

Kao Sustainability Data Book 2020



→ The ESG activities implemented in line with Kao's Kirei Lifestyle Plan ESG strategy are outlined on the following webpage.

Kao Sustainability Data Book Kirei Lifestyle Plan Progress Report 2020 www.kao.com/global/en/sustainability/pdf/

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CEO Message

Kao's Corporate Philosophy

Message by Dave Muenz

Kirei Lifestyle Plan—Kao's ESG Strategy

Stakeholder Engagement

Realization of the Kao Corporate Philosophy

Making my everyday more beautiful:

Improved quality of life

Habits for cleanliness, beauty & health

Universal product design

Safer healthier products

Making thoughtful choices for society:

Sustainable lifestyle promotion

Purpose driven brands

Transformative product innovation

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Kao is able to respond promptly to change, and implements efficient management that is sound, fair and highly transparent; in order to realize ongoing enhancement of corporate value, Kao has set up and operates an appropriate management structure and internal control system, implements necessary measures in a timely manner and demonstrates accountability.

Corporate Governance with the Corporate Philosophy at Its Core

At Kao, we practice corporate governance that places the corporate philosophy, the Kao Way, at its core and with a consistent focus on Innovation, which is one of Values of the Kao Way. Putting in place systems for organizational design and the executive team, as well as effectively implementing them, are key to maintaining an effective governance structure. To do this, we revise our system of corporate governance as necessary to address changes in the business and management environment and pursue the most optimum structure for realizing sustained growth.

We have also taken actions in the past to this end, including changing the number of Directors to activate discussions by the Board of Directors, introducing performance-based compensation for executives to increase awareness for contributing to mid- to long-term business performance improvements and enhanced corporate value, and establishing committees on a voluntary basis. In FY2019, to achieve greater diversity in our Board of Directors and further strengthen its supervisory function, we increased our Outside Directors by one to make their number equal to the number of inside Directors and appointed a woman as an Outside Director. We will continue to implement corporate governance able to advance corporate management in both offensive and defensive ways.

Basic Approach to Corporate Governance

Our vision by 2030 is to make Kao a company with a global presence. In addition to financial strategies and initiatives including financial results, non-financial strategies and initiatives should be strengthened. It is important that the fruits from those strategies and initiatives are used as investments for sustainable growth. We have announced that we recognize ESG initiatives as an investment for the future, not as a cost, and are promoting them. We consider good corporate governance as a prerequisite and a driving force for strongly promoting the achievement of such a goal. Our basic stance on measures related to corporate governance is to set up and operate a management structure and an internal control system, timely implement the necessary measures and achieve accountability so that we can swiftly respond to changes, realize efficient management that is sound, fair and highly transparent, and continuously enhance corporate value. We view accomplishing such tasks as one of our most important management issues. We have been actively engaging in activities to listen to stakeholders' voices and based on input from stakeholders and social trends, we conduct reviews of our corporate governance and implement the necessary measures and improvements, as needed, in an appropriate manner.



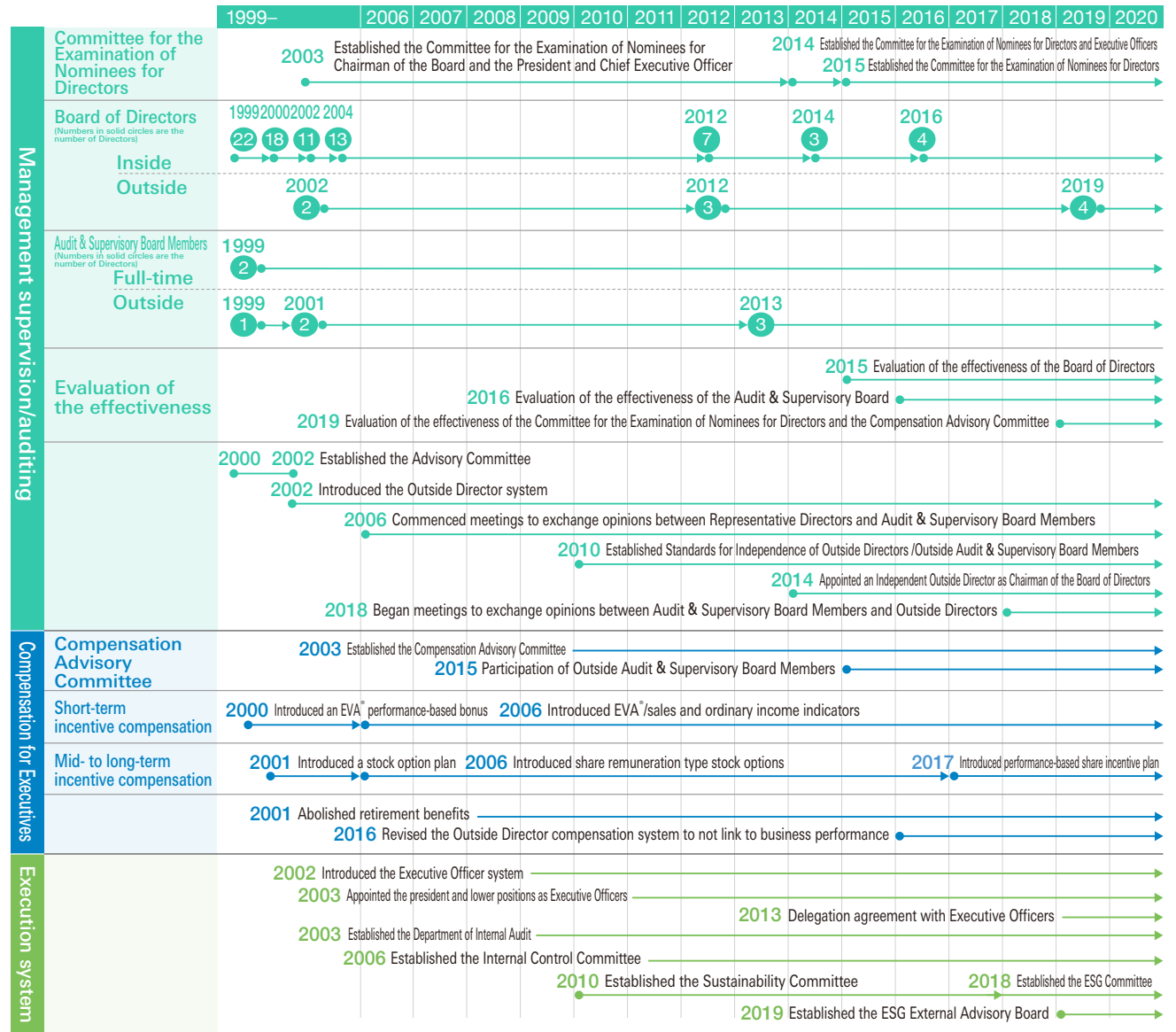
→ Report Concerning Corporate Governance
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_001.pdf

Corporate governance 102-22, 102-23, 102-26

Corporate Governance Reform

We have also practiced Innovation, which is one of Values of the Kao Way, in the area of corporate governance from an early stage. We have pursued creation of the most optimal structure to respond to changes in the business environment as well as social demands, and will continue to take steps to reform our governance.

Evolution of Kao's corporate governance



Corporate governance structure

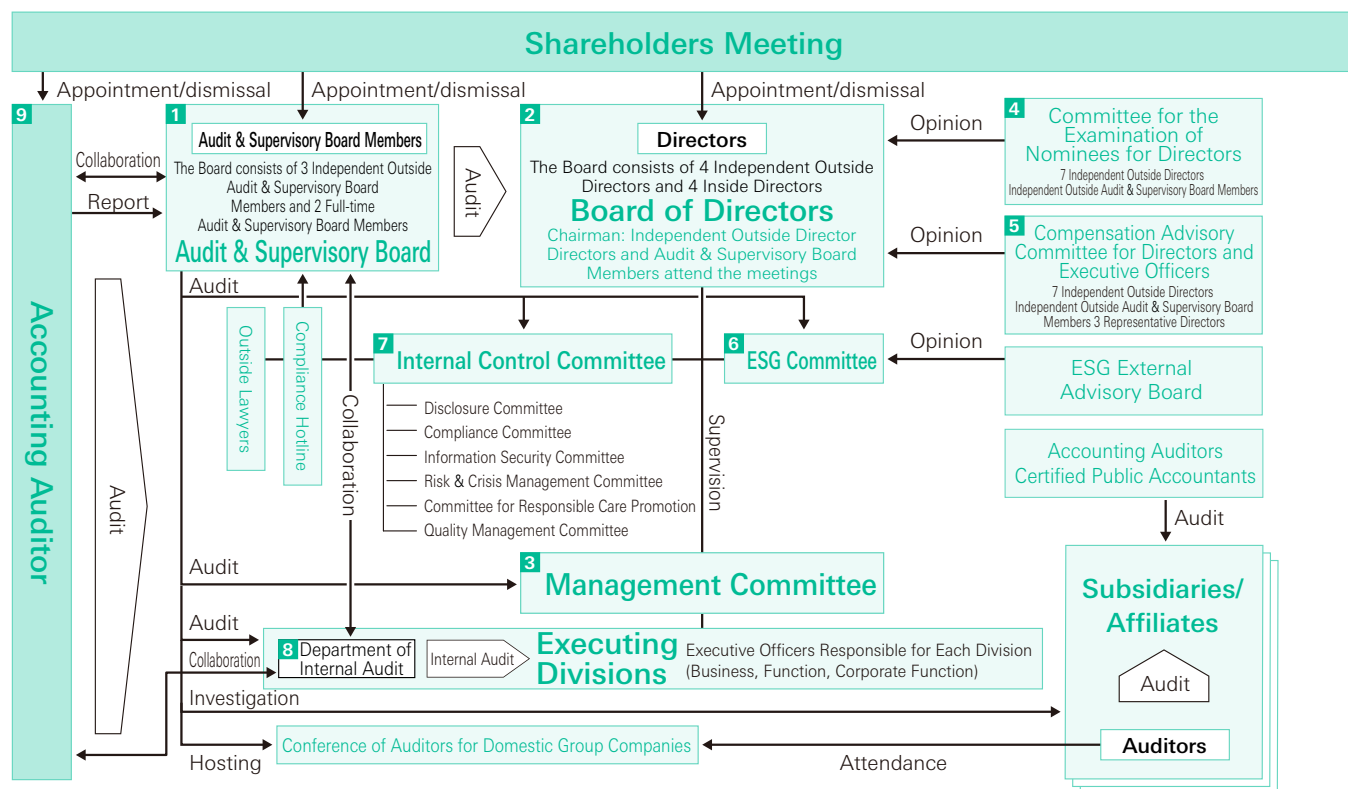
Kao has chosen to be a company with an Audit & Supervisory Board. In company with the Audit and Supervisory Board, the Audit and Supervisory Board Members are obligated to participate in meetings of the Board of Directors, but they do not possess voting rights. Therefore, the Company believes that this allows them to objectively audit the decisions made by the Board of Directors and business execution of individual Directors without being bound by past decisions or adopting a conservative approach.

To better ensure transparency and fairness in the processes for determining Director appointment and compensation, the Company has voluntarily established the Committee for the Examination of Nominees for Directors, composed solely of Outside Directors and Outside Audit & Supervisory Board Members and the Compensation Advisory Committee, made up of Outside Directors, Outside Audit & Supervisory Board Members and Representative Directors.

The Board of Directors maintains a high level of objectivity, with four of its eight members being Outside Directors. At the same time, the Board of Directors is supported by organizations that oversee auditing duties as well as compensation and nomination examinations, thereby realizing a high level of effectiveness. In these ways, the Company has put into place a framework for supervising and auditing its management.

Also, the Company has introduced an Executive Officer system that appoints Executive Officer as chief executive of each division, thereby promoting the separation of supervisory functions and execution functions. In addition, through largely delegating execution authority to the Management Committee, the Company works to speed up the decision-making and execution process.

Corporate governance structure



1 Audit & Supervisory Board

Audits the execution of business by Directors and others by attending important meetings, such as meetings of the Board of Directors and the Management Committee, exchanging information with Accounting Auditor and internal auditing divisions including the Department of Internal Audit, conducting interviews at internal divisions and affiliates and others.

4 Committee for the Examination of Nominees for Directors

Comprising all Outside Directors and Outside Audit & Supervisory Board Members, examines and deliberates the appropriateness and other qualities of Director nominees, including for President and Chief Executive Officer, and submits its opinions to the Board of Directors.

7 Internal Control Committee

Discusses and determines the direction of the Kao Group's overall internal control systems to ensure the accuracy of financial reporting and achieve cross-organizational integration of functions pertaining to internal control.

2 Board of Directors

Deliberates the management direction including the management strategy from various perspectives including evaluation of risks, and makes decisions relating to the execution of business as well as supervises the execution of business by Directors.

5 Compensation Advisory Committee for Directors and Executive Officers

Comprising all Representative Directors, all Outside Directors and all Outside Audit & Supervisory Board Members, examine and deliberate the compensation system and standards for Directors and Executive Officers, and submit their opinions to the Board of Directors.

8 Department of Internal Audit

Conducts internal audits on management activities in general from the perspective of comply with laws and regulations, the appropriateness of financial reporting, and administrative effectiveness and efficiency. It also regularly makes reports to the Management Committee and the Board of Directors.

3 Management Committee

Makes decisions relating to the execution of the mid-to long-term direction and strategies as principal members with the position of Managing Executive Officer or higher. Acts to speed up decision-making and execution by delegating wide-ranging authority to the Management Committee.

6 ESG Committee

To gain the support and trust of all stakeholders, discusses and determines the direction of the group's activities pertaining to the ESG Strategy, aiming to contribute to the sustainable development of the Kao Group as a company with a global presence and society.

9 Accounting Auditor

Deloitte Touche Tohmatsu LLC is the audit firm appointed as the Accounting Auditor based on the Companies Act, and for accounting audits based on the Financial Instruments and Exchange Act.

Directors and Board of Directors

Kao's Board of Directors has secured a balance among knowledge, experience, and skills and a sufficient level of diversity to appropriately carry out the formulation of business strategies and other measures as well as supervise specific business execution. Outside Directors are nominated with emphasis on diverse experience, their knowledge, and a high level of insight obtained from such experience that cannot be obtained from Inside Directors alone. Examples include global experience, experience in managing a company that provides products and services in a different industry from that of Kao, consulting or academic experience, as well as expertise and a high level of insight. In addition, the Company makes efforts to enhance the effectiveness of discussions at Board of Directors' meetings in such ways as having Executive Officers in charge of accounting and human affairs who are not Directors attend these meetings.

At these Board of Director meetings, to promote sustainable growth and mid- to long-term increases in corporate value, the Company deliberates from various perspectives, including evaluation of risks and determine the mid- to long-term direction of management toward business strategies. Furthermore, the Company supervise and audit whether or not its business strategies are being executed appropriately in various ways through reports by the Inside Directors on the status of progress of these strategies and issues preventing their achievement and response to such issues, as well as through evaluation and audits by Outside Directors and Outside Audit & Supervisory Board Members from their diverse perspectives. Moreover, the Company draws sharp distinctions between risks through the establishment of internal control and risk control systems. In these ways, the Company has created an environment that allows for a more proactive style of management.

Major Topics Discussed by the Board of Directors in FY2019

First Quarter	<ul style="list-style-type: none"> ● Revision of Business Conduct Guidelines ● Evaluation of the effectiveness of the Board of Directors ● ESG Strategy ● Department of Internal Audit semi-annual reports ● Audit & Supervisory Board Members' audit report summaries ● Overseas IR roadshow reports
Second Quarter	<ul style="list-style-type: none"> ● ESG Strategy ● Mid- to long-term strategy ● Current status of Research & Development and topics ● Compliance Committee annual reports
Third Quarter	<ul style="list-style-type: none"> ● Cosmetics Business strategy ● ESG Strategy ● Advanced Digital Technology strategy ● Department of Internal Audit semi-annual reports ● Human capital development strategy
Fourth Quarter	<ul style="list-style-type: none"> ● Research & Development progress report ● ESG Strategy ● Internal Control Committee activities report ● Cross-shareholdings status report ● Free discussion

The agenda for the mid- to long-term strategy included presentations given by multiple Executive Officers and engaging discussions based on them. In addition to the above, each month we have business execution reports from Directors currently serving as Executive Officers, as well as on matters discussed during the Management Committee from the Executive Officer in charge.

Audit & Supervisory Board Members and Audit & Supervisory Board

For Outside Audit & Supervisory Board Members, Kao has appointed certified public accountants and a lawyer to its Audit & Supervisory Board, all of whom have a high level of professionalism and insight in accounting, finance and law necessary for auditing, abundant experience which can take advantage of them, and high ethical standards as a professional. Supported by internal information gathering by the well-informed full-time Auditor & Supervisory Board Members, Audit & Supervisory Board Members are able to engage in objective and meaningful discussion and perform highly effective audits.

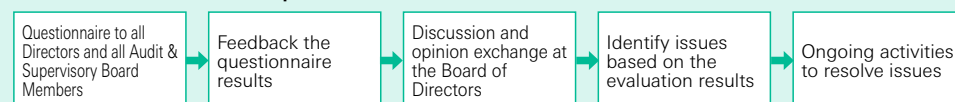
Audit & Supervisory Board Members hold regular meetings with the Representative Directors to exchange opinions and attend important meetings, such as meetings of the Board of Directors and the Management Committee. In addition to meetings with the auditors of domestic group companies, the Audit & Supervisory Board Members hold meetings with internal auditing divisions and the Accounting Auditor to exchange information as well as conduct interviews with each internal division and Kao's subsidiaries on a regular basis and additionally when necessary. Furthermore, at meetings of the Board of Directors, the Audit & Supervisory Board Members provide observations related to the legality and validity of the Company's business and accounting practices. The Audit & Supervisory Board also offers a wide range of advice to Kao's management, including advice on strategic management direction.

Evaluation of the effectiveness of the Board of Directors

On at least an annual basis, an evaluation is conducted at a meeting of the Board of Directors, in order to make improvements aimed at enhancing the effectiveness of the Board of Directors. Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board of Directors, the Company believes that it is effective for all members who participate in meetings of the Board of Directors, including Audit & Supervisory Board Members, to conduct an evaluation by expressing their own opinions and engaging in free and open discussions. Accordingly, evaluation of effectiveness of the Board of Directors is currently conducted through self-assessment by the participating members at the Board of Directors meeting, without the appointment of a third-party consultant from outside the Company.

For the FY2019 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held in January 2020, a survey of the eight (8) Directors and the five (5) Audit & Supervisory Board Members was conducted on the topics below. Feedback on the results was then provided before the meeting, during which the discussions and exchange of opinions were conducted.

Effectiveness evaluation process



(a) Efforts to address issues pointed out in the FY2018's evaluation of effectiveness of the Board of Directors

Issues pointed out in the FY2018's evaluation of effectiveness of the Board of Directors

1. With regard to human resources strategy, scouting and developing diverse human resources, including people who can excel globally, is an ongoing challenge. Further discussion is needed for the kind of human resources required based on the vision of the kind of company that Kao intends to be 10 years from now, and how to scout and develop those human resources.
2. With regard to management, the Board of Directors shall maintain dialogue in ways such as effectively sharing its discussions with executives and listening directly to the opinions of executives in order to further vitalize the Board of Directors and reflect its discussions in execution.
3. With regard to internal controls to comply with laws and regulations, the Board of Directors should not just maintain the control system, but should also conduct oversight in order to regularly revise operations to ensure the system functions even more effectively, in a timely and appropriate manner.

Evaluation of efforts to address the above issues

1. The Board of Directors has been able to conduct discussions of human resources strategy to a certain extent, which has enabled shared understanding of the issues. However, it needs to further deepen discussions regarding human resource requirements and development plans based on its vision for the future, from perspectives that include scouting and developing young human resources globally and using human resources from outside the Company.
2. Discussions at the Board of Directors are properly reported at the monthly meetings of Executive Officers, and reports regarding execution of business from Executive Officers at monthly meetings of the Board of Directors. These and other measures enable dialogue between Directors and Executive Officers. Especially, in FY2019,

several Executive Officers presented and discussed forward-looking mid-to-long-term strategy with the Board of Directors, and the opportunity for the Board of Directors to exchange opinions directly with the Executive Officers deepened mutual understanding. The Board of Directors intends to continue to provide opportunities for direct dialogue with executives.

3. An internal control system for legal compliance has been properly established. In the operation of this system, the amount and speed of information on problematic issues reaching the Board of Directors have increased. However, further improvements in system operation are required, as demonstrated by the lack of timely reports from worksites to senior management and issues with cooperation among departments, among other matters in some cases. Discussion of the background and nature of problematic issues that have arisen is also required.

(b) Evaluation of measures for viewpoints 1.-3. below, which are particularly expected of Board of Directors in the Corporate Governance Code

1. Constructive discussion of the broad direction of corporate strategy and other matters

At meetings of the Board of Directors, explicitly sharing discussion of the Kao Way, which expresses the vision of the kind of company Kao intends to be, and incorporating the opinions of Outside Directors, lead to energetic and constructive discussions about management strategy and management plans. In FY2019, the Board of Directors devoted significant time to discussing ESG strategy, which led to Kao's public commitments. The Board of Directors also engaged in multifaceted discussions about technology innovation. In FY2020, discussing the next mid-term plan will be a key responsibility of the Board of Directors. As part of this, the Board of Directors will deepen discussions about Kao's global strategy, M&A strategy, and the kind of human resources required.

2. Establishment of an environment where appropriate risk-taking by senior management is supported

Systems are in place to support checks on risks and promote proactive risk-taking through the energetic voicing of opinions by members of the Board of Directors from multiple perspectives, based on their diverse insights. Outside Directors and Outside Audit & Supervisory Board Members are provided opportunities to directly obtain frontline information by visiting business sites in Japan and overseas and by attending research presentations. In addition, the Chairman of the Board (an Outside Director), who sits on the Management Committee, provides background explanations that help the Board of Directors get to the central issues of its agenda. These features deepen discussion among members of the Board of Directors and help senior management make decisions.

3. Carrying out effective oversight of Directors and management from an independent and objective standpoint

The Board of Directors operates under the Chairman of the Board of Directors, who is a non-executive, Independent Outside Director. This ensures an atmosphere in which opinions can be freely expressed, transcending the boundaries separating internal and external perspectives. Moreover, Inside Directors who have executive responsibilities sincerely listen to the opinions of Outside Directors to maintain an approach to management that utilizes external perspectives, which vitalizes execution. The Board of Directors is composed of members with outstanding diversity in terms of their fields of expertise and experience. Inside Directors who are also executive officers, Independent Outside Directors with extensive knowledge, full-time Audit & Supervisory Board Members with regular access to detailed and specific internal information and Independent Outside Audit & Supervisory Board

Members with diverse experience and expertise all cooperate with each other. As a result, highly effective oversight functions are carried out based on objective opinions that are premised on timely and accurate information.

(c) Board of Directors composition, status of operation, status of deliberations, and support from the Company

1. Composition: The Board of Directors is structured appropriately, with a good balance of Directors and Audit & Supervisory Board Members from inside and outside the Company offering diverse experience and insight as well as a compact size that enables ample communication and active discussions. In FY2019, a female Director and a female Audit & Supervisory Board Member were appointed to improve its balance. On the other hand, promotion or appointment of a non-Japanese Director or other Director who plays a role with a cross-divisional view of the entire Company is an issue that still needs to be addressed.
2. Status of operation: To allow for productive discussions at meetings of the Board of Directors, materials are distributed beforehand to promote understanding of matters such as the background, purposes and content of agenda items. The frequency of meetings is also set appropriately.
3. Status of deliberations: Proceedings allow sufficient time for questions and discussions, and discussions and exchanges of opinion are free, open, constructive and active. However, to elicit useful discussion by the Board of Directors, allocation of time for discussion needs to be more clearly delineated and presentation materials should be narrowed down to the main points.
4. Support from the Company: Lectures for Directors and Audit & Supervisory Board Members, opportunities to visit business sites in Japan and overseas, and information regarding technical matters including research and development are properly provided and appropriate support is given. Ongoing and periodic support will also be required.

(d) Operation of the Committee for Examination of Nominees for Directors and the Compensation Advisory Committee

Both committees have clear roles and authority, and discuss relevant themes at the appropriate times. Details of the discussions are duly shared with the Board of Directors. The Committee for the Examination of Nominees for Directors thoroughly discussed the next generation of human resources. The Compensation Advisory Committee shared the view that it was necessary to conduct discussions to review the compensation system in FY2020 in anticipation of the next mid-term plan.

(e) Issues to be addressed by the Board of Directors

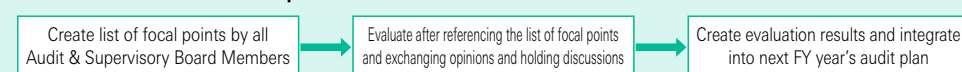
1. The Board of Directors should set aside time to discuss key directions of the Kao Group, such as the mid-term plan, human resources strategy, global strategy, and M&A strategy.
2. The Board of Directors must continue discussions of human resources strategy. It must incorporate external opinions as it further deepens discussion of human resource requirements and development plans based on the vision of the kind of company Kao intends to be and on the next mid-term plan.
3. With regard to internal controls to comply with laws and regulations, the Board of Directors needs to constantly monitor the controls to ensure proper operation so that the control system functions more effectively throughout the Kao Group.

Evaluation of the effectiveness of the Audit & Supervisory Board

The Audit & Supervisory Board conducts an evaluation of its auditing effectiveness once a year as well.

At an Audit & Supervisory Board meeting held in February 2020, all Audit & Supervisory Board Members expressed their opinions on the activities of the Audit & Supervisory Board Members in FY2019 referring to the checklist of focus points for "Self-Evaluation of the Effectiveness of Kao's Audit & Supervisory Board Members and Audit & Supervisory Board Meeting." The attendees engaged in discussions based on those opinions, and made evaluations. The results of the self-evaluation are shared with the Board of Directors by incorporating them in the audit plan for the following fiscal year.

Effectiveness evaluation process



In FY2019, the following topics were reported at the Board of Directors.

Current Status

- Audit & Supervisory Board members attend the Board of Directors meetings, audit the management decision-making process, the status of development and operation of the internal control environment, and provide opinions as necessary.
- Full-time Audit & Supervisory Board members attend important meetings such as those of the Management Committee, Internal Control Committee and other related committees. In addition, Full-time Audit & Supervisory Board members actively conduct on-site visit at factories and research laboratories, interview business units and functional divisions, and conduct surveys of affiliated companies in Japan and overseas. Outside Audit & Supervisory Board members were provided with ample opportunity to participate in such activities. Based on the findings and opinions obtained through these audit activities, the Audit & Supervisory Board held meetings to exchange opinions with Representative Directors of the Company and its important subsidiaries, as well as meetings with all Outside Directors, and made suggestions as necessary.
- At Audit & Supervisory Board meetings, members frankly exchange opinions based on their respective experiences and expertise, incorporating an objective perspective and the Board is functioning effectively in general.
- The Audit & Supervisory Board has the opportunity to report on the activities of the Audit & Supervisory Board at the Board of Directors meeting regularly.

Issues

To respond appropriately and flexibly to changes in the business environment and business expansion,

- Regarding internal control, we will proactively make proposals to ensure effectiveness and efficiency in both its development and operation globally.
- From the perspective of group governance, it is also important to strengthen the framework for auditors of subsidiaries to function more effectively.
- As the expectations of the activities of corporate auditors in society increase, we will continue to consider how to proceed with audits.

Committee for the Examination of Nominees for Directors and Compensation Advisory Committee

To ensure fairness and transparency in decisions regarding the appointment and compensation of Kao's Directors and Executive Officers, Kao has voluntarily established the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee.

Both the Committee for the Examination of Nominees for Directors and the Compensation Advisory Committee are chaired by independent Outside Directors. The effectiveness of both committees is evaluated on an annual basis.

1. Committee for the Examination of Nominees for Directors

The Committee for the Examination of Nominees for Directors comprises all Outside Directors and Outside Audit & Supervisory Board Members. The committee examines the suitability of nominees for company Directors, including the President and Chief Executive Officer, and submits its opinions to the Board of Directors. In addition, it discusses the size, composition and diversity of the Board of Directors as well as the qualities and capabilities that the President and Chief Executive Officer and members of the Board are required to possess. The results of these examinations and deliberations are also reported by the committee to the Board of Directors.

2. Compensation Advisory Committee

The Compensation Advisory Committee is composed of all Representative Directors, all Outside Directors, and all Outside Audit & Supervisory Board Members. The committee examines and deliberates on compensation systems and compensation levels for Directors and Executive Officers, and submits its opinions to the Board of Directors.

Independence of Outside Directors and Outside Audit & Supervisory Board Members

Kao uses a structure with the appropriate number of independent Outside Directors and independent Outside Audit & Supervisory Board Members who satisfy the "Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members of Kao Corporation" (hereinafter, the "Standards for Independence") to provide a check on the status of deliberations of the Board of Directors from an objective perspective independent of Kao's management so that its judgment is not biased toward the logic of persons inside the company. Four of the Company's eight Directors and three of its five Audit & Supervisory Board Members and fulfill

Attending members for meetings of the Board of Directors, the Audit & Supervisory Board and other committees

◎ Indicates Chairman of the Board or specified committee. ○ Indicates attending member.

	Name	Board of Directors	Audit & Supervisory Board	Committee for the Examination of Nominees for Directors	Compensation Advisory Committee
Directors	Michitaka Sawada	○			○
	Toshiaki Takeuchi	○			○
	Yoshihiro Hasebe	○			○
	Tomoharu Matsuda	○			
	Sonosuke Kadonaga Outside/Independent	◎		◎	◎
	Osamu Shinobe Outside/Independent	○		○	○
	Chiaki Mukai Outside/Independent	○		○	○
	Nobuhide Hayashi Outside/Independent	○		○	○
Audit & Supervisory Board Members	Katsuya Fujii	○	◎		
	Hideko Aoki	○	○		
	Hideki Amano Outside/Independent	○	○	○	○
	Nobuhiro Oka Outside/Independent	○	○	○	○
	Takahiro Nakazawa Outside/Independent	○	○	○	○
Total		13	5	7	10

the Standards for Independence.

Under its current structure, The Board of Directors has appointed an independent Outside Director as Chairman of the Board of Directors to further enhance the Board's neutrality and independence. To promote discussions from diverse perspectives, independent Outside Directors and independent Outside Audit & Supervisory Board Members hold meetings on their own initiative at intermissions of meetings of the Board of Directors or by setting up separate opportunities to exchange information and share awareness of issues related to the Company's management and the activities of the Board of Directors, the development of future management, and other matters.



Messages from Outside Directors and an Outside Audit & Supervisory Board Member

➡Kao Integrated Report 2020

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2020e-all.pdf#page=72

➡Adoption of Standards for Independence of Outside Directors/Audit & Supervisory Board Members

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_002.pdf

Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

The compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is aimed at (1) securing and retaining diverse and excellent talent to establish and improve competitive advantages; (2) promoting prioritized measures for continuous increases in corporate value; and (3) sharing interests in common with shareholders. Starting in FY2017, we have introduced a performance-based share incentive plan for our Directors (excluding Outside Directors) and Executive Officers. Serving as a highly transparent and objective remuneration system that is closely linked to company performance, the performance-based share incentive plan aims to increase awareness of contributing to improvements in our financial performance and corporate value over the mid- to long-term.

The compensation system and compensation standards for Directors and Executive Officers are examined by the Compensation Advisory Committee and determined by the Board of Directors. Compensation for Independent Outside Directors consists solely of a fixed monthly salary. Compensation for Audit & Supervisory Board Members also consists solely of a fixed monthly salary, and compensation standards are determined at meetings of the Audit & Supervisory Board.

Compensation standards for Directors, Audit & Supervisory Board Members, and Executive Officers are determined each year after ascertaining standards at other major manufacturers of similar size, industry category, and business type as Kao using officer compensation survey data from an external survey organization. We do not have a system for providing retirement benefits to Directors or Audit & Supervisory Board Members.

Summary of Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

	Base salary	Short-term incentive compensation		Long-term incentive compensation	
		Bonus		Performance-based share incentive	
		EVA®-linked part	Consolidated net sales/profit-linked part		
Method of provision	Amount determined in accordance with role and rank, and provided as fixed monthly compensation.	Amount of bonus determined in accordance with degree of achievement of single fiscal-year targets and provided.		Kao shares, etc., are delivered within a four-year target period covered by the current mid-term plan <ul style="list-style-type: none"> Fixed part: Deliver a set number of shares, etc. each year Performance-based part: Deliver shares, etc. after the conclusion of the mid-term plan in accordance with the degree of achievement of the targets in the mid-term plan The compensation structure is set at 70% performance-based and 30% fixed.	
Performance evaluation period	—	One year		Four years (FY2017–2020)	
Evaluation indicator	—	<ul style="list-style-type: none"> EVA® 	<ul style="list-style-type: none"> Consolidated net sales Income (Gross Profit Less Selling, and General and Administrative Expenses) 	<ul style="list-style-type: none"> Like-for-like net sales CAGR (Compound annual growth rate) Operating margin 	<ul style="list-style-type: none"> Ethisphere® Institute evaluation (World's Most Ethical Companies®)*
Evaluation criteria	—	Degree of target achievement	Degree of target achievement/Degree of year-on-year improvement	Degree of target achievement	Number of selections
Coefficient/ Determination of payout rate	—	The payout rate is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.		The coefficient for the performance-based part is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.	
Compensation structure	—	Bonus amount by position when the payout rate is 100%. <ul style="list-style-type: none"> President and Chief Executive Officer: 50% of base salary Executive Officers with titles: 40% of base salary (except for the President and Chief Executive Officer) Other Executive Officers: 30% of base salary 		The yearly share remuneration amount when the performance-based coefficient is 100% <ul style="list-style-type: none"> About 40% to 50% of the base salary of the position. 	
Eligible for provision	<ul style="list-style-type: none"> Directors. Executive Officers. Audit & Supervisory Board Members. 	<ul style="list-style-type: none"> Directors (Except for Outside Directors) Executive Officers 		<ul style="list-style-type: none"> Directors (Except for Outside Directors) Executive Officers 	

* "World's Most Ethical Companies®" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

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Compensation paid to Directors and Audit & Supervisory Board Members in FY2019

Classification	Number of persons (Persons)	Aggregate amount of remuneration (Millions of yen)	Amount of remuneration by type (Millions of yen)		
			Base salary	Bonus	Performance-based remuneration
Directors (of Outside Directors)	10 (5)	404 (71)	264 (71)	35 (–)	105 (–)
Audit & Supervisory Board Members (of Outside Audit & Supervisory Board Members)	6 (3)	78 (30)	78 (30)	0 (–)	0 (–)
Total (Outside Directors and Audit & Supervisory Board Members)	16 (8)	482 (101)	342 (101)	35 (–)	105 (–)

Note: The above numbers of Directors/Audit & Supervisory Board Members include one Director, one Outside Director and one Audit & Supervisory Board Member who resigned at the conclusion of the 113th Annual General Meeting of Shareholders held on March 26, 2019.

FY2019 Remuneration for Individual Directors

Name (Director classification)	Aggregate amount of remuneration (Millions of yen)	Amount of remuneration by type (Millions of yen)		
		Base salary	Bonus	Performance-based share incentive
Michitaka Sawada (Director)	133	82	16	35

Note: Only Director remuneration amounts totaling over 100 million yen are listed.

We implement risk and crisis management that can respond both appropriately and promptly to changes in the business environment, to prevent risks to happen and to minimize the damage and loss in the case where risks become realized.

Kao's creating value to address social issues

Social issues we are aware of

The growing severity of social issues—including the issue of waste polluting the oceans such as marine plastic waste, climate change, the depletion of water resources, environmental and human rights issues relating to raw materials procurement, the aging of the population and issues relating to public health and hygiene, etc.—has led to heightened environmental and health awareness among consumers, a trend toward ethical consumption, and growing demand from customers for sustainability.

At the same time, stakeholders are raising their expectations and what they require from companies in terms of corporate compliance, ensuring that products and services provide safety and peace of mind, secure information management, safeguarding of human rights, respect for diversity, and timely and appropriate information sharing and disclosure.

Kao's creating value

In line with the Kirei Lifestyle Plan (KLP), our new business strategy that incorporates an ESG perspective, we are promoting innovation based on new technologies at every stage from procurement to production, usage and product disposal. We aim to contribute toward the sustainability of society through KLP promotion activities that enable all Kao employees to develop a proper understanding of the KLP's goals and content and help them to realize their respective roles and responsibilities.

Risk and crisis management plays an important role in

underpinning these measures. By prioritizing the formulation of countermeasures to address significant risks that could have a substantial impact on our operations, we aim to provide even better products and services without interruption, and to maintain good relationships based on trust with consumers, clients, business partners and other stakeholders.

Risks related to realization of our vision by 2030

The business environment in which we operate continues to be affected by uncertainty in terms of changing patterns of market competition, transformation of the market structure and volatility in raw materials markets and in regard to exchange rates, etc. The transformation of consumers' environmental and health awareness has been accompanied by changes in consumer purchasing behavior, and social problems such as the aging of the population and issues relating to health and hygiene have become increasingly serious. As business becomes globalized, and with the structural changes taking place in different sectors, it is vitally important for us to respond in a timely, appropriate manner to the changing risks that affect our business.

The Risk and Crisis Management Committee and Management Committee have defined the main 13 risks of special importance (see Table on the right) that could occur negative impact on our contributions to sustainability of the world through business activities, and on sustainable and profitable growth.

Main risks

Main risk	Detail of risk
1. Risks related to Response to Social Issues.	<ul style="list-style-type: none"> • Risk of being unable to provide appropriate products and services in line with changes in consumer awareness and customer needs in relation to social issues. • Risk that our initiatives to address social issues will be perceived as being inadequate.
2. Risks related to Changes in the Distribution Environment.	<ul style="list-style-type: none"> • Risks that would prevent conducting appropriate sales activities for the changes in the distribution environment. • Risk of being unable to build a sound supply chain and of being unable to deliver products in a timely, appropriate manner.
3. Risks related to Business in Asia.	<ul style="list-style-type: none"> • Risks that would cause significant delays in the business plan.
4. Risks related to business investment.	<ul style="list-style-type: none"> • Risk of being unable to generate the anticipated level of cash flow, due to worse-than-planned performance, etc. in relation to capital investment and M&A.
5. Risks related to Product Quality.	<ul style="list-style-type: none"> • Risk of serious product incidents, or of concerns emerging with regard to product safety or environmental issues.
6. Risks related to Large-scale Earthquakes, Other Natural Disasters, Accidents and Other Incidents.	<ul style="list-style-type: none"> • Risk of major accidents that impact the region in the vicinity of the plant. • Risk of obstacles emerging that hinder our ability to supply our products to the market.
7. Risks related to Information Security.	<ul style="list-style-type: none"> • Risk of confidential information or personal information being leaked. • Risk relating to temporary disruption of the supply chain or other aspects of business operations.
8. Risks related to Reputation.	<ul style="list-style-type: none"> • Risk of inappropriate statements in advertising etc. being spread widely via social media. • Risk of the diffusion of critical evaluations of, or misleading information relating to our business activities, brand image, etc.
9. Risks related to Raw Material Procurement.	<ul style="list-style-type: none"> • Risk of dramatic fluctuations in the market price of raw materials. • Risk relating to the stability of raw materials procurement. • Risk that our initiatives to achieve sustainable, responsible procurement will be perceived as being inadequate.
10. Risks related to Currency Exchange Rate Fluctuations.	<ul style="list-style-type: none"> • Risk that fluctuations in the exchange rates between the Japanese yen (as a functional currency) and foreign currencies will be greater than anticipated.
11. Risks related to Compliance.	<ul style="list-style-type: none"> • Risk of serious compliance violations at group companies, contractors, etc.
12. Risks associated with retention of human capital.	<ul style="list-style-type: none"> • Risk of being unable to systematically implement the retention, cultivation and assignment of human capital with high level specialist skills, leaders able to guide change, etc.
13. Risks related to Litigation.	<ul style="list-style-type: none"> • Risks relating to uncertainty regarding the outcome of lawsuits.

