

Inclusive & Diverse Workplaces GRI 404-2

To make diversity into a strength and realize solutions to various social issues, we strive to create an environment and culture where each employee can exert their capabilities and individuality to the fullest, and both individuals and the company can flourish.

Social issues

Social values and lifestyles are undergoing significant changes and are diversifying. In addition, business has become globalized, and 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 a different set of values compared to older generations, people's mindsets about work and life and employees' expectations for their company are changing based on thinking that is unconstrained by what was previously taken for granted.

Under such circumstances, it is essential to proactively approach these social changes by creating an environment and corporate culture where diverse employees feel motivated to work by striving to develop activities that promote Diversity, Equity and Inclusion (DE&I) as a fundamental mode of human capital development in order to create continuous corporate growth.

Policies

The Kao Way—our corporate philosophy—stipulates 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. On this

basis, as a company whose strength lies in the breadth of the products and services that have been created through innovations that span the entire spectrum from the development of raw materials to the final product for the end user, we believe that our mission is to further advance our action in DE&I in our business through our brands, products, and services, and all corporate activities. In 2023, to promote DE&I activities by clearly stating this as a commitment, we formulated and disclosed the Kao Group's DE&I Policy, which commits to the aim of realizing a society in which all people can thrive authentically by practicing DE&I in cooperation with internal and external stakeholders. Based on this policy, in the workplace, we aim to become an inclusive and equitable organization where diversity is valued and is seen as our strength. For our business partners, we will build a sustainable supply chain by sharing values and cooperating with all business partners involved in *Yoki-Monozukuri*. And in our community, we aim to realize a Kirei society in which people are connected and fulfilled through people-first *Yoki-Monozukuri*.

P104 Responsibly Sourced Raw Materials > Collaboration with stakeholders

P65 Universal Product Design > Policies

Strategy

Risks and opportunities

Risks

At workplaces where it is a challenge for diverse employees to feel motivated to work, employee engagement subsides, and so retention of the employees who are the invaluable treasure of the company and hiring of new outstanding employees becomes difficult. Furthermore, homogeneous organizations that do not embrace diversity—especially organizations that lack diversity, including having women in decision-making positions—will not be able to respond adeptly and flexibly to societal changes and will struggle to contribute to the sustainable growth of the corporation. In recent years, along with the increased interest in sustainability of the world, interest in activities to promote corporate DE&I for employees is growing around the world. And its importance as a basis for investment is also rising. In the midst of this, if we do not sufficiently implement DE&I promotion activities to leverage this diversity and furthermore empower female employees—which is an aspect of diversity that covers a large proportion of our personnel—this could pose a medium- to long-term risk to our corporate growth. That in turn may lead to reputational risks.

Opportunities

By deeply ingraining DE&I at the Kao Group and realizing inclusive and diverse workplaces that leverage each person's true diversity in ways that transcend simple demographics, Kao will attract and retain outstanding talent with diverse backgrounds and ensure

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that they stay motivated and can demonstrate their capabilities. Consequently, not only do we expect to provide products and services that cater to the needs of social changes and the diversification of people's values, including the creation of new businesses, but we also expect to raise the productivity of our business activities 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 DE&I.

Strategy

Kao aims to maximize the power and potential of employees through *Global Sharp Top* human capital/organizational management to realize K27's vision of protecting future lives. We position DE&I as an activity toward "create equitable opportunities for all employees" as the foundation. There, it is important to create an environment where diverse personnel can come together, where each individual recognizes and accepts each other's viewpoints and ideas, where these can become the strength of the organization, and where each person can demonstrate their abilities and individuality to the fullest extent. As Diversity & Equity promotion activities, we then provide each of our diverse personnel, including women, with the support necessary to put down roots in an environment where they can work with peace of mind and fairly gain opportunities. At the same time, as part of our activities to promote Inclusion, we work on education and awareness-raising activities to foster an inclusive organizational culture where all employees understand the significance of DE&I, and all employees can express

their ideas with peace of mind and promote healthy debate in a bias-free environment. These are initiatives to make diverse organizations the norm, which will lead to the realization of the KLP as well as the realization of the human capital strategy.

Social impact

As a producer of products familiar to the public and widely recognized, Kao's activities that are close to consumers can affect society as a whole, including consumers themselves. One such set of activities is DE&I, and the expansion of Kao's DE&I activities will raise society's awareness of DE&I. Moreover, through our employees' improving of DE&I, consumers will be able to enrich their lives through the products and services we provide that meet the expectations of their diverse values in countries and markets where Kao will establish a strong presence from now on.

Contributions to the SDGs



Business impact

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 the work done by

each employee. By being a more attractive company, we will improve employee retention and competitiveness as an employer, which will lower recruitment costs.

Governance

Framework

Kao Group

To further promote DE&I initiatives in our business through our brands, products and services, as well as all of our corporate activities, we have established the Human Rights and DE&I Steering Committee as a subordinate body of the ESG Managing Committee. The Human Rights and DE&I Steering Committee promotes activities across the Group to improve human rights and DE&I not only for employees, but also for all Kao stakeholders, including the supply chain and society at large. This committee also checks the activities of each department and reports the status of activities to the ESG Managing Committee.

Regarding activities in the workplace, after the Board of Directors deliberates on policies for human capital strategy, we deliberate, decide on, and share our progress on important issues related to DE&I at the Human Capital Development Committee, whose membership comprises top executives.

Kao Group in Japan

Diversity Equity & Inclusion, Human Capital Strategy (DE&I, HCS) which is a special-purpose organization within Kao Corporation collaborate with people responsible for human capital development in each division and domestic group company and a DE&I-

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related specialized organization in Kao Group Customer Marketing (KCMK) Group through the Human Capital Development Conference, Diversity & Equity promotion meetings and individual meetings to clarify the major issues at the Kao Group in Japan, plan and implement DE&I promotion activities in line with the policy throughout the Kao Group in Japan. Feedback from the participants in all activities is verified through questionnaires and other surveys, and when appropriate, the members of the aforementioned groups exchange their opinions, which are then reflected in subsequent activities. Managers and personnel responsible for human capital development from nine of Kao Corporation's worksites and from major affiliated companies collaborate with DE&I, HCS, to disseminate information in the workplace regarding DE&I promotion and develop infrastructure for individual support, acceptance and retention of employees who need support.

Kao Group in the Americas and EMEA

DE&I, HCS, collaborates with DE&I promotion 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 Africa) to share information, exchange opinions, and promote activities in each region that are tailored to the problems faced there.

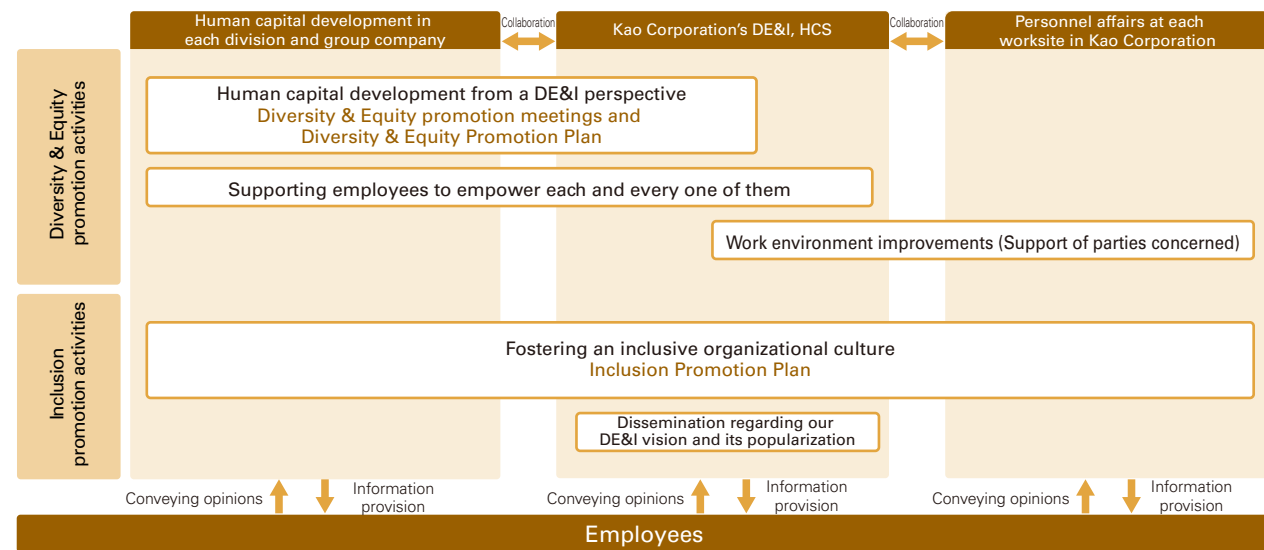
In the Americas, the Diversity Equity & Inclusion Board (DE&I Board) represents diversity and works to foster a more diverse, equitable, and inclusive culture for employees. Board Members are internal champions who support employees' diverse needs and the Americas region's DE&I goals. The DE&I Board

conducts activities to foster a diverse, fair and inclusive corporate culture.

