

Communication with Consumers GRI 417-1

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 increased natural disasters due to climate change, the impact of epidemics and pandemics on social life, marine plastic waste, and human rights issues, including LGBTQ+ rights and gender equality. Consumers’ interest in businesses is diversifying to encompass initiatives for a sustainable society in addition to products and services. Kao will continue to provide consumer-oriented support and information on products and lifestyles to promote communication with consumers, helping them to live more pleasant lives.

Social issues

To realize a sustainable society, companies are required not only to develop and provide useful and safe products and services, but also to promote ethical consumption behavior by consumers^{*1}. They are required to provide products and services that are more ESG-focused than ever before.

With the expansion of the B2C E-commerce market, businesses must adapt to diverse electronic channels for providing products and services, as well as from selling through brick-and-mortar stores^{*2}.

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 will also be required to communicate with consumers^{*3}.

*1 Consumer Affairs Agency, “Understanding consumer-oriented business”

*2 Ministry of Economy, Trade and Industry, “E-commerce Market Survey”

*3 Immigration Services Agency of Japan, “Number of foreign residents as of the end of 2021 (Reiwa 3)” (The number of permanent residents has increased while the numbers of technical intern trainees and international students has plunged.)

Policies

We are committed to offering products, services and information that benefit consumers based on the principles of the Kao Way.

We strive to understand what consumers think through consultation, serve as a bridge between consumers and Kao products by providing useful everyday products and lifestyle information, attract more fans to Kao, and contribute to “ESG-driven *Yoki-Monozukuri*.”

1. Appropriate information provision and a management framework that can handle serious risks
2. Participation in “ESG-driven *Yoki-Monozukuri*” that contributes to a sustainable society as formulated by KLP
3. Diversification of communication means through DX and expansion of disclosed information to help consumers solve problems on their own
4. Implementation of a consumer support system resistant to emergencies, including pandemics and natural disasters, and promotion of flexible consumer support with work style reforms



Basic policy for handling consumer enquiries
<https://www.kao.com/jp/support/products/consumer/#policy>
 (Japanese)

Strategy

Risks and opportunities

Risks

1. 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
 - Spreading over social media of incorrect usage directions, mistaken product information, etc.
 - Delayed switching over from products that are difficult to recycle, sort and dispose of and have a heavy environmental impact
2. Use of products that were developed for domestic use in other countries
 - Greater scope of damage from delays in product safety determinations and in judging the potential extent of product accidents within and outside Japan
 - Inadequate consideration for cultural and other differences
 - Spreading of inappropriate advertising expressions, scandals involving celebrity spokespersons, etc. over social media
 - Loss of corporate credibility from leaks of obtained personal information

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- Lower risk sensitivity due to decline in telephone and email inquiries
 - Increased posting of inquiries on social media regarding product quality, compliance and social issues
 - Decreased feedback to businesses due to more sales through e-commerce channels, and increased online negative reviews of consumer support and product quality
- 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

Opportunities

- For consumers
 - Provision of accurate product information relating to ingredients, safety, etc.
 - Disclosure of reliability information relating to security and safety
 - Publication of product information based on the lifecycle assessments
 - Proactive release of information about how to get products and the stores that carry them
- For related divisions
 - 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.
- Provision of diversified communication channels to consumers
 - Provision of collected consumer comments and the results of their analysis to related divisions

- Ensuring communication capacity by dispersing locations and times to comply with BCP
 - Provision of diverse work styles leveraging digital technologies to employees in consumer support

Strategy

- Appropriate information provision and a management framework that can handle serious risks
 - Consumer-focused response to inquiries
- Business activity support with the reorganization of the consumer support system in line with the expansion of new business domains and diversified means of sales promotion communication
 - Enhancement of a system to collect and share consumer comments utilized for “ESG-driven *Yoki-Monozukuri*”
- Acquisition of new inquirers by adding new means of inquiries including non-telephone means
 - Promotion of consumer self-service with the timely provision of Q&As that meet the needs of consumers
- Flexible support system with the expansion of consumer support provided by employees working from home (live chat and telephone support)
 - Expansion of consumer support for BCP through effective use of contractors

Social impact

- 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

Contributions to the SDGs



Business impact

- Higher efficiency of consumer communication by providing various means of communication
- Enhanced information disclosure leads to increased resolution of issues by consumers on their own, increasing consumer satisfaction and brand loyalty
- Higher efficiency of handling consumer inquiries through virtual responses utilizing AI
- Multilingual 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

Governance

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.

