R&D, Product Quality Management, SCM, Sales, etc., helping the committee to coordinate its activities with our business activities. The

committee reports on its activities to the Board of Directors at least once a year, and receives oversight from the board.



Mid- to long-term targets and performance

2030 long-term targets

1. Practice UD-centered manufacturing on a continuous basis

We will expand ESG-driven *Yoki-Monozukuri* from a UD perspective not only in Japan, but also globally. We will also promote the UD-centered *Yoki-Monozukuri* Project, which aims to solve social issues, and accelerate the release of UD-centered new products. To this end, we will undertake product development that takes third-party opinions from a UD perspective into account at an early stage, across all household products businesses, and this content will be disclosed outside the company.

2. Adopt a UD perspective when disseminating information

We will adopt a UD perspective in information dissemination and retail shop design. In particular, by 2025 we will fully utilize DX to provide information for all products that enables anyone to easily access and confirm what they need to know when selecting and using those products. At the same time, we will undertake the dissemination of information in collaboration with retailers and with the media so that senior citizens, who tend to have restricted access to information, can be sure of receiving the information they need.

We will also strive to ensure that as many people as possible can access vital hygiene information, in a stress-free way.

3. Promote understanding on the part of stakeholders

We aim to enrich the lives of people globally and to contribute to the sustainability of the world by spreading awareness of UD initiatives as widely as possible and fostering understanding of these measures among stakeholders.



Universal Product Design
www.kao.com/global/en/sustainability/topics-you-care-about/universal-design/

Anticipated benefits from achieving mid- to long-term targets

Business impacts

The need to respond to the hyper-aging society and the diversification of society so that all people can live healthy lives constitute global challenges. By utilizing our attention to detail to develop products that are easy to use for diverse groups of people throughout the world, and to disseminate product-related information, we can enhance our global presence, which will also lead to growth as a brand and as an enterprise.

Social impacts

The consideration that we display—for example by adding notches on shampoo bottles—in the design of household products, which are familiar items for children, can provide widespread opportunities for thinking about universal design, and our initiatives in this area are now being used as examples in school education in Japan.

We believe that providing products that are easy to use for everyone, regardless of age, gender, disability, race, ethnicity, birthplace, religion or economic status, etc., and making consumers aware of our efforts in this regard, can itself contribute toward generating greater diversity among consumers.

Universal product design^{416-1, 417-1}

Performance in 2021

1. Product development from UD perspectives

- Percentage of new and improved products that incorporate UD perspective*
Japan: 98%, 984 items
- We have launched products such as *Bath Magiclean Airjet*, which allows stress-free cleaning of the bathroom, and *Bioré Guard Sanitizer Foam*, an easy-to-use foam-type sanitizer product.

* Regarding the data for Japan, up until last year the percentage for improved products was calculated by comparison with the previous products, but starting from this year the calculation is based on more precise assessment of whether products feature UD considerations.

* Last year, improvement percentage data was given for Kao products in Europe and the Americas. However, this year, data for Europe and the Americas has not been given, because the basis for comparison is being revised.

2. Initiatives targeting diverse groups of people

Initiatives to aid people with visual impairments

- We provided lifestyle information content, and our employees volunteered to help record narrated information, for *Home Life*, a voice-based magazine published by the Japan Braille Library.
- We collaborated with viwa, an organization that provides living support for people with visual impairments, on the production of *Liese*—Hairstyling Information You Just Listen To, to

provide information about hairstyling in an audio format that is easy to understand on our website.

Initiatives to aid people with hearing impairments

- TV commercials with closed captioning
We have been promoting the airing of closed captioning TV commercials in regular broadcasts since 2011. So far, around 1,900 commercials (including commercials on the Kao website) featuring closed captioning have been produced. Commercials that have not been broadcast on TV have been made available on the website. We are implementing initiatives to have more TV commercials with closed captioning shown during regular TV broadcasts.

- Activities in which Kao employees with hearing impairments play a central role

As part of the activities undertaken by Kakehashi, a community organization created by Kao employees with hearing impairments as volunteers, special teaching materials were developed for giving hand-washing classes at schools for children with hearing impairments.

3. Promote understanding on the part of stakeholders

As was the case last year, the number of awareness-raising activities has been reduced due to the impact

of the COVID-19 pandemic. However, a presentation on our universal design initiatives was given online in the Okayama UD Ambassador Cultivation Seminar organized by Okayama Prefectural Government. We have also undertaken various other activities, such as providing UD materials for use by elementary school students (in two municipalities).

Reviews of performance

We have been emphasizing the UD-driven aspects of product design when launching new products in Japan since 2012, and an emphasis on UD is now firmly established in all segments of our Household products. However, as the pursuit of UD is an ongoing process with no end-point, we recognize the need for a more objective assessment of our efforts in this area. This year, we reviewed the UD-driven aspects of product design for each individual product. Going forward, we will be considering seeking evaluation widely from third parties in addition to our own in-house evaluation.

This year, besides products, we have also been implementing initiatives to provide information in a way that takes UD into account. We are considering ways to undertake more wide-ranging activities, by not just disseminating information, but also listening to the views of the people who receive it.

Universal product design ⁴¹⁷⁻¹

Our initiatives

UD considerations in relation to the products that we launched and the information that we disseminated in 2021

We are continuing to develop products that make it possible for diverse groups of people to use our products in a stress-free manner in different circumstances. In this section, we present some examples of how products that Kao launched in 2021 took UD into account.

Bath Magiclean Airjet

According to Kao surveys, around 50% of people in Japan clean the bath every day. Regardless of what equipment you have, and regardless of what age you are, for many people cleaning the bath involves an awkward posture, forcing them to bend down and putting strain on the knees and back.

Bath Magiclean Airjet, which we launched in September 2021, aims to make cleaning the bath (and other surfaces in the bathroom) simple and straightforward. It features a new container design, embodying UD considerations, which allows the user to squirt a continuous jet of mist-like cleaner.

The use of a pressure accumulation type nozzle with continuous spray makes it possible for anyone to spray the surface to be cleaned evenly, without gaps or overlaps, with small amounts of mist-like cleaner. The container is designed so that the user naturally places their finger on the end of the lever when they hold the container, and effective utilization of the leverage principle makes it easy to operate the lever, facilitating continued spraying. The cleaning agent used is tougher than previous agents, and the formula is designed so that even residual dirt where

solid sebum has adhered to the area around lumps of protein will come off easily. Even congealed slime that has accumulated in the four corners of the bathtub can be cleaned within 30 seconds without the need for vigorous rubbing, and soap residue on bathroom stools or wash-basins can also be removed easily.

Feedback from customers who have used *Bath Magiclean Airjet* has been very positive, with comments such as: "Because I suffer from back pain, I find it very difficult to bend down, and I don't have the strength to rub surfaces vigorously with a sponge. This new product can be sprayed on while standing upright, and it cleans the slime off the bathtub without needing to rub away with a sponge. It has made cleaning the bath a lot easier!" "In the past, when I have used a spray-type cleaner product, I found it difficult because it made my hand hurt, so being able to spray with just gentle pressure is perfect for me!" "It brings the dirt off very well, and everyone in my family who helps with cleaning the bath loves this product," and "My son is now willing



to help clean the bath for me."

Going forward, we aim to continue providing products and services that anyone can use easily, making housework easier and less physically demanding, and making the consumer's everyday more beautiful.

Making hand hygiene stress-free and fun The evolution of foaming hand soap

It is important for children to acquire hygienic habits from a young age. In 2004, we launched *Bioré u Foaming Hand Soap* to help young children, who sometimes find it difficult to get soap to lather, to get into the habit of hand-washing in a fun, easy way. Since 2009, we have been providing hand-washing lessons, particularly for children in the younger year groups at elementary schools, to teach them correct technique for hand-washing. These lessons have been effective in bringing across how important it is to wash your hands properly.

In 2019, utilizing technology we had developed that makes it possible to create soap foam in various different shapes, we launched *Bioré u Whip Stamp Handwash*, which produces foam in the shape of flowers, with the aim of getting children into the habit of washing their hands by making it enjoyable. We received very positive feedback, with comments such as "It is convenient because it can be used with just one hand," and "The children now enjoy washing their hands." In August 2021, responding to feedback that indicated that, when children were using the product, it tended to slip off the surface it had been placed



On the left: the old-style, 2019 container; on the right: the new, 2021 container

Universal product design 404-2, 417-1

on because they couldn't exert enough pressure on the bottle to keep it steady, which was upsetting for them, we changed the shape of the bottle from oval-shaped to circular, making it more stable. Following improvements of this kind, we have received comments from users indicating that this product has become easier to use. For example, one user reported that "My four-year-old daughter wasn't able to create neat flower-shaped foam before, but now, with the new container, the flowers bloom right away, and she is very happy."

Development of Hairstyling Information You Just Listen To for the *Liese* brand

In April 2021, Kao's *Liese* hair care brand began presenting Hairstyling Information You Just Listen To audio content on the brand's official website, so that people who are bad at styling hair and people with visual impairments can access easy-to-understand information about how to perform hairstyling with peace of mind.

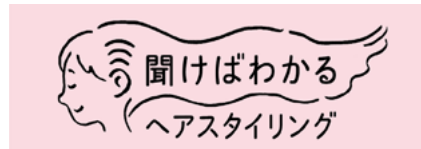
Audio content production has been undertaken since 2020 in collaboration with viwa, an organization that provides living support for people with visual impairments.

The aim was to provide hairstyling information that can be understood just by listening to it, for everyone from beginners to people who already have advanced hairstyling skills.

People associated with viwa were very pleased with this initiative, commenting that "By building an image in your mind based on the audio explanation, it was possible to style hair beautifully!" "The narration was very easy to absorb, and I could understand what items I needed to use, how much, and where to apply it," and "Now that I know how easy it is, I want to try some hairstyles that I never dared do before!"

Going forward, we will develop information that makes it possible for anyone to learn how to do things easily in other

areas besides hairstyling.



Hairstyling Information You Just Listen To
www.kao.co.jp/liese/listen_hairstyling/ (Japanese)

Employees' voice

Aiming to realize a world without disparities in access to information

Hiroko Kaneshige

Copywriter (Cosmetics), Advertising
Communication, Kao Corporation



Everybody wants to look beautiful, regardless of whether they have disabilities. However, beauty-related information usually needs to be seen or read. There is relatively little information available for people with visual impairments, resulting in a disparity in access to information.

The Hairstyling Information You Just Listen To audio content that Kao has created represents an initiative aimed at contributing toward the realization of the goal of "No one will be left behind," one of the underlying principles of the SDGs. Rather than just undertaking the temporary dissemination of information, I hope that we will be able to continue providing information that is useful to people who suffer from various inconveniences, without limiting this to any particular brand.

Promoting employee UD understanding

Producing a video version of the Workshops for Promoting Empathy with Elderly People, and implementing related online experiential activities

With the aim of enhancing empathy for senior citizens, since 2012 we have been implementing the Workshops for Promoting Empathy with Elderly People for our employees. During the COVID-19 pandemic, it has not been possible to implement face-to-face workshops that bring large numbers of people together, so we have produced explanatory videos based on the experience of past workshops, and these have been made available for use in employee training. We have also implemented, on a trial basis, online experiential workshops that employees can participate in at home.

Employees who have participated in these workshops were able to experience for themselves how inconvenient the homes where they normally live without a second thought could be for senior citizens, and noticed many things from simulating an elderly person's experience, including physical discomfort and changes in mood.

In the future, we intend to continue providing various experiential activities to support manufacturing that takes senior citizens' feelings into account.

Barrier-free access to information



Fundamental section > Corporate citizenship
activities > Barrier-free access to information

Universal product design

Giving consideration to making it possible to use products more safely

Using opening-prevention stickers to warn users of chlorinated spray products of the need to exercise caution when using them

Spray-type chlorinated bleach products and mold-removal cleaning agents for bathroom use are convenient products that make it possible to easily spray the agents where they are needed in mist form. However, the risk of harm to objects or to human health if they become airborne and adhere to other surfaces is greater than it is with other products, so it is very important to exercise caution when using them, to prevent problems from arising.

In the past, we took many different steps to help prevent these products from being sprayed in the wrong place, for example by fitting them with levers to prevent unintentional spraying, and by adding a warning on the front of the bottle stating that “If liquid starts to leak out, this indicates that the bottle is deteriorating,” to warn users that leaks may occur if the bottle continues to be used for longer than the length of time it is designed to last for, and to encourage them to purchase a replacement. However, these measures did not really have an adequate warning effect.

Although we have eliminated the use of eye-

catching plastic stickers throughout the company, we have continued to use opening-prevention stickers on these types of chlorinated spray product in order to prevent accidents due to inappropriate use in retail stores, etc. The content of the text on these stickers has been changed, with content relating to product features etc. being eliminated, and instead focusing on how consumers should store the products, and warnings about how to use them safely.



Eye-catching plastic stickers used in the past
(Kitchen Haiteer Foam)



After modification



Safer healthier products 102-12, 102-15, 103-1, 103-2, 103-3, 404-2

Create products made with carefully selected ingredients that people everywhere can use with peace of mind.

Kao's creating value to address social issues

Social issues we are aware of

In recent years, with the development of social media including social networking services and blogs, a wide range of information is now easily accessible online. As a result, more consumers are expressing an increasing interest in the effects on human health and the environment of the ingredients used in daily products, as well as related social and ethical issues. In addition, today it has become possible for consumers to search for related information. At the same time, however, scientifically-unfounded, inaccurate information is also available on the internet, and such misleading information may spread as if it is the truth.

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

A wide range of information, including inappropriate information, is available for high-social-interest ingredients. When our products contain such ingredients, there is a risk that the value of the products may not be properly understood. In addition, if, in spite of recognizing the situation, we do not present our position, there is a risk that we may significantly lose trust, from consumers and customers in our products and in ourselves.

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

Appropriate and clear communication with consumers and customers about the evidence-based approach to our ingredients helps us to enhance Kao's and our products' credibility. Moreover, communication based on shared information between consumers / customers and the company becomes a foundation for increasing trust in the company and an opportunity to contribute to *Yoki-Monozukuri* which includes innovation and value creation.

Kao's creating value

In order for consumers and customers to use our products with peace of mind in a diverse information environment, we believe it is necessary to disclose our approach based on scientifically verified information. This is today's way for companies to build trust with consumers and customers. We hope to win stakeholders' approval and strengthen bonds of trust for the future by demonstrating a high level of transparency and responsible communication.

Contributions to the SDGs



Policies

Safety is always our first priority. With this in mind, we care not only about human health and wellbeing but also about the environment when developing our products. We disclose our policy regarding the ingredients that are of particular interest to society, so that customers and consumers can use our products with peace of mind. We also help consumers to choose suitable products and to use them safely by providing product information in an appropriate and easy-to-understand manner.

Education and promotion

In order to promote the development of safer, healthier products, human and environmental safety information about our products and the ingredients is shared on our internal portal site. This information is shared with various divisions such as Business and R&D, so that each employee can enhance their understanding from a global perspective.

Safer healthier products 102-43, 416-1

Collaboration and engagement with stakeholders

We utilize our continuous research on human health and environmental safety, based on data collected from all over the world for ingredients selection and safety evaluation, and therefore we are able to develop our products so that they can be used by consumers with peace of mind. In addition, we closely review safety information through industry association activities in various countries and regions and communication with government agencies. These activities help us to provide science-based safety information to consumers and customers. We consider that enhancing the correct understanding of products and ingredients helps people to use our products safely, and helps them to choose suitable products.

Disclosure of information to customers and consumers

Under the current environment, customers and consumers can easily access incorrect or out-of-date information about the ingredients. To help customers and consumers understand information accurately, we disclose our approach based on scientific evidence, and provide accurate information.



Safe and reliable ingredient use and information disclosure

Framework

We implement activities through a working group led by Product Quality Management under the ESG Managing Committee and ESG Promotion Meeting, in collaboration with relevant functions around the world. The working group members discuss ingredients that society is particularly interested in by utilizing their expertise in order to examine the scientific information and deepen the understanding of social issues. We also have many discussions with the heads of relevant Business and R&D divisions, and then we disclose our approach.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

Mid- to long-term targets and performance

2030 long-term targets

We establish policies relating to ingredients of particular interest to society based on our research into available safety evaluations, and our evaluation of their validity. We have disclosed our policies for nine ingredients as of the end of 2021. We have achieved our mid-term goal of announcing our policies for eight

ingredients by 2022 ahead of schedule. We are continuing to work to achieve policy disclosure for a total of 16 ingredients by 2030.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

We anticipate that our value and business will be enhanced through disclosing our policies regarding ingredients of particular interest to society, and we believe that this helps build trust in our products and contributes to *Yoki-Monozukuri*.

Social impacts

By sharing our policies, we encourage customers and consumers to enhance their understanding of our products, and help them choose products with greater confidence. As that trust spreads from the individual to communities and society as a whole, we can build greater trust socially.

Safer healthier products 102-13, 102-43, 416-1, 417-1

Our initiatives

Performance in 2021

In August 2021, we published our policies developed based on science for four ingredients of particular interest to society on our sustainability website: alkyl sulfates, 1,4-dioxane, formaldehyde-releasing preservatives and talc.

Reviews of performance

The working group held meetings constantly in order to thoroughly discuss the contents of each of the four ingredients, and drafted our policies. The draft policies were then reviewed by the heads of related Business and R&D divisions, and further discussed to finalize the policies for publication. We continue to proactively research ingredients from multiple perspectives, and strive to achieve our long-term targets ahead of schedule.

Safe and reliable ingredient use and information disclosure

We will disclose our policies and actions regarding ingredients of particular interest to society in a proactive manner, based on scientifically validated information. We have disclosed our policies relating to nine ingredients (alkyl sulfates, 1,4-dioxane, formaldehyde-releasing preservatives, parabens, plastic microbeads, preservatives, silicones, talc and UV absorbers) so far.

We internally organize management structure for ingredient information including health impact, environmental impact as well as fundamental information to promote disclosing our approach on more ingredients.



About Ingredients Contained in Kao's Products
www.kao.com/global/en/sustainability/topics-you-care-about/ingredients-contained/





Industry association activities / communication

To address environmental concerns relating to microplastics, including plastic microbeads, the Japan Cosmetic Industry Association has collaborated with its partner associations around the world. It has also coordinated scientific research and usage surveys in Japan, and provides information to the government. We play a central role in these activities and lead cosmetics industry activities in Japan.

Furthermore, we actively participate in industry activities related to our business, such as those of the Japan Soap and Detergent Association and the Japan Chemical Industry Association. We also participate in industry association activities in other major regions of the world to research local information, and in particular in the ASEAN and other Asian regions, contribute to the exchange of information with governments.

Moreover, we strive for adequate communication with consumers and customers. For example, when we receive inquiries regarding our use of ingredients or their safety, we provide adequate information quickly. At the same time, we utilize inquiries to examine areas of high social interest, and these surveys are useful for product development.

Making thoughtful choices for society

Page	Kao Action	ESG keyword
P60	Sustainable lifestyle promotion 	<ul style="list-style-type: none"> • Lifestyle suggestions • Dissemination of information to consumers (Kao's environmental information website for better living) • Reducing plastics in packaging (eliminating eye-catching plastic stickers, using recycled PET, switching from bottles to film type packaging, discontinuing use of hair color swatch samples) <ul style="list-style-type: none"> • Recycling field testing conducted in collaboration with stakeholders • Selling products by weight
P71	Purpose driven brands 	<ul style="list-style-type: none"> • Our brand's purpose • Changes in consumer awareness • Products that make a positive impact on society and the earth <ul style="list-style-type: none"> • Education for the next generation • Responding to a hyper-aging society
P76	Transformative innovation 	<ul style="list-style-type: none"> • Essential Research • COVID-19 measures <ul style="list-style-type: none"> • Solving ESG issues through technology innovation
P83	Responsibly sourced raw materials 	<ul style="list-style-type: none"> • ESG procurement • Ensuring traceability • Sustainable procurement of palm oil and palm kernel oil • Public disclosure of mill list <ul style="list-style-type: none"> • Support for small oil palm farms • Sustainable procurement of paper and pulp • Use of Sedex • Kao vendor summits

Sustainable lifestyle promotion 102-12, 102-15, 103-1, 103-2, 103-3, 306-1 (Waste 2020)

Enable people to live more sustainable lifestyles through information, services and products that save precious resources such as energy and water.

Kao's creating value to address social issues

Social issues we are aware of

Climate change caused by global warming over the last few decades affects people's lives and the natural ecosystems in various ways. For instance, the melting of glaciers, changes in the sea levels, floods and droughts and the like as a result, impacts on marine and terrestrial ecosystems, and impacts on people including food production and health have begun to be observed.



Cool Choice: Current State of Global Warming via Ministry of the Environment
ondankataisaku.env.go.jp/coolchoice/ondanka/
(Japanese)

In 2020, the average worldwide concentration levels for CO₂ in the atmosphere causing global warming were 413.2ppm, which has increased 49% compared to 278ppm, the concentration levels considered the average prior to industrialization (circa 1750). (ppm is a unit of measurement used to express the amount of substances within 1 million molecules in the atmosphere.)



Changes in Carbon Dioxide Concentration Levels Over Time via the Japan Meteorological Agency
ds.data.jma.go.jp/ghg/kanshi/ghgp/co2_trend.html
(Japanese)

Advances in science and technology have improved people's lives, but at the same time, inappropriate economic activity can cause damage to the environment.

Building a sustainable society will require not only products and services that leverage enterprise strengths, but new sustainable lifestyle ideas and information. At Kao, we believe that solving these issues requires action to accomplish the goals embodied in "making the world healthier & cleaner" in the Kirei Lifestyle Plan (KLP) as well as for decarbonization, zero waste, water conservation and air and water pollution prevention.

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

We believe that if we cannot realize the sustainable manufacturing desired by society, or we are unable to offer products and services that change the way people live, there will be a negative impact on progress toward a sustainable society, we will lose the sympathy of consumers and society, and this will impair our brand value as well as our profitability and competitiveness in the market.

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

Since our founding, we have strived to enrich daily life through our business activities by listening closely to consumers, and developing and accumulating our own unique technologies over a period of 130 years.

We believe that by contributing to decarbonization and zero waste, water conservation, and air and water pollution prevention, we can help realize a sustainable society and demonstrate our commitment on a global basis.

In addition, through new ideas for living reinforced by educational and awareness-raising efforts, we are encouraging consumers around the world to make more sustainable choices, and by maximizing the results of those efforts, we are helping solve global environmental challenges.

Kao's creating value

Responsible consumption is also an important theme of the SDGs. Our mission is to support consumer cleanliness, beauty and health in daily life. This positions us to offer consumers new ways of living through products and services, and collaborate with consumers around the world to realize enrichment of the lives of people globally and contribute to the sustainability of the world.

Our aim is for a little adaptability and product selection on the part of consumers in daily life to contribute effortlessly to the realization of a sustainable society. We will achieve this through *Yoki-Monozukuri* and daily life solutions.

Contributions to the SDGs



Sustainable lifestyle promotion 102-43, 306-2 (Waste 2020), 404-2

Policies

By proactively working on technical innovations that are characteristic of Kao as well as lifestyle solutions, we will promote the actions for “making thoughtful choices for society” and “making the world healthier & cleaner” in the KLP and will realize sustainable human life.

By offering environmentally friendly, sustainable products, and receiving support for our products through the choices consumers make, we will build a sustainable society.

In addition, through our wide range of marketing, information dissemination, education and awareness-raising activities, we will strive to foster understanding by consumers themselves of the importance of sustainable lifestyles, and collaborate with them to promote contributions to sustainability.

Four actions

1. Propose sustainable solutions through manufacturing and products themselves
2. Disseminate information related to sustainable lifestyle solutions
3. Offer opportunities for hands-on learning
4. Conduct activities in collaboration with companies, organizations and public institutions

Through these activities, we will raise consumer awareness that the individual daily life choices they make can help realize sustainable lifestyles. In

addition, through our contact with consumers and in-store sales promotions, we will promote awareness-raising activities for a range of topics, including the environment, water conservation and hygiene. Moreover, we are helping the next generation understand the importance of responsible choices.

Education and promotion

We hold e-learning sessions for all employees inside the company. Currently we raise awareness on the current state and issues of decarbonization, LCA, zero waste and water conservation and concrete examples of measures. In the future, we plan to supplement this curriculum.

In addition, we hold a monthly environmental meeting for manufacturing between ESG divisions, research laboratories and business divisions. While sharing the rapidly changing situation of consumers, governments, government agencies, industries and retailers, we share technology and confirm our progress for *Yoki-Monozukuri* to contribute to a sustainable society.

Collaboration and engagement with stakeholders

We disseminate life hacks useful for consumers and our intentions and solutions. By providing information

about the basic functionality of our products as well as guidance for their use, we promote a reduced environmental impact when consumers use these household products.

Moreover, we also disseminate information from various events and the Kao Eco-Lab Museum.

- **P66** Disseminating information related to sustainable living: Dissemination and sharing of information with consumers
- **P97** Making the world healthier & cleaner > Decarbonization > Collaboration and engagement with stakeholders: “eco together” with consumers / customers
- **P138** Making the world healthier & cleaner > Water conservation > Implementing education and activities based on “eco together”: Customers

Corporate customers (retailers)

We propose a sustainable lifestyle via internet and stores in a joint campaign with retailers. In addition, we also promote the achievement of highly productive logistics that incorporates the realization of work style reforms while also proposing to retailers environmentally friendly products and collaboration on initiatives.

- **P67** Collaboration with stakeholders: Collaboration with retailers

Sustainable lifestyle promotion 306-2 (Waste 2020)

Suppliers

At each stage, from raw material procurement to production and transport, we coordinate with numerous business partners in our efforts to realize a sustainable society.



P138

Making the world healthier & cleaner > Water conservation > Implementing education and activities based on “eco together”: Business partners

Peer companies

The resource-circulating society cannot be realized by a single enterprise. An industry-wide change in awareness will be necessary. We are promoting initiatives that transcend corporate frameworks.



P67

Collaboration with stakeholders: Collaboration with retailers

National and local governments

We are working with local governments to collect used refill packs of detergent, shampoo and other products, and promoting their reprocessing into resin.



P69

Collaboration with stakeholders: Collaboration with local governments

Framework

Of the 19 actions included in our KLP, improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.

The ESG Managing Committee, which meets six times a year, deliberates on these matters under the supervision of the Board of Directors. The committee is chaired by the President, and its members include directors and executive officers responsible for ESG, Business, R&D, Product Quality Management, SCM, Sales, etc., helping the committee to coordinate its activities with our business activities. The committee reports on its activities to the Board of Directors at least once a year, and receives oversight from the board.



P16

Kirei Lifestyle Plan—Kao’s ESG Strategy > ESG governance structure

Mid- to long-term targets and performance

Mid- to long-term targets

Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world.

Our target is to reach an accumulated 100 million people from 2016 to 2030.

This indicates the number reached by awareness-raising activities using products and services, various means of disseminating information to raise awareness (including websites and social media) and activities provided by Kao employees.

Currently, these activities are focused on Japan and Asia, but we will expand them worldwide in the long-term.

Based on two of the three commitments in the KLP (“making thoughtful choices for society” and “making the world healthier & cleaner”), we will raise awareness of more sustainable lifestyles in collaboration with consumers.

Anticipated benefits from achieving mid- to long-term targets

Social impacts

By raising awareness of sustainable lifestyles, we promote ethical consumption and solution of social challenges, which can lead to changes in behavior.

Business impacts

Aware consumers choose Kao products actively. This leads to greater loyalty to Kao products, and enhances our brand value, profitability and competitiveness.

Sustainable lifestyle promotion

Performance in 2021

Performance

Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world

Cumulative total up to 2021: 3.10 million people

As a continuation of our past initiatives, we further reduced plastic and used more recycled materials. Our main initiatives include:

- Total elimination of eye-catching plastic stickers
- Launch of recycled PET for use in PET bottles
- Discontinuation of color swatch samples placed on the shelves at stores selling hair dye
- Begin using chemically recycled PET materials for cosmetics

In addition, we will expand field testing for recycling through collaboration with retailers and local governments. Our main initiatives include:

- Launch of field testing in collaboration with Lion Corporation, Welcia Yakkyoku and Hamakyorex
- Launch of detergent etc. sold by weight for a limited time in collaboration with Welcia Yakkyoku

- Project launch in collaboration with retailers, manufacturers, recyclers and Kobe City
- Participation in used plastic collection field testing in Kitakyushu City

Furthermore, we launched a website that has become a hub for our environmental information for consumers.

Reviews of performance

Even during COVID-19, we raised awareness on environmentally friendly lifestyles and promoted activities to realize a sustainable society as planned.

In 2021, we started numerous field tests for the recycling of plastic packaging. Initially, we placed stations to collect used containers. In the process, collaborations began with many retailers, manufacturers and local governments.

Future issues are improvements to consumers' awareness of recycling in tandem with the expansion of collection stations, establishment of technology to recycle collected plastic, and the acceleration of field testing to effectively use recycled plastic.

Sustainable lifestyle promotion 306-2 (Waste 2020)

Our initiatives

Solving problems through *Yoki-Monozukuri* manufacturing and through products

We have created environmentally friendly products and product packaging innovations—exemplified by our sustainable detergent base, single-rinse laundry detergents and rapid-rinse dishwashing detergents and shampoos—and promoted sustainable lifestyle solutions based on manufacturing and products themselves.

Since 2020, we started numerous activities about packaging and store displays aimed at a sustainable society and were able to achieve several of the goals for these in 2021.

Addressing the environmental challenges presented by containers

We announced our intention to transition almost completely from plastic bottles to refillable film containers for products like shampoo and conditioner by 2030, and are aiming to deploy new technology effectively to reduce the environmental impact. In addition, we have set a goal of boosting the annual quantity of environmentally friendly, innovative film packaging to 300 million units by 2030.

We have strived to drive adoption of disposable refill pouches, which have reduced plastic waste from original containers by approximately 78%, as well as *Raku-raku Eco Pack Refill* containers, which have

reduced the same type of waste by around 80%.

In addition, we are pushing forward the proposal to stop using the bottles and replace them with the *Smart Holder* pump which lets you use the product repeatedly without refilling and use nearly all of the contents when used as a set with the *Raku-raku Eco Pack Refill* as well as the *Raku-raku Switch* which makes it easy to dispense a uniform amount of liquid with a light touch when used with the *Raku-raku Eco Pack Refill*.



In the future, we will challenge ourselves with new technology while accelerating the widespread usage of our existing solutions.

Eliminating eye-catching plastic stickers completely

While eye-catching stickers made of plastic can convey product advantages or instructions for correct

product use, they also lead to increased plastic waste and CO₂ emissions when burned.

We aimed to eliminate the use of eye-catching plastic stickers by the end of 2021, and achieved this by moving information from the conventional sticker to the product bottle, and using other means to convey any needed information. When this could pose a significantly detriment to the purchaser due to the elimination of messages on usage or prevention of mistaken purchases, we used FSC-certified or other certified paper.



Kao Is Promoting the Elimination of the Use of Eye-Catching Plastic Stickers on Products
www.kao.com/global/en/news/sustainability/2020/20200317-001/

Kao Has Ended Production of Products with Eye-catching Plastic Stickers Attached, in Order to Reduce Plastic Usage
www.kao.com/global/en/news/sustainability/2022/20220125-001/

On Kao Plaza provided for our customers, we also posted information on the elimination of eye-catching plastic stickers and messages from our employees who conducted this initiative.



Project to eliminate eye-catching plastic stickers
[webmember.kao.com/jp/kaoplaza/contents/esg/001/\(Japanese\)](http://webmember.kao.com/jp/kaoplaza/contents/esg/001/(Japanese))

Sustainable lifestyle promotion 301-2, 306-2 (Waste 2020)

Launch of recycled PET for use in PET bottles

In addition to the approaches we have developed so far to realize a plastic circulating society, we will make full-scale use of recycled plastic in plastic packaging in Japan. By 2025, we will replace all bottles made of PET material for household products in Japan, which use large amounts of plastic, with 100% recycled PET.

We started implementing this with the *Attack Zero* and *CuCute Clear Foam Spray* launched in April 2021, and then implemented this in the *Bath Magiclean Airjet* launched in September.

In the future, we will promote the transition to recycled PET containers by focusing on products most frequently used by consumers and which therefore have the greatest impact on the environment.



Kao to Start Using 100% Recycled Plastic for its Bottles in Japan
www.kao.com/global/en/news/sustainability/2021/20210331-002/

Switch from CuCute Clear Foam Spray refill bottles to pouch types

The improved *CuCute Clear Foam Spray* refill containers, newly released in April 2021 switched from the conventional bottle types to pouch types in order to reduce the amount of plastic used.



Release of New and Improved *CuCute Clear Foam Spray*
www.kao.com/jp/corporate/news/products/2021/20210225-001/ (Japanese)

Discontinuation of color swatch samples placed on the shelves at stores selling hair dye and reduction in the usage of plastic

Since October 2021, we no longer offer color swatch samples for all our hair dye and hair manicure products in Japan as a promotional material to select a color at stores. In doing so, 56 tons maximum of plastic used yearly to produce these color swatch samples were reduced.

Instead, we introduced a hair color simulation as a support tool for customers to select a color. By scanning the QR code* on the store POP or the back

of the product package, customers can verify a picture of what they will look like after dyeing their hair.

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



Previous retail store displays



Hair color simulation

Begin using chemically recycled PET materials for cosmetics

We use chemically recycled PET (polyethylene terephthalate) produced by PET Refine Technology Co., Ltd., a group company of JEPLAN Inc., in bottle type containers for cosmetics. Since June 2021, we have been incorporating this starting with the bottle for the *Twany* cosmetics brand. Going forward, we will promote initiatives to achieve horizontal recycling making new bottles from used bottles (i.e. a recycling method in which a used product is recycled into a product with similar application) by collecting used containers and reusing them in cosmetics PET bottles.

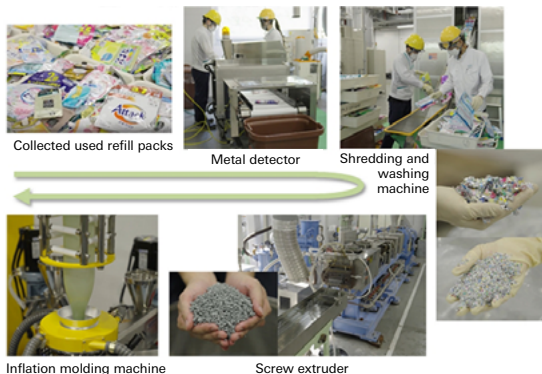


Kao Aims for Material Recycling of Plastic Bottles for Cosmetics, Begins Using Chemically Recycled PET Material
www.kao.com/global/en/news/sustainability/2021/20210602-001/

Sustainable lifestyle promotion 102-43, 306-2 (Waste 2020)

Pilot plant operation for film packaging recycling at Wakayama Research Laboratories

Since June 2021, we have operated a pilot plant to test regeneration treatments for film packaging. Once the used refill packs amassed from various locations are sorted, crushed, cleansed, pulverized, dried and dissolved, they are reverted to pellets, the raw material for plastic products. While performing various types of testing and field using this facility, we aim at horizontal recycling to ultimately revert a package into another package.



Kao Announces Its Participation in the Kobe Plastic Next: Joining Forces to Recycle Refill Packs, a Project Aimed at Horizontal Recycling of Refill Packs
www.kao.com/global/en/news/sustainability/2021/20210929-001/

Introduction Video: Kao Horizontal Recycling Pilot Plant for Refill Packs

www.youtube.com/watch?v=jrvxs0a5u0Q&list=TLGGrCccdTNNy6QxNzExMjAyMQ&t=11s (Japanese)

Disseminating information related to sustainable living

Dissemination and sharing of information with consumers

We use our website, social media and corporate communication activities to disseminate and share a wide range of information with stakeholders. These efforts convey our activities to consumers, and enable us to reflect consumer opinion in *Yoki-Monozukuri*.

We use principally the following to disseminate and share information relating to sustainable lifestyles with consumers.

Kao's environmental information website for better living

Since September 2021, we have published a website that has become a hub for our environmental information for consumers, in which we disseminate life hacks useful for consumers and our intentions and solutions. We promote a reduced environmental impact when consumers use these household products.



Kao's Environmental Information for Better Living: Making a Beautiful Future Together
www.kao.com/jp/our-environment/ (Japanese)

Kao Plaza

Kao Plaza is a community website for loyal Kao users in particular and consumers in general. We profile not

only sustainable lifestyles but a wide range of our activities, and share opinions from consumers (member registration may be required).

In June 2020, our profile of efforts to eliminate eye-catching plastic stickers generated significant consumer feedback.



Kao Plaza: Project to eliminate eye-catching plastic stickers
webmember.kao.com/jp/kaoplaza/contents/esg/001/ (Japanese)

In July 2021, we addressed questions about the project to eliminate eye-catching plastic stickers.



We respond to questions sent by any of our members!
webmember.kao.com/jp/kaoplaza/contents/esg/004/ (Japanese)

Social media

We use social media extensively to disseminate information relating to our solutions and activities. We listen to consumers and draw on their opinions in our sustainability-related activities.



Sustainable lifestyle promotion 102-43



Kao Official Twitter
twitter.com/KaoCorporate_jp (Japanese)

Kao Official Instagram
www.instagram.com/kao_official_jp/ (Japanese)

Offering ideas for living through product use

On our Go! Kurashi no Kirei website, we strive to achieve social impact by advocating environmentally friendly living through our product communication, and by raising consumer awareness of sustainable lifestyles.



Go! Kurashi no Kirei (lifestyle information website)
www.kao.co.jp/lifei/support/ (Japanese)

Kao corporate website

Our corporate website is another means for sharing information on a wide range of activities.



Aiming to make our plastic packaging fully recyclable
www.kao.com/global/en/who-we-are/actions/
recyclable-package/

Responding to questions from consumers

We are offering active support through social media, such as Yahoo! Chiebukuro, as well as our website, to consumers with housekeeping- and beauty-related concerns.

Our responses based on specialist knowledge are posted to social media, which enables other consumers with similar concerns to benefit from the responses.



Yahoo! Chiebukuro: Kao Official Support
chiebukuro.yahoo.co.jp/user/1020588266 (Japanese)

Collaboration with stakeholders

Collaboration with retailers

Recycling field testing activities in collaboration with Lion Corporation

To carry out field testing for segregated collection of used refill packs, since October 2020 we have begun working with Ito-Yokado Co., Ltd. on RecyCreation activities. RecyCreation means upcycling to create more enjoyable and better goods without reverting them back to the same product they were in the past by combining recycling in which used goods are reverted to raw materials and creation in which new value is generated.

In the field testing, special recycling boxes are placed at stores for consumers to return used refill containers of detergent, shampoo and other products from Kao and Lion Corporation. Refill packs collected in this way can be recycled into blocks and other shapes for a variety of uses, such as events to convey the importance of recycling.



Kao and Lion Begin Collaboration on Recycling Field Testing
www.kao.com/global/en/news/sustainability/2020/
20201124-001/

Sustainable lifestyle promotion ¹⁰²⁻⁴³

In July 2021, we reported the progress of field testing. From October 30, 2020 to June 15, 2021, we collected approximately 5,200 pieces of film packaging. Thanks to the cooperation of the Ito-Yokado Hikifune Store and its customers, we were able to collect about twice the amount we had planned for.

We are working to further expand our collection initiatives.



Progress of Kao and Lion's Recycling Collaboration
www.kao.com/global/en/news/sustainability/2021/20210827-001/

Field testing in collaboration with Lion Corporation, Welcia Yakkyoku and Hamakyorex

Since October 2021, we have collaborated with Lion Corporation, Welcia Yakkyoku and Hamakyorex to begin field testing for recycling used refill packaging of household products as part of our efforts to realize a plastic packaging resource circulating society.

Welcia Yakkyoku places collection boxes at a total of 28 locations, and collects used refill packs of detergent, shampoo and other products. Hamakyorex implements the revised logistics process to make it more efficient and reduce its environmental impact by picking up used refill packs on the return trip of trucks delivering products to Welcia Yakkyoku stores. Kao and Lion Corporation recycle the collected refill packs into blocks that can be used at stores and throughout

the region and raise consumers' awareness, aiming to explore technologies for horizontal recycling to reuse these as film packaging and to design film packaging that is easier to recycle.



Kao and Lion, with Welcia Yakkyoku and Hamakyorex, Begin Field Testing for Recycling of Used Refill Film Packaging
www.kao.com/global/en/news/sustainability/2021/20211125-001/

Launch of detergent etc. sold by weight for a limited time in collaboration with Welcia Yakkyoku

As one option to keep containers from being thrown away, we have placed a corner called Hakariuri-do at two Welcia Yakkyoku stores to sell four products by weight—concentrated liquid detergent for clothing, detergent for formal clothing, fabric softener and dishwashing detergent. We refill customers' desired amount in bottles they brought into the store or the original bottle for the Hakariuri-do corner (for the customer to bring in next time).



Choose to Not Throw Away Containers for the Sake of the Future: Launch of Detergent etc. Sold by Weight for a Limited Time at Two Welcia Yakkyoku Stores
prtimes.jp/main/html/rd/p/000001268.000009276.html (Japanese)

Limited release of *Smart Holder* using more than 90% recycled plastic

In October 2021, we released limited quantities of the *Smart Holder* set (for shampoos and conditioners) with an original design using more than 90% recycled plastic at Matsumotokiyoshi Group and Cocokarafine Group.

The *Smart Holder* is a specialized holder used as a set with the *Raku-raku Eco Pack Refill* to refill Kao shampoos, conditioners and body wash. The holder and pump can be used repeatedly to get out every last drop of its contents through our proprietary airless pump.



Good for the Earth and Life! Limited Release of Kao *Smart Holder*, an Original Design Using More than 90% Recycled Plastic
prtimes.jp/main/html/rd/p/000001277.000009276.html (Japanese)

Sustainable lifestyle promotion ¹⁰²⁻⁴³

Collaboration with local governments

Recycling project in collaboration with retailers, manufacturers, recyclers and Kobe City

Since October 2021, we have recycled used refill packs of household products in collaboration with retailers, household products manufacturers, recyclers (resource recycling business operators) and Kobe City and has been participating in the Kobe Plastic Next: Joining Forces to Recycle Refill Packs, a project aimed at realizing the resource-circulating society.

We call on residents of Kobe to collect used refill packs for detergents, shampoos and other products and gather these refill packs they brought into the collection boxes placed in a total of 75 locations at retail stores so as to efficiently limit our environmental impact. Recyclers and manufacturers are working together to achieve horizontal recycling to reuse film type packaging from the collected refill packs, as well as turn them into recycled products that are useful in daily life.



Kao Announces Its Participation in the Kobe Plastic Next: Joining Forces to Recycle Refill Packs, a Project Aimed at Horizontal Recycling of Refill Packs
www.kao.com/global/en/news/sustainability/2021/20210929-001/

Participation in used plastic collection field testing in Kitakyushu City

Since July 2021, we have participated in the Meguru Box Project, a pilot project for recycling used plastics in Kitakyushu City, which was launched by Kyushu Circular Economy Partnership, a corporate alliance aiming to achieve a circular economy in the Kyushu area. We place boxes to collect used plastic bottles and pouches at retail stores and public facilities in Kitakyushu City, Fukuoka Prefecture and request separated collection from residents. We promote horizontal recycling of collected plastic bottles while verifying the framework to promote resource collection through the use of information and communication technology. More than ten companies and organizations collaborate with the goal of creating a resource recycling system.



Kao Announces Its Participation in the Meguru Box Project, a Pilot Project for Recycling Used Plastics, in Kitakyushu City, Japan
www.kao.com/global/en/news/sustainability/2021/20210727-001/

Collaborative Plastic Recycling Program in Higashi-Yamato City, Tokyo

Since June 2021, Unilever Japan and Kao have been jointly collecting used packaging for household products, aiming at making new bottles from used bottles. Collection boxes are being installed at ten locations within Higashi-Yamato City, Tokyo, for the collection of used packaging that have been washed and dried after their use by households. The collected packaging is then delivered to Veolia Jenets K.K., a

leading company in waste management and recycling, where the packaging are sorted, washed and processed, and used in verification testing of horizontal recycling technology for transforming used bottles into new bottles.



Unilever Japan and Kao Launch a Collaborative Plastic Recycling Program
www.kao.com/global/en/news/sustainability/2021/20210518-001/

In September 2021, we reported on our progress. With the collaboration of citizens of Higashi-Yamato City, we collected 1,426 used product packaging, approximately 42kg, from June 1 to August 18, 2021. Going forward, we will promote the expansion of these collections and more verification of horizontal recycling technology making new bottles from used bottles.



Unilever Japan and Kao Report on the Progress of the "Collaborative Plastic Recycling Program"
www.kao.com/global/en/news/sustainability/2021/20210921-001/

RecyCreation activities with five local governments

We are working with Kitami City, Hokkaido Prefecture, Ishinomaki City, Miyagi Prefecture, Onagawa-cho, Miyagi Prefecture, Kamikatsu-cho, Tokushima Prefecture and Kamakura City, Kanagawa Prefecture to collect used refill packs of detergent, shampoo and other products, and promoting their reprocessing into recycled resin.

Collected packs are reprocessed in blocks called Okaeri-blocks, which are useful in the daily lives of the cities' residents.

Sustainable lifestyle promotion 102-43

Using other opportunities to raise public awareness

Education for the next generation through providing education in the classroom and educational materials

As part of our educational activities to develop the next generation, we host a program to consider the issues of ocean plastic waste and work to resolve them at elementary schools in Wakayama Prefecture.



P47

Making my everyday more beautiful > Habits for cleanliness, beauty & health > Educational program to cultivate habits for cleanliness, beauty & health: Education for the next generation through the provision of educational materials

Participation in Sustainable Brands 2021 Yokohama

Among the many presentations relating to social issues such as climate change and human rights that were held at the international conference, we profiled our activities aimed at making consumers agents of change, using the issue of plastic waste as a case study.

The Kao International Environment Painting Contest for Children

Our International Environment Painting Contest for Children aims to raise environmental awareness among the next generation, with paintings expressing how we should preserve our critical global environment for the future.

Our 12th contest, held in 2021, drew a total of 7,009 entries from around the world.



12th "eco together" Planet Earth Grand Prix
Artist: Selen Arami (age 7)
Title: Friendship between man and animal and nature



Web

Kao Announces Winners of the Twelfth Kao International Environment Painting Contest for Children
www.kao.com/global/en/news/sustainability/2022/20220126-001/

In June 2021, we hosted the exhibit "Wishes for the Future of the Children around the World: Kao International Environment Painting Contest for Children Prize-winning Entries" at the Gyoko-dori Underground Gallery with direct access from Tokyo Station. We exhibited the prize-winning entries of the 11th contest as an opportunity to increase interest and understanding of environmental conservation.



Web

Holding Wishes for the Future of the Children around the World: Kao International Environment Painting Contest for Children Prize-winning Entries
www.kao.com/jp/corporate/news/sustainability/2021/20210601-001/ (Japanese)

Purpose driven brands 102-12, 102-15, 103-1, 103-2, 103-3

Every Kao brand will have a purpose that offers solutions to social issues within the communities or societies it touches.

Kao's creating value to address social issues

Social issues we are aware of

Globally, there are environmental problems such as climate change and marine plastic, as well as hygiene problems including infectious disease pandemics. In Japan, due to the arrival of a hyper-aging society and the diversification of values and ethnicities, the situation we live in is changing dramatically.

As with changes in society and the global environment, consumer awareness is also changing. Not wanting to add to waste caused by mass consumerism and purchasing, in response to this more steps are being taken to choose only those things which are necessary. In light of this, the definition of the concept of ownership as something owned by a single individual is expanding to include sharing. Now there is demand for a mindset where lifestyle is something created together with consumers.

Kao's creating value

By clarifying the purpose of each brand, and based upon that, implementing various communication and activities that resonate with stakeholders beginning with consumers, and encourage them to align their actions with ours, we aim not only to enrich people's lives, but to contribute to the sustainability of society as well as the Earth.

Contributions to the SDGs



The social issues each brand contributes to depend on its category and the value it provides. For example, in order to contribute to the fundamental SDG goal of "No one will be left behind," we are developing and providing easy-to-use containers for our products. The zigzag notches on our shampoo bottles make it possible to distinguish shampoo from rinse through touch. This enables not only people with visual impairments, but anyone with their eyes closed to identify bottles by touch when washing their hair.

Regardless of disability or age, we strive to develop products that are safe, easy to understand and easy to use for all people.

In addition, our products that require fewer rinse cycles and less quantity save on water and electricity, helping to reduce environmental impact.

Each of our brands has a different purpose based on various social issues, and by responsibly manufacturing products and providing them to consumers, we believe that their usage is able to contribute to the achievement of the 12th SDG Goal.

To this end, we will not make these efforts alone, but will coordinate and cooperate with local government bodies, retailers, competing companies

in our industry and others to elevate the speed and level at which social challenges are solved.

→ Making thoughtful choices for society > Sustainable lifestyle promotion > Collaboration and engagement with stakeholders
P61

Containers that anyone can easily use



Shampoo bottle notches



One-hand push type *Attack ZERO* dispenses liquid with light touch



Hand soap that easily allows children who experience difficulty creating enough foam using regular soaps to dispense enough foam to cover their entire hand



Easy to Use for All—Tactile Marks on Shampoos
www.kao.com/global/en/sustainability/topics-you-care-about/universal-design/shampoo-notches/

History of Major Initiatives

www.kao.com/global/en/sustainability/topics-you-care-about/universal-design/initiatives-history/

"eco together": Ways we can save water in our daily lives

www.kao.co.jp/lifei/support/50/ (Japanese)

Purpose driven brands 102-43, 404-2

Policies

When it comes to Kao's brand purpose, we refer to what positive impacts we can make on daily life, society and the Earth.

The activities of our purpose driven brand include the following efforts: (1) an explanation of why the brand exists, (2) specific brand actions, (3) communication.

During our first year of these activities in 2019, we focused on (1) an explanation of why the brand exists. From 2020 forward, we have been focusing on creating change in the world through (2) specific brand actions and (3) communication, becoming an entity that contributes to the solution of social issues in collaboration with consumers and society.

Education and promotion

Communication with consumers is essential for making a positive impact on daily life, society and the Earth. In order to achieve this, we provide educational training to staff in order to reconfirm the significance of our existence as a brand based on consumer perspective, working with ESG management and global unity.

In addition, conveying brand attitude and participating in awareness-raising activities in order to create social change together with consumers is important. For instance, with *Bioré u*, we were able to develop a foam hand soap that makes hand washing easier, along with a

Foaming Hand Washing Song children can enjoy singing as they wash their hands with it.



Making my everyday more beautiful > Habits for cleanliness, beauty & health > Educational program to cultivate habits for cleanliness, beauty & health

Collaboration and engagement with stakeholders

Important stakeholders

Consumers are the most important stakeholders concerning our business activities. It is important to foster empathy and action by creating consumer awareness using various means beyond utilizing different types of media and storefronts. These means include school education for the next generation and working with local governments and worksites to take initiatives toward a hyper-aging society.

Next-generation awareness raising

As part of our activities to educate the next generation, since 2009 we have been providing hand-washing lessons as visiting classes for lower grades at elementary schools with our *Bioré u* brand, which promotes good physical hygiene.

However, due to the ongoing effects of the COVID-19 pandemic, in 2021, as in the previous year, we provided free teaching materials for teachers to

conduct their own classes. In response to the pandemic, we developed a new hygiene habits program to help children in the early grades of elementary school enjoy learning the importance of hand-washing and mask-wearing, and acquire hygiene habits. We provided information about the program to approximately 20,000 schools nationwide, and more than 6,000 are using it.

In addition, we developed a parallel program for children with hearing impairments, which we have been offering since September 2021, to help them acquire hygiene habits while having fun.



Foaming Hand Washing Song
www.kao.co.jp/bioreu/family/hand/song/en/

Initiatives for a hyper-aging society

In cooperation with local governments and worksites, we are working to extend healthy life expectancy through visualizing how much visceral fat they have at measurement sessions, encouraging citizens to walk and offering them healthy meal menus.

Under the *Healthya* brand, through the LINE we are conducting a service that allows users to easily check their percentage of visceral fat.



Monitoring Health with *Healthya*
[www.kao.co.jp/healthya/product/monitoring/\(Japanese\)](http://www.kao.co.jp/healthya/product/monitoring/(Japanese))

Purpose driven brands

Framework

Of the 19 actions included in our Kirei Lifestyle Plan (KLP), improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.

The ESG Managing Committee, which meets six times a year, deliberates on these matters under the supervision of the Board of Directors. The committee is chaired by the President, and its members include directors and executive officers responsible for ESG, Business, R&D, Product Quality Management, SCM, Sales, etc., helping the committee to coordinate its activities with our business activities. The committee reports on its activities to the Board of Directors at least once a year, and receives oversight from the board.

→ Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure
P16

Mid- to long-term targets and performance

2025 mid- to long-term targets

Clarify the purpose of all of our brands. State the purpose of our brands in a way that is obvious to consumers, and promote consistent communication.

Following the completion of our educational training for brand managers in 2019, we clarified a purpose for each brand. From 2020, we began taking clear, concrete actions in line with these purposes. By 2025 we aim to realize all target activities regarding each of our brands.

2030 long-term targets

Ensure that our brands have meaningful purpose that can win the approval of consumers and of society as a whole, and have them align their actions with our goals, by responding to changes in consumer lifestyles as well as to social, environmental and hygiene issues through all of our brands, establish evaluation criteria for gauging the status of each brand, and perform verification with our vision for 2030 in mind.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Having support for meaningful brands will lead to enhanced awareness of our brands in the market, contributing to market share growth.

Social impacts

Gaining approval and support from consumers and succeeding in having them align their actions with our goals will enable to have a positive impact on people's lives, society and the planet through our brands.

Purpose driven brands

Performance in 2021

Performance

In 2019, we reviewed our brand design from a KLP perspective, characterized the type of positive impact it will have on people's lives, society and the Earth, and began to define our purpose.

From 2020, we began taking clear, concrete actions in line with these purposes. For example, we stated that both the purpose of our *MyKirei* by KAO brand, launched in the U.S., as well as our *athletia* brand, launched in Japan, would be to contribute to a sustainable global environment.

In 2021, we completed the process of defining purposes for all domestic brands. Based on these definitions, we are initiating specific actions and communications to create positive change in the world.

Reviews of performance

In 2021, despite the ongoing pandemic, we conducted product development and communication activities for multiple brands under the slogan "Let's make our lives Kirei" to realize hygienic bodies and lifestyles in a wide range of lifestyle scenes. Going forward, we will act with conviction in every activity that has an impact on people's lives, society and the global environment, and by continuing to doing so, we will reinforce the significance of our existence and strengthen customer satisfaction.

Customer satisfaction level

	2020	2021
Favorability level (%) of the product brand among consumers who use Kao products	70.7%	74.3%

Note: Selection percentage of preferred brands in each product category

Purpose driven brands 306-2 (Waste 2020), 416-1

Our initiatives

Brands that epitomize the Kirei Lifestyle

MyKirei by KAO brand, epitomizing Kao's Kirei Lifestyle, was launched in the U.S. in April 2020.

MyKirei by KAO was created with the brand concept "Every facet of daily life is filled with caring," and a brand purpose of providing unique products with low environmental impact that anyone can use with ease, made possible through our Essential Research.

We used our company developed *Air-in Film Bottle* for the first time with *MyKirei by KAO*. Made with flexible materials, these bottles gain their rigidity through an air fill, allowing them to stand upright like a traditional bottle, and compared to pump bottles, uses 50% less plastic. Furthermore, our line of refills encourages consumers to keep using the same bottle pump again and again. Additionally, compared to other conventional bottles it allows one to finish using product in them with less liquid waste, making it more environmentally friendly.



MyKirei by KAO



Kao USA, Inc announces the launch of *MyKirei*
www.kao.com/global/en/news/sustainability/2020/20200407-001/

***athletia* (known in Japan as *e'quipe*)**

athletia is for people who live active lives. It was designed for people of any gender or age. No matter how one's skin condition fluctuates, *athletia* preserves skin's natural suppleness. Launched in February 2020, it was founded on these concepts as well as controlling the balance between "dynamic" and "tranquil."

Everything from its ingredients and raw materials incorporates the concept of clean beauty, in consideration of its impact on people, society and nature.

Common ingredients found in the brand such as *ashitaba* and perilla are cultivated on farms using

circulation type agriculture free from agrochemicals or fertilizers, and 90%–100% of fragrances are derived from natural, plant-based essential oils.

We use as much recycled and bio-based materials for packaging as possible, and actively use recycled and recyclable materials for the interior, flooring, fixtures and decorations that make up our flagship store in Omotesando. We strive to make the best choices possible, aiming for a more sustainable future.



athletia
www.athletia-beauty.com/jp/ja/about-us/clean-beauty/
 (Japanese)

Transformative innovation 102-15, 103-1, 103-2, 103-3

Pursue Essential Research to unleash breakthrough innovations that help realize more sustainable lifestyles by solving social issues and easing people's pains.

Kao's creating value to address social issues

Social issues we are aware of

The economic and production activities that have supported our way of life also produce carbon dioxide and other greenhouse gas emissions that cause temperatures to rise, and therefore, mitigation measures as a strategy to reduce these emissions need to be accelerated as an issue of the highest priority. So far we have taken steps to reduce carbon dioxide emissions, such as making efficient use of natural resources and developing energy-saving and water-saving products, but to realize the future decarbonized society, resource circularity initiatives for plastic packaging are another important cross-industry issue.

In addition to taking steps to cope with the heat as part of adaption measures to reduce risks associated with heat waves and water disasters caused by these rising temperatures, we also need to build a more resilient society.

COVID-19 emerged in 2019 and has changed how we think and act in our daily lives. R&D activities on hygiene, diagnosis and treatments as part of adaption measures for new and re-emerging infectious diseases—whose occurrence is said to be only be a matter of time—are increasingly important.

The COVID-19 pandemic has become an opportunity to take another look at the connections between people and the wider society. It has also reminded us of the importance of social acceptance for diverse values and enabling people's physical, mental and social needs to be met (well-being).

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

It is our responsibility to create a society that offers safety and security. Our goal is to realize enriched lives and a sustainable society in which no one is left behind, where everyone can confidently lead Kirei lives every day with vitality and peace of mind.

In this, the frequent occurrence of natural disasters caused by climate change, environmental pollution caused by increasing amounts of waste, and water insecurity not only lower consumers' quality of life (QOL)—they are also serious risks in terms of the continuity of our business activities. Changes in society due to the global pandemic in particular have also transformed the role of companies in society.

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

Since our founding, we have embraced the ethos of responding to social issues with safe and reliable quality. Swiftly identifying changes in consumers' lifestyles and social issues, we use science to reveal the mechanism of phenomena and, using technology, connect this to product creation that meets diverse needs. Going forward as well, we will be able to give consumers and customers new experiences and satisfaction through products and services that leverage our strengths in research findings and technology assets built up in wide-ranging business domains, as we have done with precise interfacial control technology, where we have built up expertise and deployed it for a diverse range of products from clothing to precision electronic components.

Various risks including social issues and uncertainty that cannot be solved by one company alone, for example environmental and infectious disease countermeasures, are projected to increase. Along with strengthening internal collaboration, while cooperating broadly with consumers, customers, industry, government, academia and others, we will increase the velocity of our technology and product development and make daily life more fulfilling for consumers around the world with our unique and novel approaches.

Kao's creating value

Through the fusion of science and technology, we will continue striving to solve issues from the perspective of people, society and the environment, and to create value.

The human perspective

We have strived to enhance consumer QOL. From the human perspective, together with ways to reduce the burden of housework and realize diverse beauty that we have offered so far, we also continue to conduct research on protecting people from bacteria and viruses and preventing lifestyle diseases and geriatric syndromes, with protecting consumers' lives as our highest priority.

In addition, by combining our research findings and scientific data on the skin and health that we have collected so far with biological information including RNA, we aim to offer individually customized, precision life-care proposals and realize well-being so that everyone can lead comfortable, beautiful and healthy lives.

Transformative innovation 102-12, 103-1, 103-2, 103-3

The social perspective

From the social perspective, we are deploying our expertise in the mechanisms of propagation and inactivation of the causes of infectious diseases, revealed through exhaustive research on microbes and viruses, to create products and services, and making use of this knowledge in infection countermeasures taken in daily life, public health, hospitals and other medical facilities.

Moreover, we are contributing to the creation of a safe society by offering highly functional chemicals for road and bridge construction such as *Visco Top*, which does not pollute water, as well as asphalt additives that enhance pavement durability and useful life.

The environmental perspective

From the environmental perspective, we are working to realize a recycle-based society by adhering to the 4Rs for packaging, reducing the use of plastic, recycling used refill packs for further use, and developing technology to recycle reprocessed materials back into containers and film. In addition, we are also attempting to create business by taking waste materials and turning them into new value. We are also working to reduce the environmental impact of consumer product contents, and continue to research ways to utilize natural raw materials such as inedible biomass and to reduce the amount of water and energy consumed during product use.

Contributions to the SDGs



Policies

We have adopted the following three basic policies for our R&D activities.

1. Create the seeds for new businesses
2. Bring about innovation that creates new customers' needs in existing business domains
3. Share scientific technologies with society

Based on these basic policies, we seek to enrich people's lives through innovation and advance our research activities while embracing two approaches.

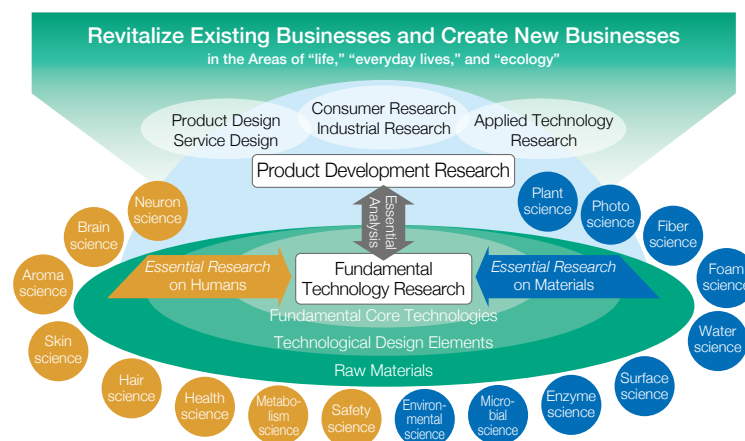
One is pursuing Essential Research, which is driven by our passion for discovery. Essential refers to the universal nature and root causes that are revealed through exhaustive investigation of objects and phenomena using the lens of science, which offer clues to solutions to issues and spark ideas for new

technologies and consumer and customer value creation.

The other approach is promoting technology innovation to create the seeds for new businesses and products. We have many technology assets built up through Essential Research on humans and materials. In addition to deploying our core technologies such as interfacial control, reframing our technology assets in terms of solving social issues will enable us to design products that will strengthen our existing businesses and realize the Kirei Lifestyle. And we will bring new businesses to fruition by creating technology solutions and value using backcasting.

By continuing to build on these activities, we will create innovations that will have major positive impact on people's lifestyles and contribute to people and society through *Yoki-Monozukuri*.

Essential Research



Transformative innovation 102-43, 404-2

Education and promotion

To advance our R&D activities, we must develop individual researchers' advanced specialization, creativity and originality as well as foster a culture in which many researchers work together to take on challenges in new fields.

For this purpose, we have established a research report database that all researchers can access to independently browse internal research findings, technology assets and the latest research results. We also provide opportunities to engage with leading-edge science and technology through lectures and technical guidance provided by outside experts.

In addition, we hold presentation sessions with participation and discussion open to all researchers to create opportunities for collaboration where new discoveries can be made through the exchange of ideas. Using an online conferencing tool, over 100 researchers participate each session, which is helping generate innovation. Focusing on efficiency gains through the use of digital tools as well as dialogue, we are establishing awareness for tackling challenges related to realizing the ideal sustainable society of the future.

Collaboration and engagement with stakeholders

Multi-faceted linkage and collaboration between industry, government and universities are necessary to solve challenging environmental and social issues. Open innovation is one example of this approach. New value is created when two or more parties mutually supplement and

combine their technology strengths, and this enables products and services to be quickly delivered to consumers. Especially when it comes to realizing a sustainable society, collaborating with companies that are tackling the same social issues is necessary. When it comes to our efforts for packaging as part of resource circularity, we collaborate through field testing, aiming to establish technology and realize swift social implementation.

By presenting important knowledge gained through R&D activities at academic conferences and through publications, we strive to propagate science and technology. This has earned us recognition, including awards for various technologies that reduce environmental impact.

Framework

We are promoting matrix management in our R&D Division to gather knowledge across business and technological boundaries. Each of our research laboratories reports directly to the R&D Division, with flexible cross-team coordination between the Fundamental Technology Research and Product Development Research laboratories as the situation demands. This helps us also respond swiftly to climate change trends with product suggestions.

To generate innovation, we need to transform technology into new consumer and customer value and realize swift social implementation in the form of products and services.

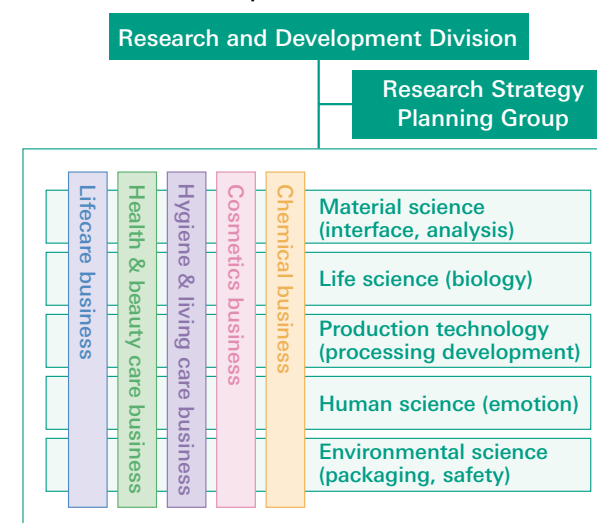
In our existing business domains of beauty, health, cleanliness and the environment, our Product Development Research laboratories link their activities with our business strategy to quickly establish policy for the proposed value and continue offering innovative products.

In new business domains, we are examining solutions we can offer in healthcare and skin care as well as new businesses such as hygiene services that target social issues such as infectious diseases, population aging and treatments, based on deploying technologies and data we have built up in fundamental technology research and product development research as well as collaborations involving leading-edge external technologies.

By sharing these R&D policies with management and business divisions at strategy meetings, etc., and by confirming strategy implementation and progress in annual plans, we are increasing the speed of our decision-making and velocity of our global growth.

➔ Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure
P16

Research and Development structure



Transformative innovation ⁴¹⁶⁻¹

Mid- to long-term targets and performance

We will advance innovation, aiming to strengthen existing businesses and create new businesses. In our existing businesses, we will meet the expectations of consumers and customers and realize a sustainable society by providing safe and reliable quality as well as environmentally friendly products and services. In new businesses, we aim to make new proposals for social issues such as infectious diseases, hygiene and population aging.

2030 long-term targets

We have prepared concrete activity plans for two research objectives to ensure that all researchers conduct R&D activities with a high level of awareness.

1. Propose products with major positive impact on lifestyles

Propose ten or more product releases by 2030 incorporating innovations capable of causing major positive change with respect to lifestyles, society or the environment (cumulative beginning in 2019)

2. Propose businesses and schemes with major positive impact on lifestyles

Propose ten or more businesses or schemes by 2030 incorporating innovations capable of causing major positive change with respect to lifestyles, society or

the environment (cumulative beginning in 2019)

Anticipated benefits from achieving mid- to long-term targets

Business impacts

We will achieve higher sales from new or improved products and create new business areas through R&D activities.

Social impacts

We will solve environmental and social problems, and realize a resource-circulating society and safer, more reliable, healthy lifestyles by offering distinctive technologies and innovative businesses and products. We aim to become a needed presence for people around the world by continuing to create and offer technology solutions and value.

Transformative innovation

Performance in 2021

In terms of infection countermeasures, we launched body wash products that wash away viruses and bacteria as well as products that have lasting antiviral properties. We are developing recycling technology to take used plastic containers and turn them into products for the same application, toward realization of a resource-circulating society.

At the Kao Group Technology innovation session in November 2018, we announced our new technologies in five domains: skin, health, hair, surface chemistry and environment.

One of these is Bio IOS, an environmentally friendly surfactant obtained from natural raw materials that do not readily compete with food resources. Including the surfactant in product formulations makes it possible to reduce carbon dioxide emissions, and it received the Minister of Economy, Trade and Industry Award in the Green and Sustainable Chemistry Awards organized by the Japan Association for Chemical Innovation.

In 2019, we deployed our Fine Fiber Technology, which forms an extremely thin, natural membrane on the skin through deposition of ultra-fine fibers, in a skin care serum. We are advancing research to deploy the technology in more products, and in 2021 we found that its

unique structural properties attach to and remove PM2.5 and other polluting airborne molecules, and that it offers functional protection from friction and other physical irritants.

Skin surface lipids-RNA monitoring makes visible precise, day-by-day changes in skin and body condition, and in 2020 we began testing its use in beauty counseling. The expertise to estimate the progression of skin aging, which differs from person to person, and the potential for early diagnosis of Parkinson's disease, are the results of open innovation, and we plan to connect these results to business and solving social issues.

We believe that we will have achieved innovation not just when we propose products and services that mobilize the features of the respective technologies, but when this changes how people live their lives and enriches society. We are advancing proposals as planned for our long-term goals. In this, it is not only the number of proposals that is important but also the speed with which the technology is deployed in products and services. We are looking at ways to measure the actual impact of innovation sparked through these efforts while quickly meeting market and customer requests and deploying unique technologies in wide-ranging products.

Transformative innovation

Our initiatives

Brands launched in 2021 that epitomize the Kirei Lifestyle

Essential Research on Humans: Product development for consumer-focused infection countermeasures

As infection countermeasures, we are proposing products with our Essential Research and technologies that alleviate people's worries.

We learned that ethanol-based hand sanitizer tends to not get adequately rubbed all over the hands. While it had been a challenge to dispense our existing sanitizer as foam, *Bioré Guard Sanitizer Foam* is designed to dispense as a foam using a pump foamer. This makes it less prone to spilling and easier to apply the active ingredient all over the hands as the foam changes to a liquid after being dispensed. In Indonesia, we released the gel-type *Bioré Guard Gel Hand Soap Eucalyptus Scent Antibacterial*, which matches local lifestyle preferences.

People are also more aware of viruses and bacteria adhering to them while they are away from home. To meet needs related to this and expand hygiene practices to the entire body, we released a medicated body wash product that can also be used for washing the hair and is formulated with sanitizing ingredients. For clothing as well, we are offering *Resesh Disinfecting EX Protect Guard*, which has lasting ability to reduce the amount of virus adhering to clothing just by spraying it on clothes before going out.

We announced our findings about the homeostatic natural bacterial and viral barrier function

of human hands and individual differences in the effect and how lactic acid contained in sweat secreted from the hands, the pH level and temperature of the hands play an influential role in this function. Based on new findings from our Essential Research on Humans, as well as our wide range of product offerings, we will develop products that safeguard people from infections in various daily situations and that are easy to use for everyone from children to the elderly.

Essential Research on Humans: Protecting human lives by opening up new domains

We are opening up new domains for protecting human lives by making maximum use of our technology assets. One of these is our obtaining of VHH antibodies, which have the ability to inhibit (neutralize) infection from novel coronavirus (SARS-CoV-2), in 2020. Kitasato University, Epsilon Molecular Engineering Inc. (EME) and Kao collaborated on this research. EME provided a screening system (cDNA display) able to select VHH antibody candidates in a short period of time. Using this, we prepared the candidate VHH antibodies, and together with Kitasato University confirmed the binding of the VHH antibodies to novel coronavirus particles and their neutralizing capacity. We also reported that nasal delivery of these antibodies inhibits replication of the novel coronavirus in animal models.

We aim to contribute to preparing candidate VHH antibodies and to build basic production technology

for VHH antibodies using our technology to cultivate and genetically modify *Bacillus subtilis* bacterium built up through work in enzymes for laundry detergents. Currently, the National Institutes of Natural Sciences and Shionogi & Co., Ltd. have also joined this project. Under the Japan Agency for Medical Research and Development, we are developing antibody-based therapeutics for COVID-19, including variants, as well as developing antibody-based therapeutics for respiratory infections.

Transformative innovation

Essential Research on Materials: Social implementation of environmentally friendly functional materials

Cellulose nanofiber

We are also working to develop technology that not only removes dirt and stains from the target objects, but also modifies their surface so that dirt and stains do not adhere to them. Taking hints from the functions and structures of living organisms, such as the surface of snail shells and the pitcher fluid of tropical pitcher plants, we combined these hints with cellulose nanofiber (CNF), a high performance, sustainable material derived from wood that is attracting attention globally. We then successfully applied the result to products and created surfaces where dirt and stains did not stick but simply slid off. Hydrophobic modified CNF blends well with lubricating oil and keeps lubricating oil firmly adhered to the surface of objects. Examples of applying this technology are having bird droppings slide off solar panels and having snow accumulation slide off roofs. In water, hydrophobic modified CNF emulsifies in the shape of beads coated with lubricating oil, and these beads form a structure on the surface of target objects to create a laminating film able to maintain a slippery surface over a long period of time. This aqueous coating agent is safe and reliable for workers and the environment.

We will create new businesses and strive to realize sustainability in society by reusing waste materials and creating natural materials with higher performance.

NEWTLAC 5000 asphalt additive

With the recent widespread uptake of hybrid and electric vehicles and future self-driving vehicles, vehicles driving on the same roads and heavier vehicles will become placing greater burden on road pavement. The importance of creating more durable pavement is expected to rise. Using upcycling technology for low-quality waste PET, we have created *NEWTLAC 5000*, an asphalt pavement modifier that can be easily used in road construction. Adding this product to pavement strengthens the adhesion of rocks and sand to asphalt, and increases pavement durability more than five-fold compared with standard pavement. This product is the aggregate of our core technologies in interfacial properties control and functional molecular design. Going forward, we aim to have a large number of customers use this product and contribute to sustainability in society.

Employees' voice

Yusuke Akino

R&D - Performance Chemicals Research 1,
Kao Corporation



When Kao was pivoting to ESG-driven management, we created this product through a series of discussions with sales and research divisions by focusing on the serious social issue of waste plastic, with the goal of creating a product able to make greater environmental contributions.

Quickly creating a product that met the needs of the times was the result of innovation born from an "all Kao" approach.

We will continue offering pavement that is gentle to both people and the global environment and contribute to safe and reliable community development.

Responsibly sourced raw materials 102-12, 102-15, 103-1, 103-2, 103-3

Source our raw materials in a way that protects natural resources, the environment and human rights through supply chain traceability and collaboration with suppliers.

Kao's creating value to address social issues

Social issues we are aware of

Major issues in product raw materials procurement include local environmental destruction and loss of biodiversity due to indiscriminate development, protection of workers' human rights, safety and health management, forced migration of local residents and health hazards in the supply chain.

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

Procurement risks may include, among others, the inability to procure raw materials as planned due to fluctuations in prices caused by various factors including abnormal weather, natural disasters, geopolitical influences and international conflicts. Procurement risk may also arise when rapid changes in demand, or problems originating with suppliers, destabilize procurement and disrupt the supply of products to the market.

In addition, our raw materials are heavily dependent on natural capital such as palm oil, paper and pulp. We must fulfill our corporate social responsibility by achieving sustainable procurement and fully considering environmental issues including resource conservation, global warming prevention and biodiversity conservation, as well as social issues such as safety, health, the labor environment and

human rights. If, as we make efforts to achieve these goals, our commitment to sustainable and responsible procurement comes to be viewed as insufficient due to an issue or issues originating in the supply chain, our brand image and credibility may be damaged.

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

ESG procurement is important if we are to contribute to a sustainable society.

In terms of ESG procurement for the environment, we promote procurement of palm oil, pulp and paper based on our "High-Risk" Supply Chain Management and Sourcing. In terms of ESG procurement for society, we conduct human rights due diligence in line with the Kao Human Rights Policy, and supplier risk assessments based on our Partnership Requirements for Suppliers. In addition, the Kirei Lifestyle Plan sets mid- to long-term targets centered on ESG procurement through 2030, and promotes responsible procurement.

By continuing these activities, we aim to become number one in ESG procurement.

Kao's creating value

Along with ESG procurement, stable procurement is also vitally important in promoting *Yoki-Monozukuri* to provide a stable supply of products to consumers and customers. Our Procurement Division is conducting responsible procurement along the two axes of ESG

procurement and stable procurement, in addition to competitiveness-enhancing procurement.

By promoting these three procurement-related priorities in concert with our suppliers, we can ensure that consumers and customers can use our products with peace of mind.



Contributions to the SDGs



Responsibly sourced raw materials

Policies

We have formulated Partnership Requirements for Suppliers, “High-Risk” Supply Chain Management and Sourcing and ESG Promotion Activities with Suppliers to facilitate the practical implementation of procurement activities in accordance with our Policies for Procurement.

The Policies for Procurement include items relating to fairness and equity in trading, adherence to laws and ethics, and social responsibility. We seek to contribute to the establishment of a sustainable society, provide for due consideration for protection of natural resources, environmental preservation and human rights, and support ESG procurement along with compliance with laws and ethics.

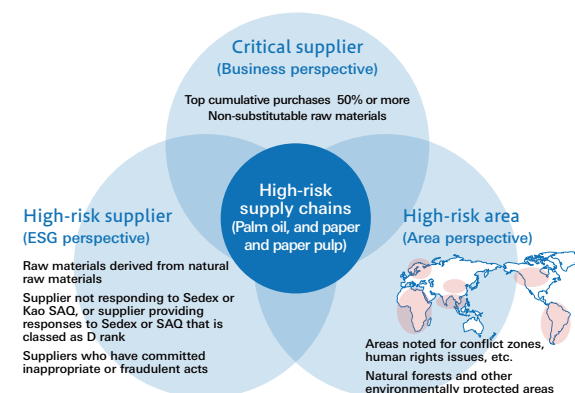
Our Partnership Requirements for Suppliers require suppliers to observe their social responsibilities, including complying with laws, regulations and social norms, protecting human rights, ensuring health and safety, and promoting fair trade. Our guidelines also enjoin suppliers to consider the environment in such areas as environmental management systems, biodiversity conservation and resource conservation. Our standard contract with suppliers clarifies provisions concerning the aforementioned issues including the environment, human rights and labor.

We are also committed to sustainable procurement based on the “High-Risk” Supply Chain Management and Sourcing. We pursue zero

deforestation at the source in our procurement of raw materials including palm oil and paper. We support the NDPE* and request that suppliers and supplier group companies comply with it.

* NDPE: No Deforestation, No Peat and No Exploitation

Moreover, in June 2021, we issued our ESG Promotion Activities with Suppliers. To further promote the resolution of social issues, we will make the Partnership Requirements for Suppliers known to all suppliers, and monitor compliance through such means as third-party audits. If we identify a violation, we will take appropriate action, including providing guidance for improvement or suspending transactions. In addition, with respect to raw materials procured by Kao, we will identify supply chains that entail significant human rights or environmental issues as high-risk supply chains. Through on-site dialogue, we will identify risks, determine the nature of



any issues, work with suppliers and NGOs to resolve them, and publicly report our progress.



Policies for Procurement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-policy.pdf

Partnership Requirements for Suppliers

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-partnership-requirements.pdf

ESG Promotion Activities with Suppliers

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-esg-promotion-activities.pdf

“High-Risk” Supply Chain Management and Sourcing

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supply-chain-management.pdf

Basic Policy on Biodiversity

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-basic-policy.pdf



Fundamental section > Biodiversity

P316

Responsibly sourced raw materials 102-13, 102-20, 102-43, 404-2

Education and promotion

To carry out responsible procurement, each of our Procurement Division employees must acquire the needed knowledge, and ensure that they understand and adhere to the Policies for Procurement and related guidelines. To this end, we conduct various training and awareness-raising activities. We use new employee training for recent graduates and mid-career hires, training for young employees and other training programs, for example, to deepen understanding of ESG procurement, stable procurement and strategic procurement.

Collaboration and engagement with stakeholders

We are promoting opinion exchanges with suppliers through vendor summits, quality improvement meetings and other initiatives. We utilize Sedex for supplier monitoring, and by requesting Sedex membership and response, we are undertaking to assess risk for our entire supply chain. We are strengthening coordination with our suppliers through various initiatives including the CDP Supply Chain Program, and developing our global procurement activities.

We are also working with our international business partners to provide essential solutions to social issues.

We also continue to engage in dialogue with NGOs and respond sincerely to opinions and advice from a variety of perspectives. We are actively exchanging opinions with other companies and external organizations, such as participating in JaSPON in Japan and SUSTAIN internationally, with the aim of realizing sustainable procurement and traceability.

Framework

By strategically coordinating three policies—ESG procurement, stable procurement and strategic procurement for enhancing competitiveness, the Procurement Division is promoting responsible procurement to all stakeholders. In 2020, to practice responsible procurement, the Procurement Division's organizational structure was reorganized broadly into a Strategic Sourcing Department and an Operational Excellence Department.

The Strategic Sourcing Department's principal mission is to formulate and implement mid- to long-term procurement strategies based on the three procurement policies, while the Operational Excellence Department's main mission is to innovate in terms of efficiency and timely information-sharing along the supply chain.

These Strategic Sourcing and Operational Excellence activities are reported to the Board of Directors via reports to the Management Board.

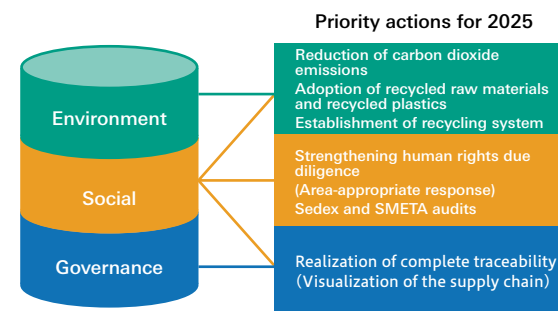
Mid- to long-term targets and performance

Mid- to long-term targets

On the environmental side of ESG procurement, we will work to reduce carbon dioxide gas emissions from raw materials, use recycled raw materials and recycled plastics, and establish a recycling system for containers.

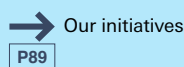
In social terms, we will strive to strengthen human rights due diligence on the part of suppliers by promoting Sedex and SMETA audits.

In governance terms, we aim to ensure traceability of raw materials back to their origin and make the supply chain visible.



Responsibly sourced raw materials

With particular respect to palm and palm kernel oil procurement, we are strengthening our initiatives to address business issues, ranging from promoting the purchase of RSPO-certified oil and ensuring traceability to supporting small farms, establishing a grievance mechanism, and disclosing forest footprints. (See Our initiatives section for details.)



1. Ensuring traceability

We take into consideration preservation of biodiversity and pursue zero deforestation in our procurement of palm oil and palm kernel oil. In addition, we seek to procure 100% RSPO* certified palm oil for consumer and industrial applications by 2025 and to complete confirmation of traceability back to small oil palm farms, also by 2025.

With regard to paper and pulp procurement as well, we take into consideration preservation of biodiversity, pursue zero deforestation, and are working toward 100% procurement of certified paper products and pulp used in consumer products by

2025. We will also continue to confirm traceability to the origin.

* RSPO: Roundtable on Sustainable Palm Oil

2. Human rights initiatives

We established the Kao Human Rights Policy in 2015 to address various risks associated with human rights issues. In addition to our own activities, we also request that our suppliers' activities embody respect for human rights based on the Partnership Requirements for Suppliers, and we conduct human rights due diligence accordingly.

To conduct this risk assessment, in 2014 we joined Sedex, a platform for sharing information on ethical practices by global companies. We have been also encouraging our suppliers to join Sedex. We aim to achieve 100% implementation of due diligence by suppliers by 2025. In addition, we will request that suppliers that are rated as high risk conduct SMETA audits and act on them to address issues.

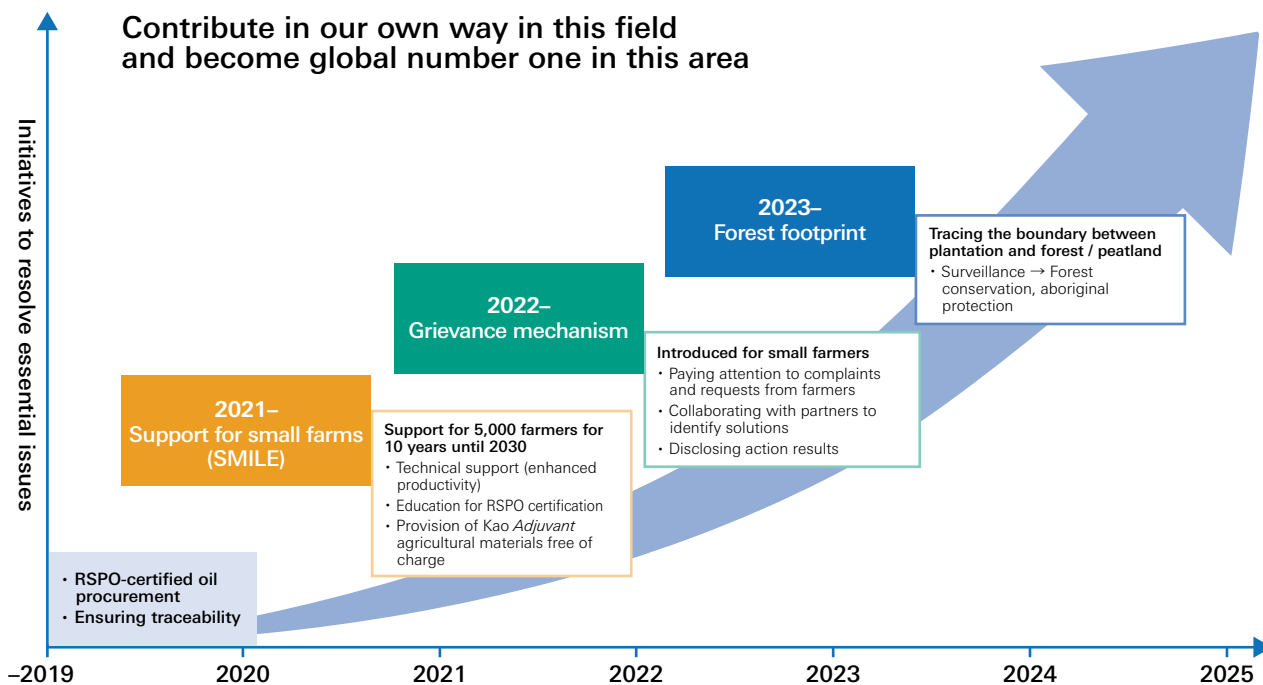
Anticipated benefits from achieving mid- to long-term targets

Social impacts

Through dialogue and improvement activities with suppliers, we will contribute to solving social issues by building a sustainable supply chain world.

Business impacts

Achieving these targets will reduce various related environmental and social risks and contribute to cost reductions. It will also enhance our brand image and social trust.



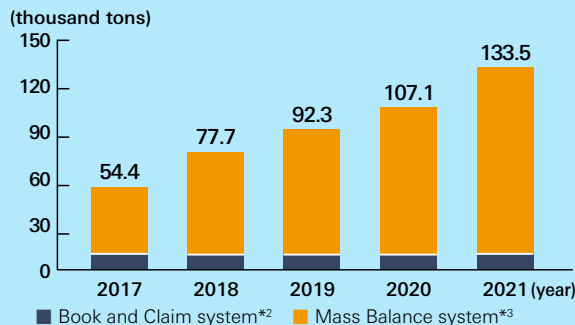
Responsibly sourced raw materials

Performance in 2021

1. Ensuring traceability

- Palm oil and palm kernel oil procurement
Confirmation of traceability to the farms owned and managed by oil and fat suppliers: Completed
Disclosure of mill list (mill names and locations): Completed
Procurement of certified palm oil: Ratio of RSPO-certified oil to total palm oil: 27%

Certified palm oil purchases*¹ (Kao Group)



*1 Total of palm oil, palm kernel oil and their derivatives

*2 Book and Claim system

RSPO-certified palm oil credit trading system. By purchasing "certification credits" issued in proportion to the amount of palm oil produced and registered by plantations certified by the RSPO, users of palm oil are considered to have purchased the amount of certified palm oil corresponding to the amount of credits. This system encourages plantations to produce certified oil.

*3 Mass Balance system

A certification system that permits mixing of RSPO-certified palm oil with non-certified palm oil

- Paper and pulp procurement*⁴
100% confirmation of traceability
Of this, 96% of certified paper and pulp*⁵ (as of December 2021)

*4 Covers paper and pulp used in Kao products (excludes some products)

*5 The ratio of certified materials among paper / pulp materials is tabulated based on the ratio by weight of certified materials for each procured item.

2. Human rights initiatives

We have been conducting assessments based on Sedex since 2017. We expanded these assessments in 2018 to cover all of our global business*⁶.

- Overall evaluation of supplier risk assessment based on Sedex (as of December 2021):
S evaluation: 19%, A evaluation: 40%

Overall evaluation	SAQ response rate* ⁷	Sedex risk assessment* ⁸	Percentage
S	80% or more	3.0 or more	19%
A	80% or more	2.0 to less than 3.0	40%
B	80% or more	Less than 2.0	30%
C	Less than 80%	—	11%

*6 The scope of assessment is 1,043 sites that responded to the Sedex new Self-Assessment Questionnaire (SAQ)

*7 Sedex new SAQ response rate

*8 Management control score values using Sedex assessment tools (ranging from 0 to 5; the higher the score, the better management is)

In addition, SMETA audits were initiated for high-risk suppliers in 2021. Two companies found to be noncompliant underwent SMETA audits and were required to improve their internal systems.

Responsibly sourced raw materials

Reviews of performance

With regard to confirming traceability to palm oil production regions (palm farms), we have completed tracing to palm oil mills and farms owned and managed by oil suppliers. We will continue to pursue traceability confirmation for small- and medium-scale farms in coordination with suppliers, farmers, NGOs, specialists and third-party organizations. In addition, we are steadily performing confirmation of palm oil mills identified as requiring observation through risk assessments. Concerning procurement of RSPO-certified oil, we procured a volume of RSPO-certified oil equivalent to the total volume of palm oil for consumer applications. Going forward, we will expand procurement to include industrial applications.

We once again achieved nearly 100% traceability for paper and pulp producing areas, maintaining the results from 2020, and the certified product ratio was 96%. We will continue to introduce certified products for small-scale suppliers and encourage confirmation of sustainability with the aim of achieving the 100% by 2023, even earlier than our original 2025 target.

To address human rights, we request that all direct materials suppliers worldwide join Sedex, respond to Sedex questionnaires and set up data access rights. As of the end of 2021, suppliers accounting for 89% of global transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program). In the future, besides continuing to encourage suppliers to join Sedex, we will also request improvements from suppliers whose assessment results are low (scores of B or C).

SMETA audits of high-risk suppliers were conducted for only two companies in 2021 due to COVID-19, but will be expanded to a target of 30 companies in 2022.

Responsibly sourced raw materials

Our initiatives

Palm, the most precious natural resource for Kao

For Kao, the most important natural resource is palm, and we are working toward sustainable palm oil procurement.

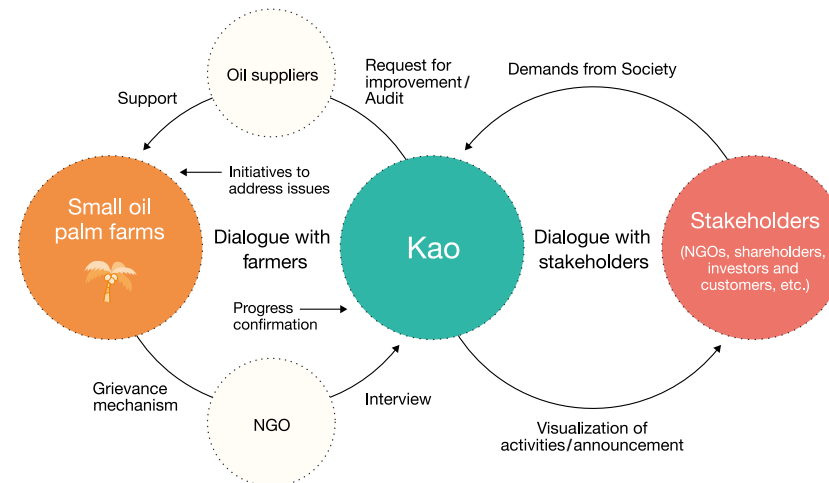
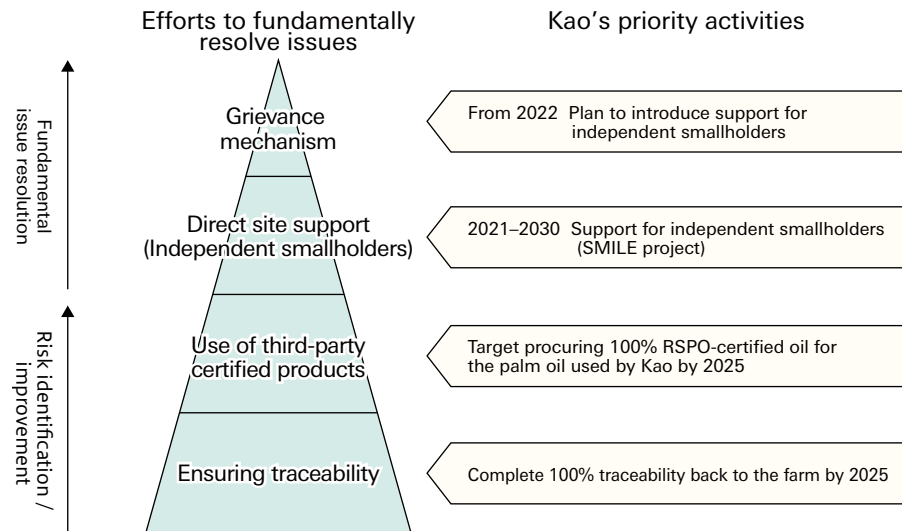
We are promoting thorough compliance with the NDPE policy and HCSA* concepts among our oil and

fat suppliers and their group companies. In addition, we aim to expand the use of RSPO-certified oil and complete traceability to small oil palm farms in cooperation with palm suppliers and NGOs by 2025.

* HCSA
High Carbon Stock Approach



Initiatives to procure sustainable palm oil (high-risk supply chain initiatives)
www.kao.com/global/en/sustainability/topics-you-care-about/procurement/procurement-progress/progress-2021/



Responsibly sourced raw materials

Support for small oil palm farms

Kao, Apical Group (a company that manufactures and sells oil and fat products) and Asian Agri (a plantation company) are implementing Smallholder Inclusion for Better Livelihood & Empowerment (SMILE), a program to help small oil palm farms in Indonesia improve productivity and obtain certification for sustainable palm oil, with the aim of establishing a sustainable palm oil supply chain.

These activities aim to enhance the living standards of local farmers and reduce deforestation. By 2030, a team of education specialists will enhance the living standards of approximately 5,000 farmers by providing technical training to increase productivity (target yield doubling) and education to obtain RSPO certification (RSPO basic principles, safety education and yield management methods). Furthermore, doubling the oil palm productivity of all independent small-scale Indonesian farms would have the effect of reducing new deforestation equivalent to the area of existing palm plantations in Borneo (approximately 4 million hectares).

In 2021, a dedicated plantation manufacturer education team conducted RSPO training sessions as well as safety, fire response, and volume and shipment bookkeeping education for approximately 700 farmers in Sumatra. We also introduced our proprietary technology, *Adjuvant*, and began testing its use locally in February 2022.



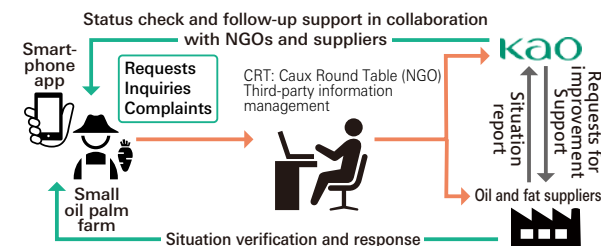
Kao, Apical and Asian Agri Launch 'SMILE' Program to Help Oil Palm Smallholders Improve Yields, Acquire Certifications, and Secure Premiums
www.kao.com/global/en/news/sustainability/2020/20201014-001/

Initiatives ahead of the introduction of a grievance mechanism

Starting in 2022 we are preparing to introduce a grievance mechanism for independent small farmers in Indonesia, which will enable us to respond promptly to human rights issues. The grievance mechanism is an initiative to identify and investigate issues (complaints) in the field (farms) in collaboration with NGOs, resolve the issues proactively, and follow up to confirm resolution.

In 2021, in cooperation with NGOs and as a preliminary survey of claims from small farmers, we conducted a survey of 250 independent small farmers in Riau Province, Indonesia, regarding occupational health and safety, farmland and market access.

Based on local farmer feedback gathered by the survey, and in cooperation with oil and fat suppliers and NGOs, we are preparing to start operation in July 2022 by formulating an action plan to respond to anticipated requests and complaints.



We will thus bolster our activities to resolve the roots of issues to enhance sustainability, with dialogue in the field (farms) as the starting point. Our aim is to then communicate these activities to external stakeholders (NGOs, etc.), and through dialogue, achieve further improvement.

Responsibly sourced raw materials 102-12, 102-43, 414-2

Collaboration with suppliers

Supplier monitoring

We use Sedex in confirming compliance with the Partnership Requirements for Suppliers, which define initiatives in such areas as the environment, safety, conformance with laws and social norms, and human rights and labor problems, and in risk assessments. After joining in 2014, we began full-scale use in 2016, and we request that all direct materials suppliers worldwide join Sedex, respond to Sedex questionnaires and set up data access rights.

For suppliers that find it difficult to join Sedex, we also use an original survey form (Kao SAQ) as an evaluation tool to supplement Sedex. Kao SAQ comprises such social responsibility items as compliance, human rights and business practices, and such environmental conservation items as environmental policies, environmental objectives and various categories of environmental management, including pollution prevention (air, water, etc.).

We are also performing this assessment when onboarding new suppliers.

As of the end of 2021, suppliers accounting for 89% of global transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program^{*1}). We will continue to raise the proportion of transactions with Sedex members in the future.

We also perform risk assessments using Sedex

risk assessment tools of those suppliers that have set access rights on Sedex. The results of this assessment are fed back to suppliers, who are asked to review items requiring improvement to achieve an overall evaluation of A or better.

^{*1} EcoVadis and other survey programs used as alternatives to Sedex

CDP Supply Chain Program^{*2}

We recognize risks associated with sustainable development based on resource constraints, loss of biodiversity, global warming and other environmental problems as well as problems such as human rights, and are working to sustainably procure raw materials. These initiatives must be managed across the entire supply chain. With regard to climate change, water and forests, we are participating in the CDP Supply Chain Program and asking our key suppliers to disclose relevant information. In 2021, the supplier response rate was 78% in regard to climate change, 77% in regard to water and 84% in regard to forests.

In regard to forests, we are conducting risk assessments by providing information to the CDP Forest Program^{*3}.

^{*2} CDP Supply Chain Program

The CDP is a nonprofit organization operated by institutional investors that requests corporations and other organizations to disclose information relating to climate change, water and forests. The CDP Supply Chain Program is an initiative in which participating enterprises ask the firms that make up their supply chain to disclose information relating to climate change, water resource use and forest resource use via the CDP platform.

^{*3} CDP Forest Program

A CDP initiative in which enterprises are asked to disclose information regarding forest resource management and usage status, etc.

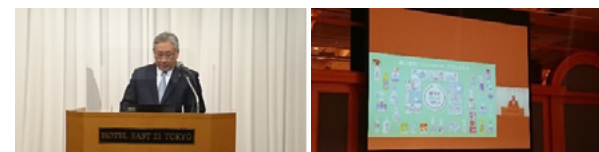
Kao vendor summits

We hold vendor summits to provide a venue for sharing information and exchanging opinions with suppliers within and outside Japan. Each year, a specific theme is chosen for the vendor summits, and we seek to foster communication in regard to that theme.

In 2020, the meeting was postponed to prevent the spread of COVID-19, but in 2021 was held remotely in Japan, Taiwan and Indonesia. At the 2021 vendor summit, we and our suppliers presented our initiatives and activities, and called for collaboration to strengthen ESG procurement (including joining Sedex, conducting SMETA audits and participating in the CDP Supply Chain Program), and stable procurement (including raw material traceability and BCP compliance). In addition, we also launched a supplier commendation program in 2016 to recognize outstanding suppliers in terms of quality, price, delivery, information provision and management / ESG.

Number of companies that participated in the vendor summits (Unit: firms)

	Held in Japan	Held outside Japan	Total
2017	245	258	503
2018	243	230	473
2019	239	267	506
2020	Suspended	Suspended	—
2021	246	108	354



Responsibly sourced raw materials 308-2, 404-2

Education and promotion

Employee training and awareness-raising (Japan)

We educate new Procurement Division employees in our basic approach to procurement, which includes fairness and equity, adherence to laws and ethics and social responsibility. Through such education, we strive to encourage our employees to understand global social issues such as human rights and labor, which are fundamental to the United Nations Global Compact and ISO 26000 principles. In 2021, we conducted education on our basic approach to procurement for ten employees newly assigned to the Procurement Division.

Promoting certification testing (Japan)

So that all Procurement Division employees understand the relationship between society and the environment, and as education to modify their behavior accordingly, we encourage them to take certification examinations. In 2021, we encouraged employees to take the Certification Test for Environmental Specialists® (Eco Test®*), and the cumulative number of employees who have passed the test accounted for 82% of division employees in 2021.

* Eco Test®: This test promotes an environmentally and economically sustainable society.

Employees' voice

From unraveling the history of social issues to creating a sustainable society

Kenta Suzuki

Strategic Sourcing – Indirect Materials & Services, Procurement, Kao Corporation







“Eco” is a term that has become familiar to everyone in today’s society, and with the introduction of plastic shopping bag fees, I believe that many have adopted an environmental perspective in their lives.

Yet concerning the history and origins of this perspective and humanity’s approach to it, the problems are enormous, and there are few who can characterize them.

In addition to equipping me to grasp familiar general knowledge, my preparation for the Eco Test® has also enabled me to grasp the history of complicated social issues and the current positioning of these issues in a systematic way. We will utilize these certification tests and external educational opportunities to raise the level of basic knowledge in the entire Procurement Division, and promote ESG-conscious procurement activities to realize a sustainable society, with everyone in the division playing a central role rather than trusting that “someone else will handle the problem.”

Making the world healthier & cleaner

Page	Kao Action	ESG keyword
P94	Decarbonization 	<ul style="list-style-type: none"> • Paris Agreement • Scenario analysis • Mitigation and adaptation • Support for TCFD • “eco together” <ul style="list-style-type: none"> • Science Based Target • CDP evaluation • RE100 • Use of renewable energy (photovoltaic power, etc.) • Reducing CO₂ emissions throughout the product lifecycle
P113	Zero waste 	<ul style="list-style-type: none"> • Innovation in Reduction and Innovation in Recycling • The 4R principles (reduce, reuse, replace, recycle) • Realizing the resource-circulating society <ul style="list-style-type: none"> • Initiatives to reduce plastic usage • Reducing food waste • Initiatives that address both products and packaging
P131	Water conservation 	<ul style="list-style-type: none"> • Reducing water risks • Proper wastewater treatment • Reducing water consumption throughout the product lifecycle <ul style="list-style-type: none"> • “eco together” • Understanding water withdrawal amount by source and wastewater discharge by destination • CDP evaluation • 3R (reduce, reuse, recycle)
P141	Air & water pollution prevention 	<ul style="list-style-type: none"> • Disclosing and reducing VOC and COD emissions • Reducing emissions of chemical substances subject to the PRTR system <ul style="list-style-type: none"> • Compliance with environmental legislation • Environmentally friendly products • Surveys of groundwater and soil contamination

Decarbonization 102-15, 103-1, 103-2, 103-3, 201-2

As we work toward the goal of becoming carbon zero (reducing CO₂ emissions to net zero) by 2040, and becoming carbon negative by 2050, besides aiming to reduce CO₂ emissions in our own business activities, we also aim to contribute toward realizing the decarbonized society by helping to reduce emissions in society as a whole, and through carbon fixation to reduce the amount of carbon dioxide in the atmosphere.

Kao's creating value to address social issues

Social issues we are aware of

1. Societal ideals and current issues

Today, the vision for society is to realize net zero emissions of greenhouse gases by 2050, so that the average rise in global temperature can be kept to within 1.5°C higher than pre-industrial revolution levels.

However, according to the Working Group I contribution to the Sixth Assessment Report published in 2021 by the Intergovernmental Panel on Climate Change (IPCC)*, it is highly likely that human activity has already caused average global temperatures to rise by around 1.1°C over the period between 1850–1900 and 2010–2019, and if the current situation continues, it is possible that this rise may increase to 1.5°C by as soon as 2030.

Global warming is thus already underway, and has been accompanied by an increase in the scale of damage caused by localized torrential rain and typhoons, frequent forest fires, the melting of the Siberian permafrost and other climatic abnormalities.

In response to this situation, in recent years, countries and regions around the world, including the European Union (EU), have been issuing carbon neutrality declarations, and in October 2020 Japan also announced that it would seek to become carbon neutral by 2050. In addition, many local governments within Japan have been declaring a climate emergency in relation to the crisis posed by climate change, and large numbers of business enterprises have announced that they are aiming to realize net zero emissions. Furthermore, with the holding of the

COP26 conference in Glasgow in the U.K. in November 2021, growing importance is being attached to the need for effective action. There have also been movements demanding effective action on climate change, such as Friday For Future, in which young people—who represent the future—have played a key role.

* IPCC

Intergovernmental Panel on Climate Change

This organization was established by the United Nations Environment Programme and the World Meteorological Organization in 1988 for the purpose of conducting comprehensive evaluations from scientific, technical and socio-economic perspectives regarding climate change, its impact, adaptation and mitigation measures.

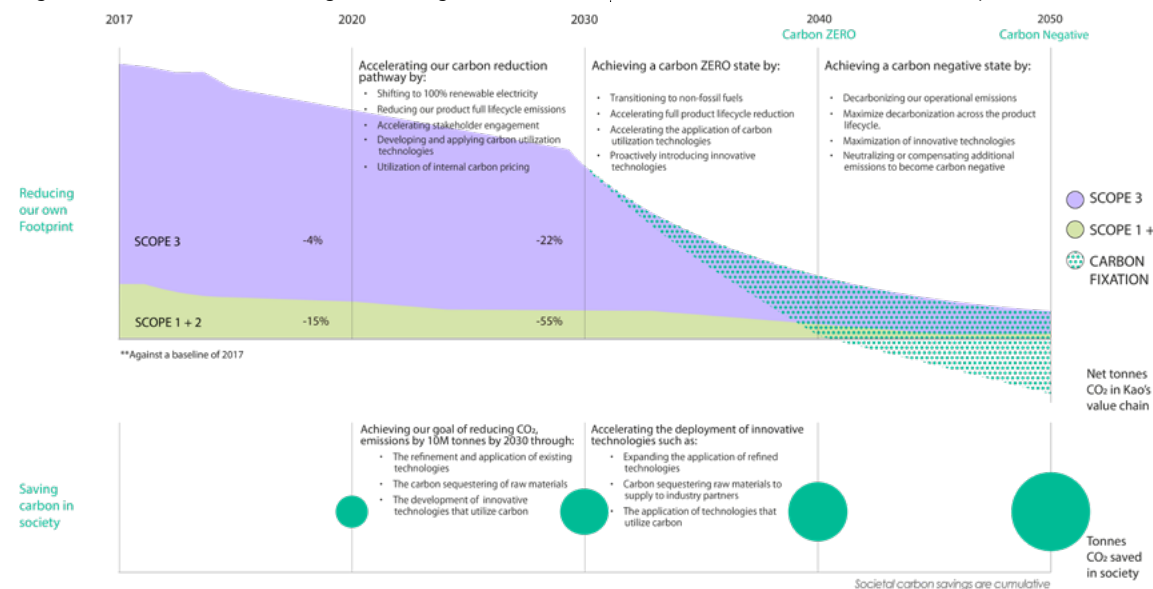
2. Kao's current status and assets

We are aiming to achieve carbon zero by 2040, earlier than the standard global target year of 2050. This is a very challenging target that cannot be achieved just through slow evolution of existing technologies and

activities. To achieve this target, we will need to fully utilize all of our existing assets (including production systems and equipment, intellectual property, human capital, internal and external networks and investments), and will need to build an organizational structure capable of speedy decision-making in relation to the promotion of decarbonization. Our R&D capability gives us the ability to undertake innovation based on Essential Research, and we will need to collaborate with external stakeholders in order to maximize this ability.

3. What is Kao aiming for?

We are moving speedily from the making of a decarbonization declaration to the implementation stage, and have formulated a roadmap for ensuring that we achieve carbon zero by 2040.



Decarbonization 103-1, 103-2, 103-3, 201-2

4. Estimation of business impacts by 2030

We evaluated the business impacts in relation to What Kao Aims to Be by 2030 by four product groups. More specifically, we set baseline Profit and Loss (P&L) data for 2030 on the assumption that our company's sales would reach 2.5 trillion yen by 2030 (1.67 times as high as in 2018), and that P&L would grow proportionately compared to 2018. Business impacts were estimated on the basis of this baseline

P&L. In order to compare the respective impact of individual factors on our business based on different climate change scenarios, we performed evaluation for both the 1.5°C scenario*¹ and 4°C scenario*². For this reason, evaluation was not performed for some factors even though there was the potential for them to have a significant impact. There were also some factors which might have a major impact by 2050, but which will have only a relatively small impact by 2030.

*1 1.5°C scenario

This is equivalent to the IEA's NZE 2050 Scenario, 2DS Scenario, IPCC's RCP 1.9 scenario or SSP1-1.9 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 1.5°C compared to the situation prior to the Industrial Revolution, and to the environmental damage that is expected to result from such a rise in temperature.

*2 4°C scenario

This is equivalent to the IEA's Current Policy Scenario, IPCC's RCP 8.5 scenario or SSP5-8.5 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 4°C compared to the situation prior to the Industrial Revolution, and to the environmental damage that is expected to result from such a rise in temperature.

Decarbonization scenario analysis

		Evaluation items	Evaluated financial impact	Impact of climate-related risks and opportunities, and financial planning, for 2030 (+ indicates a positive impact, - indicates a negative impact, ND indicates no impact, and numbers indicate the size of the impact)			Kao's response status
				1.5°C scenario*	4°C scenario		
Transitional	Policies, laws and regulations	Introduction and / or raising of carbon tax	Increased operating costs due to introduction and / or raising of carbon tax	Increased operating costs due to introduction of new taxes and / or raising of tax rates	---	New carbon taxes are not introduced, and tax rates are not raised	ND
		Introduction of restrictions on plastics	Taxation of fossil-derived raw materials for packaging	Increased procurement costs due to introduction of new taxes	—	New taxes are not introduced	ND
			Increased costs due to use of recycled plastic becoming compulsory	Increased procurement costs due to a rise in the unit price of recycled plastic resulting from the use of recycled plastic becoming compulsory	—	The use of recycled plastic is not made compulsory	ND
	Markets	Rising energy prices	Volatile electricity retail price	Increased costs due to a rise in the electricity retail price	—	Reduced costs due to a fall in the electricity retail price	+
		Rising raw materials prices	Rising prices for fossil-derived raw materials	Increased procurement costs due to rising crude oil prices	--	Increased procurement costs due to rising crude oil prices	---
			Rising prices for procurement of palm oil	Increased procurement costs due to supply shortages resulting from tighter restrictions on forest development	—	Unchanged costs due to increased supply resulting from the development of new plantations	ND
			Rising prices for procurement of pulp	Costs remain unchanged because, although forests fires increase, there is no shortage of supply	ND	Costs remain unchanged because, although forests fires increase, there is no shortage of supply	ND
		Changes in consumers' behavior	Increased sales of ethical products	Sales increase because of increased demand for ethical products on the part of the generation that will be the main purchasers of Kao products in 2030	++	Sales increase because of increased demand for ethical products on the part of the generation that will be the main purchasers of Kao products in 2030	++
Physical	Acute	Intensification of abnormal weather conditions	Increased damage from flooding	Increased risk of flooding, but difficulty in accurately predicting the amount of damage	—	Increased risk of flooding, but difficulty in accurately predicting the amount of damage	—
	Chronic	Rising average temperatures	Increased sales of sunscreen and anti-perspirant products	Increased sales in Japan from March to November	+	Increased annual sales in Japan	+
		Demand for water outstripping supply	Rising operating costs due to increased water use charges	Rising operating costs at plants operating in regions with water shortages	—	Rising operating costs at plants operating in regions with water shortages	—

* Kao's assessment based on scenario analysis using the 2°C scenario

Decarbonization 102-12, 103-1, 103-2, 103-3, 201-2

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

Transitional risks that we have identified include a possible increase in costs relating to regulatory compliance due to the introduction of carbon taxes, increased expenses relating to product development in response to climate change, and rising raw material costs due to restrictions on the use of fossil fuels.

