

Realization of the Kao Way

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 is made 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 a sense of purpose in all of us. 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.

In 2022, various activities were undertaken to roll out the updated content throughout the company.

Social issues

Environmental issues are intensifying day by day. We have contributed to improving people's daily lives by offering household and chemical products, but production of goods requires large amounts of substances and energy, and large amounts of waste are also created in the processes of production, distribution, sale and consumption. 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 aging, pandemics and respect for diversity, as well as environmental issues.

Policies

It is important that employees not only understand the Kao Way, but that they can apply 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 spirit of the Kao Way, the updated Kao Way emphasizes the three elements to respond to the changes in the wider society; caring for people and the planet, diversity and inclusion, and making bolder moves. To achieve what we aim to by 2030, we will conduct various activities to spread the updated Kao Way throughout the Kao Group.

Strategy

Risks and opportunities

Risks

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

This is an ambitious goal that is 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.



The Kao Way (corporate philosophy)
<https://www.kao.com/global/en/corporate/purpose/kaoway/>

Opportunities

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.

Strategy

By continuing the Kao Way communication activities, we aim to ensure that all Kao employees share the same philosophy, and that our daily activities are based on the Kao Way.

The Kao Way consists of the essence extracted from Kao's history since the founding, and we believe that its succession is important for Kao to continue to exist and remain relevant to society for the next 100 years.

In the long term, we will focus on passing on the spirit and DNA of Kao that we have cherished since our founding to next generations.

To this end, in the short term, we will communicate the content of the Kao Way, which was updated in

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2021, to all employees and promote understanding of the areas particularly emphasized in the update.

Social impact

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. We believe that products and corporate activities provided by employees who share the Kao Way and work together as one will help solve various ESG issues, including environmental issues, and lead to the realization of a Kirei Life for all people and the planet.

On the other hand, if the Kao Way is not shared by employees, resolution of social issues will be delayed. We believe that unless we work together as one team, we will not be able to make significant changes in society.

Business impact

The more the Kao Way becomes widespread throughout the company, 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.

Governance

Framework

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

- Deciding the policy for the 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

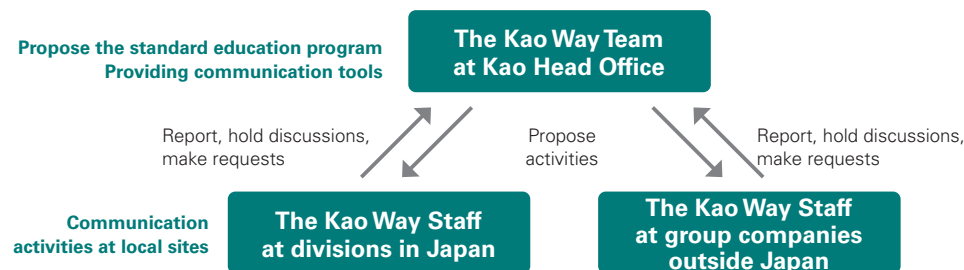
The Kao Way Team supports the Kao Way staff by maintaining close communication, receiving reports and providing advice. The Kao Way communication activities are reported to the supervising executive officer and the president at regular (approximately twice a year) briefing sessions held by the head of Corporate Strategy or above.

The Kao Way team at the Head Office provides standardized education programs and communication tools for the Kao Way staff in all divisions inside Japan and at group companies outside Japan.

The Kao Way staff create the most appropriate program for their organization and implement the education.

Basically, the Kao Way team at the Head Office proposes the framework of activities on a global basis, and the Kao Way staff have the role of embodying these ideas to fit the local situation. We then collaborate through mutual reporting and consultation.

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Education and promotion

The Kao Way communication activities have been conducted on a continual basis since the Kao Way was established 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, the Kao Way communication activities are constantly conducted for the purpose of fostering a feeling 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 understanding of the Kao Way and organizational issues vary among group companies and divisions, staff in charge of the Kao Way communication lead development and implementation of the communication activities considering the appropriate contents for each organization.

Collaboration with stakeholders

Collaboration with the Kao Way staff

We decided to hold new Kao Way Meetings on a regular basis starting in 2022 to share information with the Kao Way staff at group companies outside Japan. By sharing and learning from examples of how the Kao Way communication activities are carried out in other organizations, we hope to further promote the communication of the Kao Way. At the Kao Way Meeting, we set aside time for a question-and-answer

session to exchange opinions. Another initiative for two-way communication is that after the meeting, we distribute a questionnaire asking participants about their impressions of the meeting and for their requests to the Kao Way Team.

Risk management

Kao aims to become a company with a global presence, valuable to society by 2030, but if the Kao Way, our corporate philosophy, does not permeate the entire Kao Group, there is a risk that we will be late in achieving this goal. To ensure this does not happen, we regularly check with the management of each group company through the annual Japanese version of the Sarbanes-Oxley Act (J-SOX) questionnaire to see if they are carrying out activities to promote the Kao Way. If the results of the questionnaire indicate that there are areas where the Kao Way is not being promoted sufficiently, we follow up by approaching the management of that company directly.

