



Sustainability as the only path

Kao Sustainability Data Book 2021

Kao

Contents

Editorial Policy	3
Results and issues regarding the Kao Sustainability Statement	4
Corporate governance.....	9
Risk and crisis management	19
Responsible care activities	27
Product quality management.....	35
Information security.....	42
Advanced digital technology strategy	51
Intellectual property.....	56
Tax strategies	61
Biodiversity	65
Communication with consumers	77
Corporate citizenship activities	87
Main corporate citizenship activities of worksites and group companies	112
Process safety and disaster prevention	117



→ 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 2021
www.kao.com/global/en/sustainability/pdf/

[Report content]
CEO Message
Message by Dave Muenz
COVID-19 Response
Kao's Corporate Philosophy
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 innovation
Responsibly sourced raw materials

Making the world healthier & cleaner:

Decarbonization
Zero waste
Water conservation
Air & water pollution prevention

Product lifecycle and environmental impact
Environmental accounting

Walking the right path:

Effective corporate governance
Full transparency
Respecting human rights
Human capital development
Inclusive & diverse workplaces
Employee wellbeing & safety
Responsible chemicals management

Kirei Lifestyle Plan KPI definitions
External evaluations and recognitions
Independent assurance report
GRI Standards table
ISO 26000 table
TCFD Index

How to Use This PDF

The navigation buttons, the category tabs, and the table of contents buttons are located at the right edge of each page for easy page scrolling. The link buttons to relevant pages and external sites are also available in the text.

Navigation buttons

	Click the left arrow to go back one page.
	Click the right arrow to go forward one page.
	Click the return arrow to go back to the previous page.

Link buttons

	Click the icon to go to the relevant page in this data book.
	Click the icon to go to the relevant external site.

Editorial Policy 102-50, 102-51, 102-52

Since 2017, Kao has issued the Kao Integrated Report, with the aim of presenting a comprehensive picture of the value that Kao provides. The Kao Kirei Lifestyle Plan Progress Report 2021 and the Kao Sustainability Data Book 2021 (this data book) complement the Kao Integrated Report 2021. They introduce various activities aligned with our ESG Strategy, the Kirei Lifestyle Plan, that contribute to the sustainability of the world, along with detailed performance data.

Scope and boundary of reporting

In general, we report the activities of the Kao Group (Kao Corporation, its subsidiaries and affiliates). Environmental and social performance data covers Kao Corporation and its subsidiaries.

Exceptions to this data scope have been clearly stated in the text.

In this data book, “Kao” means the Kao Group. We have stated the names of individual organizations covered if it is necessary to identify the boundary.

Organizations covered



→ List of Kao Group companies
www.kao.com/global/en/about/outline/group-companies.html

Period covered

FY2020 (January 1, 2020–December 31, 2020)

Some qualitative information includes performance of FY2021.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) have been applied since FY2016. Per unit of sales in this data book is calculated based on Japanese standards up to FY2015, and on IFRS in FY2016 thereafter.

Issuance period

Issued on: June 23, 2021

Next report scheduled for issue in: June 2022

(Previous issue: June 23, 2020)

Guidelines referenced

- GRI Sustainability Reporting Standards in 2016

* The numbers of referenced GRI disclosures are noted next to the title of each page.

- Environmental Reporting Guidelines (2018) by the Ministry of the Environment of Japan
- Environmental Accounting Guidelines for Chemical Companies (November 2003) by the Japan Chemical Industry Association
- ISO 26000 (guidance on social responsibility)
- SASB Standards
- SDG Compass
- TCFD Recommendations

Introduction of various informative tools



[Reports]

- Kao Integrated Report 2021
- Kao Sustainability Data Book
Kirei Lifestyle Plan Progress Report 2021
- Kao Sustainability Data Book 2021
(This data book)
- Corporate Governance
- Financial Report

[Websites]

- Corporate information
- Investor relations
- Sustainability
- R&D

Disclaimer on forward-looking statements

Forward-looking statements contained in this data book are based on information available at the time of publication, and on assumptions that management believes to be reasonable. These statements are not guarantees that Kao will achieve its targets. Various factors may result in substantially different outcomes.

Results and issues regarding the Kao Sustainability Statement 103-2, 103-3

Based on the Kao Sustainability Statement established in 2013, we set and have taken action on targets to be achieved by 2020 in the three key areas of Conservation, Community and Corporate Culture. The target year of 2020 is now over, and we believe that our actions have created positive impact in society and achieved results. At the same time, some issues have also come into focus. The experience and insights we obtained have been reflected in the Kirei Lifestyle Plan (KLP), which we are already implementing and which sets even more ambitious targets for us to achieve.

Kao Sustainability Statement

Kao's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world.

Now and in the future, we aim to be an integral part of people's lives by creating, through our corporate activities, a world in which all people can live life to the fullest.

We will contribute to a sustainable society by working to solve social issues together with various stakeholders.

Nine main themes



Our initiatives

We defined and conducted the following activities for each of the nine main themes.

Conservation Zero environmental impact	Community A society in which everyone can live life to the fullest	Corporate Culture A trusted company that acts with integrity
Resource efficiency <ul style="list-style-type: none"> • Use a high degree of biomass • Reduce plastics use • Reduce water consumption • Promote recycling Climate change <ul style="list-style-type: none"> • Lower CO₂ emissions in company operations • Reduce lifecycle CO₂ emissions and maximize reduction contributions • Engage with various stakeholders in environmental conservation Chemical substances <ul style="list-style-type: none"> • Minimize the impacts of chemical substances on human health and the environment throughout the product lifecycle • Conduct risk communication about chemical substances with stakeholders 	Cleanliness and hygiene <ul style="list-style-type: none"> • Teach children good hygiene habits • Educate and support eating establishments, hospitals, schools and other facilities in relation to hygiene management Health and aging <ul style="list-style-type: none"> • Develop product designs that are easy for everyone to use • Provide information and education for health maintenance and disease prevention • Develop and offer products and services that support senior living Gender equality <ul style="list-style-type: none"> • Offer products and services that make housework easy for diverse groups of people • Support women to have self-confidence at all life stages 	Integrity <ul style="list-style-type: none"> • Ensure compliance with laws, regulations and rules • Conduct sustainable and responsible procurement Human rights <ul style="list-style-type: none"> • Improve human rights due diligence and expand its scope • Support improvements to human rights conditions related to our business Diversity and inclusion <ul style="list-style-type: none"> • Human capital and organizational development • Diverse and efficient work patterns • Employee diversity • Employee health, occupational safety and health

Results and issues regarding the Kao Sustainability Statement^{103-2, 103-3}

Conservation

The aims of the Kao Environmental Statement released in 2009 were twofold. The first was to expand our activities to reduce our environmental impact, which in the past mainly focused on activities at plants, to product-based activities. The second was to implement these activities together with consumers and business partners.

The launch of *Attack Neo*, the first laundry detergent in the world that uses one rinse cycle and represents one of our efforts to combat Climate Change, achieved both of these aims. By reducing the number of rinse cycles to one and offering an ultra-concentrated formula 2.5 times more concentrated than standard detergent, we reduced CO₂ emissions by 22% and water consumption by 22%. The cumulative effect of using our water-saving laundry detergents from 2009 to 2020 comes to a CO₂ emissions reduction of 1.4 million tons (equivalent to the emissions of 1.1 million people, converted based on annual emissions of households in Japan), and 960 million m³ of water conserved (equivalent to the water consumption of 14 million people, converted based on average annual water consumption of households worldwide). While these product-based activities had a major impact on society, we also learned the importance of collaboration in being able to achieve this result. *Attack Neo* was able to have such a large impact on society because other companies in the industry followed suit and developed laundry detergents that required only one rinse cycle, resulting in the formation of a market. Then washing machine manufacturers also

added a single rinse cycle feature to their products, which has now become a standard feature. Our leadership attracted followers, which amplified the impact of this activity on society, producing transformational change.

We also achieved two 2020 targets concerning the number of safety summaries we released as part of our sound chemicals management through activities promoting the Strategic Approach to International Chemicals Management. Specialized expertise and working together with society are key to implementing this activity, and we were able to achieve targeted results by maintaining a consistent focus on third-party evaluations. We have contributed to society and received positive external evaluations by returning the results gained back to society. We will use the beneficial impact on society to drive our future efforts.

Meanwhile, we were not able to achieve the 2020 targets of a 35% reduction (per unit of sales) in lifecycle CO₂ emissions, which came to an 18% reduction, or a 30% (per unit of sales) reduction in water consumption during product use, which came to a 26% reduction. These outcomes are attributed to insufficiently broad availability of products like *Attack Neo* that reduce CO₂ emissions and conserve water, and insufficient communication to consumers of the products' environmental value.

Therefore, in the KLP that we are already implementing, we have set a new ambitious target recognized by the Science Based Targets initiative and are working toward Decarbonization based on the experience and knowledge we have gained.

Community

In the area of Community, we undertook efforts to enrich the lives of consumers in communities and generated various returns for society.

For example, our Universal Design (UD) efforts are an activity conducted under the theme of Health and Aging. As with our Conservation efforts, our leadership attracted a great deal of support, which amplified the beneficial impact on society and produced transformational change. Notches (tactile markings) on the surface of shampoo bottles to tell them apart from conditioner bottles are an innovation that we devised and obtained the rights to in 1991, but we wanted to make this benefit more widely available in society to enrich consumers' daily lives. We then approached an industry association in Japan and won their endorsement for making the notches an industry standard in Japan. Following this national standard, this design was adopted as an international standard (ISO 11156:2011) through a Japanese initiative. Today, a large number of companies have adopted the notches as identifying markings, which are now commonplace in society and have contributed to enriching the daily lives of consumers with visual impairments as well as many others. We established the Kao Universal Design Guidelines in 2011, and have reframed and further strengthened our UD approach with a focus on considerations for diversity, sharing inspiration and social engagement. An example of sharing inspiration is the development of adult pull-up diapers designed with

Results and issues regarding the Kao Sustainability Statement^{103-2, 103-3}

the feelings of the seniors in mind. After we expanded our range of thinner, low-rise adult diapers and added more color variations, we received many messages of appreciation and joy from senior customers.

We have also focused on offering products as well as educational and awareness-raising programs to safeguard the cleanliness and hygiene of community citizens. For example, we have been visiting schools to teach hand-washing lessons since 2009 in cooperation with communities, contributing to the establishment of good hygiene habits. We learned that creating effective impact on the broader society is possible by working closely together with communities. The COVID-19 pandemic that began in 2020 has reinforced the importance of hand washing around the world. We started a new hand hygiene effort in 2020 to add to our existing hand-washing lessons for awareness-raising and education, thereby contributing to reducing the number of infections.

Meanwhile, we were not able to achieve some of our 2020 targets. For example, we set the 2020 target of educating 12 million people about cleanliness and good hygiene habits by 2020, but the actual number of people was 3.74 million. This is attributed in part to the format of this education, where employees go out to schools to provide the lessons. Offering awareness-raising and educational activities in a variety of formats and strengthening integration with our business are issues.

Leveraging these issues and knowledge, we will continue Community activities through the KLP actions of Improved Quality of Life, Habits for Cleanliness, Beauty & Health, Universal Product Design and Sustainable Lifestyle Promotion, and aim to implement activities more strategically to amplify their positive impact on society.

Corporate Culture

In the area of Corporate Culture, we set the target of being a trusted company that acts with integrity, and have created returns for society and our business.

In our efforts for sustainable and responsible procurement, one of our Integrity activities conducted as part of Corporate Culture, we established a system for transparency and traceability in our procurement of palm oil. Looking at human rights considerations in the supply chain, we have conducted human rights due diligence (risk assessments) not only at Kao plants but also at our suppliers, based on the Kao Human Rights Policy established in 2015. We believe this has contributed to increased awareness for respecting human rights in the broader society and has also created returns for our business in terms of reducing business risk. In addition to expanding these efforts, other issues are the self-sufficiency of small oil palm farms and establishing traceability. The KLP seeks to strengthen our efforts, with new activities grounded in addressing these issues.

In terms of diversity and inclusion, we have cultivated a corporate culture and put in place systems to respect all employees and the diversity they bring, and that allow them to demonstrate their capabilities and enthusiasm to the fullest. We have been recognized for this, including being selected for inclusion in the 2019 Bloomberg Gender-Equality Index, being named a Nadeshiko Brand by the Ministry of Economy, Trade and Industry, getting ranked first in the list of the 100 Best Companies Where Women Actively Take Part compiled by Nikkei Woman magazine, and receiving the Prime Minister's Award for Leading Companies Where Woman Shine, an award

organized by the Cabinet Office of Japan. We will continue this effort in the KLP as the action of Inclusive & Diverse Workplaces and set even higher targets to take our achievements to the next level.

These efforts in the area of Corporate Culture will be continued primarily as part of Walking the Right Path in the KLP and built on further, including the addition of Full Transparency as a new action. Corporate transparency will become even more important in the future, and we will prioritize these efforts accordingly. To create high-level activities effective at addressing social problems that are expected to become more complex and severe in the years ahead, having a strong foundation in terms of our employees, organizations and corporate culture will become increasingly important. Based on Walking the Right Path in the KLP, we will further strengthen this foundation.



→ For details concerning our current ESG Strategy, the KLP
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-all.pdf#page=11

Results and issues regarding the Kao Sustainability Statement 103-2, 103-3

Conservation

Materiality	Vision	Items	Results				Targets	Results	SDGs※6
			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	-30%	-30%	-33%	-37%	-35%	-36%	7 12 13 17	
	Across the entire product lifecycle (Kao Group)	-14%	-14%	-17%	-18%	—	-11%		
	Across the entire product lifecycle (Kao Group in Japan)	-16%	-15%	-18%	-20%	-35%	-18%		
	Reduction rate for water consumption*1								
	All Kao Group plants and offices	-42%	-43%	-42%	-42%	-40%	-39%	6 12 15 17	
	Across the entire product lifecycle (Kao Group)	-17%	-19%	-21%	-23%	—	-15%		
	During product use (Kao Group in Japan)	-22%	-24%	-24%	-29%	-30%	-26%		
	Reduction rate for the amount of generated waste and other unwanted materials*1								
	All Kao Group plants and offices	-25%	-25%	-26%	-27%	-33%	-26%	12 14 15 17	
	Percentage of sales from products displaying the “eco together” logo*2		29%	29%	29%	27%	—	28%	6 9 12 13
	Procurement of sustainable palm oil*3		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 Completed traceability to the mills	Traceability to the plantations	PO*3 Completed traceability to mills and farms owned and managed by oil suppliers	8 10 12 15 17
	Procurement rate for sustainable paper and pulp*4		99%	100%	100%	100%	100%	100%	
	Promote further environmental activities by engaging in environmental communication with society								
	Cumulative number of participants in environmental communication*5 (thousands of people)		690	910	1,230	1,420	1,000	1,570	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		3 (Total 10)	3 (Total 13)	3 (Total 16)	3 (Total 19)	Total 20	3 (Total 22)	3 6 12 14 17	
Number of released GPS safety summaries for chemical products		18 (Total 107)	18 (Total 125)	16 (Total 141)	18 (Total 159)	Total 150	18 (Total 177)		

*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 Recycled and sustainable paper and pulp and packaging materials used in our products

*5 Cumulative number of participants in educational programs, plant tours, environmental events, etc., since 2014

*6 The goals to which the Kao Group can contribute among 17 Sustainable Development Goals (SDGs).

In line with the adjustment of the SDGs identified as corresponding to the key themes addressed by the KLP, the corresponding SDGs referred to in this table have also been revised.

Results and issues regarding the Kao Sustainability Statement 103-2, 103-3

Community

Materiality	Vision	Items	Results				Targets	Results	SDGs
			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* ⁷ (thousands of people)	2,320	2,880	100	90	—	8	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* ⁸ (thousands of people)	7,670	8,420	7,360	6,540	12,000	3,740	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* ⁹	3,585	4,666	5,658	6,574	—	7,687	101217	
	Implementation rate of improvements with Universal Design considerations* ⁹	71%	63%	56%	44%	—	53%		
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	67	50	33	90	80	64	17	
	Educational activities for external parties provided through transmitted information	59	60	50	92	80	62		

*⁷ 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 and later.
QUPiO: A program aimed at providing support for health promotion and preventive, lifestyle improvement initiative 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.

*⁸ 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.

*⁹ Products improved with UD considerations represent products improved from considerations including accessibility, safety and usability. The implementation rate of improvements is the percentage of products improved with UD considerations among all new and improved product items. 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	SDGs
			2016	2017	2018	2019	2020		
Integrity	Instillment of Integrity throughout the entire Kao Group								
	BCG test rate	97.5%	97.1%	—*10	100%*11	100%	82.6%	816	
	Number of serious compliance violations*12	0	0	0	0	0	0		
Diversity and Inclusion	Maximize employee potential through Diversity and Inclusion								
	Percentage of female managers	25.4%*13	25.1%	27.3%	29.4%	30%*14	28.8%	5810	
	Percentage of female managers (Japan)	13.1%*13	14.6%	18.4%	21.2%	20%*14	19.2%		
	Cumulative attendance rate for manager training on diversity and increasing management capabilities (Kao Corporation and a part of domestic group companies)	8.2%	55.7%	94.0%	189%	200%*15	195%		
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	31,740	38	
	Lost time accident frequency rate*16	0.67	0.55	0.77	0.78	0.10 or less	0.53		

*¹⁰ Not implemented in 2018 due to a review of BCG activities

*¹¹ Implemented inside and outside Japan in alternating years since 2019. Only implemented in Japan in 2019.

*¹² 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.

*¹³ The definition of “manager” was revised in 2016 following the promotion of integrated Group management.

*¹⁴ Not established as targets for 2020, but targets to be quickly realized as future milestones

*¹⁵ Cumulative attendance rates for manager training since 2016

*¹⁶ 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)

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.

Basic views

Our targets for 2030 are to make Kao a company with a global presence, valuable to society. In order to become an essential company in a sustainable world, we are significantly shifting its direction to ESG management. While aiming to become a high-profit global company, we are also working toward raising the level of social contribution by capturing changes in business environments surrounding us and changes in stakeholders' values. In order to gain trust from society, which is indispensable for these corporate activities and business activities, we are constantly strengthening its corporate governance in both systems and operations. We view accomplishing its corporate governance as one of its most important management issues and the company's basic stance on measures related to corporate governance is to set up and operate a management structure and an internal control system, implement necessary measures in a timely manner 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. The company has been actively engaging in activities to listen to stakeholders' voices and based on input from stakeholders and social trends, it conducts reviews of its corporate governance and implements the necessary measures and improvements, as needed, in an appropriate manner.

Features of Kao's corporate governance

● Integrity	We practice corporate governance that places our corporate philosophy, the Kao Way, at the core of our business management, and with a consistent focus on walking the right path (Integrity), which is one of values of the Kao Way. Employees work together based on mutual respect and fairness, bring an attitude of sincerity and diligence, and conduct themselves lawfully and ethically, and by so doing we are able to maintain the support and trust of all stakeholders and engage in sound and honest business activities.
● Innovation	We have pursued creation of the most optimal structure to respond to changes in the business environment as well as social demands. In FY2020, we revised our structure and its operations to further raise the level of our governance, including adding Audit & Supervisory Board Members to the positions subject to review by the Committee for Examination of Nominees and establishing the new Compensation Advisory Committee for Audit & Supervisory Board Members, and are striving to improve our corporate value.
● ESG Vision	We have established our ESG Vision in order to become a company that is essential to a sustainable world, and we position the creation of effective corporate governance as a prerequisite and a driver to vigorously advance the realization of this vision.
● Use of outside executives	We have put in place a system of governance able to maintain a high degree of objectivity, including making 7 of the 13 members of the Board of Directors/Audit & Supervisory Board Members independent and outside members and having an Outside Director serve as Chairman of the Board of Directors, to ensure that the Board of Directors is able to appropriately perform management oversight. Outside Directors and Outside Audit & Supervisory Board Members are designated with priority placed on their independence as well as their expertise and high-level insight. They oversee and audit planning and execution of business strategy and the like from their diverse viewpoints, facilitating effective and judicious decision-making.
● Strengthening internal control	The Internal Control Committee leads discussions on compliance, risk and crisis management, and related topics across the Kao Group to improve the effectiveness and efficiency of our business processes, ensure the credibility of our financial reporting, comply with laws and regulations in our business activities, and preserve our assets, and we are strengthening internal control throughout the Kao Group.

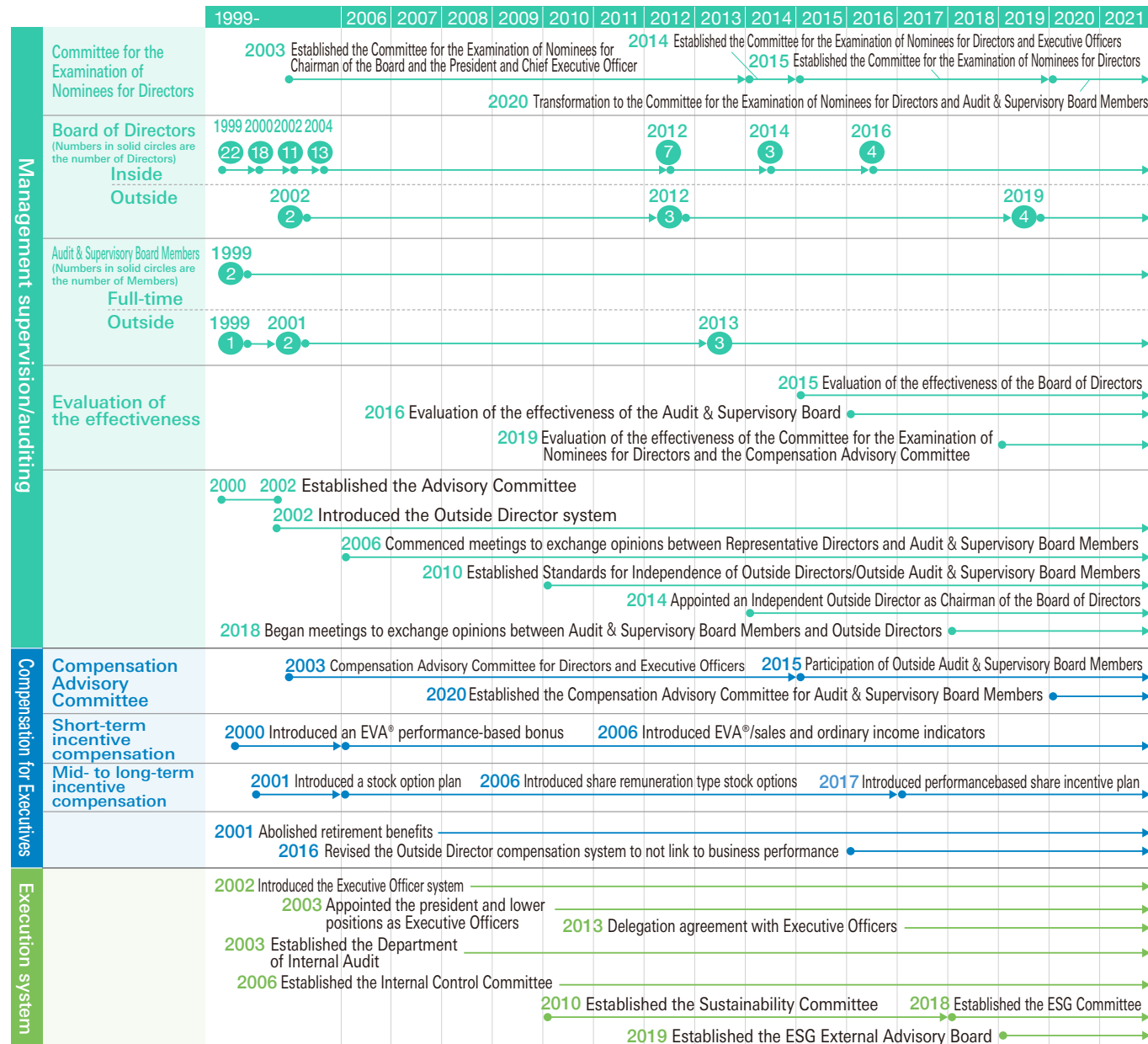


→Report Concerning Corporate Governance

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/about/pdf/governance_001.pdf

Corporate governance

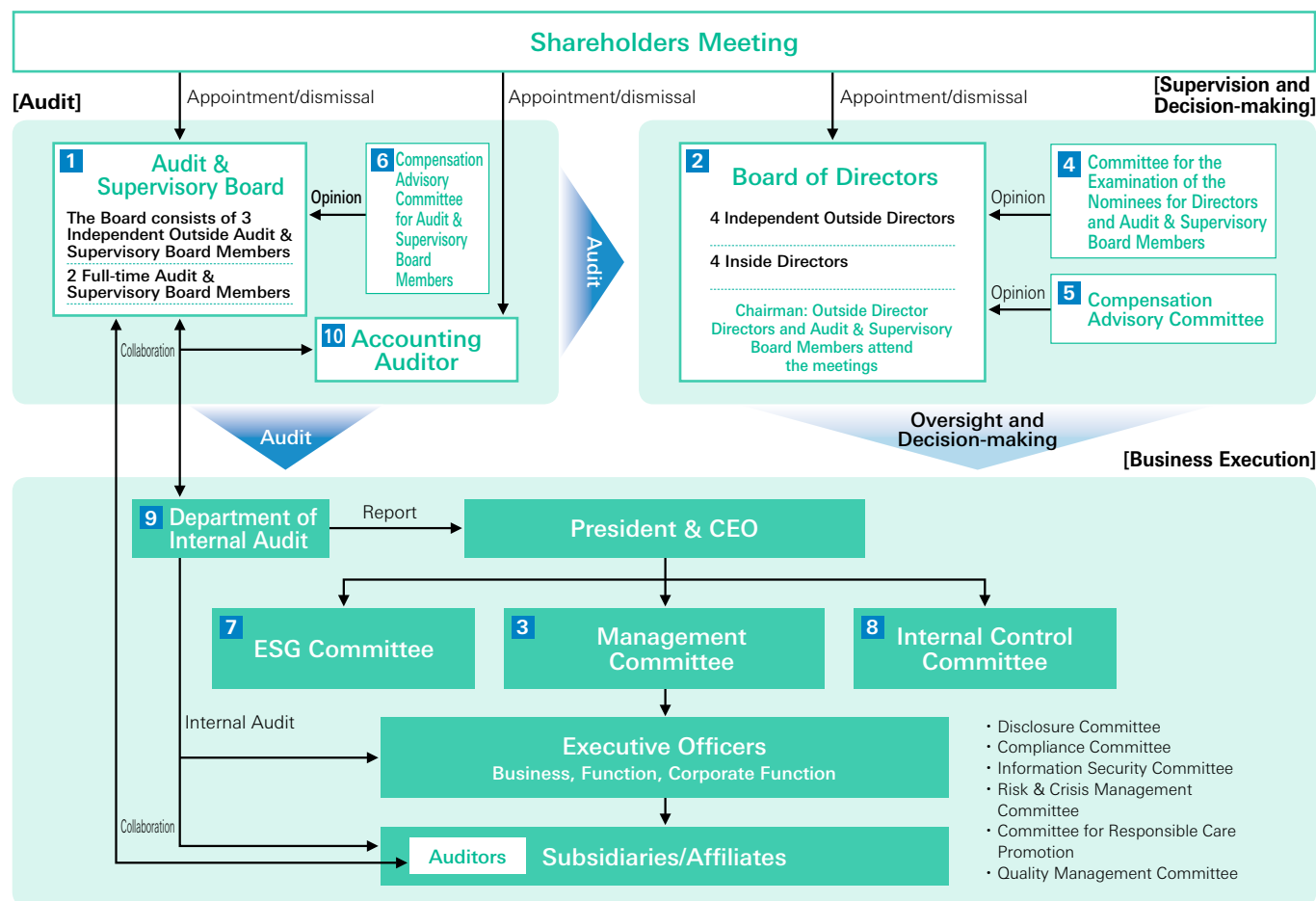
The path toward strengthened governance



Corporate governance 102-18, 102-22, 102-23, 102-24, 102-26

Corporate governance structure

* As of June 2021



1 Audit & Supervisory Board

Composed of Full-time Audit & Supervisory Board Members who are familiar with the company's internal matters, and Outside Audit & Supervisory Board Members who possess a high level of specialist expertise and know-how in the fields of finance, accounting or legal affairs, the Audit & Supervisory Board engages in in-depth discussion from an independent, objective viewpoint. The Audit & Supervisory Board Members realize effective auditing by attending important meetings, such as meetings of the Board of Directors and of the Management Committee, as well as through coordination with the Accounting Auditor, the internal auditors of each division and the auditors of affiliated companies, and through the implementation of audits at individual divisions within the company and of surveys at affiliated companies.