With regard to physical risks, important risks that we have identified include the risk of flood damage to Kao plants due to the increased frequency of concentrated heavy rainfall occurring over a short period of time, and the possible impact of supply chain disruption on the supply of products.

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

We have identified opportunities that may contribute toward reduced operating expenses due to the effective utilization of resources based on strategies adopted in response to climate change. We have also identified opportunities for increased sales resulting from the ongoing development of products that contribute toward mitigating the impact of climate change, in response to the changes in market demand caused by a shift toward ethical consumption by consumers. We formulate resilient corporate strategies in respond to identified risks and opportunities.

Kao's creating value

Climate change is a problem that affects the whole of society. In response to this issue, we have proactively set ourselves targets, and by actively developing applications for cutting-

edge technologies and other new technologies, both within Kao and in the wider society, in collaboration with various stakeholders, we aim to demonstrate solutions to the problem of climate change.

In order to reduce greenhouse gas emissions associated with our business activities, we are improving the energy efficiency of our worksites and shifting over to green energy use, and we are continuing to implement initiatives aimed at reducing emissions in collaboration with our stakeholders, by cutting emissions at every stage in the product lifecycle, from raw materials procurement through to product use, disposal and recycling. We are also working actively to provide products and services that contribute toward reducing greenhouse gas emissions associated with product use.

By providing environmentally friendly products that take account of transitional and physical risk, and products suited to the changes in consumer lifestyles that have resulted from climate change, we are making a positive contribution toward creating a Kirei life for all.

Contributions to the SDGs



Policies

Climate change poses a major risk to the realization of an enriched Kirei Lifestyle, both now and in the future. The Kao Way enunciates our mission to “create a Kirei life for all—providing care and enrichment for the life of all

people and the planet,” and we are actively implementing initiatives to both mitigate and adapt to global warming in relation to every aspect of our business strategy.

Our Basic Principle and Basic Policies on Environment and Safety states that “We shall contribute to social sustainability by giving thorough consideration to environmental conservation and human safety in every aspect of our operations, including product development, materials procurement, manufacture, distribution, sales, usage and waste disposal.”

Furthermore, the Kao Group Responsible Care (RC) Policy contains the following declaration: “We shall strive to continue to reduce the environmental impact of our business operations by promoting reduction of uses of resources such as water and energy.”

Our Environmental Statement embodies our commitment to ensuring that “Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, usage and final disposal, we want to engage in ‘eco together’ with stakeholders including consumers worldwide.”

By formulating our “High-Risk” Supply Chain Management and Sourcing in relation to palm oil, paper and pulp, we have committed ourselves to a raw materials procurement policy that recognizes the risks relating to sustainable development.

We are implementing our decarbonization activities based on the policies noted above. We are working not only to reduce the CO₂ emissions at our own worksites, but also to reduce CO₂

Decarbonization 102-12, 102-43, 103-1, 103-2, 103-3, 404-2

emissions throughout the entire product lifecycle. In addition, we are working actively to provide products and services that contribute toward reducing CO₂ emissions for society as a whole. We are also investing in the development of technologies for using the CO₂ in the atmosphere as raw material, and in activities to realize carbon fixation through tree-planting, etc. Furthermore, with regard to offset measures to support decarbonization in sectors outside our business areas, we recognize the importance of such measures—particularly during the transition period—and we are working to implement them.

Through these activities, we aim to reduce net carbon emissions to zero by 2040, and become carbon negative by 2050. At the same time, we are accelerating the provision of products and services that are adapted to the changing climate, and aiming to realize a Kirei Lifestyle for consumers.



Making thoughtful choices for society > Responsibly sourced raw materials



Basic Principle and Basic Policies on Environment and Safety

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Kao Group Responsible Care Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Kao Environmental Statement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf



“High-Risk” Supply Chain Management and Sourcing

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supply-chain-management.pdf

Education and promotion

Our employees are not only in the position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are the ones who select those products. We thus recognize the importance of giving our employees the opportunity to learn about global warming through various programs and to actively engage in decarbonization activities of their own accord.

Starting in 2020, we have begun making and disseminating educational videos for internal use that are specific to the themes of the Kirei Lifestyle Plan (KLP). In 2020 we disseminated videos on the topics of decarbonization and life-cycle assessment (LCA), and in the future we intend to continue spreading awareness of KLP activities among our employees by developing more video content relating to other KLP objectives.

Collaboration and engagement with stakeholders

In line with the “eco together” motto of the Kao Environmental Statement, we are working together with a wide range of stakeholders to promote activities aimed at realizing decarbonization. We are also implementing education about decarbonization and working to spread awareness of our initiatives.

“eco together” with consumers / customers

As the product usage stage accounts for around 40% of total product lifecycle CO₂ emissions, raising consumers’ awareness is extremely important. For example, even if a consumer buys single-rinse laundry detergent, if the consumer sets the washing machine to do two rinses, then there will be no reduction in CO₂ emissions. It is thus very important for us to accurately communicate the environmental value that Kao products can provide and encourage consumers to use them properly. By organizing a wide range of different events, we aim to get across the importance of CO₂ emission reduction and the environmental value of our activities and products.



Making thoughtful choices for society > Sustainable lifestyle promotion: Collaboration and engagement with stakeholders

Decarbonization 102-12, 102-20


“eco together” with business partners

We aim to realize the Kirei Lifestyle for consumers through ESG-driven *Yoki-Monozukuri*. However, this is not something that can be achieved by Kao acting alone. We believe that it is important to share our vision with the business partners at every stage from raw materials procurement through production to delivery and sales, so that we can take action together, and we have established a number of different venues for sharing information with them.

In particular, as the raw materials stage accounts for around 40% of total product lifecycle CO₂ emissions, we view collaboration with raw materials suppliers as being especially important.

We also view dialogue with investors and other stakeholders as being very important for the sustainable growth of business enterprises and of the planet, and in March 2019 we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD). By proactively implementing the disclosure of information relating to climate change, we are promoting dialogue with investors and other stakeholders.



 Task Force on Climate-related Financial Disclosures
www.fsb-tcf.org/

“eco together” with society

We proactively participate in activities organized by the United Nations, the central government, local government authorities, NPOs, etc., where we provide information about our technologies and exchange opinions with other participants.

In order to realize a decarbonized society, reducing the CO₂ emissions associated with electric energy generation is a particularly important approach, and we are working actively to disseminate information about our activities in this area.

Framework

Risk management in relation to climate change issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are headed by the President.

The Responsible Care Promotion Committee, which manages policy / regulatory regime and technology risks, and the Risk and Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the executive officer in charge of the Corporate Strategy.

The Responsible Care Department of Corporate Strategy Division acts as the Responsible Care Promotion Committee Secretariat while the Crisis Management Department of Corporate Strategy Division acts as the Risk and Crisis Management Committee Secretariat.

The Responsible Care Promotion Committee meets twice a year to report on and discuss compliance with laws and regulations, status of CO₂ reduction and other matters.

It also sets targets for the following year. The Responsible Care Promotion Committee Secretariat conducts monthly checks on compliance with laws and regulations, monitors CO₂ emission and water use, mainly at plants which have a large impact, and keeps abreast of the amount of chemical substances in wastewater, reporting on these and other matters to the head of the committee, committee members, members of the Internal Control Committee, auditors and others. The Risk and Crisis Management Committee which manages natural disaster including caused by climate change and reputational risks, meets four times a year.

The Internal Control Committee meets one or more times a year, receiving activity reports from the Responsible Care Promotion Committee, the Risk and Crisis Management Committee and other subordinate committees that it oversees and auditing the activities of those committees.

Opportunity management relating to climate change issues is handled by the ESG Managing Committee, which meets six times a year. Committee members are the persons in charge of the Business, Sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The Internal Control Committee, and the ESG Managing Committee which it supervises, discuss climate change and environmental issues as well as social and governance issues.

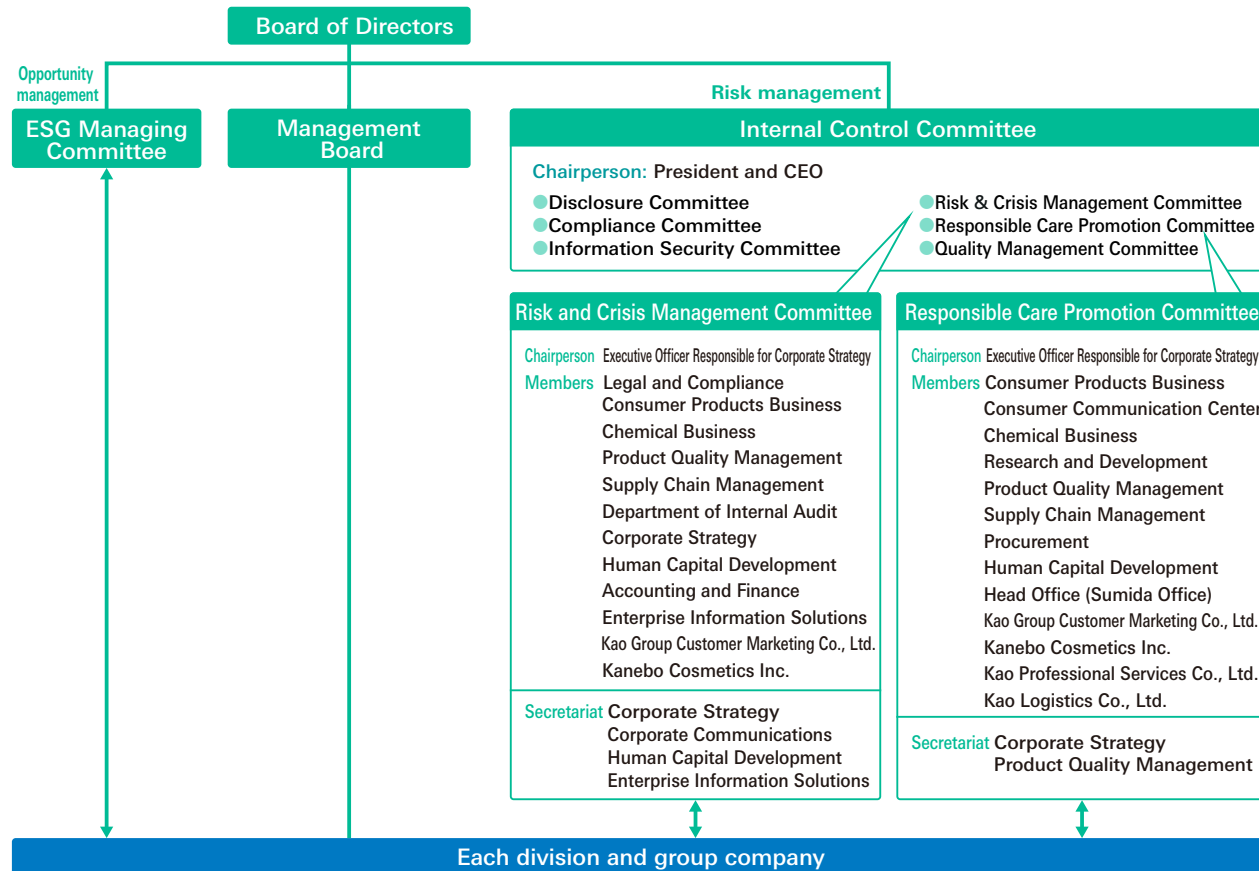
The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

Decarbonization 102-20, 302-1, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5

Decarbonization promotion structure



* As of December 2021

Mid- to long-term targets and performance

We aim to be carbon zero by 2040, and carbon negative by 2050, and we are accelerating our activities to achieve these goals. We will also be maximizing our contribution toward reducing greenhouse gas emissions throughout society as a whole.

2030 mid-term targets

We set ourselves the target of reducing the amount of energy consumed at all Kao Group sites by at least 1% per year, and we have maintained this target every year since 2013.

Our target for the reduction of greenhouse gas emissions at all Kao Group sites (Scope 1+2) has been set, based on the Science Based Targets (SBT) 1.5°C scenario, as a reduction of 55% (in absolute terms, compared to 2017). Our target for the reduction of greenhouse gas emissions throughout the product lifecycle (Scope 1+2+3) has been set, based on the SBT 2°C scenario, as a reduction of 22% (in absolute terms, compared to 2017). Both of these targets have been approved by the SBTi.

In addition, in June 2021 we joined the RE100 global corporate renewable energy initiative, and we have set ourselves the target of having 100% of electricity purchased by all Kao Group sites be generated using renewable energy by 2025, and of having 100% of electricity used by the Kao Group sites be generated using renewable energy by 2030.

In addition, we aim to enable society as a whole to reduce greenhouse gas emissions by the equivalent of 10,000 thousand tons-CO₂ through the provision of Kao Group products and services.

Decarbonization 302-1, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5

Index	Scope	2030 targets
GHG emissions (absolute quantity)	Across the entire product lifecycle for the Kao Group	22% reduction (Compared to 2017)
	All Kao Group sites	55% reduction (Compared to 2017)
Energy consumption (Per sales unit)	All Kao Group sites	1% reduction yearly (year-on-year, from 2021)
Electric power usage	All Kao Group sites	100% renewable sources
Contribution to emissions reduction	Products, services	10,000 thousand tons-CO ₂



Long-term targets

Reduction of net carbon emissions to zero by 2040 and becoming carbon negative by 2050

Through our Innovation in Reduction and Innovation in Recycling CO₂ emissions reduction initiatives, and through the various activities that we undertake in collaboration with stakeholders, we are aiming to reduce CO₂ emissions to zero by 2040 and to become carbon negative by 2050.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Achieving targets (for energy consumption and greenhouse gas emissions) for all sites in the group leads to higher profits as they contribute to the reduction of business activity operating costs. Additionally, the reduction of CO₂ emissions across product lifecycles can be achieved by reducing raw material use and increasing sales of products with low CO₂ emissions during usage, leading to reduced operating costs and sales growth.

As renewable energy generating costs have been falling steadily for the past few years, switching over to having 100% of the electricity that we purchase generated using renewable energy can be expected to result in reduced electricity purchase costs in the future.

If no action is taken to reduce usage, then by 2030 our overall CO₂ emissions (Scope 1+2) are forecast to rise to a level that is 1.67 times higher than in 2017. However, in order to control our CO₂ emissions (Scope 1+2), in 2006 we adopted an internal carbon pricing system, and for 17 years now we have been implementing investment decision-making that contributes toward decarbonization, for example through the adoption of energy-saving equipment and equipment with low CO₂ emissions, and through the purchasing of renewable energy. Last year, we changed our CO₂ emissions (Scope 1+2) reduction target from a goal of reducing emissions by 22% by 2030 to one

of reducing emissions by 55% by 2030. In order to achieve this goal, when adopting new equipment, we will need, as far as possible, to adopt equipment that has low CO₂ emissions, and if we fail to do so, then not only will we have difficulty in achieving our CO₂ emissions reduction target, the equipment that we purchase may end up becoming stranded assets. With this in mind, we have raised our internal carbon price from 3,500 yen per t-CO₂ to 18,500 yen per t-CO₂*¹. If carbon taxes equivalent to 130USD/t-CO₂*² are adopted by 2030, then assuming that we achieve the target outlined above, our carbon tax burden will be approximately 7.8 billion yen, which is around 21.0 billion yen less than it would be if we failed to take any action. In this way, by reducing the CO₂ emissions of the products that we manufacture, we are facilitating the supply of products with low CO₂ emissions, and making it possible to meet demand for such products.

*¹ As it is assumed that new equipment adopted in the future will still be in use after 2030, we have estimated the likely carbon tax rate in 2035 based on the IEA's World Energy Outlook 2021.

*² World Energy Outlook 2021

Social impacts

By achieving the above goals, we can reduce greenhouse gas emissions and contribute toward mitigating global warming. Additionally, products with low CO₂ emissions during usage can contribute to reduction in consumer spending because they consume less energy and water. Furthermore, they are also effective in reducing the burden of social infrastructure maintenance and renewal concerning energy, water and sewage systems.

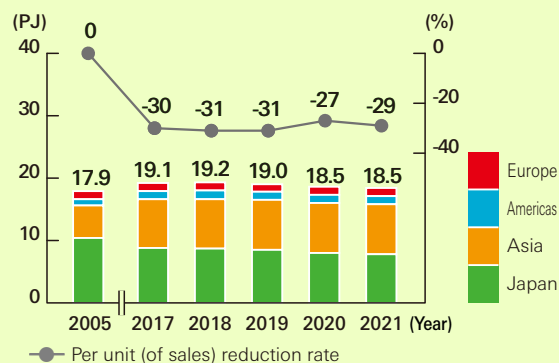
Decarbonization

302-1, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5

Performance in 2021

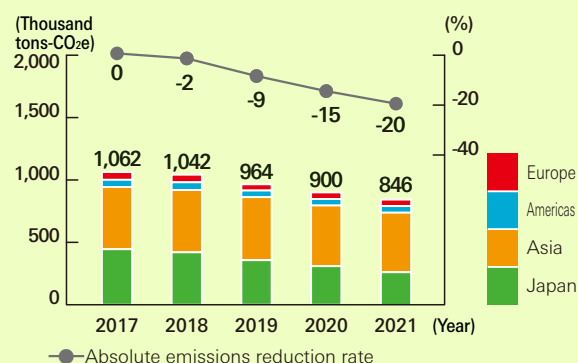
Performance

Energy consumption ☒ (all sites)



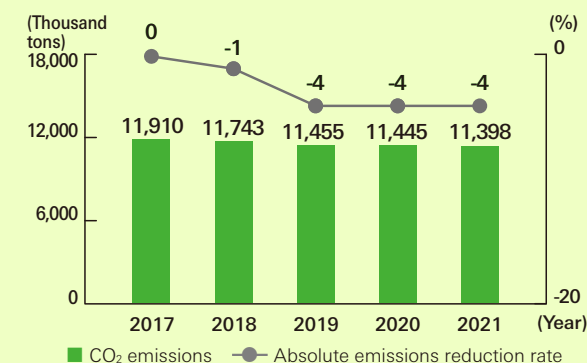
* Boundary: All Kao Group sites including company cars in Japan
 * Assurance provided for energy consumption figures

GHG emissions ☒ (all sites)



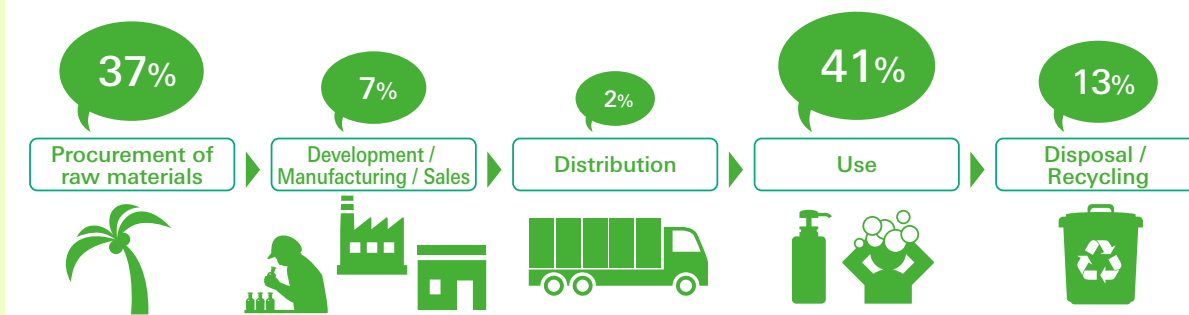
* Boundary: All Kao Group sites including company cars in Japan
 * Gases included: The seven GHGs specified by the Kyoto Protocol (only CO₂ for sites outside Japan)
 * Assurance provided for GHG emissions figures

CO₂ emissions across the entire product lifecycle ☒ (Kao Group)



* "CO₂ emissions across the entire product lifecycle" is defined as the combined total for the amount of lifecycle emissions of individual products, excluding emissions during manufacturing and distribution, multiplied by their annual sales quantity and the amount of emissions from the group's manufacturing and distribution processes. However, this amount does not include emissions related to the use and disposal of Chemical products.
 * Assurance provided for CO₂ emissions figures and absolute emissions reduction rate

Share of CO₂ emissions accounted for by each state of the product lifecycle for Kao products



Contribution to emissions reduction

The amount of emission reductions in Kao's business operations as a whole totaled 4,564 thousand tons. Contribution to emissions reduction represents the amount of CO₂ emissions reductions realized by society as a whole through Kao products.

Decarbonization 302-1, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5

Amortization of carbon credits

The total amount of carbon credits amortized by Kao came to 29 thousand tons.

Electricity purchased and electricity used that is generated using renewable energy (%)

	2018	2019	2020	2021
Electricity purchased	8	28	37	52
Electricity used	6	21	28	38

Reviews of performance

CO₂ emissions across the entire product lifecycle decreased by 47 thousand tons over the previous year, representing a fall of 4% compared to 2017, the same as in 2020. The main reason for the decline in emissions was slower growth in sales of hand soap and sanitizer (products which had seen a spike in sales due to the COVID-19 pandemic), despite the growth in our overall sales.

Energy consumption for all Kao Group sites combined was 18.5 PJ. Energy consumption per unit of sales was reduced by 2.9% compared to the previous year, surpassing the target of a 1% reduction. Greenhouse gas emissions fell by 20% compared to 2017. Renewable energy accounted for 52% of all electricity purchased, and 38% of all electricity used by the Kao Group.

We offer a wide selection of household products such as water-saving products that reduce CO₂ emissions during the use stage, and also provide

various industrial-use products that do the same. We will further expand our range of products that reduce water / hot water and power consumption in the use stage, which contributes a large portion of total lifecycle emissions, and take steps such as reducing the amount of raw materials used and switching raw materials to those made from renewable sources.

Scope 1 CO₂ emissions (Thousand tons-CO₂e)

	2019	2020	2021
Japan	259	242	244
Asia	291	278	264
Americas	46	45	45
Europe	48	51	50
Total	644	616	605

Scope 2 CO₂ emissions (Thousand tons-CO₂e)

	2019	2020	2021
Japan	98	68	19
Asia	214	208	213
Americas	6	6	8
Europe	2	2	2
Total	320	283	241

* Emissions by scope conform to the Greenhouse Gas Protocol initiative

Scope 1: GHG emissions emitted directly by the company / organization

Scope 2: Indirect GHG emissions from purchased electricity, heat, etc.

* Emission factors

Scope 1: In principle, uses factors defined in the Act on Promotion of Global Warming Countermeasures

Scope 2: In principle, uses the specific factors of the country's laws or regulations. When the specific factor cannot be obtained, the country-based factor released by the IEA is used.

Purchased electricity, steam, etc. (terajoules)

	2019	2020	2021
Electricity	7,923	7,952	7,934
Heat	0	0	0
Steam	149	177	232
Cooling	0	0	0

* Electricity is calculated as the calorific value of the primary energy (at the receiving end in Japan, generating end outside Japan).

Fuel consumption by fuel type (terajoules)

	2019	2020	2021
Natural gas	8,936	8,579	8,723
Diesel oil	1,405	1,334	1,095
Gasoline	123	99	104
Other	142	132	126
Waste vegetable oil (heat recovery)	493	347	304

Decarbonization 302-1, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5

Scope 3 CO₂ emissions (Thousand tons-CO₂e)

	2019	2020	2021
1. Purchased goods and services	4,295	4,206	4,228
2. Capital goods	342	259	264
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	30	59	60
4. Upstream transportation and distribution	254	249	245
5. Waste generated in operations	56	65	68
6. Business travel	4	4	4
7. Employee commuting	17	18	18
8. Upstream leased assets	0	0	0
9. Downstream transportation and distribution	107	111	108
10. Processing of sold products	111	116	131
11. Use of sold products	4,510	4,653	4,647
12. End-of-life treatment of sold products	1,432	1,438	1,432
13. Downstream leased assets	0	0	0
14. Franchises	0	0	0
15. Investments	7	6	5
Total	11,165	11,184	11,210

Category 1: Purchased goods and services

This value is calculated by multiplying CO₂ emissions associated with raw materials per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question. CO₂ emissions associated with raw materials are calculated by multiplying the weight of raw materials purchased by inventory data (using supplier surveys, documentary data, commercially available databases, etc.).

Category 4: Upstream transportation and distribution

CO₂ emissions associated with transporting products (both within and outside Japan) while Kao Group acts as consignor. For Japan, the calculation is made using the criteria specified by the Energy Conservation Act. For areas outside Japan, the calculation is made by Kao based on data for Japan.

Category 11: Use of sold products

This value is calculated by multiplying CO₂ emissions associated with product use per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question.

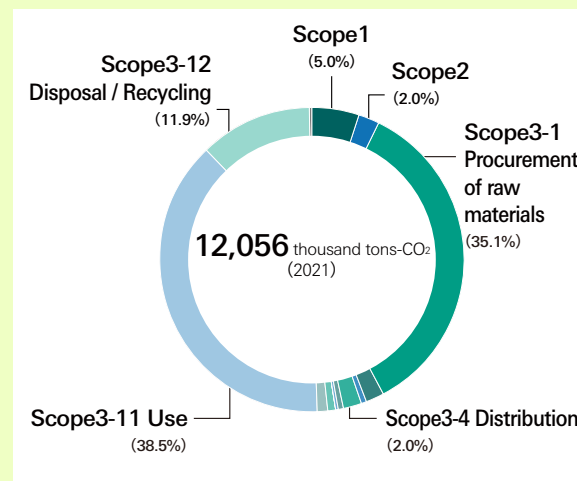
Industrial-use products are excluded.

CO₂ emissions associated with product use are calculated by multiplying the amount of water, hot water and electric power consumed during product use by inventory data (using documentary data, commercially available databases, etc.).

Category 12: End-of-life treatment of sold products

This value is calculated by multiplying CO₂ emissions associated with the disposal or recycling of sold products (both within and outside Japan) by the total annual sales volume of the product in question. CO₂ emissions associated with the disposal or recycling of industrial-use products are excluded. CO₂ emissions associated with disposal or recycling are the sum of CO₂ emissions associated with disposal or recycling of product content and product packaging. Emissions from product content are calculated by converting all content that consists of fossil-derived carbon into CO₂. Emissions from product packaging are calculated by multiplying packaging material weight—broken down by the appropriate percentage of disposal by incineration, landfill or recycling for each category of material in line with each country's performance in this regard—by inventory data (using documentary data, commercially available databases, etc.).

* Kao focuses on the categories of 1, 3, 4, 5, 11 and 12 related to site activities to save energy and reduce waste materials, as well as on the product lifecycle.



CDP* evaluation

Our initiatives for the environment have been highly rated by the CDP. In 2021, we obtained an A score for

each of Climate Change, Water Security and Forests, becoming a Triple A company for the second consecutive year. Only two companies in Japan, and ten worldwide, were given a Triple A score in 2021.

* CDP

CDP is a London-based NGO operated by institutional investors, and it motivates business enterprises to disclose information related to climate change, water and forests.

CDP evaluation

Area	2017	2018	2019	2020	2021
Climate Change	A-	A-	A	A	A
Forests (Palm Oil / Timber)	A- / A-	A- / A-	A- / A-	A / A-	A / A
Water Security	A-	A	A	A	A
Supplier Engagement	A	A	A	A	A



CDP 2021 Climate Change
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2021-001.pdf

CDP 2021 Forests
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2021-003.pdf

CDO 2021 Water Security
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2021-002.pdf

Decarbonization 102-12, 102-43, 308-2

Our initiatives

Efforts in raw materials procurement

Mitigation

Vendor Summit

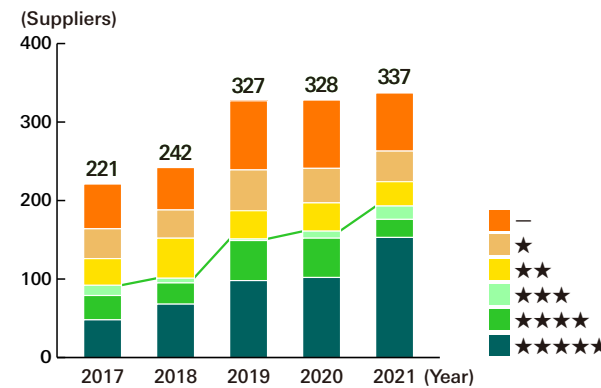
We hold the Kao Vendor Summit, which important suppliers are invited to attend, where we give presentations on our ESG-related initiatives, including decarbonization, and request suppliers' collaboration. In 2021, the Kao Vendor Summit was held remotely. The event featured presentations on the activities being implemented by Kao together with suppliers, and invitations to collaborate, with the aim of strengthening ESG-driven procurement (including joining Sedex, participation in the CDP supply chain initiative, etc.) and stable procurement (traceability of raw materials, responding to BCP requirements, etc.)

CDP Supply Chain Program (Climate Change)

In 2009, we became the first Japanese company to participate in the CDP Supply Chain Program. From 2017, in expectation that our suppliers will become more active toward promoting CO₂ reduction activities, we have been evaluating CO₂ reduction activities and have been working to provide the results of these evaluations back to our suppliers.

The 2021 survey results showed that the number of suppliers obtaining an evaluation of at least "three stars" had increased to 193 compared to the previous survey, indicating that the overall supplier activity level had risen. The number of suppliers who failed to respond to the survey was smaller than in the previous year. We are working on engagement to encourage a further enhancement of the level of activity implementation.

Supplier activity level (Climate Change)

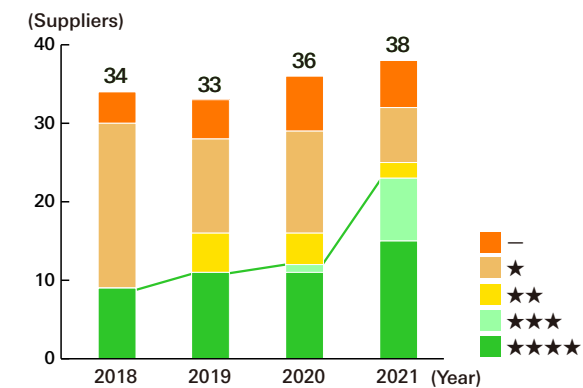


CDP Supply Chain Program (Forests)

We have participated in the CDP "Forest" Supply Chain Program since 2018. We expect suppliers providing palm oil, paper or pulp to begin sustainable and responsible procurement, which includes procurement preventing deforestation. We assess forest activity status and provide suppliers with feedback on the results of this assessment.

The 2021 survey results showed that the number of suppliers obtaining an evaluation of at least "three stars" had increased by ten compared to the previous survey, indicating that the overall supplier activity level had risen. At the same time, in regard to the roughly 15% of suppliers who failed to respond to the survey, we are continuing to work on engagement with these suppliers.

Supplier activity level (Forests)



Low-carbon raw materials procurement

In collaboration with suppliers, we are working actively to adopt raw materials with lower CO₂ emissions by using plant-based and recycled plastics and thinner cardboard. This can make a substantial contribution to reducing CO₂ emissions not only in the manufacturing process but also at the time of disposal and recycling.

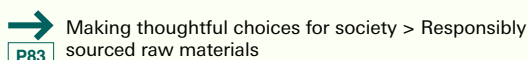
Furthermore, by optimizing the volume and frequency of raw materials deliveries, we are reducing CO₂ emissions in the transport of raw materials.

Decarbonization 102-12, 102-43, 308-2

More precise calculation of the environmental burden of raw materials for calculating product lifecycle CO₂ emissions (LC-CO₂)

With the cooperation of those suppliers from which we purchase raw materials that have particularly high CO₂ emissions, we are collecting data on CO₂ emissions produced in the procurement and processing of raw materials. This measure not only improves the accuracy of our CO₂ emission calculations during the raw material procurement process, but also allows us to evaluate the CO₂ emissions reduction initiatives adopted by suppliers, which can then be reflected in lifecycle CO₂ emissions reductions of Kao products.

In 2020, we received the Industrial Science and Technology Policy and Environment Bureau Director-General's Award (Ministry of Economy, Trade and Industry), the highest award, at the Life Cycle Assessment Society of Japan (LCA) Awards, in recognition of our continued initiatives in relation to suppliers.



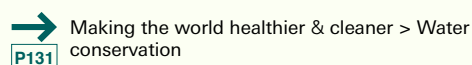
Making thoughtful choices for society > Responsibly sourced raw materials

Adaptation

CDP Supply Chain Program (Water)

Due to climate change, extreme weather is occurring in different places. For instance, there is an increase in short-term, localized torrential heavy rain. Reflecting our focus on strengthening suppliers' awareness of the need to put water risk systems in place in relation to flooding of rivers and sewage systems caused by

heavy rain, and on getting them to take appropriate action, we have been participating in the CDP "Water" Supply Chain Program since 2015.



Making the world healthier & cleaner > Water conservation

Developmental efforts

Mitigation

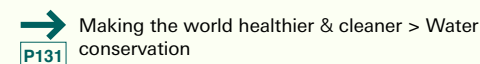
When deciding to launch new and improved products, we verify that the products satisfy the environmental standards outlined by the Design for Environment Guidelines. We also evaluate CO₂ emissions over the entire product lifecycle using the same standards. The results of these evaluations are not only used to determine product launches, but are also incorporated in future product development.

In particular, with regard to products that make use of water during the usage process, we recognize that both the water purification plants that provide drinking water for household use and the wastewater treatment plants that process households' wastewater use a great deal of energy and generated CO₂ emissions, and so we are working actively to develop water-saving products. Furthermore, products such as shampoo that require the use of hot water during the usage process also involve the generation of CO₂ emissions in relation to the heating of the water, so making products that use hot water into water-saving products can be very beneficial.

In addition, we aim to achieve "Maximum with Minimum," or in other words achieving the highest possible quality with the minimum possible raw materials. Based on this approach, we developed the Bio IOS surfactant. This surfactant is used in our *Attack ZERO* laundry detergent product.

We have also been working on the development of manufacturing technology for a new type of photovoltaic cell which is expected to be highly efficient, in collaboration with the Research Center for Advanced Science and Technology, the University of Tokyo, and with Kyushu Institute of Technology.

We are also undertaking technology development aimed at using CO₂ as a raw material for Kao products.



Making the world healthier & cleaner > Water conservation



Photovoltaic cell production technology that is expected to realize a high energy conversion rate has been developed through collaborative research undertaken by Kao, the University of Tokyo and Kyushu Institute of Technology
www.kao.com/jp/corporate/news/rd/2019/20190111-001/ (Japanese)

Adaptation

As global warming progresses, it is apparent that there is a tendency toward higher temperatures and an increased number of sunny days. Demand for UV care products as well as anti-perspirants, etc. is expected to increase during summer. In 2020, we launched *Humming Ryokan Technology* fabric softener, which features a breathability mechanism for expelling hot

Decarbonization 102-12, 102-43, 302-4, 308-2

air. Additionally, as the probability of droughts occurring increases, the demand for water-saving products is also expected to increase. We are working actively to develop products for which there is high demand in summer and water-saving products.

Given that there are expected to be significant restrictions on resource use in future, in order to meet the goals set in the Paris Agreement, there will be high demand for biomass materials that do not compete with food. We have developed Bio IOS surfactant, which uses a type of biomass that does not compete with food and which has not previously been used. Bio IOS surfactant is already in use in our *Attack ZERO* laundry detergent product.

Our total investment in environmentally friendly R&D, including climate change response measures, in 2021 was 2,770 million yen, while the total cost of this R&D work was 7,754 million yen.

Efforts in manufacturing (plants, offices, logistics centers)

Mitigation

1. Efforts to reduce energy consumption

Introduction of high-efficiency equipment and efficient operation of equipment

Continuing from the previous year, equipment such as chillers, air conditioners and compressors were replaced with Best Practice Technologies (BPT) equipment in 2021. Through optimized control using multiple units of air conditioners and compressors, we

are operating equipment more efficiently corresponding to fluctuating demand.

In addition, we are switching lights to LED around the world. Our plants, offices and logistics centers in Japan have accomplished plans announced in 2015, reducing CO₂ emissions by approximately 4.65 thousand tons annually. Affiliated companies outside Japan are also proactively switching to LED lights.

Eliminating wasted energy

As in the previous year, in 2021 we continued to take steps to find areas with wasted energy, reduce energy use to the minimum required and use unused energy in other processes.

Aiming to improve the efficiency of steam use, we are continuing to strengthen our steam trap maintenance and increase the amount of steam we recover. We are also actively implementing improvement activities at worksites to optimize the amount of required energy, including lowering the set temperature of heat-insulated tanks and shortening operating times.

Striving to eliminate energy wastage at our offices, some of the steps we are taking include turning off unnecessary lights, using presence sensors to automatically turn lights on and off, optimizing air conditioner temperature settings and encouraging people to take the stairs to reduce unnecessary elevator use.

We undertook 167 energy-saving activities at Japanese plants and offices in 2021, resulting in

approximately 5,327 tons of CO₂ reduction and 190 million yen in cost reduction for the year.

2. Efforts to use cleaner energy

Clean-burning fuel

Gas fuel, especially natural gas, is the cleanest fossil fuel. We use natural gas at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

Use of renewable energy

We are promoting the introduction of solar photovoltaic power generation systems for on-site power generation at Kao-owned facilities. In 2021, the systems installed at the Sakata Plant, Kawasaki Plant, Kao Chimigraf and PT Kao Indonesia Chemicals started generating electricity. The total power generating capacity of these systems was 6,970 MWh in 2021. The generating capacity of individual facilities is shown on the next page.

We are also promoting the purchasing of electric power that is generated using renewable energy. Kao Chemicals GmbH, Kao Manufacturing Germany GmbH, Kao Corporation SA's three plants in Spain, Kao Chimigraf, Molton Brown, Kao USA, Kao Corporation's Sakata Plant, Kashima Plant, Sumida Office, Kawasaki Plant, Odawara Office, Toyohashi Plant, Kao Sanitary Products Ehime, Kao Paper Manufacturing Fuji, Kao Logistics, Kao Group Customer Marketing and four plants in China (Kao Corporation Shanghai, Kao Chemical Corporation Shanghai, Kao (Hefei) Co., Ltd. and Kao Huludao

Decarbonization 302-4, 305-6

Casting Materials Co., Ltd.) have all converted to purchasing only electric power that has been generated from renewable sources.

In addition, Kao Corporation's Wakayama Plant and Tochigi Plant are purchasing electric power generated from renewable sources.

Use of this renewable power reduced CO₂ emissions by 168 thousand tons.



Photovoltaic (solar) power generating facilities at Sakata Plant

Total generating capacity of solar power equipment (2021)

Company / Plant	Total generation (MWh)
Sakata Plant, Kao Corporation	1,708
Tochigi Plant, Kao Corporation	1,660
Toyohashi Plant, Kao Corporation	413
Kao Sanitary Products Ehime	407
Atsugi Logistics Center, Kao Logistics	274
Sumida Kita Logistics Center, Kao Logistics	219
Wakayama Plant, Kao Corporation	64
Sumida Office, Kao Corporation	42
Kawasaki Plant, Kao Corporation	11
Kao Industrial (Thailand)	781
Kao Corporation Shanghai	558
Pilipinas Kao	370
Kao Penang Group	184
Kao Chimigraf	111
Kao USA	109
Kao Australia	35
PT Kao Indonesia Chemicals	26

3. Reducing the volume of leaked refrigerants and other greenhouse gases

Air conditioners and chillers used in manufacturing are charged with fluorocarbon that has extremely high global warming potential. To reduce the volume of fluorocarbon leaks from equipment, we have been strengthening our regular equipment inspections.

4. Initiative to secure ZEB Ready certification for office buildings

In August 2020, a newly-built office building forming

part of our Sumida Office (in Sumida Ward, Tokyo) was awarded ZEB (Net Zero Emission Building) Ready certification. Through the installation of highly efficient, energy-saving equipment such as highly-insulating external walls and water-based radiant air-conditioning, the new building realizes a reduction in energy consumption of 58% compared to a building with standard specifications. The new building also has solar panels on its roof, along with an emergency generator unit, ensuring that the building is ready to cope with natural disasters.

Decarbonization 403-7 (Occupational health and safety 2018)

Employees' voice

I-REC purchasing and decarbonization targets at Kao (China)

Wu Xingjue

Business Promotion Group, Production Planning, DS Planning, Kao (Shanghai) Chemical Industries Co., Ltd.



Faced with the problem of climate change caused by global warming, the Kao Group has set itself the goal of helping to realize the decarbonized society, and has formulated new decarbonization objectives. Kao is aiming to become net carbon zero in its business activities by 2040, and to be carbon negative by 2050.

So as to meet these objectives, every Kao (China) plant is speeding up its activities to reduce carbon dioxide emissions. In 2019, Kao (China) set up an I-REC Promotion Team, and it was decided that each plant in China would systematically purchase I-REC certificates and switch over to purchasing only electricity that has been generated using renewable energy. I-RECs meet the requirements of the CDP and of the RE100 initiative, and can be used to offset Scope 2* carbon dioxide emissions. "I-REC" stands for International Renewable Energy Certificate. Also known as a "Green Electricity Certificate" ("green electricity" includes electricity generated using wind power, solar power and hydroelectric power), an I-REC represents proof, certified by an internationally recognized organization, of the purchase of green electricity.

In the case of Kao (China), five of its plants—Kao Corporation Shanghai, Kao (Hefei), Kao Chemical Corporation Shanghai, Kao (Shanghai) Chemical Industries and Kao Huludao Casting Materials—have acquired I-RECs, and have been able to ensure that 100% of the electricity that they purchase is generated using renewable energy.

Based on the actual energy consumption of the five plants of Kao (China), the total amount of electricity generated using renewable energy that was purchased was 28,483 MWh in 2020 and 36,152 MWh in 2021. Given that we purchased a combined total of 64,635 MWh of green electricity in 2020 and 2021, the electric power consumption by the five plants over these two years was able to offset the equivalent of 37,740 tons of carbon dioxide emissions.

As the green electricity purchased in 2020 was generated using wind power, this represented support for the operation of wind power generating facilities in China's Yunnan Province and Xinjiang Uyghur Autonomous Region. The green electricity purchased in 2021 was generated using hydroelectric power, and represented support for hydroelectric power projects within China.

The plants of Kao (China) will continue working tirelessly to save energy and reduce emissions through continued technological innovation and ongoing improvements, aiming to achieve the goal of being carbon neutral across the board by 2050.

* Scope 2: Indirect GHG emissions from purchased electricity, heat, etc.

Adaptation

With rising summer temperatures, heat stroke prevention is essential in Japan. Especially for our outdoor workers, we have taken measures such as to share the day's heat index, shorten continuous working hours and prepare drinking water.

Additionally, as new water risks, including more powerful typhoons and localized torrential rains, are likely to emerge as a result of climate change, annual water risk surveys are conducted at our plants.

Decarbonization 305-3

Efforts in distribution

Mitigation

CO₂ emissions during distribution in Japan were 100 thousand tons-CO₂ in 2021, a 0.3% increase (compared to 2017).

1. Increase shipment volumes per shipment

We are proactively making adjustments including improving loading efficiency, changing product sizes and using larger vehicles.

2. Shorten shipping distances

We are continuing to look at ways to revise shipping routes, optimize manufacturing plants and shift which logistics center is used.

3. Use cleaner shipping methods

We are pursuing steps such as switching from truck to shipping methods such as rail and ship, which have lower CO₂ emissions (modal shift).

4. Improve loading ratios

Having trucks return from their shipping destination with a load, instead of returning empty after unloading, i.e., improving the loading ratio, contributes to improving energy efficiency and CO₂ emissions in shipping.

We are participating in the Cross-ministerial Strategic Innovation Promotion Program promoted by Japan's Cabinet Office. We have partnered with Lion Corporation to launch a smart logistics initiative, with scheduled deliveries having started in October 2020.

The aim is to enhance the productivity of truck transport and reduce CO₂ emissions by implementing two-way transport that integrates deliveries between Kao's Kawasaki Plant (in Kanagawa Prefecture) and the Sakaide Logistics Center (in Kagawa Prefecture), as well as from the Sakaide Plant (in Kagawa Prefecture) of Lion Chemical (a Lion Corporation affiliate) and the logistics centers at Kazo (in Saitama Prefecture), Kashiwa (in Chiba Prefecture) and Sagami-hara (in Kanagawa Prefecture).

This new initiative will reduce the distances that trucks are travelling without loads, by comparison with conventional transportation methods, and is expected to result in a 45% reduction in CO₂ emissions and a 23% reduction in transport costs for both companies combined.



Collaborative delivery with Lion Corporation

5. To enhance visualization of distribution-related energy usage and CO₂ emissions

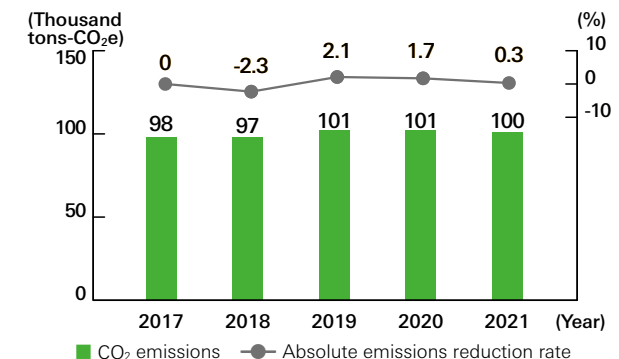
We had been making preparations to begin calculating distribution-related energy usage and CO₂

emissions outside Japan starting from 2020. However, the calculation and reporting of distribution-related CO₂ emissions outside Japan for 2020 has been based on estimates. We are proceeding with preparations to begin reporting of emissions based on actual distribution performance as soon as possible.

Adaptation

With the worsening trend toward short-term, localized torrential rain, there is an increased risk of the supply chain from Kao's plants to our customers being disrupted, with Kao being unable to deliver products on schedule, and a possible need to use roundabout routes over an extended period, leading to an increased environmental impact. When risks appear, in order to take appropriate measures in a short amount of time, subsidiaries are charged with managing product transport to our main market in Japan.

CO₂ emission during distribution (Japan)



* Boundary: Kao Corporation and Kanebo Cosmetics Inc.
* Assurance provided for CO₂ emissions

Decarbonization 305-3

Efforts during use

Mitigation

We offer a wide selection of products that contribute to the reduction of CO₂ emissions during the use stage.

Important examples include ultra-concentrated laundry detergents that only require one rinse cycle, and shampoo, body wash and dishwashing detergent that reduce the amount of hot water required for rinsing.

In the laundry detergent segment, in 2009 we launched *Attack Neo*, which reduces the lifecycle CO₂ emissions per wash by approximately 22%. In 2019, we introduced *Attack ZERO*, a concentrated liquid clothing detergent that has redefined the whole concept of clothes washing, which uses Bio IOS, our most advanced ever detergent base, as its main ingredient, and which was followed by *Attack 3X* in 2020. Within Japan, the way in which consumers do their washing has begun to be transformed, with washing machines that come equipped with a button allowing the user to select a single rinse cycle as a standard feature becoming the norm. Laundry detergents that require only one rinse cycle are offered in Japan and Taiwan.

We also offer other products, such as foam-type shampoo, which can be expected to reduce the amount of water used when foaming and rinsing.

To help ensure that when consumers use these products, which are capable of effectively reducing CO₂ emissions, they use them properly, we participate in environmental events hosted by local governments and distribution companies.

We also offer a wide selection of products for industry that allow customers to reduce their CO₂ emissions during

the use stage. These include a toner with low-temperature fixing, which reduces the photocopier's power consumption, washing and rinsing agents that can wash and rinse steel plates at low temperature to reduce CO₂ emissions from fuel consumption, a semiconductor wafer cleanser that contributes toward CO₂ emissions reduction by reducing the amount of ultra-pure water and chemical agents used during the cleaning process, an additive for coating material that helps improve fuel economy by reducing the coating weight of wire harnesses for automobiles, and an additive essential to improving dispersion of a required material for fuel-efficient tires to demonstrate their performance.



Attack ZERO, a concentrated liquid laundry detergent



Merit the Mild Foaming Shampoo and Conditioner is expected to reduce the amount of water used when getting shampoo and conditioner to foam and when rinsing the hair

Adaptation

As global warming progresses, the period of time for which there is high demand for anti-perspirants etc. in the summer is lengthening, and demand is expected to rise. We are therefore working to strengthen our development of these types of products. Additionally, as the probability of droughts occurring increases, the demand for water-saving products is also expected to increase.

Our sonaeru website provides information about household products that will be useful in the unfortunate event of a natural disaster occurring, with a particular focus on products that can help people to maintain good hygiene while living in an evacuation facility.



Kao sonaeru website
www.kao.co.jp/hisaiji/ (Japanese)

Decarbonization 102-12, 102-43, 305-3

Efforts in disposal and recycling

Mitigation

CO₂ emissions in the disposal and recycling stage consist of the following two types. One type is the CO₂ emitted as materials and ingredients degrade when packaging, diapers and other materials disposed of by consumers after use are incinerated, or when wastewater containing cleansing and other agents made from petroleum is treated. The other type is CO₂ emitted from using energy required to operate incinerating and recycling equipment and wastewater treatment facilities. In order to simultaneously address these two types of emissions, the most important thing is to reduce the volume of material subject to disposal and recycling. For this reason, as far as possible we recycle waste that is subject to disposal and recycling. In the case of waste that cannot be recycled and can only be disposed of as waste, we adopt a carbon neutral approach.

In line with this philosophy, we refer to initiatives that reduce the amount of waste that needs to be dealt with as Innovation in Reduction. We are applying Innovation in Reduction to the raw materials used in manufacturing packaging and diapers, and to the cleaning agents used in cleaning products. We refer to initiatives in the area of recycling as Innovation in Recycling. We are applying Innovation in Recycling to packaging and to used diapers.

Used diapers are carbonized using carbonization equipment, and the resulting material is then utilized for environmental purification and plant cultivation. We are also undertaking R&D aimed at conversion to new types of carbon material.

We are proceeding with the utilization of biomass

plastic and other raw materials that are carbon neutral in terms of the amount of CO₂ emitted during disposal.

To further strengthen our focus on recycling activities, in 2020 we established the Recycling Science Research Center within our R&D Division.



Making the world healthier & cleaner > Zero waste

Adaptation

In the future, as the human population continues to increase, it is anticipated that increasingly strict restrictions will be placed on the extraction of fossil fuels, in order to meet the goals of the Paris Agreement, and as a result restrictions can be expected to be placed on the use of various types of resources. We believe that, in order to realize a decarbonized society, it is vital to reduce the amount of raw materials used, recycle used products whenever possible, and only dispose of those products of biomass origin when there is no alternative to disposal.



Making the world healthier & cleaner > Zero waste

Examples of major collaboration projects with stakeholders

- Participation in the Business Ambition for 1.5°C program promoted by the SBTi. We are taking part in related activities

together with many leading global companies.

- Participation in the Green Value Chain Platform and 2°C Target Network Corporate Edition administered by Japan's Ministry of the Environment, offering Kao's scope 3 efforts as an example and contributing to the calculation of scope 3 emissions by corporations
- Cool Choice awareness, promoted by the Ministry of the Environment, and the contribution to lifestyle change for consumers toward decarbonization
- Participation in the Japan Climate Initiative and the spread of information and opinion exchange on climate change measures promoted by various constituents besides the national government
- Participation as a member of the LCA Working Group organized by the Japan Chemical Industry Association. We have disclosed case studies of our carbon lifecycle analysis efforts, and disseminated information to society about the contribution that chemical products can make toward reducing CO₂ emissions.
- Participation in the Supply Chain Program run by the CDP for 13 consecutive years. We are contributing toward the enhancement of suppliers' awareness, and toward promoting a transformation of the types of action taken by suppliers.
- As a member of the steering committee of the TCFD Consortium of Japan, we are contributing toward the disclosure of climate change-related information, and toward the promotion of dialogue. In 2021, we were involved with 29 lectures, interviews etc. relating to decarbonization. Our decarbonization initiatives have contributed toward enhancing awareness in society.

Decarbonization 102-44

Stakeholder engagement

Yukari Takamura

Professor, Institute for Future Initiatives,
the University of Tokyo



In recent years, natural disasters resulting from severe weather have caused immense damage, both in Japan and globally. The latest meteorological science indicates that human activity has definitely been a cause of global warming, and predicts that the changes in the climate will become even more dramatic as temperatures continue to rise. At the COP26 conference held in Glasgow in the U.K. in 2021, agreement was reached on the need to resolutely pursue the achievement of the Paris Agreement goal of keeping the increase in average global temperatures (compared to pre Industrial Revolution levels) down to within 1.5°C, and it was confirmed that, to realize this goal, emissions reductions over the next ten years, during the period until around 2030, would be of decisive importance. The agreement reached at COP26, set against the background of a sense of crisis in relation to the science-based evidence for climate change, shows just how much importance investors, and society as a whole, will attach to companies' response to climate change risk in the future.

The Kao Group has positioned realizing the wholehearted satisfaction and enrichment of the lives

of people globally and contributing to the sustainability of the world as the core of the Kao Way, its business philosophy, and it has become leaders in sustainability initiatives, including those addressing the issue of climate change.

In 2021, Kao made substantial further progress with these initiatives. In May 2021, it formulated new decarbonization objectives, aiming to reduce its carbon dioxide emissions to net zero by 2040 and become carbon negative by 2050. In 2019, Kao had already secured approval for its goals from the SBTi, which encourages business enterprises to set targets that are in conformity with the long-term goals of the Paris Agreement, and in 2021 it signed up to the Business Ambition for 1.5°C initiative, which asks companies to set targets consistent within keeping the average rise in global temperature within 1.5°C.

In addition, in line with its goal of becoming net carbon zero by 2040, Kao has begun participating in the international RE100 initiative, which seeks to have 100% of electricity used in business be generated from renewable energy. Kao has set itself the objectives of purchasing only electricity that has been generated using renewable energy within Japan by 2023, and achieving this globally by 2025, which is even earlier than RE100 recommendations. Besides implementing measures such as installing solar power generating equipment to generate electricity for its own use, and reducing the CO₂ emissions of the electricity that it purchases to net zero through the use of non-fossil fuel energy certificates, as has been done at the Sakata Plant, Kao has also begun using corporate Power

Purchase Agreements, through which it purchases renewable energy directly from the power producers.

As in 2020, once again in 2021 Kao was selected as a Triple A company, having secured the highest possible A rating in all three areas covered by the CDP survey: Climate Change, Forests and Water Security. This achievement reflects just how high a level of initiatives the Kao Group has been implementing.

Going forward, everyone will need to set themselves even higher challenges in responding to climate change. In particular, there is a need to reduce emissions throughout the product lifecycle (Scope 3 emissions). Emissions associated with raw materials procurement, product use, disposal and recycling account for the largest share of the Kao Group's total emissions. Kao needs to collaborate and liaise with suppliers in regard to reducing emissions associated with raw materials procurement, and collaborate and liaise with customers and other stakeholders in regard to reducing emissions associated with product use, disposal and recycling. I anticipate Kao implementing measures that will encourage suppliers to make improvements, and measures that will change the lifestyles and behavior of customers through its products and services. A further point is that the key issues which we are facing—including climate change, plastic resource circulation and safeguarding the natural environment—are all mutually interconnected. I hope that Kao will be able to strengthen understanding of all these issues among both suppliers and customers, and implement initiatives that address them all in a coordinated, comprehensive manner.

Zero waste

102-15, 103-1, 103-2, 103-3, 306-1 (Waste 2020)

Inspired by a philosophy of avoiding unnecessary waste, we aim to contribute toward the realization of a zero waste society by ensuring that used products and product packaging are utilized to the maximum possible extent, if necessary by changing their function.

Kao's creating value to address social issues

Social issues we are aware of

Efforts to build high-level circular economic societies with high-level economic growth are increasingly needed throughout the world. Considering that the world's resources are limited, standards of living are rising, and the resources needed are steadily increasing as the global population continuously grows, the one-way economic models of the past will no longer support prosperous lifestyles and culture into the future.

In regions where social infrastructure (i.e., waste treatment systems) is not sufficiently developed for the increases in the amount of waste generated including household waste, there are numerous instances of environmental pollution due to waste being dumped or insufficiently treated at disposal facilities. In addition, improper conduct by consumers after use results in waste dumped on land entering the oceans. Plastic in particular does not decompose naturally, and the volume of marine plastic waste continues to increase. Estimates are that by 2050, there will be more plastic in the ocean environment by weight than the weight of all the fish in the oceans. This marine plastic is starting to have detrimental impacts on marine ecosystems.

To keep the temperature rise due to climate change under 1.5°C, consumption of fossil fuels must

be drastically reduced. Consequently, production of fossil-based plastics may fall dramatically compared to current levels. It is clear that existing plastic containers made with large amounts of fossil-based plastic are not sustainable.

Although fossil fuel usage fell in 2020 due to the impact of the COVID-19 pandemic, it will be necessary to keep fossil fuel use under control and address the rising demand for plastics in order to strike an appropriate balance between fostering economic recovery and the transition to a decarbonized society. In light of this situation, we recognize the growing importance of reducing plastic usage and of recycling.

Currently, because there is a stable supply of plastic products and packaging, and because they are reasonably priced, lightweight, multi-functional and corrosion-resistant, they play an indispensable role in realizing consumers' Kirei Lifestyle. However, because plastic products and containers are mostly made from fossil fuels, if they are not disposed of properly after use they can cause environmental problems.

An additional issue is that, currently, around one-third of all food produced in the world is thrown away as waste. Given that around 8% of annual GHG emissions derive from food waste, there is a clear need to reduce the amount of food that is wasted.

In 2021, we supplied products that included 106 thousand tons of plastic packaging, such as bottles and film-type refill packs. We also generated 723 tons

of food waste.

We aim to help realize a zero waste society, not only by minimizing the resources used in all processes from new product development through to disposal of used products, but also by trying to ensure that, after use, all products are reused, recycled, or effectively utilized in some other way. We also believe that, in cases where it is unavoidable for something to be disposed of as waste, it should undergo appropriate treatment.

Zero waste

102-12, 103-1, 103-2, 103-3, 306-1 (Waste 2020)

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

Items	Contents
Policies, laws and regulations	Stricter regulations on the processing of waste generated at worksites, increased regulation on consumption of plastic packaging (mandatory use of recycled plastic, taxation), mandatory labeling of information on plastic use, etc.
Technology	Increased volumes of waste generated from worksites in conjunction with the manufacture of new products and unsuccessful attempts to develop technology for reducing plastic consumption or using recycled plastic
Markets	Higher disposal costs as a result of increases in the volume of waste generated in excess of disposal capacity throughout society, changes in consumer preferences, rising costs for virgin plastic or recycled plastic, increased consumption of hygiene-related product packaging due to enhanced consumer hygiene awareness resulting from the COVID-19 pandemic, etc.
Reputation	Criticism of the industry or of individual companies, stronger concerns among stakeholders, changes in consumer preferences, etc.

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

Items	Contents
Resource efficiency	Lower disposal costs as a result of decreases in the volume of waste generated from worksites and lower costs for packaging, better transportation efficiency, etc. as a result of reducing plastic consumption
Products, services	Reduction in the volume of waste generated through the development of resource-saving products, higher sales due to expanded use of packaging using less plastic and development of innovative packaging, higher income due to licensing of development technology
Markets	Higher sales due to improved access to new markets, use of public incentives for developing innovative technologies, etc.
Resilience	Improved resilience through actively continuing to promote 3R activities for plastic packaging, and by providing even more environmentally friendly plastic packaging, rather than merely returning to the situation that existed before the COVID-19 pandemic

Kao's creating value

We are continuously implementing 3R activities to reduce, reuse and recycle waste generated at plants, distribution sites and offices and with regard to products and packaging.

In the area of plastic packaging in particular, we are undertaking ongoing development and use of film packaging that reduces plastic usage by around 75%, and products in refillable film packaging are becoming popular in Japan. We are also rolling out these technologies to overseas group companies, making it possible to reduce the amount of plastic used in packaging.

Besides our efforts in regard to film packaging, we are also implementing initiatives to reduce plastic usage through the reuse of bottles.

Through effective coordination between the recycler and the manufacturer, we are getting used products recycled to create recycled products that are useful in consumers' daily lives. Working together with distributors, competitors, local government authorities and other stakeholders, we are putting in place a framework for the collection of used packaging. Having as many other stakeholders as possible participate in this initiative will help make the benefits even more substantial.

Furthermore, efforts to recover waste that has already been released into the environment greatly contribute to the protection of marine and land ecosystems.

Contributions to the SDGs



Policies

We believe that, in all processes from new product development through to disposal of used products, we should make an effort, as far as possible, to reduce the quantity of product that is subject to being disposed of and recycled, and that we should try to ensure that all waste, regardless of whether it is solid or liquid, is utilized in a way that is useful for society, with the ultimate goal of achieving a net zero waste society. As we see it, we should seek to maximize recycled resources, and when the generation of waste is unavoidable, it should be utilized appropriately.

Our Basic Principle and Basic Policies on Environment and Safety states that "We shall contribute to social sustainability by giving thorough consideration to environmental conservation and human safety in every aspect of our operations, including product development, manufacture, distribution, usage and waste disposal." Furthermore, the Kao Group Responsible Care Policy contains the following declaration: "We shall reduce, reuse and recycle waste and strive to continuously reduce environmental impact."

Our Environmental Statement embodies our commitment to ensuring that "Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, use and final disposal, we want to engage in 'eco together' with

Zero waste 306-2 (Waste 2020)

stakeholders and consumers worldwide.”

With the aim of realizing these policies in concrete terms, in October 2018 we announced Our Philosophy & Action on Plastic Packaging, which clearly enunciates that our action on plastic packaging is driven by our 4R (reduce, reuse, replace, recycle) program based on continuous improvement and bold innovation.

In September 2019 we announced that, as part of our efforts to realize ESG-driven *Yoki-Monozukuri*, we would be taking responsibility for our products not only until they are sold, but until they are disposed of, and that we would be focusing heavily on Innovation in Reduction and Innovation in Recycling aimed at building the plastic resource circulating society. In May 2020, we established the Recycling Science Research Center in our R&D Division to drive business development with a plastic resource circulating model that incorporates RecyCreation. To realize our vision, we are collaborating with other business enterprises, local governments and universities as we seek to realize a resource-circulating society.

A further point is that food waste connected to our businesses is of relevance to Kao's beverage business. In regard to food waste, we are working to reduce the amount of waste generated as much as possible, and striving to ensure that when the generation of waste is unavoidable, this waste is recycled.



RecyCreation activities



Our Philosophy & Action on Plastic Packaging
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/plastic-packaging-001.pdf

Kao's New Challenges for the Future: Accelerating Purposeful Business Commitment with ESG
www.kao.com/global/en/news/business-finance/2019/20190926-001/

Basic Principle and Basic Policies on Environment and Safety
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Kao Group Responsible Care Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Kao Environmental Statement
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

Efforts in raw materials procurement

To reduce waste generated at our plants, we continuously work with external suppliers to adjust the volume and frequency of raw materials deliveries. This contributes to reducing the amount of packaging materials our suppliers procure as well as reducing CO₂ emissions from the transport of raw materials.

In addition, in order to reduce waste throughout the product lifecycle, we are continuing our efforts to improve the production methods used by our subcontractors for contracted product manufacturing, for example by providing them with relevant

technology. This contributes to reducing CO₂ emissions associated with raw materials procurement.

Initiatives taken in relation to our products

We offer products such as disposable diapers and cleaning sheets that become waste after consumer use. While ensuring product performance, we are developing technologies to reduce the amount of materials used in products and contribute to reducing waste in order to reduce the amount of waste generated after product use. This also reduces costs and CO₂ emissions in conjunction with waste processing.

We also use recycled plastic for some of our products. As a result, we are able to reduce the amount of virgin plastic used, which leads to a reduction in the use of fossil fuels, the raw material for plastic. We are aware that these measures are important for solving the problem of plastic and creating a decarbonized society.

In addition, regarding the eye-catching plastic stickers used on products to attract consumers' attention, we have switched over to using certified paper for these when their use is unavoidable, and we eliminated all non-essential use of these stickers in 2021.

Initiatives targeting packaging

We are aiming to realize net zero waste for plastic packaging by 2040, and negative waste for plastic packaging by 2050. To achieve these goals, we are undertaking measures in compliance with the ISO 18600 series standards for packaging and the

Zero waste

306-2 (Waste 2020)

environment. Specifically, we are reducing the amount of materials used in packaging, and in particular we are reducing the use of plastic packaging, which has become a serious issue for society, by adopting a 4R (reduce, reuse, replace, recycle) approach from an Innovation in Reduction and Innovation in Recycling perspective.

Innovation in Reduction

This involves initiatives to reduce the amount of fossil-based plastic used.

Reduce

We are continuing to take steps to make containers and packaging thinner, as a means of reducing the amount of plastic used in individual products.

Reuse

We are promoting the adoption of refill and replacement products. The use of plastic film packaging enables us to slash the use of plastic by around 75% compared to plastic bottles. To expand the use of film packaging, we have continued to make improvements to these refill products according to bottle size, the viscosity of the contents and so on to make refilling easier for consumers, and we encourage the internal and external use of innovative film packaging. We are exploring the possibility of in-store refilling whereby consumers bring packaging to the store and purchase only the products they are filled with. In addition, we have adopted a “take-back”

system for some products, whereby we take back used containers from customers and then clean them and reuse them.

Replace

We are implementing initiatives to replace fossil-based plastics with alternative materials such as paper and metal. We are also proceeding with initiatives to use bio-based plastic as an alternative for fossil-based plastics. We have been using recycled paper for the carton boxes and instructional inserts for many products, including powdered laundry detergent, since the 1960s, and we plan to expand their use.

Innovation in Recycling

This involves initiatives to recover used packaging and recycle it so that it can be used again as recycled plastic.

Recycle

Recycling includes initiatives to develop packaging that is easy to recycle. Based on the fundamental technology that we have accumulated until now, we are focused on creating innovative recycling technologies for used plastic, including the use of recycled plastic for packaging, as well as developing and using high-quality, low-cost recycled plastics, encouraging activities that generate value from used plastic, and using plastic waste for industrial applications. We are also undertaking initiatives to replace refill packaging made from multiple layers of

different plastic materials with a single material.

We are establishing a framework to recover used packaging and recycle it, in collaboration with stakeholders such as distributors, competitors and local government authorities, with the aim of helping to build the resource-circulating society. We are also working actively to promote the use of recycled plastic.

Efforts in development, manufacturing and sales

We are reducing the amount of waste generated at our plants and offices, and we are reusing and recycling waste and other materials inside and outside the company. We have set reduction targets for how much waste we generate and are working company-wide to achieve them.

At plants, we are reducing loss of raw materials and products. For example, for liquid products, wastewater sludge is produced as a result of cleaning the mixing and storage tanks at the production facility when the product produced is switched. For sheet-type products, a portion of the sheet material is left unused when the material is switched out. We are studying loss reduction countermeasures on an ongoing basis according to the type of loss that occurs. We then implement improvements to reduce waste.

Because products that are returned from stores are ultimately disposed of as waste, considerable expense and environmental impact arise including the waste of resources and GHG emissions during the disposal process as well as considerable disposal-related expense. Going forward, we will work with

Zero waste

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stores to review product shipping and stock replenishment methods in an effort to minimize waste.

In addition, sales promotion materials are discarded after use, so we are making a transition to disseminating information using digital means.

Enhancing waste recycling

It would be difficult to reduce generated waste to zero with currently available technology. Accordingly, we ensure that generated waste is thoroughly sorted, and we select the most appropriate recycling methods in cooperation with contracted waste treatment providers. We monitor the amount of waste recycled and sent for final disposal along with the amount of waste generated to improve how waste is treated overall.

Preventing illegal dumping of waste

When contracting waste treatment service providers to dispose of waste generated at our plants and offices, there is a risk of illegal dumping. To reduce this risk, we regularly visit the service providers to verify that the contracted waste is being disposed of appropriately. The Kao Group in Japan has created a database containing information including contracts with waste treatment service providers and the results obtained from surveys of appropriate waste treatment to prevent illegal dumping. This system is also connected to the Electronic Manifest System, which also ensures prevention of illegal dumping.

Proper storage and treatment of PCB waste

Polychlorinated biphenyls (PCBs) were formerly used in insulating oil, such as in transformers and ballasts, but they have low degradability and therefore pose a risk to human health and can create hazards in living environments. We appropriately store and treat PCB-containing waste in accordance with the law until its disposal is contracted to a service provider.

Reducing food waste

We are working with the business partners of our Beverage business to review the rules governing product returns for products that are nearing their expiry date. Some returned products can be utilized effectively in methane fermentation and composting. Through activities such as these, we are taking steps to reduce food waste.

Education and promotion

Many of our products become waste after use. We are facing this fact earnestly and recognize the importance of giving our employees the chance to learn about the generation of waste from our business activities and used products through various programs and to actively engage in waste reduction measures of their own accord. To this end, we have created many opportunities for employee education.

If, in addition to plants' waste reduction activities and technology development that is oriented toward using fewer resources in manufacturing, there is also

a strengthening of employees' waste awareness, then this will help to enhance our activities in this area. A further point is that employees are also consumers, and in their role as consumers it is important that they choose products more carefully and take steps to deal with waste properly.

With regard to packaging, our research laboratories, Procurement, SCM, Business divisions, the ESG Division, etc. engage in a periodic exchange of views regarding our strategy in this area, the issues faced, and how to address them.

Collaboration and engagement with stakeholders

We recognize that, in order to help consumers realize the Kirei Lifestyle, it is vital for us to deepen mutual understanding with a wide range of stakeholders and collaborate with them, by developing mutual communication.

As the waste generated by our production activities impacts on local communities, having good communication with local communities is also vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

Methods of processing waste generated from our business activities as well as waste generated by consumers and customers after using our products are regulated by government agencies. In order that more waste can be recycled, and to make the

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processing of waste easier, lobbying undertaken in collaboration with industry organizations is very important.

It is also vitally important to share ideas with suppliers and undertake collaborative R&D with them, in order to reduce the amount of plastic used in packaging and enhance its recyclability.

To realize a Kirei Lifestyle for consumers, a change in consumers' behavior is needed. We provide opportunities to think about the Kirei Lifestyle through visits to museums and plants that take Kao products as the theme. This visit program includes displays that enable participants to get a real feel for the amount of waste generated from products manufactured using limited amounts of resources.

Framework

Under the supervision of the Board of Directors, risk management in relation to zero waste issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. The ESG Managing Committee decides on overall strategy regarding zero waste initiatives, and implements strategy decision-making and management with regard to waste generated from used products, and packaging. The Internal Control Committee handles management of waste generated from business activities. These committees are headed by the President.

The Senior Vice President responsible for Corporate Strategy serves as chair of the Responsible Care Promotion Committee, and the Responsible Care group of the Corporate Strategy Division serves as the secretariat for the committee. The committee meets twice annually to report on and discuss the state of compliance with laws and regulations at all worksites throughout the world, the amount of waste generated, the status of recycling and other matters, and sets targets for the following year. The Responsible Care Promotion Committee Secretariat conducts monthly checks on compliance with laws and regulations, monitors waste amounts and the status of recycling, mainly at plants which have a large impact, and reports on these and other matters to the head of the committee, committee members, members of the Internal Control Committee, auditors and others.

Activities related to waste issues are reported at the Japan RC Meeting and Global RC Meeting under the supervision of the Responsible Care Promotion Committee. The SCM Division, which manages our plants that account for the majority of waste generated by our plants and offices, holds the Environment Working Group Meeting with environmental staff at all plants, manages progress relating to activity targets regarding recycling and reducing waste at plants, and internally develops best practices.

The Internal Control Committee meets one or

more times each year, receiving activity reports from the Responsible Care Promotion Committee and other subordinate committees that it oversees and auditing the activities of those committees.

Management of waste generated from used products, and of its recycling, is handled by the ESG Managing Committee, which meets six times a year. Committee members are the persons in charge of the Business, Sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The ESG Managing Committee, and the ESG Promotion Meeting which it supervises, discuss environmental issues including waste derived from packaging as well as social and governance issues.

Site inspections of waste treatment service providers are conducted systematically in cooperation with the SCM Division, Procurement Division, Logistics Division, Enterprise Information Solutions Division, Sales Division and related companies.

Data reliability is ensured by using a database that centrally manages environmental data for all Kao Group sites throughout the world, and by standardizing tasks and making them more efficient, we are able to conduct activities properly.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

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Mid- to long-term targets and performance

We are aiming to realize net zero waste for plastic packaging by 2040, and negative waste for plastic packaging by 2050. We will also be maximizing our contribution toward helping society as a whole to reduce plastic packaging usage.

Targets for 2025

Item	Scope	Target for 2025
% of recycled plastic used in PET containers	Kao Group in Japan (consumer products)	100%

2030 long-term targets

Item	Scope	Target for 2030
Amount of fossil-based plastics	Kao Group	Peaking out
Amount of innovative film-based packaging penetration	Kao Group and other companies	300 million *1
Recycling plastics usage	Kao Group	Scheduled to be set in 2022
Amount of waste generated*2	Kao Group production sites*3	Zero (less than 1%)
Reduction rate of discarded products and discarded sales promotion materials	Kao Group in Japan	95%

We are aiming to have the reduction in the amount of plastic packaging used by Kao and by society as a whole*4 reach 200 thousand tons.

We are also aiming to have the amount of plastic packaging that we use at Kao reach a peak by 2030.

*1 Annual penetration amount

*2 Amount of waste not recycled from business sites

*3 Beginning with production sites

*4 Amount of reduction achieved through the use of innovative film-based packaging, refill and replacement products, and development of more concentrated products

2040 long-term targets

We are aiming to reduce plastic packaging waste to zero*5.

*5 This is the state in which the amount of plastic packaging used by Kao is roughly equivalent to the amount of plastic for which resource recovery is implemented by Kao*6.

*6 This is the amount of plastic that is upcycled, plus the amount recycled plastic used by Kao in packaging, plus the amount of plastic that is recovered, recycled and / or transformed into pellets by Kao working together with society as a whole.

2050 Long-term targets

We are aiming to reduce the amount of fossil-derived plastic used to zero.

We are also aiming to achieve negative plastic packaging waste*7.

*7 This is the state in which the amount of plastic for which Kao implements resource recovery*6 is more than the amount of plastic packaging used by Kao.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

It will be necessary to raise productivity in order to curtail the amount of waste and the like generated from business activities. If productivity is raised, manufacturing costs can be reduced. In addition, promoting recycling can also be expected to reduce waste processing costs.

By using innovative film packaging both internally and externally and meeting our targets for reducing plastic consumption, we can boost sales in new markets and earn revenue from licensing our patents.

By increasing consumption of recycled and recyclable plastics, we can also avoid new taxes on the use of fossil-based plastic.

Social impacts

By curtailing waste and the like generated from business activities, promoting recycling to achieve zero waste, and developing a society where innovative film packaging that can drastically reduce the amount of plastic used (to around one-sixth of the former level) is widespread both internally and externally, we will contribute to enhancing resource productivity throughout society as a whole. Doing this will contribute to realizing a resource-circulating society and make it possible to offer consumers clean products in a future society with limited resource availability. These are important approaches for carrying out the Kirei Lifestyle and achieving One Planet Living vision.

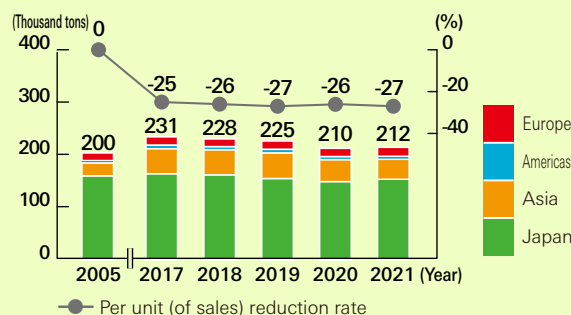
Zero waste

301-2, 306-1, 306-2, 306-3, 306-4 (Waste 2020)

Performance in 2021

Performance

Amount of generated waste and other unwanted materials ☒ (all sites)



* Boundary: For 2005, all Kao Group production sites, and all non-production sites in Japan. From 2015, some non-production sites outside Japan are also included.

* Assurance provided for amount of generated waste and other unwanted materials.

* Per unit of sales was calculated based on Japanese GAAP in FY2005, and based on International Financial Reporting Standards (IFRS) from FY2017 onwards.

Amount of generated waste and other unwanted materials

In 2021, the amount of waste generated totaled 212 thousand tons, representing an increase of 2 thousand tons compared to the previous year. As there was an increase in sales, the reduction rate (per unit of sales) was 27%, representing a slight improvement.

Amount of hazardous waste generated

Of the generated waste, 37 thousand tons constituted hazardous waste. No hazardous waste was transported internationally under the Basel Convention.

Recycling

We are promoting the reuse of waste, such as offcuts generated in the production of diapers, etc., for example by turning such waste into pellets or using it to make paper products.

Waste reused or recycled* came to 194 thousand tons ☒, a recycling rate of 92%.

We maintained our target of a 0.1% or lower final disposal ratio for waste. We have achieved our target of zero emissions for the 17th consecutive year since the target was set (final disposal ratio to generated waste for all Kao Group worksites in Japan).

Starting from 2021, as a new zero waste indicator, we have begun to calculate a combined landfill disposal and incineration rate, which was 9.1% for all production sites combined in 2021. We are aiming to reduce this rate to under 1% (i.e., to more or less zero) by 2030.

The combined landfill disposal and incineration rate is the share of industrial waste (as defined in Japan) generated by production sites that is disposed of either by landfill disposal (direct disposal

by landfill without intermediate processing) or incineration (incineration without heat recovery). Waste that individual countries' laws require be disposed of by landfill or incineration, and waste in countries where there are no facilities for disposal otherwise than by landfill or incineration, is excluded.

* Boundary: All Kao Group sites including company cars in Japan
* Assurance provided for the amount of material recycled

Reduction rate of discarded products and discarded sales promotion materials

The target for this activity was set in 2021. The performance achieved in 2021 was a 14% reduction rate.

Food waste

Since 2018, we have been implementing activities to reduce food waste. For Kao, food waste is generated when products are returned because of damage to packaging or because they are past the expiry date. In 2021, the amount of food waste disposed of by the Kao Group as a whole totaled 723 tons, of which 43 tons were utilized effectively for methane fermentation or composting*. We have also been working together with our customers to revise the rules relating to the return of products that are approaching their expiry date.

* Besides methane fermentation or composting, this figure also includes the effective utilization of packaging (such as cans or cartons).

Zero waste

301-2, 306-1, 306-2, 306-3, 306-4 (Waste 2020)

Changes in amount of food waste ☒ (in tons)*1

Item	2017	2018	2019	2020	2021
Amount of food waste generated	4,031	1,081	251	592	723
Amount of food waste utilized effectively*2	664	54	20	27	43
In-house disposal	3,366	1,027	230	565	680

*1 Third-party assurance was obtained for these data from 2021 onwards. Scope of total given: Kao's food businesses

*2 Contracted disposal: Contracted disposal includes methane fermentation or composting, and also effective utilization of packaging (such as cans or cartons)

Inspection of waste treatment facilities

In 2021, as in 2020, due to the impact of the COVID-19 pandemic, the number of waste treatment facilities at which on-site inspection could be performed was lower than in normal years. However, by using documentary review, etc. we still managed to evaluate a total of 104 facilities (in Japan), thanks to collaboration from 87 waste treatment companies. The evaluation results showed that there were no waste treatment companies that did not meet Kao's evaluation criteria.

Amount of packaging materials used, by material type

In 2021, paper and paper pulp usage came to 166 thousand tons, with certified paper and paper pulp products accounting for 96% of the total. The amount of metal used in packaging was 4.1 thousand tons, and the amount of glass used was 0.7 thousand tons.

Horizontal recycling of film packaging

Since June 2021, we have been developing and verifying recycling technology at our pilot plant for film packaging recycling set up at Wakayama Research Laboratories. Since October 2021, we have also been participating in Kobe Plastic Next: Joining Forces to Recycle Refill Packs. In this project, retailers, consumer products manufacturers and recyclers (resource recycling business operators) collaborate with the city of Kobe to recycle used refill packs of household and personal care items, aiming to achieve circularity in society.

We are examining easier-to-recycle packaging designs with the aim of raising recycling rates and realizing horizontal recycling.

Shift to 100% recyclable, reusable packaging

Plastic packaging used for household products in Japan is required by the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging to have a framework in place for recycling. Our plastic packaging is thus already 100% recyclable.

Outside Japan, definitions of what constitutes recyclable packaging vary depending on the country or region, and recyclability also depends on the recycling systems that exist in each country or region. We are therefore working to confirm not

only packaging specifications but also the sales areas for each type of packaging.

Amount of plastic packaging used

Plastic packaging usage in 2021 was 106 thousand tons. Of this, fossil-derived plastic usage amounted to 104 thousand tons.

Kao Corporation now offers 380 refill and replacement products (as of December 2021), with a penetration rate of 83% and slightly more than 80% recently. The refill ratio for fabric bleach in particular now stands at approximately 90% (unit basis).

Plastic consumption has been reduced by 77.0 thousand tons through the use of refill and replacement products. If the impact of making products more concentrated is also factored in, then the overall amount of reduction was 139.8 thousand tons, and the reduction rate (compared to if the products had been packaged in the original plastic packaging) was 78.4%.

* Corrugated board, paper, plastic, metal and glass

Changes in amount of plastic packaging used (in thousand tons)

Item	2018	2019	2020	2021
Amount of plastic packaging used	62.5	65.6	116.6	106.0
Recycled material usage rate	0.07%	0.07%	0.37%	1.26%

Zero waste

301-2, 306-1, 306-2, 306-3, 306-4 (Waste 2020)

Quantity of innovative film packaging penetration

In 2021, the total number of products manufactured using innovative film packaging, calculated as a combined total for products that included *Raku-raku Eco Pack Refill* and *Air-in Film Bottle*, was approximately 11 million items.

Amount of recycled plastic used

Recycled plastic made from used plastic is utilized for shampoo, conditioner and body wash products by Kao (Taiwan) Corporation, and it is also used by the salon-oriented *Kerasilk* brand in Europe and by the *Oribe* brand in the U.S., as well as by brands such as *Attack ZERO* and *CuCute* in Japan. The total amount of recycled plastic used in 2021 was 1,339 tons (3.1 times as much as in 2020).

Recycled plastic usage rate in PET packaging

In an initiative targeting household products sold in Japan, we have begun using recycled plastic in the manufacturing of PET packaging, starting with the packaging of *Attack ZERO* and *CuCute Clear Foam Spray*. In 2021, 19% of the plastic used in this PET packaging was recycled plastic.

Amount of bio-based plastics used

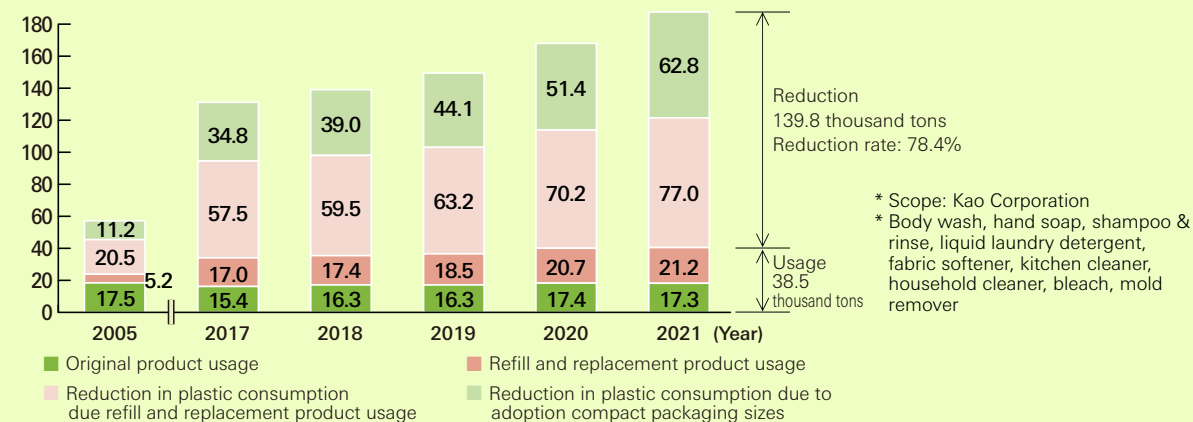
Bio-based plastics are used for *Merit* shampoo and conditioner, *Segreta* shampoo and conditioner, *CuCute* 1,380ml containers, *Raku-raku Eco Pack Refill*, and and shampoo and treatment, and other products, and the total amount used has reached 483 tons (0.9 times the amount in 2020).

Eye-catching stickers

The use of eye-catching plastic stickers was reduced by 100%.

Usage and reduction volume of plastic in refill and replacement categories

(Thousand tons)



Zero waste

102-43, 301-2, 301-3, 306-2 (Waste 2020)

Our initiatives

Initiatives taken in relation to our products

Reducing the amount of product materials used

We continue to reduce the materials used in making products that become waste after product use by consumers. For example, we reduced the product weight of medium-sized *Merries* disposable taped diapers by 37% while improving product function compared to its 1990 version.

Paper hot water pipes

Paper hot water pipes handled by Chemical Business combine molding technologies with high-temperature material technologies and are made from waste paper. Compared to general ceramic hot water pipes, the amount of raw materials used is reduced to one-tenth and post-use waste to one-sixteenth.

Healthy Green Tea

Healthy Green Tea, which can help to reduce visceral fat, utilizes a drip method to effectively extract tea catechins, which are the active ingredient, from the tea leaves. In this way, the amount of tea leaves that need to be disposed of by the contract manufacturer as food waste after use is reduced by 37%.

Products that use recycled materials

We use recycled materials for some of our products. We have been using recycled paper in the carton

boxes and instructional inserts of many products since the 1960s, including powder-type clothing detergents. We use recycled polypropylene (PP) in the measuring spoon for *Attack* powder type laundry detergent, which was first put on the market in 1987, and recycled polyethylene terephthalate (PET) in the fibers of *Quickle Wiper* floor dry cleaning sheets, which first appeared on the market in 1994.

Using waste PET to make NEWTLAC 5000 asphalt modifier

The Chemical Business has used our proprietary modification and compounding techniques on discarded PET materials (waste PET) to develop *NEWTLAC 5000*, a new type of asphalt modifier, through upcycling. The full-scale commercial launch of the new product took place in late 2020.

Besides improving the durability of road surfaces in the same way as conventional asphalt modifiers, because *NEWTLAC 5000* uses waste PET, the disposal of which has become a problem for society, it makes it possible to create asphalt road surfaces that are not only durable but also environmentally friendly. (Approximately 1,430 PET bottles are used in surfacing an area of road of 100m²)

Recycling of used disposable diapers

Field testing of technology to convert used disposable diapers into carbon material began in January 2021, in collaboration with Saijo City, Ehime Prefecture,

where Kao Sanitary Products Ehime is located. We have developed carbonization technology that reduces the amount of CO₂ emitted during recycling, while also sterilizing and eliminating odor, and reducing the volume occupied by the recycled material. We are proceeding with activities to develop applications for the carbon material obtained through recycling, including industrial uses, air and aquatic environment purification, and plant cultivation.

The recycling system development has been undertaken through joint research with Kyoto University Open Innovation Institute, with the aim of realizing social implementation by 2025.

Zero waste 301-2, 301-3, 306-2 (Waste 2020)

Initiatives targeting packaging

Initiatives to reduce

Smart Holder and Raku-raku Eco Pack Refill

In 2017, we proposed *Raku-raku Eco Pack Refill*, which can be used with our *Smart Holder*, improving usability and allowing the product to be completely consumed, thus reducing environmental impact. This eliminates the need for an original plastic bottle.

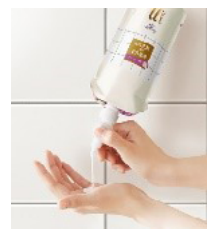
Until now, these were sold only on our online site, but we implemented a full-scale rollout to stores in April 2020. We believe this will make them accessible to more consumers and will encourage use.



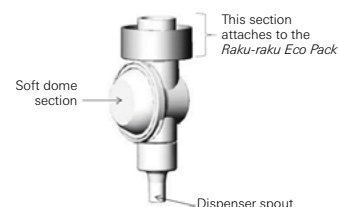
Smart Holder and Raku-raku Eco Pack Refill

Launch of the Raku-raku Switch for dispensing a fixed amount from film packaging with one light push

Bioré u The Body—Body Lotion for Wet Skin, which was launched in September 2020, uses a *Raku-raku Switch* that, when attached to a *Raku-raku Eco Pack*, makes it possible to extract a fixed amount of liquid with just a light touch. Compared to bottles with pumps, *Raku-raku Switch*-equipped products reduce the amount of plastic used by around 50%. From a universal design perspective, these products have the outstanding feature of being easy to use even for people who do not have much strength.



Raku-raku Switch



P64 Making thoughtful choices for society > Sustainable lifestyle promotion > Solving problems through *Yoki-Monozukuri* manufacturing and through products: Addressing the environmental challenges presented by containers

Air-in Film Bottle technology adopted for use in MyKirei by KAO products sold in the U.S.A.

In April 2020, Kao-developed *Air-in Film Bottle* film packaging began to be used for the first time for *MyKirei by KAO* products sold in the U.S.A. The film is the same kind of soft material used in refill packaging. The bottles gain their rigidity through an air fill, allowing them to stand upright, and compared to conventional pump bottles, they use approximately 50% less plastic. Additionally, compared to conventional bottles there is less liquid left in the bottles when they are disposed of.



MyKirei by KAO



P75 Making thoughtful choices for society > Purpose driven brands > Brands that epitomize the Kirei Lifestyle

Zero waste 301-2, 301-3, 306-2 (Waste 2020)

Total elimination of eye-catching plastic stickers

Eye-catching plastic stickers attached to products provide consumers with information on product advantages and correct usage at the time of purchase, but they increase the amount of plastic used, and the increase in plastic waste and CO₂ emissions at the time of disposal is an issue.

We therefore terminated the manufacturing of products with eye-catching plastic stickers in late 2021.

Thin-film packaging

Film packaging already uses less plastic than regular containers, but we are proceeding with efforts to further improve it by making it even thinner. *Bioré* products sold in Indonesia use film packaging that realizes a 14% reduction in weight.



Elimination of measuring scoops

Powder-type laundry detergent is sold packaged with a plastic scoop for measuring out the right amount of powder. Some *Attack* products sold in China are now sold without a plastic scoop.

Use of bio-based plastics

We are actively developing technologies for using

bio-based plastics for bottles and refills. Since we began this initiative in 2012, our consumption of bio-based plastics and the range of products for which they are used have continued to expand.

For example, *Raku-raku Eco Pack Refills* are made from 15% bio-based plastic on a weight basis.

Initiatives to Reuse (promoting the adoption of refill and replacement products)

We continue to provide refill and replacement products and expand sales of *Smart Holder*.

Hakariuri-do

In September 2021, we launched Hakariuri-do retail counters in two branches of the Welcia Yakkyoku drugstore chain, where customers can purchase refills of the desired quantity of *Attack ZERO* and *EMAL* laundry detergent, *Flair Fragrance IROKA* softener and *CuCute* dishwashing detergent. By bringing their own bottles to get refills at the store, customers are helping to reduce plastic waste.



Refillable in stores

At Molton Brown, following on from the packaging reduction initiative implemented in 2020 (specifically,

in-store refill for hand wash products), starting from 2021, reusable bottles and *Aroma Reed Diffuser* refills have been on sale both in-store and online in Europe and in the Americas. Utilizing refills makes it possible to reduce the amount of single-use plastic and plastic that is disposed of as waste by 82%.



Aroma Reed Diffuser
refill

Take back system creation

Chemical Business is conducting a program to reuse sold product packaging (take back system) to reduce their environmental impact. In 2021, a total of 20,132 1-ton containers (IBC containers) used for corporate customers were collected for reuse.

Initiatives to recycle

RecyCreation activities

We have been engaged in research toward creating a new resource recycling system. We have proposed the RecyCreation approach, which generates new value by adding technology and the knowledge and ideas of various people to used items. To date, we have continuously conducted verification in five areas with members of the community.

Zero waste

301-2, 301-3, 306-2 (Waste 2020)

In a trial, we collected used refill packs for laundry detergent, shampoo and other products from members of the community and recycled them to create a block of recycled plastic that symbolizes “creation” of various objects and values that will be useful for community development and lifestyle development. In September 2020, we made the decision to collaborate with Lion Corporation on RecyCreation, and began field testing at the Ito-Yokado Hikifune store in Sumida-ku, Tokyo of a program to implement in-store collection and recycling of used refill packaging. Over a period of approximately one year from October 30, 2020 to the end of October 2021, we collected approximately 9,500 pieces of film packaging*. Going forward, we will be aiming to realize horizontal material recycling that makes it possible for film packaging to be recycled for use in the production of film packaging.

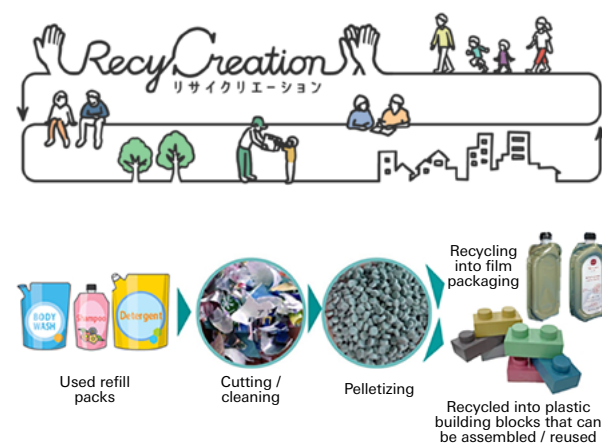
* Calculated by dividing the total weight of collected film packaging—170.2kg—by the average weight per piece of packaging, which was 18.0g (in the 2021 report, the calculation was based on an estimated average weight of 14.4g).



RecyCreation on Facebook

www.facebook.com/RecyCreation.jp/ (Japanese)

The RecyCreation Concept



Commencement of the verification process for a resource-circulating model project involving horizontal material recycling* of single-use plastics

Since October 2021, we have been participating in Kobe Plastic Next: Joining Forces to Recycle Refill Packs. In this project, retailers, consumer products manufacturers and recyclers (resource recycling business operators) collaborate with the city of Kobe to recycle used refill packs of household and personal care items, aiming to achieve circularity in society.

The city of Kobe encourages every resident of Kobe to recycle used refill packs from detergents and shampoo products, etc. by dropping them off in

collection boxes placed in 75 locations at retail outlets throughout the city. By leveraging “return trip operations” from retail outlets and cooperation of existing waste collection operators, used refill packs can be collected effectively with minimum environmental impact. Recyclers and manufacturers are working together to achieve horizontal recycling to film packaging from the collected refill packs, as well as turn them into recycled products that are useful in daily life. Kobe and 16 companies and organizations are collaborating to realize circularity of resources. The project aims to set an example to help promote similar activities across Japan.

**KOBE
PLASTIC
NEXT**

みんなでつなげよう。
つめかえバック
リサイクル

* Recycling of materials into products with the same application

Use of recycled materials

Kao (Taiwan) has been using recycled plastic for regular containers since 2016. In 2021, Kao (Taiwan) also started recycling polyethylene, which is more challenging to recycle, for use in this way.



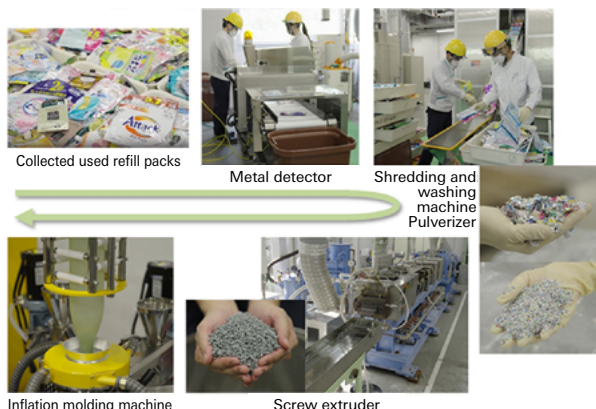
Zero waste

301-2, 301-3, 306-2 (Waste 2020), 404-2

Development of film packaging recycling technology

Refill packs can significantly reduce the amount of plastic used compared to rigid containers and are made from composite materials with many layers rather than a single raw material, such as PET bottles, in order to protect its contents from heat, moisture and ultraviolet rays with a thin film. In doing so, the different varieties of recycled ingredients make inhomogeneous plastic, which is difficult to reuse in film packaging under present circumstances.

We aim to improve the rate of recycling and achieve horizontal recycling by developing and verifying recycling technology at our pilot plant for film packaging recycling set up at Wakayama Research Laboratories in June 2021. The plant will examine effective processes for separation and collection from consumers and easier-to-recycle packaging designs.



Initiatives adopted at our business sites

Reducing the amount of waste produced

We handle a large number of liquid products, and reducing the sludge produced from treating concentrated wastewater generated in the process of cleaning tanks and switching products is a major issue.

Kao Industrial (Thailand) treats wastewater using separate wastewater treatment facilities according to the COD concentration of the wastewater, which has successfully reduced the amount of sludge produced and contributes to reducing waste. Fatty Chemical (Malaysia) has also reduced waste through the adoption of sludge dewatering equipment.

Also, to contribute to reducing the amount of generated waste at retailers, we are working with the understanding and cooperation of retailers to reduce the number of boxes used in the delivery of products.

Enhancing waste recycling

Waste recycling in manufacturing

One example of this is recycling the waste generated by the manufacture of diaper and feminine products to be turned into plastic pallets. We began test operation of this system at our plants in 2016, with cooperation from research laboratories and related divisions using the strengths of our matrix management.

By 2020, we were able to recycle 772 tons of waste into approximately 49,620 plastic pallets. This project has now been put on hold, as the required number of plastic pallets had already been secured.

Spreading internal awareness of zero waste

Global RC Meeting

As a part of our Responsible Care (RC) measures, RC managers in Japan, and RC managers of overseas subsidiaries with manufacturing plants, hold an annual meeting. The aims are to invigorate RC activities and raise their level including reducing waste produced by subsidiaries.

Unfortunately, in 2021 this activity had to be held through the exchange of documents, because of the COVID-19 pandemic.

RC Environment Committee of the SCM Division

The RC Environment Committee of the SCM Division meets twice annually to gain an understanding of conditions at each plant and share information on best practices with the objectives of curtailing the production of waste from plants in Japan and promoting recycling.

A packaging review meeting

To promote activities and understanding internally, Packaging Technology Research holds packaging review meetings when new and improved products are launched. Members from the relevant divisions, including business units, the SCM Division and the Consumer Communication Center, evaluate the environmental performance of the packaging.

In 2021, a total of 47 meetings were held in Japan, and 9 elsewhere in Asia. All of these meetings were held online.

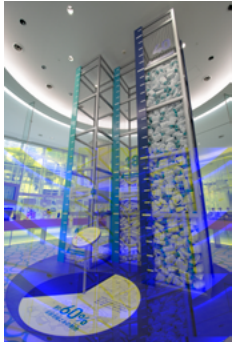
Zero waste³⁰⁸⁻²

Collaboration with stakeholders based on “eco together”

“eco together” with consumers / customers

Awareness-raising activities at the Kao Eco-Lab Museum

To encourage more consumers to choose refill and replacement products that greatly reduce plastic consumption, overviews of our packaging initiatives have been presented at the Kao Eco-Lab Museum and at the EcoPro exhibition.



Display enabling visitors to get a real feel for how much plastic is used in packaging

Ways to look after and wash eco-friendly reusable shopping bags to keep them clean

With the rise in awareness and concern for the environment, as well as the fact that consumers are increasingly having to pay for plastic shopping bags, 88% of people reported taking an eco-friendly reusable shopping bag with them when they go shopping (according to a survey conducted by Kao in

December 2019).

In relation to new legislation in Japan that came into effect in July 2020, requiring consumers to pay for plastic shopping bags in shops, the Kao Consumer Research Center has posted hints on ways to look after eco-friendly reusable shopping bags, which are now being used more frequently, and to keep them clean, on the life information website (Japanese).

“eco together” with partners

Recognizing that it is essential to collaborate with manufacturers producing materials, recycled plastics and packaging when developing and launching new packaging, we work together with a wide range of business partners.

“eco together” with society

Clean Ocean Material Alliance

We are participating in the Clean Ocean Material Alliance, which was established to encourage global initiatives for solving the ocean plastic pollution problem. The Kao Corporation Director and Chair is chairman of the alliance, and Kao is taking a leading role among Japanese businesses.



Clean Ocean Material Alliance
cloma.net/english/

Japan Partnership for Circular Economy (J4CE)

The trend toward development of the circular economy is picking up speed throughout the world, and we are participating in the Japan Partnership for Circular Economy, which was established to strengthen collaboration between government and the private sector, with the aim of promoting an enhanced understanding of the circular economy among a wide range of stakeholders, including Japanese companies, and of promoting related initiatives. We provided case studies for inclusion in a collection of case studies, and our representatives were included in the panelists for a panel discussion held to accompany the official ceremony that marked the publication of the collection of case studies and the launching of the related website.



Japan Partnership for Circular Economy (J4CE)
j4ce.env.go.jp/en

Package collection measures

Together with outside organizations, we are involved in recovering packaging, etc. discharged into the natural environment.

In October 2020, we signed a cooperation agreement with Wakayama City. To protect the ocean from pollution, including marine plastic waste, arising from land-based activities, we have undertaken surveys and collection of marine plastic waste that has accumulated at Tomogashima, Kataonami and

Zero waste³⁰⁸⁻²

Hamanomiya Beach. We are promoting research on reusing recovered marine plastic to make tables and chairs for oceanside facilities, and using it as a road strengthening agent on the oceanside cycling path. We are also engaging in unique clean-up activities for river and ocean waste and in the community.

Introducing cases at seminars on waste

In Japan, it has been reported that many incidents occur at waste treatment companies, which are caused by not providing sufficient information on the chemical substances to the contractor when contracting the waste treatment.

Therefore, we present cases at various seminars

regarding waste with the aims of spreading our knowledge about past successful cases of improving communication with waste treatment companies, and identifying points of improvement in how we communicate information.

Thanks to these activities, there were again no incidents involving waste contracted for disposal from us in 2021.

Employees' voice

Recycling Science Research Center initiatives

Tomokazu Iseki

Recycling System Project,
Packaging Technology Research
Laboratories



In May 2020, Kao established the Recycling Science Research Center, with the aim of realizing zero plastic waste, underscoring our commitment to dedicating plastic resource recovery and recycling. The coupling of the word "science" with "recycling" in the name of the Recycling Science Research Center embodies our passion for developing technology based on Essential Research, which forms part of Kao's corporate philosophy *Yoki-Monozukuri*. The center has four main research projects: packaging recycling, ocean plastic waste recycling, used-diapers recycling, and RecyCreation. Regarding packaging recycling, in 2020, we demonstrated a resource circulation model project as the main operator for material recycling of single-use plastics, in which the New Business Model for Sustainable Use of Plastics initiative was organized by the Tokyo Metropolitan Government. In this field testing,

besides developing easily-recyclable plastic packaging, we conducted material recycling of post-consumer used packaging (in this case, recycling from used refill packs to bottles) under a cross-industry collaborative framework. The packaging development involved the design and manufacturing of refill packs composed of mono-materials, while the packaging recycling part of the project involved testing recycling technology using used refill packs collected from approximately 90 elementary and junior high schools and public facilities. In parallel with the field testing, we also conducted a monitoring survey of a group of approximately 90 consumers regarding their attitude toward using refill packs. The collaborative project with other enterprises and local government authorities enabled us to carry out the field testing within the short period of around one year, and get a window of opportunity to find the following two new insights.

First, the monitoring survey disclosed that consumers have high environmental awareness. Based on the results, we found that "environmental and resource issues" constituted one of the things that consumers had been worrying about most recently, with 85% of consumers being worried about this, and that much of this was concerned with "the issue of plastic, and waste sorting." It also revealed

preferences in terms of the way to collect used packaging; many consumers liked the idea of being able to drop it off at stores or public facilities. Through the monitoring test, we perceived that it is important to develop solutions that fit our lifestyle without imposing a burden on users.

Second, the implementation of the recycling test suggested the importance of process management in recycling. The types of regular recycling materials and installed recycling machines depend on the geographical region and the recycling plant. For example, a lack of initial cleaning of the recycling facility creates a risk that other, previously processed materials carry over to subsequent recycling, resulting in unexpectedly degrading the quality of the recycled materials. In order to conduct recycling with minimal variation in quality, it is vitally important to implement detailed checks regarding the risk of contamination and the quality of washing water in the recycling process.

Although our project is at the field testing stage, we aim to contribute to the growth of a resource-circulating society by dedicating ourselves to the transformation of social infrastructure in cooperation with other companies, local government authorities, associations, and central government agencies, who have the same vision as us.

Zero waste 102-44

Stakeholder engagement

Masanobu Ishikawa

Specially Appointed Professor, Eikei
University of Hiroshima
Professor Emeritus, Kobe University
President, NPO Gomi-Japan



Kao's response to the views expressed last year

Regarding the issues on which we received advice last year, we have been working in collaboration with retailers and logistics companies to increase the number of locations at which in-store collection points have been established, and also to take on new challenges, such as implementing field testing for more efficient collection methods that make use of delivery trucks' return trips to transport collected material. With regard to refill pack material, in addition to undertaking development of horizontal recycling technology, we have also been proceeding with the sharing of information regarding specifications and materials, as issues with these can constitute an obstacle to improving the recycling process. In 2022, we are continuing to work together with our stakeholders with the aim of further expanding the scope of recycling, and further enhancing its efficiency.

Hopes and suggestions regarding Kao's further intensification and expansion of its activities as it aims to realize zero waste

Kao continued to make significant forward progress in its activities in 2021, as it had done in 2020. The company announced ambitious targets, and made steady progress with demonstration-level projects to achieve these targets.

The most important of Kao's initiatives has been the announcement that the company would seek to achieve net zero carbon emissions by 2040, and become carbon negative by 2050. To achieve these goals, Kao has set concrete, individual targets, and is taking steps to meet them throughout the company. Of these measures, one crucial step forward is the refill pouch collection and recycling initiative, which aims to recover 10,000 tons of refill packaging by 2025.

In October 2021, in Kobe City, the city government, ten consumer products manufacturers, four distribution firms, two waste disposal firms and various NPOs joined forces to install refill pouch collection points in retail stores. Kao is also participating in similar projects in Kitakyushu City, Fukuoka Prefecture and in Higashi-Yamato City, Tokyo.

In the Kobe City project, a collaboration between manufacturers that between them account for over 80% of recovered material (by weight) has made it possible to achieve very high-quality recovered material, only around 3% of which is foreign matter, and most of which has been washed. Data for the first three months of project implementation indicates that the quantity of recovered material has been increasing steadily, so it is anticipated that this project will be very successful.

There are three main obstacles to the achievement of Kao's targets. Firstly, there is the question of consumer cooperation. In order to get more consumers collaborating with recycling initiatives, it is essential to develop a more in-depth understanding of consumers' resource (waste) generation activity, and to implement

effective communication based on this understanding. To achieve this, it would be beneficial to execute an analysis of the results achieved and conduct surveys of the project to collect waste from retail stores in Kobe City, the community drop-off project that was launched in Kobe City at around the same time, and similar projects that have been implemented in other cities. By using resource recovery to develop a more in-depth understanding of consumer behavior, it should be possible for retailers to identify new value. This will also help clarify retail stores' role in the resource-circulating society.

Secondly, there is the issue of realizing high-level recycling of recovered material. Currently, while it is already possible to use recovered refill pouches to make thin film for use in producing *Air-in Film Bottles* (on a trial basis), if Kao is to achieve its goal of realizing net zero carbon emissions, then it will need raise the recycled resource utilization rate to nearly 100%.

A third obstacle is the need to achieve the right balance between originality and standardization regarding product design. In order to realize high-level recycling, it is vital that product design takes the recovery stage into account. Thinking about consumers' understanding of recycling, and in terms of the economics of collection logistics, it would seem reasonable for products to be produced to enable consumers to recognize them as being in the same product category at the recovery stage. However, in the linear economy that has characterized society to date, each company has been working assiduously, and undertaking technical innovation, to ensure that its products are differentiated from those of other companies. In the resource-circulating society, we will need to maintain this dynamism while also establishing a standard framework for product design.

Although space restrictions prevent me from discussing it here, given how ambitious Kao's targets are, it would also be beneficial for Kao to undertake wide-ranging exploration of the potential for selling products by weight, chemical recycling, etc.

Water conservation 102-15, 103-1, 103-2, 103-3, 303-1 (Water and effluents 2018)

Kao is promoting water conservation throughout the entire product lifecycle, by providing products that conserve water during use, and which have high water-saving benefits.

Kao's creating value to address social issues

Social issues we are aware of

Water is necessary to life for all plants and animals on the planet. All humans also need access to sustainable sources of sanitary water in order to maintain wholehearted satisfaction and enrichment. In Japan, water used for washing apparently accounts for the largest share of total household water usage*¹. Furthermore, given that water used by Japanese households when using Kao products accounts for around 15% of all household water usage in Japan*², we recognize that we have a big role to play within society in relation to water resource conservation.

Currently, problems including localized torrential rains and floods, chronic drought and related long-term dry conditions, are arising in many regions and are predicted to grow in severity due to future population growth and climate change.

In addition, water is a local resource, and consequently, for example, even when the same amount of water is taken from a river, there is a significant difference in terms of the impact on water resources between water taken in a water resource-rich basin and water taken in a water-stressed watershed. For this reason, when we undertake sustainable operation, we are aware that we need to take action both to reduce the company's own water risk and to give consideration to the local environment

and local residents.

*1 Water Resources Department, Water and Disaster Management Bureau, Ministry of Land, Infrastructure, Transport and Tourism

*2 Based on a survey conducted by Kao Corporation

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

The number of people living in the world's major cities continues to increase. If urban water infrastructure is unable to keep pace with urban residents' continually increasing demand for water, then residents may not have enough water to use, and it may be impossible to implement wastewater treatment properly. In this case, citizens' cleanliness and sanitation may be under threat. Furthermore, if the cost of municipal water supply rises, then plant operation costs will rise too, with a risk that this may lead to reduced profits. Plants need to act with consideration for the environment and residents of watersheds, and we believe that failure to do so will give rise to reputation risks among local residents and others.

Due to the effects of climate change, the impact of drought and localized torrential rains is being seen all over the world. Governments and business enterprises are implementing various measures to reduce GHG emissions, but further rises in temperature are inevitable, and the resulting impacts are sure to become even more serious.

Starting in 2020, the COVID-19 pandemic has seen the emergence of new risks and opportunities. At the

same time, water consumption has increased throughout the product lifecycle, particularly during use. As a result, there is a growing possibility that we may not be able to achieve our water reduction targets. Failure to achieve these targets could incur risk of damage to the company's reputation. Even though people's awareness of sanitation has been heightened, if drought occurs, there is a risk that they will not be able to perform cleaning activities adequately, and so will not be able to maintain the Kirei Lifestyle.

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

Because the rise in awareness of the need to save water and the need for cleanliness and hygiene, which has emerged in relation to climate change, is closely linked to our business areas, current developments also represent a significant opportunity for us. Continuous implementation of measures to reduce plant water usage in response to the situations outlined above should lead to both cost reductions and increased profits.

Rising awareness of the need to save water will create opportunities for increased sales of water-saving products for washing clothes, washing one's body, etc. Furthermore, rising awareness of the importance of cleanliness and hygiene will generate opportunities for increased sales of all cleaning products.

Water conservation

102-12, 103-1, 103-2, 103-3, 303-1, 303-2 (Water and effluents 2018)

Kao's creating value

We aim to substantially improve water usage efficiency in all stages of the product lifecycles. At our plants, we set targets and continue to aim for water use reduction. We believe that this contributes toward safeguarding the river basins (rivers and their sources) that are used to supply water to the plants.