Activities of the Consumer Communication Center are shared in monthly briefings attended by the responsible Executive Officers and the heads of business divisions. The results of analyses of inquiries are reported in monthly Quality Improvement Study Meetings held by the respective business divisions and attended by related divisions. In these meetings,

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attendees discuss improvements to products and displays, as well as to responses to risks, including product quality.

Consumer 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 of consumer communication. This encompasses managing the Kao 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.

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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 consumer satisfaction through a net promoter score and consumers' willingness to continue using products.

We also hold consumer handling training for consumer support members other than those at the Consumer Communication Center (members at the Kao Museum and the DX Strategy Promotion Center). We and consumer support desks of affiliates outside Japan regularly share cases utilizing the comments of consumers, exchanging suggestions for consumer support and *Monozukuri* to improve our consumer support skills.

This year, we started new workshops for business divisions to heed the comments of real consumers collected through the Kao ECHO System and consider improvements to products and marketing strategies. We are actively engaged in efforts to encourage employee understanding of consumer perspectives and to reflect the comments of consumers into our business activities.

Collaboration 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 handwashing 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*."

Risk management

Among all risk information, the Consumer Communication Center defines urgent and significant risk information as Urgent and Significant Feedback and sets steps to respond to such information. Once obtained, Urgent and Significant Feedback is immediately shared with the head of the Center. After looking into the details (including quality-related trouble, critical body symptoms, reputational risks and compliance violations), the head of the Center shares Urgent and Significant Feedback with all related divisions. The responsible divisions are encouraged to act quickly in accordance with protocols set each by Product Quality Management and Risk Management & Responsible Care. Once registered with the Kao ECHO system, Urgent and Significant Feedback is automatically emailed to relevant employees in related divisions to share this information. This process prevents slowing of information sharing and helps us to take action quickly.

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Management Systems for Implementing Quality Management Activities
<https://www.kao.com/global/en/innovation/safety-quality/safety-quality-policy/management/>

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Corporate Governance Structure and Initiatives
<https://www.kao.com/global/en/corporate/policies/corporate-governance/structure/>

In principle, we direct consumers with compliance-related inquiries to the Compliance Hotlines, and share the Compliance Hotline Operating Policy to enable an appropriate response.



Compliance Hotlines
<https://www.kao.com/global/en/corporate/policies/compliance/compliance-contact/>

The Consumer Communication Center manages personal information and trade secrets in accordance with the Trade Secret Management Manual and the Personal Information Management Manual. These manuals are customized for the Center's responsibilities and work environment based on Kao's Information Security Policy, Guidelines on Handling Trade Secret Information, Guidelines on Handling Personal Information, and IT Security Guidelines (for Administrators) (for Users). To ensure proper management, at least once a year TS & Personal Information Protection Committee members and supervisors who handle personal information conduct self-checks and keep employees up to date with training and awareness-raising. They also revise rules according to the work environment, including teleworking, to prevent information loss or leakage. Furthermore, the steps to take when information is lost or leaked are available to view at any time. This encourages employees to report any incidents quickly.

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Targets and metrics

Mid- to long-term targets and 2022 results

Mid- to long-term targets

- 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 enhancing corporate value
- Share and mobilize consumer feedback in many related internal divisions through the Kao ECHO System, and develop new products and improve products not just for Japan but also 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 Q&A boards (Yahoo! Chiebukuro)
4. Propose "ESG-driven *Yoki-Monozukuri*" from a consumer perspective at internal meetings such as 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

2022 results

1. Answering consumer inquiries by means such as telephone or e-mail (Global)

In 2022, Kao Corporation, Nivea-Kao Co., Ltd. and Kanebo Cosmetics Inc. answered a total of around 173,000 consumer inquiries in Japan received via telephone, e-mail and other means (−4% year on year). The drop is mainly due to a decrease related to COVID-19 (−50% year-on-year). The number of feedback cases rose slightly (+1% year-on-year) while the number of questions dropped by 9% year-on-year. The decline possibly resulted from an increase in self-service thanks to improved Product Q&As site, product catalogs, and other methods of proving information. The proportion of enquiries in the total number of consultations, which had accounted for more than 50% in each of the previous four years, has fallen to around 49% in 2022, and the number of consultations has also fallen to 81% of the total number in 2019.