2 Board of Directors

The Board of Directors deliberates from various perspectives, including the evaluation of risks, on the overall direction of management including management strategy, and monitors from multiple viewpoints whether the management strategy is being properly implemented. It also puts in place an environment conducive to aggressive management that also clearly identifies risks, by establishing an internal control system and risk management system.

3 Management Committee

With a membership that consists mainly of personnel at Managing Executive Officer level or higher, the Management Committee makes decisions relating to the execution of the mid- to long-term direction and strategy that has been deliberated on and decided on by the Board of Directors. Delegating wide-

-ranging authority to the Management Committee helps to speed up decision-making and execution.

4 Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members

Comprising all Outside Directors and Outside Audit & Supervisory Board Members, this committee examines and deliberates on the appropriateness and other qualities of Director nominees, including nominees for the positions of Chair, President and Chief Executive Officer and Representative Director, as well as Audit & Supervisory Board Member nominees, and submits its opinions to the Board of Directors. The committee also discusses issues relating to the scale, composition and diversity of the Board of Directors and the Audit & Supervisory Board, as well as the qualities and capabilities required by their members, and reports on its findings to the Board of Directors.

5 Compensation Advisory Committee

The Compensation Advisory Committee is composed of all Representative Directors, the Chair of the Board of 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.

6 Compensation Advisory Committee for Audit & Supervisory Board Members

Comprising all Outside Audit & Supervisory Board Members, the President and Chief Executive Officer, and one Outside Director, this committee examines, from an external perspective, the appropriateness of the amount of compensation awarded to Audit & Supervisory Board Members by the decision of the Shareholders Meeting, and the transparency of the process by which this decision was made, and submits its opinions to the Board of Directors.

7 ESG Committee

To gain the support and trust of all stakeholders, the ESG Committee 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 as a company with a global presence, and of society. The concrete embodiment of ESG Strategy is promoted by the ESG Promotion Meeting, and developed through activities carried out by individual divisions. The overall direction of ESG activity is confirmed and adjusted as necessary by the committee based on the current state of company-wide ESG activity promotion and the recommendations received from the ESG External Advisory Board.

8 Internal Control Committee

The Internal Control Committee oversees and promotes internal control activities throughout Kao, with the aim of ensuring the accuracy of financial reporting and enhancing the quality of internal control establishment and operation through cross-organizational integration of functions pertaining to internal control.

9 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.

10 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.

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	Period of appointment (upon conclusion of the March 2021 Shareholders Meeting)	Board of Directors	Audit & Supervisory Board	Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee	Compensation Advisory Committee for Audit & Supervisory Board Members	Attendance (FY2020)	
								Board of Directors	Audit & Supervisory Board
Directors	Michitaka Sawada	12 years 9 months	○			○		14/14	—
	Yoshihiro Hasebe	5 years	○			○	○	14/14	—
	Toshiaki Takeuchi	7 years	○			○		14/14	—
	Tomoharu Matsuda	2 years	○			○		14/14	—
	Sonosuke Kadonaga	Outside / Independent 8 years 9 months	◎		◎	◎	○	14/14	—
	Osamu Shinobe	Outside / Independent 3 years	○		○	○		14/14	—
	Chiaki Mukai	Outside / Independent 2 years	○		○	○		14/14	—
	Nobuhide Hayashi	Outside / Independent 2 years	○		○	○		14/14	—
Audit & Supervisory Board Members	Hideko Aoki	2 years	○	◎				14/14	8/8
	Sadanao Kawashima	— *1	○	○				—	—
	Hideki Amano	Outside / Independent 4 years	○	○	○	○	◎	14/14	8/8
	Nobuhiro Oka	Outside / Independent 3 years	○	○	○	○	○	14/14	8/8
	Takahiro Nakazawa	Outside / Independent 1 year	○	○	○	○	○	12/12*2	6/6*2

*1 Appointed to and assumed the position at the March 2021 Shareholders Meeting.

*2 The Board of Directors met 12 times, and the Audit & Supervisory Board met 6 times, since Mr. Nakazawa assumed the position.

Reasons for appointment of Outside Directors and Outside Audit & Supervisory Board Members

In nominating candidates for Outside Directors, Kao emphasizes having wide-ranging experience, knowledge and insight, as well as taking into account the issue of independence. In nominating candidates for Outside Audit & Supervisory Board Members, emphasis is placed on whether candidates possess the high level of expertise and insight in accounting and finance, and in law, necessary for auditing, and whether they have extensive experience as well as possessing high ethical standards as a professional. Importance is also attached to meeting the legal requirements to be classed as an Outside member, and to be considered independent.

Name	Reasons for appointment
Outside Directors	Sonosuke Kadonaga He has a high level of insight related to international corporate management gleaned from his considerable experience at a foreign-affiliated consulting company and has served as the Chairman of the Board of Directors since March 2014, where he has contributed to highly engaging discussions that transcend the boundaries of Inside and Outside Directors.
	Osamu Shinobe He has considerable experience and expertise in relation to global corporate management and risk management able to meet changing needs in the business environment, including involvement for many years in the maintenance division of a globally operating airline company where safety and reliability are the top priority, and he offers opinions and valuable suggestions on matters material to our group management.
	Chiaki Mukai As an astronaut and a doctor, she has a high level of expertise in the scientific fields, and at Board of Directors meetings, she actively offers opinions and suggestions leveraging her experience and insights as well as her perspective as a woman on matters material to our group management.
	Nobuhide Hayashi He has an abundance of experience and a high level of insight in global corporate management to address changing needs, including many years of international experience in finance and finance affairs and serving as a management executive while the world of finance was experiencing changes in the global business environment, and offers valuable opinions and suggestions on matters material to our group management.
	Hideki Amano He has a high level of specialist expertise as a certified public accountant, and has extensive global experience at a leading auditing firm. Making full use of the experience and insights he has acquired as a member of management he has been serving as an Audit & Supervisory Board Member at Kao Corporation since March 2017, and has conducted auditing for the Kao Group effectively based on a professional perspective.
Outside Audit & Supervisory Board Members	Nobuhiro Oka As a lawyer, he has expert insights and considerable experience in corporate legal affairs and corporate governance, and has a high level of insight into our group's business from serving as an Audit & Supervisory Board Member of principal subsidiary since 2014.
	Takahiro Nakazawa He has expertise as a certified public accountant and has been involved in auditing work for large companies at a leading auditing firm, and has a high level of insight pertaining to governance and internal controls at global companies, including from advisory work relating to the introduction of U.S. accounting standards and International Financial Reporting Standards (IFRS).

Initiatives to enhance the effectiveness of the Board of Directors

Kao is implementing the following initiatives to ensure that the Board of Directors fulfills its roles and responsibilities in relation to oversight of operational execution and decision-making. The effectiveness of the Board of Directors is being enhanced by promoting the timely and appropriate provision of information to Outside Directors and by fostering open, frank and constructive discussion and exchange of views between Outside and Inside Directors.

Initiatives to ensure full utilization of the functions of Outside Directors

Specific Initiatives	Frequency of implementation	Content
● Provision of information prior to meetings of the Board of Directors	Monthly	To facilitate productive discussions at meetings of the Board of Directors, relevant materials are distributed beforehand to promote understanding of matters such as the background, purpose and content of agenda items.
● Appointment of an Outside Director as Chairman of the Board of Directors	—	By appointing an Outside Director to serve as Chairman of the Board of Directors, an environment has been created that fosters the eliciting of views based on a perspective that is neutral and independent from the executive function, thereby facilitating more appropriate discussion.
● Arranging for the Chairman of the Board of Directors to sit in on meetings of the Management Committee	Three to four times a month	Having the Chairman of the Board sit in on meetings of the Management Committee, which constitutes the highest executive decision-making body, creates opportunities for the chairman to directly access information relating to important executive issues and the state of discussion regarding those issues. Building on this, when meetings of the Board of Directors are held, the chairman can share the information he/she possesses regarding the background to the issues with the other Outside Directors, which makes it easier to get to the heart of the discussions more quickly.
● Arranging for Outside Directors to attend R&D presentations	Annually	Having Outside Directors sit in on R&D presentations creates opportunities for them to directly access internal information relating to R&D strategy and the state of progress in R&D, etc. Giving Outside Directors a more in-depth understanding of internal activities in this way leads to invigorated discussion in meetings of the Board of Directors.
● Holding meetings at which Outside Directors and Audit & Supervisory Board Members can exchange views	Three times a year	In creating regular opportunities for meetings, the aim is to facilitate the active exchange of views regarding issues identified during auditing conducted by Audit & Supervisory Board Members, and the making of proposals to address these issues where necessary.
● Worksite visits	Annually	Having Outside Directors visit Kao's markets, offices, factories and retailers creates opportunities for them to directly access information relating to the frontline of our operations. In past years, Outside Directors have also visited worksites outside Japan. However, in FY2020, due to the spread of the COVID-19 pandemic, visits were only made to worksites within Japan (specifically, the Wakayama Plant).



Board of Directors

The Board of Directors is structured appropriately, with a good balance of Directors from inside and outside the company who possess diverse experience and expertise. The board undertakes decision-making in regard to important matters such as management strategy, etc., as well as monitoring strategy execution. In FY2020, the board held monthly discussions to consider status reports relating to the COVID-19 pandemic, its impact on business activities and the initiatives being adopted in response. In addition, the board engaged in an open, wide-ranging exchange of views to formulate the new Kao Group Mid-term Plan 2025 (K25). In addition to the items noted on the next page, each month the board receives business execution reports from Directors currently serving as Executive Officers, as well as receiving reports on matters discussed during meetings of the Management Committee from the Executive Officer in charge.

Major topics discussed by the Board of Directors in FY2020

First Quarter	<ul style="list-style-type: none"> ● Evaluation of the effectiveness of the Board of Directors ● Department of Internal Audit semi-annual reports ● Audit & Supervisory Board Members' audit report summaries
Second Quarter	<ul style="list-style-type: none"> ● Mid-term plans (K20 and K25) ● Cosmetics Business strategy ● Current status of Research & Development and topics ● Compliance Committee annual reports
Third Quarter	<ul style="list-style-type: none"> ● Mid-term plan (K25) ● Department of Internal Audit semi-annual reports ● Deliberations relating to the appointment of a new President & CEO
Fourth Quarter	<ul style="list-style-type: none"> ● Mid-term plan (K25) ● Research & Development progress report ● Internal Control Committee activities report ● Cross-shareholdings status report ● New employee empowerment system

Evaluation of the effectiveness of the Board of Directors

On 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. Kao believes that it is effective for all of those who participate in meetings of the Board of Directors to perform evaluation by expressing their own opinions and engaging in free and open discussions, and so evaluation of Board effectiveness is performed using self-assessment. For the FY2020 evaluation, once again, a survey was conducted, and feedback on the survey results were provided before engaging in discussion and exchange of opinions.

Efforts to address issues pointed out in the FY2019's evaluation

- Discussion of the broad direction of corporate strategy: While adequate discussion did take place, there was a need for further discussion of the company's global strategy, M&A strategy and human capital strategy.
- Human capital development strategy: While a certain amount of discussion did take place, the board failed to engage in adequate discussion that was focused on specific issues. There was a need for more in-depth discussion of how to identify the types of human capital required in order to realize K25, of ways to clarify the state of utilization of the OKR new employee empowerment system, and of next-generation human talent cultivation, etc.
- Internal controls to realize compliance: While improvement has been seen in terms of initiatives to ensure rapid reporting of bad news, realize in-depth exploration of the causes of problems, and expand the scope of investigation, etc., there is a need for further improvement in terms of systems and operation. There is also a need to clarify the relative importance of individual issues, and to engage in discussion regarding whether, currently, the functions for preventing major incidents in advance are operating at the desired level.

Current state of discussion regarding the Kao Group Mid-term Plans (K20 and K25)

● Discussion and oversight regarding the achievement of K20

The main focus of discussion in relation to the realization of the goals of K20 has been on oversight regarding the response to the COVID-19 pandemic, with clear distinctions being made as to whether a particular issue derives from the COVID-19 pandemic or not.

● Discussion regarding the formulation of K25

The process of formulating K25 has involved a lively exchange of opinions, and adequate discussion, over an extended period of time, which deserves a positive evaluation. However, in the future there is still a need for more discussion regarding the specifics of the K25 plan.

● The vision for future discussion and oversight of the implementation of K25

There is a need for the putting in place of a framework to facilitate monitoring and for ongoing discussion. Discussion is also needed regarding decision-making in relation to the large-scale investment required for the implementation of K25, and the effectiveness of such investment, as well as regarding large-scale strategic initiatives and strategies to resolve

issues that hinder implementation of K25. There is also a need to monitor the status of implementation of related activities by company employees.

● Ensuring that the composition of the Board of Directors is oriented toward realization of K25

While the Board of Directors is already reasonably well-balanced, with a composition that falls within an appropriate level, Kao needs to strive for further improvement based on ongoing discussion of diversity. In regard to executive officers as well, Kao needs to consider making more efforts to recruit from outside the company, and to do more to recruit younger people, women and people with a track record of successful performance in overseas businesses.

Issues to be addressed by the Board of Directors

- To realize the achievement of K25, there is a need for timely sharing of concrete information regarding the current situation, as well as for ongoing discussion based on diverse viewpoints.
- There is a need for ongoing discussion of the human capital strategy. What is required is an intensification of discussion regarding the strategic direction that Kao needs to be heading in, as well as discussion of how to retain and cultivate the types of human capital that are needed in order to realize K25.
- With regard to internal controls, there is a need for ongoing monitoring of system establishment and of whether systems are operating properly, so that the control system can function more effectively throughout the group.

In addition to the above, evaluation was also performed of the overall state of operation of the Board of Directors, and of its deliberations. Furthermore, operation of the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members, and of the Compensation Advisory Committee, including deliberation of matters relating to the appointment of a new President and Chief Executive Officer and the adjustment of the compensation system, was evaluated and deemed to be appropriate.

Initiatives relating to auditing

Audit & Supervisory Board Members attend the Board of Directors meetings, audit the state of compliance with relevant laws and with Kao's Articles of Incorporation, the management decision-making process and the status of development and operation of the internal control environment, etc., and provide opinions as necessary.

In FY2020, based on the initiatives adopted by Kao to prevent the spread of COVID-19, audit quality was maintained by incorporating remote auditing activities.

Full-time Audit & Supervisory Board Members attend important meetings such as those of the Management Committee, Internal Control Committee and other relevant committees. In addition, they conduct on-site visit to factories and research laboratories, interview business units and functional divisions, and conduct surveys of affiliated companies both within and outside Japan. Outside Audit & Supervisory Board Members also participate in such activities where appropriate. Based on the findings and opinions obtained through these audit activities, the Audit & Supervisory Board holds meetings to exchange opinions with Representative Directors of the company, as well as holding meetings with Outside Directors, and makes suggestions as necessary.

Key audit items in FY2020

The Audit & Supervisory Board has established the following key audit items which are of fundamental importance, and implements auditing with respect to these items.

- Audits relating to Directors' execution of their duties
- Audits of the status of development and operation of the internal controls system
- Audits of crisis management, risk management and compliance risk
- Audits relating to financial reporting and disclosure
- Audits of the data retention management system

Evaluation of the effectiveness of the Audit & Supervisory Board

The Audit & Supervisory Board conducts an annual evaluation of the effectiveness of the activities of the Audit & Supervisory Board members and the Audit & Supervisory Board. At an Audit & Supervisory Board Meeting held in February 2021, each Audit & Supervisory Board member expressed their opinions on the activities in FY2020, referring to the checklist of focus points for "Self-Evaluation of the Effectiveness of Audit & Supervisory Board Members and Audit & Supervisory Board," and based on these opinions, all members discussed and evaluated the activities. The results were reported to the Board of Directors and will be incorporated into the audit plan for FY2021 to further enhance activities. The main results of the evaluation are as follows.

Current status

- Audit & Supervisory Board Members attend the meetings of the Board of Directors, audit the management decision-making process and the status of development and operation of the internal control environment from the perspective of legality and appropriateness, and provide opinions as necessary.
- Full-time Audit & Supervisory Board Members attend important meetings such as meetings of the Management Committee, Internal Control Committee and subordinate committees to confirm whether the execution status and the development and operation of internal control are properly implemented. They also perform auditing of factories and research laboratories, business divisions, function divisions and subsidiaries located both within and outside Japan, with Outside Audit & Supervisory Board Members participating too as appropriate. In FY2020, based on measures to prevent the spread of the infection of COVID-19, remote audits were used in combination

to maintain audit quality.

- Audit & Supervisory Board Members hold meetings to exchange opinions with the Representative Directors of the company and its important subsidiaries, as well as with the Outside Directors, based on the findings and opinions obtained through these auditing activities, and make recommendations as necessary.
- Audit & Supervisory Board Members exchange opinions frankly with each other based on their experience and expertise, while incorporating objective viewpoints, and generally function effectively.
- The Audit & Supervisory Board has the opportunity to report regularly on the activities of the Audit & Supervisory Board at the Board of Directors meeting.
- At meetings held to exchange opinions with Auditors of domestic group companies, opportunities are provided for Outside Audit & Supervisory Board Members to give addresses, and an exchange of views is held regarding Auditors' activities and internal controls at individual group companies.

Activities

- Attendance at important meetings: 69 times
- Meetings to exchange opinions with Directors: 6 times
- Auditing of factories and research laboratories, business divisions, function divisions and subsidiaries located both within and outside Japan: 105 times (First Defense Line: 90 times; Second Defense Line: 15 times)
- Three-way audit related activities: 44 times

Issues

- At the start of the Kao Group Mid-term Plan 2025 (K25), the following proposals and discussions will be made in order to respond appropriately and flexibly to changes in the business environment and business expansion.
- Make recommendations to improve the effectiveness and efficiency of both the development and operation of internal controls on a global basis
 - Strengthen the system to enable the auditors of subsidiaries to function more effectively
 - Continuously review the way in which audits are implemented

Internal audit status

The Department of Internal Audit reports directly to the President and Chief Executive Officer. It conducts internal audits on management activities of Kao and Kao Group companies in general from the perspective of complying with laws and regulations, the appropriateness of financial reporting and administrative effectiveness and efficiency. Besides providing reasonable assurance as to the effectiveness of the company's internal controls, the department also aims to further enhance the internal controls system by proposing improvements. The results of internal audit activities are reported to the Management Committee and the Board of Directors at regular intervals.

Regarding management of subsidiaries, the Group Company Policy Manual stipulates which items subsidiaries are required to obtain approval for from Kao in advance, and which items they are required to report to Kao. In accordance with the policy manual, the findings of internal audits conducted by the Department of Internal Audit, as well as initiatives implemented in response and the outcomes of such initiatives, are shared with the board of subsidiaries.

The Department of Internal Audit exchanges information and opinions regarding the current state of internal audit activities with Audit & Supervisory Board Members on a regular basis and as needed. In addition, with regard to the development or evaluation of internal controls relating to financial reporting and the current state of related internal audit activities, the Department of Internal Audit shares information as appropriate with the Accounting Auditor, and strives for effective mutual coordination with the Accounting Auditor.

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, outstanding talent so as to establish and enhance competitive advantage, (2) promoting prioritized actions for realizing 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.

Regarding Kao's share incentive plan, in order to promote the vision of "contributing to an 'enriched sustainable world' and growing the businesses of the company through proactive engagement in ESG activities and investment" which is one of the goals of K25 that

was initiated in FY2021, we have made adjustments to the long-term incentive compensation indicators starting from FY2021.

As regards short-term incentive compensation, while the exact percentage varies between the President and Chief Executive Officer, Inside Directors and other Executive Officers, in all cases EVA and consolidated net sales and income are used as the evaluation indicators. EVA, which is a management indicator to which we attach great importance, has been adopted as an evaluation indicator in order to provide motivation for enhancing corporate value through the implementation of long-term strategies that contribute toward the resolution of ESG issues. With regard to the adoption of consolidated net sales and income as evaluation indicators, this represents a goal that is shared with ordinary employees. It provides motivation for realizing profitable growth through day-to-day business activities, and can help to foster a sense of unity with employees.

Corporate governance 102-35, 102-36, 102-37

Summary of compensation system for Directors, Audit & Supervisory Board Members and Executive Officers

	Base salary	Short-term incentive compensation		Long-term incentive compensation		
		Bonus		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 five-year target period covered by the current mid-term plan •Fixed part: Deliver a set number of shares, etc. each year •Variable part: Delivery of shares, etc. when executive officers resign from their post in accordance with the results achieved in initiatives and activities undertaken as part of the mid-term plan The compensation structure is set at 70% variable and 30% fixed.		
Clawback	No	No		Yes (in the case of a serious compliance violation, etc. by the individual in question, the compensation may not be paid, or may be required to be repaid)		
Performance evaluation period	—	One year		Five years (2021–2025)		
Evaluation indicator	—	EVA®	•Consolidated net sales •Income (Gross Profit Less Selling and General and Administrative Expenses)	Business growth	ESG activities	Top management activities
Evaluation criteria	—	Degree of target achievement	Degree of target achievement Degree of year-on-year improvement	Business growth rate of net sales, profit, etc.	Evaluation by external indicators, and extent of achievement of internal goals (such as the Kirei Lifestyle Plan), etc.	Evaluation of management activities by Kao employees, etc.
Coefficient/Determination of payout rate	—	The payout ratio is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.		The coefficient for the variable 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 ratio is 100% •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 variable component coefficient is 100% •About 40% to 50% of the base salary of the position		
Eligible for provision	•Directors •Executive Officers •Audit & Supervisory Board Members	•Directors (Except for Outside Directors) •Executive Officers		•Directors (Except for Outside Directors) •Executive Officers		
Applicable period	—	One year		Five years (2021–2025)		

Compensation structure for Directors

Fixed compensation (50%)		Variable compensation (50%)	
1. Base salary		2. Short-term incentive (25%)	3. Long-term incentive (25%)

* In the case of the Representative Director, President and Chief Executive Officer.

* In the case where the variable component coefficient and the payout rate are both 100%.