When the livelihoods of local residents are threatened by water risk, as a good corporate citizen with strong roots in the community, we work actively to provide support for local residents.

We are also developing water-saving products, which we are rolling out globally, to reduce water consumption during product use. As we see it, in this way, even if restrictions are placed on water usage, consumers can continue to enjoy lives of cleanliness.

Contributions to the SDGs



Policies

The product use stage accounts for around 90% of total lifecycle water usage for Kao products, with the raw materials procurement stage accounting for only around 10%. As one of Japan's leading manufacturers of consumer products, we are demonstrating leadership by actively rolling out new, water-saving products and striving to realize effective engagement with government bodies and suppliers.

We continue to implement activities aimed at minimizing the negative impact on water conservation at every stage, from product development through to disposal.

We will promote "eco together" activities in relation to water-saving products, in line with the Kao Environmental Statement, which embodies our commitment to ensuring that "Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, usage and final disposal, we want to engage in 'eco together' with stakeholders including consumers worldwide."

In our Basic Principle and Basic Policies on Environment and Safety, we undertake to "assess environment and safety aspects throughout the entire lifecycle of the products, from manufacture through

disposal, when developing products and technologies" and to "offer products with a lower environmental burden." Furthermore, the Kao Group Responsible Care Policy contains the following declarations: "We will strive to develop technologies for products that consumers and customers can use with peace of mind, as well as striving to provide products that have a low environmental impact," and "We shall strive to continue to reduce the environmental impact of our business operations by promoting reduction of uses of resources such as water."



Basic Principle and Basic Policies on Environment and Safety

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Kao Group Responsible Care Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Kao Environmental Statement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

Water conservation 102-20, 102-43, 404-2

Education and promotion

As the product use stage accounts for around 90% of total product lifecycle water use, it is important to design products that contribute to saving water. For this reason, we provide employees with numerous opportunities to learn about this.

By giving our employees opportunities to learn about water through various programs, we can ensure that they will actively engage in water preservation activities of their own accord when engaging in water conservation at plants or conducting R&D on water-saving products. This will raise the overall level of our water saving activities.

Not only are our employees in a position to develop and supply products, when they are not at work, they are consumers, and as such are among the people who select those products. Therefore, it is important that employees also undertake measures to conserve water in the role as consumers. Starting in 2021, we have begun making and disseminating educational videos relating to water conservation for internal use by all employees that are specific to the themes of the Kirei Lifestyle Plan.

Collaboration and engagement with stakeholders

We recognize that, in order to help consumers realize the Kirei Lifestyle, it is vital for us to deepen mutual understanding with all stakeholders and to collaborate

with them, by developing two-way communication.

As the water consumed in our production activities impacts local communities, having good communication with local communities is vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

In order to solve water issues faced by countries and regions, we actively participate in programs organized by central government, local government authorities, NPOs and others. We play a leading role in the Future of Washing Initiative, which is gathering wisdom from industry, academia, government and ordinary citizens across the boundaries of traditional business domains and academic fields, and discussing and proposing washing solutions for the future. We are implementing a water conservation campaign in China and are participating in the Water Project conducted by the Ministry of the Environment of Japan.

It is essential that suppliers in high water risk sectors understand the need to improve their water management standards and to take appropriate actions. Through the CDP Supply Chain Program, we request that suppliers respond each year. We provide feedback on supplier assessment results in order to enhance the overall level of the activities undertaken by each supplier.

Consumer behavior needs to change in order for consumers to attain the Kirei Lifestyle. We provide opportunities to think about the Kirei Lifestyle through visits to museums and plants that adopt as a theme the water that all consumers use daily. For example, the Kao Eco-Lab Museum has displays that vividly indicate the amount of household water usage.

Framework

Risk management is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are headed by the President.

The Responsible Care Promotion Committee, which manages policy / regulatory regime and technology risks, and the Risk and Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the executive officer in charge of the Corporate Strategy.

The Risk Management and Responsible Care group of the Corporate Strategy Division acts as the secretariats for the Responsible Care Promotion Committee and the Risk and Crisis Management Committee.

The Responsible Care Promotion Committee meets twice a year to report on and discuss compliance with laws and regulations, status of water use reduction and other matters. It also sets targets for the following year. The Responsible Care Promotion Committee Secretariat conducts monthly checks on compliance with laws and regulations, and monitors water use, mainly at plants which have a large impact on water issues, reporting on these and other matters to the head of the committee, committee members, members of the Internal Control Committee, auditors and others. The Risk and Crisis

Water conservation

102-20, 303-1, 303-2, 303-3, 303-4, 303-5 (Water and effluents 2018)

Management Committee which manages natural disaster including caused by climate change and reputational risks, meets four times a year.

The Internal Control Committee meets one or more times a year, receiving activity reports from the Responsible Care Promotion Committee, the Risk and Crisis Management Committee and other subordinate committees that it oversees and auditing the activities of those committees.

Opportunity management relating to water issues is handled by the ESG Managing Committee, which meets six times a year. Committee members are the persons in charge of the Business, Sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The ESG Managing Committee, and the ESG Promotion Meeting which it supervises, discuss water and environmental issues as well as social and governance issues. The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.

The risk and opportunity management system for water resources is the same as the management system for decarbonization.

→ Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure
P16

Mid- to long-term targets and performance

2030 long-term targets

Item	Scope	2030 targets
Water consumption (per unit of sales)	All Kao Group sites	45% reduction (2005 baseline)
	Overall Kao Group product lifecycles	10% reduction (2017 baseline)

At all Kao Group sites, water-saving is promoted on a daily basis in all activities, including production, research and operations. Besides providing water-saving products that help to save water across the entire product lifecycle, we also seek to spread awareness of the importance of saving water to all of our stakeholders.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Achieving water consumption targets for all Kao Group sites will contribute to lowering operational costs and to improving earnings. Achieving targets for water consumption during product used and during the product lifecycle will require increased sales of water-saving products, and as a result, increased sales by achieving these targets can be expected.

If no action is taken to reduce usage, the overall municipal water usage of the Kao Group as a whole in 2030 will be 1.66 times higher than in 2017.

Assuming that water charges rise by 20%*, then it can be anticipated that our costs will rise by 771 million yen. We have set ourselves the goal of reducing water usage by 45% by 2030 compared to 2005, which is expected to keep the increase in costs down to 51 million yen.

* Source: Development Bank of Japan, The Water Supply Sector: Future Forecasts and Management Reform, 2017.

Social impacts

Achieving water consumption targets for all Kao Group sites will contribute to sustainable availability or supply of fresh water in the river basin where water sources used by plants are located, and will have a positive effect on conserving ecosystems. Moreover, achieving targets for water consumption during product used and during the product lifecycle will reduce the burdens of waterworks infrastructure maintenance, and reducing water usage by consumers will lead to lower fees consumers pay for water and sewer service.

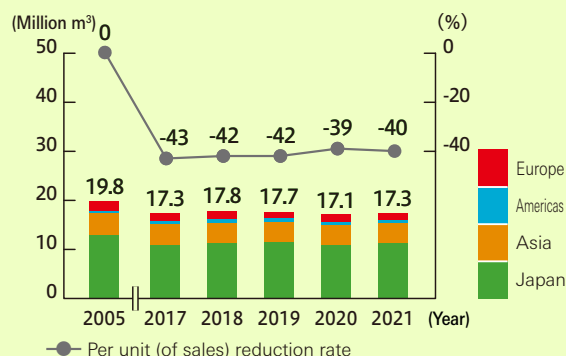
Water conservation

303-1, 303-2, 303-3, 303-4, 303-5 (Water and effluents 2018)

Performance in 2021

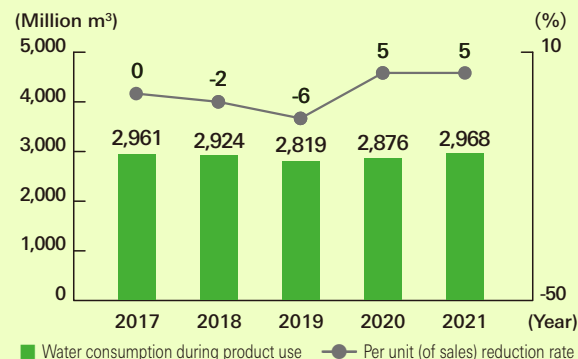
Performance*

Water consumption (withdrawal) ☒ (all sites)



* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. From 2016 all non-production sites are included.
 * Assurance provided for water consumption (withdrawal)

Water consumption across the entire product lifecycle ☒ (Kao Group)



* "Water consumption across the entire product lifecycle" is calculated as the combined total of the amount of lifecycle water consumption of individual products sold within and outside Japan (excluding use during manufacturing and distribution) multiplied by their annual sales quantity and the amount from the group's manufacturing and distribution processes. This amount includes water used for procurement in regard to Chemical products but does not include water used in the use and disposal of such products.

* Assurance provided for water consumption and per unit (of sales) reduction rates

Water withdrawal amount by source (Million m³)* ☒ (all sites)

	2019	2020	2021
Surface water	0	0	0
Brackish water / seawater	0	0	0
Rainwater	0	0	0
Groundwater (renewable)	5.1	5.1	5.2
Groundwater (not renewable)	0	0	0
Oil-contaminated water / process water	0	0	0
City water	12.5	11.8	12.0
Wastewater from other organizations	0.07	0.1	0.01

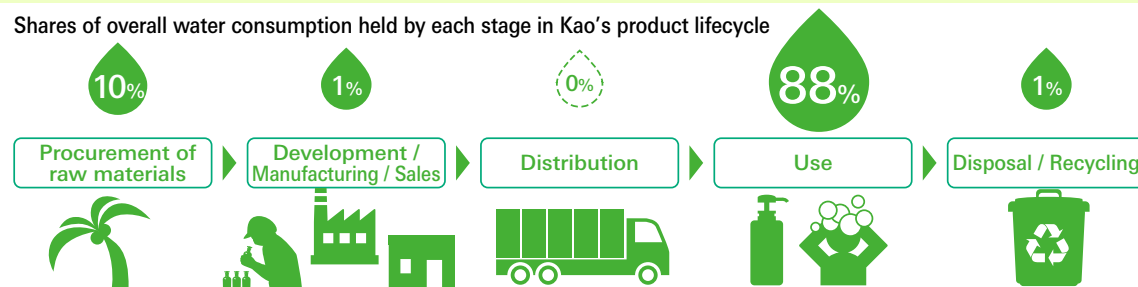
* Boundary: All Kao Group sites

Wastewater discharge by destination (Million m³)* ☒ (all sites)

	2019	2020	2021
Rivers / lakes	2.5	2.7	2.9
Brackish water / seawater	6.3	5.7	5.7
Groundwater	0.0	0.0	0.0
Sewage system	2.8	2.8	2.9
Wastewater to other organizations	0.0	0.0	0.0
Total	11.7	11.2	11.4

* Boundary: All Kao Group sites

Shares of overall water consumption held by each stage in Kao's product lifecycle



Making the world healthier & cleaner >
Decarbonization > Performance in 2021: CDP
evaluation

Water conservation

303-1, 303-2, 303-3, 303-4, 303-5 (Water and effluents 2018)

Reviews of performance

Our water consumption (all sites) came to 17.3 million m³, slightly higher than in the previous year. As sales increased, the per unit (of sales) reduction rate rose to 40%, which was an improvement compared to the previous year, but we did not achieve our target of 41% for 2021. Water consumption at production sites with water intake risks came to 2.9 million m³.

Water consumption across the entire product lifecycle (for the Kao Group as a whole) rose by 92 million m³ year-on-year. The per unit (of sales) reduction rate for water consumption across the entire product lifecycle was the same as in the previous year, up 5 percentage points compared to 2017.

Demand for hand soap and hand sanitizer had been unusually strong due to the impact of the COVID-19 pandemic. This high demand fell off slightly, and so the water usage associated with this demand also fell. On the other hand, sales of laundry detergent, which has high water usage per unit of sales, rose, and so overall there was a slight increase.

The challenge is to reduce water consumption during the use stage. We are working to further expand our water-saving products.

Water conservation 102-12, 102-43, 308-2

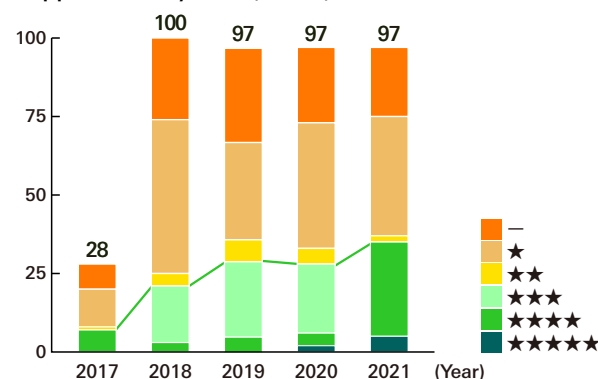
Our initiatives

Efforts in raw materials procurement

We began participating in the CDP Supply Chain Program in 2015 and we encourage suppliers in high water risk sectors to work on improving their water management standards. More specifically, we ask suppliers to fill out the CDP questionnaire survey. We use our unique methods to evaluate suppliers' water management status, and we provide feedback on the evaluation results.

The 2021 survey results showed that the number of suppliers obtaining an evaluation of at least "three stars" had increased by seven compared to the previous year, indicating that the overall supplier activity level had risen. At the same time, in regard to the roughly 25% of suppliers who failed to respond to the survey, we are working on engagement to encourage these suppliers to respond.

Supplier activity level (Water)



Efforts in development, manufacturing and sales

Initiatives to reduce water consumption

We use water as a product ingredient as well as to clean and cool equipment at our plants. We set targets to reduce water consumption at each plant and are working to reduce consumption and increase recycling based on the 3Rs (reduce, reuse and recycling).

Reduce

Multiple plants including Kao Chemicals GmbH in Germany conduct efforts to increase the number of times that water is reused for boilers and for cooling to reduce their water consumption.

Reuse

Rainwater is collected and used to water green spaces at the Sumida Office, Kao Chemical Corporation Shanghai and Fatty Chemical (Malaysia).

Recycle

Active recycling efforts, such as recovering steam and treating and reusing water that has been used in production processes, are being carried out at many plants.

Examples of 3R activities

Company name	Description of activity
Kao Chemical Corporation Shanghai	Reduces its water consumption for the manufacturing of some products by reusing water from reaction processes of other products
Kao Vietnam	Introduced a spray technique for washing and sanitizing tanks, resulting in reducing its use of water and steam
Kao Industrial (Thailand)	Returns cooling water overflow to a cooling water pool to help eliminate unnecessary water consumption
Quimi-Kao, S.A. de C.V. (Mexico)	Concluded an agreement with the local community to receive treated water from the community's wastewater treatment plant. Reverse osmosis is employed to use sewerage effectively, and Quimi-Kao further purifies the treated water it has purchased and releases water left over from production into a river through the community's facility, thus contributing to local water recycling

Climate change scenario analysis

It is reported that changes in the amount of rainfall and the rise in sea level caused by climate change are not the same around the world, and are different between regions. According to the RCP 8.5 scenario, future average annual rainfall will increase in high latitude and Pacific Ocean equatorial regions, and will decrease in arid mid-latitude and subtropical regions during the period from 2080 to 2100. According to that scenario, global average sea level rise will be 0.71m during that period, with a range from 0.51m to 0.92m, a substantial difference.

Accordingly, we assessed water risks caused by climate change at worksites, plants and distribution sites.

For the initial screening, we determined site conditions (primarily confirming nearby rivers, coastlines, elevations and so on from the perspective of flooding and storm surges), performed checks using existing tools (Aqueduct, hazard maps, etc.),

Water conservation 102-43

and confirmed past examples (whether there had been past water damage and other natural disasters). Next, we used climate models to compare heavy rain, light rain and storm surge risks with the current climate (1951–2011) at sites identified in the initial screening.

The results indicated that light rain will occur at all sites at about the same frequency as under the current climate, and that heavy rain and storm surges will occur more frequently at some sites, and flooding damage will be at about the same levels that we assumed until now.

There are several sites where a high level of drought risk is anticipated. We have been implementing quantitative evaluation of water resource risk in the drainage basins where these sites are located, using a methodology based on the CBWT method. The results confirmed that the evaluation method used was effective. It was also confirmed that, for some plants, the risk is growing higher. Going forward, besides expanding the scope of quantitative evaluation to include more sites, we will also be evaluating preventive measures to prevent latent risks from being actualized, and evaluating countermeasures that can be adopted if risks are actualized.

Efforts during use

As water consumption in the product use stage accounts for around 90% of water consumption across the entire lifecycle, we are providing water-saving products and implementing consumer communication in regard to how to use these products properly.

In 2009, we launched *Attack Neo* laundry detergent,

which enables washing to be completed properly with only one rinse cycle, in Japan. The year 2019 saw the launch of *Attack ZERO*, which combines superb washing power and odor removal capability with zero detergent residues. Our products for front-load washers, which use less water, can also be used with just one rinse cycle. Laundry detergents that require only one rinse cycle are now offered in Japan and Taiwan. We aim to make one rinse cycle the norm for clothes washing.

Through our Essential Research focused on foam, we have also succeeded in reducing the amount of water used when rinsing with other product categories too. In 2010 we launched *Merit Shampoo*, which uses 20% less water for rinsing than conventional products, followed in 2014 by *CuCute* dishwashing detergent, which also reduces the amount of water needed for rinsing by 20%, and in 2015 by *Bath Magiclean* bathroom cleaning liquid, which uses 10% less water for rinsing. We plan to continue rolling out new water-saving products based on our Essential Research.

We also communicate ways to save water to consumers using a variety of approaches. For example, we have developed eco shampoo techniques to use less water when shampooing hair, and we communicate these to consumers. Communicating ways to conserve water while offering water-saving products truly embodies “eco together,” the slogan of the Kao Environmental Statement.

Implementing education and activities based on “eco together”

Employees

- In regard to employee education based on Responsible Care activities, we implement relevant education for all employees.
- We implement relevant education for all employees working at applicable worksites at plants and research institutes that have secured ISO 14001 certification.
- We hold guided tours of the Kao Eco-Lab Museum for our employees.
(We have been conducting online tours for employees to prevent the spread of COVID-19.)

Customers

- We exhibit on water conservation at the Kao Eco- Lab Museum. (We have suspended tours for the general public to prevent the spread of COVID-19. We explained the role of water in our lives to elementary school students by conducting online tours.)

Business partners

- We hold the Kao Vender Summit for important suppliers.
- We asked suppliers to complete the CDP questionnaire survey.

Local communities

- Many plants prepare annual environmental reports and communicate with local residents.

National and local governments

- We conduct a water conservation campaign in China.
- We participated in the Water Project conducted by the Ministry of the Environment of Japan.

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Participation in China's Nationwide Cleanliness and Water-saving Initiatives—a water conservation campaign—for ten consecutive years

Kao (China) has conducted the Nationwide Cleanliness and Water-saving Initiatives jointly with the Center for Environmental Education and Communications of Ministry of Ecology and Environment, since 2012. In 2021, these activities were conducted from July onwards.

Until now, we focused mainly on water conservation as an activity to draw the attention of university students and the general public in China to water conservation, but starting in 2020, we expanded our efforts to cover a wider range of environmental protection perspectives with additional activity themes, including water conservation and safeguarding of water resources, biodiversity, low-carbon emissions, eliminating plastic and sustainable development.

Although there were effects from COVID-19, undertaking activities with a focus on university students in different areas, we received 138 proposals from 79 universities in 22 provinces and cities throughout China during the approximately four-month period. From these, we selected 20 projects, which we helped implement.

Students from throughout China implemented proactive measures to help conserve the environment by putting into practice activities of their own design, and developed different activities to improve the environmental awareness of people in the community. These measures and activities were evaluated through expert review and by online voting, and the winning university was announced online.

Employees' voice

Using hair-washing in space, where the available water is very limited, as a source of inspiration

Hiroshi Yoshida

Hair Care Products Research Laboratories,
Research and Development



At the Hair Care Products Research Laboratories, as part of our ESG initiatives, we are taking steps to contribute toward the cleaning and washing of the hair and scalp, which is vital for everyone, and to reduce the burden that hair-washing places on the environment. In the past, we have developed shampoo and conditioner products that anyone can use easily and which come out as foam and are washed away quickly, and we have also developed shampoo sheet products that can remove dirt from the hair and scalp when the user does not have access to water.

In a survey in which people's hair-washing behavior was observed, it was found that, on average, women in Japan use around 20–30 liters of hot water each time they wash their hair. This high water usage in the hair-washing process not only places a burden on water resources, it also results in increased CO₂ emissions. It is a little-known fact that CO₂ emissions associated with providing the hot water used when washing one's hair with shampoo and conditioner products account for around 80% of the total emissions associated with these products over the entire product lifecycle.

Kao provides shampoo sheet products that do not

require water for the Japanese astronaut in the International Space Station (ISS), the first time that our company has provided products of this type for use in space. Water is very precious in the ISS, so it is not possible for the astronauts to wash their hair using the same large amounts of hot water that would be used on Earth. Kao proposed a method whereby astronauts could remove dirt from their hair by wiping it with a three-dimensional non-woven fabric sheet containing a cleaning agent that does not require rinsing. The aim was to achieve strong sebum cleaning capability, make the product convenient to use under conditions of very low gravity, and enable the astronauts to enjoy the comfort of having clean hair. An astronaut who actually used this product during the process of evaluation for use in the ISS was full of praise for it, commenting that "You get a real feeling of cleanliness just by wiping your hair with the sheet."

Thinking about hair-washing products and behavior for use in space, which has the most extreme conditions possible for hair-washing, made us rethink how people can wash and clean their hair and scalp on Earth in a way that depends as little as possible on resources such as water and waste disposal that we have come to take for granted. I hope that Kao's involvement in developing shampoo sheet for use in space will serve as a catalyst for new solutions that can provide products for cleaning the hair and scalp that can be utilized in any environment and under any circumstances, that reduce the amount of water used in hair-washing, and that encourage hair-washing habits that are not dependent on water.

Water conservation 102-44

Stakeholder engagement

Norihiro Itsubo

Dean, Graduate School of Environmental and Information Studies, Professor of the Faculty of Environmental Studies, Tokyo City University



Kao's response to the views expressed last year

Taking into account the suggestions that we received last year, we have been working to develop and launch water-saving products. In 2021, we launched *Merit The Mild Foaming Shampoo* and *Merit The Mild Foaming Conditioner*, the foaming action of which is expected to reduce the amount of hot water used when rising the hair. By using these foaming products, the amount of hot water used is reduced by 25% as compared with having the product come out of the bottle as liquid.

We are also continuing to develop water-saving products for other usage scenarios besides the bathroom.

Strategic water conservation expectations based on a product lifecycle perspective

Damage resulting from natural disasters continues to increase throughout the world. Over the period 2000–2019, the world experienced around 7,300 significant natural disasters, affecting around 4 billion people, and causing 3 trillion USD of economic damage. By comparison with the period 1980–1999, these figures represented an increase of 72%, 25% and 82% respectively. Most of these disasters involved flooding, drought or storms, all of which are water-related. With the effects of global warming becoming more apparent, and demand for water rising due to population increase, the impact of natural disasters can be expected to become even more severe in the future. The question of how to cope with competition for water in the agricultural, residential and industrial sectors is a matter of shared global concern.

In order to achieve the United Nations Sustainable Development Goals (SDGs), there are several issues that need to be tackled at the same time. Kao is utilizing the experience that it has accumulated when implementing countermeasures in response to climate change to effectively address water-related issues. Kao has expanded the scope of its Scope 3 data, which estimates an organization's total CO₂ emissions over the entire product lifecycle, to include emissions associated with water use. Through this analysis, Kao was able to identify product use by consumers and water use relating to raw materials procurement as key "hotspots." By focusing its efforts on initiatives tailored to these stages in the product lifecycle, Kao is implementing strategic water conservation measures.

As one of its water conservation measures targeting

product use, Kao is promoting early, widespread adoption of water-saving versions of its core products, such as detergent and shampoo, and Kao is also working on the development of detergent products that do not require water. I anticipate that these initiatives will be particularly effective in areas with an especially high risk of drought, and when natural disasters occur.

At the raw materials procurement stage, Kao is utilizing the CDP Supply Chain Program to coordinate the collection and management of water risk data with suppliers. As Kao is dependent on developing nations for many raw materials, the collection of data on water use during cultivation and at processing plants can be challenging, but I hope Kao will be able to realize effective implementation of water conservation measures through collaboration with international NPOs.

Kao has received an A rating, the highest possible, for each of Climate Change, Water Security and Forests from the CDP. This is the fruit of its comprehensive efforts to realize strategic, sustainable management that covers the whole of the product lifecycle. In today's world, where there is a need for business models that are not dependent on water, it is vitally important to undertake product development, and early implementation of such products, that endeavors, from multiple perspectives, to prevent water pollution, control water consumption, and mitigate social problems that derive from water risk. According to United Nations forecasts, by 2050, some 5.0 billion people around the world will be affected by water shortages. I hope that Kao will continue to make a contribution in this area, both before and after the realization of the SDGs.

Air & water pollution prevention 102-15, 103-1, 103-2, 103-3

Protect human health and the natural environment by preventing pollution of water and air through the manufacture or use of our products.

Kao's creating value to address social issues

Social issues we are aware of

It goes without saying that air pollution, water pollution and soil pollution can have a significant negative impact on human health, on agricultural crops and other plants, and on ecosystems. In order to create a sustainable Kirei life for all, besides conducting our business activities in a way that does not exert negative impacts, we also aim to work together with stakeholders to address pollution that has already had a negative impact, and to restore things to a sustainable state.

Atmospheric pollutants such as nitrogen oxides (NOx), sulfur oxides (SOx), particulate matter (PM) and volatile organic compounds (VOCs) are known to increase the prevalence of pulmonary diseases such as asthma. Most atmospheric pollutants derive from burning of fossil fuels or usage of organic solvents. Worldwide, around 8.8 million people die prematurely each year because of atmospheric pollution. In Europe alone, the figure is believed to be over 790,000 (according to a study by the University of Mainz in Germany). At the same time, in recent years there has been a trend for indoor spaces to be made as airtight as possible in an effort to make homes more energy-efficient. As a result, chemical substances in indoor spaces remain in those spaces for long periods, and their concentration levels rise. A

report (by Yokohama National University in Japan) suggests that this can have a negative impact on human health.

The vast majority of living organisms, including human beings, cannot live without water. Humans also need access to sanitary water in order to maintain Kirei Lifestyles. The main cause of water pollution is various substances contained in wastewater from plants and household sewage.

Negative impacts on human health resulting from soil pollution include the effects of both direct contacts with polluted soil by touching it or eating it and indirect contacts by using groundwater that has been polluted with harmful substances that have leached out from polluted soil. Significant characteristics of soil pollution include the fact that, once soil pollution starts to occur, harmful substances can accumulate in the soil over a long period, and the fact that people are less likely to be aware of soil pollution than they are of air pollution and water pollution.

We need to speed up the initiatives we are taking, and expand their scope in order to realize the SDGs by 2030. In January 2020, the United Nations started the Decade of Action in relation to the achievement of the SDGs.

Air & water pollution prevention 103-1, 103-2, 103-3

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

Items		Content
Risks	Transitional risk	Policies, laws and regulations Various policies and legal restrictions on air and water will be enacted, management costs may increase to comply with them. Investing in better facilities and developing of new technologies to comply with policies and regulations will mean higher equipment and operating costs, which could negatively impact our profitability. Additionally, the delayed production schedule could negatively impact sales, if national and local governments are urged to pass restrictions on operations due to the state of air pollution in areas where our plants are located and the state of water pollution from plant wastewater discharged in public water. Examples of possible policy or regulatory restrictions •Air pollutant regulations •Regulations on substances depleting the ozone layer •Plant wastewater regulation •Regulation of use of chemical substances in products •Product labeling programs for environmental performance or chemical substance
		Technology Increasing R&D expenses to address the risks posed to the air and water will mean higher operating costs, which could negatively impact our profitability. Risk of failing to increase sales if technologies developed do not work out
		Markets When regulations on air pollutants are tightened at a national or regional level, demand for chemical products that contain few or no substances causing air pollution (like organic solvents) increases, whereas sales for conventional chemical products are at risk of decline. When regulations on water pollutants are tightened at a national or regional level, demand for commercial-use products that contain few or no substances causing water pollution (like alkali) increases, whereas sales for conventional commercial-use products are at risk of decline. Sales could be negatively impacted if technological capabilities for products in development are not on a par with market demands.
		Reputation Our brand owner's reputation is at risk of decline due to so-called fragrance pollution from scents in fabric softeners and others.
	Physical risk	Acute Our plants may suspend operations and be unable to continue manufacturing products due to air pollution from forest fires or water pollution from oil tanker accidents. Similar conditions at suppliers' plants could make it impossible for us to procure raw materials, with the risk that we could not continue manufacturing products. There is also the risk that supply chains, from suppliers to our plants, and from our plants to our customers, could be interrupted. These risks, meaning that we could no longer supply our products to the market, would negatively impact sales, and if such risks actually materialized, would require special measures at additional cost, thus reducing our profits. In addition, if restrictions for large-scale air and water pollution significantly impact on the lives of consumers, consumption might fall, which would negatively impact on sales.
		Chronic There's a risk that production may be unable to increase at the rate required for future growth due to our plants or supplier's plants being located in areas where air and water pollution are likely to become more severe.

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

Opportunities	Resource efficiency	Optimizing logistics and reducing the distances that trucks are travelling without loads will curtail emissions of air pollutants and lower transportation costs, which means improved profits.
	Products, services	PM, an air pollutant, has health consequences and in terms of beauty, is one of the causes of dull skin. The coal-fired power generation is expected to decline, decreasing the amount of PM in the atmosphere in the medium to long term with the objective to reduce greenhouse gas emissions. However, PM disappearing from all regions around the world is expected to take some time, which presents an opportunity for products that respond to PM in Health and beauty care and Hygiene and living care. In the industrial sector, there are opportunities for chemical products that reduce organic solvents and dust causing air pollution at worksites. Many of our products are discharged into the water environment after use. Surfactants powerful enough to reduce the usage of surfactants and alkali-free professional-use detergents offer an environmental value that improves water environments.
	Markets	The manifestation of air pollution caused by PM presents increased sales opportunities by attracting attention to consumer products that respond to PM. Strengthened regulations on worksite organic solvents and dust present an opportunity to expand demand for chemical products that comply with such restrictions.
	Resilience	Ongoing measures for air pollution and water discharge pollution at plants help increase our resilience to issues with air and water quality in terms of product manufacturing. In addition, the resilience of our businesses needs to be improved with activities suggesting new products by predicting consumer trends based on consumer feedback from the last 60 years or more and a database built for more than 40 years.

Air & water pollution prevention 102-12, 103-1, 103-2, 103-3, 303-2 (Water and effluents 2018), 404-2

Kao's creating value

We are working to prevent air pollution and water pollution in the areas near Kao production plants by reducing emissions of atmospheric pollutants such as NO_x, SO_x and VOCs from our plants and reducing organic matter and other substances in wastewater discharged from our plants, by complying faithfully with the relevant laws and regulations in each country and region in which we operate, and by setting reference values that are even more rigorous than those required by law to strictly manage pollutants.

We propose various products for air pollution in Chemical, paying attention to maintain the health of people working around the world.

In order to ensure the groundwater used by locals is not polluted, we periodically survey the soil conditions at each plant for water pollution.

Additionally, we propose various products to help prevent water pollution in all our business units for household, commercial-use and chemical products.

Contributions to the SDGs



Policies

We utilize a wide range of chemical substances in our products, from home-use products to industrial products, and we continue to implement activities to minimize negative impacts of chemical substances at every stage from development to post-use disposal.

In our Basic Principle and Basic Policies on Environment and Safety, we undertake to “assess environment and safety aspects throughout the entire lifecycle of the products, from manufacture through disposal, when developing products and technologies” and to “offer products with a lower environmental burden.” Furthermore, the Kao Group Responsible Care Policy contains the following declarations: “We will strive to develop technologies for products that consumers and customers can use with peace of mind, as well as striving to provide products that have a low environmental impact” and “We shall strive to continue to reduce the environmental impact of our business operations by ... disposing of wastewater and waste gas appropriately.”

Our Environmental Statement embodies our commitment to ensuring that “Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, usage and final disposal, we want to engage in ‘eco together’ with stakeholders and consumers worldwide.”



Basic Principle and Basic Policies on Environment and Safety

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Kao Group Responsible Care Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Kao Environmental Statement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

Education and promotion

We recognize the importance of giving our employees who handle chemical substances a variety of opportunities to obtain knowledge about the relationship between our business activities and products and air and water pollution, and to actively engage in pollution prevention activities of their own accord. We have created many opportunities for employee education accordingly.

Our employees take responsibility for air and water pollution prevention activities at plants and R&D on low VOC products and highly biodegradable products. Strengthening employees' air and water quality awareness helps to enhance the overall level of our activities in this area. A further point is that employees are also consumers, and in their role as consumers it is important that they take steps to prevent air and water pollution.

Specifically, we conduct environmental education including on air and water pollution prevention for all

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employees as part of our Responsible Care activities. We also provide education encompassing the importance of legal compliance pertaining to air and water pollution to all employees working at plants and research institutes that have obtained ISO 14001 or RC 14001 certification.

Collaboration and engagement with stakeholders

We recognize that, in order to help consumers realize the Kirei Lifestyle, it is vital for us to deepen mutual understanding with a wide range of stakeholders and collaborate with them, by developing two-way communication.

As the substances generated by our production activities that lead to air and water pollution have an impact on local communities, having good communication with local communities is also vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

Emissions of substances linked to air pollution and water pollution, which are from business activities, are regulated by government agencies. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants. Additionally, we continue to conduct water quality surveys not as a single company but as an industry group.

Distribution initiatives are required to help make improvements to air pollution. We are taking part in programs established by the Cabinet Office in collaboration with other companies in this industry.

Consumer behavior needs to change in order for consumers to attain the Kirei Lifestyle. We provide opportunities to think about the Kirei Lifestyle through visits to museums and plants that take as its theme the water that all consumers use daily. For example, the Eco-Lab Museum has displays on household sewage and wastewater treatment.

Smart Distribution in partnership with Lion Corporation

We are participating in the Cross-ministerial Strategic Innovation Promotion Program (SIP) promoted by the Cabinet Office. We started regular shuttle deliveries between Kao and Lion Corporation in October 2020. This new initiative will reduce the distances that trucks are travelling without loads, by comparison with conventional transportation methods, and is expected to result in a 45% reduction in atmospheric pollutants emissions for both companies combined.

Framework

Emissions of pollutants into the air or into bodies of water in relation to our business activities, and the current state of progress in addressing this issue, are managed under our Responsible Care promotion system.



Fundamental section > Responsible care activities
> Framework



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG
governance structure

Mid- to long-term targets and performance

2025 mid-term targets

Index	Scope	2025 targets
% of plants which disclose VOC and COD emissions	All Kao Group sites	100% disclosure

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Disclosing VOC and COD emissions pertaining to our business activities will improve the transparency of occupational safety measures and pollution measures. Maintaining employees' health and mitigating risks posed by pollution will contribute to lowering operational costs and improving profitability.

Social impacts

We anticipate that disclosing VOC and COD emissions pertaining to our business activities and engaging in an ongoing dialogue about this will improve communication with the residents around our plants and lead to reduced reputational risks concerning these emissions throughout society.

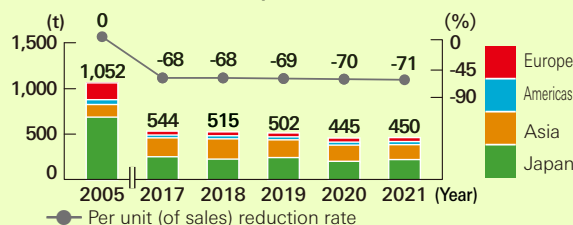
Air & water pollution prevention 303-2, 303-4 (Water and effluents 2018), 305-7, 307-1

Performance in 2021

Performance*

* Per unit of sales is calculated based on Japanese GAAP in FY2005, and on International Financial Reporting Standards from FY2017 onwards.

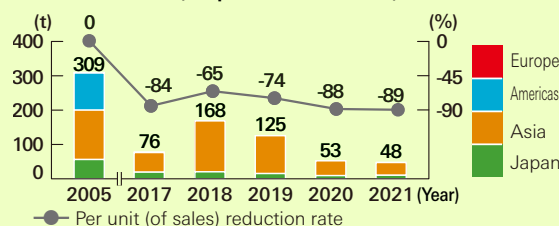
NOx emissions (all production sites)



* Boundary: All Kao Group production sites

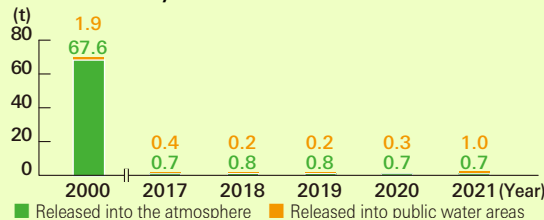
* Assurance provided for NOx emission figures

SOx emissions (all production sites)



* Boundary: All Kao Group production sites

Total emissions of chemical substances subject to the PRTR system



* Boundary: All Kao Group production sites in Japan

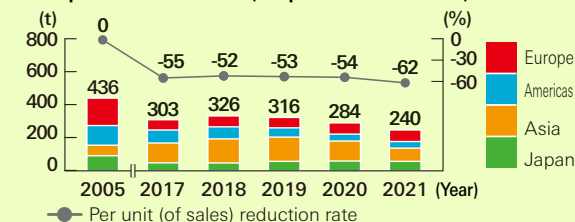
Emissions of VOCs

Although we have no facilities subject to the VOC emission regulations provided in the Air Pollution Control Act, we work to voluntarily cut VOC emissions.

For the 100 VOC substances defined in the notice issued by the Director General of the Environmental Management Bureau, Ministry of the Environment, we set voluntary targets on the annual atmospheric emissions from each plant for each substance (5 tons or less in 2005, 3 tons or less in 2009, 1 ton or less in 2010), conducted emission reduction activities and accomplished our targets. We are managing VOC emissions with the current target of maintaining our activities.

The group in Japan handled 33 types of VOCs in quantities over 1 ton in 2021, with total emissions into the atmosphere of 6.5 tons.

COD pollution load (all production sites)



* The amount of COD pollution load for wastewater entering sewer systems takes into account the removal rate from sewer systems. For some sites in Asia, it had not previously been possible to take into account the removal rate; improvement in this regard starting from 2021 is reflected in a 15t reduction.

* Assurance provided for COD pollution load

Compliance with environmental legislation

In 2020, there was an omission of the notification for minor changes to wastewater treatment facilities (sludge dewatering facilities) at the Kawasaki Plant, an omission of the regular inspection of the dust collector at Kao Specialties Americas LLC and insufficient water flow in the scrubber water (fine of 146,000 yen), and a leakage of ammonia water at Quimi-Kao, S.A. de C.V. (fine of 460,000 yen).

In 2021, there was a failure to install sufficient gas detection equipment at Kao Huludao Casting Materials Co., Ltd. (fine of 542,000 yen), an omission in reporting by the designated manager (fine of 1,444,000 yen) at the same company, and an instance of hydrogen sulfide levels exceeding the permitted value at Kao USA Inc. (fine of 1,192,000 yen).

Compliance status with environmental laws and regulations

Category	Unit	2019	2020	2021
Number of violations*1	incidents	0	4	3
Of which, number of leaks	incidents	0	1	0
Total fines*2	1,000 yen	0	607	3,178
Of which, number of leaks	1,000 yen	0	460	0

*1 All incidents detected by authorities during the reporting period

*2 Fines paid during the reporting period

Air & water pollution prevention ¹⁰²⁻⁴³

Our initiatives

Initiatives to prevent air pollution

Efforts at plants

Compliance with laws and regulations

The amounts and densities of pollutants emitted into the atmosphere are regulated by government agencies. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

Using cleaner fossil fuels

As burning of fossil fuels is accompanied by emission of NOx, SOx, PM, etc., we use natural gas—which is a clean fossil fuel—at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

Reducing emissions of chemical substances subject to the Japanese PRTR system

We began activities in this area by setting a voluntary target for annual emissions of one ton or less for each substance from each plant in FY2000. We achieved this target in FY2002. Since then, we have continued to achieve this voluntary target, excluding leaks of chlorofluorocarbon and similar emissions.

The number of chemical substances subject to the Japanese Pollutant Release and Transfer Register (PRTR) system of which we handled over 1.0 ton in 2021 was 71, and the total discharge of such substances into the atmosphere and public water areas was 1.6 tons. In addition, we are voluntarily

monitoring and controlling releases and transfers (in the same way as would be done for chemical substances subject to PRTR) of chemical substances that the Japan Chemical Industry Association has specified as being subject to voluntary surveys.

Reducing emissions of VOCs

Our production plants outside Japan include some plants where they have not been possible to monitor VOC emissions, or where the emissions are relatively high. We are working to monitor and reduce VOC emissions at these plants.

Initiatives taken in relation to logistics

Smart Distribution in partnership with Lion Corporation

We are participating in the SIP promoted by the Cabinet Office. We started regular shuttle deliveries between Kao and Lion Corporation in October 2020. This new initiative will reduce the distances that trucks are travelling without loads, by comparison with conventional transportation methods, and is expected to result in a 45% reduction in atmospheric pollutants emissions for both companies combined.

Initiatives taken in relation to our products

LUNAJET water-based pigment inkjet ink

Using the pigment nano-dispersion technology that we had previously developed, we successfully developed *LUNAJET*, the world's first water-based pigment inkjet ink, featuring a VOC-free design*

which ensures that only very small quantities of VOCs are emitted during printing operations, thereby helping to prevent air pollution and also making a major contribution toward improving the working environment of printing workers. We also confirmed that this water-based pigment inkjet ink technology can be applied to water-based gravure-printing ink.

* VOC-free design: "VOC-free" is defined as emitting less than 700 ppmC (in carbon conversion terms) of VOC during the printing process.

VOC is a collective term for organic compounds that are volatile and are transformed into gaseous form in the atmosphere. In Japan, VOC emissions are regulated by the revised Air Pollution Control Act.

Visco Top UT thickener for concrete spraying construction

We developed then launched full-scale sales for *Visco Top UT* thickener which significantly decreases dust generated when spraying concrete for mountain tunnel construction. *Visco Top UT* is able to substantially reduce the amount of dust generated even when using powder accelerator, which tends to stimulate dust dispersion. With only half as much thickener as would be needed with a conventional dust reducer, the dust concentration level can be reduced to 2mg/m³ or less (as recommended by the new dust guidelines that came into effect in April 2021). This is registered in NETIS*, the new technology provision system (Number: KT-200035-A) and is anticipated to be utilized in the various tunnel construction commissioned by national and local governments.

* NETIS: Database system operated with the objective of the Ministry of Land, Infrastructure, Transport and Tourism sharing and providing information on new technologies

Air & water pollution prevention 102-43, 303-2 (Water and effluents 2018)

Initiatives to prevent water pollution

Initiatives taken in relation to product development

In product development, we incorporate considerations for impacts on the water environments of discharged water after product use. More specifically, we have investigated the biodegradability of raw materials that may be discharged into the environment and their impacts on common aquatic organisms using river water and activated sludge used at wastewater treatment plants. Through this investigation, we are actively promoting the development and use of raw materials with reduced environmental impact. We also plan to use AI and other technologies to investigate chemical substances with high environmental compatibility.

Efforts at plants

Compliance with wastewater related laws and regulations

The amounts and / or densities of pollutants discharged into rivers, the ocean and sewage systems are regulated by government agencies. We have installed and conduct high-level maintenance and management of wastewater treatment facilities at many plants. After properly treating plant wastewater, it is discharged outside the plant. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

Surveys of groundwater and soil contamination

In light of our past history of chemical substance use,

every year we voluntarily measure the levels of substances regulated by environmental standards in the groundwater within plant premises.

Initiatives relating to wastewater after product use

We are focusing on understanding the actual situation in relation to wastewater discharge after product use and we are conducting our own field surveys on an ongoing basis, such as environmental monitoring of river water to get an idea of the ecological risks of chemical substances.

To respond to globalization, we collaborate with experts to verify the effectiveness of mathematical models and develop new models for monitoring environments outside Japan and predictions of chemical substance concentration in rivers, aiming to ensure our business activities are environmentally friendly on the local environment. Recently in Japan, we are analyzing in detail the impact of chemical substances on ecosystems using data gathered from the river environment.

We are also participating in environmental monitoring that has been undertaken by the Japan Soap and Detergent Association since 1998. Currently we assess the environmental risks posed to ecosystems targeting four major surfactants in municipal rivers (measured four times per year at seven sites in four rivers). In the surveys conducted so far, the results show that these surfactants have consistently low risks to aquatic organisms.

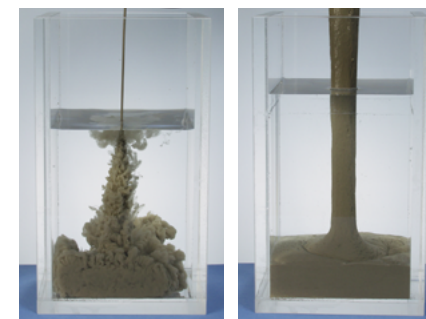
Initiatives taken in relation to our products

Visco Top high-performance specialty thickener

When undertaking civil engineering work near water (for example, on riverbanks or on the coast), it is vitally important that measures are taken to protect

the water from being contaminated. In the case of bridge pier construction for long bridges or suspension bridges that cross ocean straits, because the piers are actually built in the riverwater or seawater, special underwater concrete that has high viscosity and is resistant to washout is used. Furthermore, when construction is undertaken near underground watercourses, care must be taken not to contaminate the groundwater. For work in this kind of water-related environment, the use of additives to increase the viscosity of inorganic materials such as grouting materials and concrete can enhance underwater anti-washout performance.

We have developed *Visco Top*, a high-performance specialty thickener that provides un-precedented viscosity for grouting materials and concrete, and makes it possible to undertake construction work without polluting the riverine or ocean environment. *Visco Top* has been also used in the removal of high concentration contaminated water from trenches at the Fukushima Daiichi Nuclear Power Plant.



Without the addition of
Visco Top

With the addition of
Visco Top

Air & water pollution prevention 102-43, 303-2 (Water and effluents 2018)

***Smash* alkali-free commercial use detergent**

Alkali detergent used for hard-to-remove kitchen stains must adjust (neutralize) its pH when the cleaning liquid is discharged to prevent water pollution, whereas neutral detergent without alkali generally does not have sufficient cleaning effects.

Smash, the newly debuted kitchen oil stain detergent, works safely with a neutral formula that has the same cleaning power as an alkali detergent, and contributes to preventing water pollution with its gentle ingredients.



Smash kitchen oil stain detergent

Employees' voice

Safe contamination removal technology for the disabled reactors at the Fukushima Daiichi Nuclear Power Plant



Noriaki Ushio

Material Science Research Laboratory 5

We are undertaking R&D work to develop safe contamination removal technology for the disabled reactors at the Fukushima Daiichi Nuclear Power Plant (Fukushima Daiichi NPP), which suffered extensive damage from the tsunami that accompanied the Great East Japan Earthquake of 2011. More specifically, we are undertaking the development of efficient technology that will reduce the risk of radiation exposure for the operatives, to facilitate speedy decontamination of the disabled reactors. We are proceeding with this research with the conviction that the cleansing technology research results that we have accumulated over the years can be utilized effectively in the decontamination of Fukushima Daiichi NPP.

We are challenging ourselves on a daily basis with the goal of helping restore Fukushima's beautiful natural environment as soon as possible, and of making it possible for people to live in the region with peace of mind.

Air & water pollution prevention ¹⁰²⁻⁴⁴

Stakeholder engagement



Kenji Furukawa

Professor Emeritus, Kumamoto University

Kao's response to the views expressed last year

Regarding the use of Tubifex worms to realize reduction of wastewater sludge, we are examining the question of which Kao plants would be suitable candidates for the full-scale application of this method, in terms of how suited they are to stable growth of the Tubifex worms. We are considering strategies for preventing the pH level from falling too low when using microorganism treatment on wastewater with a high nitrogen content.

At Quimi-Kao in Mexico, an adequate supply of water is ensured by using treated water from the local government authority's wastewater treatment facility, due to restrictions on groundwater usage. Kao plants in Taiwan are starting to be affected by drought risk, and so consideration is being given to reusing treated water. We feel that a significant issue here is how to ensure safety when using treated water.

With regard to VOC emissions at overseas plants, we have begun to disclose the VOC emissions of those plants that have calculated their emissions on a dedicated emissions webpage. Besides working to reduce emissions, we are also proceeding with efforts to determine emissions levels at those plants where emissions measurement has not been performed due to there being no statutory requirement to do so.

Assessments of and expectations for Kao's initiatives on prevention of air and water pollution

By reading the Kao Sustainability Data Book 2021, I was able to develop an understanding of Kao's business management, which emphasizes an ESG perspective. Kao's initiatives in this area have secured the company a Triple A rating (the highest possible) for the Climate Change, Forests and Water Security aspects of environmental data disclosure through CDP for two consecutive years, in 2020 and 2021. Out of 12,000 organizations throughout the world whose data disclosure was evaluated, only 14 companies secured a Triple A rating, and only 2 of those were Japanese companies. The CDP's evaluation thus represents recognition of Kao's status as a world leader in environmental data disclosure.

In the following sections, I would like to comment on Kao's initiatives in FY2021 to prevent air and water pollution.

1. Initiatives to prevent air pollution

SOx and NOx emissions from worksites in Japan remained at roughly the same level as in the previous year. NOx emissions from the Wakayama Plant, which is Kao's most important production site, were noticeably high, so Kao will need to

focus its attention on the Wakayama Plant if it is to achieve further reductions in NOx emissions. Kao has accurate data regarding VOC emissions from its worksites in Japan. Hereafter, while continuing to accumulate VOC emissions data, ideally, Kao should also clarify the methods to be used for reduction of VOC emissions, and the target reduction amounts. The process of determining VOC emission levels at production worksites outside Japan has only just got underway, and there are still many worksites for which data are not available. Of those worksites for which VOC emission levels have been clarified, it is noticeable that VOC emissions at worksites in the U.S. and in Spain tend to be quite high. In this regard, there is a need for response measures that would include reviewing the production methods used, and making changes to the emissions reduction technology used.

2. Initiatives to prevent water pollution

While the COD emissions load from worksites in Japan have been kept at a low level by the strict discharge regulations, the COD emission load of worksites in Southeast Asia and Germany are relatively high. It is to be hoped that Kao will respond to this situation, in ways suited to local circumstances, and that this response will include

Air & water pollution prevention 102-44

the transfer of the advanced COD removal technology that Kao has accumulated through its business activities in Japan.

3. Use of Tubifex worms for volume reduction of wastewater sludge

To achieve volume reduction of organic sludge that is generated during the biological wastewater treatment process, Kao is focusing on the use of Tubifex worms. In order to create a stable habitat for the Tubifex worms within the wastewater treatment tank, it is necessary to provide the proper growth environment (in terms of temperature, salinity, pH value and habitat), while keeping the organic loading at a low level. Industrial wastewater tends to contain an unsatisfactory balance of nutrients, as well as being too highly concentrated, and having low buffer capacity. If a wastewater treatment process is operated under low organic loading so as to create a suitable habitat for Tubifex worms, then nitrification may occur, causing a decrease in pH, in which case the Tubifex worms cannot survive. By circulating the nitrified sludge liquor to the front end of the wastewater treatment tank, where a low dissolved oxygen environment has been created by reducing the aeration, it is possible to induce denitrification and prevent the pH value from becoming abnormally low. To

transform existing wastewater treatment tanks so that they are capable of denitrification, an agitator needs to be installed. If aiming to use Tubifex worms in wastewater treatment tanks for volume reduction of wastewater sludge, it is recommended to replace diffuser aeration systems with underwater mechanical aerators when the aeration system is renewed.

It would seem advisable for Kao to identify, from among its various worksites, which worksites discharge wastewater that is suitable for treatment using Tubifex worms and then install this system at an actual wastewater treatment plant to clarify the attainable cost reduction. Hopefully, going forward, this treatment method can be adopted for wastewater treatment not only within Japan but also at worksites outside Japan, so as to bring about a reduction of wastewater treatment costs.

Industrial wastewater treatments often involve coagulation treatment to remove substances that inhibit treatment, and this process generates large quantities of inorganic sludge. Ideally, Kao should adopt an integrated approach to reducing the amount of inorganic sludge and organic sludge through reconsidering raw materials, manufacturing processes and wastewater lines.

Finally

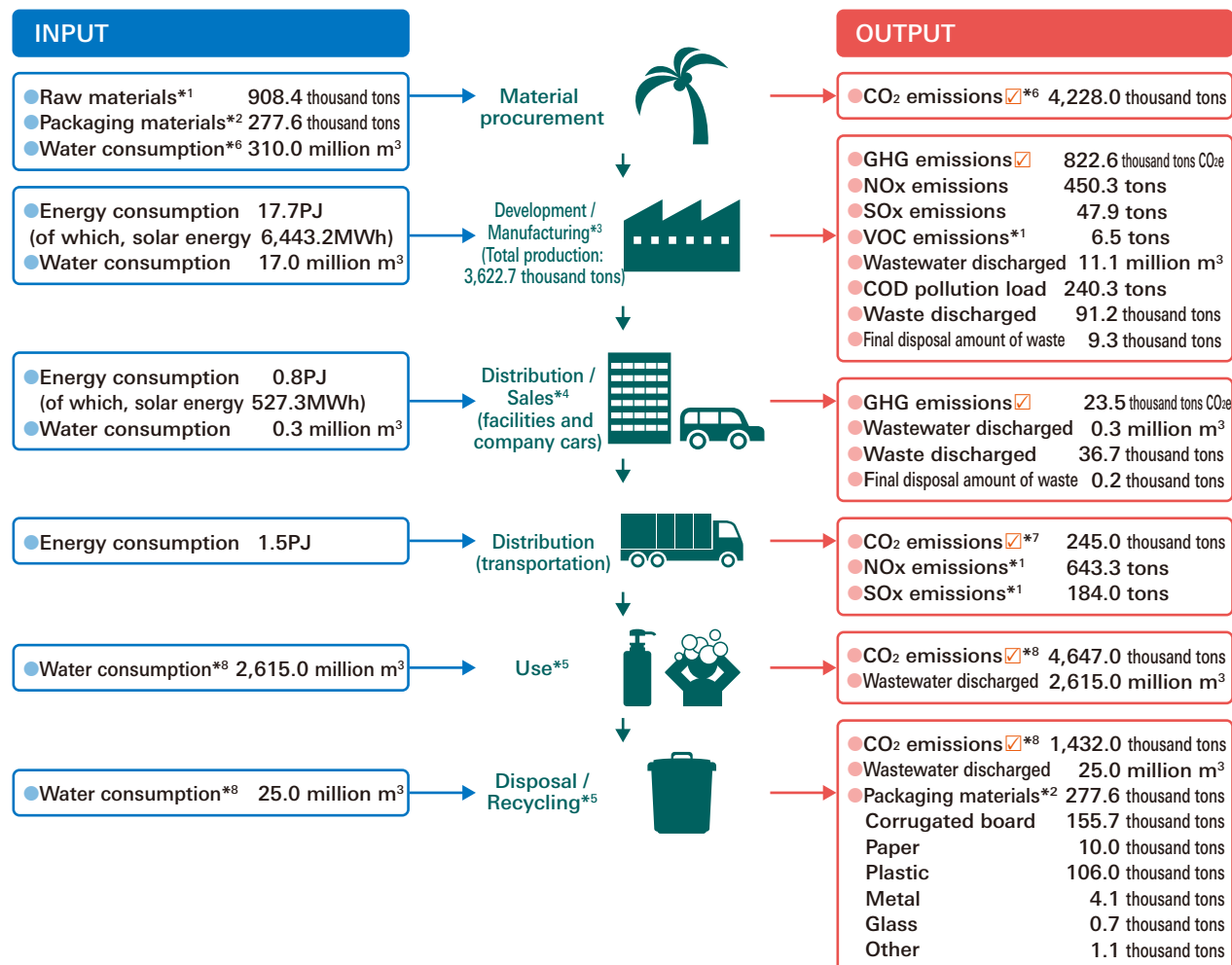
Kao has made a serious effort to reduce emissions of air pollutants from its plants, and to reduce the pollution load from its wastewater plants. These efforts have produced meaningful results, and have won high praise. With global warming progressing rapidly, the 21st century will inevitably be an era in which water is of great importance, and securing stable access to water resources will be an urgent task. In Japan, which is blessed with rich water resources, there is no pressing need to reuse treated water, but for Kao, which aims to continue conducting its business activities sustainably on a global scale, the issue of water resources is one that cannot be avoided. As a leading company in the disclosure of environmental data, it is to be hoped that Kao will work actively to safeguard water resource stability in harmony with the local community, to implement production activities in a water-saving manner, and to realize the reuse of treated wastewater.

Product lifecycle and environmental impact

301-1, 302-1, 303-3, 303-4, 303-5 (Water and effluents 2018), 305-1, 305-2, 305-3, 305-7

Kao is pursuing efficient resource utilization across the product lifecycle, as well as technologies to achieve further resource and energy savings.

2021 business operations and environmental impact



Product lifecycle and environmental impact⁴¹⁷⁻¹

INPUT

● Raw materials

The amount of raw materials directly used to manufacture products (excluding packaging materials and fuel)

● Packaging materials

The amount of packaging used for products sold (including corrugated box)

● Energy consumption [product development/manufacturing]

Total amount of energy consumed at manufacturing sites (Boundary for solar photovoltaic power generation is limited to on-site power generation)

● Energy consumption [distribution/sales (facilities and company cars)]

The amount of energy consumed at non-production sites and by vehicles (used for sales activities) (Boundary for solar photovoltaic power generation is limited to on-site power generation)

● Energy consumption [transportation]

The amount of energy consumed during transportation of consumer products (from plants to distribution bases), industrial products, raw materials, etc.

● Water consumption

Industrial water, municipal water, groundwater, rainwater consumed

OUTPUT

● GHG emissions

Total amount of greenhouse gas emissions from sites (seven GHGs defined in the Kyoto Protocol) (in CO₂ equivalent, Scope 1+2)

● CO₂ emissions

The amount of CO₂ emitted from manufacturing raw materials, consuming energy and decomposition of ingredients

● NO_x emissions

Total amount of NO_x emissions from smoke-and-soot-emitting facilities and transportation

● SO_x emissions

Total amount of SO_x emissions from smoke-and-soot-emitting facilities and transportation

● VOC emissions

Total amount of volatile organic compounds (VOCs) emitted into the atmosphere from production sites

● Wastewater discharged

The amount of wastewater discharged at production sites and consumer product use stages

● COD pollution load

The amount of COD pollution load in wastewater

● Waste discharged and final disposal amount of waste

Of the waste generated from sites, the amount that is sold or entrusted as waste or recyclable materials to waste treatment companies, and the amount of waste to landfill

● Packaging materials

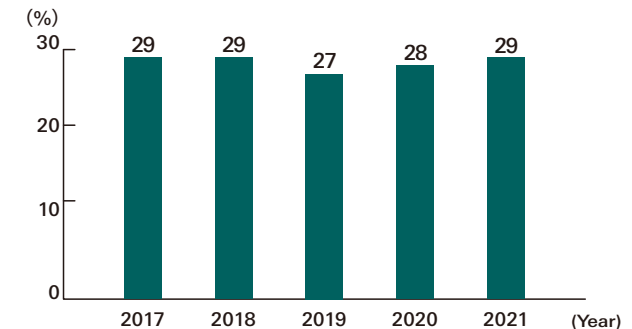
Total amount of packaging materials (including corrugated box) used for products sold

Expansion of the range of products that display the “eco together” logo

Products with lower environmental impact that have passed our rigorous original certification standards display the “eco together” logo.

In 2021, the sales ratio of products (consumer products in Japan) displaying the “eco together” logo was 29%, which represented an increase compared to the previous year.

Percentage of total sales held by products displaying the “eco together” logo (consumer products in Japan)



“eco together” logo display standards

List of products displaying the “eco together” logo (Japanese)

Environmental accounting

To efficiently and effectively promote its environmental activities, Kao quantifies the costs and results of those activities in numerical terms.

2021 environmental accounting report

- ① The aggregation methods we use to comply with the Japanese Ministry of the Environment's Environmental Accounting Guidelines 2005. We also reference the Environmental Accounting Guidelines for Chemical Companies (November 2003) issued by the Japan Chemical Industry Association.
- ② Boundary: the domestic Kao Group*¹ and major overseas subsidiaries*²
- ③ Concerns the period from January 1, 2021 to December 31, 2021

➔ Product lifecycle and environmental impact

P151

*1 Kao Corporation, Kao-Quaker Company, Limited., Kao Group Customer Marketing Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kanebo Cosmetics Inc., e'quipe, Ltd., Kao Professional Services Co., Ltd., Kao Salon Japan CO., LTD., Molton Brown Japan Ltd., Kao Paper Manufacturing Fuji, Kao Business Associe Co., Ltd., Kao Logistics Co., Ltd., Shohi Seikatsu Kenkyusho Inc., Kao Peony Co., Ltd., and Kao Cosmetic Products Odawara Co., Ltd.

*2 Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao, Incorporated, Kao Industrial (Thailand) Co., Ltd., Kao Soap (Malaysia) Sdn. Bhd., Fatty Chemical (Malaysia) Sdn. Bhd., Kao Plasticizer (Malaysia) Sdn. Bhd., Kao Oleochemical (Malaysia) Sdn. Bhd., PT. Kao Indonesia Chemicals, Kao Specialties Americas LLC, Quimi-Kao, S.A. de C.V., Kao Corporation S.A., Kao (Hefei) Co., Ltd., Kao Chemicals GmbH, PT Kao Indonesia, Kao Manufacturing Germany GmbH, Kao (Shanghai) Chemical Industries Co., Ltd., Kao USA Inc., Molton Brown Limited, Kao Corporation Shanghai, Huludao Jinxing Casting Materials Co., Ltd.

Environmental conservation costs (categories corresponding to business activities)

(Unit: millions of yen)

Categories		Inside Japan		Asia, Americas and Europe	
		Investment	Cost* ¹	Investment	Cost* ¹
(1) Business area costs		991	4,488	3,396	5,924
Breakdown	① Pollution prevention	Air pollution prevention, water contamination prevention		76	1,897
	② Global environmental conservation	Energy conservation		1,049	1,762
	③ Resource circulation	Resource conservation, waste processing and disposal		751	624
(2) Upstream/downstream costs		164	1,967	665	1,145
(3) Administration costs		Plant and equipment for eco-conscious products, packaging recycling		0	2,467
(4) R&D costs		Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites		0	1,125
(5) Social activity costs		Eco-conscious R&D		2	89
(6) Environmental remediation costs		Nature and environmental conservation and tree-planting activities outside worksites, donations		2	89
Total		0	0	0	27
		3,759	15,748	3,416	8,287

Environmental conservation costs (categories corresponding to areas of environmental conservation measures)

(Unit: millions of yen)

Categories		Inside Japan		Asia, Americas and Europe	
		Investment	Cost* ¹	Investment	Cost* ¹
① Cost related to global warming measures		Energy conservation		751	624
② Cost related to ozone layer protection measures		Switch to CFC alternatives		0	0
③ Cost related to air quality conservation measures		Air pollution prevention, dust pollution prevention, malodor prevention		0	495
④ Cost related to noise and vibration measures		Noise prevention		0	3
⑤ Cost related to environmental conservation measures for aquatic, ground, and geologic environments		Water contamination prevention		76	1,399
⑥ Cost related to waste and recycling measures		Resource conservation, industrial waste reductions, recycling		164	4,434
⑦ Cost related to measures to reduce chemical risks and emissions		R&D on products and production		2,766	7,579
⑧ Cost related to nature and environmental conservation		Nature and environmental conservation and tree-planting activities outside worksites, donations		2	88
⑨ Other costs		Acquisition and maintenance of EMS certification, environmental publicity, tree-planting activities within worksites		0	1,126
Total		0	0	0	2,003
		3,759	15,748	3,416	8,287

Economic effect associated with environmental conservation activities*²

(Unit: millions of yen)

Details of benefits		Inside Japan	Asia, Americas and Europe
		Amount	Amount
Revenue	Sales value of valuable resources and fixed assets	674	227
	Reduction in costs through energy conservation	124	272
Cost reductions* ³	Reduction in costs through resource conservation	1,368	1,564
	Reduction in operation costs (maintenance costs, etc. of eco-conscious equipment)	76	200
Total		2,242	2,263

*1 Cost includes depreciation costs.

*2 For economic effect, only amounts from selling valuable resources and fixed assets and the amount of cost reductions are recorded. Economic effects based on assumption such as risk mitigation, so-called "deemed effects" are not recorded.

*3 The amounts of cost reductions contains only the relevant fiscal year of the annual cost reduction for items generated during that year. Cost reduction amounts generated over multiple years are not included.

Walking the right path

Page	Kao Action	ESG keyword		
P155	Effective corporate governance	<ul style="list-style-type: none"> • Integrity • Compliance risk reduction 	<ul style="list-style-type: none"> • Harassment prevention • Internal reporting systems 	<ul style="list-style-type: none"> • Kao Business Conduct Guidelines • Inclusion in the World's Most Ethical Companies®
P168	Full transparency	<ul style="list-style-type: none"> • Information disclosure based on scientific evidence • Disclosure of Fragrance Policy and names of fragrance ingredients 	<ul style="list-style-type: none"> • Disclosure of policies relating to ingredients regarded as important by society • Supply chain transparency 	<ul style="list-style-type: none"> • Disclosure of the benefits and safety of chemical substances
P175	Respecting human rights	<ul style="list-style-type: none"> • Risk mitigation • Compliance with human rights related laws, regulations and codes in various countries and regions 	<ul style="list-style-type: none"> • Respect for human rights in the supply chain • Human rights due diligence 	<ul style="list-style-type: none"> • Kao Business Conduct Guidelines • Respect for human rights in advertising
P188	Human capital development	<ul style="list-style-type: none"> • Maximizing the power and potential of employees and mobilizing diverse human capital 	<ul style="list-style-type: none"> • Tackling challenges and collaboration • Human capital development programs 	<ul style="list-style-type: none"> • Career development support • Dialogue with employees
P204	Inclusive & diverse workplaces	<ul style="list-style-type: none"> • Diversity & Inclusion • Supporting employees to empower each and every one of them 	<ul style="list-style-type: none"> • Enhancing diversity • Fostering an inclusive organizational culture 	
P220	Employee wellbeing & safety	Employee wellbeing		
		<ul style="list-style-type: none"> • The Kao Health Declaration • Mid- to long-term health targets (Kao Health 2025) • GENKI Project • COVID-19 measures 	<ul style="list-style-type: none"> • Internal and external health events utilizing healthcare research findings • Mental health care • Smoking cessation support 	<ul style="list-style-type: none"> • Women's health • Long working hours rectification and health management • Support for specified fertility treatment
P237		Employees' safety		
		<ul style="list-style-type: none"> • Creating a pleasant working environment • Zero death and serious lost-time accidents • Zero occupational accidents 	<ul style="list-style-type: none"> • Reduction in lost time accident frequency rate • Reduction in total accident frequency rate 	<ul style="list-style-type: none"> • Zero lost work days due to occupational illness • Risk assessment of chemical substances
P244	Responsible chemicals management	<ul style="list-style-type: none"> • SAICM • Risk assessment of chemical substances 	<ul style="list-style-type: none"> • Lifecycle management of chemicals • Risk communication about chemicals with stakeholders 	

Effective corporate governance 102-12, 102-15, 102-16, 103-1, 103-2, 103-3

We will steadily implement our ESG Strategy by examining our corporate governance system whenever necessary, and conducting fair and honest business activities while acting in accordance with laws and ethics and responding to changes in society. All of this will contribute to making Kao a company with a global presence, valuable to society. In this chapter, we will introduce our activities to practice Integrity, which is the foundation of our corporate culture supporting corporate governance. Please see p. 255 for more information about the Kao Group's corporate governance.

Kao's concept of effective corporate governance

Integrity, the foundation of our corporate culture

We promote day-to-day activities based on the recognition that Integrity, which has been handed down from our founder, will enhance the effectiveness of corporate governance. In addition to corporate governance initiatives (p. 255), we believe it is essential that each and every employee support corporate activities.

Kao's creating value to address social issues

Social issues we are aware of

The spread of COVID-19 has forced rapid change in both living and working environments, and as telecommuting becomes the norm, new issues have arisen that must be addressed, including work styles, employee communication, remote sales activities and increased security risks. The direction of the pandemic remains hard to predict, but having gradually become accustomed to this changing environment, we have moved to the stage of how best to move forward with our business activities despite concerns about the spread of infection, and we believe we will need to

conduct activities with the expectation that additional problems may arise.

In this changing situation, we believe it is important for the advancement of society to furnish a structure that enables us to grasp change in a timely, appropriate manner and respond flexibly, and while preparing for risks, to realize employee-friendly, efficient, productive workplaces where all employees are treated equally. As such, we will continue to implement initiatives aimed at the thorough prevention of harassment of all kinds.

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

In this era of VUCA*, change is often difficult to anticipate, and any delay in responding to environmental change entails the risk of declining competitiveness. We also believe that failure to leverage diversity also entails the risk of delayed awareness of change.

* Volatility, Uncertainty, Complexity, Ambiguity

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

Since our founding, we have promoted corporate activities based on Integrity (acting in accordance with laws and ethics, and conducting fair and honest business activities), which is one of our most

important values. As a result, we have been evaluated highly by society for sustainability and compliance. This leads to increasing trust on the part of consumers, shareholders and other stakeholders in our products and our company, and also makes it easier for us to hire and retain talented human capital.

Kao's creating value

We see our mission as contributing to society through *Yoki-Monozukuri*, based on contributing to the SDGs in our business activities with our value of Integrity. By continuing to flexibly adapt to the demands of society in a rapidly changing environment, we will maintain our thorough practice of *Yoki-Monozukuri*.

We are also creating workplaces with an open atmosphere that allow talented human capital to fully demonstrate their abilities on an equal standing.

Contributions to the SDGs



Effective corporate governance 102-16, 205-2, 404-2

Policies

In our revision of the Kao Way for 2021, we have established “Integrity as the only choice” as the first of our fundamental values. We regard our value of Integrity as the starting point of compliance, and promote it as a foundation for earning the respect and trust of all stakeholders.

To ensure greater efficacy of the Kao Business Conduct Guidelines (BCG) that embody Integrity, we are implementing activities focused on reducing serious compliance risks, and activities designed to create an open workplace atmosphere that allows improprieties that have been discovered to be immediately reported to management and an appropriate response to be taken promptly.

Regarding bribery, which is a compliance risk, we have clearly stated our strong anti-bribery stance in the BCG and established the Kao Anti-bribery (anti-corruption) Guidelines, which specify the monetary standards and prior reporting obligations for giving and receiving of entertainment and gifts as well as rules for preventing corruption, including evaluating bribery risks when selecting distributors and renewing distributor contracts.

Our marketing and advertising activities include fair content and appropriate statements based on facts, avoid exaggerated statements concerning our impact on society and the environment, and take into consideration a wide range of people, including those who could be considered socially vulnerable. We also ensure that information relating to competitors and competing products is not provided to consumers.

Furthermore, we make it clear that there is a zero tolerance policy for discrimination and harassment, that is, we will not tolerate any form of discrimination or harassment of

employees or other workers, including language or behavior that undermines or insults their human rights or character.

We are continuing to implement educational and training activities, including the dissemination of messages from senior management, so that every individual employee will recognize their own personal responsibility in relation to compliance, will be aware of the BCG’s stipulations regarding how they should act, and will take action based on awareness of the need for compliance risk prevention in their own work, and so that we can realize the creation of an employee-friendly workplace that embodies concern for others.

Education and promotion

The realization of workplaces with an open atmosphere in

which every individual employee is fully aware of the need to prevent compliance violations from occurring, and in which compliance violations that have been discovered are reported immediately and prompt action taken to deal with them, and of employee-friendly workplaces that embody concern for others, forms part of What Kao Aims to Be by 2030.

To realize this vision, we expect every single employee to be aware of the harm that compliance violations can cause and of the impact they can have on the trust that people place in Kao. We expect managers to be aware of the types of compliance risk that could emerge in their own workplace, and to take steps to minimize such risks. We also expect employees to respect the diversity of the people working together with them in the same workplace, and to recognize the importance of showing consideration for others in the way that you speak and act, in order to realize a workplace

Compliance training system

Region	Theme	Target group	Objective	Frequency
Globally common	New Employee Orientation	New employees	Study our compliance approach and the BCG	On joining
	Manager training	Japan: New managers Outside Japan: Managers	Group work to build managers’ awareness for compliance risk reduction	Japan: At time of promotion to manager Outside Japan: Every 3 years
	Trainings by division leaders	Managers / Non-manager employees	Division leaders directly communicate the message to employees to make compliance relevant to them personally	Once every 2 years (alternate each year between Japan / outside Japan)
	BCG refresher test + compliance awareness survey	Executives / Managers / Non-manager employees	Revisit the BCG and identify divisions with high compliance risks	Once every 2 years (alternate each year between Japan / outside Japan)
	Compliance Message	Managers / Non-manager employees	Periodically revisit and review the importance of compliance	Annually
	BCG Casebook	Managers / Non-manager employees	Study the BCG using specific cases	Revise after revisions to the BCG
	Compliance case studies	All employees	Study compliance points to keep in mind through cases at Kao and other companies	Japan: Every month Outside Japan: Twice a year (April, October)
Japan	(1) Basic course (2) Leading staff level summary training	(1) Employees in their third year (2) Leaders	(1) Study compliance and BCG content that should be given particular attention in SCM (2) Division work using specific cases	(1) Third year at the company (2) At time of promotion
	Executive training sessions	Executive officers and above	Learning about legal and compliance risks from a management perspective	Annually
Outside Japan	Integrity Workshop	New employees	Study the BCG’s content using examples related to each topic and in a group discussion format	Once within 3 years from joining the company

Effective corporate governance 102-17, 102-20, 102-43, 205-2

environment that is easy to work in. With this in mind, we implement education as appropriate based on the training system outlined on p. 156. Through this education, we provide opportunities for employees to enhance their awareness, which in turn can help employees to recognize compliance as something that is directly relevant to them personally. We also urge employees to make effective use of the compliance hotlines that we provide when they are unsure of the best course of action to take.

Kao Group employees take compliance training designed to learn their role when those roles change significantly, including when they join the company, when they are promoted to managerial positions, and when they assume responsibility for subsidiaries outside Japan.

In addition, all employees participate in the training organized by the leader of their division and take a BCG refresher test to periodically give them opportunities to review and maintain their awareness for compliance. Furthermore, the Compliance Committee Chairperson and division managers send out an annual Compliance Message to communicate the importance of thoughtful words and actions as well as an open organizational culture. Education related to laws and ordinances is planned and conducted by designated managing divisions.

Collaboration and engagement with stakeholders

The BCG clearly states the need for gaining understanding and support for the BCG among vendors as well and encouraging conduct based on this.

We believe that there is a serious risk that compliance violations by suppliers can lead to quality issues and loss of trust in Kao products, and so we are implementing initiatives that prioritize focusing on suppliers of raw materials, contract manufacturers, and contractors engaged in product manufacturing on Kao Group premises.

In particular, because suppliers' failure to safeguard employees' human rights, leading to dissatisfaction, is a major factor in compliance violations, we are promoting measures to prioritize respect for human rights. The specific initiatives being implemented are outlined below.

1. The annual meetings that we hold with suppliers include presentations on the content of our BCG, and also lectures by experts on topics relating to compliance.
2. Grasping social needs through external surveys and necessary activities
Each year, based on responses received on external questionnaires, we recognize and grasp changes in society through the content of the questions, and establish and pursue activity goals for the following year based on those changes.
3. The compliance hotlines are staffed by outside clinical psychologists and independent lawyers with no advisory relationship with the company. Since they are independent from the company, each hotline reports only the number of cases on a monthly basis, but each understands the case content and provides any necessary advice and consulting. As an external party interfacing directly with our employees, the hotlines establish regular opportunities, once or twice a year, to exchange views on any organizational climate concerns they feel have been raised by our employees.

Framework

We have set up the following framework to implement the PDCA cycle for compliance, and to respond appropriately to reported incidents. The PDCA cycle framework consists of policies, an annual plan and specific activities to implement these devised by the Compliance Committee, comprising division leaders and other members, and its secretariat, with directives for implementation given to persons responsible for divisions and subsidiaries. The activities are evaluated by the Board of Directors among others, and the evaluations are used to inform improvement activities. The framework for responding to reported incidents involves a shared group hotline, the Compliance Committee, which receives hotline reports, investigation by the Compliance Committee or the person responsible for compliance promotion at subsidiaries, and the necessary corrective measures taken to resolve matters.

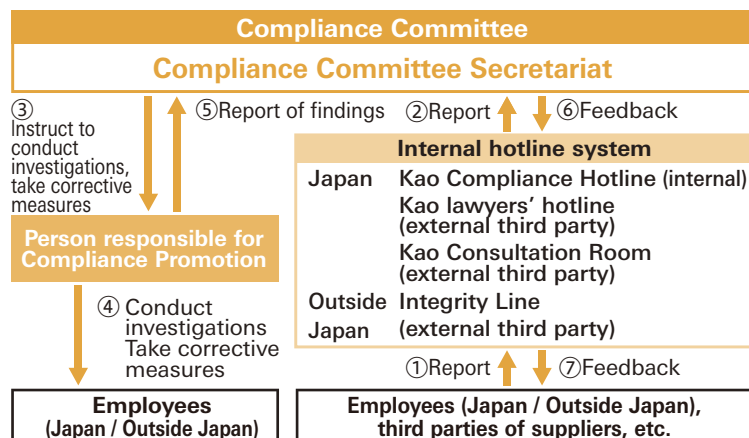
We have also put in place a framework for encouraging individual units at the worksite level to report compliance violations and suspected compliance violations, thereby contributing to early resolution of issues, by clarifying the rules governing initial reporting of compliance violations and suspected compliance violations.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG
governance structure

Effective corporate governance 102-20

Response process for compliance hotline reports



Rules for initial reporting of violations



Effective corporate governance 102-20

PDCA cycle to continuously improve compliance

Compliance promotion activities are implemented using the PDCA cycle shown below. The Compliance Committee creates the policy and annual plan, and the Compliance Committee Secretariat breaks it down into specific activities that are then implemented. The implemented activities are evaluated, and identified issues and improvements are reported to inform the planning to be drafted from the following year onward.



Plan / Do

We have established the Compliance Committee, chaired by a Managing Executive Officer, and comprised of representatives of relevant divisions and affiliated companies.

This committee meets every three months to review the following activities and devise promotional measures to mitigate serious compliance risks and ensure Integrity.

1. Decide the activities policy to ensure Integrity
2. Finalize the establishment and revision of the BCG and other internal compliance-related rules and regulations
3. Decide on the annual plan for educational and awareness-raising activities to instill and establish Integrity within and outside Japan
4. Confirm the operation and response status of compliance hotlines

We also propose necessary amendments to compliance-related rules and regulations and make an annual activities report to the Board of Directors.

The Compliance Committee has a secretariat led by the Compliance Department. At the secretariat meeting held each month, members of the secretariat confirm and review the appropriateness of responses to all reports made to compliance hotlines both within and outside Japan. They also draft and implement plans for specific activities and promote activities in accordance with decisions by the Compliance Committee. The Compliance Committee then shares a summary of its discussions at the following month's Executive Officers Meeting.

Check

Internal evaluations

● Opinions from the Board of Directors

The Board of Directors is provided with an annual activity report through the Internal Control Committee.

The Board of Directors monitors and evaluates these activities, and its evaluation and opinions are used to improve the activities through the PDCA cycle.

● Issues identified from compliance hotlines

At the monthly secretariat meeting, themes that may repre-

sent emerging issues for the company are identified based on the trend of incidents for that month, and any necessary action is taken, including framework changes, internal education and awareness promotion.

● Issues identified from risk surveys

We conduct a risk survey that includes compliance risks every year, and identify risk areas and specific risk scenarios based on the results, after which we take the necessary steps while coordinating with the relevant divisions.

● Employee survey

The Compliance Committee conducts biannual surveys of group companies within and outside Japan to determine the level of openness in each organization. Based on the organizational culture trends we identify from these surveys, we create opportunities to hear more about specific workplace situations, and take any action required.

● New initiatives aimed at invigorating and reforming the corporate ethos

As part of the Objectives and Key Results (OKR) adopted in 2021 as a new strategy to energize our employees, we clarify what individual employees should be seeking to achieve and become, get employees to set targets for themselves through a repeated process of dialogue with supervisors and colleagues, and encourage them to challenge themselves.

Within the OKR, we also set targets for activities aimed at helping to realize employees' vision of what each organization should be. Through this process of goal-setting and regular dialogue, which has replaced conventional opinion surveys, we are promoting the solving of problems and improvement of the corporate ethos within each organization, and strengthening the links between employees.

External evaluations

● Feedback from third-party organizations, external evaluation organizations, etc.

By answering socially responsible investing questionnaire items that incorporate societal expectations and exchanging information with other companies, we incorporate items where we have not yet taken action into the next year's activities as necessary.

Effective corporate governance

Mid- to long-term targets and performance

Mid- to long-term targets

1. Contribute to *Yoki-Monozukuri* through a commitment to Integrity and prevent incidents of damage
2. Minimize damage by creating workplaces with an open atmosphere that allows improprieties to be reported at an early stage and the appropriate response to be taken
3. Maximize utilization of human capital by ensuring that people's language and conduct are considerate of the other person's position and by creating workplaces in which all people are able to work on an equal standing

2030 long-term targets

- Establish and maintain our legal compliance structure within and outside Japan to ensure consistent *Yoki-Monozukuri*
- Conduct activities focused on high-risk areas to efficiently prevent serious compliance violations
- Clarify the reporting rules and make them well-known and followed to promote early reporting and appropriate handling of improprieties
- Establish our policy related to harassment prevention and other necessary internal regulations, and make them well-known and followed, to realize workplaces where people find it easy to work

Anticipated benefits from achieving mid- to long-term targets

Business impacts

- Avoid incidents of loss due to improprieties and reduced trust in Kao products
- Minimize damage by avoiding expanding or prolonging impacts by discovering improprieties at an early stage and taking an appropriate response
- Realize high-quality outcomes more efficiently and retain, hire and fully utilize talented human capital by creating work-friendly workplaces for employees

Social impacts

- By preventing improprieties and realizing higher quality outcomes, provide products and services through improved *Yoki-Monozukuri* including a focus on the environment
- Contribute toward the realization of clean, enriched lifestyles and toward the achievement of the SDGs, including those relating to environmental conservation, through the provision of the products and services outlined above
- Maintain and improve the trust placed in us by stakeholders starting with shareholders and society

Effective corporate governance 404-2

Performance in 2021

Performance

1. Activities to reduce compliance risks

Legal compliance structural reorganization

We have clarified the managing division for promoting compliance with approximately 250 laws and ordinances that apply to our worksites in Japan. At the beginning of 2021, with the aim of reducing serious compliance risks, we established four themes: (1) proper working environment (unpaid overtime prevention), (2) compliance of the Fire Service Act, (3) power harassment prevention, and (4) fair transactions with business partners. Appropriate measures were then implemented, centering on the responsible divisions.

In addition, we prioritized and thoroughly reviewed the legal compliance structures of divisions with responsibilities relating to important laws and regulations in foreign countries.

Analysis of underlying causes in cases requiring particular attention, and thorough implementation of policies to prevent recurrence

We identify any important organizational issues raised through whistleblowing, and work to mitigate these issues as an organization by examining their causes in depth, summarizing them, and confirming policies to prevent their recurrence.

2. Educational activities to foster and establish compliance awareness

- Conducted a new type of compliance training for newly appointed managers in Japan to discuss

compliance risks that may arise when OKR management methods are ineffective

- Implemented BCG refresher tests and related opinion surveys in Japan
- Changed the name of the former Compliance Awareness Month to the Compliance Message in August 2021, and disseminated messages and other information from the chairperson of the committee, the heads of each functional division and the presidents of overseas group companies
- Posted compliance case studies monthly in Japan and twice a year in other countries via the company intranet to promote understanding through specific case studies

→ Our initiatives: Compliance Message
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3. Compliance promotion system development

With the following measures, we have put in place a system designed to reduce risk by detecting compliance-related problems at an early stage and appropriately resolving them.

- Serious compliance issues are reported quarterly to the Compliance Committee, the Executive Officers Meeting, the Audit & Supervisory Board Members, and where necessary, the Board of Directors, for evaluation as to the appropriateness of actions taken.
- We adhere to the Rules for Operating Compliance

Hotlines, to strengthen trust in the compliance hotlines and enable employees to use them with peace of mind. Ahead of the June 2022 implementation of revisions to Japan's Whistleblower Protection Act, we plan to reiterate our commitment to thoroughly protecting the confidentiality of whistleblowers and consultants, not attempting to identify them, and not treating them unfavorably.

→ Our initiatives: Compliance hotline operational status and
P164 2021 regulatory violations

4. Evaluation activities

- In Japan, we conducted a compliance awareness survey to measure how well-established compliance activities are, and the atmosphere at workplaces.
- We identified issues and conducted improvement activities through information exchanges with other companies and responses to external evaluation survey.

5. External evaluations

In our FY2021 activities, we were again recognized as one of the World's Most Ethical Companies®.

→ Our initiatives: Sixteen consecutive years on the
P166 World's Most Ethical Companies® 2022 list

Effective corporate governance ⁴⁰⁴⁻²

Reviews of performance

Issues and response measures concerning mid- to long-term targets

1. Contribute to *Yoki-Monozukuri* through a commitment to Integrity and prevent incidents of damage

In addition to promoting strict legal compliance activities to reduce serious compliance violations, we identify organizational issues triggered by whistleblowing that require close attention. We are promoting activities to encourage a sense of direct connection on the part of the division where the incident occurred, by making the division responsible for investigating the causes in depth, summarizing the incident, and confirming measures to prevent recurrence. Going forward, we will identify priority issues and continue responding to them.

2. Minimize damage by creating workplaces with an open atmosphere that allows improprieties to be reported at an early stage and the appropriate response to be taken

Despite giving instructions regarding the need for prompt reporting when a compliance case is identified, there have been cases where reporting has been delayed, and so we have taken even more thorough steps to ensure widespread awareness of and compliance with the rules regarding initial reporting.

3. Maximize utilization of human capital by ensuring that people's language and conduct are considerate of the other person's position and by creating workplaces in which all people are able to work on an equal standing

With regard to workplace bullying, etc., we have implemented initiatives that focus on preventing reoccurrence. Specifically, the whistleblowing described in Item 1 above was used as a starting point to identify organizational issues requiring close attention, and the division where the incident occurred conducted an in-depth investigation into its causes to ensure that measures were formulated and implemented to prevent recurrence.

Effective corporate governance 205-2

Our initiatives

Revision of the Kao Business Conduct Guidelines and utilization of compliance-related rules

The BCG serve as our code of conduct for practicing the Kao Way, our corporate philosophy. The content is regularly revised based on expectations from society, our circumstances and other factors, and was most recently revised in April 2019.

To broaden BCG awareness, we have compiled the BCG Casebook in a Q&A format and shared it with companies in 17 languages, including Japanese and English.

The BCG explicitly defines anti-corruption compliance regardless of the identity of the other party and bans facilitation payments, which are payments of small amounts made to individual government officials. Making political donations is also prohibited in the BCG and in the Donation Guidelines. Moreover, the Kao Anti-bribery (anti-corruption) Guidelines, which describe the approval procedures and rules for giving and receiving of entertainment and gifts and notification procedures relating to invitations to government officials, have been adopted, including at the group companies outside Japan.

In addition to the above, the Kao Guidelines for Avoiding Conflicts of Interest have also been adopted at the group companies both within and outside

Japan, and require approval or notification in situations of individuals having involvement in competition or transactions with group companies, investments in companies that engage in such competition or transactions, financial loans and so on with group companies, and close relatives engaging in such acts.

Annual confirmation

Once a year, we confirm the submission of reports to the Compliance Committee Secretariat regarding matters pertinent to the Guidelines for Avoiding Conflicts of Interest and the Anti-bribery (anti-corruption) Guidelines with respect to members of the Board of Directors, the Audit & Supervisory Board Members, officers and employees.

In addition, we investigate the function of the Anti-bribery (anti-corruption) Checklist used when selecting new cross-border distributors and new intermediaries or renewing contracts with existing ones.

Expenditures to trade associations and political organizations

Through our participation in committees, working groups, etc. of trade associations, we convey opinions that could influence enactment and revision of laws to the government. Apart from membership fees to these trade associations, it was verified that no donations were made regarding political campaigns

or organizations, lobbying, trade associations, tax-exempt entities or other groups whose role is to influence political campaigns or public policy and legislation in 2021.

Expenditures to trade associations and political organizations

Unit: millions of yen

	2020	2021
Trade associations	498	485
Lobbying activities	0	0
Political contributions	0	0
Total	498	485

Expenditures to major trade associations

Unit: millions of yen

	Expenditures
Japan Soap and Detergent Association	35
Der Verband der Chemischen Industrie	26
Personal Care Products Council	22

Effective corporate governance ⁴¹⁹⁻¹

Compliance Message

To encourage employees to view compliance activities as directly relevant to them, top management sends out Compliance Messages to promote compliance activities within and outside Japan.

In 2021, the Compliance Committee Chairperson published the Compliance Message, "Dialogue fosters mutual respect and makes workplaces exciting." We promoted activities to realize an enthusiastic workplace atmosphere by building awareness for workplace communication that gives consideration to others' feelings.

In addition, the Compliance Committee Chairperson's message was posted on the company intranet and on posters. Regional leaders and company presidents globally published case studies, and starting this year, Compliance Messages and other communications were issued by the heads of domestic functional divisions.



Employees' voice

Compliance initiatives in the KCMK Group*

Mayumi Sunada

Compliance,
Human Capital Development,
Kao Group Customer Marketing Co., Ltd.



We strive to maintain a good balance between case handling and awareness-raising activities to promote understanding. We aim for speedy case response and resolution, and take the feelings of informants into consideration during this process. We strive to achieve so our information is easy for all employees to understand, and provide information in a timely manner, so every employee can see our awareness-raising activities as personally relevant. (Published on KCMK Compliance Hotline)

We will continue the above efforts with all members, with the aim of creating an open workplace environment where every employee can practice Integrity.

* KCMK Group (three companies: Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Field Marketing Co., Ltd.)

Compliance hotline operational status and 2021 regulatory violations

According to the needs of each country and region, group companies have established either both internal and external compliance hotlines or only external hotlines. (See diagram on p. 158 for details.)

In operating the hotlines, after confirming the caller's wishes, companies take steps to respect the individual's privacy and strive to the maximum extent possible to ensure that callers suffer no retaliation or disadvantage as a result of their good-faith consultation. In principle, companies also receive the caller's consent when an investigation of related parties is conducted. Anonymous inquiries are accepted, but callers are encouraged to identify themselves to facilitate proper investigation.

In addition, as noted above, we clarified the rules governing initial reporting of compliance violations and suspected compliance violations, and have put in place a framework for receiving reports from individual units at the worksite level.

In 2021, there were 424 reports made to the hotlines (including group companies outside Japan). Although the number of cases increased from the previous year, we recognize that this is due to the increased awareness of employees as a result of the BCG refresher test and compliance awareness survey,

Effective corporate governance ⁴¹⁹⁻¹

which are conducted biannually. A breakdown of reports showed that items related to harassment, including workplace bullying, represented roughly 30% of reports, while items including those related to miscommunication at workplaces, working conditions and employment, represented around 40%, and items related to violations of laws and regulations represented around 20%. Together, these three categories comprised approximately 90% of reports. Violations of laws and regulations include many that are discovered during internal control inspections.

No particular trends were observed in the organizations, worksites or occupations to which callers belonged.

Under “Walking the right path” in the Kirei Lifestyle Plan announced in April 2019, we set the indicator of zero serious compliance violations.

These serious compliance violations refer to compliance violations that significantly impact management and result in significant loss to our corporate value. Taking into consideration the malicious nature of the violation (importance / seriousness of the legal infraction, its underlying intent, the span of time over which the violation occurred, and its organizational scope), as well as its internal / external impact, opinions are solicited from the Compliance Committee Secretariat, Compliance Committee and Audit & Supervisory Board Members. The Management Board reviews these opinions, and its conclusions are reported to the Executive Officers

Meeting and the Board of Directors.

In making this determination, all cases reported by the compliance hotlines and management lines are reviewed at the weekly meeting to identify themes that should be recognized as issues for the company. After consideration and as part of its monthly meetings, the Compliance Committee Secretariat designates cases with potential to recur or spread throughout the company as cases requiring close attention. It also identifies potential serious compliance issues from among any violations of laws and regulations that may have occurred. During this process, the committee secretariat receives third-party evaluations and recommendations from outside attorneys who attend its meetings as advisors. The division where the incident occurred will examine its causes and background, formulate and practice measures to prevent recurrence, and submit a summary report to the Compliance Committee. After a process of receiving evaluations and recommendations from each committee member with respect to the report, a final verdict is made on compliance violations that have a significant impact on management and significantly damage corporate value. There were 424 compliance reports and consultations in 2021. Of these, 209 cases were investigated due to material concerns relating to noncompliance, while 192 cases were subject to some form of corrective action or recurrence prevention, including review of business processes,

organizational awareness-raising and verbal warnings to the individual involved. These matters were discussed and reviewed at the Compliance Committee Secretariat, the Compliance Committee and the Management Board, and no major compliance violations corresponding to the above were found.

In addition, there were 8 cases of power, sexual and other forms of harassment by individual employees, and a total of 30 cases within and outside Japan in which employees were dismissed or took advisory retirement due to misconduct such as improper transactions, improper work records, smoking or drinking during working hours and theft.

Compliance violations are divided into three categories: (1) those that must be addressed as organizational issues, (2) those requiring improvement of individual awareness, and (3) those discovered during the PDCA cycle of control activities. We strive to prevent recurrence through such means as verifying the appropriateness of the recurrence prevention measures prepared by the generating department by the Compliance Committee Secretariat or the Compliance Committee.

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Sixteen consecutive years on the World's Most Ethical Companies® 2022 list

In March 2022, Kao was recognized as one of the World's Most Ethical Companies® 2022 by the U.S.-based 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.

Selection of companies for the list is based on the evaluation of five factors: (1) Corporate Ethics and Compliance Program; (2) Corporate Citizenship and Responsibility; (3) Culture of Ethics; (4) Corporate Governance; and (5) Leadership, Innovation and Reputation.

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 BCG.



Sharing our insights on compliance with outside groups

In 2021 the Executive Officer holding the position of Senior Vice President of the Legal and Compliance lectured on corporate legal affairs and compliance under the impact of COVID-19 at a meeting attended by corporate legal professionals from Japan and China. In addition, at an event organized by a corporate legal organization and attended by approximately 100 enterprises, we participated in a dialogue on human capital development of young corporate legal professionals and a roundtable discussion with a major accounting firm on efforts to foster an ethical culture. We also held lectures on the role of corporate legal affairs, including corporate governance, at two universities and three law schools.

Effective corporate governance ¹⁰²⁻⁴⁴

Stakeholder engagement

Naotaka Kawamata

Attorney,
Marunouchi Sogo Law Office



Company awareness of issues and activities

While handling matters reported by the compliance hotlines and the management line appropriately, we identify themes to be recognized as company issues and take appropriate actions in parallel with these activities. Based on the background of the occurrence and a shared awareness of the problem, the monthly Compliance Committee Secretariat meeting identifies cases with potential to recur or spread throughout the company, designates them as requiring close attention, and continues activities to prevent them from becoming serious violations by appropriately identifying the seeds of compliance violations in the company. The division where the incident occurred will examine its causes and background, formulate and practice measures to prevent recurrence, and submit a summary report to the Compliance Committee. Based on the committee's multifaceted evaluations and recommendations, the division concerned then implements improvement activities.

Thoroughly analyze root causes and respond

A secretariat was established as a subordinate organization of the Compliance Committee, and secretariat meetings are held once a month, with members from the Compliance Department and other supervising divisions. I also attend the secretariat meetings as an advisor.

The Kao Way, Kao's corporate philosophy, establishes Integrity, the final instruction of its founder Tomiro Nagase, as the basis for values unique to Kao, and Integrity is positioned by the Compliance Committee (Secretariat) as the starting point for compliance. It is easy to call for Integrity, but for a company that pursues efficiency and individual optimization at each worksite, it is also easy to imagine that Integrity can entail considerable challenges.

The Compliance Committee (Secretariat) handles compliance cases, including those reported through the compliance hotlines, and strives to discover and analyze the underlying causes (root causes) behind the cases, rather than merely taking superficial measures in response to issues specific to the offending party. If we identify causes that could lead to noncompliance, such causes must be eliminated to prevent recurrence. However, if the causes of noncompliance lie in the daily work system itself, then unless that system is changed,

noncompliance will recur somewhere.

Furthermore, changes to the work system itself are expected to generate significant resistance from each worksite, since it would mean changing individually optimized work systems. The Compliance Committee (Secretariat) will likely face the challenge of finding ways to persuade and adjust. It is not an easy task to analyze the root causes of a problem and proceed to develop and implement measures to prevent recurrence. But if, in the company's pursuit of efficiency, distortions have occurred in the process of optimization at each worksite, correcting these distortions is itself an instance of Integrity. I am convinced this is surely something that Kao can achieve.

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

Full transparency^{102-43, 404-2}

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

Full transparency⁴¹⁷⁻¹

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



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Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

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.

Full transparency⁴¹⁷⁻¹

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.

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

Full transparency⁴¹⁷⁻¹

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.

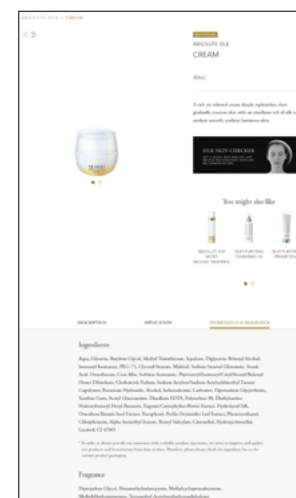
In product catalogs on our website and on individual product websites, we provide information on product features and the ingredients used in products based on scientific evidence.



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/

In 2021, we started to disclose new fragrance ingredient information for SENSAL. In Hygiene and living care products, we disclosed fragrance ingredient information for four new brands. We are also updating this information for products that have been improved.

Full transparency⁴¹⁷⁻¹



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
P56

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



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

We disseminated these results through overseas lectures and other means.

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.

Respecting human rights 102-15, 103-1, 103-2, 103-3

We support and respect international rules relating to human rights, and have developed the Kao Human Rights Policy, which is based on the United Nations (UN) Guiding Principles on Business and Human Rights. We are implementing initiatives aimed at realizing zero human rights violations in every aspect of our corporate activities. The Kao Human Rights Policy was first published in 2015, and was revised in 2021 with the approval of the ESG Managing Committee, which is supervised by the Board of Directors, to reflect social trends and express Kao's commitment more strongly.

Kao's creating value to address social issues

Social issues we are aware of

Human rights are fundamental rights, and in a world of diverse values, it is important to build a society in which people respect one another's human rights, and where no one has to suffer from prejudice or discrimination.

Corporate activities are closely bound up with the human rights of a wide range of people, including employees, business partners, customers and local communities. Under these circumstances, the risk of human rights violations occurring cannot be said to be zero.

For example, it has been pointed out that, given the ongoing globalization of corporate activities, there is a risk of forced labor occurring at suppliers in developing nations. Within the workplace, there is a need for mechanisms to support diverse work styles, including working from home, which has increased in the wake of COVID-19, as well as initiatives to leverage the diverse value sense of employees and prevent discrimination. For consumers, if advertorial expression infringes on their human rights, or if advertisements reposted by consumers on social media incorporate content that infringes on human rights, consumers may be indirectly complicit in

human rights infringement.

We also recognize that global issues such as climate change are closely linked to human rights.

Ten years have passed since the UN Guiding Principles on Business and Human Rights were approved, and discussions are underway, particularly in Europe, to legislate corporate human rights initiatives and their disclosure. Corporate human rights initiatives are thus increasingly regarded as important. Companies have a responsibility to respect human rights. They need to identify human rights risk, implement corrective action when human rights violations have emerged, and continue making an effort to reduce the risk and prevent human rights violations from occurring.

Across all of our corporate activities, we commit to achieving zero human rights violations, and to solving problems promptly when they unintentionally occur. In particular, we recognize that the two issues of supply chains, including for palm oil, and employee human rights are major social issues for us.

We also recognize that to achieve the Sustainable Development Goals (SDGs) by 2030, we must accelerate and expand our efforts.

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

Laws and regulations that encourage companies to address human rights, such as the U.K.'s Modern

Slavery Act 2015, can impose penalties for noncompliance.

Recently, as consumers' ethical awareness has grown, there has been a global increase in concern regarding the ways in which business enterprises respond to human rights issues. Besides complying with relevant laws and regulations, it is important to bear in mind that paying inadequate attention to human rights, can entail reputation risk.

Both internally within Kao Group and in the case of suppliers and contractors, manufacturing products in environments with poor labor conditions, such as forced labor, has the potential to create quality problems. Furthermore, if our reputation is damaged by human rights risk, the relationship of trust that we have with our suppliers could be damaged, which would have an adverse impact on purchasing, and consumers' loss of faith in the company could lead to reduced sales. At the same time, employee motivation and loyalty may decline, which can negatively impact productivity and increase turnover, leading to impaired recruitment efforts.

We recognize that there are risks like those shown in the "Kao Group risks specified through risk assessments" chart, and in particular high risks relating to the people we work with, consumers and customers. We conduct periodic risk assessments to evaluate the status of these risks.

Respecting human rights^{103-1, 103-2, 103-3}

Kao Group risks specified through risk assessments (those with high risk are underlined>

		R&D	Procurement	Production	Marketing	Logistics	Sales	Corporate (Business support)
Stakeholders	People we work with (Kao regular and contracted employees, temporary workers, subcontractor employees, contractor employees and supplier employees) (includes women and migrant workers)	<ul style="list-style-type: none"> Forced or compulsory labor Child labor Poor working environment Restrictions on freedom of association and / or collective bargaining Unsatisfactory compensation (failure to pay wages or paying excessively low wages) <u>Discrimination in any form (including, but not limited to, age, place of birth, nationality, foreign or migrant worker status, ethnicity, biological sex, gender identity, sexual orientation, disability, illness or pregnancy / nursing)</u> 	<ul style="list-style-type: none"> <u>Unhygienic company-provided accommodation</u> <u>Poor working environment, forced or compulsory labor or child labor on oil palm farms</u> 	<ul style="list-style-type: none"> <u>Unhygienic company-provided accommodation</u> 				<ul style="list-style-type: none"> Invasion of employees' privacy Discriminatory hiring practices
	Business partners	Deterioration in business partners' working environment due to abuse of Kao's dominant position						
	Consumers / Customers (includes women and children)	<ul style="list-style-type: none"> Adverse impact on health or safety due to product design issues 			<ul style="list-style-type: none"> Invasion of customers' privacy <u>Adverse impact on children, senior citizens or women due to inappropriate advertising or promotion</u> 		<ul style="list-style-type: none"> Invasion of customers' privacy Misleading customers through inaccurate statements Misidentification caused by inappropriate packaging and labeling 	
	Local communities / Indigenous peoples		<ul style="list-style-type: none"> Harm caused to indigenous inhabitants' culture, traditions or livelihoods due to construction of plants, etc. Damage caused to ecosystems or local communities due to the construction and / or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, waste gas discharge, etc.) 	<ul style="list-style-type: none"> Harm caused to indigenous inhabitants' culture, traditions or livelihoods due to construction of plants, etc. Damage caused to ecosystems or local communities due to the construction and / or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, waste gas discharge, etc.) 		<ul style="list-style-type: none"> Damage to health caused by leakage of harmful substances while being transported 	<ul style="list-style-type: none"> Damage to health and adverse impact on people's lives caused by mistaken use of products 	<ul style="list-style-type: none"> Business practices that fall short of internationally recognized human rights standards

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

Our respect for human rights, which imbues all of our corporate activities, and the initiatives that we have taken in this area, has the potential to earn widespread approval from society. Such our effort will lead an increase in activities that foster respect for human rights. Contractors and other companies in the supply chain will pursue human rights initiatives, and this will enhance their activities. This in turn will lead to strengthened human rights awareness in society as a whole, and will contribute toward reducing human rights violations to zero.

We respect human rights, and we are working to promote fair procurement. This secures consumer

support for our corporate approach and helps build and maintain trustworthy relations with suppliers. In particular, if we can secure the approval of Millennials and Generation Z, who tend to be very concerned about ethical consumption, then this may lead to increased purchasing of our products, and increased opportunities for us to recruit talented individuals. Within the company also, promoting initiatives that embody respect for human rights can enhance employees' loyalty, and can result in enhanced productivity and lower employee turnover.

Kao's creating value

In the Kao Human Rights Policy, we enunciate our commitment to human rights in all of our corporate

activities. The Kao Business Conduct Guidelines (BCG), which represent the Kao Group's code of conduct, emphasize the need to conduct fair, honest and appropriate transactions, to respect human rights through all company activities, and to respect employees' diversity. We promote fair and equal procurement activities, and ask our suppliers to adopt the same initiatives we do, as set forth in our Partnership Requirements for Suppliers. In addition, we promote *Yoki-Monozukuri* throughout our supply chain, and state clearly in our ESG Promotion Activities with Suppliers that we monitor supplier compliance.

When problems do arise unintentionally, we work to resolve them speedily. We have set up compliance

Respecting human rights^{102-12, 102-43, 103-1, 103-2, 103-3}

hotlines, etc. to which stakeholders can submit their views, and when problems start to manifest themselves, we take steps to address them through collaboration between related units.

By working together with a wide variety of stakeholders to implement measures that strengthen respect for human rights, rather than just Kao working alone, and by striving to prevent and mitigate human rights risk, we are able to get closer to our goal of reducing human rights violations to zero, while also contributing toward the realization of our mission, as enunciated in the Kao Way: As one, we create a Kirei life for all—providing care and enrichment for the life of all people and the planet.

By promoting respect for human rights throughout our corporate activities, we will safeguard the rights of those who work with us, enhance productivity, and earn the trust of consumers.

Contributions to the SDGs



Policies

Through our corporate activities, we aim to reduce human rights violations to zero, and to resolve the issues speedily if human rights violations do emerge unintentionally.

In 2015, we formulated and announced the Kao Human Rights Policy, which stipulates that we respect international norms relating to human rights, such as the International Bill of Human Rights, and that we will conduct human rights due diligence and provide human rights education and training to all officers and employees, working diligently to fulfill our responsibilities in regard to respecting human rights in every aspect of our operations. In the Kao Business Conduct Guidelines (BCG), which serve as our code of conduct for practicing the Kao Way, we also clearly state the need to respect human rights and our commitment to not engage in child labor, human trafficking or forced labor.

We are also committed to promoting respect for human rights in the supply chain. Our Policies for Procurement stipulate the need for purchasing operations to embody respect for human rights, and to contribute to the fulfillment of our corporate social responsibility. In addition, the Partnership Requirements for Suppliers include suppliers' fulfillment of their corporate social responsibility as an assessment item, and note that suppliers are required to take measures to prevent forced labor, child labor and other illegal labor practices. In response to this request, our ESG Promotion Activities with Suppliers clearly state that we will monitor compliance. Furthermore, our "High-Risk" Supply Chain Management and Sourcing clearly stipulate the need to demonstrate awareness of sustainable development issues, including human rights, and to undertake the

procurement of raw materials in a sustainable manner. We have formulated Sustainable Palm Oil Procurement Guidelines and Sustainable Paper and Pulp Procurement Guidelines.

Our human rights due diligence includes risk assessment efforts. We are promoting prioritized efforts related to the human rights of the people we work with. To expand our efforts to where human rights issues are of particular concern, we will begin a fact-finding survey of our on-site subcontractors and even foreign workers (including technical intern trainees). In parallel, third-party audits of suppliers will be introduced to reinforce activities.

In 2005, we also declared our support for the UN Global Compact, which defines ten principles in the four areas of human rights, labor, the environment and anti-corruption. We also pay attention to industry-specific challenges, and support the CGF's* Forced Labour Resolution and its Priority Industry Principles. Besides legal compliance, in case where there is any conflict between internationally recognized human rights and the laws of a country or regions, we will follow processes that seek ways to honor the principles of international human rights.

In order to be able to respond promptly in the event that a problem does occur unintentionally, we have established hotlines to receive reports and requests for consultation both from within the company and from outside. On the basis of these reports and requests, discussions and surveys are undertaken by the Compliance Committee and other relevant divisions, and appropriate steps are taken in response as necessary.

* CGF (The Consumer Goods Forum)
Global network of consumer goods retailers and manufacturers. As part of our human rights-related activities, we participate in the Japan Social Working Group of the Japan Sustainability Local Group.

Respecting human rights ⁴⁰⁴⁻²



Kao Human Rights Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-humanrights-policy.pdf

Kao Business Conduct Guidelines

www.kao.com/global/en/about/policies/compliance/business-conduct-guideline/

Policies for Procurement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-policy.pdf

Partnership Requirements for Suppliers

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-partnership-requirements.pdf

ESG Promotion Activities with Suppliers

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-esg-promotion-activities.pdf

“High-Risk” Supply Chain Management and Sourcing

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supply-chain-management.pdf

Education and promotion

To reduce human rights violations to zero, we must prevent and mitigate human rights risks in every aspect of our corporate activities. Moreover, it is important to ensure that every employee has an in-depth understanding of human rights issues, and to implement measures to foster respect for human rights. To this end, besides disseminating information and implementing education and training in line with the Kao Human Rights Policy, we also take advantage of various opportunities to provide education and training focused on individual topics, such as compliance, responsible procurement, safety and peace of mind in the workplace and diverse human talent. From an overall ESG standpoint, we have been creating content for the Kirei Lifestyle Plan Lecture, an e-learning program comprising the knowledge needed to implement the Kirei Lifestyle Plan (KLP), since 2020, with human rights as one of the subjects covered.

- Raising awareness of the importance of respecting human rights using the BCG (Global)
- Raising awareness of the importance of respecting human rights using the company's intranet (Global)
- Raising awareness of respect for human rights in advertising (Japan)
- Initiatives for deepening understanding of racial discrimination issues



Kirei Lifestyle Plan—Kao's ESG Strategy > Employee engagement: Empowering all employees with the knowledge to create a foundation for the “how” in implementing the KLP



Making thoughtful choices for society > Responsibly sourced raw materials



Walking the right path > Effective corporate governance



Walking the right path > Inclusive & diverse workplaces



Fundamental section > Responsible care activities

Education for all executives and employees

ESG Managing Committee members

ESG Promotion Meeting members

Risk and Crisis Management Promotion Council members

Human rights risk assessment respondent (touchpoint for people we work with)

Objective	Method	Content	Frequency
Previous result feedback and request for completing the SAQ	Briefings and reference material	Basic content, social trends, cases and points to note	Annually

Marketing and advertising manager (consumer touchpoint)

Objective	Method	Content	Frequency
Enhanced awareness of respect for human rights in advertising content	Briefings and reference material	Basic content, social trends, cases and points to note	At least annually Anytime consultation

Awareness-raising with respect to specific themes

BCG, D&I, human rights in general, etc.
Information dissemination using the company's intranet, e-learning, training, etc.

Lecture (ad hoc base)

Respecting human rights^{102-20, 102-43}

Collaboration and engagement with stakeholders

We implement initiatives that promote respect for human rights in all of our corporate activities. The Kao Human Rights Policy states that “We consult with the relevant stakeholders on responses to potential and actual impacts on human rights.” We recognize the importance of continuing to raise the level of our activities through dialogue with our employees, suppliers, consumers, local communities and a wide range of other relevant stakeholders with regard to our human rights initiatives.

In dialogue with stakeholders, it is important to hear from parties affected by human rights violations. In addition to those directly involved, we engage in sincere dialogue with experts, NGOs and others who can speak on behalf of those affected by human rights violations.