E-mail inquiries fell to 16,000 (−23% year on year). The fall is due to a rise in the number of consumers who solved problems on their own with enhanced product Q&As and newly introduced chatbots.

By business division, the Skin Care Business received fewer inquiries at approximately 17,000 (−14% year-on-year), and the Home Care Business at approximately 24,000 inquiries (−6% year-on-year), due to a drop in inquiries related to COVID-19. In addition, Cosmetics (*Sofina*, *Curél* and *KANEBO Cosmetics*) received approximately 47,000 inquiries (+3% year-on-year) due to inquiries about new and improved products. The Fabric Care Business received more inquiries at approximately 40,000 (+7% year-on-year) due to complaints related to discontinuation of *Keeping Laundry Starch in Washing Machine*.

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Excluding Japan, globally we received approximately 26,000 inquiries (−8% year on year).

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)

We improved the content of our product Q&A website, a communication channel that allows consumers to solve problems on their own. The website covers all categories of our consumer products, and now has new webpages for our cosmetics. We also introduced AI-powered chatbots. In 2022, traffic to the product Q&A website increased to approximately 4.6 million UU* (+11% year-on-year) due to increased views on weekends and weekday nights as well as by young consumers who do not inquire by phone.

We also quickly collect feedback made through the website’s feedback collecting features, search words, and questions asked on live chats, and reflect them on the product Q&A website and AI chatbots.

* 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 2022, an estimated total 700 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 2022 of the past questions and answers (approximately 9,000 questions) was around 3.55

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.

Questions about disinfection and sterilization of the virus in 2022 changed mainly to those related to disinfection during home treatment of infected people.

With the temperature rise, Kao Official Support received questions for a long period regarding problems involving sweaty clothes, messy bangs and odors from drying clothes indoors.

More questions were posted regarding which Kao products can be taken on to planes as school and private trips resumed.

Kao Official Support also received more questions regarding lower price products and money saving tips, and many questions regarding 100-yen products, amid the consumer product inflation in line with rising energy and raw material prices. In addition, consumers posted more questions regarding the reward-point campaign for cashless payments than in the previous year.

4. External activities 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 2021 and made efforts to communicate that we were continuing the relevant activities.

Implementation of exchange activities involving consumer-oriented events

In 2022, we resumed in-person exchange activities (wellness lectures in July and washing lectures in November). We also held online public lectures (wellness lectures in February). We will continue holding public lectures differentiating ones in-person and online in and after 2023 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 with it. In 2022, we also conducted an internal audit confirming our compliance.

We report to top management on the status of monthly consumer counseling topics, customer harassment countermeasures, and the initiation of home phone counseling, and work to improve the consumer counseling process in response to the judgments and feedback from top management. In 2022, we developed BCP guidelines for infectious diseases and customer harassment countermeasures. We also revised the customer handling procedures in the case of voluntary recalls and the reputational risk response guidelines.

Affiliated companies outside Japan are also starting to apply the inquiry response guidelines based on the requirements of ISO 10002.

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Reviews of 2022 results

The product Q&A website and AI chatbots need to provide information that consumers are searching for. We believe we can enable consumers to solve problems anytime on their own through their preferred means of communication by collecting comments from them through online interactive communication, and implementing the PDCA cycle based on the collected information. This information includes feedback received through questionnaires on the website, search words, and live chats.