Compensation paid to Directors in FY2020

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 share incentive
Directors (of Outside Directors)	8 (4)	240 (75)	268 (75)	83 (—)	-111 (—)
Audit & Supervisory Board Members (of Outside Audit & Supervisory Board Members)	6 (4)	81 (30)	81 (30)	— (—)	— (—)
Total (of Outside Directors and Audit & Supervisory Board Members)	14 (8)	321 (105)	349 (105)	83 (—)	-111 (—)

Note: 1. The above numbers of Directors/Audit & Supervisory Board Members include one Outside Audit & Supervisory Board Member who resigned at the conclusion of the 114th Annual General Meeting of Shareholders held on March 25, 2020.

2. Regarding performance-based share incentives, as the most recent fiscal year was the final year of implementation of the Kao Group Mid-term Plan K20, performance-based share incentives were confirmed after the conclusion of the final year of implementation of K20, with the inclusion of the performance-based part for the final year. The amount obtained by deducting an amount equivalent to the fixed part of the performance-based share incentives paid up until the most recent fiscal year from the cumulative total disclosed for the period up until the previous fiscal year exceeded the confirmed amount, with the amount of reversal for prior period provisions based on the level of achievement of K20 performance objectives being 216 million yen. As the amount of provisions booked for the most recent fiscal year was 105 million yen, the disparity was shown as a decrease in the above table.

Compensation paid for individual Directors in FY2020

Name (Director classification)	Aggregate amount of remuneration (Millions of yen)	Corporate classification	Amount of remuneration by type (Millions of yen)		
			Base salary	Bonus	Performance-based share incentive
Michitaka Sawada (Director)	82	Submitting company	82	39	-39

Note: 1. Regarding performance-based share incentives, as the most recent fiscal year was the final year of implementation of the Kao Group Mid-term Plan K20, performance-based share incentives were confirmed after the conclusion of the final year of implementation of K20, with the inclusion of the performance-based part for the final year. The amount obtained by deducting an amount equivalent to the fixed part of the performance-based share incentives paid up until the most recent fiscal year from the cumulative total disclosed for the period up until the previous fiscal year exceeded the confirmed amount, with the amount of reversal for prior period provisions based on the level of achievement of K20 performance objectives being 74 million yen. As the amount of provisions booked for the most recent fiscal year was 35 million yen, the disparity was shown as a decrease in the above table. For this reason, the aggregate amount of remuneration obtained by adding performance-based share incentives to base salary and bonuses was 82 million yen, and the aggregate amount of remuneration with performance-based share incentives deducted was 121 million yen.

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

ESG Committee

The Kirei Lifestyle Plan (KLP), introduced in April 2019 as a new ESG Strategy for Kao, symbolizes the desire to meet the needs of people who want to live more sustainably by pursuing creativity and innovation. The ESG Committee discusses and decides on the overall direction of activities related to Kao's ESG Strategy. The committee is chaired by the President and Chief Executive Officer, and its members include Senior Managing Executive and Managing Executive Officers. The committee formulates policies and strategies that are related to ESG activities, identifies ESG issues, risks and opportunities, examines the current state of ESG activities, and implements these ESG Strategies company-wide.

Main items deliberated on and approved by the ESG Committee in FY2020

- Confirmation of the ESG Strategy considering the spread of COVID-19
- Deliberation and approval of the ESG Strategy linked to the new Mid-term Plan K25
- Deliberation and approval of the revised draft of the mid- to long-term targets for the KLP
- Examination of the proposals from the ESG External Advisory Board
- Review of the progress made on each KLP action
- Discussion on how ESG performance evaluation should work

ESG External Advisory Board

The ESG External Advisory Board is made up of external experts who provide advice and suggestions to issues raised by the ESG Committee and offer outside viewpoints that are input into management. They provide information to the ESG Committee to enable the development and implementation of world-class plans, and give advice on the methods adopted by Kao to support the realization of ethical consumption by consumers.

In FY2020, they welcomed Jalal Ramelan (Chairman, ESG Indonesia), an expert on sustainable development, and Helmut Schmitz (Director of Communications & Public Affairs, Der Grüne Punkt - Duales System Holding GmbH & Co. KG), an expert on recycling systems for packaging as new additions to the advisory board, and discussed how to implement the KLP internally and the methods adopted by Kao to support the realization of ethical consumption by consumers.





Proposals and actions from the FY2020 Advisory Board

- Proposals on expectations for and risks to Kao based on the social situation
- Review and evaluation of the progress made on the KLP
- Proposals on the ESG Strategy linked to the new Mid-term Plan K25



→ Message to Kao from the members of the Advisory Board
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-07.pdf#page=10

ESG External Advisory Board Members

Members		
	Lisa MacCallum	Founder, Inspired Companies. Specialization: Business reforms
	Rika Sueyoshi	CEO, Ethical Association. Specialization: Ethical consumption
	Jalal Ramelan	Chairman, ESG Indonesia. Specialization: Sustainable development field
	Helmut Schmitz	Director of Communication & Public Affairs, Der Grüne Punkt - Duales System Holding GmbH & Co. KG. Specialization: Ethical consumption

As the world has had to endure hardships from the COVID-19 pandemic, our contributions through business based on our corporate philosophy, including meeting countries' emergency demand for medical and hygiene goods, have been highly rated by Advisory Board Members. As a suggestion for our future direction, they anticipate greater cooperation with stakeholders and implementation of the Kirei Lifestyle Plan (KLP) while our ESG activities are sustained at a high level.

We strive to make improvements to our risk and crisis management system to respond both appropriately and promptly to changes in the business environment, to prevent risks from happening and to minimize damage and loss in cases where risks manifest.

ESG Keyword

Main business risks

Spreading awareness of the risk management system and activity guideline

Improved employees' awareness and sensitivity to risk

Risks regarding COVID-19

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 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. Moreover, the global COVID-19 pandemic has only increased this trend.

On the other hand, stakeholders are also 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 What Kao Aims to Be by 2030

The business environment in which we operate continues to be affected by uncertainty in terms of the global COVID-19 pandemic, changing patterns of market competition, transformation of the market structure and volatility in raw materials markets and in regard to exchange rates, etc. The spread of the infection has transformed consumer awareness regarding the environment, health, hygiene and so on, accompanied by changes in consumer purchasing behavior. 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, including emerging risks*, that affect our business.

The Risk and Crisis Management Committee and Management Committee have defined the main 14 risks of special importance (see table on the next page) that could occur negative impact on our contributions to sustainability of the world through business activities, and on sustainable and profitable growth. Managing divisions have established countermeasure policies for these risks and are managing their progress.

* Emerging risks:

New risks that emerge as a result of factors such as changes in the business environment, risks that have previously not been acknowledged as risks, or risks that have significantly increased in degree

Risk and crisis management 102-12, 102-15, 102-30, 103-1

Main risks

Main risk	Detail of risk
1. Risks related to the COVID-19 pandemic	<ul style="list-style-type: none"> The following risks are associated with the global spread of COVID-19 and consumer changes. • Temporary suspension of operations or obstacles to providing products and services due to multiple infections (clusters) at Kao Group bases or in the supply chains • Delays in product development and launch plans due to a resurgence of infections or prolonged pandemic, due to work that cannot be performed remotely • Delays in the recovery of the Cosmetics Business or other businesses due to a resurgence of infections or prolonged pandemic • Risk from insufficient response to changes in consumers' awareness and values and changes in consumer behavior
2. 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
3. Risks related to changes in the retailing environment	<ul style="list-style-type: none"> • Risks that would prevent conducting appropriate sales activities for the changes and speed in the retailing environment including e-commerce growth, fusion of real distribution and online as well as mergers and integration across business formats • Risk of diminishing inbound demand due to infection spread as well as of inadequate response to the shrinking cosmetics market
4. Risks related to business outside Japan	<ul style="list-style-type: none"> • Risk of significant business planning delays due to slow economic growth, political and social instability, problems with business partners such as retailers and agents, sudden changes in laws, regulations and tax systems, an influx of counterfeit products, reputation risks and others
5. 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
6. Risks related to product quality	<ul style="list-style-type: none"> • Risk of serious product incidents • Risk of concerns emerging with regard to product safety or environmental issues
7. Risks related to large-scale earthquakes, other natural disasters and accidents	<ul style="list-style-type: none"> • Risk of obstacles emerging that hinder our ability to supply our products to the market by the harm to employees, facilities and supply chain as a result of large-scale earthquakes, large typhoons associated with climate change, floods and other natural disasters • Risk of major harm to employees and the surrounding area due to plant fire or explosion
8. Risks related to information security	<ul style="list-style-type: none"> • Risk relating to personal information disclosure or confidential information leakage as well as temporary disruption of the supply chain or other aspects of business operations through voluntary acts such as cyberattacks or negligence
9. 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.
10. 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
11. Risks related to compliance	<ul style="list-style-type: none"> • Risk of serious compliance violations at group companies, contractors, etc.
12. Risks related to securing 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 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
14. Risks related to litigation	<ul style="list-style-type: none"> • Risk relating to litigation trends and others

With the spread of the COVID-19 pandemic around the world, the importance of medium-to long-term responses to “risks related to response to social issues” and “risks related to securing human capital” is increasing.



→ Business Risks and Other Risks

www.kao.com/global/en/investor-relations/management-information/risk-of-business/

Opportunities related to realization of What Kao Aims to Be 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, earning a strong sense of trust from our shareholders, and providing products and services deemed necessary by society, we strive to make Kao a company with a global presence.

Contributions to the SDGs



Policies

We regard potential negative impacts on the achievement of the management targets and business activities as a “risk,” and the manifestation of such risk as a “crisis.” We appropriately manage the various risks and crises that could occur across our business following the response priority detailed in the Kao Risk and Crisis Management Policy (1. Protection of human lives 2. Environmental conservation 3. Continuation of operations 4. Protection of assets). The Risk and Crisis Management Committee has established risk and crisis management systems and activity guideline, and 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, 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.

Risk and crisis management 102-43, 404-2

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 designated risk management system and activity guideline formulated by the committee to individual divisions, subsidiaries and affiliates. Then through self-audits, we confirm how well each division and company understands basic policy and activity guideline, as well as the implementation progress of our activities. Additionally, through the use of our internal portal site, we are able to inform employees about our risk management system, response flow, emergency contacts, guidelines and so on when crises occur. Moreover, we are working to foster awareness of risks and crises by providing alerts and e-learning education for various risks and checking employee attendance and their level of understanding.

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

On our internal portal site, we provide employees with an

emergency contact and response structure to be used when a risk becomes realized. In addition, to promote an understanding of risk and an immediate, appropriate response in the event of a crisis, we also provide information and education about topics, such as how to prepare for and respond to large-scale earthquakes, natural disasters, terrorism, pandemics, information security risks or reputation risks, as well as key points to note when using social media. Risk education is also provided to directors (including outside directors) at least once a year by internal or external lecturers.

In 2020, through our internal portal site and other means, we communicated the status of infections nationally and regionally and work systems and styles to adopt corresponding to national and local government policies as part of our crisis management measures, and employees put them into practice. We also communicated a wide variety of information related to COVID-19 infection protection measures over the year, including ways to strengthen infection protections at workplaces and at home, the response when employees or their family members become infected or are in close contact with an infected person, and systems and precautions when working from home.

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

When it comes to risk and crisis management, in order to quickly and properly address these situations, it is necessary to conduct activities that deepen mutual understanding with our stakeholders through communication.

For instance, when it comes to maintaining product safety and good quality, stable supply, and fulfilling our responsibility toward social issues, working with suppliers and contractors is essential. Concerning stable procurement risks, we actively promote the facility expansion at our major suppliers and the use of secondary suppliers for risk diversification, as well as collaborative efforts to review supplier contracts. Additionally, for sustainable and responsible procurement, we are strengthening coordination with our suppliers through various initiatives such as the monitoring of suppliers by Sedex and the Carbon Disclosure Project (CDP) Supply Chain Program.

Furthermore, in the event of crises such as large-scale earthquakes and typhoons, it is necessary to work not only with suppliers and contractors but also with the government, local governments and industry groups in order to provide relief aid to the affected areas and to ensure the continuous supply of needed products and services. Participation and information exchange in subcommittees and activities is useful for promoting in-house activities. In the event of a crisis, we will provide information on the status of our group and the impact on the market in a timely manner through our website and other avenues, striving to eliminate the concerns of consumers and customers.

Risk and crisis management 102-15, 102-20, 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 14 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

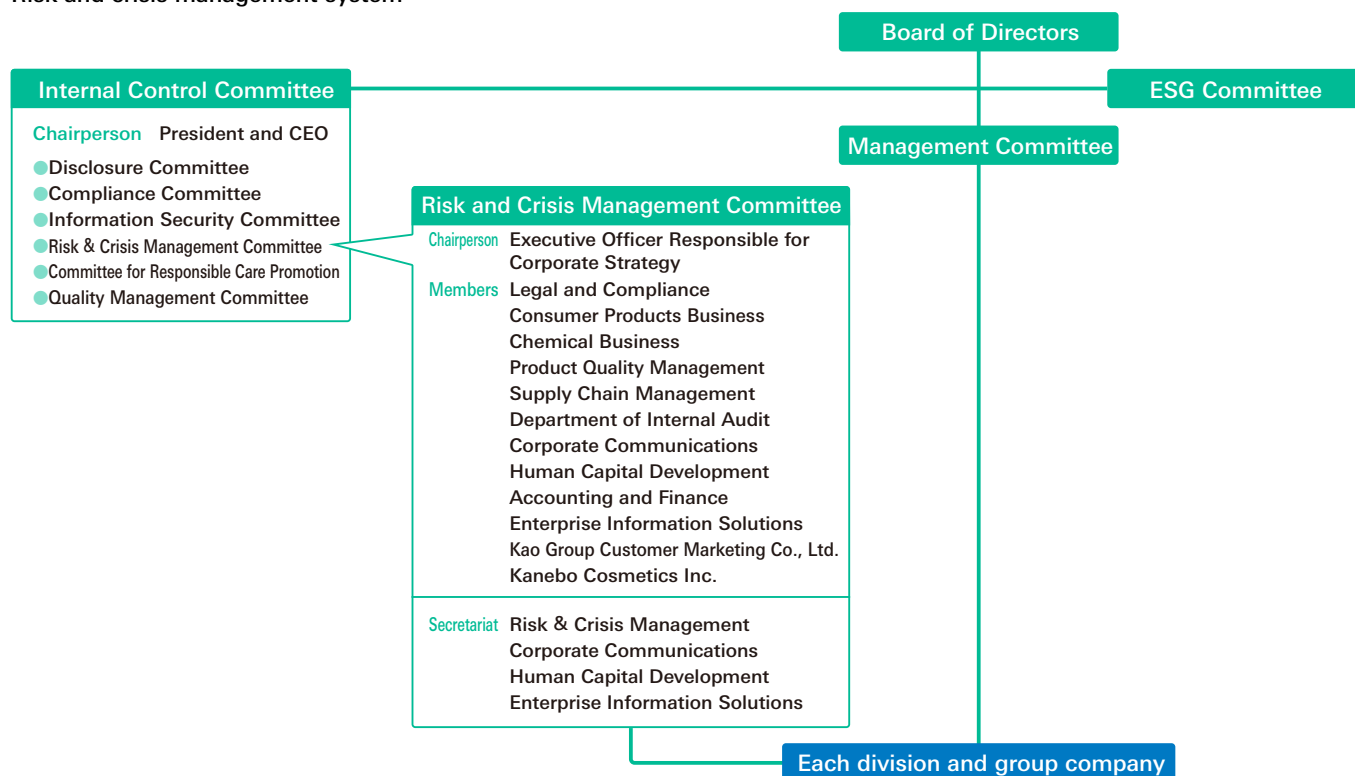
themes and persons responsible for addressing them (executive officers) based on internal and external risk analysis and informational interviews with management, and the Risk and Crisis Management Committee manages the progress.

Conversely, in the event of a crisis, in the case of corporate risks, those responsible for addressing them, or in the case of other risks, those divisions, and subsidiaries and affiliated companies responsible for addressing them, play a central role when it comes to establish an organization for countermeasures. In addition, depending on the magnitude of the impact on the Kao Group as a whole, we also establish Emergency Response Team Headquarters with the President and Chief Executive Officer or executive officer as its general manager to respond to the impact to reduce physical damage and financial loss as much as possible.

Risk and Crisis Management group, 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 group 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 group 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 supervising divisions 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.

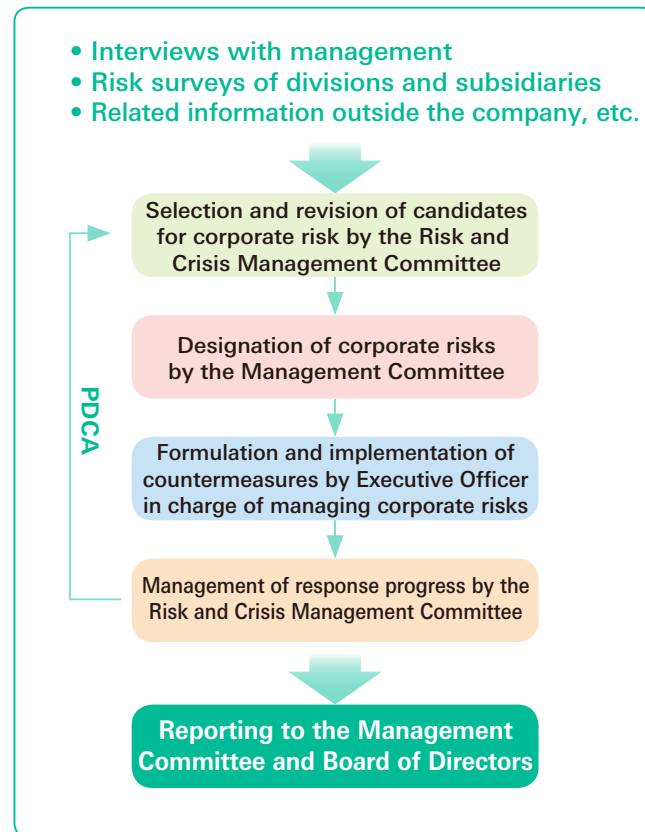
Risk and crisis management system



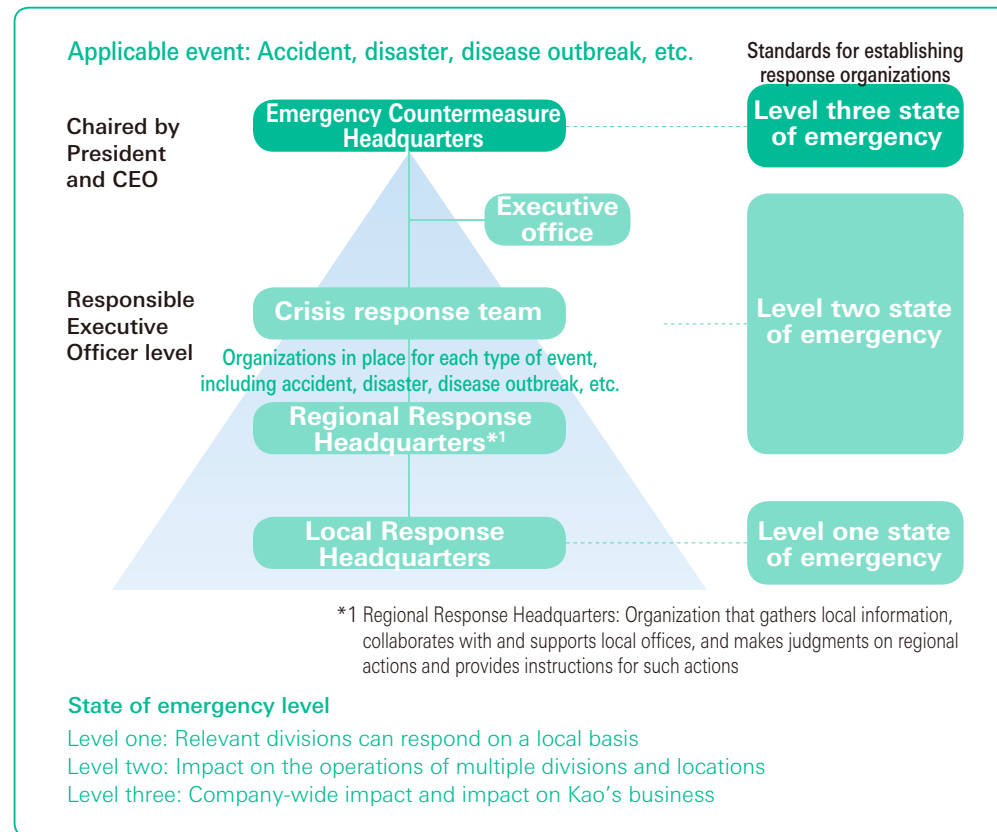
* As of December 2020

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

Note: Main risks 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 2020

- Clarifying main risks, including corporate risks, and strengthening our counter response
- Rapid and appropriate response when risks manifest
- Strengthened our practical ability to respond to significant risks at overseas bases
- Strengthening our response to latent risks at business sites and in the business environment
- Strengthening measures against information disclosure, etc.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

By preventing crises from occurring and minimizing any damage or losses in the event of an occurrence, we will be able to achieve our business activity goals and sustainable profit and growth.

Social impacts

Making contributions to social sustainability possible through business activities

Performance in 2020

Performance

Response to the COVID-19 global pandemic

We set the emergency level as “level 3,” the highest level, and held a meeting of the Emergency Response Team Headquarters (headed by the President and Chief Executive Officer) to decide on Group-wide policies regarding (1) ensuring the safety of employees and their families, (2) continuity of business activities, and (3) contributions to society, and took the following actions. In addition, these actions have been reported to the Board of Directors.

1. Ensuring the safety of employees and their families
 - As crisis management measures, followed national and local government policies, and implemented work systems and styles compatible with the status of infection in each country and region (promotion of remote work/teleworking, restrictions on business trips, restrictions on training/events/tours, etc.)
 - Identified the status of infected employees and family members or those who have been in close contact with infected persons, and implemented care as applicable, and measures to prevent the occurrence of infection clusters
 - Launched the Infectious Disease Risk Assessment Project to reinforce infection prevention measures in the workplace and at home
2. Continuity of business activities
 - To maintain the supply chain, implemented higher-level infection control measures at production sites and rolled them out to subcontractors and other related parties, in addition to conducting relevant activities for raw material procurement
 - Enhanced information systems for remote work and promoted digitalization of operations
 - Reviewed Group systems for new work styles
 - Formulated and implemented a business strategy for

dealing with COVID-19

3. Contributions to society
 - Provided a continuous supply of hygiene-related products for cleanliness and worry-free daily life
 - Increased production of alcohol disinfectant to 20 times the previous level and supplied them on a priority basis to medical institutions, nursing facilities and other locations with urgent needs
 - Through our website, provided information on hygiene in daily life, based on the knowledge of experts and our own know-how. Also, for hygiene researchers, medical professionals, public health nurses working at educational institutions and other professionals, provided a wide range of information, including expert knowledge on measures for preventing the spread of infection based on academic papers
 - Contributed to the development of therapies and diagnostic tools for COVID-19, including the discovery of VHH antibodies that can be anticipated to inhibit infection

Clarifying main risks, including corporate risks, and strengthening our counter response

- The Risk and Crisis Management Committee and the Management Committee have selected the 14 main risks of particular significance as the risks that could have a negative impact on our sustained profitable growth and contribution to the sustainability of the world through our business activities. The details of these main risks and our main initiatives are disclosed in “Business Risks and Other Risks” in our 115th Financial Report.
- The Risk and Crisis Management Committee managed the progress of the eight corporate risk themes for FY2020.
- Based on internal and external risk analysis, the Management Committee decided on the management system for nine corporate risk themes for 2021.

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

Corporate risks and main initiatives in FY2020

Theme	Details of risks	Main initiatives
Pandemics	Risk including damage to employee health and temporary business suspensions occurring due to the global COVID-19 pandemic	<ul style="list-style-type: none"> • Apply and practice guidelines and a plan of action, proposed by examining global influenza epidemic responses, against the COVID-19 pandemic (Refer to Response to the COVID-19 global pandemic)
Large-scale earthquakes and other natural disasters	Risk of harm to employees and assets including facilities and difficulties in supplying products as a result of large-scale earthquakes and other natural disasters such as large typhoons and floods associated with climate change	<ul style="list-style-type: none"> • Conduct surveys of water-related risks at each business location, and strengthen physical and non-physical countermeasures • Conduct disaster preparedness education including verifying hazard maps and evacuation measures • Strengthen our response through emergency response drills and BCP drills to prepare for major earthquakes and other events
Environmental legislation outside of Japan	Risk of business or operations being suspended due to drastic changes to environmental legislation	<ul style="list-style-type: none"> • Monitor using external specialist organizations and reinforce our response structure regarding impacts on local plants and key suppliers from drastic changes to environmental legislation in China
Serious quality issues	Risks of serious quality issues arising that would cause the loss of social trust	<ul style="list-style-type: none"> • Strengthen company-wide response in the event of serious damage arising due to a quality problem • Strengthen internal awareness-rising to prevent serious quality problems from arising
Cyberattacks and protection of personal information	Risk of leaks of personal information from intentional acts including cyberattacks or negligence	<ul style="list-style-type: none"> • Create response flows in the event of an incident arising and hold drills • Strengthen our global framework for information security and protection of personal information
Reputation	Risks that cause value and social trust in our brand to decline due to the spread of critical reviews and misinformation about Kao on social media	<ul style="list-style-type: none"> • Strengthen the social media monitoring system • Strengthen the emergency contact system used during contingencies
Use of digital media	Risks arising from the release of ads and other communications with inappropriate expressions, stealth marketing, etc.	<ul style="list-style-type: none"> • Continuously strengthen internal education, and revise guidelines and the like • Develop ad distribution tools to improve and sustain our brand value

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

In light of the COVID-19 pandemic, we strengthened cooperation in the emergency response system between our overseas subsidiaries and the Head Office, and established a response system as One Kao by collaborating with stakeholders beyond the boundaries of companies operating business in each country.