EMEA has a D&I Steering Board consisting of 12 senior team members representing all business fields. In addition, eight Employee Resource Groups (ERGs) called Kao Communities have been established. These communities pursue activities related to Gender

Inclusion, Cultural Diversity (including ethnicity), All Abilities (focusing on disability and neurodiversity), LGBTQIA+ All Stars, Parents (families with small children), Empower Age (creating relationships that go beyond generations), infertility treatment and adoption, and menopausal support.

System of DE&I promotion activities (Kao Group in Japan)



Education and promotion

We are conducting education and awareness-raising activities globally to deepen employees' understanding of the Kao Group DE&I Policy formulated in 2023 and to enable each employee to practice DE&I in their own work. Among these, we place particular emphasis on

training for management, who play an important role in making diversity a strength of the organization, and on educating those around employees who work under such circumstances. At the same time, we broadly publicize positive internal stories and activities related to DE&I via intranet with the objective of our employees viewing this as relevant to them and recognizing the

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importance of taking the initiative. Furthermore, to be an organization where employees can demonstrate their own unique capabilities and engage in a healthy exchange of opinions drawing from their diverse backgrounds, we have started providing training to deepen all employees' understanding of psychological safety and unconscious bias as a base. We receive feedback from the participants at all activities through questionnaires, and incorporate our employee comments in our activities by reflecting these opinions in subsequent activities.

Collaboration with stakeholders

Proactive collaboration with NPOs, government agencies and other companies promoting DE&I is essential to encourage understanding and improve awareness of DE&I inside and outside the Kao Group.

To support the balancing of work and childcare, for a decade we have endeavored to change the 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 in order to address various social issues. For women's empowerment, the President and CEO participated in and discussed issues at initiatives such as the 30% Club Japan. In addition, DE&I, HCS, is implementing initiatives for women's empowerment inside and outside the Kao Group in collaboration with other companies through participation in the secretariat's team. Furthermore, we announced our support for The Valuable 500, an international initiative established to get corporations to play a leading role in building an environment in which people with disabilities can participate actively in various business situations, and

are striving to promote these activities and increase their societal momentum.

In addition to these activities, as a research member of administrative and other organizations, Kao participates in discussions, introduces our own case studies in lectures and seminars, and accepts company tours at our special subsidiaries.

Risk management

Through engagement surveys, questionnaires to employees, and via the Employee Welfare Committee, we do our best to grasp whether diverse personnel who are the company's assets are indeed motivated to work for the company. Information on how diverse employees, including female workers, participate actively in the company is monitored through indicators such as the percentage of female managers. Furthermore, we not only disclose Kao's present status to various stakeholders upon receiving responses to surveys conducted by the government and various organizations and assessments undertaken by various ESG-related organizations, but also track requests from stakeholders and monitor how society at large views our efforts. We also engage in dialogue with investing institutions to ensure they have a deep understanding of our activities, and to improve our activities.

Of the risks mentioned above, DE&I, HCS, and people responsible for human capital development at each company identify issues that need to be addressed, and people in charge at Human Capital Strategy and those responsible for human capital development from each division/company discuss countermeasures at the Human Capital Development Conference. Before their decisions are put into action,

risks that could have major company-wide effects are discussed by the Human Capital Development Committee, which comprises executives.

Metrics and targets

Mid- to long-term targets and 2023 results

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 generate new value. Moreover, to incorporate diverse perspectives in a variety of corporate decisions, we hire talent from a broad range of backgrounds and encourage their participation. As one indicator of this, we aim to have the same percentage of female managers as the total percentage of female employees.

As part of our Diversity & Equity promotion activities, we strive to develop human capital from a DE&I perspective and advance the participation of employees, including women, LGBTQ+ people, people from different cultures, people with disabilities, and people with childcare or family care responsibilities. Furthermore, we will share our vision of DE&I promotion activities for employees on a global basis, and work to raise awareness so that each employee can understand each other's diverse backgrounds and act appropriately, as well as strive to deepen understanding of psychological safety and unconscious bias. Activities are promoted in each region according to regional characteristics and issues.

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2023 results

Kao Group

Formulation of the Kao Group DE&I Policy and activities to disseminate the policy

After discussions at Kao Group global meetings, the DE&I Policy was formulated and released internally and externally, and activities to promote employee understanding and implementation of the DE&I Policy were initiated. A questionnaire survey was conducted among our affiliates to ascertain the status of global DE&I promotion activities.

Kao Group in Japan

Activities to promote Diversity & Equity

To promote human capital development from a DE&I perspective in each division and affiliated company, we provided individualized DE&I-related data and helped to execute diversity and equity promotion plans and formulate new ones.

As for women's empowerment, we promoted priority actions to achieve mid- to long-term targets, and with regard to the development of female leaders, we expanded training opportunities and the number of female leaders eligible for training. The KCMK Group, meanwhile, implemented a diversity promotion project.

With regard to promoting the participation of LGBTQ+ employees, we conducted an anonymous awareness survey to grasp employees' understanding of LGBTQ+ and the challenges they face.

Regarding promoting the participation of employees from different cultures, we distributed articles aimed at familiarizing Japanese employees in particular with their foreign-national colleagues.

In terms of promoting the participation of employees with disabilities, as we continued our activities to promote normalization, we increased the

amount of contracted work at our special subsidiary, Kao Peony Co., Ltd., and promoted endeavors to expand opportunities for employees with disabilities.

To support employees balancing work and childcare, we introduced a paid childcare leave system and a system that enables employees to work more flexibly by expanding the options for working when their children are younger.

With regard to supporting employees in balancing work and family care, we have completely updated our Family Care Handbook, including adding a guide for workplace communication, and have made it internally available.

Activities to promote Inclusion

For each of the conventional education themes, such as women, LGBTQ+, people from different cultures, people with disabilities, and balancing work and childcare or family care, we distributed educational videos, held seminars and events, shared good practices within the company, provided quiz-style learning content, and distributed articles focusing on the DE&I of each individual employee.

As part of our initiative to create an organizational culture focused on dialogue, we held Basic Knowledge of Psychological Safety, an e-learning course essential for managers, in order to have employees understand and gain a basic knowledge of psychological safety, and to entrench the concept in the workplace.

We promoted the exchange of opinions from diverse employee perspectives at the Kao DE&I Square, a place that facilitates two-way communication.

Kao Group in the Americas and EMEA

Activities to promote Diversity & Equity

In the Americas, the Employee Resource Group Kao Network of Women hosted a discussion event with outside speakers as a way to raise awareness among women. In addition, a program was launched to build a safe work environment for Black and African Americans.

Also, in EMEA we have introduced a New Parental Policy to further support gender equality.

Activities to promote Inclusion

Aiming to deepen understanding of topics about social justice and racial equality and encourage desirable behavior, we held virtual events for the employees throughout the year. In addition, training was provided to increase understanding of transgender issues, and the Employee Resource Group Kao Pride hosted a variety of events to increase understanding and support for LGBTQ+ employees. Furthermore, workshops on microaggressions and unconscious bias were held.

EMEA's Employee Resource Groups LGBTQIA+ All Stars Community, Cultural Diversity Community, and All Abilities Community, hosted a variety of events to promote understanding and support for LGBTQ+, race, and disability issues. In addition, microaggression-themed lunches and DE&I training sessions were held in Germany and the U.K.

Reviews of 2023 results

After global discussions, we have formulated and released the Kao Group DE&I Policy. This is an opportunity for each employee to gain a deeper understanding of DE&I, and to increase momentum to think about implementing DE&I in their own workplaces

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Main initiatives

Formulation of the Kao Group DE&I Policy and activities to disseminate it

Formulation and dissemination activities for the Kao Group DE&I Policy

The Kao Group aims to be an organization that allow individual values and talents to shine brighter, thereby improving people's lives beyond their expectations based on building upon the foundation of respecting human rights. To achieve this goal, the Human Rights and DE&I Steering Committee held global discussions and formulated the DE&I Policy, which was released internally and externally in June 2023. Under the policy, the Kao Group will further collaborate with our stakeholders, starting with our employees, and including business partners and all people, to implement DE&I in our business through our brands, products and services, and all corporate activities. It also clearly states that we aim to realize a society in which all people can thrive authentically.

Dialogue between top management and employees for implementation of DE&I

Upon formulation of the DE&I Policy and its internal and external release, the Kao Group Human Rights and DE&I Portal was established as a global information communication platform for all Kao Group employees. In July, we released a video featuring the President and CEO and employees in a dialogue about DE&I. "The dialogue has provided an opportunity for employees to rethink what DE&I means to them," said one employee. This activity has increased the momentum for employees to practice DE&I as their own personal matter. (Over 10,000 views)

and in their own work, as well as to promote collaboration with external stakeholders.

We were able to work steadily on initiatives for the different issues pertaining to Diversity & Equity promotion activities. In particular, to promote women's empowerment, we are advancing comprehensive activities in response to priority actions to achieve mid- to long-term targets, such as broadening the scope of women's training programs, expanding the childcare support system to include encouraging men to take childcare leave, and making seminars on building a system to balance work and childcare for career realization mandatory for male and female employees who have reported pregnancy.