Risk and crisis management 102-12, 102-29, 102-30, 102-43, 103-1, 404-2

Opportunities related to realization of our vision by 2030

Faced with social issues and a changing business environment, by clarifying the key operational risks that we face and strengthening our response to them we are underpinning the contribution that we make toward the sustainability of society through sustainable, profitable growth and through our business activities.

Contributions to the SDGs



Policies

We define the potential negative impact on the achievement of its management targets and business activities as a “risk” and the materialization of such risk as a “crisis.” The Risk and Crisis Management Committee has established risk and crisis management systems and activity guideline in accordance with the response priorities detailed in the Kao Risk and Crisis Management Policy (1. Protection of human lives 2. Environmental conservation 3. Continuation of operation 4. Protection of assets). Divisions, subsidiaries and affiliates manage risks by identifying and assessing risks, and formulating and implementing countermeasures based on this activity guideline. In addition, when a crisis arises an Emergency Response Team is launched corresponding to the severity of the emergency to promptly and appropriately address the crisis in order to minimize physical damages and financial losses.

Education and promotion

Spreading awareness of the risk management system and activity guideline

The Risk and Crisis Management Committee’s Secretariat disseminates information about the significant risks management system and activity guideline formulated by the Risk and Crisis Management Committee to individual divisions, subsidiaries and affiliates. Furthermore, risk surveys and reviews are conducted at each division and subsidiary to identify significant risks and to promote the development and revision of countermeasures on a regular basis, with the aim of putting risk management on a solid footing.

Risk surveys

Risk surveys—both a comprehensive survey and surveys with questions on designated topics—are conducted at each division and subsidiary to identify significant risks and to facilitate the revision of countermeasures where necessary. For cross-organizational risks and common risks, we are aiming to strengthen our ability to address these as company-wide risks. The results of the surveys are reported back to each division and subsidiary to promote ongoing improvement in and strengthening of the risk management capabilities of the organization and its employees.

Providing information on risks

We provide employees with an emergency contact and response structure to be used when a risk becomes realized, and information on such issues as overseas safety, infectious diseases and information security. Information is provided on a regular basis or as necessary to raise employee awareness and promote a crisis-preparedness mindset. A “Risk and Crisis Management Report” is posted once a month on our internal portal site to promote an understanding of risk and an immediate, appropriate response in the event of a crisis. The report includes such information as how to prepare for and respond to reputation risk,

terrorism, large-scale earthquakes or pandemics, as well as key points to note when using social media. Through this report, we aim to cultivate a risk-aware culture.

Risk education is also provided to directors (including outside directors) at least once a year by internal or external lecturers.

Crisis response training

We conduct emergency response training, comprehensive disaster prevention drills, safety confirmation drills, BCP drills, media training, risk communication training, etc. on a regular basis.

Collaboration and engagement with stakeholders

In order to be able to provide affected areas with emergency supplies and continue to supply necessary products in the event of a large-scale earthquake, typhoon, flooding or other disaster, we maintain close communication with suppliers, contractors, customers, industry associations, government agencies etc. on an ongoing basis.

Realizing an even higher level of collaboration with suppliers and contractors is vitally important in order to be able to promote compliance, enhance product safety and quality, and fulfil our responsibilities in relation to social issues, for example with respect to the environment, human rights, etc.



→ Corporate citizenship activities/Our initiatives: Disaster relief: Other disaster relief
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=88

→ Process safety and disaster prevention/Framework
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=95

Risk and crisis management 102-15, 102-29, 102-30, 102-33, 103-2

Framework

The Risk and Crisis Management Committee (which meets four times a year) establishes the management system and activity guideline for risk and crisis management. Divisions, subsidiaries and affiliates conduct risk management by identifying and assessing risks and formulating and implementing appropriate countermeasures based on this activity guideline. In addition, we have established the Risk and Crisis Management Promotion Council, held once a month as a subordinate organization of the committee, which discusses proposals with the committee and promotes committee decisions.

The Risk and Crisis Management Committee and Management Committee have defined the main 13 risks of special importance that could have a particularly negative impact on our contributions to sustainability of the world through business activities, and on sustainable and profitable growth. Of these main risks, we designate risks that would have a particularly large impact on our management and that we need to strengthen our response to as “corporate risks.” Once a year, the Management Committee revises the risk themes and persons responsible for addressing them (Executive Officers) based on internal and external risk analysis and informational interviews with management, and the Risk and Crisis Management Committee manages the progress.

When a crisis occurs, Kao responds promptly to minimize physical damages and financial losses by establishing an organization for countermeasures. This organization centers on the executive officer in charge of managing corporate risks as well as on personnel responsible for managing risk within company divisions and at subsidiaries and affiliates. In addition, depending on the magnitude of the impact on the Kao Group as a whole, Kao also establishes Emergency Response Team Headquarters with the President and CEO or executive officer as its general manager.

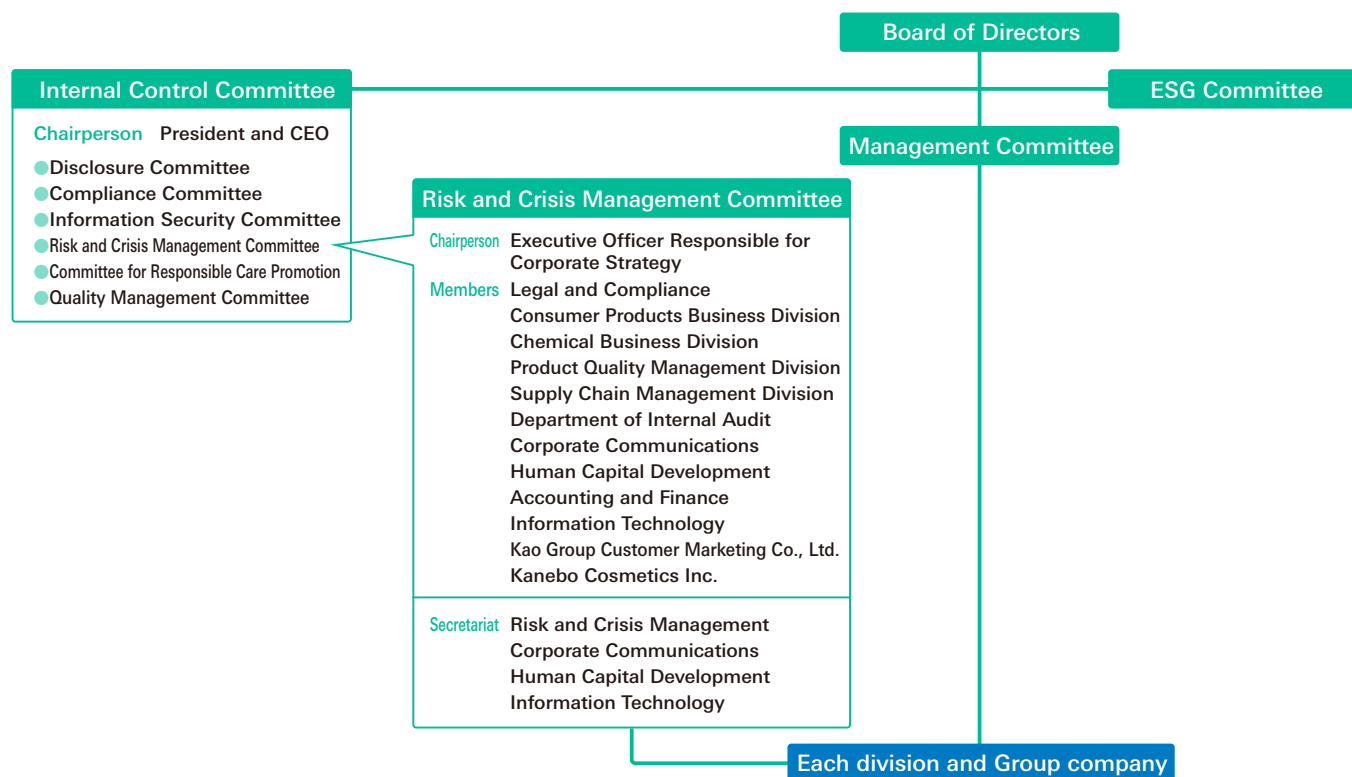
The Risk and Crisis Management Department, which operates

independently of Kao’s individual businesses, promotes effective management of risk and crisis in all Kao Group member companies. Besides submitting proposals for improvement, the Department also works to identify new risks and risks for which it is not clear which unit has responsibility, and formulates response strategies. The head of the Department also functions as head of the secretariat of the Risk and Crisis Management Committee, and reports on risk and crisis management activities regularly

(once a year) and when needed at meetings of the Management Committee and of the Board of Directors. The effectiveness of the risk and crisis management process is verified by the Internal Control Committee.

Performance evaluation of the Executive Officers and the departments responsible for main risks and corporate risks incorporate evaluation of the extent to which targets have been achieved in relation to measures addressing these significant risks.

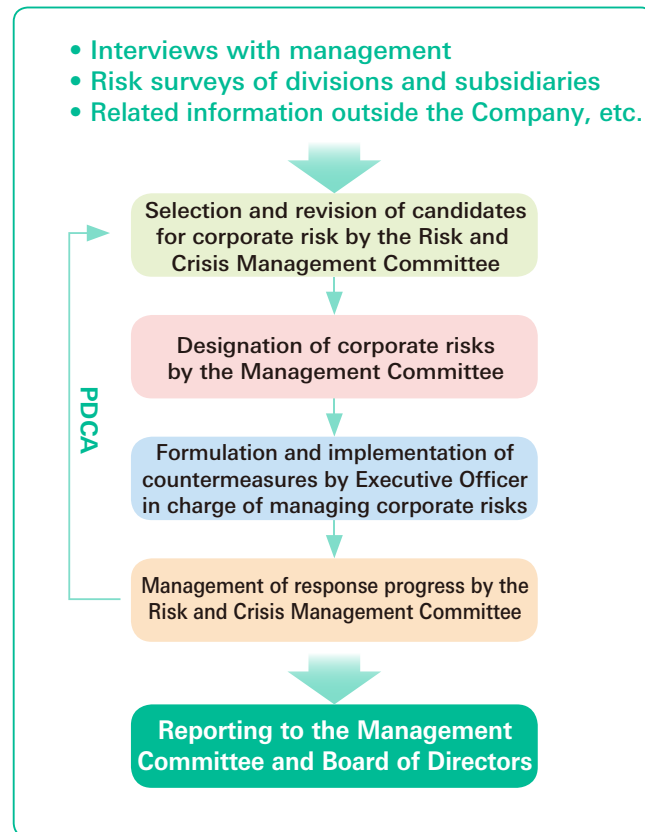
Risk and Crisis Management Framework



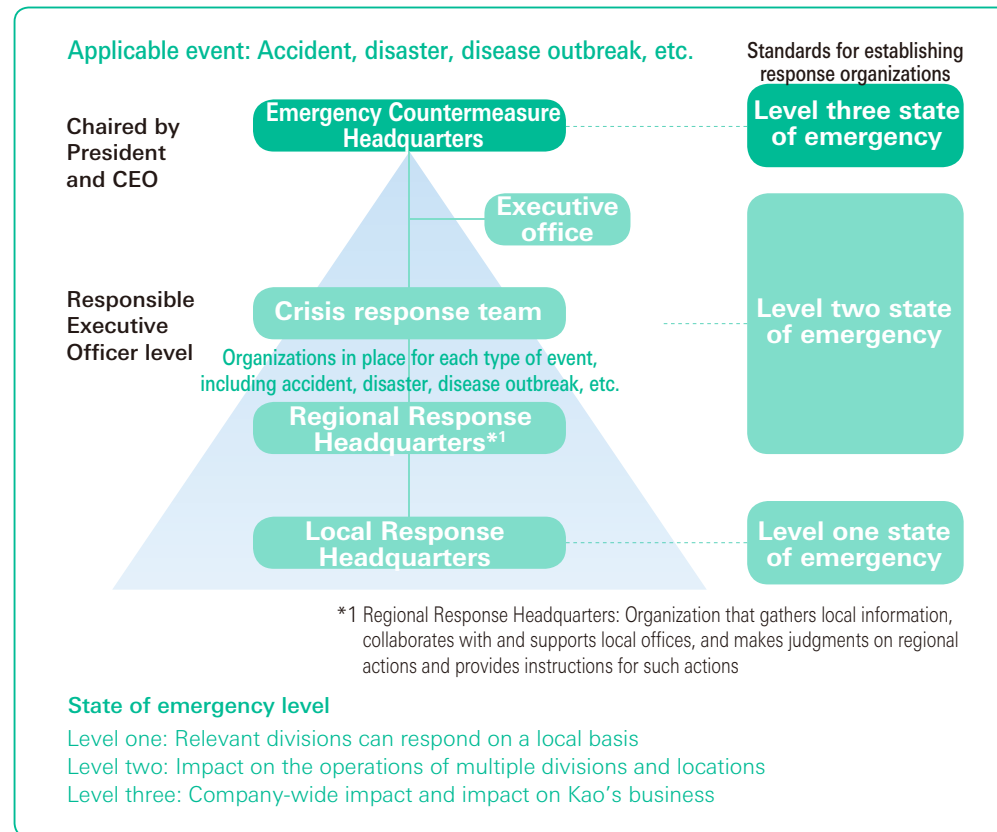
* As of December 2019.

Risk and crisis management 102-15, 102-20, 102-29, 102-30, 102-33, 103-1, 103-2, 103-3

Management of corporate risk



Management framework during times of crisis (an example)*



*System to be followed in the event of a crisis.

Within the Kao Group, when a crisis occurs, the head of the crisis response team will evaluate the level of severity of the crisis on the basis of the potential impact on the Kao Group (designating the crisis as Level one, Level two or Level three depending on the severity of the accident, disaster, epidemic, etc. in question), and an appropriate organizational framework will be established for dealing with the crisis in accordance with the level of severity.

Risk and crisis management 102-15, 102-30, 103-2, 103-3

Mid- to long-term targets and performance

Mid- to long-term targets

By implementing the following basic strategies, we aim to build a management structure for handling risks and crises that can evaluate to a global level.

- Clarifying main risks and strengthening our counter response.
- Addressing strategic risks affecting profitable growth.
- Rapid and appropriate response when risks manifest.

* Main risks: These are defined as risks of special importance that could have a negative impact on our contributions to sustainability of the world through business activities, and on sustainable and profitable growth.

Important Initiatives in 2019

- Strengthened our practical ability to respond to corporate risks.
- Strengthened our practical ability to respond to significant risks at overseas bases.
- Undertook visualization of latent risks relating to business activities and the corporate environment.
- Strengthened our ability to respond to typhoons and torrential rains through the putting in place of appropriate systems.
- Improved employee awareness and sensitivity to risk. etc.

Performance in 2019

Performance

Defining main risks

The Risk and Crisis Management Committee and Management Committee have defined the main 13 risks of special importance (see p.11) that could have a particularly negative impact on our contributions to sustainability of the world through business activities, and on sustainable and profitable growth.

The content of these details of main risks and the main initiatives taken to address them were disclosed in the “Business and other risk” section of our 114th Financial Report.

Implementation of corporate risk response reinforced

On the basis of the progress made in addressing each risk theme, internal and external risk analysis, and interviews with the management team, it was decided by the Management Committee that responsibility for management of 5 out of 12 corporate risk themes would be transferred to the managing divisions, and that one additional risk theme would be added.

Management of the eight corporate risk themes for 2020 is being implemented by the Risk and Crisis Management Committee. The Risk and Crisis Management Committee is also continuing to perform follow-up on some of the risk themes the management of which was transferred.

The main corporate risk themes addressed in 2019 and the measures taken in response are shown on the right.

Corporate Risks and Main Initiatives in FY2019

Theme	Details of risks	Main initiatives
Changes in the distribution environment	Risks that would prevent conducting appropriate sales activities for the changes in the distribution environment.	We have conducted activities to collaborate with digital platformers operating globally.
Risks related to business in Asia	Risks that would cause significant delays in the business plan for Asia.	We have strengthened our system to respond quickly to tightened laws and regulations in Asian countries as a priority theme.
Response to product quality issues	Risks of serious quality issues arising that would cause trust in Kao to fall.	We are enhancing internal education and other initiatives to respond when serious quality issues arise and prevent their occurrence.
Large-scale earthquakes and other natural disasters	Risks of obstacles to supplying markets with products caused by large-scale earthquakes or other natural disasters.	We have enhanced our preparedness in terms of both “hard” and “soft” aspects for natural disasters including large-scale typhoons and floods as a result of climate change. In addition, we have enhanced our preparedness for large-scale earthquakes by conducting emergency response training and BCP training.
Pandemics	Risks of business suspension due to pandemics from new strains of influenza or other disease.	We have rebuilt our system and countermeasures to be able to quickly address the spread of infectious diseases globally, have formulated detailed action plans that place top priority on human life, including dealing appropriately with persons with symptoms, and have proceeded to make preparations for possible pandemics.
Personal information protection	Risks of personal information leaks caused by intentional acts including cyber attacks or negligence.	We have created a response flow when incidents arise and are conducting response training. We are also strengthening our global system for information security and personal information protection.
Reputation risks	Risks that cause damage to corporate trust and brand value due to the spread of critical evaluations and rumors against the Kao Group.	We have developed our system to monitor external information and are strengthening our emergency response system for when a reputation risk arises.
Risks associated with the use of digital media	Significant risks associated with the use of digital media.	We have established guidelines and are conducting internal education for risks that could lead to reputation risks, including inappropriate expression and stealth marketing in advertising and other communications.
Currency exchange rate fluctuations	Risks associated with exchange rate fluctuations.	We have investigated the structure of exchange rate fluctuation risks and our response, and have confirmed our future response direction.

Risk and crisis management 102-15, 102-30, 103-2, 103-3

Strengthening our practical ability to respond to significant risks at overseas bases

Regarding risk management at subsidiaries outside Japan, their management is identifying significant risks and then formulating and implementing countermeasures against them. In 2019, we worked to strengthen the risk management of subsidiaries outside Japan and establish PDCA cycle through coordinating risk management at each of our subsidiaries with activities relating to corporate risks and with the activities of the managing divisions in Japan.

Visualizing for management purposes latent risks at business sites and in the business environment

In order to identify latent risks and new risks at business sites and in the business environment, we have made the risk surveys that are conducted each year more in-depth, as outlined below.

- Presenting examples to show how changes in the external environment are affecting business activities.
- Formulating and presenting more concrete scenarios, based on actual risks that have occurred within and outside the company.

A system has been put in place whereby, after analyzing the risk survey results, any risks that have become apparent are reported to management, so that countermeasures can be implemented.

Strengthening our ability to respond to typhoons and torrential rains through the putting in place of appropriate systems

We have strengthened our ability to respond to natural disasters such as major typhoons, floods, etc., which have grown more frequent in recent years, and, as with large-scale earthquakes, we have clarified and regularized our standards for determining safety and calculating damage. In addition, we have been working to introduce new IT

systems, including systems that enable us to implement real-time monitoring of weather conditions and of the extent of damage in the vicinity of our worksites, and effective utilization of a portal site that is intended to realize the rapid exchange of information between response teams and other stakeholders in the event of a disaster, etc.

Improved employees' awareness and sensitivity to risk

Risk and crisis management information and activities (both internal and external) are shared through the efforts of the personnel responsible for risk and crisis management in each department, and we also utilize our internal portal site to implement ongoing activities to enhance employees' risk awareness.

On the website, we warn about realized risks, and post "Risk and Crisis Management Report" once a month to facilitate an accurate understanding of risk and to enable an appropriate and immediate response when a crisis does occur. The report provides many kinds of information, including information relating to large-scale earthquakes, volcanic eruptions, product quality, employee safety, crisis management PR, etc.

Main training/drills in 2019

- Comprehensive disaster drills (implemented at major plants around the world).
- Emergency response training and BCP training presumed on a large-scale earthquake (implemented twice in Japan).
- Safety confirmation drills presumed on a large-scale earthquake (implemented twice in Japan).
- Risk communication training (at overseas sites).
- Emergency reporting training from overseas bases to Kao Head Office in Japan (implemented at 25 overseas sites).
- Media training and risk communication training (implemented once in Japan).

- High-risk area business trip training (implemented once in Japan).
- Security assessments (at overseas sites).

Crisis response performance

- We verified the safety of employees and the extent of damage to worksites in areas affected by natural disasters, and provided emergency supplies for disaster relief in accordance with local government authorities' requirements. (Torrential rains in Saga, Fukuoka and Nagasaki [August], flooding, Typhoon Faxai [Typhoon No. 15], Typhoon Hagibis [Typhoon No. 19], etc.)

Reviews of performance

The steady implementation of the actions planned at the beginning of the year led to an increase in employees' awareness of risk and an increase in their ability to respond. They were able to respond quickly to actual natural disasters. The issues and additional assumptions that were revealed will be reflected in next year's training (stress tests, deepening of BCP).

Kao vigorously implements Responsible Care activities, which are self-monitoring activities by companies engaged in the chemical industry, to ensure safety and environmental conservation in daily operations.

Kao's creating value to address social issues

Social issues we are aware of

The stable provision of products and ensuring the quality and safety of those products, along with the provision of safe and hygienic working environments and the reduction of environmental impact from business activities, are important social responsibilities. These responsibilities must be fulfilled in our capacity as a company with a Chemical Business providing diverse materials, products and systems to wide-reaching industries with bases both within and outside Japan.

Kao's creating value

We have implemented Responsible Care (RC) activities to autonomously ensure aspects of environment, safety and health in the chemical industry. We aspire to creating a sustainable society while building trusting relationships with society from an ethical perspective by promoting these activities.

Risks related to realization of our vision by 2030

Neglecting any one of the basic pillars of RC activities will be harmful to our social reputation as each of these is vital for the chemical industry.

Opportunities related to realization of our vision by 2030

Building a strong relationship of trust with the community by promoting RC activities, which are autonomously pursued by corporations, will further facilitate the trust of stakeholders in our products and the company.

Contributions to the SDGs



Policies

As we are engaged in the manufacture, sale and distribution of chemical products, we strive to earn enhanced trust from society by ensuring environmental conservation, health and safety across the product lifecycle (from product development and manufacturing to use, consumption, recycling and disposal), continuously making improvements to these efforts, improving quality of life and contributing to a sustainable society.

To achieve this goal, we have established our Basic Principle and Basic Policies on Environment and Safety and the Kao Responsible Care Policy, and conduct business activities accordingly.

The group as a whole remains committed to the promotion of RC activities, participating in such activities since the 1995 establishment of the Japan Responsible Care Council. In 2008, then-President and CEO Motoki Ozaki signed a declaration of support for the RC Global Charter, and again in 2014 President and CEO Michitaka

Sawada signed the revised RC Global Charter.

To achieve the objective, we have established the Kao Responsible Care Policy based on the basic pillars of RC activities*, that is self-monitoring efforts governing the environment, safety and health set out by the chemical industry. We set targets each year for our group as a whole, including subcontractors, and implement those activities based on an annual plan.

* Basic pillars of RC activities: Five objectives of environmental conservation, process safety and disaster prevention, occupational safety and health, chemical and product safety, and distribution safety, and communication with society.



→ Basic Principle and Basic Policies on Environment and Safety

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



→ Kao Responsible Care Policy

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

Responsible care activities 102-20, 102-43, 103-2, 403-5 (Occupational health and safety 2018), 404-2

Education and promotion

The philosophy and policy of RC activities to ensure environmental conservation, health and safety in the product lifecycle must be shared with all Kao employees as well as the staff of its business partners. To do this, the RC Promotion Committee Secretariat and RC promotion staff of the individual divisions in charge of RC promotion regularly provide education on RC activities including environmental conservation, occupational safety and health activities and their policy for Kao employees and the staff of its business partners.

Collaboration and engagement with stakeholders

Kao Group companies proactively disclose their policies and activities relating to the environment, health and safety and proactively engage in communication with consumers and customers, employees and people in local communities based on communication with society, one of the basic pillars of RC activities, striving to earn the support and trust of all stakeholders.

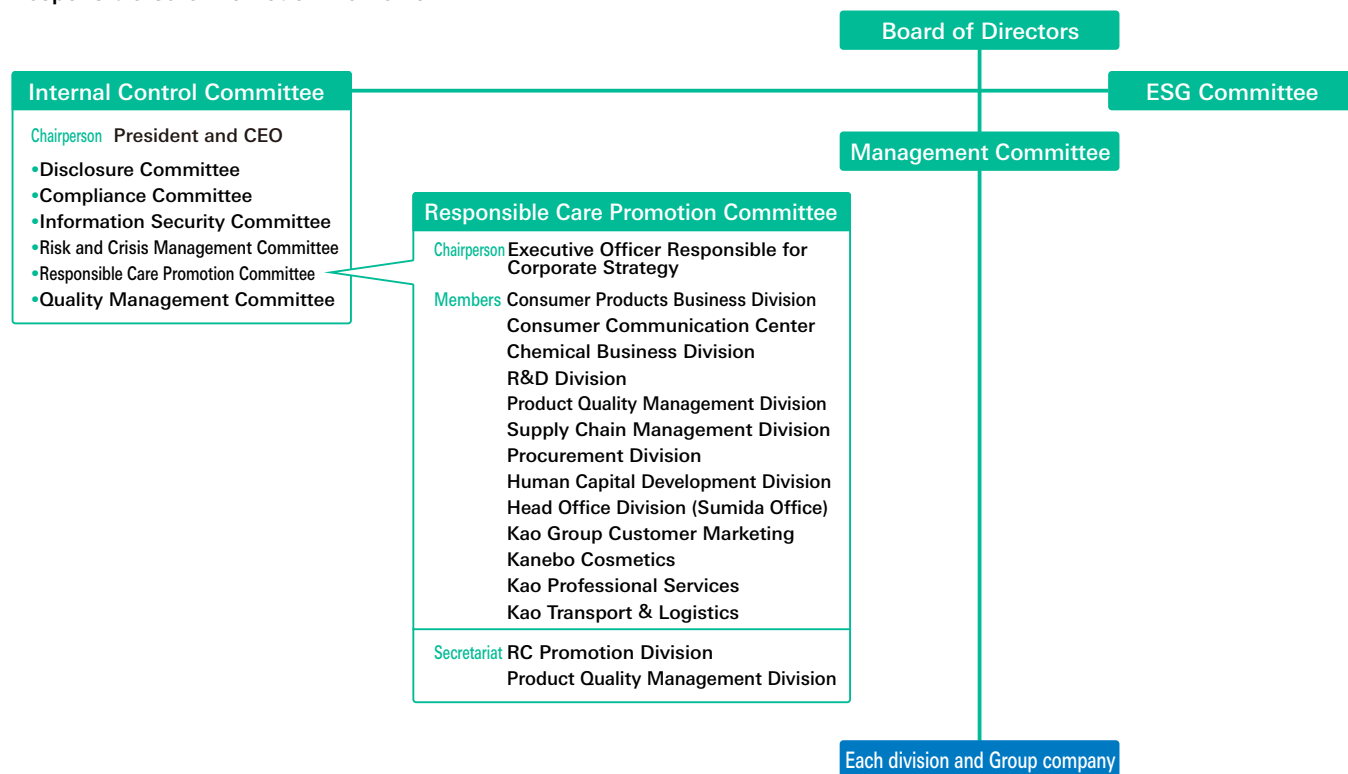
Framework

The Responsible Care Promotion Committee is positioned as one of the Internal Control Committees chaired by the President, reporting to the Internal Control Committee quarterly. The Internal Control Committee gives an overview activity report for its subsidiary committees to the Board of Directors. Senior Vice President (Managing Executive Officer) serves as the chairperson of the Responsible Care Promotion Committee which is

composed of 14 members: representatives from 4 divisions, in addition to representatives of the 8 promotional divisions* within Japan, and the Quality Management Division staff, meeting once per year. The RC Promotion Division and Product Quality Management Division serve as the secretariat of the committee.

Each company involved in the Chemical Business in the group, including Kao Corporation, participates in planning at the chemical industry association in their respective countries to promote RC activities.

Responsible Care Promotion Framework



* Eight promotional divisions: Head Office Division (Kayabacho Office), Head Office Division (Sumida Office), Chemical Business Division, Kao Professional Services Division, R&D Division, SCM Division, Sales Division, Kao Logistics.



→ Corporate governance

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=2

* As of December 2019.

Responsible care activities 103-2, 103-3, 403-5 (Occupational health and safety 2018)

Mid- to long-term targets and performance

We are promoting day-to-day RC activities to become a top-level global corporation for safety and environmental criteria by 2030.

In order to achieve this, we are striving to take its RC activities to an even greater level and expand their scope while enhancing management system.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Business activities are implemented normally with stable provision of products while unnecessary costs are cut down.

Social impacts

There is a possibility of positive influences such as reduction in environmental impact, improvements in sanitation, and returns to society in the areas of business activity, which facilitates a resulting improvement in the quality of life (QOL) of stakeholders, including residents of communities.

Performance in 2019

Performance

In 2019, we convened the group RC Promotion Committee on September 20, the Global RC meetings on November 5 and 6, and the Japan RC Meeting on December 3.

In addition, the RC Promotion Committee Secretariat Audit was conducted between July and August at each group company within and outside Japan and individual divisions in charge of RC promotion.

Furthermore, as part of the RC Secretariat Audit, the RC Promotion Committee Secretariat oversaw self-checks by several promotional divisions where they were in attendance to confirm that these RC self-checks were correctly implemented in line with regulatory and other requirements. The RC Promotion Committee Secretariat was in attendance for the Safety and Disaster Prevention Audit of the SCM Division, which was implemented in July 2019 and for RC patrols of the Kao Logistics Division, which was implemented in April, May, June and August.



→ p. 20 Our initiatives: Standardization of RC activities

p. 22 Our initiatives: Implementation status of the RC Promotion Committee Secretariat Audit

p. 23 Our initiatives: Implementation of Safety Awareness Survey

Reviews of performance

While waste targets as part of environment and all items of safety were not achieved, we will maintain and promote the initial targets in 2020 as well.

Responsible care activities 103-2, 103-3, 403-5 (Occupational health and safety 2018)

Our initiatives

Standardization of RC activities

The eight promotional divisions within Japan and all affiliated companies outside Japan promote the RC activities as shown below based on our Responsible Care Targets set by the Kao Group RC Promotion Committee, through drafting activity plans aligned with various operational requirements, industries, and business categories.

At the Kao Group RC Promotion Committee held in September of each year, members discuss initiatives to clarify courses of action and strengthen the management system, and deliberate over the following year's numerical targets and activity targets based on the group's mid-term targets and the results of the RC Promotion Committee Secretariat Audit conducted in August.

At the Global RC Meeting held from October to November, the RC Promotion Committee Secretariat explains the group's mid-term targets and targets for the upcoming year, as decided at the Kao Group RC Promotion Committee, and requests each company to devise its respective targets and to plan for the upcoming year. Representatives from each company present the status of their RC activities and share information within the group.

At the Japan RC Meeting held in December, based on these numerical targets and activity targets for the group decided at the Kao Group RC Promotion Committee, RC Promotion Committee members of promotional divisions

announced their respective division plans for the upcoming year, which were discussed by the committee. The RC Promotion members convey the deliberation results to their respective divisions, relating the content in detail to their activity units in an effort to improve and enhance RC activities closely connected to each worksite.

The Kao Group RC Promotion Committee meeting was held on September 20, 2019. The RC Promotion Committee Secretariat announced the group's overall first-half results in relation to 2019 RC targets, and the results of the RC Promotion Committee Secretariat Audit. The promoting divisions also announced the current status of their promotional activities and finally the group's targets for 2020 were agreed upon for deliberation.

The Global RC Meeting was held at the Kayabacho Head Office on November 5 and 6, with 18 attendees from 15 affiliated companies outside Japan. The meeting furthered understanding of Kao RC Policy and 2020 targets were confirmed. Participants were able to observe how RC activities and advice were implemented at other companies, analyze strengths and weaknesses, and share best practices, and enhance communication among members of the global RC.

At the Japan RC Meeting, held on December 3, RC Promotion Committee members of promotional divisions announced the 2020 draft plans for their divisions, with

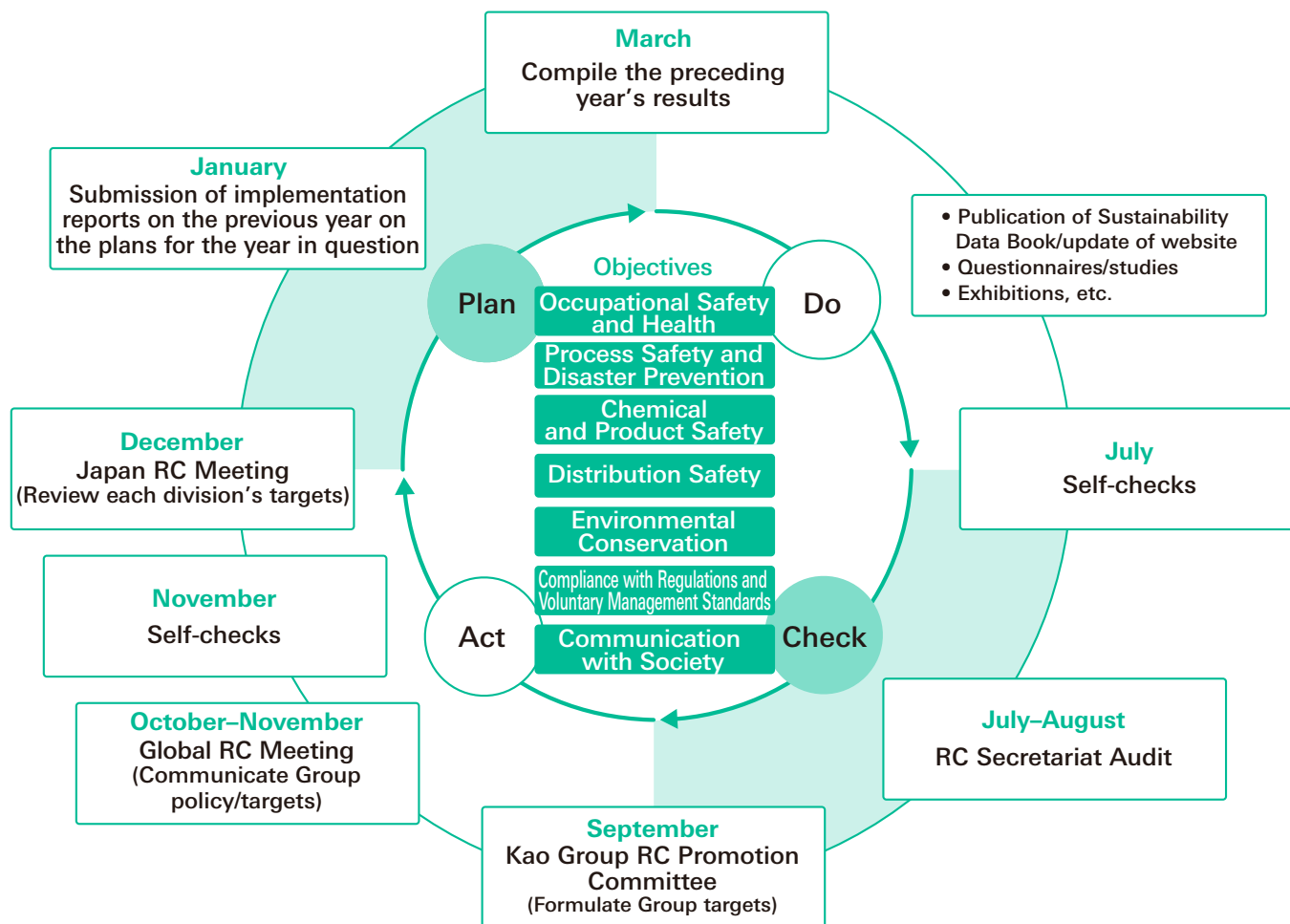
the plans then deliberated and approved. The RC Promotion Committee Secretariat then reported on the group's 2019 environmental and safety record.



Global RC Meeting

Responsible care activities 403-1 (Occupational health and safety 2018)

Annual cycle of RC activities



Utilization of environmental and safety database

We have developed the Environmental & Safety Data Management System (KANCHAN System)* to further reduce both environmental impact and occupational accidents.

The KANCHAN System automatically calculates our total GHG emissions and the annual frequency and severity rate of occupational accidents, along with other data-based practical information used to reduce our environmental impact and eliminate occupational accidents.

We are currently exploring to a practical system for the efficient use of environmental and safety data by the group with the Information Technology Division, as part of deliberations on transitions to new systems.

* Environmental & Safety Data Management System (KANCHAN System)
Data shared among the group under this system includes that related to energy consumption, GHG emissions, soot and dust emissions, water consumption, wastewater discharged, wastewater conservation measurements, soil and groundwater measurements, amounts of handling, release and transfer of PRTR materials, waste generated and discharged, and final disposal of waste, occupational accident statistics, and traffic accident statistics.

Responsible care activities 103-2, 103-3, 403-2 (Occupational health and safety 2018)

Implementation status of the RC Promotion Committee Secretariat Audit

At Kao, individual divisions in charge of RC promotion conduct self-checks in July, and the audit team selected by the RC Promotion Committee Secretariat implements an audit of individual divisions in Japan in charge of RC promotion and affiliated companies outside of Japan in August, to determine the progress of RC activities and challenges to be addressed.

These results are reported at the Kao Group RC Promotion Committee held in September and Global RC Meeting held in November and these help formulate the following year's numerical targets and activity targets.

In addition, the audit involves evaluations by scoring the implementation status (implemented/not implemented; implementation rate) by survey item on the checklist used for the audit, as it is implemented based on company-wide regulations (B-02-00 The Rules for RC Secretariat Audit).

From July through August 2019, the RC Promotion Committee Secretariat Audit was conducted by using the

checklist sheet at 8 promoting divisions in Japan and 19 group companies* with plants outside Japan, with consideration to the degree of safety and environmental impacts. Starting in 2018, the scope of the checklist for the audit was expanded from its conventional form, facilitating a more advanced confirmation of the promotion status for activities.

In addition, a separate checklist was drafted for the regulatory compliance status and the management system for waste in 2019, and was used to conduct an audit.

In Japan, in meetings with the promotional divisions, various statuses were confirmed, such as the current status of compliance with regulatory requirements and criteria, progress in planning and achieving numerical targets. Outside Japan, the checklist to confirm regulatory compliance system was sent to companies, and a paper audit was conducted of the response results. It has also been confirmed that all findings from the 2018 audit had

been addressed.