- We conducted a survey of overseas bases to review their response to COVID-19 during the January–June period and any future risks. We shared the issues and risks with each division in charge and provided feedback on the status of response to all bases to enhance their response measures.

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

- Regarding our 22 major divisions and 4 major subsidiaries within Japan, as with our overseas bases, we conducted a survey to review their response to COVID-19 during the January–June period and any future risks. We shared the issues and risks with each division in charge and provided feedback on the status of response to all bases to enhance their response measures.
- At the Risk and Crisis Management Promotion Meeting, we shared and discussed the risk management activities of seven divisions and four subsidiaries in Japan in order to improve the coordination of activities and response to risks.

Strengthening measures against information disclosure

- We quickly applied the revised provisions set by the Cabinet Office Ordinance to disclose information about reviewing main risks and concrete initiatives in “Business Risks and Other Risks” in our 114th Financial Report.
- We worked to connect and enhance the contents of our Financial Report’s “Business Risks and Other Risks” as well as contents included in our Integrated Report and Sustainability Data Book.

Improving employees’ awareness and sensitivity to risk

Through an internal portal site and other means, we communicated our work systems and work styles (increasing remote work and working from home, restricting business trips, trainings and other events, etc.) corresponding to national and local government policy and the status of infections nationally and regionally as part of our crisis management measures for the global COVID-19 pandemic (24 times in total).

In addition, we improved employee awareness and sensitivity regarding infection control by relaying strong messages from President and Chief Executive Officer (14 times within and outside Japan) in relation to measures for critical situations.

At the same time we launched the Infectious Disease Risk Assessment Project in July, providing evidence-based and easy to understand infection control information globally along with thoroughly disseminating measures to be implemented not only at work but at home. Besides this, throughout the year we provided various risk-related information related to the spread of COVID-19, including information security precautions when working from home, compliance precautions and so on.

Main training / drills in 2020

- Comprehensive disaster drills (implemented at major plants around the world)
- Emergency response training and BCP training presumed on a large-scale earthquake (Japan)
- Safety confirmation drills presumed on a large-scale earthquake (Japan)

Crisis response performance (excluding COVID-19 response measures)

- We verified the safety of employees and the extent of damage to worksites in areas affected by heavy rain in July, 2020, and provided emergency supplies for disaster relief in accordance with local government authorities’ requirements.

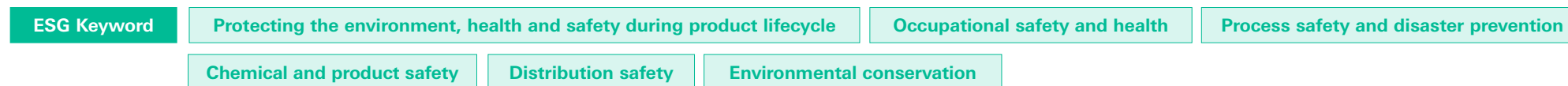
Risk and crisis management 102-15, 102-30, 103-2, 103-3

Reviews of performance

Regarding the COVID-19 pandemic, we were able to fulfill social responsibilities ensuring the safety of our employees and a continuous supply of hygiene-related products through quick response of our entire company under management team leadership based on our guidelines that we continue to review and our action plan for dealing with pandemic-related risks.

Going forward, we will continue our response to the COVID-19 pandemic as well as clarifying and responding to risks under a state of New Normal.

We vigorously implement Responsible Care (RC) 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 Chemical providing diverse materials, products and systems to wide-reaching industries with bases both within and outside Japan.

Kao's creating value

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

Risks related to realization of What Kao Aims to Be by 2030

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

Opportunities related to realization of What Kao Aims to Be by 2030

Building a strong relationship of trust with stakeholders by promoting RC activities, which are autonomously pursued

by corporations, will further facilitate the trust of our product brand image 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 (QOL) 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 Chief Executive Officer Motoki Ozaki signed a declaration of support for the RC Global Charter, and again in 2014 President and Chief Executive Officer 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.

We have been actively promoting the Kao Responsible Care Policy enacted in 2012, however in 2014 the International Council of Chemical Associations revised the RC Global Charter and in addition to this, the Japan Chemical Industry Association revised their RC Basic Policy in 2016, and so we have also revised our policy in December 2020 to determine activities and targets for 2030. These revisions included renewing its contents, adding continuing education and giving each item a title to make it easier for employees to familiarize themselves with them.

* 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.

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



→ 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

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.



→ p. 33 Our initiatives: Education about RC activities

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 staff, meeting once per year. RC Promotion

and Product Quality Management serve as the secretariat of the committee.

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

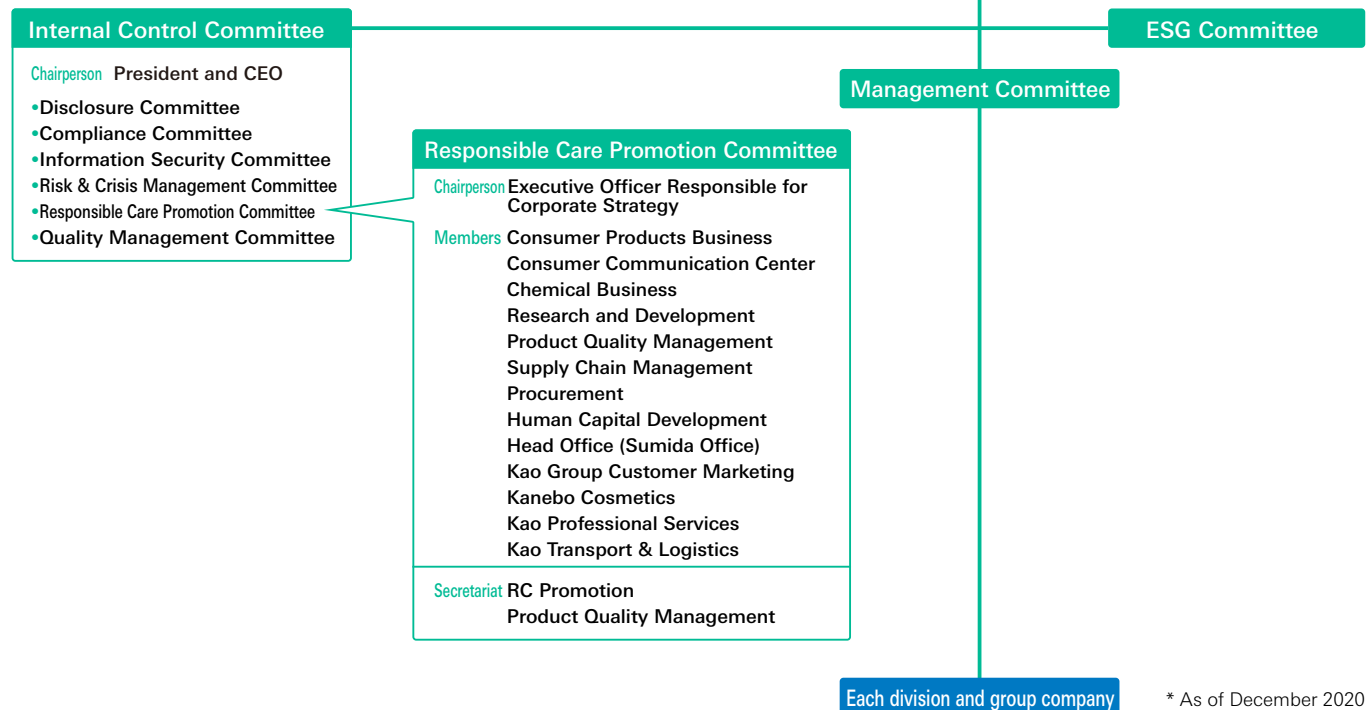
* Eight promotional divisions: Head Office (Kayabacho Office), Head Office (Sumida Office), Chemical Business, Kao Professional Services, R&D, SCM, Sales, Kao Logistics.



→ Corporate governance

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2021-e-all.pdf#page=9

RC promotion framework



* As of December 2020

Responsible care activities 103-2, 103-3

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 our RC activities to an even greater level and expand their scope while enhancing management system.

Therefore, we set our mid- to long-term targets until 2030 as Kao Group RC targets, with annual backcasting goals for these targets to be incorporated into our daily activities.

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.

In addition, by improving our social reputation, we can expect an increase in product and brand popularity and the expansion of our business.

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 QOL of stakeholders, including residents of communities.

Performance in 2020

Performance

In 2020, we convened the group RC Promotion Committee on September 30, and the Japan RC Meeting on December 16. 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.

In 2020, we conducted this audit remotely with witnesses due to COVID-19. The RC Promotion Committee Secretariat was in attendance for the Safety and Disaster Prevention Audit of SCM, which was implemented from July to September 2020.

Initially RC personnel from each company were scheduled to meet at the Global RC Meeting in November, however it was cancelled due to COVID-19 and information from this meeting was instead shared online.

Reviews of performance

In the area of environment, we were unable to meet both our energy consumption and generated waste targets. In the area of safety, we were able to achieve all targets concerning death and serious lost-time accidents, lost work days due to occupational illness and logistics-related leakage accidents, with zero cases.

In 2020, based on the mid- to long-term targets of our Kirei Lifestyle Plan, we changed and established our 2030 targets regarding safety and the environment. We have reset our numerical targets for 2030 in areas of environmental decarbonization, increasing the rate of renewable energy from purchased electricity and reducing the absolute value of GHG emissions, reduction of waste (zero waste) regarding landfill and simple incineration allowance, and in the air & water pollution prevention to improve disclosure of VOC and COD emissions, in addition to improving the lost time accident frequency rate in areas of safety.



→ p. 30 Our initiatives: Standardization of RC activities

p. 32 Our initiatives: Implementation status of the RC Promotion Committee Secretariat Audit

p. 33 Our initiatives: Education about RC activities

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.

Kao Group RC Promotion Committee (September)

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.

Global RC Meeting (October to November)

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.

Japan RC Meeting (December)

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 online on September 30, 2020. The RC Promotion Committee Secretariat announced the group's overall first-half results in relation to 2020 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 2021 were agreed upon for deliberation. During this time Kao Group RC targets for 2030 were decided, and we received approval to upgrade and continue our annual activities by reaching our backcasting goals. Furthermore, in order to achieve mid-to long-term targets for 2030, we proposed and approved a review of our Kao Responsible Care Policy.

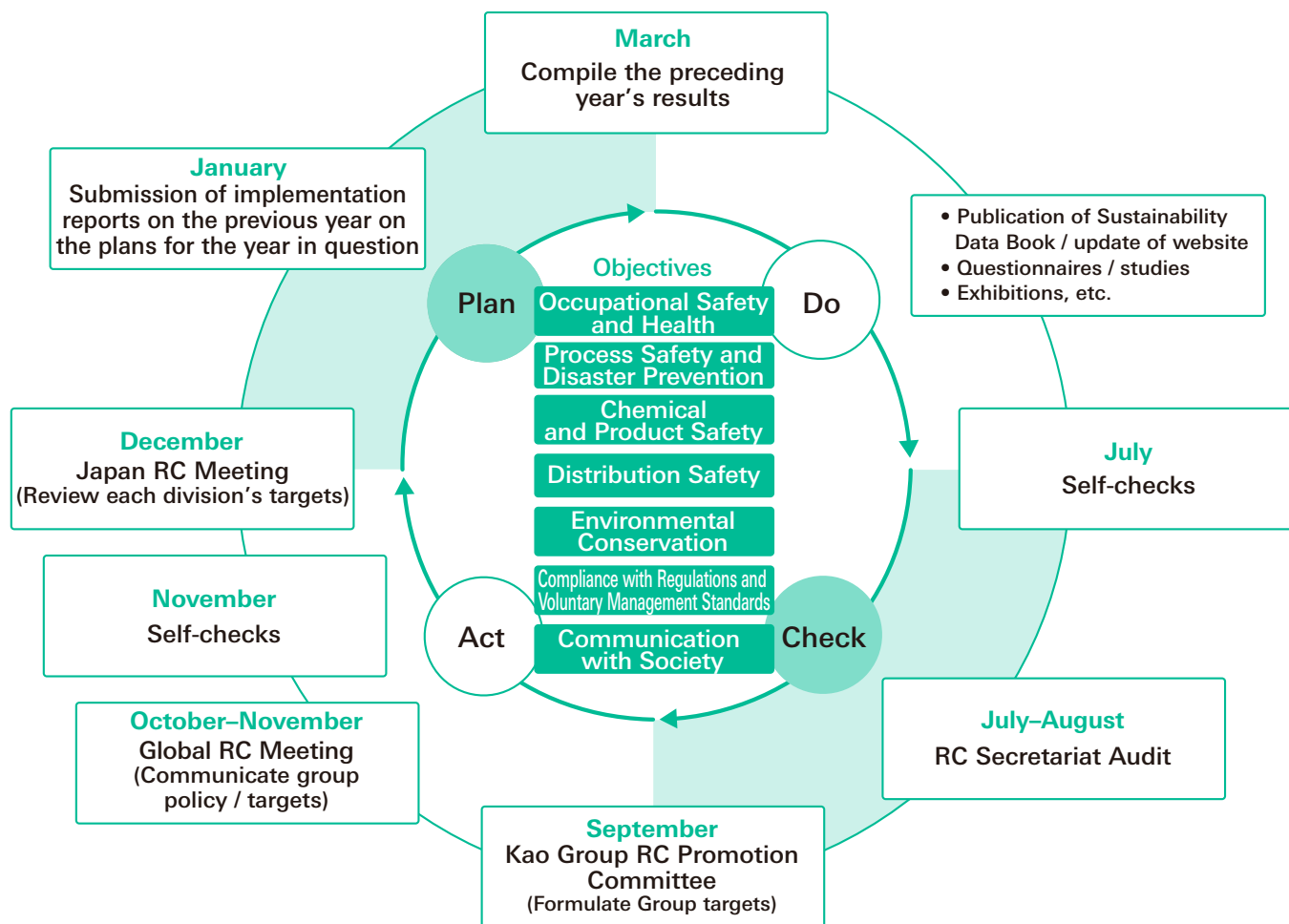
At the Japan RC Meeting, also held online on

December 16, RC Promotion Committee members of promotional divisions reported on their 2020 activity results and announced 2021 draft plans for their divisions, with the plans then deliberated and approved. The RC Promotion Committee Secretariat then reported on the group's 2020 environmental and safety record.

Initially RC promotion staff from each country were scheduled to meet at the Global RC Meeting held at our Head Office on November 9 and 10, however it was cancelled due to COVID-19. Instead this meeting was held online, furthering understanding of the Kao RC Policy and confirming 2021 and 2030 targets. Participants were able to observe the status of other companies' RC activities and share their best practices, aiming to vitalize and improve RC activities.

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 Enterprise Information Solutions, 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 concentration 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 2020, the RC Promotion

Committee Secretariat Audit was conducted by using the checklist sheet at 8 promoting divisions in Japan and 20 group companies* with plants outside Japan, with consideration to the degree of safety and environmental impact. 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 Japan, in meetings with the promotional divisions, various statuses were confirmed online, 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 the COVID-19 response and countermeasures was sent to companies, and a paper audit was conducted which included these response results. It has also been confirmed that all findings from the 2019 audit had been addressed.

As a result of the 2020 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 occupational safety and environmental conservation for which further monitoring and improvement have been requested. Outside Japan, many companies saw an improvement in their evaluation scores compared to those in 2019, however the average score remained the same as last year (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), Kao Chimigraf, S.L.

Results of RC Secretariat Audit (2020)

	SCM Division	R&D Division	Business divisions	Corporate divisions	Affiliated companies in Japan ^{*1}	Affiliated companies outside Japan ^{*2}
No. of questions	185	168	245	335	590	5,233
No. of items requiring further monitoring	4	3	4	0	6	—
Average evaluation score [5-point scale] ^{*3}	4.91 (4.92)	4.98 (4.95)	4.90 (4.88)	4.86 (4.94)	4.82 (4.90)	4.52 (4.52)

*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

20 companies (12 in Asia, 8 in Europe and the Americas)

*3 () indicates 2019 results.

Responsible care activities 403-1, 403-2, 403-4, 403-5 (Occupational health and safety 2018)

Status of international management system certification

We have implemented an RC management system throughout the group, with some plants having received ISO 14001 certification, the global environmental standard, as well as ISO 45001 and OHSAS 18001 certifications, which are the standard for occupational health and safety, in addition to other certifications in respective countries.

Environmental certifications (ISO 14001, etc.)

96% of our plants have received ISO external certification, and 2.5% have received external certification from the government and other authorities (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 (ISO 45001, 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).

Previously we had obtained individual plant certification, but following the initiatives we completed at five plants in Asia in 2018 for the integration of certifications obtained at individual plants in order to

facilitate standardized and upgraded operations, we were able to successfully transition from OHSAS 18001 to ISO 45001 in 2020. We will expand the scope of certified plants on an ongoing basis by increasing the number of integrated plants, while considering including our Japanese 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/

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 2020, the RC Promotion Committee Secretariat carried out RC group trainings for employees 17 times, reaching a total of more than 54,000 employees.

Also in 2020, we conducted online training covering basic knowledge on disaster prevention and the Fire Service Act for all group employees in Japan in addition to a survey. Currently, in response to the increased number of employees

working from home due to the influence of COVID-19, we have adopted an e-learning style format for all of our employees in Japan. The average attendance rate for these training sessions was above 70%. Going forward, we will use e-learning actively to carry out RC-related education.



Kao (Taiwan) Corporation receives an award of excellency at the 9th Annual New Taipei City Industrial Safety Awards

Kao (Taiwan) Corporation receives the highest award of excellency at the 9th Annual New Taipei City Industrial Safety Awards held in New Taipei City, Taiwan.

This award is given based on audit scores institutions received regarding occupational safety policies, management, work-related accident prevention measures and other general related activity.

Kao (Taiwan) received this award as a result of its highly recognized occupational safety activities. This year 13 public entities and 3 companies were presented with awards.



Award ceremony (Left: Mayor of Taipei, right: President of Kao (Taiwan)) and a commemorative plaque

Responsible care activities

RC activity data links

Also see the following for the structure of RC activities, details of the major activities and 2020 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-2021-e-all.pdf#page=199

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-2021-e-all.pdf#page=117

Chemical and product safety



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

→ 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

→ 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-2021-e-all.pdf#page=219

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-2021-e-all.pdf#page=65

→ 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-2021-e-all.pdf#page=144

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 research and development (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.

ESG Keyword

Product safety management

Kao's policy on animal testing

Product quality management system

Product recall

Kao's creating value to address social issues

Social issues we are aware of

In recent years as the movement to conserve the environment grows stronger, there is also an increasing interest in how it is impacted by chemical substances. Furthermore, global society is taking steps toward the abolition of animal testing. As social issues continue to change in this manner, it is important for company's activities to actively contribute to resolving these issues. At our company, 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 (UD) 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 and customer feedback that we receive through each of our group companies is shared throughout the entire 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 are facilitating 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

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.

Product quality management 102-43, 404-2, 416-1



- 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/

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 and Good Vigilance Practice. We also provide education for Good Manufacturing Practice (GMP) and various ISO standards. At our Manufacturing Division, we continue its own QC circle activities based on the number of consumer and customer 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- and customer-driven quality improvement activities. We will cooperate with more business partners to develop consumer- and customer-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

Product quality management 102-20, 102-43, 103-2

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.

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 check quality and to verify the evidence comprehensively at the 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.

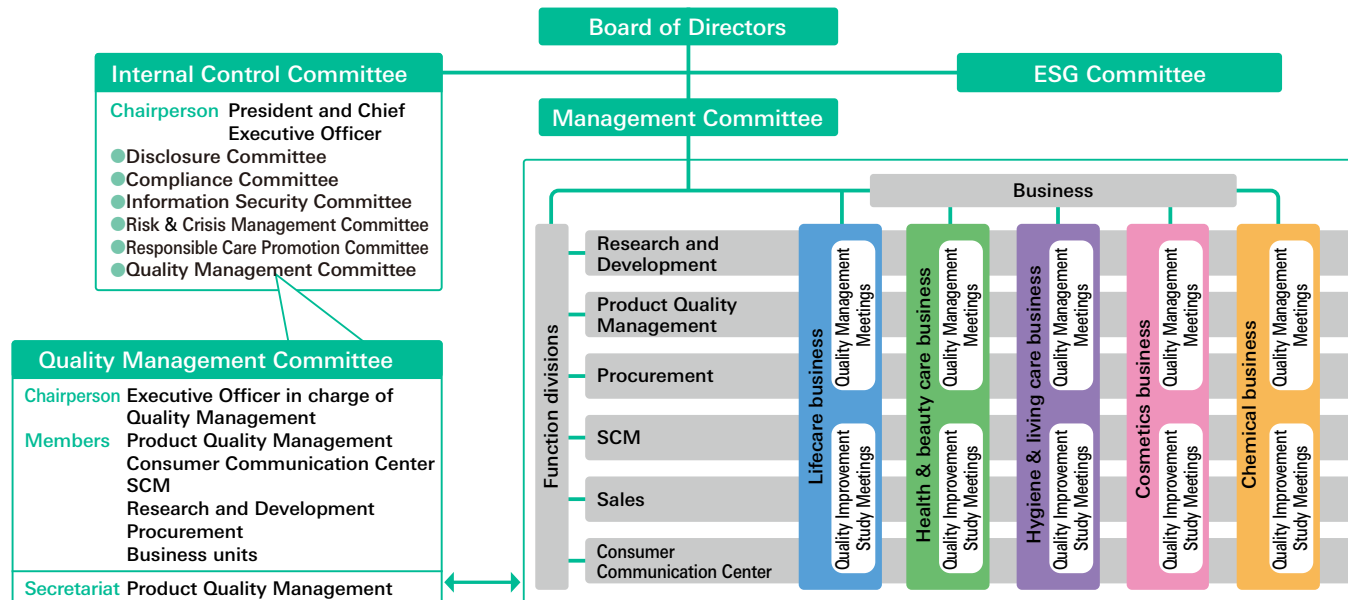
We also maintain a corporate governance system that includes internal control systems, and we hold quarterly meetings of the Quality Management Committee, which is a sub-body of the Internal Control Committee with the President and Chief Executive Officer serving as

chairperson. At the Quality Management Committee, we confirm the efficacy and reliability of company-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, R&D, Product Quality Management, Procurement, SCM, Sales and Consumer Communication Center) attend monthly Quality Improvement Study Meetings, held by the president of the Business Division, to improve our products, information and services, based on consumer feedback. We hold joint Quality

Improvement Study Meetings between Japan and China in product areas such as diapers, sanitary items and cosmetics. Going forward, we plan to promote increased cooperation at each of our companies in order to strengthen the quality management activities of our group companies in Europe and the Americas. These company-wide activities are coordinated and promoted by Product Quality Management. 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 January 2021

Product quality management 103-2, 103-3

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
- 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 order to address social issues including the environment, health, the aging population, hygiene, etc., in a situation where social conditions and the natural environment are changing drastically. In response to an aging population and the increase in the number of foreign nationals visiting and living in Japan, we are promoting Universal Design (UD) and providing multilingual information to reduce the risk of product accidents, thereby contributing toward making consumers' lives safer and securer.

Performance in 2020

Performance

COVID-19 response

Focusing on regulatory approval and speedy registration of hand sanitizer products globally

In order to quickly supply hygiene-related products (e.g. hand sanitizers and soaps) in response to increased demand due to COVID-19, together with their related departments we have promoted the following measures.

1. Emergency export of Japanese products to each country or region
Through cooperation with members in charge of the laws and regulations in each Asian country and region and the promotion of appropriate procedures in accordance with the laws and regulations of those countries, we were able to accomplish the urgent export of each hygiene-related product.
2. Supporting the launch of hand sanitizers in Thailand
In response to the COVID-19 infection in Thailand, due to quick preparations for changes in hand sanitizer regulations, we were able to contribute to their production and sale in around one-third of the normal preparation period.

Product quality management 103-3, 416-2

Making faster improvements utilizing our Kao ECHO System

We are improving quality management activities for borderless distribution of our products by collecting and analyzing feedback received from consumers around the world with our Kao ECHO System.

Following the introduction of the ECHO System to Kao Corporation and Kanebo Cosmetics subsidiaries in Asia in 2019, we introduced it to Kanebo Cosmetics subsidiaries in Europe in 2020.

Working together with our Sales Division to provide information quickly regarding dangerous goods for cross-border EC products

The types and quantities of exported products handled by cross-border EC are increasing not only from Kao Group, but other business partners as well. With this increase it is necessary we provide quick and accurate information in response to inquiries from our business partners regarding the Transportation of United Nations (UN) dangerous goods based on United Nations Recommendations on the Transport of Dangerous Goods and other international regulations.