We utilize a variety of opportunities and methods to ensure that our policies and ethical standards are understood by our employees, suppliers, consumers, shareholders, business partners, local communities and government agencies.

For employees, we strive to understand on-site issues and employee attitudes through the annual Kao Forum, Employee–Management Meetings and employee engagement surveys. For suppliers, we introduce our activities and engage in an exchange of views at the vendor summits. We issue plant site reports to introduce plant activities and gain the

understanding of local communities. We also create opportunities for local residents to provide input.

To foster two-way communication with experts, we participate in dialogue with experts from outside Japan organized by the Caux Round Table Japan (CRT Japan) and exchange views with influential thought leaders in the global discussion on business and human rights. Through communication with Mr. Hiroshi Ishida, Executive Director of the CRT Japan, we have recognized the need to promote initiatives for foreign workers and have begun surveying actual situations at on-site subcontractors.

Framework

The human rights initiatives of the Kao Group as a whole are implemented within the ESG promotion structure as one of the 19 Actions of the KLP. In other words, the ESG Managing Committee discusses and approves the general direction of initiatives, while the ESG Promotion Meeting discusses actual initiatives and confirms progress.

As human rights issues are so multifaceted, various different units are implementing individual initiatives in this area, depending on the specific stakeholders concerned and the individual topics. In the case of initiatives that relate to our employees, Corporate Strategy plays a central role in the implementation of initiatives relating to workplace safety and security, while Human Capital Development plays a key role in those relating to the

building of inclusive and diverse workplaces. The Procurement Division has main responsibility for initiatives relating to suppliers. The aspect that is most directly related to consumers is human rights concerns relating to representations in advertising. The Consumer Products Business divisions and Creative divisions have responsibility for this aspect. In addition, we have set up compliance hotlines to receive reports and requests for consultation from both within and outside our company to facilitate prompt remediation of human right violations.

The ESG Division exercises oversight over, and promotes, all of these individual initiatives, and collaborates as necessary with each of the divisions that is implementing initiatives. The Executive Officer in charge of the ESG Division has overall responsibility for our human rights initiatives.

The ESG Division reports annually to the ESG Managing Committee, which is supervised by the Board of Directors, on overall human rights initiatives.

In the risk assessment process, the ESG Division examines risks anticipated at Kao and conducts risks assessments based on feedback from outside experts and staff in internal departments undertaking human rights initiatives, and these are approved by the ESG Managing Committee.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

Respecting human rights412-1, 412-2, 412-3

Mid- to long-term targets and performance

Mid- to long-term targets

In all of our corporate activities, we aim to reduce human rights violations to zero, and to resolve the issues speedily if human rights violations do emerge unintentionally.

To this end, we use human rights due diligence and awareness-raising activities to deepen stakeholders’ understanding of human rights. We will continue to identify, prevent and mitigate human rights related risks in our corporate activities.

As human rights issues are so multifaceted, they potentially impact a wide range of stakeholders. We therefore assess what human rights risks exist for each type of stakeholder, and address them, giving priority to those risks that would have a profound impact on stakeholders if they were to manifest themselves.

We conduct risk assessments of employees and suppliers who are at high risk for infringement, prioritizing people we work with. Our goal is to achieve a 100% risk assessment survey implementation rate by 2025 for suppliers and by 2030 for others.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Once a human rights violation occurs, the company is exposed to direct litigation risks and forced to bear litigation expenses, collection expenses and other economic burden. There is also greater probability of severe damage to our company image, a lower reputation among consumers, weakened employee loyalty, and loss of trustworthy relations with business partners and suppliers.

Continuing to identify, prevent and mitigate human rights risks in our business activities not only avoids direct economic losses but also contributes to increasing opportunities for consumers to choose our products through their support for our corporate approach, reduces procurement risks by strengthening trust with suppliers, increases opportunities for recruiting talented individuals, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

Social impacts

Expanding company measures to ensure respect for human rights contributes to enhanced awareness for human rights in society as a whole. Our measures are one part of this. For example, deepening understanding among stakeholders enhances awareness for human rights in society as a whole,

mitigates human rights problems such as forced labor, and can also prevent negative environmental impact by reducing indiscriminate development in developing countries.

Providing products made with consideration for human rights reduces the chances of consumers indirectly infringing on human rights and leads to less human rights violations in society as a whole.

Respecting human rights^{412-1, 412-2, 412-3}

Performance in 2021

Performance

In May 2021, the Human Rights Policy was revised with the approval of the ESG Managing Committee, which is supervised by the Board of Directors. The policy targets all business activities, including M&A and new projects.

Human rights due diligence

Internal

(1) Risk assessment

- We conducted a survey of all group companies using the Human Rights Checklist (100% response rate from surveyed companies).
- We conducted a survey of all group production sites (41 plants in total) using the Sedex* Self-Assessment Questionnaire (100% response rate from surveyed plants).

(2) Risk identification and reduction

The results obtained in the risk assessment of Kao Group worksites did not indicate that Kao had caused or contributed to any adverse impact on human rights, such as forced labor or child labor. The results obtained did not show any human rights related risks at either our production sites or our group companies. There are therefore no cases of sites making improvements or conducting remediation procedures.

(3) Status verification

This year, we identified risks through risk assessments and conducted third-party social responsibility audits at three sites.

(4) Reviewing of rules and standards

To strengthen confirmation of the working environment, especially at suppliers, we added a section on “living wage” to the Sedex questions. In addition, to make the Human Rights Checklist a survey that more strongly reflects the demands of society, we are considering switching to Sedex, which is operated by a third party and has a high degree of objectivity.

* Sedex (Supplier Ethical Data Exchange)

A large-scale global platform for the sharing and verification of information relating to labor standards, health and safety, environmental protection and business practices, aimed at promoting the adoption and maintenance of ethical business practices in global supply chains

Suppliers

- We are requesting that all of our direct global suppliers to join Sedex, reply to its questions, and grant us data access privileges.
- As of the end of 2021, suppliers accounting for 89% of global transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program).
- Of the 1,043 sites that had granted access

privileges and replied to Sedex’s new Self-Assessment Questionnaire as of December 2021, we gave 19% an S ranking and 40% an A ranking in the Sedex-based assessment.

- We released ESG Promotion Activities with Suppliers and enhanced supply chain management.



Making thoughtful choices for society >
Responsibly sourced raw materials


Contractors


- Surveys of the Kao Group’s on-site subcontractors have been conducted to understand the current status. Risk surveys by Sedex have been initiated, and risk assessments have been conducted for 3% of on-site subcontractors.

Respecting human rights^{412-1, 412-2, 412-3}

Remedies and handling of grievances

- We established hotlines for employees, suppliers and contractors, and support desks for consumers to receive reports and requests for consultation.
- We decided through the ESG Managing Committee to establish a grievance mechanism for employees of on-site subcontractors at each plant.
- In cooperation with NGOs, we conducted a questionnaire survey of independent small oil palm farmers in Indonesia in preparation for the introduction of a grievance mechanism.

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 Making thoughtful choices for society > Responsibly sourced raw materials
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 Kao, Apical and Asian Agri Launch 'SMILE' Program to Help Oil Palm Smallholders Improve Yields, Acquire Certifications, and Secure Premiums
www.kao.com/global/en/news/sustainability/2020/20201014-001/


Education and awareness-raising


Employees


- We have posted material that addresses human rights topics on the company intranet to raise awareness among employees.
- We have promoted awareness of the importance of respect for human rights through BCG training

and refresher test implementation.

- We have continued to implement LGBTQ+ study sessions and ALLY recruitment, as part of our efforts to promote active participation by diverse employees and to foster understanding of diverse types of customers.
- We implemented initiatives to deepen understanding of racial discrimination issues and diversity in Europe and the Americas.
- We initiated the Human Rights section of the Kirei Lifestyle Plan Lecture.

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 Walking the right path > Effective corporate governance
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 Walking the right path > Inclusive & diverse workplaces
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Suppliers

- At the vendor summit, we implemented awareness raising with respect to human rights risks.

Dialogue and consultation

- We participated in a dialogue with overseas experts organized by the CRT Japan, and conducted stakeholder communication.
- We participated in the human rights related subcommittee of Global Compact Network Japan, the

Japan Social Working Group, Japan Sustainability Local Group, CGF and the Japan Cosmetic Industry Association, and we exchanged information with experts from other companies, NPOs, international organizations and government agencies.

Information disclosure

- Information about our initiatives is shared with consumers using our website, etc.
- In 2015, the "Act to make provision about slavery, servitude and forced or compulsory labour and about human trafficking, including provision for the protection of victims; to make provision for an Independent Anti-slavery Commissioner; and for connected purposes" (the Modern Slavery Act 2015)* was enacted and came into effect in the U.K. A statement noting the measures taken by the group in relation to the act has been posted on our website.
- We have begun to consider producing commentary documents to explain the details of the Kao Human Rights Policy.

* Modern Slavery Act 2015

The Act requires for-profit groups and companies conducting business activities in the U.K. whose annual sales exceed a certain scale to produce and release annual statements about measures enacted to ensure that slave labor and human trafficking offenses have not been committed.



Modern Slavery Act Statement

www.kao.com/global/en/sustainability/topics-you-care-about/humanrights/modern-slavery-act-statement/

Respecting human rights^{412-1, 412-2, 412-3}

Reviews of performance

With regard to human rights initiatives, we have set ourselves the goal of raising the human rights due diligence survey implementation rate to 100% by 2030 for the Kao Group, suppliers and contractors (specifically, those subcontractors operating on Kao Group worksites). This survey enables us to grasp human rights risk relating to people we work with (regular and contracted employees, temporary workers, contractor employees and supplier employees). The survey implementation rate in 2021 was 100% for the Kao Group. The suppliers that completed the survey accounted for 89% of global transactions (on a monetary value basis), which represented a move in the right direction.

The investigation did not reveal any serious human rights risks, such as forced labor or child labor, in the Kao Group. We will continue to share our ideas with suppliers, including the Partnership Requirements for Suppliers and ESG Promotion Activities with Suppliers, and continue to request cooperation from suppliers to achieve a 100% assessment implementation rate. In addition, since approximately 41% of suppliers had low assessment results, we will ask these suppliers to improve their activities. While we were unable to conduct a survey of contractors, we conducted a

questionnaire to grasp the current status of on-site subcontractors, and ascertained the number of foreign workers. Based on the results, we will make preparations, and plan to extend the human rights due diligence survey to on-site subcontractors at all of our domestic plants by the end of 2022.

This year we took a step beyond our previous risk surveys and engaged in third-party audits to gain deeper situational understanding. At our flagship Wakayama and Kawasaki plants, as well as at Kao Industrial (Thailand) Co., Ltd., third-party auditors conducted hearings that included the status of certain on-site subcontractors. Although minor points were raised, the auditors confirmed that no major human rights violations had occurred. Going forward, we plan to focus audits on plants we believe need to be improved, based on Sedex survey results. As the situation changes every year, we will continue to implement the survey next year and after, as we strive to identify, prevent and mitigate human rights risk.

Respecting human rights^{412-1, 412-2, 412-3, 414-1, 414-2}

Our initiatives

Revising the Kao Human Rights Policy

The Kao Human Rights Policy was first published in 2015. In 2021, the ESG Managing Committee, which is supervised by the Board of Directors, approved a revised policy to reflect social trends and express our commitment more strongly.

Human rights due diligence process

We are making efforts to investigate and identify human rights risks involving the group, including forced labor, workplace labor conditions and discrimination.

We strive to identify, prevent and mitigate negative human rights impacts by conducting risk assessments of various items (including internal, supplier, contractor and new business transactions, such as mergers and acquisitions). We then review the results and identify risks.

1. Efforts in the group

Every year, we perform a risk assessment targeting all of our business locations throughout the world. With respect to production sites, we make effective use of Sedex, a global corporate ethics information sharing platform. For other Kao Group companies besides the production sites, a Human Rights Checklist was compiled, which these companies are required to complete.

In 2021, a total of 41 production sites completed the Sedex Self-Assessment Questionnaire. For other

Kao Group companies, a total of 56 Kao Group companies completed and returned the Human Rights Checklist. In both cases, there was a 100% completion and return rate. The results obtained did not show any serious human rights risks at either our production sites or our group companies. There are therefore no cases of mitigation being implemented.

In 2021, audits were implemented at Wakayama, Kawasaki and Kao Industrial (Thailand) plants. While there were some minor findings, social audits by third-party auditors identified no instances of major human rights violations.

2. Efforts in the supply chain

New clauses relating to concern for the environment and for human rights added to standard contract with suppliers

In 2012, new clauses relating to concern for the environment and for human rights were added to the master agreement that we sign with suppliers. In principle, this master agreement is used when signing contracts with new suppliers or renewing existing contracts.

Request for self-assessment and monitoring

Since 2008, suppliers have been required to perform self-assessments of their conformity with the Partnership Requirements for Suppliers, which we then monitor. Since joining Sedex in 2014, we have held presentations to explain Sedex to suppliers, and we continue to request that suppliers join Sedex, respond to Sedex questionnaires, and set up data access rights. As of the end of 2021, suppliers accounting for 89% of global

transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program*).

* EcoVadis and other survey programs used as alternatives to Sedex



Making thoughtful choices for society > Responsibly sourced raw materials

Remedies and grievance mechanism

We have opened a wide range of channels so that we can receive reports and requests for consultation from all stakeholders. Our compliance hotlines handle reports and requests for consultation from employees, suppliers and contractors, while consumers can submit reports and requests for consultation to the support desks by telephone or e-mail, etc. In addition, views expressed directly to managers are shared with relevant units, and action taken in response, as needed.

Furthermore, thanks to the written contribution of Mr. Hiroshi Ishida (Executive Director of the CRT Japan) in last year's Sustainability Data Book and subsequent engagement, we recognized the importance of efforts to help foreign workers and the establishment of a grievance mechanism. In response, this year we conducted a survey of the current number of foreign workers at each plant and on-site subcontractor, and began preparations for the launch of a grievance mechanism.

In addition, we have begun preparations to introduce a grievance mechanism for independent

Respecting human rights⁴¹²⁻²

small oil palm farmers in Indonesia starting in 2022. In 2021, we conducted a preliminary survey of independent small farmers in Riau Province, Indonesia, in cooperation with an NGO.

Education and promotion

Raising awareness of the importance of respecting human rights using the BCG (Global)

We implement educational activities to deepen employees' understanding of the BCG, which set out our approach to ensuring respect for human rights among employees in all of our group companies. In Japan, the BCG refresher test was given to all employees, and compliance training was carried out for new employees and newly appointed managers. In addition, by sending out messages from the Compliance Committee Chairperson, division heads in Japan, the Vice President of each region and the President of each group company outside of Japan during Compliance Message throughout the year, the entire group, including overseas subsidiaries, promoted diversity by encouraging dialogue within workplaces, and activities to realize a workplace culture in which people can work with enthusiasm.



Walking the right path > Effective corporate governance

Raising awareness of the importance of respecting human rights using the company's intranet (Global)

We have posted material that addresses human rights

topics on the company intranet to raise awareness among employees.

In conjunction with Human Rights Day on December 10, the Human Rights section of the Kirei Lifestyle Plan Lecture, an ESG awareness-raising program was released, with 611 employees taking the course. Among others, the lecture introduces human rights-related news events from around the world and our efforts to support oil palm farms. It gives employees an opportunity to deepen their understanding of business and human rights and consider the relationship between their own work and human rights.

In addition, to familiarize our management team with D&I concepts and ensure that they are thoroughly practiced, we invited Tsukiko Tsukahara, President of Kaleidist K.K. and Japan Co-Representative of G20 EMPOWER, to speak at the ESG Promotion Meeting, which was attended by approximately 70 people. Ms. Tsukahara's lecture was distributed with Japanese and English subtitles, enabling 528 employees to view it.

The Consumer Products Business is actively raising awareness of the importance of respect for human rights in advertising, while the Human Capital Development is also actively raising awareness through such initiatives as the continuing dissemination of content to provide basic knowledge on LGBTQ+, cross-cultural and disability issues.



Walking the right path > Inclusive & diverse workplaces

Raising awareness of respect for human rights in advertising (Japan)

We have created an e-learning program for new employees and transferees regarding human rights considerations in advertising. Employees involved in product development and marketing are participating in this program.

Efforts to deepen understanding of racism and diversity (Europe and the Americas)

In the Americas, workshops and expert lectures on social issues were conducted in conjunction with annual events, such as Black History Month, to deepen employees' understanding of issues impacting underrepresented and marginalized communities. Workshops included Unconscious Bias and Understanding Racism and were available to all employees.

Among additional activities conducted as part of efforts to create an inclusive culture were a monthly newsletter called #StrongerTogether and opportunities for employees to share their own personal stories with others to help strengthen understanding. Employee resource groups have also been formed to address the specific needs of women in the workplace and young employees as they begin their careers and work to establish strong relationships.

In Europe, we are also conducting activities to deepen understanding of diversity, such as trainings on unconscious bias and conducting surveys on D&I.

Dialogue and consultation

To obtain outside views relating to our business and

Respecting human rights

human rights initiatives, we participated in a dialogue with overseas experts organized by the CRT Japan. We explained these initiatives to, and exchanged views with, two international experts active in the field of business and human rights. While our governance structure and ESG vision were well received, the exchange of views reinforced our awareness of the importance of dialogue with a wider range of stakeholders, and of continuously engaging with rights holders who provide views via the grievance mechanism.

Other

A system is in place for those in charge to voluntarily check expressions in advertisements, packages, sales promotion materials, etc., from a human rights perspective. Previously, the responsible reviewed advertising and related materials against a checklist, but we strengthened the system this year by instituting multi-person review to ensure that a broader perspective is incorporated. It is important to conduct a multi-person review to judge whether or not an expression contains content that could be considered a human rights violation. Consequently, the person in charge and their supervisor will check whether the content is free of anything that could be considered an infringement of human rights, and at the same time share the information with our internal creative division (i.e. Advertising Communication). In addition, personnel to undertake human rights promotion* within the Advertising Communication

reviews advertising, packaging, and sales promotion and other materials. If a case is difficult to judge, a process to deal with the case is in place, with the personnel to undertake human rights promotion consulting and obtaining advice from the ESG Division.

By adhering to this process, we make appropriate changes to advertising content and strive to perform

quality control on advertising so that it is free from content that violates consumers' human rights and that they take human rights into account to earn consumer sympathy and support and exert a positive influence on society.

* Personnel to undertake human rights promotion
These are human talent that strive to enhance human rights literacy within Advertising Communication, and to lead the division's efforts in this area.

Employees' voice

Susawee Ondam

Senior Manager of
Corporate Strategy,
Kao Industrial (Thailand) Co., Ltd.



Human resources are the most important resource of an organization. Nowadays, it is not just important to ensure that the members of the organization comply with its standards and decisions; they must also be motivated to unleash their potential on their own. The organization or supervisor just needs to play the role of a mentor that supports everyone in the organization as they strive to reach the same goal.

From my own experience in relation to the compliance audit for the Sedex standard in 2018, there were many points where there was a need for focus and improvement,

especially in regard to the labor management of both Kao and our contractors. The power of employees is important. It can be a positive or negative power, depending on the circumstances or on access to necessary information. If employees lack the information they need, this may make them dissatisfied or uncertain, which may then be reflected in a negative attitude that could manifest itself in ignoring necessary tasks or violating rules and regulations. How to energize the power that comes from inside the heart of team members is the key to success for an organization. We already have good guidelines in place, in terms of the Kao Way and our ESG policies. We need to understand human beings and their diversity, and demonstrate respect for differences in gender, race, religion, skin color and opinion, which are all fundamental aspects of humanity. Understanding of humanity, and respecting and honoring the rights of all, will be the basis and the driving force for unleashing potential and maximizing benefits for the organization as well.

Respecting human rights ¹⁰²⁻⁴⁴

Stakeholder engagement

Hiroshi Ishida

Executive Director,
Caux Round Table Japan



Kao's response to views expressed last year

Last year, Mr. Ishida indicated his hopes for further efforts regarding oil palm plantations and foreign workers. For oil palm plantations, we launched the Smallholder Inclusion for Better Livelihood & Empowerment program (SMILE) to support small farmers in Indonesia with the aim of improving productivity. We also conducted a survey to ascertain the number of workers employed by on-site subcontractors, and ascertained how many foreign workers were present in each plant. Our ESG Managing Committee also discussed the introduction of a grievance mechanism, and decided to implement a mechanism with oil palm plantations through communication with small farmers. The committee also decided to establish a mechanism at on-site subcontractors in domestic plants, to gather feedback from foreign workers. We are currently preparing to expand risk surveys of on-site subcontractors and introduce grievance mechanism.

Kao's efforts on "respect for human rights" x "responsibly sourced raw materials"

■ Global trend: Due diligence is essential to obtain social legitimacy

As we are rapidly entering an era of increasingly strict legal regulation of business and human rights, companies will be expected to conduct due diligence that integrates human rights and climate change. You are therefore expected to engage in direct dialogue with vulnerable producers and workers (rights holders) in the supply chain, identify those who are suffering human rights violations, and address their issues. A shift from a comprehensive approach to one of selective prioritization is needed.

■ Notable Kao initiatives

- I recognize the following three points that I commented on last year, which are beginning to show results.
 - (1) Kao has drawn up a grand design in agreement with management as an ESG Strategy, and has clearly stated in Goals of Human Rights Initiatives that it will work toward risk mitigation in 2030 and 2050, further demonstrating its strong commitment to human rights initiatives.
 - (2) Kao is also working steadily to create a system based on UN Guiding Principles on Business and Human Rights (UNGPs) procedures to identify foreign workers within and outside Japan, identify any direct human rights violations in relation to raw materials (palm oil), and establish a grievance mechanism.

(3) To build quality relationships, Kao has engaged in dialogue with leading foreign experts, and enhanced transparency to gain legitimacy for a series of initiatives.

■ Expectations for future actions

- Going forward, though laws and regulations will be tightened mainly in the European region, I expect that Kao will continue to steadily implement its initiatives on "respect for human rights" x "responsibly sourced raw materials," based on the UNGPs, and establish a leading position in the near future.

(1) Implementation of human rights x environmental due diligence

Identify foreign workers within and outside Japan and confirm whether there are any direct human rights violations relating to raw materials including palm oil + Implement a grievance mechanism and the PDCA cycle

(2) Management involvement(E x S x G)

Establish a series of management frameworks that incorporate the voices of rights holders through disclosure of the ESG Managing Committee's discussions and decision-making processes

(3) Quality relationship

Invite ESG-related investors to the existing dialogue, further enhance quality relationships, and continue efforts to establish a framework that ensures legitimacy

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^{102-43, 404-2, 404-2}

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%.

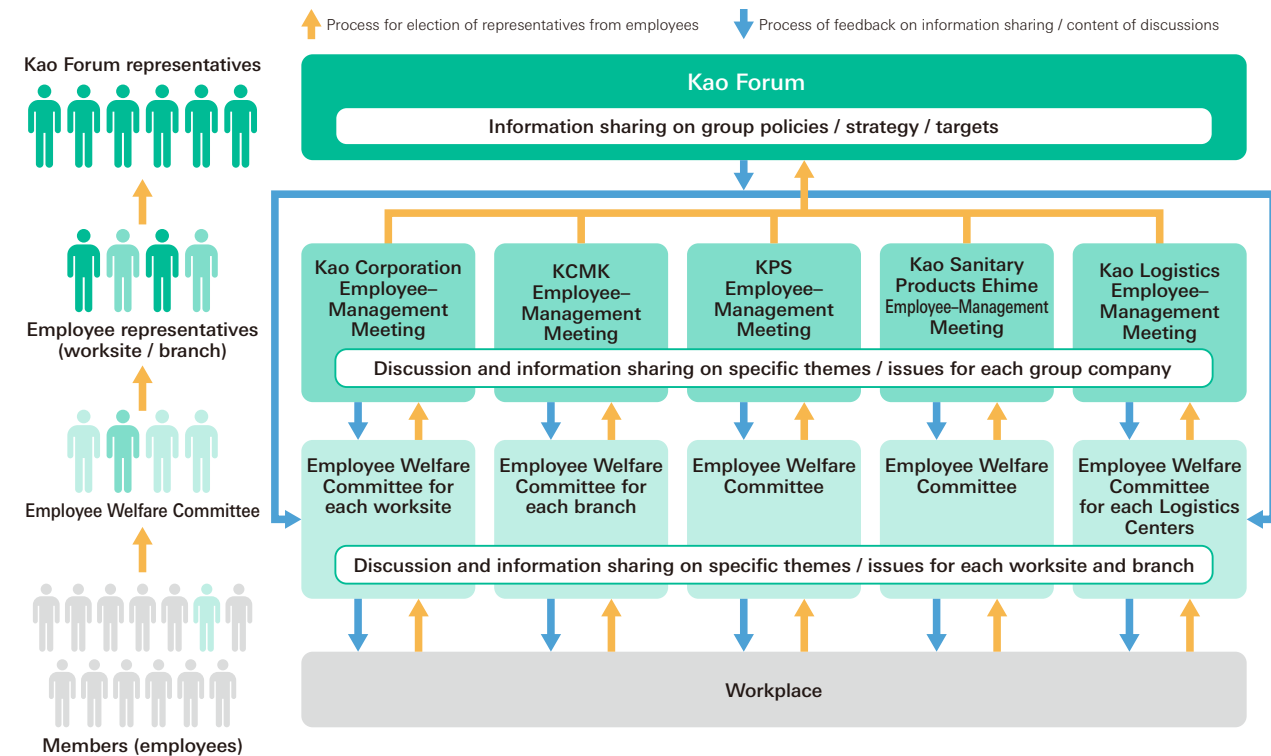
Note: This figure excludes Kao Group member companies that do not track the number of employee union member. Due to information protection reasons and freedom of association of countries / regions

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.

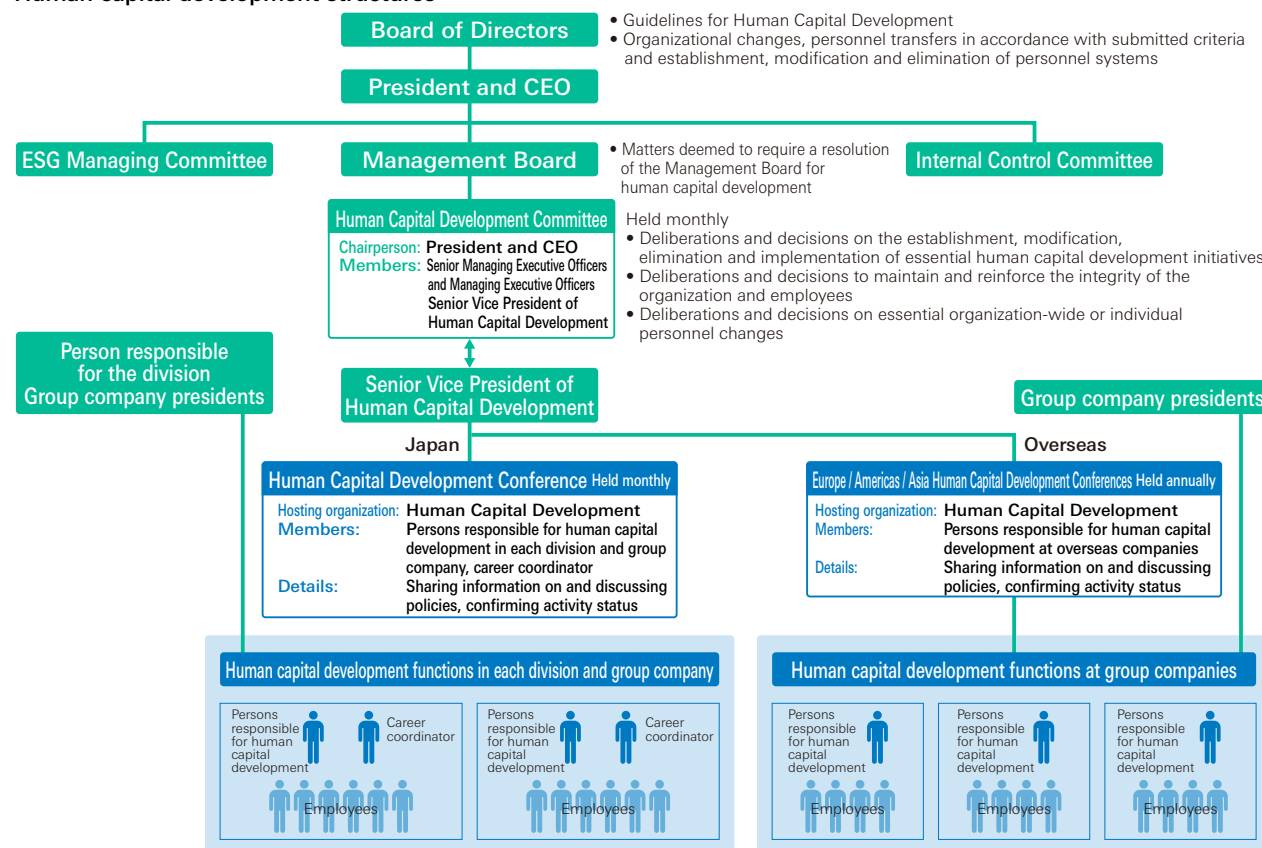
Furthermore, we have set up human affairs functions within major divisions in Japan while also

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 development⁴⁰⁴⁻²

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

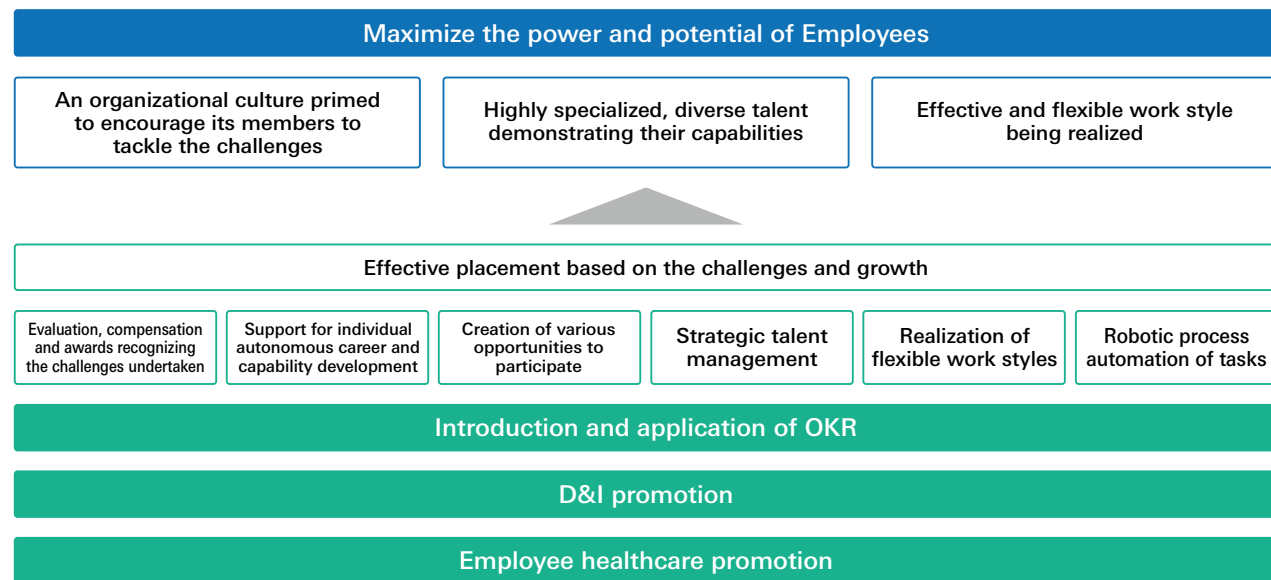
- Retention and acquisition of outstanding talent and improvement of employee engagement through promoting participation from diverse talent
- New business creation, and making existing businesses more resilient, that contribute toward addressing society's problems, through fostering and implementing 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 development⁴⁰⁴⁻²

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 development⁴⁰⁴⁻²

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 development⁴⁰⁴⁻²

- 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 development⁴⁰⁴⁻²

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.

Human capital development^{102-8, 401-1}

Situation regarding employee turnover (%)

		2018	2019	2020	2021
Global	Total employee turnover rate	—	—	—	5.67
	Voluntary employee turnover rate	—	—	—	4.03
Japan	Total employee turnover rate	3.49	3.11	2.44	2.24
	Voluntary employee turnover rate	2.48	2.22	1.64	1.53

Note: The population used for calculating the employee turnover rate in Japan was the number of employees as of the beginning of the year, on January 1, until 2020; from 2021 onwards, this was changed to the number of employees as of the end of the year, on December 31.

Employee turnover rate by gender (%)

		2018	2019	2020	2021
Global	Male	—	—	—	41.18
	Female	—	—	—	58.82
Japan	Male	30.47	30.70	36.65	43.03
	Female	69.53	69.30	63.35	56.97

Employee turnover rate by age group (%)

		2018	2019	2020	2021
Global	< 30 years old	—	—	—	35.81
	30–50 years old	—	—	—	41.76
	> 50 years old	—	—	—	22.43
Japan	< 30 years old	40.59	38.45	37.57	35.45
	30–50 years old	33.67	34.29	33.33	32.99
	> 50 years old	25.74	27.26	29.10	31.56

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.

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Voluntary employee turnover rate by gender (%)

		2018	2019	2020	2021
Global	Male	—	—	—	36.77
	Female	—	—	—	63.23
Japan	Male	16.91	17.67	24.93	30.93
	Female	83.09	82.33	75.07	69.07

Voluntary employee turnover rate by age group (%)

		2018	2019	2020	2021
Global	< 30 years old	—	—	—	44.77
	30–50 years old	—	—	—	46.93
	> 50 years old	—	—	—	8.30
Japan	< 30 years old	56.29	53.41	55.07	51.05
	30–50 years old	42.09	43.37	43.01	44.45
	> 50 years old	1.62	3.22	1.92	4.50

Inclusive & diverse workplaces 102-12, 102-15, 103-1, 103-2, 103-3, 404-2

We firmly believe that the vitality and synergy derived from diversity drives our business developments. We therefore strive to create an environment and culture where each of our employees is able to maximize their capabilities and individuality, and both individuals and company can develop.

Kao's creating value to address social issues

Social issues we are aware of

Social values and lifestyles are undergoing significant changes and are diversifying. In addition, business has become globalized, economic and social uncertainty has increased. Nowadays as people with diverse backgrounds and values are becoming consumers and employees, such as Generation Z who are said to have newer values compared to older generations, people's mindset about work and life and employees' expectations for their company are changing based on thinking that is unconstrained by things previously taken for granted.

In these circumstances, it is essential to actively approach these social changes by creating an environment and corporate culture where diverse employees feel motivated to work by actively developing Diversity & Inclusion (D&I) promotion activities as a fundamental activity for human capital development in order to create continuous corporate growth.

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

At workplaces where it is a challenge for diverse employees to feel motivated to work, employee engagement subsides, and it becomes harder to retain the employees who are the invaluable treasure of the

company and hire new outstanding employees. Furthermore, homogeneous organizations that do not embrace diversity and especially organizations that lack diversity including female employees in decision-making positions will be unable to adeptly and flexibly respond to societal changes and will struggle to contribute to their sustainable corporate growth. In recent years, along with the increased interest in sustainability of the world, interest in corporate D&I promotion activities for employees is growing around the world and its importance as a basis for investment is also increasing. In the midst of this, if we do not sufficiently implement D&I promotion activities to leverage this diversity and furthermore promote the advancement of female employees which is an aspect of diversity related to most of our workforce, this could pose a risk to our corporate growth, which may lead to reputation risks.

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

By deeply ingraining D&I at Kao Group and realizing inclusive and diverse workplaces that leverage each person's true diversity extending beyond simple demographics, we will attract and retain outstanding talent with diverse backgrounds in the company and ensure that they stay motivated and are able to demonstrate their capabilities. Consequently, new business creation is expected to be revitalized leading to products and services that meet the needs of societal changes and the diversification of people's

values, and the productivity of our business activities conducted by each employee is expected to be strengthened by increasing employee engagement. Thereby, further growth as a company is anticipated, leading to improved ratings from society at large and investors and enabling us to help increase the societal momentum of D&I.

Kao's creating value

In our changing society, it is necessary to bring together various ideas based on a wider background to provide products and services that are always useful for consumers who have different values in differing circumstances worldwide. Therefore, it is also essential to foster an environment and culture that attracts employees with diverse backgrounds and where they can sufficiently demonstrate their capabilities. We conduct D&I promotion activities to achieve this.

These activities allow our diverse employees to demonstrate their capabilities, make new value creation possible based on diverse ideas and innovation, and enable us to provide products and services that help consumers and customers lead an enriched life far into the future.

Contributions to the SDGs



Inclusive & diverse workplaces 102-12, 102-43, 404-2, 404-2

Policies

We stipulate in the Kao Way, our corporate philosophy, that we create inclusive workplaces where every person can develop their potential as a professional and a human being, that we treat everyone we encounter with respect and openness, and that we embrace the world's diversity of cultures, nationalities, beliefs, races, genders, identities and abilities and respect and value all people in our organization, our business partners and the communities we serve, just as they are.

Moreover, we aim to make diversity our strength and contribute to society to become a company that continues to grow sustainably in our changing society. This means that we aim to be an organization that can produce new value by bringing together diverse ideas created by our employees demonstrating their unique capabilities.

Therefore, as part of our diversity promotion activities, we will retain our workforce in an environment that is work-friendly for all our diverse talent, including female employees and provide the necessary support to provide opportunities equitably. As part of our inclusion promotion activities, we will implement education and awareness-raising activities to foster a culture where all employees understand D&I envisioned by Kao and can individually put them into practice as well as one where each employee feels comfortable to communicate their own opinions and can discuss ideas in an unbiased environment. In doing so, we aim to become a team with diversity, respect each other as individuals, incorporate different perspectives and ideas, and transform them into the power of our organization, and also aim to create an

environment where each individual can maximize their own capability and individuality.

Education and promotion

In order to make diversity a source of power for our organization, we are spreading awareness of the meaning of D&I, and providing the knowledge and information needed to put it into practice. We conduct training for management, who have an important role to play here, especially in terms of emphasizing the value of diversity, and we implement educational activities for employees working with others who are in difficult situations. We broadly publicize positive examples of D&I inside the company and D&I related activities via intranet with the objective of our employees viewing this as relevant to them and recognizing the importance of taking initiative. Furthermore, to be an organization where employees can demonstrate their unique capabilities, we are introducing training to deepen all employees' understanding of psychological safety and unconscious bias as a base and build the skills to appropriately put this into action. We receive feedback from the participants at all activities through questionnaires and incorporate our employee comments in our activities by reflecting these opinions in the next activities.

Collaboration and engagement with stakeholders

Proactive collaboration with NPOs, government agencies

and other companies promoting D&I is essential to encourage understanding and improve awareness of D&I inside and outside the Kao Group.

In supporting balancing work and childcare, for ten years, we have endeavored to change mindsets of our employees who are raising children in collaboration with the NPO, Fathering Japan, which advances initiatives to increase the number of happy fathers who can address various social issues. For women's empowerment, the President and Chair participated in and discussed issues at the 30% Club Japan and the Group of Male Leaders Who Will Create a Society in Which Women Shine, an initiative organized by the Gender Equality Bureau of the Cabinet Office. Kao Corporation's D&I, HCD is implementing initiatives for women's empowerment inside and outside the Kao Group in collaboration with other companies through activities with the secretariat's team. In 2021, we newly participated in G20 EMPOWER as an advocate company and will further enhance our initiatives in the future by collaborating globally with other companies and experts. Furthermore, we announced our support for The Valuable 500, an international initiative established to get companies playing a leading role in building an environment in which people with disabilities can participate actively in business, society and the economy in general, etc., and are striving to promote these activities and increase their societal momentum. In addition to these activities, we also have participated as a member of the study groups of government agencies and various organizations, giving corporate case study presentations at lectures and seminars and arranging tours of our special subsidiary, etc.

Inclusive & diverse workplaces ⁴⁰⁴⁻²

Framework

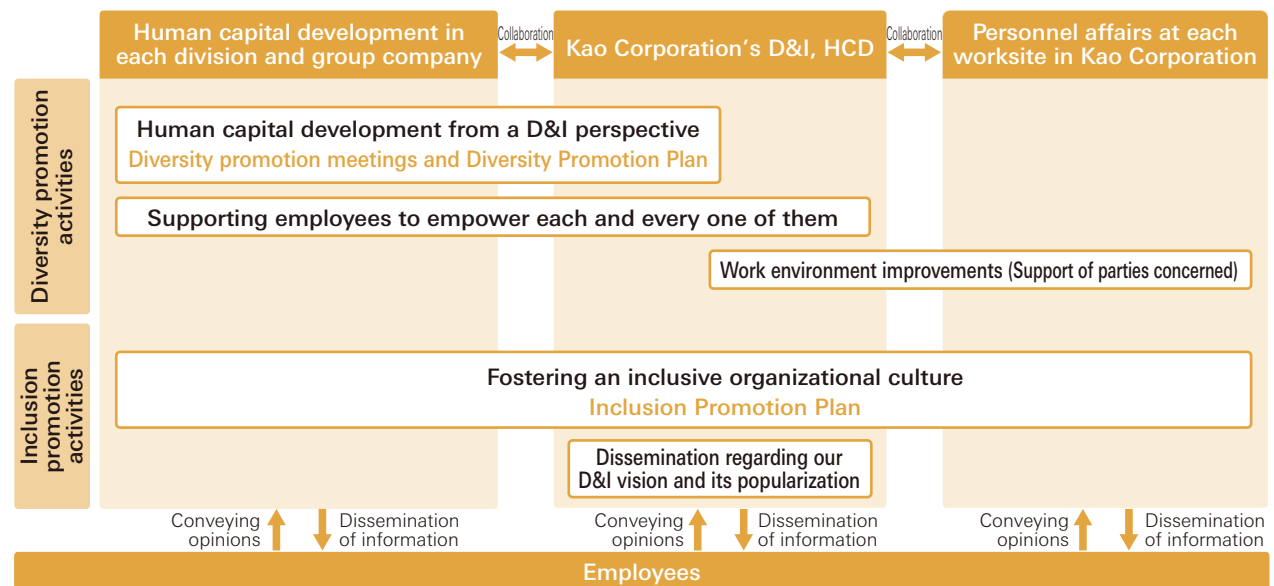
After special-purpose organization in Kao Corporation (i.e. Kao Corporation's D&I, HCD) collaborate with persons responsible for human capital development in each division and domestic group company and a specialized organization in Kao Group Customer Marketing (KCMK) Group through the Human Capital Development Conference, diversity promotion meetings and individual meeting to clarify the major issues at Kao Group in Japan, we plan and implement D&I promotion activities throughout Kao Group in Japan. For important issues related to D&I, discussion is held and decisions are made by the Human Capital Development Committee, which consists of executive officers. Feedback from the participants in all activities are verified through questionnaires and other surveys and when appropriate, the members of aforementioned groups exchange their opinions, which is then reflected in the next activities. Responsible managers and personnel of human capital development from nine worksites of Kao Corporation and from major affiliated companies collaborate with the Kao Corporation's D&I, HCD to disseminate information on views at workplace regarding D&I promotion and develop infrastructure for individual support, acceptance and retention of employees who need support.

Globally, Kao Corporation's D&I, HCD collaborates with human capital officers from the Americas (indicating

consumer product-related group companies in the U.S., Canada, Australia and New Zealand) and EMEA (indicating consumer product-related group companies in Europe, the Middle East and African countries) to share information, exchange opinions, and promote activities in each region that are tailored to the problems faced there. At Americas, not only does our Human Capital Development carry out D&I promotion activities, we have established an Inclusion & Diversity Advisory Board, consisting of employees outside of the division,

that promotes organizational change from a D&I perspective in collaboration with the Human Capital Development. At EMEA, preparations are underway to establish the Diversity and Inclusion Board as an organization to promote D&I. Going forward, we will build a collaborative framework that encompasses Asia to further promote global collaboration.

Framework for D&I promotion activity (within Japan)



Inclusive & diverse workplaces⁴⁰⁴⁻²

Mid- to long-term targets and performance

Mid- to long-term targets

To make diversity our strength, we aim to develop an inclusive organizational culture where employees demonstrate their unique capabilities and integrate them to produce new value. Moreover, to incorporate diverse perspectives in a variety of corporate decision-making, we hire talent from diverse backgrounds and encourage their participation, and as one indicator of this, we aim to have the same percentage of female managers as the percentage of total female employees.

Thereby, we implement activities to formulate Kao Group's D&I vision and instill it globally, awareness-raising activities to ensure all employees understand each other's diverse backgrounds and properly conduct themselves and initiatives to gain a deeper understanding of psychological safety and unconscious bias as part of our inclusion promotion activities. In addition, as part of our diversity promotion activities, we strive to conduct human capital development from a D&I perspective and to advance the participation of women, LGBTQ+ and non-Japanese employees, people with disabilities, and people with childcare or family care responsibilities.

To check our progress on the mid- to long-term targets, we are reassessing our employees'

awareness of "an inclusive organizational culture" and continuing to measure the percentage of female managers.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

We can provide better products and services based on diverse ideas and innovation, which will lead to corporate growth. By increasing employee engagement, we can strengthen the productivity of our business activities conducted by each employee. By being a more attractive company, we will improve employee retention and competitiveness as an employer, which will lower recruitment costs.

Social impacts

We will raise D&I awareness by society as a whole through the expansion of D&I in business. Consumers will achieve an enriched lifestyle through our provided products and services that meet the expectation of their diverse values.

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Performance in 2021

Performance

Kao Group in Japan

Inclusion promotion activities

We created a video message about our envisioned D&I, drafted introductory articles on positive examples of D&I inside the company and related activities so that employees grasp how D&I is relevant to them and put it in action, and created an awareness-raising video to encourage further understanding of diverse backgrounds, all of which were then disseminated company-wide employees via intranet. In addition, we implemented seminars as new initiatives to gain a deeper understanding of psychological safety and unconscious bias, which are integral for becoming an inclusive organization. We broadcast the recordings of these seminars about psychological safety to company-wide employees. We conduct questionnaires for viewers and participants of all activities to clarify their merits and areas that need improvement by analyzing the scores (e.g. usefulness or clarity of content) and comments in these questionnaires and use these findings in the next activities.

Diversity promotion activities

To promote human capital development from a D&I perspective at every division and affiliated

company, we provided data on D&I to each division and affiliated company, verified the implementation of the Diversity Promotion Plan and reconfigured the plan.

As part of our efforts to enhance our training of female employees for women's empowerment, we implemented round table talks with female executive officers (Women's Career Café), career panel discussions and at KCMK Group, a diversity promotion project.

At Kao Corporation, we held LGBTQ+ study sessions about promoting the participation of LGBTQ+ employees for all members of Human Capital Development to help create an employee-friendly workplace.

We conducted interviews with the relevant parties to promote the participation of non-Japanese employees and implemented special measures allowing them to visit their home countries during the COVID-19 pandemic based on the feedback given in those interviews.

Continuing our activities to promote normalization for the advancement of people with disabilities, we released materials to promote better understanding of disabilities and promoted collaboration with Vocational Life Consultants for Persons with Disabilities.

To support childcare, we continued holding online seminars for employees returning from childcare leave, revised the relevant procedures from pregnancy to childbirth, childcare and reinstatement intended for employees to take their desired childcare leave and for seamless operations at the workplace, and drafted guidelines that cover information on proper workplace communication.

To support family care, we broadly publicized the family care handbooks with awareness-raising videos and continued to hold online seminars on balancing work and family care started last year.

Kao Group in Americas and EMEA

Inclusion promotion activities

At Americas, we share a different Diversity and Inclusion topic each month with employees sharing their own personal stories of how they overcame challenges of discrimination with a monthly column on the intranet, as well as during the monthly communications meeting. Throughout the year, external speakers have been invited to speak to employees and answer questions to help promote an inclusive workplace by strengthening understanding and awareness. In addition, Unconscious Bias and Understanding Racism

Inclusive & diverse workplaces⁴⁰⁴⁻²

sessions were conducted to provide understanding of key concepts of bias and how it manifests at work, as well as how to recognize and address manifestations of racism. Employee Resource Group (ERG) continued activities to address the needs of specific employee populations, such as women and young professionals, while guided by Human Capital Development.

At EMEA, we conducted D&I surveys and genba listening tours of our employees with the support of external experts, which will form the basis of our D&I promotion activities in 2022. To raise awareness about the barriers to inclusion, we implemented training on unconscious bias and held D&I awareness coffee chats around “Pride” (LGBTQ community) and “Anti-racism” (EMEA BAME* employee group).

* BAME: Black, Asian and minority ethnic

Diversity promotion activities

At EMEA, we advanced the participation of female employees by continuing to provide mentoring to support career development to become top managers. In 2021, we started new mentorships for 20 people.

In group companies in the U.K., we posted job

opportunities on job boards focused on attracting talent from the LGBTQ+, black and ethnic minority and disabled communities, and implemented initiatives to increase the diversity of our organization.

Reviews of performance

Since 2020, we have continued to focus on educational activities to help employees grasp how D&I is relevant to them aiming to foster an inclusive organizational culture. As a result, we could disseminate D&I information more frequently to our employees and ultimately change their mindsets since most of the employees who viewed this information gained a better understanding of D&I and considered how to reflect this in their daily activities. Specifically, we secured the understanding of top management on the concepts of psychological safety and unconscious bias and their importance. While it is important that globally all employees fully understand this and can apply these concepts, this is not sufficient in this regard. We are pushing forward further initiatives to foster an inclusive organizational culture so that not just employees who are sensitive to D&I but all employees, including those who are indifferent to these issues

at present, are genuinely convinced of their importance and apply D&I in their day-to-day work.

We were able to work on initiatives for the different issues pertaining to diversity promotion activities. In addition to these current initiatives for women’s empowerment, we collaborated with female executives to implement new initiatives to raise women’s awareness of how to become leaders conducted in different formats, such as small round table talks and panel discussions, which were able to change the mindsets of participants. In 2022, we will further expand the scope of these initiatives.

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Our initiatives

Diversity promotion activities

We implement diversity promotion activities aiming to foster an environment and corporate culture where diversity in the organization is improved and all employees are given opportunities equitably and can demonstrate their unique capabilities.

Human capital development from a D&I perspective (Kao Group in Japan)

We thoroughly promote, hire, evaluate and educate employees based on their individual ability regardless of other attributes. We set target values for selecting core human capital according to the composition of the workforce, and we are steadily implementing selecting and development regardless of personal attributes. Human capital meetings conducted by executive officers engage in discussions while confirming that women are included among the candidates for senior positions.

We continued to hold diversity promotion meetings, which were newly established in 2020 to clarify issues for D&I at each division and group companies in Japan and steadily address these issues (however, these were only held at divisions that request them in FY2021) and shared new information with figures on D&I so that we can independently review and conduct activities at each organization. In conjunction with this, we verify the implementation of our action plan drafted last year and formulate further promotion plans. In the future, these figures on D&I will continue to be shared to measure changes

overtime and the diversity promotion meetings will be implemented as a place for regular exchange between Kao Corporation's D&I, HCD and each organization, enhancing human capital development from a D&I perspective within the entire Kao Group.

Women's empowerment (Kao Group in Japan)

We promote women's empowerment as one aspect of diversity that is related to most of our workforce. As a result of our analysis, we believe that it is important to enhance the pipeline, especially the managers class, in order to increase the percentage of women in decision-making positions. Thereby, we are committed to providing development for human capital to be promoted, support for childcare so that our employees feel motivated to work and management training to achieve unbiased career development and advancement.

For career development, we mainly provide opportunities to participate in leadership training sponsored by external women's organizations (NPOs and Public Interest Incorporated Associations), host round table talks with female executives and seminars to encourage female employees to perceive their own unconscious biases and change their professional mindset, and provide opportunities to participate in different cross-industry study sessions independently organized and run by female executives in collaboration with executives at other companies. This ultimately improves employees' career motivation, expands their perspectives, and allows them to learn and network through collaboration with the members of other corporations.

Women's Career Café (Kao Corporation)

We held small round table talks with female executives inside the company, Women's Career Café, aiming for female employees to discover their forward-looking ambitions to become leaders fostering a professional mindset as well as to grasp the challenges that they face (both on an individual and organizational level). This activity garnered a high degree of satisfaction from participants and was able to change their mindset. One participant stated, "Being able to hear these talks from veterans in business and female leaders from the same generation spurred me into action and made me feel more positive about my career as well." Another mentioned, "I got tips to advance my career that made me interested in training myself to think from the perspective of a leader." From FY2022, we will continue to expand the scope of these activities.

Career panel discussion (Research and Development, Kao Corporation)

We held career panel discussions in which female executives were panelists initially for the Research and Development, which has many female members but few female managers, aiming to transform mindsets so that a wider range of female employees become leaders. These discussions were able to change the mindsets of participants. For instance, one commented, "Because I'm a woman, I felt the pressure that I had to plot out my career path on my own, but I'm relieved that there's another approach to flexibly advance my career." Another one stated, "I would like to find more possibilities for myself leveraging my unique insight as a woman without being restricted by my gender."

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Diversity promotion project (KCMK Group)

A project is in progress to drive forward the training of female employees as one of our strategies for diversity promotion to create an organizational culture where our talent from diverse backgrounds are able to demonstrate their creativity. Employees participate in round table talks with executives and retired female employees and major meetings. We also have lively group discussions with the next generation of leaders to lead to employees' personal growth. The project leaders strive to concretely tackle challenges as the pioneers and driving force of KCMK transformation and lead the next generation of human capital.

Mentoring programs (EMEA)

In Europe, mentoring has been used since 2014 as a successful tool to support the career development of talented employees to a higher management level. We can ensure that know-how transfer, corporate knowledge, networking and succession planning are properly managed and actively perceived as adding value by successful managers. Women in particular are encouraged to pursue the mentoring route and further their career to senior management levels. We launched a new mentoring cycle in 2021 with 20 mentoring relationships.

Gender pay indicators

The gender pay gap (calculated on the basis of average annual salary, defined as base salary + other cash incentives) is one indicator of women's advancement, and is 89.7% for managers and 96.1% for non-managers at Kao Group globally. In addition, the annual average

amount of remuneration for men and women at Kao Corporation (data assurance performed by a third party) is shown on p. 219. We believe that this gap is due to the higher percentage of men among employees with longer service years, who tend to earn higher salaries, as well as among employees in higher-paying job groups, especially in Japan, since there is no established wage gap between male and female employees in the same roles. Therefore, as part of our policy to eliminate the gender pay gap, we will continue to take steps to further improve our retention of female employees through our initiatives to advance women's participation in the workplace and appropriately increase the percentage of women who are managers, senior managers and executives to be in line with the percentage of total female employees.

LGBTQ+ employees' advancement (Kao Group in Japan)

To promote employee understanding of LGBTQ+ issues, we published basic information on our D&I portal site so that employees may refer to them at any time. In 2021, we broadcast awareness-raising videos about LGBTQ+ related changes in Japanese society as well as coming out and outing, which improved our employees' understanding of LGBTQ+ related issues, prompting comments such as "I could apply this to my own work" and "I found it a valuable resource because I had never anticipated coming out."

In addition, we are continuing recruitment for ALLY*, where 478 employees have made statements in support of it to date (as of December 2021). Employees who make an ALLY declaration are issued with special straps which they are encouraged to

wear.

* ALLY

Participants are people who express understanding and are supportive of LGBTQ+ people.

LGBTQ+ study sessions (Human Capital Development, Kao Corporation)

We hosted LGBTQ+ study sessions for all members of Human Capital Development, aiming to ensure that the staff dealing with personnel acquire the correct information and use it in their day-to-day work in order to create an employee-friendly workplace for LGBTQ+ employees. At these sessions, the speakers communicated issues that LGBTQ+ employees often face at the workplace and explained considerations for language use and how to address these issues from the perspective of providing support for employees. In addition, ahead of others in the company, the restrooms used primarily by members of the Human Capital Development were made available to employees in the gender they self-identify as, providing an opportunity to consider creating a workplace where LGBTQ+ employees can work with greater peace of mind.

LGBTQ+ lecture (Kao Beauty Brands Counseling)

Since 2020, LGBTQ+ lectures have continued to be held as part of Advanced Master Training to learn more about practical customer service. Lectures contained group work with lively discussions on how to better serve in-store customers. In addition, we are making efforts to improve our environment by creating a place for information exchange and interaction with LGBTQ+ employees utilizing online conference tools and the exchange of various opinions.

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Promoting the participation of non-Japanese employees Interviews with parties concerned (Kao Corporation)

We conducted individual interviews for all interested non-Japanese employees employed at Kao Corporation to identify the challenges that these non-Japanese employees with different languages and cultures face while working in Kao Group in Japan. We were able to identify their strong work motivations, extensive challenges they faced including career development and the uncertainties and inconveniences during the COVID-19 pandemic. In the future, we will promote the participation of non-Japanese employees and foster multicultural collaboration by pushing forward initiatives for each of these challenges.

Homecoming support during COVID-19 pandemic (Kao Group in Japan excluding some affiliated companies)

In these interviews with the relevant parties, many individuals brought up that they were unable to visit their home countries for several years due to the COVID-19 pandemic. Therefore, we implemented special measures to provide support to non-Japanese employees in visiting their home countries by permitting teleworking from quarantine facilities during the quarantine period when entering other countries as part of their measures to prevent the spread of COVID-19.

Promoting the participation of employees with disabilities

We position support for people with disabilities as an important part of our D&I efforts, and have formulated a basic policy of “Striving for a society where people with and without disabilities work and live together, we create workplace environments for employees with disabilities that make life

easier for them and foster a sense of pride in one’s work.”

Promoting normalization

- Every year, we administer a questionnaire to employees with disabilities, asking about the current status of their disability and any problems they may be experiencing at work and work with internal stakeholders to help resolve any issues.
- We also assign Vocational Life Consultants for Persons with Disabilities to worksites nationwide to conduct consultations for employees with disabilities. We hold an Employees with Disabilities Support Meeting once each year to help the consultants upgrade their skills and strengthen the overall support system for persons with disabilities. In 2021, a total of 23 Vocational Life Consultants for Persons with Disabilities participated throughout Japan and shared the employment issues that people with disabilities have at the workplace and some solutions. We received feedback from many participants indicating that this was a good reference when responding at their own workplaces, which will ultimately improve the quality of employee support.
- We prepared a Disabled Person Employment Manual and a Communication Sheet and distributed them on our D&I portal site to promote mutual understanding among employees with disabilities and their colleagues.
- We introduced UD Talk voice-recognition application to support communication with employees who have hearing impairments. We are continuing to introduce and apply voice recognition tools such as UD Talk and live captions for Microsoft Teams inside the company.
- For prospective employees with disabilities, we provide

information about the support that the company provides for employees with disabilities before they join the company, and by confirming in advance what support each employee will need, we help to reduce worry for these employees after they join the company.

- We periodically hold seminars, tours of our special subsidiary and other events for all employees to increase understanding of disabilities. In 2021, we drafted materials to better understand disabilities and released them on the D&I portal site.
- The Wasa Welfare Factory was established in April of 1993 as a place supporting financial and mental independence as well as social participation, providing work to people with disabilities along with lifestyle guidance and health management, in cooperation with medical institutions and under Wakayama City and Wakayama Prefecture guidance and subsidies. In 2020, we acquired it from Sumiya Social Welfare Corporation in Wakayama City, and are handling its operation as the Kao Wakayama Plant (Wasa Group Production) now. Currently a total of 26 employees, including 21 with disabilities, fill smaller sized bottles of shampoo and conditioner as well as an assortment of Kao travel sets.

M2M Project (KCMK Group)

We are promoting activities for the M2M Project (minority ↔ majority) aimed at generating a vitality of diversity by encouraging employees with disabilities to express themselves. Our employees with disabilities formulate and disseminate their plan to promote better understanding of disabilities under the theme of “For accurate knowledge and

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proper understanding.” We had enthusiastic responses from employees who participated, wondering what the best practices for communication were and what they can do at stores handling customers with disabilities. Furthermore, we are showing how employees with disabilities participate at the workplace by launching a place for communication with employees with disabilities called Kokokara, holding round table talks with employees with disabilities and proactively publishing related content in the company newsletter.

Measures implemented at special subsidiaries (Kao Peony)

Kao Peony Co., Ltd., a special subsidiary, has actively employed persons with severe disabilities, primarily persons with intellectual disabilities, since it was established in 2005, and the Production Division has achieved the same production rates as those on lines operated by persons without disabilities. The Office Support Division, established in 2017 has been working to expand the scope of its business activities and employment. As of January 2022, a total of 80 employees work at Kao Peony, including 61 with disabilities. In 2021, despite the continued impacts of COVID-19 since 2020, we have held activities while considering work styles with both divisions. In particular, the Office Support Division has promoted diversification through activities such as those introduced below.

New challenges (Kao Peony)

Collaborating with the GENKI Project, we supported reception work at session venues using the avatar robot, OriHime. The members remotely controlled the OriHime robot from the Kayabacho Office to check the physical condition and the temperature of the participants, and

guided them into the room, which was well received by the participants. (Serving about 320 customers in 4 locations)

In collaboration with RecyCreation, we created exhibitions using Okaeri-blocks sent to stores for two businesses that placed collection boxes. This was featured in many media interviews, and we have received enthusiastic feedback from these businesses that they could visually showcase collected and recycled pouches.

For the Pink Ribbon Campaign, we planned, proposed and created origami works as part of our continued awareness-raising activities inside the company started last year. We created two curtains using 7,000 origami cranes and exhibited them at two worksites in Kayabacho and Sumida. We have received feedback from employees who saw the origami cranes, commenting on how the message was conveyed through this work.



Pink Ribbon Campaign origami crane curtain



Reception work support at session venues (Remote control)

Participation in international initiatives

In 2019, Kao Corporation President signed a declaration for the approach and initiatives of The Valuable 500, an international initiative established to get companies playing a leading role in building an environment in which people with disabilities can participate actively in business, society and the economy in general, etc.

In 2021, we worked to provide information by

responding to a global survey for companies who joined The Valuable 500 and compiled useful case studies.



Making my everyday more beautiful > Universal product design

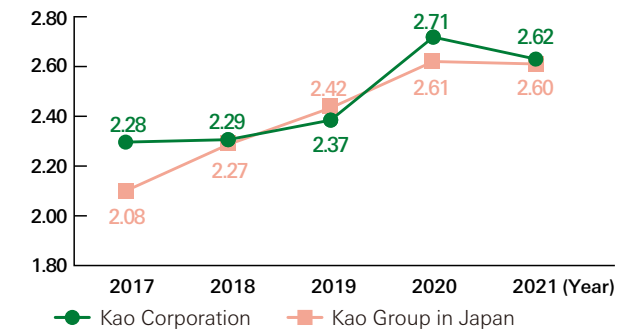


Corporate citizenship activities > Support for the Japan Boccia Association > Barrier-free access to information

Employment rate of persons with disabilities (Kao Group in Japan)

Currently, persons with disabilities account for 2.60% of the total workforce of the Kao Group in Japan, exceeding the statutory minimum rate (as of June 2021).

Kao Group employment rate of persons with disabilities* (%)



As of June 1, 2021

* Scope:

Thirteen domestic affiliates that are classed as special subsidiaries under the Act on Employment Promotion of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Field Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., Kanebo Cosmetics Inc., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji and special subsidiary Kao Peony Co., Ltd.)

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Support for childcare

Under the basic policy for work–life balance support aimed at providing support so that each employee can fully demonstrate their motivation and skills and participate in the workplace while balancing work and their personal life, we are creating an environment and fostering a corporate culture with the expectation that our employees are able to balance their work and family life with an easy mind through every life stage from the employee's or their partner's pregnancy and childbirth to childcare and continue to have the motivation and capabilities to actively participate in the company.

Main support for balancing work and childcare responsibilities

- Conducting pre- and post-maternity / paternity leave interviews
- Encouraging communication between employees on maternity / paternity leave and their workplace supervisors using maternity / paternity leave reports
- Holding seminars for employees returning from maternity / paternity leave (Tatsuno-oshigoto Seminars)
- Provision of an on-site day care facility (*Merries Garden*)
- Distributing a leaflet with information on systems that support the life–work balance targeting male employees
- Conducting a survey about men's childcare roles
- Diversity Management e-learning (for managers)

Revised procedures from pregnancy to childcare leave and reinstatement

In line with the successive amendment of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members as of April 2022, we revised our procedures throughout the process from employees' or their partners'

pregnancy to taking childcare leave and reinstatement intended for the relevant employee to take their desired childcare leave, and for continuing seamless operations at the workplace. In addition, with expert advice, we drafted guidelines for the relevant parties and their supervisors that contains details the necessary procedures for every stage and provides information on proper workplace communication. In the future, we will spread these guidelines intended for employees to stay motivated to work by establishing a work–life balance framework by taking childcare leave adjusted to their unique situations.

Seminars for employees returning from childcare leave (Tatsuno-oshigoto Seminars) (Kao Group in Japan)

Each year, we conduct seminars for employees regardless of gender who are about to return to work after having taken over one month of childcare leave (Tatsuno-oshigoto Seminars) at Kao Group companies in Japan. In addition to encouraging partner participation and helping employees prepare their attitudes and raise their awareness regarding reinstatement, these seminars communicate the importance of building cooperative relationships with partners and family both in family life and career development. Since 2021, we also conducted lectures and group work which were the same as the in-person versions via live stream with online conference tools. This contains substantial content which attained a high level of satisfaction leading to improvement in the participants' awareness of reinstatement, with one participant commenting, "This was a good opportunity to discuss and think more about work styles and my future life with my family."

Awareness-raising videos to promote paternity leave (Kao Group in Japan)

The understanding and support of the workplace is important for male employees to take paternity leave when their children are born. We used awareness-raising videos to provide information to acquire the knowledge and skills so that other employees can lend a hand and take concrete actions. This leads to improved manager awareness in relation to paternity leave. There was feedback about how useful the practical examples to encourage taking leave was and how participants wanted to make an environment where childcare leave is accessible.

Paternity leave panel discussion (KCMK Group)

We held a panel discussion to encourage male employees to take paternity leave. Experienced employees who took leave and their supervisors took to the stage and discussed how they got the understanding from people inside and outside the Kao Group, how to handle a request for leave from a member of one's team, and what should be done to encourage employees to take childcare leave in the future. This was a good opportunity for employees who participated to gain new insight. Participants left comments, such as "It was easy to understand because I can feel the passion of the panelists' experiences" and "it was helpful that this allowed me understand how my supervisor feels." There was also feedback stating that "it would be interesting to have discussions in small groups or something like that."

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External evaluation of childcare support measures

In 2016, Kao Corporation was awarded Platinum Kurumin certification for creating a supportive workplace for employees with children, in accordance with the provisions of the Act for Measures to Support the Development of the Next Generation. Kanebo Cosmetics, KCMK and Kao Logistics were respectively awarded Kurumin certifications in 2009, 2011 and 2019.



Support for family care

In accordance with our fundamental policies of enabling each individual to act independently and providing assistance based on a spirit of mutual support, we are taking measures to educate employees and to promote mutual understanding in the workplace with the aim of preventing employees from leaving work the cause of family care obligations. In 2021 we held an online seminar for employees nationwide (approximately 240 participants). This was highly rated by the participants who left comments about how they learned specific steps to prepare for family care, that the instructor's lecture was based on real-world experiences and easy to understand, and how relieved they felt that there were many other people in similar

situations. In addition, we delivered a recording of this seminar, for those who could not attend.

We also undertake the provision of information including introduction of family care handbooks, and provide consultation services where appropriate.

Main support for balancing work and family care responsibilities

- Holding family care seminars
- Provision of family care handbooks
- Reinforcement of family care consultation skills by human resources personnel
- Establishment of an external family care consultation service

Common initiatives to support balancing work and childcare or family care responsibilities

- Individual guidance before using leave systems
- Encouraging employees to make full use of relevant allowances and services
- Provision of the Work and Life Balance Guidebook

Inclusion promotion activities

We implement inclusion promotion activities aimed at having all employees understand our envisioned D&I and developing the skills, environment and culture where employees unlock the value of their diversity as a source of power for the organization.

Popularization of the vision to promote D&I

We delved deeper into discussions about Kao Group's

D&I promotion vision so that all employees understand our envisioned D&I and exemplify this concept. In the future, we will exchange opinions globally and push forward activities to instill the D&I vision as the Kao Group's global vision in our employees.

We produced and broadcast a concept movie entitled "What is Diversity & Inclusion?" to provide tips for every employee to perceive D&I as relevant to them and put these concepts into practice.

Fostering an inclusive organizational culture

We continue to disseminate information via the portal site to provide a foundation for inclusion promotion activities at Kao Group in Japan. Our key content consists of broadcasting awareness-raising videos, holding internal seminars and events, and sharing positive examples from inside the company on different themes pertaining to women, LGBTQ+ and non-Japanese employees, people with disabilities, and those who are balancing work and childcare or family care. We update and release content two to three times a month under the Inclusion Promotion Plan to encourage employees in the group to understand D&I and ultimately implement these concepts in the workplace.

Diversity & Inclusion Expo 2021

In October to December 2021, we held our first trial of Kao Diversity & Inclusion Expo 2021 on the portal site. Under the theme of "We create our Diversity & Inclusion," we streamed the concept movie, held a seminar with this theme, and reintroduced the awareness-raising content back issues. Many

Inclusive & diverse workplaces ⁴⁰⁴⁻²

employees viewed and participated in these.

Diversity management seminar

We held a seminar with an external expert entitled “Reasons for having a lively team” in order to gain a better understanding of motivation for career and diversity management so that employees with diverse backgrounds demonstrate their unique capabilities. The first part of the seminar conveyed the “key points for creating your own career” to employees balancing work with childcare, whereas the second part imparted considerations for assisting diverse employees’ career growth to their managers (with 550 participants on the day and 550 views of the recorded seminar). We received feedback such as, “I want to grow in a style that suits me” as well as “I recognized anew the importance of dialogue.”

Understanding and exploring psychological safety and unconscious bias

Under the theme of “Let’s have a dialogue toward our dreams,” as part of our first initiative to improve employees’ understanding we hosted seminars in Japanese with simultaneous English interpretation about psychological safety and unconscious bias, which are integral to create an inclusive organizational culture.

In the seminar entitled “How to create psychological safety that encourages dialogue and facing challenges” where an external expert were featured, around 600 people who were mainly managers participated in the

live stream on that day (and there were 2,000 views of the recorded seminar as of the end of December 2021). This was a good opportunity for participants to gain a deeper insight into psychological safety for effective teams and flexibility as part of leadership and to master the tips to put this into practice.

Similarly, in the seminar on unconscious bias presented by an external expert, around 550 people who were mainly managers participated in the live stream on that day (and there were 585 views of the recorded seminar). The participants learned how to recognize and address unconscious bias and examples of this leading to positive results.

Providing online live streaming and a recording of both these seminars enable employees in different positions all over the country to participate in and view these lectures and leads to a high-level satisfaction from participants because not only are these lectures straightforward and chock-full of examples from each speaker, but also the moderators emphasized interactive communication making use of the chat and voting features.

In the future, these activities will be expanded globally to gain an understanding of psychological safety and unconscious bias and create a better organizational culture.

Sharing positive examples and activities inside the company

We feature inclusion promotion activities at the

workplace and by volunteers as accessible and positive examples in articles and videos with the objective of raising awareness so that employees perceive D&I as relevant to them and take initiative. In 2021, the article featuring a team in Sakata Plant which produces diapers entitled “Toward the realization of ‘A line that anyone can operate: Changes in the workplace born from the welcoming of female operators to male employee-only production lines’” covered various workplace improvement activities and changes in the mindsets of employees to be receptive of female employees as line operators at the production line for diapers that handles many heavyweight materials. This led to the realization of the necessity and importance of D&I with employees commenting about how they want to incorporate this perspective at their own workplace and that it spurred them to consider how to create an environment that is better for everyone.

In addition, we presented the community activity, “KAKEHASHI” run by volunteers, most of which are people with hearing disabilities in Kao Group in Japan. (For more information, see p. 47.)

Courageous Conversations (Americas)

A virtual event series for employees was conducted throughout the year exploring social justice and racial equity topics. The events are intended to encourage collective understanding and action and to explore how, we as an organization and as individuals, can

Inclusive & diverse workplaces⁴⁰⁴⁻²

work to build greater equity in our shared culture and communities.

EYPIC activities (Americas)

In Kao CP Americas, a new ERG activity, EYPIC (Empowering Young Professionals—Inspiring Change) was launched to create a network of young professionals that will promote personal and professional empowerment tailored to their unique skills and mindsets. It aims to bridge the gap between millennials and other generations in the work place, to develop young professionals through conversations, pathways and plans tailored to young professionals, to allow all Millennials in varying departments to connect and meet, and to increase exposure of Kao to the community using the unique skillsets of millennials and young professionals within the Kao organization. Through the EYPIC Newsletter, in conjunction with Corporate Communications, we will highlight employees within Kao organization that have a story to tell about volunteering at their local animal shelter, coaching a youth sports team, or speaking out against racial injustice.

Topic

External evaluation

Kao was selected for inclusion in the 2021 Bloomberg Gender-Equality Index

In January 2021, Kao was selected for inclusion in the Bloomberg Gender-Equality Index (GEI) for its third year in a row. The GEI identifies companies that are committed to transparency in gender reporting and to advancing equality for women in the workplace. In 2021, a total of 380 companies were selected for inclusion in the GEI, from 44 countries and regions.

Kao was selected by the Ministry of Economy, Trade and Industry as a Semi-Nadeshiko Brand

In March 2021, Kao was selected for the Semi-Nadeshiko Brand list as a company that has made outstanding achievements in advancing women's participation in the workplace. The Nadeshiko Brand is a joint effort between the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to accelerate government efforts to promote women's advancement as the core of its growth strategy, with plans to select and publicize companies that are promoting active participation by women, including the creation of an environment where they are able to continue working. At Kao, in order to promote a more flexible and diverse work style, we have established a flextime system (with no required core hours), leave taken in hourly increments, and—to be more compatible with family care including caregiving and childcare—one with reduced hours, a system for taking leave and working-from-home system, which we encourage our employees to use. These efforts and financial performance were thoroughly evaluated.

Employees' voice

Going beyond women's assumptions

Natsuko Kusumi
D&I, Human Capital Development,
Kao Corporation



Kao Group believes that women's empowerment is essential for the growth of our business as one aspect of diversity that is related to most of our workforce. One example of a factor impeding women's empowerment is that some women lack confidence and have unconscious bias when it comes to imagining roles of female employees and leaders. In 2021, we hosted small round table talks with female executives, Women's Career Café and at the Research and Development, career panel discussions, aiming to encourage participants to be aware of their unconscious biases and change their professional mindsets and to enable women to discover their forward-looking ambitions to become leaders. The participants brought up that this changed their mindsets. For example, one participant commented, "Listening to the stories of female leaders and speaking about my own experiences made me feel more positive about my career." Another stated, "Because I'm a woman, I felt the pressure, but I'm relieved that there's another approach to flexibly advance my career."

In the future, we will promote awareness-raising activities and career development for female employees and training for management, aimed at being a company where female employees feel confident to demonstrate their capabilities.

Inclusive & diverse workplaces ⁴⁰¹⁻³

Main systems for supporting diversified work styles: Childcare, nursing care and family care related (Kao Corporation)

Main systems	Content	
	Childcare related	Nursing care and family care related
Leave	In principle, maternity / paternity leave can be taken until the first April 30 following the child's first birthday. Paid leave is provided for the first five days after the commencement of childcare leave.	Nursing care and family care leave can be taken for a maximum period of one year. During the period in which nursing care and family care leave is permitted, such leave can be taken in a maximum of three blocks of time.
Reduced working hours and staggered working hours	These are available until the child completes the third grade of elementary school. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.	Along with flexible working hours, this system can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.
Flexible working hours	In principle, this can be implemented, on the request of the company, until the first April 30 following the child's first birthday. Employees can either work three days a week, or work a half day five days a week.	Along with reduced working hours and staggered working hours, this system can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Employees can either work three days a week, or work a half day five days a week.
Restriction on extra working hours	Up until the first April 30 following the child's enrollment in elementary school as a first grader, the employee can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night.	Employees who have family members requiring nursing care or family care for a period of more than two weeks can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night either.
Child Care Time Program	Female employees who are caring for newborns to infants less than one-year old are eligible for a child care time program of 30 minutes up to twice per day.	
Special leave for nursing care and family care	Special paid leave of up to 5 days every year is available when short-term leave is needed for emergency care of sick or injured children, and for the child's vaccination appointments and health check-ups, until the child completes the third grade of elementary school. This leave can be taken in increments of either one day, half a day, or one hour.	Special paid leave is available for employees who need to fulfill nursing care or family care responsibilities which is applicable for spouses, children, the employee's parents, the employee's parents-in-law, grandparents, siblings or grandchildren (up to a maximum of either 40 days a year or 20 days a year). This leave can be taken in increments of either one day, half a day, or one hour.

Employment system utilization status related to childcare, nursing care and family care (Kao Corporation)

	2018	2019	2020	2021
Share of eligible employees taking maternity / paternity leave (male) (%)	46.6	42.6	42.2	51.6
Share of eligible employees taking maternity / paternity leave (female) (%)	94.2	96.6	100	100
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	12	1	3	2
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	102	122	68	62
No. of employees taking nursing care or family care leave (male)	2	0	0	1
No. of employees taking nursing care or family care leave (female)	2	2	0	3
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	1	0	0	0
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	0	0	0	0

Note: Including non-regular employees

Inclusive & diverse workplaces 102-8, 405-1, 405-2

Situation of female employees (%)

		2018	2019	2020	2021
Employees*1	Global	49.8	49.6	49.7	50.5
	Japan	51.4	51.1	51.4	51.9
	Of which, Kao Corporation	23.8	24.4	25.3	27.8
	Asia	46.1	45.6	45.7	45.1
	Europe	46.1	47.3	46.5	52.4
	Americas	50.2	50.6	51.3	50.8
Executive officers*2	Global	8.0	8.0	9.4	9.3
	Japan	6.0	5.7	6.0	5.6
	Of which, Kao Corporation	5.7	8.3	8.3	10.8
All management positions	Global	27.3	29.4	28.8	30.2
	Japan	18.4	21.2	19.2	20.5
	Of which, Kao Corporation	16.8	18.2	20.1	23.1
	Asia	46.9	47.7	49.7	50.1
	Europe	49.2	48.9	48.4	52.5
	Americas	50.4	52.3	55.4	53.7
Top management positions*3	Global	—	—	—	21.2
	Japan	—	—	—	10.2
Junior management positions*4	Global	—	—	—	32.6
	Japan	—	—	22.8	24.7
Management positions in revenue-generating functions	Global	—	—	—	30.0
	Japan	—	—	18.6	20.0
Employees in STEM-related positions*5	Global	—	—	—	22.5
	Japan	—	—	17.9	20.4

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

*2 Including Board of Directors, Audit & Supervisory Board Members and Executive officers.

*3 Management positions equivalent to department heads.

*4 Management positions equivalent to leaders.

*5 Science and Technology-related function.

Average age and average length of employment (Kao Corporation)

	2018	2019	2020	2021
Average age (years)	41.8	40.6	40.5	41.0
Male	42.6	41.2	41.0	41.5
Female	39.4	38.8	38.9	39.6
Average length of employment (years)	17.8	17.7	17.4	17.4
Male	19.2	18.7	18.3	18.4
Female	13.5	14.6	14.7	14.9

Percentage of employees with disabilities (%)

	2018	2019	2020	2021
Global	—	—	—	1.25
Japan*1,*2	2.27	2.42	2.61	2.60
Kao Corporation*1	2.29	2.37	2.71	2.62

*1 Employment rate as of June 1 including non-regular employees and based on government agency calculation standards.

*2 The scope is as follows.

Thirteen domestic affiliates that are classed as special subsidiaries under the Act on Employment Promotion of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Field Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., Kanebo Cosmetics Inc., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji and special subsidiary Kao Peony Co., Ltd.)

Gender pay gap

(Average annual salary of base salary + other cash incentives) (%)

	2021
Global	Management level 89.7
	Non-management level 96.1
Kao Corporation	Management level 89.8
	Non-management level 97.7

Note: Ratio of women to men

Note: Difference between men and women is due to the difference in the number of people in each job grade, not to the difference in wages for the same work.

Base salary + other cash incentives

Average annual salary (yen)

		2021	
		Male	Female
Kao Corporation	Management level <input checked="" type="checkbox"/>	10,260,020	9,211,384
	Non-management level <input checked="" type="checkbox"/>	5,597,988	5,468,725

Note: Difference between men and women is due to the difference in the number of people in each job grade, not to the difference in wages for the same work.

Note: Regular employees only (does not include contract employees, temporary employees, and other non-regular employees).

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during FY2021.

Note: Third-party assurance obtained from 2021 onward.

Base salary Average annual salary (yen)

		2021	
		Male	Female
Kao Corporation	Management level <input checked="" type="checkbox"/>	6,547,378	5,845,359
	Non-management level <input checked="" type="checkbox"/>	3,670,943	3,571,235

Note: Difference between men and women is due to the difference in the number of people in each job grade, not to the difference in wages for the same work.

Note: Regular employees only (does not include contract employees, temporary employees, and other non-regular employees).

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during FY2021.

Note: Third-party assurance obtained from 2021 onward.

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.

Employee wellbeing & safety

102-15, 103-1, 103-2, 103-3, 403-6 (Occupational health and safety 2018)

Optimistic, energetic employees (what we refer to as “GENKI employees”) are the foundation of Kao’s business activities. We as a company are only as strong as the health of our employees.

Besides promoting Health and Productivity Management® and implementing health promotion to maximize employee power and potential, we also expand the scope of application of initiatives that have proved to be effective to include other Kao workplaces, the local community and consumers in general

Employee wellbeing

Kao’s creating value to address social issues

Social issues we are aware of

Aging

With the global trend toward the aging of the population, there has been an increase in the percentage of people affected by chronic diseases. Many senior citizens require support or care because of disease or deterioration of joints or muscles.

Within Japan, there has been a steady rise in medical expenses because of this situation, and companies’ health insurance societies are experiencing significant financial problems.

The spread of infectious diseases

The spread of the COVID-19 pandemic throughout the world has had a major impact on people’s health and on how people live within society, and there has been an increase in the number of people reporting physical and mental health issues because of being isolated or having to work in an unfamiliar environment.

The raising of the retirement age, and increased female participation in society

With people tending to work to a more advanced age, and with the increase in the number of working women, it has been reported that around 30% of people will develop cancer while they are still of working age. It can be anticipated that the

number of cases of people continuing to work while dealing with chronic diseases such as cancer will increase still further.

Kao’s creating value

We believe that it is important for us to provide support to help people improve their lifestyle habits in response to the New Normal, and to further enhance the support that we provide for disease prevention and early diagnosis and treatment of medical issues, as well as support for people who deal with medical conditions.

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

We aim to realize a working environment and a society, in which a variety of lifestyle habit improvement activities can be implemented cheerfully and enthusiastically, to help each individual recognize the health issues that are relevant to them personally and work to maintain the best possible health status.

The aging of the population has been accompanied by an increase in the number of employees affected by lifestyle diseases and by diseases such as cancer and musculoskeletal disorders, and there is a risk that changes in the living environment due to infectious diseases will interfere with the health of the individual.

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

As a company, we intend to provide support to help employees who possess health literacy (in other words, being able to recognize the importance of their own health issues) to improve their health through self-directed,

self-disciplined efforts.

Programs originally designed to help Kao employees maintain and improve their health are also made available for external use, and are being deployed for health maintenance and promotion activities in local communities and in workplaces. We hope that the initiatives at Kao will have a positive influence on local communities and workplaces, and contribute to improved health and increased lifespans for society as a whole.

Kao’s creating value

We view the health of our employees and their families as being an important asset for the company and as the source of the company’s vitality. The Kao Group Health Declaration was announced in 2008 as an important message from top management, and we have been working for years now to promote Health and Productivity Management.

We continue to endeavor to limit excessive increases in medical expenses through preventive initiatives including the promotion of lifestyle improvements and active implementation of various health guidance measures. We are focusing our efforts on the control of long working hours through promotion of modulated work styles and mental health training for managers from the perspective of promoting pleasant workplaces. With respect to employees suffering from chronic disease, or from cancer or other diseases, in order to help these employees maintain the right balance between managing their health issues and their work responsibilities, we offer support which, rather than being “one size fits all,” is carefully tailored to the actual circumstances of each individual employee.

One of our key assets in this area is having accumulated basic health data (including employees’ health examination

Employee wellbeing & safety

102-12, 103-1, 103-2, 103-3, 403-6 (Occupational health and safety 2018), 404-2

results and records of their participation in related special events) over a period of many years. By combining these data with job stress assessment results and other employment-related information, we are able to implement integrated analysis of employees' health status. A second asset is being able to implement health promotion initiatives that leverage our own healthcare know-how. A third asset is the results achieved through years of Health and Productivity Management initiatives, which have given us extensive Health and Productivity Management know-how (including an awareness of which programs have not been effective).

Besides working actively to spread awareness of our initiatives outside the company, we also provide related healthcare services outside the company through our GENKI Project.

Contributions to the SDGs



Policies

The Kao Group Health Declaration

Along with promoting healthy bodies, we are striving for the expansion of reliable healthcare based on evidence from inside and outside the company for not only employees and their family but also for communities, workplaces and consumers. Together we will realize healthy and enriched lives for all.

Well-being

Making things better for everyone



Cultivation of employees with high health literacy

We are working to make our health promotion activities more visible, engaging in Health and Productivity Management® using the PDCA cycle to improve employee health, with the aim of increasing the number of employees with high health literacy.

We consider employees with high health literacy as employees who do the following:

1. Reviews and improves lifestyle independently, based on health check-up results
2. When necessary, consults with a family doctor who can view their health data and provide advice, rather than just consulting occupational physicians
3. Maintains awareness of their mental health, and confers with appropriate professionals as needed

Six health promotion initiatives

Rather than merely fulfilling the minimum requirements for health management that we are required to meet as a company, we implement health promotion in line with the six core themes below. Health promotion

refers to the independent maintenance and improvement of the employee's own health.

1. Lifestyle diseases
2. Cancer
3. Smoking cessation
4. Mental health care
5. Women's health
6. Senior health

Education and promotion

We have issued the Kao Group Health Declaration, and our employees both within and outside Japan are familiarized with this, for example through the provision of an English-language version.

Within Japan, various on-site campaigns, seminars and health promotion activities are deployed in line with the six core health promotion initiatives.

As a result of the implementation of these types of initiatives, the percentage of employees who have taken steps to improve their lifestyle habits now stands at 28.0% in the case of male employees (representing a year-on-year increase of 0.7 percentage points) and 21.2% for female employees (representing a year-on-year increase of 2.6 percentage points*). There has also been a decrease in presentism (where employees go in to work, but are unable to perform properly due to health issues), the incidence of which has declined to 23.9%.

* Based on the results obtained in the 2020 periodic health check-up questionnaire

Employee wellbeing & safety 102-43, 403-6 (Occupational health and safety 2018)

Collaboration and engagement with stakeholders

In order to spread awareness of our employee nutrition improvement program throughout the world, we have joined the Nutrition Japan Public Private Platform, and we are undertaking related activities.

For mental health care, we collaborate with an external Employee Assistance Program to provide consultation services for employees and their family members.

Within Japan, we also make effective services that we have developed available outside the company, based on the needs reported by external experts in occupational health promotion and local government officials. For example, we have made a useful contribution toward the prevention of societal health issues such as metabolic syndrome and locomotive syndrome.

To create new health value, we also promote collaborative research with external organizations.

➔ Examples of collaboration with stakeholders

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Framework

Systematization of the health promotion framework

Our health promotion strategy embodies collabohealth (i.e., close collaboration between health insurance providers and companies to safeguard employees' health), with the company and the Kao Health Insurance Society working closely together to formulate plans for strategy implementation, which are discussed at regular, monthly meetings.

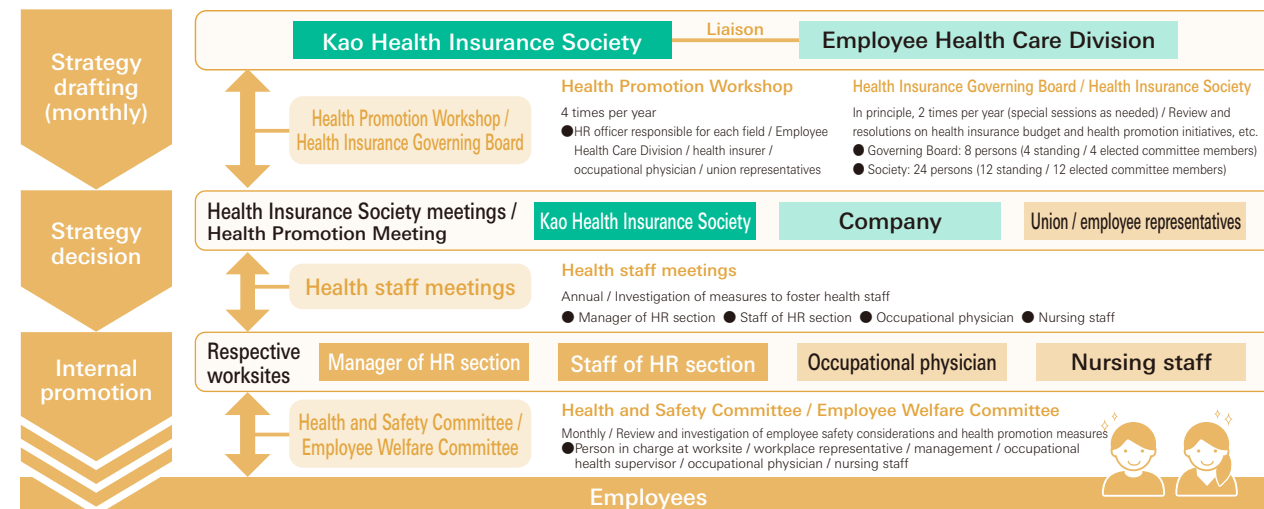
Major strategies are finalized at a company-wide Health Promotion Committee meeting after consideration by working groups and the committee members of the Kao Health Insurance Society with employee representatives. We have an appropriate number of health staff who possess specialist expertise permanently available, and these health staff are actively involved in the implementation of health

promotion strategies of various kinds. At every individual worksite or branch, the manager and staff of the HR section work together with occupational physicians and nursing staff.

Information on the state of progress in Japan is shared with group companies outside Japan, and the specifics of health management are implemented in line with government policy in each country or region.

In 2020 and 2021, in response to the COVID-19 pandemic, we held meetings of the Emergency Response Team Headquarters at least once a month, and measures taken in response to the pandemic—including those taken by group companies outside Japan—were shared and confirmed during these meetings. Issues relating to these measures were shared with risk managers and human resources managers via the senior management of individual overseas group companies, to facilitate effective implementation.

Health promotion framework (Japan)



Employee wellbeing & safety 403-6 (Occupational health and safety 2018)

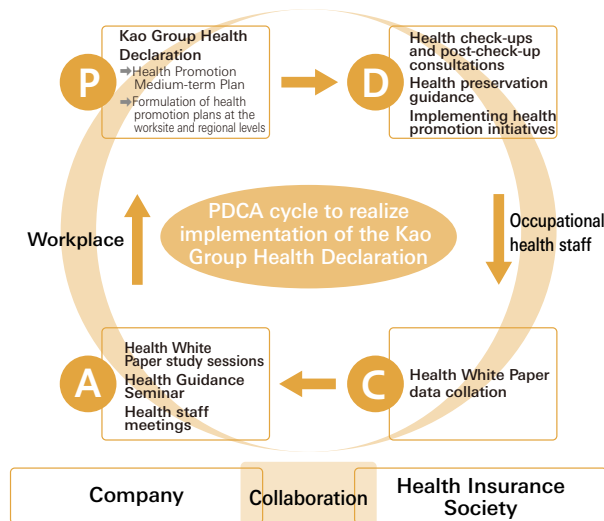
Increasing the visibility of the Health Promotion Management System

Since 2009, we have compiled a statistical summary of the previous year's health data in an anonymized format (including medical interviews, check-ups, occupations and diseases), and made this information available to the 19 health consultation rooms throughout Japan.

Each health consultation room then drafts and implements a health services plan based on the health data for their respective regions.

Since 2009, we have held annual Health White

Health Promotion Management System



Paper study sessions so that employees in charge of human resource and general affairs and occupational health nurses can together learn methods of analyzing the various types of health data and of formulating measures.

➔ Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure
P16

Cultivation of health staff and internal information sharing

The annual health staff meeting, which brings together managers and staff of HR sections, occupational physicians and nursing staff, was held online in December 2021, with the aim of spreading awareness of Kao Health 2025, the company-wide strategy for health, as well as recognizing examples of Health and Productivity Management best practice, with the aim of realizing horizontal diffusion to other worksites and branches.

In 2021, the gold medal for best practice went to the Wakayama Office and Kashima Office for their Initiative for Continued Implementation of Health Promotion during the COVID-19 Pandemic—Wakayama vs. Kashima: Let's Eat Breakfast Campaign. The silver medal went to the Tochigi Office for its Making Existing Habits into a Relaxing Time—Providing Collaborative Plans for the Effective Utilization of Research Results in Health Promotion

initiative. Bronze medals were awarded to the Tochigi Office, for its Initiative to Cultivate Leaders with a High Sense of Coherence, to KCMK's Northeast Region Office, for its Effectively Utilizing Kiranes Cards program, and to KCMK's Kinki Region Office, for its Special Activity Involving Not Only Occupational Physicians and Nursing Staff But Also Project Team Formation.

In addition, in January 2022 we implemented a Health Guidance Seminar with the aim of enhancing the health guidance capabilities of nursing staff. At the health staff meetings and Health Guidance Seminar, besides discussing strategies, we also hold study sessions regarding perspectives on health data and occupational health plan formulation methods.

We also encourage occupational health staff to attend training seminars to enhance their skill levels.

More than 100 occupational health staff have participated in these training seminars, including 21 staff who attended training seminars for specific health guidance program specialist staff, 12 staff who attended training seminars for mid-ranking and senior specific health guidance program staff, 32 staff who attended training seminars relating to data analysis, and 36 staff who attended training seminars relating to health services.

Employee wellbeing & safety 403-6 (Occupational health and safety 2018)

Mid- to long-term targets and performance

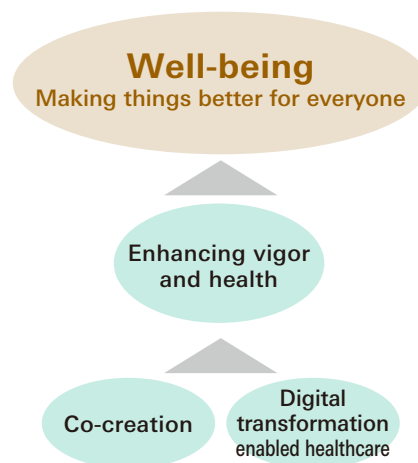
Mid- to long-term targets (Kao Health 2025)

We have formulated Kao Health 2025, a new health value creation activity which will involve the participation of both employees and their family members, looking ahead to the year 2025.

Besides strengthening occupational health activities, which are the foundation for Health and Productivity Management, we will also be implementing new health value projects that are supported by our healthcare know-how and digital technologies, together with employees and their families.

Kao Health 2025

We will work together with our employees to build workplaces that brim over with vigor and energy, with GENKI employees, and their family members, displaying high health awareness.



Anticipated benefits from achieving mid- to long-term targets

Business impacts

- Prevention of manpower loss due to decreases in long-term absenteeism
- Reduction in costs of specific health guidance due to decrease in numbers of employees receiving specific health guidance
- Enhanced productivity from increase in highly motivated employees

Social impacts

- Enhanced productivity and provision of improved products and services to society
- Provision of exemplary case studies in promotion of Health and Productivity Management to society
- Reduction of the social welfare burden on the country as a whole and on individual communities through the health of our employees and their family members

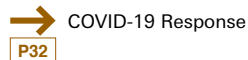
Employee wellbeing & safety 403-6 (Occupational health and safety 2018)

Performance in 2021

Performance

Response to the COVID-19 global pandemic

We set the emergency level as “level 3,” the highest level, and held a meeting of the Emergency Response Team Headquarters (headed by the President) to decide on response policies focusing on ensuring the safety of employees and their families and on the continuity of business activities.



Key health indicators for Kao Group employees in Japan

Item	2017	2018	2019	2020
Percentage of employees undergoing periodic health check-ups	100%	100%	100%	100%
Percentage of employees who underwent follow-up examinations	91.3%	93.9%	94.9%	92.8%
Percentage of employees who eat breakfast at least three times a week	Male 77.2% Female 74.3%	Male 77.6% Female 75.5%	Male 77.1% Female 76.1%	Male 76.5% Female 76.3%
Percentage of employees who exercise at least once a week	Male 55.9% Female 31.8%	Male 56.4% Female 35.0%	Male 57.5% Female 36.5%	Male 60.3% Female 40.4%
Percentage of employees who walk for at least 60 minutes a day	Male 57.1% Female 63.5%	Male 53.9% Female 60.7%	Male 56.0% Female 61.7%	Male 55.6% Female 60.6%
Percentage of employees who get adequate sleep	Male 68.4% Female 63.7%	Male 64.0% Female 62.2%	Male 63.0% Female 61.9%	Male 63.8% Female 62.6%
Percentage of employees who do not smoke	Male 70.5% Female 80.0%	Male 72.3% Female 80.8%	Male 72.6% Female 81.6%	Male 74.0% Female 83.0%
Percentage of employees engaged in improving their lifestyle habits	— —	Male 28.4% Female 18.2%	Male 27.3% Female 18.6%	Male 28.0% Female 21.2%
Percentage of employees who do not drink alcohol every day	Male 81.6% Female 91.3%	Male 81.4% Female 91.2%	Male 82.1% Female 91.4%	Male 82.0% Female 90.6%
Percentage of employees with a BMI of 25 or higher	Male 24.9% Female 12.3%	Male 25.5% Female 13.4%	Male 26.7% Female 14.0%	Male 28.5% Female 15.0%
Percentage of employees who are at risk of developing metabolic syndrome (employees aged 35 or over)	Male 30.8% Female 6.4%	Male 30.6% Female 6.6%	Male 32.3% Female 7.4%	Male 36.9% Female 8.9%
Percentage of employees receiving specific health guidance (employees aged 40 or over)	Male 18.4% Female 7.3%	Male 18.3% Female 7.8%	Male 19.0% Female 7.9%	Male 22.4% Female 9.2%
Specific health guidance implementation rate (employees aged 40 or over)	73.5%	72.2%	71.6%	63.2%

Note: Health check-up and interview results for 2021 will be published in the following fiscal year.

Reviews of performance

Global

With regard to strategies implemented in response to the COVID-19 pandemic, we have implemented response measures on a global basis, based on the overall strategy decided on at meetings of the Emergency Response Team Headquarters, and in line with the instructions received from government agencies in each country. As a result, we have been able to keep the number of people infected with COVID-19 down to a very low level.

Kao Group in Japan

By comparison with 2017, our employees have become older, with the average age of our employees now being relatively high. However, there has been an improvement in terms of most lifestyle habits. The share of employees reporting high levels of stress has fallen, and the invigorated workplace ratio has risen. On the other hand, there has also been a decrease in the average number of steps walked each day, an increase in the number of employees who do not sleep well, and an increase in the number of employees who are overweight.

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Our initiatives

COVID-19 measures (Japan)

COVID-19 infection prevention awareness-raising activities

As a countermeasure in response to COVID-19, in January 2020 we established an Infection Countermeasures Team. The team formulated rules governing how employees should take care of themselves if they feel unwell, and implemented measures relating to the working system and workplace environment. We also began implementation of health status surveys using our safety verification system. If an employee reported feeling unwell, nursing staff implemented a follow-up examination.

In 2021, we continued to implement our existing initiatives. In addition, recognizing the importance of preventive action to protect each individual employee from becoming infected or from infecting others, we have been striving to strengthen awareness-raising activities in collaboration with our internal Infectious Disease Risk Assessment Project.

As COVID-19 infection prevention education for new employees, we have created awareness-raising video content. Health surveys are conducted for new employees during the 14 days prior to starting work at the company, and we have endeavored to ensure that new employees become aware of the importance of infection prevention prior to starting work, and that they have an opportunity to learn the Kao Group's infection prevention rules.

In July 2021, we implemented an e-learning activity to check all employees' level of understanding of COVID-19.

In October 2021, to encourage employees to change their behavior, we conducted self-checking using the implementation assessment system. Based on the results, feedback was provided in the form of individual reports.

Support for COVID-19 vaccination

In order to get employees who are willing to be vaccinated against COVID-19 vaccinated as early as possible, in line with

government policy, the Kao Group in Japan has been promoting vaccination in the workplace, with workplace vaccination sessions being held at eight Kao worksites in Japan between June and October 2021. A total of 16,700 people—including employees, employees of partner companies, and employees' family members—were vaccinated at these sessions.

In addition, as an employee support measure, those employees who felt unwell on the day of the vaccination or the day after due to side-effects were able to take the day off. So that employees could make an informed decision, we provided accurate information about vaccine effectiveness and side-effects on the company intranet.

Health management for Japanese personnel on overseas assignment

With regard to employees who are posted to work outside Japan, we implement health status grading in accordance with the health management guidelines for personnel working overseas, and make a determination as to whether it is appropriate for each employee to be working overseas. Furthermore, personnel are not sent overseas until they have had all of the inoculations required by the FORTH criteria established by the Quarantine Information Office, Ministry of Health, Labour and Welfare.

Regarding health management for employees working outside Japan, those employees requiring follow-up receive frequent health follow-up sessions from the health consultation room, and on the basis of the results of these sessions they may have an appointment made to see an occupational physician. In principle, employees stationed outside Japan were entitled to return to Japan for a health check-up once a year. However, starting from 2020, we have switched over to a system whereby such employees can have a health check-up at a local medical facility.

In the case of regions affected by Avian influenza, every year employees visiting or stationed in such regions were encouraged to get vaccinated against influenza. Starting from 2020, as it was possible to subsidize the full cost of vaccination for all employees who wished to be vaccinated against influenza, employees were encouraged to receive the vaccination, regardless of where they are located.

Lifestyle habit improvement initiatives

Events and activities

Smart WASHOKU®

Smart WASHOKU® is a dietary method which causes less visceral fat accumulation, while ensuring sufficient nourishment. Rather than focusing on the overall quantity of food consumed, the Smart WASHOKU® approach emphasizes three key points—(1) the ratio of protein to fat, (2) the ratio of dietary fiber to carbohydrate, (3) the ratio of Omega 3 to fat—to provide a diet that enables people to eat well while still keeping their visceral fat level down.

- Smart WASHOKU® online seminars were implemented on 10 occasions, along with 2 online cooking classes. Approximately 400 employees and family members participated.
- A Smart WASHOKU® Challenge was implemented for employees and their families as a summer holiday project. After participating in a Smart WASHOKU® online seminar, employees and their family members who were interested in taking part in the Smart WASHOKU® Challenge took on the challenge of making Smart WASHOKU® at home. They could then post photos of the dishes that they had created to an online community. Approximately 300 people participated in the online community, of which 30

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submitted photos of food that they had made. A total of 53 photos of food were submitted.

- With the increase in the number of employees working at home, starting from December 2021, recipe videos for the Smart WASHOKU® lunches served at the Kayabacho employee cafeteria in Tokyo were disseminated for employees who are unable to use company cafeterias to make the dishes at home.



HocoTouch Pedometer Gait Measurement

We hold Gait Measurement at which analysis of how employees walk makes it possible to gauge their “walking age” and their future living functions risk. We also rent out HocoTouch pedometer device, a unique device developed by Kao, which can stimulate improvements in daily living habits.

- HocoTouch devices were rented out for use at 97 spot locations by 10,634 personnel.
- 23.0% continued to use the devices, of which 43.6% achieved Rank A walking steps and speeds over one day or more.

Note: A smartphone app has been provided so that HocoTouch can be used by employees working at home. 31.7% of continued users have made use of this app.

Visceral Fat & Lifestyle Check-ups (lifestyle habit analysis and visceral fat measurement)

This service helps to enhance awareness of the need to improve lifestyle habits by digitalizing and displaying the results obtained through a questionnaire survey of lifestyle habits and measurement of visceral fat, which tends to be affected by lifestyle habits.

Measures have been implemented to strengthen infection prevention. For example to reduce the amount of time that people needed to spend in the check-up venue, the lifestyle habits questionnaire survey was implemented in advance, online, and the explanation of the check-up results was performed remotely.

- Event participants: 96 people

Dissemination of information and campaign activities

We have been disseminating health information via the company intranet and implementing awareness-raising activities so that employees can take steps to improve their health, regardless of whether they are working on company premises or working from home.

Internal survey on Health and Productivity Management activities and personal health

A questionnaire survey targeting all employees was implemented with the aim of determining employees’ degree of understanding regarding Health and Productivity Management and their subjective health awareness, with the aim of facilitating consideration of future Health and Productivity Management activities and health promotion activities.

Summary of survey results

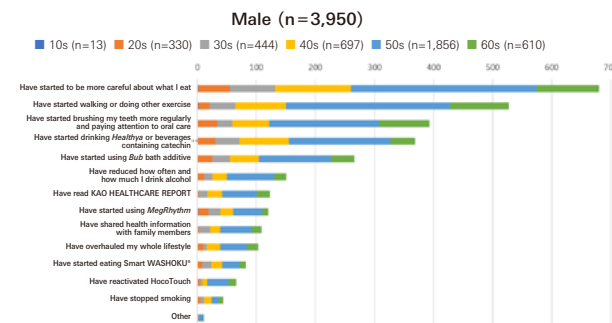
- Implementation period: January 29–February 12, 2021
- Response rate: 54.2% (14,232 employees out of 26,269)
- No. of male and female respondents (and average age)
Male: 5,858 (47.4 years old), Female: 8,374 (43.1 years old)
- Kao Group Health Declaration awareness rate
Male: 76.2%, Female: 75.1%
- Awareness that Kao has been selected as a health and

productivity management brand for six consecutive years
Male: 51.9%, Female: 36.9%

- Employees’ personal health maintenance implementation status: Significant variation for both male and female employees
Share of employees currently implementing health maintenance activities
Male: 52.4%, Female: 44.6%
- Health issues subjectively felt to be most important
Male: Weight (31%), Visceral fat (18%), Inadequate exercise (13%)
Female: Weight (26%), Inadequate exercise (16%), Pain* (15%)
* Pain includes stiff shoulders, back pain and headaches.

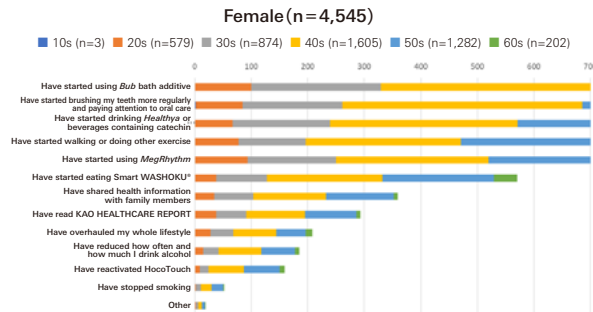
- Preferences regarding internal events
 - Whole-family participation
 - Simple
 - Potential for continuation
- Examples of changes in behavior after reading information disseminated on the company intranet
 - More careful about what I eat
 - Started / Continued exercising
 - Pay more attention to oral care

Changes in behavior after reading GENKI Project information posted on the company intranet Results for male and female employees (multiple answers permitted)



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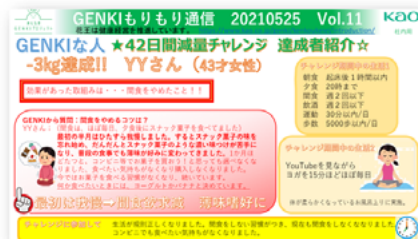
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These survey results, along with collated data broken down by gender and by job type, have been shared with health staff throughout Japan.

Dissemination of health information via the company intranet—GENKI Mori Mori Bulletin

Starting in 2020, the 25th day of every month has been designated as GENKI Mori Mori Day, on which we disseminate health-related information using the company's intranet. We present seasonally-relevant information of the types that employees want to know in an easy-to-understand format and in a timely manner through collaboration between relevant units and research institutes. This year, we presented individual interviews with employees who have achieved their targets in various health-related events, as well as reporting on the secrets to their success and their lifestyles, with the aim of



providing support for other employees who want to take steps to improve their health.

Launching an internal community site

We have established an internal community website that all Kao employees can participate in, regardless of which unit they belong to or where they are located. Employees can post messages or images, and add stickers to indicate their response, using a nickname rather than their real name. By making it easy to participate, the idea is to help employees feel the strength of their connections with colleagues.

42-day Weight-loss Challenge

This campaign is held to encourage employees to try to lose 2kg in weight over the 42-day period between February 15 and March 29 (except employees with a BMI of less than 19).

In 2021, the company's occupational physicians distributed diet magazines to employees on a regular basis, and participants were able to share their experiences of losing weight through communication using Microsoft Teams, providing each other with mutual encouragement in their efforts to lose weight.

- A total of 2,678 employees took part (representing a participation rate of 12%), of which 1,036 (38.7% of participants) succeeded in losing at least 2kg.
- The combined total of visceral fat lost by all participants was 2.6 tons.

Pre-examination Weight-loss Challenge (for employees who received specific health guidance in 2020, and those on a waiting list for specific health guidance)

This campaign encouraged employees to try to lose weight

over a 42-day period 2 months prior to their annual health examination. The participants in the 2021 campaign had Smart WASHOKU® video content disseminated to them, along with diet magazines provided by the company's occupational physicians, so that they could learn cooking methods and lifestyle habits that help to avoid the accumulation of visceral fat, with the aim of making it possible to lose weight without a great deal of effort.

- This has been implemented 5 times, with 645 participants, of which 187 (29.0%) lost at least 2kg in weight.

Walking Challenge

The Spring Walking Challenge was implemented over the three-month period from April 1 to June 30, 2021. An online community was used for posting photos of participants walking and of the scenery they saw during their walks, etc., making the event a fun experience. By creating a situation in which, if someone felt they could not do it on their own, they would be able to carry on by doing it together with others, the aim was to get employees into the habit of walking and improve their overall lifestyle habits.

- A total of 3,002 people took part (representing a participation rate of 11.5%).
- No. of participants that achieved their target: 1,647 people (54.9% of the total)

Online Radio Calisthenics Club

The Online Radio Calisthenics Club held calisthenics sessions twice a day over the 14-day period from January 18 to January 31, 2021, and also held morning online calisthenics sessions during the periods from October 18 to October 22, 2021, and November 15 to November 19, 2021. Every day, large numbers of employees took part, engaging

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in lively online communication.

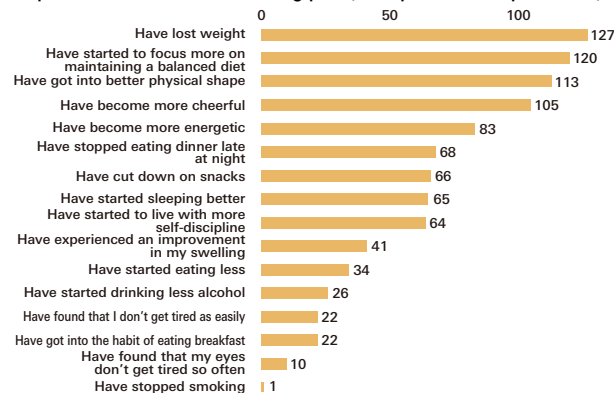
- GENKI-WEB event participants: 1,274 people
- Online Radio Calisthenics Club participants (in January): 4,332 people
(in October): 845 people
(in November): 690 people

Sports Declaration: I'm Going to Do This!

Over the period from October 11 to November 21, 2021, the Sports Declaration: I'm Going to Do This! event was held to promote participation in sports. The aim was for the participants to take part in a sport of their own choosing at least three times a week over a period of 42 days. Participants declared which sport they would be taking part in on a community website, and then followed through for 42 days. According to the results of a questionnaire survey conducted after the event, 70% of participants reported that their participation in sports had become more frequent than before the event.