As a result of the 2019 RC Promotion Committee Secretariat Audit, all 8 promotional divisions in Japan achieved an average evaluation score of 4.5 or higher, indicating that the RC promotion mechanism has become entrenched. Meanwhile, there were many findings on the management system and occupational safety for which further monitoring and improvement have been requested. Outside Japan, many companies saw an improvement in their evaluation scores compared to those in 2018 (see table below).

* Kao Corporation Shanghai, Kao (Hefei) Co., Ltd., Kao Chemical Corporation Shanghai, Kao (Shanghai) Chemical Industries Co., Ltd., Kao Huludao Casting Materials Co., Ltd., Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd, Pilipinas Kao Incorporated, Kao Industrial (Thailand) Co., Ltd., Fatty Chemical (Malaysia) Sdn. Bhd., PT Kao Indonesia, PT Kao Indonesia Chemicals, Kao USA Inc., Kao Specialties Americas LLC, Quimi-Kao S.A. de C.V. (Mexico), Kao Manufacturing Germany GmbH, Kao Chemicals GmbH (Germany), Molton Brown Limited (UK), Kao Corporation S.A. (Spain).

Results of RC Secretariat Audit (2019)

	SCM Division	R&D Division	Business divisions	Corporate divisions	Affiliated companies in Japan ^{*1}	Affiliated companies outside Japan ^{*2}
No. of questions	185	163	250	327	533	5,002
No. of items requiring further monitoring	2	3	1	2	6	—
Average evaluation score [5-point scale] ^{*3}	4.92 (4.92)	4.95 (4.92)	4.88 (4.88)	4.94 (4.90)	4.90 (4.90)	4.52 (4.48)

*1 Group companies in Japan

Kao Professional Services Co., Ltd., Kao Group Customer Marketing Co., Ltd., Kao Transport and Logistics Co., Ltd.

*2 Group companies outside Japan

19 companies (12 in Asia, 7 in Europe and the Americas).

*3 () indicates 2018 results.

Responsible care activities

403-1 (Occupational health and safety 2018), 403-2 (Occupational health and safety 2018), 403-4 (Occupational health and safety 2018)

Implementation of Safety Awareness Survey

We have independently implemented the Safety Awareness Survey since 2018 to survey employee awareness of safety and facilitate future safety activities. This survey was conducted in the Japanese SCM Division in the first survey year of 2018. From 2018 to 2019, each workplace established and implemented an action plan for the results of this survey, aiming to further improve safety awareness.

In 2019, this survey was expanded to the R&D Division in Japan and group companies outside Japan, specifically to all five plants in China, PT Kao Indonesia Chemicals and Kao (Taiwan) Corporation.

We will continue to expand the target of this survey to other divisions in Japan and employees outside Japan in stages.

Status of international management system certification

Kao has implemented an RC management system throughout the group, with some plants having received ISO 14001 certification, the global environmental standard, as well as OHSAS 18001 certification, which is the standard for occupational health and safety, in addition to other certifications in respective countries.

Environmental certifications (ISO 14001, etc.)

95% of our plants have received external certification (based on total production volumes standard).

Certifications obtained at 15 individual plants in Japan and Asia have been integrated to standardize and upgrade operations. We will expand the scope of certified plants on an ongoing basis and increase the number of integrated plants.

Occupational health and safety certifications (OHSAS 18001, etc.)

Obtaining the occupational health and safety management standard has been promoted at plants outside Japan which experience more work-related accidents compared to those within Japan and need enhancement of labor management. 35% of the plants have certification (based on total production volumes standard).

In 2018 we completed initiatives at five plants in Asia for the integration of certifications obtained at individual plants in order to facilitate standardized and upgraded operations. We will expand the scope of certified plants on an ongoing basis, while updating to ISO 45001 and increasing the number of integrated plants.

Product quality certifications (ISO 9001, etc.)

95% of our plants have received external certification (based on total production volumes standard). We will continue to expand the scope of certified plants.

List of external obtained certifications



→ Certification Status of ISO and Other Standards
www.kao.com/global/en/sustainability/our-approach-to-klp/environment-activity-data/certification



Responsible Care (RC) grand prize awarded to SCM Division

Our SCM Division received the grand prize of the 13th Responsible Care (RC) Awards from the Japan Chemical Industry Association, the second consecutive year it received the award, for its disaster prevention activities through process safety evaluations.

The SCM Division was highly regarded for collecting, analyzing and systematizing information about fire and explosion accidents, significantly reducing the number of fire and explosion accidents using our independently developed activities to strengthen disaster prevention and broadly releasing information about our original safety and disaster prevention technologies.



Award ceremony

Responsible care activities 102-43, 403-5 (Occupational health and safety 2018)

Education about RC activities

The RC Promotion Committee Secretariat and RC promotion staff of the individual divisions in charge of RC promotion regularly provide education on RC activities including environmental conservation and occupational safety and health activities for Kao employees and the staff of its business partners.

In 2019, the RC Promotion Committee Secretariat carried out RC group trainings for employees 52 times, reaching a total of 770 employees (28 times within Japan with a total of 606 participants; and 24 times in Asia, the Americas, and Europe with a total of 164 participants).

The basic RC education program was provided for group employees in Japan in 2015, and since 2015 this has also been provided via e-learning for recent graduates and employees hired mid-career.

Publishing a PR magazine to deepen communication with society (Wakayama Plant)

The Wakayama Plant publishes *Kakehashi*, a PR magazine for community residents.

Up to now, the Wakayama Plant has communicated information to community residents through plant tours and reports on the environment and safety, but many people view it as a *close but distant* presence. Meanwhile, there is a growing trend of strong interest in safety, disaster prevention and the environment due to frequent reports of accidents and disasters in society.

Therefore, the Wakayama Plant began publishing the PR magazine *Kakehashi* in 2018 for the purpose of communicating its activities and approach and further deepening community exchanges, and regularly delivers it to approximately 1,000 nearby households and 35 subcontractors.



Delivering the magazine to a neighborhood association chairperson



Kakehashi, Vol. 1

Responsible care activities

Responsible Care activity data links

Also see the following for the structure of Responsible Care activities, details of the major activities and 2019 results.

Occupational Safety and Health



→ Walking the right path>Employee wellbeing & safety
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=175

Process Safety and Disaster Prevention



→ Process safety and disaster prevention
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=94

Chemicals and Product Safety (Product Stewardship)



→ Our Approach to KLP > Activities for safer use of chemicals (SAICM promotion activities)
www.kao.com/global/en/sustainability/our-approach-to-klp/saicm/

→ Topics You Care About > Product quality management
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/

→ Walking the right path>Responsible Chemicals Management
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=192

Environmental Conservation



→ Our Approach to KLP>Basic Principle and Basic Policies on Environment and Safety
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

→ Our Approach to KLP > Kao Environmental Statement
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

→ Our Approach to KLP > Environmental Activities and Data
www.kao.com/global/en/sustainability/our-approach-to-klp/environment-activity-data/

→ Biodiversity
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=49

→ Topics you care about > Responsibly Sourced Raw Materials
www.kao.com/global/en/sustainability/topics-you-care-about/procurement/

→ Making the world healthier & cleaner
www.kao.com/global/en/sustainability/planet/

Compliance with Regulations and Voluntary Management Standards



→ Walking the right path > Effective Corporate Governance
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=134

Communication with Society



→ Corporate Citizenship Activities
www.kao.com/global/en/sustainability/society/

As stated in the mission of the Kao Group, we implement wholehearted *Yoki-Monozukuri* from a consumer and customer perspective for the satisfaction and enrichment of the lives of people globally. At all stages from raw materials to R&D, production, distribution and sales, we pursue product safety at a high level from a thorough consumer and customer perspective, and strive to continuously improve the quality of our products, in order to contribute to the sustainability of society.

Kao's creating value to address social issues

Social issues we are aware of

Amid major changes to the society and the natural environment, we have positioned environmental, social and corporate governance (ESG) as the foundation of our business management, and we are working to address social issues such as the environment, health, the aging population, hygiene, etc., through ESG-driven *Yoki-Monozukuri*.

Kao's creating value

We aim to ensure high levels of safety and quality by identifying risks throughout the product lifecycle from a consumer perspective. Besides providing information to help consumers use our products correctly and safely, we are also promoting Universal Design to help all consumers, including senior citizens, enjoy a stress-free lifestyle.

By means of thorough management of raw materials, production processes and products, we aim to always provide safe, high-quality products. The valuable consumer feedback that we receive through consumer consultations is shared throughout the company, and we make effective use of this information to realize improvements in products and labeling, etc.

We also promote visualization of product quality management activities and communication of those activities with all stakeholders.

Moreover, we facilitate changes for addressing social issues through trust and cooperation.

Policies

The foundation of our quality management activities is our wholehearted commitment to consumer- and customer-driven *Yoki-Monozukuri* as expressed in our group mission, the Kao Way. We have implemented consumer- and customer-driven quality management activities with the participation of all employees, in all phases from raw material procurement to R&D, production, distribution and sales.

Basic Policy for Quality Management Activities

- Consumers/customers decide on the quality of the products
- Providing products that users want to continue using
- Ensuring safe usage for consumers/customers
- Legal compliance
- Transparency and accountability

Education and promotion

So that our corporate philosophy permeates throughout our Group, we provide education and training based on the Kao Way and Kao Business Conduct Guidelines, which are the foundations of Kao's quality management activities.

We are further strengthening education on quality awareness and regulations such as the Pharmaceutical and Medical Devices Act, Good Quality Practice (GQP), and Good Vigilance Practice (GVP).

We also provide education for Good Manufacturing Practice (GMP) and various ISO standards. At our manufacturing divisions, we continue its own QC circle activities based on the number of consumer contacts as an indicator.

We provide various education and awareness-raising

initiatives through day-to-day quality management activities and Quality Improvement Study Meetings to ensure permeation of our quality management activities policy.

We are also strengthening education for those who are planning to work overseas and local employees, and are working to raise the level of quality management activities of overseas group companies. In addition, in order to increase motivation for quality management activities, we award employees who achieved excellent activities every year.

Collaboration and engagement with stakeholders

Making good use of consumer feedback in *Yoki-Monozukuri*

We use consumer feedback to improve our products, information and services by promptly sharing this feedback through the Kao ECHO System.

Collaboration with contractors

We hold quality-related meetings with contract manufacturers and raw material suppliers to promote consumer-driven quality improvement activities. We will cooperate with more business partners to develop consumer-driven quality management activities.

Actively engaged in industry initiatives

We actively participate in industry associations around the world, and we are taking part in international efforts to realize harmonization of national product quality and safety standards, establish new standards and test methods, and management of chemical substances. By doing so, we strive to provide reliable products to customers around the world.

Product quality management 416-1

Safety management across the product lifecycle

We ensure a high level of product safety and quality so that our products can be used safely, securely and comfortably, through company-wide safety management following product launch, and at every stage from R&D, through commercialization, manufacturing and sales, to the after-sales stage.

As to raw materials selection at the product development stage and product ingredients after product launch, we regularly collect information on legislation and safety within and outside Japan. We evaluate a wide range of information from industry sources, NGOs and NPOs, etc., from multiple perspectives including the scientific approach and society's concerns, and formulate necessary countermeasures.

In addition, we earnestly listen to all consumer feedback following product launch, confirm the specifics, and implement precise safety checks and safety management in collaboration with a network that includes medical professionals and governmental authorities.

We exchange information with managers in Europe, the Americas, Asia, etc. on a regular basis to utilize consumer feedback from all over the world, and undertake activities to enhance our overall level of product safety from a global perspective.

Regarding our household products, cosmetics and food products, we set safety standards with the aim of ensuring a high level of safety. This is because the consumer's safety is always the highest priority.

We established new product safety standard regarding our cosmetics in April 2014. Based on our standards prior to that, we have developed a much wider range of databases, wider use of tests and more detailed safety inspections.



→ Kao Safety Standards for Household Products
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/houseware-quality/

→ Kao Safety Standards for Cosmetic Products
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/cosmetics-quality/

→ Kao Safety Standards for Food Products
www.kao.com/global/en/sustainability/topics-you-care-about/safety-quality/kao-quality/food-quality/

Kao's policy on animal testing

The global community is taking steps toward the abolition of animal testing, and the group supports this approach.

In our development of cosmetics, we do not and will not conduct animal testing nor do we outsource this task to anyone.*1

For products other than cosmetics, our policy is to not conduct animal testing unless it cannot be avoided due to lack of availability of alternative methods, regulatory requirements or other similar reasons.*2

Ensuring the safety of our products is our utmost priority and, in this regard, we have established and observe the Kao safety standards. In accordance with such standards, Kao widely collects safety data, makes use of its safety information database that contains the knowledge accumulated over many years and adopts alternative methods to animal testing as much as possible. After ensuring product safety through the above, we conduct further testing of the product in actual usage settings.

We have been working on the development of alternative

methods to animal testing since the late 1980s. We believe that alternative methods should be official test methods that can be used globally. In this regard, Kao is actively working with research institutions globally for the development of alternative methods to be adopted as international guidelines. We are also a member of the project to develop alternative methods to animal testing of Cosmetics Europe. We will continue to proactively work on the development of alternative methods to animal testing in cooperation with industry associations, other companies and other related third parties within and outside Japan.

*1 This excludes instances where we need to respond to societal expectations to evidence the safety of a product or when required to do so by government agencies in particular countries.

*2 If testing on animals is unavoidable, we keep such testing to a minimum following the principles of animal welfare of the 3Rs (replacement, reduction and refinement).



→ Kao's Policy on Animal Testing
www.kao.com/global/en/sustainability/topics-you-care-about/animal-testing-policy/

Product quality management 102-20, 103-2

Framework

We have established a company-wide quality management system that involves all employees at all stages from product development to post-sales, which is from R&D, marketing, production and distribution through to sales, in continuous improvement activities.

Before product launch, we adopt gate control to maintain the quality and to verify the evidence comprehensively at searching, development, commercialization and production stages, thus sufficiently ensuring our high safety and quality standards.

After product launch, we promote company-wide activities in pursuit of continuous product improvement and the sincere receipt of consumer and customer feedback. In these ways, we strive to be highly transparent with the public and to always fulfill our social responsibilities.

In these ways, we strive to achieve *Yoki-Monozukuri* every day. Nevertheless, the possibility of significant safety or quality related issues emerging are not negligible. For this reason, we have set up the Kao Group Critical Product Management System. The group companies both within and outside Japan respond to risk events based on this system.

We also maintain a corporate governance system that includes internal control systems, and we hold quarterly meetings of the Quality Management Committee, which is a sub-body of the Internal Control Committee with the President and CEO serving as chairperson.

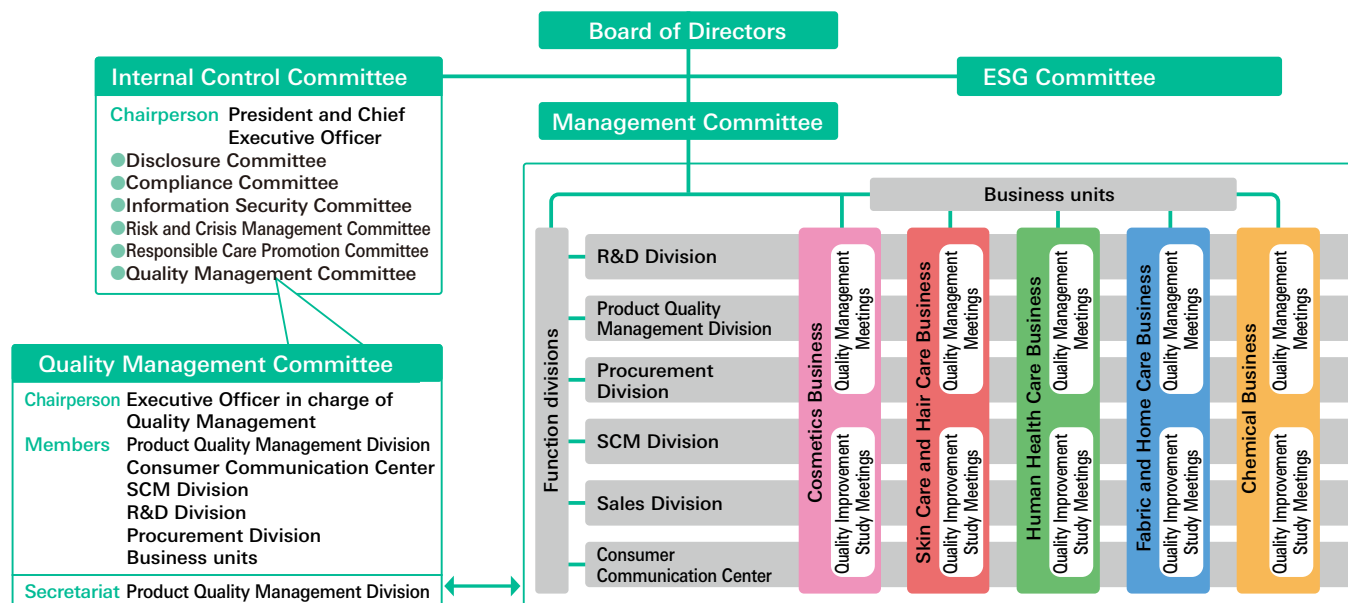
At the Quality Management Committee, we confirm the efficacy and reliability of group-wide quality management activities. Following the policies decided on by Quality Management Committee, we hold annual

Quality Management Meetings at respective business field level and confirm the quality management activities policy, product quality issues and the progress of our quality management activities.

Furthermore, representatives of relevant divisions (business, manufacturing, R&D, consumer communications, product quality management, etc.) attend monthly Quality Improvement Study Meetings, held by the president of the business division, to improve products, information and services, based on consumer feedback. We will expand these activities globally.

These group-wide activities are coordinated and promoted by the Product Quality Management Division. The Managing Executive Officer in charge of quality management supervises the Division's activities, submitting periodic reports on these activities at meetings of the Management Committee, and reporting on important issues as appropriate. The Managing Executive Officer in charge of quality management also participates in discussion regarding important management issues in general.

Product Quality Management System



* As of December 2019.

Product quality management 103-2, 103-3, 416-2

Mid- to long-term targets and performance

Mid- to long-term targets

1. Strive for world-leading levels of product quality through our committed consumer- and customer-driven approach, applying our collective capabilities and making full use of the group's assets.
2. Fulfil our responsibility to consumers, customers and society as a whole and build trust through quality management activities that are underpinned by integrity.
3. Take a strategic approach to globalization and informationization, and establish a quality management system that can accommodate e-commerce and new business domains.

Business impacts

- Ensuring competitiveness through proactive development of alternative technologies that meet regulatory changes and new requirements for safety and environmental issues in each country and region, as well as expanding overseas business by establishing a strategic quality management system for diversification of supply chains due to globalization and borderless economy.
- Increasing loyal users through close communication with all stakeholders, including consumers, customers, governments, NGOs and NPOs.

Social impacts

- Contributing to social sustainability by promoting ESG-driven *Yoki-Monozukuri* in a situation where social conditions and the natural environment are changing drastically.
- In response to the increased risk of product accidents due to the aging population and the growing number of foreigners in Japan, we will promote universal design, reduce the risk of product accidents by providing multilingual information, and contribute to safe and secure consumer life.

Performance in 2019

Implementing the Global Product Development Support System

In order to deliver our cosmetics and personal care products rapidly to consumers all over the world, we have developed a product development support system which, for example, can run regulatory checks on targeting countries and regions, etc.

Following on from the roll-out of 2017 in Asia, the new system has been introduced to the Americas and Europe toward the end of 2018. Therefore, global system operation has begun since 2019.

In 2019, a global council was established to manage system maintenance and improvement. Since the global launch, the council has been monitoring global stable operation. The council has also been upgrading the database to incorporate regulatory changes in individual countries and regions.

Strengthened global cooperation of quality management activities

Responding to globalization of business and borderless product distribution, the Kao ECHO System has been revamped to centrally database the voices of consumers and customers collected by Kao Group companies around the world, as well as to provide enhanced analysis capabilities to group companies. Based on the voices of consumers and customers gathered in the Kao ECHO System, we are strengthening cooperation between Kao Group companies in Japan and overseas so that we can carry out improvement activities more quickly. In 2019, following the integration of Quality Improvement Study Meetings for sanitary products such as *Merries* baby diapers in Japan and China, we started integrating Quality Improvement Study Meetings for cosmetics in Japan and China.



Quality management activity education in Japan (at a research institute)



Quality management activity education overseas (at a manufacturing site in Thailand)

Company-wide promotion of quality management activities

Quality management activity education

Within Japan: A total of 1,957 employees in 32 departments

Outside Japan: A total of 184 employees in 6 sites

- Education relating to Good Manufacturing Practice (GMP) standards and ISO standards, etc.: 468 sessions.
- Quality Improvement Study Meetings: 202 sessions (111 in Japan, 91 outside Japan).
- QC circle activities: 314 improvement issues (104 in Japan, 210 outside Japan).

Product recall over the last 4 years*

Year	2016	2017	2018	2019
Cases	0	0	0	0

* Product recall from consumers and the market with the company's announcement

Our initiatives

Company-wide consumer- and customer-driven quality management activities

Rapid information provision using automatic generation of MSDS for Transport Use

Due to factors such as the growth in both inbound and outbound tourism, there is growing demand among consumers and customers for sending household products and cosmetics products overseas, and consequently there has been an increase in inquiries regarding the sending of these products by air. We handle these inquiries both through the Kao Consumer Communication Center and through the posting of information on our website, and we provide MSDS for Transport Use*.

With the development and adoption in 2019 of Automatic Generation Software for MSDS for Transport Use utilizing artificial intelligence (AI), we have begun the rapid provision of accurate information.

* MSDS for Transport Use

The Material Safety Data Sheet (MSDS) for Transport Use is a document that provides the information required to ensure safe transport of a given product.



→ For more information:
[www.kao.com/jp/soudan/\(Japanese\)](http://www.kao.com/jp/soudan/(Japanese))

Strengthening of Quality Management Education Programs

In 2019, we conducted a major review of our quality management education program to further develop our Total Quality Management activities.

We have expanded our education to all departments involved in *Yoki-Monozukuri* and conduct quality management education with the aim of improving quality awareness and acquiring knowledge of quality management activities.

Verifying quality management activities through audits and self-checks

We maintain ISO 9001 and GMP certification at our work-sites in Japan, Asia, the Americas and Europe.

Besides, we conduct external and internal audits, self-check for contract manufacturers and raw material suppliers, and hold quality meetings.

As part of our efforts to strengthen our product quality management audit and self-check frameworks, we hold Quality Audit Promotion Meeting with participants that include not only Product Quality Management Division personnel, but also leaders from relevant divisions. These meetings are used to help drive audit activities by deciding which areas auditing should focus on.

In 2019, we conducted an internal audit with respect to quality reliability assurance in relation to quasi-drug products within Japan, and reported the results to the Internal Control Committee.

In addition, the implementation status of external audits for group companies in Japan, Asia, the Americas and Europe during the previous year was reported to the Quality Management Committee.



→ Certification Status of ISO and Other Standards
www.kao.com/global/en/sustainability/our-approach-to-klp/environment-activity-data/certification/

We are working to strengthen information security in order to protect information assets that include confidential information and personal information as well as IT hardware, software and many kinds of data records, in accordance with our Information Security Policy. We promote information security through the use of a PDCA cycle created to set internal rules and ensure that those rules are observed and that internal controls are implemented thoroughly.

Kao's creating value to address social issues

Social issues we are aware of

Every company uses IT to promote efficiency in its business and operations, and data to develop innovations and initiate reforms. Information technology has spawned new cross-industry growth areas and the engagement of diverse human resources. The rising use of IT has also recently increased the threat of cyberattacks, which can temporarily interrupt business activities and cause information leakage. Cyberattacks adversely affect business performance and have turned cybersecurity into a social issue.

Kao's creating value

Kao hopes to contribute to improving the security measures of the entire industry by sharing information with other companies in the industry about the cyberattacks that Kao has experienced through our participation in information-sharing networks: the Initiative for Cyber Security Information sharing Partnership of Japan (J-CSIP), which is directed by the Information technology Promotion Agency, Japan (IPA), the National Police Agency's Cyber Intelligence Information Sharing Network, and the early warning information system of the Japan Computer Emergency Response Team Coordination Center (JPCERT/CC).

Risks related to realization of our vision by 2030

A major risk is the occurrence of cyberattacks that can cause the long-term suspension of production, sales, marketing and

R&D activities, along with the loss of corporate trust due to information leaks.

Opportunities related to realization of our vision by 2030

By strengthening cybersecurity measures and the management of data, trade secrets and personal information, such data can be utilized in new ways and new styles of working will be enabled through the use of networks.

Contributions to the SDGs



Policies

We have formulated our Information Security Policy, Guidelines on Handling Trade Secrets, Guidelines on Handling Personal Information and IT Security Guidelines (for Administrators) (for Users). We also carefully manage cybersecurity measures, trade secrets and personal information in accordance with the Policy and Guidelines. Such efforts are not only carried out in accordance with laws and regulations and the guidelines set forth by government agencies and committees, but also designed to clarify Kao's management framework and management methods. The way how to handle personal information is disclosed in the Kao Group Company's Privacy Policy. Kao Group Company Inquiries and Complaint Reception Desk Regarding Personal Information is set up for inquiries or complaints.



→ Kao Group Company Privacy Policy
www.kao.com/jp/corporate/privacy/privacy-en/

→ Kao Group Company Inquiries and Complaint Reception Desk Regarding Personal Information (Japanese)
www.kao.com/jp/corporate/privacy/privacy-contact

Education and promotion

To ensure that employees throughout the group fundamentally understand the issues of protecting trade secrets and personal information, internal education is provided at times of the year when new hires are assigned positions or personnel transfers are made. We arrange lectures covering information security related to the protection of TS and personal information for the members of the TS & Personal Information Protection Committee and for Personal Information Controllers, and awareness-raising activities are held to familiarize our staff with the latest trends. Awareness-raising materials for education at the level of the individual divisions are provided to the members of the TS & Personal Information Protection Committee and Personal Information Controllers. Company-wide warnings and awareness-raising messages for all staff are sent via the company intranet portal site.

Also, to evaluate the effectiveness of the internal education, self-checks are performed. On the basis of the results obtained, any problems that may exist are identified, improvement targets are set, and improvement activities are implemented.

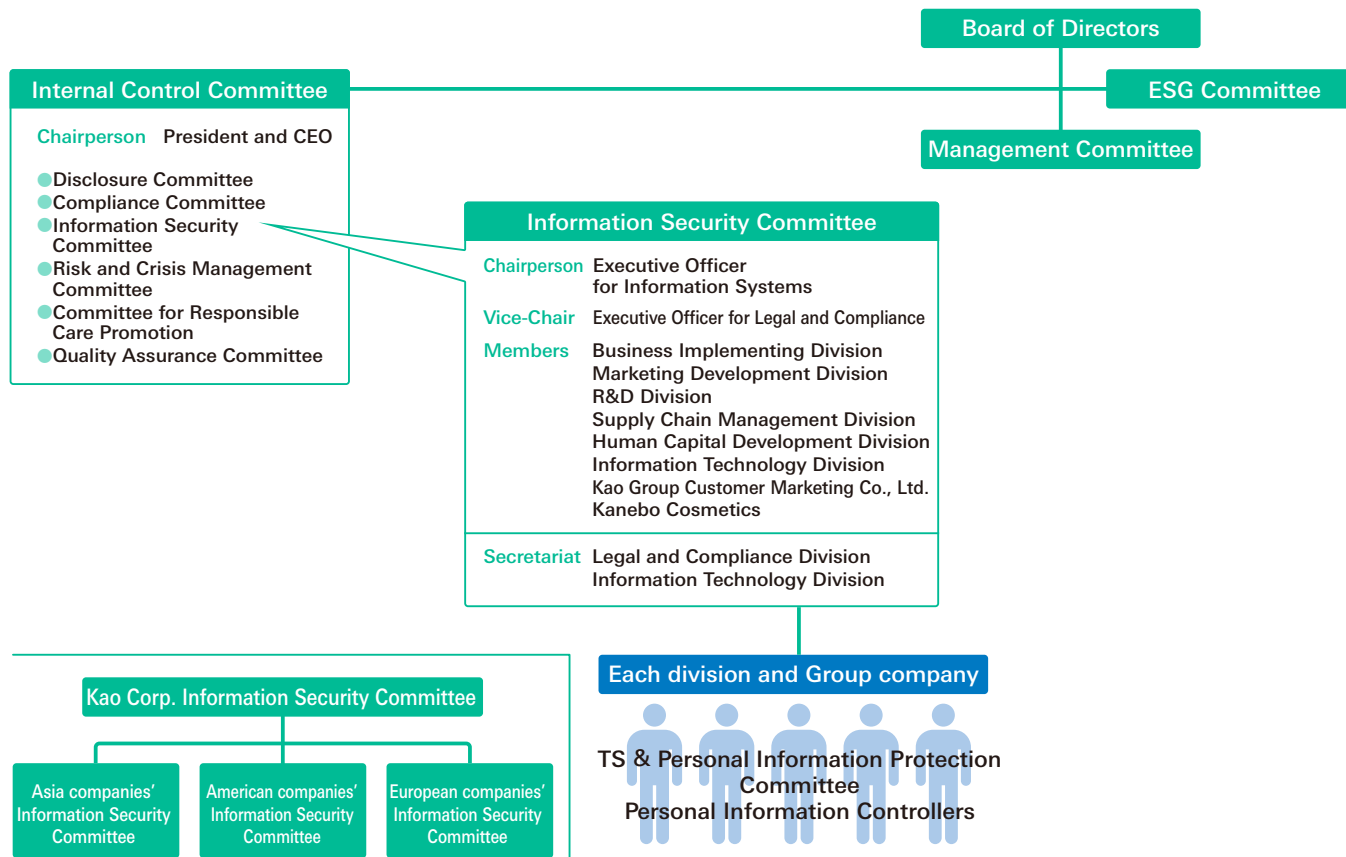
Information security 102-20, 103-2

Framework

We have appointed executive officers to serve as Chair and Vice-Chair of the Information Security Committee, and both the committee members and the staff of the committee's secretariat are appointed from different divisions, including Human Capital Development, Information Technology, Marketing, Research and Development, Intellectual Property Management, Production and Engineering, and Legal and Compliance. In this way, we benefit from a wide range of perspectives when determining policies, formulating internal rules, putting management systems in place, and implementing awareness-raising activities.

The Information Security Committee reports on its activities to the Internal Control Committee on a quarterly basis, and the Internal Control Committee reports to the Board of Directors on the activities of all subordinate committees. The report contains the activity targets of the current fiscal year, progress status and performance evaluations, and in the fourth quarter, the activity targets for the coming fiscal year is also reported. Kao promoted development of a global system establishing information security committees in each country under the umbrella of the Information Security Committee.

Information Security Management System



* As of December 2019.

Information security 103-2, 103-3

Mid- to long-term targets and performance

Mid- to long-term targets

- Protection of information assets such as trade secrets, personal information, hardware, software and many kinds of data records, including cybersecurity measures.
- In the event of an information leak or other emergency, the quick confirmation of facts, decision on a response and the formulation and implementation of measures to prevent recurrence.

Anticipated benefits from achieving mid- to long-term targets

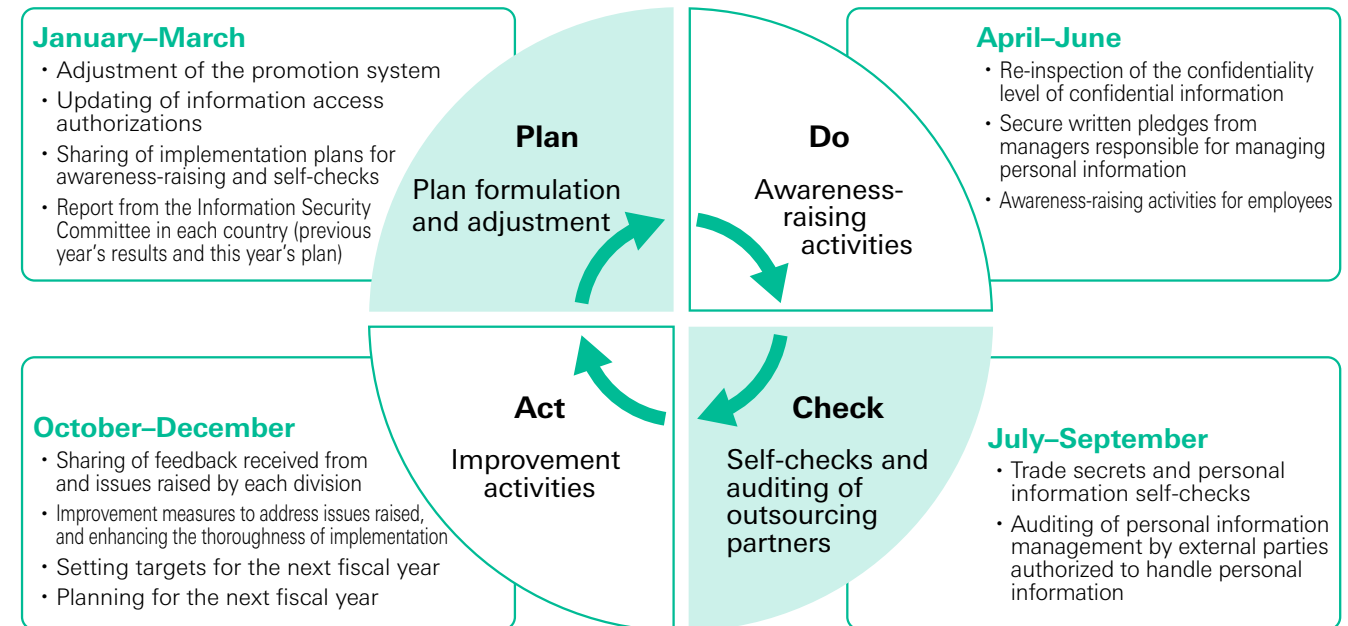
Business impacts

Cybersecurity measures can reduce costs incurred to respond to leaks of trade secrets or personal information by preventing such leaks. Also, damage can be minimized if measures are in place to respond to the leak of trade secrets or personal information.

Social impacts

Implementing cybersecurity measures for the entire supply chain will play a part in improving cybersecurity for the entire industry and for Japanese companies overall.

PDCA cycle for information security activities



Performance in 2019

Performance

The PDCA cycle was implemented in TS and personal information protection promotion activities.

First Quarter: Plan formulation and adjustment

- Adjustment of TS and personal information protection promotion system.
- Plan formulation and implementation.
- Revision of educational materials ("IT Security Guidelines [for Users]" compliance).

Second Quarter: Awareness-raising activities

- TS awareness-raising activities in 120 divisions, departments, and affiliated companies in Japan.
- Personal information awareness-raising activities in 93 divisions, departments and affiliated companies in Japan.
- Global promotion system approved by the Management Committee.
- Confirmation of status of compliance with China's Cybersecurity Law.
- Continued compliance of the Ministry of Economy, Trade and Industry (METI) "Cybersecurity Management Guidelines V2.0."

Third Quarter: Self-checks and auditing of outsourcing partners

- Self-checks on trade secrets in 130 divisions, departments and affiliated companies in Japan.
- Self-checks on personal information in 101 divisions, departments and affiliated companies in Japan.
- Paper audits of 195 subcontractors that handle personal information.

Fourth Quarter: Improvement activities

- The 26th TS & Personal Information Protection Promotion Meeting was held at the Plenary Meeting (relayed to remote locations via web teleconference) on November 14, 2019. In the Meeting employee awareness and behavior improvement were promoted based on recent incidents related to information security, reminders about the last year's improvement goals and a 2019 incident report on trade secrets and personal information were presented, feedback was given on self-checks, and improvement targets were set.
- Confirmation of compliance with the California Consumer Protection Act.
- Confirmation of GDPR operational status.

At the Japan Kao Group, there were no serious incidents related to information security, including trade secret and personal information protection. Furthermore, with regards to personal information protection, to date the company has never been fined nor given any advisories or recommendations based on applicable laws.

In 2019, concerning issues sent to the Inquiries and Complaint Reception Desk Regarding Personal Information, there were three cases related to changing member registration information.

Reviews of performance

It is necessary to carry out promotion activities to protect trade secrets and personal information on a continuous basis every year. Even those who fully understand TS and personal information protection lose clarity in their knowledge over a number of years, increasing the risk of an incident. It is important that all employees, including new hires and mid-career hires, understand and follow the Kao's TS and personal information protection rules. In order to expand our TS and personal information protection promotion activities globally, we have also begun to promote establishment of system.

Our initiatives

First Quarter: Plan formulation and adjustment

Adjustment of TS and personal information protection promotion system

In line with the changes in roles due to organizational restructuring and personnel changes, adjustments were made for 56 members of the TS & Personal Information Protection Committee, 50 supervisors who handle personal information, and 2 Information Security Committee members, and 1 secretariat member. To ensure that trade secret and personal information protection promotion activities are not interrupted even if organizational changes or personnel changes are made, the adjustments assure that a handover to the next people in charge will take place.

Second Quarter: Awareness-raising activities

Redevelopment of internal policies

In order to strengthen our response to cyberattacks, in June 2019 the company's internal rules, the IT Security Guidelines, were revised to IT Security Guidelines (for Administrators) and IT Security Guidelines (for Users) was newly established. Regarding IT Security Guidelines (for Administrators), revisions were made from the position of IT system management for administrators, and limited the position related to user's usage to its policies. On the other hand, the user operational level and the Guide for Using Information Equipment are integrated into IT Security Guidelines (for Users), and we are working to raise user awareness of cyberattacks by revising our awareness materials.

kaō TS・個人情報・ITセキュリティ啓発資料
 INTERNAL USE ONLY
Information Security Committee

機密情報取扱いガイドライン

1. 機密情報とは
2. 機密情報の管理体制
3. 機密情報の管理 (TS表示)
4. 情報開示 社内
5. 情報開示 社外
6. 機密情報の管理 法的保護
7. 機密情報の管理 (保管・廃棄)
8. 他社情報の収集

ITセキュリティガイドライン(ユーザー編)

9. ID・パスワードの管理
10. 個人所有機器の業務利用禁止
11. 情報機器持ち出し時の注意
12. 情報機器の紛失・盗難時
13. 離席時・帰社時の注意事項
14. 人事異動・退職時の対応
15. 不審なメールは開かない

16. データや資料の授受 社内

17. データや資料の授受 社外

18. モニタリング

一般的な注意

19. 情報機器等の取扱い注意事項

20. ソーシャルメディアの利用にあたって

21. スマートフォンでモバイル電話帳の利用

個人情報取扱いガイドライン

22. 個人情報

23. 個人情報の管理体制

24. 個人情報 取得・利用は同意が必要

25. 個人情報 社内保管

26. 個人情報委託先 (選定、契約、覚書、監査)

27. 個人情報 開示・訂正・消去等

【補足】個人情報の取扱いに関する留意点

kaō 9.ID・パスワードの管理
 INTERNAL USE ONLY
Information Security Committee

本人以外のID、パスワードを使用することは厳禁です。

パスワードポリシー

- ・英大文字、英小文字、数字、特殊記号のうち3種類を使用し、8文字以上
- ・社員番号や氏名を含まない
- ・60日で更新、3回は使い回し不可

あなたのIDが使われて、トラブルが発生した場合、責任はあなた自身にも及びます

他者にパスワードを知られたと感じた場合は速やかにパスワードを変更します。

緊急入院等で業務上代理行為が必要な場合でも他者のID・パスワードの使用は禁止です。そのような場合はTS委員（情報セキュリティ推進者）に相談してください。

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禁止事項

- 社員番号
- 氏名

NO!!