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Targets and metrics

Mid- to long-term targets and 2022 results

Mid- to long-term targets

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

2022 results

We continue to implement the Kao Way communication activities.

- We conducted a communication activity on the Kao Way for employees new to the organization: 41/42 organizations

The cumulative results of activities since the update of the Kao Way in July 2021 are as follows:

- We conducted a communication activity consisting of a lecture or video for employees: 42/42 organizations
- We carried out a dialogue-based communication activity for employees: 26/42 organizations

Reviews of 2022 results

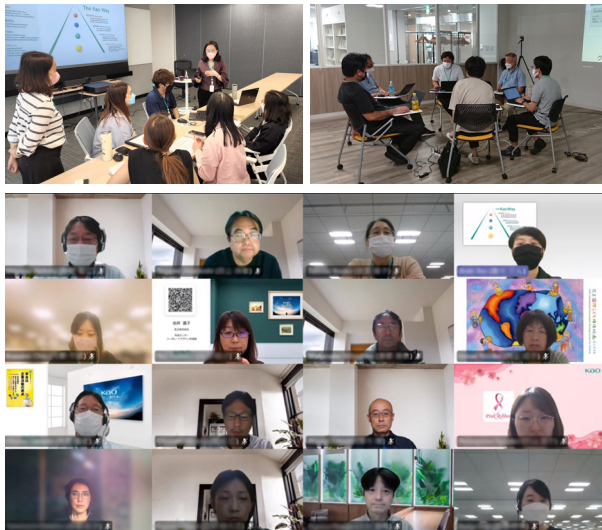
The Kao Way communication activities are progressing well. We are using online workshops and other means to promote dialogue about the Kao Way.

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Main initiatives

Implementation of the Kao Way workshops

Following the update of the Kao Way in July 2021, we conducted the Kao Way workshops within and outside Japan in 2022. Each employee read the full text of the Kao Way and discussed what resonated with them. Inspired by this dialogue, each employee shared with their peers their goals for what they would like to do at Kao. Through these workshops, we aim to personalize the Kao Way and to embody it in our daily work.



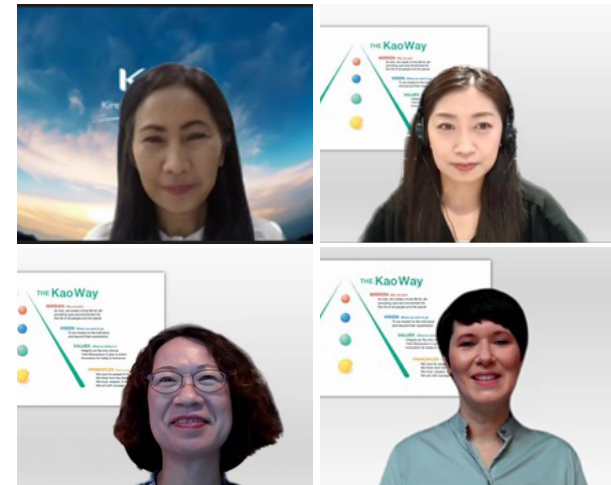
Kao Group New Employee Welcome Day in Japan

In April 2022, we provided the Kao Way training to 118 new Kao Group employees in Japan. By explaining the history of Kao, and the meaning of the words in the Kao Way, we communicated to new employees that the Kao Way is a philosophy created by extracting the spirit of Kao since our founding.



Start of Global Kao Way Meetings

Online meetings were held for the Kao Way staff outside Japan to share information on Kao Way communication activities. At the first meeting in August 2022, EMEA and Thailand shared examples of their activities related to the Kao Way, and 48 Kao Way staff from each country participated. In the second meeting in December, the Kao Way staff from the U.S. and Taiwan shared their cases, with 21 people participating. The purpose of the Kao Way Meeting is to further promote the Kao Way communication by learning what kind of activities are being conducted in other countries and organizations, as well as to strengthen the network among the Kao Way staff.



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Employees' opinions

Maximizing the power and potential of employees through the Kao Way communication activities



Yumi Sugihara

Corporate Culture,
Top Management Support,
Corporate Strategy,
Kao Corporation

We promote the implementation of the Kao Way workshops within and outside Japan. During the workshops in Japan, participants discuss what they thought after reading the Kao Way and share with their peers what they want to accomplish at Kao. Using the Kao Way as a starting point, many employees shared their own dreams and goals, and through active dialogue, considered what changes and challenges that would be necessary to realize them.

We will continue to promote the Kao Way to become a common global language for the Kao Group and to support the growth of both Kao and each and every employee.