With regard to activities that promote inclusion, we are continuously releasing various contents based on the Inclusion Promotion Plan to advance understanding of DE&I among Group employees and to firmly establish DE&I practices in the workplace. For psychological safety, a key topic, we are promoting its implementation throughout the Group by making e-learning mandatory for managers. While it is important that globally all employees fully understand DE&I and can apply these concepts, that alone is not enough. As such, we are pushing ahead with further initiatives to foster an inclusive organizational culture so that not just employees who are sensitive to DE&I but all employees, including those who are currently indifferent to these issues, are genuinely convinced of their importance and apply DE&I in their day-to-day work.

DE&I promotion activity status questionnaire survey

In November, the Human Rights and DE&I Steering Committee conducted a survey to ascertain the current status of DE&I promotion activities for employees and co-workers at global affiliates. Based on the responses we have received from our affiliates in Asia, Europe, and the U.S., we are discussing a roadmap and plan to accelerate DE&I throughout the group.

Activities to promote Diversity & Equity

Human capital development from a DE&I perspective (Kao Group in Japan)

We make great efforts, including selecting key human capital, to hire, evaluate, educate, and promote employees based on their individual abilities regardless of other attributes. Even in meetings related to personnel affairs attended by executives, we ensure diversity while checking for bias, etc. in the attributes of candidates for senior positions.

In order to clarify and steadily address issues related to DE&I in each division and group company within Japan, DE&I, HCS, holds individual Diversity & Equity promotion meetings every other year with the human resource managers and career coordinators of each organization. In addition, data on DE&I is shared annually so that each organization can independently promote its own activities. Each organization formulates an action plan every year while monitoring changes in the data over time, and promotes activities, and DE&I, HCS checks their state of achievement.

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We will continue to carry out periodic exchanges of opinions between DE&I, HCS and each organization, and advance the human capital development from a DE&I perspective according to the characteristics of each organization.

Women's empowerment

Based on the belief that women's empowerment is essential for Kao's growth as a diversity factor that affects the greatest number of human capital, we have established a policy of creating a workplace environment and fostering a corporate culture in which all employees can fully demonstrate their individual motivation and abilities beyond their own assumptions^{*1}, and can be themselves regardless of their gender. In light of this, we are promoting activities for women's empowerment. In Japan, where there is a gap between the percentage of female managers and the percentage of female employees, we are working on three priority actions with the aim of including diverse perspectives in various decision-making positions: "development of potential future leaders;" "support for balancing work and childcare to promote engagement;" and "creation of an environment that enables unbiased training and promotion opportunities."

*1 Gender roles in the division of labor, and the image of a leader, etc.

P236 Support for balancing work and childcare

Development of potential future leaders

The analysis revealed that the percentage of women in managerial positions and above is significantly lower than that of men. As such, we are strengthening our

efforts to increase the number of women who are section managers and higher.

Female leader training (Kao Group in Japan)

We dispatch employees to women's leadership training programs sponsored by external organizations as an opportunity to improve their leadership skills, broaden their perspectives, and enhance their viewpoints. In 2023, we began dispatching female employees to short-term training programs that are easy for employees with childcare responsibilities to participate in, and to training programs for female department heads and executive candidates. By expanding the scope and number of participants, we are working to strategically nurture female employees at all levels of the organization. From those female employees who have participated in training mentioned above, we hear comments such as, "I have successfully decided my course of action," and "I have broadened my perspective through networking with people in different industries." At the same time, we hear good feedback about the participants from their workplaces (A total of 62 employees dispatched since 2016, 31 of whom were promoted).

Women's Career Café (Kao Corporation)

In 2023, we hosted an alumni event for past participants in the series of small-group roundtable talks with a former female executive and candidates for managerial positions (Women's Career Café) with the aim of helping female employees gain a positive attitude as "I want to be a leader," think about their own unique image of leadership, and make empathic connections with other female workers. On the day of the event, we gathered for real, shared changes and new concerns since participating in the Women's Career Café, and each person declared one action for the future. Participants made comments such

as; "I was able to self-reflect and get inspiration and hints from the people around me. I want to put them into practice," and "It was a good opportunity for me to get to know colleagues in a similar position beyond the division," leading to the establishment of a mindset for the careers of female employees and a change in behavior. (100% of participants were satisfied with the program, and there was a positive change in their attitudes toward their careers)



Women's Career Café Alumni

Women leaders career panel discussion (Kao Group in Japan)

The voices of those involved in the Women's Career Café revealed that female employees themselves have an unconscious bias about gender roles and images of leadership, which leads to a lack of self-confidence, as well as reservedness, and makes it difficult for them to think positively about embracing a career. In order to raise the level of career awareness among all Kao Group female employees in Japan, we invited three female leaders in the Group in different areas to join a panel discussion to discuss their thoughts on careers, how they manage to balance work and childcare, and what makes taking on a leadership role interesting. The participants were highly satisfied with the panel discussion and the change in their awareness: "I realized I don't have to give up either work or childcare, and I want to think about what I can do to achieve that,"

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"I felt it is good to have diverse leaders and that this is a strength of the organization. I want to consider my own strengths through dialogue with those around me and with myself." (Viewed more than 1,300 times, including recorded delivery; 93% of participants were satisfied, and 73% had a positive change in attitude.)

Study sessions with female managers in different industries (Kao Corporation)

We participate in study sessions that are voluntarily planned and operated together with companies from different industries that want to promote women's empowerment. In 2023, a total of 25 female employees participated in lectures by female role models from other companies and exchanged opinions with women of the same level, leading to increased motivation for management positions and cross-industry networking.

Financial assistance for public seminars for women (Kao Group in Japan)

As a system to encourage women to learn and improve their skills and mindset necessary to be more active as department and section heads, we have started to subsidize the cost of public seminars for women. These seminars have led to the growth of highly motivated female employees, with feedback such as "I learned many things I can put into practice in my own mindset, career development, and team building." (Two targeted seminars, total of 40 participants)

Diversity promotion project (KCMK Group)

Aiming to shift from a homogeneous organizational culture to a transformative one that can respond to change and demonstrate creativity with diversity, flexibility, and equity, we are implementing a selective diversity promotion project that began in 2021. For the

participants, most of whom are female employees, this project offers various opportunities for significant growth, resulting in the formation of high-level viewpoints and management perspectives. This enables the Group to foster future talents who will be able to proactively tackle difficult problems head-on and drive the next generation as pioneers and leaders of KCMK Group reform. As a result, three KCMK and one KBBC (Kao Beauty Brands Counseling Co., Ltd.) female executive officers were appointed in January 2023, serving as new role models for the next generation of employees.

Kao Network of Women (Kao Now) (Americas)

Kao Now works as a community for engagement and support for all female employees, and in 2023 we actively hosted a variety of events throughout the year to include recognition of the following DEI acknowledgements; International Women's Day, Women's History Month and Women's Equality Day. In Women's Equality Day, we invited outside speakers to discuss being brilliant at a moment's notice, the thoughts that keep us from realizing our full potential, and some practical strategies to combat those thoughts.

Creation of an environment that enables unbiased training and promotion opportunities Diversity management education (Kao Group in Japan)

In order for managers to train and promote a diverse range of members without bias, it is important for them to manage while interacting with each employee and understanding their thoughts. As an important element of this, we are carrying out activities to deepen managers' understanding of psychological safety and unconscious bias.

P241 Upskilling and fostering a culture that makes diversity a strength for the organization

Awareness linked to International Women's Day (Kao Group in Japan)

To promote employee understanding of women's empowerment, we launched a special page on the DE&I Portal to coincide with International Women's Day in March. The page covers the Kao Group's past efforts to promote women's empowerment, including its concept of women's empowerment promotion, educational videos, interviews with employees, and good practices in the workplace. We have received a lot of feedback saying, for example, "I now understand that women's empowerment provides benefits not only to women but to everyone including men," and "The message of hoping that one day the term women's empowerment will no longer be necessary resonated with me."

Gender Pay Indicators

The gender pay gap^{*1} is one indicator of women's advancement and is 86.3% (managers: 103.4%, non-managers: 99.4%) in the Kao Group globally. We believe that this gap is due to the higher percentage of men among employees with more years of service, 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 strategy to eliminate the gender pay gap, we will continue to take steps to further improve our retention of female employees, and as appropriate, increase the percentage of women who are managers, senior managers and executives to align with the percentage of female employees in total in order to advance women's empowerment in the workplace through our initiatives.

*1 Ratio of women to men in terms of average annual salary of base salary + other cash incentives

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P245 Base salary + other cash incentives Average annual salary

Promotion of empowerment of employees of LGBTQ+ communities

Under the policy of aiming to create an environment where all employees are respectful of sex, gender identity and gender expression, and sexual orientation, and all employees can authentically express themselves so that we can foster an organizational culture where all employees can fully develop their potential, we are creating work-friendly workplaces for LGBTQ+ employees and fostering such a culture.

