


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. This has prompted a variety of activities to reinforce communication of the Kao Way throughout the Kao Group. Continuing from preceding years, many activities related to the Kao Way took place both within and outside Japan in 2023.

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

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 the 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 population aging, pandemics and respecting 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 communication activities will not conclude just by providing training; it is necessary to continue supporting all employees so that they realize the

Kao Way and so the philosophy takes root in the corporate culture as a living principle that is practiced daily. Unless activities are conducted constantly while we have a certain level of staff turnover, the Kao Way will not spread and will fade from employees' awareness in the midterm. Moreover, when we acquire a company, we should provide education on the Kao Way early; otherwise, the fusion of corporate cultures will not progress, leading to a loss of consistency in business activities.

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 that is 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.

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Strategy

By continuing the Kao Way communication activities, we aim to ensure that this philosophy permeates to all Kao employees and they can think and act accordingly as second nature in their daily work.

The Kao Way consists of the essence extracted from Kao's history since its 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 the next generations.

To that end, we will make it easy to practice the Kao Way in daily work while communicating to all employees the points of the Kao Way as updated in 2021, and promote understanding of the philosophy's highlights.

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, the 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 K27 targets will also be achieved, because we can anticipate that employees will display initiative in taking action aligned with our strategy.

Governance

Framework

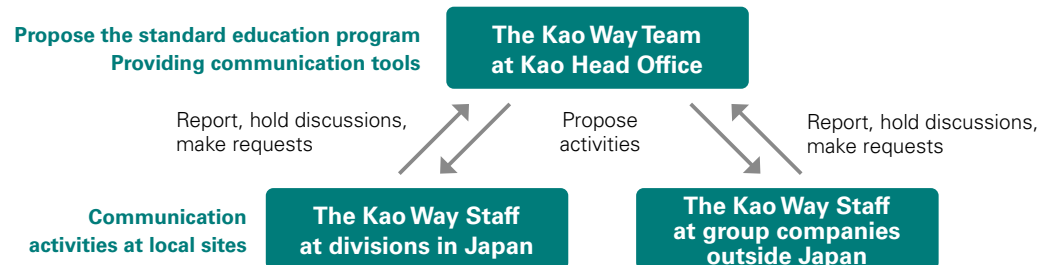
The Kao Way team at the Head Office exists within Corporate Strategy. This team has the following functions and leads global activities to communicate the Kao Way:

- 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 and CEO 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.



Realization of the Kao Way

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 the development and implementation of the communication activities considering the appropriate content for each organization.

Collaboration with stakeholders

Collaboration with the Kao Way staff

Continuing from the previous year, we held the Kao Way Meeting in 2023, a meeting which was established in 2022 to share information among the Kao Way staff in various divisions inside and 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.

To ensure continuous implementation of the Kao Way communication activities, it is important to appoint a person in charge of the Kao Way in each organization and periodically encourage them to carry out the activities. When Kao has acquired a company, staff should provide education on the Kao Way early so that all employees can share the common philosophy. For the content and methods of the activities, we always seek effective approaches that will lead to the realization of the Kao Way, rather than sticking only to proven approaches.

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Metrics and targets

Mid- to long-term targets and 2023 results

Mid- to long-term targets

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

2023 results

We continue to implement the Kao Way communication activities.

- We provided employees with lectures and videos about the Kao Way: 44/57 organizations
- We provided opportunities to have a dialogue about the Kao Way: 37/57 organizations
- We conducted a communication activity on the Kao Way for employees new to the organization: 49/57 organizations

Main initiatives

Reviews of 2023 results

The Kao Way communication activities are progressing well. Although the specific methods may vary by company and division, each organization is promoting Kao Way communication activities that suit their situations.

Implementation of the Kao Way workshops

In 2023, we held Kao Way workshops within and outside Japan, continuing from 2022, when we launched it following the Kao Way's July 2021 update. Each employee read the full text of the updated Kao Way, and had dialogue with others based on it. With the Kao Way as the starting point, they discussed what aspects of the Kao Way they could relate to and what they would like to do at Kao, from a different perspective from their usual work. Sharing their thoughts and goals with their peers helps to clarify their goals and reinforce their determination, making these workshops meaningful occasions. Through such interactive events, we aim to help employees personalize the Kao Way and embody it in their daily work.



Processing Development Research



ESG Division



Kao Business Associe

Kao Group New Employee Welcome Day in Japan

In April 2023, we provided Kao Way training on “Kao’s history and the Kao Way” to 186 new Kao Group employees in Japan. While learning Kao’s history, the new hires were familiarized with the “Kao spirit that has been passed down since the company’s founding,” as seen in the Kao Way. This helps to instill a sense of pride and anticipation about working at Kao on their first day at work.



New Employee Welcome Day

Realization of the Kao Way GRI 404-2

Techno School Training

In September 2023, we held a “Workshop on Kao’s History and the Kao Way” for participants in Techno School, a training program for select employees in Supply Chain Management (SCM). Launched in 1989, Techno School is a periodic divisional training program aimed at fostering *Genba* leaders who have both the necessary mindset and skills. In 2023, 14 SCM leader candidates from six countries participated, transcending national and company boundaries to learn Kao’s history and the Kao Way together.