Therefore our department in charge of laws and regulations and our Sales Division are working together to thoroughly implement cross-border EC export operation by sharing and managing the transportation of UN dangerous goods information for each product and providing documents in response to inquiries from business partners and others in order to give timely information on dangerous goods.

Continuing follow-up activities with regards to our 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 *Yōki-Monozukuri* to provide products and brands useful to the sustainability of society. In 2020 as well, we published the annual activity report of the previous year in line with the declaration.

Company-wide promotion of quality management activities

- Quality management activity education
Within Japan: A total of 3,379 employees in 33 departments
- Education relating to GMP standards and ISO standards, etc.: 528 sessions
- Quality Improvement Study Meetings: 212 sessions (114 in Japan, 98 outside Japan)
- QC circle activities: 272 improvement issues (101 in Japan, 171 outside Japan)

Product recall over the last four years*

Year	2017	2018	2019	2020
Cases	0	0	0	0

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

Reviews of performance

We addressed issues such as expansion of quality management activities in response to supply chain diversification and decreases in responsiveness to the consumer due to globalization. We also centrally gathered and utilized consumer feedback from around the world, and provided appropriate information to consumers and customers.

In response to changes in the laws and regulations in each country or region, by promptly confirming legal compliance and others, we promoted improvements to company-wide quality management activities as per our plan in response to globalization.

Also, in response to the COVID-19 infection, we provided legal compliance confirmation to ensure prompt global supply of hand sanitizers, as well as providing accurate information to consumers and customers.

Going forward we will continue to take on issues associated with globalization, such as quality management audits and making improvements to our quality-related education system.

Product quality management⁴¹⁶⁻¹

Our initiatives

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

Rebuilding our fundamental system of quality information

Quality control in each manufacturing process such as incoming raw materials, production, inspection and shipping control is essential for providing products providing good quality products consistently.

Until now, our plants had used different quality information systems, which is the basis of quality control, in each country and region. We standardized the quality information system and business processes to aim for further management efficiency. We have incorporated know-how cultivated from our onsite manufacturing activities and strengthened upstream and trend management to prevent the occurrence of quality issues.

Starting from 2018, we managed to introduce the new information system into all related facilities in Japan at once, and then introduced it overseas where there had been differences in the system specifications. We worked with the members of QA and IT divisions in each country and region to standardize business processes, completing the introduction of the system in Asia and Mexico in 2020.

Employees' voice

Rebuilding the fundamental system of quality information with our slogan "Q-1"

Takefumi Uehara

Quality Engineering
Fundamental Technology Group
Technology Development Center



Global members making the Q-1 pose at the wrap up meeting the start up on their site

In order to rebuild our fundamental system of quality information, it was necessary to standardize the different business processes and systems we had been using in each country and region. Therefore, the system specialist and the highly-experienced user representative on the plant side carried out the basic design after much discussion, and undertook initial development and introduction of the system together with young employees in Japan. Moreover, outside Japan, younger team members at our plants in each country and region took on leading roles in considering both global and local needs and developing the system accordingly.

With a strong commitment to standardizing our business processes and systems, we named this project the Q-1 Project after F1 (Formula One), the most prestigious automobile racing competition in the world. Utilizing this platform which we've built with all related parties as One Team, we will continue our activities aiming toward the highest level of quality in the world.

Product quality management 404-2, 416-1

Strengthening of quality management education programs

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

In 2020 we have developed and started implementing an e-learning education system to ensure that anyone can access well-designed quality management education at any time. With this system, we introduced comprehension testing that enables the company to constantly monitor and to evaluate their understanding of laws / regulations and internal rules / standards. 1,718 employees from divisions in charge of our Pharmaceuticals and Medical Devices Act-related businesses have completed the course. We also continue to provide face-to-face education for basic and specific-related issues in each department.

Verifying quality management activities through audits and self-checks

We maintain ISO 9001 and GMP certification at our worksites 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 2020, we conducted internal audits with respect to GMP compliance within eight of our plants 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/

Improvement of product development processes for products to be launched in Asian countries / regions

With globalization, the items and quantities of products produced and sold in Asia have been increasing. In light of this situation, we have standardized product development procedures of products to be launched in Asian countries / regions. By reducing the paperwork load that is generated, we improve business efficiency, and enhance documentation management through standardization.

We have established 24 business- or region-specific (or country- or territory-specific) Information Security Committees (ISCs). These ISCs formulate common policies, rules and guidelines and take action to strengthen information security in order to protect information assets that include confidential information (trade secrets [TS]) and personal information as well as IT hardware, software and many kinds of data records.

ESG Keyword

Cybersecurity measures

Confidential information protection

Personal information protection

Information assets protection

GDPR responses

Incident response system

Website vulnerability diagnosis

Security measures for working from home

Kao's creating value to address social issues

Social issues we are aware of

Every company uses information technology (IT) to promote efficiency in its business and operations, and data to develop innovations and initiate reforms. IT 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 lead to information leaks. Cyberattacks adversely affect business performance and have turned cybersecurity into a social issue.

With the increase in working from home during the COVID-19 pandemic, information management and ensuring security including when employees work from home have become key issues.

Kao's creating value

We hope to contribute to improving the security measures of the entire industry by sharing information with other companies in the industry about the cyberattacks that we have 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 What Kao Aims to Be 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 What Kao Aims to Be by 2030

By strengthening cybersecurity measures and the management of data, TS 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, TS 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. No claims relating to personal information were made in 2020.



→ Kao Group Company Privacy Policy
Japanese version
www.kao.com/jp/corporate/privacy/
English version
www.kao.com/global/en/privacy/

For EMEA (GDPR compliant)
www.kao.com/emea/en/privacy/

→ Kao Group Company Inquiries and Complaint Reception Desk Regarding Personal Information
Japanese version
www.kao.com/jp/corporate/privacy/privacy-contact
For the EU (GDPR compliant)
www.kao.com/global/en/EU-Data-Subject-Request/

Information security 102-20, 102-43, 103-2, 404-2

Education and promotion

To ensure that employees throughout the group fundamentally understand the issues of protecting TS and personal information, in principle, internal education is conducted by each division. 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, conduct awareness-raising activities to familiarize staff with the latest trends, and provide educational materials to each division.

Company-wide educational materials are posted and timely warnings for all staff are provided 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.

Overseas, each ISC prepares an education and self-inspection plan and carries it out.

Collaboration and engagement 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: J-CSIP, which

is directed by the Information-technology Promotion Agency, Japan (IPA), and the National Police Agency's Cyber Intelligence Information Sharing Network. Since 2017, we have also participated in the JPCERT/CC'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.

Framework

Information security management system

In Japan, we have appointed executive officers to serve as Chair and Vice-Chair of the Information Security Committee (ISC), and both the committee members and the staff of the committee's secretariat are appointed from different divisions, including Human Capital Development, Enterprise Information Solutions, Marketing, R&D, Intellectual Property Management, Production and Engineering, and Legal and Compliance. This allows us to benefit from a wide range of perspectives when determining policies, formulating internal rules, putting management systems in place and implementing awareness-raising activities.

The ISC reports on its activities to the Internal Control Committee, 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.

Overseas ISCs are made up of members of the

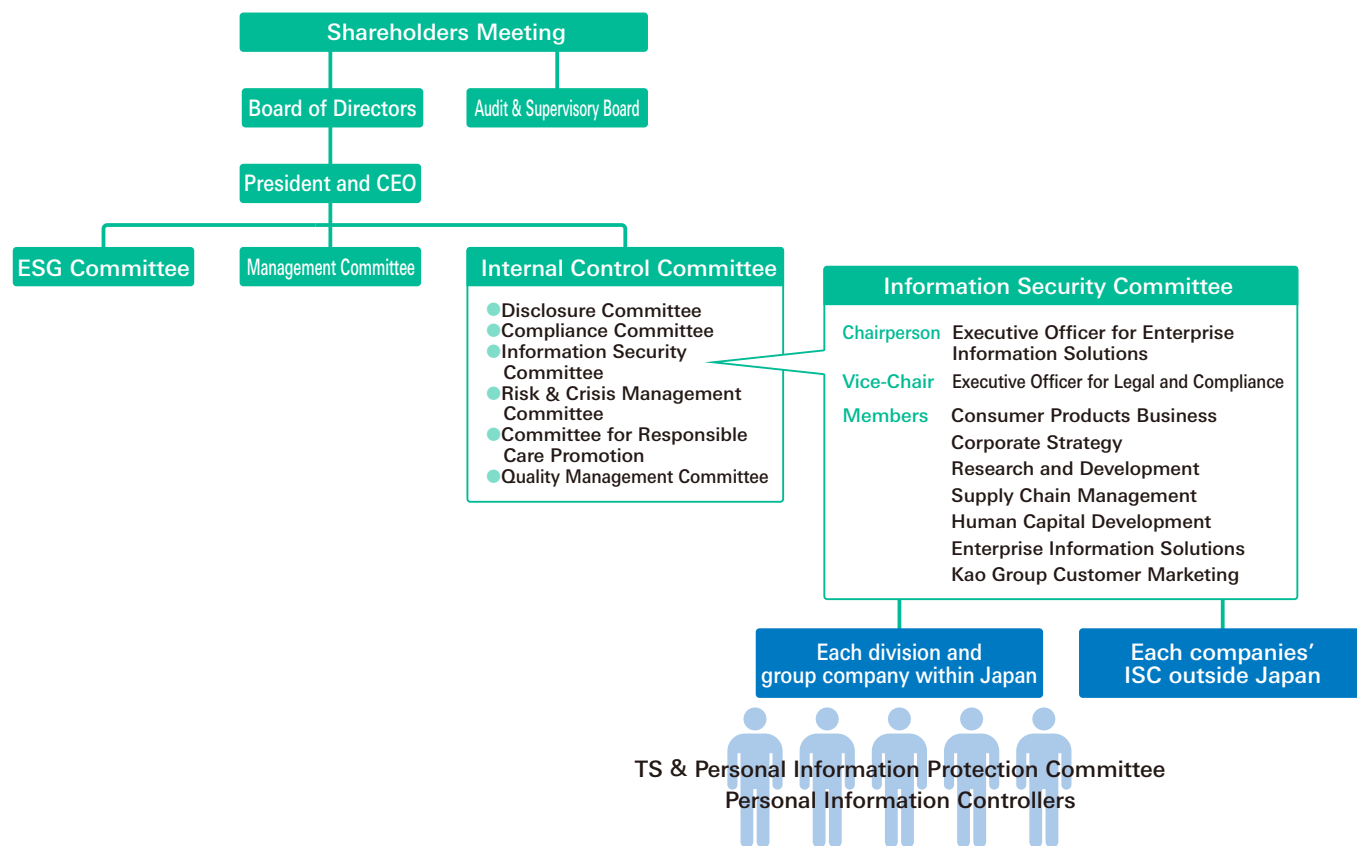
Management Committees of each company, and individual ISCs are positioned under the ISC in Japan. As in the case in Japan, the activities of overseas ISCs include quarterly activities based on the PDCA cycle, and ISCs are required to submit reports to the ISC in Japan in March of each year.

Status of ISC

Division	Number	Company / Region
Headquarters	1	Kao Corporation
Consumer Products	2	Kao Group companies in China
	3	Kao (Taiwan) Corporation
	4	KPSS Taiwan Ltd.
	5	Kao (Hong Kong) Ltd.
	6	KPSS Hong Kong Ltd.
	7	Kao Industrial (Thailand) Co., Ltd.
	8	Kao Consumer Products (Southeast Asia) Co., Ltd.
	9	PT. Kao Indonesia
	10	Kao Singapore Pte. Ltd.
	11	Kao (Malaysia) Sdn. Bhd.
	12	Kao Vietnam Co., Ltd.
	13	Kao Consumer Products (EMEA)
	14	Kao Consumer Products (Americas)
Chemical	15	Kao Group companies in Penang, Malaysia
	16	Pilipinas Kao, Incorporated
	17	PT. Kao Indonesia Chemicals
	18	Kao Corporation, S.A. (Spain)
	19	Kao Chemicals GmbH
	20	Quimi-Kao, S.A. de C.V.
	21	Kao Chimigraf, S.L.
	22	Kao Specialties Americas LLC
	23	Kao Collins Inc.
Kanebo Cosmetics Inc.	24	Taiwan Kanebo Cosmetics Co., Ltd.
	25	Kanebo Cosmetics (Thailand) Co., Ltd.
	26	Kanebo Cosmetics Malaysia Sdn. Bhd.
	27	Kanebo Cosmetics Korea Co., Ltd.
	28	Kanebo Cosmetics Rus LLC

Information security 102-20, 103-2

Information security management system



* As of December 2020

Report format for submission to the ISC in Japan

No.	Items	Content
1	Self-awareness-raising activities	Conducted for all employees. Describe the details of awareness-raising and the targets.
2	Self-checks	Describe the details of self-checks and the respondents. Which of the following patterns to the respondents fall under? <ul style="list-style-type: none"> • Respondents are selected through sampling of employees in each division • Managers ascertain conditions in their divisions and respond • Other
3	Setting improvement targets and taking action	Based on the results of self-checks, set improvement targets for those items with poor results and describe an improvement plan.
4	Number of incidents	State the number of cases of theft, loss, erroneous transmission of confidential information, and theft or loss of information equipment for each type. Describe the details in an incident report.
5	Amount of personal information held	State the amount of personal information that is held.
6	Number of claims relating to personal information	State the number of claims that were made relating to personal information.
7	Other	Describe reports relating to TS, personal information and cyberattacks, if any.

Information security 102-20, 103-2

Incident response system

Incident response systems are established and measures are taken to minimize damage in preparation for potential cyberattacks, leaks of information and other such incidents. To prepare for actual incidents, tabletop exercises are conducted multiple times each year.

Kao's incident response members and their roles

Name	Members	Roles, tasks, etc.
Top management	<ul style="list-style-type: none"> Representative Director Audit & Supervisory Board Members 	<ul style="list-style-type: none"> Identifying major incidents Determination and approval of response measures, disclosures and measures to prevent recurrence
Risk & Crisis Management Committee	<ul style="list-style-type: none"> Chairperson Secretariat 	<ul style="list-style-type: none"> Escalation by the cyberattack / personal information protection response team
Emergency Countermeasure Meeting (Computer Security Incident Response Team)	<ul style="list-style-type: none"> ISC Chairperson ISC Secretariat Crisis Management and RC Promotion Employee Service Corporate Communications MK Platform Responsible divisions ISC Members Consumer CC 	<ul style="list-style-type: none"> Identifying and responding to incidents Immediate response: determination of network isolation, suspension of server operation, suspension of accounts and other related issues Report to top management: Preparation, reporting and implementation of immediate response measures and measures to prevent recurrence, decisions on disclosure to stakeholders and relevant external organizations
SOC (Security Operation Center)	<ul style="list-style-type: none"> Enterprise Information Solutions: Networks, servers and security services Corporate Communications: Response to mass media, preparation of news releases Crisis Management and RC Promotion: Social media monitoring Customer Success: Management of memberships and campaign-related website Consumer CC: Management of external reports ISC Secretariat: Management of reports from the Tokyo Metropolitan Police Department, IPA and JPCERT / CC 	<ul style="list-style-type: none"> Implementation of various types of monitoring and detection of outliers. If an outlier is detected, report to CSIRT, investigate the cause and implement technical responses Receive external reports, confirm facts and report to CSIRT
Stakeholders / Relevant external organizations	<ul style="list-style-type: none"> Suppliers Consumers Supervisory authorities IPA Information sharing networks Employees Mass media Police JPCERT / CC 	<ul style="list-style-type: none"> Disclosure of information to stakeholders, reporting to supervisory authorities Request for support to police, IPA and JPCERT / CC Provision of information to information sharing networks

* Crisis Management and RC Promotion: Risk Management & Responsible Care, Consumer CC: Consumer Communication Center, MK Platform: Marketing Platform

Kao's incident response flow

	Detection	Identification	Response
Top management and Audit & Supervisory Board Members Risk & Crisis Management Committee			<ul style="list-style-type: none"> Report Announcement of response measures Approval of measures to prevent recurrence
Information Security Committee (ISC) Emergency Countermeasure Meeting	Immediately	<ul style="list-style-type: none"> Understanding the facts Decision on urgency Emergency Countermeasure Meeting Preparation of management report Requests for external support 	<ul style="list-style-type: none"> Announcement of response measures Announcement of warnings Announcement of recurrence prevention measures Preparations for responses to inquiries, etc.
Security Operation Center (SOC)	<ul style="list-style-type: none"> Monitoring Reports from employees Reports from outside Social media posts 	<ul style="list-style-type: none"> Analysis Investigation of causes 	<ul style="list-style-type: none"> Announcement of response measures Announcement of warnings Announcement of recurrence prevention measures Responses to inquiries
Stakeholders (Relevant external organizations, security companies)		<ul style="list-style-type: none"> Request for support to police, IPA and JPCERT / CC Coordination with contract counterparties 	<ul style="list-style-type: none"> Announcement of warnings Filing reports on incidents to authorities Information sharing

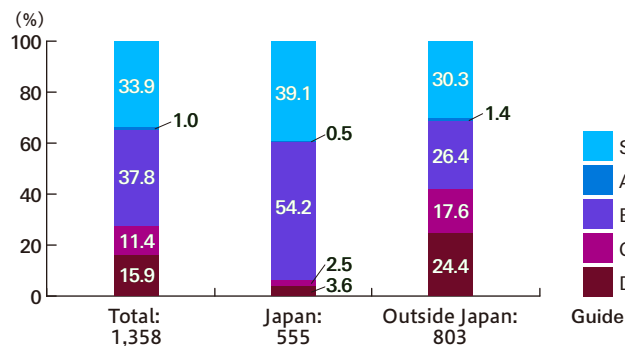
Information security 103-3

Website vulnerability diagnosis

We perform vulnerability diagnoses of Kao websites, check for any unaddressed vulnerabilities that may be used in cyberattacks, and if any exist, resolve the problems as soon as possible. For example, we resolve issues through responses such as updating software for which support has terminated.

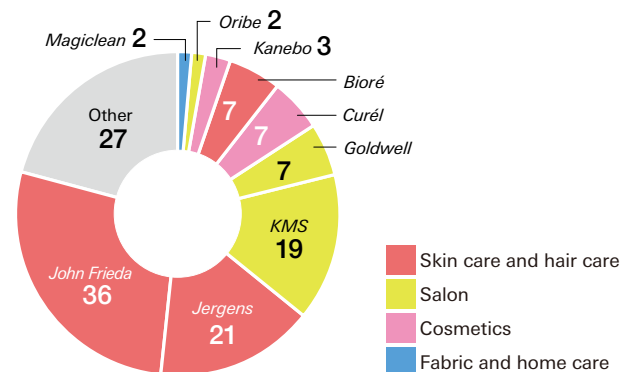
An improvement trend has been observed, particularly in European and U.S. salon brands' websites.

Website vulnerability diagnosis (2020)



Level	Priority	Example of vulnerability	Anticipated risks
S	N/A	No problems detected	
A	Reference	Deficiency in server certificate settings	Distrust in websites by users Decreasing website reputation
B	Low	Unneeded ports opened	Risk of being used in attacks
		Exposure of product version information	Used as valuable information in attacks
		Deficient SSL encryption settings	Interception of user communications
C	Medium	Opening of maintenance ports	Increase in likelihood of attack
D	High	Use of products with reported high-risk vulnerabilities	Exploitation of product vulnerabilities
		Use of products for which support has terminated	

Corresponding brands



Corresponding domains

Domains	Number of rank C / D	Countries and regions
ca	6	Canada
nl	4	Netherlands
us	4	U.S.
org	3	—
kr	3	Korea
cm	3	Cameroon
eu	3	EU
br	2	Brazil
mobi	2	—
be	2	Belgium
ch	2	Switzerland
nz	2	New Zealand
dk	2	Denmark
fi	2	Finland
no	2	Norway
se	2	Sweden
ie	1	Ireland

Information security 103-2, 103-3

Mid- to long-term targets and performance

Mid- to long-term targets

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

Anticipated benefits from achieving mid- to long-term targets

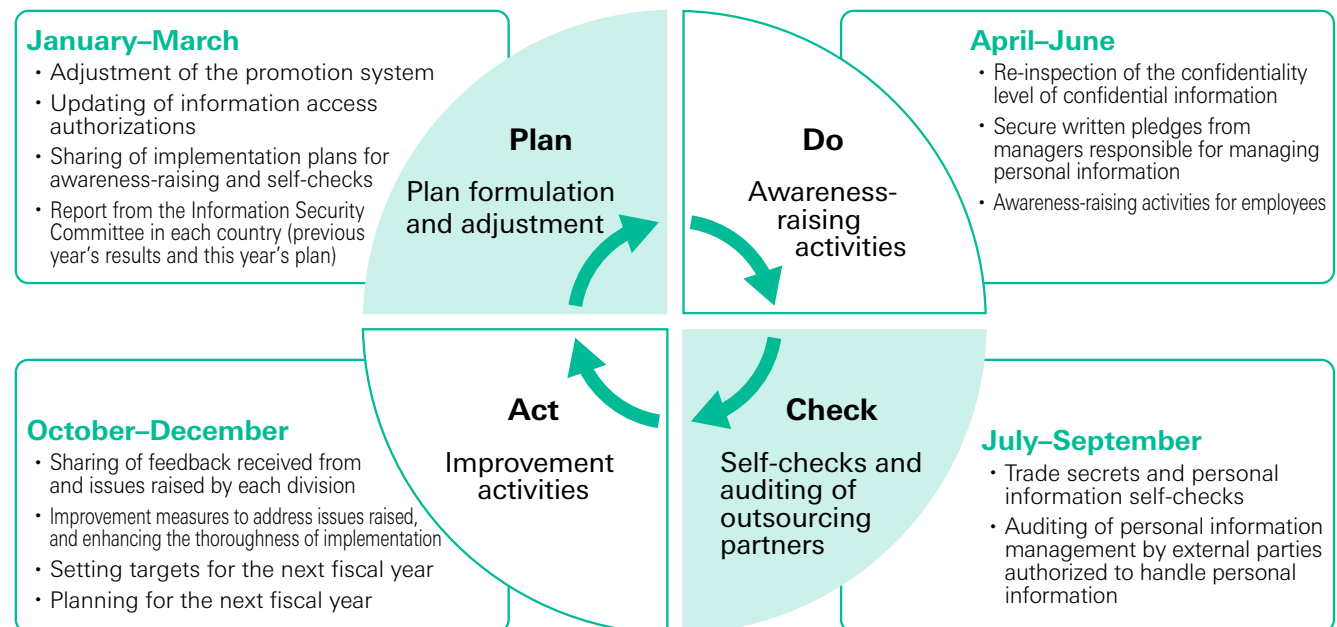
Business impacts

Cybersecurity measures can reduce costs incurred to respond to leaks of TS or personal information by preventing such leaks. Also, damage can be minimized if measures are in place to respond to the leak of TS 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 2020

Performance

TS and personal information protection promotion activities conducted in Japan using the PDCA cycle were as follows.

Plan: Plan formulation and adjustment

- Adjustment of the promotion system and updating of information access authorizations
 - Reviews of 59 TS Promotion Committee Members and 71 Personal Information Controllers
- Review of confidential information lists
 - Reviews by 105 divisions, departments and affiliated companies in Japan
- Sharing of implementation plans for awareness-raising and self-checks
- Report from the ISC in each country (previous year's results and this year's plan)

Do: Awareness-raising activities

- Submission of a pledge by each Personal Information Controller
- Submission of a pledge by each Personal Information Controller
- Awareness-raising activities for employees
 - Awareness-raising activities in 113 divisions, departments and affiliated companies in Japan

Check: Self-checks and auditing of outsourcing partners

- TS and personal information self-checks
 - Working from home has become prolonged since March, so the following questions were again reviewed before the TS self-checks were carried out.
- Storage of confidential information when working from home

- Necessity of printing confidential information when working from home
 - Self-checks on TS in 124 divisions, departments and affiliated companies in Japan
 - Self-checks on personal information in 109 divisions, departments and affiliated companies in Japan
- Auditing of outsourcing partners that handle personal information
 - Paper audits of 190 outsourcing partners that handle personal information

Act: Improvement activities

- Feedback to and issue sharing with individual divisions
 - As a result of people working from home, refraining from going out and self-imposed restrictions on restaurant operations and the like, incidents involving TS and personal information were halved.
 - Incidents resulting from misdirected e-mail and postal mail increased while people worked from home
- Improvement measures to address the issues raised, enhancing the thoroughness of their implementation and setting targets for the next fiscal year
 - Thorough management of confidential information when working from home
 - Prevention of misdirected e-mail and postal mail

At Kao, there were no serious incidents related to information security, including TS and personal information protection. No claims relating to personal information were directed to inquiry desks.

Reviews of performance

It is necessary to carry out promotion activities to protect TS and personal information on a continuous basis every year. Since even those who fully understood TS and personal information protection lose clarity in their knowledge over the years, the risk of an incident occurring increases. It is important that all employees, including new hires and mid-career hires, understand and follow our TS and personal information protection rules.

In order to expand our TS and personal information protection promotion activities globally, we established systems including submission of activity reports by affiliated companies outside Japan in March of each year. Going forward, we will gather overseas information for disclosure.