Fostering an organizational culture where LGBTQ+ employees can work with peace of mind **E-learning “LGBTQ+ basic knowledge” (Kao Group in Japan)**

To acquire correct knowledge about LGBTQ+ and to foster an organizational culture that is comfortable for LGBTQ+ people to work in, we have continued the mandatory e-learning course “LGBTQ+ basic knowledge” for all employees of the Kao Group in Japan since 2018. In 2023, the content was partially updated and a recording was added to the learning method to provide learning opportunities to those who have not yet taken the course, including new employees.

Questionnaire on LGBTQ+ (Kao Group in Japan)

An anonymous voluntary questionnaire was provided to all employees of the Kao Group in Japan to ascertain their level of understanding of basic LGBTQ+ matters and internal issues. More than 7,000 employees provided their opinions on internal initiatives through

free comments in addition to optional questions. We will use this information to improve the work environment so that both LGBTQ+ people and those around them can work together with vitality and enthusiasm.

Training for beauty advisors (KCMK Group)

We conducted LGBTQ+ training for approximately 5,000 beauty advisors engaged in customer service in stores. After a lecture on basic knowledge about LGBTQ+ and a video of interviews with LGBTQ+ people in the company, group discussions among beauty advisors provided an opportunity to deepen our understanding of LGBTQ+ as something close to them through exposure to each other’s way of thinking. By applying the perspectives and insights gained from this training to future customer service activities and communication within the workplace, we are striving to provide better customer service as beauty advisors who will work closely with all customers and deliver satisfaction to them.

Recruiting LGBTQ+ Allies (Kao Group in Japan)

We are continuing recruitment for LGBTQ+ Allies*1. Employees who make an Ally declaration are issued with special straps that they are encouraged to wear.

*1 LGBTQ+ Allies: People who express understanding and are supportive of LGBTQ+ people.

Transgender 101 training (Americas)

With the aim of increasing to promote a more inclusive and respectful workplace environment, we have launched Transgender 101 training within the Supply Chain team to enhance awareness and understanding of transgender issues, fostering a culture of empathy and support. As a result, participants reported increased

knowledge, improved communication, and a more inclusive atmosphere, contributing to a positive and welcoming workplace for everyone.

Event to celebrate sexual diversity “Pride” (Americas)

Kao Pride hosted an event featuring a Drag Queen as a speaker to promote diverse voices in the LGBTQ+ community and foster a culture of inclusion. The powerful message resonated with participants and promoted acceptance and unity in the spirit of Pride.

Events during Pride Month (EMEA)

The LGBTQIA+ All Stars Community hosted speaker events during Pride Month in June, and spaces in Molton Brown stores and the Kao Salon Academies in London, Milan, and Rome were decorated to celebrate the event. In Italy, the community participated in Pride Celebrations in Milan and Rome, and hosted Pride Celebrations at Kao office in London.

Improvement of working environments where LGBTQ+ employees can work with peace of mind **Awareness-raising for hiring interviewers (Kao Group in Japan)**

We disseminate knowledge to hiring interviewers about appropriate responses so that they can conduct normal hiring and selection processes without any discrimination even if LGBTQ+ people come out in the interviews.

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Discussions on creating a working environment where LGBTQ+ employees can work with peace of mind (Kao Corporation)

To create an environment where diversity is respected and everyone can demonstrate their individuality and fully demonstrate their motivation and abilities, employee representatives and the Human Capital Division deepened discussions on how the system should be designed to create a workplace environment where LGBTQ+ employees can work with peace of mind.

Promoting the participation of employees from different cultures

We are improving the working environment and fostering a culture where employees of different nationalities, ethnicities, and other cultural backgrounds can work with peace of mind. This is taking place under the policy of improving the environment where employees from different cultures are motivated to demonstrate their unique capabilities, and fostering an organizational culture where each employee respects differences in culture, language and concept of values, which will be the company's strengths.

Fostering an organizational culture in which employees from different cultures can work together with peace of mind

Articles introducing non-Japanese employees and those around them (Kao Group in Japan)

We distribute articles that introduce individual non-Japanese employees so that not only employees who work with non-Japanese employees every day, but also those who do not have an opportunity to work with them, can feel closer to non-Japanese employees as a part of diversity in the company, and grasp the issue as their own. The article introduces the backgrounds of

foreign employees working for the Kao Group in Japan and highlights their thoughts on work, the difficulties they encountered and how they overcame them, and includes comments from their supervisors and colleagues. As good examples of inclusion in the workplace, the articles provide opportunities for employees to think about diversity and globalization.

Courageous Conversations (Americas)

A virtual event series for employees was conducted throughout the year exploring social justice and racial equity topics, with the aim of encouraging collective understanding and action and exploring how, we as an organization and as individuals, can work to build greater equity in our shared culture and communities.

Events to celebrate cultural diversity (EMEA)

The Cultural Diversity Community hosted various events including panel sessions and speaker events, alongside in person celebrations for events such to honor Kao's Japanese heritage with a special focus on Japanese culture in April. In addition, for Black History Month in October, our Cultural Diversity Community hosted an event in London with African and Caribbean heritage food, and in Darmstadt, Germany, we introduced Black heritage dishes in the canteen.

Creating a work environment where employees from different cultures can work together with peace of mind

Assistance in returning home due to the COVID-19 pandemic (Kao Group in Japan)

To enable non-Japanese employees to work at Kao while respecting the ties between them and their families in their home countries amidst the various restrictions imposed by the COVID-19 pandemic, we implemented special measures to support their return to their home countries through the end of March 2023.

Soul Hugs program (Americas)

We have launched Soul Hugs, a program for Black and/or African American Employees, as a safe space for them to connect, support each other, take care of their mental health and receive the encouragement needed to thrive in the workplace.

Promoting the participation of employees with disabilities

We regard disability as a type of diversity and promote activities based on the 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."

Improving the working environment so employees with disabilities can work with peace of mind

Vocational Life Consultants for Persons with Disabilities (Kao Group in Japan)

We have assigned Vocational Life Consultants for Persons with Disabilities to worksites nationwide to conduct consultations for employees with disabilities. We inform employees with disabilities of Vocational Life Consultants for Persons with Disabilities annually, leading to building awareness of consultations and the comfortable atmosphere in which the consultations take place.

We hold regular meetings for Vocational Life Consultants for Persons with Disabilities. In addition to improving their skills as Consultants and strengthening the support system, they exchange opinions on issues and solutions for the employment of people with disabilities in the workplace.

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Support for mutual understanding and communication among employees with disabilities and their colleagues (Kao Group in Japan)

We prepared an Employment Manual for People with Disabilities and a Communication Sheet, distributing them on our DE&I portal site to promote mutual understanding among employees with disabilities and their colleagues.

We also introduced the UD Talk voice-recognition application as a tool to support communication with employees who have hearing impairments. In addition, we are continuing to introduce and apply voice recognition tools such as UD Talk and live captions for Microsoft Teams inside the company.

Support for prospective employees with disabilities (Kao Group in Japan)

For prospective employees with disabilities, we provide information about the support that Kao provides for employees with disabilities before they join, and by checking in advance what support each employee will need to work, we help to increase the peace of mind they will feel once they become part of the company.

Fostering an organizational culture where employees with disabilities can work with peace of mind Promoting understanding of disabilities (Kao Group in Japan)

We regularly implement measures to promote a better understanding of people with disabilities. In 2023, during Disability Employment Support Month in September, a special page was opened in the DE&I Portal with the theme of “working together” that publicized activities of employees with disabilities. On this special page, we have published interviews with employees with disabilities and content to learn about

creating a workplace where people with and without disabilities can work well together.

Executive study sessions on universal manners

All executives took the third level of the Universal Manners Test by Mirairo Inc. in January 2024 in order to deepen their understanding of disabilities and to learn about appropriate accommodations, thereby improving the environment within Kao and fostering a corporate culture within the company that encourages the success of employees with disabilities. By learning about the characteristics of diverse populations and how to appropriately support them in various everyday situations, the participants gained insights that they can put into practice.

Initiatives to raise awareness of considerations for employees with disabilities (KCMK Group)

In conjunction with Disability Employment Support Month in September, we introduced articles on the activities of employees with disabilities and feedback collected from employees with disabilities to other employees through the KCMK Group portal. The purpose was to motivate employees with disabilities and increase other employees’ understanding and awareness of the need to take care of people with disabilities.

Promoting understanding of disabilities (EMEA)

The All Abilities Community hosted a lecture by a Paralympic gold medalist on the International Day of People with Disabilities to deepen understanding of the inclusion of people with disabilities.

Active employment of people with disabilities Wasa Group, Production Division, Wakayama Plant

The Wasa Welfare Factory was established in April 1993 as a place that supports financial and psychological

independence as well as social participation. It provides work to people with disabilities along with lifestyle guidance and health management, in cooperation with medical institutions and under Wakayama City’s and Wakayama Prefecture’s 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 Division). Currently a total of 25 employees, including 21 with disabilities, set an assortment of Kao travel sets.

Special subsidiary (Kao Peony Co., Ltd.)