- A total of 1,851 people took part.
- No. of participants that achieved their target: 991 people (53.5% of the total)

Improvements noted after taking part (multiple answers permitted)



Daytime Rest GENKI Challenge

In September 2021, we began promoting the Yasumi Yasumi Workstyle, which involves the proactive incorporation of rest breaks into the working day. As one such initiative, during the month of November 2021, *MegRhythm Steam Eye Masks* were distributed to employees. Participants recorded the days on which they used them, and participants were also able to share their concerns in regard to taking a rest. The aim of this activity was to adjust people's habits in relation to taking daytime rests.

- Participants: 1,257 people
- Before-and-after surveys were conducted to examine individual performance, and these indicated that productivity rose by an average of more than 5%.

Mental health care

By 2021, our system for implementing job stress assessments for employees in Japan had been in use for six years. We made effective use of job stress assessment results to proactively implement mental health care. Occupational physicians and nursing staff promptly follow up on employees who are assessed as requiring emergency treatment in light of their responses to these stress tests, and individual follow-up e-mails are sent to employees who are judged to display slightly high stress levels.

As an organization, we also hold briefings based on job stress assessment group analysis at company, division, worksite and branch levels, and we identify workplaces needing priority attention and implement measures to improve the working environment at these sites. For example, in the case of workplaces where a rapid increase in business

volume has been accompanied by increased stress, we have performed in-depth analysis to gauge the reasons for the increase in stress besides supporting individual employees, and we have begun to implement activities to improve the organizational structure and the communication methods.

We also aim to enhance the ability of each individual employee to treat their own mental health through training and provision of information. We are continuing to foster a corporate culture in which everyone at Kao, including the colleagues at our individual worksites, acquires the ability to pay attention to small but significant changes that have occurred in their own lives, address problems at an early stage, and help each other out in times of difficulty.

In addition, we are making effective use of our guidelines for helping to ensure a smooth return to work after long periods of leave. By implementing activities to help people avoid mental health problems and to address them at an early stage if they do experience them, at the level of both individual employees and the organization as a whole, we are creating workplaces filled with vitality and higher productivity.

In 2021, we switched over to using Peacemind Inc. as the contracted provider of the Kao Mental Health Consultation hotline service. We also strove to enhance awareness by notifying all Kao employees by e-mail about the available internal and external hotline services.

In addition, we are working to strengthen employees' ability to cope with various types of stress, by making self-care seminars available to all employees through live streaming.

We are providing mental health manager training at individual worksites and branch offices, and promoting mental health care appropriate to each organization.

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Mental health care projects implemented in 2021

Item	Performance in 2021
Invigorated workplace ratio	50.5%
Job stress assessments participation ratio	98.4%
High stress rate	8.9% (1.3 percentage points higher)
High work engagement rate	13.5%
Training for managers	19 sessions with 1,322 participants
Self-care training	1 session with 485 participants
External EAP usage rate (number of usage / number of target employees)	191 telephone consultations + 296 e-mail consultations + 118 face-to-face consultations (including online) / 241 employees = 2.5%
Consultations with internal counselors (focused on career interviews)	15,779 people

Smoking cessation initiatives

Promoting smoking cessation (Japan)

With the aim of realizing healthy, pleasant workplaces, in January 2018 we began promoting the prohibition of smoking during working hours. Starting from April 2020, having built consensus with management, we have been using the company’s intranet to clearly enunciate to employees both the prohibition on indoor smoking and the need for consideration for smokers.

In 2021, we distributed leaflets and messages as measures to encourage employees not to start smoking and we also strengthened our measures to protect employees from passive smoking and encourage employees to quit smoking.

Kao Group Smoking Cessation Week

The week beginning May 31 (which is World No Tobacco Day) has been designated as Kao Group Smoking Cessation Week. During this week, we

provide support to help people stop smoking, including the dissemination of messages supporting smokers’ efforts to stop smoking, and the holding of seminars by occupational physicians.

- Implementation of the Kao Group Smoking Cessation Challenge
In January: A total of 63 employees participated (of which 33 succeeded in stopping smoking)
In May: A total of 39 employees participated (of which 18 succeeded in stopping smoking)
- Kao Health Insurance Society-subsidized smoking cessation treatment was provided for 2 people.
- Online smoking cessation program led by Kao Health Insurance Society was implemented.
Online smoking cessation program in spring: 24 employees participated

Women’s health

Within Japan, we have established a Women’s Health Consultation Service (for e-mail consultations), which arranges for occupational physicians to respond to employees’ requests for consultations. Women’s Health News is distributed regularly (once every three months) using the company’s intranet, to help deepen understanding of women’s health issues.

We hold women’s health seminars throughout the country. This year, the seminar at the Tochigi Office focused on the problem that women in their 50s have with not getting sufficient sleep. Based on internal research evidence indicating that daily skin care habits can affect the autonomic nervous system (which controls heart rate) and

skin condition, a researcher from the R&D gave a skin care seminar remotely. A total of 78 people attended the seminar, which helped them to develop their own ways of relaxing and of using their own free time to maximum effect.

At a Pink Ribbon Seminar organized by the Social Contribution, an occupational physician gave a talk on getting cancer screening at gynecological clinics, and what this experience involves. The physician stressed how important it is to provide the consideration needed to encourage employees (or their family members) to get tested.

Expansion of health checks for employees working long hours

We are promoting the adjustment of working hours. To address the fatigue and stress experienced by employees with long working hours, we have undertaken to implement more detailed health checks as outlined below. These will facilitate early detection of symptoms and identification of potential distress signals from such individuals.

Performance of health checks for employees working long hours in 2021

Content	Performance in 2021
Meetings with occupational physicians	Scope: Employees logging over 80 hours work outside normal working hours per month No. of eligible employees: 110 No. of employees attending consultations: 110 (Implementation rate: 100%)
Online health check-ups (basic check-ups)	Scope: (1) Employees logging an average of over 80 hours of work outside normal working hours per month over a period of 2 to 6 months No. of eligible employees: 30 No. of employees attending consultations: 30 (Implementation rate: 100%) (2) Employees logging an average of over 60 hours of work outside normal working hours per month over a period of 2 to 6 months No. of employees responding to online medical interviews: 833 Of whom, all of 208 employees who had been deemed eligible for consultations by occupational physicians have actually received consultations. (Implementation rate:100%)

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Support for specified fertility treatment

Since 2009, we have been providing support for specified fertility treatment within Japan.

Initially, the Kao Health Insurance Society subsidized treatment, but in 2013 responsibility was transferred to the Kao Family Association (a mutual aid association). Subsequently, the program was revised several times. In 2017, financial assistance for male fertility treatment was added, and in 2020 the scope of application was expanded to cover additional companies, so that all Kao Group companies within Japan are now covered.

In 2021 the annual total of instances of subsidy usage rose to 262 (none of which involved male fertility treatment), representing an increase of 35 instances, and a year-on-year growth rate of 115%.

We have also put in place an environment in which employees can seek to maintain an appropriate balance between work responsibilities and treatment, by making effective use of the various flexible working arrangements that we offer (including a flextime system, a working-from-home system, and the ability to take leave in hourly increments).

Content of support for specified fertility treatment (Japan)

Item	Details
Scope	Employees and their spouses / partners (If both partners are Kao Family Association members, financial support will be provided for only one person)
Subsidy	60% of the co-payment for one round of treatment (up to 120,000 yen) Up to 1 million yen per couple (for the co-payment, from which all assistance including public support etc. has been deducted)

Company-wide deployment of health promotion activities

Deployment of company-wide health promotion activities (Japan)

Content	Performance in 2021	FY2021 participant satisfaction level
42-day Weight-loss Challenge	2,678 participants	68%
Pre-examination Weight-loss Challenge	645 participants	
Online Radio Calisthenics	1,274 participants	
Smoking-Cessation Campaign	102 participants (of which 51 were successful)	
Online classes to prepare employees for an internal ban on smoking	29 participants	
<i>Healthya</i> Walking Challenge	3,002 participants	78%
Sports Declaration: I'm Going to Do This!	1,851 participants	71%
Seminar on dealing with back and shoulder pain	755 participants	89%
Best Physical Condition & Best Weight GENKI Challenge	799 participants	97%
Daytime Rest GENKI Challenge	1,257 participants	90%
Women's Health News	4 issues published	
Dissemination of information over the company intranet during the period of home working		
GENKI Mori Mori Bulletin	18 issues published (average no. of times accessed: 3,580)	
Smart WASHOKU® Bulletin	12 issues published (average no. of times accessed: 4,465)	

Deployment of health promotion activities at individual worksites (Japan) (Events, seminars, campaigns, etc.)

Content	Performance in 2021
Lifestyle disease-related: Exercise and nutrition seminars, strength tests, health fairs, lectures by occupational physicians, etc.	Held 73 times, with a total of 22,447 participants
Smoking cessation	Held 8 times, with a total of 855 participants
Female: Women's health seminars, change-of-life seminars, etc.	Held 2 times, with a total of 106 participants
Mental: Mental health courses, seminars for beauty advisors, new employees and newly promoted employees, etc.	Held 30 times, with a total of 3,100 participants
Health lectures, etc.	Held 26 times, with a total of 6,157 participants
Rest and sound sleep seminars	Held 2 times, with a total of 240 participants

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Promoting the GENKI Project

The GENKI Project, which was put on a systematic footing in 2021, involves expanding the application of outstanding health solutions that have been implemented within Kao to include employees, their family members, the local community and society as a whole.

GENKI-Action

In our Human health care, we have for many years now been undertaking research on areas such as the relationship between visceral fat and lifestyle and the relationship between walking and health. The knowledge obtained from this research is utilized not only in the development of new products, but also to improve the health of our employees and their families through our health promotion programs. We call this unique approach to health promotion Kao GENKI-Action. What makes Kao GENKI-Action special is the way it realizes visualization of health status and lifestyle habits, which helps to boost health awareness and encourages people to make effective improvements through lifestyle changes. In order for people to achieve a health-conducive lifestyle without it being too stressful, and so that they can keep it up over the long term and enjoy doing it, we provide support for building a healthy environment, and offer assistance through our company's products.

We also make effective use of GENKI-WEB, a health community website for Kao employees, as a platform for Kao GENKI-Action, with recording of daily living activities, implementation of special health events, etc.

GENKI-Action

Visualization (Awareness)



Note: NaiBO®, Smart WASHOKU® and HocoTouch are registered trademarks of Kao Corporation.

Kao GENKI Project for Everyone

Besides working actively to promote the health of employees and their family members, the Kao Group also shares this knowhow externally with local government authorities, corporations, senior care facilities, etc., thereby providing support for health promotion efforts.

The activity content is disseminated widely throughout society using the Kao GENKI Project for Everyone website.



Kao GENKI Project for Everyone
www.kao.co.jp/genki/ (Japanese)

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Examples of collaboration with stakeholders

The health promotion measures and services that we promote within the company are also provided for external stakeholders including consumers.

Awareness of Smart WASHOKU®

We have also been working to spread awareness of the Smart WASHOKU® dietary method for eating well without increasing visceral fat.

- Online seminars
 - Smart WASHOKU® master class e-learning seminar for public health nurses, nutritionists and other specialists: Held three times as regular sessions, and once for a local government authority. A total of 175 people participated.
 - Occupation-specific online diet improvement seminar (including dissemination of video content): Held externally for two business enterprises. A total of 104 people participated.
- Smart WASHOKU® diet improvement program
 - Implemented in response to a request from one local government authority. The program was implemented over a period of 3 months for 36 local government employees, with the aim of reducing visceral fat.
- Smart WASHOKU® Instagram online lessons
 - Live-streaming of Smart WASHOKU® cooking classes using Instagram, in collaboration with ABC Cooking Studio (administered by ABC Cooking Studio Co., Ltd.). The Instagram Stories posting received approximately 12,700 views. Around 850

people viewed the classes on the day that they were held, and there were around 9,200 Instagram Feed and IGTV (Instagram Video) postings.

- Dissemination of educational video content
 - Working in collaboration with the Japanese Association for the Prevention of Obesity Disease, a YouTube video was created and disseminated via the society's website, as a practical implementation of the Eating Methods for Reducing Visceral Fat Accumulation special study session.
- Introducing Smart WASHOKU® service activities
 - Seminar introducing GENKI Project activities: Introducing the research behind Smart WASHOKU® and case studies of health promotion support activities. A total of 104 people, including persons in specialist roles and human resources staff involved with health promotion, viewed this seminar.
 - Online seminars for exhibitions, etc.: Participation in online seminars forming part of the Health ingredients Japan exhibition and the Active Senior Food and Nutrition Club. Smart WASHOKU® service activities were introduced.

Get Walking Program

As part of a program to create an effective and enjoyable walking environment in workplaces and in local communities, we have been distributing our unique HocoTouch pedometer devices and holding the Gait Measurements sessions to provide detailed analysis of walking "quality."

- HocoTouch Pedometer Gait Measurement: Held externally at 51 corporate, foundation and local government facilities, with 11,794 people participating
- Gait Measurements sessions: Held 11 times externally, with 807 participants

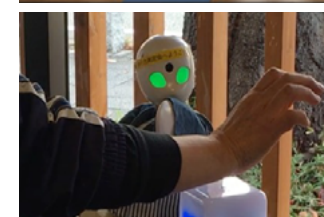
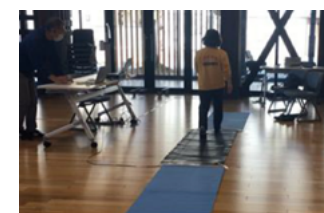
Comprehensive initiatives in collaboration with local government authorities and research institutes

Initiatives that integrate the health solutions noted above in a comprehensive manner have been provided in collaboration with local governments and universities.

Fukushima Prefecture: Health Promotion in Collaboration with Private-sector Enterprises

We have been involved in Fukushima Prefecture's Health Promotion in Collaboration with Private-sector Enterprises project for four consecutive years. We were commissioned by three municipalities to provide our walking improvement (promotion) program, and additionally by one worksite to provide our visceral fat reduction program.

To help prevent the spread of COVID-19, all face-to-face explanations of the results were conducted online. We strove to ensure participants' safety and peace of mind by using the OriHime avatar robot at venues. Approximately 220 people participated in each of the HocoTouch provision activity and Gait Measurements sessions, respectively.



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Toyota City, Aichi Prefecture; Genki! All the Time Project to reduce the need for care provision, a collaborative project between the local government authority and the private sector

In October 2021, we began providing HocoTouch pedometer devices and Gait Measurements sessions for senior citizens aged 65 or over living in Toyota City. In 2021, the first year of implementation, this support was provided for approximately 100 people.

This project is making use of Social Impact Bond, Japan's largest-scale initiative in the healthcare sector, and is being implemented as a new initiative for working on social issues.

Joint research with COI, Hirosaki University

As part of our efforts to contribute toward the building of a sustainable, healthy society, we are undertaking collaborative research with the Center of Healthy Aging Innovation (COI) at Hirosaki University, which is engaged in creating a "lifespan revolution." Focusing on Aomori Prefecture, which has the shortest average lifespan in Japan, we are conducting social implementation research that integrates basic research on visceral fat reduction with its measurement and attention to dietary and exercise habits, with the aim of preventing metabolic syndrome.

In 2021, we conducted visceral fat testing at quality-of-life health check-ups, an awareness-raising type health check-up activity implemented at business enterprises and in municipalities in Aomori Prefecture. We also provided HocoTouch devices to 743 people as follow-up after the health check-ups (as of October 2021).

Consortium projects focused on senior citizens: General Incorporated Payer's Association for Better Healthcare Senior Citizens Research Group

A Health Project Linking Senior Citizen Health Promotion with Local Government consortium activity is being implemented by the Senior Citizens Research Group of the General Incorporated Payer's Association for Better Healthcare.

The data from this activity are being shared with the Data Health Portal website, so that it can be effectively utilized by local government authorities and by health insurance society members.



Health Project Linking Senior Citizen Health Promotion with Local Government activity data
datahealth-portal.jp/index.php?action_kouhyou_library_material=true (Japanese)

Information exchange with external organizations

- Participate in events on health and productivity management (organized by the Association for Considering Health and Management), and exchange information on Health and Productivity Management initiatives in general
- Participate in the Forum for Building Healthy, Vigorous Workplaces (organized by the ICT and Healthcare Promotion Division of the Japan Productivity Center), and share information on initiatives taken to build employee-friendly workplaces and on mental health issues
- Participate in Sanpo-Kai (Occupational Health Research Association), and exchange views on the occupational health projects of human resources and health staff
- Participate in the Health and Productivity Management / Workforce Nutrition Subcommittee (Nutrition Japan Public Private Platform), and formulated a commitment to improve Health and Productivity Management and workforce

nutrition at the Tokyo Nutrition for Growth (N4G) Summit.

Disseminating Health and Productivity Management case studies outside the company (within Japan) The 7th Japan Forum of Health and Productivity Management Symposium

Participants in the Japan Forum of Health and Productivity Management Symposium included government officials, business leaders, representatives of health insurers, and physicians involved with Health and Productivity Management and data-based health management. Michitaka Sawada, the Chair of Kao's Board of Directors, gave the keynote speech, introducing the initiatives that we have implemented as a leading company in the area of Health and Productivity Management.

Mr. Sawada noted that making a serious effort to realize Health and Productivity Management represents the embodiment of ESG-driven management. He emphasized the importance of thinking of people as assets and investing in them, and introduced the GENKI Project, which utilizes our research findings in health promotion design.

During the panel discussion, there was an in-depth discussion, involving all participants, of the need to build platforms and stimulate waves of interest within society so as to enhance the visualization of health through effective utilization of Japan's technological capabilities, and of the need for initiatives that encompass the whole of society.

Green Cross Exhibition Online Seminar

Michitaka Sawada, the Chair of Kao's Board of Directors, gave an address at the Green Cross Exhibition 2021 Online Seminar organized by the Japan Industrial Safety and Health Association, and engaged

Employee wellbeing & safety¹⁰²⁻⁴³

in a dialogue with Mr. Tatsuo Yamakawa, the presenter of the World Business Satellite program on TV Tokyo.

During his address, Mr. Sawada explained why Health and Productivity Management is so important, and then outlined the key features of our Health and Productivity Management promotion system, noting the concrete results obtained in our GENKI Project, such as visceral fat measurement sessions to help visualize people's lifestyle habits, and the provision of support for health improvement through walking. Mr. Sawada also noted that, going forward, artificial intelligence (AI) and deep learning will be applied to major health-related issues, with Kao acting as a platform and seeking to develop collaboration with other companies.

Disseminating Health and Productivity Management case studies outside the company (Global)

Announcing a commitment at the Tokyo N4G Summit 2021

Participating in a side-event organized by the Ministry of Agriculture, Forestry and Fisheries

The N4G Summit is held once every four years, hosted by whichever country is hosting the Olympics and Paralympics that year, with the aim of promoting international initiatives to clarify the current status of world nutrition improvement and the key issues, and to resolve these issues.

At the Tokyo N4G Summit in 2021, we announced a commitment to expanding the scope of implementation of our Smart WASHOKU® and Health and Productivity Management support initiatives.

Kao's commitment

We will contribute toward the reduction of premature deaths from non-communicable diseases using the findings from our own research activities in nutrition.

As part of that effort, by 2025, we will provide the following workplace nutrition improvement programs to workplaces that cover 200,000 people annually (including 50,000 Kao Group employees and family members and 150,000 others) and promote Health and Productivity Management and Workplace Nutrition.

- (1) Consulting on Health and Productivity Management
- (2) Health checks related to nutrition (visceral fat measurement, etc.)
- (3) Assessment of lifestyle habits
- (4) Education or guidance on healthy eating (Smart WASHOKU®)
- (5) Healthy meals at work (Smart WASHOKU®* meals)

* Smart WASHOKU® is a healthy eating method to prevent visceral fat accumulation by improving the quality of meals rather than changing the amount of food eaten.

Through this activity, we will provide opportunities for small and medium-sized enterprises and their employees, who have less capability on their own to implement Health and Productivity Management and Workforce Nutrition, to improve health and nutrition.

In addition, in order to share our findings, methods and experiences with the world's workplaces, we will be joining the Workforce Nutrition Alliance by 2025 and aiming to play a leading role in the alliance's efforts.

In the years ahead, we will be working actively to help address global nutrition issues.

Japan–Saudi Arabia Future Shapers Initiative initial online learning program

In January 2021, in response to a request from the Japan International Cooperation Center (JICE), we gave a presentation on Health and Productivity Management to a

group of young people from Saudi Arabia, including students and young businesspeople. Obesity is one of the problems affecting society in Saudi Arabia, and we responded to the high interest that has been shown in our Smart WASHOKU® initiative by introducing a food education program that makes effective use of Smart WASHOKU®. The presentation was followed by a lively exchange of views, with the participants commenting that they felt that methods similar to Japan's workplace nutrition initiatives could be applied in Saudi Arabia, and that the idea of using nutrition to reduce visceral fat was unique and interesting.

Activities relating to human resources cultivation in the UAE Seminar on Women's Healthcare for Promoting Female Empowerment

In June 2021, in response to a request from the JICE, we participated in an online seminar for participants selected by the Department of Health, Abu Dhabi Government, United Arab Emirates (UAE), which included personnel from related units within the Department of Health, as well as medical professionals and researchers specializing in the field of gynecological cancers, at which we introduced our initiatives to support women's health.

The participants asked various questions relating to the system for taking leave before and after childbirth, and childcare leave, as well as questions relating to the high share of employees at Kao who take childcare leave, and the incorporation of gynecological examinations into periodic health check-ups. Despite the cultural and religious differences, there was a shared high level of concern regarding women's health, and a shared awareness that this issue needs to be addressed at the level of society as a whole. Overall, the discussion was very fruitful.

Employee wellbeing & safety ¹⁰²⁻⁴⁴

Stakeholder engagement

Takashi Yamaguchi

Director, Secretariat, Nutrition Japan
Public Private Platform



Evaluation of Kao's Initiatives

The Third N4G Summit was held in Tokyo in December 2021. As one of its initiatives to improve nutrition in the period leading up to 2030, Kao proposed promoting widespread adoption of the Smart WASHOKU® evidence-based workplace nutrition improvement program. The promotion of this nutrition improvement program is linked to visualization by means of health checks, and to getting people to recognize that health improvement is something which they can and should tackle themselves. Kao's incorporation into its activities of efforts to provide a solution to these issues (including Smart WASHOKU® and health literacy enhancement) is to be applauded. Activities that foster widespread adoption of successful, outstanding projects in the nutrition improvement field are very important, and can lead to activities

aimed at reducing malnutrition from a global perspective.

Expectations and suggestions for Kao

The year 2021 saw the holding of the United Nations (UN) Food Systems Summit, and of the Tokyo N4G Summit.

Both of these summits made progress toward building a framework for activities aimed at the year 2030, and led to the setting of goals to address the problem of malnutrition, in all its forms, through a variety of different channels. A complementary nutrition-related commitment to action has been made, and this is important for the realization of the UN's 17 Sustainable Development Goals.

The recent N4G Summit did not only address malnutrition; it also took as one of its themes the "double burden" of malnutrition, specifically the need for measures to address metabolic syndrome, with the need to provide a nutrition-aware diet (in other words, a quality-focused diet) and enhanced health literacy as key points. The Health and Productivity Management and Workforce Nutrition initiatives that Kao has been promoting are in alignment with these themes.

The key point to bear in mind when

implementing a nutrition improvement project, working to maintain motivation, or evaluating the results achieved through the project, is the need to adopt indicators to measure change in actions and change in awareness. Kao's initiatives, which clarify the indicators used at each stage, are truly outstanding in this respect.

While focusing on nutrition status in the first 1,000 days, it can be anticipated that there may be cases when nutrition improvement projects will want to target women who are of childbearing age. It has been suggested that, for them, using indicators such as becoming more beautiful and developing smooth skin are likely to be effective in maintaining motivation. I hope that Kao will keep this point in mind when developing its research efforts.

As a sub-event for the Tokyo N4G Summit, Japan's Ministry of Agriculture, Forestry and Fisheries organized a special session attended by senior managers from those companies that made formal commitments during the summit. Although Kao was unable to participate in this sub-event this time, I hope that Kao will participate in similar events in the future, as an opportunity to disseminate useful information.

Employee wellbeing & safety 102-12, 102-15, 103-1, 103-2, 103-3

Optimistic, energetic employees (what we refer to as “GENKI employees”) are the foundation of Kao’s business activities. We as a company are only as strong as the health of our employees.

Besides promoting Health and Productivity Management® and implementing health promotion to maximize employee power and potential, we also expand the scope of application of initiatives that have proved to be effective to include other Kao workplaces, the local community and consumers in general.

Safety

Kao’s creating value to address social issues

Social issues we are aware of

As we have several large-scale chemical plants, process safety and disaster prevention needs are increasingly heightened in the context of accidents at chemical plants and the many natural disasters that have occurred recently. Given this situation, providing a working environment in which all employees can work safely is a vitally important issue for the enterprise.

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

- Risk of stoppages to operations due to occupational illness resulting from critical disasters or compromised operating environments
- Risk of loss of societal trust in the company due to the above

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

We actively work, by means of thorough risk assessments, to eradicate the factors which threaten the occupational health and safety of all employees, thereby creating workplaces where they can work energetically in safety, health and peace of mind.

Kao’s creating value

Kao Group Responsible Care (RC) Policy specifies occupational safety and health-related activity guidelines, and we strive to safeguard the safety and health of everyone working at Kao by implementing risk assessment of operations, machinery and chemical substances, ensuring thorough implementation of health check-ups and related follow-up, and implementing activities focused on mental health.

We will deliver workplaces which provide job satisfaction and peace of mind for employees and for their families, by creating pleasant working environments.

Contributions to the SDGs



Policies

Activity guidelines to ensure occupational safety and health are clearly stipulated in the Kao Group RC Policy, which states that we will “strive to create a comfortable working environment and improve the health of employees” and that we shall “prepare for emergencies by conducting periodical training that takes into consideration the need to strengthen security.” To protect our employees from accidents or disasters relating to our business activities while maintaining safe and stable operations, when occupational accidents occur, we carefully investigate the accident or disaster, and identify and analyze the causes. The results of the analysis are shared throughout the group to help prevent similar accidents from occurring again in the future.



Kao Group Responsible Care Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Basic Principle and Basic Policies on Environment and Safety

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Employee wellbeing & safety

102-43, 103-1, 103-2, 103-3, 403-1, 403-2, 403-4, 403-5,
403-9, 403-10 (Occupational health and safety 2018), 404-2

Education and promotion

To ensure that work can be carried out safely, we draft educational plans related to occupational safety and health for employees and temporary workers, and conduct training for new hires or reassigned personnel. We also identify roles that require special training, and implement training for those employees that require it as needed.

By implementing education, we are able to share information relating to occupational safety and health in the workplace, and are able to undertake activities aimed at achievement of related targets.

In addition, we conduct periodic disaster response drills (for scenarios such as a major earthquake) and regular training in verifying whether employees are safe in the event of a disaster, to make sure that we will be ready for an emergency.

Collaboration and engagement with stakeholders

We strive to create workplaces where all employees can work with safety and peace of mind every day. Furthermore, in order to ensure the safety of employees of partner companies who work together with us at our worksites, we conduct events related to safety and disaster prevention, such as emergency rescue seminars and fire-extinguishing training, in

cooperation with partner companies. Every month, we share safety-related information—including case studies of occupational accidents within Kao and the steps taken in response—with partner companies, and we strive to become an enterprise characterized by safety and peace of mind through collaborative promotion of safety activities.

Framework

We have established a promotional framework that covers the entire Kao Group, and we implement responsible care activities through the selection of committee members from each division.

The Kao Group RC Policy and the promotion framework and activities can be found on the following page.



Kao Group Responsible Care Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2021-e-all.pdf#page=27



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

Mid- to long-term targets and performance

Mid- to long-term targets

We aim to become a company that meets top-level occupational safety and health criteria on a global basis by 2030.

We have set ourselves the goals of reducing deaths and serious lost-time accidents to zero, reducing the lost-time accident frequency rate to 0.10 or less, and, with regard to work-related traffic accidents, reducing 100% negligence accidents causing bodily injury to zero, with respect to both Kao employees and employees of partner companies, by 2030.

We will be working steadily to realize these targets, with related backcasting goals and activities being adopted as annual RC targets.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

By making it possible for all employees to work safely, we will ensure that business activities can be carried on normally, thereby controlling unnecessary expenditure and reducing overall costs, which in turn will lead to higher revenues.

Social impacts

Enabling all employees to work safely, with peace of mind and in good health will facilitate the maintenance of normal business operation and the stable supply of products. Moreover, this can facilitate the stabilization of product prices.

Employee wellbeing & safety 403-9, 403-10 (Occupational health and safety 2018)



Performance in 2021

Performance

We implemented activities from the two perspectives of “Eradication of occupational accidents” and “Creating a pleasant working environment and improving employees’ health.” More specifically, with regard to the eradication of occupational accidents, we have focused on promoting measures to prevent non-work-related accidents, upgrading safety management systems, implementing risk assessments for facilities, operations and chemical substances, promoting near-miss reporting and improvement reporting activities, ensuring thorough implementation of safety management for infrequent operations, ensuring proper implementation of safety training, sharing information about past accidents, and working to prevent traffic accidents by expanding provision of traffic safety education.

In the area of creating a pleasant working environment and improving employees’ health, we have strengthened management of the working environment, ensuring effective implementation and follow-up of health check-ups, undertaking health promotion activities, stress checks and implementing risk assessment for chemical substances. In addition, at the Health and Safety Committee meetings which are regularly held at each worksite, we report on activity plans as well as giving performance reports, and we disseminate this information to employees.

2021 targets and performance (Kao Group)

Item	Indicator	Scope	2018	2019	2020	2021	
			Results	Results	Results	Target	Results
Occupational accidents	Death and serious lost time accidents* ¹ (persons)	Including both regular employees and temporary workers (Kao Group)	0	0	0	0	0
		Breakdown					
		Japan	0	0	0	—	0
		Asia	0	0	0	—	0
		Americas	0	0	0	—	0
		Europe	0	0	0	—	0
		Subcontractors (Kao Group)	0	0	0	—	1
		Breakdown					
		Japan	0	0	0	—	0
		Asia	0	0	0	—	1
		Americas	0	0	0	—	0
		Europe	0	0	0	—	0
	Lost time accidents frequency rate* ²	Including both regular employees and temporary workers (Kao Group) 	0.77	0.78	0.53	0.1 or less	0.64
		Breakdown					
		Japan	0.54	0.67	0.41	—	0.46
		Asia	0.19	0.25	0.07	—	0.38
		Americas	4.18	3.21	2.03	—	4.40
		Europe	4.66	3.30	2.85	—	1.50
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)	0.31	0.42	0.28	—	—
		Subcontractors (Kao Group) 	0.40	0.24	0.66	0.1 or less	0.23
		Breakdown					
		Japan	0.55	0.66	0.85	—	0.38
		Asia	0.11	0.06	0.14	—	0.14
		Americas	0.00	0.00	5.51	—	0.00
		Europe	7.06	4.18	7.88	—	0.00
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)	0.52	0.57	0.59	—	—


*1 Serious lost time accidents: Accidents in which there is a continued loss of physical function after treatment for the injury has been completed (with a loss of physical function of Level 5 or higher)

*2 Lost time accidents frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)

Employee wellbeing & safety

403-9, 403-10 (Occupational health and safety 2018)

2021 targets and performance (Kao Group)

Item	Indicator	Scope	2018	2019	2020	2021		
			Results	Results	Results	Target	Results	
Occupational accidents	Total accident frequency rate*3	Including both regular employees and temporary workers (Kao Group)		2.43	2.33	1.90	0.56 or less	1.82
		Breakdown	Japan	2.20	2.47	2.00	—	1.73
			Asia	1.37	0.49	0.34	—	0.95
			Americas	8.36	6.02	4.05	—	8.00
			Europe	6.86	5.78	4.98	—	2.44
		Subcontractors (Kao Group)		1.21	0.75	1.43	0.56 or less	1.07
		Breakdown	Japan	2.11	1.87	2.18	—	1.78
			Asia	0.40	0.18	0.55	—	0.55
			Americas	0.00	0.00	5.51	—	0.00
			Europe	10.59	16.70	7.88	—	2.50
	Severity rate*4	Including both regular employees and temporary workers (Kao Group)		0.05	0.01	0.04	—	0.01
		Breakdown	Japan	0.03	0.01	0.05	—	0.01
			Asia	0.14	0.01	0.00	—	0.01
			Americas	0.06	0.02	0.03	—	0.12
			Europe	0.07	0.05	0.08	—	0.02
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)		0.03	0.01	0.11	—	—
		Subcontractors (Kao Group)		0.01	0.01	0.03	—	0.30
		Breakdown	Japan	0.01	0.04	0.06	—	0.03
			Asia	0.01	0.01	0.01	—	0.52
			Americas	0.00	0.00	0.17	—	0.00
			Europe	0.19	0.03	0.06	—	0.00
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)		0.07	0.03	0.15	—	—
	Number of employees who experienced lost work days due to occupational diseases (persons)*5	Including both regular employees and temporary workers (Kao Group) 		0	0	0	0	0
		Breakdown	Japan	0	0	0	—	0
			Asia	0	0	0	—	0
			Americas	0	0	0	—	0
			Europe	0	0	0	—	0
Traffic accidents	100% negligence accidents causing bodily injury (no. of accidents)	Sales and logistics (Japan)	16	5	1	0	3	
	Accidents other than 0% negligence accidents per 100 vehicles*6		6.43	6.48	3.68	3.8 or less	4.63	

Reviews of performance

In 2021, there was an increase in both the number of lost time accidents and the number of traffic accidents compared to the previous year.

*3 Total accident frequency rate: Number of persons injured in occupational accidents (including accidents without lost work days) per million hours worked

*4 Severity rate: Number of lost days / total working hours × 1,000

*5 There has been a global target for the number of employees who experienced lost work days due to occupational diseases since 2018.

*6 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

Employee wellbeing & safety

Targets for 2022

In order to become a company that meets top-level occupational safety and health criteria on a global basis by 2030, we have set ourselves the target of striving to prevent accidents and disasters, and we are implementing activities based around backcasting of accident and disaster prevention targets for 2022.

Note that traffic accident targets are for Japan only.

Targets for 2022 (Kao Group)

Item	Scope	Indicator	2022 targets
Occupational accidents	Regular employees and temporary workers	Death and serious lost time accidents* ¹ (persons)	0
		Lost time accidents frequency rate* ²	0.38 or less
		Total accident frequency rate* ³	1.14 or less
	Subcontractor employees	Death and serious lost time accidents* ¹ (persons)	0
		Lost time accidents frequency rate* ²	0.19 or less
		Total accident frequency rate* ³	0.57 or less
Traffic accidents	Regular employees	Number of employees who experienced lost work days due to occupational diseases (persons)	0
		100% negligence accidents causing bodily injury (no. of accidents)	0
		Accidents other than 0% negligence accidents per 100 vehicles* ⁴	8.3 or less

*¹ Serious lost time accidents: Accidents in which there is a continued loss of physical function after treatment for the injury has been completed (with a loss of physical function of Level 5 or higher)

*² Lost time accidents frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)

*³ Total accident frequency rate: Number of persons injured in occupational accidents (including accidents without lost work days) per million hours worked

*⁴ Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

Employee wellbeing & safety 403-2, 403-4 (Occupational health and safety 2018)

Our initiatives

Status of occupational accident occurrences

In 2021, a total of 143 regular employees and temporary workers were involved in occupational accidents, of which 50 persons lost work days as a result, with no occupational illnesses resulting in lost work days recorded. For occupational accidents involving subcontractors, the number of persons affected was 28, of which 6 suffered injuries resulting in lost work days.

In China, there was a fatal accident involving a fall, affecting a subcontractor. We investigated the actual cause of the accident and strengthened preventive measures to prevent reoccurrence.

The most common types of accidents among regular employees and temporary workers were slip and fall accidents due to carelessness and insufficient confirmation (51 employees), accidents involving reactionary action (22 employees) and collisions (15 employees). As slip and fall accidents have been the most common type of accident in recent years, in implementing our activities we have focused mainly on strategies to prevent slip and fall accidents.

Risk assessment of chemical substances

As many kinds of chemical substances are handled at our manufacturing locations, the risk of damage to human health and of environmental pollution is not negligible. With this in mind, we evaluate the impacts on people and the environment and make provisions to reduce these risks.

In addition, when installing additional equipment or making

changes to existing equipment, and when changing the types of raw materials used, we assess the potential impact on human health and on the environment in advance as needed.

These measures have been implemented in response to the UN's Strategic Approach to International Chemicals Management (SAICM) initiative.



Walking the right path > Responsible chemicals management

Expansion of the “no accidents with lost work days award system” improving safety awareness

With the aim of further strengthening safety awareness, starting from 2016 the scope of application of the “no accidents with lost work days award system” was expanded to include not only plants in Japan but also plants outside Japan. In addition, starting from 2021, the scope of application of the safety awards systems (including both the “no accidents with lost work days award system” and the “traffic safety award system”) was expanded to include sales companies and logistics companies in Japan that have had significant numbers of occupational accidents.

In 2021, a total of two plants in Japan, six plants outside Japan and five logistics sites received awards.

Award criteria

Stage	Award criteria
1	3 years
2	5 years or 5.4 million hours
3	7 years or 8.1 million hours
4	10 years or 12.2 million hours
5	15 years or 18.3 million hours

“No accidents with lost work days award system” (2021)

Region	Company / Plant	Stage
Japan	Wakayama	Stage 2 (5.4 million hours)
	Toyohashi	Stage 2 (5 years)
Taiwan	Kao (Taiwan) Corporation	Stage 2 (5 years)
China	Kao Corporation Shanghai	Stage 3 (7 years)
Philippine	Pilipinas Kao	Stage 5 (15 years)
Indonesia	PT Kao Indonesia Chemicals	Stage 1 (3 years)
U.K.	Molton Brown	Stage 2 (5 years)
U.S.	Kao Collins	Stage 1 (3 years)

“No accidents with lost work days award system” (scope of application has included sales companies and logistics companies from 2021 onwards)

Company	Region / Office	Stage
Kao Logistics	Hiroshima West Center	Stage 3 (15 years)
	Atsugi North Center	Stage 2 (5 years)
	Yonago No. 2 Center	Stage 2 (5 years)
	Kobe Logistics Center	Stage 2 (5 years)
	Atsugi South Center	Stage 1 (3 years)
Kao Group Customer Marketing	Head Office	Stage 1 (3 years)



Pilipinas Kao Incorporated (Philippines) received the President's Award for 15 years without accidents with lost work days

Hiroshima West Center, Kao Logistics received the President's Award for 15 years without accidents with lost work days



Employee wellbeing & safety 403-2 (Occupational health and safety 2018)

Sharing safety messages globally

With the aim of enhancing safety awareness globally, since 2017 we have had the company's safety slogans translated into local languages at our worksites outside Japan, and the safety posters on which the President appears have been shared globally, being displayed at worksites both within and outside Japan.

Starting from 2018, the safety poster messages have been chosen in a global competition.

In 2021, the message proposed by Fatty Chemical (Malaysia) Sdn. Bhd. was chosen as the best entry. Safety posters using this message were created and distributed for display at Kao affiliates both within and outside Japan. We also disseminated the President's safety message to all Kao Group companies, both within and outside Japan, in video format.

Going forward, we will continue to promote this activity, so as to strengthen safety consciousness on a global scale.



The safety poster featuring the company president was deployed in 12 different local languages (Clockwise from top left: Japanese, English, French, Chinese [simplified])



The award ceremony for the best entry (Fatty Chemical (Malaysia))

Creating a pleasant working environment for employees

Besides striving to create a pleasant working environment at all worksites, in order to ensure compliance with working environment standards and relevant laws in each country, we implement surveys of the working environment on a regular basis, and undertake improvement and maintenance management of the workplace environment.

Responsible chemicals management^{102-11, 102-12, 102-15, 103-1, 103-2, 103-3}

Kao believes that it is important for people around the world to enjoy the benefits provided by chemicals and to have safety and peace of mind in society with the proper management of the risks of chemicals. Through its ESG (environmental, social, governance) initiatives, Kao will take the lead in responsible chemicals management to help realize such a society.

Kao's creating value to address social issues

Social issues we are aware of

Chemicals foster our lifestyles and are essential for the enrichment of the lives of people globally. On the other hand, chemicals can have negative impact on human health and the environment.

The global chemicals market is expected to double by 2030 compared to 2017, and environmental releases of chemical substances are also expected to increase.

This issue was raised at the 5th United Nations Environment Assembly (UNEA-5; held in February 2021), where chemical pollution was recognized as a threat along with climate change and the loss of biodiversity. In addition, consumers are becoming increasingly concerned.

At UNEA-5, however, it was suggested that these areas are interconnected and have common causes and that if they are addressed in an integrated manner, interconnected and mutual benefits will be delivered, and therefore, chemicals management that goes beyond simple reduction is needed.

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

If chemicals are not properly managed, there can be adverse effects on human health, the environment and society, which can make it difficult to continue our business.

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

By promoting responsible chemicals management that includes measures against climate change and biodiversity loss as well, we are contributing to the realization of a sustainable society and gaining opportunities to earn the trust of society.

Kao's creating value

We have endeavored to actively undertake chemicals management in accordance with the Strategic Approach to International Chemicals Management (SAICM), an international target for 2020. Based on the results of these activities, we have started new chemicals management promotion activities centered on the responsible chemicals management of the Kirei Lifestyle Plan (KLP), our ESG Strategy for the period until 2030. Through these activities and by applying the Comprehensive Management System for Chemical Substances that can respond to substances of high social concern, we are contributing to the creation of safety and peace of mind in society where

people around the world can enjoy the benefits of chemicals and their risks are properly managed.

Contributions to the SDGs



Responsible chemicals management^{102-43, 404-2, 413-1}

Policies

We believe in a safe society where people around the world can enjoy the benefits provided by chemicals with peace of mind. To that end, the risks associated with chemicals should be properly managed. Through our ESG initiatives, we want to take the lead in responsible chemicals management to help actualize such a society.

With “walking the right path” as the foundation of our activities, we are voluntarily and strategically taking action with a focus on the following three activities, understanding the essence and values of international rules, the laws and regulations of each country and region, and voluntary standards of industry groups and so on relating to chemicals.

(1) Develop products and processes with low environmental impact

- Minimize environmental impact throughout the product lifecycle

(2) Use management systems* to optimize risk assessment methods, assess risks and strengthen risk management

- Optimize risk assessment methods for efficient chemicals management
- Foster community safety and a sense of trust by having zero chemical accidents

* Chemical information, safety information, legal information, volume and application information, etc.

(3) Actively disclose information concerning benefits, safety and our activities and engage in continuous communication

- Make information on chemicals' benefits and

safety available in an accessible and easy-to-understand way

- Effectively communicate with all people around the world to earn trust



Responsible Chemicals Management Promotion Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/saicm-policy.pdf



Kirei Lifestyle Plan—Kao's ESG Strategy > Mid- to long-term targets

Education and promotion

To raise awareness of chemicals management and deepen correct understanding among employees, we continuously provide training and lectures conducted by outside experts. In FY2021, we implemented the following programs.

- Briefings on chemical laws and regulations for workers who handle chemicals
- Training on the hazards of chemicals at manufacturing workplaces
- Lecture by an outside expert entitled Material Cycle and Management: Thinking from the Perspectives and Trends Required for a Sustainable Society

Collaboration and engagement with stakeholders

Mutual understanding is essential for stakeholders including consumers to use chemicals safely and lead

safe lives with peace of mind. We share information about chemical risks with stakeholders to reach a common understanding (risk communication), and ensure community safety and trust via communication.

1. Collaboration and communication with consumers

We engage in continuous communication relating to chemical risks so that products can be used safely and with peace of mind.

- Collaboration on university courses

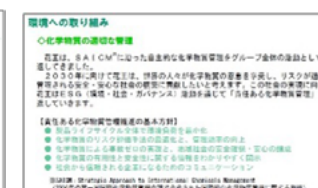


Held a course on environmental communication in collaboration with the Department of Environment, Saitama Prefecture and Nippon Institute of Technology
www.nit.ac.jp/topics/2021eco_com (Japanese)

Cooperation for an introductory course on cosmetics in the Faculty of Pharmacy at Musashino University
www.musashino-u.ac.jp/academics/faculty/pharmacy/pharmaceutical_sciences/curriculum.html (Japanese)

- Communication with local residents

Our plants in Japan continuously disseminate information on their initiatives relating to chemicals handled at the plants through plant site reports so that neighborhood residents can live with peace of mind.



A Wakayama Plant site report describing the Responsible Chemicals Management Promotion Policy

Responsible chemicals management⁴¹³⁻¹

2. Collaboration with customers and distributors

We share and manage information with customers and distributors so that chemicals can be handled safely throughout the supply chain and the maximum benefits of chemicals can be derived.

Providing information on chemicals in products

In September 2017 we became the first in the industry to adopt chemSHERPA^{*1}, an information communication scheme for chemical substances in products developed under the initiative of the Japanese Ministry of Economy, Trade and Industry, and we have continued our efforts to use regulatory information on chemicals contained in industrial products in the supply chain.

^{*1} chemSHERPA

A new scheme that facilitates sharing information on chemical substances in products across the entire supply chain to address broadening regulations and appropriately manage chemical substances contained in products on an ongoing basis

GHS-compliant SDS^{*2} and product labeling

We issued SDS that comply with the GHS rules of each country and region and applied product labels so that industrial products can be used properly in accordance with local laws and regulations.

^{*2} SDS

Safety Data Sheet
Document providing information to ensure safe and appropriate handling of chemicals, such as names of substances contained in the product, information about potential hazards and handling precautions

Information provision and sharing via a private network

We use a private network with industrial product sales distributors to provide information online such as SDS and chemSHERPA-CI^{*3} and hold information sharing sessions^{*4} to continuously encourage chemicals management throughout supply chains.

In October, we conducted biennial online training for new employees of sales distributors and explained about chemicals management.

^{*3} chemSHERPA-CI

Data entry support tool and output format for communicating information on specified chemical substances

^{*4} Including online sessions

3. Collaboration with administrative bodies

We held four meetings with government agencies to exchange information so that we can deepen trust with regulatory authorities involved with chemicals and promote better chemicals management as a company that handles chemicals.

Topics: ESG investment and financing, optimal chemicals management in the future, regulatory amendments, information transfer and use

4. Collaboration with industry organizations

We have participated in various activities to contribute to chemicals management in industries.

In 2021, a roadmap and assessment results for revision of the REACH, CLP, and Cosmetic Products Regulations pursuant to the EU's Chemicals Strategy

for Sustainability were released. To minimize the impact on our future business, we communicated with the government through industry groups in which we play important roles.

In addition, we planned a forum for dialogue among key persons in industry, government and academia in Japan, shared our understanding of new ways of chemicals management, and broadly presented the details to the public through papers and seminar presentations. Through these initiatives, we worked to gain the trust of society and enhance corporate value.



Safe Engineering Symposium and General Discussion, Science Council of Japan (lecture and planning)
www.scj.go.jp/ja/event/2021/312-s-0630-0702.html (Japanese)

Paper entitled "Perspective of Chemicals Management after WSSD 2020 Goal" submitted to the Journal of the Japan Society on Water Environment
www.jswe.or.jp/publications/journals/contents/2021/pdf/mokuji_44_08.pdf (Japanese)

Chemical Watch lecture (three times)
events.chemicalwatch.com/200528/global-business-summit-europe-north-america-and-asia-2021/programme
events.chemicalwatch.com/270749/key-regulatory-updates-europe-asia-and-the-americas/programme
events.chemicalwatch.com/270750/the-eu-chemicals-strategy-for-sustainability-one-year-on/programme

Responsible chemicals management¹⁰²⁻²⁰

Framework

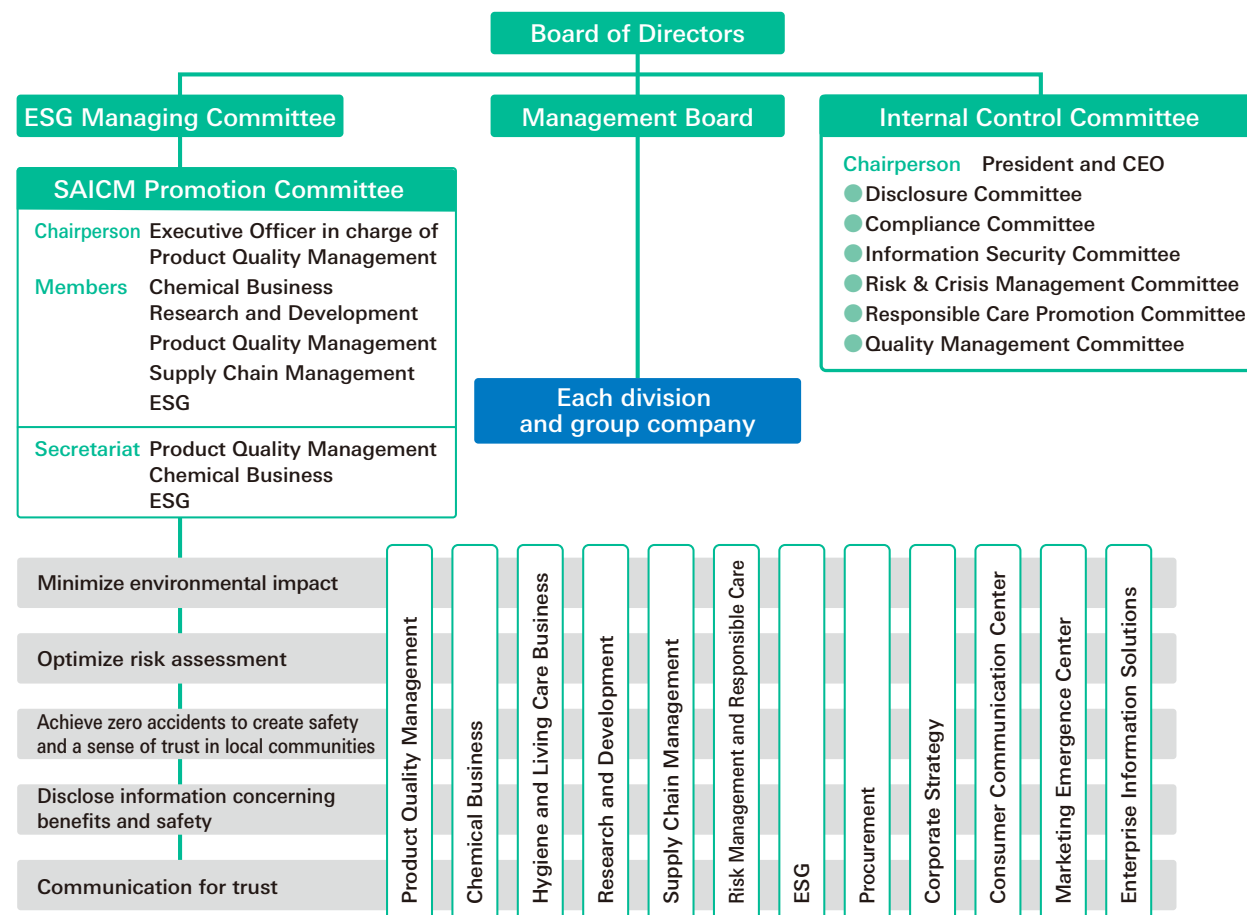
In addition to “Responsible chemicals management,” we formulated the KLP for chemicals including “Safer healthier products” and “Full transparency,” and we created a framework in which suitable divisions take action for each objective and can collaborate at any time.

The responsible chemicals management referenced in this chapter is led by the SAICM Promotion Committee, which was established in 2012 under the ESG Managing Committee, which is chaired by the President and Chief Executive Officer, to strategically address international goals relating to chemicals management.

The SAICM Promotion Committee is chaired by the Managing Executive Officer responsible for overseeing the Product Quality Management, and members are chosen from key divisions. Proposed initiatives are reflected on the day-to-day operations of individual divisions. A sound decision-making process is maintained by having the decisions made reported to the ESG Managing Committee, the Management Board or the Executive Officers Meeting, as appropriate, at least once a year.

The committee identified five new core promotion activities in 2021 and has established teams corresponding to each to undertake action. In addition to meetings by individual teams, the SAICM Promotion Committee meets three to four times a year to conduct planning, receive progress reports, review projects, propose and discuss new issues, and listen to lectures by outside experts.

Framework for promoting responsible chemicals management activities



* As of December 2021

Responsible chemicals management¹⁰²⁻¹¹

Mid- to long-term targets and performance

1. Mid-term targets / 2030 long-term targets

As our interim targets for 2030, we formulated the Kao Group Mid-term Plan 2025 (K25) to make Kao a company with a global presence, valuable to society. For the first target, “Become an essential company in a sustainable world,” measures to solve global environmental issues will be essential. With “walking the right path” as the starting point for our activities, we set the following targets to be achieved by 2030 in order to develop our business activities in a sustainable manner by implementing responsible chemicals management.

(1) Develop products and processes with lower environmental impact

We will contribute to the creation of a sustainable society by proposing to society the development and manufacture of products that minimize the environmental impact of chemicals in all stages of the product lifecycle, from raw material procurement to development, manufacturing, sales, use, disposal and recycling and by promoting the implementation of such activities in cooperation with society.

(2) Use management systems to optimize risk assessment methods, assess risks and strengthen risk management

We will develop optimal chemicals risk assessment methods, use management systems, and promote reinforcement of actual risk assessment and management. We will strive to achieve zero accidents at plants to ensure

safety and foster a sense of trust in local communities. In addition, we will share the results of research on optimization of risk assessment methods and assessment results with society to contribute to the appropriate and efficient management of chemicals risk throughout society.

(3) Actively disclose information concerning benefits, safety and our activities and engage in continuous communication

We will foster the trust and confidence of society related to chemicals by providing accurate and easy-to-understand information on chemicals and our specific initiatives and by conducting ongoing communications with stakeholders.

We formulated and announced indicators (KPIs) regarding this approach in 2020.

KPI 1: Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers

KPI 2: Percentage of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurement to disposal



Kirei Lifestyle Plan—Kao's ESG Strategy > Mid- to long-term targets

2. Anticipated social impact from achieving mid- to long-term targets

(1) We will reduce the environmental impact of chemicals throughout society by continuously

supplying to markets products developed to minimize environmental impact throughout the supply chain.

(2) Our risk assessment methods can be utilized throughout society, and it is expected that the level and efficiency of chemicals management in society as a whole will be improved by sharing research findings of risk assessment method optimization and risk assessment results with government agencies and industry groups.

(3) Stakeholders' accurate knowledge of chemicals and products containing chemicals and their proper handling will be improved, thereby fostering safety and peace of mind and the trust of society, by disclosing information on chemicals and by enhancing communication using such information to a wide range of stakeholders including consumers, customers, employees, distributors and government agencies.

3. Business impacts / Social impacts Business impacts

By developing products with lower environmental impact and continuously bringing them to market, we will increase our market share for environmentally friendly products, leading to sustainable business growth.

Social impacts

By further strengthening cooperation with industry, government and academia and sharing and collaborating with society regarding chemicals management initiatives, we will ensure the safety and peace of mind of people and contribute to solving various social problems including environmental problems.

Responsible chemicals management

Performance in 2021

We conducted activities in line with the plan for 2021. We are continuing our efforts to minimize the risk from chemicals through product and process development, safety assessments and on-site risk management, and to earn the public trust and peace of mind regarding chemicals through communication including information disclosure.

(1) Develop products and processes with lower environmental impact

- Developed products that contribute to improving use of sustainable raw materials, reducing LC-CO₂, conserving water and reducing waste

(2) Use management systems to optimize risk assessment methods, assess risks and strengthen risk management

- Reviewed the selection criteria for Kao priority assessment substances and selected assessment substances for the next ten years
- Published a paper about using environmental RNA to improve the precision of ecological surveys for biodiversity preservation
- Started creating a system for centralized management of environmental safety information relating to chemicals in order to reinforce chemicals risk management at Kao plants

KPI: Percentage 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

We continued to manage impacts on health, environment and safety at business sites (GHS indication, SDS updates, risk assessments), taking into consideration stages from raw materials procurements to disposal; 96% of Kao plants

(3) Actively disclose information concerning benefits, safety and our activities and engage in continuous communication

- Created communication materials for accurate understanding of the risks and benefits of chemicals
- Amid rising anxiety and expectations regarding chemicals, started investigating the thoughts of consumers, their background and methods of communication to address concerns

KPI: Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers

We released three safety summaries on Kao priority assessment substances evaluated in 2019 (the release rate was 14% of the target through 2030) and 28 GPS Safety Summaries for chemical products.



Three categories: Amidepropylbetaine, sorbitan fatty acid esters, polyoxyethylene sorbitan fatty acid esters
chemical.kao.com/global/sustainability/saicom/article_05/

Kao Receives JCIA's "JIPS Award" for the Fifth Consecutive Year for Its Chemical-Related Initiatives
www.kao.com/global/en/sustainability/topics/sustainability-20210602-001/

- Conducted an exchange of opinions with university students relating to chemicals to solve the environmental problems



Collaboration and engagement with stakeholders

P245

- Disclosed our policies relating to ingredients of high social concern and fragrance ingredient names



Making my everyday more beautiful > Safer healthier products

P56



Walking the right path > Full transparency

P168

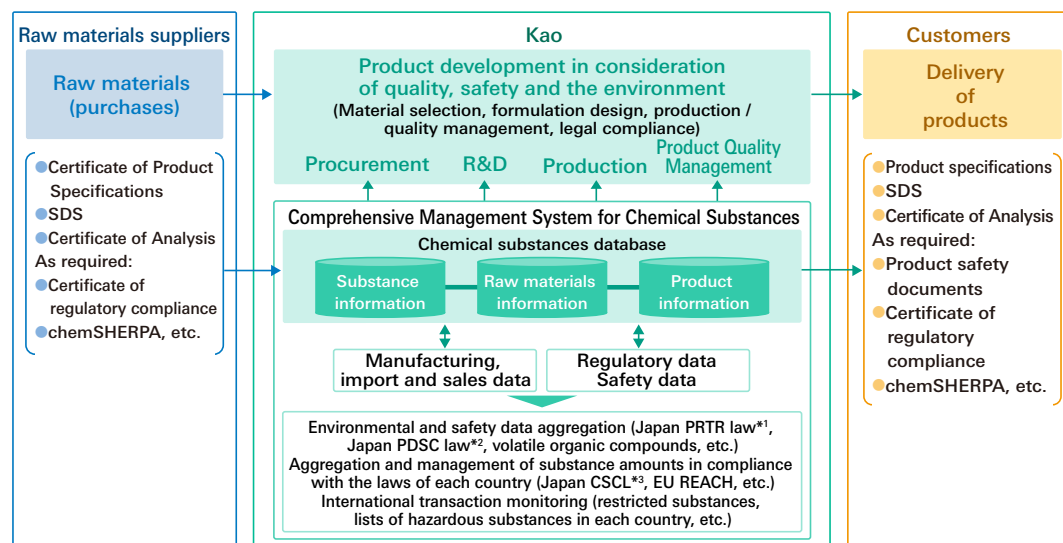
In the above efforts, we applied the Comprehensive Management System for Chemical Substances and endeavored to manage and disclose information on safety evaluations results, volume management, regulations and substances of high social concern.

Responsible chemicals management^{102-11, 102-15}

The Comprehensive Management System for Chemical Substances provides a database of information on the raw materials included in products from industrial to consumer products. The system makes it possible to verify the quality, safety, anti-bacterial grade, regulatory and other information on raw materials used in each product. If a problem with a raw material arises, or if risk from a new substance of concern emerges, we can rapidly identify the scope of impact and take appropriate action.

We continuously enhance the functions of the system, which aims to manage the latest information related to chemical substances used in our products, to adapt to global changes in regulatory requirements and our business expansion into new business fields and regions.

Comprehensive Management System for Chemical Substances



^{*1} Japan PRTR law: Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

^{*2} Japan PDSC law: Poisonous and Deleterious Substances Control Act

^{*3} Japan CSCL: Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

Reviews of performance

In our efforts relating to chemicals management, we updated our framework looking ahead to 2030, formulated an activity plan, and steadily implemented the 2021 plan. In particular, we worked to earn the trust of society by disclosing information and engaging in communication, and the results of these efforts led to the awards. We also actively tackled new issues (for example, establishing a highly precise ecological survey method for conserving biodiversity by focusing on environmental RNA) in response to growing social interest and advances in science and technology.

Internationally, more ambitious stakeholder partnership and collaboration is being required for sound chemicals and waste management.

We will contribute to the development of a sustainable society by comprehensively working on problem solving through the fusion of individual activities and cooperation with society.

Responsible chemicals management¹⁰²⁻⁴³

Our initiatives

Activity topics

Create forums for dialogue among industry, government and academia for social implementation of chemicals management

In 2021, in addition to climate change and biodiversity loss, the international goals of chemical management toward post-SAICM were discussed within and outside Japan. It is necessary that all stakeholders work together more ambitiously to tackle the various chemical substance issues that cannot be solved by individual companies on their own (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, and Consumer Protection, Germany, 2021).

In order to link past achievements and issues of industry, government and academia in Japan to the next decade's efforts to implement chemicals management in society, at the 51st Safety Engineering Symposium (hosted by the Science Council of Japan), issues and measures looking ahead to 2030 were discussed and a certain degree of common understanding was achieved. We participated as a speaker and an organizer, performed planning, created opportunities for dialogue, coordinated common understanding and documented the results.



51st Safety Engineering Symposium
www.scj.go.jp/ja/event/2021/312-s-0630-0702.html
 (Japanese)

Common understanding achieved through dialogue

Target: Create and independently use a next-generation framework through public-private partnerships in which materials circulate in the supply chain without regulation, information is transmitted in a value-communicating manner, and knowledge is passed on

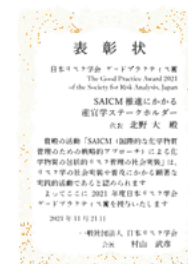
Background:

- Changes in society and the environment, limitations of regulations due to diversification, increasing expectations for self-management
- Necessity of materials circulation in the chemical lifecycle from manufacturing to disposal and recycling

In recognition of these results and the results of efforts to date, the Society for Risk Analysis Japan awarded the Good Practice Award to the industrial, governmental and academic stakeholders in Japan involved in the promotion of SAICM.



The Good Practice Award of the Society for Risk Analysis Japan (implementation of SAICM in society)
www.sra-japan.jp/cms/award-2021/ (Japanese)



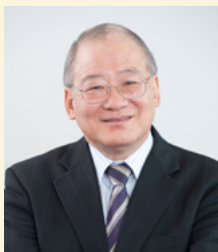
We communicated these achievements through overseas seminar presentations.



"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

Responsible chemicals management¹⁰²⁻⁴⁴

Stakeholder engagement



Dr. Masaru Kitano

President, Akikusa Gakuen Junior College

Kao's response to the views expressed last year

In 2021, Dr. Kitano indicated that he expected us to engage in new ways of communication targeting residents near plants and consumers and to conduct chemical safety education for elementary and junior high school students.

In response to this expectation, we disclosed our vision and activities for sound chemical management beyond 2020 in the site reports of plants in Japan and continued dialogues with local residents. In addition, since educational support is linked to future generations, we conducted chemicals communication with university students in cooperation with Musashino University in January and with the Department of Environment, Saitama Prefecture and the Nippon Institute of Technology in July. We also organized a panel discussion open to the public for dialogue among industry, government and academia to discuss new collaboration and disseminate information within and outside of Japan for the social implementation of chemicals management.

We continue to promote chemicals management in order to fulfill our responsibilities as a company that handles household products and industrial chemicals.

Expectations for new approaches to responsible chemicals management

In November 2021, stakeholders in industry, government and academia involved in the promotion of SAICM received the Good Practice Award for social implementation of comprehensive risk management of chemicals through SAICM from the Society for Risk Analysis Japan. With respect to industry in particular, I believe that the results of the three projects that Kao had been implementing under the SAICM Promotion Committee since 2012 have made significant contributions.

The five approaches indicated below for achieving the vision for 2030 were announced.

1. Minimize environmental impact throughout the product lifecycle
2. Foster community safety and a sense of trust by having zero chemical accidents
3. Optimize risk assessment methods for efficient chemicals management
4. Make information on chemicals' benefits and safety available in an accessible and easy-to-understand way
5. Effectively communicate with all people around the world to earn trust

It goes without saying that all of these are important for responsible chemicals management.

I will present my opinions from the perspective of the SDGs with respect to 1 and 5.

Environmental impact is defined in the Basic Act on the Environment as "negative effects of human activities on the environment which may cause hindrances to environmental conservation." The causes of environmental conservation issues include not only pollution, such as air pollution and water pollution, but also resource depletion.

Specifically, it is necessary to develop biodegradable products and switch to sustainable raw materials including renewable raw materials and recycled materials.

Responsible consumption and production by consumers and industries, respectively, are essential in order to maximize the benefits of chemical substances and use them wisely. To this end, ensuring trust based on the communication specified in 4 and 5 is the most important issue. Fortunately, consumer confidence in Kao products is high when viewed from the perspective of sales as well.

In the future, consumers will select products more from the perspective of reliable quality than price, which includes not only performance, but also environmental impact.

I look forward to your efforts as a top runner toward the fulfillment of the five policies listed above.

Fundamental section

Page	Kao Action	ESG keyword
P255	Corporate governance	
P267	Risk and crisis management	<ul style="list-style-type: none"> • Main risks (business risks and other risks) • Corporate risks • Risk and crisis management system and activity guideline • COVID-19 response guideline • Cultivating employee awareness
P275	Responsible care activities	<ul style="list-style-type: none"> • Protecting the environment, health and safety during product lifecycle • Occupational safety and health • Process safety and disaster prevention • Chemical and product safety • Distribution safety • Environmental conservation
P284	Product quality management	<ul style="list-style-type: none"> • Product safety management • Kao's policy on animal testing • Product quality management system • Product recall
P292	Information security	<ul style="list-style-type: none"> • Cybersecurity measures • Confidential information protection • Personal information protection • Information assets protection • GDPR responses • Incident response system • Website vulnerability diagnosis • Security measures for working from home
P301	Strategic digital transformation (DX)	<ul style="list-style-type: none"> • Digital transformation • Use of artificial intelligence (AI) • Another Kao • Reborn Kao • Higher work efficiency
P306	Intellectual property	<ul style="list-style-type: none"> • IP rights (patents, design rights, trademarks) management • System of reward for employee inventions • Responses to counterfeit products • Open technology • IP education
P312	Tax strategies	<ul style="list-style-type: none"> • Compliance with OECD transfer pricing guidelines • Appropriate tax declaration and tax payment • Tax payment record by region
P316	Biodiversity	<ul style="list-style-type: none"> • Development of a society that can continue to enjoy the benefits of biodiversity • Minimizing the impact of business activities on biodiversity • Assessing impact on biodiversity throughout the supply chain • Actions for the post-2020 global biodiversity framework

Our initiatives in 2021

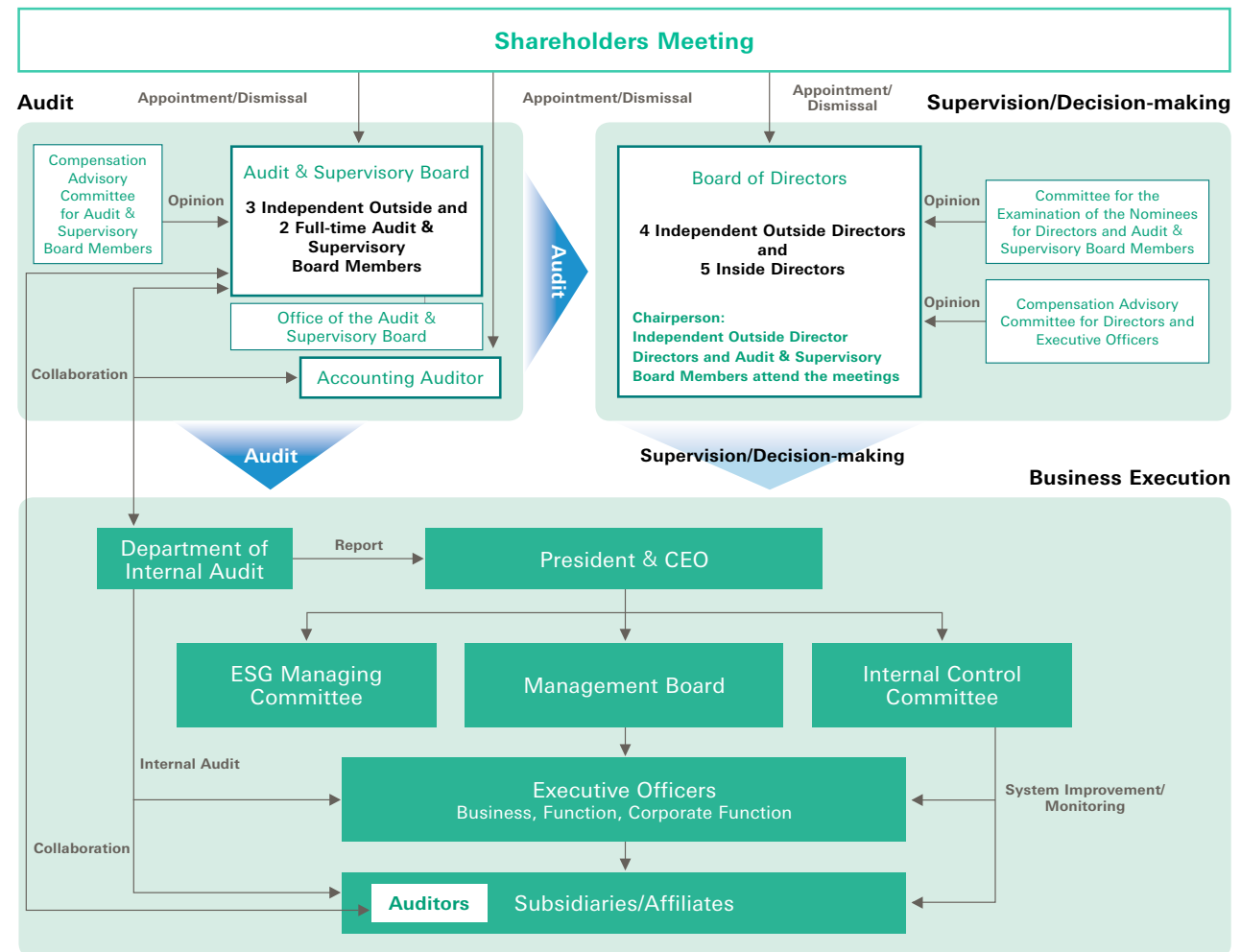
P330	Communication with consumers	<ul style="list-style-type: none"> • Consumer support desks (telephone, e-mail, websites) • Approaches to the digital native generation (websites, social media, use of Q&A services, etc.) 	<ul style="list-style-type: none"> • Kao ECHO System (framework for reflecting consumer feedback in products) • Declaration of Consumer-orientation 	<ul style="list-style-type: none"> • Releasing information about COVID-19
P338	Process safety and disaster prevention	<ul style="list-style-type: none"> • Business Continuity Plan • Emergency response drills to prepare for large-scale disasters • Kao Grand Design for Process Safety (mid- to long-term targets) 	<ul style="list-style-type: none"> • High-pressure gas safety • Process safety and disaster prevention education 	
P344	Corporate citizenship activities	<ul style="list-style-type: none"> • Hand-washing awareness • Kao Hygiene Development Program in Vietnam • Contributions to improving menstrual education and menstrual hygiene conditions • Pink Ribbon Campaign • The Kao International Environment Painting Contest for Children 	<ul style="list-style-type: none"> • The Future of Washing Initiative • Kao Social Entrepreneurship Schools for young leaders • Kao Heart Pocket Club (participation of Kao employees in social activities) • China water conservation campaign • FURUSATO Environment Conservation Project in Northern Thailand 	<ul style="list-style-type: none"> • Support of the Arts • Recovery support for areas affected by the Great East Japan Earthquake • Supporting COVID-19 measures • Barrier-free access to information • Education for the next generation

Corporate governance 102-18, 102-22, 102-23, 102-24, 102-26

Basic policy

In order to sustainably enhance corporate value over the long term while working to realize a Kirei World in which all life lives in harmony, which is our purpose, and to become an essential company in a sustainable world, as raised in K25, Kao positions corporate governance as a top-priority management issue and continuously strengthens governance in both systems and operations. Kao's corporate governance is a framework for transparent, fair, prompt and decisive decision-making. It takes into account the perspectives of all stakeholders and responds in a timely and appropriate manner to changes that are increasingly diverse, complex, and difficult to predict so that we can contribute to society and continuously enhance corporate value. The foundations of our efforts to achieve this are establishing and operating the necessary management structures and internal control systems, implementing the necessary measures in a timely manner, and demonstrating accountability. In addition, we work to understand social trends at all times and actively engage in dialogue with stakeholders to review the status of corporate governance from time to time and implement appropriate and necessary countermeasures and improvements.

Corporate governance structure (As of May 2022)



Corporate governance 102-18

Features of Kao's corporate governance

To realize a Kirei World in which all life lives in harmony	We position the establishment of effective corporate governance systems as the foundation and a driver for achieving our purpose to realize a Kirei World in which all life lives in harmony.
Integrity as the only choice	We practice corporate governance that places our corporate philosophy, the Kao Way, at the core of our business management, and with a consistent focus on Integrity as the only choice, which is one of values of the Kao Way. Employees work together based on mutual respect and fairness, bring an attitude of sincerity and diligence, and conduct themselves lawfully and ethically, and by so doing we are able to maintain the support and trust of all stakeholders and engage in sound and honest business activities.
Innovation for today and tomorrow	We have pursued creation of the most optimal structure to respond to changes in the business environment as well as social demands. At the Annual General Meeting of Shareholders held in March 2022, we appointed nine Directors, including one American Director and two female Directors, in order to ensure greater diversity on the Board of Directors and to further strengthen oversight in decision-making from the ESG management and global perspectives that Kao seeks. We are working to enhance corporate value by reviewing our systems and operations to achieve a higher level of corporate governance.
Use of outside executives	We have put in place a system of governance able to maintain a high degree of objectivity, including making 7 of the 14 members of the Board of Directors/Audit & Supervisory Board Members independent and outside members and having an Outside Director serve as Chairperson of the Board of Directors, to ensure that the Board of Directors is able to appropriately perform management oversight. Outside Directors and Outside Audit & Supervisory Board Members are designated with priority placed on their independence as well as their expertise and high-level insight. They oversee and audit planning and execution of business strategy and the like from their diverse viewpoints, facilitating effective and judicious decision-making.
Strengthening internal control	The Internal Control Committee leads discussions on compliance, risk and crisis management, and related topics across the Kao Group to improve the effectiveness and efficiency of our business processes, ensure the credibility of our financial reporting, comply with laws and regulations in our business activities, and preserve our assets, and we are strengthening internal control throughout the Kao Group.

Kao's path toward strengthened governance

2000	Introduced objective perspectives Established the Advisory Committee Introduced a stock option plan Abolished retirement benefits	2009	Kao Environmental Statement formulated, and ecology-centered management adopted Established the Sustainability Committee Established Standards for Independent Outside Directors/ Outside Audit & Supervisory Board Members	2017	Strengthened information disclosures based on integrated thinking First Integrated Report issued Introduced performance-based share incentive plan Established the ESG Committee
2001	Introduced the Outside Director system	2010		2018	
2002	Introduced the Executive Officer system	2013	Strengthened information dissemination regarding mid- to long-term sustainability Kao Group Mid-term Plan (K15) formulated	2019	Announcement of a major shift to ESG-driven management Established the ESG External Advisory Board Evaluation of the effectiveness of the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee started
2003	Divided management supervision and execution Appointed the President and lower positions as Executive Officers Established the Committee for the Examination of Nominees for Chairperson of the Board and the President and Chief Executive Officer Established the Compensation Advisory Committee for Directors and Executive Officers Established the Department of Internal Audit	2014	Smaller Board of Directors established (to accelerate business execution) and transparency ensured Transformation to the Committee for the Examination of Nominees for Directors and Executive Officers A majority of the Board of Directors are Outside Directors An Outside Director appointed as Chairperson of the Board of Directors	2020	Formulation of K25 and ESG positioned at the core of management Transformation to the Committee for the Examination of Nominees for Directors and Audit & Supervisory Board Members Established the Compensation Advisory Committee for Audit & Supervisory Board Members
2006	Companies Act came into effect Established the Internal Control Committee Commenced meetings to exchange opinions between Representative Directors and Audit & Supervisory Board Members Introduced share remuneration type stock options	2015	Started applying the Corporate Governance Code Transformation to the Committee for the Examination of Nominees for Directors Evaluation of the effectiveness of the Board of Directors Evaluation of the effectiveness of the Audit & Supervisory Board Revised the Outside Director compensation system to not link to business performance		
		2016			

Corporate governance

Stance on balance among knowledge, experience and skills, and on diversity and the size of the Board of Directors

At the Board of Directors meetings, Directors present the major directions of management strategies, etc., and Directors and Audit & Supervisory Board Members deliberate on their appropriateness and risks involved in their implementation from objective and multifaceted perspectives, while appropriately supervising and auditing the execution of these strategies. To this end, we believe that it is essential that Inside and Outside Directors and Audit & Supervisory Board Members with diverse knowledge, experience, and skills exchange opinions and engage in constructive dialogue from a variety of perspectives.

Based on the vision of “protecting future lives” and promoting “sustainability as the only path,” as stated in K25 in order to realize a Kirei World in which all life lives in harmony, which is our purpose, we deliver products and services that protect the healthy lives of people and consumers and customers by leveraging our advanced technologies developed through extensive R&D including fundamental research from an ESG perspective. In addition, we make further strategic investments and expand existing businesses with the aim of creating new

business that protect future lives by utilizing digital transformation with an eye toward the global environment and human life. To support these activities, we supervise from objective and diverse perspectives and build systems that can be verified from professional perspectives such as accounting, finance, and legal with the aim of achieving continuous improvement.

To achieve these objectives, the Board of Directors considers it is important for Inside and Outside Directors and Audit & Supervisory Board Members to complement each other with each of their knowledge, experience, and abilities and to be able to demonstrate high effectiveness as a whole.

In addition to knowledge, experience and ability, we recognize the diverse perspectives that come from diversity of the Board of Directors in terms of gender, nationality, race and age contribute to the promotion of business, global expansion and proper supervision and auditing, and promotes the appointment of such diverse personnel as Directors and Audit & Supervisory Board Members. Our target for the ratio of female on the Board of Directors is 30% by 2025.

We set the appropriate size of the Board of Directors in consideration of the balance between having diverse personnel required to conduct the proper deliberations and supervision of execution and a small Board of Directors to accelerate decision-making for dealing with business expansion and other matters, on the premise of the delegation of

responsibility to appropriately placed Executive Officers. We aim to have Outside Directors comprise approximately half of the Board of Directors to ensure its diversity and influence and emphasizes their independence. In addition, we aim to have a majority of Outside Audit & Supervisory Board Members who meet the Standards for Independence.

Corporate governance ¹⁰²⁻²²

Skill matrix and attending members

Name		Affiliation			Experience/Knowledge/Expertise							
		Term of office	Gender	Nationality	ESG	Management	Global	Development/ Manufacturing	Business/ Sales	Business innovation	Risk/Legal regulations	Finance/ Accounting
Directors	Michitaka Sawada	13 years 9 months	Male	Japan	✓	✓		✓		✓		
	Yoshihiro Hasebe	6 years	Male	Japan	✓	✓		✓		✓		
	Toshiaki Takeuchi	8 years	Male	Japan		✓			✓			
	Tomoharu Matsuda	3 years	Male	Japan		✓	✓	✓	✓			
	David J. Muenz	—	Male	United States	✓		✓	✓	✓			
	Osamu Shinobe	4 years	Male	Japan		✓	✓	✓	✓	✓	✓	
	Chiaki Mukai	3 years	Female	Japan	✓		✓			✓		
	Nobuhide Hayashi	3 years	Male	Japan		✓	✓			✓		✓
	Eriko Sakurai	—	Female	Japan		✓	✓	✓	✓	✓		
Audit & Supervisory Board Members	Hideko Aoki	3 years	Female	Japan	✓			✓			✓	
	Sadanao Kawashima	1 year	Male	Japan			✓					✓
	Hideki Amano	5 years	Male	Japan	✓		✓					✓
	Nobuhiro Oka	4 years	Male	Japan	✓						✓	
	Takahiro Nakazawa	2 years	Male	Japan	✓							✓

Note: The areas of experience, knowledge, and expertise of each Director and Audit & Supervisory Board Member that are particularly expected of them are marked with “✓.”

Corporate governance

Skill matrix and attending members

Name			Attending organization					Attendance in FY2021	
			Board of Directors	Audit & Supervisory Board	Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee	Compensation Advisory Committee for Audit & Supervisory Board Members	Board of Directors	Audit & Supervisory Board
Directors	Michitaka Sawada	<ul style="list-style-type: none"> ● Experience in Kao R&D ● Experience as Kao Representative Director, President and Chief Executive Officer ● Chairman of the Japan Clean Ocean Material Alliance (CLOMA) 	✓			✓		100% (15/15)	—
	Yoshihiro Hasebe	<ul style="list-style-type: none"> ● Experience in Kao R&D (including ESG knowledge) ● Experience in the Kao Strategic Innovative Technology 	✓			✓	✓	100% (15/15)	—
	Toshiaki Takeuchi	● Representative Director, President, Kao Group Customer Marketing Co., Ltd.	✓			✓		100% (15/15)	—
	Tomoharu Matsuda	<ul style="list-style-type: none"> ● President, Consumer Products, Global ● Experience in managing Kao overseas subsidiaries 	✓			✓		100% (15/15)	—
	David J. Muenz	<ul style="list-style-type: none"> ● Experience as the head of research and chief of business at Kao overseas subsidiary ● Senior Vice President, ESG, Global 	✓					—	—
	Osamu Shinobe	● Experience as the top executive of major international airline	Chair		✓	✓	✓	100% (15/15)	—
	Chiaki Mukai	<ul style="list-style-type: none"> ● Medical Doctor and astronaut ● Experience in taking on challenges in new fields, such as serving as an astronaut and in academic research 	✓		Chair	✓		100% (15/15)	—
	Nobuhide Hayashi	● Experience as the top executive of a major international financial institution	✓		✓	Chair		100% (15/15)	—
	Eriko Sakurai	<ul style="list-style-type: none"> ● Experience as the regional head of a major international chemical company ● Experience as an outside director of major corporations 	✓		✓	✓		—	—
Audit & Supervisory Board Members	Hideko Aoki	<ul style="list-style-type: none"> ● Experience as a Kao Managing Executive Officer ● Experience in the Kao Product Quality Management ● Commissioner of the consumer-related commissions of the government 	✓	Chair				100% (15/15)	100% (10/10)
	Sadanao Kawashima	<ul style="list-style-type: none"> ● Experience in Kao Finance Department (including overseas experience) ● Experience in the Kao Department of Internal Audit 	✓	✓				100% (13/13)	100% (8/8)
	Hideki Amano	● Certified Public Accountant (including overseas experience)	✓	✓	✓	✓	Chair	100% (15/15)	100% (10/10)
	Nobuhiro Oka	<ul style="list-style-type: none"> ● Attorney-at-Law ● Professor, Keio University Law School 	✓	✓	✓	✓	✓	100% (15/15)	100% (10/10)
	Takahiro Nakazawa	● Certified Public Accountant	✓	✓	✓	✓	✓	100% (15/15)	100% (10/10)

Note: Members attending each organization are marked with “✓.”

Corporate governance 102-26

Initiatives to enhance the effectiveness of the Board of Directors

Kao is implementing the following initiatives to ensure that the Board of Directors and Audit & Supervisory Board Members fulfill its roles and responsibilities in relation to oversight of operational

execution and decision-making. The effectiveness of the Board of Directors is being enhanced by promoting the timely and appropriate provision of information to Outside Directors and by fostering open, frank and constructive discussion and exchange of views between Outside and Inside Directors.

Initiatives to ensure full utilization of the functions of Outside Directors and Outside Audit & Supervisory Board Members

Specific Initiatives	Frequency of implementation	Content
Provision of information prior to meetings of the Board of Directors	Monthly	To facilitate productive discussions at meetings of the Board of Directors, relevant materials are distributed beforehand to promote understanding of matters such as the background, purpose and content of agenda items.
An Outside Director serves as Chairperson of the Board of Directors	—	By appointing an Outside Director to serve as Chairperson of the Board of Directors, an environment has been created that fosters the eliciting of views based on a perspective that is neutral and independent from the executive function, thereby facilitating more appropriate discussion.
Arranging for the Chairperson of the Board of Directors to sit in on meetings of the Management Board	Three to four times a month	Having the Chairperson of the Board sit in on meetings of the Management Board, which constitutes the highest executive decision-making body, creates opportunities for the Chairperson to directly access information relating to important executive issues and the state of discussion regarding those issues. When meetings of the Board of Directors are held, the Chairperson can share the information he/she possesses regarding the background to the issues with the other Outside Directors, which makes it easier to get to the heart of the discussions more quickly.
Arranging for Outside Directors to attend R&D presentations	Annually	Having Outside Directors sit in on R&D presentations creates opportunities for them to directly access internal information relating to R&D strategy and the state of progress in R&D, etc. Giving Outside Directors a more in-depth understanding of internal activities in this way leads to invigorated discussion in meetings of the Board of Directors.
Holding meetings at which Outside Directors and Audit & Supervisory Board Members can exchange views	Three times a year	In creating regular opportunities for meetings, the aim is to facilitate the active exchange of views regarding issues identified during auditing conducted by Audit & Supervisory Board Members, and the making of proposals to address these issues where necessary.
Worksite Visits	Twice a year	Having Outside Directors and Outside Audit Supervisory Board Members visit Kao's overseas and domestic markets, offices, factories and retailers creates opportunities for them to directly access information relating to the frontline of our operations. Since FY2020, due to the spread of the COVID-19 pandemic, visits were made only to worksites within Japan.

Board of Directors

The Board of Directors deliberates on major management directions from multiple perspectives, including risk assessment, and supervises the appropriate execution of management strategy. It also puts in place an environment conducive to offensive management that clearly identifies risks, by establishing an internal control system and risk management system. In FY2021, the Board discussed many topics under K25, engaging in free and open exchanges of opinions. In addition to the items noted below, the board receives business execution reports from Directors serving as Executive Officers, and receiving reports on matters discussed during meetings of the Management Board from the Executive Officer in charge (the Board met 15 times in FY2021).

Major topics deliberated by the Board of Directors in FY2021

Corporate philosophy	● Deliberate on the revision of the Kao Way
Mid- to long-term strategies	● Report on strategies for implementing K25 ● Strategic meeting reporting ● Digital Life Platform reporting ● Reborn Kao and Another Kao progress report
Capital policy	● Financial strategy reporting
Corporate Governance	● Department of Internal Audit report ● Audit & Supervisory Board Members audit report ● Deliberate on disclosure of corporate governance
Others	● Report on human capital strategy ● ESG Committee activity report

Corporate governance

Evaluation of the effectiveness of the Board of Directors

On an annual basis, an evaluation is conducted at a meeting of the Board of Directors, in order to make improvements aimed at enhancing the effectiveness of the Board of Directors. Kao believes that it is effective for all of those who participate in meetings of the Board of Directors to perform evaluation by expressing their own opinions and engaging in free and open discussions, and so evaluation of Board effectiveness is performed using self-assessment. For the FY2021 evaluation, once again, a survey was conducted, and feedback on the survey results were provided before engaging in discussion and exchange of opinions.

Results of evaluation of the effectiveness in FY2019

Main implementation items

- Human capital strategy: A certain amount of discussion was held on finding and developing global and diverse human resources, and a common understanding of the issues was achieved.
- Interactive communication between management and execution: Several Executive Officers made presentations and discussed forward-looking mid- to long-term strategy with the Board of Directors, deepening mutual understanding through a direct exchange of opinions.
- Internal controls: The number of incidents of negative information being sent to the Board of Directors and the pace of sending that information improved.
- Deep discussion on the ESG Strategy resulted in a public declaration of intent.

Future issues

- Human capital strategy: Deeper discussion will be conducted on finding and developing young human capital, using human resources from external sources as well as human resource requirements and training plan based on ideals.
- Internal controls: Further improvements are needed in getting reports from operational sites and in facilitating cross-division cooperation. Discussions on the background and core elements of events that have happened are also needed.
- It is also necessary to set aside time to discuss key directions of the Kao Group, such as the mid-term plan, human capital strategy, global strategy, and M&A strategy.

Results of evaluation of the effectiveness in FY2020

Main implementation items

- There was discussion on whether or not the degree of achievement of K20 was affected by the COVID-19 pandemic.
- The process of formulating K25 involved a lively exchange of opinions and adequate discussion over an extended period of time, which deserves a positive evaluation.
- The composition of the Board of Directors is well-balanced and with inappropriate levels for realization of K25.
- The main direction was fully discussed through deliberation on K25.

Future issues

- In order to achieve K25, it is necessary to continue discussions on mechanisms for monitoring progress, large-scale investment and strategic measures, and solutions to circumstances that hinder implementation.
- Human capital strategy: We should deepen the discussion on the ideal direction, as well as discussion on how to retain and cultivate the types of human capital that are needed in order to realize K25.
- Internal controls: Development of systems and operational adequacy need to be supervised at all times so that controls can function more effectively.
- The diversity of the Board of Directors and Executive Officers should be discussed and improved.
- Further discussion is needed regarding global strategies and M&A strategies.

Results of evaluation of the effectiveness in FY2021

Main implementation items

- The principal themes of K25 were frequently raised by the Board of Directors, with active discussions conducted in a timely manner.
- Measures that emphasize the furtherance of K25 are being conducted, including promotion of global-minded personnel and young employees, and active utilization of external human capital. Also, a report was made on the introduction status of Objectives and Key Results (OKRs), a new management tool for activating personal growth.
- Negative information and risk information were appropriately reported in a timely manner. In addition, the system now enables rapid response when problems occur.
- A system that enables appropriate monitoring has been established and is in operation. The head of the ESG Division reports on its activities, and there are reports on other agenda items that touch on their relevance to ESG.

Future issues

- It is also necessary to deepen discussions on issues that hinder the realization of K25, measures to solve them, and actions that should be prioritized, and to conduct periodic verification with a greater awareness of the PDCA cycle for the realization of K25.
- Human capital strategy is a management issue for ongoing consideration, and it is necessary to deepen discussions of issues including the promotion of human capital needed for realizing K25, assignment and training of human capital for that purpose, and the evaluation of executive staff.
- It is necessary to continuously verify and discuss whether potential internal control issues are latent in the organization and ongoing supervision is also necessary because problems may arise that were not apparent due to the COVID-19 pandemic.
- It is desirable to further enhance reports on the status of specific activities in each country and division, sharing of information on comparison between Kao's ESG activities and social trends and other matters, and how to communicate externally and collaborate with other companies.

Corporate governance 102-26

Audit & Supervisory Board

Each Audit & Supervisory Board Member performs his/her duty independently to ensure that the Kao Group achieves sound and sustainable growth and establishes governance that respond to the confidence of stakeholders. Audit & Supervisory Board consists of three Outside members and two Full-time members and formulates audit policies and plans. Each member frankly exchanges his/her opinions, deliberates the issues and makes resolutions (the Board held 10 times in FY2021).

Major topics deliberated by the Audit & Supervisory Board

- Enhancing group governance
- Trends in social demands such as revision of the Corporate Governance Code and identification of current issues in Japan and overseas
- Status of development and operation of the internal control system
- Dealing with Whistleblowing
- Report on the activities of Full-time Audit & Supervisory Board Members
- Organizing Audit & Supervisory Board Member related rules
- Evaluation of the effectiveness of the Audit & Supervisory Board

Audit Policies and key audit items

Audit & Supervisory Board conducts its duties in accordance with its audit policies which reflect management policies and strategies based on K25, changes in the social environment and stakeholders' requirements, summarize its activities through effectiveness evaluations, and review and identify issues which should be dealt with in the following fiscal year as key audit items.

(i) Audit Policies

- The Audit & Supervisory Board verifies the management decision-making process and the execution of business at meetings of Board of Directors and other important meetings and further interviews divisions and group companies to verify the degree to which the management policies have been instilled in them and audit the management policies to check that the sound management of Kao Group is ensured.
- The Board audits the effectiveness of group governance with a focus on the prevention of material losses from being incurred when auditing the establishment and operation status of the internal control of Kao and its group companies. The Board further verifies the future direction of the Kao Group's internal control set by the divisions which promote the internal control in response to management strategies that create new business domains and new business models.
- The Board strengthens co-working with auditors of group companies and the Accounting Auditor and endeavors to improve the effectiveness and efficiency of audits in light of changes in the social environment that affect governance. Further, verifies that information is disclosed in a more appropriate and proactive manner.

(ii) Key audit items


- Implementation of the K25 in its first year
- Establishment and operation status of internal control of Kao and Group companies
- Improvement of the effectiveness of group governance
- Disclosure of information in a more appropriate and proactive manner

Corporate governance 102-28

Activities and evaluation of effectiveness in FY2021

The main activities of Audit & Supervisory Board Members in FY2021 are as indicated in the table on the right. The Audit & Supervisory Board conducts an annual effectiveness evaluation to improve the effectiveness of audit activities every year. It determines evaluation items mainly focused on main audit items, each Audit & Supervisory Board Member makes evaluation by him/herself and they discuss the result of the evaluation and identify issues at the Audit & Supervisory Board. The Audit & Supervisory Board reflects the results in its next year's plan and strive to continuously improve effectiveness. The Audit & Supervisory Board deliberated on the results of the evaluation of the effectiveness of audit activities for FY2021 and concluded that it was functioning effectively. The Audit & Supervisory Board will also focus on information disclosures that satisfy the demands of society and stakeholders in the coming fiscal year.

Activities and evaluation of effectiveness in FY2021

Main Audit Items	Main activities (numbers of times are results for FY2021)	Evaluation of effectiveness and identified issues
Directors' execution of duties	<ul style="list-style-type: none"> Attended meetings of the Board of Directors (15 meetings), checked deliberations and resolutions, and expressed opinions, as necessary. Held meetings to exchange opinions with the Representative Directors of Kao and its important subsidiaries (6 meetings) as well as with the Outside Directors (3 meetings) and shared findings obtained from audit activities and made advices. 	<ul style="list-style-type: none"> Attended meetings of the Board of Directors and other important meetings and spoke without restrictions and audit the status of deliberations. In the first year of K25, Audit & Supervisory Board Members frankly shared awareness of issues at meetings with Representative Directors, confirmed the degree of penetration of K25 through interviews focusing on dialogue with each division and group company, and worked to improve the effectiveness of supervision. Progress is being made on new challenges, the conventional approach still continues, and in the next fiscal year Audit & Supervisory Board will focus on the effects of structural reforms and the speeding up of implementation.
	<ul style="list-style-type: none"> Attended important meetings such as meetings of Management Board, Committee, and Internal Control Committee (139 meetings), verified the decision-making process, and requested explanations, as necessary, and made advices from time to time. 	
	<ul style="list-style-type: none"> Verified the degree to which K25 had been instilled in Kao's worksites, divisions, and domestic and overseas group companies by conducting dialog-oriented on-site visits and interviews. 	
Internal controls	<ul style="list-style-type: none"> Attended meetings of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, the Compensation Advisory Committee for Directors and Executive Officers, and Compensation Advisory Committee for Audit & Supervisory Board Members for review and discussion. 	<ul style="list-style-type: none"> The "system to supervise Directors" was generally appropriate, as it simultaneously checked the status of the development and operation of the internal control system. FY2021 was focused on the speed of self-inspection and improvement in the first line of internal control, and the monitoring status in the second line, confirming the improvement against the issues in the previous fiscal year. The effectiveness of on-site visits and interviews was improved as a result of the measures described on the left. Going forward, Audit & Supervisory Board will focus on steady operation and consideration of diversity such as monitoring methods for overseas group companies and cooperation with business partners.
	<ul style="list-style-type: none"> Audited the status of business execution and the establishment and operation of internal control systems for worksites, divisions, and domestic and overseas Group companies. Audited the status of monitoring with the divisions who are in charges of second line of the internal control, such as the Legal and Governance Department and the Risk Management and Responsible Care. The above on-site visits and interviews were conducted as in previous years (115) while making use of remote auditing techniques such as online meetings in timely manner. Approximately 70% of such procedures were attended by at least one Outside Audit & Supervisory Board Member. To improve the efficiency and effectiveness of audits, interviews focused on specific topics and the exchange of opinions. The interview method has been improved by reconfirming the previously identified issues at the start, arranging the Audit & Supervisory Board Members' comments into requests and advice at the end, and extracting and sharing best practices. 	
Group governance	<ul style="list-style-type: none"> Exchanged opinions with the Department of Internal Audit, which is an internal audit division, on a regular basis and as-needed basis to improve the effectiveness of audits. 	<ul style="list-style-type: none"> The Audit & Supervisory Board is promoting co-working with the Department of Internal Audit and auditors of group companies. On the other hand, there are many auditors at group companies who have concurrent positions. As issues are being identified through fact-finding surveys, the system is being reviewed, and some members of the newly established Office of the Audit & Supervisory Board in January 2022 will be appointed as auditors of some group companies, which will promote cooperation and result in improved effectiveness of the audit function in the future. The Audit & Supervisory Board works closely with the Accounting Auditor while monitoring the independence and appropriateness of audits.
	<ul style="list-style-type: none"> Worked closely with auditors of group companies to improve the effectiveness of audits by holding regular meetings to exchange opinions with them and requesting such group company's auditor to attend at Audit and Supervisory Board's interviews on their group companies. 	
	<ul style="list-style-type: none"> Received an annual audit plan, accounting audit findings (quarterly reviews and annual audit findings), and key audit matters (KAM) from and exchange opinions with Accounting Auditor while monitoring the independence and appropriateness of audits (on 23 meetings). 	

Corporate governance 102-35, 102-36, 102-37

Internal audit

The Department of Internal Audit reports directly to the President and Chief Executive Officer. It conducts internal audits on management activities of Kao and Kao Group companies in general from the perspective of complying with laws and regulations, the appropriateness of financial reporting and administrative effectiveness and efficiency. Besides providing reasonable assurance as to the effectiveness of the company's internal controls, the department also aims to further enhance the internal controls system by proposing improvements. The results of internal audit activities are reported to the Management Board and the Board of Directors at regular intervals.

Regarding management of subsidiaries, the Group Company Policy Manual stipulates which items subsidiaries are required to obtain approval for from Kao in advance, and which items they are required to report to Kao. In accordance with the policy manual, the findings of internal audits conducted by the Department of Internal Audit, as well as initiatives implemented in response and the outcomes of such initiatives, are shared with the board of subsidiaries.

The Department of Internal Audit exchanges information and opinions regarding the current state of internal audit activities with Audit & Supervisory Board Members on a regular basis and as needed. In addition, with regard to the development or evaluation of internal controls relating to financial reporting and the current state of related internal audit activities, the Department of Internal Audit shares information as appropriate with the Accounting Auditor, and strives for effective mutual coordination with the Accounting Auditor.

Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers

The compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is aimed at (1) securing and retaining diverse, outstanding talent so as to establish and enhance competitive advantage, (2) promoting prioritized actions for realizing continuous increases in corporate value and (3) sharing interests in common with shareholders. Starting in FY2017, we have introduced a performance-based share incentive plan for our Directors (excluding Outside Directors) and Executive Officers. Serving as a highly transparent and objective remuneration system that is closely linked to company performance, the performance-based share incentive plan aims to increase awareness of contributing to improvements in our financial performance and corporate value over the mid- to long-term.

Regarding Kao's share incentive plan, in order to promote both social contribution and sustainable enhancement of corporate value, we made adjustments to the long-term incentive compensation indicators

starting in FY2021. Specifically, the new evaluation system is multifaceted from three perspectives, moving away from the traditional focus on financial indicators to include growth potential evaluation indicators that measure how well business has grown, ESG potential evaluation indicators that measure how well Kao has implemented activities for ESG-driven management, and management potential evaluation indicators that measure the overall implementation of management activities through evaluation in employee awareness surveys and other measures.

As regards short-term incentive compensation, EVA and consolidated net sales and income are used as the evaluation indicators. EVA has been adopted as an evaluation indicator in order to provide motivation for enhancing corporate value through the implementation of long-term strategies that contribute toward the resolution of ESG issues. With regard to the adoption of consolidated net sales and income as evaluation indicators, this represents a goal that is shared with ordinary employees. It provides motivation for realizing profitable growth and can help to foster a sense of unity with employees.

FY2021 review of long-term incentive compensation indicators

Details of review	Objectives
Introduce business growth evaluation indicators* * Business growth rate of net sales, profit, etc.	Reflect in compensation the degree of growth of the Kao Group's business
Introduce ESG activities evaluation indicators** ** Evaluation by external indicators, and extent of achievement of internal goals (such as the Kirei Lifestyle Plan), etc.	Reflect in compensation the degree of implementation of activities aimed at ESG management sought by the Kao Group
Introduce top management activities evaluation indicators*** *** Evaluation of management activities by Kao employees, etc.	Reflecting in compensation the overall achievement of management activities based on evaluations conducted through employee surveys, etc.

Corporate governance

Summary of compensation system for Directors, Audit & Supervisory Board Members and Executive Officers

	Base salary	Short-term incentive compensation		Long-term incentive compensation		
		Bonus		Share incentive		
		EVA-linked part	Consolidated net sales/profit-linked part			
Method of provision	Amount determined in accordance with role and rank, and provided as fixed monthly compensation	Amount of bonus determined in accordance with degree of achievement of single fiscal-year targets and provided		Kao shares, etc., are delivered within a five-year target period covered by the current mid-term plan <ul style="list-style-type: none"> Fixed part: Deliver a set number of shares, etc. each year Variable part: Delivery of shares, etc. when executive officers resign from their post in accordance with the results achieved in initiatives and activities undertaken as part of the mid-term plan. The compensation structure is set at 70% variable and 30% fixed.		
Clawback	No	No		In the case of a serious compliance violation by the individual in question during the period from the start date of coverage by the system to three years after the final delivery of shares and so on, the Company claims that the delivered shares and so on must be returned.		
Performance evaluation period	—	1 year		5 years (2021–2025)		
Evaluation indicator	—	EVA	<ul style="list-style-type: none"> Consolidated Net Sales Income (Gross Profit Less Selling and General and Administrative Expenses) 	Business growth (40%)	ESG activities (40%)	Top management activities (20%)
Evaluation criteria	—	Degree of target achievement	Degree of target achievement Degree of year-on-year improvement	Business growth rate of net sales, profit, etc.	Evaluation by external indicators, and extent of achievement of internal goals (such as the Kirei Lifestyle Plan), etc.	Evaluation of management activities by Kao employees, etc.
Coefficient/ Determination of payout rate	—	The payout ratio is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.		The coefficient for the variable part is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.		
Compensation structure	—	Bonus amount by position when the payout ratio is 100% <ul style="list-style-type: none"> President and Chief Executive Officer: 50% of base salary Executive Officers with titles: 40% of base salary (except for the President and Chief Executive Officer) Other Executive Officers: 30–35% of base salary 		The yearly share remuneration amount when the variable component coefficient is 100% <ul style="list-style-type: none"> About 30%–50% of the base salary of the position 		
Eligible for provision	<ul style="list-style-type: none"> Directors Executive Officers Auditors 	<ul style="list-style-type: none"> Directors (Except for Outside Directors) Executive Officers 		<ul style="list-style-type: none"> Directors (Except for Outside Directors) Executive Officers 		
Applicable period	—	1 year		5 years (2021–2025)		

Corporate governance

Compensation structure for Directors

Fixed compensation (50%)		Variable compensation (50%)	
1. Base salary		2. Short-term incentive (25%)	3. Long-term incentive (25%)

* In the case of the Representative Director, President and Chief Executive Officer.
* In the case where the variable component coefficient and the payout rate are both 100%.

Compensation paid to Directors in FY2021

Classification	Number of persons (Persons)	Aggregate amount of remuneration (Millions of yen)	Amount of remuneration by type (Millions of yen)			
			Base salary	Short-term incentive compensation (Performance-based bonus)	Long-term incentive compensation (Performance-based share incentive)	
					Variable part (Performance-based part)	Fixed part
Directors (of Outside Directors)	8 (4)	467 (75)	324 (75)	39 (–)	73 (–)	31 (–)
Audit & Supervisory Board Members (of Outside Audit & Supervisory Board Members)	6 (3)	82 (30)	82 (30)	– (–)	– (–)	– (–)
Total (of Outside Directors and Audit & Supervisory Board Members)	14 (7)	549 (105)	406 (105)	39 (–)	73 (–)	31 (–)

Note: 1. The above numbers of Directors/Audit & Supervisory Board Members include one Audit & Supervisory Board Member who resigned at the conclusion of the 115th Annual General Meeting of Shareholders held on March 26, 2021.
2. The variable part (performance-based part) of the long-term incentive compensation (performance-based share incentives) will be determined after the final year of our K25 mid-term plan, which covers the five fiscal years from 2021 to 2025, and therefore, the variable part (performance-based portion) is the amount recorded as a provision for the most recent fiscal year.

Compensation paid for individual directors in FY2021

Name (Director classification)	Aggregate amount of remuneration (Millions of yen)	Corporate classification	Amount of remuneration by type (Millions of yen)			
			Base salary	Short-term incentive compensation (performance-based bonus)	Long-term incentive compensation (performance-based share incentive)	
					Variable part (performance-based part)	Fixed part
Michitaka Sawada (Director)	125	Submitting company	99	0	18	8
Yoshihiro Hasebe (Director)	139	Submitting company	82	22	24	11

Note: 1. Only Director remuneration amounts totaling over 100 million yen are listed.

Risk and crisis management 102-15, 103-1, 103-2, 103-3

We strive to make improvements to our risk and crisis management system to respond both promptly and appropriately to changes in the business environment, to prevent risks from happening and to minimize damage and loss in cases where risks manifest.

Kao's creating value to address social issues

Social issues we are aware of

The growing severity of social issues—including the issue of waste such as marine plastic waste, climate change, the depletion of water resources, environmental and human rights issues relating to raw materials procurement, the aging of the population and issues relating to public health and hygiene—has led to heightened environmental and health awareness among consumers, a trend toward ethical consumption, and growing demand from customers for sustainability. Moreover, the global COVID-19 pandemic has only increased this trend.

On the other hand, stakeholders are also raising their expectations and what they require from companies in terms of corporate compliance, ensuring that products and services provide safety and peace of mind, secure information management, safeguarding of human rights, respect for diversity, and timely and appropriate information sharing and disclosure. As these issues become more diversified as we head toward 2030, we believe they will also become more complex. On the other hand, we also believe that under these conditions we can play an even greater role as a company that is a part of society.

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

Our current business environment remains unclear due to the spread of COVID-19, intensifying market competition and changes in market structure, and fluctuations in the raw material market as well as in exchange rates. Long-term effects of COVID-19 increase the possibility that a temporarily suspension at our group bases and supply chains could hinder our ability to provide products and services, and additionally, have transformed consumer awareness regarding the environment, health and hygiene, as well as consumer purchasing behavior accompanied by this awareness change. In addition, heightened geopolitical tension has been accompanied by fueling divisions among people. There have also been increasingly serious environmental problems, and the world today continues to experience great turmoil. It is vitally important to respond quickly and adequately to the risks associated with these kinds of changes in the business environment. The Risk and Crisis Management Committee and Management Board have defined the main 14 risks (see next page) of special importance that could occur negative impact on sustainable and profitable development, and on our contributions to sustainability of the world. Managing divisions have established countermeasure policies for these risks and are managing their progress.



Corporate Risks and Main Initiatives
www.kao.com/global/en/investor-relations/management-information/risk-of-business/

Risk and crisis management^{103-1, 103-2, 103-3}

Main risks

Main risk	Detail of risk
1. Risks related to the COVID-19 pandemic	<ul style="list-style-type: none"> • Temporary suspension of operations due to the spread, or long-term effects, of COVID-19 and the effect of highly infectious virus mutations, etc. • Risk of declining competitiveness from insufficient response to changes in consumers' awareness and values as well as changes in purchasing behavior
2. Risks related to response to social issues	<ul style="list-style-type: none"> • Risk of being unable to provide appropriate products and services in line with changes in consumer awareness and customer needs in relation to social issues • Risk that our initiatives to address social issues will be perceived as being inadequate
3. Risks related to changes in the retailing environment	<ul style="list-style-type: none"> • Risks that would prevent conducting appropriate sales activities for changes and speed in the retailing environment including e-commerce growth and sourcing new channels, fusion of real distribution and online as well as mergers and integration across business formats • Risks of hindering appropriate response to changes in the logistics environment, including driver shortages and increases in costs due to logistics increase as well as work style law reforms that apply to the logistics industry
4. Risks related to business outside Japan	<ul style="list-style-type: none"> • Risk of significant business planning delays due to slow economic growth, political and social instability, problems with business partners such as retailers and agents, sudden changes in laws, regulations and tax systems, an influx of counterfeit products and others
5. Risks related to business investment	<ul style="list-style-type: none"> • Risk of being unable to generate the anticipated level of cash flow, due to worse-than-planned performance, etc. in relation to capital investment and M&A
6. Risks related to product quality	<ul style="list-style-type: none"> • Risk of serious product accidents or concerns emerging with regard to product safety or environmental issues • Risk of not being able to appropriately respond to changes to laws and regulations in each country, and demands for resolving safety or environmental problems and for transparency such as product ingredients and safety
7. Risks related to large-scale earthquakes, other natural disasters and accidents	<ul style="list-style-type: none"> • Risk of obstacles emerging that hinder our ability to supply our products to the market by the harm to employees, facilities and supply chain as a result of large-scale earthquakes, large typhoons associated with climate change, floods and other natural disasters • Risk of major harm to employees and the surrounding area due to plant fire or explosion
8. Risks related to information security	<ul style="list-style-type: none"> • Risk relating to personal information disclosure or confidential information leakage as well as temporary disruption of business operations through voluntary acts such as cyberattacks
9. Risks related to reputation	<ul style="list-style-type: none"> • Risk of inappropriate statements in advertising etc. being spread widely via social media • Risk of the diffusion of critical evaluations of, or misleading information relating to our business activities, brand image, etc.
10. Risks related to raw material procurement	<ul style="list-style-type: none"> • Risk of dramatic fluctuations in the market price or stable procurement of raw materials • Risk that our initiatives to achieve sustainable, responsible procurement will be perceived as being inadequate
11. Risks related to compliance	<ul style="list-style-type: none"> • Risk of serious compliance violations at group companies, contractors, etc.
12. Risks related to securing human capital	<ul style="list-style-type: none"> • Risk of being unable to implement the retention and cultivation of human capital with high level specialist skills, leaders able to guide change, etc.
13. Risks related to currency exchange rate fluctuations	<ul style="list-style-type: none"> • Risk that fluctuations in the exchange rates between the Japanese yen (as a functional currency) and foreign currencies will be greater than anticipated
14. Risks related to litigation	<ul style="list-style-type: none"> • Risk relating to litigation trends and others

We define new risks that emerge due to changes in the business environment, or risks that we are already aware of and that may seriously affect management over a long-term period as emerging risks, and among other major risks, are focusing on the following. During our annual review of major risks, we also identify emerging risks with focus on the following risks.

Risks related to the COVID-19 pandemic

The spread of COVID-19 has had a major impact on social and economic activity as well as people's lives all over the world, and the business environment still remains unclear. The prolonged spread of infection leads to changes in consumer awareness, values and

purchasing behavior, and decline in competitiveness due to an insufficient response to them can be considered risks that may seriously affect management over time.

Risks related to response to social issues

The growing severity of environmental and human rights issues, as well as social issues, such as the aging of the population and issues relating to public health and hygiene, has led to heightened environmental and health awareness among consumers and growing demand from customers for sustainability. These social issues are expected to become more diverse and complex. Insufficient provision of appropriate products and services that embody our ESG Strategy (Kao Actions) in response

to changes in consumer awareness and customer needs regarding these issues, or having our initiatives perceived as inadequate, also poses risks that could seriously affect our management over the long term. For environmental issues, this applies in particular to products that reduce energy consumption during product use and reduce waste after use, and for social issues, to products that are easy to understand and use for large numbers of consumers as well as products that contribute to improved quality of life.