明日休職なので、僕のパスワード教えてくれませんか。

教えてあげても、パスワードは絶対に教えられません！

List of guidelines and an example

Alerts about business e-mail compromise and targeted e-mail attacks

Since March 2019, there have been multiple confirmations of business e-mail compromise and targeted e-mail attacks against Kao. As part of our technical measures to prevent damages, the company has enhanced filtering of incoming mail and implemented a safe web browsing tool. Moreover, concerning business e-mail compromise and targeted e-mail attacks, since most were sent in the name of Kao's actual people, the company has taken measures to prevent spoofing from malicious outsiders by adding [External] at the beginning of e-mail subjects on e-mails sent from outside of Kao.

On the other hand, as part of personal measures, regarding business e-mail compromise, Kao also alerts domestic and overseas employees on the Japanese and English intranet bulletin board. Furthermore, with regards to targeted attack e-mails, we also warn employees who may be potentially attacked.



E-mail alerts



E-mail alerts are sent to each company president, as well as alerts to our English portal site.

METI “Cybersecurity Management Guidelines V2.0” compliance

The Japanese government’s Cybersecurity Management Guidelines V2.0, revised in November 2017, define three principles that executives need to recognize and ten important items concerning which they should instruct the chief information security officer (CISO). The latter refers to the National Institute of Standards and Technology (NIST) security framework. Kao uses NIST’s security framework to ascertain the group’s current status and identify issues as well as to continue to make improvements as to the remaining issues that could not be addressed in 2018.

Third Quarter: Self-checks and auditing of outsourcing partners

Self-checks of TS and personal information protection

Trade secret self-checks are conducted every year as part of the thorough implementation of awareness-raising activities and efforts to develop division manuals, implement TS labeling, and manage confidential information. In 2019, the self-checks took place from July 22 to August 23.

Personal information self-checks were similarly conducted at the same time to raise awareness, and also to manage the retention of personal information and determine which outsourced tasks involve the handling of personal information. Feedback on the self-checks was given at the TS & Personal Information Protection Promotion Meeting held on November 14, 2019, and improvement targets were set.

The improvement target for trade secrets was set in this way: “Confidential information on paper should not be taken out of the office,” use of the company’s cloud system on a company computer requiring access with a login ID and password, or a company smartphone locked with a PIN code, is promoted so that the theft or loss of the computer or smartphone will not lead immediately to an information leak.

The improvement target for personal information was set in this way: “Personal information data is to be kept on a server dedicated to personal information.” When personal information is stored on a dedicated server, along with data encryption, access can be controlled on a file-by-file basis, so even if a file is leaked, it can only be opened by the person who has access permission to open it, so the information is protected.

Kao TS自主バトロール				INTERNAL USE ONLY Information Security Committee			
設問	選択数	%	N	設問	選択数	%	N
Q7. TS表示の実施 1). TS表示を実施していますか？（マル秘の場合、責任部署と関係を含む）（社内用の場合、責任部署を含む）	129			Q9. 機密情報の開示 1). 自部門で作成したマル秘情報を開示する場合、開示範囲について機密情報管理責任者（部門長）の承認を得ていますか？	129		
①実施している	98%	126		①承認を得ている	70%	90	
②実施していない	1%	1		②承認を得ていない	4%	5	
③部署として機密情報を作成する機会が無い	2%	2		③該当する開示無し	26%	34	
Q8. TS表示について 1). 部門マニュアル（機密情報リスト）の機密情報のグレードと整合性が取れていますか？	128			2). 他部門で作成したマル秘情報を受け取り、さらに他部門に開示する場合、マル秘情報の責任部署の承認を得ていますか？	129		
①整合性が取れている（機密情報リストを参考にしている）	95%	122		①承認を得ている	60%	77	
②整合性が取れていない（機密情報リストを参考にしていない）	5%	6		②承認を得ていない	4%	5	
2). 海外に機密情報を送るときに英語でTS表示を行っていますか？（マル秘の場合、責任部署と関係を含む）（社内用の場合、責任部署を含む）	128			③該当する開示無し	36%	47	
①英語でTS表示を行っている	63%	81		3). 社外にマル秘情報を開示する場合、秘密保持契約等の契約や同意を締結していますか？	129		
②英語でTS表示を行っていない	0%	0		①締結している	70%	90	
③海外に機密情報を送っていない	37%	47		②締結していない	1%	1	
3). 取引先から受取った機密情報へのTS表示は適切に表示されていますか？	128			③社外にマル秘情報を開示していない	29%	38	
①TS表示を行っている	59%	76		4). 社外に情報開示される場合は、開示先を開示していますか？	129		
②TS表示を行っていない	3%	4		①開示している	64%	83	
③取引先から機密情報を受取っていない	38%	48		②開示していない	5%	6	
				③社外に情報を開示していない	32%	40	

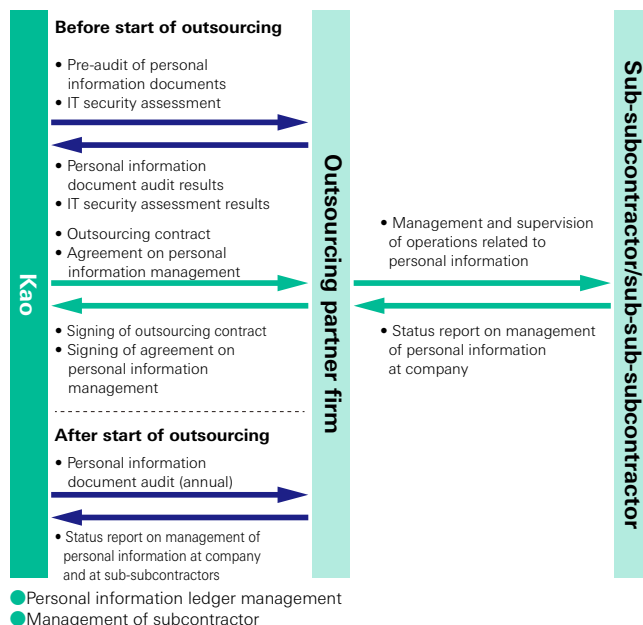
Trade secret self-assessment checklist

Auditing of external parties authorized to handle personal information

When the outsourcing of business tasks involves personal information, Kao conducts a preliminary audit to see if the subcontractor can manage personal information safely. We also conduct an IT security assessment if the subcontractor provides a service such as a web campaign. A contract will not be signed unless the personal information pre-audit and IT security assessment show no problems.

In addition, we manage and oversee outsourced personal information by conducting annual audits of subcontractors that handle personal information. In 2019, we conducted such audits at 195 companies and confirmed the status of personal information management and the systems used by subcontractors for protecting personal information. If personal information is stored by a subcontractor, we confirm the number of records and check for consistency with the number of data records registered in their personal information handling ledger system.

Outsourcing of business tasks that involve personal information and auditing of outsourcing partners



Fourth Quarter: Improvement activities

Holding of the 26th TS & Personal Information Protection Promotion Meeting

The 26th TS & Personal Information Protection Promotion Meeting was held on November 14, 2019. The theme of our in-house lecturer seminar was: "Cyber Security Seminar: Everyone is a key-person of preventing targeted e-mail attacks!," where in addition to introducing how targeted attack e-mails are the one cause of confidential information leaks, along with business e-mail compromise and ransomware, we also introduced common tricks used by malicious individuals targeting individual employees and worked to ensure that appropriate actions are to be taken in response. After the seminar, a report was given on incidents related to TS and personal information in 2019. Feedback was then provided on TS and personal information self-checks, and improvement targets were set.



TS and Personal Information Protection Promotion Meeting
110 participants at head office venue; 169 participants via relay at other business sites.

Confirmation of GDPR operational status after implementation

The European Union's General Data Protection Regulation (GDPR) came into force on May 25, 2018. The GDPR regulates the handling and transfer of personal data and is characterized by strict rules and penalties. Confirmation with the European Kao Group of operational status was done after the enforcement of GDPR.

Protection measures when handling personal information, such as organization and rule maintenance in addition to conclusion of necessary contracts, correspond with rules in relation to the required content. In addition, it has been properly implemented for responding to personal information requests by individuals as well as for reporting accidents to supervisory authorities both of which are newly defined in GDPR.

As far as challenges go, we recognize the regular periodic checks of the hundreds of records created for personal information processing (Record of Processing Activity) and are making improvements to this implementation process at our EU companies, in addition to considering the introduction of management tools for this purpose.

Expanding Information Security Committee for overseas companies

To respond to cyber attacks and strengthen information asset protection at overseas group companies, we expand the Information Security Committee overseas. In doing so, it has allowed us to expand information security activities, including promoting the protection of trade secrets and personal information, to the employee level at our overseas companies, and a reporting line to Kao Corporation for important information security incidents was established.

Required internal rule revisions at Kao were approved in May 2019, and overseas Kao Group companies are in the process of establishing internal rules and systems with the goal of beginning activity from 2020.

Official website security confirmation

If websites published on the internet do not have proper security measures in place, these websites can be hijacked by malicious individuals, and can be abused as a starting point for cyber attacks.

Regarding newly created websites, group companies in Japan confirm that there are no vulnerabilities and other security issues. In addition, to prevent damage to websites already published on the internet by our domestic group companies, we monitor the current situation, confirm each security status, and if any issues are found, take necessary action.

Collaboration with stakeholders

We contribute to the enhancement of information security in Japan's chemical industry through our participation in the Security Information Management Subcommittee established by the Japan Chemical Industry Association (JCIA), an industry body whose members include chemical product manufacturers.

We also participate in two information-sharing networks that work to combat cyberattacks: The Initiative for Cyber Security Information sharing Partnership of Japan (J-CSIP), which is directed by the Information technology Promotion Agency, Japan (IPA), and the National Police Agency's Cyber Intelligence Information Sharing Network. Starting in 2017, we are also participating in the JPCERT Coordination Center's Early Warning Information program. In addition to obtaining information on software vulnerabilities and cyberattacks from these information sharing networks, by disclosing and sharing information about Kao's cyberattacks, we contribute to Japan's cyber security measures.

In preparation for cyberattacks that are expected to surge, Kao participated in the Industrial Cyber Security Measures Briefing Session held by the Ministry of Economy, Trade, and Industry. We will continue to work on these measures in accordance with Japanese government policy.

We are promoting a strategic digital transformation to realize business transformation and enhanced operational efficiency through effective use of cutting-edge digital technology.

Kao's creating value to address social issues

Social issues we are aware of

Changes in society over the past decade have occurred on a scale never seen before, and even now continue at a fast pace.

One factor that has heavily influenced social change is the presence of digital technology. Digital technology, where at anytime, anywhere, anyone can communicate beyond the constraint of time and space, bringing disruptive innovation, yet whether it can be harnessed as a weapon to enhance corporate value determines a company's survival. This wave of digital innovation is described as "digital transformation (DX)." Companies are seeking the creation of new value through DX.

Kao's creating value

Furthering DX not only enhances productivity and operational efficiency, but is something we believe leads to higher satisfaction among current customers as well as the opportunity to gain new ones.

Contributions to the SDGs



Policies

We are promoting strategic DX to realize business transformation and enhanced operational efficiency through effective use of cutting-edge technology, and by utilizing IT tools and big data learning from Kao's artificial intelligence (AI), we can discontinuously improve company productivity (= added value/cost).

Education and promotion

While quickly introducing solutions that allow employees to realize the benefits of DX, we encourage all of our employees to make their own DX by making content widely available to them.

Collaboration and engagement with stakeholders

We regard our suppliers as important stakeholders and not merely as customer-vendor relationships, and aim to create social value together through DX.

We promote open innovation with business partners, research institutions and other organizations.

Advanced Digital Technology Strategy 102-20, 103-2

Framework

The Strategic Innovative Technology Team (SIT), supervised by the Senior Managing Executive Officer, promotes advanced digital technology strategy planning and execution. Under direct supervision, the strategic planning group acts as a coordinating system for the activities of the following four business groups.

Efficiency Utilization Group

Leveraging digital technologies, this group plans and implements strategy and tactics to fundamentally improve efficiency in work processes. Existing data is integrated after formatting to improve its usability, and is converted into high-value-added information using advanced technology.

Information Strategy Group

This group proposes strategy and tactics from a comprehensive approach including real-world experiences in addition to using digital technologies to innovate communications with stakeholders (employees, customers, shareholders, society) inside and outside the group. It is forging relationships with and creating a network of outside content partners to develop information content aligned with the strategy and tactics.

Business and Sales Group

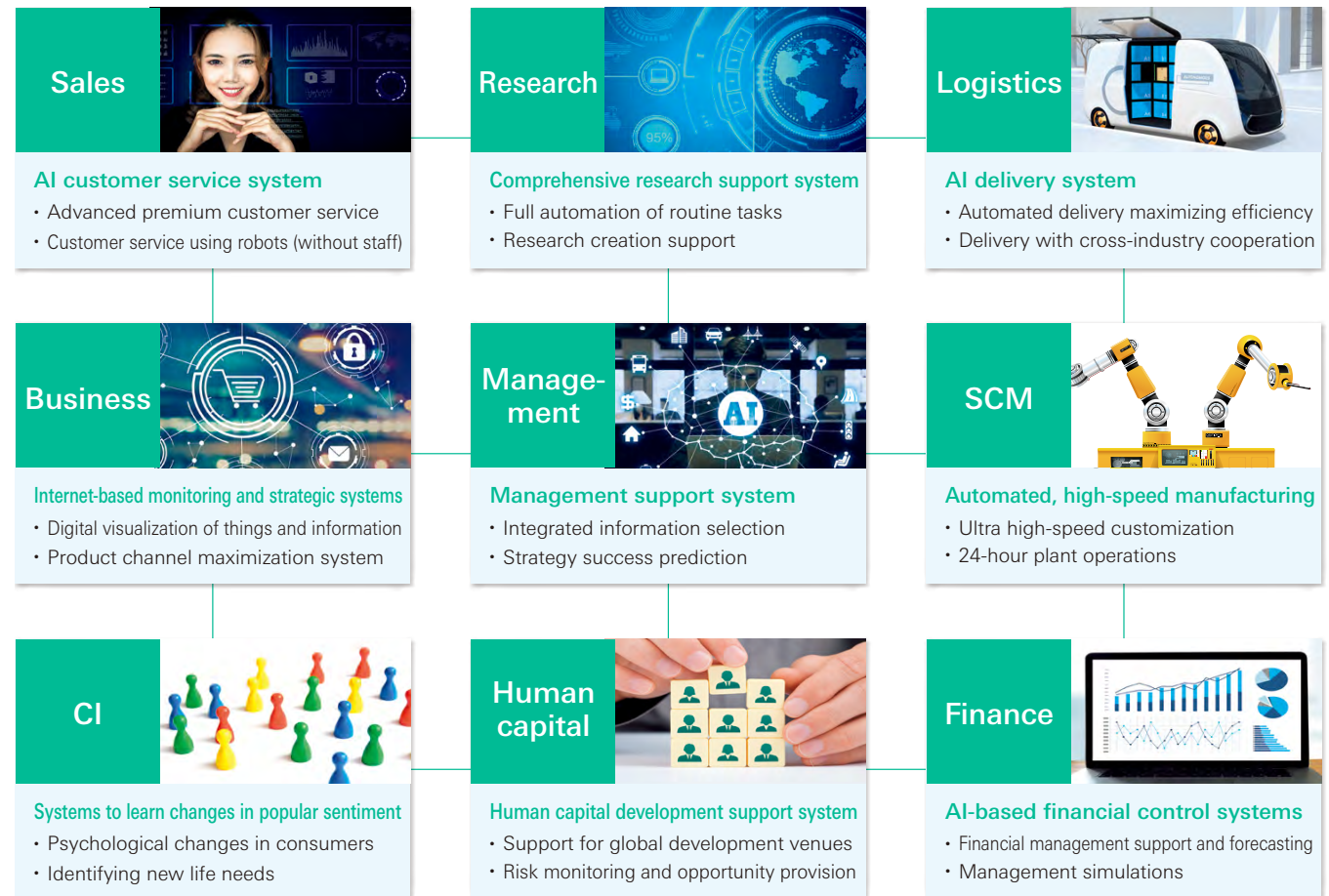
This group uses digital technologies to propose new businesses and new business models, and establishes faster product development processes suited to the business model.

IT Design Management Group

This group is rebuilding our information system platform and introducing and implementing advanced information technology for DX. This will support the activities of the other three teams.

The main meeting body is composed of supervisors and the Strategic Innovative Technology Team, with all parties in present for a monthly meeting, and group meetings (anywhere from once a week to once a month) hosted by directors who serve as the leaders of each group.

Digital transformation target fields



Mid- to long-term targets and performance

2020 mid-term targets

Advanced digital technology is an indispensable weapon for increasing corporate value, and by making use of it, Kao will become an AI-ready company.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Time creation and money effectiveness, combined with fixed cost control effectiveness to produce a result of over 2.5 billion yen.

Social impacts

We provide attractive customer experiences to stakeholders.

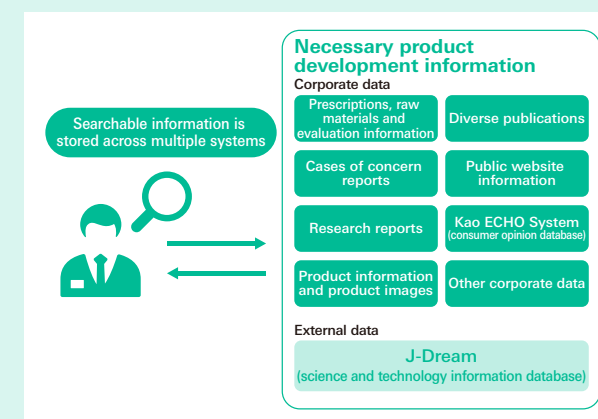
Performance in 2019

Performance

Utilizing advanced digital technology to streamline various different operations, during the 2019 fiscal year we achieved an approximate 1.5 billion yen cost reduction. Although this cannot be expressed as a direct impact on profit and loss because of it is an inhibitory effect, the time creation effect was equivalent to more than 200,000 hours, making it possible to devote more time to creative endeavors.

One of our main achievements in 2019 was the construction of an integrated search system aimed at researchers. When conducting product development in the past, it took time to collect data from multiple systems, but with this system information can be searched across systems, significantly reducing the time required to collect information. We hope more time for creative research will lead to more competitive research and development.

Integrated search system imagery



On one hand, we began a collaborative project with Preferred Networks (Ltd.) aiming to realize practical application of our sebum RNA monitoring technology specializing in machine and deep learning.

Reviews of performance

Two years have passed since the launch of our Strategic Innovative Technology Team, and while working to achieve concrete results, we have had a number of successes. In 2020, as more employees will be able to use digital technology themselves, it is necessary to strengthen the link between fostering corporate culture and enhancing corporate value.

Our initiatives

Efficiency Utilization Fields

In the research field, at the beginning of 2019 we began operation of an integrated search system that uses AI to conduct searches more efficiently. This system captures not only reports, patents, formulations, and trial results but also unstructured data, namely product information including pharmaceutical affairs and information related to consumer consultations, to retrieve comprehensive information needed for development at one time. This has greatly reduced the time taken by routine tasks and dramatically increased the speed of development.

In human capital, we are building a system that can provide proactive care, detecting employees who are at a high risk of taking leave in advance through AI-learned time management data.

Information utilization field

Because the way information has been communicated in the past has been independently managed by business divisions through an app provision, cooperation and cross-use by other divisions have at times been lacking in certain areas. In the future we would like to consolidate CRM (customer, relationship, management) systems implemented on an individual basis, tailoring information delivery and reception for each stakeholder to deliver only the information that is necessary.

Business and sales fields

Using AI, we will redesign how we conduct market research, product development and sales leveraging online sales and social networks. We will also strengthen our digital advertising not only to communicate product information but also to precisely provide information on research leading up to product launch and details of technical development to the parties that need it. We are developing new virtual communication methods as tools to efficiently communicate product information and offer completely new and appealing product value experiences.

Development of a beauty counseling service using AI technology

Kao Corporation began a collaborative Kao x PFN Sebum RNA Project with Preferred Networks, Ltd. aimed at realizing the practical use of sebum RNA (ribonucleic acid) monitoring technology*.

As a first step, we developed advanced prediction algorithms from data obtained from sebum RNA through machine and deep learning. This allows us to know more about skin condition, which could not be grasped by pre-existing skin measurement and analysis technology, and to make future skin damage risk assessments. Furthermore, we provide beauty advice and skin care based on genetic information, preventing skin damage and improving skin condition.

The promotion of these projects is connected to the

realization of early diagnosis technology for diseases that are difficult to cure, such as Parkinson's disease.

* Sebum RNA (ribonucleic acid) monitoring technology
The technology developed by Kao to analyze RNA isolated from sebum, reflecting fluctuating daily body conditions. By collecting sebum with oil blotting film through a non-invasive (lower physical burden on the body) trial, we are able to obtain 13,000 RNA expression levels.

For DX Promotion

SIT communication is posted regularly (almost every other month) on our intranet. Additionally, executive officers at the executive board meeting introduce activities to directors that are the head of each department while pushing for DX integration. Moreover, at the Enterprise Information Solutions Division's annual business report meeting, annual activity results from our Strategic Innovative Technology Team are announced. Many members of the Strategic Innovative Technology Team also work in other departments, strengthening the bridges between each division.

IT Vendor Cooperation

Concerning planning and implementing DX solutions, we work with external IT vendors from the initial planning stage. In particular, employees of comprehensive IT vendors abundant in IT technology skills are placed into our Strategic Innovative Technology Team, where we take on professional advice.

At Kao, we are endeavoring to protect Research and Development (R&D) outcomes and effectively utilize the rights derived from these outcomes through cooperation between our Intellectual Property Division and research institutes to realize "Contributions to business and social through intellectual property (IP)."

Kao's creating value to address social issues

Social issues we are aware of

It is necessary to acquire IP and appropriately utilize one in order to use the technologies that we have created through *Yoki-Monozukuri* in ways that lead to the development of industry and contribute to society. There are social problems, for example, increasing counterfeit goods around Asia and existence of patent trolls who get expensive license fees with inappropriately utilizing IP.

Kao's creating value

We create value that contributes to industry and society and transform IP into assets by pursuing its true nature through particular attention to product development research and fundamental technology research. We also make global contributions through IP-related activities conducted by Kao Corporation and its group companies both within and outside Japan working in tandem. In addition, we are ensuring acceleration in the pace of open innovation based on our IP strategy by entering into technical contracting.

Risks related to realization of our vision by 2030

In cases where it is not possible to acquire technology development linking industry and public benefit in the form of IP, difficulties arise in the ongoing development of products and pose risks to the realization of the company that we seek to be. Furthermore, the appearance of counterfeit goods with inferior quality gives rise to the risk of failing to meet the expectations of consumers regarding the value of our products, which makes it necessary to acquire IP and appropriately use one.

Opportunities related to realization of our vision by 2030

In addition to using the IP rights acquired through product development and fundamental technologies for our own products, we create opportunities to contribute to industry and society by making IP rights available through open innovation.

Contributions to the SDGs



Policies

We conduct our business activities by acquiring industrial property rights, such as patents, design rights and trademarks, and other IP rights as R&D results and names representing brand image, etc.

We also actively pursue the acquisition of rights in Asia, the Americas and Europe while vigorously protecting ourselves against any infringements of our legal rights, both within and outside Japan. Recently, we have been pursuing measures against counterfeit products in Asia and other regions.

At the same time, we are strengthening our global efforts to respect and avoid infringing on the rights of other companies, through undertaking R&D in such a way as to avoid infringing upon them from the initial stages and reconfirming existing patents before new product launches and taking action as necessary.

We also flexibly use IP by promoting open innovation.

Intellectual property 102-20, 103-2, 102-43, 404-2

Education and promotion

We have implemented a wide range of IP education and training programs with continual fine-tuning, for researchers aligned with, for example, their years of experience and roles. In 2019, a total of around 650 researchers participated in IP education and training programs.

We also make effective use of e-learning program to enhance the effectiveness of our educational activities. Online learning has already been adopted as a tool for IP education and training by our researchers in Asia, the Americas and Europe.

As a result, researchers have been taking more initiative in acquiring IP rights for technologies and in building IP portfolio.

Collaboration and engagement with stakeholders

We have created opportunities for direct dialogue with management levels in the Japan Patent Office and European Patent Office, as well as in patent offices in emerging economies, in order to allow us to maintain an accurate grasp of the latest trends in IP administration. In 2019, we engaged in an exchange of views with the Japan Patent Office.

We have also created opportunities for direct dialogue with patent attorneys in major countries and regions (including Europe, the Americas, China, South Korea and Taiwan) and multiple emerging nations to deepen our understanding of global IP practice.

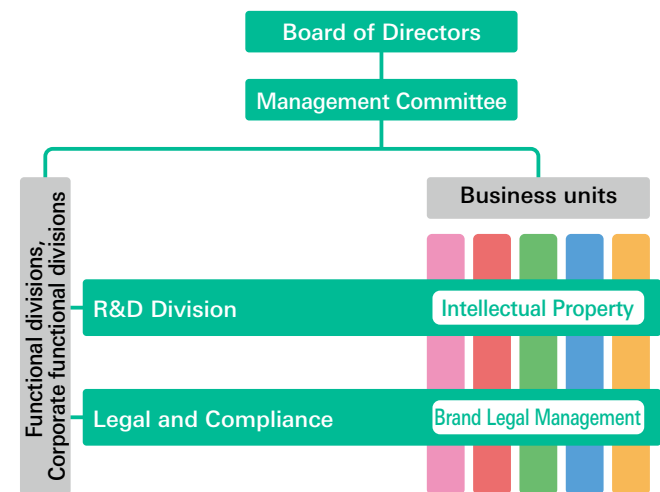
Framework

We implement group-wide management of business-related intellectual property rights through the coordinated activities of our Intellectual Property Division (under R&D) and our Brand Legal Management Department (under Legal & Compliance).

The Intellectual Property Division plays a key role by promoting strategic applications for patents and technology-based design rights, which are indicators of key company values from the perspective of technology development capability, in a broad range of fields. The responsible of the party is the Senior Managing Director in charge of research.

Brand Legal Management collaborates closely with business divisions, considering cost effectiveness while submitting and managing applications for design-based design rights and trademark rights. The responsible of the party is the Executive Officer in charge of the Legal and Compliance Division. When an important issue arises, Intellectual Property Division and Brand Legal Management Division submit it to the Management Committee for deliberation, and the Board of Directors discusses proposals when necessary. The Management Committee reports and deliberates on useful patents that involve patent invention once each year.

Industrial property rights management framework



* As of December 2019.

Intellectual property 103-2, 103-3

Mid- to long-term targets and performance

Mid- to long-term targets

- Continue to build and strategically utilize our own patent portfolio, optimized for both volume and quality, and create cross-category, global structures that can strategically use essential research results that can generate diverse product value.
- Ensure effective and efficient prevention of third party IP-related incidents.



Performance in 2019

Performance

The number of new patent applications in 2019 remained at the previous year's high level thanks to active development of new inventions. Income from patent licenses also remained at a high level as a result of active utilization of patent rights.

Reviews of performance

IP acquired through assignment also contributed to the development of our portfolio, and we are promoting use of that IP globally.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Kao, which deploys numerous products, is able to apply essential research results to product development in multiple fields, and therefore, will be able to increase the efficiency of R&D through appropriate IP protection, which will lead to higher product revenues.

Social impacts

Public release of inventions that we create will not just contribute to the advancement of technology, but also will contribute to the public good through the release of beneficial technologies (see below).

Examples of technologies publicly released:

Shampoo bottle notches

We have been placing a notch with a jagged shape on the sides of shampoo bottles since 1991. This enables people with visual impairments as well as people with normal vision who wash their hair with their eyes closed to identify the bottle by touch.

Believing that a lack of uniformity in the industry concerning the use of these notches would lead to consumer confusion, we withdrew our utility model application and worked through the Japan Cosmetic Industry Association to call on other companies to adopt an industry standard. As a result, the agreement of numerous companies in the industry was obtained. Now, most shampoo bottles have notches, and the use of notches has become an international standard due to Japan taking the initiative (ISO 11156: 2011).



Notches first developed in 1991



Current notches

Our initiatives

Handling of intellectual property issues with other corporations

We regard intellectual property, including patents, as critical business assets, and are making efforts to effectively and strategically utilize such resources. In cases where IP issues with other corporations arise, we make efforts to resolve these issues through dialogue with those corporations when feasible, and through patent licensing where necessary.

Remuneration and incentives for employee inventions

We celebrate significant inventions by researchers from our company which contribute to our business operations. We give weight to the perspective that this will incentivize further inventions. Employees are awarded for patents utilized internally at Kao, which have led to excellent commercial outcomes, as well as license income incentives for patents which have produced significant income as a result of licensing to third parties.

Every year the President offers words of appreciation and encouragement at an awards ceremony for presentation of the incentives to the inventors. In 2019 we continued to implement our incentive system based on internal usage of inventions and licensing income, marking 20 consecutive years since the launch of this system at Kao Corporation.

Employee invention systems are implemented on a country-by-country basis, and group companies in Asia, the Americas, and Europe continued to establish their own incentive systems.

Promotion of industrial property rights management

We consider that the acquiring of the outcomes of R&D at group companies as industrial property rights is an important step in realizing our *Yoki-Monozukuri* globally and in responding to local consumers and client needs. For this reason, we actively provide platforms for exchange and mutual inspiration among employees with responsibility for IP at Kao Corporation and group companies both within and outside Japan, while taking measures to execute related work duties collaboratively. We also focus our capacities to support IP-related activities at different localities, with an emphasis on IP education for researchers.

With the increase in the number of group companies and the lively state of invention activity around the world, we are striving to ensure closer coordination between countries with respect to IP activities. In 2019, there were a large number of new patent applications from overseas group companies.

Response to the counterfeit goods problem in emerging nations

In regard to business expansion in emerging nations, the risk posed by the rapid diffusion of counterfeit goods increases for products which are well-received locally. It is thus very important to find appropriate countermeasures after having developed a clear picture of the current situation with regard to counterfeit goods. Some counterfeit goods are associated with safety concerns. In such cases it is not merely a question of protecting the brand value of the Kao product being counterfeited. It also becomes imperative that countermeasures to ensure the health and safety of local consumers are put in place.

China in particular could be described as a highly litigious society compared to Japan, as there are many more cases of IP-related litigation. There may thus be times when a resolute stance must be taken to address the issue of counterfeit goods in a lawsuit, depending on the particularities of the case.

In addition, to help prevent counterfeit goods from being imported, we have arranged for Kao personnel to act as instructors in Customs training sessions, teaching Customs personnel the key points to identify counterfeit items, and we have also been actively involved in seizure of imported counterfeit goods (border protection).

Management of trademarks and design rights

At Kao Corporation, the Brand Legal Management Department, which forms part of the Legal and Compliance Division, is in charge of trademark and design rights (some design rights are handled by the Intellectual Property Division under R&D). We conduct adequate availability searches for new names or designs in order not to infringe any rights of third parties. We also try to widen the scope of rights acquired to maintain Kao's brand value. Close collaboration with marketing teams is very important for our trademark activities in particular. Between the Kao Corporation Head Office and three offices in Europe and the U.S., we strive for smooth communication. Furthermore, in order to ensure timely naming, we manage the entire schedule of naming processes, from the beginning of name creation through trademark filing and name decision.

We consolidate systems for the early elimination of counterfeit goods which have been on the rise in recent years. We cooperate with governmental authorities, e-commerce site managers, and peer companies in the industry, while we also reinforce our monitoring of markets including e-commerce sites.

Kao ensures transparency regarding taxes, as well as compliance with tax laws and regulations in every country and region. Furthermore, we also provide various types of education on proper tax management, with each and every employee working to raise tax compliance awareness.

Kao's creating value to address social issues

Social issues we are aware of

We understand that international efforts such as the OECD's Base Erosion and Profit Shifting (BEPS) project are important measures in maintaining tax transparency and preventing aggressive tax avoidance. For example, the pricing for transactions between related parties is determined under the arm's length principle and in accordance with OECD transfer pricing guidelines, calculated based on the functions, assets and risks involved.

Kao's creating value

Based on the fundamental values of "walking the right path," which is our corporate philosophy of the Kao Way, we contribute to the creation of social value that enriches daily life with sincere and sound business practices, acting in accordance with ethics and the law, and making adequate tax payments.

Concerning income from business activity in emerging and developing countries, we believe that conducting sound tax affairs and paying taxes in accordance with tax laws of each country and region, without violating local tax rights, serves an important role in the economic and social development of each country and region in which we operate.

We also believe that the use of tax havens or tax planning that is not aligned with either commercial purposes or business substance impedes the appropriate payment of taxes in each country and region in which we operate. We strive to prevent the use of aggressive tax avoidance and

abusive tax planning involving, for example, tax havens. We only expand internationally or implement global business structures where this is aligned with our commercial purposes. Moreover, we do not take part in any tax structuring used for international tax avoidance.

Contributions to the SDGs



Policies

Aiming to improve corporate tax governance, we established tax policy to serve as a standard tax-related code of conduct.



→ Kao Group tax policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_004.pdf

Education and promotion

At Kao, we believe that it is important for both management and employees to promote tax compliance awareness in order for the tax compliance system to function properly.

We strive to reduce tax risks through awareness, education, information sharing and consultation, while ensuring thorough legal compliance.

Collaboration and engagement with stakeholders

We provide timely and appropriate information to the tax authorities and strive to build relationships of trust by responding to all enquiries expediently and in good faith. In order to minimize tax risks, we periodically consult with an external tax advisor in order to address tax filing accuracy.

Additionally, we work with the business community through industry associates in assisting with tax reform requests that contribute to enhancing the international competitiveness of Japanese companies.

Framework

Senior Vice President of our Accounting and Finance Division does business with Administration Tax Accounting Group and tax officers in each country or region. We share information with tax officers in each country or region on a quarterly basis for current and future tax risk comprehension and to resolve issues. By regularly compiling tax issues in each country or region to understand current situation, our system receives information in a timely manner on urgent tax issues. In addition, a system has been established to cope with solutions in cooperation with external experts.

Furthermore, important tax issues and strategies are reported at regular Management Committee and Board of Director meetings.

Our initiatives

Global accounting and finance collaboration

We regularly hold meetings that bring together global leaders in the accounting and finance functions. In the meetings, leaders share company-wide policies, ensure their implementation and discuss new tax issues while communicating with tax officers at our overseas subsidiaries.

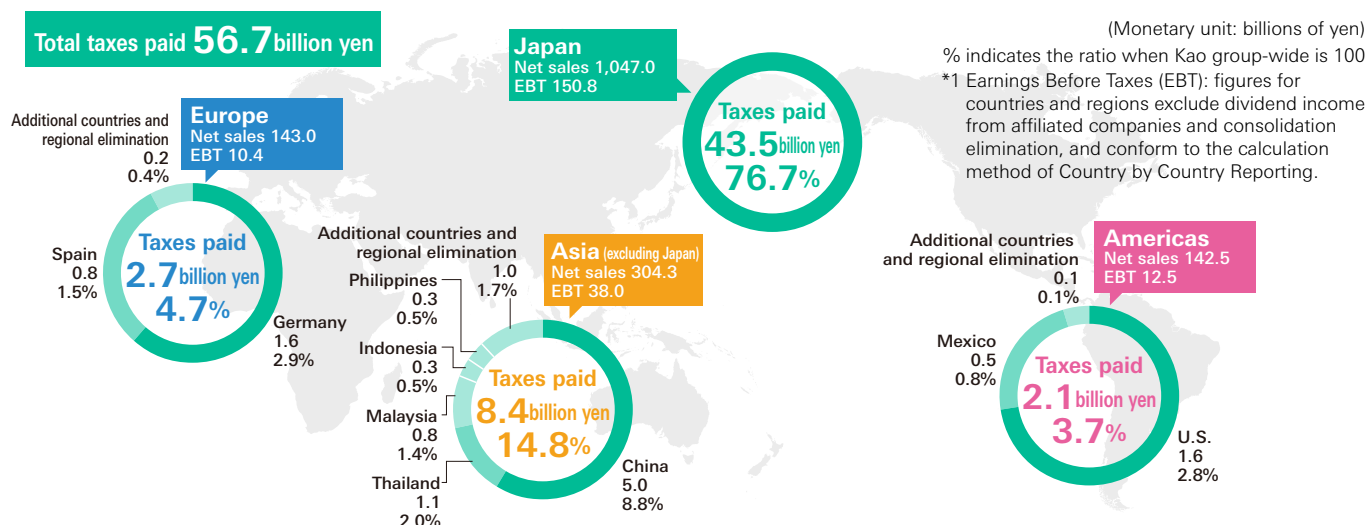
Collaboration with the Japan Chemical Industry Association (JCIA)

Through JCIA, we are actively working on tax reform requests that contribute to improving tax practice efficiency and enhancing corporate competitiveness.

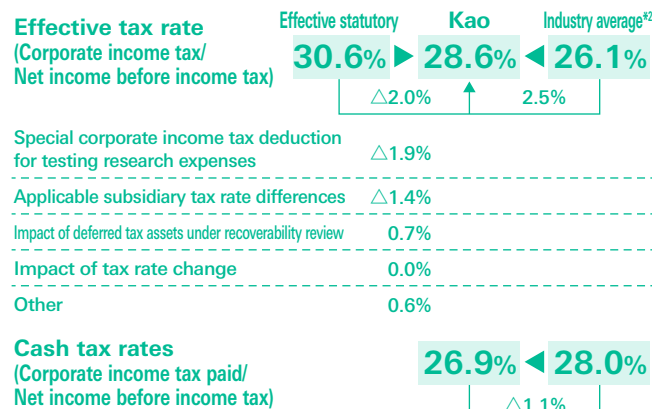
Performance report and tax payment record

Kao's performance report and tax payment record in 2019^{*1}

(Unit: billions of yen)	Net sales	EBT	Total taxes paid
Japan	1,047.0	150.8	43.5
China	107.4	16.1	5.0
Indonesia	52.0	3.0	0.3
Thailand	42.6	4.8	1.1
Malaysia	36.4	4.2	0.8
Philippines	29.9	2.1	0.3
Additional countries and regional elimination	36.0	7.8	1.0
Asia totals	304.3	38.0	8.4
Germany	69.6	4.6	1.6
Spain	39.0	3.9	0.8
Additional countries and regional elimination	34.4	1.9	0.2
Europe totals	143.0	10.4	2.7
U.S.	121.1	11.3	1.6
Mexico	12.1	1.2	0.5
Additional countries and regional elimination	9.3	0.1	0.1
Americas totals	142.5	12.5	2.1
Pan-Regional elimination	(134.6)	(1.3)	
Total	1,502.2	210.6	56.7



2019 effective tax rate difference analysis



*2 Personal care business

Our effective tax rate for FY2019 was 28.6%. The -2.0% effective statutory tax rate difference is due to the impact of a special corporate income tax deduction for testing research expenses within Japan as well as differences in applicable tax rates with our overseas subsidiaries. In addition, due to the 2.5% plus in the industry average effective tax rate issued by RobecoSAM, we believe the company has paid the adequate tax amount.