Kao Peony has proactively employed persons with intellectual disabilities, including ones with severe disabilities, since it was established in 2005. The Production Division provides setting and packaging operations for cosmetics and beauty care products. The Office Support Division, launched in 2017, takes care of administrative and clerical support operations that assist with some of the Kao Group’s business processes in Japan. As of January 2024, a total of 93 employees, including 67 employees with disabilities, work at Kao Peony.

For more employment (Kao Peony Co., Ltd.)

In recent years, the Production Division had been experiencing a decline in cosmetics setting operations due to changes in business strategy and a decrease in inbound sales. However, as a result of the active acceptance of products put out for contract manufacturing, the line operation rate improved to 83% and sales recovered to the level they had been before the COVID-19 pandemic. In 2024, we will start operating the second line in cooperation with the Tokyo Plant with the aim of further expanding employment

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and reducing cash outflows for the Kao Group. In future, we will introduce robots to some of the production lines, aiming to improve both productivity and employment of people with disabilities.

The Office Support Division accepts trainees from special-needs schools and the Tokyo Shigoto Foundation throughout the year in order to hire a wide range of people who are willing to work, regardless of whether they are new graduates or former graduates. To make the most of each member's individuality, we take orders for a wide variety of work, and each member is active in work suited to their aptitude. In addition, we are also working to improve the performance of Kao Peony as a whole through flexible arrangements between the two divisions, such as transferring members who seem to be more suitable for production work to the Production Division with their consent.

Both divisions will create an environment where employees with disabilities can work with peace of mind while exploring new tasks to expand the employment of people with disabilities and contribute to the Kao Group's financial bottom line.

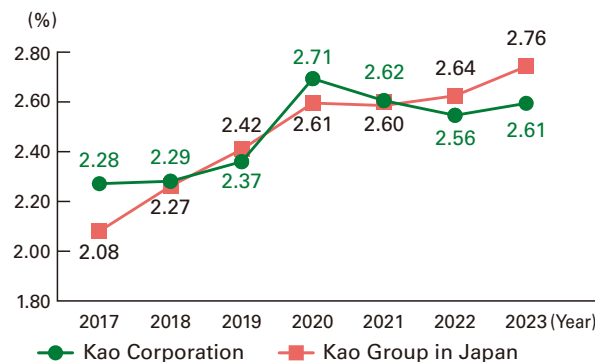


Setting operations at the Production Division

Employment rate of people with disabilities (Kao Group in Japan)

Currently, people with disabilities account for 2.76% of the total workforce of the Kao Group in Japan, exceeding the statutory minimum rate (as of June 2023).

Kao Group employment rate of persons with disabilities*1



As of June 1, 2023

*1 Scope of calculations

Eleven domestic affiliates that are classed as special subsidiaries under the Act to Facilitate the Employment of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., e'quipe, Ltd., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji, and special subsidiary Kao Peony Co., Ltd.)

Support for balancing work and childcare

Under the policy of "supporting each and every employee in balancing work and private life while fully demonstrating their ambition and abilities," we have positioned this as one of the priority actions for promoting women's empowerment and are proceeding with our initiatives. In Japan, since 2022, we have been working on three priority actions to "raise awareness of the people involved," "support career development," and "promote smooth operation of workplaces" with the aim of realizing "working with high motivation to achieve one's own career objectives" while raising children, regardless of gender.

Main support for balancing work and childcare responsibilities

- Provision of the Work and Life Balance Guidebook
- Distributing a guidebook that contains information on procedures related to childcare and information on appropriate communication at home and at work to ensure a smooth balancing of work and childcare.
- Distributing a leaflet for male employees with information on taking paternity leave
- Conducting gestation and pre- and post-maternity/paternity leave interviews
- Encouraging communication between employees and their workplace supervisors on maternity/paternity leave using maternity/paternity leave reports
- Holding "Seminars on establishing a system to balance work and childcare for career realization" (*Tatsuno-oshigoto* Seminars) for employees who have reported pregnancy
- Utilizing company-run daycare centers that are available to non-employees of the company that has set them up
- Conducting seminars for managers



Preparing handwashing materials for schools for the visually impaired at the Office Support Division

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Support for smoothly taking childcare leave and operating in the workplace

Support for procedures and communication from pregnancy to maternity/paternity leave and reinstatement (Kao Group in Japan)

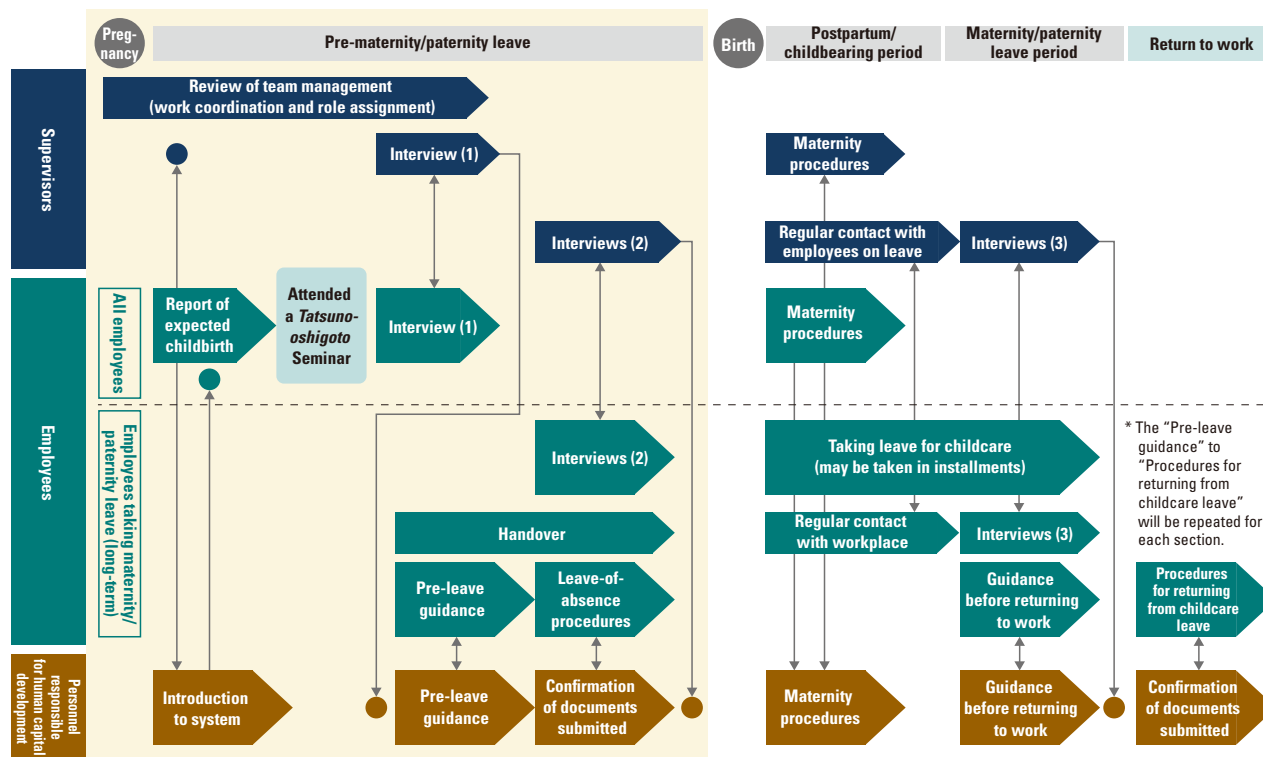
To promote employees' taking desired maternity/paternity leave, regardless of gender and smooth operations at the workplace, we are improving the communication flow inside the company throughout the process from employees' or their partners' pregnancy

to taking maternity/paternity leave and reinstatement of the relevant employee. We have also started distributing a guidebook that contains information for the employees and their supervisors on the procedure required in each process and on appropriate communication in the workplace. Also supplied is material that clearly sets out childcare-related systems and support that can be used during pregnancy and after childbirth.

Introduction of a paid childcare leave system and a seminar for managers on creating an "Iku-Boss" style workplace (Kao Group in Japan)

We encourage male employees to take childcare leave in order to dispel the perception of division of labor at home and in the workplace based on gender roles. In 2023, we introduced a ten-day paid childcare leave system that both men and women are required to take, with the aim of expanding opportunities for men to participate in childcare and creating an environment where sharing childcare responsibilities between men and women is the norm. At the same time, a "Seminar on creating an 'Iku-Boss' style workplace and team strategy" was held to create a workplace environment where it is easy for men to take childcare leave, and to learn how to create a team that can deliver results while encouraging members to take childcare leave. More than 1,000 people watched the seminar, including the recorded version. In the questionnaire, 92.3% of respondents were "satisfied" and 89.5% said they "noticed and learned many things." Other comments received were along the lines of "the perspective that men taking childcare leave leads to improved team management and individual skills was novel and convincing." The seminar has also led to the creation of a culture in which managers view childcare leave in a positive light with respect to the growth of their own teams.