Our initiatives

First quarter: Plan formulation and adjustment

Formulation of Japan ISC activity targets

The following ISC activity targets for 2020 were set and measures were taken to achieve them.

1. Expanding ISC for overseas companies
 - Submission of reports to Japan (PDCA cycle activities, etc.) (March)
 - Reports submitted by 23 ISCs
 - Timely issuance of warnings
 - Warnings were issued regarding an online conferencing tool (April)
2. Enhanced control of personal information
 - Introduction of personal information management tools at overseas companies
 - Full-scale operations in the EU starting in August
3. Confirmation of compliance with personal information protection laws (CCPA, etc.) in each country and region
 - New activities started in response to the laws of foreign countries
4. Preparation of recovery plans for when incidents occur
 - Recovery completed when an incident occurred in April
5. Implementation of TS and personal information protection promotion activities using the PDCA cycle
 - Improvement targets were set at the TS & Personal Information Protection Promotion Meeting in November.

Second quarter: Awareness-raising activities

Warnings regarding an online conferencing tool

Many Kao employees have switched to working from home as a measure to prevent the spread of COVID-19. As a result, the use of online conferencing tools has increased; however, security issues with an online conferencing tool were identified. Because of the risk of information leaks and the possibility of unauthorized PC access, warnings were issued to employees prohibiting the use of the tool. The prohibition was later lifted when the security risks were resolved through software updates.

In this way, we exercise caution with regard to external circumstances that arise and take measures to protect our security.

Third quarter: Self-checks and auditing of outsourcing partners

Self-checks of TS and personal information protection

TS self-checks are conducted every year as part of the thorough implementation of confidential information management including implementation of awareness-raising activities, maintenance of division manuals and implementation of TS marking. In 2020, self-checks took place from July 21 to August 21.

Personal information self-checks were similarly conducted at the same time regarding management of personal information, including implementation of awareness-raising activities, retention of personal information and outsourced tasks where personal information is handled. Feedback on the self-checks was given at the TS & Personal Information Protection Promotion Meeting held on November 16, 2020, and improvement targets were set.

We set “thorough confidential information management when working from home” and “prevention of misdirected e-mail and postal mail” as improvement targets. To address handling of confidential information, in Japan we adopted the Kao Guidelines on Handling Trade Secrets, and overseas, we established the Global Trade Secret Regulations, and we manage confidential information accordingly.

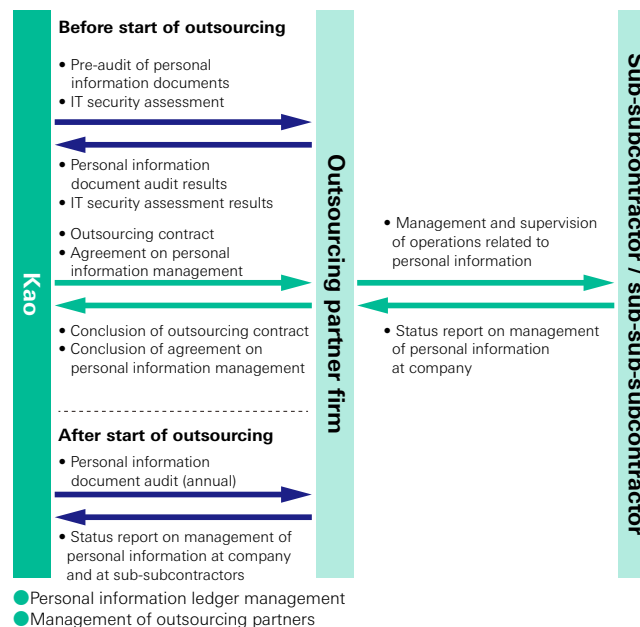
We require employees to comply with the guidelines or regulations when they are working outside the office such as when working from home. When working in the office, checks by multiple staff members are possible, but when working from home, checks done by a single person increase. In these instances in particular, prevention measures such as requiring reconfirmation are necessary to prevent simple errors.

Auditing of outsourcing partners handling personal information

When outsourced business tasks involve handling personal information, we conduct a pre-audit to ensure that the outsourcing partner properly manages personal information. We also conduct an IT security assessment if the partner provides a service such as a web campaign. A contract is not concluded unless the personal information pre-audit and IT security assessment show no problems.

In addition, we manage and monitor partners handling personal information by conducting annual audits of such partners. In 2020, we conducted such audits at 190 companies and confirmed the status of personal information management and the systems used by the partners for protecting personal information. If personal information is stored by a partner, 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 handling personal information and auditing of outsourcing partners



Third quarter: Announcement Rules on printing when working from home established

We prepared rules on printing when working from home in March 2020, but internal announcement of the rules was suspended when it became possible to return to the office after the state of emergency declaration was lifted in May. In mid-July, however, we again shifted to working from home in response to a resurgence of COVID-19, and in August we announced that we would allow printing during working from home at the discretion of each department. This avoided a situation where employees would have to go to the office simply to print documents and reduced the risk of employee infection.

Fourth quarter: Improvement activities Holding of the 27th TS & Personal Information Protection Promotion Meeting

The 27th TS & Personal Information Protection Promotion Meeting was held on November 16, 2020. Since the meeting was held during the COVID-19 pandemic, it was conducted fully online for the first time. In other years, outside instructors have been invited to give lectures on confidential information, personal information and security, and these issues were used as topics for educational activities in individual divisions. This year, we adopted a format where each participant watched instructional videos prepared by organizations involved in security such as the Tokyo Metropolitan Police Department and IPA, and then confirmed their key points. After the videos, a report was given on incidents related to TS and personal information in 2020. Feedback was then provided on TS and personal information self-checks, and improvement targets were set.

We are promoting a strategic digital transformation (DX). By using the power of digital, which enables communication regardless of location or time, we will deliver the value of *Yoki-Mono* (good products) to customers in more timely and customized formats and strive to provide solutions that increase creativity to employees.

ESG Keyword

DX target fields

Use of AI

Higher work efficiency

Sebum RNA monitoring technology

Kao's creating value to address social issues

Social issues we are aware of

Among the environmental changes concerning global society and economy expected by 2030, we recognize the following in particular as related to DX.

- Intensification of global competition in conjunction with the Fourth Industrial Revolution
- Development of a sharing economy
- Global population shifts and competition to recruit human resources
- Changes in global movement of funds
- Substantial increases in demand for resources, energy, water and food
- Increased cybersecurity threats

We believe that through DX, *Yoki-Monozukuri*, a value creation activity undertaken since Kao's foundation, will become a customer experience that is close to each consumer and customer in line with our Kirei Lifestyle Plan (KLP). We will monitor environmental changes related to DX and provide value to all stakeholders including consumers and customers.

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. We hope to pursue value that can be provided only by a company that is involved in the lives of people throughout their lifetimes and to create a new lifestyle culture.

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). In the period leading up to 2030, we will implement DX in order to focus on business models and business processes that integrate goods and information even more.

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. Rather than conducting uniform education for all employees, we will carry out a policy of developing and implementing specific solutions with the departments that have actual problems and rolling them out company-wide as best practices.

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

Until now, the Strategic Innovative Technology Team (SIT), supervised by the Senior Managing Executive Officer, has performed advanced digital technology strategy planning and execution, but DX is spreading to each division and starting in 2021, it will be transferred to the following divisions. By operating the matrix of (3), which supports information technology, and (1) and (2), which are business departments, we will continue to develop solutions in the following four fields with an eye toward exits.

- (1) Strategic Innovative Transformation and Digital Business Creation under the Corporate Strategy (supervised by the Managing Executive Officer)
- (2) DX Co-Creation (the Managing Executive Officer is head of the center) under the Consumer Products Business (supervised by the Representative Director and Managing Executive Officer)
- (3) Enterprise Information Solutions (supervised by an executive officer)

Efficiency utilization field

Leveraging digital technologies, this field 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 field

This field 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 field. 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 field

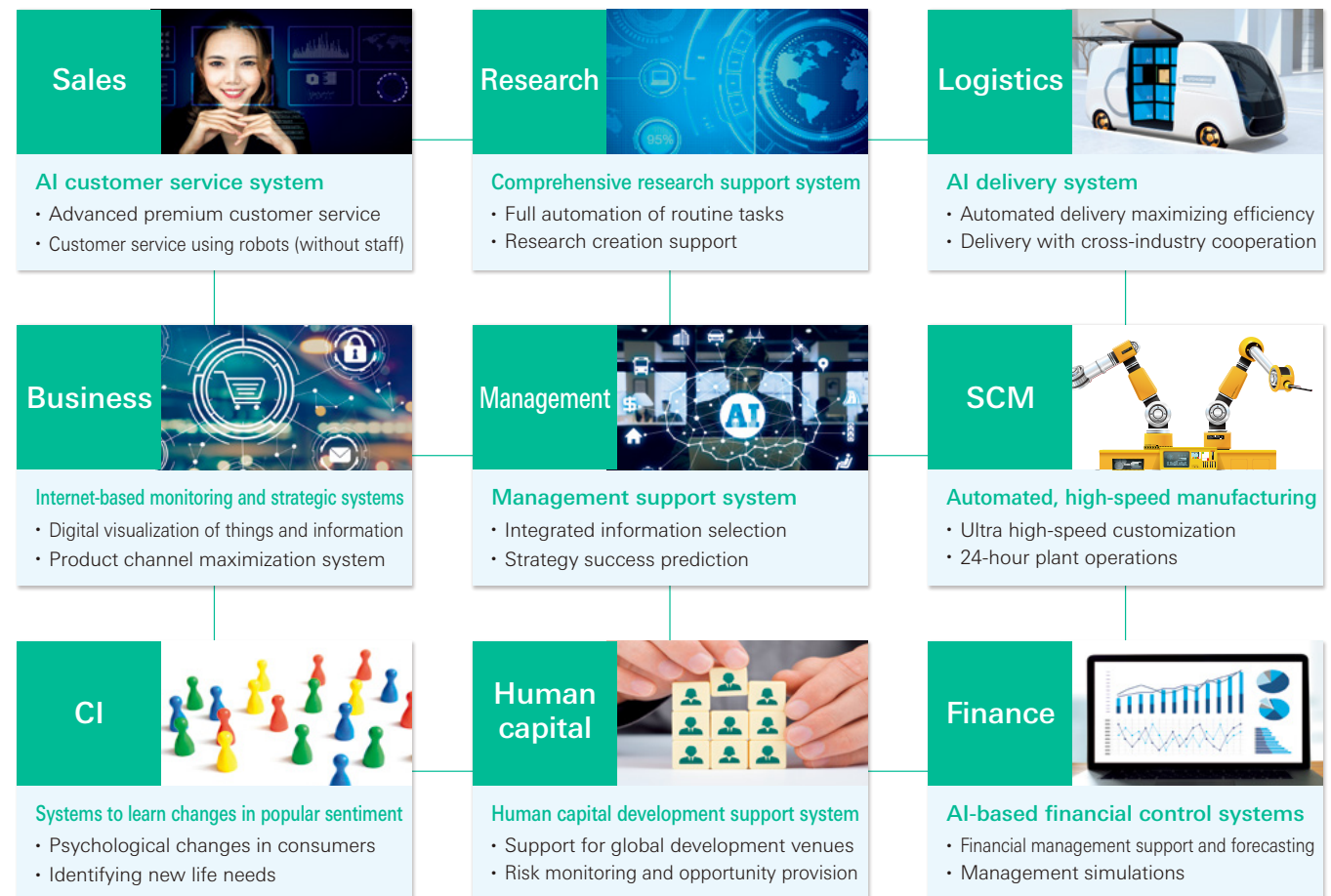
This field uses digital technologies to propose new businesses and new business models, and establishes faster product development processes suited to the

business model.

IT design management field

This field is rebuilding our information system platform and introducing and implementing advanced information technology for DX. This will support activities in the three fields.

DX target fields



Advanced digital technology strategy 103-2, 103-3

Mid- to long-term targets and performance

Targets for 2021

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

By multiplying Kao the core value of *Yoki-Monozukuri* with cutting-edge technology, we will enhance the level of value provision to all stakeholders (employees, customers, shareholders and society) and we will continue our efforts so that employees will be able to perform fulfilling work and to meet external expectations even in 2030.

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 will raise the levels of the provision of value created in accordance with the KLP to stakeholders including customers, shareholders and employees or the process of co-creating value (such as higher speed, greater capacity, longer distances and one-to-one).

Performance in 2020

Performance

By utilizing advanced digital technology to streamline various different operations, during 2020 we achieved an approximate 1.4 billion yen cost reduction, surpassing 1.0 billion yen in work efficiency effects for two consecutive years. Although most of this result cannot be expressed as a direct impact on profit and loss because 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.

At the same time, we have used COVID-19 countermeasures as an opportunity to accelerate work style reforms through the use of digital technologies. Approximately 15,000 employees working at sites in Japan excluding production workers and in-store workers have in principle been working from home since February 28. We have increased VPN lines to support this, and all employees including the president are using online conferencing tools. As a result, major changes have occurred in work styles. We are currently transitioning to a flexible work style that distinguishes between work from home and work in the office according to need to, but we are making full use of digital technologies to thoroughly prevent the spread of infections and maximize work efficiency.

The application of natural text searches* using AI, which started from a research integration search system, has expanded. In 2020, we created a system that allows plant operators to perform natural text searches of operation logs using machine-reading AI to find the appropriate information in the shortest possible time.

* Natural text search

A search performed using natural language (spoken language and sentences) rather than keywords

A search tool screen image



Reviews of performance

Three years have passed since the launch of our SIT. DX has spread to each division and we have had a number of successes. In 2021, 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 field

We have used COVID-19 countermeasures as an opportunity to accelerate work style reforms through the use of digital technologies. Approximately 15,000 employees working at sites in Japan excluding production workers and in-store workers have in principle been working from home since February 28. We have greatly increased VPN facilities to support this, and all employees including the president are using online conferencing tools. As a result, major changes have occurred in work styles. We are currently transitioning to a flexible work style that distinguishes between work from home and work in the office according to need to, but we are making full use of digital technologies to thoroughly prevent the spread of infections and maximize work efficiency.

At the same time, the application of natural text searches using AI, which started from a research integration search system, has expanded. In 2020, we created a system that allows plant operators to perform natural text searches of operation logs using machine-reading AI to find the appropriate information in the shortest possible time.

Information utilization field

We are promoting a strategic DX to realize business transformation and enhanced operational efficiency through effective use of cutting-edge digital technology and implementing measures that contribute to enhanced

corporate value (business performance, ESG, etc.). We proposed and implemented digital communication strategies for BtoC (consumers), BtoE (employees) and BtoS (society). For BtoC, we used cutting-edge technology for value transmission and D2C business model support. For BtoE, we undertook internal branding of our main products. For BtoS, we promoted the creation of issue-based communities.

Business and sales field

We accelerate and advance *Yoki-Monozukuri* through digital technology. Using AI, we will redesign how we conduct market research, product development and sales leveraging online sales and social networks. We are active in four areas: knowing (evaluating and introducing digital research tools), creating (building systems for strong niche product development), delivering (trials of e-commerce test marketing using crowdfunding), and conveying (developing value transmission methods using AI image analysis).

Use of AI for practical application of sebum RNA monitoring technology

We launched a collaborative project with Preferred Networks, Inc. (PFN) with the aim of achieving practical application of the sebum RNA monitoring technology that we developed. By applying PFN's predictive model using AI technology to Kao's data obtained from sebum RNA,

we seek to evaluate the risk of future skin damage and create a beauty counseling service that commits to the condition of the skin and provides individualized beauty advice and a skin care by based on genetic information.

* Sebum RNA (ribonucleic acid) monitoring technology

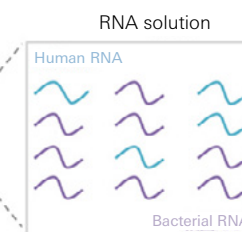
The technology to analyze RNA isolated from sebum, reflecting fluctuating daily body conditions. By collecting sebum with oil blotting film through a non-invasive (lower physical burden on the body) trial, we were able to obtain 13,000 RNA expression levels.

Flow of RNA monitoring: Sebum collection to RNA extraction, purification and analysis

1. Sebum sample



2. RNA collection and purification



3. Comprehensive analysis of RNA in sebum

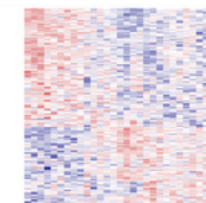
Comprehensive analysis using a next-generation sequencer



Specific detection of human RNA only

4. Data analysis

Heat map of RNA expression information*



* Use of colors for visualization of the level of sebum RNA expression information for 15 people

For DX promotion

Until now, SIT Communication has been posted on our intranet on a regular basis (generally every other month) and the Senior Vice President of the SIT has called for cooperation in the spread of DX, resulting in accelerated development of solutions that are more in line with on-site issues.

Starting in 2021, each function (efficiency, information utilization, business and sales) previously carried out by the SIT was transferred to new organizations established in business departments (Business divisions and Corporate Strategy), and it is expected that user-oriented DX will be promoted further.

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 Transformation, where we take on professional advice.

In addition, we are undertaking initiatives for collaborative relationships that go beyond the relationship between customer and vendor so that we can solve social issues together.

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

ESG Keyword

IP rights (patents, design rights, trademarks) management

System of reward for employee inventions

Responses to counterfeit products

Open technology

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. Recently, counterfeit products in Asia and other regions have become an issue, and there is a need to quickly provide highly varied new value.

In addition, collaboration with a wide range of industries is essential for solving global social issues such as global environmental issues and COVID-19. With such collaboration, reciprocal use of IP in a high level will be important.

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 fundamental technology research and product development research. Amidst the need for rapid creation of new value, we see not just independent development, but also co-creation with outside parties as an important method of development. This is the fundamental concept announced in the Co-creation Innovation and IP Strategy to Accelerate ESG Management presentation that the Senior Vice President

of the R&D Division gave at the Global IP Strategy Forum 2020 held by the Japan Patent Office on January 28, 2020.

We use the results obtained through research to 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 reinforcing collaboration with external organizations to respond to social issues and ensuring acceleration in the pace of open innovation based on our IP strategy.

Risks related to realization of What Kao Aims to Be 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 products 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 What Kao Aims to Be by 2030

In addition to using the IP rights acquired through fundamental technologies and product development 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



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

Policies

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

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 IP 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.

Meanwhile, in order to maximize the use of IP, we promote open innovation through collaboration with outside parties and strive to provide products and services with even higher value to consumers and society. In order to help solve global social issues, we will co-create new technologies in cooperation with industry and government, and will also flexibly license and provide access for others to use Kao's technological assets.

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 2020, a total of around 450 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. It is expected that repeatedly taking these educational programs according to the number of years of experience enhances the IP literacy of researchers and the technologies and products that they develop will become sources for the creation of functions and appeals that differentiate them from competitors.

Our IP educational programs were reported in Volume 295 of *Tokugikon* (November 2019), a journal published by the Japanese Patent Office.

Collaboration and engagement with stakeholders

In order to achieve What Kao Aims to Be by 2030, we respond with determination to counterfeiting. By working with IP industry organizations and other companies in our industry, we have reinforced our measures and are contributing to the development of the IP industry as a whole.

As a part of those initiatives, 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. We also had the opportunity to engage in dialogue with the Intellectual Property High Court in 2020. Through this type of dialogue, we are gaining an understanding of recent judicial developments, which is useful for establishing more stable IP rights.

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

Framework

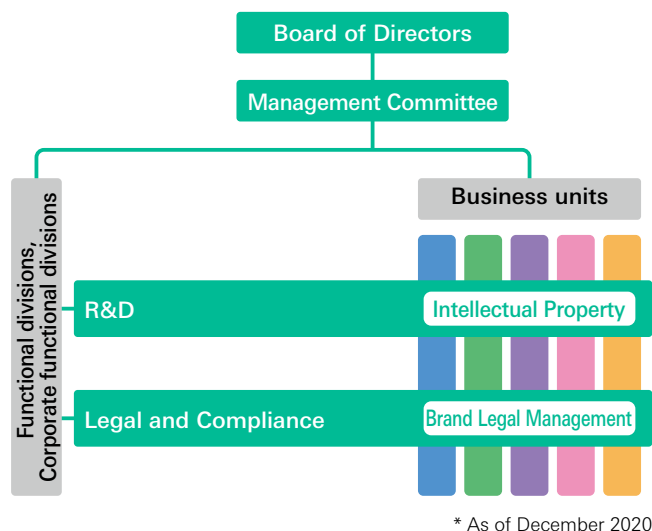
We implement company-wide management of business-related IP through the coordinated activities of the IP Department (under R&D) and the Brand Legal Department (under Legal and Compliance).

The IP Department plays a key role strategically applying for and exercising rights relating to patents and technology-based designs, which are indicators of key company values from the perspective of technology development capability, in a broad range of fields. The responsible party is the Senior Vice President in charge of research.

The Brand Legal Department collaborates closely with Business divisions when submitting applications and exercising rights relating to design-based designs and trademarks, taking into consideration cost effectiveness. The responsible party is the Senior Vice President in charge of Legal and Compliance. When an important issue arises, the IP Department and the Brand Legal Department submit it to the Management Committee for deliberation, and the Board of Directors discusses proposals when necessary. Once each year, useful patents and other IP rights that have contributed to business are reported to the Management Committee, which deliberates rewards for employee inventions.

The Kao Group as a whole works closely together on R&D, and in addition to IP operations (applications, rights acquisition, contracts, management, information analysis, IP education and so on) conducted in close collaboration with Business divisions and overseas group companies, we respond to counterfeit products and promote open innovation.

IP management structures in Japan



Management of trademarks and design rights

The Brand Legal Department, which forms part of Legal and Compliance, is in charge of trademark and design rights (some design rights are handled by the IP Department 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. Through these activities, we are able to use the product names and catchphrases that become the faces of our products, and we are able to provide products that consumers can use with reassurance.

We consolidate systems for the early elimination of counterfeit products 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. By steadily undertaking these measures in response to the damage caused on a daily basis by sophisticated counterfeit products, we are contributing to the elimination of counterfeit products and the elimination of businesses that handle them.

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

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

To be an essential company in a sustainable world, we aspire to protect future lives from infectious diseases, etc. and lead the sustainable society. In addition to contributing to the advancement of technology by publicly releasing inventions that we create, we seek maximum utilization of Kao IP by undertaking open innovation in collaboration with outside parties to solve social problems. Also, public release of socially-beneficial inventions contributes to the public good (see to the right).

Performance in 2020

Performance

The number of new patent applications in 2020 remained at the previous year's high level thanks to active development of new inventions. In addition, income from patent licenses also remained at a high level as a result of active utilization of patent rights, and we are building an optimal patent portfolio.

When we develop new technologies and formulations, we employ a mechanism to check clearance implementation concerning the patents of other companies, to prevent omissions and avoid IP disputes with other companies.

In November 2018, we held a technology innovation session and gave explanations of five innovations with the aims of creating a forum for open innovation, expanding technology exits, and proving an even more diverse range of products. In 2020, we encouraged external collaboration relating to these technologies and encouraged activities for their social implementation.

Reviews of performance

By engaging in close communication with research laboratories and collaborating with Business divisions, this year we were able to submit necessary applications, acquire rights, avoid infringement of the patents and other rights of other companies, and respond to counterfeit products.

With the aims of becoming a company with a global presence and rapidly providing new and diverse value in the future, we will apply for additional new patents and other rights and encourage their use globally with an eye toward broad deployment including overseas.

In the lead up to 2030, we will strive to be a company that contributes to the creation of a sustainable society

and provides the services most strongly needed by consumers.

To that end, we will continue R&D, secure IP rights, and fully leverage our technology assets.

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 and current notches

Our initiatives

Handling of IP issues with other corporations

We regard IP, 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.

System of reward for employee inventions

We celebrate useful inventions by our employees 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 and Chief Executive Officer offers words of appreciation and encouragement at an awards ceremony for presentation of the incentives to the inventors. In 2020 we continued to implement our incentive system based on internal usage of inventions and licensing income, marking 21 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 IP rights management

We consider that the acquiring of the outcomes of R&D at group companies as IP 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 in each country and region.

In conjunction with the increase in group companies and more energetic invention activity in each country and region, we are undertaking IP activities with closer ties to countries and regions. In 2020, there were a large number of new patent applications from overseas group companies, dialogue among personnel in IP divisions in Japan and each overseas country and region increased, and we deployed the Kao IP policy globally.

Response to the counterfeit products problem in emerging nations

In regard to business expansion in emerging nations, the risk posed by the rapid diffusion of counterfeit products 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 products. Some counterfeit products 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 products in a lawsuit, depending on the particularities of the case.

In addition, to help prevent counterfeit products 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 products (border protection).

We ensure 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.

ESG Keyword

Compliance with OECD transfer pricing guidelines

Appropriate tax declaration and tax payment

Tax payment record by region

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 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.

As of the end of December 2020, there were no Kao Group companies located in countries that are classed as tax havens by the OECD.

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.

Tax strategies 102-13, 102-43, 103-2, 207-2, 207-3 (Tax 2019)

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 groups in assisting with tax reform requests that contribute to enhancing the international competitiveness of Japanese companies.

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.

Framework

The Senior Vice President of our Accounting and Finance 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 the current situation, our system receives information in a timely manner on urgent tax issues. In addition, a system has been established to coordinate solutions in cooperation with external experts.

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

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.