Similarly, regarding the cash tax rate, which is the amount of tax paid divided by net income before income tax, our company achieved an appropriate rate that was 1.1% lower than the industry average, despite the effect of payment timing issues, etc.

Our business is made possible throughout the entire product lifecycle by the various ecosystems that exist on the earth and the abundant natural bounty created from biodiversity.

Kao will vigorously undertake sustainable raw material procurement and development of new technologies for the effective use of limited resources as activities that can contribute to preventing the degradation of biodiversity, one of the most pressing issues shared by the entire world. We will also strive to reduce the impacts of our business on biodiversity as well as promote social activities that lead to biodiversity improvements in regions where we have business sites.

Kao's creating value to address social issues

Social issues we are aware of

In May 2019, IPBES* issued a report warning that more than 1 million species are risk of extinction. It also pointed out that there is a possibility that many of the targets set in the Aichi Biodiversity Targets, which are the individual target of the Strategic Plan for Biodiversity 2011-2020 adopted at the 10th Conference of the Parties (COP10) to the Convention on Biological Diversity held in Nagoya in 2010 will not be met, renewing our awareness of the need to take biodiversity conservation seriously with a strong sense of crisis.

Palm oil, a vegetable oil extracted from the fruit of the oil palm tree, is used in various foods and daily staples around the world, and we are one of the companies that enjoy its benefits. However, many serious problems are occurring in palm oil tree production regions including deforestation and the loss of biodiversity as well as human rights violations of local residents and farmworkers who live in those areas.

A major problem is the fact that it is not generally known that the biodiversity loss occurring globally today including that caused by palm oil corresponds closely to our consumption activities and economic activities. Each

one of us must be aware of the problems of biodiversity and consider ways to solve them. We recognize the vital importance of mainstreaming biodiversity concerns, which can be said to be the most important objective of the Aichi Biodiversity Targets.

* IPBES
Intergovernmental science-policy Platform on Biodiversity and Ecosystem Services

Kao's creating value

IPBES believes that transformative change in economies, society, politics, and science and technology will be necessary in order to achieve the biodiversity targets. We are undertaking various initiatives so that the policies and targets specified by ESG management as well as innovative technologies that can solve social problems will lead to the prevention and restoration of the degradation of biodiversity and support the development of a sustainable society in the future.

We are contributing to the preservation of biodiversity from the following perspectives.

Development of a society that can continue to enjoy the benefits of biodiversity

With regard to palm oil, paper and pulp, which are our main raw materials, we set 2020 targets for confirming that there is no deforestation in the places of origin and

ensuring traceability and are implementing specific measures to achieve those targets such as mapping deforestation risks and investigating plants determined to pose high risks. We believe that expanding sustainable production of raw materials and establishing procurement systems that do not involve deforestation or human rights violations will contribute to the formation of a sustainable society that permanently maintains the benefits of biodiversity for all stakeholders.

Development and use of raw materials with minimal impact on biodiversity

We are developing and using raw materials that have minimal impact on biodiversity.

Palm oil is used in many of our products, and it is predicted that future demand will increase steadily as a result of population increases on a global scale, making deforestation and shortages of raw materials issues of concern. We continue to develop technologies that use natural, non-edible oil sources as alternatives to palm oil. We are developing oil production technologies that utilize Bio IOS, which is made from an oil raw material that in the past posed a challenge in use as a surfactant, as well as microalgae, which can be obtained in high yields.

Mainstreaming biodiversity

Promoting the procurement and consumption of sustainable palm oil through JaSPON (Japan Sustainable Palm Oil Network) to actively use certified materials and collaborate with other companies and various other measures such as encouraging employees to participate in business site green space conservation activities and outside biodiversity preservation activities contribute to mainstreaming biodiversity.

Risks related to realization of our vision by 2030

Future global scale population growth and economic development may increase demand for palm oil, paper, and pulp, which are our main necessary raw materials, even further. At the same time, procurement of sustainable raw materials that take into consideration biodiversity, human rights violations, and other issues may give rise to additional costs. However, if we do not give consideration to sustainability in procurement, the inability to procure raw materials over the long term may call our business survival into question. Furthermore, unless we undertake sustainable procurement of raw materials that addresses serious local issues including deforestation and human rights violations, there is a risk that our corporate reputation will be severely harmed and we will lose society's trust and have difficulty continuing to do business.

Opportunities related to realization of our vision by 2030

We established the Basic Policy on Biodiversity Preservation in 2011 and have been developing new technologies that can contribute to sustainable

procurement of raw materials and the preservation of biodiversity.

The Guidelines for Sustainable Procurement of Raw Materials, which were revised in 2014 sets targets for confirming zero deforestation in places of origin for palm oil, paper and pulp, and we are increasing the possibility of business continuity by taking specific measures to achieve sustainable procurement of raw materials in the future.

Bio IOS, a new surfactant that we developed, is a completely new technology that can solve various problems such as shortages of raw materials, which are concerns in conjunction with the global scale population increase, and applications are expected to expand.

Contributions to the SDGs



Policies

In 2010, we conducted risk analyses relating to biodiversity risks in business in 11 divisions believed to have close relationships with biodiversity, and based on the risks and issues identified, we drafted the Basic Policies on Conservation of Biodiversity in 2011. There are seven policies: (1) Identify the relationship between our business activities and biodiversity, (2) Reduce the impacts of our business activities on biodiversity, (3) Develop innovative technologies, (4) Comply with relevant international agreements, (5) Make efforts to conserve local ecosystems in the vicinity of our business activities, (6) Raise awareness of biodiversity among all employees, and (7) Pursue cooperation with external stakeholders. These policies are reviewed annually.



→ Basic policies on conservation of biodiversity
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-basic-policy.pdf

→ Action policies on conservation of biodiversity
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-action-policy.pdf

→ Introductions of Biodiversity Conservation Activities
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/eco_activities_03_04_02_001.pdf

Education and promotion

Education

After formulating the Basic Policies on Conservation of Biodiversity, we took other measures that we believe provide basic knowledge about biodiversity to employees by such means as e-learning courses for all employees of the Kao Group in Japan and annual environmental training for new employees. For employees outside of Japan, we are conducting information sharing and awareness-raising activities through such venues as the annual Global RC Meeting.

Awareness-raising

We undertake green space conservation activities at each business site in consideration of biodiversity and arrange events in which employees can participate. We also encourage employees to volunteer for outside biodiversity preservation programs. We aspire to deepen understanding of biodiversity among all employees through their active participation in these activities.

Collaboration and engagement with stakeholders

Promote sustainable raw materials procurement



→ Making thoughtful choices for society > Responsibly sourced raw materials

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=72

Ecosystem and biodiversity preservation activities in individual countries and regions

We have business sites around the world. Basic policies on biodiversity preservation are formulated by the head office, but the status of and approaches to biodiversity vary in different countries and regions. We believe that creating opportunities for the active exchange of opinions with various relevant stakeholders in each country and region including governmental agencies, NGOs/NPOs, and experts can facilitate the effective implementation of biodiversity preservation activities, and we make recommendations to the responsible personnel in each country and region.

Framework

We define preservation of biodiversity as one element of environmental conservation, which is a part of the Responsible Care activities undertaken by the RC Promotion Division. We establish policies, targets and plans relating to biodiversity and manage them along with the progress of measures under the Responsible Care Promotion Framework. Appropriate information sharing on the progress of measures is conducted at the twice annual RC Promotion Committee meetings and once annual Global RC Meeting (responsible executive officers participate in both meetings).

Mid- to long-term targets and performance

2020 mid-term targets

One of the 2020 mid-term targets in the Kao Environmental Statement announced in 2009 is the “implementation of measures to protect biodiversity through responsible raw materials procurement and other measures.” This was the first time that a target relating to biodiversity was established.

Subsequently, we established the Guidelines for Sustainable Procurement of Raw Materials and set detailed targets on zero deforestation and ensuring traceability as 2020 targets for palm oil, paper, and pulp, our main raw materials, and we are implementing measures to achieve those targets.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Considerable costs are involved in procuring sustainable raw materials, but we consider these activities an indispensable investment to make our business sustainable and a part of our social responsibility. We expect the results of these activities to boost our reputation substantially, and although it is difficult to measure the financial effects, we believe that direct and indirect financial benefits have occurred.

Social impacts

We hope that these various processes to achieve the 2020 targets relating to sustainable raw material procurement will lead to the restoration and recovery of forest environments at raw material procurement sites and respect for the human rights of local communities, allowing us to make progress toward achieving a sustainable society in the future.

Targets for 2020

Annual targets relating to biodiversity are set and managed each year within the RC targets managed through PDCA on a one-year activity unit basis. The 2020 targets are as follows.

1. Promote sustainable raw materials procurement

We will achieve 100% sustainable procurement of palm oil, paper and pulp by 2020.

2. Promote business and social contribution activities with consideration for local biodiversity

Based on the results of the biodiversity surveys of all Kao Group production sites conducted in 2018 and 2019, each site plans feasible biodiversity preservation activities and implements them.

3. Reduce use of copy paper

As an activity that all employees can participate in, we have started reducing the use of copy paper at the Kao Group in Japan. Our 2020 target is a 10% reduction in sheets printed per person compared to 2017.

4. Green procurement

We are promoting green procurement, which places priority on purchasing products with the least possible environmental impact. We have been taking action in this area based on Act on Promoting Green Procurement. We have set our 2020 target green purchasing rate in Japan at 100%.

Performance in 2019

Performance

1. Promote sustainable raw materials procurement

In order to achieve our 2020 targets, we promoted confirmation of both zero deforestation in and traceability to the place of origin.

2. Promote business and social contribution activities with consideration for local biodiversity

We completed biodiversity assessments at all production sites including those sites that we recently acquired.

3. Reduce use of copy paper

The number of sheets printed per person has been reduced by 15.7% compared to 2017, and the 2020 target has already been achieved.

4. Green procurement

Our green procurement rate in Japan was 90.2%.

Reviews of performance

We perceive a rise in internal awareness regarding biodiversity through exchanges of opinions with responsible personnel in each country and region through global conferences, on-site visits, and other means.

Our initiatives

Understanding relationships between business and biodiversity

The ecological footprint assessment completed in 2013 found that the majority of the environmental impact from our business activities resulted from carbon sinks, land on which oilseed crops were grown, cattle pastures, forests grown for pulp and paper, and fishing grounds affected by surfactants.



→ Ecological footprint of corporate activities (Japanese)
www.jstage.jst.go.jp/article/ilcaj/2011/0/2011_0_164/_pdf

We use LIME2 (the second version of the Japanese version of the Life-cycle Impact assessment Method based on Endpoint modeling), which enables quantification of comprehensive environmental impacts, to comprehensively assess the impacts of our products on various aspects of the environment. We conduct environmental impact assessments for 35 major product categories and gain an understanding of the balance of environmental aspects to benefit product development.



→ The change of environmental impact of compact laundry detergents by LIME2 analysis (Japanese)
www.jstage.jst.go.jp/article/lca/11/3/11_300/_pdf/-char/ja

Reducing the impact of business on biodiversity

To reduce the various impacts on biodiversity of our business activities, we are continually implementing the following measures.

- Reduce the use of raw materials and switch to raw materials that can be sustainably procured and have lower environmental impact



→ Making thoughtful choices for society > Responsibly sourced raw materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=72

- Reducing CO₂ emissions associated with business activities



→ Making the world healthier & cleaner > Decarbonization
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=83

- Reduce the use of and impact on water resources



→ Making the world healthier & cleaner > Water conservation
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=117

Technology development for valued use of the benefits of biodiversity

For many years, we have produced high-grade industrial alcohols using oil and fat raw materials with carbon numbers of 12 to 14 that can be collected from the fruit of oil palm trees and other sources for use in a variety of household products. As a result of many years of research in surface science, however, it is now possible to effectively use oil and fat raw materials with carbon numbers of 16 to 18, which in the past were difficult to use, to create Bio IOS, a new surfactant. Bio IOS is made from squeezed waste material from palm oil extracted from oil palm tree fruit and has already been put into practical use in Attack ZERO, a concentrated liquid laundry detergent.

In addition, we are conducting research to use algae as an alternative to palm oil, which has low environmental impact and will not result in competition by raw materials with food applications.

We believe that the ability to use materials that previously had been of limited use as new main ingredients in detergent and the expansion of possibilities to use oils that do not compete with food applications will contribute to the sustainable use of biodiversity.



→ Making thoughtful choices for society > Transformative product innovation
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=68

Compliance with international agreements

We undertake business activities in accordance with international agreements and related national and regional laws on biodiversity determined by the Convention on Biological Diversity and its contracting parties, the Conference of the Parties.

In addition, we became the first in Japan to announce support for zero deforestation in the procurement targets set in the Guidelines for Sustainable Procurement of Raw Materials in 2014. We also signed the New York Declaration on Forests announced at the United Nations Climate Summit held in New York in September of that year.

2020 is the year for achieving the Aichi Biodiversity Targets. We are actively undertaking measures that will contribute to achieving those targets. For example, we are taking the following measures concerning “mainstreaming biodiversity,” the first target listed.

Products

We are actively promoting the introduction of FSC certified materials. In 2016, we became the first company in Japan to start using FSC-certified corrugated paper, and in 2017, we introduced FSC-certified paper used in packaging for powder laundry detergent. In 2018, we jointly announced the Forest Stewardship Council Certified Procurement Declaration together with six other companies in Japan.

Collaboration with other companies

We undertake measures to support the spread of sustainable palm oil in Japan. As a member of JaSPON (Japan Sustainable Palm Oil Network), which was

launched in 2019, we are collaborating with other companies to promote the procurement and consumption of sustainable palm oil.

Biodiversity Conservation Activity

Internally, we are carrying out green space conservation activities at all Kao Group sites with plants in consideration of biodiversity. Outside the company, we engage in activities that support the activities of groups that promote local green space conservation and support school teachers involved in biodiversity education.



Details of our activities contributing to the Aichi Biodiversity Targets are reported below.

→ Introductions of Biodiversity Conservation Activities
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/eco_activities_03_04_02_001.pdf

Business activities with consideration for the local ecosystem

Implementing measures based on global biodiversity evaluation criteria

Biodiversity evaluation criteria were introduced in 2017 to determine the extent to which local biodiversity-conscious activities are being carried out at each location where we conduct business around the world, and in 2018 and 2019 we completed biodiversity evaluations at all production sites including those sites that we recently acquired. Each site formulated an action plan and targets for the next three years and is implementing measures. Going forward, we will confirm the progress of measures at each site based on the evaluation criteria and encourage activities globally.

The main objective of introducing these criteria is to contribute to conservation of the biodiversity of the local ecosystems of which individual sites enjoy the benefits by determining current conditions and actively undertaking biodiversity conservation at sites or in nearby green spaces with a clear understanding of targets. We further believe that through these activities, employee awareness of biodiversity conservation is raised and our thinking is communicated to many involved persons including local residents in an expanding circle of activity, thereby contributing to the mainstreaming of biodiversity.

Biodiversity 304-1, 304-2, 304-3

KSA Implements biodiversity assessment

Kao Specialties Americas LLC (KSA) is a company in High Point, North Carolina in the south of the United States, which owns the largest area of forest within the Kao Group. A mixed forests of various coniferous and broad-leaf trees spreads throughout the site, and a variety of living creatures including rare wild birds such as the wood thrush, which North Carolina has designated as an endangered species, inhabit the area. There is a natural unpaved walkway around the reservoir in this mixed forest, and adult and baby wild geese can be observed in the area around the water.

In 2019, KSA conducted a biodiversity assessment, verifying regional characteristics on and in the vicinity of the company site (geology, topography, hydrological cycle, ecosystems, etc.), vegetation (trees and herbaceous plants), invasive species, the current status and future possibilities of habitats for living organisms and monitoring organisms, and prepared a detailed report. The company also prepared a map that ecologically divides the green spaces at the site.

KSA is investigating future biodiversity conservation activities based on the results of this assessment. In addition, KSA began conducting biodiversity conservation activities that employees can participate in such as lectures on composting fallen leaves and dead branches, nature walks in conjunction with study sessions on organisms that live in the forest under the guidance of experts from High Point, and tree planting on the forest edge.

The mixed forest expanding throughout the KSA site



The reservoir



The natural walkway



A lecture on composting

Various wildlife can be observed at the KSA site



Adult and baby geese



A woodchuck

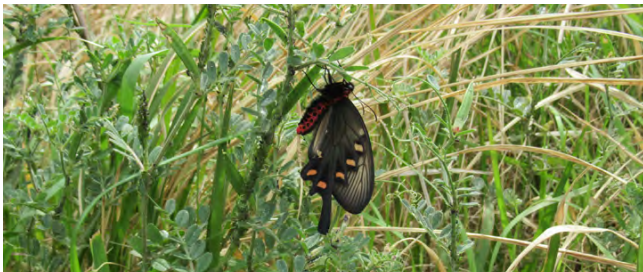
Biodiversity 304-1, 304-2, 304-3

Kawasaki Plant Biodiversity survey and birthwort conservation measures

In 2018, the Kawasaki Plant acquired ABINC certification from the Association for Business Innovation in harmony with Nature and Community (ABINC). Following acquisition, the plant undertook biodiversity conservation activities with a focus on the west green space, a key area.

From 2018 to 2019, periods when relatively large numbers of wildlife are observed were selected in each of the four seasons and biodiversity surveys were conducted four times by a company that specializes environmental surveys and so on. These surveys confirmed that 237 species of plants in 73 families, 21 species of birds in 15 families and 7 orders, and 100 species of insects in 59 families and 10 orders are present. It was also confirmed that four species of birds are engaged in breeding on the site.

A previous survey confirmed the presence of birthwort, which is the larval food plant of a species of Chinese windmill butterflies, and a total of 121 strains were found in scattered green spaces throughout the site outside of the west green space. In addition, the presence of Chinese windmill butterflies' larvae were confirmed in several grassy areas of the site, reconfirming that the Kawasaki Plant is a breeding site for the butterfly in the coastal area of Kawasaki city. The plant plans to monitor the numbers of birthwort and Chinese windmill butterflies in conjunction with its conservation measures.



A Chinese windmill butterfly that emerged from a chrysalis

Kawasaki Plant and Kashima Plant Participation in JBIB Ikimono Days and employee educational activities

Ikimono Days is a project sponsored by JBIB for participating companies to carry out wildlife monitoring and afforestation activities in their own green spaces or nearby green spaces from March to June with the aim of "mainstreaming biodiversity concerns"—set as a key Aichi Biodiversity Target. In 2019, we were involved through participation by the Kawasaki Plant and Kashima Plant.



→ JBIB Ikimono Days (Japanese)

jbib.org/news/1970/

* Won in the Let's Show Award, Biodiversity Action Award 2019

Kawasaki Plant

The Kawasaki Plant held a wildlife monitoring event in June for new employees with 25 people participating in total. After a lecture on biodiversity by an outside instructor, the participants observed wildlife living in a nearby green space and engaged in birthwort conservation activities. In addition, during the annual summer festival held in August, a wildlife observation session was held for employees and their children, and the children were overjoyed to find wildlife such as horned beetles. The parents and their children made birdhouses for wild birds and made prints using leaves they collected from the green space, and the event was a tremendous success.

The Kawasaki Plant Biodiversity Secretariat plans and conducts activities and events relating to wildlife such as those described above, sends periodic reports on activities with numerous photos to employees, and is working to increase understanding of biodiversity.



A wildlife observation session for employees and their children.

Kashima Plant

The Kashima Plant held a wildlife monitoring event in May mainly for new employees with 51 people participating in total. On the day of the event, new employees planted their own trees in the employee forest, which has been present for about 40 years since the plant was established, to commemorate their new employment with the company.

Biodiversity 304-1, 304-2, 304-3

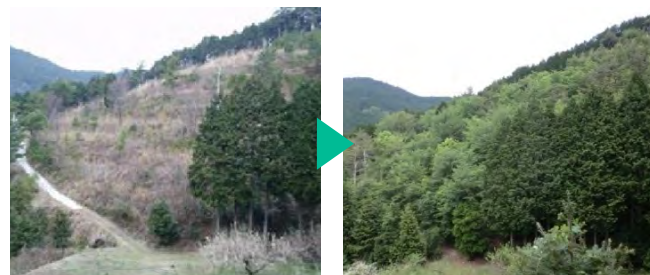
Wakayama Plant Activities to Protect Genetic Diversity in Enterprise Forest

“Enterprise Forest” is a collective name for forest environment preservation projects undertaken by businesses and others as a part of their CSR, social and environmental contribution activities and community dialogue activities.

This program was launched in Wakayama Prefecture in 2002, in advance of other regions in Japan, and today, activities are conducted by 82 organizations at 94 sites in the prefecture.

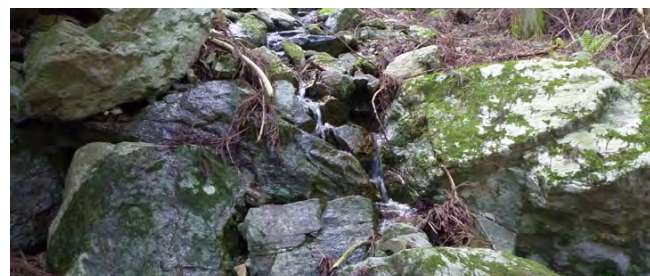
Kao Forest Kimino

In 2007, the Wakayama Plant leased 0.7 ha of forest near the Misato Observatory in Kimino-cho, a water source of the Kino River, from which the plant takes water for industrial use. A total of 700 trees of nine different species including chestnut oak and *konara* oak were planted on the site. As a result of ongoing annual conservation activities by employees and their families including cutting undergrowth in the approximately 10 years since then, the trees have grown and the forest is being restored.



Before conservation activities

Today



A clear stream flowing at the source



Employees and their families clearing undergrowth

Kao Forest Oishi

In 2017, the plant leased 0.8 ha of land near the Oishi Highlands (a prefectural nature reserve), which is known for its profuse Japanese silvergrass, to create the Kao Forest Oishi, a new site for conservation activities.

In the past, we made a request to perform Jigoshirae (preparing sites for tree thinning for forest development and renewal), which is usually consigned the local forest cooperative, on our own, and a total of 106 employees entered the dense forest, which had many cedar trees and vines, and used saws to carry out the removal work.

In addition, a forest restoration plan was created and investigated to protect the genetic diversity of the region using seedlings native to the area. This was the first enterprise forest undertaking in Wakayama Prefecture. With the cooperation of the land owner, maple, nutmeg, helwingia shrub seedlings were harvested, potted, and grown at the homes of multiple employees to protect them from the effects of intense heat and typhoons. In November 2018, employees and their families gathered at the prepared site and planted 67 seedlings of 8 species including maple,

konara oak, and mountain cherry. Signboards with illustrations of wildlife living near the activity area created by the children of employees were also unveiled.

The seedlings are protected by fences to keep animals out and are growing steadily. The activity site is divided into three conservation zones: a native species zone, where the tree seedlings were planted, a conifer zone, and a conifer-broadleaf mixed zone. Conservation measures are implemented according to the characteristics of each zone. Trees are planted as appropriate, and employees and their families are raising this forest with great care.



Watering a seedling being grown at an employee's home.



A family planting a tree.



Signboard with illustrations created by the children

Biodiversity 102-43, 304-1, 304-2, 304-3

Kao (Taiwan) Corporation Tree planting and preservation

In April 2019, Kao (Taiwan) planted a total of 700 seedlings on a vacant lot owned by the government in Hsinchu County, where the plant is located. A total of 130 persons including 103 Kao employee family members planted the trees during a commemorative event. At the same time, trees planted in the prior year were protected and pest control and soil and water conservation measures were also implemented. Employees who participated in the event learned about the trees that they planted and other topics from an NGO specialist who participated in the project, greatly increasing their knowledge of biodiversity.

Kao (Taiwan) has achieved its three-year tree-planting plan ahead of schedule. We hope that nurturing these forests will contribute to our ESG activities and the SDGs.



Kao employees and family members planting trees.

East Japan Green Restoration Monitoring Projects

Ten Kao employees participated in the East Japan Green Reconstruction Monitoring Project to investigate and monitor wildlife in areas affected by the Great East Japan Earthquake (sponsored by Earthwatch Japan) in 2019. The data obtained from the fieldwork are used for restoration plans that take into consideration conservation of ecosystems and rare species in the disaster area and the environment.



→Kao employees participate in East Japan Green Reconstruction Monitoring Project (Japanese)
www.kao.com/jp/corporate/sustainability/society/topics/society-20190820-001/

Collaboration with other organizations

We have been a founding member of the Japan Business Initiative for Biodiversity (JBIB), a group of companies that give serious consideration to biodiversity conservation initiatives and carry out specific measures, since 2008 and work with other participating companies. The organization has been divided into multiple working groups according to topic, holds monthly meetings on how to contribute to preserving biodiversity with companies in different industries and develops various events such as JBIB Ikimono Days (a participatory event for monitoring wildlife).

We also collaborate with stakeholders including the Organization for Landscape and Urban Green Infrastructure (Kao Creating Forest for Everyone program), the Organization for Industrial, Spiritual and Cultural Advancement (OISCA) (FURUSATO Environment Conservation Project in Northern Thailand), and Earthwatch Japan (Kao Earthwatch Teachers' Fellowship, East Japan Green Reconstruction Monitoring Project) to undertake initiatives that will lead to the preservation of biodiversity.



→ See Corporate citizenship activities / Our initiatives:
Making the world healthier & cleaner for more information on the Kao Earthwatch Teachers' Fellowship, FURUSATO Environment Conservation Project in Northern Thailand and the Kao Creating Forest for Everyone program.
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=83

By engaging in-depth communication with consumers, we ensure that customers' feedback is utilized to enhance *Yoki-Monozukuri* and the services that we offer, while providing essential lifestyle information to consumers of all ages. In aging populations, with the steadily increasing levels of digitalization and continuing globalization, the question of how best to interact with consumers has become a vitally important issue when deciding consumer communication strategies. Kao adopts a forward-looking response to changes in our consumers' living environments and the accelerating digitalization of communication methods, and we will continue to proactively develop new measures in this area with the aim of being a trusted partner for consumers 24 hours a day, 365 days a year.

Kao's creating value to address social issues

Social issues we are aware of

The changes taking place in society are very much reflected in our communication with consumers. For example, we receive a large number of telephone inquiries about our products from senior citizens, who make up a higher proportion of these inquiries year after year. Meanwhile, digital natives, who are primarily the younger generations, increasingly use social media for general communication purposes, with a wide range of information now being exchanged via social media. There is a strong tendency for the digital native generation to search for their own solutions online, and they tend not to consult businesses' customer consultation desks.

In this kind of society, consumers who have not been able to keep up with the digital age cannot obtain information from companies, disparity in information access widens among consumers, and it becomes increasingly difficult for consumers to make reasoned decisions based on their own knowledge. Much of the massive amount of information available online is also inaccurate, and consumers attempting to solve their issues based on erroneous information is a matter of concern. Another concern is information received from companies in telephone and email inquiries being combined and modified with other unintended information and then spread on social media, resulting in inaccurate communication.

Along with the expansion in inbound consumption seen in

recent years, a concern is that consumers with differing lifestyle habits and values may misunderstand products, with the risk that they do not fully enjoy the product's performance or that the misunderstanding results in a problem with their physical wellbeing or their belongings.

Kao's creating value

We believe that by endeavoring to provide consumers with fair, accurate and easily understood product information as well as information relating to consumer lifestyles such as their home and clothing, we can help consumers engage in ethical and safe consumption behavior that takes society and the environment into consideration.

At our consumer support desk inside our Consumer Communication Center, we take feedback from individual consumers seriously and strive to understand their feelings, solve their problems and understand the background to the problems to support *Yoki-Monozukuri* from a consumer-driven point of view.

We are taking various steps to serve the needs of different consumers. Based on the concept of universal design, we have set up a support desk with dedicated sign language support to serve people with hearing impairments. For people with visual impairments, we have added descriptive text to the images and tables in our product catalog on the Kao website that can be read by text-to-speech software. We have also set up telephone support desks able to handle inquiries in English, Chinese and Korean to serve tourists visiting Japan as well as foreign nationals living in Japan.

Another way we are engaging in proactive communication with consumers is by providing official support using the Q&A service Yahoo! Chiebukuro so that people attempting to solve problems on their own are able to do so with accurate information.

We are also adopting multi-lingual labeling of product information to ensure accurate understanding of our products by the increasing numbers of foreign visitors and residents in Japan. Two-dimensional codes are being applied to product information installed in stores so that consumers can immediately access product information in Chinese or English on the Kao website.

Risks related to realization of our vision by 2030

1. Dissatisfaction with the lack of information in response to demands for disclosure of ingredients, safety information, and so on as a result of rising consumer awareness regarding safety and security.
2. Reputation risks in cases of delayed or inadequate responses to substances of concern (environmental and safety).
3. Dissatisfaction with products as a result of inadequate consideration of biodiversity.
4. Expansion of damage caused by inadequate quality or defects.
5. Outflow of products to foreign countries as a result of cross-border e-commerce.
6. Leaks of acquired personal information and tighter regulations relating to the protection of personal information.

Communication with consumers 102-12, 102-43, 103-2, 404-2

Opportunities related to realization of our vision by 2030

1. Provision of accurate product information relating to ingredients, safety, etc.
2. Disclosure of reliability information relating to security and safety.
3. Opportunities to call for improvements in product development and products sold.
4. Development of new products and opportunities for improvement proposals through global information sharing.

Contributions to the SDGs



Education and promotion

To enhance our capability to respond to consumer inquiries, we implement periodic assessments of our consumer inquiry response ability. We also work actively to create training opportunities by, for example, arranging for external instructors to provide response quality improvement training for employees, and by encouraging employees to make use of external training providers.

In order to better understand our consumers' viewpoints, we hold training sessions (Real Voice Training) in each relevant division, in order to put them toward business use.

Policies

We take feedback from consumers seriously and ask for their opinions and requests for products and services based on our consumer-driven approach. We not only strive to resolve the problems that led consumers to contact us, but also to engage in communication to understand consumers' awareness, habits and other thoughts relevant to the problems. Then we consider what solutions we can offer as a company, proactively make suggestions internally and strive to deliver products, services and information that are beneficial to consumers.

Declaration of Consumer-orientation

In January 2017, we announced our Declaration of Consumer-orientation. Under our corporate philosophy, the Kao Way, we promote top management's commitments to all of our employees, ensuring corporate governance as well as achieving customer satisfaction. Moreover, we have declared our commitment to take consumer feedback seriously, utilize it to improve our products and services, provide information from the point of view of consumers and actively engage with consumers, with all employees taking part in *Yoki-Monozukuri* to provide products and brands useful to the sustainability of society.

Collaboration and engagement with stakeholders

Exchanging information with consumer groups and consumer affairs center

We strive to gain a better understanding of consumers from recent consumer trends and noteworthy inquiries, as well as have our approach better understood, by regularly exchanging information with public bodies and consumer groups, including consumer affairs centers led by regional government agencies.

Implementation of exchange activities involving consumer-oriented events

At events such as public lectures and consumer fairs, we offer a wide range of information concerning laundry, proper hand-washing techniques, housecleaning, oral health care, bathing, universal design and other topics. We position these events as opportunities to deliver detailed lifestyle information tailored to the target audience and to directly understand the various problems faced by consumers from a different avenue than the support desks.

Evaluating communication with consumers

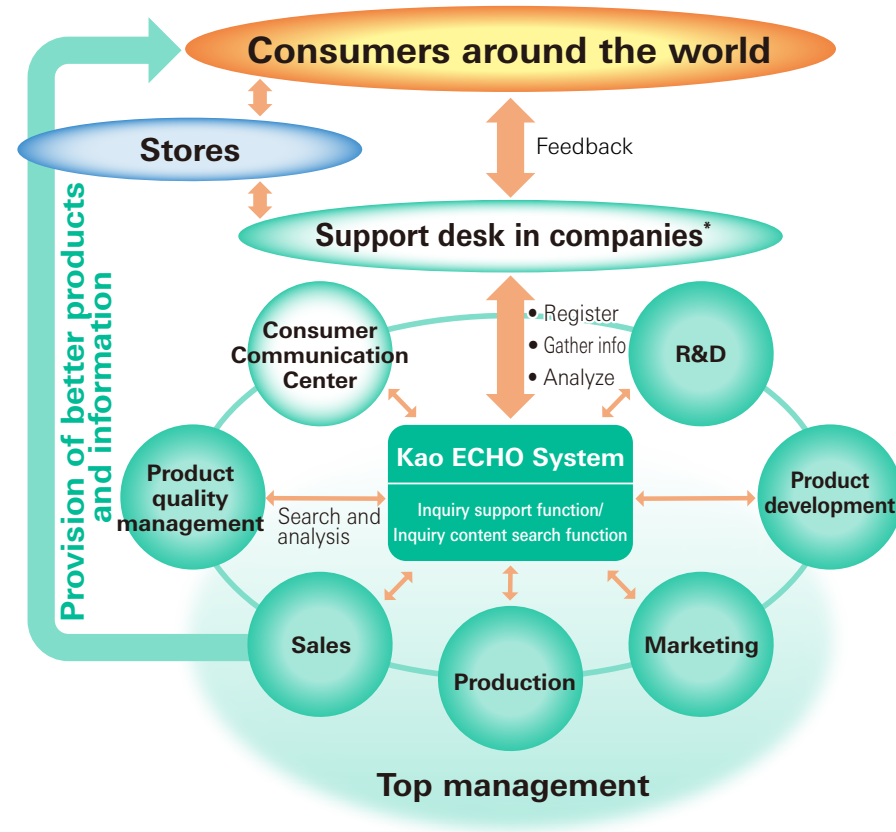
To verify whether consumers are satisfied with our communication and if there are areas where we need to improve, we implement regular consumer surveys regarding our consumer communication. We use the survey results to make further improvements in how we handle inquiries, and strive to improve satisfaction among consumers who reach out to us.

Communication with consumers 103-2, 417-1

Framework

The Consumer Communication Center uses the Kao ECHO System for inquiries to share the necessary product information, FAQs and other supporting information, and handles inquiries with an appreciation for consumers' feelings with the motto of "accurate, quick and courteous." Feedback received by the consultation desks is collected in the Kao ECHO System, and the more than three million pieces of consumer feedback collected here is shared company-wide and fed into *Yoki-Monozukuri*. Divisions analyze the respective feedback to improve global product quality, develop sustainable products, develop information for consumers and so on.

Framework for reflecting consumer feedback in products



* In Japan, this is the Consumer Communication Center

Communication with consumers 103-2, 103-3, 417-1

Mid- to long-term targets and performance

Mid- to long-term targets

While collaborating closely with our partner companies, we are striving to enhance the overall level of our advantageous consumer- and customer-driven approach and of the capabilities of frontline operations (*genba*) and our overall capabilities, which together constitute an integrated system, so as to accelerate the implementation of our business strategy. To this end, we are committed to the continuing exchange of information with consumers in our role as a trusted partner for consumers, and will provide consumers with optimal solutions for their problems, wherever and whenever they need our help.

Moreover, by engaging in communication with consumers, we can identify risks at an early stage and take appropriate, timely action to deal with them, while also collecting and analyzing consumer feedback to benefit *Yoki-Monozukuri*.

Main initiatives related to consumer communication

1. Answering consumer inquiries by means such as telephone or e-mail.
2. Providing practical information on our website.
3. Providing active support for questions posted on a Q&A board (Yahoo! Chiebukuro).
4. Exchanging information with consumer groups and consumer affairs centers.
5. Implementation of exchange activities involving consumer-oriented events.

Expectations from achieving our mid- to long-term targets

Business impacts

- Higher efficiency of consumer communication by providing various means of communication.

- Enhanced information disclosure leads to higher resolution of issues by consumers on their own, increasing consumer satisfaction and brand loyalty.
- Higher efficiency of handling consumer inquiries through virtual responses using AI.
- Multi-lingual support by consumer support desks increases brand loyalty among non-Japanese consumers.
- Increased loyalty to our brand through control of reputation diffusion.

Social impacts

- Contributions to better consumer lifestyles from the perspective of diversity as a result of enhanced information provision, multi-lingual support, and diversification of means of information acquisition.

Inquiries in 2019

1. Answering consumer inquiries by means such as telephone or e-mail (Inside Japan, overseas*)

Working together in 2019, Kao Corporation, Nivea-Kao Co., Ltd., and Kanebo Cosmetics Inc. answered around 214,000 consumer inquiries received via telephone and e-mail in Japan (equivalent to 99% of the previous year's total). In Japan, there has been an increase in inquiries from the elderly regarding product differences and usage, especially from elderly men, reflecting Japan's super aging society. People aged 60 or above now account for more than 40% of all inquiries received. In 2017, we developed a new system that allows sharing of global consumer feedback and have introduced the system in Kao companies in Asia. We received a total of 37,000 inquiries outside Japan in 2019 (97% year on year).

To help ensure appropriate, timely response to consumer inquiries based on the Kao Way, we carefully monitor consumer communication activities in group companies throughout Asia, using the daily exchange of information by means of e-mail and telephone

calls, as well as regular web conference meetings to ensure consultation responses in accordance with shared value criteria and action criteria. We hold a conference that brings together staff from Kao companies in Asia and Australia responsible for handling consumer inquiries to report on the results of activities in their countries and regions during the past year. This is an opportunity to learn from one another, leading to improvements in how we respond to consumer inquiries globally.

* Number of inquiries at Kao Group companies that handle mass products in Asia and Australia and Kanebo Cosmetics group companies outside Japan.

2. Providing practical information on our website (Japan)

Product information for our products can be viewed online using our online product catalog. Our product catalog website displays not only product images and details of product features for all our regular products, but also basic information displayed on product

packaging labels including product components, acidity/alkalinity, usage and other important notice.

3. Providing active support for questions posted to a Q&A board (Japan)

On Yahoo! Chiebukuro, under the user name "kao_official," Kao Official Support began providing answers to consumers' questions posted to the service beginning in 2015. In 2019, an estimated total 1,500 new questions were answered. One of the key features of social media is that answers to questions stay on the feed and can be read by many people with similar issues, thereby contributing to the wider communication of accurate information. In 2019, the approximately 8,400 responses provided to date were viewed around 4.3 million times. In addition to responding to inquiries, we also monitor questions concerning the Kao brand and focus on collecting information on how trending products are used and information about them spread through word of mouth communication.

Our initiatives


The Kao Plaza community site for loyal Kao users

We have operated the Kao Plaza community site for loyal customers since 2013 and mobilize it in our business activities.

Enhancing customer relationship management (CRM) activities

Background to launching Kao Plaza

We believe that ongoing dialogue with customers who loyally use our products is important in today's world, where identifying consumers' needs is becoming more difficult. We therefore launched activities on the Kao Plaza community site in full in 2013. General CRM is a marketing tool employed for the purpose of improving customer loyalty. In addition to this, by listening to valuable feedback primarily coming from loyal customers, we also aim to not miss small changes in consumer lifestyles and unconscious psychological factors so that we deepen our position as the "group of companies that is closest to the consumers and customers" stated in the Kao Way.

 → Kao Plaza (Japanese)
member.kao.com/jp/kaoplaza/

Diverse values seen from members that span a wide range of ages.