"Business Risks and Other Risks" section of our Financial Report 2021

www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/investor-relations/pdf/securities-fy2020-all-01.pdf#page=17 (Japanese)

Risk and crisis management 102-12, 102-30, 103-1, 103-2, 103-3, 404-2

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

Faced with social issues and a changing business environment, by clarifying the key operational risks that we face and strengthening our response to them, earning a strong sense of trust from our stakeholders, and providing products and services deemed necessary by society, we strive to make Kao a company with a global presence, valuable to society.

Kao's creating value

Currently, in line with the Kirei Lifestyle Plan (KLP), our business strategy that incorporates an ESG perspective, we are promoting innovation based on new technologies at every stage from procurement to production, usage and product disposal. We aim to contribute toward the sustainability of society through KLP promotion activities that enable all Kao employees to develop a proper understanding of the KLP's goals and content and help them to realize their respective roles and responsibilities.

Risk and crisis management plays an important role in underpinning these measures. By prioritizing the formulation of countermeasures to address significant risks that could have a substantial impact on our operations, we aim to provide even better products and services without interruption, and to maintain good relationships based on trust with consumers, customers, business partners and other stakeholders.

Contributions to the SDGs



Policies

We regard potential negative impacts on the achievement of the management targets and business activities as a "risk," and the manifestation of such risk as a "crisis." We appropriately manage the various risks and crises that could occur across our business following the response priority detailed in the Kao Risk and Crisis Management Policy (1. Protection of human lives, 2. Environmental conservation, 3. Continuation of operations, 4. Protection of assets). The Risk and Crisis Management Committee has established risk and crisis management systems and activity guideline, and our divisions and affiliates within and outside Japan conduct risk management by identifying and assessing risks and formulating and implementing appropriate countermeasures based on this activity guideline. In addition, when a crisis arises an Emergency Response Team is launched corresponding to the severity of the emergency to promptly and appropriately address the crisis in order to minimize physical damages and financial losses.

Education and promotion

Spreading awareness of the risk management system and activity guideline

The Risk and Crisis Management Committee's Secretariat disseminates information about the designated risk management system and activity guideline formulated by the committee to individual divisions and affiliates. Then through self-audits, we confirm how well each division and company understands basic policy and activity guideline, as well as the implementation progress of our activities. Additionally, through the use of our internal portal site, etc., we are able to inform employees about our risk management system, response flow, emergency contacts, guidelines and so on when crises occur. Moreover, we are working to foster understanding and awareness of risks and crises by providing alerts and e-learning on various risks and checking employee attendance and their level of understanding.

Risk surveys

Risk surveys—both a comprehensive survey and surveys with questions on designated topics—are conducted at each division and affiliate to identify significant risks and to facilitate the revision of countermeasures where necessary. The results of the surveys are reported back to each division and affiliate to promote ongoing improvement in and strengthening of the risk management capabilities of the organization and its employees. For cross-organizational risks and common risks, we are working with each division in charge to strengthen our ability to address these, and if necessary, we respond to it as a corporate risk theme.

Risk and crisis management 102-15, 102-20, 102-29, 102-30, 102-33, 102-43

Providing information on risks

On our internal portal site, we provide employees with an emergency contact and response structure to be used when a risk becomes realized. In addition, to promote an understanding of risk and an immediate, appropriate response in the event of a crisis, we also provide information and education about topics, such as how to prepare for and respond to large-scale earthquakes, natural disasters, pandemics, information security risks or reputation risks, as well as key points to note when using social media. Risk education is also provided to directors (including our outside directors) at least once a year by internal or external lecturers.

Especially in response to the spread and long-term effects of COVID-19, through our internal portal site and other means we communicated to employees the status of infections nationally and regionally and work systems and styles to adopt corresponding to national and local government policies as part of our crisis management measures, and employees put them into practice. We also communicated a wide variety of information related to COVID-19 infection protection measures, including ways to strengthen infection protections at workplaces and at home, the response when employees or their family members become infected or are in close contact with an infected person, and systems and precautions when working from home.

Crisis response training

We conduct emergency response training, comprehensive disaster prevention drills, safety confirmation drills, media training, risk communication training, etc. on a regular basis.

Collaboration and engagement with stakeholders

When it comes to risk and crisis management, in order to quickly and properly address these situations, it is necessary to conduct activities that deepen mutual understanding with our stakeholders through communication.

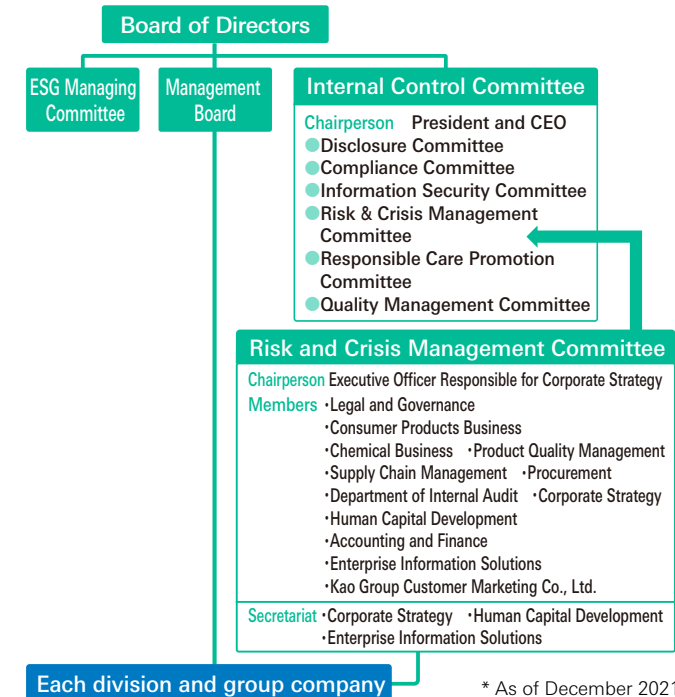
For instance, when it comes to maintaining product safety and good quality, stable supply, and fulfilling our responsibility toward social issues, working with suppliers and contractors is essential. Concerning stable procurement risks, we actively promote the facility expansion at our major suppliers and the use of secondary suppliers for risk diversification, as well as collaborative efforts to review supplier contracts. Additionally, for sustainable and responsible procurement, we are strengthening coordination with our suppliers through various initiatives such as the monitoring of suppliers by Sedex and the Carbon Disclosure Project Supply Chain Program.

In the event of crises such as large-scale earthquakes and typhoons, it is necessary to work not only with suppliers and contractors but also with the government, local governments and industry groups in order to provide relief aid to the affected areas and to ensure the continuous supply of needed products and services. Participation and information exchange in subcommittees and activities is useful for promoting in-house activities. In the event of a crisis, we will provide information on the status of our group and the impact on the market in a timely manner through our website and other avenues, striving to eliminate the concerns of consumers and customers.

Framework

The Risk and Crisis Management Committee (which meets four times a year) establishes the management system and activity guideline for risk and crisis management. Divisions and affiliates conduct risk management by identifying and assessing risks and formulating and implementing appropriate countermeasures based on this activity guideline. In addition, we have established the Risk and Crisis

Risk and crisis management system



* As of December 2021

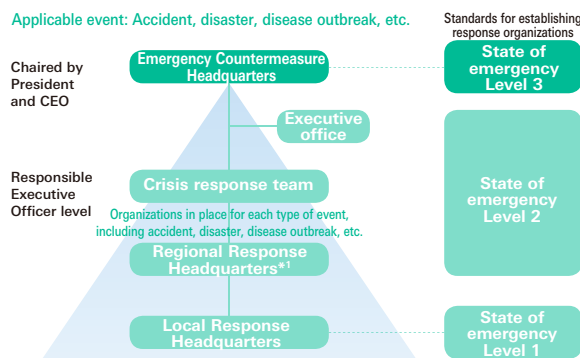
Risk and crisis management 102-15, 102-20, 102-29

Management Promotion Council, held once a month as a subordinate organization of the committee, which discusses proposals with the committee and promotes committee decisions.

The Risk and Crisis Management Committee and Management Board have defined the main 14 risks of special importance that could have a particularly negative impact on sustainable and profitable development, and on our contributions to sustainability of the world. Of these main risks, we designate risks that would have a particularly large impact on our

Management framework during times of crisis

Within the Kao Group, when a crisis occurs, the head of the crisis response team will evaluate the level of severity of the crisis on the basis of the potential impact on the Kao Group (designating the crisis as level one, level two or level three depending on the severity of the accident, disaster, epidemic, etc. in question), and an appropriate organizational framework will be established for dealing with the crisis in accordance with the level of severity.



management and that we need to strengthen our response to as "corporate risks." With respect to corporate risks, once a year, the Management Board revises the risk themes and risk owners responsible for addressing them (executive officers) based on internal and external risk analysis and informational interviews with management, and the Risk and Crisis Management Committee manages the progress. Additional risk themes are added as necessary, in line with changes in the business environment.

Conversely, in the event of a crisis, in the case of corporate risks, those risk owners, or in the case of other risks, those divisions and affiliated companies responsible for addressing them play a central role when it comes to establish an organization for countermeasures. In addition, depending on the magnitude of the impact on the Kao Group as a whole, we also establish Emergency Response Team Headquarters with the President or executive officer as its general manager to respond to the

impact to reduce physical damage and financial loss as much as possible. The Risk Management and Responsible Care, which operates independently of our individual businesses, promotes effective management of risk and crisis in all Kao Group member companies. Besides submitting proposals for improvement, the group also works to identify new risks and risks for which it is not clear which unit has responsibility, and formulates response strategies. The Management Board undertakes verification of risk and crisis management activities on a periodic basis (annually) and as needed, and this verification is approved by the Board of Directors. The Internal Control Committee monitors the status of risk and crisis management activities and verifies the effectiveness of the activities.

Performance evaluation of the Executive Officers and the supervising divisions responsible for main risks and corporate risks incorporates evaluation of the extent to which targets have been achieved in relation to measures addressing these significant risks.

Risk management processes



Risk and crisis management ¹⁰²⁻¹⁵

Mid- to long-term targets and performance

Mid- to long-term targets

By implementing the following basic strategies, we achieve risk and crisis management which support realizing What Kao Aims to Be by 2030: to make Kao a company with a global presence, valuable to society.

- Clarifying main risks and strengthening our counter response based on changes in internal and external environments
- Addressing strategic risks affecting the Kao Group Mid-term Plan 2025 (K25)
- Improving rapid and appropriate response when risks manifest

Important initiatives in 2021

- COVID-19 spread and long-term effects response
- Clarifying main risks, including corporate risks, and strengthening our counter response
- Visualizing for management purposes latent risks at business sites and in the business environment
- Identifying issues through risk research on risks that would hinder the K25
- Strengthening our practical ability to respond to significant risks at overseas bases
- Rapid and appropriate response when risks manifest
- Strengthening measures against information disclosure, etc.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

By preventing crises from occurring and minimizing any damage or losses in the event of an occurrence, we will be able to achieve our business activity goals and sustainable and profitable development.

Social impacts

Making contributions to social sustainability possible through business activities

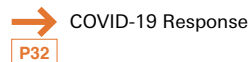
Risk and crisis management ¹⁰²⁻³⁰

Performance in 2021

Performance

COVID-19 spread and long-term effects response

We set the emergency level as “level 3,” the highest level, and held a meeting of the Emergency Response Team Headquarters (headed by the President) to decide on response policies focusing on ensuring the safety of employees and their families and on the continuity of business activities.



Clarifying main risks, including corporate risks, and strengthening our counter response

- The Risk and Crisis Management Committee and the Management Board have selected the 14 main risks of particular significance as the risks that could have a negative impact on our sustainable and profitable development, and on our contributions to sustainability of the world. The details of these main risks and our main initiatives are disclosed in “Business Risks and Other Risks” in our 116th Financial Report.
- The Risk and Crisis Management Committee managed the progress of the eight corporate risk themes for FY2021.
- Based on internal and external risk analysis, the Management Board decided on the management system for eight corporate risk themes for 2022.

Corporate risks and main initiatives in 2021

Theme	Details of risks	Main initiatives
Pandemics	Risk including damage to employee health and temporary business suspensions occurring due to the long-term effects and infectious mutant variants of the global COVID-19 pandemic	<ul style="list-style-type: none"> ● We held a meeting of the Emergency Response Team Headquarters (headed by the President) to implement following response focusing on ensuring the safety of employees and their families and on the continuity of business activities. • As crisis management measures, followed national and local government policies, and additionally implemented work systems and styles compatible with the status of infection (promotion of remote work / teleworking, restrictions on business trips, restrictions on training / events / tours, etc.) • Identified the status of infected employees and family members or those who have been in close contact with infected persons, and implemented care as applicable, and measures to prevent the occurrence of infection clusters • Established a workplace vaccination program for employees and their families • Strengthened infection control measures in countries and regions where infection has spread, as well as activities related to business continuity in collaboration with group companies • Reviewed group systems for new work styles to further promote of business digitalization, remote work, etc. ● Reviewing guidelines and action plans for the next pandemic based on experience with COVID-19
Large-scale earthquakes and other natural disasters	Risk of harm to employees and assets including facilities and difficulties in supplying products as a result of large-scale earthquakes and other natural disasters such as large typhoons and floods associated with climate change	<ul style="list-style-type: none"> ● Conduct surveys of water-related risks at each business location, and strengthen physical and non-physical countermeasures ● Conduct disaster preparedness education including verifying flood hazard maps and evacuation measures ● Strengthen our response through emergency response drills, means of communication and BCP drills to prepare for major earthquakes and other events
Serious quality issues	Risks of serious quality issues arising that would cause the loss of social trust	<ul style="list-style-type: none"> ● Strengthen company-wide response in the event of serious damage arising due to a quality problem ● Strengthen internal awareness-raising to prevent serious quality problems from arising
Cyberattacks and protection of personal information	Risk of leaks of personal information from intentional acts including cyberattacks or negligence	<ul style="list-style-type: none"> ● Create response flows in the event of an incident arising and hold drills ● Strengthen our global framework for information security and protection of personal information
Reputation	Risks that cause value and social trust in our brand to decline due to the spread of critical reviews and misinformation about Kao on social media	<ul style="list-style-type: none"> ● Strengthen the emergency contact system used during contingencies ● Strengthen the social media monitoring system ● Continuously strengthen internal education, and revise guidelines and the like regarding social media

Risk and crisis management ¹⁰²⁻³⁰

Visualizing for management purposes latent risks at business sites and in the business environment

- Regarding our 23 major divisions and 4 major subsidiaries within Japan, we conducted a risk survey regarding our ongoing themes from FY2020 of risk and response status regarding COVID-19 and risks that would hinder the K25. Regarding the former theme, the risk of business continuity due to the long-term effects of infection spread and issues such as the balance between real and remote work were mentioned, and related to the latter theme, risks related to new businesses, business continuity, ESG, etc. were brought up. Based on the results and analysis of external environments, we conducted informational interviews on areas management considered to be risks, and reviewed corporate risks.
- We conducted regular surveys of important risks at our locations overseas. We strengthened our response as a group to promptly and adequately respond to changes regarding our business, with each company reviewing important risk scenarios and risk and crisis management response systems, and additionally, for risks common to the global market, improving cooperation between our locations overseas and our Head Office.

- At the Risk and Crisis Management Committee, we managed progress of corporate risk initiatives by reporting on corporate risk theme initiatives and discussion.
- At the Risk and Crisis Management Promotion Council, we shared and discussed the risk management activities of nine divisions and four subsidiaries in Japan in order to promote improved coordination and strengthen our activities.

Strengthening measures against information disclosure

- We disclosed information about reviewing main risks and concrete initiatives in “Business Risks and Other Risks” in our Financial Report 2020.
- We worked to connect and enhance the contents of our Financial Report’s “Business Risks and Other Risks” as well as contents included in our Integrated Report and Sustainability Data Book.

Main training / drills in 2021

- Comprehensive disaster drills (implemented at major plants around the world)
- Emergency response training and BCP training presumed on a large-scale earthquake (Japan)
- Safety confirmation drills presumed on a large-scale earthquake (Japan)

Reviews of performance

Regarding the COVID-19 spread and long-term effects, we were able to fulfill social responsibilities ensuring the safety of our employees and their families in each country and a continuous supply of hygiene-related products through the united response of our entire company. Moreover, in the future we will strengthen our response by approaching causes of the risk that would hinder the K25.

Responsible care activities 102-12, 102-15, 103-1, 103-2, 103-3

We vigorously implement Responsible Care (RC) activities, which are self-monitoring activities by companies engaged in the chemical industry, to ensure safety and environmental conservation in daily operations.

Kao's creating value to address social issues

Social issues we are aware of

The stable provision of products and ensuring the quality and safety of those products, along with the provision of safe and hygienic working environments and the reduction of environmental impact from business activities, are important social responsibilities. These responsibilities must be fulfilled in our capacity as a company with a chemical business providing diverse materials, products and systems to wide-reaching industries with bases both within and outside Japan.

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

As all of the RC activities are important activities both for inside and outside our company, neglecting any one of them will damage our credibility and the image of our products.

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

Building a strong relationship of trust with stakeholders by promoting RC activities, which are autonomously pursued by corporations, will further facilitate the trust of our product brand image and the company.

Kao's creating value

We have implemented RC activities to autonomously ensure aspects of environment, health and safety in the chemical industry. We contribute to creating a sustainable society while building trusting relationships with society

from an ethical perspective by promoting these activities. As a result, consumers and corporate customers are able to use our products with peace of mind, our employees are able to work in safety and with peace of mind, and communities neighboring our plants and worksites are able to live in safety and with peace of mind.

Contributions to the SDGs



Policies

As we are engaged in the manufacture, sale and distribution of chemical products, we strive to earn enhanced trust from society by ensuring environmental conservation, health and safety across the product lifecycle (from product development and manufacturing to use, consumption, recycling and disposal), continuously making improvements to these efforts, improving quality of life (QOL) and contributing to a sustainable society.

To achieve this goal, we have established our Basic Principle and Basic Policies on Environment and Safety and the Kao Group Responsible Care Policy, and conduct business activities accordingly.

The group as a whole remains committed to the promotion of RC activities, participating in such

activities since the 1995 establishment of the Japan Responsible Care Council. In 2008, then-President and Chief Executive Officer Motoki Ozaki signed a declaration of support for the RC Global Charter, and again in 2014 then-President and Chief Executive Officer Michitaka Sawada signed the revised RC Global Charter. To achieve the objective, we have established the Kao Group Responsible Care Policy based on the basic pillars of RC activities*, that is self-monitoring efforts governing the environment, safety and health set out by the chemical industry. We set targets each year for our group as a whole, including subcontractors, and implement those activities based on an annual plan.

We have been actively promoting the Kao Group Responsible Care Policy enacted in 2012, however in 2014 the International Council of Chemical Associations revised the RC Global Charter and in addition to this, the Japan Chemical Industry Association revised their RC Basic Policy in 2016, and so we have also revised our policy in December 2020 to determine activities and targets for 2030. These revisions included updating the content, adding continuing education and giving each item a title to make it easier for employees to familiarize themselves with them.

* Basic pillars of RC activities: Five objectives of environmental conservation, process safety and disaster prevention, occupational safety and health, chemical and product safety, and distribution safety, and communication with society.



Basic Principle and Basic Policies on Environment and Safety

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Responsible care activities 102-20, 102-43, 403-5 (Occupational health and safety 2018), 404-2



Kao Group Responsible Care Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Education and promotion

The philosophy and policy of RC activities to ensure environmental conservation, health and safety in the product lifecycle must be shared with all Kao employees as well as the staff of its business partners. To do this, the RC Promotion Committee Secretariat and RC promotion staff of the individual divisions in charge of RC promotion regularly provide education on RC activities including environmental conservation, occupational safety and health activities and their policy for Kao employees and the staff of its business partners.



Our initiatives: Education about RC activities

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Collaboration and engagement with stakeholders

Communication with society is a fundamental aspect of RC activities, and all Kao Group companies proactively disclose their policies in relation to the environment, health and safety, and the status of activity implementation, and proactively engage in

communication with customers, consumers, employees, local communities, etc., striving to secure the support and trust of all stakeholders.

Framework

The Responsible Care Promotion Committee is positioned as one of the Internal Control Committees chaired by the President, reporting to the Internal Control Committee quarterly. The Internal Control Committee gives an overview activity report for its subsidiary committees to the Board of Directors. The Senior Vice President (Managing Executive Officer) serves as the chairperson of the Responsible Care Promotion Committee which is composed of 14

members: representatives from 4 divisions, in addition to representatives of the 8 promotional divisions within Japan, and the Product Quality Management staff, meeting once per year. The Risk Management and RC Promotion and Product Quality Management serve as the secretariat of the committee.

Each company involved in Chemical in the group, including Kao Corporation, participates in planning at the chemical industry association in their respective countries to promote RC activities.



Corporate governance

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Responsible care activities framework



Responsible care activities

Mid- to long-term targets and performance

We are promoting day-to-day RC activities to become a top-level global corporation for safety and environmental criteria by 2030.

In order to achieve this, we are striving to take our RC activities to an even greater level and expand their scope while enhancing management system.

Therefore, we set our mid- to long-term targets until 2030 as Kao Group RC targets, with annual backcasting goals for these targets to be incorporated into our daily activities.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Business activities are implemented normally with stable provision of products while unnecessary costs are cut down.

In addition, by improving our social reputation, we can expect an increase in product and brand popularity and the expansion of our business.

Social impacts

There is a possibility of positive influences such as reduction in environmental impact, improvements in sanitation, and returns to society in the areas of business activity, which facilitates a resulting improvement in QOL of stakeholders, including residents of communities.

Performance in 2021

In 2021, we convened the group RC Promotion Committee on September 27, and the Japan RC Meeting on December 17. In addition, the RC Promotion Committee Secretariat Audit was conducted between July and August at each group company within and outside Japan and individual divisions in charge of RC promotion.

As part of the RC Secretariat Audit, the RC Promotion Committee Secretariat attends annual self-checks conducted by multiple RC promoting divisions to confirm that the RC self-checks are being conducted correctly in line with regulatory and other requirements.

Continuing from last year, this audit was conducted and attended remotely due to COVID-19. The RC Promotion Committee Secretariat was in attendance for the Safety and Disaster Prevention Audit of SCM, which was implemented from July to August 2021.

Initially, RC personnel from each company had planned to meet together at the Global RC Meeting in November. However, the meeting was cancelled due to COVID-19. Similar to last year, information was shared online instead.

→ Corporate governance
P255

→ Our initiatives: Implementation status of the RC Promotion Committee Secretariat Audit
P280

→ Our initiatives: Education about RC activities
P281

Reviews of performance

In the area of environment, we met our targets for energy consumption and greenhouse gas emissions, but did not meet our target for water consumption. We achieved all of our targets for the rate of renewable energy from purchased electricity and the rate of disclosure of wastewater COD and VOC emissions, which were set last year in line with the mid-term targets of the Kirei Lifestyle Plan.

In the area of safety, we did not achieve targets for the lost time accident frequency rate or the total accident frequency rate. However, we did achieve all targets concerning death and serious lost-time accidents, lost work days due to occupational illness and logistics-related leakage accidents, with zero incidents.

While we were again not able to achieve some targets this year, we are not changing our initial target values and will aim to make further improvements.

Responsible care activities 403-1, 403-5 (Occupational health and safety 2018)

Our initiatives

Standardization of RC activities

The eight promotional divisions within Japan and all affiliated companies outside Japan promote the RC activities as shown below based on our RC targets set by the Kao Group RC Promotion Committee, through drafting activity plans aligned with various operational requirements, industries and business categories.

Kao Group RC Promotion Committee (September)

At the Kao Group RC Promotion Committee held in September of each year, members discuss initiatives to clarify courses of action and strengthen the management system, and deliberate over the following year's numerical targets and activity targets based on the group's mid-term targets and the results of the RC Promotion Committee Secretariat Audit conducted in August.

Global RC Meeting (October to November)

At the Global RC Meeting held from October to November, the RC Promotion Committee Secretariat explains the group's mid-term targets and targets for the upcoming year, as decided at the Kao Group RC Promotion Committee, and requests each company to devise its respective targets and to plan for the upcoming year. Representatives from each company present the status of their RC activities and share information within the group.

Japan RC Meeting (December)

At the Japan RC Meeting held in December, based on these numerical targets and activity targets for the group decided at the Kao Group RC Promotion Committee, RC Promotion Committee members of promotional divisions announced their respective division plans for the upcoming year, which were discussed by the committee. The RC Promotion members convey the deliberation results to their respective divisions, relating the content in detail to their activity units in an effort to improve and enhance RC activities closely connected to each worksite.

The Kao Group RC Promotion Committee meeting was held online on September 27, 2021. The RC Promotion Committee Secretariat announced the half-year results for our group's 2021 RC targets, and the results of the RC Promotion Committee Secretariat Audit and the high-pressure gas safety audit. The promoting divisions also announced the current status of their promotional activities and finally the group's targets for 2022 were agreed upon for deliberation.

At the Japan RC Meeting, also held online on December 17, RC Promotion Committee members of promotional divisions reported on their 2021 activity results and announced 2022 draft plans for their divisions, with the plans then deliberated and approved. The RC Promotion Committee Secretariat then reported on the group's 2021 environmental and

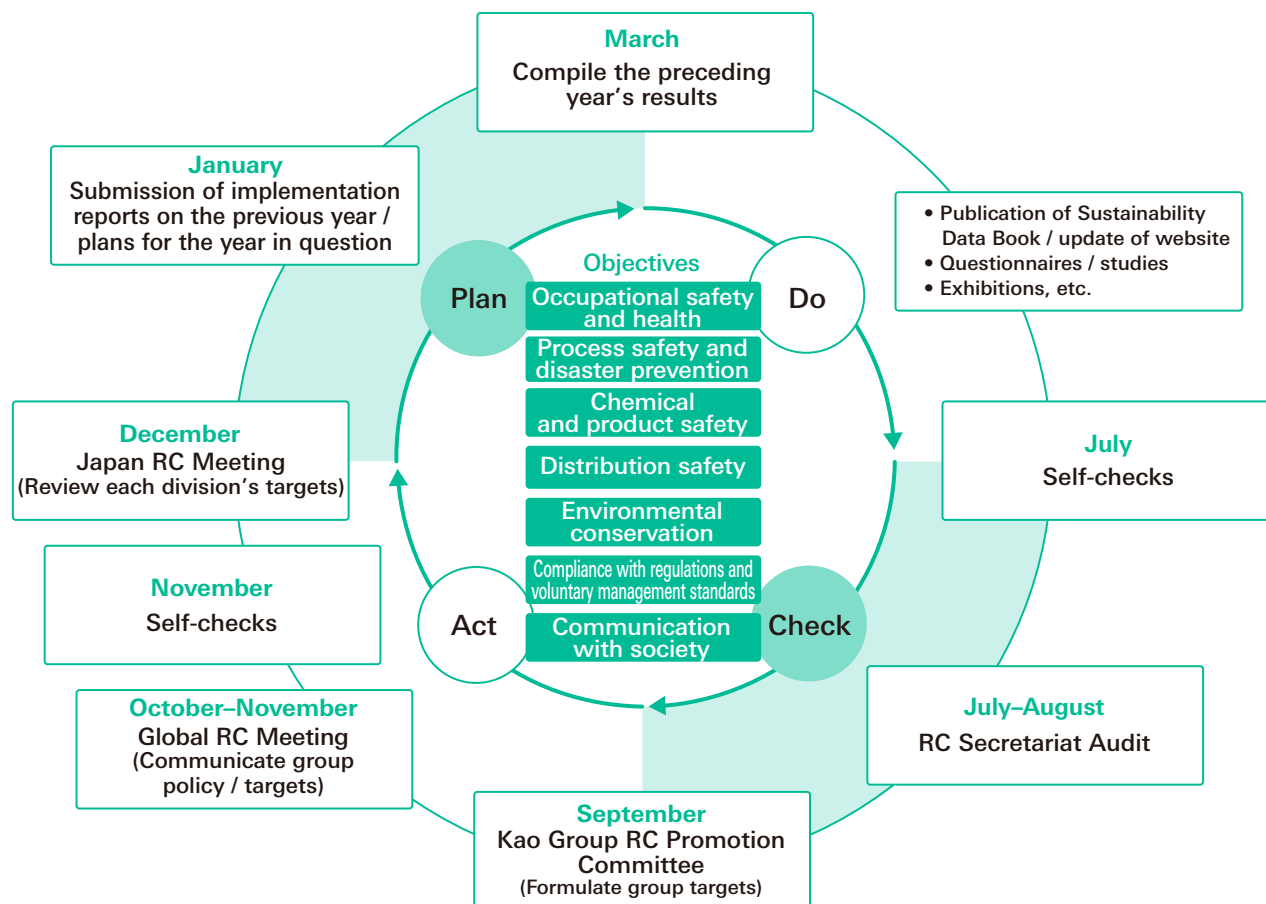
safety record.

Initially we had planned to hold the Global RC Meeting at the Head Office on November 8 and 9 with the participation of RC promotion staff from each country, but this was canceled for the second year due to COVID-19. The meeting was held online instead, where we furthered understanding of the Kao Group RC Policy and confirmed the 2022 targets. In addition, we confirmed the status of companies' RC activities and shared best practices, aiming to activate and improve the RC activities.

As we have not been able to hold direct opinion exchanges with RC promotion staff in countries outside Japan since last year due to COVID-19, we held information exchanges remotely with individual areas a total of eight times from April to June 2021. At these information exchanges, the secretariat provided a summary of 2020 and reports on activity topics as well as information on 2021 targets and activities, while RC promotion staff in each country reported on their 2020 activities and topics. Participants also exchanged general opinions about RC.

Responsible care activities 403-1 (Occupational health and safety 2018)

Annual cycle of RC activities



Utilization of environmental and safety database

We have developed the Environmental & Safety Data Management System (KANCHAN System)* to further reduce both environmental impact and occupational accidents.

The KANCHAN System automatically calculates our total GHG emissions and the annual frequency and severity rate of occupational accidents, along with other data-based practical information used to reduce our environmental impact and eliminate occupational accidents.

We are currently exploring to a practical system for the efficient use of environmental and safety data by the group with Enterprise Information Solutions, as part of deliberations on transitions to new systems.

* Environmental & Safety Data Management System (KANCHAN System)

Data shared among the group under this system includes that related to energy consumption, GHG emissions, soot and dust emissions, water consumption, wastewater discharged, wastewater concentration measurements, soil and groundwater measurements, amounts of handling, release and transfer of PRTR materials, waste generated and discharged, and final disposal of waste, occupational accident statistics and traffic accident statistics.

Responsible care activities 403-2 (Occupational health and safety 2018)

Implementation status of the RC Promotion Committee Secretariat Audit

At Kao, individual divisions in charge of RC promotion conduct self-checks in July, and the audit team selected by the RC Promotion Committee Secretariat implements an audit of individual divisions in Japan in charge of RC promotion and affiliated companies outside of Japan in August, to determine the progress of RC activities and challenges to be addressed.

These results are reported at the Kao Group RC Promotion Committee held in September and Global RC Meeting held in November and these help formulate the following year's numerical targets and activity targets.

In addition, the audit involves evaluations by scoring the implementation status (implemented / not

implemented; implementation rate) by survey item on the checklist used for the audit, as it is implemented based on company-wide regulations (B-02-00 The Rules for RC Secretariat Audit).

From July through August 2021, the RC Promotion Committee Secretariat Audit was conducted by using the checklist sheet at 8 promoting divisions in Japan and 19 group companies* with plants outside Japan, with consideration to the degree of safety and environmental impact. This year, we revised portions of the checklist to reflect requirements in ISO 14001 and ISO 45001 as well as the self-assessment tool items of the International Council of Chemical Associations, and also made improvements to the evaluation content concerning RC activities performance.

In Japan, the status of various items was confirmed in remote meetings with RC promoting divisions, such as the current status of compliance with regulatory

requirements and standards, the progress of planning and achievement of numerical targets. Outside Japan, we conducted a paper audit using the same checklist. It has also been confirmed that all findings from the 2020 audit had been addressed.

In the results of the 2021 RC Promotion Committee Secretariat Audit, many divisions and companies earned lower scores than last year due to the wide-ranging revision of the checklist. As there were a large number of findings on occupational safety and environmental conservation, which are areas where ongoing monitoring is necessary, we have requested further improvements (see table below).

* Kao Corporation Shanghai, Kao (Hefei) Co., Ltd., Kao (Shanghai) Chemical Industries Co., Ltd., Kao Huludao Casting Materials Co., Ltd., Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao Incorporated, Kao Industrial (Thailand) Co., Ltd., Fatty Chemical (Malaysia) Sdn. Bhd., PT Kao Indonesia, PT Kao Indonesia Chemicals, Kao USA Inc., Kao Specialties Americas LLC, Quimi-Kao S.A. de C.V. (Mexico), Kao Manufacturing Germany GmbH, Kao Chemicals GmbH (Germany), Molton Brown Limited (UK), Kao Corporation S.A. (Spain), Kao Chimigraf, S.L.

Results of RC Secretariat Audit (FY2021)

	SCM Division	R&D Division	Business divisions	Corporate divisions	Group companies in Japan*1	Group companies outside Japan*2
No. of evaluation responses	250	161	249	452	741	6,300
Average evaluation score (5-point scale)*3	4.26 (4.91)	4.70 (4.98)	4.84 (4.90)	4.49 (4.86)	4.62 (4.82)	4.52 (4.52)
No. of items requiring further monitoring	4	1	0	6	7	—

*1 Group companies in Japan
Kao Professional Services Co., Ltd., Kao Group Customer Marketing Co., Ltd., Kao Logistics Co., Ltd.

*2 Group companies outside Japan
19 companies (11 in Asia, 8 in Europe and the Americas)

*3 () indicates 2020 results.

Responsible care activities 403-2, 403-4, 403-5 (Occupational health and safety 2018)

Status of international management system certification

We have implemented an RC management system throughout the group, with some plants having received ISO 14001 certification, the global environmental standard, as well as ISO 45001 certification, which is the standard for occupational health and safety, in addition to other certifications in respective countries.

Environmental certifications (ISO 14001, etc.)

96% of our plants have received ISO external certification, and 2.5% have received external certification from the government and other authorities (on total production volume weighted basis).

Certifications obtained at 15 individual plants in Japan and Asia have been integrated to standardize and upgrade operations. We will expand the scope of certified plants on an ongoing basis and increase the number of integrated plants.

Occupational health and safety certifications (ISO 45001, etc.)

Obtaining the occupational health and safety management standard is being prioritized for plants outside Japan where enhancement of labor management is needed. The ratio of certified plants is 35% (on a total production volume weighted basis).

Certifications obtained at five individual plants in Asia have been integrated to standardize and upgrade operations. We will examine expanding the scope of certified plants, including by increasing the number of integrated plants, while also considering the inclusion of our Japanese plants in 2023.

Product quality certifications (ISO 9001, etc.)

95% of our plants have received external certification (on total production volume weighted basis). We will continue to expand the scope of certified plants.

List of external obtained certifications



Certification Status of ISO and Other Standards
www.kao.com/global/en/sustainability/our-approach-to-klp/environment-activity-data/certification/

Education about RC activities

The RC Promotion Committee Secretariat and RC promotion staff in individual divisions in charge of RC promotion regularly provide education on RC activities including on the environment, occupational safety and health, and process safety and disaster prevention for Kao employees and staff at business partners. In 2021 as well, in response to the increased number of employees working from home due to

COVID-19, we conducted education by effectively deploying an online learning (e-learning) format instead of in-person instruction.

Also in 2021, we conducted online training covering (1) basic knowledge on disaster prevention continuing from last year and (2) the Kao Group RC Policy, which was revised last December, as well as a verification survey for all group employees in Japan. The average attendance rate for these training sessions was above 80%. In 2021, the RC Promotion Committee Secretariat carried out RC trainings for employees 19 times, reaching a total of more than 51,000 employees.

Going forward, we will continue to actively use e-learning to carry out RC-related education.

Responsible care activities

Collaboration with stakeholders

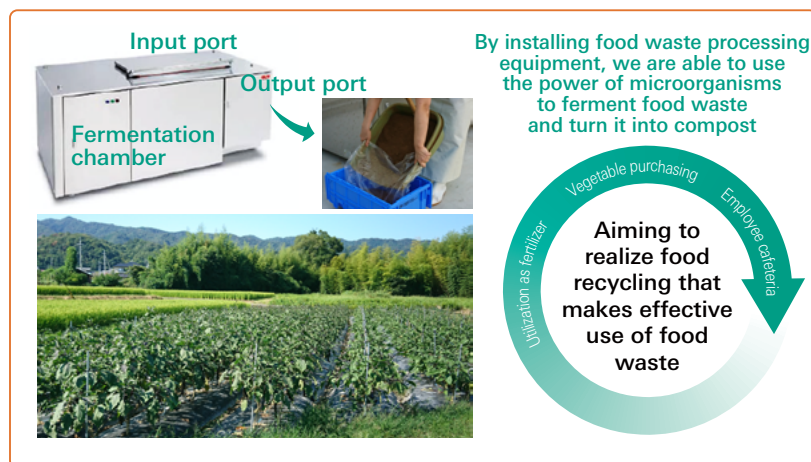
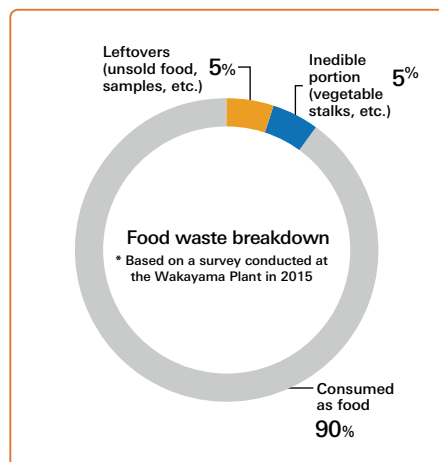
Food recycling together with the community (Wakayama Office)

The Wakayama Office is conducting a project aiming to realize food recycling by composting food waste. Daily food waste from the employee cafeteria at Wakayama Plant reaches between 100 and 130g per person per day, equivalent to about 10% of the total amount of food used by the cafeteria. To reduce this food waste, it is conducting a project that includes (1) eliminating sample food displays and using photos instead, (2) removing excess water content from food waste, and (3) reducing the amount of food used in the cafeteria by predicting the number of people who

will use the cafeteria based on the number of people working at the plant and the menu. The plant began a project in June 2021 to have the food that still becomes waste even after taking these steps get used, by installing equipment to treat food waste, fermenting it using the power of microorganisms, turning it into compost, and then having that compost used to grow vegetables.

Of the waste that was previously treated, approximately 20kg/day is currently being used in this project. We are aiming to create a food recycling loop, where food scraps and food left over in our cafeteria is turned into compost, used to grow vegetables, and then those vegetables get sent back to our cafeteria and turned into delicious lunches.

Aiming to realize food recycling that makes effective use of food waste

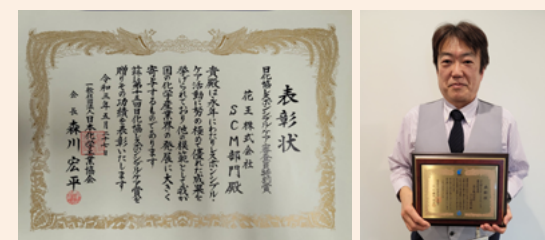


Topic External evaluation

SCM Division receives Jury's Special Award in the Responsible Care Awards

The SCM Division received the Jury's Special Award in the 15th Annual Responsible Care Awards sponsored by the Japan Chemical Industry Association for its initiative to develop an efficient assessment method and establish a framework for chemical substance risk assessments.

As a company that handles a wide variety of diverse chemical substances, we were recognized for developing a new accurate, fast and efficient chemical substance risk assessment tool to ensure that our employees are protected from the hazards and toxicity of chemical substances, and for building a framework at our company to ensure that the tool is used.




Responsible care activities


RC activity data links

Also see the following for the structure of RC activities, details of the major activities and 2021 results.


Occupational safety and health

 Walking the right path > Employee wellbeing & safety
P220

Process safety and disaster prevention

 Process safety and disaster prevention
P338


Chemical and product safety

 Our Approach to the Kirei Lifestyle Plan > For Safer Use of Chemicals (SAICM Promotion Activities)
Web www.kao.com/global/en/sustainability/our-approach-to-klp/saicm/


Our Approach to the Kirei Lifestyle Plan > Basic Principle and Basic Policies on Environment and Safety
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Topics You Care About > Product Quality Management

www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/

 Walking the right path > Responsible chemicals management
P244

Environmental conservation

 Basic Principle and Basic Policies on Environment and Safety
Web www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

Our Approach to the Kirei Lifestyle Plan > Kao Environmental Statement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf


Our Approach to the Kirei Lifestyle Plan > Environmental Activities and Data
www.kao.com/global/en/sustainability/our-approach-to-klp/environment-activity-data

Topics You Care About > Responsibly Sourced Raw Materials


www.kao.com/global/en/sustainability/topics-you-care-about/procurement/

Making the World Healthier & Cleaner


www.kao.com/global/en/sustainability/planet/

 Fundamental section > Biodiversity
P316

Compliance with regulations and voluntary management standards

 Walking the right path > Effective corporate governance
P155

Communication with society

 Corporate Citizenship Activities
Web www.kao.com/global/en/sustainability/society/

Product quality management 102-15, 103-1, 103-2, 103-3

We implement *Yoki-Monozokuri* in order to create a Kirei life from a consumer and customer perspective. At all stages from raw materials to research and development (R&D), production, distribution and sales, we pursue product safety at a high level from a thorough consumer and customer perspective, and strive to continuously improve the quality of our products, in order to realize a safe and harmonious world for all life.

Kao's creating value to address social issues

Social issues we are aware of

As the movement to conserve the environment grows stronger, there is also an increasing interest in how it is impacted by chemical substances, and in support of movements calling to put an end to animal testing. Developed countries are already experiencing aging populations, and developing countries are also expected to have aging populations in the future. Additionally, the spread of COVID-19 has changed the hygienic awareness and behavior of consumers around the world. As social issues continue to change in this manner, it is important for company's activities to actively contribute to resolving these issues. At our company, we are working to address social issues such as hygiene, health, the aging population and the environment, through ESG-driven *Yoki-Monozukuri*.

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

- Decline in corporate credibility and financial loss resulting from product recalls and/or the occurrence of serious quality troubles due to inadequate legal compliance or quality confirmation at the development stage
- Adverse effects on human health or the environment due to poor management of chemical

substances

- A delayed distribution of products incorporating technological innovations that bring new lifestyle value due to a lack of information provision

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

- Maintaining a stable product supply by ensuring a high level of safety and quality
- Contributing to sustainability through careful chemical substance management
- Providing new lifestyle value and contributing to a sustainable society through technology innovation
- Offering new value after COVID-19 and for an aging society, etc.

Kao's creating value

We lead a sustainable world by pursuing high level of safety and quality together with stakeholders enabled by passion to change and the vitality of the organization coming from diversity. We also advance ESG-driven *Yoki-Monozukuri* by ensuring legal compliance as well as innovating the way we communicate our products' value to consumers. In addition, we build bonds of trust with stakeholders via thorough transparency and responsible communication.

Policies

The foundation of our quality management activities is *Yoki-Monozukuri*, which is expressed by our corporate philosophy, the Kao Way. Additionally, the first item of the Kao Business Conduct Guidelines, our code of conduct, states that "We shall always strive to develop and provide socially beneficial and high quality products and services that place emphasis on the health and safety of our consumers and customers to realize sustainable economic growth and to resolve social issues."

We have implemented consumer- and customer-driven quality management activities with the participation of all employees, in all phases from raw material procurement to R&D, production, distribution and sales.

Basic Policy for Quality Management Activities

- Consumers / customers decide on the quality of the products
- Providing products that users want to continue using
- Ensuring safe usage for consumers / customers
- Legal compliance
- Transparency and accountability

Product quality management⁴¹⁶⁻¹

Safety management across the product lifecycle

We ensure a high level of product safety and quality so that our products can be used safely, securely and comfortably, through company-wide safety management at every stage from R&D, through commercialization, manufacturing and sales, to the after-sales stage.

As to raw materials selection at the product development stage and product ingredients after product launch, we regularly collect information on legislation and safety within and outside Japan. We evaluate a wide range of information from industry sources, NGOs and NPOs, etc., from multiple perspectives including the scientific approach and society's concerns, and formulate necessary countermeasures.

In addition, we earnestly listen to all consumer feedback following product launch, confirm the specifics, and implement precise safety checks and safety management in collaboration with a network that includes medical professionals and governmental authorities.

We exchange information with managers in Europe, the Americas, Asia, etc. on a regular basis to utilize consumer feedback from all over the world, and undertake activities to enhance our overall level of product safety from a global perspective.

Regarding our household products, cosmetics and food products, we set safety standards with the aim of ensuring a high level of safety. This is because the consumer's safety is always the highest priority.

We established new safety standards for cosmetic products in April 2014. Based on our standards prior to that, we have developed a much wider range of databases, wider use of tests and more detailed safety inspections.



Kao Safety Standards for Household Products

www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/houseware-quality/

Kao Safety Standards for Cosmetic Products

www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/cosmetics-quality/

Kao Safety Standards for Food Products

www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/food-quality/

Kao's policy on animal testing

The global community is taking steps toward the abolition of animal testing, and the group supports this approach.

In our development of cosmetics, we do not and will not conduct animal testing nor do we outsource this task to anyone^{*1}.

For products other than cosmetics, our policy is to not conduct animal testing unless it cannot be avoided due to lack of availability of alternative methods, regulatory requirements or other similar reasons^{*2}.

Ensuring the safety of our products is our utmost

priority and, in this regard, we have established and observe the Kao safety standards. In accordance with such standards, we widely collect safety data, make use of our safety information database that contains the knowledge accumulated over many years and adopt alternative methods to animal testing as much as possible. After ensuring product safety through the above, we conduct further testing of the product in actual usage settings.

We have been working on the development of alternative methods to animal testing since the late 1980s. We believe that alternative methods should be official test methods that can be used globally. In this regard, we are actively working with research institutions globally for the development of alternative methods to be adopted as international guidelines. We are also a member of the project to develop alternative methods to animal testing of Cosmetics Europe. We will continue to proactively work on the development of alternative methods to animal testing in cooperation with industry associations, other companies and other related third parties within and outside Japan.

^{*1} This excludes instances where we need to respond to societal expectations to evidence the safety of a product or when required to do so by government agencies in particular countries.

^{*2} If testing on animals is unavoidable, we keep such testing to a minimum following the principles of animal welfare of the 3Rs (replacement, reduction and refinement).



Kao's Policy on Animal Testing

www.kao.com/global/en/sustainability/topics-you-care-about/animal-testing-policy/

Product quality management 102-43, 404-2

Education and promotion

So that our corporate philosophy permeates throughout our group, we provide education and training based on the Kao Way and Kao Business Conduct Guidelines, which are the foundations of our quality management activities. We are further strengthening education on quality awareness and regulations such as the Pharmaceutical and Medical Devices Act, Good Quality Practice (GQP) and Good Vigilance Practice (GVP). We also provide education for Good Manufacturing Practice (GMP) and various ISO standards. At our Manufacturing Division, we continue its own QC circle activities based on the number of consumer and customer contacts as an indicator. We provide various education and awareness-raising initiatives through day-to-day quality management activities and Quality Improvement Study Meetings to ensure permeation of our quality management activities policy. We are also strengthening education for those who are planning to work overseas and group employees outside of Japan, and are working to raise the level of quality management activities of our entire group. In addition, in order to increase motivation for quality management activities, we award employees who achieved excellent activities every year.

Furthermore, we have made the Kao Group Critical Product Trouble Management System available on the company intranet along with

emergency contact information. Quality management education is performed every year at group companies within and outside Japan, which includes the Kao Group Critical Product Trouble Management System.

Collaboration and engagement with stakeholders

We believe that collaborating with stakeholders is essential to promote legal compliance and achieve social sustainability through ESG-driven *Yoki-Monozukuri*. As such, we are promoting collaboration with stakeholders while ensuring reliability with respect to the following.

Making good use of consumer feedback in *Yoki-Monozukuri*

We use consumer feedback to improve our products, information and services by promptly sharing this feedback through the Kao ECHO System.



Initiatives to Make Good Use Of Consumer Feedback
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/improve/

Collaboration with contractors

We hold quality-related meetings with contract manufacturers and raw material suppliers to promote

consumer- and customer-driven quality improvement activities. We will cooperate with more business partners to develop consumer- and customer-driven quality management activities.

Actively engaged in industry initiatives

We actively participate in industry activities in each country and region. By actively participating in efforts such as establishment of new standards for quality and safety as well as new test methods, we strive to provide products that can be used with peace of mind anywhere around the world.

Collaboration with administrative agency

We share our viewpoints and make proposals in administrative meetings held in each country and region to contribute to the establishment or revision of standards. We also proactively contribute to the discussions on safety and new regulations in international conferences.

Product quality management ¹⁰²⁻²⁰

Framework

We have established a company-wide quality management system that involves all employees at all stages from product development to post-sales, which is from R&D, marketing, production and distribution through to sales, in continuous improvement activities.

Before product launch, we adopt gate control to check quality and to verify the evidence comprehensively at the searching, development, commercialization and production stages, thus sufficiently ensuring our high safety and quality standards.

After product launch, we promote company-wide activities in pursuit of continuous product improvement and the sincere receipt of consumer and customer feedback. In these ways, we strive to be highly transparent with the public and to always fulfill our social responsibilities.

In these ways, we strive to achieve *Yoki-Monozukuri* every day. Nevertheless, the possibility of significant safety or quality related issues emerging are not negligible. For this reason, we have set up the Kao Group Critical Product Trouble Management System. The group companies both within and outside Japan respond to risk events based on this system.

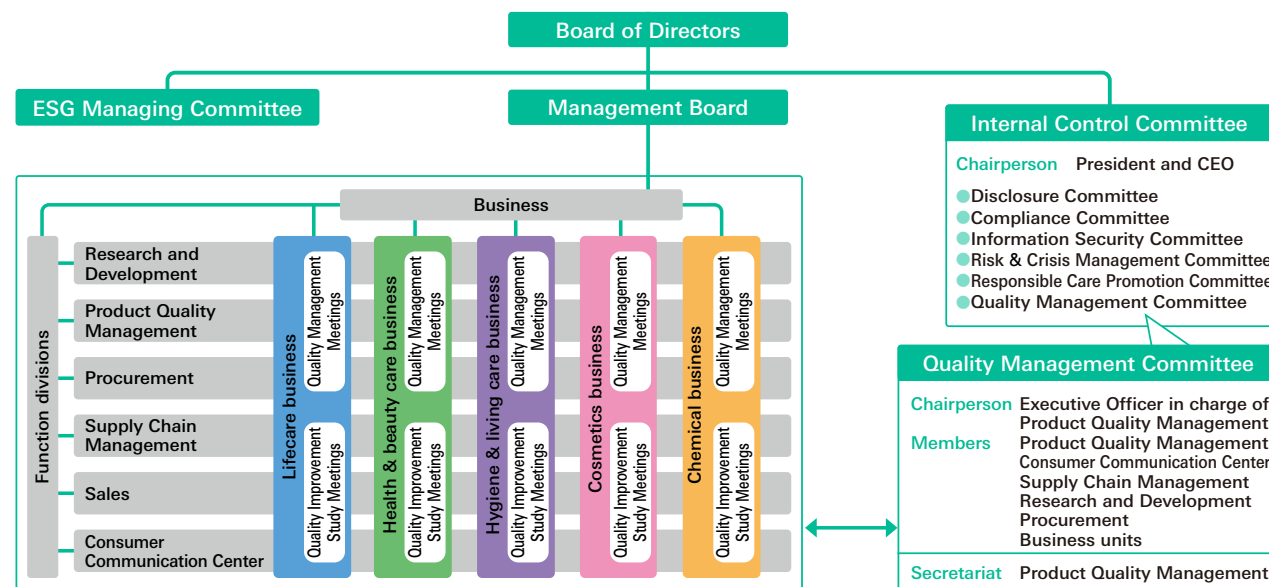
We also maintain a corporate governance system that includes internal control systems, and we hold quarterly meetings of the Quality Management Committee, which is a sub-body of the Internal Control Committee with the President serving as chairperson. At the Quality Management Committee, we confirm the efficacy and reliability of company-wide quality management activities.

Following the policies decided on by Quality Management Committee, we hold annual Quality Management Meetings at respective business field level and confirm the quality management activities policy, product quality issues and the progress of our quality management activities.

Furthermore, representatives of relevant divisions (Business, R&D, Product Quality Management, Procurement, Supply Chain Management (SCM), Sales and Consumer Communication Center) attend monthly Quality Improvement Study Meetings, held by the president of the Business Division, to improve our products, information and services, based on consumer feedback. We hold joint Quality Improvement Study Meetings between Japan and

China in product areas such as diapers, sanitary items and cosmetics. We also plan to promote increased cooperation at each of our companies in order to strengthen the quality management activities of our group companies in Europe and the Americas. These company-wide activities are coordinated and promoted by Product Quality Management. The Managing Executive Officer in charge of quality management supervises the division's activities, submitting periodic reports on these activities at meetings of the Management Board, and reporting on important issues as appropriate. The Managing Executive Officer in charge of quality management also participates in discussion regarding important management issues in general.

Product quality management system



* As of January 2021

Product quality management

Mid- to long-term targets and performance

Mid- to long-term targets

1. Lead a sustainable world by pursuing high level of safety and quality together with stakeholders
2. Advance ESG-driven *Yoki-Monozukuri* by ensuring legal compliance as well as innovating the way we communicate our products' value to consumers
3. Build bonds of trust with stakeholders via thorough transparency and responsible communication
4. Grow *Genba* by passion to change and the vitality of the organization coming from diversity

Business impacts

- Zero financial loss on product recalls
- Acquiring new customers and increasing our number of loyal customers by conveying the value of our products and services through efficacy claims and advertisements, and gaining consumer affinity for influencing their purchasing behavior
- Contributing to our business through expanding quality management education, sharing product trouble case studies, and while incorporating remote work, continuing audit activities to prevent legal noncompliance
- Contributing to expand overseas business by establishing a strategic quality management system for complying with regulatory changes in each country and region, as well as diversification of

supply chains by becoming borderless.

Social impacts

- Contributing to social sustainability by promoting ESG-driven *Yoki-Monozukuri* in order to address social issues including the environment, health, the aging population and hygiene, in a situation faced with challenges from COVID-19, climate change and so on. In response to an aging population and the increase in the number of foreign nationals visiting and living in Japan, we are promoting Universal Design and providing multilingual information to reduce the risk of product accidents, thereby contributing toward making consumers' lives safer and securer.
- Waste reduction associated with product recalls
- Building social reputation through reliability via communication with all stakeholders, including consumers, customers, government agencies, NGOs, NPOs and investors

Performance in 2021

COVID-19 response

Responding to hygiene and healthcare businesses (Lateral deployment in each Asian country and region)

As a countermeasure against COVID-19, we promoted collaborating between related divisions to ensure a stable supply of hygiene-related products where demand has increased and to expand lateral deployment across Asian countries and regions. Following manufacturing and sales in Thailand, we began manufacturing and sales in Taiwan, by ensuring prompt and appropriate compliance based on the regulatory information collected by local Professional Regulatory Affairs staff. Furthermore, we were able to start selling our Thai products to Malaysia, as well as the import and sale of our Japanese products to Singapore, Hong Kong and Indonesia. Moreover, we are preparing to begin manufacturing in Vietnam in order to secure stable product supply in anticipation of future growth in demand.

Supporting global expansion of sustainable surfactants (Bio-IOS)

We developed an original surfactant (Bio-IOS) with higher hydrophilicity than previous surfactants, which contributes to reducing

Product quality management

environmental impact since it can be derived from biomass after manufacturing edible palm oil. Bio-IOS can reduce the rinsing process by half when used as a cleansing agent arising from its low foaming property after dilution. It can therefore significantly reduce CO₂ emissions throughout the life cycle. In addition, it is highly biodegradable, has low aquatic biotoxicity and is a sustainable substance that utilizes natural byproducts. Starting with its use in our laundry detergents, we are developing personal care products and cosmetics containing Bio IOS, and are also planning to provide this new material to other companies. Through its strategic registration in the fields of chemicals, household products or cosmetics and its area development from Japan to China and other countries and regions, we will expand our contributions to environmental conservation and effective use of resources.

Strengthening our global supply system in response to Chinese cosmetics regulation revisions

With the revision of the Cosmetics Supervision and Administration Regulations (effective January 1, 2021), the highest level of regulation that controls cosmetics in China, it is necessary to strengthen compliance with a wide range of requirements in quality assurance, quality control and traceability. Moreover, regarding the post-marketing safety management it is the strictest

requirement in the world, making it necessary for overseas companies to respond to a detrimental reaction monitoring system (mandatory reporting of side effects, etc.). In order to respond to these major changes, we launched a company-wide countermeasure project and are continuously reviewing our quality and safety management system that oversees everything from initial stage of product development to post-marketing management, as well as the strengthening of GMP, GVP and GQP management systems.

Continuing follow-up activities with regards to our Declaration of Consumer-orientation

In January 2017, we announced our Declaration of Consumer-orientation. Under our corporate philosophy, the Kao Way, we promote top management's commitments to all of our employees, ensuring corporate governance as well as achieving customer satisfaction. Moreover, we have declared our commitment to take consumer feedback seriously, utilize it to improve our products and services, provide information from the point of view of consumers and actively engage with consumers, with all employees taking part in *Yoki-Monozukuri* to provide products and brands useful to the sustainability of society. In 2021 as well, we published the annual activity report of the previous year in line with the declaration.

Company-wide promotion of quality management activities

- Quality management education
Within Japan: A total of 4,600 employees in 22 departments
- Education relating to GMP standards and ISO standards, etc.: 941 sessions
- Quality Improvement Study Meetings: 185 sessions (92 in Japan, 93 outside Japan)
- QC circle activities: 299 improvement issues (124 in Japan, 175 outside Japan)

Reviews of performance

By establishing a global supply system for hygiene

Product recall over the last four years*

Year	2018	2019	2020	2021
Cases	0	0	0	0

* Product recall from consumers and the market with the company's announcement

products as part of our new lifestyle value proposal after COVID-19, and through expanding the use of sustainable detergent (Bio-IOS) globally, we are promoting the diffusion and expansion of products that are useful for protecting the environment as planned. Regarding the revision of Chinese cosmetics regulations, we will promptly respond after these subordinate regulations are fixed.

Product quality management 404-2, 416-1

Our initiatives

Verifying quality management activities through audits and self-checks

We maintain ISO 9001 and GMP certification at our worksites in Japan, Asia, the Americas and Europe. Besides, we conduct external and internal audits, self-check for contract manufacturers and raw material suppliers, and hold quality meetings.

As part of our efforts to strengthen our product quality management audit and self-check frameworks, we hold Quality Audit Promotion Meeting with participants that include not only Product Quality Management Division personnel, but also leaders from relevant divisions. These meetings are used to help drive audit activities by deciding which areas auditing should focus on.

In 2021, we conducted internal audits of our plants in Japan with respect to GMP compliance, and conducted internal audits of our ASEAN companies with respect to drafting and managing the ASEAN Product Information File. We reported the results to the Internal Control Committee. In addition, the implementation status of external audits for group companies in Japan, Asia, the Americas and Europe during the previous year was reported to the Quality Management Committee.



Certification Status of ISO and Other Standards
www.kao.com/global/en/sustainability/our-approach-to-klp/environment-activity-data/certification/

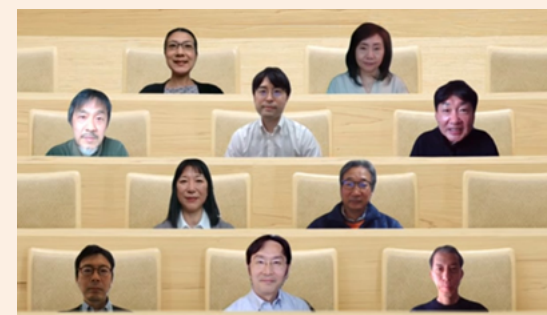
Strengthening of quality management education programs

We have conducted quality management education to all departments involved in *Yoki-Monozukuri* each year with the aim of improving quality awareness and acquiring knowledge of quality management activities. Additionally we have developed and implemented an e-learning education system to ensure that anyone can access well-designed quality management education at any time. With this system, we introduced comprehension testing that enables the company to constantly monitor and to evaluate their understanding of laws / regulations and internal rules / standards.

We continue to expand our educational content and provide education through e-learning. In 2021, we added content related to the revision of Chinese cosmetics regulations (Cosmetics Supervision and Administration Regulations) and post-marketing safety surveillance and management based on the GVP. A total of 2,682 employees have completed the courses. We also continue to provide face-to-face education for fundamentals related to the Pharmaceutical and Medical Devices Act as well as specific-related issues in each department.

Employees' voice

Strengthening our on-site capability through quality management education program



Education content development team members

Yuuji Yamano

Director (Education)

Product Quality Management

-Quality Management Planning

Quality management education for employees is indispensable to prevent problems related to product quality and legal noncompliance. We are working to build an education system that allows each employee to receive training based on the specifications of their work and skills.

This year, we promoted the development of educational content and our e-learning system, focusing on employees who require a wide range of knowledge. To overcome employee weaknesses identified through comprehension tests after e-learning courses, we reinforce learning through review lectures and supplementary testing. At the same time, we provide practical education covering revisions to laws and quality case studies. We will continue to improve on-site capabilities through these educational activities.

Product quality management ⁴¹⁶⁻¹

Company-wide consumer- and customer-driven quality management activities

Promotion of quality management activities outside Japan (the Americas and Europe, the Middle East and Africa)

In 2021, in order to promote quality management activities regarding our consumer care and salon businesses in the Americas and Europe, the Middle East and Africa (AEMEA), we established the AEMEA Quality Management Meeting.

This meeting is a subcommittee of the Quality Management Committee, the Internal Control Committee for Kao Group quality management, where the chairperson is the Managing Executive Officer in charge of our Product Quality Management, and is attended by each personnel in charge of related Business and Function divisions of Kao Group companies. By accelerating our activities through sharing company-wide quality management activity policy and maximizing the use of group assets, as well as responding to quality issues, we aim to strengthen internal quality control and improve the value of our brands.

Based on our company-wide quality management activity policy, in 2021 we discussed priority challenges with regard to our businesses and formulated quality management activity policies,

which have been implemented at related divisions. In addition to carrying out these quality management activities, at the end of the year we conducted a management review of the quality status of our businesses, which was actively discussed.

Through continuous implementation of the PDCA cycle, we will improve the quality management activities of our businesses in the Americas and Europe, the Middle East and Africa.

Information security 102-11, 102-12, 102-15, 103-1, 103-2, 103-3

We have established 30 business- or region-specific (or country- or territory-specific) Information Security Committees (ISCs). These ISCs formulate common policies, rules and guidelines and take action to strengthen information security in order to protect information assets that include confidential information (trade secrets [TS]) and personal information as well as IT hardware, software and many kinds of data records.

Kao's creating value to address social issues

Social issues we are aware of

The rapid development and spread of information technology (IT) has resulted in IT spreading to every aspect of our lives, and it has become an indispensable part of social infrastructure. If the IT infrastructure of society is disruptive, this could have a major impact on economic activities due to the interruption of electricity, gas and water lifelines as well as transportation infrastructure. Moreover, cyberattacks have resulted in leaks of information assets including confidential information and personal information from companies, and ensuring cybersecurity has become a social issue. With the enactment of the Basic Act on Cybersecurity in November 2014, the entire country has been working on cybersecurity issues.

At Kao, the ISC in Japan plays a central role in establishing incident response structures and preparing for incidents in collaboration with the Risk and Crisis Management Committee. For technical measures, Enterprise Information Solutions takes the initiative in conducting risk assessments and implementing measures in line with the roadmap for security measures. What we seek is to implement security measures that will prevent cyberattacks and to build and maintain mechanisms and systems that

can minimize damage even if we are subjected to cyberattacks.

Also, the protection of personal information has been reinforced in recent years pursuant to the EU General Data Protection Regulation (GDPR) and the laws of individual countries. We are aware that responding to the increasingly rigorous protection of personal information in each country is a social issue. The definitions of personal information and the duties of business operators relating to the handling of personal information vary under the laws of each country. We ascertain the details of personal information protection laws that are enacted and amended, implement the measures that Kao Group companies should take, and comply with the personal information protection laws of each country.

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

The occurrence of cyberattacks that can cause the long-term suspension of production, sales, marketing and R&D activities, along with the loss of corporate trust due to information leaks, is a major risk.

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

By strengthening cybersecurity measures and the management of information assets including confidential information (TS) and personal

information, such data can be utilized in new ways, new business can be created, and new styles of working will be enabled through the use of networks.

Kao's creating value

We hope to contribute to improving the security measures of the entire industry by sharing information with other companies in the industry about the cyberattacks that we have experienced through our participation in information-sharing networks: the Initiative for Cyber Security Information Sharing Partnership of Japan, which is directed by the Information-technology Promotion Agency, Japan (IPA), the National Police Agency's Cyber Intelligence Information Sharing Network, and the early warning information system of the Japan Computer Emergency Response Team Coordination Center (JPCERT/CC). We also participate in the Security Information Management Subcommittee established by the Japan Chemical Industry Association, an industry organization, and are working to exchange information with other companies.

Contributions to the SDGs



Information security 102-43, 404-2

Policies

We have formulated our Information Security Policy, Guidelines on Handling Trade Secrets, Guidelines on Handling Personal Information and IT Security Guidelines (for Administrators) (for Users). We also carefully manage cybersecurity measures, TS and personal information in accordance with the policy and guidelines. Such efforts are not only carried out in accordance with laws and regulations and the guidelines set forth by government agencies and committees, but also designed to clarify our management framework and management methods.

The way how to handle personal information is disclosed in the Kao Group Company's Privacy Policy. Kao Group Company Inquiries and Complaint Reception Desk Regarding Personal Information is set up for inquiries or complaints. No claims relating to personal information were made in 2021.



Kao Group Company Privacy Policy
Japanese version
www.kao.com/jp/corporate/privacy/
English version
www.kao.com/global/en/privacy/
For EMEA (GDPR compliant)
www.kao.com/emea/en/privacy/



Kao Group Company Inquiries and Complaint Reception Desk Regarding Personal Information
Japanese version
www.kao.com/jp/corporate/privacy/privacy-contact
For the EU (GDPR compliant)
www.kao.com/global/en/EU-Data-Subject-Request/

Education and promotion

To ensure that employees throughout the group fundamentally understand the issues of protecting TS and personal information, in principle, internal education is conducted by each division. To do this, a general meeting is held every November for the members of the TS & Personal Information Protection Committee and for Personal Information Controllers from each division to (i) give lectures on and raise awareness about TS, personal information and information security (ii) analyze the number of incidents and trends relating to TS and personal information and provide feedback and (iii) provide educational materials for training in each division. The November 2021 meeting was held in conference rooms and through web conferencing with 321 TS & Personal Information Protection Committee members and Personal Information Controllers participating.

Company-wide educational materials are posted and timely warnings for all staff are provided via the company intranet portal site. Also, to evaluate the effectiveness of the internal education, self-checks are performed. On the basis of the results obtained, any problems that may exist are identified, improvement targets are set, and improvement activities are implemented.

Overseas, each ISC prepares an education and self-inspection plan, carries it out, and submits a report to Japan in March.

Collaboration and engagement with stakeholders

Cybersecurity measures

To undertake security measures for the supply chain as a whole, in 2021 we sent security questionnaires to logistics service providers (five companies in Asia and six in Europe and the Americas) and based on the results received, requested improvements where necessary.

Personal information protection in Japan

We conducted paper audits of 179 service provider companies, confirmed the status of personal information management systems, rules and security management measures, and supervised service providers.

Website vulnerability diagnosis

We performed vulnerability diagnoses of websites managed by Kao Group companies within and outside Japan and made sure there are no unaddressed vulnerabilities that may be exploited in cyberattacks. In cases where vulnerabilities were identified, software updates were implemented. We made improvements, particularly with regard to websites of salon brands in Europe and the Americas.

Information security ¹⁰²⁻²⁰

Framework

Information security management system

As a committee under the Internal Control Committee, the ISC in Japan supports the protection of information assets (including hardware, software and various types of data files) such as confidential information and personal information in order to achieve management goals, takes measures against cyberattacks on the Kao Group as a whole, and respond to the personal information protection laws of each country.

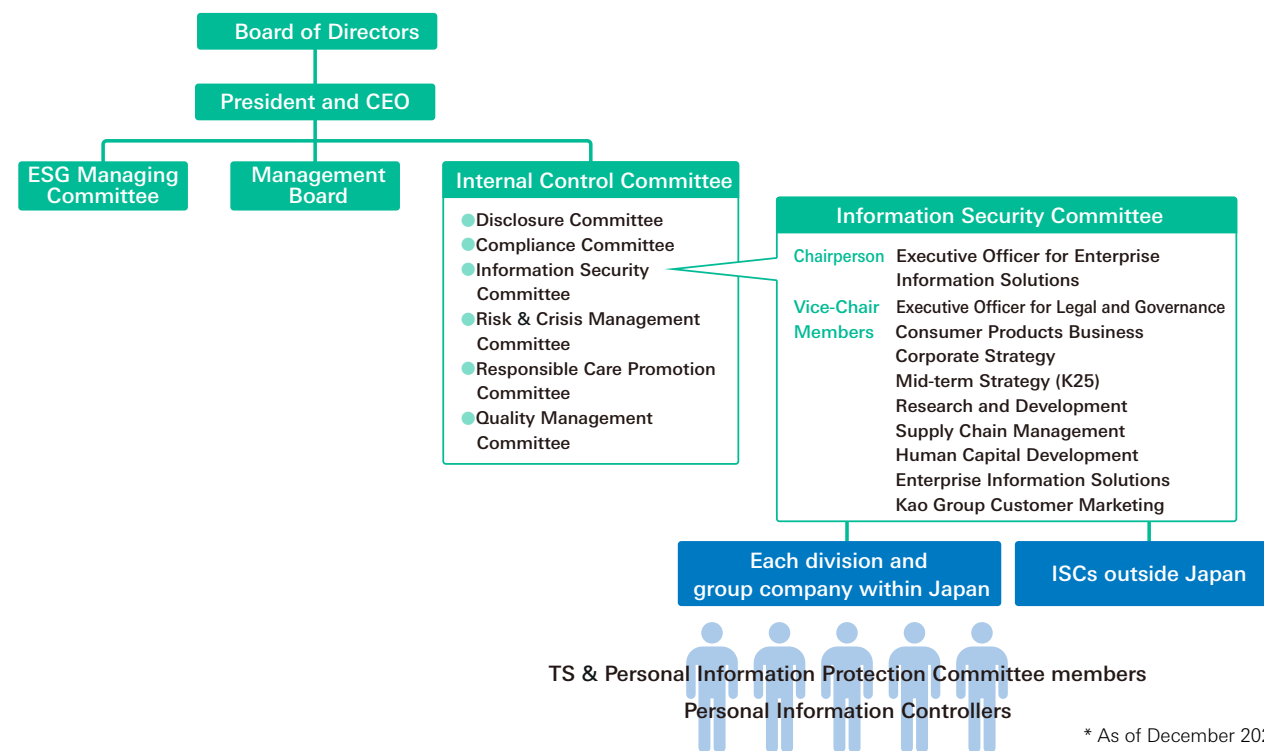
In Japan, we have appointed executive officers to serve as Chair and Vice-Chair of the ISC, and both the committee members and the staff of the committee's secretariat are appointed from different divisions, including Human Capital Development, Enterprise Information Solutions, Marketing, Research and Development, Intellectual Property Management, Supply Chain Management, and Legal and Governance. This allows us to benefit from a wide range of perspectives when determining policies, formulating internal rules, putting management systems in place and implementing awareness-raising activities.

The ISC reports on its activities to the Internal Control Committee, and each quarter the Internal Control Committee reports to the Board of Directors on the activities of all subordinate committees. The report contains the activity targets of the current fiscal

year, progress status and performance evaluations, and in the fourth quarter, the activity targets for the coming fiscal year is also reported. In the event of an incident that requires an emergency response, the ISC works in collaboration with the Risk and Crisis Management Committee and reports to management immediately.

Overseas ISCs are made up of members of the Management Boards of each company, and the ISCs are positioned under the ISC in Japan. As in the case in Japan, the activities of the ISCs include quarterly activities based on the PDCA cycle, and ISCs are required to submit reports to the ISC in Japan in March of each year.

Information security management system



Information security¹⁰²⁻²⁰

Status of establishing ISCs

Division	Number	Company / Region
Headquarters	1	Kao Corporation
Consumer Products	2	Kao (Taiwan) Corporation
	3	KPSS Taiwan Ltd.
	4	Kao (Hong Kong) Ltd.
	5	KPSS Hong Kong Ltd.
	6	Kao Industrial (Thailand) Co., Ltd. / Kao Consumer Products (Southeast Asia) Co., Ltd.
	7	PT. Kao Indonesia
	8	Kao Singapore Pte. Ltd.
	9	Kao (Malaysia) Sdn. Bhd.
	10	Kao Vietnam Co., Ltd.
	11	Kao Consumer Products (EMEA)
	12	Kao Consumer Products (Americas)
Chemical	13	Kao Group companies in Penang, Malaysia
	14	Pilipinas Kao, Incorporated
	15	PT. Kao Indonesia Chemicals
	16	Kao Corporation, S.A. (Spain)
	17	Kao Chemicals GmbH
	18	Quimi-Kao, S.A. de C.V.
	19	Kao Chimigraf, S.L.
	20	Kao Specialties Americas LLC
	21	Kao Collins Inc.
Kao Group	22	Kao Group companies in China
Kanebo Cosmetics Inc.	23	Kanebo Cosmetics (Europe) Ltd.
	24	Kanebo Cosmetics Deutschland GmbH
	25	Kanebo Cosmetics Italy S.p.A
	26	Taiwan Kanebo Cosmetics, Co., Ltd.
	27	Kanebo Cosmetics (Thailand) Co., Ltd.
	28	Kanebo Cosmetics Malaysia Sdn. Bhd.
	29	Kanebo Cosmetics Korea Co., Ltd.
	30	Kanebo Cosmetics Rus LLC

Report format for submission to the ISC in Japan

No.	Items	Content
1	Self-awareness-raising activities	Conducted for all employees. Describe the details of awareness-raising and the targets.
2	Self-checks	Describe the details of self-checks and the respondents. How have the respondents prepared the details? <ul style="list-style-type: none"> • Respondents are selected through sampling of employees in each division • Managers ascertain conditions in their divisions and respond • Other
3	Setting improvement targets and taking action	Based on the results of self-checks, set improvement targets for those items with poor results and describe an improvement plan.
4	Number of incidents	State the number of cases of theft, loss, erroneous transmission of confidential information, and theft or loss of information equipment for each type. Describe the details in an incident report.
5	Information relating to personal information	State the amount of personal information that is held, the number of complaints regarding personal information and the number of requests to delete personal information.
6	Other	Describe reports relating to TS, personal information and cyberattacks, if any.

Information security¹⁰²⁻²⁰

Incident response system

Incident response systems are established and measures are taken to minimize damage in preparation for potential cyberattacks, leaks of information and other such incidents. To prepare for actual incidents, tabletop exercises are conducted multiple times each year.

Kao's incident response members and their roles

Name	Members	Roles, tasks, etc.
Top management	<ul style="list-style-type: none"> Representative Director Audit & Supervisory Board Members 	<ul style="list-style-type: none"> Identifying major incidents Determination and approval of response measures, disclosures and measures to prevent recurrence
Risk & Crisis Management Committee	<ul style="list-style-type: none"> Chairperson Secretariat 	<ul style="list-style-type: none"> Escalation by the cyberattack / personal information protection response team
Emergency Countermeasure Meeting CSIRT (Computer Security Incident Response Team)	<ul style="list-style-type: none"> ISC Chairperson ISC Secretariat Risk Management and RC Strategic Public Relations MK Platform Responsible divisions 	<ul style="list-style-type: none"> Identifying and responding to incidents Immediate response: determination of network isolation, suspension of server operation, suspension of accounts and other related issues Report to top management: Preparation, reporting and implementation of immediate response measures and measures to prevent recurrence, decisions on disclosure to stakeholders and relevant external organizations
SOC (Security Operation Center)	<ul style="list-style-type: none"> Enterprise Information Solutions: Networks, servers and security services Strategic Public Relations: Responses to mass media, preparation of news releases Risk Management and RC: Social media monitoring Customer Success: Management of memberships and campaign-related website Consumer CC: Management of external reports ISC Secretariat: Management of reports from the National Police Agency, IPA and JPCERT / CC 	<ul style="list-style-type: none"> Implementation of various types of monitoring and detection of outliers. If an outlier is detected, report to CSIRT, investigate the cause and implement technical responses Receive external reports, confirm facts and report to CSIRT
Stakeholders / Relevant external organizations	<ul style="list-style-type: none"> Suppliers Mass media Police Information sharing networks Employees Supervisory authorities IPA Consumers JPCERT / CC 	<ul style="list-style-type: none"> Disclosure of information to stakeholders, reporting to supervisory authorities Request for support to police, IPA and JPCERT / CC Provision of information to information sharing networks

* Risk Management and RC: Risk Management & Responsible Care, Consumer CC: Consumer Communication Center, MK Platform: Marketing Platform

Kao's incident response flow

	Detection	Identification	Response
Top management and Audit & Supervisory Board Members Risk & Crisis Management Committee		Day of initial report	<ul style="list-style-type: none"> Report Response measures, announcement, approval of measures to prevent recurrence
ISC (CSIRT)	Immediately	<ul style="list-style-type: none"> Understanding the facts Decision on urgency Emergency Countermeasure Meeting Preparation of management report Requests for external support 	<ul style="list-style-type: none"> Response measures, warnings, announcement, recurrence prevention measures, examination of responses to inquiries, etc., preparations
SOC	<ul style="list-style-type: none"> Monitoring Reports from employees Reports from outside Social media posts 	<ul style="list-style-type: none"> Analysis Investigation of causes 	<ul style="list-style-type: none"> Response measures, warnings, announcement, recurrence prevention measures, responses to inquiries
Stakeholders (Relevant external organizations, security companies)		<ul style="list-style-type: none"> Request for support to police, IPA and JPCERT / CC Coordination with contract counterparties 	<ul style="list-style-type: none"> Warnings, announcements, incident reports, information sharing

Information security

Mid- to long-term targets and performance

Mid- to long-term targets

- Protection of information assets such as TS, personal information, hardware, software and many kinds of data records, including cybersecurity measures
- In the event of an information leak or other emergency, confirmation of facts, decision on a response and formulation and implementation of measures to prevent recurrence

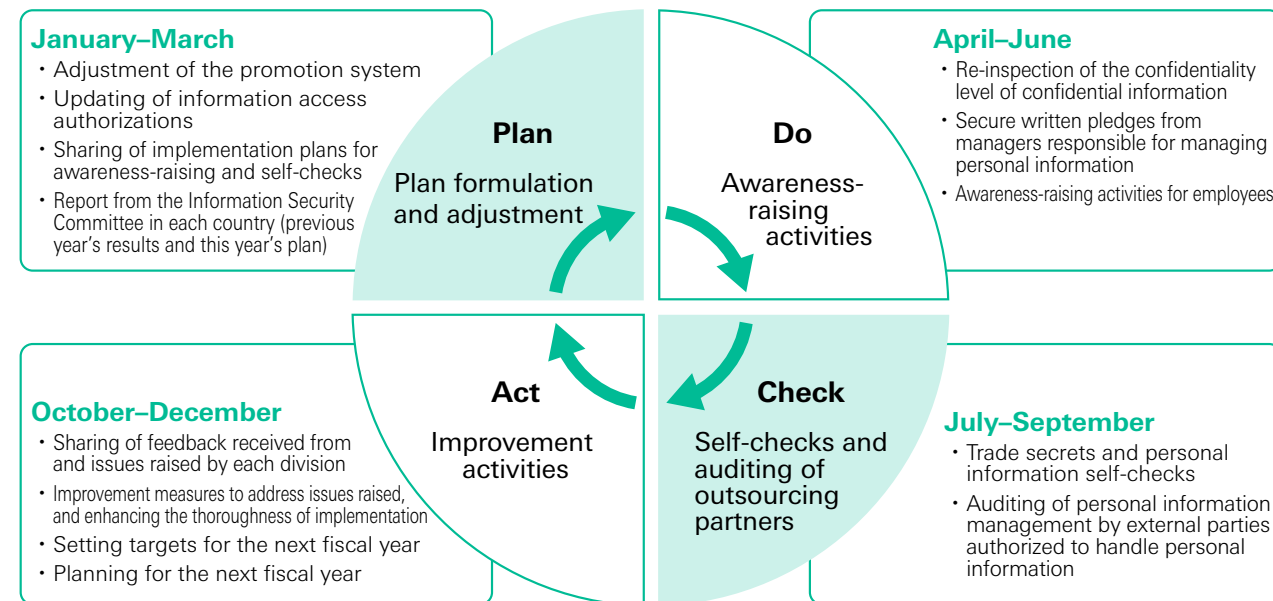
Business impacts

Cybersecurity measures can reduce costs incurred to respond to leaks of TS or personal information by preventing such leaks. Also, damage can be minimized if measures are in place to respond to the leak of TS or personal information.

Social impacts

Implementing cybersecurity measures for the entire supply chain will play a part in improving cybersecurity for the entire industry and for Japanese companies overall.

PDCA cycle for information security activities



Information security

Performance in 2021

Performance

TS and personal information protection promotion activities conducted in Japan using the PDCA cycle were as follows.

Plan: Plan formulation and adjustment

- Adjustment of the promotion system and updating of information access authorizations
- Reviews of 208 TS Promotion Committee Members and 192 Personal Information Controllers
- Review of confidential information lists
- Reviews by 109 divisions, departments and affiliated companies in Japan
- Sharing of implementation plans for awareness-raising and self-checks
- Reports from overseas ISCs (previous year's results and this year's plan)

Do: Awareness-raising activities

- Re-inspection of the confidentiality level of confidential information
- Submission of a pledge by each Personal Information Controller
- Awareness-raising activities for employees
- Awareness-raising activities in 108 divisions, departments and affiliated companies in Japan

Check: Self-checks and auditing of outsourcing partners

- TS and personal information self-checks
- Working from home has become prolonged since March 2020, so the following questions were again reviewed before the TS self-checks were carried out.
- Storage of confidential information when working from home
- Necessity of printing confidential information when working from home
- Self-checks on TS in 123 divisions, departments and affiliated companies in Japan
- Self-checks on personal information in 97 divisions, departments and affiliated companies in Japan
- Auditing of outsourcing partners that handle personal information
- Paper audits of 179 outsourcing partners that handle personal information

Act: Improvement activities

- Feedback to and issue sharing with individual divisions
- Improvement measures to address the issues raised, enhancing the thoroughness of their implementation and setting targets for the next fiscal year

At Kao, there were no serious incidents related to information security, including TS and personal information protection. No claims relating to personal information were directed to inquiry desks.

Reviews of performance

It is necessary to carry out promotion activities to protect TS and personal information on a continuous basis every year. Since even those who fully understood TS and personal information protection lose clarity in their knowledge over the years, the risk of an incident occurring increases. It is important that all employees, including new hires and mid-career hires, understand and follow our TS and personal information protection rules.

In order to expand our TS and personal information protection promotion activities globally, we established systems and created 29 overseas ISCs, which vary in size among regions, company groups and individual companies. Overseas ISCs submit activity reports in March of each year.

Information security

Our initiatives

First quarter: Plan formulation and adjustment

Formulation of Japan ISC activity targets

The following ISC activity targets for 2021 were set and measures were taken to achieve them.

1. ISC activities at overseas companies

- Submission of reports to Japan in March (PDCA cycle activities, etc.)
- Security assessment of third-party logistics

2. Cyber insurance coverage

- Coverage obtained on April 1, 2021. The scope of coverage is the entire Kao Group.
- Insurance coverage: Crisis management response costs, third-party liability costs, costs for responding to the authorities in foreign countries, financial damage to the company, business interruption expenses

3. Confirmation of compliance with personal information protection laws (GDPR / CCPA, etc.) in each country

- GDPR: 2018 cookie response method modified
- Personal information controls reinforced in response to the revised Act on the Protection of Personal Information coming into effect

4. Reinforcement of cybersecurity measures

- Security strategy roadmap formulated
- Measures implemented in line with the security strategy roadmap

5. Measures based on the PDCA cycle

- Awareness-raising materials and TS and personal information self-checks questions reviewed

- Awareness-raising activities implemented (by individual divisions)
- TS and personal information self-checks and audits of personal information outsourcing partners conducted
- The TS & Personal Information Protection Promotion Meeting held on November 15, 2021

Second quarter: Awareness-raising activities

Awareness-raising activities implemented by individual divisions and affiliated companies

In Japan, rules and general security awareness-raising materials are posted on the internal portal site. In addition, we undertake awareness-raising activities in each division using the educational videos used in the TS & Personal Information Protection Promotion Meeting held in November of the previous year as well as materials regarding TS and personal information incidents and self-checks feedback.

Third quarter: Self-checks and auditing of outsourcing partners

Self-checks of TS and personal information protection

TS self-checks are conducted every year as part of the thorough implementation of confidential information management including implementation of awareness-raising activities, maintenance of division manuals

and implementation of TS marking. In 2021, self-checks took place from August 2 to September 10.

Personal information self-checks were similarly conducted at the same time regarding management of personal information, including implementation of awareness-raising activities, retention of personal information and outsourced tasks where personal information is handled.

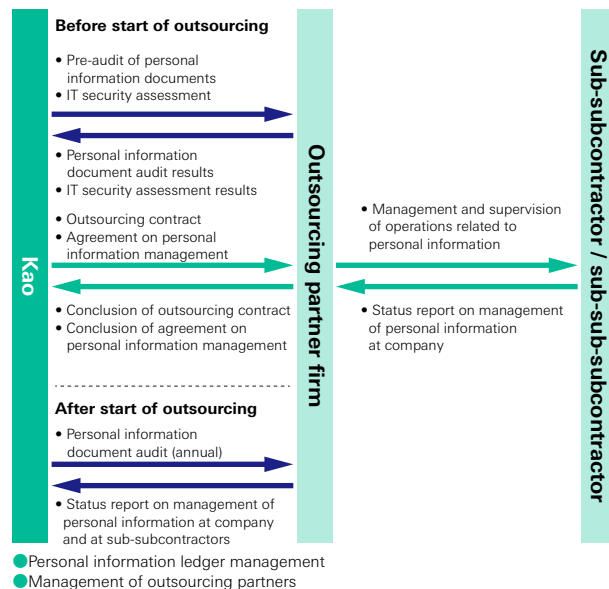
Auditing of outsourcing partners handling personal information

When outsourced business tasks involve handling personal information, we conduct a pre-audit to ensure that the outsourcing partner properly manages personal information. We also conduct an IT security assessment if the partner provides a service such as a web campaign. The conclusion of service contracts is conditioned on the outsourcing partner passing the personal information pre-audit and IT security assessment.

In addition, we manage and monitor partners handling personal information by conducting annual audits of such partners. In 2021, we conducted such audits at 179 companies and confirmed the status of personal information management and the systems for protecting personal information. If personal information is stored by a partner, we confirm the number of records and check for consistency with the number of data records registered in our personal information handling ledger system.

Information security 404-2

Outsourcing of business tasks that involve handling personal information and auditing of outsourcing partners



Fourth quarter: Improvement activities

Holding of the 28th TS & Personal Information Protection Promotion Meeting

The 28th TS & Personal Information Protection Promotion Meeting was held on November 15, 2021. The meeting was held in person and online with 321 persons participating. Continuing from the previous years, we conducted awareness-raising in the form of an explanation of Kao's current status after watching an awareness-raising video created by the IPA.

After that, a report was given on incidents related to TS and personal information in 2021. Feedback was then provided on TS and personal information self-checks, and improvement targets were set.

We set as improvement targets steady implementation of awareness-raising activities, prohibition of bringing out confidential information in paper form (documents) from the office in principle, and annual resubmission of the pledge when using the personal information dedicated server. The annual resubmission of the pledge also has the significance of calling attention to the handling of personal information, and we are considering using Microsoft Forms to ensure comprehensive implementation.

Strategic digital transformation (DX) 102-12, 102-15

We are promoting a strategic digital transformation (DX). By using the power of digital, which enables communication regardless of location or time, we will deliver the value of *Yoki-Mono* (good products) to customers in more timely and customized formats and strive to provide solutions that increase creativity to employees.

Kao's creating value to address social issues

Social issues we are aware of

Among the environmental changes concerning global society and economy expected by 2030, we recognize the following in particular as related to DX.

- Intensification of global competition in conjunction with the Fourth Industrial Revolution
- Development of a sharing economy
- Global population shifts and competition to recruit human resources
- Changes in global movement of funds
- Substantial increases in demand for resources, energy, water and food
- Increased cybersecurity threats

With such significant changes in the environment expected, it is hoped that a society will emerge where everyone can play an active role, free from various restrictions such as region, location, age and disability. Also, since the global COVID-19 pandemic in 2020, many people have become aware of the new value of digital technology, and their daily lives have changed significantly as a result of the widespread adoption of non-contact and non-face-to-face digital technology in many social activities.

Until now, we have used various leading-edge technology in all stages of the supply chain and

implemented DX with a focus on increasing operational efficiency.

Going forward, we hope to implement DX using the most recent leading-edge technology, pursue value that can be provided only by a company that is involved in the lives of people throughout their lifetimes, and create a new lifestyle culture in cooperation with various partners.

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

In order to achieve the three policies established under the Mid-term Plan—become an essential company in a sustainable world, transform to build robust business through investment, and maximize the power and potential of employees—it is important that we support understanding of DX within the company and develop environments where we can collaborate with various external partners. When undertaking DX, legal compliance including protection of personal information and countermeasures against the risk of information leaks will be indispensable, and we are working in cooperation with our Legal and Compliance to ensure compliance with the laws of each country and across countries.

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

To carry out the three policies of the Mid-term Plan, it will be necessary not only to select optimal digital technologies, but also to adopt two perspectives: value

proposals that lead to solutions to social issues, and what methods should be used to make such value proposals. We will of course maintain our commitment to manufacturing as in the past, but we will place greater emphasis on providing value to each and every individual in an optimal form. Depending on the circumstances, we will not only focus on our own assets, but also actively collaborate with external partners to pursue optimal solutions for our customers and end users.

Kao's creating value

Until today, we have provided value to consumers through lifestyle-related products such as household products and cosmetics. In the process of product development, we accumulate research regarding various aspects of the human body, psychology and lifestyles of diverse people. We will provide combinations of products and services tailored to each individual's condition by using monitoring technologies created from the technologies and knowledge we have built up. We will accelerate efforts in collaboration with various companies, governmental institutions and other partners to make full use of our strengths in research assets and product development capabilities for solving social issues.

Contributions to the SDGs



Strategic digital transformation (DX) 102-20, 102-43, 404-2

Policies

We seek to become a DX-ready company by transforming our business as well as organizations, processes, cost structures, and corporate culture.

Moreover, by multiplying the Kao core value of *Yoki-Monozukuri* with leading-edge technology including artificial intelligence (AI), we will enhance the level of value provision to all stakeholders (employees, customers, shareholders and society) and we will continue our efforts so that employees will be able to perform fulfilling work and to meet external expectations even in 2030.

Education and promotion

While introducing the best DX solutions at the best timing to bring maximum benefits to our employees, we will also encourage our employees to create their own DX solutions by making content widely available. Rather than conducting uniform education for all employees, we will carry out a policy of developing and implementing specific solutions with the departments that have actual problems and rolling them out company-wide as best practices.

Collaboration and engagement with stakeholders

We regard our suppliers as important stakeholders, not merely as customer-vendor relationships, and we aim to develop relationships that can transform companies and create social value together. We share a number of social issues in common with consumers, and we will maintain relationships that enable us to solve those problems together.

Framework

DX implementation is conducted and managed by the DX Promotion Committee, which is chaired by a managing executive officer (meetings are held 12 times annually).

Main fields

Reborn Kao

We will redefine our added value with digital technology enhancements by providing new experiences in both the real-world and the virtual-world as well as new product development and marketing through comprehensive strategies and tactics. We will also actively invest in structural reforms and DX to build a more robust business framework.

Another Kao

We are investigating several business domains that differ from the current B2C business model, in which we deliver value to our consumers through products such as household products and cosmetics. These new businesses will be launched with the aim of solving a number of social issues, but the method of providing value will be different from in the past. Some examples are B2C (to consumers) business that provides value for services rather than products, B2B (to businesses) or B2G (to governments and NPOs) business that combines goods and services, and B2B (to businesses) business that provides value by combining existing research knowledge with leading-edge digital technology. All new businesses will be developed on different ground from our existing business domains, and in the background is the utilization of many years of research assets. These include knowledge about the human body, psychology and lifestyles accumulated through Essential Research and our proprietary monitoring technology. By developing these business groups in addition to the existing B2C business model, we believe that we can take the first steps toward becoming a company that is indispensable for a sustainable society.

Raising efficiency (internal DX)

Leveraging digital technologies, we plan and implement strategy and tactics to fundamentally improve efficiency in work processes. Existing data is integrated after formatting to improve its usability, and is converted into high-value-added information using advanced technology.

Strategic digital transformation (DX)

Mid- to long-term targets and performance

Mid- to long-term targets

In light of changes in the external environment including the expansion of ethical consumption, personalization of consumption, diversification of purchasing behavior and the rise of new distribution channels, we formulated the Kao Group Mid-term Plan 2025 (K25) with “Sustainability as the only path” as its vision. By maximizing utilization of accumulated technologies and knowledge as well as digital technologies, we will create new business for protecting lives in the future while reinvigorating existing business.

Anticipated benefits from achieving mid- to long-term targets

Utilization of leading-edge technology will enable new product development that transforms consumer experiences and inspires people. We believe that by building a digital platform based on the various data accumulated through Essential Research and dozens of proprietary monitoring technologies as a common foundation for both existing and new businesses and collaborating with multiple partners, we will establish new business models for Kao.

Performance in 2021

Performance

While promoting increases in operational efficiency by using advanced digital technology, we have evolved proposals by creating various unique user experience (UX) that use digital technologies, mainly in the Cosmetics. In addition, we have collaborated with numerous partners to develop an automated shelf allocation algorithm using AI, automate truck loading and unloading in logistics facilities to reduce waiting times, and use AI to examine costs.



Web

Developed an automated shelf allocation algorithm using AI and started a field testing for raising efficiency in sales site development

www.kao.com/jp/corporate/news/business-finance/2021/20210708-001/ (Japanese)

Moving toward automated truck loading and unloading and reduced waiting times at logistics facilities

Started a joint demonstration trial to make automated forklifts equipped with AI linked to truck operation

www.kao.com/jp/corporate/news/business-finance/2021/20210917-001/ (Japanese)

Started using AI to examine costs with the aim of increasing the work efficiency of beauty advisors

www.kao.com/jp/corporate/news/business-finance/2021/20210706-001/ (Japanese)

Strategic digital transformation (DX)

Our initiatives

Reborn Kao

By co-creating the user experience (UX) from the perspective of the Kirei Lifestyle Plan (KLP) with various partners, we have provided value that takes into consideration both a more personalized UX and the environment.

Hair color simulations using augmented reality (AR)

Since October 2021, we no longer offer color swatch samples for all our hair dye and hair manicure products in Japan as a promotional material to select a color at stores. In doing so, 56 tons maximum of plastic used yearly to produce these color swatch samples were reduced. Instead, we introduced a hair color simulation*¹ as a support tool for customers selecting a hair color. The hair color simulation is easy and fun to use anywhere at any time by scanning a QR code*² on an in-store display or the back of the product package, and customers can check their own hair color after dyeing.

*¹ The tool uses the YouCam Makeup browser module, which is an AR makeup app provided in collaboration with Perfect Corp.

*² QR code is a registered trademark of Denso Wave Incorporated.



Hair color simulation

Makeup diagnoses using AI technology

With regard to cosmetics, in many instances, testers for all items are placed in stores so customers can check the color and feel, but with today's heightened awareness regarding hygiene, more people are refraining from using testers.

We have introduced unique digital services and makeup simulators that recreate the makeup experience for each brand website and official LINE so that customers can experience cosmetics colors.

For *KATE*, we developed a makeup diagnostic tool that not only enables customers to find makeup styles that will look good on them, but also helps them to express themselves so that they can achieve the appearance they want to have. *KATE Scan* uses AI technology to measure the ratios of different parts of the face and uses the values with the unique *KATE* logic to perform an analysis. Based on facial impression analysis, the tool proposes makeup

methods that will create the look that the customer aspires to achieve. We have a lineup of tools available only from Kao including *KATE Search*, which suggests makeup products and colors suited to the individual customer for each product line.



KATE Makeup Lab

www.nomorerules.net/matome/ (Japanese)

Lunasol D2C online sales reduce waste

We launched an initiative to predict sales based on advance online sales in order to reduce cosmetic product waste. Disposal of unsold products causes environmental impact including the release of CO₂ during processing, and it is possible to reduce the environmental impact from disposal by reflecting advance sales trends in production plans. (*Lunasol* product disposal volume: Approximately one-third the volume of the previous year)

Strategic digital transformation (DX)

Leave no one behind

Company-wide web accessibility policy established with the aim of disseminating digital information that is easily accessed by all

Under the KLP, we are taking universal design measures to develop and provide products that are easy to use by all people to make consumers' everyday more beautiful. We will ensure improved web accessibility to provide information via our websites so that more people in various circumstances can easily find the information they need to choose and use our products.

Raising efficiency (internal DX)

Awareness-raising activities in each division and affiliated company

We have used COVID-19 countermeasures as an opportunity to accelerate work style reforms through the use of digital technologies. We have made major changes to work styles including extensive use of online conferencing tools by all employees including our president.

We have also created platforms to enable the integrated use of data stored in each field, enhance the accessibility of all information, and took measures to raise work efficiency.

The application of natural text searches* using AI, which started from a research integration search system, has expanded. Following application in the SCM field in 2020, we worked to apply and deploy natural text searching in practical operations such as in surveys on the scope of business impacts from chemicals of concern.

We also developed and deployed in-house creation of low-code in-house apps and robot process automation of repetitive tasks. Development by on-site employees who are highly familiar with the work not only raises work efficiency, it also facilitates grassroots digital human talent cultivation activities.

* Natural text search:

A search performed using natural language (spoken language and sentences) rather than keywords

Intellectual property 102-12, 102-15, 103-1, 103-2, 103-3

At Kao, we are endeavoring to protect R&D outcomes and effectively utilize the rights derived from these outcomes through cooperation between the Intellectual Property Department and research institutes / business divisions to realize “Contributions to business and social through intellectual property (IP).”

Kao's creating value to address social issues

Social issues we are aware of

In addition to global-scale social issues such as global environmental issues and the COVID-19 pandemic, there are also a diverse range of IP-related issues, including ongoing discussions from economic security perspectives. Collaboration with a wide range of industries is essential to solve these issues. In addition, while there are needs to quickly provide highly varied new value, recently counterfeit products mainly in Asia have also become an issue.

In order to solve these social issues, develop industries and contribute to society, we are working to promote activities in line with our ESG Strategy, the Kirei Lifestyle Plan (KLP). We give importance to utilizing our technologies that we created through our fundamental values of *Yoki-Monozukuri*, not only in our own products but also in ways that lead to solutions for social issues, the development of industry and contribution to society. We believe that it is necessary to acquire IP and appropriately utilize it in order to achieve adequate social implementation and to prevent counterfeiting.

Moreover, in collaboration with outside entities in order to solve social issues, it is also necessary for both parties to make considerable use of IP.

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

In cases where it is not possible to acquire technology development linking industry and public benefit in the form of IP, difficulties arise in the ongoing development of products due to developed technologies easily being counterfeited and hindering expected profits, posing a risk related to realization of What Kao Aims to Be by 2030. Furthermore, the appearance of counterfeit products with inferior quality gives rise to the risk of failing to meet the expectations of consumers regarding the value of our products. In order to eliminate these risks, it is necessary to secure IP and exercise our rights properly.

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

Our R&D Division is working on research and development by establishing themes for solving social issues, in order to realize our KLP. However when it comes to solving these social issues more quickly and certainly, there are numerous themes that go beyond our traditional business domain and are too difficult for our company alone. In light of this, we are also working to find partners with the same goals and partners who make beneficial use of technology developed at Kao for achieving social implementation.

Therefore, in addition to using the IP rights acquired through fundamental technologies and product development for our own products, going forward we are creating opportunities to contribute to industry and society by taking into consideration

making IP rights available through open innovation.

Kao's creating value

We create value that contributes to industry and society and transform IP into assets by pursuing its true nature through particular attention to fundamental technology research and product development research. Amidst the need for rapid creation of new value, we see not just independent development, but also co-creation with outside parties as an important method of development. This is the fundamental concept announced in the Co-creation Innovation and IP Strategy to Accelerate ESG Management presentation that the Senior Vice President of the R&D Division gave at the Global IP Strategy Forum 2020 held by the Japan Patent Office (JPO) on January 28, 2020.

We use the results obtained through research to make global contributions through IP-related activities conducted by Kao Corporation and its group companies both within and outside Japan working in tandem. In addition, we are reinforcing collaboration with external organizations to respond to social issues and ensuring acceleration in the pace of open innovation based on our IP strategy.

Contributions to the SDGs



Intellectual property^{102-43, 404-2}

Policies

At Kao, our business divisions employ matrix management, where various functions including R&D, production and sales are encouraged to dynamically interact, and work together organically. In order to realize our business and research strategies, we acquire IP, including patents, design rights, trademarks and other IP rights, for R&D results and names representing brand image generated from the management system, and conduct our business activities.

Under this matrix management, the R&D Division is also carrying out inter-divisional activities between fundamental technology research and product development research, building an IP portfolio based on each of our business strategies that make up Another Kao and Reborn Kao. We are building a system made of the technological assets we have created to utilize in multiple business areas, and putting together a strategic IP portfolio to effectively utilize in our business activities.

We also actively pursue the acquisition of rights in Asia, the Americas and Europe while vigorously protecting ourselves against any infringements of our legal rights, both within and outside Japan. Recently, we have been pursuing measures against counterfeit products in Asia and other regions.

At the same time, we are strengthening our global efforts to respect and avoid infringing on the IP rights of other companies, through undertaking R&D in such a way as to avoid infringing upon them from the initial stages and reconfirming existing patents before new product launches and taking action as necessary.

Meanwhile, in order to maximize the use of IP, we

promote open innovation through collaboration with outside parties and strive to provide products and services with even higher value to consumers and society. In order to help solve global social issues, we will co-create new technologies in cooperation with industry and government, and will also flexibly license and provide access for others to use Kao's technological assets.

Education and promotion

We have implemented a wide range of IP education and training programs for researchers aligned with, for example, their years of experience and roles. Not only providing seminars on the patent system as well as seminars and practical training for creating patent specifications, we also provide education that fosters IP management taking business into account and strategic thinking utilizing patents. In 2021, a total of around 450 researchers participated in IP education and training programs. We also make effective use of e-learning program to enhance the effectiveness of our educational activities. Online learning has already been adopted as a tool for IP education and training by our researchers in Asia, the Americas and Europe.

As a result, researchers have been taking more initiative in acquiring IP rights for technologies and in building IP portfolio. It is expected that repeatedly taking these educational programs according to the number of years of experience enhances the IP literacy of researchers and the technologies and products that they develop will become sources for the creation of functions and appeals that

differentiate them from competitors. In fact, through these continuous education we believe we have been able to maintain high standards of annual applicant numbers and registration rates.

Our IP educational programs were reported in Volume 295 of *Tokugikon* (November 2019), a journal published by the JPO.

Collaboration and engagement with stakeholders

In order to achieve What Kao Aims to Be by 2030, we respond with determination to counterfeiting. By working with IP industry organizations and other companies in our industry, we have reinforced our measures and are contributing to the development of the IP industry as a whole.

As a part of those initiatives, we have created opportunities for direct dialogue with management levels in the JPO and European Patent Office, as well as in patent offices in emerging economies, in order to allow us to maintain an accurate grasp of the latest trends in IP administration. In 2021, at a JPO-sponsored discussion meeting with companies, the commissioner of the JPO, our top management and the Senior Vice President of our R&D had the opportunity to exchange opinions on IP strategies. Through this type of dialogue, while gaining an understanding of recent examinational developments, which is useful for establishing more stable IP rights, we also request government support for solutions to social issues we have come up with.

Intellectual property ¹⁰²⁻²⁰

We have also created opportunities for direct dialogue with patent attorneys in major countries and regions (including Europe, the Americas, South Korea, China and Taiwan) and multiple emerging nations to deepen our understanding of global IP practice and acquire rights in accordance with the legal systems of each country.

Framework

We implement company-wide management of business-related IP through the coordinated activities of the IP Department (under R&D) and the Brand Legal Department (under Legal and Governance).

The IP Department plays a key role strategically applying for and exercising rights relating to patents and technology-based designs, which are indicators of key company values from the perspective of technology development capability, in a broad range of fields. The responsible party is the Senior Vice President in charge of R&D.

The Brand Legal Department collaborates closely with business divisions when submitting applications and exercising rights relating to design-based designs and trademarks, taking into consideration cost effectiveness. The responsible party is the Senior Vice President in charge of Legal and Governance.

The IP Department and the Brand Legal Department exchange information through regular liaison meetings and strive to build IP mix strategies through organic cooperation.

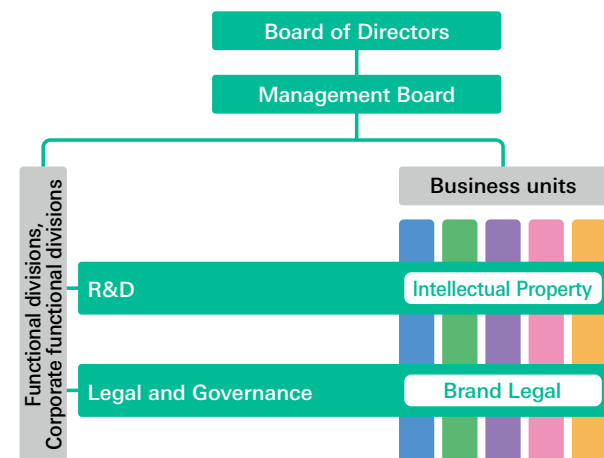
When an important issue arises, the IP Department and the Brand Legal Department submit it to the Management Board for deliberation, and the Board of Directors discusses proposals when necessary. Most recently, the Management

Board deliberated and finalized revisions to the rules for compensating inventors and other related parties as an important investment in IP, which is a source of our technological capabilities. Once each year, useful patents and other IP rights that have contributed to business are reported to the Management Board, which deliberates rewards for employee inventions.

Our group as a whole works closely together on R&D activities. In addition to existing IP operations (applications, rights acquisition, contracts, management, information analysis, IP education) conducted while collaborating with business divisions and group companies outside Japan, taking steps to fight counterfeit products and engaging in open innovation, we are also leveraging our IP from more strategic perspectives.

Looking to initiatives aimed at solving ESG issues, we are examining building an organizational team and external collaboration able to monetize not only IP in our existing business frameworks but also IP in new business domains.

IP management structures in Japan



* As of December 2021

Management of trademarks and design rights

The Brand Legal Department, which forms part of Legal and Governance, is in charge of trademark and design rights (some design rights are handled by the IP Department under R&D). We conduct adequate availability searches for new names or designs in order not to infringe any rights of third parties. We also try to widen the scope of rights acquired to maintain Kao's brand value.

Close collaboration with marketing teams is very important for our trademark activities in particular. Between the Kao Corporation Head Office and three offices in Europe and the U.S., we strive for smooth communication. Furthermore, in order to ensure timely naming, we manage the entire schedule of naming processes, from the beginning of name creation through trademark filing and name decision. Through these activities, we are able to use the product names and catchphrases that become the faces of our products, and we are able to provide products that consumers can use with reassurance.

We consolidate systems for the early elimination of counterfeit products which have been on the rise in recent years. We cooperate with governmental authorities, e-commerce site managers, and peer companies in the industry, while we also reinforce our monitoring of markets including e-commerce sites. By steadily undertaking these measures in response to the damage caused on a daily basis by sophisticated counterfeit products, we are contributing to the elimination of counterfeit products and the elimination of businesses that handle them.

Intellectual property

Mid- to long-term targets and performance

Mid- to long-term targets

We continue to build our own patent portfolio, optimized for both volume and quality, and create cross-category, global structures that can strategically use Essential Research results that can generate diverse product value. We also provide strong support for our R&D from an IP aspect, aiming for the realization of our KLP.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Kao, which deploys numerous products, is able to apply Essential Research results to product development in multiple fields, and therefore, will be able to increase the efficiency of R&D through appropriate IP protection, which will lead to higher product revenues.

Social impacts

To be an essential company in a sustainable world, we aspire to protect future lives from infectious diseases, etc. and lead the sustainable society. In addition to contributing to the advancement of technology by publicly releasing inventions that we create, we seek maximum utilization of Kao IP by undertaking open innovation in collaboration with outside parties to solve social problems. Also, public release of socially-beneficial inventions contributes to the public good.

Performance in 2021

Performance

The number of new patent applications in 2021 remained at the previous year's high level thanks to active development of new inventions. In addition, income from patent licenses also remained at a high level as a result of active utilization of patent rights, and we are building an optimal patent portfolio.

When we develop new technologies and formulations, we employ a mechanism to check clearance implementation concerning the patents of other companies, to prevent omissions and avoid IP disputes with other companies.

In November 2018, we held a technology innovation session and gave explanations of five innovations with the aims of creating a forum for open innovation, expanding technology exits, and proving an even more diverse range of products. Following these explanations, we have encouraged external collaboration relating to these technologies and encouraged activities for their social implementation.

Reviews of performance

By engaging in close communication with research laboratories and collaborating with business divisions, this year we were able to submit necessary applications, acquire rights, avoid

infringement of the patents and other rights of other companies, and respond to counterfeit products.

With the aims of becoming a company with a global presence and rapidly providing new and diverse value in the future, we will apply for additional new patents and other rights and encourage their use globally with an eye toward broad deployment including overseas.

In order to respond to social issues, in the past we publicly released technologies developed at our company, and also

in recent years, we have gradually provided access to our packaging technology aimed at reducing the amount of plastic used. Moreover,

we have been promoting cooperation with several of our partners, including the recycling of plastic packaging, and are aiming for further co-creation with partners for faster and more reliable social implementation.



Smart Holder and Raku-raku Eco Pack Refill that aim to reduce resource waste



Making the world healthier & cleaner > Zero waste

Intellectual property ¹⁰²⁻¹⁵

In the lead up to 2030, we will strive to be a company that continuously contributes to the creation of a sustainable society and provides the services most strongly needed by consumers.

To that end, we will continue R&D, secure IP rights, and fully leverage our technology assets.

Examples of technologies publicly released: Shampoo bottle notches

We have been placing a notch with a jagged shape on the sides of shampoo bottles since 1991. This enables people with visual impairments as well as people with normal vision who wash their hair with their eyes closed to identify the bottle by touch.

Believing that a lack of uniformity in the industry concerning the use of these notches would lead to consumer confusion, we withdrew our utility model application and worked through the Japan Cosmetic Industry Association to call on other companies to adopt an industry standard. As a result, the agreement of numerous companies in the industry was obtained. Now, most shampoo bottles have notches, and the use of notches has become an international standard due to Japan taking the initiative (ISO 11156: 2011).



Notches first developed in 1991 (left) and current notches (right)

Our initiatives

Handling of IP issues with other corporations

We regard IP, including patents, as critical business assets, and are making efforts to effectively and strategically utilize such resources. In cases where IP issues with other corporations arise, we make efforts to resolve these issues through dialogue with those corporations when feasible, and through patent licensing where necessary.