Overall picture of communication flow from pregnancy to taking childcare leave and returning to work



Initiatives to raise awareness and understanding of the system throughout the workplace (KCMK Group)

We have introduced how to be involved in childcare from the standpoints of both women and men, their experiences, and childcare support systems through a video, with the aim of helping couples understand the need to raise a child together when they or their partner become pregnant and creating opportunities for

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discussion within the family. At the same time, information is also provided to workplace supervisors to help them understand the significance of taking childcare leave as supervisors and support them in the workplace. Men commented that it left a lasting impression on them that it is important for couples to cooperate with each other, and workplace supervisors mentioned that they learned a lot from the perspective of taking childcare leave to protect against postpartum depression, which they had not recognized before. These efforts have led to the formation of a culture in which the entire workplace considers balancing work and childcare.

Introduction of the New Parental Policy (EMEA)

To further support gender equality, we introduced the New Parental Policy, which enables the Primary Care Giver*¹ to extend the paid period and return to work on a phased basis, and makes the Secondary Care Giver*² eligible for pay and leave without regard to gender, and extended the full-pay period.

*1 A person who primarily cares for children in the home

*2 A person who supports the Primary Care Giver in the home

Raising awareness of the people involved and supporting their career development Seminar on establishing a system to balance work and childcare for career realization (Tatsuno-oshigoto Seminar) (Kao Group in Japan)

To work with high motivation while raising children regardless of gender, it is important for both the employee and their partner to share their career aspirations and discuss how they can achieve this through taking childcare leave and balancing work and childcare. As an opportunity to do so, the seminar, which was previously held for employees planning to return to work after childcare leave, has been made mandatory for all employees, regardless of gender, who have reported their own or their partner's pregnancy to the company, and the content was reorganized starting in 2023. In the questionnaire, as "a good opportunity to discuss and think about my and my partner's careers and how to balance work and childcare in the future," 80.4% of respondents evaluated it "satisfied" and 75.7% saying it was "useful for building a system for balancing work and childcare to realize my career."

Improving reinstatement support (Kao Group in Japan)

To enable employees to return to work after childcare leave at a time of their choice, we have introduced the Parenting Future Concierge program (Kao Corporation and some affiliates), which enables employees to use company-run daycare centers that are available to non-employees of the company that has set them up as part of our support for childcare leave. In 2023, to create an environment where employees can continuously develop their careers and play an active role while balancing work and childcare by expanding work options and enabling more flexible work schedules, we

Main systems for supporting diversified work styles: Related to childcare, nursing care, and family care (Kao Group in Japan excluding some affiliates)

Main systems	Content	
	Childcare related	Nursing care and family care related
Leave	In principle, maternity/paternity leave can be taken until the end of the first April after the child turns one year old. If the company recognizes that the employee is unable to maintain a livelihood, the employee will be paid throughout the period of absence (an amount equivalent to salary will be paid as a replacement). If both parents are employees, both the primary caregiver and non-primary caregiver can take the 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.
Paid childcare leave	Paid holidays for parental leave (for ten working days) must be taken during a period until the end of the first April after the child turns one year old. If both parents are employees, both the primary caregiver and non-primary caregiver can take the paid childcare leave.	
Reduced working hours and staggered working hours	<ul style="list-style-type: none"> 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 by up to two hours per day. Maternity/paternity leave can be taken until the end of the first April after the child turns one year old. The specified working hours and days can be reduced by up to four hours a day and three days a week. 	<ul style="list-style-type: none"> It is possible to take paid parental leave for up to three years (it can be divided into two times). Specified working hours can be reduced by up to two hours per day, working days can be reduced to three days a week or half a work day for five days a week, or the specified time for starting or finishing work can be adjusted by up to two hours per day.
Restriction on extra working hours	Up until the end of the first April after the child enrolls in elementary school as a first grader, the employee can request either limits or an 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	Female employees caring for newborns and infants less than one-year-old are eligible for a 30-minute childcare time up to twice per day. If the employee uses Child Care Time, wages will be paid for the applicable hours worked.	
Special leave for Short-term and Long-term 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.
Full time Remote Work	<ul style="list-style-type: none"> In any unavoidable circumstances for childcare, nursing care, and family care, we allow employees to work from home. One condition is that the employee is engaging in work that would not be hindered by working outside of the office. 	

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introduced a system that enables employees to shorten their working hours and days up to a maximum of four hours per day and three days per week until the end of the first April after which the child turns one year old.

Initiatives in the R&D Division Infant Sleep seminar (Kao Group in Japan)

The R&D Division conducts various research aimed at bringing smiles to the faces of infants, toddlers, and their families in line with the "smile & smile" philosophy of the *Merries* brand. As part of these efforts, we held an Infant Sleep seminar for employees who are raising

infants, aiming to solve infant sleep problems. Subsequently, the effectiveness of the seminar was verified in order to understand the actual situation of sleep problems in infants and toddlers. As a result, we were able to confirm that putting the seminar content into practice reduced infant sleep problems and childcare worries that employees had while raising their children, and that it had a positive impact on their work and life. We will continue to run the childcare seminars and disseminate the results internally and externally to support balancing work and childcare.

External evaluation of childcare support measures

Employment system utilization status related to childcare, nursing care and family care

		2020	2021	2022	2023
Share of eligible employees taking maternity/paternity leave (male) (%)	Japan	-	-	95.6	100.3
	Kao Corporation	42.2	51.6	108.7	102.4
Share of eligible employees taking maternity/paternity leave (female) (%)	Japan	-	-	107.7	113.7
	Kao Corporation	100	100	108.8	103.2
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	Japan	-	-	1	2
	Kao Corporation	3	2	1	1
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	Japan	-	-	268	305
	Kao Corporation	68	62	41	49
No. of employees taking nursing care or family care leave (male)	Japan	-	-	1	2
	Kao Corporation	0	1	0	1
No. of employees taking nursing care or family care leave (female)	Japan	-	-	7	7
	Kao Corporation	0	3	1	1
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	Japan	-	-	0	1
	Kao Corporation	0	0	0	0
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	Japan	-	-	5	3
	Kao Corporation	0	0	0	0

Note: Counted in enrolled companies

Note: Only employees from regular employment in 2021 and earlier. Starting from 2022, employees from regular employment and those in full-time indefinite-term employment from non-regular employment.

Note: Changed the rate of taking maternity/paternity leave to a calculation method based on the following the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members from 2022.

Number of male employees who took their first leave for childcare in 2023 / Number of male employees who had a child born in 2023 × 100
In Kao's system, paid childcare leave and childcare leave that are subject to calculation can be taken until the end of the first April after the child turns one year old, so the number of employees subject to the numerator and denominator may differ.

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 Law for Measures to Support the Development of the Next Generation. Kanebo Cosmetics, KCMK, and Kao Transport & Logistics were respectively awarded *Kurumin* certifications in 2009, 2011 and 2019.



Support for balancing work and family care

Under the policy of supporting work-life balance, the aim of which is to provide support so that all employees can fully demonstrate their motivation and skills and participate in the workplace while balancing their work and personal lives, we are striving to improve the working environment and foster a culture where striking a balance between work and family care can be achieved. We aim to enable each individual to act independently and provide assistance based on a spirit of mutual support.

Main support for balancing work and family care responsibilities

- Providing handbooks on balancing work and family care (including a communication guide for employees and supervisors)
- Holding seminars on balancing work and family care
- Establishing internal and external family care consultation services

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Improving a workplace environment and developing an organizational culture that strikes a balance between work and family care

Provision of information about balancing work and family care (Kao Group in Japan)

The Family Care Handbook, which is a compilation of information on family care, has been completely updated for the first time in ten years, and the Kao Group Members' Handbook for Balancing Work and Family Care was published in September 2023. In addition to basic knowledge about family care, examples of how to respond to different situations, and information on government and company support systems and services, we have added a new guide to facilitate communication between employees who are responsible for family care and their supervisors. In addition, the handbook includes a document that summarizes the entire flow from the acquisition of family care leave to return to work, as well as interview sheets. This makes it easy to grasp the key points from the standpoints of both the employee and the supervisor, and makes it even more useful for balancing work and family care, and for organizational management. It is always available on the DE&I Portal for employees to review whenever they need it.

Seminar on balancing work and family care (Kao Group in Japan)

We hold seminars on balancing work and family care regularly. The purpose is for our employees to learn about family care, improve their framework for balancing work and family care by themselves, and increase the number of supervisors and colleagues who can understand and become attentive to the situation of employees who are carrying out family care. In 2023, lectures and Q&A sessions were held on the theme of

separate family care (long-distance caregiving and institutional caregiving). The number of participants is increasing every year and they gave high marks to the lecture, saying, "I learned a lot from the lecture, which was full of specific information such as key points for continuing long-distance care and how to choose a good care facility," and "I could understand with a sense of conviction how to deal with and face parents living apart, which was explained very clearly." At the same time, we distributed video content from the seminars. In this way, we provide our employees with a broad range of information on balancing work and family care.

Activities to promote Inclusion

Understanding and raising interest in DE&I

The Kao Group in Japan continuously releases educational videos, seminars, and positive examples inside the company on various themes related to diversity (such as women's empowerment, LGBTQ+ issues, employees from different cultures, employees with disabilities, balancing work and childcare, and balancing work and family care), based on the Inclusion Promotion Plan. This enables us to encourage employees in the Group to understand DE&I and ultimately implement these concepts throughout the workplace.