Brand campaigns provide opportunities for consumers who participate in them to become Kao Plaza members. Membership stands at approximately 1.5 million (as of 2020). As Kao Plaza members include both men and women from their teens to their 80s, reflecting the wide range of ages of users of Kao products, we are able to gain a bird's-eye view into the lifestyles of various kinds of customers and their values.



Kao Plaza

Consumer-driven two-way communication New discoveries in communications of experiential information

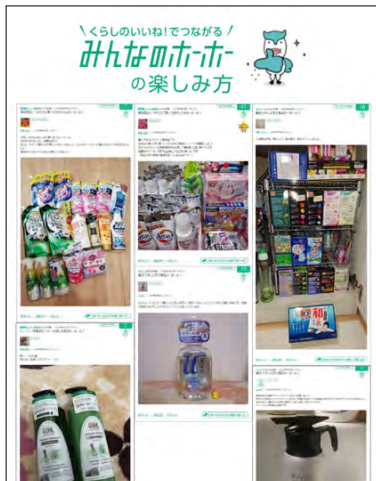
While brands conduct their own marketing activities, Kao Plaza communicates information across various brands by changing the communication basis to consumer lifestyles and life events, for example families with small children and consumers who have just started living on their own. We often receive feedback from consumers along the lines of "I've always used this product without much thought and never realized it was from Kao!" and "I didn't know I could also use this product in this way!" By having consumers come into contact with many different Kao products while exchanging lifestyle information, Kao Plaza has become a platform for consumers to discover new insights that cannot be fully communicated through mass media.

Owned community where people exchange lifestyle tips and hacks

What is most important in the communication with members is keeping the conversation going. While communicating a range of content, the site configuration allows us to immediately pick up on strong reactions from

Communication with consumers 102-43, 417-1

members. On the “Minna no Hoho” community corner just for members, lively conversations take place every day on topics related to daily life (monthly average of approximately 25,000 posts). For members, Kao Plaza is a place to get ideas and tips for daily living, but for Kao, it is a data asset able to dynamically collect information on how our products are used and signs of lifestyle changes among other trends gleaned from the large amount of unreserved feedback, which we analyze and put to use internally.



“Minna no Hoho” community corner

Brand value co-creation and value communication with Kao fans

Engine to create brand value together

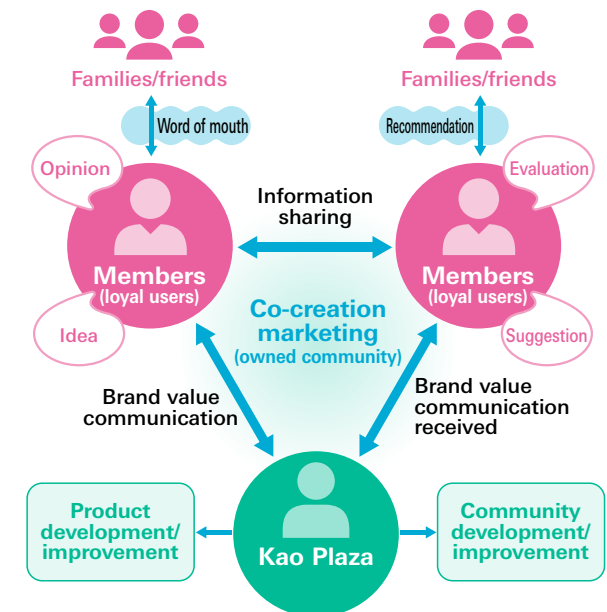
Loyal users of products have a deep understanding of the corporate philosophy and intrinsic brand benefits, so they are said to talk about products in ways that go beyond simply evaluating product performance (like it or not like it) with more in-depth mentions extending to lifestyle values and social values. And due to their loyal use, these users also sometimes critically point things out taking the position of the company. Focusing on this benefit, we use a market research online community (MROC) with Kao Plaza as part of our survey tools to assess how people like using new products and so forth, and deploy co-creation marketing to explore and refine our brands’ true value together with loyal users, by reviewing strategy assumptions using a gap analysis, discovering creative hints and identifying points for improvement at an early stage among other insights.

Value context that consumers identify with and propagate

Global metric quantitatively measuring loyalty: We introduced the Net Promoter Score (NPS) at the time of the Kao Plaza launch and use it to observe members over time. People with higher NPS scores (promoters) for Kao and our brands tend to use precise word choices to recommend their favorite products to other people. These word choices form the value context that consumers experience first-hand and have the power to recreate feelings of identification in the people on the receiving end. Against the backdrop of word of mouth on social media exerting a significant impact on sales, we are deepening our analysis of what kinds of people have what

kinds of brand experiences and what word choices they use to communicate their experiences as the key to understanding the mechanisms by which brand value gets propagated, and then using this to develop better communication to more effectively deliver brand value.

Co-creation marketing



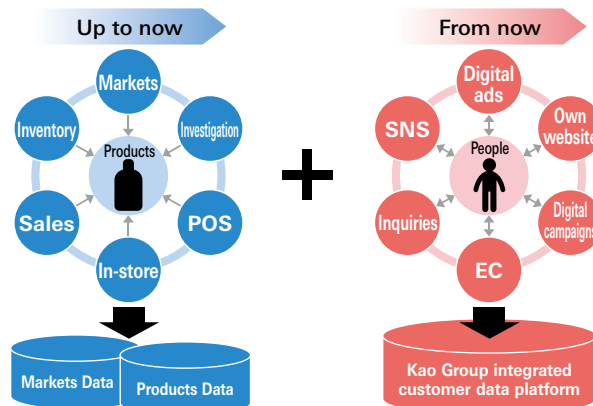
Communication with consumers 102-43, 417-1

Future direction in the digital age

New platform blending people and digital

As digital technology becomes woven into the fabric of daily life and markets continue to diversify, digital transformation is considered a potent strategy to quickly and accurately understand the inner workings of customers' behavior and psychological changes. The Strategic Innovative Technology Team (SIT), established in April 2018, launched a new CRM platform in January 2020 and is working to integrate customer data at Kao, which currently resides in multiple locations. From 2020, we are expanding the scope of use of the insights collected by Kao Plaza and implementing measures to increase the precision of one-to-one marketing mobilizing our overall capabilities while continuing to focus on dialogue in our unique CRM activities.

Comprehensive understanding of customers' points of contact and brand experience



Customer support using AI chatbots

There are more and more cases of companies answering consumer inquiries through chat sessions. In addition, the use of AI to automatically supply answers makes it possible to offer 24-hour customer support and holds the promise of creating new points of contact with consumers.

Kao is also using AI chatbots for a number of brands, and in 2019 began offering online support for *Relief* adult diaper users using an AI chatbot in addition to the *Relief*-fureai call service.



Relief support for concerns, an AI chatbot available for instant support 24 hours a day.



→ *Relief* support for concerns (Japanese)
prd.whatya.solairo-api.com/ko-ja/v1/app/chatyoshiko.htm

Consumer-oriented initiatives and their evaluation

Declaration of self-compliance with ISO 10002/JIS Q 10002

We announced in May 2019 that our initiatives to handle consumer inquiries in the Consumer Products Business Division* in Japan were in compliance with ISO 10002:2014 (JIS Q 10002:2015), "Quality management—Customer satisfaction—Guidelines for complaints handling in organizations." We are committed to listening to consumer feedback with a sincere and open attitude, making suggestions internally and offering products, services and information that are beneficial to consumers.

* Kao Corporation, Nivea-Kao, Kanebo Cosmetics Inc.

Received the 2019 Commissioner of the Consumer Affairs Agency Commendation in Selection of Consumer-Oriented Companies for Best Practice

We received this commendation in recognition of the ongoing activities we are conducting based on our voluntary declaration of consumer-orientation. The Commissioner of the Consumer Affairs Agency Commendation follows receiving the Minister of State Commendation the previous fiscal year.

This 2019 commendation recognized our progressive ESG-driven initiatives and efforts to realize a sustainable society. Specific activities cited include our major shift to ESG-driven management and increased activities to reduce our use of and recycle plastic.

Communication with consumers 102-43, 404-2

Internal education for deeper understanding of consumers

Continuing in 2019, employees took trainings from outside instructors on improving customer service quality, and we evaluated our customer service quality. Our evaluation based on external criteria improved from last year's C rank (positive efforts but also issues, with aspects of customer service lacking) to B rank (generally good telephone customer service with tangible results from educational measures).

In order to better understand our consumers' viewpoints and utilize them in business, we hold training sessions (Real Voice Training) in each relevant division. In 2019, training was conducted for the Legal Division, R&D Division and Production Division.

We also marked the 85th anniversary of the Housework Science Laboratory, the predecessor to the Consumer Communication Center, in 2019, and held an exhibition to commemorate this milestone. We created an exhibition that allowed participants to experience and share real feedback received from consumers by our support desks to create the space for consumer-driven understanding and feelings and discoveries with a consumer focus connecting to *Yoki-Monozukuri*.

Exchanging information with consumer groups and consumer affairs centers

Since the Consumer Affairs Agency was established in the fall of 2009, we have been visiting and exchanging information with government agencies responsible for consumer affairs, primarily consumer affairs centers in the Kanto and Kansai regions. In 2019, we were able to

expand these visits to consumer centers around Japan in Hokkaido, Miyagi, Aichi, Hiroshima and Fukuoka prefectures with the participation of area Consumer Communication Centers operated by branches, and made a total of 102 visits to prefectural consumer affairs centers, government ministries and agencies, consumer groups and other groups.

Implementation of exchange activities involving consumer-oriented events

In 2019, we continued to participate in Children's Day for Visiting Kasumigaseki and the Sumida Consumer Lifestyles Exhibition in response to requests from governmental agencies, and we offered a wide range of information concerning laundry, hand washing, housecleaning, oral health care, universal design and other topics.

Supporting working women using Pattern Language created with tips for working while raising children

Based on interviews with working women in their 20s and 30s, we created the publication "Ways of Everyday World-Making" about pattern language together with Iba Laboratory of Keio University to support women who want to work with confidence and authenticity. It consists of 34 short phrases about keys to balance work and raise children, and we have held workshops internally and externally using this pattern language since 2017.

Through our cooperation with seminars held for job seekers at the Ryugasaki Hello Work (employment service center), people including certified career consultants who

participated in our workshops contacted us with the desire to hold their own workshops, which have now been held in many places in Japan including Tokyo, Kagawa, Shiga and Yamaguchi prefectures. In 2019, workshops were held by external cooperators for 23 times with a total of 455 participants and more than 1,000 people joined over the past three years.

We will continue to offer opportunities for people to find hints for working from tomorrow with a positive outlook while also listening to the voices of working people and considering with consumers how to build a brighter tomorrow for our working lives.

Track record of Workshops with pattern language

	Internal (number of workshops/ participants)	External (number of workshops/ participants)	Outside (number of workshops/ participants)	Total
2017	11/120	9/250	0	20/370
2018	0	9/213	6/51	15/264
2019	0	2/59	21/396	23/455
Total	11/120	20/522	27/447	58/1,089



→ "Ways of Everyday World-Making" pattern language
* A PDF version is available for download (in Japanese)
www.kao.co.jp/lifei/

Picking up the voices of community residents for making use of them in community development by local governments

We participated in the City Promotion Institute, which is organized by the Graduate School of Project Design with the objective of solving issues faced by local governments through public-private partnership, and conducted workshops on "Thinking about Our Future Life" as part of our consumer research. We shared the details of these activities with representatives from local governments around Japan at the City Promotion Institute Symposium held in February 2019.

In addition, the results of the workshop we held in Toyooka City, Hyogo Prefecture, which is promoting various measures aimed at closing the gender gap, were used to inform the Toyooka City Work Innovation Strategy established in January 2019. Through the workshops, we were able to learn about how residents of various communities wished to live their lives and share information with local governments seeking to engage in community development together with residents.

Workshops on community development

	Ikoma City, Nara Prefecture	Omura City, Nagasaki Prefecture	Toyooka City, Hyogo Prefecture
Issues faced on local governments	Want to increase the number of residents involved in community development.	Want to increase the number of young people moving in.	Want to increase the number of women excited about working and close the gender gap in entire area.
Workshop participants/number	20 women currently raising children	32 people living in Fukuoka Prefecture/Tokyo area	12 women working at local companies
Date of Workshops	Oct. 2018	Sept./Dec. 2018	Sept. 2018



→ Toyooka City Work Innovation Strategy (listed on p. 5) (Japanese)
www.city.toyooka.lg.jp/_res/projects/default_project/_page/_001/007/068/kakutei.pdf

Housekeeping workshops for senior men to live confidently

From November 2018 to July 2019, we conducted housework workshops for senior men in collaboration with the Future Nursing Care Project at the Citizen Activity Center in Urayasu City, Chiba Prefecture. Representative Shinya Oguro spoke about the need for older men to take the housework course to ensure their self-sufficiency as there are many cases of older widowers who are unable to take care of themselves after their wives died.

The support that we could give was planning and holding housekeeping courses for senior men. We targeted the participants from "Grandpa's Cooking" class, which is designed to create connections and support people's dietary habits, in Urayasu City.

The course consisted of three sections: the basics of

cleaning, laundry, and sanitation including hand washing. The Classroom Lecture were combined with practice at home to encourage the participants to actually do what they have learned.

Participants gave positive feedback after the course, including "It feels good to move my body with housework," "It's important to keep things neat and tidy even if I live alone," and "I now know that my own way of washing my hands was not enough," and gained a real sense of the importance of being self-sufficient at home. After completion of the course, we plan to hold a completion ceremony and present participants with a housework manual with helpful information about what to do in various unexpected situations.

Course contents

Date	Nov. 2018	May 2019	Jul. 2019
Course Section	Cleaning	Laundry	Sanitation
No. of participants	12 people	9 people	10 people
Course contents	Classroom Lecture	Cleaning basics Autumn pollen <i>Quickle Wiper</i> sheet design	Washing care instructions Basics of using a washing machine See dirt on a micro level
	Practical training	Cleaning the classroom with <i>Quickle Wiper</i>	Hanging laundry to dry without wrinkling, emergency treatment for stain removal, preventing smells when drying laundry indoors
			Bacterial contamination in the house Basics of preventing food poisoning Importance of kitchen sanitation and hand washing Comparison before and after the hand washing class



Senior men listening intently to the instructor.



Practice smoothing out wrinkles after the spin cycle using their own clothing.

Communication with consumers 102-43, 417-1

Communication is the Key For parents and children in time of The 100-Year Life

In collaboration with the NPO Community-Care Policy Network, since 2018 we have been working on the creation of communication tools (booklets) for building a new relationship between elderly parents and their children. The completed booklets have been distributed to 1,758 local governments around Japan (local welfare sections at municipal and prefectural governments) and used in courses such as nursing care prevention courses and dementia supporter training courses.

There are two types of booklets. One is the handbook “Parent-Child Relationship in time of The 100-Year Life,” which contains content to build understanding for the elderly and introduces support programs and other information. The other is practical guide “Guidebook that makes your life worth living through conversation,” which describes specific ways to engage in conversation and interact with the elderly.

Using these booklets, we worked together with seven local governments to hold lectures and workshops in 2019. The workshops facilitated interactions between people of the parent and child generations and allowed them to share their inner feelings, which are often difficult for actual parents and their children to share with each other. Participants gave us feedback that demonstrated how the workshops were able to give them a more positive outlook, with comments such as “I was able to learn the true feelings (of parents and children),” and “I want to change my future parent-child relationship.”



Communication tools to build new relationships between elderly parents and their children

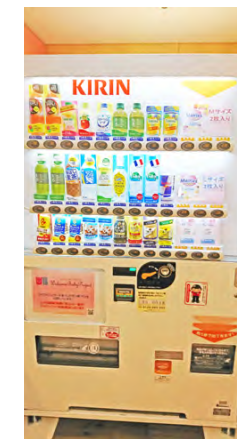
Local governments holding lectures and workshops (2019)

Date	Location (rate of aging)	No. of participants
Feb. 2019	Yuzawa, Akita Prefecture (36%)	157 people
Mar. 2019	Haga-machi, Tochigi Prefecture (29%)	37 people
May 2019	Kyogoku-cho, Hokkaido Prefecture (36%)	105 people
May 2019	Kitajima-cho, Tokushima Prefecture (24%)	43 people
Jul. 2019	Tsunan-machi, Niigata Prefecture (39%)	30 people
Nov. 2019	Ikeda, Osaka Prefecture (26%) Toyonaka, Osaka Prefecture (25%)	51 people

Support for raising children by expanding diaper vending machines in the Welcome Baby Project

Comachiplus is a certified NPO organization working to create a society that welcomes the birth of children and prevent child-rearing from becoming isolating. In workshops it runs, parents of young children have brought up how it would be convenient to be able to buy a small amount of diapers when needed while out and away from home. Hearing this, Comachiplus partnered with Tokyo Kirin Beverage Service Co., Ltd. and Kao to install a Kirin vending machine that sells *Merries* baby diapers together with beverages in the diaper-changing space at a store in Totsuka-ku, Yokohama, in 2017.

News of the vending machine was picked up by media and on social media, and many corporate groups supporting this move inquired about installing diaper vending machines. The initial diaper vending machine installed in Totsuka-ku, Yokohama has expanded to 25 vending machines around Japan in 2019, including at



Ginza Hakuinkan and Osaka International Airport.

Diaper vending machine installed at Osaka International Airport

We conduct our corporate citizenship activities with the goal of enriching people's lives and creating a better, more sustainable world.

When it comes to issues that cannot be directly approached through business, we are working in tandem with local communities and NGOs/NPOs with a long-term perspective. We also set up employee participation activities aimed at creating connections to society and places where employees can learn, along with Support of the Arts activities in order to further the development of the culture, which is at the foundation of *Yoki-Monozukuri*. We also implement various activities through The Kao Foundation for Arts and Sciences.

Kao's creating value to address social issues

Social issues we are aware of

Cleanliness, hygiene and health are the foundation of people's lives, but there are many people who are not able to benefit from services made possible by modern progress due to inequity stemming from economic disparity as well as disparities based on gender and other attributes. While the issues faced by developed, emerging and developing countries are different, what people desire more than ever is to be able to lead fulfilling and beautiful lives inside and out each day in societies where their physical and mental needs are met. In addition, problems impacting the environment that supports our lives, including climate change and waste, have become pressing issues that require action by the international society as a whole.

Along with making contributions through business activities to help resolve these social issues, it is becoming increasingly important for companies to take action with a big picture perspective, through technological support leveraging their strengths, educational and awareness-raising activities, charitable donations and so on.

Kao's creating value

In addition to contributing to the sustainability of society through our business activities, we also contribute to society in broader ways for social issues that we cannot directly address through our business activities (products) to make it possible for people everywhere to lead happy, fulfilling and more comfortable lives.

In the business fields of cleanliness, beauty and health where we have leveraged our own resources and strengths, and for global-scale environmental issues, we will provide various kinds of assistance, including educational and awareness-raising activities, technological support and charitable donations, so that people everywhere can lead happy, fulfilling and more comfortable lives.

Furthermore, we will make contributions aimed at solving social issues faced by diverse communities and revitalizing communities as well as provide support for cultural enrichment such as our Support of the Arts activities.

Risks related to realization of our vision by 2030

Failure to give proper consideration to stakeholders and a lack of engagement may cause customers, employees and all other stakeholders to lose trust in us and could also potentially damage our brand value in the future.

Opportunities related to realization of our vision by 2030

As a manufacturer of consumables, we have always stayed close to consumers in our business activities. These activities are not only to improve convenience and satisfaction for individual consumers, but also to meet people's desire to make the right choices for a better society and have the society they belong to do the same.

We tackle social issues that are intimately connected to everyday life, such as sanitation, water, health, improved quality of life and waste, and always consider what our activities mean from the standpoint of consumers and society from our desire to be an essential part of people's lives and realize sustainable and beautiful lives inside and out (the Kirei Lifestyle) for people the world over.

Contributions to the SDGs



Corporate citizenship activities 102-43, 103-2, 404-2

Policies

In our business fields of cleanliness, beauty and health, and for global-scale environmental issues and social issues faced by diverse communities, we conduct corporate citizenship activities through initiatives that leverage our own resources and strengths, aiming to achieve a society where people everywhere in the world can lead sustainable and beautiful lives inside and out (the Kirei Lifestyle).

Corporate Citizenship Activity Guidelines

- Conduct activities that play a role in nurturing the next generation.
- Conduct activities aimed at contributing to the development of regional communities and culture.
- Conduct activities that protect and nurture the environment to promote a sustainable society.
- Conduct activities that promote a barrier-free society as a form of social support.
- Conduct activities that make effective use of Kao's resources.
- Create an atmosphere in which every employee can participate in social activities as a good citizen.

Education and promotion

We believe in the importance of gaining the support of consumers and encouraging them to change their behavior as a way to achieve the Kirei Lifestyle for people around the world.

With this goal in mind, we believe it is important that Kao employees, who are the ones conducting our activities from manufacturing to awareness-raising, have a broad understanding of society and consumer diversity, broaden their perspective and powers of creativity, and lead by example. We share information about our corporate citizenship activities and provide opportunities for employees to participate in volunteer and other activities in various settings.

Collaboration and engagement with stakeholders

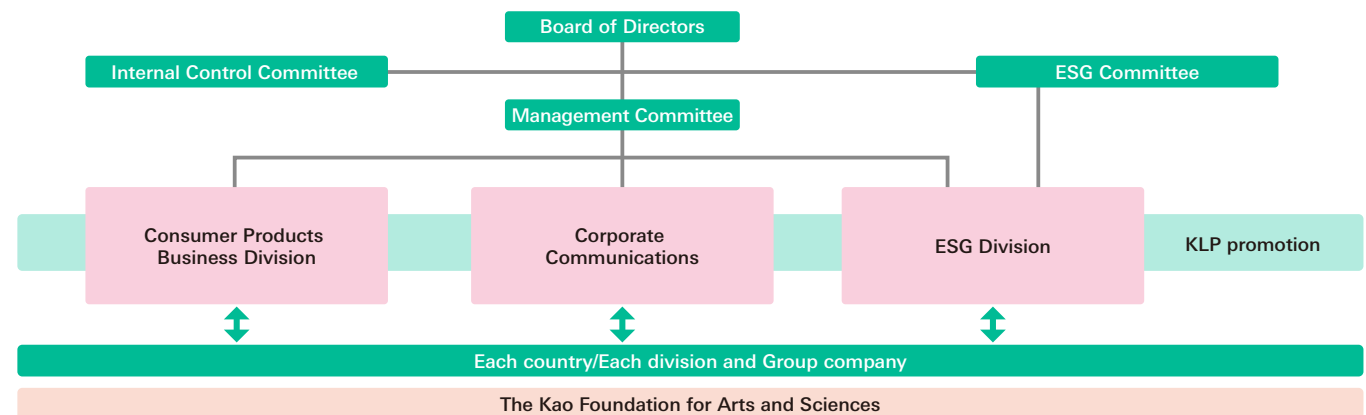
Dialogue and collaboration with various stakeholders are indispensable to understanding on a deeper level what is needed and expected by an increasingly complex society, and to empowering people around the world to live the Kirei Lifestyle. We believe that working together will have greater transformational impact on the social issues we are trying to solve. We conduct our corporate citizenship activities in collaboration with many different stakeholders, including NGOs and NPOs, United Nations organizations, and outside initiatives.

We are also working together with government organizations at all levels and with schools and other groups to effectively deliver the Kirei Lifestyle to as many consumers as possible.

Framework

The ESG Division is leading efforts to achieve our ESG Vision of the Kirei Lifestyle, and working in cooperation with the Corporate Communications Division, the Consumer Products Business Division, and other related divisions and group companies within and outside Japan. The senior vice president of the Corporate Communications reports once a year to the Board of Directors, giving a summary of activities, expenses for activities and so forth.

Implementation framework for corporate citizenship activities



* As of December 2019.

Corporate citizenship activities 103-2, 103-3, 203-1

Mid- to long-term targets and performance

Mid- to long-term targets

Focusing principally on our business domains of cleanliness, beauty and health and environment-related fields, our corporate citizenship activities contribute broadly to society so that people everywhere are able to enjoy happy, fulfilling and comfortable lives, even when we cannot directly address the issues through our business activities.

By having employees participate in our corporate citizenship activities, create connections with society and broaden their perspective, we also aim to benefit *Yoki-Monozukuri*.

Establishment of habits for cleanliness and hygiene

1. Water and Sanitation Project for Schools in Vietnam:
We aim to support 35,000 students at 60 schools over the five-year period from 2016 to 2020.
2. Improvements in infection control and hygiene at hospitals in Vietnam:
We are conducting measures designed to improve infection control and hygiene at Hanoi Medical University Hospital. The activities are being extended to other hospitals over five years starting in 2018.
3. Scholarship for Hygiene Management:
We provide a scholarship to one exchange student from Vietnam at a time to study food hygiene management in a master's degree program in Japan. We are providing assistance to three people over six years from 2018.
4. Menstrual hygiene education in Indonesia:
We are providing education to 12,000 people, aiming to change behavior among 2,500 people over 3 years from 2018 to 2020.

Improved quality of life

Breast cancer prevention awareness through the Pink Ribbon Campaign

- Support for a cancer education project for junior and senior high school students.

- Made donations based on product purchases and donations through an in-house program to the cancer education project.

We are conducting environmental communication to promote sustainable lifestyles among consumers

Nurturing people who will lead future science and technology development

JSEC (Japan Science & Engineering Challenge): We support a maximum of nine high school students at three schools every year.

Community participation and problem-solving support

1. Kao Social Entrepreneurship Schools for young leaders:
We support three organizations every year.
2. Promoting understanding for social inclusion: We are promoting the expansion of boccia competitions.

Promoting the participation of Kao employees in social activities

1. Operation of the Heart Pocket Club, a club established for the purpose of providing community support by Kao Group employees.

2. Enhancing the communication of information on employee participation activities via the intranet, etc.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Ethical consumption behavior is becoming more widespread today, and we can gain consumers' trust by steadily carrying out activities aimed toward our goals and continuing to communicate. In this way, we hope that these activities help us attract long-term loyal customers.

Social impacts

By instilling proper daily cleanliness and sanitation habits, we hope that we can improve sanitation in the communities we support and contribute to improving living standards over the medium to long term. We believe that offering support for developing human capital that will play leading roles in science and technology in the future and for nurturing young social entrepreneurs who can revitalize their communities, as well as communicating to consumers about the environment, will create a driving force in society that empowers people everywhere to lead happy, fulfilling, comfortable and sustainable lives.

At the same time, encouraging our employees to participate in corporate citizenship activities will help stimulate their creativity and translate into more innovative, higher-value *Yoki-Monozukuri*.

Performance in 2019

1. Establishment of habits for cleanliness and hygiene

1. Water and Sanitation Project for Schools in Vietnam

- Improved hygiene facilities at 22 schools in An Giang Province.
- Built new hygiene facilities at one school in Dien Bien Province.
- Installed two water supply stations serving four schools and one commune in Dien Bien Province.
- Held educational sessions led by community leaders at 38 villages.
- Gave 370 water purifiers with ceramic filters to 22 schools in Dien Bien Province.

2. Improvements in infection control and hygiene at hospitals in Vietnam

- Hosted an observation visit from Hanoi Medical University and introduced infection control measures taken in Japan.
- Conducted staff training and monitoring on the status of hand hygiene at Hanoi Medical University Hospital.

3. Scholarship for Hygiene Management

- Accepted a foreign exchange student in a Japanese master's degree program starting in October 2018.

4. Menstrual hygiene education in Indonesia

- Published a menstrual hygiene education booklet for junior high school students.
- Conducted trainings (3 times) on the need for menstrual hygiene education at schools and how to use the booklet for 40 school principals, 80 school health teachers and a total of 17 regency administrators in Tangerang District, Banten Province.
- Conducted 2 trainings led by mentors (for a total of 200 participants who were teachers of 7th and 8th grade students, health teachers and school counselors).
- Participated in events promoting awareness for Menstrual Hygiene Day on May 28.
- Revised the menstrual hygiene education booklet for elementary school students for use in Islamic schools.

5. Hand-washing awareness

- Japan
 - Hand washing class: Conducted educational activities for approximately 2,244 students at 33 schools throughout Japan (For all school visit lessons, there were 3,702 students receiving instruction at 54 schools).
 - A total of 189 Kao employees participated as instructors (338 employees for all school visit lessons).
 - We provided 156 educational kits (465 in total for all types of educational kits).
- Taiwan, Indonesia
 - We conducted hand-washing awareness sessions for 111 thousand children.

6. First menstrual education

- Japan
 - Distributed first menstruation sets to approximately 745 thousand elementary school girls.
- Indonesia, Vietnam, Thailand, Malaysia, Taiwan, Hong Kong, China
 - Distributed first menstruation sets to approximately 388 thousand elementary and junior high school girls.

2. Improved quality of life

Pink Ribbon Campaign (Global)

- Support for a cancer education project for junior and senior high school students.
- Between October–November, awareness-raising activities were conducted by our beauty advisors at cosmetics counseling corners, etc. in nine different countries and regions.
- Information offered through a special website.
- Made donations matched according to the number of items purchased.
- Support for communicative events: Pink Ribbon Walk (Tokyo).
- Company employees wear Pink Ribbon badges, with information relayed through our intranet system.
- Employee involvement-based donation program: Photo donation.

3. Environmental communication to promote sustainable lifestyles among consumers

- Held the 10th Kao International Environment Painting Contest for Children (16,552 submissions), exhibited award-winning works (50+ locations), developed a new workshop.
- Conducted an experiential environmental education program and activities aimed at its expansion (lectures, participation in ESD network, etc.).
- Held a seminar on the Future of Washing Initiative (December).

4. Nurturing people who will lead future science and technology development

Supporting an independent research contest Japan Science & Engineering Challenge (JSEC) for high school students

- Invited the winning JSEC 2018 schools for a study tour (March).
- As special sponsors of JSEC 2019, we presented the Kao Award and the Kao Special Incentive Award to eight students from three high schools (December).

5. Community participation and problem-solving support

1. Kao Social Entrepreneurship Schools for young leaders (Japan)

- Three organizations were chosen to receive support and providing opportunities for business growth.
- Held opinion exchanges with social entrepreneurs receiving support and Kao employees (November).

2. Promoting understanding for social inclusion (Japan)

- Promoting the expansion of boccia competitions: Held in-house boccia games (2 times, with a total of 82 employees participating).
- Held exhibitions to build understanding about the sport of boccia at the two business locations of Kayabacho Head Office and Sumida Office.

6. Promoting the participation of Kao employees in social activities

1. Kao Heart Pocket Club (Japan)

- 3,463 members (as of December 20, 2019).
- 47 donation projects / Donations of 7,248,400 JPY.
 - * Including 500,000 JPY donated for Reiwa Year 1 East Japan Typhoon (Hagibis) as an emergency relief assistance measure
- Issued 4,000 copies of the activities report (activities report for internal use, issued once a year).

2. Provision of information about activities and events with employee participation via the company intranet, etc.

- 90 items in FY2019.
- Planning events with employee participation: Volunteering in areas affected by the Great East Japan Earthquake of 2011, volunteering activities carried out through the Kao Heart Pocket Club (a donation organization composed of Kao employees), local contribution activities carried out by individual Kao worksites, etc.

7. Corporate citizenship activity expenses

To gain an understanding of our corporate citizenship activities, we conducted a survey on activities at affiliates, worksites and related divisions within and outside Japan. Corporate citizenship activity expenses in 2019 came to 1,056 millions JPY for Kao as a whole (255 millions JPY in donations, 801 millions in activity expenses).



→ Sustainability section of the Kao website >
Corporate Citizenship Activities
www.kao.com/global/en/sustainability/society/

Our initiatives

Making my everyday more beautiful

Support for cancer education through the Pink Ribbon Campaign Improved quality of life

Since 2007, we have implemented the Kao Pink Ribbon Campaign every year during the two months of October and November. During this time, we have been conducting a variety of activities to raise awareness for early screening and detection of breast cancer, with the slogan of “For you and your loved ones.”

One of our main activities in 2019 was providing support for the Project of Cancer Education by Pink Ribbon Advisors organized by the Japan Society of Breast Health, an NPO, which we continued to support from 2018. This project provides cancer education in junior and senior high schools, and in a world where one in two Japanese people will get cancer in their lifetime, is anticipated to raise students’ health awareness as well as create beneficial effects in their caregivers’ generation.

Other activities conducted in 2019 include launching a product that included a donation under the cosmetics brand *Kanebo*. We have been conducting the activity since 2013, where for each eligible product purchased during the campaign period, the brand donates 100 yen to the aforementioned cancer education project. The sanitary products brand *Laurier* launched limited-edition products with a special Pink Ribbon design and made donations through a click-to-donate platform. These

donations also went to support the cancer education project.

In addition, we are actively conducting other activities, such as awareness-raising activities in some stores carrying cosmetics and supporting Pink Ribbon walking events, to deliver the message to as many people as possible.



Talk given by a Pink Ribbon Advisor.



Laurier limited-edition mini-packs with a special Pink Ribbon design.



→ Making my everyday more beautiful > Improved quality of life: Support for women’s empowerment through the Pink Ribbon Campaign
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2020-e-all.pdf#page=45

Corporate citizenship activities 203-1

Kao Hygiene Development Program in Vietnam

Improved quality of life

Habits for cleanliness, beauty & health

We are implementing the Hygiene Development Program in Vietnam with the aim of promoting the widespread adoption of cleanliness and hygiene practices in Vietnam. This program comprises four components: Leader Development for Infection Control, the Scholarship for Hygiene Management, Enhancing Hygiene in the Community and the Water and Sanitation Project for Schools.

Leader Development for Infection Control

This program seeks to improve infection control and hygiene at hospitals. In 2019, we invited relevant parties from Hanoi Medical University, our partner in Vietnam, to Japan to familiarize them with infection control procedures in Japan. After this, staff monitoring to confirm the status of hand hygiene and trainings conducted for staff at Hanoi Medical University Hospital helped ensure hand hygiene among medical staff and created a successful outcome for infection control in the hospital.

In 2020, we plan to announce these results as well as share them with other hospitals to further develop the infection control program.

The Scholarship for Hygiene Management

By cultivating food hygiene management experts who can play an active role in the health and hygiene field in Vietnam, we aim to contribute to healthy living for Vietnamese citizens. In cooperation with Kanagawa University of Human Services in Japan, we have set up the Kao Scholarship for Hygiene Management within the university and provide the scholarship to foreign exchange students.

A foreign exchange student in the first year of the scholarship came to Japan in October 2018 and took part in the master's degree program at Kanagawa University of Human Services. In October 2019, the student toured the kitchens of hospital and company cafeterias and continued deepening her studies, graduating in March 2020.

Enhancing Hygiene in the Community

On September 27, 2019, we held an event to raise awareness for the importance of washing hands at Nhan Chinh Elementary School in the Thanh Xuan district of Hanoi. First and second graders at the elementary school participated in the event, where they listened to stories about the importance of washing hands and the right way to do it, and danced a hand washing dance to raise their awareness for hand washing. In cooperation with Hanoi Medical University, we will more broadly conduct educational activities at elementary schools starting in 2020, aiming to further increase awareness for hygiene among the children who shoulder the future.

Supporting UNICEF's Water and Sanitation Project for Schools

Vietnam has severe economic disparity, and sanitation and hygiene conditions in Vietnam's rural and mountainous districts and districts with large ethnic minority populations are underdeveloped, with chronic diarrhea and other illnesses impeding children's healthy development.

Since 2016, we have been supporting Water and Sanitation Project for Schools through the United Nations Children's Fund (UNICEF).

Following good results with the program in An Giang Province in the Mekong River Delta in the southern part of the country, in 2018 we expanded support to Dien Bien Province, a mountainous region in the north where most people are members of an ethnic minority group.

In 2019, the project improved hygiene facilities at 22 schools in An Giang Province, installed new hygiene facilities at 1 school in Dien Bien Province, and installed 2

water supply stations serving 4 schools and 1 commune in Dien Bien Province, in addition to holding awareness-raising sessions led by community leaders in 38 villages.

To ensure access to safe drinking water in remote areas and in times of emergency, we are also providing support for the installation of water purifiers with ceramic filters. This program is linked with the "eco together diary" project among 10-year old elementary school students in Japan, where the children's water-saving efforts are matched with equivalent donations of water purifiers to elementary schools in Vietnam. Through 2019, some 370 water purifiers have been delivered. Thanks to encouragement from local governments, expansion of this program is also being seen, with schools not eligible for the support using the program as a successful case study and purchasing and using water filters on their own.

In 2020 as well, we will support efforts led by schools and communities to improve sanitation conditions and establish good hygiene habits in both provinces of Vietnam.



Children in Dien Bien drinking purified water.

©UNICEF Viet Nam

Corporate citizenship activities 203-1

Contributions to improving menstrual education and menstrual hygiene conditions

Improved quality of life

Habits for cleanliness, beauty & health

First menstrual education support for elementary and junior high school girls in Japan

Since first launching sanitary products in 1978, we have offered first menstrual education to girls around the age of beginning menstruation as well as their families and elementary schools for more than 40 years.

Our first menstruation education set is a pouch that contains an awareness booklet which briefly covers menstruation and bodily changes, along with sample sanitary products, distributed free of charge. In 2017, we began working together with the Japanese Association of School Health, aiming to expand distribution of our sets to 20,000 schools throughout Japan.

In 2019, we distributed sets to 11,766 schools. Additionally, we distributed CDs narrating the content of the awareness booklet titled “Physical changes: What it means to become an adult,” which was revised in 2018, to 67 schools for the visually impaired and 92 Braille libraries in Japan.

Menstrual hygiene education for junior high school students in Indonesia

Since 2018, we have been supporting UNICEF’s Menstrual Hygiene Management Project in Indonesia.

There is not enough correct knowledge about menstruation in Indonesia, where one in four girls does not know about menstruation until she actually starts having her period. Furthermore, superstitions and discrimination regarding menstruation persist. Additionally, since schools do not provide enough education about menstruation and sanitation facilities are inadequate, one in six girls misses at least one day of school during menstruation, which is one reason for lower school attendance among girls.

In 2019, the second year of the project, a survey and test use of materials were conducted at regular schools and Islamic

schools in multiple regions including Tangerang district, Banten Province, in order to produce a new educational booklet for junior high school students. As there are large differences in how people react to and think about educational content about menstruation influenced by the region where they live, their religion, their generation and their educational level, the materials needed to incorporate additional considerations, and rounds of detailed revisions were made. On November 28, the completed educational booklet was unveiled, timed with Teachers’ Day (November 25) in the country, and a presentation ceremony was held to give the booklets to the governor and the educational organization of Tangerang district. Trainings for school principals and health teachers on using the booklet started at the beginning of December.

In addition, Kao Indonesia employees attended an event to promote awareness held in South Jakarta City on May 28, timed with Menstrual Hygiene Day, and we are conducting activities while deepening recognition for the issue internally.

The program’s aim is to give lectures to over 12,000 students including boys at 40 public junior high schools by 2020, and to encourage more than 2,500 students to change their behavior.



Seminar for health teachers who teach about first menstruation.