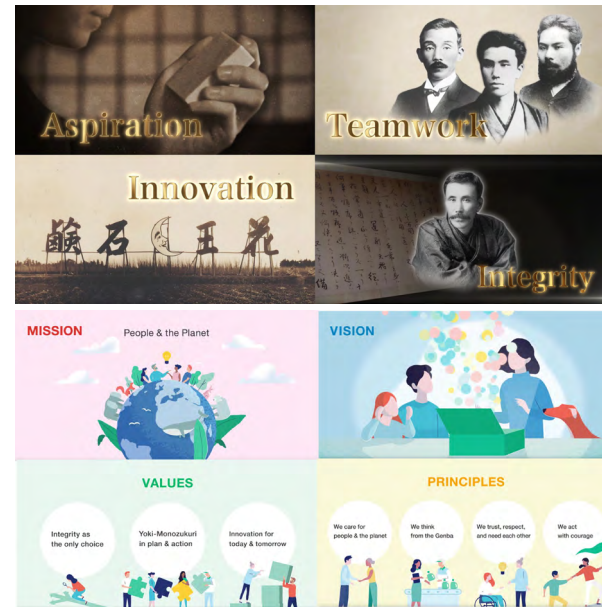
The participants enhanced their understanding through a tour of the Kao Museum, lectures on the Kao Way, and group work to personalize the Kao Way.



Techno School

Created a basic video to learn the Kao Way

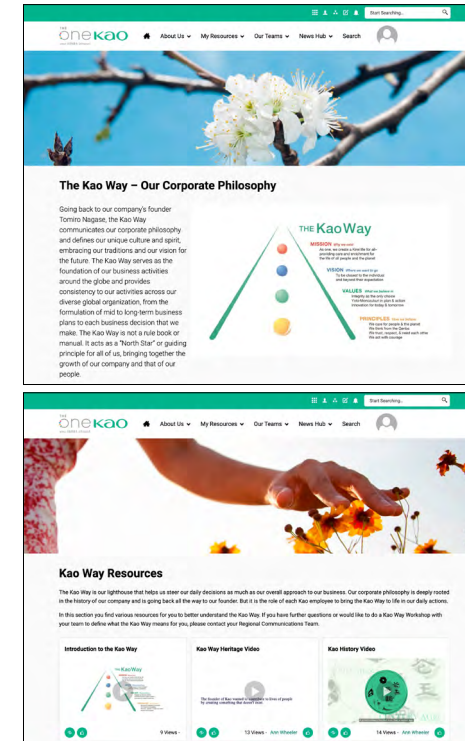
We created a new video, “What is the Kao Way?” in Japanese, English, and Chinese to communicate our corporate philosophy to newly hired Kao Group employees in a clear and simple way. This video provides a digest of Kao’s history, which is the origin of the Kao Way, and explains the meaning of the words used in it. This video is currently provided to approximately 20 Kao Group companies around the world for initial orientations for new employees and other purposes.



Video “What is the Kao Way?”

The Kao Way featured on AEMEA’s new intranet site

The new intranet site launched for the AEMEA region in January 2023 has a page dedicated to communicating the Kao Way. The full text of the Kao Way and related materials are available there.



AEMEA intranet site

Realization of the Kao Way GRI 404-2

Holding Global Kao Way Meetings

Continuing from 2022, we held a meeting for the Kao Way staff based outside Japan in May 2023 to share information about Kao Way communication activities. For this third meeting, Kao Specialties Americas presented case studies on Kao Way communication activities. The Head Office also hosted a presentation on Kao's history given by the director of the Kao Museum, providing an opportunity to learn about initiatives taken by Tomio Nagase the Jr., the son of the founder, and his contributions to society.

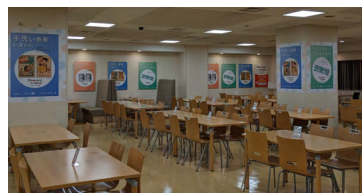
Twenty-seven Kao Way staff members from around the world joined the event and engaged in a lively discussion. We aim to continue sharing information among the Kao Way staff members and strengthening the network.



Global Kao Way Meetings

Discover the Spirit —Kao Spirit Rediscovery Campaign

With the aim of making employees like Kao more and hold pride in being Kao employees, we implemented an internal campaign for the first time at two of our worksites in Japan. This involved holding various events and introducing a range of different tools to communicate the “Kao Spirit” to employees through Kao's history and the Kao Way. We launched this new initiative to strengthen the engagement by exposing employees to Kao's spirit in their daily lives, which included running events at the Kao Museum, displaying posters in the employee cafeteria, and organizing round-table talks to promote dialogue among themselves.



Employee cafeterias



Exhibit at the entrance of the cafeteria



Round-table talks

Employees' opinions

Discover the Spirit —Kao Spirit Rediscovery Campaign



Hiromi Fujiwara

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

We took the initiative to hold our first internal campaign. Since employees are usually busy and have little exposure to Kao's history and the Kao Way, we displayed relevant information so it would effortlessly catch their eyes as they walked by during work hours and made sure to communicate the Kao Way in a tone that makes this philosophy sufficiently simple and approachable. We planned and promoted the campaign with the hope of simultaneously communicating Kao's history and the Kao Way and reminding employees that the spirit cherished by our predecessors has built our current corporate culture, thereby driving future activities. In the times ahead, in addition to communications from our end, we would like to provide opportunities for each employee to share their own specific examples of embodying the Kao Way with one another.