Renewal of the DE&I Portal and activation of a venue for interactive exchange of ideas (Kao Group in Japan)

In 2023 we updated the DE&I Portal, which is increasingly being used as "a site for disseminating information to help employees of the Kao Group in Japan learn about DE&I and put it into practice," to

make it easier for them to access important information. In addition, the "Kao DE&I Square," a team of employees interested in DE&I who gather on their own initiative, is used every day to share information on DE&I-related topics inside and outside the company and to exchange opinions from a variety of perspectives, serving as a venue for interactive communication.

Disseminating messages through a special page on the DE&I Portal (Kao Group in Japan)

Underlying the educational content we regularly produce and disseminate are basic policies and ideas the company values established for each theme. As an opportunity to communicate these messages in a consistent manner, we released four special pages on the DE&I Portal in 2023 in conjunction with International Women's Day in March, Pride Month in June, Employment Promotion Month for People with Disabilities in September, and Family Care Day in November, and distributed a variety of information to raise awareness.

Kao Mates: Article focusing on the diversity of our employees (Kao Group in Japan)

"Kao Mates," which focuses on the real faces of Kao Group employees from diverse backgrounds and introduces episodes of equity and inclusion in the workplace, has grown to become popular content with over 5,000 PV each time in the first month of publication. In 2023, we introduced a female employee who became the first manager at a key plant and an employee who is piloting a Japanese language learning program for non-Japanese employees working in Japan based on their experience working overseas. By reading the articles while comparing themselves to familiar employees who practice DE&I, many employees have

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an opportunity to think about what they can do and change their behavior.

Sharing positive examples and activities inside the company (Kao Group in Japan)

We are drawing focus on Kao Group members' activities to promote inclusion, and are continuing efforts aimed at sharing these activities. In 2023, in an interview article titled "The Secret Story behind the Creation of Listening and Understanding Hair Styling: Weaving Thoughts," employees who were mainly involved in the planning and production of the 12 hair styling audio information contents on the *Liese* brand website, offered their cherished thoughts, difficulties, responses, and subsequent action they took.

Quiz to Learn DE&I 2023 and the DE&I EXPO (Kao Group in Japan)

In the second year of the "Quiz to Learn DE&I," which is designed to have fun while learning about fresh DE&I topics and Kao's DE&I promotion activities, approximately 2,700 employees participated, even though it was voluntary. The eight-question case study on topics that can actually happen in the workplace was well received, as it was in 2022, and the "My DE&I Experience at Work" received more than 400 comments.

The DE&I EXPO, a special project on the portal to consolidate the educational content released in 2023 and to see and feel the "now" of Kao's DE&I, took place from January to April 2024. Under the theme "Feel the DE&I," we are creating opportunities to reach more employees by repeatedly making it visible to them.

Upskilling and fostering a culture that makes diversity a strength for the organization

Toward creating an organizational culture that focuses on dialogue, we are promoting activities to increase understanding of psychological safety, unconscious biases, and microaggressions.

Mandatory e-learning "Basic knowledge on psychological safety" for managers (Kao Group in Japan)

In 2023, the e-learning program "Basic knowledge on psychological safety" was launched as a mandatory program for all Kao Group managers in Japan. The course consists of a lecture, self-reflection exercises, a check test, and a declaration of one action for the future. The course is available in an on-demand viewing environment, making it easy for managers to take it at any time. This has created an opportunity for managers to gain insights into their own positions in light of their own experiences, such as, "I gained a deeper understanding of psychological safety, which I thought I knew about, and it gave me an opportunity to reflect on my own behavior." We will continue to provide learning opportunities in the future, aiming to establish psychological safety as part of the organizational culture.

Executive study session on unconscious bias

As a global company, we held an executive study session, with outside experts giving lectures in September, on the theme of "How to create an inclusive organization through actions addressing unconscious bias." The lecture, which used global examples, provided an opportunity for participants to raise their awareness of DE&I and confirm their practice of it. Feedback included comments such as, "I realized

once again that I have unconsciously applied my own biases to various matters" and "In order to become an inclusive leader, I would like to further strive to understand diversity and manage with attention to the individuality of each person."

Trial development of e-learning "Basic knowledge on unconscious bias" (Kao Group in Japan)

We conducted the e-learning "Basic knowledge on unconscious bias" as part of the Dialogue Festival, a program to improve the mindset and skills with regard to communicating. The aim was to learn points to recognize and deal with one's own unconscious bias and to practice them in the workplace. The program comprises video clips of cases that are likely to occur in the workplace and how to deal with them, individual self-reflection exercises, and a declaration of one action for the future. Although the course was voluntary, approximately 700 participants took it. Participants commented, "I thought I was normally aware of it, but there were a number of areas that made me think twice," and "I want to always be aware of any bias in my thinking and check with those around me." The course provided an opportunity for employees to rethink their own unconscious bias and gain hints on how to address it.

Initiatives related to microaggressions and unconscious bias (Americas)

In addition to continuing training on unconscious bias, we have initiated training on microaggressions and allyship. By providing employees with the tools to recognize and address microaggressions in these efforts, we are fostering allyship and creating a more supportive and understanding work environment.

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Microaggression training (EMEA)

For Summer DE&I Training Sessions, we offered two sessions each in German and English on microaggressions for the German Employee Committee and salon sales leaders in the U.K.

TOPIC External evaluation

Kao was selected for inclusion in the 2023 Bloomberg Gender-Equality Index

In January 2023, Kao was selected for inclusion in the Bloomberg Gender-Equality Index (GEI) for five consecutive years. The GEI identifies companies that are committed to transparency with respect to gender reporting and to advancing equality for women in the workplace. In 2023, 484 companies were selected for inclusion in the GEI from 45 countries and regions.

Employees' opinions

What the Pursuit of DE&I Truly Means for Kao

Saya Douglas

ESG Global Strategy, ESG,
Kao Corporation
(Human Rights and DE&I Steering
Committee Secretariat)



As a company that has always been close to people's lives and placed them at the center of everything we do, I strongly believe that Kao has the potential to create meaningful change in the world. Pursuing an inclusive world is no exception to this, and there is so much more that we can all do, starting with our workplaces, and together with our business partners, to make an inclusive world a reality through our brands, products and services.

The Diversity, Equity & Inclusion (DE&I) Policy established in 2023 renews our commitment and outlines our approach. In designing the policy, our primary goal was to identify what the pursuit of DE&I truly means for Kao, in all of our diverse businesses and regions. As we engaged in in-depth discussions with our colleagues from across

the globe, we were reminded that DE&I is a complex and nuanced topic that closely intertwines with sociocultural landscapes. This further confirmed the importance of genuine communication. We were also reminded of the power of language. In order to ensure that our colleagues' perspectives were accurately represented in both the English and Japanese text, regardless of what language they speak, we worked to truly understand the meaning and concepts behind every word and sentence. By striving to make the process itself inclusive, I believe all of us gained a deeper understanding and discovered new ways of thinking.

Establishing the policy is an important step – but it's just one step. Looking ahead, we are fortifying our employee education and engagement initiatives. Some examples include a video featuring a conversation between the CEO and employees, and developing educational content that will be available to all employees in 2024. We will continue to amplify these efforts to empower each and every Kao employee to be an ambassador and advocator in pursuing an inclusive world.

Inclusive & Diverse Workplaces

Stakeholder engagement



Manabu Tsukagoshi

Director, NPO Fathering Japan
CEO, Gap Resolution Research Japan
Co., Ltd.

Kao's response to the views expressed last year

Last year, we were told that the key is to promote women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situation as a set, and learned that we are expected to further brush up the system for bringing this virtuous cycle to fruition. In response, in 2023, in addition to introducing a system aimed at creating an environment in which sharing childcare between men and women becomes the norm. Aiming to dispel the relevant male and female employees themselves the perception of division of labor based on gender roles, we brought forward the implementation period of the seminar for building a work-childcare balance framework and renewed the content of the seminar as a mandatory seminar for both men and women to attend. In addition, a seminar was held to support managers in creating a team that achieves results while encouraging members to take childcare leave, all of which earned high praise from the participants. We will continue to upgrade these activities.

To brush up the mechanism for realizing a virtuous circle of women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situation, the first thing that caught my attention was that the timing of the "Tatsuno-Oshigoto Seminar (seminar on establishing a system to balance work and childcare)" was moved up significantly, from before returning to work childcare leave to during pregnancy period of the employee or their spouse, and that it is now mandatory for all regardless of gender. It will break the current situation where gender role division of labor tends to be fixed during childcare leave, and make it easier to simultaneously achieve "women's empowerment" and "men's involvement in parenting." The second is the seminar for supervisors to understand the situations of people working under them. The seminar covered a wide range of managers, including those who received a recorded delivery, and with the participants' satisfaction rate of over 90% for the content, which used male childcare leave as a catalyst for workplace reform, the seminar is expected to greatly accelerate the virtuous cycle of women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situation.