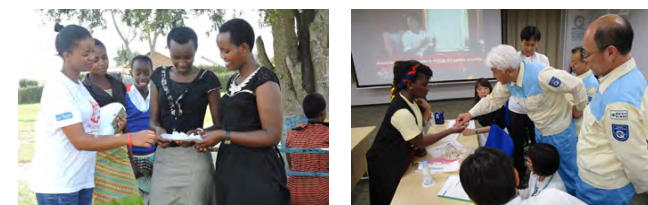
The Menstrual Hygiene Improvement Project in Uganda

Since February 2019, we have partnered with the United Nations Population Fund (UNFPA) to support the company EcoSmart, which was launched by a young social entrepreneur with the goal of manufacturing and selling low-priced, domestically produced sanitary napkins in Uganda.

Many women in Africa are unable to purchase sanitary napkins due to poverty, and instead use old cloth rags and plant leaves. As a result, cases of serious infections are also seen. In addition, it is not uncommon for girls to stay home from school because they are worried about staining their clothing from not being able to use sanitary napkins, and end up leaving school after falling behind in their classes.

It is our hope that with our support girls and women in Uganda will be able to use sanitary napkins on a continuing basis, and will be able to live life during menstruation in greater hygiene and comfort. We also believe that empowering girls to go to school without absences during menstruation and have equal opportunity to study as boys will contribute to the greater development of Ugandan society as a whole.

In August 2019, we invited the CEO of EcoSmart, who came to Japan to participate in the Tokyo International Conference on African Development (TICAD 7), to the Tochigi Plant, where our sanitary products are manufactured, and exchanged information about manufacturing.



(left) Activities targeting women in Uganda to increase the use of sanitary napkins.
(right) Exchanging information at Tochigi Plant, which manufactures sanitary products.

Corporate citizenship activities 417-1

Barrier-free access to information Universal product design

As a company that offers products necessary in daily life, we promote barrier-free environments that allow all people living in society to lead fulfilling and comfortable everyday lives without discrimination, and we conduct activities designed to build this understanding.

As information technology advances, people with visual impairments and the elderly are at higher risk of being left behind, and we are working to make information barrier-free for these groups by providing Braille stickers for products free of charge and making voice recordings of information about daily life.

We have also donated videos that discuss barrier-free topics to schools and other institutions to be used as materials for integrated studies to share and build understanding for the challenges posed by living with various disabilities.

We are partnering with the Japan National Council of Social Welfare in making donations to social welfare facilities, and donating our products to selected groups, social welfare facilities and privately operated facilities that house people in order to serve their populations.

As part of our support activities for first menstruation education for girls around the age of first menstruation, their families and elementary schools, in 2019 we produced a CD narrating the content of an awareness booklet titled “Physical changes: What it means to become an adult,” to expand outreach to girls with visual impairments, who tend to lack sufficient information, their families and the educators serving them. We have distributed the materials to 67 schools for the visually impaired and 92 Braille libraries in Japan, as well as to 6 other locations.

In addition, we provided Braille stickers (for household goods and cosmetics products) free of charge on 121 occasions, donated videos on barrier-free topics on 3 occasions, and donated products to welfare facilities on 2 occasions. We provided content, and two employees volunteered to help record narrated information for the December issue of the lifestyle information magazine *Home Life*, a Braille and voice-based magazine published by the Japan Braille Library.

We plan to continue these activities in and after 2020 as well.



Braille stickers (household goods).



CD narration of “Physical changes: What it means to become an adult.”

Corporate citizenship activities 413-1

Making thoughtful choices for society

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

Habits for cleanliness, beauty & health

Sustainable lifestyle promotion

We have prepared programs and conducted a range of educational activities to develop the next generation from the two perspectives of 1) having young people be able to take care of themselves and 2) having broad interest in what happens in society and attempting to do what we can, so that children may lead authentic and comfortable lives into the future while also realizing a sustainable society.

Specifically, employees serve as instructors and visit schools, where they provide hand washing lessons and housecleaning lessons.

In addition, we provide educational materials in the fields of cleanliness, health and the environment and conduct activities to facilitate their use by teachers in order to deepen children's understanding.

In FY2019, we gave the 2 classroom lessons at a total of 54 schools. A total of 3,702 students participated in the lessons, with 338 employees serving as instructors and support staff.

Starting in FY2020, we will revise the existing content to include elements of active learning to address the changes to curriculum guidelines that are being phased in, while we have also developed a new Zero Waste Challenge Program with an ESG perspective and conducted test lessons for it.

Meanwhile, we also conducted hand washing lessons at 2 schools for children with hearing impairments an activity we also did in 2018, with the participation of 69 students

and 15 employees. In FY2019, we also provided hand washing lessons for the first time at 2 special needs schools (schools for children with intellectual disabilities) together with employees from Kao Peony, a special subsidiary, with the participation of 26 students and 17 employees.



Children having fun while learning the right way to wash hands at school, from employees serving as instructors.

We provide hand washing lessons on an ongoing basis to daycare centers and preschools as well. In FY2019, we provided fun and educational lessons on the right way to wash hands along with the "Foaming Hand-Washing Song" to 12,368 children at 164 locations mainly in the Tokyo, Osaka and Nagoya areas.

Performance in 2019

Education in the classroom

Type	Target	Lessons given to
Hand washing lesson	Lower elementary school grades	33 schools/2,244 students (189 participating employees)
Housecleaning lesson	Lower elementary school grades	21 schools/1,458 students (149 participating employees)
Total		54 schools/3,702 students (338 participating employees)

* The environment lesson was not conducted in FY2019 due to program revisions

Provision of educational materials

Type	Target	Materials provided to
"Hand-washing Time" hand washing lesson	Lower elementary school grades	156 schools
"Work at Home" housecleaning lesson	Lower elementary school grades	23 schools
"eco together diary" (a journal for a collaborative water conservation challenge)	4th grade elementary school students	204 schools
Comfortable Living Thinking about the Environment	Junior high school home economics courses	39 schools
Aiming to Create a Better Clothing Lifestyle and the Environment	Senior high school home economics courses	43 schools
Total		465 schools

Corporate citizenship activities 413-1

Support for school education through plant and museum tours

Habits for cleanliness, beauty & health

Sustainable lifestyle promotion

As a company that manufactures and offers products that are essential in everyday life, we support school education through museum and plant tours to give students the opportunity to learn about manufacturing innovation and efforts made to ensure quality, safety and security, and considerations for the environment.

In particular, we have developed programs coordinated with social studies units taught in Japanese elementary school (3rd grade: Working people and our lives, 5th grade: Our lives and industrial production), provide educational materials also encompassing pre- and post-tour learning, and conduct educational social studies field trip programs that include plant tours. The programs are designed with the goals of teaching children about the ways in which they are connected to society and developing their critical thinking skills.

In 2019, while our 9 plants in Japan offered plant tours for 61,000 people, some 19,000 elementary school students from 286 schools participated in our social studies field trip programs.

While program content differs according to the features of each plant, students learn about the environment and manufacturing innovation while having hands-on experiences tailored to the content, such as conducting experiments on creating lather, the mechanisms of stain removal and making skin care cream. At Wakayama, we also set aside time for elementary school students to interview employees. Feedback we have received from participating students includes comments such as, "I was amazed at seeing the machines up close," "The plant seems like it does a lot and has a lot of systems to make it gentle on the Earth," "I want to study science more and become a researcher" and "I want to come back again."



Conducting an experiment on a tour for parents and children.

The Kao International Environment Painting Contest for Children

Sustainable lifestyle promotion

We have been holding the Kao International Environment Painting Contest for Children since 2010 with the wish of prompting people around the world to think about the environment and to take actions in their daily life. In the contest, children think seriously about the future of the Earth's environment and steps we can take to conserve it in our daily lives, and then express their ideas in paintings, which we communicate to large numbers of people.

The 10th Kao International Environment Painting Contest for Children

In 2019, we received 16,552 entries from children around the world (446 entries from Japan, 15,005 entries from the Asia Pacific, 114 entries from the Americas, 428 entries from Europe, 548 entries from the Middle East and 11 entries from Africa), the highest number ever received in the contest. After a preliminary screening by Kao designers, a final screening was conducted by a panel of internal and external judges, and 1 entry was selected for

the "eco together" Planet Earth Grand Prix, 8 for the "eco together" Kao Prize, 7 for the Jury's Special Prize, and 16 for the Eco Friend Prize. The 32 prizewinning works were exhibited at the Kao booth at EcoPro 2019 held in December, and were seen by many visitors. On the last day of the EcoPro fair, the top nine prizewinners were invited to an awards ceremony. In an interview session after the ceremony, the winners from various countries talked about the environment in their home region as well as the messages contained in their paintings.



Commemorative photo of the awards ceremony.

Painting exhibitions in collaboration with NPOs, governments and business partners

We seek out opportunities to exhibit current and past prizewinning paintings to communicate to as many people as possible the paintings by children from around the world and the messages contained in them.

At Kao, we held temporary exhibitions of the prizewinning paintings at the Kayabacho Head Office, the Sumida Office and the Osaka Office. We have opened permanent exhibits at the Shinagawa Training Center and Arida Training Center. The paintings were also exhibited at our offices in China, Indonesia, Thailand and Vietnam,

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providing the chance for many employees to see them. We also exhibit paintings at permanent exhibitions at all 10 plants in Japan as well as at PT Kao Indonesia's Karawang Plant and Kao Corporation Shanghai Plant, where the paintings have been viewed by approximately 50,000 visitors and guided tour participants.

Outside Kao, we are in the third year of lending paintings free of charge to environment-related facilities operated by government bodies and NGOs and NPOs, and educational facilities throughout Japan, with the NPO BeGood Cafe serving as the secretariat of the exhibitions. In 2019, a total of 18 facilities and groups borrowed paintings, which were viewed by more than 40,000 people.

Of the environmental events held jointly with business partners and government bodies, Kao CMK held painting exhibitions at 14 locations. Kao (China) Holding and Kao (Taiwan) also incorporate exhibits of paintings into their environmental awareness campaigns in their respective regions.



Environmental awareness-raising event by Kao (Taiwan) (April, Eslite Underground Book Street in Taipei).

Development of workshops using the paintings

We are developing workshop contents using paintings to communicate on a deeper level the paintings by children from around the world and the messages contained in them, and more effectively raise awareness for the environment.

We conducted workshops that included playing an original painting card game to raise environmental awareness and drawing pictures at the "Manabi no Fes" (Festival of Learning) organized by The Mainichi Newspapers and environmental lectures organized by local governments, making a series of improvements along the way.

Environmental education and awareness-raising activities through direct communication

Sustainable lifestyle promotion

Raising the environmental awareness of the next generation of consumers is vital for the global environment, for society and for Kao. For this reason, we promote hands-on awareness-raising activities while taking into account what approaches would be most effective for each age group and region.

Extending hands-on environmental education programs with various partners

The Society for Sustainable Food and Life Styles (established by Kao, Ajinomoto Co., Inc. and E-Square Inc.) conducted a three-day experiential educational program called The Earth's Future through Food and Living—Summer Challenge for 22 sets of 5th-grade students and their parents and guardians in Kawasaki City jointly with the city government. This is the fourth year of the program, which began in 2016. Through facility tours, experiential activities and workshops at Kawasaki City municipal facilities and at Kao and Ajinomoto plants, and by keeping journals for about four weeks, the parents and children consider how environmental issues are connected to their daily life and consider modifying their lifestyles. In 2019, we added more participation by university students with the intention of raising awareness among them in addition to elementary school students

and their parents and guardians.

In addition, 4 participants in the 2018 program volunteered their time and served as extraordinary participants in the "Children's Energy and Environment Workshop in Kawasaki" organized by Kawasaki City educators in February 2019 (received the 2018 Environment Minister's Award for Global Warming Prevention Activity) and presented the outcomes of the program, which was favorably evaluated by teachers.

In 2019, we also attempted to measure the effects of the program as well as proactively communicate the results at seminars for corporate CSR/CSV staff, the Carbon Challenge Kawasaki Eco Conference, a nationwide forum on education for sustainable development networks and other venues to expand the reach of the program.



Commemorative photo of participants (Day 2 of the program at the Kao Kawasaki Plant).

Awareness-raising activities at EcoPro 2019

We exhibited at EcoPro 2019, held at the Tokyo Big Sight convention center over three days from December 5 to 7. To build awareness for the Kirei Lifestyle Plan among consumers, this year we put a narrow focus on the two examples of *Attack ZERO* development and our efforts to reduce plastic use, and communicated in real terms how these activities are connected to which global environmental issues and what we are doing to resolve

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the issues in a story that even elementary school students can understand. Visitors learned about current environmental issues and our efforts, and considered what they could do about the issues and how they were directly connected to their lives while enjoying sections of our booth set up like theme park attractions. Visitors also deepened their understanding for our ESG Strategy, the Kirei Lifestyle Plan. There were more than 1,500 visitors to our booth, and in a questionnaire given to visitors after their visit, more than 90% replied that our booth was fun and that they gained an understanding of the Kirei Lifestyle Plan.



Kao's booth crowded with visitors.

Communication activities at the Kao Eco-Lab Museum

The Kao Eco-Lab Museum uses experiential content to engage in direct dialogue with consumers and many other stakeholders throughout the year.

In 2019, the museum registered as a "Regional Center Facilitating the Advancement of ESD Activities" of the ESD Network, a network the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of the Environment are building to promote education for sustainable development (ESD).

This activity won the Minister of the Environment's

2019 Award for Global Warming Prevention Activity in the Implementation and Dissemination of Countermeasures category, as well as the Wakayama Environment Grand Prize in the 18th Wakayama Environmental Award sponsored by Wakayama Prefecture.

Approximately 11,200 people visited the museum in 2019.

Environmental communication through joint events with retailers and local governments

To communicate the environmental value of Kao products to consumers and promote "eco together," Kao Group Customer Marketing Co., Ltd. holds environmental events together with distribution companies and local governments on the theme of conserving water and electricity and reducing waste. The wide ranges of fun, experience-based events include exhibits of prizewinning works from the Kao International Environment Painting Contest for Children and attract the attention of consumers. In 2019, these events were held at approximately 70 stores and other venues nationwide throughout Japan, attracting over 40,000 visitors. Together with retailers, we also proactively communicated information using social media about "eco styles that create Kirei."

The Future of Washing Initiative

Sustainable lifestyle promotion

Kao, Future Earth and The University of Tokyo Institutes for Advanced Study Integrated Research System for Sustainability Science (currently the Institute for Future Initiatives) launched the Future of Washing Initiative in 2018, aiming to encourage people around the world to lead sustainable, clean and comfortable lives. The initiative is gathering wisdom from industry, academia and citizens across the boundaries of traditional business domains and

academic fields, and discussing and proposing washing solutions for the future.

A Future of Washing Initiative seminar was held in December 2019 on the topic of "Thinking about Sustainable Washing (1): Taking a lifecycle assessment (LCA) perspective." There were approximately 40 participants, including people from companies, universities, research organizations and environmental groups as well as homemakers. Through presentations on LCA and laundry as well as group discussions that grouped participants with different backgrounds together, participants discussed laundry-related environmental problems while incorporating the concept of LCA, looking at the problems as their own responsibility in a process they also evaluated highly.



Holding a group discussion.

The China water conservation campaign

Sustainable lifestyle promotion

Kao (China) has conducted the Nationwide Cleanliness and Water-saving Initiatives jointly with the Center for Environmental Education and Communications (CEEC), part of the State Environmental Protection Administration

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(SEPA) of China, since 2012.

These initiatives encourage people in China to conserve water with the slogan of “Save 10,000 liters of water annually per household.” In China, the shortage of water resources has become a serious problem. The Chinese government’s promotion of the importance of conserving water aligns with our wish to promote environmental activities that can be undertaken together with consumers in China, such as through sales of water-saving laundry detergent. We have been jointly implementing related initiatives in collaboration with the Chinese government for eight consecutive years.

The campaign begins in March each year, with informational sessions held in various cities on conserving water and the importance of water resources. The initiatives were expanded in 2015 to include awareness-raising events held at universities in China. In 2019, these events were held at 98 universities in 24 cities and provinces including Beijing, Guangzhou, Xi’an, Anhui, Zhejiang and Shandong.

An environmental protection contest for university students in China has also been held since 2015. In 2019, 145 entries were received from all over the country on the themes of conserving water and environmental protection, from which we selected 65 to be implemented. The university students actively proposed and executed their ideas themselves, so the contest clearly helped to raise environmental awareness. In October, a closing ceremony was held at a university in Nanchang, Jiangxi Province, with awards presented to the contest winners.

Kao Social Entrepreneurship Schools

With the desire to leave a sustainable, brighter world for the next generation, we have been operating Kao Social Entrepreneurship Schools since 2010 to support the development of young social entrepreneurs attempting to create solutions to social issues using business methods.

With the theme of “creating the new lifestyles of the future,” we support social entrepreneurs working to create the foundation for better lifestyles in ways close to consumers’ lives. Over approximately eight months, we provide them with opportunities to receive advice from specialists, hold group seminars, and provide networking and exchange opportunities and support to create a central business core and accelerate growth. The Social Entrepreneurship School Initiative (platform to support and develop social entrepreneurs in cooperation with multiple companies* and the Entrepreneurial Training for Innovative Communities (ETIC), a certificated specified nonprofit organization) operates the schools. (supported 29 groups so far)

In FY2019, we provided support to the following three people.

- Yusuke Arai (representative director of Sankakusha, a specified nonprofit organization)
“Matching system for isolated children and young people and social resources”
- Yuko Ebara
“Creation of multi-functional centers for multi-generational exchanges as regional platforms to create opportunities”
- Masumi Tsunoda (joint representative of Alopecia Style Project Japan)
“Having women who have lost their hair create relationships where differences are mutually accepted”

In addition to developing leaders who will create a better society, over the last several years we have also been focusing on holding exchanges between the social entrepreneurs and employees. We have set up opportunities where people can learn and make discoveries, from people’s passionate commitment to solving social issues to how to devise a business strategy and more.

In FY2019, we held the Social Entrepreneurship Schools Kickoff Presentation and Study Session jointly with NEC for the first time on August 28 at the Kayabacho Head Office, with 109 participants. On November 8, we held a session to report on the results achieved in FY2018 and the activities the social entrepreneur participants were conducting in FY2019 as well as an idea exchange to promote interaction between employees and social entrepreneurs, with 45 people participating, including 2 people who joined remotely.

We will continue to conduct activities that offer transformative impact for society and employees.



Idea exchange between employees and young social entrepreneurs.

* NEC and Kao are official FY2019 partners. Dentsu is the Official Program Partner.

Corporate citizenship activities

Japan Science & Engineering Challenge (JSEC)

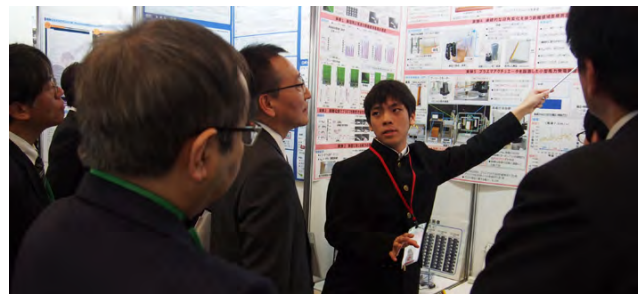
We believe that the foundation of *Yoki-Monozukuri* is born from cutting-edge innovations created by science and technology, and in order to contribute to a brighter future, we support fostering young science researchers. As part of this, we are a special sponsor of the Japan Science & Engineering Challenge (JSEC), which is organized by the Asahi Shimbun Company and TV Asahi Corporation and is a contest of independent science and engineering research open to high school and technology college students nationwide. Every year we present the Kao Award and the Kao Special Incentive Award to recognize excellent work. The review process for selecting the award winners starts with our researchers screening participants' papers, and a final screening committee hearing high school students give their presentations, which they then judge.

The final screening committee for JSEC 2019 met on December 14 and 15, 2019 at the National Museum of Emerging Science and Innovation. The Kao Award was given to Fukushima Prefectural Fukushima High School, and the Kao Special Incentive Award went to Kumamoto Prefectural Uto Senior High School and Tottori Prefectural Tottori Nishi High School. Top JSEC prize-winners are qualified to enter the International Science and Engineering Fair (ISEF) held in the United States in 2020. Yu Ishikawa and Yoshimi Yokoyama from Fukushima Prefectural Fukushima High School, winner of the Kao Award, plan to attend ISEF. Also, we will invite these award-winning schools to participate in our study tour, during which students have opportunities to visit our facilities and engage in discussions with our researchers, thereby providing support for senior high school students' education and career planning.

- The Kao Award
Development of a Small Wind Turbine with Airflow Control Technique using a Plasma Actuator
Fukushima Prefectural Fukushima High School (Yu Ishikawa, Yoshimi Yokoyama)
- The Kao Special Incentive Award
Study on refractive index 3: Total explication of Z zone and visualization of sugar content using a refractive index application
Kumamoto Prefectural Uto Senior High School (Eito Kubota, Taiki Yoshino, Nanami Shikai)
Lip sway behavior seen in ammocoetes larvae of Lethenteron.sp
Tottori Prefectural Tottori Nishi High School (Kinari Matsumoto, Iori Kuno, Kouki Tanaka)



Presenting Kao Award commendation letters.



Kao researchers judging the research presentations of high school students.

Support for the Japan Boccia Association

As a new initiative, we entered into a gold partner agreement with the Japan Boccia Association in June 2019. Boccia is a sport designed to be able to be played by people with severe cerebral palsy or a similar severe disability in their limbs. Anyone can enjoy the sport, irrespective of sex, age or able-bodiedness. We are striving to expand and build up the sport and conducting awareness-raising activities both with employees and the general public to establish understanding for social inclusion through para sports.

In 2019, we held 2 in-house workshops with staff from the Japan Boccia Association as an in-house awareness-raising activity, with participation from a total of 82 employees. The participating employees will become future supporters and help expand the sport.



In-house boccia workshop

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Making the world healthier & cleaner

FURUSATO Environment Conservation Project in Northern Thailand Decarbonization

Aiming to improve the situation of rapid deforestation in northern Thailand and the water pollution, smoke pollution and other environmental problems caused by it, we partnered with the Organization for Industrial, Spiritual and Cultural Advancement (OISCA) and OISCA Thailand to conduct an environmental conservation project in the Chiang Khong District of Chiang Rai Province in northern Thailand. In the 5 years from 2012, the project completed its goal of planting 42,500 trees on 35ha of land.

Through this activity, community residents' awareness for environmental conservation was raised, and momentum was built for appropriate forest management as well as using the forest to create a foundation for daily life. We therefore began supporting the second phase of the project in April 2019.

In the area afforested in the first phase of the project, crops were cultivated and community residents were provided opportunities to obtain cultivation knowledge and techniques, which supports them to increase their income through selling the harvested crops. Tree-planting is also being undertaken in new areas. Through these activities, we aim to have the forest that was formed be sustainably maintained and used by community residents.

In the second phase of the project, 9ha of land will be planted with trees over three years. In addition, of the forest that was formed in the first phase, approximately 1.6ha of land will be used in agroforestry to grow crops such as bamboo shoots, ginger and bananas.



Forest of trees originally planted in the first phase of the project.

Kao Earthwatch Teachers' Fellowship

We have implemented the Kao Earthwatch Teachers' Fellowship together with Earthwatch Japan (a certificated specified nonprofit organization) since 2004. This fellowship offers elementary and junior high school teachers the opportunity to participate as volunteers in overseas field research for biodiversity conservation for about one to two weeks over summer vacation. The purpose is to have the participating teachers go back and share their experiences and impressions in environmental education settings in their schools and communities. We also look forward to participating teachers creating a network with other participants and broadly sharing the experiences they gained through the program, including greater knowledge of scientific research methods, cross-cultural communication and better understanding of diversity, with their students, fellow teachers and community.

To date, 168 teachers have participated in 85 projects. This program has concluded with the 2019 session, and we plan to summarize and widely communicate the program's outcomes at a later date.

Kao Creating Forests for Everyone program Decarbonization

With the goal of creating a lush, green environment and passing this environment down to the next generation, we are partnering with the Organization for Landscape and Urban Green Infrastructure and implementing a program offering grants for developing people who nurture and protect the environment. The program is open to NGOs, NPOs and citizen groups throughout Japan that are active in such areas as forest creation and environmental education, with around 20 groups selected each year to receive a grant for their activities for three consecutive years. Through environmental conservation activities, we are contributing to solving various issues faced by regions today as well as the creation of brighter, healthier communities in these regions.

In 2019, 17 groups from those that applied to the program in 2018 were chosen to receive grants. On June 6, a ceremony marking the conferment of the grants was held at the Kao Head Office.

The cumulative number of groups that received support from 2000 to 2019 comes to 479, equal to almost 15% of the approximately 3,000 groups involved in creating forests that prefectural governments are aware of.



Activity conducted by a group receiving support.

Corporate citizenship activities

Heightened creativity through employee participation in society

Kao Family Concert

With the desire to provide local residents in areas where we have plants and business facilities with opportunities to hear high-quality music and cultivate an appreciation of music and the arts, we have held Kao Family Concerts since 2002.

In a program unique to Kao that blends community contributions with support for the arts and society, these concerts are 100% planned and operated by employees, including readying the venue, making announcements and taking tickets on the day of the concerts.

In 2019, we held a concert in Mashiko-machi, Tochigi Prefecture on April 21, in Wakayama, Wakayama Prefecture on May 19, in Sakata, Yamagata Prefecture on September 16, and in Saijo, Ehime Prefecture on November 17.

All the proceeds from ticket sales are donated for the purpose of music education in the region where the concert is held.

We have held a cumulative total of 44 concerts since 2002, with a total of 41,327 people attending.



Kao Family Concert in Mashiko-machi, Tochigi Prefecture

Raising environmental awareness using employee cafeterias

In 2019, we used employee cafeterias to effectively prompt employees to make realizations about the environment and sustainability and raise their awareness.

At the Head Office in Kayabacho, the coffee offered in the cafeteria's café area was switched in April to fair trade certified and Rainforest Alliance Certified coffee. Then in October, we also eliminated plastic straws and cup lids. In addition, we began offering discounts for people who brought their own bottle or cup to promote using your own bottle and cup.

At Sumida, in addition to reducing the use of plastic containers for beverages, the plant switched to providing gomme syrup, milk and flavor enhancers in pots instead of in individual plastic packaging. Wakayama is also reducing the use of plastic containers and actively moving to introduce the use of certified ingredients.

By taking these steps at employee cafeterias that employees use every day, we aim to have employees understand our company stance, increase their environmental awareness in familiar settings, and connect this to changes in their behavior at home as well. We also anticipate that enhanced environmental awareness will benefit their work.

Kao Heart Pocket Club

Kao Heart Pocket Club is an employee-led organization with the mission of providing community aid that began in 2004.

Employees that want to support this mission become members, and voluntarily donate a portion of their monthly salary in increments of 50 yen from 1 to 100 increments, which is donated to NGOs, NPOs and citizen groups, used to support volunteer activities in which employees take part, and provided as emergency relief assistance when disasters occur that affect a wide area. Decisions about where to send donations and how to use the funds are made by a 15-member steering committee comprised of member representatives. Along with providing aid to support activities aimed at solving social issues to create a better society, the Kao Heart Pocket Club provides employees with opportunities to participate in society and contributes to raising their receptivity to society.

In 2019, employees were involved in activities such as visiting and sharing opinions with groups receiving donations together with steering committee members, and these activities were introduced in the *Heart Pocket Club Newspaper*, an internal PR magazine (intranet version, published five times a year). In addition, we have expanded the information communicated to employees and activities in which they can participate, such as inviting Kaoru Takahashi of WaterAid Japan (a certificated specified nonprofit organization) to give a presentation at the Tochigi Plant, and this has resulted in a doubling of candidates to be on the steering committee and applications to make donations from members. The Heart Pocket Club also provided community grants to a total of 15 groups in Tochigi, Wakayama and Ibaraki prefectures to support citizen activities in communities where Kao plants and business facilities are located. A total of 513 employees

Corporate citizenship activities

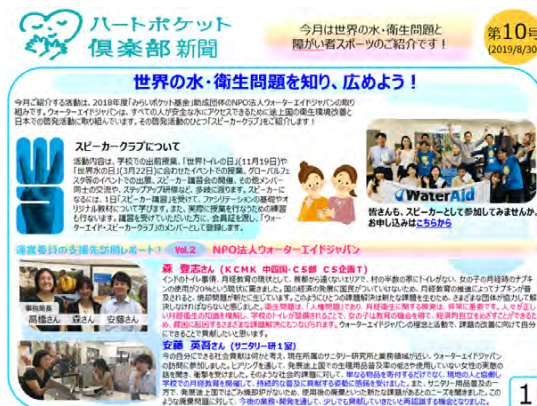
participated in regular volunteer activities conducted each year, specifically a campaign to deliver picture books, a Christmas card project and the White Ribbon Run.

We will continue to create opportunities to increase membership in the Kao Heart Pocket Club and for employees to participate in society.

- 3,463 members (as of December 20, 2019)
- 47 donation projects / Donations of 7,248,400 yen
* Including 500,000 yen donated for the 2019 East Japan Typhoon (Hagibis) as emergency relief assistance.
- 4,000 copies of the activities report (activities report for internal use, published once a year).



Many employees attended a presentation by a group receiving assistance.



Steering committee report published in the *Heart Pocket Club Newspaper*.

Support of the Arts

Support for arts and cultural activities

We support arts and cultural activities for the purpose of developing and passing down outstanding arts and culture and contributing to the enrichment of people's lives.

We actively provide support, including support for symphony orchestras and sponsorship of music concerts and performing arts performances as well as art exhibits, so that people of all ages can have access to and interaction with the arts, and so that arts and cultural activities will be passed down to the next generation.

In 2019, we provided support to the NHK Symphony Orchestra, Tokyo, the Tokyo Symphony Orchestra, the Tokyo Philharmonic Orchestra and the Japan Philharmonic Orchestra, and was a member of the Special Corporate Sponsors Group for performances of Beethoven's *Ninth Symphony* by the NHK Symphony Orchestra, Tokyo, and the 2018/2019 season of the New National Theatre, Tokyo. In the area of the fine arts, we provided sponsorship for the exhibition *Vienna on the Path to Modernism: The 150th Anniversary of Establishment of Diplomatic Relations between Japan and Austria*, organized by the Yomiuri Shimbun (held in Tokyo and Osaka).

Support for young artist development

We support development of the next generation of artists as part of our contributions to enriching people's lives.

We have organized the Tokyo Music Competition (cosponsors: Tokyo Bunka Kaikan, the Yomiuri Shimbun, Tokyo Metropolitan Government) since 2003 to support activities to discover and nurture the next generation of Japanese musicians. Winners in each of the sections

perform together with orchestras in special concerts, and Tokyo Bunka Kaikan gives five years of support to prizewinners to hold solo recitals and other music performances.

Since 2013, we have been a special sponsor of performances by K-Ballet Youth, a junior ballet company of young dancers whose general manager is Tetsuya Kumakawa. K-Ballet Youth offers a place to discover the next generation of dance talent and for dancers to practice in an environment equivalent to a professional company, with activities designed to develop the next generation of artistic performers.

The 17th Tokyo Music Competition was held in 2019, with 402 competitors in the three sections of Piano, Brass and Voice, from which 14 were selected for awards.

K-Ballet Youth held its fourth anniversary concert of *The Nutcracker* in August, for which we were a special sponsor. In the performance, some 80 dancers selected in auditions held in September 2018 performed on stage after rehearsing for almost a year.



Award Ceremony, Piano Section, The 17th Tokyo Music Competition
Photo: Rikimaru Hotta/Photo courtesy of: Tokyo Bunka Kaikan

Corporate citizenship activities

The Kao Foundation for Arts and Sciences

The Kao Foundation for Arts and Sciences is a unique foundation combining support for the arts and sciences that seeks to promote and further develop essential arts and sciences as well as contribute to the development of research integrating fields in the arts and sciences.

The foundation was established in 1990 as the Kao Foundation for Arts and Culture with a donation in commemoration of Kao Corporation's 100th anniversary, and conducted a grant project in the areas of the fine arts and music. The foundation's name was changed to the Kao Foundation for Arts and Sciences in 1997, when it also added support for research in scientific and technological fields as well as research on the integration of the arts and sciences. Its main activities center on the three projects of awarding grants, giving commendations and related projects (support for research integrating the arts and sciences).

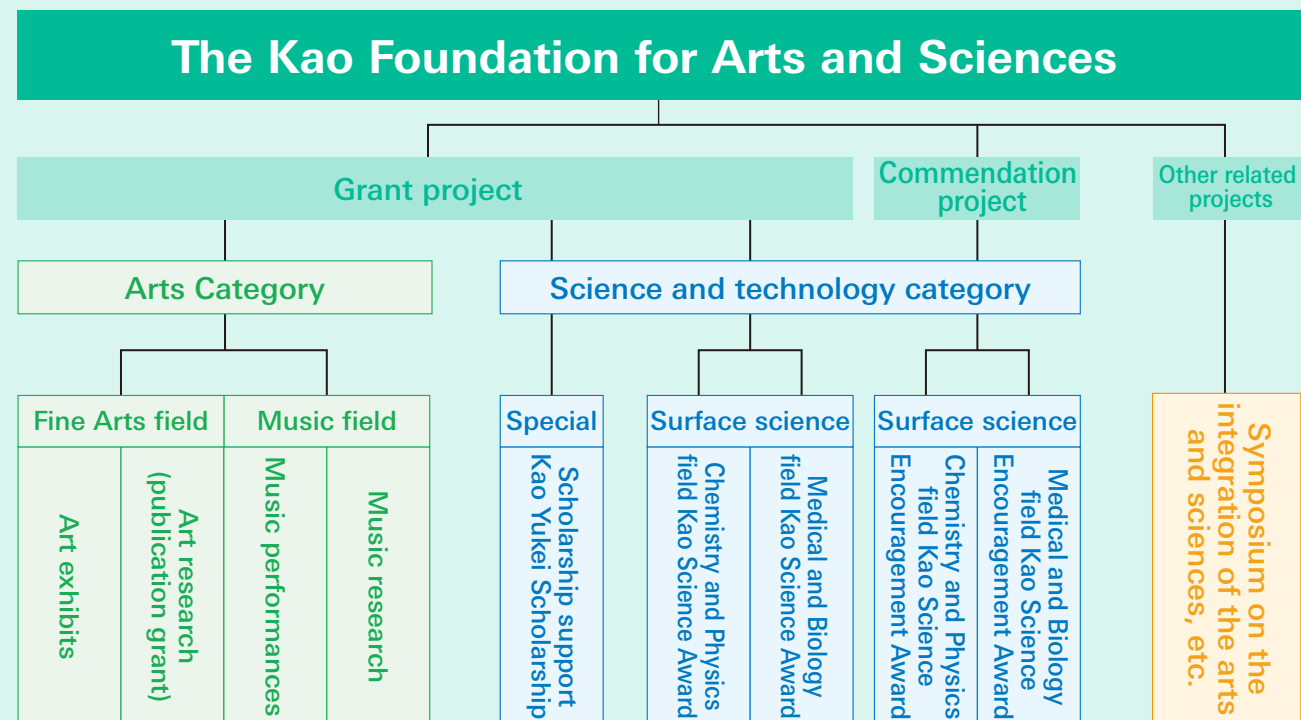
The grant project provides grants for art exhibitions and music performances among other activities, grants for scholarly research on the fine arts and music, and in the science and technology field, scholarships for students in master's programs, and grants under the name of the Kao Science Encouragement Award, given to young researchers conducting unique and pioneering research in the fields of chemistry, physics, medicine and biology.

The commendation project awards the Kao Science Award to recognize researchers who have achieved distinctive outcomes in basic research in the fields of chemistry, physics, medicine and biology.

In related projects, the foundation holds symposiums on the integration of the arts and sciences to support research aimed at such integration.

In 2019, grants were awarded to 103 projects in the grant project, two researchers were recognized in the commendation project and contributions came to a total of 79.2 million yen.

Organizational chart



* As of December 2019.



Awards ceremony granting Kao Science Awards



Commemorative lecture by a recipient of the Kao Science Award

Corporate citizenship activities

Disaster relief

Efforts in response to the Great East Japan Earthquake

While mobilizing existing corporate citizenship programs and our resources, we are cooperating with NGOs, NPOs, other companies and diverse organizations to conduct activities that are close to people's daily lives and aligned with local needs and issues in the Tohoku region.

Currently, our activities focus on the two areas of providing emotional support and self-directed recovery. In terms of emotional support, we have been supporting the Smile Tohoku Project since 2012, where we visit victims of the disaster living in temporary and public housing to interact with them and offer support for their new lives. In terms of self-directed recovery, we are conducting activities to support industrial recovery and community development through support for recovery leaders and employee volunteer activities focused primarily on recovery in the Tohoku region.

Activities by Kao employees in 2019 are described below.

- With the theme of "Connecting to Tohoku with Food," 11 Kao worksites around Japan offered regional Tohoku dishes using ingredients from the Tohoku region from March 11 to 13. At the same time, a panel exhibition of recovery support activities was held (at 11 Kao worksites around Japan and the KCMK Tohoku Branch).
- Held a volunteer and study tour of Minamisanriku-cho, Miyagi Prefecture on November 30 and December 1, with the participation of 18 employees.
- Ongoing cooperation with the Smile Tohoku Project (Sponsors: Iwate Nippo, Kahoku Shimpō, and Fukushima Minpo newspapers).

- We are a sponsor of Tour de Tohoku 2019, a cycling event for the purpose of providing recovery assistance and retaining memories of the earthquake and tsunami disaster for people in the future. Our employees participated as volunteer riders, operated a specially made photo booth and gave away products with special messages inserted to support the region's recovery. A total of 22 employees participated.
- Support for the "Thank you from Kamaishi" activity to communicate the appreciation of Kamaishi, Iwate Prefecture to the world for the recovery assistance it has received. Support in a variety of formats for events including the opening of Unosumai Station, Sanriku Railway and the opening of the Kamaishi Unosumai Memorial Stadium for the Rugby World Cup 2019. A total of 49 employees participated in event support, stadium cleaning and other activities.
- We support activities that bring people into contact with the thoughts of people in Tohoku today through projects such as creating flower art and hands-on farm experiences in disaster-affected regions, with a total of 47 employees participating in planting flowers and seeds, harvest festivals and other activities.



Work to restore a chrysanthemum field damaged in a typhoon (volunteering in Minamisanriku-cho).

Michinoku Recovery Partners

We have participated in Michinoku Recovery Partners since June 2012 as a main activity of self-directed recovery efforts. Four companies* are currently participating in this organization established by ETIC (a certificated specified nonprofit organization) as a corporate consortium to support next-generation recovery leaders who will sustain the Tohoku region and projects in the disaster-affected region. The consortium is engaged in co-creation for self-directed recovery, including training to support development of groups expected to lead Tohoku in the future.

The seventh Recovery Project symposium was held on March 5, 2019 and broadly communicated information on the current situation in Tohoku and its future with the theme of "A Paradigm Shift from Tohoku," with 152 people attending. As part of developing venues for co-creation targeting groups in Tohoku, the Michinoku Co-Creation Camp 2020 was held in Sendai, Miyagi Prefecture on January 17 and 18, 2020, with the participation of 69 people. We will continue these activities going forward as well.