System of reward for employee inventions

We have a compensation system for our employees, including a compensation system as a bonus for new innovation, and an incentive to honor useful inventions that contribute to our business operations and incentivize further inventions. As for incentives, employees are awarded for patents utilized internally at Kao, which have led to excellent commercial outcomes, as well as license income incentives for patents which have produced significant income as a result of licensing to third parties. Every year the President offers words of appreciation and encouragement at an awards ceremony for presentation of the incentives to the inventors. In 2021 we continued to implement our incentive system based on internal usage of inventions and

Intellectual property¹⁰²⁻¹⁵

licensing income, marking 22 consecutive years since the launch of this system at Kao Corporation. This incentive system undergoes review to keep it up to date, and in 2021 we increased our compensation for inventions to support R&D aimed toward What Kao Aims to Be by 2030.

Systems to reward employee inventions are implemented on a country-by-country basis, and group companies in Asia, the Americas and Europe continued to establish their own incentive systems.



Awards ceremony for presentation of performance incentives in 2021

Promotion of IP rights management

We consider that the acquiring of the outcomes of R&D at group companies as IP rights is an important step in realizing our *Yoki-Monozukuri* globally and in responding to local consumers and client needs. For this reason, we actively provide platforms for exchange and mutual inspiration among employees with responsibility for IP at Kao Corporation and group companies both within and outside Japan, while taking measures to execute related work duties collaboratively. We also focus our capacities to support IP-related activities at different localities, with an emphasis on IP education for researchers in each country and region.

In conjunction with the increase in group companies and more energetic invention activity in each country and region, we are undertaking IP activities with closer ties to countries and regions. In 2021, there were a large number of new patent applications from overseas group companies, dialogue among personnel in IP divisions in Japan and each overseas country and region increased, and we deployed the Kao IP policy globally.

Response to the counterfeit products problem in emerging nations

In regard to business expansion in emerging nations, the risk posed by the rapid diffusion of counterfeit products increases for products which are well-received locally. It is thus very important to find appropriate countermeasures after having developed a clear picture of the current situation with regard to counterfeit products. Some counterfeit products are associated with safety concerns. In such cases it is not merely a question of protecting the brand value of the Kao product being counterfeited. It also becomes imperative that countermeasures to ensure the health and safety of local consumers are put in place.

We have set up an internal system that spans related departments, including those overseas, to handle counterfeit products. We will continue to take appropriate measures especially against exact copies and counterfeiting technology outside of Japan. China in particular could be described as a highly litigious society compared to Japan, as there are many more cases of IP-related litigation. There may thus be times when a resolute stance must be taken to address the issue of counterfeit products in a lawsuit, depending on the particularities of the case.

In addition, to help prevent counterfeit products from being imported, we have arranged for Kao personnel to act as instructors in Customs training sessions, teaching Customs personnel the key points to identify counterfeit items, and we have also been actively involved in seizure of imported counterfeit products (border protection).

Tax strategies 102-12, 102-15, 103-1, 103-2, 103-3, 207-1, 207-2 (Tax 2019), 404-2

We ensure transparency regarding taxes, as well as compliance with tax laws and regulations in every country and region.

Furthermore, we also provide various types of education on proper tax management, with each and every employee working to raise tax compliance awareness.

Kao's creating value to address social issues

Social issues we are aware of

We understand that international efforts such as the OECD's Base Erosion and Profit Shifting project are important measures in maintaining tax transparency and preventing aggressive tax avoidance. For example, the pricing for transactions between related parties is determined under the arm's length principle and in accordance with OECD transfer pricing guidelines, calculated based on the functions, assets and risks involved.

Kao's creating value

Based on the fundamental values of "walking the right path," which is our corporate philosophy of the Kao Way, we contribute to the creation of social value that enriches daily life with sincere and sound business practices, acting in accordance with ethics and the law, and making adequate tax payments.

Concerning income from business activity in emerging and developing countries, we believe that conducting sound tax affairs and paying taxes in accordance with tax laws of each country and region, without violating local tax rights, serves an important role in the economic and social development of each country and region in which we operate.

We also believe that the use of tax havens or tax planning that is not aligned with either commercial purposes or business substance impedes the appropriate payment of taxes in each country and region in which we operate. We strive to prevent the use of aggressive tax avoidance and abusive tax planning involving, for example, tax havens. We only expand internationally or implement global business structures where this is aligned with our commercial purposes. Moreover, we do not take part in any tax structuring used for international tax avoidance.

As of the end of December 2021, there were no Kao Group companies located in countries that are classed as tax havens by the OECD.

Contributions to the SDGs



Policies

Aiming to improve corporate tax governance, we established tax policy to serve as a standard tax-related code of conduct.



Kao Group Tax Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/governance_004.pdf

Education and promotion

At Kao, we believe that it is important for both management and employees to promote tax compliance awareness in order for the tax compliance system to function properly.

We strive to reduce tax risks through awareness, education, information sharing and consultation, while ensuring thorough legal compliance.

Tax strategies 102-13, 102-43, 207-2, 207-3 (Tax 2019)

Collaboration and engagement with stakeholders

We provide timely and appropriate information to the tax authorities and strive to build relationships of trust by responding to all enquiries expediently and in good faith. In order to minimize tax risks, we periodically consult with an external tax advisor in order to address tax filing accuracy.

Additionally, we work with the business community through industry groups in assisting with tax reform requests that contribute to enhancing the international competitiveness of Japanese companies.

Collaboration with the Japan Chemical Industry Association (JCIA)

Through JCIA, we are actively working on tax reform requests that contribute to improving tax practice efficiency and enhancing corporate competitiveness.

Framework

The Senior Vice President of our Accounting and Finance does business with Administration Tax Accounting Group and tax officers in each country or region. We share information with tax officers in each country or region on a quarterly basis for current and future tax risk comprehension and to resolve issues.

By regularly compiling tax issues in each country or region to understand the current situation, our system receives information in a timely manner on urgent tax issues. In addition, a system has been established to coordinate solutions in cooperation with external experts.

Furthermore, important tax issues and strategies are reported at regular Management Board and Board of Director meetings.

Global accounting and finance collaboration

We regularly hold meetings that bring together global leaders in the accounting and finance functions. In the meetings, leaders share company-wide policies, ensure their implementation and discuss new tax issues while communicating with tax officers at our overseas subsidiaries.

Tax strategies 207-4 (Tax 2019)

Performance in 2021

Performance report and tax payment record

Our effective tax rate for FY2021 was 25.7%. The -4.9% effective statutory tax rate difference is mainly due to the impact of a tax credit for experimental research costs in Japan as well as different tax rates applied to subsidiaries. Similarly, given that, when compared to the average effective tax rate in the industry calculated by S&P Global, our effective tax rate is 2.4 percentage points lower, we believe that, if the tax credit for experimental research costs in Japan referred to above is excluded, the amount of tax we pay is roughly the same as the industry average.

Regarding the cash tax rate, which is the amount of tax paid divided by net income before income tax, our company achieved an appropriate rate that was 2.6% higher than the industry average, despite the effect of payment timing issues, etc.

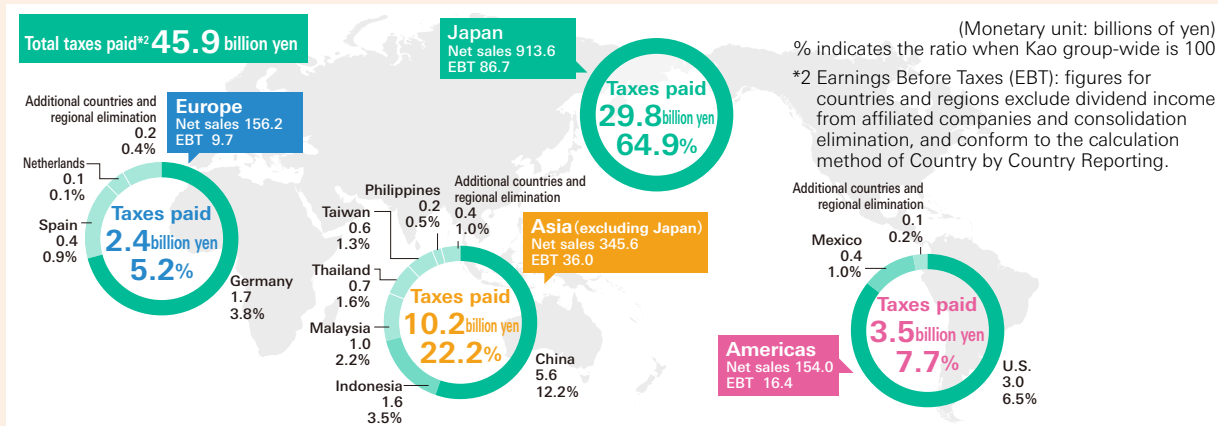
2021 effective tax rate difference analysis

	Effective statutory	Kao	Industry average ^{*1}
Effective tax rate (Corporate income tax / Net income before income tax)	30.6%	25.7%	28.1%
	△4.9%	↑	△2.4%
Tax credit for experimental research costs and other	△2.9%		
Different tax rates applied to subsidiaries	△2.3%		
Reassessment of recoverability of unused tax losses and deferred tax assets	0.4%		
Change in tax rates	0.1%		
Other	△0.3%		
Cash tax rates (Corporate income tax paid / Net income before income tax)	30.6%	28.0%	^{*1}
		2.6%	

^{*1} Household & Personal products

Kao's performance report and tax payment record in 2021^{*2}

(Unit: billions of yen)	Net sales	EBT	Total taxes paid	Accrued corporate income tax	(No. of employees)
Japan	913.6	86.7	29.8	17.6	(21,828)
China	130.0	19.7	5.6	1.0	(1,439)
Indonesia	57.2	1.5	1.6	0.1	(2,039)
Thailand	41.0	2.9	0.7	0.4	(1,390)
Malaysia	53.8	4.9	1.0	0.1	(474)
Philippines	36.8	0.9	0.2	0.1	(206)
Taiwan	33.8	2.8	0.6	0.4	(700)
Singapore	17.0	1.6	0.2	0.2	(156)
Hong Kong	13.6	1.7	0.2	0.1	(217)
Vietnam	5.7	0.1	0.1	0.0	(401)
Additional countries and regional elimination	-43.2	-0.0	-0.0	0.0	(23)
Asia	345.6	36.0	10.2	2.3	(7,045)
Germany	76.5	4.5	1.7	3.5	(1,051)
Spain	44.4	2.1	0.4	-	(577)
U.K.	23.0	1.9	-0.0	0.4	(737)
Switzerland	6.9	0.4	0.0	0.0	(104)
Netherlands	4.5	0.2	0.1	-	(152)
Italy	4.1	0.1	0.1	0.0	(41)
France	2.2	0.1	0.0	0.0	(17)
Sweden	1.1	0.0	-0.0	-	(40)
Additional countries and regional elimination	-6.5	0.4	0.1	0.0	(222)
Europe	156.2	9.7	2.4	4.0	(2,941)
U.S.	129.2	14.5	3.0	0.1	(1,303)
Mexico	14.8	1.3	0.4	0.0	(176)
Australia	6.4	0.3	-0.0	0.0	(101)
Canada	6.3	0.2	0.0	0.0	(92)
Brazil	1.0	0.1	0.1	0.0	(12)
Additional countries and regional elimination	-3.7	0.0	-0.0	0.0	(9)
Americas	154.0	16.4	3.5	0.1	(1,693)
Pan-regional elimination etc.	-150.7	1.2			
Total	1418.8	150.0	45.9	24.1	(33,507)



Tax strategies 207-4 (Tax 2019)

List of taxable entities*

Tax jurisdiction	Company name	Primary business
Japan	Kao Corporation	Brand owner of the Kao brand products (Health & beauty care, Hygiene & living care, Lifecare, Cosmetics and Chemical businesses)
	Kanebo Cosmetics Inc.	Brand owner of the Kanebo brand products (Cosmetics business)
	Kao Salon Japan CO., LTD.	Health & beauty care business
	Kao Field Marketing Co., Ltd.	Business services (e.g., store support services)
	Kao Beauty Brands Counseling Co., Ltd.	Cosmetics business
	Kao-Quaker Company Limited	Chemical business
	Kao Sanitary Products Ehime Co., Ltd.	Hygiene & living care business
	Inogami Co., Ltd.	Hygiene & living care business
	Kao Paper Manufacturing Fuji Co., Ltd.	Hygiene & living care business
	Kao System Logistics Company Limited	Proposed-based sales and operation planning
	Kao Professional Services Company, Limited	Lifecare business
	Molton Brown Japan Ltd.	Cosmetics business
	e'quipe Ltd.	Cosmetics business
	Kao Business Associe Co., Ltd.	Business services (e.g., services including HR, general administration, accounting, etc.)
	Kao Peony Co., Ltd.	Contract services (e.g., manufacturing of consumer products and sample products)
	Kao Cosmetic Products Odawara Co., Ltd.	Cosmetics business
	SENSAI COSMETICS INC.	Cosmetics business
Indonesia	Kao Group Customer Marketing Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kao Transport and Logistics Company Limited	Inventory management and delivery of the Kao brand products
	PT Kao Indonesia	Health & beauty care and Hygiene & living care businesses
Australia	PT Kao Indonesia Distribution	Health & beauty care and Hygiene & living care businesses
	PT Kao Indonesia Chemicals	Chemical business
	Kao Australia Pty. Limited	Health & beauty care and Hygiene & living care businesses
Singapore	Kao Singapore Private Limited	Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses
	Crescent Insurance Pte. Ltd.	Reinsurance underwriting of the Kao Group
	Kao Industrial (Thailand) Co., Ltd.	Health & beauty care, Hygiene & living care and Chemical businesses
Thailand	Kao Commercial (Thailand) Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kao Holdings (Thailand) Co., Ltd.	Holding company
	Kao Consumer Products (Southeast Asia) Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kanebo Cosmetics (Thailand) Co., Ltd.	Cosmetics business
	Kao New Zealand Limited	Health & beauty care business
New Zealand	Pilipinas Kao, Inc.	Chemical business
	PKI COMMERCIAL, INC.	Chemical business
	Kao Vietnam Co., Ltd.	Health & beauty care and Hygiene & living care businesses
Malaysia	Kao (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
	Kao Trading (M) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
	Fatty Chemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Soap (Malaysia) Sdn. Bhd.	Health & beauty care business
	Kao Oleochemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Plasticizer (Malaysia) Sdn. Bhd.	Chemical business
	Kanebo Cosmetics Malaysia Sdn. Bhd.	Cosmetics business
Korea	Kanebo Cosmetics Korea Co., Ltd.	Cosmetics business
	Kao (Hong Kong) Limited	Health & beauty care, Hygiene & living care and Cosmetics businesses
	KPSS Hong Kong Ltd.	Health & beauty care business
Taiwan	Kao (Taiwan) Corporation	Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses
	Taiwan Kanebo Cosmetics, Co., Ltd.	Cosmetics business
	KPSS Taiwan Ltd.	Health & beauty care business
China	Kao Corporation Shanghai	Health & beauty care and Hygiene & living care businesses
	Kao Chemical Corporation Shanghai	Chemical business
	Kao Commercial (Shanghai) Co., Ltd.	Health & beauty care, Hygiene & living care and Cosmetics businesses
	Kao Trading Corporation Shanghai	Chemical business
	Kao (China) Holding Co., Ltd.	Management of affiliates in China (Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses)
	Kao (China) Research and Development Center Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kanebo Cosmetics (China) Co., Ltd.	Cosmetics business
	Kao (Hefei) Co., Ltd.	Hygiene & living care business
	Kao Huludao Casting Materials Co., Ltd.	Chemical business
	Kao (Shanghai) Chemical Industries Co., Ltd.	Chemical business
	Kao Shanghai Business Consulting Co., Ltd.	Cosmetics business

Tax jurisdiction	Company name	Primary business
U.K.	Molton Brown Limited	Brand owner of the Molton Brown brand products (Cosmetics business)
	Kao (UK) Limited	Health & beauty care business
	Washing Systems Limited	Lifecare business
	KPSS (UK) Ltd.	Health & beauty care business
Italy	Kanebo Cosmetics Italy S.p.A	Cosmetics business
	KAO CHIMIGRAF ITALY, S.R.L.	Chemical business
	Kao Italy S.p.A	Health & beauty care business
Austria	Kao Austria Handelsgesellschaft mbh	Health & beauty care business
Netherlands	Guhl Ikebana Cosmetics B.V.	Health & beauty care business
	Kao Business Service B.V.	Business services (e.g., accounting of the Kao Group)
	Kao Netherlands B.V.	Health & beauty care business
Switzerland	Kanebo Cosmetics (Europe) Ltd.	Cosmetics business
	Kao Switzerland AG	Health & beauty care business
Sweden	Kao Sweden AB	Health & beauty care business
Spain	Kao Corporation S.A.	Chemical business
	Kao Chemicals Europe, S.L.	Chemical business
	KAO CHIMIGRAF, SOCIEDAD LIMITADA	Chemical business
Czech	Goldwell Cosmetics (CZ) s.r.o.	Health & beauty care business
Denmark	Kao Denmark A/S	Health & beauty care business
Germany	Kao Germany GmbH	Brand owner of salon products (Health & beauty care business)
	Guhl Ikebana GmbH	Health & beauty care business
	Kao Chemicals GmbH	Chemical business
	Kao Manufacturing Germany GmbH	Health & beauty care business
Norway	Kanebo Cosmetics Deutschland GmbH	Cosmetics business
Norway	Kao Norway A/S	Health & beauty care business
Finland	Kao Finland Oy	Health & beauty care business
France	Kao France SARL	Health & beauty care business
	KAO CHIMIGRAF FRANCE, S.A.S.	Chemical business
Belgium	N.V. Kao Belgium S.A.	Health & beauty care business
Russia	Kanebo Cosmetics Rus LLC	Cosmetics business
South Africa	Kao South Africa Pty. Ltd.	Health & beauty care business
	Kao USA Inc.	Brand owner of mass products (Health & beauty care and Cosmetics businesses)
	HPC Realty Inc.	Asset management
	Oak Brook Enterprises Inc.	Asset management
	Kao America Inc.	Corporate services for affiliates and holding company for Chemical business in the U.S.
	Kao Chemicals Americas Corporation	Chemical business
	High Point Textile Auxiliaries LLC	Chemical business
	Kao Specialties Americas LLC	Chemical business
	Molton Brown USA LLC	Cosmetics business
	Kao Collins Inc.	Chemical business
	SAMGAM, LLC	Asset management
	Oriebe Hair Care, LLC	Health & beauty care business
	STAR (Delaware) Realty LLC	Asset management
	Washing Systems Intermediate Holdings, Inc.	Holding company
	Washing Systems, LLC	Lifecare business
U.S.	Santec Products, LLC	Lifecare business
	WSI Water, LLC	Lifecare business
	Custom Chemical Solutions, LLC	Lifecare business
	BioHygienix, LLC	Lifecare business
	Kao Canada Inc.	Health & beauty care business
	Kao do Brasil Representacao Comercial Ltda.	Chemical business
	TBP Importação e Comércio de Cosméticos LTDA	Health & beauty care business
	Quimi-Kao S.A. de C.V.	Chemical business
	Jergens Mexico, S. de R. L. de C. V.	Health & beauty care business

* Data were correct as of the end of December 2021.

Biodiversity 102-12, 102-15, 103-1, 103-2, 103-3

Our business is made possible throughout the entire product lifecycle by the various ecosystems that exist on the earth and the abundant natural bounty created from biodiversity. Kao vigorously undertakes sustainable raw material procurement and development of new technologies for the effective use of limited resources to prevent the degradation of biodiversity, one of the most pressing issues shared by the entire world. We will also strive to minimize the impacts of our business on biodiversity and to promote social activities that lead to biodiversity improvements in regions where we have business sites.

In addition, we support the recovery of already polluted ecological environments by tackling issues such as ocean plastic pollution. Kao will contribute to the conservation and restoration of biodiversity and the regeneration of the natural environment by promoting engagement with consumers, suppliers and other stakeholders and by providing products and solutions.

Kao's creating value to address social issues

Social issues we are aware of

Global Biodiversity Outlook 5 (GBO5) was published by the Secretariat of the Convention on Biological Diversity on September 15, 2020 to analyze whether the Strategic Plan for Biodiversity 2011–2020 and Aichi Biodiversity Targets are being met. Although significant progress was seen for most of the Aichi Biodiversity Targets, it showed that none of the 20 individual targets were fully realized.

An aspect of current economic activities is that they rely on the consumption of precious natural resources. In addition, humanity's destruction of nature and the loss of biodiversity are leading people to come into contact with species that they never had before, which manifests the risk of new communicable diseases. Businesses are required to solve these issues.

In light of these circumstances and a review of the past, the post-2020 biodiversity framework is expected to be adopted at the 15th meeting of the Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity in 2022. As a member of international society, we are keenly aware of the need to take action for the conservation and restoration of biodiversity and the regeneration of

the natural environment with a strong sense of crisis, acknowledging that the targets set here must be met.

At the 26th session of the Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change held in 2021, the issue of biodiversity was also discussed even though it was an international conference whose main topic was climate change, and a statement was issued emphasizing the importance of protecting, preserving and restoring nature and ecosystems. In this way, a universal recognition that biodiversity and climate change are closely related issues that must be resolved simultaneously is developing.

Our businesses operations benefit from many biological resources ranging from the procurement of raw materials, such as palm oil, to R&D, manufacturing, use and post-use disposal. The degradation of biodiversity worldwide will significantly impact the development and sustainability of our business. In R&D, there are technologies that were developed by using the wisdom of nature and living things as hints, and we consider this to be a benefit of biodiversity as well. Moreover, many of the products that we manufacture and sell are discharged into the environment along with water after use and are eventually purified by natural forces, and packaging containers, typically plastic, are sometimes disposed

of improperly, polluting the environment. Accordingly, we are well aware that biodiversity needs to be taken into consideration throughout the product lifecycle.

Establishing a process for sustainable raw material procurement is also of particular importance. However, in purchasing RSPO certified palm oil, we have been facing various issues over the last ten years in palm oil tree production regions, including deforestation and the loss of biodiversity as well as human rights violations of people and farmworkers who live in those areas. By taking full advantage of our knowledge and human networks acquired so far, we aim for a future that brings about a positive change for the entire natural environment and all stakeholders connected with our business.

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

Key raw materials that we use include palm (kernel) oil, paper and pulp. Palm (kernel) oil is transformed into a surfactant and mixed into many cleansing agents that we manufacture and sell including shampoo and body soap. Also, pulp is a crucial raw material used in sanitary products (such as diapers and sanitary napkins), one of our leading product categories.

Future global scale population growth and economic development may increase demand for

Biodiversity 102-12, 103-1, 103-2, 103-3

cleansing agents and sanitary products, resulting in even further growth in demand for palm oil, paper and pulp, our main necessary raw materials. Procurement of sustainable raw materials that take into consideration biodiversity, human rights violations and other issues may give rise to additional costs. However, if we do not give consideration to sustainability in procurement, the inability to procure raw materials over the long term or the substantial impairment of the company's reputation may call our business survival into question.

In addition, if we maintain a linear economy in which products including packaging are consumed without being recycled or reused, resources will be further depleted and flow into the environment, resulting in increased impacts on biodiversity. We need to make the transition to a resource circulating economy and to provide products with even more added value that use less resources.

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

We established the Basic Policies on Conservation of Biodiversity in 2011 and have been developing new technologies that can contribute to sustainable procurement of raw materials and the conservation of biodiversity.

The ESG Promotion Activities with Suppliers, which were revised in June 2021, set targets for confirming zero deforestation in places of origin for palm oil, paper and pulp, and we are increasing the

possibility of business continuity by taking specific initiatives with suppliers to achieve sustainable procurement of raw materials in the future.

Bio IOS, a surfactant that we developed, is a completely new surfactant developed by utilizing solid fats and oils that are unsuitable for food and avoids the issue of competition with food, a concern in conjunction with the global scale population increase. Applications are expected to expand as a technology that solves various problems such as the shortage of raw materials.

Kao's creating value

IPBES* believes that transformative change in economies, society, politics, and science and technology will be necessary in order to achieve the biodiversity targets. We set targets based on visions and policies specified by ESG management and push forward toward the prevention and restoration of the degradation of biodiversity and the development of a sustainable society in the future through our innovative technologies, products and daily initiatives to solve social problems.

* IPBES
Intergovernmental science-policy platform on biodiversity and ecosystem services

Contributions to the SDGs



Policies

Efforts are now being made around the world to reduce negative impacts on nature and biodiversity, increase behavior that has positive impacts, and reverse biodiversity loss to achieve recovery.

In 2021, our activities in this area were mainly conducted in line with our previously formulated Basic Policies on Conservation of Biodiversity.

With the revision of international targets on biodiversity at COP15 in 2022, we have revised our Basic Policies on Conservation of Biodiversity looking ahead to the next ten years.

The revised Basic Policy on Biodiversity contain a total of eight policies. They are: (1) Identify the relationship between our business activities and biodiversity throughout the value chain, (2) Minimize the impacts of our business activities on biodiversity, (3) Promote and implement the development of innovative technologies, (4) Comply with relevant international agreements, (5) Do not damage local ecosystems in the vicinity of our business activities, (6) Maximize the outcomes of collaboration by sharing information and raising awareness among stakeholders inside and outside our group, and (7) Pursue cooperation with external stakeholders and take action leading to conservation and restoration of biodiversity and regeneration of the natural environment, as well as the newly-added (8) Aim to achieve a harmonious relationship between people, nature and chemicals. Taking advantage of the opportunity provided by the revision of the Basic Policy on Biodiversity, we will raise the level of activities we have been conducting and add new activities to them.

Biodiversity 102-43, 404-2



Basic Policy on Biodiversity
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-basic-policy.pdf

Action Policies on Conservation of Biodiversity
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-action-policy.pdf

Introductions of Biodiversity Conservation Activities
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/eco_activities_03_04_02_001.pdf

Education and promotion

After formulating the Basic Policies on Conservation of Biodiversity in 2011, we took other initiatives to provide basic knowledge about biodiversity to employees by such means as e-learning courses for all employees of the Kao Group in Japan and annual environmental training for new employees. In 2021, we created opportunities to learn about the latest global trends regarding biodiversity and how they relate to our business activities, primarily through training sessions for front-line leaders in the SCM Division (with participants from within and outside Japan) and follow-up training sessions for new employees. Additionally, in the section dealing with ESG topics posted on the intranet, we provide tips on studying and considering how our lifestyles relate to biodiversity as the themes for SDG Targets 14 and 15 so that our employees can put this into action. For employees outside of Japan, we are conducting information sharing and awareness-raising activities

through such venues as the annual Global RC Meeting.

Since COP15 was originally scheduled for October 2021 (postponed until 2022 due to the COVID-19 pandemic), there had been considerable action relating to biodiversity within and outside Japan. In June 2021, we held a lecture given by an external expert, investigated the latest international trends relating to biodiversity, and discussed the actions that we should take. The lecture was archived in both Japanese and English for distribution to employees within and outside Japan. Afterward, we held a dialogue between the divisions responsible for biodiversity and the lecturer, and in October, we held a lecture and conducted an exchange of opinions for management. The content of the recently revised Basic Policy on Biodiversity reflects both the latest international trends and the results of the dialogue with the external lecturer.

Collaboration and engagement with stakeholders

Promote sustainable raw materials procurement

We take into consideration the conservation of biodiversity and support zero deforestation in our procurement of raw materials including palm oil, palm kernel oil, paper and pulp. We continue to procure palm oil and palm kernel oil, all of which can be traced back to their production area, and to only purchase pulp for which its wood material can be

traced back to its production area.

We seek to create a sustainable supply chain for palm oil and improve and sustain the productivity of small oil palm farms in Indonesia. We launched the Smallholder Inclusion for Better Livelihood & Empowerment program, which seeks to obtain certification for sustainable palm oil.

In August 2021, we released the Supply Chain ESG Promotion Guidelines. We collaborate with suppliers to contribute to ensuring traceability throughout the entire supply chain and solving social issues such as resource and environmental protection, safety and human rights issues. In addition to complying with laws and regulations, we require our suppliers to consider social responsibility and the environment, and we prioritize procurement from suppliers who comply. Consideration for social responsibility and the environment includes issues that are deeply related to biodiversity, such as forest and water conservation.



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Biodiversity

Ecosystem and biodiversity conservation activities in individual countries and regions

We have business sites around the world. Basic policies on biodiversity conservation are formulated by the Head Office in Japan, but the status of and approaches to biodiversity vary in different countries and regions. We believe that creating opportunities for the active exchange of opinions with various relevant stakeholders in each country and region including governmental agencies, NGOs, NPOs and experts can facilitate the effective implementation of biodiversity conservation activities, and we make recommendations to the responsible personnel in each country and region.

Awareness-raising

We undertake green space conservation activities at each business site in consideration of biodiversity and arrange events in which employees can participate. We also encourage employees to volunteer for outside biodiversity conservation programs. We aspire to deepen understanding of biodiversity among all employees through their active participation in these activities.

At the Eco-Lab Museum in our Wakayama Plant where the global environment and Kao's eco technologies are on display, we conduct community-based awareness-raising activities for elementary students who will build the future. At the combined greenhouse facilities, the hot and humid climate of southern countries where palm trees grow is recreated and approximately 60 species of plants can be seen.

Framework

The loss of biodiversity is one of the major social problems surrounding our company. Among the 19 actions established in the Kirei Lifestyle Plan, measures such as responsibly sourced raw materials, decarbonization, zero waste (plastic reduction etc.), air & water pollution prevention and responsible chemicals management are closely related to biodiversity.

Forests are a source of key raw materials for Kao, and are of course important in terms of sustainable raw material procurement (related to the KLP action responsibly sourced raw materials). Forests are also habitats for diverse organisms, places to store water, and sinks for carbon dioxide, which is a cause of global warming. Not destroying peatlands as sites for storing carbon along with forests is extremely important not only from the viewpoint of business continuity, but also the viewpoints of biodiversity and global warming control (related to the KLP action decarbonization).

Moreover, we will take action to prevent air and water pollution from exhaust and wastewater emissions during manufacturing processes, to minimize the environmental impact of constituent materials and other substances discharged into the environment along with water after product use (related to KLP actions air & water pollution prevention and responsible chemicals management) and the biological and ecological impact of residual plastic packaging in the environment resulting from improper processing.

Biodiversity involves complex factors that are intertwined, and it is not desirable for any of these activities

to be missing or for one activity to have a negative impact on another. For this reason, it is necessary to organize these activities in an integrated manner from the perspective of biodiversity. From September to November 2021, we conducted discussions within the ESG Managing Committee, ESG Promotion Meeting, ESG External Advisory Board and other organizations. The ESG Managing Committee manages, reviews and approves annual progress, according to the respective KLP action KPIs, and ensures that the results of this process are reflected in actions taken in and after the following year. The ESG Managing Committee also reviewed and approved the revision of the Basic Policy on Biodiversity.

We define conservation of biodiversity as one element of environmental conservation, which is a part of the Responsible Care (RC) activities. We establish policies, targets and plans relating to biodiversity and manage them along with the progress of measures under the RC promotion framework. Appropriate information sharing on the progress of measures is conducted at the annual RC Promotion Committee meeting, Japan RC Meeting and Global RC Meeting (the responsible executive officers participate in each of these meetings; in 2021, these meetings or exchanges of information were held online).



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

Biodiversity

Mid- to long-term targets and performance

Mid- to long-term targets 2025–2030

The Kao Way, our corporate philosophy, states that our mission is to create a Kirei life for all—providing care and enrichment for the life of all people and the planet. From the perspective of biodiversity, we believe that caring for all people and the planet means maximizing the value to people, society and the planet by minimizing reliance and impacts on nature without exceeding the capacity of natural production and regeneration.

Development of a society that can continue to enjoy the benefits of biodiversity

With regard to palm oil, paper and pulp, which are our main raw materials, we set targets for confirming that there is no deforestation in the places of origin and ensuring traceability and are implementing specific measures to achieve those targets such as mapping deforestation risks and investigating plants determined to pose high risks. In 2020, we completed the confirmation of traceability back to large plantations, and our object by 2025 is to complete traceability to small oil palm farms.

We believe that expanding sustainable production of raw materials and establishing procurement systems that do not involve deforestation or human rights violations will contribute to the formation of a sustainable society that permanently maintains the benefits of biodiversity for all stakeholders.

Minimizing the impact of products on biodiversity

We seek to minimize the impacts on biodiversity in all processes of our business activities including the impact on the environment from the procurement and use of raw materials, product development and disposal.

Palm oil is used in many of our products, and it is predicted that future demand will increase steadily as a result of population increases on a global scale, making deforestation and shortages of raw materials issues of concern. We continue to develop technologies that use natural, non-edible oil sources as alternatives to palm oil. We are developing Bio IOS, which is made from an oil raw material that in the past posed a challenge in use as a surfactant, as well as microalgae, which can produce oil and fat raw materials with high efficiency.

In addition, we are working to minimize the quantitative and qualitative impacts of components discharged into the environment along with water after product use and to solve the problems of plastic packaging that have already been discarded and ocean plastic pollution.

Assessing impact on biodiversity throughout the value chain

We used Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE), a risk assessment tool released under the guidance of the Natural Capital Finance Alliance (NCFA), an international financial

industry organization active in the field of natural capital, to identify dependencies on natural capital and impact factors within the company. Among the identified factors were items for which uniform international assessment methods have not been established, and it will take a little more time to perform an overall evaluation with a certain degree of quantitiveness. However, the qualitative indication of notable natural capital and hotspots in our value chain has made it easier to prioritize our activities. In the future, we will reliably catch up on the development status of quantification methods and improve evaluation accuracy.

Mainstreaming biodiversity

Promoting the procurement and consumption of sustainable palm oil through Japan Sustainable Palm Oil Network to collaborate with other companies and various other measures such as encouraging employees to participate in business site green space conservation activities and outside biodiversity conservation activities contribute to mainstreaming biodiversity.

We also participate in the Japan Business Initiative for Biodiversity (JBIB) and the Keidanren (Japan Business Federation) working group for the post-2020 biodiversity framework to understand the latest international trends and coordinate and share information with other companies. The knowledge that we acquire is shared among relevant divisions within our company and used in activities.

Biodiversity

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Considerable costs are involved in procuring sustainable raw materials, but we consider these activities an indispensable investment to make our business sustainable and a part of our social responsibility.

As the trend toward ethical consumption is gaining traction in the European and American markets mainly driven by Millennials and Generation Z, products using sustainable raw materials with consideration for biodiversity are growing in demand. Our presence on the rapidly expanding ethical consumption market is enhanced through the incorporation of a biodiversity approach in the products we offer from the procurement of raw materials to the product's design, usage and disposal.

We expect the results of these activities not only to boost our reputation substantially, but also to be of financial and non-financial benefit.

Social impacts

These various processes intended to achieve the 2025 targets relating to sustainable raw material procurement will restore and recover forest environments at raw material procurement sites and lead to improved respect for the human rights of local communities that use those environments.

Forests stabilize global temperatures and climate, and play the role of breakwater systems to prevent

disasters since they retain water. Various resources and bounties essential for our everyday lives, such as food, medicine, clean water and air, come from ecosystems and are estimated to have an economic value worth thousands of trillions of yen.

Companies developing and selling products that take into consideration biodiversity from the procurement of raw materials to after the product is used and consumers choosing such products will bring about a society that better understands the biodiversity within many peoples' daily lives and can contribute directly and indirectly to biodiversity restoration and regeneration of the natural environment. If we could use resources at a sustainable level considering the productivity of bio organisms, we can keep using nature's bounty and sustain a comfortable lifestyle.

Biodiversity

Performance in 2021

Performance

A new attempt

Identification of Kao material issues relating to biodiversity

In 2021, we used ENCORE, a risk assessment tool, to identify dependencies on natural capital and impact factors within our company.

In our business activities, we use palm (kernel) oil and pulp as raw materials, and surfactants derived from palm oil are formulated into cleansing products. Also, after products are used, they are discharged into the environment along with used water, and some packaging is improperly disposed of and also released into the environment. As a result of this, ENCORE identified factors arising from the use of palm and pulp, the impact on ecosystems after products are discarded, greenhouse gases, waste and so on. We are also estimating the impacts on biodiversity based on climate change scenarios, performing risk / opportunity analysis, and estimating the financial impacts on our business activities.

ENCORE is a tool that enables companies to assess the risks of the business activities that they directly conduct according to their business sectors and is not for assessing the entire supply chain. At this time, we sought to gain a broad understanding of the effects that we have on the natural environment throughout

the supply chain. We assumed supply chains for representative products (assuming products with high sales including megabrands) in all of our business fields by appropriate sector assignment, covering not only operations performed directly by Kao, but also the upstream side, which receives supplies of raw materials, and the downstream side, up to use processes and post-disposal, and then we performed the evaluation. Since the results obtained from ENCORE are general for each sector, we selected results and examined them in light of our circumstances. For risk and opportunity analysis, we selected 2°C climate change scenarios (IEA's 2DS scenario, IPCC's RCP 2.6, etc.) and 4°C scenarios (IEA's Current Policy Scenario, IPCC's RCP 8.5, etc.). We conducted scenario analysis using climate change first to understand the impact of climate change on natural capital when performing various analyses and studies of biodiversity in the future and because climate change can be organized by a simple parameter, i.e., CO₂, whereas natural capital involves complex factors and cannot be organized by simple parameters. It is also because numerous research examples and parameters have been proposed for climate change scenarios.

The material issues relating to biodiversity include items for which uniform international assessment methods have not been established, and this is a topic

that cannot be evaluated as a whole with a certain degree of quantitateness. If the Science Based Targets for Nature and Taskforce on Nature-related Financial Disclosures frameworks are solidified in the future, we anticipate that it will be possible to perform more quantitative and comparable evaluations. We are working to carefully gather information.

Results of ongoing activities

1. Promote sustainable raw materials procurement



Making thoughtful choices for society > Responsibly sourced raw materials

2. Promote business and social contribution activities with consideration for local biodiversity

While activities were unavoidably limited due to the spread of COVID-19, as was the case in 2020, we conducted many activities that were possible within these constraints.

3. Reduce use of copy paper

The number of sheets printed per person has been reduced by 9.8% compared to the previous year, and thus, the target of reducing printing to below the previous year's level was achieved.

Biodiversity

4. Green procurement

Our green procurement rate in Japan was 93.7%.

Reviews of performance

There are several cases in which our business and social activities with consideration for local biodiversity were forced to be suspended due to the ongoing spread of COVID-19 in 2021, as in 2020. However, in some instances, these activities could be implemented while ensuring everyone's safety thanks to the enthusiasm of the responsible personnel and participants, and we came to understand that the biodiversity conservation initiatives at each site are steadily taking root.

The significant reduction in the use of copy paper in a short amount of time was made possible by a higher rate of employees working from home as well as active implementation by users. In 2021 and later, we will expand and undertake these initiatives globally.

The promotion of green procurement has not achieved 100% of its target yet. We will work to raise the environmental awareness of purchasers and consider reviewing structures for purchasing goods compliant with the Act on Promoting Green Procurement.

Targets for 2022

We seek to become a company that is essential for achieving harmony with nature. It is expected that an international agreement will be reached at COP15 and also that Japan's national strategy will be formulated based on that agreement. Taking into consideration these global developments as well as the material issues, ongoing scenario analysis and financial impact analysis relating to biodiversity that we identified in 2021, we will formulate a company-wide policy and more specific action plan.

Also, annual targets relating to biodiversity are set and managed each year within the RC targets managed through PDCA on a one-year activity unit basis. The 2022 targets are as follows.

1. Promote sustainable raw materials procurement



Making thoughtful choices for society > Responsibly sourced raw materials

2. Promote business and social contribution activities with consideration for local biodiversity

Based on the results of the biodiversity surveys of all Kao Group production sites conducted in 2018 and 2019, each site plans feasible biodiversity

conservation activities and implements them.

3. Reduce use of copy paper

As an activity that all employees can participate in, we have started reducing the use of copy paper at the Kao Group in Japan. From 2021 onwards, our objectives are to promote this activity globally and print less pages per person than the previous year.

4. Green procurement

We are promoting green procurement, which places priority on purchasing products with the least possible environmental impact. We have been taking action in this area based on Act on Promoting Green Procurement. We have set our 2022 target green purchasing rate in Japan at 100%.

Biodiversity ³⁰⁴⁻²

Our initiatives

Understanding relationships between business and biodiversity

The ecological footprint assessment completed in 2013 found that the majority of the environmental impact from our business activities resulted from carbon sinks, land on which oilseed crops were grown, cattle pastures, forests grown for pulp and paper, and fishing grounds affected by surfactants.



Ecological Footprint of Corporate Activities
www.jstage.jst.go.jp/article/ilcaj/2011/0/2011_0_164/_pdf (Japanese)

We use LIME2 (the second version of the Japanese version of the life-cycle impact assessment method based on endpoint modeling), which enables quantification of comprehensive environmental impact, to comprehensively assess the impacts of our products on various aspects of the environment. We conduct environmental impact assessments for 35 major product categories and gain an understanding of the balance of environmental aspects to benefit product development. Going forward, we will make an evaluation with LIME3 (an environmental impact assessment method to attain global scale LCA).

This year, we used ENCORE to identify dependencies on natural capital and impact factors within the company. ENCORE is a tool for evaluating that portion

of the supply chain that a company directly conducts, and to evaluate the impact on natural capital throughout the supply chain, we allocated each process in the supply chain to nearby sectors and implemented the evaluation.

As a result, we identified five dependent factors and nine impact factors. Each of these factors was found to derive from palm and pulp, impacts on ecosystems after products are discarded, greenhouse gases, waste and so on. We are currently conducting risk / opportunity analysis and scenario analysis for each of these factors and estimating the financial impacts on our business activities.

Reducing the impact of business on biodiversity

To reduce the various impacts on biodiversity of our business activities, we are continually implementing the following measures. These measures are critical for Kao's ESG Strategy, and they are listed in detail in this report.

- Reduce the use of raw materials and switch to raw materials that can be sustainably procured and have lower environmental impact



Making thoughtful choices for society > Responsibly sourced raw materials
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- Reducing CO₂ emissions associated with business activities



Making the world healthier & cleaner > Decarbonization
P94

- Reduce the use of and impact on water resources



Making the world healthier & cleaner > Water conservation
P131

- Promote responsible chemicals management
 Through appropriate chemicals management throughout the entire life cycle of chemicals and based on risk assessments with a scientific basis, we continue to create products to minimize the burden of chemicals on the environment and ecosystem.



Walking the right path > Responsible chemicals management
P244

Biodiversity

Developing technology to minimize materials used and maximize utilization while cherishing the benefits of biodiversity

For many years, we have produced high-grade industrial alcohols using oil and fat raw materials with carbon numbers of 12 to 14 that can be collected from the fruit of oil palm trees and other sources for use in a variety of household products. Fats and oils with carbon numbers of 12 to 14 only account for 5% of the world's production of fats and oils. The remaining 95% are oils and fats with carbon numbers of 16 to 18 (Oil World Annual 2016). Fats and oils with carbon numbers of 16 to 18 contain solid parts unsuitable to use for human consumption, and as such the usage of these solid parts has been limited until now. Accordingly, we are generating Bio IOS, a high-quality surfactant, by applying materials science and synthesis technologies for surfactants. Bio IOS has already been put into practical use in *Attack ZERO*, a concentrated liquid laundry detergent, since 2019.

In addition, we are conducting research to use oils and fats produced by algae as an alternative to palm oil, which has low environmental impact and will not result in competition by raw materials with food applications.

We believe that the ability to use materials that

previously had been of limited use as new ingredients in surfactant and the expansion of possibilities to use oils that do not compete with food applications will contribute to the sustainable use of biodiversity.

Additionally, for over 30 years, we have conducted R&D on proteins, such as enzymes, and have continued to develop technologies to efficiently produce proteins using microbes such as bacteria. One of these technologies is protein production technology using *Bacillus subtilis*. This technology contributes to obtaining VHH antibodies that neutralize novel coronavirus, through joint research with Kitasato University and Epsilon Molecular Engineering, as announced in May 2020. Subsequent research results indicated that nasal delivery of the obtained VHH antibodies can inhibit replication of the novel coronavirus in infected lungs of hamster models. Furthermore, the binding pattern between the SARS-CoV-2 spike proteins and VHH antibodies was elucidated. These results indicate not only that the VHH antibodies are a potential therapeutic agent for COVID-19, but also that there is potential to expand treatment options using a new administration route in the form of nasal delivery.

We also conducted research on the RNA of organisms found in the environment (environmental RNA) to establish high-precision ecological survey methods for preserving biodiversity. By comprehensively analyzing the RNA of fish that are abundant in rivers, we clarified that highly accurate

ecological surveys are possible. DNA is more stable than RNA, and therefore, investigations using environmental DNA as an index will detect fish that do not live in the area, and since RNA degrades more easily than DNA, it can solve the problem of false positives for organisms that are no longer present and could be an effective way of visualizing the true state of an ecosystem.

By leveraging the strength of our protein production technology with *Bacillus subtilis*, we will continue to contribute widely to solving social problems such as communicable disease measures. We will continue our research on environmental RNA, and in the future, we seek to contribute to the sustainability of society and the environment by minimizing biodiversity loss caused by human activities through the use of this technology.



Making thoughtful choices for society > Transformative innovation



Successful Treatment for Coronavirus Disease 2019 in Hamster Models: A Significant Advancement for Clinical Use of VHH Antibodies Administered Nasally
www.kao.com/global/en/news/rd/2022/20220117-001/

Fish RNA, Abundant in River Water, Found to Be Useful for Ecological Research
www.kao.com/jp/corporate/news/rd/2021/20210817-001/ (Japanese)

Biodiversity 102-13, 304-1, 304-2, 304-3

Compliance with international agreements

We undertake business activities in accordance with international agreements and related national and regional laws on biodiversity determined by the Convention on Biological Diversity and its contracting parties, the Conference of the Parties.

In addition, we were one of the first in Japan to announce support for zero deforestation in the procurement targets set in the Guidelines for Sustainable Procurement of Raw Materials in 2014. We also signed the New York Declaration on Forests announced at the United Nations Climate Summit held in New York in September of that year. Details of our activities contributing to the Aichi Biodiversity Targets are reported below. Going forward, we will contribute to achieving the targets set in the post-2020 global biodiversity framework, which is expected to be agreed on in 2022.



Introductions of Biodiversity Conservation Activities
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/eco_activities_03_04_02_001.pdf

Business activities with consideration for the local ecosystem

We have been active in our own green spaces and have engaged in local contribution activities that consider regional biodiversity. There are multiple certification systems in Japan for corporate green spaces that pursue consideration for biodiversity, and we have received certification for the following plants and worksites.

Wakayama Plant: SEGES Excellent Stage 1 certification (2005), Superlative Stage certification (2017)



SEGES green certification website: Wakayama Plant, Kao Corporation
seges.jp/site/A0509.html (Japanese)

Kashima Plant: ABINC certification (acquired in 2015 and renewed in 2018 and 2021)

Kawasaki Plant: ABINC certification (acquired in 2018 and renewed in 2021)



ABINC Certification from the Association for Business Innovation in Harmony with Nature and Community (ABINC) Renewed
www3.abinc.or.jp/wp-content/uploads/2021/02/abinc_10th.pdf (Japanese)

Odawara Office: ABINC certification (acquired in 2020)



Kao's Odawara Office Is Awarded Business Location in Harmony with Nature Third-party Certification from ABINC for Its Biodiversity-friendly Initiatives
www.kao.com/global/en/news/sustainability/2020/20200512-001/

Even after acquiring certification, each plant has maintained and intensified green space conservation activities. The Wakayama Plant obtained SEGES*1 Superlative Stage certification, the highest level among five levels of certification, and has maintained that level. Also, the Kashima Plant renewed its ABINC*2 certification in 2018 and 2021, while the Kawasaki Plant renewed its certification in 2021. In all instances, scores are higher than at the time of the previous review were obtained.

*1 Social and Environmental Green Evaluation System

A system that evaluates high-quality green spaces created by companies as well as their day-to-day activities and efforts and certifies well-maintained green spaces that contribute to society and the environment

*2 Association for Business Innovation in Harmony with Nature and Community

An organization whose purpose is to create mechanisms that enable people to coexist with living organisms, scientifically and technically verify those mechanisms, and promote their commercialization

Implementing measures based on global biodiversity evaluation criteria

In contrast to this, to the best of our knowledge, there are no certification systems for corporate green spaces outside of Japan where we have production sites. To address this, biodiversity indicators were introduced in

Biodiversity 304-1, 304-2

2017 to determine the extent to which local biodiversity-conscious activities are being carried out at each location where we conduct business around the world, and in 2018 and 2019 we completed biodiversity evaluations at all production sites including those sites that we recently acquired. By utilizing the indicators, we can clarify issues from a biodiversity perspective and improve their score by promoting these activities, which will make confirming their progress simpler.

The primary objective of introducing these criteria is to contribute to conservation of the biodiversity of the local ecosystems of which individual sites enjoy the benefits by determining current conditions and actively undertaking biodiversity conservation at individual sites or in nearby green spaces with a clear understanding of targets by employees.

We believe that our thinking is communicated to many involved persons including local residents in an expanding circle of activity, thereby contributing to the mainstreaming of biodiversity.

Kawasaki Plant

Biodiversity surveys conducted in green spaces

The plant has a green space that is extensive enough to contribute to biodiversity, with primarily evergreen trees on the plant grounds. It is one of the leading green spaces in the region and a healing place for employees. Since 2017, we have conducted surveys of the wildlife living in the green space (as of October 2020, there were 262 species of plants, 22 species of wild birds, and 130 species of insects) and educational activities relating to

biodiversity. We regularly disseminate information to employees concerning the details of conservation activities including a breeding protection area for the *Byasa alcinous*. Due to the COVID-19 pandemic, it has been necessary to cancel biodiversity-related events since 2020, but in 2020 outside experts conducted a wildlife survey (conducted every three years), and in 2021 we conducted a field survey for the purpose of organizing and accumulating information on the natural environment in order to use the plant green space for information dissemination and education. Based on the results of surveys to date and the circumstances of the tidal flats at the mouth of the Tama River, which is rich in biodiversity, we plan to look into forest maintenance and the creation of a biotope in the future.



The *Byasa alcinous* lives in the green space at the plant.

Kashima Plant

Internal educational events taught by outside experts held

As a result of many years of efforts to create traditional forests with strong community ties since the start of

operations more than 40 years ago, the plant has a forest with abundant biodiversity inhabited by 143 species of plants, 44 species of wild birds, and 77 species of insects (based on a 2021 survey). In-person events relating to biodiversity were again canceled in 2021 due to impacts from the COVID-19 pandemic, but the advantages of remote events were used and an educational event with the targets expanded from new employees and worksite environmental promotion staff to all plant employees was planned and conducted in May 2021. A representative of the Ibaraki Prefecture Environmental Management Association, which the plant asks to conduct the annual wildlife survey, was invited to act as a lecturer, and about 100 employees including remote participants attended. This event was a good opportunity for many employees to share information on the background of the Employees' Forest that they planted and nurtured themselves as well as an external evaluation, and we would like to continue this event on an annual basis. The Kashima Plant will continue to undertake internal and external biodiversity activities with the cooperation of all employees.



Shoji Kawashima of the Ibaraki Prefecture Environmental Management Association giving a lecture

Biodiversity^{304-1, 304-2}

KSA

Plans to expand the area for planting native wild plants

Kao Specialties Americas LLC (KSA) is a company in High Point, North Carolina in the south of the United States. A mixed forest of various coniferous and broad-leaf trees spreads throughout the site. KSA conducted a biodiversity assessment in 2019, learning that highly varied wildlife including threatened species inhabit the area.

Since then, KSA has been promoting biodiversity conservation activities in earnest, and employees are also actively participating.

In 2021, in addition to existing biodiversity conservation initiatives, KSA set a target of planting 1,000m² (10,764ft²) with native wild flowers on the site by 2024 and started action to achieve this target. The main objectives of this program are as follows.

- Provide habitats for pollinators such as bees and butterflies
- Reduce lawn mowing and fuel requirements by converting traditional lawns to flowering grassland

In April, KSA employees sowed seeds of wild flowers that grow in North Carolina obtained from a local seed farm. By June, these plants were blooming colorfully, much to the pleasure of the employees.

In October, KSA employees again conducted their annual planting program to plant seedlings that are native to North Carolina and that they purchased themselves. A total of 44 employees participated and 14 saplings were planted.



Native wild flowers bloomed near a wastewater treatment facility at the KSA site



Callicarpa americana (beautyberry, a species native to North Carolina) planted by employees



Employees preparing beds for *Rhus copallinum* (winged sumac, a species native to North Carolina) saplings

KCSA

Internal education on biodiversity: Selecting the Species of the Year

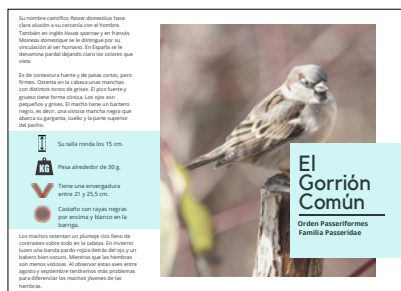
At Kao Corporation S.A. (Spain) (KCSA), we recognize the importance of biodiversity in developing the future of the planet. In 2018, we formulated Biodiversity Policies that include a commitment to maintain and promote biodiversity to carry out the Sustainability and Risk Prevention Policy. Annual activities in line with the four commitments incorporated in the Biodiversity Policies (promotion of conservation programs, the provision of appropriate resources to those organizing activities, raising the awareness of employees and relevant parties, and designs with green space and maintenance plans that give consideration to ecology networks) include tree planting, birdhouse and insect hotel installation, expert-guided on-site biodiversity tours, and disclosure of activity information to employees.

In 2021, we launched a new initiative to select the Species of the Year from among the organisms that live on the KCSA sites and present detailed information on its ecology. Since there is an extremely large amount of information concerning biodiversity, we thought that it would be more effective to focus communication on explaining one species each year. We selected the sparrow as the 2021 species. The main reason for selecting the sparrow is that it is a wild bird commonly found at all three KCSA sites but is rapidly declining around the world, so we wanted to provide detailed information concerning its ecology. We created a system that makes it easy to learn about the Species of the Year by providing basic information and using a quiz format on

Biodiversity^{102-43, 304-1, 304-2}

the company intranet. In addition, we installed panels in the reception rooms or other areas of each plant in succession to explain the ecology of sparrows and devised methods of sparking employee interest.

In the future, we hope to encourage more active participation by employees such as by having employees select the Species of the Year. This educational program currently targets employees, but when we resume factory tours, we will consider making the information available to factory tour visitors and other stakeholders as well.



Information posted on the company intranet explaining about sparrow ecology



Panels explaining sparrow ecology
(The panels were installed in the reception rooms and other sites at each plant in succession)

Collaboration with other organizations

We have been participating in the JBIB since its establishment in 2008. JBIB is an organization of companies from different industries that seriously consider biodiversity conservation efforts and implement specific initiatives. They are divided into multiple working groups on individual topics and discuss how companies can contribute to biodiversity conservation.

We also collaborate with stakeholders including the Organization for Landscape and Urban Green Infrastructure (Kao Creating Forest for Everyone program) and the Organization for Industrial, Spiritual and Cultural Advancement (OISCA) (FURUSATO Environment Conservation Project in Northern Thailand) to undertake initiatives that will lead to the conservation of biodiversity.



Corporate citizenship activities > FURUSATO
Environment Conservation Project in Northern Thailand

We also engage in conservation activities relating to the oceans, which are a treasure trove of biodiversity, and are currently working with Wakayama City and Osaka Prefecture University with the aim of conserving the marine environment.

In 2021, we launched a survey of marine plastic waste on Tomogashima in Wakayama City. We are conducting research on reusing the recovered marine plastic as equipment for beach facilities or as a road strengthening agent for cycling paths. We also participate in cleanup programs.



Progress Report of Kao and Wakayama City's
Cooperation Agreement to Promote the SDGs
www.kao.com/global/en/news/sustainability/2021/20211206-001/

Communication with consumers 102-15, 103-1, 103-2, 103-3

By engaging in-depth communication with consumers, we ensure that feedback from customers is utilized to enhance ESG-driven *Yoki-Monozukuri* and the services we offer, while providing lifestyle information that helps consumers of all ages solve their own problems. The world in which consumers live and their mindset are significantly changing. These changes include the COVID-19 pandemic, increased natural disasters due to climate change and improved awareness of SDGs. Consumers' interest in businesses is diversifying to encompass initiatives for a sustainable society in addition to products and services. However, with such excessive information, it is becoming difficult to find what you want or accurate information.

We aim to be a trusted partner to consumers, offering support 24 hours a day, 365 days a year with a focus on the changes taking place in consumers' living environments, and we will continue to proactively develop new communication measures for consumers.

Social issues and Kao's creating value

Social issues we are aware of

1. Societal ideals and current issues

Achieving a sustainable society requires action from businesses to facilitate consumers' ethical consumption behavior beyond the effective and safe products or services they develop or provide. Therefore, they are required to provide products and services that are more ESG-focused than ever before. In addition, with the popularization of the internet and smartphones, distribution methods for these products and services are expected to diversify and make further advancements. The number of foreign nationals living in Japan is also expected to increase in the future. As such, new means of communication that are conscious of information and communication technology and diversity are also required to communicate with consumers.

2. Our current state and assets (including production systems and equipment, intellectual property, human capital, internal and external networks, investments, etc.)

We collect consumer feedback received by the

consultation desk in the Kao ECHO System, and the more than 3 million pieces of wide-ranging consumer feedback collected here from people within and outside Japan are shared company-wide. After analyzing this from different consumer-driven perspectives, each division in our company leverages this analysis to facilitate global quality improvement activities, develop sustainable products and information and foster a relationship of trust with consumers. By aggregating the CRM system which performs these tasks individually, a system to customize the receipt and dissemination of information for each stakeholder is implemented.

3. What is Kao aiming for?

To achieve ethical and safe consumer behavior that takes society and the environment into consideration, we aim to develop products and services and provide information while being cognizant of consumer purchasing and consumption behavior from product selection to disposal and repeat purchase when companies provide products and services. More than just the products and services we offer, we aim to become indispensable to consumers by helping to resolve the issue they face in their lives.

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

- Dissatisfaction with the lack of information in response to demands for disclosure of ingredients, safety information and so on as a result of rising consumer awareness regarding safety and security
- Delayed response or inadequate consideration (environmental, safety) for substances of concern
- Use of products in other countries that were developed for domestic use
- Inadequate consideration for cultural and other differences
- Greater scope of damage from accidents with products occurring within and outside Japan, and from delays in product safety determinations
- Reduced consumer convenience from production stoppages and delays, increased social unrest from products being out of stock
- Loss of communication capacity with consumers during disasters, pandemics and the like
- Loss of corporate credibility from leaks of obtained personal information
- Spread over social media of inappropriate advertising expression, scandals involving celebrity spokespersons, etc.
- Spread over social media of incorrect usage

Communication with consumers 102-12, 103-1, 103-2, 103-3

directions, mistaken product information, etc.

- Delayed switch over of products that are difficult to recycle, sort and dispose and have a heavy environmental impact

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

- Provision of diversified communication channels
- Ensuring communication capacity distributed across place and time
- Provision of diversified work styles leveraging digital technologies
- Provision of accurate product information relating to ingredients, safety, etc.
- Disclosure of reliability information relating to security and safety
- Development of new products and opportunities for improvement proposals through global sharing of consumer inquiry information
- Opportunities to call for improvements in developed products, sold products, advertisements, etc.
- Proactive release of information about how to get products and the stores that carry them
- Publication of product information based on the lifecycle assessments

Kao's creating value

At our consumer support desk inside our Consumer Communication Center, we take feedback from individual consumers seriously and strive to understand their feelings, solve their problems and

understand the background to the problems to support ESG-driven *Yoki-Monozukuri* based on the principles of the Kao Way.

We are taking various steps to serve the needs of different consumers. Based on the concept of Universal Design (UD), we have set up a support desk with dedicated sign language support to serve people with hearing impairments. For people with visual impairments, we have added descriptive text to the images and tables in our product catalog on the Kao website that can be read by text-to-speech software. We have also set up telephone support desks able to handle inquiries in English, Chinese and Korean to serve tourists visiting Japan as well as foreign nationals living in Japan.

Using our websites, we provide product catalogs and communicate information via FAQs so that people attempting to solve problems on their own are able to do so with accurate information. Another way we are engaging in proactive communication with consumers is by providing official support using the Q&A service Yahoo! Chiebukuro.

We are also adopting multi-lingual labeling of product information to ensure accurate understanding of our products by foreign visitors and residents in Japan. Two-dimensional codes are being added to product information provided in stores so that consumers can immediately access product information in Chinese or English on the Kao website.

We are also striving to communicate information that is essential in daily life, including COVID-19

prevention measures, in multiple languages on our websites.

Contributions to the SDGs



Policies

We are committed to offering products, services and information that benefit consumers based on the principles of the Kao Way. We will ensure consumers' confidence in us and contribute to ESG-driven *Yoki-Monozukuri* for people, society and the planet as is suitable for a sustainable society by avoiding various major risks such as those related to quality, and environmental or societal issues arising during support while also diversifying our communication methods through digital transformation and expanding consumers' abilities to solve problems on their own. Through the establishment of a pandemic-proof support framework and work style reform for communication, we aim to be a trusted partner to consumers, offering support 24 hours a day, 365 days a year, and we will continue to proactively develop new communication measures for consumers.

Communication with consumers 102-43, 404-2, 417-1

Education and promotion

We implement regular external evaluations and training to maintain a high-quality support and consultation and continue to improve this. We strive to provide consistent service and information, by checking the quality of our support with the Quality of Telephone Support Survey conducted by a research firm. With the Support Satisfaction Survey targeting consumers, we identify customer satisfaction through a net promoter score and their willingness to continue using the product.

Apart from the Consumer Communication Center, we hold trainings on handling consultations for members who handle consultations (Kao Professional Services, Chemical Division, DX Strategy Promotion Center, *e'quipe*), and workshops for business divisions to study cases based on customer feedback gathered in the ECHO System.

We also proactively conduct activities to deepen employees' understanding of consumers' perspectives and leverage the voice of consumers.

Collaboration and engagement with stakeholders

Exchanging information with consumer affairs centers and consumer groups

We strive to maintain positive relationships with external institutions and organizations, as well as have our approach be better understood, by exchanging information about the Consumer Communication Center's annual report, recent consumer trends and noteworthy inquiries once a year with public bodies and consumer groups, including consumer affairs centers led by regional government agencies.

Implementation of exchange activities involving consumer-oriented events

At events such as public lectures and consumer fairs, we offer to consumers a wide range of information concerning laundry, proper hand-washing techniques, housecleaning, oral health care, bathing, UD and other topics. We position these events as opportunities to directly understand the various issues faced by consumers from a different avenue than the support desks and connect them to ESG-driven *Yoki-Monozukuri*.

Framework

The Consumer Communication Center consists of three departments that are active at the Sumida Office, Osaka Office, and eight branch offices of Kao Group Customer Marketing Co., Ltd.

Consumers Relations collects the consultation details including consumer feedback and opinions through open communication with consumers and immediately registers these details in the ECHO System. In addition, it is responsible for internal training and disseminating and responding to information on risks such as quality and societal issues.

Product Relations conducts activities that contribute to ESG-driven *Yoki-Monozukuri*, such as addressing quality risks from the consumer's perspective and improving products and displays from analysis of consultation data.

Communication Business Promotion helps to ensure smooth operation for consumer communication, which encompasses managing the ECHO System, preparing information, disseminating Q&As about products on the website, gathering information on technology and society, drafting information for external organizations and managing overall operations.

Communication with consumers ⁴¹⁷⁻¹

Mid- to long-term objectives and performance

Mid- to long-term objectives

- Create conditions that allow consumers to seek out information and advice whenever they want and using the mode of communication that suits them
- Offer information about reliability, ingredients and products related to safety and security as well as solutions to problems consumers face in daily life through diversified consumer communication channels, and contribute to increasing corporate value
- Share and mobilize consumer feedback in many related internal divisions through the ECHO System, and develop new products and improve products not just for Japan but for global markets
- Strengthen information security in our response to consumers and make available diverse work styles not tied to specific times or locations to maintain our communication capacity with consumers

Main initiatives to realize the mid-term objectives

1. Answering consumer inquiries by means such as telephone, e-mail, chat bot and live chat
2. Providing practical information on our website
3. Providing active support for questions posted on a Q&A board (Yahoo! Chiebukuro)
4. Proposals for ESG-driven *Yoki-Monozukuri* solutions

from the consumer's perspective at internal meetings such as the Quality Improvement Study Meetings

5. Exchanging information with consumer groups and consumer affairs centers
6. Implementation of exchange activities involving consumer-oriented events
7. Collaboration with industry organizations

Anticipated benefits from achieving mid- to long-term objectives

Business impacts

- Higher efficiency of consumer communication by providing various means of communication
- Enhanced information disclosure leads to higher resolution of issues by consumers on their own, increasing consumer satisfaction and brand loyalty.
- Higher efficiency of handling consumer inquiries through virtual responses using AI
- Multi-lingual support by consumer support desks increases satisfaction and brand loyalty among non-Japanese consumers.
- Sustained consumer loyalty to the Kao brand through control of rumor diffusion

Social impacts

- Realization of ethical, environmentally friendly consumption behavior
- Improved quality of life from the perspective of diversity as a result of enhanced information

provision, multi-lingual support, and diversification of the means of obtaining information

- Improved quality of life and improved hygiene awareness from having accurate product knowledge and being able to select products with confidence

Communication with consumers ⁴¹⁷⁻¹

Performance in 2021

1. Answering consumer inquiries by means such as telephone or e-mail (Global)

In 2021, Kao Corporation, Nivea-Kao Co., Ltd. and Kanebo Cosmetics Inc. answered a total of around 181,000 consumer inquiries in Japan received via telephone, e-mail and other means (+1% year on year). Telephone support for inquiries, which is a major communication channel, was suspended for two months in 2020. The hours of operation were shortened until August 2021, and this affected the number of inquiries received, which was 16% lower than in 2019.

E-mail inquiries fell to 22,000 (-28% year on year). One factor for the decrease was the substantial increase in e-mail inquiries received during the period when telephone support was suspended. E-mail inquiries increased 9% compared with 2019.

By business division, the Home Care Business had a significant decrease in inquiries related to COVID-19, and the Skin Care Business, which had higher hygiene-related inquiries in 2020, received fewer inquiries at approximately 20,000 (-32% year on year). In addition, Cosmetics (Sofina, Curél and Kanebo Cosmetics) received approximately 45,000 inquiries (+11% year on year), which is 28% lower than in 2019.

Among the inquiries related to COVID-19, those related to hygiene for sanitizing and viral disinfection decreased, and the nature of the inquiries changed to include ones about vaccinations and feedback about products that advertised viral disinfection ability.

Excluding Japan, globally we received approximately 32,000 inquiries (-8% year on year). Typically, fewer inquiries are received by telephone, while many inquiries are received through e-mail and other communication channels. In addition to social impacts from the COVID-19 pandemic, inquiries were also substantially affected by the contraction in economic activities, including a downturn in MK activities and suspension of retail store operations.

We hold periodic online meetings for members engaged in consumer support at Kao companies in Asia, which are opportunities to share inquiry information and improve the quality of our inquiry support.

2. Providing practical information on our website (Japan)

Consumers now have better understanding of sanitization and viral disinfection, and we received fewer inquiries about viruses at our support desks.

Similarly, views of our product Q&A about infection control measures also stabilized.

Traffic to the website that summarizes information on inquiries about infection control measures that have recently increased fell sharply in 2021 to just 10% of 2020 traffic. Traffic to website product Q&A pages in 2021 came to approximately 4 million UU* (-52% year on year). Meanwhile, traffic to product Q&A pages for products other than those related to infection control increased 25% year on year.

We have launched a chat bot and live chats in the laundry and cleaning category to expand our communication channels. In the future, we will expand these to all categories of household products. Along with launching the chat bot, we are proactively posting product Q&A highlighting inquiries we frequently receive identified from analysis of call logs, and the number of Q&A we published doubled over last year.

Compared to claims which consumers communicate with the company directly and interactively, the declining trend is seen in the number inquiries in which there are means for the consumer to solve the problem on their own, without using the telephone or e-mail. The Consumer Communication Center views this as

Communication with consumers ⁴¹⁷⁻¹

indicating that its website improvements and efforts to communicate information in new channels such as the chat tools are effective and lead to consumers resolving their own problems.

* UU: Unique users

3. Providing active support for questions posted on a Q&A board (Japan)

On Yahoo! Chiebukuro, under the user name “kao_official,” Kao Official Support began providing answers to consumers’ questions posted to the service beginning in 2015. In 2021, an estimated total 900 new questions were answered. On the Q&A service, the answers to questions stay on the feed and can be read by many people with similar issues. The yearly number of views in 2021 of the past questions and answers (approximately 7,800 questions) was around 1.55 million. As a relative high proportion of questions are posed by young people, Kao support desks are able to answer questions for people unable to communicate otherwise. Problems that are different from those directly received by telephone and e-mail are among the top-viewed answers on the site.

In 2021, questions about viral disinfectant and sanitation that were prevalent in 2020 decreased, and ones about rough skin when wearing masks and concerns over bangs or smudged makeup

continued to be frequently asked. There were also reactions to the period poverty and the reward-point campaign for cashless payment, both of which drew a lot of attention in Japan.

4. External activities affected by the COVID-19 pandemic

Exchanging information with consumer groups and consumer affairs centers

Until 2019, we visited around 100 public bodies responsible for consumer affairs, primarily consumer affairs centers, to exchange information, but due to restrictions on people’s movements and in-person visits, we sent the public bodies the Consumer Communication Center’s activities report just like we did in 2020 and made efforts to communicate that we were continuing the relevant activities.

Implementation of exchange activities involving consumer-oriented events

Since there were restrictions on large crowds in 2021 as well due to the COVID-19 pandemic, in-person social activities were canceled. However, in response to requests from the consumer affairs centers, we are committed to online public lectures enabling us to hold these lectures in regions that we were unable to do so in-person in

the past. We will continue holding public lectures differentiating ones in-person and online in and after 2022 as well.

5. Initiatives compliant with ISO 10002

We announced in 2019 our compliance with ISO 10002: Quality management—Customer satisfaction—Guidelines for complaints handling in organizations, and are operating in compliance thereto. In 2021, we also conducted an internal audit confirming our compliance.

With the revision of the Kao Way in 2021, we also revised our basic policy, code of conduct and self-compliance declaration, and released them on our website.

Affiliated companies outside Japan are also starting to apply the inquiry response guidelines based on the requirements of ISO 10002.

Communication with consumers ¹⁰²⁻⁴³

Our initiatives

“Ways of Everyday World-Making” workshops to balance parenting and work

The Act on Promotion of Women’s Participation and Advancement in the Workplace (Women’s Advancement Promotion Law) came into force in September 2015. However, the rates of female employees in permanent employment or managerial roles in Japan are low even when viewed internationally, and Japan continues to have a low ranking in the World Economic Forum’s Global Gender Gap Report, therefore in reality the extent of women’s advancement is still meager. In this context, many women have concerns and anxiety about balancing work and childbirth or parenting.

Together with Takashi Iba Laboratory of Keio University, we researched and created the “Ways of Everyday World-Making” pattern language to support women who are working and raising children. It contains 34 short phrases that represent keys for living well while working and parenting. We have released a PDF of this booklet on our Lifestyle Research (Kurashi no kenkyu) website since 2017, and continue to hold workshops which provide opportunities for participants to consider how to positively balance parenting and work in their own unique way.

In 2021, these workshops were implemented continuing the online format from the previous year due to COVID-19, but with cooperation from outside

career consultants and post-childcare-leave advisors, we held 7 workshops for 55 participants. Participants outside the Tokyo metropolitan area increased, taking advantage of the workshops being online.

While the nature of parenting and work is changing due to the proliferation of teleworking, we have been receiving mostly positive feedback from the participants of this workshop. One of which stated, “This was a great opportunity to reconsider how I want myself and my family to be in the future.”

Through this activity, we will continue to consider together with consumers what a brighter future looks like for living well in combination with working and parenting and implementing this in our product and communication solutions.

Track record of workshops with pattern language

	Internal (number of participants / workshops)	External (number of participants / workshops)	Total (number of participants / workshops)
2017	120/11	250/9	370/20
2018	-	264/15	264/15
2019	-	455/23	455/23
2020	-	120/11	120/11
2021	-	55/7	55/7
Total	120/11	1,144/65	1,264/76



“Ways of Everyday World-Making” pattern language

www.kao.co.jp/content/dam/sites/kao/www-kao-co-jp/lifei/report/pdf/hibino-sekaino-tsukurikata.pdf
(Japanese)



Lifestyle Research (Kurashi no kenkyu) website that provides expert information from Kao’s consumer research and tips useful for comfortable living

As life with COVID-19 continues, we are seeing overwhelming interest in measures against communicable diseases, how to be productive while staying home, and contributing to a sustainable society, thereby businesses as well are required to inform consumers of these matters.

We launched the Lifestyle Research website in 2014 that provides expert information from our consumer research and tips useful for a comfortable living. In 2021,

Communication with consumers 102-43

we increased the publication of new articles to three times a month, striving to release ever more timely information.

In the articles on the consumer research report, we continue to communicate how lifestyles are changing with COVID-19, encompassing perceptions of domestic work, parenting and beauty, behavior changes, and growing interest in disaster prevention and SDGs during the COVID-19 pandemic, and many readers are commenting that these insights strike a chord with them. The reports on quantitative consumer surveys, which observe lifestyle changes during the COVID-19 pandemic at fixed-points, have been widely featured in newspapers, television programs, online news and other media.

Additionally, in a lifestyle information section, we provide timely expertise to make living with COVID-19 more comfortable, encompassing remedies for inactivity or eye strain due to teleworking and staying at home and how to approach worries about measures against communicable diseases such as sweaty masks, face mask tan lines, and rough hands due to hand-washing and using disinfectant. We strive to also provide useful and reliable information which is easy to understand pertaining to facial cleansing, do-it-yourself haircuts and methods for online makeup as explained by our researchers.

The information on the Lifestyle Research website is popular with consumers, and has increasingly attracted traffic each year, with monthly page views around 200,000. We will continue to improve our provision of useful information for consumers via the Lifestyle Research website, with a focus on living in the new normal.



Lifestyle Research website
www.kao.co.jp/lifei/ (Japanese)

Consumer research reports published in 2021

Beauty and Fashion in the New Normal	February
Where to Escape? Disaster Preparation and Measures in an Era with COVID-19	March
Fixed-point Survey: Life in the New Normal That Consumers Want to Continue	April
Parent and Child Communication That Nurtures Sociability	May
The Day Robot Pets Will Become Part of the Family	June
Changing Setup of Household Chores with Teleworking	July
SDGs Connected to Living in the New Normal	September
Modern Setup of Senior Citizens' Household Chores	November
Fixed-point Survey: Looking Back on Living with COVID-19 in 2021	December

Lifestyle information published in 2021

Keys to Prevent Condensation on Windows Are Ventilation and Humidity Control: The Seven Steps	January
Gentle Hand Care You Can Do at Home	February
Learn to Cut Your Own Bangs by Watching a Video Simple Enough for Beginners (Hairstylist Initiation)	March
Tips to Make Shirts and Blouses Free from Wrinkles and Stand Out	April
Get Rid of Eyestrain! Steps to Relax Your Eyes and Self-care	May
Fresh without Sweat or Stains! How to Care for and Wash Hats	June
So Comfortable! Three Tips for Summer Masks	July
Get Rid of Your Scalp's Odor and Oiliness! Five Points for Shampoos	August
Prevent Frailty! Three Points for Daily Life	September
Kao Researchers Explain in Video: Basic Facial Cleansing as Taught by Pros	October
Pro Initiation: Simple Makeup That Is Flattering Online	October
How to Remove Troubling Stains from Children's Clothing	November
Tips to Dye and Style White Hair Roots	December

Process safety and disaster prevention 102-11, 102-12, 102-15, 102-43, 103-1, 103-2, 103-3, 403-5 (Occupational health and safety 2018), 404-2

We implement process safety and disaster prevention activities with the aim of ensuring the safety of employees and maintenance of safe, stable operations, stipulating matters relating to prevention of accidents, emergency response and strengthened security. Through these activities, we aim to completely eliminate accidents.

Kao's creating value to address social issues

Social issues we are aware of

As we have several large-scale chemical plants, their process safety and disaster prevention needs are increasingly heightened in the context of the recent increase in the number and severity of accidents at chemical plants and natural disasters.

As such, we will undertake to enhance our safety capabilities, and strengthen our disaster prevention measures on a daily basis.

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

We regard outages of stable operations from major accidents impacting regions in the vicinities of plants, natural disasters or other factors, and the accompanying loss of societal trust in the company from these things as risks.

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

Implementation of thorough safety processes and disaster prevention initiatives ensure the safety of communities and employees which leads to trust in the company and enhancement of its brand image.

Kao's creating value

Kao, as a company with large-scale chemical plants, will

provide regional communities in which local residents can live in peace of mind and employees at worksites can operate in safety without fear of accidents.

Contributions to the SDGs



Policies

Activities to ensure process safety and disaster prevention are clearly stipulated in the Kao Responsible Care (RC) Policy, which states that Kao will "strive to prevent accidents by improving on-site safety competency" and that furthermore, "Top management will exercise leadership to continuously improve our safety culture and safety infrastructure by putting safety first. We will also maintain safe and stable operations by systematically implementing equipment-related and administrative measures. We shall strive to prevent fires, explosions and chemical spills, place maximum priority on safeguarding human life when responding to natural disasters, and prepare for emergencies by conducting periodical training that takes into consideration the need to strengthen security related to facilities, processes and technology." We are endeavoring to prevent accidents and disasters in accordance with this policy.



Kao Group Responsible Care Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Education and promotion

Through education planning using past cases, the latest technologies and knowledge, as well as response drills on process safety and disaster prevention, we are able to communicate skills and strengthen security. Along with this, we strive to raise employees' disaster prevention awareness by planning and conducting drills for natural disasters and fires.

Collaboration and engagement with stakeholders

By conducting events related to safety and disaster prevention in cooperation with partner companies, we aim to further raise disaster prevention awareness and become a safer, more secure company.

In addition, by conducting information exchange meetings on a regular basis with everyone in the regions that surround our plants, we are deepening communication with local communities.

Process safety and disaster prevention 102-20, 403-1 (Occupational health and safety 2018)

Framework

Our daily activities for process safety and disaster prevention are conducted as part of the RC promotion system. In particular, we have built a framework to keep track of accidents or disasters when they occur, through our global emergency reporting network. The organizational framework used in an emergency situation is separate from the Board of Directors, etc.; an emergency organization is established, headed by the President, and takes action under the direct supervision of the President. In addition, when an accident or disaster occurs that we anticipate will have a major impact on our business activities, we will establish an Emergency Response Team Organization headed by the President. Together as a group, our initial response places top priority on the safeguarding of human life as we implement measures including our Business Continuity Plan*.

* Business Continuity Plan

A plan for continuing key corporate activities through procedures to decide in advance which operations and functions should be continued, and which methods should be applied to continue activities, assuming various situations that cause the interruption and / or shutdown of business activities due to various events and the factors behind their occurrence.



Risk and crisis management

P267

Mid- to long-term targets and performance

Mid- to long-term targets

We actively strive to realize our goal of complete elimination of on-site fires, explosions, leakages and logistics-related leakage accidents.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Mitigation of unnecessary expenses and reductions in overall costs, leading to higher revenues with sound implementation of business activities from safe operations at all worksites

Social impacts

Ensuring the stable provision of products with sound implementation of business activities from safe operations at all worksites. Moreover, this can facilitate the stabilization of product prices.

Process safety and disaster prevention 403-9 (Occupational health and safety 2018)

Performance in 2021

Performance

In 2021, to maintain safe, stable operations and work toward eradicating process safety accidents, we conducted safety assessments at our chemical facilities, including policies to prevent dust explosions, abnormal reactions and spontaneous combustion, and implemented policies to respond to natural disasters. In addition, detailed implementation specs and plans were drafted for respective divisions with the targets of enriching disaster prevention drills and enhancing security. Also during 2021, the disaster prevention audits we normally carry out each year at our plants outside Japan, to enhance their level of safety and disaster prevention, were postponed to prevent the spread of COVID-19.

Moreover, last year we formulated the Kao Grand Design for Process Safety to be achieved by 2030, and shared the design's 13 action plans, which aim to reinforce our safety culture and fundamentals and enhance safety, with related

divisions and plants, and we are promoting activities by incorporating the action plans into each workplace. Small-scale fires and explosions occurred in 2021, but there were no accidents involving leakages or logistics-related leakages*1. For each safety accident, we conduct an accident cause analysis using the 4M5E method*2 and implement measures to prevent similar accidents in the future. In 2022, we will continue activities

Overview of accidents (2021)

Type of accident	Small-scale fires: 4 cases; Explosions: 1 case
Overview of accident	<ul style="list-style-type: none"> Water dripping from an air-conditioning unit onto a control panel caused a short circuit, resulting in a fire During hot work, sparks flew onto flammable material, causing a fire Hot oil leaked out from the seal of the hot oil pump, and ignited spontaneously The oil inside a fire-fighting pump ignited during a periodic inspection Material in a distillation condenser that had a low flash point due to solidification ignited and exploded when it entered the tank
Counter-measures being taken	<ul style="list-style-type: none"> Performance of analysis using the 4M5E method to determine the causes of the accidents, and thorough implementation of countermeasures Promotion of equipment replacement, and strengthening of monitoring device provision

directed toward our targets of completely eliminating on-site fires and accidents related to explosion, leakage and logistics-related leakage accidents.

*1 Logistics-related leakages

Accidents involving leakage while products, etc. are being transported

*2 4M5E method

A method for conducting causal analysis from the standpoint of four M-factors: Man (people), Machine (machine and facility), Media (material and information) and Management (management and education), followed by response policies from the standpoint of five E-factors: Education (education and training), Engineering (technology and engineering), Enforcement (strengthening and strict adherence), Example (model and example) and Environment (environment, background)

Reviews of performance

Going forward, we will continue further improving our frontline safety capabilities and striving to enhance our safety culture and safety fundamentals, while fine-tuning and revising the Grand Design for Process Safety established last year.

Targets and performance

Item	Scope	Indicator	2020	2021		2022
			Results	Target	Results	Target
Accidents	Kao Group	Fires, explosions, leakages, etc. (no. of accidents)	2	0	5	0
		Logistics-related leakage (no. of accidents)	0	0	0	0

Process safety and disaster prevention 102-11, 102-15, 403-5 (Occupational health and safety 2018)

Our initiatives

Emergency response drills to prepare for large-scale disasters

Besides implementing fire response training and emergency evacuation training at the level of individual worksites, we also conduct training on a company-wide basis to prepare for large-scale disasters.

Training in the use of the system for reporting the safety of Kao employees

To prepare for natural disasters, the Kao Group in Japan has adopted a web-based Employee Safety Confirmation System. Twice yearly, in March and September, all employees undertake personal input drills. During the September 2021 drill, we used the message field to enter detailed damage-related information. We will continue to hold drills on the premise on actual disasters as they occurred.

Below is an overview of uses of the Employee Safety Confirmation System in natural disasters in 2021. Confirmation of employee safety through deployment of the Employee Safety Confirmation System during these natural disasters resulted in no critical human casualties.

In addition, we are using the Employee Safety Confirmation System on a weekly basis to confirm the health of our employees during the COVID-19 pandemic.

Usage of the Employee Safety Confirmation System in 2021

Date	Disaster	Result
Oct. 2021	Earthquake in the Greater Tokyo Metropolitan area	Safety confirmation completed for 100% by the next day

Company-wide earthquake scenario reporting and communication training

We are consolidating organizational units for disaster response in Eastern Japan and Western Japan premised on damage to the Kao Head Office from an earthquake in the Greater Tokyo Metropolitan area. In June 2021, we implemented disaster response drills premised on an earthquake in the Nankai Trough area, involving local organizational units and those in Eastern Japan, while in September we repeated these drills for organizational units in the Kanto area and Western Japan, premised on an earthquake with its epicenter directly under the Tokyo Metropolitan area.

During these drills, based on locations during the daytime on weekdays, statuses were confirmed by IP radio within major disaster response organizational units, and promptly transmitted to Emergency Countermeasure Headquarters through our internal disaster bulletin board and website and information management portal system. Necessary response drills were implemented by the organizational units responsible for disaster response based on the relevant data. Moreover, during the November drill, which was premised on an earthquake in the Greater Tokyo Metropolitan area, the President participated as head of the Emergency Countermeasure Headquarters. Due to COVID-19, the members of Emergency

Countermeasures Headquarters carried out the June drill from home, using online conferencing tools.

The content of drills is being reviewed on an ongoing basis in light of the lessons learned from past training drills.

Emergency evacuation drills based on the scenario that a plant tour is taking place when the disaster occurs

The nine Kao plants in Japan that provide plant tours have prepared protective hoods for use by plant visitors in the event that an earthquake occurs while a plant tour is underway. These plants also implement emergency evacuation drills, with employees taking on the role of plant visitors, to ensure that in the event of emergency visitors can be taken swiftly to a safe place. In the future, we will continue to incorporate drills based on a variety of different scenarios during a plant tour into our annual training plan.



Implementing an emergency evacuation drill with employees taking on the role of plant visitors



Process safety and disaster prevention 102-11, 403-2 (Occupational health and safety 2018)

Strengthening process safety and disaster prevention

The SCM Division is actively introducing DX technologies including AI and IoT, and continues to strengthen risk management at chemical facilities through hidden hazard, earthquake and natural disaster response readiness.

In 2021, we established a thermal risk assessment method to evaluate the prevention of fire and explosion accidents originating in abnormal reactions in our chemical facilities, and implemented safety measures in accordance with the assessment guidelines. We also established fire prevention methods to prevent spontaneous combustion of tank residues, implemented other safety measures to prevent spontaneous combustion, and are continuing to promote awareness of these measures.

We also strive to minimize damage due to natural disasters. In addition to promoting ongoing diagnosis and strengthening equipment racks in our facilities as earthquake countermeasures, we continuously consider measures that may be necessary to prevent structural losses at the Wakayama and Toyohashi plants due to ground liquefaction caused by earthquakes.

Our activities to minimize damage include incorporating flood risk countermeasures into our basic policy, and in recent years we have been considering wind risk countermeasures to prevent damage to non-structural members such as roofs and external walls.

Our audits of safety, maintenance and other

technologies, which are aimed at maintaining and enhancing our global safety level, were conducted remotely due to restrictions on movement imposed by COVID-19.



Fire extinguishing and first aid training at Pilipinas Kao (Philippines)



Nighttime fire extinguishing and first aid training at Kao (Shanghai) Chemical Industries

High-pressure gas safety

High-pressure gas safety inspection, auditing and verification

The Wakayama Plant has been designated an Accredited Safety Inspection Executor* pursuant to the High Pressure Gas Safety Act. In 2021, a safety audit was implemented by the Safety Management in September and a safety inspection under the direction of the President, who also serves as head of safety management, was implemented in November. We were able to confirm that there were no issues with regard to process safety activities.

The high-pressure gas equipment at other Kao worksites also has safety inspection performed by prefectural and external inspection bodies. Safety audit and safety verification for these facilities are also carried out in-house, and a serious effort is being made to ensure safe equipment operation.

* Accredited Safety Inspection Executor

It is a company or organization authorized by the Minister of Economy, Trade and Industry to perform self-inspection, either while equipment is in operation or while it is out of operation, to verify whether the safety of specified items of equipment conforms to the relevant technical standards pursuant to the High Pressure Gas Safety Act.



High-pressure gas safety inspection at the Wakayama Plant



Process safety and disaster prevention 403-5 (Occupational health and safety 2018)

Process safety and disaster prevention educational programs

We create various educational programs for process safety and disaster prevention. For example, the Monozukuri Training Center of the SCM Division is endeavoring to pass on the necessary knowledge and skills to younger technicians, who will be responsible for production sites, by exposing them to simulated technical glitches and hazardous situations.

Promising leaders of the next generation within and outside Japan receive eight months of training to learn about production technology and the spirit of *Yoki-Monozukuri* at Kao's Global Techno School in the Wakayama Plant. This training includes process safety and disaster prevention. In 2021, due to the spread of COVID-19, our Global Techno School activities were conducted entirely remotely.

Every year on Disaster Prevention and Volunteers Day, a disaster prevention message is posted to all employees in Japan to enhance their disaster

awareness. In addition, days when accidents occurred are designated as Safety Days, to help ensure that the efficacy of past drills is not weakened by the passage of time. Moreover, the Kao Group Disaster Prevention Manual is distributed annually to all employees in Japan.

In 2021, as in the previous year, in response to the increased number of employees working from home due to the effects of COVID-19, we enhanced our e-learning programs, which can also be undertaken at home, and offered them to all employees of our affiliates in Japan.

Following the previous year's basic and hazard map programs, disaster prevention education in 2021 covered dispersed evacuation and the difficulty of evacuation, and encouraged participants to consider their own evacuation plan. The training was held in June, before the seasons of typhoons and torrential rains. The program also trained participants to understand the new warning levels revised this year.

Process safety education in 2021 covered dangerous substances as defined by the Fire Service Act, which is a necessary area of knowledge for employees of companies that handle chemical products and a fundamental element of regulation for companies. We continued the practical education begun in 2020, and trained participants in handling actual dangerous substances as defined by the Act.

Going forward, we will use e-learning actively to carry out process safety and disaster prevention education.



Kao Group Disaster Prevention Manual

Corporate citizenship activities 102-15, 103-1, 103-2, 103-3

We conduct our corporate citizenship activities with the goal of achieving the Kirei Lifestyle and a Kirei life for all—providing care and enrichment for the life of all people and the planet.

To address the social issues that Kao is focusing on, we are working in tandem with local communities and NGOs / NPOs with a long-term perspective. We also set up employee participation activities aimed at creating connections to society and places where employees can learn, along with support for arts and cultural activities in order to further the development of the culture, which is at the foundation of *Yoki-Monozukuri*. We also implement various activities through The Kao Foundation for Arts and Sciences.

Kao's creating value to address social issues

Social issues we are aware of

Cleanliness, hygiene and health are the foundation of people's lives, but there are many people who are not able to benefit from services made possible by modern progress due to inequity stemming from economic disparity as well as disparities based on gender and other attributes. Furthermore, the threat of COVID-19 is taking a drastic toll on the 3 billion people* who are in vulnerable situations without access to soap or clean water.

While the issues faced by developed, emerging and developing countries are different, what people desire more than ever is to be able to lead fulfilling and beautiful lives inside and out each day in societies where their physical and mental needs are met. However, the World Happiness Report indicates the reality that negative emotions such as worry and sadness are on the rise as a global trend.

In addition, problems impacting the environment that supports our lives, including climate change and waste, have become pressing issues that require action by the international society as a whole.

All consumers need to recognize these issues and change their daily behaviors.

Along with making contributions through business activities to help resolve these social issues, it is becoming increasingly important for companies to take action with a big picture perspective, through technological support leveraging their strengths, educational and awareness-raising activities, charitable donations and collaborations.

* WHO / UNICEF Joint Monitoring Programme 2019 "Progress on household drinking water, sanitation and hygiene 2000–2017: Special focus on inequalities"

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

Failure to give proper consideration to stakeholders and a lack of engagement may cause customers, employees and all other stakeholders to lose trust in us and could also potentially damage our brand value in the future.

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

As a manufacturer of consumables, we have always stayed close to the lives of consumers in our business activities. In recent years, these are not only to improve convenience and satisfaction for individual consumers, but also to be part of people's everyday lives fulfilling the desire to make the right choices for a better society and enable the people around them

and the society they belong to do the same.

We believe that the technologies, knowledge and networks we have cultivated can contribute to the solutions to social issues intimately connected to everyday life, such as that of waste, by improving sanitation, water, health and the quality of life, and that we can conduct activities that respond to consumers' expectations.

Through these activities, we aim to play an essential part in people around the world leading a happy, fulfilling, healthy, more comfortable and sustainable lives (the Kirei Lifestyle).

Kao's creating value

In addition to contributing to the sustainability of society through our business activities, we also contribute to society in broader ways through corporate citizenship activities and awareness-raising activities, aiming to achieve a society where everyone can lead happy, fulfilling, healthy and more comfortable lives including the many people in the most vulnerable situations whose issues cannot directly be addressed through our business activities and products.

In the business fields of beauty, health, cleanliness, the environment and life where we have leveraged our own resources and strengths, we will

Corporate citizenship activities 102-12, 103-1, 103-2, 103-3

provide various forms of assistance, including educational and awareness-raising activities, technological support, charitable donations and cross-industry and multi-sector collaborations, so that consumers can change their behavior and influence those around them.

Furthermore, we will make contributions dealing with social issues faced by diverse communities and revitalizing communities as well as provide support for cultural enrichment such as our support for arts and cultural activities.

Contributions to the SDGs



Global Approaches to Kao Group Corporate Citizenship Activities

We integrate our business activities and corporate citizenship activities with the aim of our purpose of realization of a Kirei world in which all life lives in harmony, and promote the Kirei Lifestyle of all around the world. In our corporate citizenship activities, we aim to solve issues that are connected to our business fields of beauty, health, cleanliness, the environment and life as well as the diverse communities and through these activities, we aim to challenge our employees and realize their high aspirations.

Focus areas

- Kao's Focus on Social Issues
 - Environment
 - Population aging
 - Pandemics
 - Impacts of diversity
- Maximize the power and potential of employees

The Kao Group will place value on following points when we conduct corporate citizenship activities

- Encouraging people to change their behavior to get closer to the Kirei Lifestyle
- Delivering the Kirei Lifestyle to as many people as possible while leaving no one behind

- Co-creation with employees and stakeholders who share our aspirations
- Strengthening compassion for and connection to people, the wider society and the planet

Corporate citizenship activities 102-43, 404-2

Education and promotion

We believe it is important for our employees to give consideration to how people around the world live their lives and to make contributions to achieving the Kirei Lifestyle through our business activities and corporate citizenship activities.

To realize this, it will be necessary to have our employees expand their outlook and build their creativity and ability to collaborate with others through actions such as learning about many diverse societies and consumers, networking with people trying to solve social issues, and participating in corporate citizenship activities, as well as to leverage all of this in our manufacturing and corporate citizenship activities.

We regularly share information about social trends and other developments via our intranet system and proactively provide networking opportunities with NGOs and social entrepreneurs as well as opportunities to volunteer.

In 2021, we offered and conducted programs and volunteer activities that 5,517 of our employees worldwide could participate in, which encouraged the participation of many employees.

Collaboration and engagement with stakeholders

We conduct activities with the belief that dialogue and collaboration with stakeholders in our corporate citizenship activities can encourage people to understand on a deeper level what is needed and expected by an increasingly complex society and have a greater transformational impact than what could be done by one company in order to empower people around the world to live the Kirei Lifestyle.

We are collaborating with UN organizations such as the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA), NGOs and social entrepreneurs with expertise and deep understanding of regional conditions in the areas of cleanliness, hygiene and health, and with government agencies, local governments, schools and NGOs in environmental fields so that we can effectively involve

consumers and produce changes in their behavior.

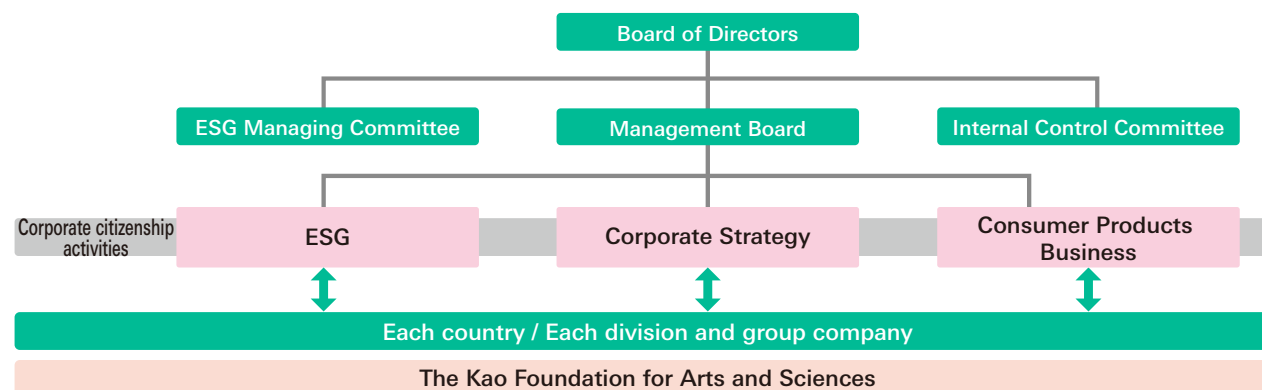
In addition, we focus on active engagement in the belief that employee participation in corporate citizenship activities increases loyalty to our company and the drive to make further contributions to the development of our business and to society at large.

Framework

The ESG Division is leading efforts to achieve our ESG Vision of the Kirei Lifestyle, and working in cooperation with Corporate Strategy, Consumer Products Business, and other related divisions and group companies within and outside Japan.

Corporate citizenship activity surveys are conducted once a year in our offices and worksites within and outside Japan, which are compiled into the activities report and the results of the surveys are then shared.

Implementation framework for corporate citizenship activities



Corporate citizenship activities 203-1

Mid- to long-term targets and performance

Mid- to long-term targets

Focusing principally on our business domains of beauty, health, cleanliness, the environment and life-related fields, we help people around the world to enjoy happy, fulfilling and comfortable lives, including people whose issues cannot be addressed directly through our business activities and products and people who are in vulnerable positions.

Furthermore, by having employees participate in our corporate citizenship activities, create connections with society and broaden their perspective, we also aim to bring additional benefits to our business and to society at large.

Environmental issues

We engage in environmental communication to promote sustainable lifestyles, aiming to create a social movement that prompts consumers to make changes to their lifestyle.

1. The Kao International Environment Painting Contest for Children

We plan to hold the 12th Kao International Environment Painting Contest for Children. Through activities to exhibit past prizewinning works, we create opportunities for people to think about the environment.

2. The Future of Washing Initiative

We will create venues for government, industry, academia and citizens to discuss and make proposals about the future of washing.

Pandemics, population aging, and impacts of diversity

We will use our collective capabilities to raise awareness among consumers and support and collaborate with them,

aiming to create a world in which everyone can age without fear and live their life in better health, greater cleanliness and confidence in self-expression, while leaving no one behind.

1. Water and Sanitation Project for Schools in Vietnam

In the three years from 2021 to 2023, we are promoting and increasing access to water and sanitation services, with a principal focus on schools in regions where support is needed.

In 3 years, we will reach 26,580 students and teachers.

2. Improvements in infection control and hygiene at hospitals in Vietnam

We are conducting measures designed to improve infection control and hygiene at Hanoi Medical University Hospital. The activities are being extended to other hospitals over five years starting in 2018.

3. Hand-washing awareness in elementary schools in Hanoi

We raise awareness of the importance of hand-washing in elementary schools in Hanoi, and firmly root cleanliness and hygiene habits in children.

4. Scholarship for Hygiene Management

We provide a scholarship to one exchange student from Vietnam at a time to study food hygiene management in a master's degree program in Japan. We are providing assistance to three people over six years from 2018.

5. The Menstrual Hygiene Improvement Project in Uganda

We will expand our support for a social entrepreneur striving to manufacture and sell low-cost sanitary napkins, related product launches and the widespread use of sanitary products.

6. Breast cancer prevention awareness through the Pink Ribbon Campaign

- Support for a cancer education project for junior and senior high school students

- Make donations through an in-house program to the cancer education project

Harnessing the power and potential of employees

We promote employee participation in corporate citizenship activities, are maximizing the growth, power and potential of our employees, and harness these to create *Yoki-Monozukuri* and business opportunities and make additional contributions to society.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

As responsible consumption behavior becomes more widespread, we can gain customers' trust by steadily carrying out activities aligned with our goals and continuing to communicate these externally, which we anticipate will help us attract loyal, long-term customers.

Social impacts

By spreading and instilling proper cleanliness, hygiene and health habits, we expect to improve hygiene and health in the communities we are supporting and contribute to improving living standards over the medium to long term.

We believe that communicating to and raising the awareness of consumers about the environment will increase the numbers of consumers who change their behaviors and have a knock-on effect in their surroundings, and create a driving force to attain a sustainable society.

In addition, encouraging employee participation in social activities is expected to stimulate their creativity and drive more innovative and valuable *Yoki-Monozukuri* and corporate citizenship activities, enabling us to provide new value to society.

Corporate citizenship activities 203-1

Performance in 2021

Performance

Environmental issues

1. Held the 12th Kao International Environment Painting Contest for Children (7,009 submissions), produced video content available online and exhibited award-winning works (66 locations inside and outside the Kao Group)
2. Held seminars on the Future of Washing Initiative (May, June), which were attended by 330 people in government, industry and academia

Pandemics, population aging, and impacts of diversity

1. Water and Sanitation Project for Schools in Vietnam
 - Held instructor training to implement a hygiene model for a total of 48 teachers, volunteer instructors and public health nurses at 7 local governments in 3 districts of Dien Bien Province
 - Created an activities plan for individual schools based on the results of conducting a small-scale survey to ascertain the level of understanding about water and hygiene for 600 students in 7 schools in Dien Bien Province
 - Held hygiene triggering sessions at 7 junior high schools (2,396 students, 230 teachers) in Dien Bien Province
 - Provided a total of 333 ceramic filter cores for

water purification to 22 preschools and elementary schools in 3 districts in Dien Bien Province. Enabled reliable access to clean water for 7,872 students and 492 teachers

- In conjunction with Global Handwashing Day, special events were held at 20 schools in Dien Bien Province. This provided an opportunity to directly convey the message of how important handwashing is to over 6,000 people, and the events were also reported on the provincial TV channel.
2. Improvements in infection control and hygiene at hospitals in Vietnam
Activities conducted in hospital wards were suspended and postponed due to rising COVID-19 cases in Vietnam.
 3. Hand-washing awareness in elementary schools in Hanoi
We made improvements to educational materials in collaboration with Hanoi Medical University, using the insights gained in awareness-raising activities conducted at elementary schools the previous year.
 4. Scholarship for Hygiene Management
Accepted foreign exchange students in a Japanese master's degree program. The second exchange student was accepted in April 2020 and graduated in March 2022. The accepting of a third

exchange student was delayed until 2023 due to the impact of the COVID-19 pandemic.

5. The Menstrual Hygiene Improvement Project in Uganda
Built the production structure for product launch, prepared to conduct a usage study
6. Breast cancer prevention awareness through the Pink Ribbon Campaign
 - Support for a cancer education project for junior and senior high school students
 - Between October–November, awareness-raising activities were conducted by our beauty advisors at cosmetics counseling corners and employees in nine Kao Group locations in Russia and in some of the countries where we do business in Asia.
 - Information offered through a special website. Published information in English on the website for Japan
 - Made donations matched according to purchases of eligible products and through click-to-donate platform
 - Awareness-raising activities in collaboration with companies in other industries
 - Company employees wear Pink Ribbon badges, with information relayed through our intranet system.
 - Conducted the Pink Ribbon Seminar online for employees and their families
 - Employee involvement-based donation program: Pink Ribbon photo donations

Corporate citizenship activities 203-1

Harnessing the power and potential of employees

1. Operation of the Heart Pocket Club, a club established for the purpose of providing community support by Kao Group employees
 - 3,447 members (as of December 20, 2021)
 - 44 donation projects / Donations of 11,503,700 JPY
 - Online version of the activities report (activities report for internal use, published once a year)
2. Enhancing the communication of information on employee participation activities via the intranet, etc.
 - 66 items in FY2021
3. Planning events with employee participation:

Provided employees with opportunities to volunteer in areas affected by the Great East Japan Earthquake of 2011, volunteering activities carried out through the Kao Heart Pocket Club (a donation organization composed of Kao employees), local contribution activities carried out by individual Kao worksites, etc.

Corporate citizenship activity expenses

To gain an understanding of our corporate citizenship activities, we conducted a survey on activities at affiliates, worksites and related

divisions within and outside Japan. Corporate citizenship activity expenses in 2021 came to 1,617 million JPY for Kao as a whole (32 million JPY in employee volunteering, 738 million JPY in donations of products and goods, 400 million JPY in cash contributions and 448 million JPY in program management overhead; Includes corporate citizenship activities through our business).



Corporate Citizenship Activities
www.kao.com/global/en/sustainability/society/

Reviews of performance

Due to the ongoing impacts of COVID-19 in 2021, in-person activities and events were limited, but this provided a good opportunity to expand the options and possibilities for support activities, such as exploring ways to more effectively conduct awareness-raising activities, even when using online means. In FY2022, we plan to establish policies and goals to advance our business activities and globally integrated activities.

Corporate citizenship activities

Environmental issues

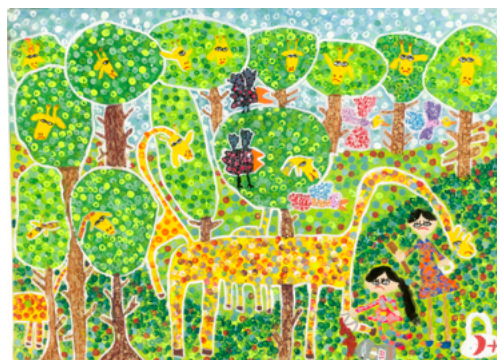
The Kao International Environment Painting Contest for Children

Sustainable lifestyle promotion

We have been holding the Kao International Environment Painting Contest for Children annually since 2010 in the hope that the paintings and thoughts expressed by children around the world, from their sincere consideration of environmental efforts around them, the earth and its future, will inspire people across the globe to lead and take action to changing sustainable lifestyles for a better world.

The 12th Kao International Environment Painting Contest for Children

In 2021, the contest was again conducted during the COVID-19 pandemic. We received 7,009 entries from children around the world (689 entries from Japan, 6,090 entries from the Asia Pacific, 29 entries from the Americas, 87 entries from Europe, 70 entries from the Middle East and 44 entries from Africa). After a preliminary screening by Kao designers, a final screening was conducted in December by internal and external juries, and 1 entry was selected for the “eco together” Planet Earth Grand Prix, 8 for the “eco together” Kao Prize, 6 for the Jury’s Special Prize, and 17 for the Eco Friend Prize. The invitation of top prizewinners to Japan and the awards ceremony at the venue were canceled due to the pandemic, and an online awards ceremony was held instead on March 27, 2022.



“eco together” Planet Earth Grand Prix
“Friendship between man and animal and nature,”
Selen Arami (age 7)



Scene from the final screening of the 12th Kao International Environment Painting Contest for Children

New initiative for raising environmental awareness using paintings

Aiming to give more people the opportunity to enjoy the prizewinning works and communicate their messages even during the pandemic when people are going out less, we launched an online museum on our corporate website where past prizewinning works and their messages can be accessed virtually (only the Japanese website this year).

In June, we held an exhibit with the theme of “Wishes for the Future of the Children around the World” using panels displaying enlarged paintings and message boards at the Gyoko-dori Underground Gallery directly connected to Tokyo Station. This was an opportunity to communicate impactful environmental messages in a location passed by large numbers of people instead of within environment-related facilities only for visitors.



Museum of the Kao International Environment Painting Contest for Children
www.kao.com/global/en/sustainability/society/painting-contest/



Works exhibited on individual themes
Enlarged displays and messages allow them to be seen even from far away.

Corporate citizenship activities 203-1

Painting exhibitions in collaboration with NPOs and local governments

We seek out opportunities to exhibit past prizewinning paintings to communicate to as many people as possible the messages from children around the world.

We are in the fifth year of lending paintings free of charge to environment-related facilities operated by local governments, NPOs and educational facilities, with the NPO BeGood Cafe serving as the secretariat of the exhibitions. In 2021, a total of 19 facilities and groups had exhibitions which were viewed by 28,993 people. Compared with 2020 when many exhibitions were cancelled due to the facilities being closed, the number of visitors to the facilities showed a recovering.

Kao Group Customer Marketing Co., Ltd. also began a new type of activity to lend out and exhibit paintings. This year, in addition to internal exhibits in six locations, there were 24 exhibit events at environment-related facilities of local governments and stores throughout Japan, which received more than 13,000 visitors. Paintings and their messages were also shown at six environmental events held online by local governments, which also featured a link to the online museum of the Kao International Environment Painting Contest for Children (Environment Day Hiroshima, Toyama Environment Fair 2021, Eco Messe in Chiba, Yamagata Hybrid Environment Fair, Nagoya Environment Day at Home 2021, Fukuoka Environment Festival 2021.) Our website to exhibit paintings has received approximately 13,000 views.



Painting exhibition. Kitakyushu Eco-Town Center (September)



Nara Park Bus Terminal (November)

The Future of Washing Initiative

Sustainable lifestyle promotion

Kao, Future Earth and The University of Tokyo Institutes for Advanced Study Integrated Research System for Sustainability Science (currently the Institute for Future Initiatives) launched the Future of Washing Initiative in 2018, aiming to encourage

people around the world to lead sustainable, clean and comfortable lives. The initiative is gathering wisdom from industry, academia and citizens across the boundaries of traditional business domains and academic fields, and discussing and proposing washing solutions for the future.

In May 2021, we held the seminar, Sustainable Laundry (4): Perspectives on detergents, and in June, we held the seminar, Sustainable Laundry (5): Perspectives on detergent containers, both online. In both seminars, there were lectures on three topics by academia, companies and NGOs as well as panel discussions. More than 160 participants from companies, universities and research institutes, and environmental groups attended each seminar. Panelists from Generation Z also joined the panel discussions, which included multifaceted discussions of laundry and detergent containers that were well received by seminar participants.

In addition, the Future of Washing Initiative website features a blog started in 2020. In 2021, a total of 14 reports based on selected information related to laundry from *Anthropocene Magazine*, published by Future Earth, were posted on the blog.



The Future of Washing Initiative
www.futurewashing.org/ (Japanese)

Corporate citizenship activities 203-1, 304-3, 413-1

China water conservation campaign

Sustainable lifestyle promotion

Kao (China) has conducted the Nationwide Cleanliness and Water-saving Initiatives campaign jointly with the Center for Environmental Education and Communications (CEEC), part of the State Environmental Protection Administration of China, since 2012. These initiatives have been expanded with the commencement of the environmental protection contest for university students as part of our activities in 2015 and with other activities to draw the attention of university students and the general public in China to water conservation.

In 2021, the tenth year of the campaign, initiatives kicked off on July 24 with the theme of “Making China cleaner and more beautiful,” and an opening ceremony was held in Kunming, Yunnan Province. University students throughout China were asked to submit activity proposals across a wide range of themes, including on conserving water and protecting water sources, biodiversity, low-carbon emissions, eliminating plastic and sustainable development, with 129 proposals received from 79 universities in 22 cities and provinces. From these, we selected ten projects, which we helped implement. University students from around the country actively worked to conserve the environment by putting into practice activities of their own design and developed different activities to improve the environmental awareness of people in the community. The tenth year of activities concluded in December, and the winning

university selected by an expert panel of judges as well as online voting was announced in an online event.



Opening ceremony in Kunming, Yunnan Province

FURUSATO Environment Conservation Project in Northern Thailand

Decarbonization

Aiming to improve the situation of rapid deforestation in northern Thailand and the water pollution, smoke pollution and other environmental problems caused by it, we partnered with the Organization for Industrial, Spiritual and Cultural Advancement (OISCA) and OISCA Thailand to conduct an environmental conservation project in the Chiang Khong District of Chiang Rai Province in northern Thailand. In the 5 years from 2012, the project completed its goal of planting 42,500 trees on 35ha of land. Through this activity, community residents' awareness for environmental conservation was raised, and momentum was built for appropriate

forest management as well as using the forest to create a foundation for daily life. We therefore began supporting the second phase of the project in April 2019.

In the afforested area developed in the first phase of the project, crops are being cultivated in addition to forest management. Planting crops that are edible as well as crops that can be sold in the market increases the value of the forest and we promote forest management with the deep involvement of local residents. In the second phase of the afforestation project, local residents are continuing to manage the forest and saplings are also showing healthy growth.

When local residents were given a questionnaire as part of the project, many commented that a foundation for local livelihood, including selling crops cultivated in the developed forest, had been created, indicating that the forest has enriched their daily lives.



Trees planted in the first phase of the afforestation project have grown bigger.