The promotion of male childcare leave is just one catalyst for workplace reform. Human capital is becoming more diverse, and the key will be how to realize human capital management that will enable the company to grow sustainably over the medium to

long term by continuing to invest in a diverse range of people. For example, among the items regarding human capital management that need to be disclosed in securities reports, such as gender pay gap, percentage of female managers, and male childcare leave take-up rate, Kao Corporation's gender pay gap of 92.0% across all employees makes it a top class Japanese companies in terms of narrowness of gender pay gap. However, on a consolidated basis, it is not desirable for the gap to widen. As the Kao Group, the "ratio of female managers" should be further increased in the process of closing the "gender pay gap," or in other words, in the promotion of women's empowerment, and advocating for male childcare leave should not only improve the "rate" but also achieve diversity in the duration and methods of taking such leave. At the same time, there is a greater need to create a workplace where supervisors understand their members' situations; in other words, where each employee, including managers, and values in life (such as family care, illness, fertility, women's health issues, and hobbies), can be mutually respected and realized. I would like to reaffirm that the support for balancing work and childcare to promote engagement forms the cornerstone of such a system, and I hope that the effects of a system that makes it possible to realize a virtuous cycle of women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situations will be felt far and wide, including at group companies.

Inclusive & Diverse Workplaces

GRI 405-1

Situation of female employees (%)

		2020	2021	2022	2023
Employees ¹	Kao Group	49.7	50.5	52.9	53.1
	Japan	51.4	51.9	55.9	56.0
	Of which, Kao Corporation	25.3	27.8	28.9	30.0
	Asia	45.7	45.1	44.6	44.2
	Europe	46.5	52.4	49.9	52.4
	Americas	51.3	50.8	51.2	53.0
All management positions	Kao Group	28.8	30.2	30.5	31.1
	Japan	19.2	20.5	22.4	24.6
	Of which, Kao Corporation	20.1	23.1	24.3	25.6
	Asia	49.7	50.1	47.6	45.9
	Europe	48.4	52.5	40.8	44.8
Americas	55.4	53.7	53.3	48.6	
Top management positions ²	Kao Group	-	21.2	19.8	19.4
	Japan	-	10.2	10.6	11.8
Middle management positions ³	Kao Group	-	-	-	26.8
	Japan	-	-	-	19.0
Junior management positions ⁴	Kao Group	-	32.6	34.2	35.5
	Japan	22.8	24.7	26.8	29.6
Management positions in revenue-generating functions	Kao Group	-	30.0	29.7	30.5
	Japan	18.6	20.0	21.5	23.6
Employees in STEM-related positions ⁵	Kao Group	-	22.5	23.9	25.6
	Japan	17.9	20.4	21.1	21.8

- *1 Including Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc., and TBP
- *2 Management positions equivalent to department heads
- *3 Management positions equivalent to section manager
- *4 Management positions equivalent to leaders
- *5 Science and Technology-related function

Average age and average length of employment (Kao Corporation)

	2020	2021	2022	2023
Average age (Years old)	40.5	41.0	40.9	41.1
Male	41.0	41.5	41.4	41.6
Female	38.9	39.6	39.9	40.1
Average length of employment (Years)	17.4	17.4	17.6	17.6
Male	18.3	18.4	18.5	18.6
Female	14.7	14.9	15.3	15.3

Percentage of employees with disabilities (%)

	2020	2021	2022	2023
Kao Group	-	1.25	1.34	1.56
Japan ^{*8} ^{*9}	2.61	2.60	2.64	2.76
Kao Corporation ^{*8}	2.71	2.62	2.56	2.61

*8 Employment rate as of June 1 including non-regular employees and based on government agency calculation standards

*9 The scope is as follows.

Eleven domestic affiliates that are classed as special subsidiaries under the Act to Facilitate the Employment of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji and special subsidiary Kao Peony Co., Ltd.)

Leadership

		2021			2022			2023			2024		
		Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)
Board of Directors	Directors ^{*6}	7 (3)	1 (1)	12.5	7 (2)	2 (2)	22.2	8 (3)	2 (2)	20.0	7 (3)	1 (1)	12.5
	Audit & Supervisory Board Members ^{*6}	4 (3)	1 (0)	20.0	4 (3)	1 (0)	20.0	5 (3)	0 (0)	0.0	4 (2)	1 (1)	20.0
	Subtotal	11 (6)	2 (1)	15.4	11 (5)	3 (2)	21.4	13 (6)	2 (2)	13.3	11 (5)	2 (2)	15.4
Executive officers ^{*7}		26	2	7.1	27	3	10.0	26	4	13.3	27	4	12.9
Total		37	4	9.8	38	6	13.6	39	6	13.3	38	6	13.6

*6 The numbers in parentheses indicate the number of Outside Directors and that of Outside Audit & Supervisory Board Members.

*7 Those who double as a director are included.

Note: As of April 1 of each year

Note: Counted in enrolled companies unless otherwise noted. Not including members of the Board of Directors and Audit & Supervisory Board in Japan until 2020. In 2021, only employees in regular employment were included.

Starting from 2022, employees in regular employment and in full-time indefinite-term employment during non-regular employment are included. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies.

Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Inclusive & Diverse Workplaces

GRI 405-2

Base salary + other cash incentives Average annual salary (yen)

		2021		2022		2023			
Kao Group	Management level + Non-management level	-						5,733,874	6,276,878
		Male	Female	Male	Female	Male	Female		
Kao Group	Management level	-	-	10,986,981	11,693,822	11,205,314 <input checked="" type="checkbox"/>	11,591,636 <input checked="" type="checkbox"/>		
	Non-management level	-	-	4,605,267	4,171,253	4,935,818 <input checked="" type="checkbox"/>	4,907,955 <input checked="" type="checkbox"/>		
	Management level + Non-management level	-	-	-	-	6,725,064 <input checked="" type="checkbox"/>	5,803,608 <input checked="" type="checkbox"/>		
Japan	Management level	-	-	9,929,145	8,956,520	10,081,759	9,009,108		
	Non-management level	-	-	5,516,230	4,143,616	5,610,093	4,739,378		
	Management level + Non-management level	-	-	-	-	7,198,545	5,210,928		
Of which, Kao Corporation	Management level	10,260,020	9,211,384	10,259,143	9,263,127	10,340,101	9,351,123		
	Non-management level	5,597,988	5,468,725	5,625,237	5,411,537	5,712,784	5,611,314		
	Management level + Non-management level	-	-	-	-	7,563,711	6,960,160		

Note: The difference between men and women is due to the difference in the number of people in each job grade, not the difference in wages for the same work.

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during the fiscal year.

Note : Third-party assurance obtained.

Base salary Average annual salary (yen)

		2021		2022		2023	
		Male	Female	Male	Female	Male	Female
Kao Group	Management level	-	-	7,742,661	8,837,789	7,906,880 <input checked="" type="checkbox"/>	8,735,110 <input checked="" type="checkbox"/>
	Non-management level	-	-	3,418,174	3,119,435	3,748,927 <input checked="" type="checkbox"/>	3,731,347 <input checked="" type="checkbox"/>
	Management level + Non-management level	-	-	-	-	4,935,561 <input checked="" type="checkbox"/>	4,401,881 <input checked="" type="checkbox"/>
Japan	Management level	-	-	6,519,040	5,893,010	6,572,064	5,895,901
	Non-management level	-	-	3,783,388	2,961,574	3,821,684	3,348,308
	Management level + Non-management level	-	-	-	-	4,798,691	3,629,665
Of which, Kao Corporation	Management level	6,547,378	5,845,359	6,568,940	5,909,540	6,630,070	5,969,144
	Non-management level	3,670,943	3,571,235	3,731,043	3,582,457	3,756,405	3,694,474
	Management level + Non-management level	-	-	-	-	4,905,871	4,514,885

Note: The difference between men and women is due to the difference in the number of people in each job grade, not the difference in wages for the same work.

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during the fiscal year.

Note : Third-party assurance obtained.

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees in regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Unless otherwise noted, data does not include employees of the following 5 companies and TBP which does not disclose information, which account for 0.39% of all Kao Group employees out of 102 consolidated companies. Kao Corporation (Hefei), Bondi Sands Hold Co Pty Ltd, Bondi Sands Australia Pty Ltd, Bondi Sands Europe Limited, Bondi Sands (USA) Inc.

Gender pay gap

(Average annual base salary + other cash incentives) (%)

		2021	2022	2023
Kao Group	Management level	89.7	106.4	103.4
	Non-management level	96.1	90.6	99.4
	Management level + Non-management level	-	-	86.3
Japan	Management level	-	90.2	89.4
	Non-management level	-	75.1	84.5
	Management level + Non-management level	-	-	72.4
Of which, Kao Corporation	Management level	89.8	90.3	90.4
	Non-management level	97.7	96.2	98.2
	Management level + Non-management level	-	-	92.0

Note: Ratio of women to men

Note: The difference between men and women is due to the difference in the number of people in each job grade, not the difference in wages for the same work.