* Participating companies are JCB Co., Ltd., Dentsu Inc., Benesse Corp., and Kao Corp. (as of May 2019)



The 7th Michinoku Recovery Project Symposium

Corporate citizenship activities

Post Tsunami Monitoring Project

To investigate changes to the ecosystem in regions that suffered damage from the tsunami triggered by the Great East Japan Earthquake, a monitoring study is underway by a team led by faculty from Tohoku University that includes volunteers from the local community, the university and multiple companies. By comparing data from before the disaster, the team is recording the scale of the tsunami's impact and how the ecosystem has subsequently recovered. The data obtained in the fieldwork are used in restoration plans that take into consideration the ecosystem in the affected region, conservation of rare species and the environment. Our employees have volunteered in the project since 2013, with 10 employees participating in 2019. To date, a total of 68 employees have participated in the project.

Feedback received from project participants includes "I was able to understand the environmental changes and problems compared with past data from before the tsunami, and the necessity of conducting an ongoing tideland survey," and "Also being able to share the experience of the disaster and viewpoints of people who have watched the recovery progress is something I will treasure."

We plan to send employees to participate through FY2020.
(Organizer: Earthwatch Japan, a certificated specified nonprofit organization)



Identification of collected animals

Other disaster relief

We make donations and contribute support funds as relief for areas affected by large-scale disasters, and coordinate with local governments and industry groups to quickly provide relief supplies for disaster victims.

As a result of the many disasters experienced in recent years, we have decided to contribute support funds to the Disaster Relief Volunteer & NPO Support Fund of the Central Community Chest of Japan, a social welfare corporation, to enable the donations to be used in activities to support disaster victims when they are needed most.

Performance in 2019

Contributions

- Reiwa Year 1 East Japan Typhoon (Hagibis)

We donated 20 million yen through the Japanese Red Cross Society, and the Kao Heart Pocket Club (a donation organization composed of Kao Group employees) donated 500,000 yen to the Central Community Chest of Japan (social welfare corporation) as funds for volunteer activities.

Relief supplies

- Reiwa Year 1 Boso Peninsula Typhoon (Faxai)

We provided relief supplies worth approximately 100,000 yen to Futtsu, Chiba Prefecture.

- Reiwa Year 1 East Japan Typhoon (Hagibis)

We provided relief supplies worth approximately 9 million yen to Fukushima, Nagano, Iwate, Miyagi, Tochigi and Chiba prefectures.

- Floods, Ubon Ratchathani Province, Thailand
Kao Industrial (Thailand) provided relief supplies worth approximately 100,000 yen.

- Sentani floods, Papua Province, Indonesia
PT Kao Indonesia provided relief supplies worth approximately 60,000 yen.

- Ambon Earthquake, Maluku Province, Indonesia
PT Kao Indonesia provided relief supplies worth approximately 40,000 yen.

- Drought in southern Africa

Kao South Africa provided relief supplies worth approximately 20,000 yen to aid farmers.

Donations for foundational activities

- Donations to the Disaster Relief Volunteer & NPO Support Fund

We donated 5 million yen to the Disaster Relief Volunteer & NPO Support Fund of the Central Community Chest of Japan (social welfare corporation).

Main corporate citizenship activities of worksites and group companies

Kao Sustainability Data Book 2020

2019 Our initiatives

Worksite/company	Activity details/past record (hosting/backing/co-sponsorship/support/participation/etc.)
Kayabacho Office	<ul style="list-style-type: none"> Product donations to groups supporting people with disabilities Local shrine festivals and community events Jazz festival Chuo-ku "eco" festival Summer radio calisthenics Year-End Mutual Support donations Neighborhood cleanups Campaign to stop cigarette butt littering
Osaka Office	<ul style="list-style-type: none"> Support for local shrine festivals, community groups Osaka Marathon Osaka Castle cleaning Blood drives
Sakata Plant	<ul style="list-style-type: none"> Yamagata Health Fair Diaper gifts for newborn babies Sakata Innovation and Idea Exhibition, Sakata Industrial Fair Community events and festivals Sports tournaments, sports festivals Fireworks festival Support for community orchestra Shonai 41°C Bath Caravan event Kao Summer Festival Kao Family Concert Support for community groups Factory tours
Tochigi Plant, Tochigi Research Laboratories	<ul style="list-style-type: none"> Parent-and-child health seminars Diaper gifts for newborn babies Community events Use of parking lot for daycare center and elementary school events Blood drives Factory tours
Kashima Plant	<ul style="list-style-type: none"> Hand-washing lessons Kamisu Citizen Forum Kamisu Health Mileage Program Kamisu Festival Kamisu Port Festival Community events and festivals Sports tournaments Music festivals Kamisu Tanabata Festival Support for youth sports groups Kamisu City's Beautification Day, Clean Kamisu Day and beach cleanups Neighborhood cleanups Factory tours
Sumida Office, Tokyo Plant, Tokyo Research Laboratories	<ul style="list-style-type: none"> Movement for a Brighter Society Sumo wrestling matches for children Traffic safety campaign Local shrine festivals and community events Regular general meetings of the town assembly, community fire extinguishing drills Neighborhood cleanups
Kawasaki Plant	<ul style="list-style-type: none"> Summer and fall festivals Company goodwill sports tournaments Walking tournaments Community events and local shrine festivals Neighborhood sports festivals Cleanup campaigns Factory tours Blood drives
Odawara Office, Odawara Plant (Kao Cosmetic Products Odawara), Odawara Research Laboratories	<ul style="list-style-type: none"> Community walking events, concerts Sakawa River Fireworks Festival Softball classes, softball classes at special needs schools Neighborhood cleanups, Clean Sakawa Factory tours
Fuji Plant (Kao Paper Manufacturing Fuji)	<ul style="list-style-type: none"> Junior high school vocational training experience Municipal fire extinguishing skill competition Fuji River Summer Festival and Fireworks Festival Community youth sports group sponsorship Red Feather Community Chest donations Local shrine festivals
Toyohashi Plant	<ul style="list-style-type: none"> Hands-on experiments at community events Education in the classroom at junior high schools Toyohashi City 530 (cleanups) Movement Factory tours
Wakayama Plant, Wakayama Research Laboratories	<ul style="list-style-type: none"> Support for welfare factory operations Kao Family Concert Support for World Heritage site Kumano Kodo pilgrimage route upkeep Wakayama Castle, Wakayama Port cleanups Cleaning along the Suiken River Weeding in the Kao Company Forest New Year's parade and skills display of fire brigades Memorial services for Jizo guardian deities and unattended graves Community events and festivals Neighborhood cleanups Factory tours Blood drives
Kao Eco-Lab Museum (Wakayama)	<ul style="list-style-type: none"> Tours and lectures for pharmaceutical practical training Environmental education through factory tours Parent-and-child tours
Ehime Plant (Kao Sanitary Products Ehime)	<ul style="list-style-type: none"> Fireworks festival Support for Saijo Festival Community events and festivals Red Feather Community Chest donations Factory tours Blood drives



"Eco" festival (Kao Chemicals GmbH)



Sakata Industrial Fair (Sakata, Yamagata)



Clean Sakawa (Odawara, Kanagawa)



530 (cleanups) Movement (Toyohashi, Aichi)

Main corporate citizenship activities of worksites and group companies

Worksite/company	Activity details/past record (hosting/backing/co-sponsorship/support/participation/etc.)
Arida Training Center	<ul style="list-style-type: none"> ● Product donations for community health festival ● Cardboard box donation to community youth club ● Community events ● Community sports festivals ● Local residents' association ● Neighborhood cleanups
Shinagawa Training Center	<ul style="list-style-type: none"> ● Exhibition of prizewinning works in the Kao International Environment Painting Contest for Children ● Health awareness-raising events
Kao Group Customer Marketing (KCMK)	<ul style="list-style-type: none"> ● Makeup seminars to support women's empowerment ● Makeup seminars for seniors ● Personal grooming seminars for special needs schools ● Beauty seminars for student job seekers ● Childcare support seminars ● Education in the classroom ● Restroom sanitation activities at tourism facilities ● Health improvement walking events ● Mottainai (waste prevention) Fair ● Global environmental events and fair ● Industrial environment festival ● Blood drives
Kao Logistics	<ul style="list-style-type: none"> ● Neighborhood traffic safety guidance and neighborhood watch activities ● Providing workplace experience for special needs students ● Participation in traffic safety education and safety campaign ● Participation in safety class ● Truck wrapping of pictures by children ● Blood drives
Kao Professional Services (KPS)	<ul style="list-style-type: none"> ● Sanitation education for leaders of preschools and daycare centers ● Hand-washing lessons for preschool students ● Providing information on infection management to nursing students and nurses ● Lectures and seminars for certified nurses ● Support for toileting care seminar ● Sanitation education for nursing care facilities ● Disaster relief ● Donations of diapers for disaster preparedness supplies
Kanebo Cosmetics	<ul style="list-style-type: none"> ● Personal grooming seminars for special needs schools for the visually impaired ● Product donations for the Coming of Age ceremony at welfare facilities ● Technical support for Medical Soin Esthetic^{*1} ● Product donations for Walk in Her Shoes^{*2} events ● Product donations for student sports tournaments ● Donation of a portion of sales in Pink Ribbon Campaign ● Museum tours for cosmetology school students ● Provision of white stage powder for kabuki performances ● Track and field classes, participation as marathon guest runners

*1 Medical Soin Esthetic

Beauty treatments performed on patients in medical settings under the instruction of a plastic surgeon. Advocated by Kanebo Cosmetics. For concerns about the skin and appearance following surgery, such as bruising, burns and wounds, our beauty staff provide skin care and makeup treatments and home care advice after a medical examination or treatment to support patients leading their daily lives with greater fulfillment and satisfaction.

*2 Walk in Her Shoes

The Walk in Her Shoes campaign is conducted by CARE International Japan (public interest incorporated foundation). The campaign has participants walk where they want when they want as part of their daily lives while imagining how women who do not have access to safe drinking water have to spend large amounts of time fetching water feel, and allocates funds to support the self-sufficiency of women facing difficult circumstances in developing countries and regions experiencing conflict or disaster.



Traffic safety intersection guidance
(Sendai LC, Kao Logistics)



Traffic safety truck wrapping
(Kawasaki LC, Kao Logistics)

Main corporate citizenship activities of worksites and group companies

Worksite/company	Activity details/past record (hosting/backing/co-sponsorship/support/participation/etc.)
Kao (China) Holding Kao Commercial (Shanghai) Kao (Hefei)	<ul style="list-style-type: none"> ●First menstrual education ●Support for Enactus* ●Japanese speech contests for university students ●Career education (exchanges with university students) ●Mother-and-child hygiene and health seminars ●Donations to welfare groups ●Pink Ribbon Campaign ●Water conservation campaign ●The Kao International Environment Painting Contest for Children ●Summer festival ●Neighborhood cleanups ●Factory tours
Kao Chemical Corporation Shanghai Huludao Jinzang Casting Materials Kao (Shanghai) Chemical Industries	<ul style="list-style-type: none"> ●Support for science education at local elementary schools ●Support for ALS patients ●Neighborhood cleanups ●Blood drives
Kanebo Cosmetics (China)	<ul style="list-style-type: none"> ●Beauty seminars for women laborers ●Support for the needy ●Product donations to people with disabilities
Kao (Hong Kong)	<ul style="list-style-type: none"> ●Donations to groups supporting children with disabilities ●Donations to groups supporting people with mental disorders
Kao (Taiwan) Corporation	<ul style="list-style-type: none"> ●Hygiene education for children ●Support for university students ●Support for the elderly ●Pink Ribbon Campaign ●Beach cleanups ●Tree-planting activities ●Environmental events ●Factory tours
Taiwan Kanebo Cosmetics	<ul style="list-style-type: none"> ●Pink Ribbon Campaign ●Beach cleanups ●Assistance to groups supporting burn patients
Kao Vietnam	<ul style="list-style-type: none"> ●Hygiene Development Program (Water and Sanitation Project for Schools) ●Leader Development for Infection Control ●Scholarship for Hygiene Management ●Menstrual and health education at junior high schools ●Visits and donations to orphanages
Pilipinas Kao	<ul style="list-style-type: none"> ●High school scholarships for outstanding academic achievement to students in factory neighborhoods ●Scholarships for students of science and technical universities ●Donations to help repair public elementary and high schools near factories ●Support for free medical and dental exams for local residents ●Support for local traditional culture ●Mangrove tree planting
Kao Industrial (Thailand)	<ul style="list-style-type: none"> ●First menstrual education ●Menstrual education for children with visual impairments ●Donations to female students experiencing poverty in northern Thailand ●Product donations to welfare groups ●Support for cleaning of public areas by the Royal Forest Department of the Thai Government and the Health Department of the Bangkok Metropolitan Administration ●Environmental education for members of a forest protection group ●Product donations to welfare groups (remote areas) ●Product donations through Thai border patrol police school ●Disaster relief ●Neighborhood cleanups
Kao Singapore Pte. Ltd.	<ul style="list-style-type: none"> ●Housecleaning lessons at elementary schools ●Hand-washing lessons ●Support for cleaning of elderly households

* Enactus

International NPO that aims to develop outstanding next-generation leaders by supporting social contribution projects planned and implemented by students.



Support for ALS patients (Kao (Shanghai) Chemical Industries)



Beach cleanups (Kao (Taiwan) Corporation)



Support for medical and dental exams (Pilipinas Kao)



First menstrual education (Kao Industrial (Thailand))

Main corporate citizenship activities of worksites and group companies

Worksite/company	Activity details/past record (hosting/backing/co-sponsorship/support/participation/etc.)
PT Kao Indonesia	<ul style="list-style-type: none"> Menstrual hygiene education Welfare assistance for Eid ul-Adha, etc. Support for Earth Day Mangrove tree planting The Kao International Environment Painting Contest for Children Community cleanups Disaster relief Factory tours Blood drives
PT. Kao Indonesia Chemicals	<ul style="list-style-type: none"> Mangrove tree planting Support for river cleaning activities Donations of sheep to residents Blood drive activities Factory tours
Kao (Malaysia)	<ul style="list-style-type: none"> First menstrual education Awareness-raising activities aiming to develop modern-minded guardians
Kanebo Cosmetics Malaysia	<ul style="list-style-type: none"> Pink Ribbon Campaign
Fatty Chemical (Malaysia) Kao Plasticizer (Malaysia) Kao Oleochemical (Malaysia) Kao Soap (Malaysia)	<ul style="list-style-type: none"> Donations to welfare groups Product donations for Responsible Care events Donations for blood drive campaign activities Donations for Sakura Charity Festival Donations for senior citizen facilities Visits and donations to facilities for children with disabilities Support for Islamic festivals at orphanages Support for able art purchases English exchange courses Support for Japanese culture festivals Environmental lessons at elementary schools Donations for fire prevention and rescue activities Donations for golf tournaments Support for greening activities at junior high schools Support for industry groups Environmental awareness-raising through factory tours Factory tours
Kao Canada	<ul style="list-style-type: none"> Support for the United Way (charity events, food banks, etc.) Support for households in need Support for hair and makeup services for vocational school graduation ceremonies
Kao USA	<ul style="list-style-type: none"> Support for the United Way Support for the arts Support for Christmas gifts for children in need Donations to walking event to prevent premature births Product donations to international humanitarian groups Donations to beauty support groups for cancer patients Support for a women's empowerment run event Support for the homeless Support for women's empowerment through clothing donations Park cleaning activities and donations
Kao Specialties Americas	<ul style="list-style-type: none"> Support for the United Way Committee Food donations to food drives Support for recycling used clothing Support provided through charity groups Walking event to support ALS patients Support for the homeless Teacher externships Japanese speech contests Visits and opinion exchanges at high schools Panelist at cosmetics conference Biodiversity project Environmental awareness-raising seminars (composting) Highway cleanups Company visits and exchanges for high school students and their guardians Neighborhood cleanups Support for blood drives
Kao Collins (USA)	<ul style="list-style-type: none"> Pink Ribbon Campaign Meal service for the homeless Meal service for children hospitalized with illness and at lodging accommodations for their families Donations to and employee participation in charity events Career development support and clothing and other donations for schools in underserved areas Sponsorship of and employee participation in charity run Donations to households in need Donations to drug rehabilitation centers Environmental and health awareness-raising event development Participation in insect observation program at zoo



Mangrove tree planting (Kao Indonesia)



Menstrual hygiene education (PT Kao Indonesia)



Park cleanups (Kao USA)



Support for career education (Kao Collins)

Main corporate citizenship activities of worksites and group companies

Worksite/company	Activity details/past record (hosting/backing/co-sponsorship/support/participation/etc.)
Kao Australia	<ul style="list-style-type: none"> Product donations to welfare groups Donations to mental health support groups Men's health events Donations to agricultural support groups Donations for forest fire disaster relief
Quimi-Kao, S.A. de C.V. (Mexico)	<ul style="list-style-type: none"> Support for child welfare facilities Support for medical expenses for households in need Family sports tournaments Scholarships for STEM students Factory tours for students
Kanebo Cosmetics Rus	<ul style="list-style-type: none"> Support for events held by the Japanese School in Moscow
Kao Austria HGMB	<ul style="list-style-type: none"> Donations to children fighting disease Training support at cosmetology schools
Kao Germany GmbH	<ul style="list-style-type: none"> Support for children in underserved communities The Kao International Environment Painting Contest for Children Support for refugee centers
Kao Manufacturing Germany GmbH	<ul style="list-style-type: none"> Factory tours for young workers in trades Donations to facilities helping victims of sexual violence Lending of industrial park grounds
Kao Chemicals GmbH	<ul style="list-style-type: none"> Support for neighborhood schools Support for local governments Support for private fire brigades Support for community groups, NGOs/NPOs Support for welfare groups, groups for the disabled and visually impaired Support for community sports groups River cleanups Factory tours
Kao (UK) Molton Brown	<ul style="list-style-type: none"> Support for cancer patients
Kao Salon Division	<ul style="list-style-type: none"> Support for beautician education and training Beautician bike ride event to support leukemia patients
Kao Corporation S.A. (Spain)	<ul style="list-style-type: none"> Scholarships for high school students majoring in chemistry Support for community concerts Support for food donations by the Red Cross and other groups Support for a tree-planting campaign Support for reforestation activities Support for community sports clubs Support for municipal book publishing Factory tours
Kao Netherlands B.V. Kao Belgium N.V. Guhl Ikebana Cosmetics B.V.	<ul style="list-style-type: none"> Holding of charity event with group providing wigs for children
Kao Denmark A/S	<ul style="list-style-type: none"> Buying of used scissors to donate to beauticians in training in Uganda Homeless support (haircuts, etc.)
Kao Switzerland AG	<ul style="list-style-type: none"> Educational support for students and young working adults
Kao South Africa	<ul style="list-style-type: none"> Support for community groups Support for rhinoceros anti-poaching group Support for group raising awareness for early breast cancer detection Support for drought disaster relief



River cleanups (Kao Chemicals GmbH)



Scholarship support (Kao Corporation S.A.)



Support for food donations
(Kao Corporation S.A.)

Process Safety and Disaster Prevention

102-11, 102-12, 102-15,
102-43, 103-1, 103-2, 404-2

Kao Sustainability Data Book 2020

2019 Our initiatives

We implement process safety and disaster prevention activities with the aim of ensuring the safety of employees and maintenance of safe, stable operations, stipulating matters relating to prevention of accidents, emergency response and strengthened security. Through these activities, we aim to completely eliminate accidents.

Kao's creating value to address social issues

Social issues we are aware of

As we have several large-scale plants, its process safety and disaster prevention needs are increasingly heightened in the context of accidents at chemical plants and the many natural disasters that have occurred recently.

Kao's creating value

Kao, as a company with large-scale chemicals plants, will provide regional communities in which local residents can live in peace of mind and employees at worksites can operate in safety without fear of accidents.

Risks related to realization of our vision by 2030

We regard outages of stable operations from major accidents impacting regions in the vicinities of plants, natural disasters, or other factors, and the accompanying loss of societal trust in the company from these things as risks.

Opportunities related to realization of our vision by 2030

Implementation of thorough safety processes and disaster prevention initiatives ensure the safety of communities and employees which leads to trust in the company and enhancement of its brand image.

Contributions to the SDGs



Policies

Activities to ensure process safety and disaster prevention are clearly stipulated in the Kao Responsible Care Policy. This is a policy to "prevent fires, explosions and chemical spills while maintaining safe and stable operations, and the appropriate facilities and periodical training to prepare for emergency situations such as natural disaster and security issues." We are endeavoring to prevent accidents and disasters in accordance with this policy.



→ Kao Responsible Care Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Education and Promotion

Through education planning using past cases, the latest technologies and knowledge, as well as response drills on process safety and disaster prevention, we are able to communicate skills and strengthen security. Along with this, we strive to raise employees' disaster prevention awareness by planning and conducting drills for natural disasters and fires.

Collaboration and engagement with stakeholders

By conducting events related to safety and disaster prevention in cooperation with partner companies, we aim to further raise disaster prevention awareness and become a safer, more secure company.

Process Safety and Disaster Prevention

102-11, 102-20, 103-2, 103-3, 403-1 (Occupational health and safety 2018),
403-5 (Occupational health and safety 2018), 403-9 (Occupational health and safety 2018)

Framework

Our daily activities for process safety and disaster prevention are conducted as part of the Responsible Care promotion system. In particular, we have built a framework to keep track of accidents or disasters when they occur, through our global emergency reporting network. In addition, when a large-scale disaster such as a major earthquake occurs, we will establish an Emergency Response Team Organization headed by the President. Together as a Group, our initial response places top priority on the safeguarding of human life as we implement measures including our Business Continuity Plan (BCP)*.

* Business Continuity Plan (BCP)

A plan for continuing key corporate activities through procedures to decide in advance which operations and functions should be continued, and which methods should be applied to continue activities, assuming various situations that cause the interruption and/or shutdown of business activities due to various events and the factors behind their occurrence.



→ Responsible care activities/Framework
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=18

Mid- to long-term targets and performance

Mid- to long-term targets

We actively strive to realize our goal of complete elimination of on-site fires, explosions, leakages and logistics-related leakage accidents.

Expectations from achieving our mid- to long-term targets

Business impacts

Mitigation of unnecessary expenses and reductions in

overall costs, leading to higher revenues with sound implementation of business activities from safe operations at all worksites.

Social impacts

Ensuring the stable provision of products with sound implementation of business activities from safe operations at all worksites. Moreover, this can facilitate the stabilization of product prices.

Performance in 2019

In 2019, we implemented thorough Change Management*, risk assessments of chemical facilities, regular inspections and enhanced patrols, for maintenance of safe, stable operations, to eradicate process safety accidents. In addition, detailed implementation specs and plans were also drafted for respective divisions with the targets of enriching disaster prevention drills and enhancing security. In 2019 there were minor leakages

(on-site) and a minor fire, but no explosions or logistics-related leakages. In 2020, we will continue activities directed toward our targets of completely eliminating on-site fires and accidents related to explosion, leakage and logistics-related leakage accidents.

* Change Management: Management activities anticipating and accommodating risks before changes are implemented, along with preventive measures for issues such as failure, defects and accidents.

Targets and performance

Item	Scope	Indicator	2018	2019		2020
			Results	Target	Results	Target
Accidents	Kao Group	Fires, explosions, leakages, etc. (no. of accidents)	6	0	5	0
		Logistics-related leakage* (no. of accidents)	0	0	0	0

* Logistics-related leakage
Accidents involving leakage while products, etc. are being transported.

Overview of accidents in 2019

Type of accident	Leakages (on-site): 4 cases, small-scale fires: 1 case	
Overview of accident	Leakage	<ul style="list-style-type: none"> While transferring product (lubricant oil) by tanks, due to a deteriorated gasket, there was leakage from the flange at the top of the filter. Old clamps (fasteners) were damaged and product (dishwashing detergent) leaked from the seal at the top of the filter. During a typhoon checkered steel steps were blown off and broke a 400V transformer, leading to an insulating oil leak. Because work procedure was not followed and bolts on the strainer top lid were loosened, there was an intermediate product leak.
	Fires	<ul style="list-style-type: none"> Due to work performed on a control panel without turning off the power beforehand, a short circuit and overcurrent occurred and the wiring caught on fire.
Countermeasures being taken	Parts replacement cycle review, reinforcing parts, and construction work re-education.	

Our initiatives

Emergency response drills to prepare for large-scale disasters

Besides implementing fire response training and emergency evacuation training at the level of individual workplaces, Kao also conducts training on a company-wide basis to prepare for large-scale disasters.

Training in the use of the system for reporting the safety of Kao employees

In 2019, the Kao Group in Japan introduced a web Employee Safety Confirmation System in case of natural disasters, and inputting drills targeting all employees were conducted twice in March and September. For one day (24 hours) we held a personal input drills, and during following days, held a drill for the person in charge for tracing and confirming the whereabouts of employees not accounted for during the data inputting drill premised on an actual earthquake. We will continue to hold drills on the premise on actual earthquakes as they occurred.

Below is an overview of uses of the Employee Safety Confirmation System in natural disasters in 2019. Active deployment of the Employee Safety Confirmation System allowed confirmation of employee safety with no critical human casualties.

Usage of the Employee Safety Confirmation System in 2019

Date	Disaster	Result
Jan. 2019	Kumamoto Earthquake	Safety confirmation completed for 100% on the same day
Feb. 2019	Hokkaido Eastern Iburi Earthquake	Safety confirmation completed for 100% on the same day
June 2019	2019 Yamagata earthquake	Safety confirmation completed for 100% on the same day
Oct. 2019	Typhoon No. 19 (Hagibis)	Safety confirmation completed for 100% within two days

Company-wide earthquake scenario reporting and communication training

We are consolidating organizational units for disaster response in Eastern Japan and Western Japan premised on damage to the Kao Head Office from an earthquake in the Greater Tokyo Metropolitan area. In May 2019, we implemented disaster response drills for organizational units for Eastern Japan with the units on the Hokuriku, Kinki, Chugoku and Kyushu regions premised on a massive earthquake on the coastal area of the Sea of Japan, while in September we repeated these drills for units on site and for Western Japan premised on a major earthquake with its epicenter directly under the Tokyo Metropolitan Area.

During these drills, based on locations during the daytime on weekdays, statuses were confirmed by IP radio within major disaster response organizational units, and promptly transmitted to Emergency Countermeasure Headquarters, alongside information on personnel safety and property damage statuses at disasters sites through a meeting system using satellite phones and our internal disaster bulletin board and website, along with a newly introduced information management portal system. Necessary response drills were implemented by the organizational units responsible for disaster response based on the relevant data.

In addition, at the September drills premised on a disaster in the Greater Tokyo Metropolitan area, the Emergency Countermeasure Headquarters, with the Kao President serving as its head, completed training on the entire flow process for disaster response, including transfer drills to a base camp for safe activities, with the participation of

the BCP Response Team for production.

The content of drills is being reviewed on an ongoing basis in light of the lessons learned from past training drills.

Emergency evacuation drills based on the scenario that a plant tour is taking place when the disaster occurs

The nine Kao plants in Japan that provide plant tours have prepared protective hoods for use by plant visitors in the event that an earthquake occurs while a plant tour is underway. These plants also implement emergency evacuation drills, with employees taking on the role of plant visitors, to ensure that in the event of emergency visitors can be taken swiftly to a safe place. In the future, we will continue to incorporate drills based on a variety of different scenarios during a plant tour into our annual training plan.



Implementing an emergency evacuation drill with employees taking on the role of plant visitors.

Process Safety and Disaster Prevention 102-11, 102-15, 102-34, 403-2 (Occupational health and safety 2018)

Disaster prevention audits

In 2019, a first disaster prevention audit was conducted at Kao (Taiwan) Corporation and the PT Kao Indonesia's Karawang Plant, and a fourth disaster prevention audit was conducted at the PT Kao Indonesia Chemicals' Plant.

Audit details included confirming the status of implementation of disaster prevention operations, countermeasure activities such as construction of the Local Response Headquarters, fire fighter, and rescue teams during real training inspections, in addition to the evacuation status of employees including those from these partner companies and media training. At PT Kao Indonesia Chemicals, we confirmed that improvements in the safety and disaster prevention levels have been achieved when compared with previous audits.

During audits, findings at each plant were also submitted. Going forward, we will proceed with developing countermeasures.

Initiatives including the implementation of audits by dispatching auditors from other plants have continued so that we can improve the levels of safety and disaster prevention at each plant through these audits.



Evacuation Training at Kao (Taiwan) Corporation



Rescue and First Aid Training at PT Kao Indonesia



Fire Fighting Training at PT Kao Indonesia Chemical

Strengthening process safety and disaster prevention

The SCM Division is working to strengthen chemical equipment risk management by implementing suitable measures in response, as well as continuing to promote earthquake response measures. In 2019, we implemented cone discharges at domestic plants to prevent dust explosions which were identified as latent risks during a safety assessment of our chemical facilities. We also communicated with overseas plants and took measures to prevent low-flashpoint substance fires as a countermeasure against naturally occurring fires. We continuously communicated thermal risk assessment methods for polymerization and exothermic reaction equipment outside of Japan and re-evaluated equipment, working to ensure operational safety.

As part of earthquake countermeasures, we are working to minimize damage from natural disasters through the reinforcement of our buildings and equipment, such as safety evaluations of outdoor storage tanks for dangerous substances at Sakata Plant, and diagnosis of equipment racks at Kawasaki Plant.

Process Safety and Disaster Prevention

102-43, 403-2 (Occupational health and safety 2018),
403-5 (Occupational health and safety 2018)

High-pressure gas safety inspection, auditing, and verification

The Wakayama Plant has been designated an Accredited Safety Inspection Executor* pursuant to the High Pressure Gas Safety Act. In 2019, a safety audit was implemented by the Safety Management Division in September and a safety inspection under the direction of the President, who also serves as head of safety management, was implemented in November. We were able to confirm that there were no issues with regards to process safety activities. 2020 is the year of our five-year audit renewal for Accredited Safety Inspection Executor by Ministry of Economy, Trade and Industry. We will continue to further enforce high-pressure gas security management.

The high-pressure gas equipment at other Kao sites has safety inspection performed by external inspection bodies. Safety audit and safety verification are carried out in-house, and a serious effort is being made to ensure safe equipment operation.



High-pressure gas safety inspection at the Wakayama Plant.

* Accredited Safety Inspection Executor

It is a company or organization authorized by the Minister of Economy, Trade and Industry to perform self-inspection, either while equipment is in operation or while it is out of operation, to verify whether the safety of specified items of equipment conforms to the relevant technical standards pursuant to the High Pressure Gas Safety Act.

Process Safety and Disaster Prevention Educational Programs

Kao creates various educational programs for process safety and disaster prevention. For example, at our Monozukuri Training Center, by recreating incidents such as technical glitches and hazardous situations we are endeavoring to ensure that the necessary knowledge and skills are passed on to younger technicians who will be responsible for production sites.

Promising leaders of the next generation within and outside Japan receive eight months of training to learn about production technology and the spirit of *Yoki-Monozukuri* at Kao's Global Techno School in the Wakayama Plant. This training includes process safety and disaster prevention.

In addition, an annual disaster prevention message is posted, and an earthquake and disaster prevention manual is published to improve disaster awareness. We are also endeavoring to ensure that the efficacy of past drills is not weakened by the passage of time, by designating a Safety Day on days when accidents occurred in the past.

National Disaster Coordination Forum Ideas

Kao was a panelist at a subcommittee of the fourth

National Disaster Coordination Forum, organized by the non-profit Japan Voluntary Organizations Active in Disaster (JVOAD). This forum, gathering organizations and institutions that support victims of disaster, aims to promote cooperation and collaboration and sharing specialized knowledge and know-how.

As part of a subcommittee, in addition to introducing our support for disaster-stricken areas and regional cooperation and collaborations with JVOAD, information was shared amongst committee participants.



Participating Kao employee.



Panel discussions

Major sustainability indicators 103-2, 103-3

Kao Sustainability Data Book 2020

2019 Our initiatives

Kao has set targets to be achieved by 2020 on nine priority actions based on the Sustainability Statement established in 2013 and has reported on progress. We established the Kirei Lifestyle Plan in 2019, set 19 new priority actions, and are implementing them.

Conservation

Materiality	Vision	Items	Results				Targets	Results	Targets	SDGs*7
			2015	2016	2017	2018	2019		2020	
Conservation	Minimize environmental impact from our business activities and contribute to the realization of the One Planet Living vision for environmental sustainability									
	Reduction rate for CO ₂ emissions*1									
	Scope 1 and 2	-29%	-30%	-30%	-33%	-34%	-37%	-35%	7 12 13 17	
	Across the entire product lifecycle (Kao Group)	-17%	-14%	-14%	-17%	—	-18%	—		
	Across the entire product lifecycle (Kao Group in Japan)	-17%	-16%	-15%	-18%	—	-20%	-35%		
	Reduction rate for water consumption*1									
	All Kao Group plants and offices	-43%	-42%	-43%	-42%	-40%	-42%	-40%	6 12 15 17	
	Across the entire product lifecycle (Kao Group)	-21%	-17%	-19%	-21%	—	-23%	—		
	During product use (Kao Group in Japan)	-24%	-22%	-24%	-24%	—	-29%	-30%		
	Reduction rate for the amount of generated waste and other unwanted materials*1									
	All Kao Group plants and offices	-27%	-25%	-25%	-26%	-33%	-27%	-33%	12 14 15 17	
	Percentage of sales from products displaying the “eco together” logo*2									
	28%29%29%29%—27%—6 9 12 13									
	Procurement of sustainable palm oil*3		PKO*3 Completed traceability to the mills*4	PKO*3 Completed traceability to the mills	PO*3 Completed traceability to the mills to 97%	PO*3 Completed traceability to the mills to 98%	PO*3 Traceability to the mills	PO*3 Completed traceability to the mills	Traceability to the plantations	8 10 12 15 17
	Procurement rate for sustainable paper and pulp*5		96%	99%	100%	100%	—	100%	100%	
	Promote further environmental activities by engaging in environmental communication with society									
Cumulative number of participants in environmental communication*6 (thousands of people)		460	690	910	1,230	1,400	1,420	1,000	12	
Aim to contribute to the realization of a sustainable society by promoting sound chemical management through Strategic Approach to International Chemicals Management (SAICM) activities										
Number of released safety summaries for Kao priority risk assessment substances		7 (Total 7)	3 (Total 10)	3 (Total 13)	3 (Total 16)	3	3 (Total 19)	Total 20	3 6 12 14 17	
Number of released GPS safety summaries for chemical products		12 (Total 89)	18 (Total 107)	18 (Total 125)	16 (Total 141)	18	18 (Total 159)	Total 150		

*1 Per unit (of sales), relative to FY2005

*2 Consumer products in Japan; sales rate of products that meet the criteria for “eco together” certification
“eco together” certification:
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/eco-friendly-products-policy.pdf

*3 Progress of activities to trace the palm oil used by the Kao Group back to the plantation;
PKO: palm kernel oil, PO: palm oil

*4 As of the end of 2015, we were unable to establish the traceability of some of the derivatives that we had

no choice but to purchase from other companies.

*5 Recycled and sustainable paper and pulp and packaging materials used in our products.

*6 Cumulative number of participants in educational programs, factory tours, environmental events, etc., since 2014.

*7 The goals to which the Kao Group can contribute among 17 Sustainable Development Goals.
In line with the adjustment of the SDGs identified as corresponding to the key themes addressed by the Kirei Lifestyle Plan, the corresponding SDGs referred to in this table have also been revised.

Major sustainability indicators 103-2, 103-3

Community

Materiality	Vision	Items	Results				Targets	Results	Targets	SDGs
			2015	2016	2017	2018	2019		2020	
Health	Improve and prevent obesity and lifestyle diseases by contributing to the creation of a society conducive to a healthy life									
	Number of participants in health educational programs* ⁸ (thousands of people)	2,610	2,320	2,880	100	70	90	—	3	
Hygiene	Prevent the spread of infectious diseases by contributing to the creation of a society conducive to a hygienic life									
	Number of participants in the educational programs of hygiene habits* ⁹ (thousands of people)	7,690	7,670	8,420	7,360	8,890	6,540	12,000	3612	
Aging	Support the lifestyles of the elderly by contributing to the creation of a society conducive to healthy aging, both mentally and physically									
	Cumulative number of the products improved with Universal Design considerations* ¹⁰	2,876	3,585	4,666	5,658	—	6,574	—	101217	
	Implementation rate of improvements with Universal Design considerations* ¹⁰	91%	71%	63%	56%	—	44%	—		
Partnership with the community	Engage in social activities with local communities to contribute to an improved quality of life									
	Number of times information was provided to employees regarding volunteer activities	71	67	50	33	80	90	80	17	
	Educational activities for external parties provided through transmitted information	99	59	60	50	80	92	80		

*⁸ Number of participants in walking events and events for measuring visceral fat and teeth brushing education; QUPiO users; the QUPiO business was sold in April 2018, and accordingly, QUPiO users are not included in data for 2018.
QUPiO: A program aimed at providing support for health promotion and preventive, lifestyle improvement measures based on knowledge obtained from joint research undertaken with the University of Tokyo using a database of health checkup data for one million people that covers an extended period of time.

*⁹ Number of participants in the educational programs for infant care, hand and hair washing, laundry and cleaning, and menstrual hygiene (including the delivery of educational samples and tools) in Japan and the rest of Asia; educational programs were added, so totals were recalculated retroactive to 2015.

*¹⁰ Products improved with Universal Design considerations represent products improved from considerations including accessibility, safety and usability. The implementation rate of improvements is the percentage of products improved with Universal Design considerations among all new and improved product items. The data until 2015 covers Japan, the data for 2016 covers Japan and the Americas, and the data from 2017 covers Japan, the Americas and Europe (not including salons and Molton Brown Ltd.).

Corporate Culture

Materiality	Vision	Items	Results				Targets	Results	Targets	SDGs
			2015	2016	2017	2018	2019		2020	
Integrity	Instillment of Integrity throughout the entire Kao Group									
	BCG test rate	96.4%	97.5%	97.1%	—* ¹¹	100%	100%* ¹²	100%	816	
	Number of serious compliance violations* ¹³	0	0	0	0	0	0	0		
Diversity and Inclusion	Maximize employee potential through Diversity and Inclusion									
	Percentage of female managers	27.5%	25.4%* ¹⁴	25.1%	27.3%	—	29.4%	30%* ¹⁵	5810	
	Percentage of female managers (Japan)	10.4%	13.1%* ¹⁴	14.6%	18.4%	—	21.2%	20%* ¹⁵		
	Cumulative attendance rate for manager training on diversity and increasing management capabilities	—	8.2%	55.7%	94.0%	200%	189%	200%* ¹⁶		
Employee health and safe workplaces	Improvement of health literacy and safety awareness among employees									
	Total participants for health promotion programs	—	31,885	36,259	40,768	—	36,889	35,900	38	
	Lost time accident frequency rate* ¹⁷	0.61	0.67	0.55	0.77	0.16	0.78	0.10 or less		

*¹¹ Not implemented in 2018 due to a review of BCG activities.

*¹² This was implemented starting from 2019 in Japan, and starting the following year outside Japan. In 2019, it was only implemented in Japan.

*¹³ The term “serious compliance violations” is used to refer to compliance violations that seriously impact the company’s operations or cause a serious loss of corporate value.

*¹⁴ The definition of “manager” was revised in 2016 following the promotion of integrated Group management.

*¹⁵ Not established as targets for 2020, but targets to be quickly realized as future milestones.

*¹⁶ Cumulative attendance rate for manager training since 2016.

*¹⁷ Number of persons dead or seriously injured in occupational accidents per million hours worked. (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)