Corporate citizenship activities 304-3

Kao Creating Forests for Everyone program

Decarbonization

With the goal of creating a lush, green environment and passing this environment down to the next generation, we are partnering with the Organization for Landscape and Urban Green Infrastructure and implementing a program offering grants for developing people who nurture and protect the environment. The program is open to NGOs, NPOs and citizen groups throughout Japan that are active in such areas as forest creation and environmental education, with around 20 groups selected each year to receive a grant for their activities for 3 consecutive years. Through environmental conservation activities, we are contributing to solving various issues faced by regions today as well as the creation of brighter, healthier communities in these regions.

Local visits were postponed in 2021 to prevent the spread of COVID-19, and online tools were used instead to hold exchanges with grant recipients while hearing about the situation at the project sites and the progress of activities. With the conclusion of activities at the end of March 2022, we compiled the achievements gained through the activities so far and broadly communicated them, and will use them to make further improvements to the environment in the future.



Tree planting by a grant recipient

Corporate citizenship activities 203-1

Pandemics

Kao Hygiene Development Program in Vietnam

Improved quality of life

Habits for cleanliness, beauty & health

We are implementing the Hygiene Development Program in Vietnam with the aim of promoting the widespread adoption of cleanliness and hygiene practices in Vietnam. This program comprises four components: Leader Development for Infection Control, the Scholarship for Hygiene Management, Enhancing Hygiene in the Community and the Water and Sanitation Project for Schools.

Leader Development for Infection Control

We are conducting a program in collaboration with Hanoi Medical University in Vietnam to improve infection control and hygiene at hospitals. In 2021, we examined how to further expand the program implemented the previous year to improve the rate of hand-washing compliance, but were not able to conduct specific activities in hospital wards due to the COVID-19 pandemic.

Scholarship for Hygiene Management

By cultivating food hygiene management experts who can play an active role in the health and hygiene field in Vietnam, we aim to contribute to healthy living for Vietnamese citizens. In cooperation with Kanagawa University of Human Services in Japan, we have set

up the Kao Scholarship for Hygiene Management within the university and provide the scholarship to foreign exchange students.

The first foreign exchange student graduated with a master's degree from Kanagawa University of Human Services in March 2020, and the second foreign exchange student graduated with the same in March 2022.

Enhancing Hygiene in the Community

In collaboration with Hanoi Medical University, we started organizing hand-washing awareness activities for elementary schools in 2020. We had planned to use the insights gained in awareness-raising activities conducted at two elementary schools in 2020 to more broadly conduct these activities at elementary schools in Hanoi in 2021, but as elementary schools were closed due to the COVID-19 pandemic, we were not able to conduct the activities for elementary school students and only made improvements to the educational materials.

Supporting UNICEF's Water and Sanitation Project for Schools

Vietnam has severe economic disparity, and sanitation and hygiene conditions in Vietnam's rural and mountainous districts and districts with large ethnic minority populations are underdeveloped, with chronic diarrhea and other illnesses impeding children's healthy development.

Since 2016, we have been supporting Water and Sanitation Project for Schools through UNICEF.

Following good results with the program in An Giang Province in the Mekong River Delta in the southern part

of the country, in 2018 we expanded support to Dien Bien Province, a mountainous region in the north where most people are members of an ethnic minority group.

In 2021, we held an instructor training on conducting school-led hygiene sessions for 48 teachers, volunteer instructors and public health nurses at 7 local governments in 3 districts of Dien Bien Province. In addition, we created an activities plan for each school based on the results of a small-scale survey to identify the current level of understanding about water and hygiene conducted for 600 students in 7 schools in Dien Bien Province.

We also held school-led hygiene triggering sessions at 7 junior high schools (2,396 students, 230 teachers) in Dien Bien Province. Students and teachers learn about the impacts to health and the environment caused by open defecation and wastewater as well as the proper way to wash hands with soap, aiming to improve hygiene habits.

In addition, a local survey of all preschools under nine local governments in the province revealed issues with accessibility to clean drinking water. We provided 333 ceramic filter cores for water purification to 22 preschools and elementary schools, enabling reliable access to clean water for 7,872 students and 492 teachers. In addition, 18 events were held at 20 schools in Dien Bien Province in conjunction with Global Handwashing Day, where the importance of handwashing was directly communicated to more than 6,000 people. The events as well as speeches by people affiliated with the provincial government were also broadcast on a TV program in the province, enabling the message to be delivered to even more citizens.

Corporate citizenship activities ²⁰³⁻¹

In 2022, we will continue supporting efforts by schools and communities to improve the hygiene environment and establish good hygiene habits, including in other regions where hygiene is a serious issue.



Hygiene triggering session in Dien Bien Province
©Dien Bien CDC / Hua Tung Bach

Contributions to improving menstrual education and menstrual hygiene conditions

Improved quality of life

Habits for cleanliness, beauty & health

First menstrual education support for elementary and junior high school girls in Japan

Since first launching sanitary products in 1978, we have offered first menstrual education to girls around

the age of beginning menstruation as well as their families and elementary schools for more than 40 years.

Our first menstruation education set is a pouch that contains an awareness booklet which briefly covers menstruation and bodily changes, along with sample sanitary products, distributed free of charge. In 2017, we began working together with the Japanese Association of School Health, aiming to expand distribution of our sets to 20,000 schools throughout Japan.

In 2021, we distributed sets to 11,256 schools. Additionally, in 2021 we distributed CDs narrating the content of the awareness booklet titled “Physical changes: What it means to become an adult” to four schools at their request.

Menstrual hygiene education for junior high school students in Indonesia

Since 2018, we have been supporting UNICEF’s Menstrual Hygiene Management Project in Indonesia.

There is not enough correct knowledge about menstruation in Indonesia, where one in four girls does not know about menstruation until she actually starts having her period. Furthermore, superstitions and discrimination regarding menstruation persist. Additionally, since schools do not provide enough education about menstruation and sanitation facilities are inadequate, one in six girls misses at least one day of school during menstruation, which is one reason for lower school attendance among girls.

While 2020 had been planned to be the final year of the project, as schools have remained closed due to the COVID-19 pandemic, the project was extended for six months, with all planned activities concluding in June 2021. Over the three and a half years, the project conducted lessons for approximately 20,000 students including boys at 40 public junior high schools and madrasas (Muslim schools) in Tangerang Regency, reaching its target.

The activities were also broadened to include distribution of an educational booklet that was completed in 2019 to 65 schools in 3 regencies and publishing it on a website used by madrasas.

An online training was also conducted for students in an teenage health peer-group cadre, with participation by a total of 1,012 people, including 200 Cadre members at the 40 schools receiving support as well as 812 male and female students interested in menstrual hygiene management. After the training, students led planning and implementation of a menstrual hygiene campaign with assistance from supervising teachers, with more than 120 events held both online and in person. Around 125 teachers and 200 students in the health promotion organization were involved in the events, which reached approximately 20,000 students. In addition, the students independently engaged in activities including creating a large number of awareness-raising tools, primarily videos, for menstrual hygiene management and sharing them on YouTube, TikTok and other social media.

Corporate citizenship activities 203-1, 413-1

Through these activities, the percentage of respondents replying in an end line survey that menstruation was a normal biological process substantially increased, from 81% to 94%. The project also resulted in changes to hygiene habits during menstruation, such as more frequent changing of sanitary napkins by girl students.

The Menstrual Hygiene Improvement Project in Uganda

Since February 2019, we have partnered with UNFPA to support the company EcoSmart, which was launched by a young social entrepreneur with the goal of manufacturing and selling low-priced, domestically produced sanitary napkins in Uganda.

Many women in Africa are unable to purchase sanitary napkins due to poverty, and instead use old cloth rags and plant leaves. As a result, cases of serious infections are also seen. In addition, it is not uncommon for girls to stay home from school because they are worried about staining their clothing from not being able to use sanitary napkins, and end up leaving school after falling behind in their classes.

It is our hope that with our support girls and women in Uganda will be able to use sanitary napkins on a continuing basis, and will be able to live life during menstruation in greater hygiene and comfort. We also believe that empowering girls to go to school without absences during menstruation and have equal opportunity to study as boys will contribute to the

greater development of Ugandan society as a whole.

In 2021, EcoSmart exchanged information with Kao, received technical advice and worked toward market launch by implementing various activities including preparing its quality control system and conditions on the production line, obtaining facilities to improve production efficiency, selecting a packaging manufacturer, and preparing to conduct a usage survey.

These processes contribute to developing the capability of team members and local affiliate company and to employing people in the region.

Going forward, we plan to continue to contribute even more to women's cleanliness and health in Uganda, aiming to launch sanitary napkins for local markets once a usage survey is conducted.



EcoSmart team in protective clothing at a production site
©EcoSmart Uganda

Support for school education through the provision of educational materials

Habits for cleanliness, beauty & health

Sustainable lifestyle promotion



Making my everyday more beautiful > Habits for cleanliness, beauty & health

Corporate citizenship activities 102-43, 203-1

Impacts of diversity

Support for cancer education through the Pink Ribbon Campaign

Improved quality of life

Since 2007, we have implemented the Kao Pink Ribbon Campaign every year during the two months of October and November. During this time, we have been conducting a variety of activities within and outside Japan to raise awareness for early screening and detection of breast cancer, with the slogan of “For you and your loved ones.”

One of our main activities in Japan is providing support for the Project of Cancer Education by Pink Ribbon Advisors organized by the Japan Society of Breast Health, an NPO. This project provides cancer education in junior and senior high schools, and in a world where one in two Japanese people will get cancer in their lifetime, is anticipated to raise students’ health awareness as well as create beneficial effects in their caregivers’ generation.

Activities conducted in 2021 include donating a portion of the revenue from eligible product sales of the cosmetics brand *Kanebo* to the cancer education project. Through this ongoing initiative since 2013, we set a product for the campaign each year and support public education activities about breast cancer. In addition, our *Laurier* sanitary products brand

implemented a campaign to support women’s health by disseminating information through the product and brand website and making donations through a click-to-donate platform. In addition to the cancer education project, these donations also went to support activities to raise awareness about cervical cancer.

We conducted an online Pink Ribbon Seminar for employees and their families. Breast cancer is not just a problem for people at risk of contracting it—all people are potentially touched by it in terms of supporting those who are fighting breast cancer, and we aimed to make the seminar an opportunity for everyone to consider breast cancer as an issue relevant to their own lives. We also proactively undertook awareness-raising activities, conducting a donation program based on employee involvement and producing visuals for the Pink Ribbon Campaign in collaboration with special subsidiary Kao Peony Co., Ltd.

We are actively conducting other activities, such as awareness-raising activities in some stores carrying cosmetics within and outside Japan and via online media as well as collaborating on projects with companies in other industries, to deliver the message to as many people as possible.



Making my everyday more beautiful > Improved quality of life > Support for women’s empowerment through the Pink Ribbon Campaign



Walking the right path > Inclusive & diverse workplaces > Diversity promotion activities > Promoting the participation of employees with disabilities > New challenges (Kao Peony)



Campaign visual created with Kao Peony



Cancer education instruction given by a Pink Ribbon Advisor

Corporate citizenship activities 203-1, 417-1

Support for the Japan Boccia Association

Improved quality of life

Through the parasport boccia, we work together with our employees to solve the social issues of diversification and realizing a harmonious global society where everyone can live with peace of mind.

Continuing in FY2021 during the COVID-19 pandemic, we provided support by delivering hygiene products so that athlete conditioning and tournament activities could be conducted safely and reliably (mainly delivered hygiene products such as disinfectant for the 2021 Boccia Tokyo Cup, Tokyo 2020 Paralympic Games, 2022 Boccia Tokyo Cup qualifier and the 2021 Japan Open Championship).

Viewing the Tokyo 2020 Paralympic Games as an excellent opportunity to establish understanding for social inclusion and to expand and build up the sport of boccia, we first periodically communicated information in a timely manner to employees to raise awareness, including about the significance of our boccia sponsorship and what the athletes hoped to communicate through boccia (five instances of internal communications).

To increase the velocity of this awareness-raising activity after the COVID-19 pandemic subsides, we considered collaborative activities with multiple internal divisions and plan to conduct them starting in FY2022. In December, we held an in-person informational

session with staff from the Japan Boccia Association for employees serving as ambassadors for this activity, while taking measures to prevent the spread of COVID-19. The session was an opportunity for participating employees to broaden their awareness both within and outside the company, with employees commenting about how they wanted to introduce boccia in schools and how this would lead to higher awareness for diversity among the youth generation.

Through boccia, we will work together with our employees to establish understanding for social inclusion.



The Boccia Tokyo Cup, in which anyone is able to participate, was held while taking infection control measures.



At the in-house informational session, employees experienced the principles of boccia competition.

Barrier-free access to information

Universal product design

As a company that offers products necessary in daily life, we promote barrier-free environments that allow all people living in society to lead fulfilling and comfortable everyday lives without discrimination, and we conduct activities designed to build this understanding.

As information technology advances, people with visual impairments and the elderly are at higher risk of being left behind, and we are working to make information barrier-free for these groups by providing Braille stickers for products free of charge and making voice recordings of information about daily life.

We have also donated videos that discuss barrier-free topics to schools and other institutions to be used as materials for integrated studies to share and build understanding for the challenges posed by living with various disabilities. We are partnering with the Japan National Council of Social Welfare in making donations to social welfare facilities, and donating our products, especially hygiene-related products necessary for the pandemic, to selected groups, social welfare facilities and privately operated facilities that house people in order to serve their populations.

As part of our support activities for first menstruation education, in 2021 we provided four

Corporate citizenship activities 203-1, 417-1

copies upon request of a CD narrating the content of an awareness booklet titled “Physical changes: What it means to become an adult,” to children with visual impairments, who tend to lack sufficient information, their families and educators serving them.

Additionally, we provided Braille stickers (for household goods and cosmetics products) free of charge on 85 occasions, donated videos on barrier-free topics on 5 occasions, and lent additional copies on 11 occasions, and donated products to welfare facilities on 2 occasions. We provided content, and three employees volunteered to help record narrated information for the September and November issues of the lifestyle information magazine *Home Life*, a Braille and voice-based magazine published by the Japan Braille Library.



CD narration of “Physical changes: What it means to become an adult”



Braille stickers (household goods)

Corporate citizenship activities 203-1

Cross-cutting theme

Kao Social Entrepreneurship Schools

Improved quality of life

With the desire to leave a sustainable, brighter world for the next generation, we have been operating Kao Social Entrepreneurship Schools since 2010 to support the development of young social entrepreneurs attempting to create solutions to social issues using business methods.

With the theme of “creating the new lifestyles of the future,” we support social entrepreneurs working to create the foundation for better lifestyles in ways close to consumers’ lives. Over approximately seven months, we provide them with opportunities to receive advice from specialists, hold group seminars, and provide networking and exchange opportunities and support to create a central business core and accelerate growth. The Social Entrepreneurship School Initiative* operates the school.

In FY2021, we selected the following 3 groups to receive support (35 groups supported so far including FY2021 support).

* A platform to support and develop social entrepreneurs in cooperation with multiple companies and the Entrepreneurial Training for Innovative Communities (ETIC), a specified nonprofit organization

- Seiya Ashikari (CEO of ecologgie Inc.)
“Establishing a food production system with resource circularity using crickets”
- Kaori Nasu (Representative Director of 4Hearts general incorporated association)
“Slow Communication Project: Bringing slow hearts to communities”

- Mina Matsumaru (Director of the nonprofit organization Nicori)
“Days filled with laughter and play for all children”

This fiscal year, we reviewed the activities conducted over the last ten years since the start of the initiative and released the Kao Social Entrepreneurship Schools Impact Report, which summarizes the impacts the Kao Social Entrepreneurship Schools has had within Kao and on the wider society, in September as well as posted it on our website.

According to this report, a very high rate of 97% of social entrepreneurs who have gone through the program are continuing their work, and they have increased their budgets and staff by an average of 300%. In addition, not only have they expanded the work of their own organizations, they have also impacted policies and programs run by the national and local governments and transferred their know-how to others. They are making these and other contributions to effecting social change while cooperating and collaborating with stakeholders.

We have held a series of exchanges between social entrepreneurs and our employees since 2012, providing opportunities for our employees to gain understanding of the social issues and study the entrepreneurial spirit. Through FY2020, a total of 679 employees have participated in these events, with an average of 96% of participants from FY2012 to FY2020 replying that the events were “very good” or “good.” Overall a very high level of satisfaction was achieved, and the events are leading to changes in employees’ awareness and behavior.



Kao Social Entrepreneurship Schools Impact Report
www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/impact-report-01.pdf
 (Japanese)

In FY2021 as well, we focused on exchanges between social entrepreneurs receiving our support and employees, and held the following two events.

Special lecture in the Social Entrepreneurship Schools Kickoff Training

This is an online project where employees are able to observe the first training that entrepreneurs in the Social Entrepreneurship Schools take. We conducted this online on October 1, and 81 employees participated.

Reception for FY2021 Kao Social Entrepreneurship Schools participants and graduates

Corporate citizenship activities

On November 25, Takae Moriyama, Representative Director of 3 keys and an FY2012 graduate of the program, and Fumiya Ito, Representative Director of Tsukuba Agri Challenge and an FY2014 graduate of the program, were invited as guests who gave presentations on their activities. An online interactive exchange with employees was held in which current program participants shared updates about their activities, with 113 employees participating. Participants engaged in a lively question and answer session on the day of the event, which was a source of inspiration for participating employees and led to new realizations.



Former and current program participants took part in the exchange with employees and introduced their activities.

Kao Heart Pocket Club

Kao Heart Pocket Club is an employee-led organization with the mission of providing community aid that began in 2004. Employees that want to support this mission become members, and voluntarily donate a portion of their monthly salary in increments of 50 yen up to 100 increments, which is donated to NGOs, NPOs and citizen groups, used to

support volunteer activities in which employees take part, and provided as emergency relief assistance when disasters occur that affect a wide area. Decisions about where to send donations and how to use the funds are made by a 15-member steering committee comprised of member representatives. Along with providing aid to support activities aimed at solving social issues to create a better society, the Kao Heart Pocket Club provides employees with opportunities to participate in society and contributes to raising their receptivity to society.

In 2021, we set up an opportunity for beneficiary organizations working on social issues that are underreported in the media and steering committee members to exchange opinions, and this was featured in the *Heart Pocket Club Newspaper* (intranet version), an internal PR magazine (published five times a year).

The Heart Pocket Club also provided community grants to a total of 13 groups in Tochigi, Wakayama and Ibaraki prefectures to support citizen activities in communities where Kao worksites are located. We set up online exchanges with groups receiving the community grants.

In addition, we conducted activities for the Mirai Pocket Fund, which provides larger grants to back activities on a larger scale. To choose where funding goes, the steering committee screened applications and conducted an online screening where groups gave presentations, with five groups then selected for funding.

In addition to volunteer activities that are conducted each year, specifically the White Ribbon Run, a campaign to deliver picture books and a Christmas card project, while taking steps to mitigate

infection risk a total of 356 employees also participated in the Heartful Project this year, whose recipients are medical professionals who are going above and beyond the call of duty day after day during the COVID-19 pandemic.

We will continue to create opportunities to increase membership in the Kao Heart Pocket Club and for employees to participate in society.

- 3,447 members (as of December 20, 2021)
- 44 donation projects / Donations of 11,503,700 JPY
- Online version of the activities report (activities report for internal use, published once a year)



We screened the Mirai Pocket Fund online.

Exchange with steering committee members and beneficiary organizations published in the *Heart Pocket Club Newspaper*



Corporate citizenship activities

Harmony with communities

Support for arts and cultural activities

We support arts and cultural activities for the purpose of developing and passing down outstanding arts and culture and contributing to the enrichment of people's lives.

We actively provide support, including support for symphony orchestras and sponsorship of music concerts and performing arts performances as well as art exhibits, so that people of all ages can have access to and interaction with the arts, and so that arts and cultural activities will be passed down to the next generation.

In 2021, we continued to provide support for arts and cultural activities impacted by the COVID-19 pandemic. Although an art exhibit we had planned to sponsor was postponed, in the music field, we provided support to the NHK Symphony Orchestra, Tokyo, the Tokyo Symphony Orchestra, the Tokyo Philharmonic Orchestra and the Japan Philharmonic Orchestra, and were a member of the Special Corporate Sponsors Group for performances of Beethoven's *Ninth Symphony* by the NHK Symphony Orchestra, Tokyo, and the 2020/2021 and 2021/2022 seasons of the New National Theatre, Tokyo.

Support for young artist development

We support development of the next generation of artists as part of our contributions to enriching

people's lives.

Hosting the Tokyo Music Competition

We have organized the Tokyo Music Competition (cosponsors: Tokyo Bunka Kaikan, the Yomiuri Shimbun, Tokyo Metropolitan Government) since 2003 to support activities to discover and nurture the next generation of Japanese musicians. Support focused on professional development is a feature of the competition. Winners in each of the sections perform together with orchestras in special concerts, and Tokyo Bunka Kaikan gives five years of support to prizewinners to hold solo recitals and other music performances.

The competition was held as scheduled in FY2021 during the COVID-19 pandemic while taking measures to prevent infections. In April, we received entries in the three sections of string instruments, woodwind instruments and vocals. A total of 423 entries were received in the three sections, with 8 winners selected in the competition held in August.



Award ceremony, string section, the 19th Tokyo Music Competition
Photo: Rikimaru Hotta / Photo courtesy of: Tokyo Bunka Kaikan

Outstanding accomplishments of six past prizewinners in FY2021 include winning or placing among the finalists at music competitions within and outside Japan.

Special sponsorship for a year-long special development project of K-Ballet Youth

Since 2013, we have been a special sponsor of performances by K-Ballet Youth, a junior ballet company of young dancers whose general manager is Tetsuya Kumakawa.

This endorses K-Ballet Youth to offer a place to discover the next generation of dance talent and for dancers to practice in an environment equivalent to a professional company, designed to develop the next generation of artistic performers.

The fifth anniversary performance of *Don Quixote* scheduled to be performed in 2021 by the K-Ballet Youth was postponed until 2022 due to the spread of COVID-19. K-Ballet Youth conducted a special one-year project from August 2020 to May 2021 to provide opportunities for young dancers affected like this by the pandemic to study their art online. The recorded videos of online workshops can be viewed on YouTube at any time, which not only helps youth improve their technical abilities but also allows instructors to teach more efficiently. We are supporting efforts that help many children reach for new heights, for example by making the technical instruction publicly accessible and opening auditions for the 2022 program to dancers also from outside affiliated K-Ballet Youth studios.

Corporate citizenship activities



Sponsorship of the instructional program of Music Sharing

The certified NPO Music Sharing was founded by violinist Midori Goto in 1992, and she serves as its president. The program gives people increased access to great music and musicians and supports creating conditions that enrich the human spirit.

We have sponsored the music-based International Community Engagement Program since 2008, in

which Midori Goto forms quartets with young musicians outside Japan and gives performances in developing regions of Asia. These performances could not be held in 2020 due to rising COVID-19 cases, but an online Listening Program that we helped sponsor was held primarily for special education schools in Japan to provide as many children as possible with opportunities to study music.

Ms. Goto created a 10-part series of instructional videos, which were provided to 72 facilities where Music Sharing's instructional program has been conducted in the past as well as to schools and hospitals in Japan and Japanese schools in the United States, the Netherlands and Cambodia. Special education schools that received the videos provided feedback that having videos with such robust content was a big help during the COVID-19 pandemic, as it was difficult to invite outside teachers to the schools.

We are continuing to sponsor the Listening Program through September 2022.



Listening Program video content (conceptual image)



Students viewing the video content

Rebuilding our support for arts and cultural activities

We have supported arts and cultural activities for the purpose of developing and passing down outstanding arts and culture and contributing to the enrichment of people's lives. While continuing a portion of our support to uphold the foundation of Japanese arts and cultural activities, we will rebuild our activities to harness the power of the arts to realize a sustainable and enriching society, pursuing innovations that focus our support on programs designed to revitalize local communities and develop the next generation.

Corporate citizenship activities 203-1

The Kao Foundation for Arts and Sciences

The Kao Foundation for Arts and Sciences is a unique foundation combining support for the arts and sciences that seeks to promote and further develop essential arts and sciences as well as contribute to the development of research integrating fields in the arts and sciences.

The foundation was established in 1990 with a donation in commemoration of Kao Corporation's 100th anniversary. Its main activities center on the three projects of awarding grants, giving commendations and related projects (support for research integrating the arts and sciences).

The grant project provides grants for art exhibitions and music performances among other activities, grants for scholarly research on the fine arts and music, and in the science and technology field, grant-type scholarships for students in master's programs, and grants under the name of the Kao Science Encouragement Award, given to young researchers conducting unique and pioneering research in the fields of chemistry, physics, medicine and biology.

The commendation project awards the Kao Science Award to recognize researchers who have achieved distinctive outcomes in basic research in the fields of chemistry, physics, medicine and biology.

In addition to the projects we have conducted so far, in FY2021 we launched the new Kao Crescent Award, a grant program with a high degree of freedom in how the funds are used that gives consideration for

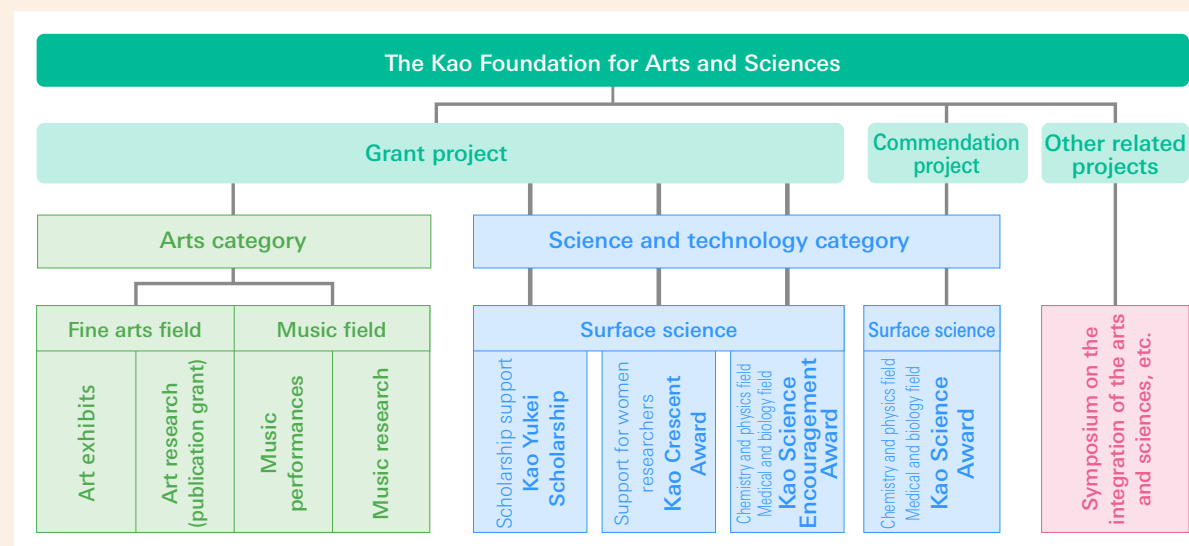
the work-life balance of women researchers and helps them continue conducting research.

Besides financial support, we will also take steps to foster peer connections among women researchers and increase their motivation to continue conducting research.

In Japan, the ratio of women researchers to the total number of researchers (especially in engineering and science fields) is lower than in other countries, and many researchers with defined-term employment

contracts are forced to give up continuing their research due to life events. With this new program, we aim to increase the number of outstanding women role models with defined-term employment contracts who are continuing their research, connect this to the next generation and contribute to the promotion and development of scientific technology research in Japan. In addition, the program will encourage gender equality and aim to create a better society.

Foundation project organizational chart



Corporate citizenship activities

Kao Family Concert

With the desire to provide local residents in areas where we have worksites with opportunities to hear high-quality music and cultivate an appreciation of music and the arts, we have held Kao Family Concerts since 2002.

In a program unique to Kao that blends community contributions with support for the arts and society, these concerts are 100% planned and operated by employees.

We have held a cumulative total of 44 concerts since 2002, with a total of 41,327 people attending. Additionally, all the revenue from concerts goes to music education in the region.

In 2021, preparations were underway to hold concerts at two locations in Sakata, Yamagata Prefecture and Mashiko, Tochigi Prefecture. However, the performances this year were postponed in light of rising COVID-19 cases.

To upgrade the Kao Family Concerts into a program that contributes to regional revitalization and development of the next generation, we drew up our future vision of the program to encourage community involvement and new participation by employees, and will implement it from FY2022. Together with employees, we aim to create sustainable and enriching local communities.

Japan Science & Engineering Challenge (JSEC)

We believe that the foundation of *Yoki-Monozukuri* is born from cutting-edge innovations created by science and technology, and in order to contribute to a brighter future, we support fostering young science researchers.

As part of this, we are a special sponsor of JSEC, which is organized by the Asahi Shimbun Company and TV Asahi Corporation and is a contest of independent science and engineering research open to high school and technology college students nationwide.

Every year we present the Kao Award and the Kao Special Incentive Award to recognize excellent work. The review process for selecting the award winners starts with our researchers screening participants' papers, and the final screening committee listening to high school students' presentations with a question and answer session before judging takes place.

The final screening committee for JSEC 2021 met online on December 11 and 12, 2021. The Kao Award was given to Tamagawa Academy High School, and the Kao Special Incentive Award went to Shimane Prefectural Hamada High School and Miyazaki Prefectural Miyazaki Kita High School.

Top JSEC prizewinners qualify to enter the International Science and Engineering Fair (ISEF), held online in 2022. Ryoko Matsui from Tamagawa Academy High School, winner of the Kao Award, plans to attend ISEF. Also, we will organize a program

for the award-winning schools to engage in discussions with our researchers, thereby providing support for senior high school students' education and career planning.

- The Kao Award
"The Mechanisms of Amber Color Formation in Aged Umeshu (Japanese Plum Liqueur)" Tamagawa Academy High School (Ryoko Matsui)
- The Kao Special Incentive Award
"Supramolecular dye solar cell with 1.7V of electromotive force that can be attached anywhere" Shimane Prefectural Hamada High School (Kiyosuke Kimura, Moeka Kihara, Souma Kagiya)
"Analysis of The Ideal Courtship Dance of *Uca lactea* by STFT" Miyazaki Prefectural Miyazaki Kita High School (Haruka Kurogi, Sota Inomata)



Presenting Kao Award commendation letters

Corporate citizenship activities ⁴¹³⁻¹

On July 29, 2021, a research and exchange meeting was held online with the prizewinners of the Kao Award and the Kao Special Incentive Award at JSEC 2020, with a total of 71 people participating including 57 of our employees and staff from Asahi Shimbun Company. At that event, the research and development conducted by Kao was introduced and students from the award-winning schools gave presentations on their research theme. This particularly lively meeting featured a question and answer session where Kao judges and participants eagerly shared opinions and ideas with one another.

As a new activity this fiscal year, we have set up opportunities to take online tours of the Kao Eco-Lab Museum and hold exchanges with young researchers to give high school students guidance about future careers.

Participating high school students gave feedback including, "It was very helpful to get advice about how to further develop and advance my research" and "I'm truly grateful to get feedback from people working at the front lines of research who have perspectives that I do not."



Students from the award-winning schools and Kao judges participating in the research and exchange meeting

Support for school education through plant and museum tours

Habits for cleanliness, beauty & health

Sustainable lifestyle promotion

As a company that manufactures and offers products that are essential in everyday life, we support school education through museum and plant tours to give students the opportunity to learn about manufacturing innovation and efforts made to ensure quality, safety and security, and considerations for the environment.

In particular, we have developed programs coordinated with social studies units taught in Japanese elementary school (third grade: Working

people and our lives, fifth grade: Our lives and industrial production), provide educational materials also encompassing pre- and post-tour learning, and conduct educational social studies field trip programs that include plant tours. The programs are designed with the goals of teaching children about the ways in which they are connected to society and developing their critical thinking skills.

In 2021, tours of our nine factories and two museums in Japan were conducted on a limited basis due to the ongoing COVID-19 pandemic. Of the total 7,889 tour participants, 7,535 people took tours conducted online. While we were not able to accommodate site tours for elementary school social studies field trip programs, we held online tours for 1,932 students at 31 schools. Setting up the remote environments also led to trying new things. For example, our Tokyo Plant held webinars that mainly featured young employees on the production floor, while the Kao Museum held webinars on the topic of changes in how laundry is done.

Corporate citizenship activities

Safety campaign through logistics

Sustainable lifestyle promotion

As Kao Logistics Co., Ltd. is engaged in delivering products by truck and has to pay close attention to traffic safety on a daily basis, the company has been conducting awareness-raising activities and events related to traffic safety.

In recent years, Kao Logistics has conducted the Children's Road Safety Class, Nagara Mimamori safety campaign activities and traffic safety instruction on an ongoing basis for elementary school children in the vicinity of seven of its worksites in Japan as part of our local contribution activities to save children's lives.

It also wrapped delivery trucks in drawings made by local children on the theme of traffic safety and is conducting other activities to raise traffic safety awareness. In 2021, it conducted events at logistics centers in Ishikari, Kamagaya (Shonan), Hachioji, Kawasaki, Sakaide and Hiroshima in cooperation with local elementary schools, boards of education, local governments and police departments.

Halving the number of deaths and injuries from road traffic accidents is also one of the SDG targets, and these activities help improve the awareness of drivers and boost interest in traffic safety among people in the region who see these wrapped delivery trucks.



Delivery truck wrapped in drawings made by local children on the theme of traffic safety (Ishikari Logistics Center)

Corporate citizenship activities

Disaster relief

Efforts in response to the Great East Japan Earthquake

While mobilizing existing corporate citizenship programs and our resources, we are cooperating with NGOs, NPOs, other companies and diverse organizations to conduct activities that are close to consumers' daily lives and aligned with local needs and issues in devastated regions.

Currently, our activities focus on the two areas of providing emotional support and self-directed recovery. In terms of emotional support, we have been supporting the Smile Tohoku Project since 2012, where we visit victims of the disaster living in temporary and public housing to interact with them and offer support for their new lives. In terms of self-directed recovery, we are conducting activities to support industrial recovery and community development through support for recovery leaders and employee volunteer activities focused primarily on recovery in the Tohoku region. Activities by Kao employees in 2021 are described below.

Recovery support project (at 11 Kao worksites around Japan)

As an opportunity for our employees to more broadly engage with the Tohoku region with the wish that the earthquake and tsunami never be forgotten, we offered regional Tohoku dishes made with ingredients from the Tohoku region under the theme of "Connecting to Tohoku with Food" at 11 Kao worksites around Japan from March 8 to 12. To help prevent the spread of COVID-19, employees were

instructed to refrain from talking while eating. We also had employees post photos at the same time so that employees who were working from home could also have an easy way to participate. We received comments from employees, including "Eating food from Tohoku made me want to visit the region" and "I want to continue doing what I can to support Tohoku."



Employees choosing from a menu of Tohoku regional foods

Smile Tohoku Project

We continued to cooperate with the Smile Tohoku Project under the sponsorship of Iwate Nippo, Kahoku Shimpō and Fukushima Minpo newspapers.

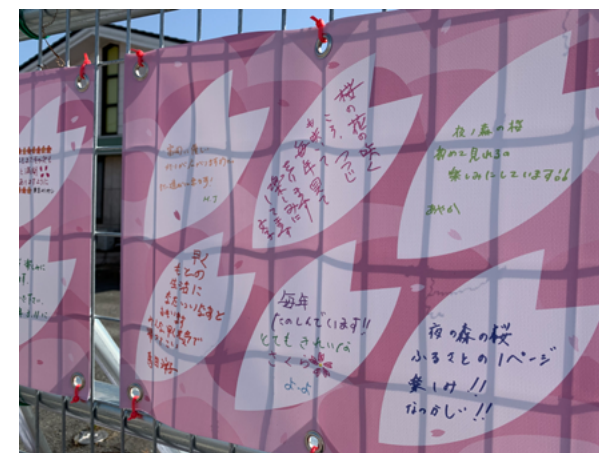
Conducted events

We had planned to provide support in various forms to events scheduled in each prefecture, but the events were canceled for the second year due to rising COVID-19 cases, and visiting these locations in-person remained difficult.

While challenging conditions persist, we continued activities to stay loosely connected to people and understand how they are feeling in the

local communities. In cooperation with Tomioka in Fukushima Prefecture and local residents, we provided support for the Colorful Tomioka Project to bring greater activity to the town as well as provided other support in collaboration with local project members, NPOs and Kao Group employees.

We filmed and made available a special movie to bring a tunnel of cherry blossoms and the smiles of Tomioka residents to everyone who was not able to enjoy cherry blossom season as they would have liked to this year. Since the Tour de Tohoku, a cycling race along the coastline of Miyagi Prefecture, was canceled this year, Kao Group employees all over Japan sent thoughtful messages from their location on the scheduled day of the race to all the race supporters who line the road every year to cheer on the riders.



Messages of encouragement collected from supporters are posted on a barricade separating the "difficult to return" zone where the tunnel of cherry blossoms is located.

Corporate citizenship activities 203-1

Michinoku Recovery Partners

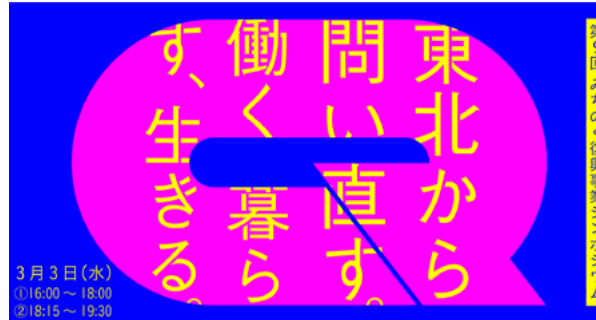
We have participated in Michinoku Recovery Partners since June 2012 as a main activity of self-directed recovery efforts. Four companies* are currently participating in this organization established by ETIC (a specified nonprofit organization) as a corporate consortium to support next-generation recovery leaders who will sustain the Tohoku region and projects in the disaster-affected region. The consortium is engaged in co-creation for self-directed recovery, including training to support development of groups expected to lead Tohoku in the future.

In 2021, the tenth anniversary of the earthquake and tsunami, we held the ninth symposium on March 3 online to prevent the spread of COVID-19.

The symposium broadly communicated information on the future of Tohoku with the theme of "Reframing questions from Tohoku: Working, living, surviving."

On June 25, an online seminar was held to consider the relationship between innovation and social networks that looked at the analysis results of a survey on Tohoku leaders' social network. The seminar broadly communicated information to the wider society to have the survey results get put to use. Around 80 people participated on the day of the symposium.

* Participating companies are JCB Co., Ltd., Dentsu Inc., Benesse Holdings, Inc., and Kao Corp. (as of May 2020)



Other disaster relief

Performance in 2021

Donations for foundational activities

We donated 5 million yen to the Disaster Relief Volunteer & NPO Support Fund of the Central Community Chest of Japan (social welfare corporation).

Supporting COVID-19 measures

Relief supplies

To support medical professionals working on the front lines of the COVID-19 pandemic, we have donated Kao products worth a total of approximately 300 million yen to 105,892 medical professionals at 1,092 medical institutions.

Main corporate citizenship activities of worksites and group companies

Worksite / company	Activity details / past record (hosting / backing / co-sponsorship / support / participation / etc.)
Kayabacho Office	● Jazz festival ● Year-End Mutual Support donations ● Neighborhood cleanups
Osaka Office	● Support for local shrine festivals, community groups ● Neighborhood cleanups
Sakata Plant	● Diaper gifts for newborn babies ● Support for community groups ● Support for local projects ● Factory tours
Tochigi Plant Tochigi Research Laboratories	● Sponsoring traffic safety posters ● Diaper gifts for newborn babies ● Support for local shrine festivals, community groups ● Neighborhood cleanups
Kashima Plant	● Kamisu Health Mileage Program ● Local shrine festivals and community events ● Sports tournaments ● Support for international exchange events ● Neighborhood cleanups
Sumida Office Tokyo Research Laboratories	● Local shrine festivals and community events ● Support for music event ● Community fire extinguishing drills ● Neighborhood cleanups
Kao Museum (Tokyo)	● Cooperation with career education for students ● Education in the classroom ● Community events ● Online tours
Kawasaki Plant	● Local shrine festivals
Odawara Office Odawara Plant (Kao Cosmetic Products Odawara) Odawara Research Laboratories	● Product donations to healthcare professionals ● Sports event ● Neighborhood cleanups
Fuji Plant (Kao Paper Manufacturing Fuji)	● Support for environmental conservation activity ● Support for local school performance ● Community youth sports club sponsorship ● Red Feather Community Chest donation
Toyohashi Plant	● Toyohashi City 530 (cleanups) Movement ● Skincare product gifts for newborn babies ● Neighborhood cleanups
Wakayama Plant Wakayama Research Laboratories	● Survey on ocean pollution washed ashore ● Volunteering to supply water to communities cut off by the collapse of a water pipe bridge ● Conservation activities in the Kao Company Forest ● New Year's parade and skills display of fire brigades ● Cleaning along the Suiken River ● Local shrine festivals and community events ● Factory tours
Kao Eco-Lab Museum (Wakayama)	● Environmental education through museum tours ● Online tours
Ehime Plant (Kao Sanitary Products Ehime)	● Product donations in response to COVID-19 ● Red Feather Community Chest donation ● Diaper gifts for newborn babies ● Factory tours
Arida Training Center	● Cardboard box donation to community youth club ● Neighborhood cleanups
Kao Group Customer Marketing (KCMK)	● Hand-washing lessons ● Makeup and personal grooming seminars ● Environmental seminars ● Kirei lifestyle seminars ● Exhibits at environmental events ● Neighborhood cleanups
Kao Logistics	● Neighborhood traffic safety guidance and neighborhood watch activities ● Providing workplace experience for special needs students ● Traffic safety awareness-raising truck decoration using children's pictures ● Neighborhood cleanups ● Blood drives
Kao Professional Services (KPS)	● Product donations in response to COVID-19 ● Hand-washing lessons at preschools ● Infectious disease prevention seminars for welfare facilities ● Sanitation and infectious disease management awareness-raising for cooking facilities
Nivea-Kao	● Product donations in response to COVID-19
Kanebo Cosmetics	● Donation of a portion of sales in Pink Ribbon Campaign ● Product donations for the Coming of Age ceremony at welfare facilities
e'quipe	● Support for girls' educational activities ● Support for environmental conservation activities



Beach cleanup (Toyohashi, Aichi)



Survey on ocean pollution washed ashore (Wakayama)



Traffic safety awareness-raising truck decoration using children's pictures (Ishikari Logistics Center, Kao Logistics)

Main corporate citizenship activities of worksites and group companies

Worksite / company	Activity details / past record (hosting / backing / co-sponsorship / support / participation / etc.)
Kao (China) Holding Kao Commercial (Shanghai) Kao (China) Research and Development Center Kao Corporation Shanghai Kao (Hefei)	<ul style="list-style-type: none"> Product donations in response to COVID-19 Product donations to community groups First menstrual education Hand-washing lessons at preschools and elementary schools Pink Ribbon Campaign Water conservation campaign Support for university student Japanese speech contest Factory tours Neighborhood cleanups Blood drives
Kao (Shanghai) Chemical Industries	<ul style="list-style-type: none"> Beach cleanups Volunteering at vaccination sites Neighborhood cleanups
Kanebo Cosmetics (China)	<ul style="list-style-type: none"> Support for charity event Product donations to support families living in poverty Pink Ribbon Campaign
Kao (Hong Kong)	<ul style="list-style-type: none"> Product donations to NGOs
Kao (Taiwan)	<ul style="list-style-type: none"> Product donations in response to COVID-19 Beach cleanup and support for environmental education Product donations through government agencies, etc. Hygiene education for children Support for environmental events Pink Ribbon Campaign Factory tours
Taiwan Kanebo Cosmetics	<ul style="list-style-type: none"> Pink Ribbon Campaign Beach cleanups
Kao Vietnam	<ul style="list-style-type: none"> Product donations in response to COVID-19
Pilipinas Kao	<ul style="list-style-type: none"> Goods support in response to COVID-19 High school scholarships for outstanding academic achievement to students in factory neighborhoods Scholarships for students of science and technical universities Support for typhoon-damaged areas
Kao Industrial (Thailand)	<ul style="list-style-type: none"> Product donations in response to COVID-19
Kanebo Cosmetics (Thailand)	<ul style="list-style-type: none"> Support for collection volunteering for healthcare professionals Pink Ribbon Campaign
Kao Singapore	<ul style="list-style-type: none"> Online hand-washing lessons for elementary school students Product donations to community groups and schools
PT Kao Indonesia	<ul style="list-style-type: none"> Product, goods and monetary donations in response to COVID-19 Providing health information to the local community Support for tree-planting activities Support for building water supply stations Donation of portable hand-washing sinks Program to collect used diapers Welfare assistance for Eid ul-Adha, etc. Support for areas affected by earthquake, flood and volcanic disasters
PT. Kao Indonesia Chemicals	<ul style="list-style-type: none"> Goods donations to residents Donations of sheep to residents Donations of water storage tanks
Kao (Malaysia)	<ul style="list-style-type: none"> Product donations to hospitals First menstrual education
Kanebo Cosmetics Malaysia	<ul style="list-style-type: none"> Pink Ribbon Campaign
Fatty Chemical (Malaysia) Kao Plasticizer (Malaysia) Kao Oleochemical (Malaysia) Kao Soap (Malaysia)	<ul style="list-style-type: none"> Donations to senior citizen facilities Donations to welfare groups Support for able art purchases Support for flood-affected areas



Water conservation campaign (Kao (China) Holding)



Hygiene lesson (Kao (Taiwan))



First menstrual education (Kao (Malaysia))



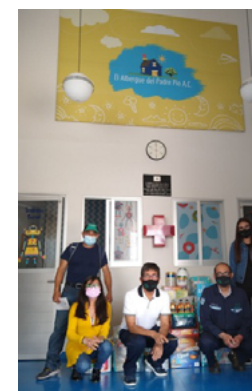
Donation of portable hand-washing sinks (PT Kao Indonesia)

Main corporate citizenship activities of worksites and group companies

Worksite / company	Activity details / past record (hosting / backing / co-sponsorship / support / participation / etc.)
Kao Canada	<ul style="list-style-type: none"> Community meal support and event sponsorship Support for flood-affected areas Volunteering at local schools
Kao USA	<ul style="list-style-type: none"> Donations in response to COVID-19 Support for the United Way Donations to human rights organizations Support for NPOs in promoting anti-racism Donations for activities supporting health Matching gifts for employee volunteers
Kao Specialties Americas	<ul style="list-style-type: none"> Product and goods donations in response to COVID-19 Support for operating drive-through vaccination sites Support for the United Way Committee Support for environmental conservation efforts Goods donations for activities supporting health Walking event to support ALS patients Biodiversity conservation project Educational support for local students Donations for food drives Support for recycling used clothing Neighborhood cleanups Blood drives
Kao Collins (U.S.)	<ul style="list-style-type: none"> Goods and monetary donations for schools in underserved areas Meal service and goods donations for children hospitalized with illness and at lodging accommodations for their families Goods donations to the local community
Kao Australia	<ul style="list-style-type: none"> Product donations in response to COVID-19 Catering event to support refugees Japanese language education support at local high school
Quimi-Kao, S.A. de C.V. (Mexico)	<ul style="list-style-type: none"> Product donations in response to COVID-19 Scholarships for STEM students Support to help households in need meet medical expenses Goods and monetary donations to welfare facilities
Kanebo Cosmetics Rus LLC	<ul style="list-style-type: none"> Pink Ribbon Campaign
Kao Germany GmbH	<ul style="list-style-type: none"> Donations in response to COVID-19 Donations to support children in need of social support
Kao Manufacturing Germany GmbH	<ul style="list-style-type: none"> Product donations for markets to support flood-affected areas
Kao Chemicals GmbH	<ul style="list-style-type: none"> Donations to schools, fire brigades and welfare groups Support for local sports associations Riverside cleanups
Kanebo Cosmetics Deutschland GmbH	<ul style="list-style-type: none"> Environmental conservation activity with business partners
Kao (UK) Molton Brown	<ul style="list-style-type: none"> Support for young people experiencing social challenges Program for improving young people's self-esteem Support for breast cancer awareness organizations
KPSS (UK) Limited	<ul style="list-style-type: none"> Support for beautician education and training
Kao Corporation, S.A. (Spain)	<ul style="list-style-type: none"> Scholarships for high school students majoring in chemistry Scholarships for local students Support for community sports club Support for community revitalization activities Support for reforestation activities
Kao Chimigraf (Spain)	<ul style="list-style-type: none"> Support for youth soccer club Donations to organizations supporting under-resourced families Support for activities to support foreigners Support for areas affected by volcanic eruptions
Kao Austria Handelsgesellschaft mbH	<ul style="list-style-type: none"> Product donations for salons in response to COVID-19 Donations to support children in fighting disease
Kao Switzerland AG	<ul style="list-style-type: none"> Educational support for students and young working adults
Kanebo Cosmetics (Europe) Ltd. (Switzerland)	<ul style="list-style-type: none"> Sponsorship of golf tournament that makes donations to support cancer awareness-raising activities
Kao South Africa	<ul style="list-style-type: none"> Product donations to salons Fundraising in cooperation with participants at sports events



Meal support at facilities (Kao Collins (U.S.))



Goods donations to children's homes (Quimi-Kao)



Riverside cleanup (Kao Chemicals GmbH)

Kirei Lifestyle Plan KPI definitions 103-1,103-2,103-3

Regarding the mid- to long-term targets of the Kirei Lifestyle Plan that are noted on page 24 and 25, the formulas and factors that each indicator is comprised of, and the scope of each indicator, are as shown below.

Making my everyday more beautiful

Kao Actions	Indicator			Target value	Target year
	Formula	Factor	Scope		
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			1 billion	2030
	A + B + C (persons)	<ul style="list-style-type: none">• A: Number of people reached by sold products of brands certified as contributing to improving quality of life according to standards set by Kao (persons)• B: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty & health (persons)• C: Number of people reached by new and improved products that meet Kao’s Universal Design Guidelines (persons) <p>* Products that can be counted in both A and C are not calculated twice</p> <p>* The number of people in B that can be counted again in A and C are estimated based on assumed conditions and not calculated twice</p>	<ul style="list-style-type: none">• Consumer products of the Kao Group• Awareness-raising activities conducted by Kao Group		
Improved quality of life	The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people			7 billion	2030
	A (products)	<ul style="list-style-type: none">• A: The number of sold products of brands certified as contributing to improving quality of life according to standards set by Kao	<ul style="list-style-type: none">• Consumer products of the Kao Group		
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)			0.1 billion	2030
	A (persons)	<ul style="list-style-type: none">• A: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty & health<ul style="list-style-type: none">• Number reached by awareness-raising activities using products and services provided by Kao employees• Number reached by communication-based awareness-raising activities (websites, social media, etc.)	<ul style="list-style-type: none">• Kao Group• Reporting period: Since 2016		
Universal product design	% of new or improved products that meet Kao’s Universal Design Guidelines			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none">• A: Number of products that meet conformance criteria*1, *2 (pcs)• B: Total number of products (pcs) <p>*1 Up to last year: Improved products are certified as conforming to Universal Design if they only have new UD considerations compared with before the product improvements</p> <p>From 2021: Certified as conforming to Universal Design if they have UD considerations, irrespective of whether they are new considerations</p> <p>*2 Due to revisions to standards, 2021 values are only for Japan</p>	<ul style="list-style-type: none">• Consumer products of the Kao Group• New or improved products		
Safer healthier products	% of targeted ingredients of concern on which views are disclosed			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none">• A: The number of ingredients of concern on which views are disclosed (ingredients)• B: Total number of established ingredients of concern (ingredients)	<ul style="list-style-type: none">• Kao Group		

Kirei Lifestyle Plan KPI definitions 103-1,103-2,103-3

Making thoughtful choices for society

Kao Actions	Indicator			Target value	Target year
	Formula	Factor	Scope		
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			100%	2030
	$(A + B + C + D) / E \times 100 (\%)$	<ul style="list-style-type: none"> A: Number of Kao brands that conducted environmental awareness-raising activities for realizing sustainable lifestyles (brands) B: Number of Kao brands that contribute to solving social issues and that prompt people to feel and relate to the brand's social usefulness (brands) C: Number of Kao brands that provided products incorporating innovations able to create transformative, sustainable impacts on lifestyles, society and / or the environment (brands) D: Number of Kao brands that provided business and systems able to create transformative, sustainable impacts on lifestyles, society and / or the environment (brands) E: Number of the designated Kao brands * Products that can be counted in A, B, C and D are not calculated twice 	<ul style="list-style-type: none"> The designated consumer product brands of the Kao Group Awareness-raising activities conducted by the designated consumer product brands of the Kao Group 		
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)			0.1 billion	2030
	A (persons)	<ul style="list-style-type: none"> A: Cumulative number of people reached by environmental awareness-raising activities for realizing sustainable lifestyles Number reached by awareness-raising activities using products and services provided by Kao employees Number reached by communication-based awareness-raising activities (websites, social media, etc.) 	<ul style="list-style-type: none"> Kao Group Reporting period: Since 2016 		
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			100%	2030
	Plan to disclose in 2023				
Transformative innovation	Cumulative number of proposed or realized products with big positive impact on lifestyles (cumulative since 2019)			10 or more	2030
	A (announcements)	<ul style="list-style-type: none"> A: Cumulative number of announcements relating to products that incorporate innovations able to create transformative sustainable impacts on lifestyles, society and / or the environment 	<ul style="list-style-type: none"> Consumer products and industrial-use products of the Kao Group Reporting period: Since 2019 		
	Cumulative number of proposed or realized businesses and systems with big positive impact on lifestyles (cumulative since 2019)			10 or more	2030
	A (announcements)	<ul style="list-style-type: none"> A: Cumulative number of announcements relating to business and systems able to create transformative sustainable impacts on lifestyles, society and / or the environment 	<ul style="list-style-type: none"> Kao Group businesses and systems Reporting period: Since 2019 		
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products			100%	2025
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> A: The weight of certified paper products and pulp (FSC, PEFC, SFI) for consumer products of the Kao Group (t) B: The weight of paper products and pulp for consumer products of the Kao Group (t) 	<ul style="list-style-type: none"> Paper products and pulp for consumer products of the Kao Group Office paper and other paper used in the Kao Group 		
	Confirm traceability to small oil palm farm			Finish	2025
	A (farms)	<ul style="list-style-type: none"> A: The number of small oil palm farms for which traceability is confirmed (farms) 	<ul style="list-style-type: none"> Small oil palm farms 		

Kirei Lifestyle Plan KPI definitions 103-1,103-2,103-3

Making the world healthier & cleaner

Kao Actions	Indicator			Target value	Target year
	Formula	Factor	Scope		
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			100%	2030
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> A: Number of products satisfying conformance criteria for Decarbonization, Zero waste and / or Water conservation (pcs) B: Total number of products (pcs) 	• Consumer products of the Kao Group (top-selling 95% of products)		
	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Every year
	—	Obtain A rankings in CDP for Climate Change, Water Security and Forest simultaneously	• Kao Group		
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)			22%	2030
	$(1 - A / B) \times 100 (\%)$	<ul style="list-style-type: none"> A: Annual lifecycle CO₂ emissions of the year in question (t-CO₂) B: Annual lifecycle CO₂ emissions of the base year (t-CO₂) * Base year: 2017 	<ul style="list-style-type: none"> Entire lifecycle process for consumer products of the Kao Group Raw materials procurement, manufacturing and distribution of industrial-use products of the Kao Group 		
	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)			28%	2025
				55%	2030
	$(1 - A / B) \times 100 (\%)$	<ul style="list-style-type: none"> A: Annual scope 1 + 2 CO₂ emissions for the year in question (t-CO₂) B: Annual scope 1 + 2 CO₂ emissions for base year (t-CO₂) * Base year: 2017 	• Factories, offices, logistics centers and company cars owned by the Kao Group		
	% of renewable energy in electricity consumption			100%	2030
Zero waste	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> A: Quantity of consumed electricity produced from renewable energy (kWh) B: Quantity of electricity consumption (kWh) 	• Kao Group factories, offices and logistics centers		
	Quantity of fossil-based plastics used in packaging			Will peak and begin to decline	2030
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> A: Quantity of plastic packaging of the year in question (t) B: Quantity of plastic packaging of the previous year (t) 	• Quantity of plastic packaging used by Kao Group (consumer products)		
	Quantity of innovative film-based packaging penetration for Kao and others per annum			300 million	2030
	A + B (pcs)	<ul style="list-style-type: none"> A: Sales quantity of innovative film-based packaging (Kao Group) (pcs) B: Sales quantity of innovative film-based packaging using and applying Kao technologies (other companies) (pcs) 	• Kao Group and other companies		
	% of products which have eliminated eye-catching plastic stickers			100%	2021
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> A: Number of products which have eliminated eye-catching plastic stickers B: Number of applicable products 	• Consumer products of the Kao Group		
	% of recycled plastic in plastic packaging			Plan to disclose in 2023	2030
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> A: Quantity of recycled plastic used in plastic packaging of the year in question (t) B: Quantity of plastic packaging of the year in question (t) 	• Quantity of plastic packaging used by Kao Group (consumer products)		

Kirei Lifestyle Plan KPI definitions 103-1,103-2,103-3

Making the world healthier & cleaner

Kao Actions	Indicator			Target value	Target year
	Formula	Factor	Scope		
Making the world healthier & cleaner					
Zero waste	Practical use of innovative film-based packaging made from collected pouches			Products launch	2025
	Products launch	Launch of innovative film-based packaging made from collected pouches	• Kao Group		
	% of recycled plastic used in PET containers (Japan)			100%	2025
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> • A: PET containers using recycled plastic (pcs) • B: PET containers (pcs) 	• Bottles of PET material used in household products of Kao Corporation (excludes cosmetics and commercial-use products)		
	Of the waste generated from Kao sites*, ratio of waste that cannot be recycled * Beginning with production sites			Zero (less than 1%)	2030
	$(A + B) / C \times 100 (\%)$	<ul style="list-style-type: none"> • A: Quantity of waste directly sent to a landfill (t) • B: Quantity of waste simply incinerated (incinerated without heat recovery) (t) • C: Quantity of waste emissions (t) 	<ul style="list-style-type: none"> • Waste corresponding to industrial waste based on Japanese law • Excluding waste that must be directly sent to a landfill or simply incinerated based on laws, ordinances or similar 		
	% reduction of discarded products and discarded sales promotion materials (Base year: 2020)			95%	2030
	$(B - A) / B \times 100 (\%)$	<ul style="list-style-type: none"> • A: Weight of discarded products and discarded sales promotion materials for the year in question*¹ (t) • B: Weight of discarded products and discarded sales promotion materials for the base year*² (t) *¹ Discarded sales promotion materials: Unshipped portion *² Base year: 2020 	• Consumer products of the Kao Group (Japan)		
Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)			10%	2030
	$[1 - (A_1/A_2) / (B_1/ B_2)] \times 100 (\%)$	<ul style="list-style-type: none"> • A₁: Annual lifecycle water use for the year in question (million m³) • A₂: Sales for the year in question (hundred million yen) • B₁: Annual lifecycle water use for the base year (million m³) * Base year: 2017 • B₂: Sales for the base year (hundred million yen) 	<ul style="list-style-type: none"> • Entire lifecycle process for consumer products of the Kao Group • Raw materials procurement, manufacturing and distribution of industrial-use products of the Kao Group 		
	% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)			40%	2030
	Plan to disclose in 2023				
Air & water pollution prevention	% of factories which disclose VOC and COD emissions			100%	2025
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> • A: The number of factories which disclose VOC and COD emissions (factories) • B: Total number of factories (factories) 	• Factories owned by the Kao Group		

Kirei Lifestyle Plan KPI definitions 103-1,103-2,103-3

Walking the right path

Kao Actions	Indicator			Target value	Target year
	Formula	Factor	Scope		
Walking the right path					
Effective corporate governance	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Every year
	Selected	Listed as one of the “World’s Most Ethical Companies®” by Ethisphere Institute	• Kao Group		
	Number of serious compliance violations per annum			Zero	Every year
	A (cases)	<ul style="list-style-type: none"> Compliance violations that have a significant impact on management and significantly damage corporate value These violations are decided through opinions solicited from the Compliance Committee Secretariat (including evaluations and proposals by external lawyers from a third-party view), the Compliance Committee and Audit & Supervisory Board Members and deliberations by the Management Board considering the maliciousness of the violation and its impacts inside and outside our company, and the conclusions are reported to Executive Officers Meeting and the Board of Directors. 	• Kao Group		
Full transparency	% of consumer product brands for which people can easily access complete ingredients information			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> A: The number of brands that satisfy the following conditions (brands) <ul style="list-style-type: none"> Brands that disclose the ingredient names for designated ingredients above a defined amount B: Number of brands including the designated ingredients (brands)* * From 2021, scope is only brands that include the designated ingredients 	<ul style="list-style-type: none"> Consumer products of the Kao Group - The number of brands as of December 31 each year - Excludes foods and tools 		
Respecting human rights	% response rate to human rights due diligence (internal risk assessment)			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> A: The number of factories (factories) and companies (companies) that conduct due diligence assessments B: The total number of factories (factories) and companies (companies) of the Kao Group 	• Factories and offices owned by the Kao Group		
	% response rate to human rights due diligence (supplier risk assessment)			100%	2025
	A / B × 100 (%)	<ul style="list-style-type: none"> A: The number of suppliers that have conducted due diligence assessments in the last three years from the applicable year (suppliers) B: The number of suppliers that Kao does business with in the applicable year (suppliers) 	• Direct materials suppliers of the Kao Group		
	% response rate to human rights due diligence (contractor risk assessment)			100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> A: The number of contractors that have conducted due diligence assessments in the last three years from the applicable year (contractors) B: The number of contractors that Kao has contracted in the applicable year (contractors) 	• Contractors in factories and offices owned by the Kao Group		
Inclusive & diverse workplaces	Affirmative answer rate to a question on “Inclusive organizational culture” on our employee engagement survey			75%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> A: The number of affirmative answers to a question on “Inclusive organizational culture” on our employee engagement survey (answers) B: The number of answers to a question on “Inclusive organizational culture” on our employee engagement survey (answers) 	• Employees of the Kao Group		
	% of female managers			Same as % of female employees	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> A: The number of female managers (persons) B: The total number of managers (persons) 	<ul style="list-style-type: none"> Employees of the Kao Group All managers 		

Kirei Lifestyle Plan KPI definitions 103-1,103-2,103-3

Kao Actions	Indicator			Target value	Target year
	Formula	Factor	Scope		
Walking the right path					
Employee wellbeing & safety	Lost time accident frequency rate (per million hours worked)			0.1	2030
	$A / B \times 1,000,000$ (persons / million hours)	<ul style="list-style-type: none"> A: The number of dead and injured (persons who were absent one or more days from work and lost a part of body or function) (persons) B: Total number of actual working hours (hours) 	• Employees of the Kao Group		
	Average number of lost long-term work days (days/people) * Starting from Japan			105	2030
	$(A_1 + A_2 + \dots + A_n) / B$ (days / persons)	<ul style="list-style-type: none"> A: The number of days of leave that satisfy following conditions (days): 1. Extended leave of absence of 30 or more consecutive calendar days 2. Personal illness or injury leave, absence from work or leave of absence, except for leave with pay 3. Applicable illness: Personal illness or injury B: Total number of employees who took leaves of absence from work (persons) 	<ul style="list-style-type: none"> • Employees of the Kao Group in Japan * To expand to all employees of the Kao Group 		
	Ratio of employees who have lost long-term work days per one thousand employees * Starting from Japan			0.12	2030
	$A / B \times 1,000$ (%)	<ul style="list-style-type: none"> A: The number of employees who took extended leaves of absence, satisfying the following conditions (persons): 1. Extended leave of absence of 30 or more consecutive calendar days 2. Personal illness or injury leave, absence from work or leave of absence, except for leave with pay 3. Applicable illness: Personal illness or injury B: Total number of employees (persons) 	<ul style="list-style-type: none"> • Employees of the Kao Group in Japan * To expand to all employees of the Kao Group 		
	Affirmative answer rate to a question on “Degree of vitality” on our employee engagement survey			85%	2030
	$A / B \times 100$ (%)	<ul style="list-style-type: none"> A: The number of affirmative answers to a question on “Degree of vitality” on our employee engagement survey (answers) B: The number of answers to a question on “Degree of vitality” on our employee engagement survey (answers) 	• Employees of the Kao Group		
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			75%	2030
	$A / B \times 100$ (%)	<ul style="list-style-type: none"> A: The number of affirmative answers to a question on “Organizational culture in which employees are encouraged to take on challenges” on our employee engagement survey (answers) B: The number of answers to a question on “Organizational culture in which employees are encouraged to take on challenges” on our employee engagement survey (answers) 	• Employees of the Kao Group		
	Affirmative answer rate to a question on “Effective and flexible work style” on our employee engagement survey			75%	2030
	$A / B \times 100$ (%)	<ul style="list-style-type: none"> A: The number of affirmative answers to a question on “Effective and flexible work style” on our employee engagement survey (answers) B: The number of answers to a question on “Effective and flexible work style” on our employee engagement survey (answers) 	• Employees of the Kao Group		
Responsible chemicals management	% of chemical products and raw materials with disclosed information of benefits and safety to ensure safe usage for our customers			100%	2030
	$A / B \times 100$ (%)	<ul style="list-style-type: none"> A: The number of chemical substances for which risk assessments are done and safety assessment documents are made, and are disclosed on the website (categories) B: The number of Kao priority chemical substances selected from 2020 to 2030 according to production amounts, emissions amounts and public concern (categories) 	• Substances handled by the Kao Group		
	% 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			100%	2030
	$\frac{(A_1 + A_2 + \dots + A_n)_{t_1} + (A_1 + A_2 + \dots + A_n)_{t_2}}{(B_1 + B_2 + \dots + B_n)_{t_1} + (B_1 + B_2 + \dots + B_n)_{t_2}} \times 100$ (%)	<ul style="list-style-type: none"> A: The number of items assessed by risk assessments for chemical substances (items) B: The number of target items of risk assessments for chemical substances (items) C: The number of factories (factories) D: The number of target items of risk assessments (1. Display of GHS at workplaces, 2. Maintenance of SDS, 3. Qualitative assessment, 4. Measures to reduce risks) 	• Factories owned by the Kao Group		

External evaluations and recognitions

External evaluation (as of April 30, 2022)

Kao has been well-received every year across the globe.

We have been selected as a triple A company in the three fields of climate change, forest, and water security for two consecutive years by the international non-profit organization CDP. For 16 consecutive years, we have been announced by the U.S. think-tank Ethisphere Institute as one of the “World’s Most Ethical Companies®.”



Our declarations to society

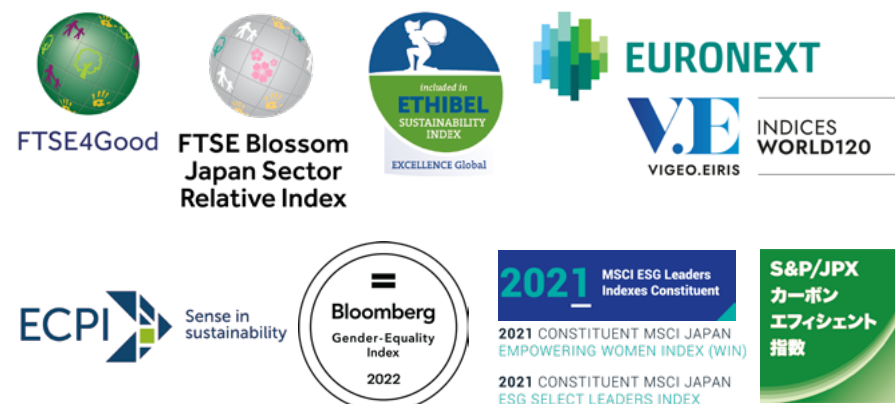


Support for the United Nations Global Compact
www.kao.com/global/en/sustainability/our-approach-to-klp/globalcompact/

Declaration of Consumer-orientation
www.kao.com/jp/corporate/sustainability/our-approach-to-klp/customer-first/
 (Japanese)

Socially responsible investment index (as of April 30, 2022)

Kao has been included in the following leading indexes in recognition of having this credibility globally.



SRI indexes and evaluations (updated as needed)
www.kao.com/global/en/sustainability/recognition/

External evaluations and recognitions


Major recognitions

Award Date	Group name	Name of award or external evaluation	Reason/details for selection	Name of provider (sponsoring organization)
2021/03	Kao Industrial (Thailand)	AMATA Best Waste Management Award: Level 3 (highest)	Achieving the highest rank (Platinum rank) in 2021 for waste management conforming to Industrial Estate Authority of Thailand (IEAT) requirements, Kao Industrial (Thailand) received the award for the fourth consecutive year	Amata City Industrial Estate, IEAT
2021/04	PT Kao Indonesia	Top CSR Awards 2021	Achieving 3 Stars (rank from 1–5 stars) for CSR systems, policies and implementation at the Good level, with most of these for both the COVID-19 pandemic and sustainable business growth supporting PT Kao Indonesia's business strategy	Top Business Magazine
2021/05	Kao Corporation	Environmental Technology Prize, 53rd Japan Chemical Industry Association Technology Award (2020)	Recognizing Kao's development of ultra-low temperature fixable toner LUNATONE as an original or improved technology with markedly reduced environmental impact that contributes to scientific and technological advances	Japan Chemical Industry Association
2021/06	Kao Industrial (Thailand)	National Occupational Safety & Health Awards	Recognizing plants satisfying Ministry of Labour standards for occupational safety and health management, Kao Industrial (Thailand) received the award for the third consecutive year	Ministry of Labour of Thailand
2021/06	Kao Corporation	Minister of Economy, Trade and Industry Award, Green & Sustainable Chemistry Awards	Recognizing excellent contributions to green and sustainable chemistry, the Minister of Economy, Trade and Industry Award is given to groups that make notable contributions to the development of industrial technology. Kao received this award for the fifth time for development of sustainable surfactant Bio-IOS	Japan Association for Chemical Innovation
2021/07	Kao Corporation	Three awards, WorldStar Awards 2021	Recognizing the advanced technological capabilities of <i>Quickle Joan</i> , <i>PAF 1-day Hair Tint</i> and <i>Cape</i> , Kao received awards in the world's pre-eminent award program in the packaging field for the seventh consecutive year.	World Packaging Organization
2021/09	Kao (Taiwan) Corporation	The HR Asia Best Companies to Work for in Asia Awards	Recognizing companies across Asia with the best HR practices that demonstrate high levels of employee engagement and excellent workplace cultures 該獎項針對亞洲各地的公司，旨在表彰具有最佳人力資源實踐、員工敬業度高和工作場所文化優良的公司。	The HR Asia/Business Media International (BMI)
2021/09	PT Kao Indonesia Chemicals	GOLD Award	Recognizing a score of 80% or higher in seven areas of Responsible Care	Committee National Responsible Care Indonesia
2021/09	Kao Industrial (Thailand)	FDA Quality Award (Cosmetic category)	Recognized as a company that produces and distributes high-quality, safe products for Thai consumers, Kao Industrial (Thailand) received the award for the third consecutive year	Food and Drug Administration, Ministry of Public Health of Thailand
2021/10	Kao Corporation Shanghai	Green Development Star	Recognized for continuous improvements to laundry detergent with technological innovation and green development, and making active contributions to the high-quality development of the detergent industry	China Laundry Products Industry Association
2021/10	Kao Industrial (Thailand)	CSR-DIW Award	Implementation by Kao Industrial (Thailand) of the CSR-DIW program, with social responsibility guidelines and seven core subjects in CSR activities was approved by the Department of Industry (MOI), and Kao Industrial (Thailand) obtained CSR-DIW certification	MOI, Ministry of Industry of Thailand
2021/11	Kao Corporation	Gold Award, 4th Cancer Alliance Awards 2021	In addition to being an ally of cancer patients, recognized for detailed initiatives with a declaration to be a company that facilitates working while fighting cancer and received the Gold Award for the second year in a row	Cancer Alliance Division
2021/11	Kao Corporation	Two awards in the 2021 Good Practice Awards	Recognized for two initiatives: the implementation of risk-based chemical substance management through SAICM activities, and the social implementation of infection risk assessments for the Olympic and Paralympic Games by the Hygiene Research Center (Kao), Safety Science Research Laboratories (Kao) and the Infectious Disease Risk Assessment Project in the Mass Gathering Risk Control and Communication (MARCO) project	The Society for Risk Analysis Japan
2021/11	Kao Corporation	Excellent High-pressure Gas Facility	The Wakayama Plant obtained ministerial certification as a certified safety inspector of high-pressure gas in 2000, and was recognized for establishing a safety management system over the subsequent 20 years, implementing the PDCA cycle for safety management, and achieving ongoing improvements	Wakayama Prefecture High-pressure Gas Regional Disaster Prevention Council, Japan
2021/11	Kao (Taiwan) Corporation	3rd place in the Taiwan Corporate Sustainability Awards (TCSA)	Recognizing Kao (Taiwan) Corporation's commitment to promoting company contributions to sustainable development 表揚致力於推動企業邁向永續發展相關工作貢獻。	Taiwan Institute for Sustainable Energy
2021/11	Kao Germany	Gold Award, Germany Packaging Award 2021	Recognized in the Functionality & Convenience category of the Germany Packaging Award for development of an innovative new hair color packaging system, which allows the hair color and the developer to be mixed together inside closed packaging	Federal Ministry for Economic Affairs and Climate Action of Germany
2021/12	PT Kao Indonesia, PT Kao Indonesia Chemicals	Blue Rating in PROPER	Recognized for 100% compliance in management of hazardous waste and air and water pollution control	Ministry of Environment and Forestry of Indonesia

Independent assurance report 102-56

Independent Assurance Report

To the President and CEO of Kao Corporation

We were engaged by Kao Corporation (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the “Indicators”) for the period from January 1, 2021 to December 31, 2021 included in its Kao Sustainability Report 2022 (the “Sustainability Report”) for the fiscal year ended December 31, 2021.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Sustainability Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Sustainability Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of the Company’s Tochigi Plant and PT. Kao Indonesia Chemicals selected on the basis of a risk analysis, as alternative procedures to site visits.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Sustainability Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Sustainability Report.


Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Signature

Kazuhiro Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
June 13, 2022

Notes to the Reader of Independent Assurance Report: This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

To ensure greater transparency of data disclosure relating to environmental and social performance indicators, independent assurance for the Kao Sustainability Report 2022 has been provided by KPMG AZSA Sustainability Co., Ltd. Indicators on which assurance is provided are marked with a check .

Assured data

Category	Data	Pages
Responsibly sourced raw materials	Ratio of certified paper/pulp materials (paper/pulp used in Kao products [excludes some products])	P87
	Certified palm oil purchases (Kao Group)	P87
Decarbonization	Energy consumption (all sites)	P101
	CO ₂ emissions across the entire product lifecycle (Kao Group)	P101
	GHG emissions (all sites)	P101
	Scope 1 CO ₂ emissions	P102
	Scope 2 CO ₂ emissions	P102
	Scope 3 CO ₂ emissions *1,4,11,12	P103
Zero waste	CO ₂ emission during distribution (Japan)	P109
	Amount of waste reused or recycled (all sites)	P120
	Amount of generated waste and other unwanted materials (all sites)	P120
	Changes in amount of food waste	P121
Water conservation	Water consumption across the entire product lifecycle (Kao Group)	P135
	Water consumption (withdrawal) (all sites)	P135
	Water withdrawal amount by source (all sites)	P135
	Wastewater discharge by destination (all sites)	P135
Air & water pollution prevention	NO _x emissions (all production sites)	P145
	Volatile organic compound (VOC) emissions (Kao Group in Japan)	P145
	COD pollution load (all production sites)	P145
Product lifecycle and environmental impact	Output: Material procurement: CO ₂ emissions Output: Development/Manufacturing: GHG emissions Output: Distribution/Sales (facilities and company cars): GHG emissions Output: Distribution (transportation): CO ₂ emissions Output: Use: CO ₂ emissions Output: Disposal/Recycling: CO ₂ emissions	P151
Inclusive & diverse workplaces	Base salary + other cash incentives: Average annual salary (Kao Corporation)	P219
	Base salary: Average annual salary (Kao Corporation)	P219
Employee wellbeing & safety	Lost time accidents frequency rate: Including both regular employees and temporary workers (Kao Group)	P239
	Lost time accidents frequency rate: Subcontractors (Kao Group)	P239
	Number of employees who experienced lost work days due to occupational diseases: Including both regular employees and temporary workers (Kao Group)	P240

Scope of assurance

In general, we report the activities of the Kao Group (Kao Corporation and its subsidiaries).

Exceptions to this scope have been clearly stated as graph’s annotations and in the text.

GRI Standards table 102-55

This report has been compiled with reference to the GRI Sustainability Reporting Standards.
Click on Relevant Sections in Report to display the relevant page.

General disclosures

100: Universal Standards				
GRI 102: General Disclosures 2016				
1. Organizational profile			Relevant Sections in Report	
	102-1	Name of the organization	● Kao Group Overview (external link)	—
	102-2	Activities, brands, products, and services	● Kao Group Fields of Business (external link)	—
	102-3	Location of headquarters	● Kao Group Overview (external link)	—
	102-4	Location of operations	● Kao Group Overview (external link)	—
	102-5	Ownership and legal form	● Kao Group Overview (external link)	—
	102-6	Markets served	● Global Locations (external link)	—
	102-7	Scale of the organization	● Kao Group Overview (external link)	—
	102-8	Information on employees and other workers	● Human capital development: Framework ● Human capital development: Human capital data ● Inclusive & diverse workplaces: Human capital data	P191 P201 P219
	102-9	Supply chain	—	—
	102-10	Significant changes to the organization and its supply chain	—	—
	102-11	Precautionary Principle or approach	● Responsible chemicals management: Kao's creating value to address social issues ● Responsible chemicals management: Mid- to long-term targets and performance ● Responsible chemicals management: Comprehensive Management System for Chemical Substances ● Information security: Kao's creating value to address social issues ● Process safety and disaster prevention: Policies ● Process safety and disaster prevention: Emergency response drills to prepare for large-scale disasters ● Process safety and disaster prevention: Strengthening process safety and disaster prevention	P244 P248 P250 P292 P338 P341 P342
	102-12	External initiatives	● Kirei Lifestyle Plan—Kao's ESG Strategy: Contributions to the SDGs ● "Contributions to the SDGs" in each section ● Responsibly sourced raw materials: Kao vendor summits ● Decarbonization: Collaboration and engagement with stakeholders ● Decarbonization: Efforts in raw materials procurement ● Decarbonization: Examples of major collaboration projects with stakeholders ● Water conservation: Efforts in raw materials procurement ● Water conservation: Participation in China's Nationwide Cleanliness and Water-saving Initiative—a water conservation campaign—for ten consecutive years ● Inclusive & diverse workplaces: Collaboration and engagement with stakeholders ● Biodiversity: Kao's creating value to address social issues	P28 P91 P97 P104 P111 P137 P139 P205 P316
	102-13	Membership of associations	● Safer healthier products: Industry association activities / communication (the Japan Cosmetic Industry Association, the Japan Soap and Detergent Association and the Japan Chemical Industry Association) ● Responsibly sourced raw materials: Collaboration and engagement with stakeholders (SUSTAIN and JaSPON) ● Tax strategies: Collaboration with the Japan Chemical Industry Association (JCIA) ● Biodiversity: Compliance with international agreements	P58 P85 P313 P326

GRI Standards table 102-55

100: Universal Standards

GRI 102: General Disclosures 2016

2. Strategy			Relevant Sections in Report	
	102-14	Statement from senior decision-maker	<ul style="list-style-type: none"> ● Top Message ● Message by Dave Muenz 	P3 P7
	102-15	Key impacts, risks, and opportunities	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Business growth through the realization of the Kirei Lifestyle ● Kirei Lifestyle Plan—Kao's ESG Strategy: Mid-term Plan 2025 (K25) and value creation model ● Kirei Lifestyle Plan—Kao's ESG Strategy: Performance in 2021 ● COVID-19 Response ● "Kao's creating value to address social issues" in each section ● Responsible chemicals management: Comprehensive Management System for Chemical Substances ● Risk and crisis management: Framework ● Risk and crisis management: Mid- to long-term targets and performance ● Intellectual property: Our initiatives ● Process safety and disaster prevention: Emergency response drills to prepare for large-scale disasters 	P10 P13 P26 P32 P250 P270 P272 P310 P341
3. Ethics and integrity				
	102-16	Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> ● Kao's Corporate Philosophy ● Kirei Lifestyle Plan—Kao's ESG Strategy ● Realization of the Kao Corporate Philosophy ● Effective corporate governance: Kao's creating value to address social issues ● Effective corporate governance: Policies 	P8 P9 P35 P155 P156
	102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> ● Effective corporate governance: Framework 	P157
4. Governance				
	102-18	Governance structure	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG governance structure ● Corporate governance: Basic policy 	P16 P255
	102-19	Delegating authority	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG governance structure 	P16
	102-20	Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG governance structure ● Responsibly sourced raw materials: Framework ● Decarbonization: Framework ● Water conservation: Framework ● Effective corporate governance: Framework ● Respecting human rights: Framework ● Human capital development: Framework ● Responsible chemicals management: Framework ● Risk and crisis management: Framework ● Responsible care activities: Framework ● Product quality management: Framework ● Information security: Framework ● Strategic digital transformation (DX): Framework ● Intellectual property: Framework ● Process safety and disaster prevention: Framework 	P16 P85 P98 P133 P157 P179 P191 P247 P270 P276 P287 P294 P302 P308 P339
	102-21	Consulting stakeholders on economic, environmental, and social topics	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG governance structure 	P16
	102-22	Composition of the highest governance body and its committees	<ul style="list-style-type: none"> ● Corporate governance: Corporate governance structure ● Corporate governance: Skill matrix and attending members 	P255 P258

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4. Governance

			Relevant Sections in Report	
	102-23	Chair of the highest governance body	● Corporate governance: Corporate governance structure	P255
	102-24	Nominating and selecting the highest governance body	● Corporate governance: Corporate governance structure	P255
	102-25	Conflicts of interest	—	—
	102-26	Role of highest governance body in setting purpose, values, and strategy	● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG governance structure ● Corporate governance: Corporate governance structure ● Corporate governance: Board of Directors ● Corporate governance: Audit & Supervisory Board	P16 P255 P260 P262
	102-27	Collective knowledge of highest governance body	● Kirei Lifestyle Plan—Kao's ESG Strategy: Roles, structure and frequency of meeting of each organization	P17
	102-28	Evaluating the highest governance body's performance	● Corporate governance: Activities and evaluation of effectiveness in FY2021	P263
	102-29	Identifying and managing economic, environmental, and social impacts	● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG governance structure ● Risk and crisis management: Framework	P16 P270
	102-30	Effectiveness of risk management processes	● Risk and crisis management: Policies ● Risk and crisis management: Framework ● Risk and crisis management: Performance in 2021	P269 P270 P273
	102-31	Review of economic, environmental, and social topics	● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG governance structure	P16
	102-32	Highest governance body's role in sustainability reporting	—	—
	102-33	Communicating critical concerns	● Risk and crisis management: Framework	P270
	102-34	Nature and total number of critical concerns	—	—
	102-35	Remuneration policies	● Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers	P264
	102-36	Process for determining remuneration	● Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers	P264
	102-37	Stakeholders' involvement in remuneration	● Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers	P264
	102-38	Annual total compensation ratio	—	—
	102-39	Percentage increase in annual total compensation ratio	—	—

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100: Universal Standards				
GRI 102: General Disclosures 2016				
5. Stakeholder engagement			Relevant Sections in Report	
	102-40	List of stakeholder groups	● Stakeholder Engagement	P30
	102-41	Collective bargaining agreements	● Human capital development: Situation regarding union members	P201
	102-42	Identifying and selecting stakeholders	—	—
	102-43	Approach to stakeholder engagement	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Employee engagement ● Stakeholder Engagement ● "Collaboration and engagement with stakeholders" in each section ● Improved quality of life: Support for women's empowerment through the Pink Ribbon Campaign ● Habits for cleanliness, beauty & health: Educational program to cultivate habits for cleanliness, beauty & health ● Safer healthier products: Industry association activities / communication ● Sustainable lifestyle promotion: Disseminating information related to sustainable living ● Sustainable lifestyle promotion: Collaboration with stakeholders ● Responsibly sourced raw materials: Collaboration with suppliers ● Decarbonization: Efforts in raw materials procurement ● Decarbonization: Examples of major collaboration projects with stakeholders ● Zero waste: Our initiatives ● Water conservation: Our initiatives ● Air & water pollution prevention: Our initiatives ● Effective corporate governance: Sharing our insights on compliance with outside groups ● Human capital development: Improvement of dialogue with employees and engagement ● Employee wellbeing & safety: Examples of collaboration with stakeholders ● Responsible chemicals management: Create forums for dialogue among industry, government and academia for social implementation of chemicals management ● Biodiversity: Collaboration with other organizations ● Communication with consumers: Our initiatives ● Corporate citizenship activities: Support for cancer education through the Pink Ribbon Campaign 	P22 P30 P43 P47 P58 P66 P67 P91 P104 P111 P123 P137 P146 P166 P199 P233 P251 P329 P336 P357
	102-44	Key topics and concerns raised	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Message from the ESG External Advisory Board ● Decarbonization: Stakeholder engagement ● Zero waste: Stakeholder engagement ● Water conservation: Stakeholder engagement ● Air & water pollution prevention: Stakeholder engagement ● Effective corporate governance: Stakeholder engagement ● Respecting human rights: Stakeholder engagement ● Human capital development: Improvement of dialogue with employees and engagement ● Employee wellbeing & safety: Stakeholder engagement ● Responsible chemicals management: Stakeholder engagement 	P18 P112 P130 P140 P149 P167 P187 P199 P236 P252

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100: Universal Standards				
GRI 102: General Disclosures 2016				
6. Reporting practice			Relevant Sections in Report	
	102-45	Entities included in the consolidated financial statements	—	—
	102-46	Defining report content and topic Boundaries	—	—
	102-47	List of material topics	● Kirei Lifestyle Plan—Kao's ESG Strategy: Kao's ESG Commitments and Actions	P12
	102-48	Restatements of information	—	—
	102-49	Changes in reporting	—	—
	102-50	Reporting period	● Editorial Policy	P2
	102-51	Date of most recent report	● Editorial Policy	P2
	102-52	Reporting cycle	● Editorial Policy	P2
	102-53	Contact point for questions regarding the report	● Back cover	Back cover
	102-54	Claims of reporting in accordance with the GRI Standards	— (This data book has been compiled with reference to the GRI Standards 2016, GRI 207: Tax 2019, GRI 303: Water and Effluents 2018, GRI 306: Waste 2020 and GRI 403: Occupational Health and Safety 2018)	—
	102-55	GRI content index	● GRI standards table	P382
	102-56	External assurance	● Editorial Policy ● Independent assurance report	P2 P381
GRI 103: Management Approach 2016				
	103-1	Explanation of the material topic and its Boundary	● Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets ● Kirei Lifestyle Plan—Kao's ESG Strategy: Impacts on society through the value chain ● The Management part in each section ● Kirei Lifestyle Plan KPI definitions	P24 P29 P373
	103-2	The management approach and its components	● Kirei Lifestyle Plan—Kao's ESG Strategy: Selection process for the Kao Actions as material themes ● Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets ● The Management part in each section ● Kirei Lifestyle Plan KPI definitions	P14 P24 P373
	103-3	Evaluation of the management approach	● Kirei Lifestyle Plan—Kao's ESG Strategy: Selection process for the Kao Actions as material themes ● Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets ● The Management part in each section ● Kirei Lifestyle Plan KPI definitions	P14 P24 P373

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Materials

200: Economic topics					
Economic Performance			Relevant Sections in Report		Indicators on which third-party assurance is provided (IZ)
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	—	—	
	201-2	Financial implications and other risks and opportunities due to climate change	● Decarbonization: Kao's creating value to address social issues	P94	
	201-3	Defined benefit plan obligations and other retirement plans	—	—	
	201-4	Financial assistance received from government	—	—	
Market Presence					
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	—	—	
	202-2	Proportion of senior management hired from the local community	—	—	
Indirect Economic Impacts					
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	● Corporate citizenship activities: Mid- to long-term targets and performance ● Corporate citizenship activities: Performance in 2021 ● Corporate citizenship activities: Our initiatives	P347 P348 P351 P352 P354 P364 P369	
	203-2	Significant indirect economic impacts	—	—	
Procurement Practices					
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	—	—	
Anti-corruption					
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	—	—	
	205-2	Communication and training about anti-corruption policies and procedures	● Effective corporate governance: Education and promotion ● Effective corporate governance: Compliance Message	P156 P164	
	205-3	Confirmed incidents of corruption and actions taken	—(P164 Compliance hotline operational status and 2021 regulatory violations: No applicable incidents)	—	
Anti-competitive Behavior					
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	—(P164 Compliance hotline operational status and 2021 regulatory violations: No applicable incidents)	—	
Tax					
GRI 207: Tax 2019	207-1	Approach to tax	● Tax strategies: The Management part	P312	
	207-2	Tax governance, control, and risk management	● Tax strategies: The Management part	P312	
	207-3	Stakeholder engagement and management of concerns related to tax	● Tax strategies: Collaboration and engagement with stakeholders	P313	
	207-4	Country-by-country reporting	● Tax strategies: Performance report and tax payment record	P314	
300: Environmental topics					
Materials			Relevant Sections in Report		Indicators on which third-party assurance is provided (IZ)
GRI 301: Materials 2016	301-1	Materials used by weight or volume	● Product lifecycle and environmental impact	P151	
	301-2	Recycled input materials used	● Sustainable lifestyle promotion: Launch of recycled PET for use in PET bottles ● Zero waste: Performance in 2021 ● Zero waste: Initiatives taken in relation to our products / Initiatives targeting packaging	P65 P120 P124	
	301-3	Reclaimed products and their packaging materials	● Zero waste: Initiatives taken in relation to our products / Initiatives targeting packaging	P124	

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300: Environmental topics					
Energy			Relevant Sections in Report		Indicators on which third-party assurance is provided (a7)
GRI 302: Energy 2016	302-1	Energy consumption within the organization	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 Product lifecycle and environmental impact 	P99 P101 P151	
	302-2	Energy consumption outside of the organization	—	—	
	302-3	Energy intensity	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 	P99 P101	
	302-4	Reduction of energy consumption	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 Decarbonization: Efforts in manufacturing (plants, offices, logistics centers) 	P99 P101 P106	
	302-5	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 	P99 P101	
Water					
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	<ul style="list-style-type: none"> Water conservation: Kao's creating value to address social issues Water conservation: Policies Water conservation: Mid- to long-term targets and performance Water conservation: Performance in 2021 	P131 P132 P134 P135	
	303-2	Management of water discharge-related impacts	<ul style="list-style-type: none"> Water conservation: Policies Water conservation: Mid- to long-term targets and performance Water conservation: Performance in 2021 Air & water pollution prevention: Policies Air & water pollution prevention: Performance in 2021 Air & water pollution prevention: Initiatives to prevent water pollution 	P132 P134 P135 P143 P145 P147	
	303-3	Water withdrawal	<ul style="list-style-type: none"> Water conservation: Mid- to long-term targets and performance Water conservation: Performance in 2021 Product lifecycle and environmental impact 	P134 P135 P151	☑
	303-4	Water discharge	<ul style="list-style-type: none"> Water conservation: Mid- to long-term targets and performance Water conservation: Performance in 2021 Air & water pollution prevention: Performance in 2021 Product lifecycle and environmental impact 	P134 P135 P145 P151	☑ ☑
	303-5	Water consumption	<ul style="list-style-type: none"> Water conservation: Mid- to long-term targets and performance Water conservation: Performance in 2021 Product lifecycle and environmental impact 	P134 P135 P151	☑
Biodiversity					
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<ul style="list-style-type: none"> Biodiversity: Business activities with consideration for the local ecosystem 	P326	
	304-2	Significant impacts of activities, products, and services on biodiversity	<ul style="list-style-type: none"> Biodiversity: Understanding relationships between business and biodiversity Biodiversity: Business activities with consideration for the local ecosystem 	P324 P326	
	304-3	Habitats protected or restored	<ul style="list-style-type: none"> Biodiversity: Business activities with consideration for the local ecosystem Corporate citizenship activities: FURUSATO Environment Conservation Project in Northern Thailand Corporate citizenship activities: Kao Creating Forests for Everyone program 	P326 P352 P353	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—	—	

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300: Environmental topics					
Emissions			Relevant Sections in Report		Indicators on which third-party assurance is provided (✓)
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 Product lifecycle and environmental impact 	P99 P101 P151	✓ ✓
	305-2	Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 Product lifecycle and environmental impact 	P99 P101 P151	✓ ✓
	305-3	Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 Decarbonization: Efforts in distribution Decarbonization: Efforts during use Decarbonization: Efforts in disposal and recycling Product lifecycle and environmental impact 	P99 P101 P109 P110 P111 P151	✓(1,4,11,12) ✓
	305-4	GHG emissions intensity	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 	P99 P101	
	305-5	Reduction of GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2021 	P99 P101	✓
	305-6	Emissions of ozone-depleting substances (ODS)	<ul style="list-style-type: none"> Decarbonization: 3. Reducing the volume of leaked refrigerants and other greenhouse gases 	P107	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	<ul style="list-style-type: none"> Air & water pollution prevention: Performance in 2021 Product lifecycle and environmental impact 	P145 P151	✓
Effluents and Waste					
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	<ul style="list-style-type: none"> Sustainable lifestyle promotion: Kao's creating value to address social issues Zero waste: Kao's creating value to address social issues Zero waste: Policies Zero waste: Performance in 2021 	P60 P113 P114 P120	
	306-2	Management of significant waste-related impacts	<ul style="list-style-type: none"> Sustainable lifestyle promotion: Policies Sustainable lifestyle promotion: Mid- to long-term targets and performance Sustainable lifestyle promotion: Solving problems through <i>Yoki-Monozukuri</i> manufacturing and through products Purpose driven brands: Brands that epitomize the Kirei Lifestyle Zero waste: Policies Zero waste: Mid- to long-term targets and performance Zero waste: Performance in 2021 Zero waste: Our initiatives 	P61 P62 P64 P75 P114 P119 P120 P123	
	306-3	Waste generated	<ul style="list-style-type: none"> Zero waste: Performance in 2021 	P120	
	306-4	Waste diverted from disposal	<ul style="list-style-type: none"> Zero waste: Performance in 2021 	P120	
	306-5	Waste directed to disposal	—	—	
Environmental Compliance					
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	<ul style="list-style-type: none"> Air & water pollution prevention: Performance in 2021 	P145	
Supplier Environmental Assessment					
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	—	—	
	308-2	Negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> Responsibly sourced raw materials: Supplier monitoring Decarbonization: Efforts in raw materials procurement Zero waste: Collaboration with stakeholders based on "eco together" Water conservation: Efforts in raw materials procurement 	P91 P104 P128 P137	

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400: Social topics					
Employment			Relevant Sections in Report		Indicators on which third-party assurance is provided (✓)
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	● Human capital development: Human capital data	P202	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	—	—	
	401-3	Parental leave	● Inclusive & diverse workplaces: Main systems for supporting diversified work styles: Childcare, nursing care and family care related (Kao Corporation) / Employment system utilization status related to childcare, nursing care and family care (Kao Corporation)	P218	
Labor/Management Relations					
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	—	—	
Occupational Health and Safety					
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	● Employee wellbeing & safety: Framework ● Responsible care activities: Standardization of RC activities ● Responsible care activities: Utilization of environmental and safety database ● Process safety and disaster prevention: Framework	P238 P278 P279 P339	
	403-2	Hazard identification, risk assessment, and incident investigation	● Employee wellbeing & safety: Mid- to long-term targets and performance ● Employee wellbeing & safety: Status of occupational accident occurrences / Risk assessment of chemical substances ● Employee wellbeing & safety: Creating a pleasant working environment for employees ● Responsible care activities: Implementation status of the RC Promotion Committee Secretariat Audit ● Responsible care activities: Status of international management system certification ● Process safety and disaster prevention: Strengthening process safety and disaster prevention / High-pressure gas safety	P238 P242 P243 P280 P281 P342	
	403-3	Occupational health services	—	—	
	403-4	Worker participation, consultation, and communication on occupational health and safety	● Employee wellbeing & safety: Collaboration and engagement with stakeholders ● Employee wellbeing & safety: Expansion of the “no accidents with lost work days award system” improving safety awareness ● Employee wellbeing & safety: Sharing safety messages globally ● Responsible care activities: Education about RC activities	P238 P242 P243 P281	
	403-5	Worker training on occupational health and safety	● Employee wellbeing & safety: Education and promotion ● Responsible care activities: Education and promotion ● Responsible care activities: Standardization of RC activities ● Responsible care activities: Education about RC activities ● Process safety and disaster prevention: Education and promotion ● Process safety and disaster prevention: Emergency response drills to prepare for large-scale disasters ● Process safety and disaster prevention: Process safety and disaster prevention educational programs	P238 P276 P278 P281 P338 P341 P343	
	403-6	Promotion of worker health	● Employee wellbeing & safety: The Employee wellbeing part	P220	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	● Decarbonization: Efforts in manufacturing (plants, offices, logistics centers) / Adaptation	P108	
	403-8	Workers covered by an occupational health and safety management system	—	—	
	403-9	Work-related injuries	● Employee wellbeing & safety: Mid- to long-term targets and performance ● Employee wellbeing & safety: Performance in 2021 ● Process safety and disaster prevention: Performance in 2021	P238 P239 P340	✓ (Partial data)
	403-10	Work-related ill health	● Employee wellbeing & safety: Mid- to long-term targets and performance ● Employee wellbeing & safety: Performance in 2021	P238 P239	✓ (Partial data)

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400: Social topics					
Training and Education			Relevant Sections in Report		Indicators on which third-party assurance is provided (☑)
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	● Human capital development: Human capital development investment per regular employee	P201	
	404-2	Programs for upgrading employee skills and transition assistance programs	● Kirei Lifestyle Plan—Kao’s ESG Strategy: Employee engagement ● “Education and promotion” in each section ● Realization of the Kao Corporate Philosophy: Toward achieving our objectives ● Universal product design: Promoting employee UD understanding ● Responsibly sourced raw materials: Education and promotion ● Zero waste: Spreading internal awareness of zero waste ● Effective corporate governance: Performance in 2021 ● Human capital development ● Inclusive & diverse workplaces ● Product quality management: Strengthening of quality management education programs ● Information security: Holding of the 28th TS & Personal Information Protection Promotion Meeting	P22 P38 P54 P92 P127 P161 P188 P204 P290 P300	
	404-3	Percentage of employees receiving regular performance and career development reviews	● Human capital development: Human capital development programs	P197	
Diversity and Equal Opportunity					
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	● Inclusive & diverse workplaces: Diversity promotion activities ● Inclusive & diverse workplaces: Human capital data	P210 P219	
	405-2	Ratio of basic salary and remuneration of women to men	● Inclusive & diverse workplaces: Gender pay gap (Average annual salary of base salary + other cash incentives)	P219	
Non-discrimination					
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	—	—	
Freedom of Association and Collective Bargaining					
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—	—	
Child Labor					
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	—	—	
Forced or Compulsory Labor					
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	—	—	
Security Practices					
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	—	—	
Rights of Indigenous Peoples					
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	—	—	

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400: Social topics					
Human Rights Assessment			Relevant Sections in Report		Indicators on which third-party assurance is provided (✓)
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	<ul style="list-style-type: none"> ● Respecting human rights: Mid- to long-term targets and performance ● Respecting human rights: Performance in 2021 ● Respecting human rights: Human rights due diligence process 	P180 P181 P184	
	412-2	Employee training on human rights policies or procedures	<ul style="list-style-type: none"> ● Respecting human rights: Mid- to long-term targets and performance ● Respecting human rights: Performance in 2021 ● Respecting human rights: Human rights due diligence process ● Respecting human rights: Education and promotion 	P180 P181 P184 P185	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<ul style="list-style-type: none"> ● Respecting human rights: Mid- to long-term targets and performance ● Respecting human rights: Performance in 2021 ● Respecting human rights: Human rights due diligence process 	P180 P181 P184	
Local Communities					
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> ● Responsible chemicals management: Collaboration and engagement with stakeholders ● Corporate citizenship activities: China water conservation campaign ● Corporate citizenship activities: Support for school education through the provision of educational materials ● Corporate citizenship activities: Support for school education through plant and museum tours 	P245 P352 P356 P366	
	413-2	Operations with significant actual and potential negative impacts on local communities	—	—	
Supplier Social Assessment					
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	<ul style="list-style-type: none"> ● Respecting human rights: Human rights due diligence process 	P184	
	414-2	Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> ● Responsibly sourced raw materials: Supplier monitoring ● Respecting human rights: Human rights due diligence process 	P91 P184	
Public Policy					
GRI 415: Public Policy 2016	415-1	Political contributions	—(P163 Revision of the Kao Business Conduct Guidelines and utilization of compliance-related rules: Report confirming that political donations have not been made)	—	
Customer Health and Safety					
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> ● Universal product design: Mid- to long-term targets and performance ● Universal product design: Performance in 2021 ● Safer healthier products: Mid- to long-term targets and performance ● Safer healthier products: Safe and reliable ingredient use and information disclosure ● Purpose driven brands: Brands that epitomize the Kirei Lifestyle ● Transformative innovation: Mid- to long-term targets and performance ● Product quality management: Safety management across the product lifecycle ● Product quality management: Verifying quality management activities through audits and self-checks ● Product quality management: Company-wide consumer- and customer-driven quality management activities 	P51 P52 P57 P58 P75 P79 P285 P290 P291	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	— (P289 “Product recall over the last four years” section of the Product quality management: Report noting that no product recalls have been made within the past four years)	—	

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400: Social topics					
Marketing and Labeling			Relevant Sections in Report		Indicators on which third-party assurance is provided (GZ)
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	<ul style="list-style-type: none"> ● Universal product design: Mid- to long-term targets and performance ● Universal product design: Performance in 2021 ● Universal product design: UD considerations in relation to the products that we launched and the information that we disseminated in 2021 ● Safer healthier products: Safe and reliable ingredient use and information disclosure ● Product lifecycle and environmental impact: Expansion of the range of products that display the “eco together” logo ● Full transparency: Performance in 2021 ● Full transparency: Our initiatives ● Communication with consumers: Framework ● Communication with consumers: Mid- to long-term targets and performance ● Communication with consumers: Performance in 2021 ● Corporate citizenship activities: Barrier-free access to information 	P51 P52 P53 P58 P152 P170 P172 P332 P333 P334 P358	
	417-2	Incidents of non-compliance concerning product and service information and labeling	—	—	
	417-3	Incidents of non-compliance concerning marketing communications	—	—	
Customer Privacy					
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	—	—	
Socioeconomic Compliance					
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	<ul style="list-style-type: none"> ● Effective corporate governance: Compliance hotline operational status and 2021 regulatory violations 	P164	

ISO 26000 table

Click on Relevant Sections in Report to display the relevant page.

Core subjects and issues	Relevant Sections in Report	
6.2 Organizational governance	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG Strategy ●Corporate governance 	P9 P255
6.3 Human rights	<ul style="list-style-type: none"> ●Respecting human rights ●Kao Business Conduct Guidelines (external link) 	P175 —
6.3.3 Due diligence	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG Strategy ●Responsibly sourced raw materials ●Effective corporate governance ●Respecting human rights ●Employee wellbeing & safety 	P9 P83 P155 P175 P220
6.3.4 Human rights risk situations	<ul style="list-style-type: none"> ●Respecting human rights ●Inclusive & diverse workplaces 	P175 P204
6.3.5 Avoidance of complicity	<ul style="list-style-type: none"> ●Responsibly sourced raw materials ●Respecting human rights ●Employee wellbeing & safety 	P83 P175 P220
6.3.6 Resolving grievances	<ul style="list-style-type: none"> ●Effective corporate governance ●Communication with consumers 	P155 P330
6.3.7 Discrimination and vulnerable group	<ul style="list-style-type: none"> ●Employee wellbeing & safety ●Corporate citizenship activities 	P220 P344
6.3.8 Civil and political rights	<ul style="list-style-type: none"> ●Effective corporate governance ●Human capital development 	P155 P188
6.3.9 Economic, social, and cultural rights	<ul style="list-style-type: none"> ●Effective corporate governance ●Employee wellbeing & safety ●Corporate citizenship activities 	P155 P220 P344
6.3.10 Fundamental principles and rights at work	<ul style="list-style-type: none"> ●Effective corporate governance ●Human capital development 	P155 P188

Core subjects and issues	Relevant Sections in Report	
6.4 Labour practices		
6.4.3 Employment and employment relationships	<ul style="list-style-type: none"> ●Effective corporate governance ●Human capital development ●Inclusive & diverse workplaces ●Employee wellbeing & safety 	P155 P188 P204 P220
6.4.4 Conditions of work and social protection	<ul style="list-style-type: none"> ●Human capital development 	P188
6.4.5 Social dialogue	<ul style="list-style-type: none"> ●Human capital development 	P188
6.4.6 Health and safety at work	<ul style="list-style-type: none"> ●Employee wellbeing & safety ●Responsible care activities ●Process safety and disaster prevention 	P220 P275 P338
6.4.7 Human development and training in the workplaces	<ul style="list-style-type: none"> ●Human capital development 	P188
6.5 The environment		
6.5.3 Prevention of pollution	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG Strategy ●Making the world healthier & cleaner ●Responsible chemicals management 	P9 P93 P244
6.5.4 Sustainable resource use	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG Strategy ●Responsibly sourced raw materials ●Making the world healthier & cleaner 	P9 P83 P93
6.5.5 Climate change mitigation and adaptation	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG Strategy ●Making the world healthier & cleaner 	P9 P93
6.5.6 Protection of the environment, biodiversity and restoration of natural habitats	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG Strategy ●Responsibly sourced raw materials ●Making the world healthier & cleaner ●Biodiversity 	P9 P83 P93 P316

ISO 26000 table

Core subjects and issues	Relevant Sections in Report	
6.6 Fair operating practices		
6.6.3 Anti-corruption	<ul style="list-style-type: none"> ● Effective corporate governance ● Corporate governance 	P155 P255
6.6.4 Responsible political involvement	<ul style="list-style-type: none"> ● Effective corporate governance 	P155
6.6.5 Fair competition	<ul style="list-style-type: none"> ● Effective corporate governance ● Corporate governance 	P155 P255
6.6.6 Promoting social responsibility in the value chain	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy ● Responsibly sourced raw materials ● Effective corporate governance ● Corporate governance ● Communication with consumers 	P9 P83 P155 P255 P330
6.6.7 Respect for property rights	<ul style="list-style-type: none"> ● Effective corporate governance ● Intellectual property 	P155 P306
6.7 Consumer issues		
6.7.3 Fair marketing, factual and unbiased information and fair contractual practices	<ul style="list-style-type: none"> ● Responsibly sourced raw materials ● Communication with consumers 	P83 P330
6.7.4 Protecting consumers' health and safety	<ul style="list-style-type: none"> ● Product quality management ● Communication with consumers 	P284 P330
6.7.5 Sustainable consumption	<ul style="list-style-type: none"> ● Making the world healthier & cleaner ● Zero waste ● Product quality management 	P93 P113 P284
6.7.6 Consumer service, support, and complaint and dispute resolution	<ul style="list-style-type: none"> ● Product quality management ● Communication with consumers 	P284 P330
6.7.7 Consumer data protection and privacy	<ul style="list-style-type: none"> ● Effective corporate governance ● Information security 	P155 P292

Core subjects and issues	Relevant Sections in Report	
6.7.8 Access to essential services	<ul style="list-style-type: none"> ● Communication with consumers 	P330
6.7.9 Education and awareness	<ul style="list-style-type: none"> ● Universal product design ● Making the world healthier & cleaner ● Product quality management ● Communication with consumers ● Corporate citizenship activities 	P49 P93 P284 P330 P344
6.8 Community involvement and development		
6.8.3 Community involvement	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy ● Making my everyday more beautiful ● Making thoughtful choices for society ● Making the world healthier & cleaner ● Biodiversity 	P9 P39 P59 P93 P316
6.8.4 Education and culture	<ul style="list-style-type: none"> ● Making my everyday more beautiful ● Habits for cleanliness, beauty & health ● Sustainable lifestyle promotion ● Biodiversity ● Corporate citizenship activities 	P39 P45 P60 P316 P344
6.8.5 Employment creation and skills development	<ul style="list-style-type: none"> ● Corporate citizenship activities 	P344
6.8.6 Technology development and access	<ul style="list-style-type: none"> ● Making my everyday more beautiful ● Making thoughtful choices for society ● Making the world healthier & cleaner 	P39 P59 P93
6.8.7 Wealth and income creation	<ul style="list-style-type: none"> ● Making my everyday more beautiful ● Making thoughtful choices for society ● Walking the right path 	P39 P59 P154
6.8.8 Health	<ul style="list-style-type: none"> ● Employee wellbeing & safety ● Corporate citizenship activities 	P220 P344
6.8.9 Social investment	<ul style="list-style-type: none"> ● Making my everyday more beautiful ● Making thoughtful choices for society ● Making the world healthier & cleaner ● Walking the right path 	P39 P59 P93 P154

TCFD Index

This report has been compiled with reference to the recommendations for disclosure given by the Task Force on Climate-related Financial Disclosures (TCFD).
Click on Relevant Sections in Report to display the relevant page.

Governance

Disclose the organization's governance pertaining to climate-related risks and opportunities.			
Recommended disclosure content		Relevant Sections in Report	
a)	Framework of the Board of Directors' oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> Decarbonization: Framework Water conservation: Framework Risk and crisis management: Framework 	P98 P133 P270
b)	The role of management in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> Decarbonization: Framework Water conservation: Framework Risk and crisis management: Framework 	P98 P133 P270

Strategy

Recommendation: Disclose the actual or latent impact on the business, strategy, and financial planning of climate-related risks and opportunities if such information is important.			
Recommended disclosure content		Relevant Sections in Report	
a)	Climate-related risks and opportunities the organization has identified over the short-, mid- and long-term	<ul style="list-style-type: none"> Decarbonization: Kao's creating value to address social issues Water conservation: Kao's creating value to address social issues Risk and crisis management: Performance in 2021 	P94 P131 P273
b)	Impact of climate-related risks and opportunities on the organization's business, strategy and financial planning	<ul style="list-style-type: none"> Decarbonization: Kao's creating value to address social issues Decarbonization: Mid- to long-term targets and performance Water conservation: Kao's creating value to address social issues Water conservation: Mid- to long-term targets and performance Risk and crisis management: Performance in 2021 	P94 P99 P131 P134 P273
c)	Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	<ul style="list-style-type: none"> Decarbonization: Kao's creating value to address social issues Water conservation: Kao's creating value to address social issues 	P94 P131

Risk management

Recommendation: Disclose how the organization is identifying, evaluating, and controlling climate-related risks.			
Recommended disclosure content		Relevant Sections in Report	
a)	Organization's processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> Decarbonization: Kao's creating value to address social issues Decarbonization: Framework Water conservation: Framework Risk and crisis management: Policies Risk and crisis management: Framework Risk and crisis management: Performance in 2021 	P94 P98 P133 P269 P270 P273
b)	Organization's processes for managing climate-related risks	<ul style="list-style-type: none"> Decarbonization: Framework Water conservation: Framework Risk and crisis management: Policies Risk and crisis management: Framework Risk and crisis management: Performance in 2021 	P98 P133 P269 P270 P273
c)	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<ul style="list-style-type: none"> Decarbonization: Framework Water conservation: Framework Risk and crisis management: Policies Risk and crisis management: Framework 	P98 P133 P269 P270

Metrics and targets

Recommendation: Disclose indicators and targets used in the evaluation and control of climate-related risks and opportunities if such information is important.			
Recommended disclosure content		Relevant Sections in Report	
a)	Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<ul style="list-style-type: none"> Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets—Making the world healthier & cleaner Decarbonization: Mid- to long-term targets and performance Water conservation: Mid- to long-term targets and performance 	P25 P99 P134
b)	Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks	<ul style="list-style-type: none"> Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets—Making the world healthier & cleaner Decarbonization: Scope 1, 2 and 3 CO₂ emissions 	P25 P103
c)	Targets used by the organization to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets—Making the world healthier & cleaner Decarbonization: Mid- to long-term targets and performance Water conservation: Mid- to long-term targets and performance 	P25 P99 P134



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Published in June 2022