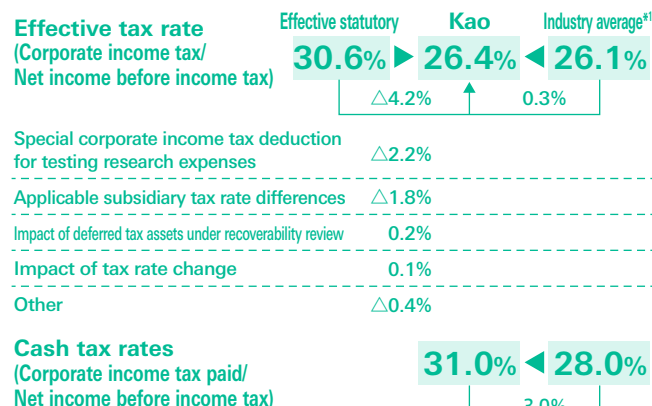
Tax strategies 207-4 (Tax 2019)

Performance report and tax payment record

Our effective tax rate for 2020 was 26.4%. The -4.2% 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. Furthermore, given that, when compared to the industry-specific effective tax rate calculated by S&P Global, our effective tax rate is 0.3 percentage points higher, we believe that, compared to the industry average, we are paying an adequate amount of tax.

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 3.0% higher than the industry average, despite the effect of payment timing issues, etc.

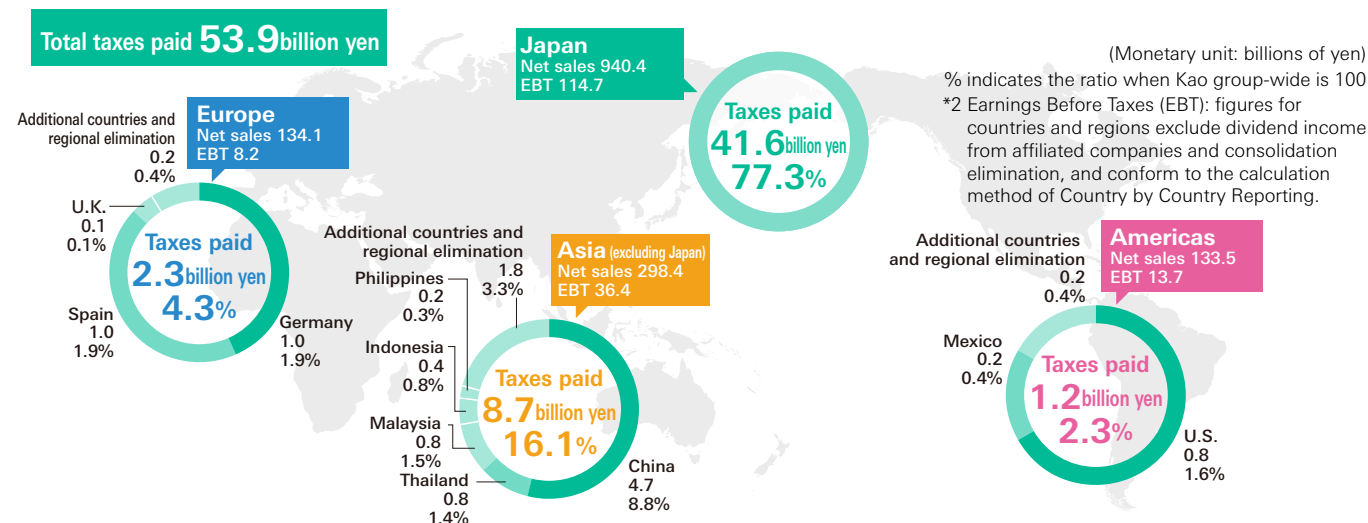
2020 effective tax rate difference analysis



*1 Consumer products business

Kao's performance report and tax payment record in 2020^{*2}

(Unit: billions of yen)	Net sales	EBT	Total taxes paid	Accrued corporate income tax	(No. of employees)
Japan	940.4	114.7	41.6	23.6	(22,026)
China	108.8	18.6	4.7	1.3	(1,532)
Indonesia	52.3	3.5	0.4	0.7	(1,994)
Thailand	40.0	4.0	0.8	0.5	(1,390)
Malaysia	36.4	3.0	0.8	0.1	(510)
Philippines	29.4	0.7	0.2	0.1	(204)
Taiwan	30.9	3.3	0.8	0.4	(710)
Singapore	13.6	1.3	0.1	0.2	(154)
Hong Kong	12.7	1.6	0.7	0.0	(237)
Vietnam	5.9	0.3	0.1	0.0	(426)
Additional countries and regional elimination	(31.5)	0.0	0.0	—	(30)
Asia	298.4	36.4	8.7	3.3	(7,187)
Germany	63.8	2.2	1.0	0.8	(914)
Spain	39.7	4.1	1.0	0.0	(574)
U.K.	19.3	0.6	0.1	0.0	(533)
Switzerland	5.9	0.1	0.0	0.0	(104)
Netherlands	4.1	0.4	0.0	0.0	(108)
Italy	3.2	0.1	0.0	0.0	(37)
France	1.9	0.0	0.0	0.0	(15)
Sweden	1.0	0.0	0.0	—	(44)
Additional countries and regional elimination	(4.8)	0.7	0.1	0.0	(218)
Europe	134.1	8.2	2.3	0.9	(2,547)
U.S.	112.9	11.9	0.8	0.1	(1,266)
Mexico	11.7	1.1	0.2	0.1	(177)
Australia	5.8	0.4	0.1	0.0	(94)
Canada	5.7	0.2	0.0	0.0	(96)
Brazil	1.0	0.1	0.1	0.0	(9)
Additional countries and regional elimination	(3.5)	(0.1)	0.0	0.0	(7)
Americas	133.5	13.7	1.2	0.3	(1,649)
Pan-regional elimination etc.	(124.5)	1.0			
Total	1382.0	174.0	53.9	28.1	(33,409)



List of taxable entities as of Jan. 2020*1, *2

Tax Jurisdiction	Company Name	Primary business
Japan	Kao Corporation	Brand owner of the Kao brand products (Beauty care, Human health care, Fabric & home care and Chemical businesses)
	Kanebo Cosmetics Inc.	Brand owner of the Kanebo brand products (Beauty care business)
	Kao Salon Japan CO., LTD.	Beauty care business
	Kao Field Marketing Co., Ltd.	Business services (e.g., store support services)
	Kanebo Beauty Counseling Co., Ltd.	Beauty care business
	Sofina Beauty Counseling Co., Ltd.	Beauty care business
	Kao-Quaker Company Limited	Chemical business
	Kao Sanitary Products Ehime Co., Ltd.	Human health care and Fabric & home care businesses
	Inogami Co., Ltd.	Human health care business
	Kao Paper Manufacturing Fuji Co., Ltd.	Chemical business
	Kao System Logistics Company Limited	Proposed-based sales and operation planning
	Kao Professional Services Company, Limited	Fabric & home care business
	Molton Brown Japan Ltd.	Beauty care business
	e'quipe Ltd.	Beauty care business
	Kanebo Cosmillion Ltd.	Beauty care business
	Kao Business Associe Co., Ltd.	Business services (e.g., services including HR, general administration, accounting, etc.)
	Kao Peony Co., Ltd.	Contract services (e.g., manufacturing of sample products)
	Kao Cosmetic Products Odawara Co., Ltd.	Beauty care business
	SENSAI COSMETICS INC.	Beauty care business
	Kao Group Customer Marketing Co., Ltd.	Beauty care, Human health care and Fabric & home care businesses
	Kao Transport and Logistics Company Limited	Inventory management and delivery of the Kao brand products
Indonesia	PT Kao Indonesia	Beauty care, Human health care and Fabric & home care businesses
	PT Kao Indonesia Distribution	Beauty care, Human health care and Fabric & home care businesses
	PT Kao Indonesia Chemicals	Chemical business
Australia	Kao Australia Pty. Limited	Beauty care and Fabric & home care businesses
Singapore	Kao Singapore Private Limited	Beauty care, Human health care, Fabric & home care and Chemical businesses
	Crescent Insurance Pte. Ltd.	Reinsurance underwriting of the Kao Group
Thailand	Kao Industrial (Thailand) Co., Ltd.	Beauty care, Human health care, Fabric & home care and Chemical businesses
	Kao Commercial (Thailand) Co., Ltd.	Beauty care, Human health care and Fabric & home care businesses
	Kao Holdings (Thailand) Co., Ltd.	Holding company
	Kao Consumer Products (Southeast Asia) Co., Ltd.	Beauty care, Human health care and Fabric & home care businesses
New Zealand	Kanebo Cosmetics (Thailand) Co., Ltd.	Beauty care business
	Kao New Zealand Limited	Beauty care business
Philippines	Pilipinas Kao, Inc.	Chemical business
Vietnam	PKI COMMERCIAL, INC.	Chemical business
	Kao Vietnam Co., Ltd.	Beauty care and Human health care businesses
Malaysia	Kao (Malaysia) Sdn. Bhd.	Beauty care, Human health care and Fabric & home care businesses
	Kao Trading (M) Sdn. Bhd.	Beauty care, Human health care and Fabric & home care businesses
	Fatty Chemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Soap (Malaysia) Sdn. Bhd.	Beauty care business
	Kao Oleochemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Plasticizer (Malaysia) Sdn. Bhd.	Chemical business
Korea	Kanebo Cosmetics Malaysia Sdn. Bhd.	Beauty care business
	Kanebo Cosmetics Korea Co., Ltd.	Beauty care and Human health care businesses
Hong Kong	Kao (Hong Kong) Limited	Beauty care, Human health care and Fabric & home care businesses
	KPSS Hong Kong Ltd.	Beauty care business
Taiwan	Kao (Taiwan) Corporation	Beauty care, Human health care, Fabric & home care and Chemical businesses
	Taiwan Kanebo Cosmetics, Co., Ltd.	Beauty care business
	KPSS Taiwan Ltd.	Beauty care business
China	Kao Corporation Shanghai	Beauty care, Human health care and Fabric & home care businesses
	Kao Chemical Corporation Shanghai	Chemical business
	Kao Commercial (Shanghai) Co., Ltd.	Beauty care, Human health care and Fabric & home care businesses
	Kao Trading Corporation Shanghai	Chemical business
	Kao (China) Holding Co., Ltd.	Management of affiliates in China (Human health care, Fabric & home care and Chemical businesses)
	Kao (China) Research and Development Center Co., Ltd.	Beauty care, Human health care and Fabric & home care businesses
	Kanebo Cosmetics (China) Co., Ltd.	Beauty care business
	Kao (Hefei) Co., Ltd.	Human health care business
	Kao Huludao Casting Materials Co., Ltd.	Chemical business
	Kao (Shanghai) Chemical Industries Co., Ltd.	Chemical business
	Kao Shanghai Business Consulting Co., Ltd.	Beauty care business

Tax Jurisdiction	Company Name	Primary business
U.K.	Molton Brown Limited	Brand owner of the Molton Brown brand products (Beauty care business)
	Kao (UK) Limited	Beauty care business
	Washing Systems Limited	Fabric & home care business
Italy	KPSS (UK) Ltd.	Beauty care business
	Kanebo Cosmetics Italy S.p.A	Beauty care business
	KAO CHIMIGRAF ITALY, S.R.L.	Chemical business
Austria	Kao Italy S.p.A	Beauty care business
	Kao Austria Handelsgesellschaft mbh	Beauty care business
Netherlands	Guhl Ikebana Cosmetics B.V.	Beauty care business
	Kao Business Service B.V.	Business services (e.g., accounting of the Kao Group)
	Kao Netherlands B.V.	Beauty care business
Switzerland	Kanebo Cosmetics (Europe) Ltd.	Beauty care business
	Kao Switzerland AG	Beauty care business
Sweden	Kao Sweden AB	Beauty care business
Spain	Kao Corporation S.A.	Chemical business
	Kao Chemicals Europe, S.L.	Chemical business
	KAO CHIMIGRAF, SOCIEDAD LIMITADA	Chemical business
Czech	Goldwell Cosmetics (CZ) s.r.o.	Beauty care business
Denmark	Kao Denmark A/S	Beauty care business
	Kao Germany GmbH	Brand owner of salon products (Beauty care business)
Germany	Guhl Ikebana GmbH	Beauty care business
	Kao Chemicals GmbH	Chemical business
	Kao Manufacturing Germany GmbH	Beauty care business
	Kanebo Cosmetics Deutschland GmbH	Beauty care business
	Kao Collins GmbH	Chemical business
Norway	Kao Norway A/S	Beauty care business
Finland	Kao Finland Oy	Beauty care business
France	Kao France SARL	Beauty care business
	KAO CHIMIGRAF FRANCE, S.A.S.	Chemical business
Belgium	N.V. Kao Belgium S.A.	Beauty care business
Russia	Kanebo Cosmetics Rus LLC	Beauty care business
South Africa	Kao South Africa Pty. Ltd.	Beauty care business
	Kao USA Inc.	Brand owner of mass products (Beauty care business)
U.S.	HPC Realty Inc.	Asset management
	Oak Brook Enterprises Inc.	Asset management
	Kao America Inc.	Corporate services for affiliates and holding company for Chemical business in the U.S.
	Kao Chemicals Americas Corporation	Chemical business
	High Point Textile Auxiliaries LLC	Chemical business
	Kao Specialties Americas LLC	Chemical business
	Molton Brown USA LLC	Beauty care business
	Kao Collins Inc.	Chemical business
	SAMGAM, LLC	Asset management
	Oribe Hair Care, LLC	Beauty care business
	STAR (Delaware) Realty LLC	Asset management
	Washing Systems Intermediate Holdings, Inc.	Holding company
	Washing Systems, LLC	Fabric & home care business
	Santec Products, LLC	Fabric & home care business
	WSI Water, LLC	Fabric & home care business
	Custom Chemical Solutions, LLC	Fabric & home care business
	BioHygienix, LLC	Fabric & home care business
Canada	Kao Canada Inc.	Beauty care business
Brazil	Kao do Brasil Representacao Comercial Ltda.	Chemical business
Mexico	TBP Importação e Comércio de Cosméticos LTDA	Beauty care business
	Quimi-Kao S.A. de C.V.	Chemical business
	Jergens Mexico, S. de R. L. de C. V.	Beauty care business

*1 Data were correct as of the end of December 2020 (business content is based on the old segmentation).

*2 The Cosmetics business and the Skin care and hair care business are collectively referred to as the Beauty care business

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 vigorously undertakes sustainable raw material procurement and development of new technologies for the effective use of limited resources to prevent 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. In addition, we engage with consumers and suppliers by assisting the recovery of an already polluted ecological environment in tackling the issues of ocean plastic pollution and providing products aimed at biodiversity conservation.

ESG Keyword

Aichi Biodiversity Targets

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

Development and use of raw materials with minimal impact on biodiversity

Mainstreaming biodiversity

Kao's creating value to address social issues

Social issues we are aware of

Global Biodiversity Outlook 5 (GBO5) was published by the Secretariat of the Convention on Biological Diversity on September 15, 2020 to analyze whether the Strategic Plan for Biodiversity 2011–2020 and Aichi Biodiversity Targets are being met. Although significant progress was seen for most of the Aichi Biodiversity Targets, it showed that none of the 20 individual targets were fully realized.

For example, between 2010 and 2015, 32 million hectares of forest disappeared, and one million species of plants and animals are on the verge of extinction, which indicates that extinction is progressing at a speed of 1,000 to 10,000 species per year.

An aspect of current economic activities is that they rely on the consumption of precious natural resources. In addition, humanity's destruction of nature and the loss of biodiversity are leading people to come into contact with species that they never had before, which manifests the risk of new communicable diseases. Businesses are required to solve these issues.

Currently the post-2020 global biodiversity framework

is being developed. We are keenly aware of the need to take biodiversity conservation seriously with a strong sense of crisis acknowledging that the targets set here must be met.

Our businesses operations benefit from many biological resources including palm oil, and the degradation of biodiversity world-wide will significantly impact the sustainability of our business. Biodiversity needs to be taken into consideration throughout the product lifecycle. Establishing a process for sustainable raw material procurement is of particular importance. However, in purchasing RSPO certified palm oil, we have been facing various issues over the last ten years in palm oil tree production regions, including deforestation and the loss of biodiversity as well as human rights violations of people and farmworkers who live in those areas. By taking full advantage of our knowledge and human networks acquired so far, we aim for a future that brings about a positive change for the entire natural environment and all stakeholders connected with our business.

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 set targets based on visions and policies specified by ESG management and push forward toward the prevention and restoration of the degradation of biodiversity and the development of a sustainable society in the future through our innovative technologies, products and daily initiatives to solve social problems.

* IPBES

Intergovernmental science-policy platform on biodiversity and ecosystem services

We are contributing to the conservation 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 targets for confirming that

Biodiversity 102-12, 102-15, 103-1

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. In 2020, we completed the confirmation of traceability back to large plantations, and our object by 2030 is to complete traceability to small oil palm farms.

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 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 produce oil and fat raw materials with high efficiency.

Mainstreaming biodiversity

Promoting the procurement and consumption of sustainable palm oil through 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 What Kao Aims to Be 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 What Kao Aims to Be by 2030

We established the Basic Policies on Conservation of Biodiversity in 2011 and have been developing new technologies that can contribute to sustainable procurement of raw materials and the conservation 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 the Basic Policies on Conservation of Biodiversity formulated by Kao 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 have been reviewed annually.

The year 2021 marks the ten year milestone since the formulation of these policies, and is the year that international agreements will be formed for post-2020 global biodiversity framework. Based on the details of these agreements, we plan to once again revise the direction of the measures that we can contribute to.



➔ 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

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.

Additionally, in the section dealing with ESG topics posted via intranet, we provide tips to study and consider how our lifestyles relate to biodiversity as the themes for SDG Target 14 and 15 so that our employees will put this into action.

For employees outside of Japan, we are conducting information sharing and awareness-raising activities through such venues as the annual Global RC Meeting.

Collaboration and engagement with stakeholders

Promote sustainable raw materials procurement

We take into consideration the conservation of biodiversity and support zero deforestation in our procurement of raw materials including palm oil, palm kernel oil, paper and pulp. We continue to procure palm oil and palm kernel oil, all of which can be traced back to their production area, and to only purchase pulp for which its wood material can be traced back to its production area.

We seek to create a sustainable supply chain for palm oil and improve and sustain the productivity of small oil palm farms in Indonesia. We launched the Smallholder Inclusion for Better Livelihood & Empowerment program, which seeks to obtain certification for sustainable palm oil.



→ 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-2021-e-all.pdf#page=79

→ Sustainability Topics: Kao holds dialogue with small oil palm farmers as part of efforts to establish a sustainable palm oil supply chain

www.kao.com/global/en/sustainability/topics/sustainability-20191002-001/

Ecosystem and biodiversity conservation activities in individual countries and regions

We have business sites around the world. Basic policies on biodiversity conservation 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 conservation activities, and we make recommendations to the responsible personnel in each country and region.

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 conservation programs. We aspire to deepen understanding of biodiversity among all employees through their active participation in these activities.

At the Eco-Lab Museum in our Wakayama Office where the global environment and Kao's eco technologies are on display, we conduct community-based awareness-raising activities for elementary students who will build the future. At the combined greenhouse facilities, the hot and humid climate of southern countries where palm trees grow is recreated and approximately 60 species of plants can be seen. In 2020, we started a remote service for elementary schools.

Framework

The loss of biodiversity is one of the major social problems surrounding our company. Among the 19 actions established in the Kirei Lifestyle Plan, measures such as responsibly sourced raw materials, decarbonization, zero waste (plastic reduction etc.), air & water pollution prevention and responsible chemicals management are closely related to biodiversity. These measures are being promoted by the ESG Committee and ESG Promotion Meeting.

We define conservation of biodiversity as one element of environmental conservation, which is a part of the Responsible Care (RC) activities. We establish policies, targets and plans relating to biodiversity and manage them along with the progress of measures under the RC promotion framework. Appropriate information sharing on the progress of measures is conducted at the annual RC Promotion Committee meeting, Japan RC Meeting and Global RC Meeting (responsible executive officers participate in each of these meetings; these were cancelled in 2020 due to the spread of COVID-19).



→ ESG promotion structure

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-all.pdf#page=18

Mid- to long-term targets and performance

Mid- to long-term targets 2025–2030

In relation to biodiversity, we set performance targets on zero deforestation and ensuring traceability for palm oil, paper and pulp, our main raw materials.

We are implementing measures to achieve 100% of certified paper products and pulp for consumer products by 2025 and to confirm traceability to small oil palm farms by 2030. In addition, we will determine Kao's future policies concerning biodiversity based on international agreements on post-2020 global biodiversity framework scheduled for 2021.

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.

As the trend toward ethical consumption is gaining traction in the European and American markets mainly driven by Millennials and Generation Z, products using sustainable raw materials with consideration for biodiversity are growing in demand. Our presence on the rapidly expanding ethical consumption market is enhanced through the incorporation of a biodiversity approach in the products we offer from the procurement of raw materials to the product's design, usage and disposal.

We expect the results of these activities not only to boost our reputation substantially, but also to be of financial and non-financial benefit.

Social impacts

These various processes relating to sustainable raw material procurement will restore and recover forest environments at raw material procurement sites and improve the respect for the human rights of local communities.

Forests stabilize global temperatures and climate, and play the role of breakwater systems to prevent disasters since they retain water. Various resources and bounties essential for our everyday lives, such as food, medicine, clean water and air, come from forest ecosystems, and are estimated to have an economic value worth thousands of trillions of yen.

Companies developing and selling products that take into consideration biodiversity from the procurement of raw materials to after the product is used and consumers choosing such products will bring about a society that understands the biodiversity within most peoples' daily lives and can contribute directly and indirectly to biodiversity conservation. If we could use resources at a sustainable level considering the productivity of bio organisms, we can keep using nature's bounty and sustain a comfortable lifestyle.

Targets for 2021

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 2021 targets are as follows.

1. 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-2021-e-all.pdf#page=79

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 conservation 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. From 2021 onwards, our objectives are to promote this activity globally and print less pages per person than the previous year.

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 2021 target green purchasing rate in Japan at 100%.

Performance in 2020

Performance

1. 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-2021-e-all.pdf#page=79

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

While the activities were unavoidably limited due to the spread of COVID-19, we promoted all activities possible within these constraints.

3. Reduce use of copy paper

The number of sheets printed per person has been reduced by 31.4% compared to 2017, and the target (a reduction of 10% compared to 2017) was substantially exceeded.

4. Green procurement

Our green procurement rate in Japan was 91.6%.

Reviews of performance

There are several cases in which our business and social activities with consideration for local biodiversity were forced to be suspended due to the spread of COVID-19 in 2020. However, in some examples, these activities could be implemented while ensuring everyone's safety thanks to the enthusiasm of the responsible personnel, and this gave an opportunity to once again raise awareness of biodiversity within the company.

The significant results in reducing the use of copy paper in a short amount of time was made possible thanks to the cooperation of users. We plan to expand these activities globally in and after 2021 as well.

The promotion of green procurement has not achieved 100% of its target yet. We believe that it is required to improve the purchasers' awareness of the environment and to review the structures to purchase goods compliant with the Act on Promoting Green 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-2021-e-all.pdf#page=79

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
www.jstage.jst.go.jp/article/ilcaj/2011/0/2011_0_164/_pdf (Japanese)

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 impact, 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. Going forward, we will make an evaluation with LIME3 (an environmental impact assessment method to attain global scale LCA).

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. These measures are critical for Kao's ESG Strategy, and they are listed in detail in the Kirei Lifestyle Plan Progress Report 2021.

- 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-2021-e-all.pdf#page=79

- 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-2021-e-all.pdf#page=88

- 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-2021-e-all.pdf#page=122

- Promote responsible chemicals management
Through appropriate chemicals management throughout the entire life cycle of chemicals and based on risk assessments with a scientific basis, we continue to create products to minimize the burden of chemicals on the environment and ecosystem.



→ Walking the right path > Responsible chemicals management
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-all.pdf#page=219

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. Fats and oils with carbon numbers of 12 to 14 only account for 5% of the world's production of fats and oils. The remaining 95% are oils and fats with carbon numbers of 16 to 18 (Oil World Annual 2016). Fats and oils with carbon numbers of 16 to 18 contain solid parts unsuitable to use for human consumption, and as such the usage of these solid parts has been limited until now. Accordingly, we are generating Bio IOS, a high-quality surfactant, by applying materials science and synthesis technologies for surfactants. Bio IOS has already been put into practical use in *Attack ZERO*, a concentrated liquid laundry detergent, since 2019.

In addition, we are conducting research to use oils and fats produced by 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 ingredients in surfactant and the expansion of possibilities to use oils that do not compete with food applications will contribute to the sustainable use of biodiversity.

Additionally, for over 30 years, we have conducted R&D on proteins, such as enzymes, and have continued to develop technologies to efficiently produce proteins using microbes such as bacteria. One of these technologies is protein production technology using *Bacillus subtilis*. This technology contributes to obtaining VHH antibodies that neutralize novel coronavirus, through joint research with Kitasato University and Epsilon Molecular Engineering, as announced in May 2020.

By leveraging the strength of our protein production technology with *Bacillus subtilis*, we will continue to contribute widely to solving social problems such as communicable disease measures.



→ Making thoughtful choices for society >
Transformative innovation
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-all.pdf#page=73

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 were one of 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.

Details of our activities contributing to the Aichi Biodiversity Targets are reported below. Going forward, we will contribute to activities to achieve the post-2020 global biodiversity framework for international agreements anticipated in 2021.