Communication with Consumers

Main initiatives

Lifestyle Research (Kurashi no kenkyu) website that provides expert information from Kao's consumer research and tips useful for comfortable living

Three years into living with COVID-19, society has seen a gradual shift toward an everyday life with fewer restrictions. However, the invasion of Ukraine by Russia and the depreciation of the yen have caused prices to soar to unprecedented levels, and people have a growing interest in reviewing their lifestyle and taking action to protect their lifestyle due to anxiety about the future, and companies are required to provide highly reliable information.

We launched the Lifestyle Research website in 2014 that provides expert information from our consumer research and tips useful for a comfortable living. In 2022, we redesigned the website to offer a more user-friendly design and smoother navigation. We also worked to provide information in a more effective and timely manner by using past articles in addition to new ones.


Our reports on consumer research surveys featured topics of high interest that also attracted attention as social issues and were sympathized with by many readers. The report topics include the following: the reality of and approach to male menopause as well as female menopause; attitude and behavior changes around men's makeup seen mainly among young men; and a fixed-point survey revealing changes among consumers in their household budgeting as well as in their attitude and behavior around money saving amid soaring prices. The data we have disseminated has been widely reported in newspapers, television, online news, and books.

The Useful Lifestyle Information provides useful information according to the changes in our social situation. Among the information offered are winter

facial care tips for a mask-covered face and also facial massage tutorial videos for post-mask life. We have also made efforts to disseminate reliable information on energy and money saving techniques, which are of great interest to consumers, to help them cope with rising prices by putting them into practice.

The information provided on the Lifestyle Research website has been very well received by consumers. The number of individual visitors to the site has continued to increase each year, reaching a record high along with the number of site visits. We will continue to improve how we provide useful and highly reliable information for consumers via the Lifestyle Research website, with a focus on supporting the everyday life of consumers.



 Lifestyle Research website
<https://www.kao.co.jp/lifei/> (Japanese)

Consumer Research Reports Published in 2022 Grasping Consumers' Current and Future Situations

April	Lifestyle Survey through the Lens of Workstyle: Telework-Driven Changes in Housework Time
June	Possible Signs of Menopause Disorders Overcoming Menopause with Accurate Knowledge and Support from Others
August	Overcome the Unprecedented Price Increase Rush! Consumers' Defensive Spending Patterns in 2022
October	Self-Expression with Men's Makeup Beauty-Conscious Men in Their Twenties Want to Have Clear Skin
November	Handling Discomfort and Irritability in Your 40s and Beyond! Have You Heard about Male Menopause?

Lifestyle information published in 2022 Useful Information for Comfortable Living

February	Face Masks Can Cause Dry Skin Winter Facial Care Tips to Feel More Comfortable
March	How to Better Wash Scarves, Beanies, Gloves and Furs
April	How to Use a Hair Straightener the Right Way: Six Useful Tips for Beginners
May	Kao researcher explains in detail in video "Basic Face Washing" by a professional
June	Three Hints to Preventing Mold and Bacteria in the Bathroom
July	Tips on Saving Money and Power to Fight Inflation and Power Shortages
August	Smelly Feet Remedies and Summer Floor Care
September	How to Fix a Saggy Face and Laugh Lines for Post-Mask Life Facial Massage Tutorial by a Pro
November	Window Screen Cleaning without Using Water or Removing Screens How to Get Rid of Dirt and Clogging
December	Preparation Steps and Detergent to Easily Clean a Greasy Range Hood and Filter

Communication with Consumers

Employees' opinions

Supporting consumers through support channels that suit the current times

Kanako Yamauchi

Consumer Relations 3,
Consumer Relations
Consumer Communication Center



We started support using live chat as a tool for consumers to solve problems quickly, and asking questions freely if they prefer not calling or emailing.

We find it difficult to quickly understand the intent of consumers as we exchange short messages, but we, as a team, try to prioritize their anxiety and

concerns so that consumers can feel the warmth of person-to-person communication.

We have received comments of appreciation for live chat support from young consumers, consumers with hearing loss, consumers with children and consumers who prefer anonymity due to their sensitive inquiries. We feel that we are one step closer to realizing an environment for everyone to make inquiries easily.

We will strive to offer consumer support that will not leave anyone behind by continuing to introduce new tools that suit the current times and to actively collect comments from consumers.