→ 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 indicators 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. By utilizing the indicators, we can clarify issues from a biodiversity perspective and improve their score by promoting these activities, which will make confirming their progress simpler.

The primary 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 individual sites or in nearby green spaces with a clear understanding of targets.

Due to the spread of COVID-19 infections, there were issues restricting these activities such that several valuable projects were cancelled. However, even under these conditions, our employees are gaining first-hand experience that increasingly heightened their awareness of biodiversity. We believe that 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

Odawara Office Third party certificate (ABINC certification)

In 2020, the Odawara Office acquired ABINC certification from the Association for Business Innovation in Harmony with Nature and Community (ABINC). This marks the third time we acquired this certification as it was acquired for the Kashima Plant in 2015 and the Kawasaki Plant in 2018.

Odawara Office began operations as a Kanebo Cosmetics plant in 1969 and was consolidated and reorganized in 2014 as a worksite that integrates R&D and production for Kao Group Cosmetics. The Odawara Office is located 2.2km northeast of Odawara Castle with Sakawa River flowing from Mt. Fuji and the Tanzawa Mountains to its east providing superb water resources, in an area of great natural beauty that has many wild birds flying around.

Onsite there is approximately 9,000m² of green space and over 90% of these plants are native species. From FY2018, we launched new conservation activities with a perspective that's attentive to biodiversity within the region. Employees grew native species that will bloom and bear fruit, and placed birdhouses so that wild birds make nests in the shrine and rows of cherry blossoms on the worksite. In addition, they created a structure piling up tree branches and stones as a hideaway for animals (Eco Stacks) and placed it in the green space near the cargo entrance. The onsite forest is periodically thinned. The forest thinnings are recycled as Beetle Apartments (an area inhabited by rhinoceros beetles that gather and compost pruned tree branches, weeds and fallen leaves), tables and chairs. Any leftover wood is turned into fertilizer to reuse in the premises.

Additionally, Odawara is registered in the stewardship system to preserve the Japanese Killifish (Odawara Killifish) living in the Sakawa River drainage basin, and in May 2018, five Killifish taken from Odawara City were bred and successfully artificially hatched larvae so that their numbers grew to 25. In 2020, we established a pond for

Killifish to be able to naturally lay their eggs in the spacious balcony built on the premises of this site. In addition, with the support of the Kawasaki Plant, we work on activities to protect the *Aristolochia* and *Byasa alcinous*, and periodically monitor the plants, birds and insects.



Green space located in the middle of Odawara Office (Arc Square Garden)



(Top left) Eco Stacks bench
(Top right) Killifish pond and conservation area for *Aristolochia*
(Bottom left) Collection box of fallen leaves (Beetle Apartments)
(Bottom right) Table made with felled tree stumps



(Top left) Eurasian tree sparrow making a nest in a birdhouse placed on the grounds
(Top right) Common Kingfisher targeting aquatic organisms in the water channel
(Bottom left) Minnows living in the water channel
(Bottom right) *Semisulcospira libertina*, freshwater snails living in the water channel, which are prey for fireflies

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

KSA Conservation activities after biodiversity assessment

Kao Specialties Americas LLC (KSA) is a company in High Point, North Carolina in the south of the United States. A mixed forests of various coniferous and broad-leaf trees spreads throughout the site, and a variety of living creatures including wild birds such as the wood thrush, which wildlife NGOs have designated as an threatened species, inhabit the area.

In 2019, KSA conducted a biodiversity assessment, verifying regional characteristics on and in the vicinity of the company site, vegetation, invasive species, the current status and future possibilities of habitats for living organisms and monitoring organisms, and prepared a detailed report.

KSA is promoting biodiversity conservation activities based on the results of this assessment with employees' active participation. In 2020, despite the impacts of COVID-19, the following activities were implemented.

- Setting a compost yard for fallen leaves and dead branches on the site
- Employees planting saplings of native species under the guidance of experts (*Itea virginica* and *Beautyberry*)
- Birdhouses for small birds created and placed by employees



Compost yard established on the site



Group of employees placing birdhouses



Created birdhouses

PKI Conservation of superior varieties of coconut palms and mangrove planting activities

Since its founding in 1979, Pilipinas Kao (PKI) has been a worksite that produces higher alcohols, refined glycerin and high-quality tertiary amine in Mindanao, the Philippines. We planted superior varieties of coconut palms which are used as the main ingredients in our products in the conservation area built on the worksite of PKI and have grown them with tender love.

At PKI, we launched the Mangrove Rehabilitation Project in 2010 to bring back mangrove trees in the coastal areas around the plant, and with the collaboration of the Department of Environment and Natural Resources and local NGOs, we planted mangroves at the event for World Wetlands Day hosted in the Philippines. Since then, PKI has continued to plant trees every year, but the low survival rate of mangroves that didn't take root was concerning. The primary cause for this is that plastics floating in the water and marine plants like algae obstruct its growth by getting caught on the saplings and breaking down the leaves and seeds. To counter this, after reviewing our periodic cleaning activities along the coast and cultivating methods for saplings (growing the saplings in an individual nursery and moving them to their destination once the roots have sufficiently sprouted), we altered the time frame for planting to avoid the summer season to the rainy season when the waves were stronger and algae is the most fertile. By applying this expertise cultivated thus far, the survival rates for saplings in 2020 reached 92%, which is a dramatic improvement compared to the first attempts. We still continue to research propagule of different mangrove species by conducting tests to investigate their rates of growth.



Coconut palm planted in the onsite conservation area



Steadily cultivated mangrove saplings

KCSA Formulation of Biodiversity Policies and promotion of conservation activities

At Kao Corporation S.A. (Spain) (KCSA), we formulated Biodiversity Policies which include a commitment on actions to maintain and promote biodiversity in 2018 to recognize the importance of biodiversity in developing the future of the planet and so as to fulfil the Sustainability and Risk Prevention Policy.

In 2020, while there were constraints on the activities planned due to COVID-19, KCSA carried out a series of activities based on four commitments incorporated in the Biodiversity Policies ([1] the promotion of conservation programs, [2] the provision of appropriate resources to those organizing activities, [3] raising the awareness of employees and relevant parties and [4] designs with greenspace and maintenance plans that give consideration to ecology networks). These activities provide information to all employees and strive to actively raise their awareness. We will introduce activities implemented at the Barbera site within these activities.

- Tree-planting activities

New employees hired at the Barbera site planted aromatic crops such as thyme (*Thymus vulgaris*) and rosemary.

- Creation of birdhouses and insect hotels, and guided nature walks

With the cooperation of two specialists well-versed on animals and plants, we operated site tours participated by our employees with the objective of deepening their knowledge about the site's biodiversity. During the tour, they placed bird houses for three species of wild birds (Eurasian scops owls, House sparrows and Great tits/ Eurasian blue tits), and created and placed insect hotels. In the future, we expect to enhance biodiversity within this site and increase the wildlife living there.



Specialist giving an explanation to participating employees



Mounting birdhouses



Creating insect hotels

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 conserving biodiversity with companies in different industries and develops various events such as JBIB Ikimono Days (which was changed to be an online event in 2020 due to the spread of COVID-19).

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 (East Japan Green Reconstruction Monitoring Project) to undertake initiatives that will lead to the conservation of biodiversity.

The Kao Earthwatch Teachers' Fellowship, a corporate citizenship program aiming to contribute to biodiversity conservation in collaboration with Earthwatch Japan ended its activities in FY2019. However, we set up a special website to summarize and disseminate the outcomes of these activities in the last 17 years and to widely utilize the expertise gained and tools created by participants.



→ Corporate citizenship activities / FURUSATO Environment Conservation Project in Northern Thailand

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2021-e-all.pdf#page=103



→ Special website, Kao Earthwatch Teachers' Fellowship, 17 year trajectory
www.earthwatch.jp/kaofellow/ (Japanese)

By engaging in-depth communication with consumers, we ensure that feedback from customers is utilized to enhance ESG-driven *Yoki-Monozukuri* and the services we offer, while providing lifestyle information that helps consumers of all ages solve their own problems. The world in which consumers live is rapidly changing, including from the impact of the COVID-19 pandemic. Products and services are also taking more diverse shapes, and the internet is overflowing with information put out by companies as well as individuals. As a result, it is more difficult than ever for consumers to get accurate information.

Meanwhile, the growing number of consumers who are not accustomed to taking their questions and problems to companies is a major issue in terms of deciding how best to handle consumer inquiries. We aim to be a trusted partner to consumers, offering support 24 hours a day, 365 days a year with a focus on the changes taking place in consumers' living environments, and we will continue to proactively develop new communication measures for consumers.

ESG Keyword

Consumer support desks (telephone, e-mail, websites)

Approaches to the digital native generation (websites, social media, use of Q&A services, etc.)

Declaration of Consumer-orientation

Kao ECHO System (framework for reflecting consumer feedback in products)

Releasing information about COVID-19

Kao's creating value to address social issues

Social issues we are aware of

In 2020, the COVID-19 pandemic forced us to temporarily suspend our telephone support desk, but we were still able to respond to large numbers of questions and concerns about infection precautions by keeping our e-mail support desk open. We also released a related FAQ on our website in a timely manner, which focused on social changes related to infection precautions and received many page views.

While many people who seek help from companies are senior citizens, 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. Amid growing diversity in how people live their lives, we recognize the need to create conditions where people can seek out information and advice from companies when they want and using their preferred means of communication.

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 ESG-driven *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 (UD), 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.

Using our websites, we provide product catalogs and communicate information via FAQs so that people attempting to solve problems on their own are able to do so with accurate information. Another way we are engaging in proactive communication with consumers is by providing official support using the Q&A service Yahoo! Chiebukuro.

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

We are also striving to communicate information that

Communication with consumers 102-12, 102-15, 103-2, 404-2

is essential in daily life, including COVID-19 prevention measures, in multiple languages on our websites.

Risks related to realization of What Kao Aims to Be by 2030

- Dissatisfaction with the lack of information in response to demands for disclosure of ingredients, safety information and so on as a result of rising consumer awareness regarding safety and security
- Delayed response or inadequate consideration (environmental, safety) for substances of concern
- Use of products in other countries that were developed for domestic use
- Inadequate consideration for cultural and other differences
- Greater scope of damage from accidents with products occurring within and outside Japan, and from delays in product safety determinations
- Reduced consumer convenience from production stoppages and delays, increased social unrest from products not being in stock
- Loss of communication capacity with consumers during disasters, pandemics and the like
- Loss of corporate credibility from leaks of obtained personal information
- Spread over social media of inappropriate advertising expression, scandals involving celebrity spokespersons, etc.
- Spread over social media of incorrect usage directions, mistaken product information, etc.

Opportunities related to realization of What Kao Aims to Be by 2030

- Provision of diversified communication channels

- Ensuring communication capacity distributed across place and time
- Provision of diversified work styles leveraging digital technologies
- Provision of accurate product information relating to ingredients, safety, etc.
- Disclosure of reliability information relating to security and safety
- Development of new products and opportunities for improvement proposals through global sharing of consumer inquiry information
- Opportunities to call for improvements in developed products, sold products, advertisements, etc.
- Proactive release of information about how to get products and the stores that carry them

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, for example, by 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 consumers' viewpoints, we hold training sessions (Real Voice Training) in each relevant division, in order to put them toward business use.

Policies

We are committed to offering products, services and information that benefit consumers from a consumer-driven point of view. We take feedback from consumers seriously, ask for their opinions and requests for products and services, and strive to not only resolve the problem that the consumer contacted us about, but also engage in communication to understand the consumer's awareness, habits and other thoughts relevant to the problem. Then we consider what solutions we can offer as a company, and proactively make suggestions internally and externally.

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 ESG-driven *Yoki-Monozukuri* to provide products and brands useful to the sustainability of society.

We also conduct follow-up activities each year, aiming to further raise the level of our activities to adapt and respond to changes in the social environment, including solutions to social issues such as environmental problems, hygiene and the aging population, the information age, diversification of awareness and values, and the borderless nature of the world.

Communication with consumers 102-43, 103-2, 417-1

Collaboration and engagement with stakeholders

Exchanging information with consumer groups and consumer affairs centers

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, UD 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

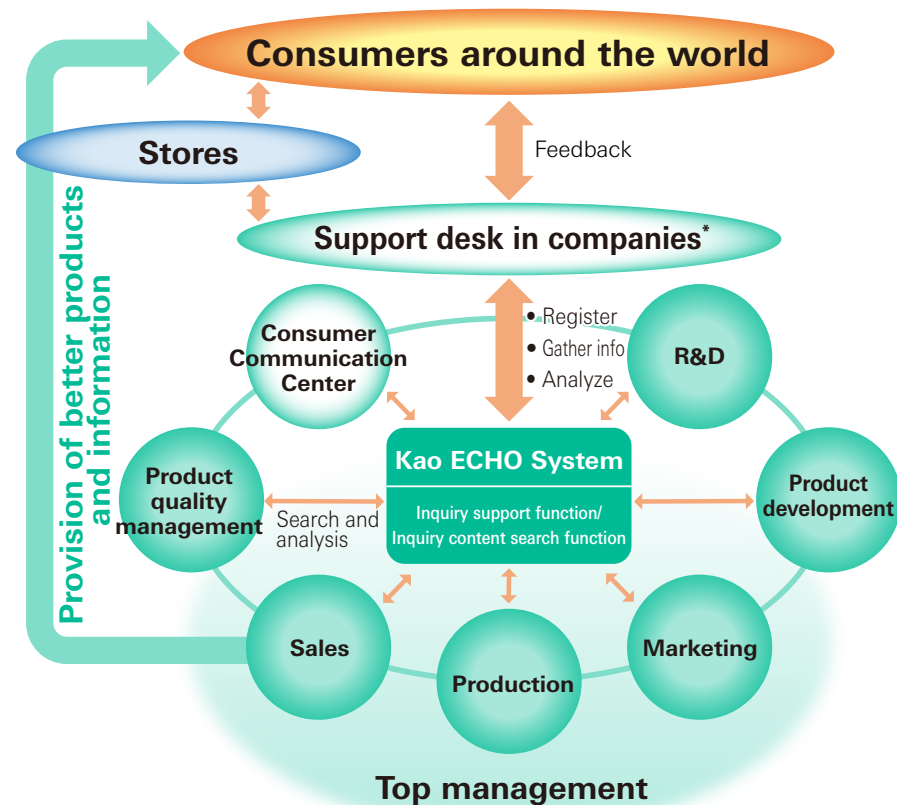
To verify whether consumers are satisfied with our communication and if there are areas where we need to improve, we implement regular consumer surveys regarding our consumer communication. We use the survey results to make further improvements in how we handle inquiries, and strive to improve satisfaction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

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 are shared company-wide and fed into ESG-driven *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

- Create conditions that allow consumers to seek out information and advice whenever they want and using the mode of communication that suits them
- Offer information about reliability, ingredients and products related to safety and security as well as solutions to problems consumers face in daily life through diversified consumer communication channels, and contribute to increasing corporate value
- Share and mobilize consumer feedback in many related internal divisions through the Kao ECHO System, and develop new products and improve products not just for Japan but for global markets
- Strengthen information security in our response to consumers and make available diverse work styles not tied to specific times or locations to maintain our communication capacity with consumers

Main initiatives 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

Anticipated benefits from achieving 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 satisfaction and brand loyalty among non-Japanese consumers.
- Sustained consumer loyalty to the Kao brand through control of rumor diffusion

Social impacts

- Realization of ethical, environmentally friendly consumption behavior
- Improved quality of life from the perspective of diversity as a result of enhanced information provision, multi-lingual support, and diversification of the means of obtaining information
- Improved quality of life and improved hygiene awareness from having accurate product knowledge and being able to select products with confidence

Performance in 2020

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

In 2020, Kao Corporation, Nivea-Kao Co., Ltd. and Kanebo Cosmetics Inc. answered a total of around 194,000 consumer inquiries in Japan received via telephone, e-mail and so on (86% year on year). The number of inquiries was significantly affected by the closure of the support desks. The total number of global inquiries excluding Japan came to approximately 34,000 (95% year on year). By business division, Bioré and Home Care received approximately 29,000 inquiries each (177% and 107% year on year, respectively) due to a higher number of product inquiries related to COVID-19. Meanwhile, Cosmetics (Sofina, Curél, Kanebo Cosmetics) received fewer inquiries than the previous year at approximately 41,000 (65% year on year).

As a result of the COVID-19 pandemic, we received a higher number of inquiries about hygiene in daily life, with spikes in inquiries seen when the importance of sanitizing hands and disinfecting the home and surroundings in particular was communicated by government agencies and the media. In April and May, however, after a national state of emergency was declared in Japan, we temporarily suspended our telephone support, and shortened its hours of operation after it was reopened as well, which forced people whose only means of obtaining information is the telephone to have to wait for this information. Meanwhile, during the time when telephone support was unavailable, we received three to four times the number of inquiries by e-mail as the previous year, and even after telephone support was once again available, we still received twice as many e-mail inquiries as the previous year.

Kao Group companies in Asia received approximately 35,000 inquiries (96% year on year). In 2017, we developed a new system (seventh-generation Kao ECHO System) that allows global consumer feedback to be shared and introduced the system in Kao Group companies in Asia in 2019. In 2020, we completed introducing the system in

companies that sell Kanebo Cosmetics in Europe. With this system introduction, information about all consumer inquiries received by Kanebo Cosmetics is registered according to globally standardized rules, and this has created one unified system for survey responses and reports as well as for collecting and analyzing information.

We held an all hands meeting in an online format for consumer support desk representatives at Kao Group companies in Asia. At the meeting, participants exchanged opinions and ideas on the topic of handling consumer inquiries at companies during the COVID-19 pandemic. Going forward as well, we will use the meeting as an opportunity to share the results of company activities over the year and learn from each other to support quality improvements in our consumer support throughout the Asian region.

2. Providing practical information on our website (Japan)

In 2020, government agencies, the mass media and other groups released a wide range of information about hygiene measures during the COVID-19 pandemic. As part of this, we received many inquiries about the efficacy of Kao products and how to use them. In response, we revised FAQ pages on our websites, usage instructions, precaution labels and Q&A sections in product catalogs to provide timely information.

We organized the information around questions recently being asked more frequently about infection precautions, and also created a website in English for non-Japanese speakers to reference. Related pages received a very high number of page views, suggesting that we were also able to communicate information to consumers who did not contact us directly.



→ Questions recently asked more frequently regarding infection countermeasures
www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/support/pdf/consumer_011.pdf

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 2020, an estimated total 900 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 2020, the approximately 7,300 responses provided to date were viewed around 5.4 million times.

There were a greater number of inquiries about concentrations and specific ways to use disinfectant, chlorine bleach and other products effective at sterilization and disinfection to kill viruses. The number of questions about COVID-19 fell in July, but then showed sustained increases from August.

4. External activities affected by the COVID-19 pandemic Exchanging information with consumer groups and consumer affairs centers

In normal years, we visit around 100 public bodies responsible for consumer affairs, primarily consumer affairs centers, to exchange information, but due to restrictions on people’s movements and in-person visits, we sent the public bodies our activities report as normal and made efforts to communicate that we were continuing the relevant activities.

Implementation of exchange activities involving consumer-oriented events

Due to restrictions on people’s movements and gatherings with a national state of emergency declared in Japan, almost all planned exchange activities were canceled after February. After restrictions on people’s movements are relaxed when the state of emergency is lifted, we will look into fulfilling requests for exchange activities such as citizen lectures from 2021 by providing online lectures, for example.

Our initiatives

The Kao Plaza community site for loyal Kao users

We operate the Kao Plaza community site and conduct related activities aiming to achieve *Yoki-Monozukuri* together with loyal users of our products.

Background to launching Kao Plaza and overview of activities

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.

Membership stands at approximately 1.7 million (as of March, 2021). As Kao Plaza members include men and women of all ages, reflecting the wide range in ages of people who use Kao products, we are able to gain a bird's-eye view into the lifestyles of various kinds of customers and their values.



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 members.

"Minna no Hoho" community corner

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.

In our 2020 activities, we collected a large amount of feedback about new products from loyal users of the relevant brands and brought visibility to which kinds of customers identified with which kinds of value as well as whether there were issues that we overlooked. Doing this allowed us to quickly verify the receptivity to our brand communication and avenues for improvement.

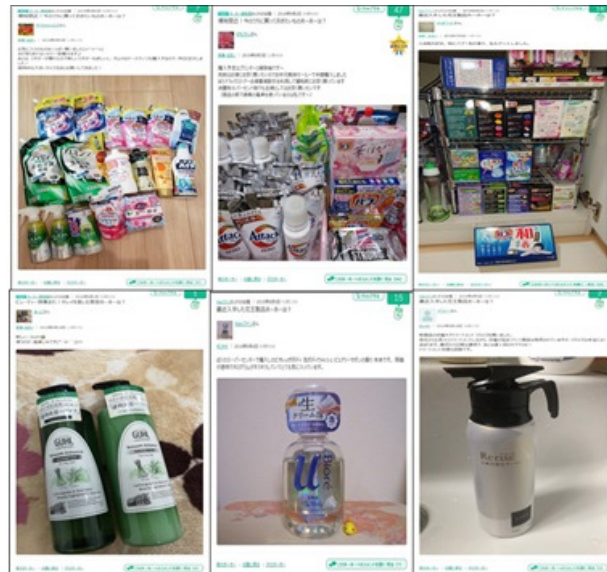
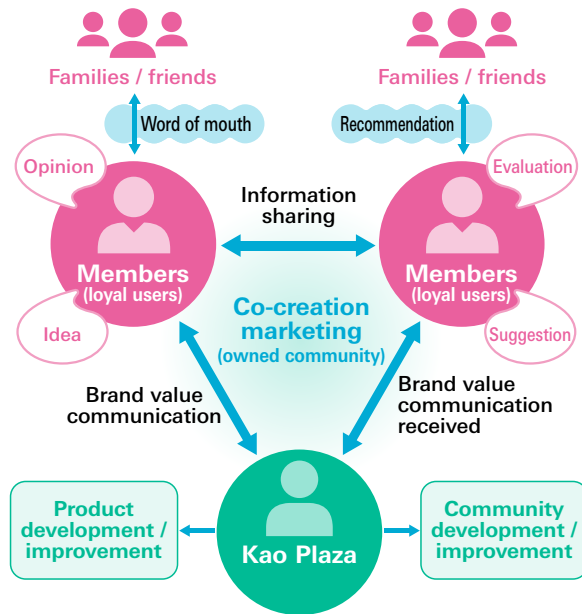
In April when social unease was growing, we received a large number of user comments about changes to their daily life and mental state as well as their relationship with Kao products as a result of COVID-19. This feedback offered suggestions for what information we should communicate and how we should present Kao products during the COVID-19 pandemic. Receiving this valuable feedback even during this difficult time is an asset that only such loyal users are able to provide.



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

Communication with consumers 102-43, 417-1

Co-creation marketing



Four perspectives: knowledge, entertainment, inspiration, participation

Content sent out to members is planned and created based on the four perspectives of knowledge, entertainment, inspiration and participation. The content can be broadly separated into content tied to brands and experience-based content, and in practical terms is designed for the main purposes of communicating beneficial information, building familiarity and trust for Kao Plaza, and increasing the frequency of site visits and loyalty.

Correspondence

We include a wide range of opinions in the Correspondence section, where content is co-created with members. It is extremely gratifying to receive positive feedback such as, "Getting Kao's unique perspective was very useful," and "It's easy to read and entertaining, and I hope you continue it." The Correspondence section consists of posts with real-world feedback and replies with messages of appreciation from staff.

Many members have said that they have gone on to read other content after reading this section, which is designed to show unfiltered communication with members. Some members also send additional replies to our responses, embodying our aspiration for the Kao Plaza, that all members become like family.



Understanding the background to reviews to deepen our corporate activities

Kao Plaza not only creates opportunities to hear a wide variety of opinions about Kao products but also opportunities to have members understand the aims of our wide array of corporate activities (Pink Ribbon Campaign, Kao Foundation for Arts and Sciences activities, plant tours, etc.) and at times participate in these corporate activities themselves.

In addition, amid major changes in the world around consumers, we have used the Net Promoter Score (NPS), a global metric to quantitatively measure brand loyalty, over the years since Kao Plaza was launched. This metric validates deep correlations with customers' purchasing volumes, and provides insight into what corporate and business activities customers are aware of and whether they are closely connected to cultivating loyalty.

For instance, some results from surveys conducted in 2020 indicated that Kao Plaza members with higher NPS scores were well aware of our outstanding R&D and product development capabilities and our offering products and services to enrich people's daily lives.

We believe that it will become increasingly important to understand how the wide range of information we communicate is applied by consumers, and in terms of deepening our corporate activities as well, to continue thoughtfully studying feedback from supporters and the reasons and background factors for their support.

Communication with consumers 102-43, 417-1

Communicating information about our ESG activities

We started a new Kao Plaza activity in 2020 that attempts to continuously communicate information about our ESG activities. The activity focuses on making ESG activities easy to understand not only as information in terms of corporate management but also as topics closely related to consumers' lives.

Activity content is designed with wide-ranging hooks to attract readers and integrated with other content. In addition to core articles that create understanding for ESG, there is, for example, an engaging mini series on "the hidden world of packaging" and a popular parenting column aimed at mothers that are linked to conservation-related articles.

While many members already have strong loyalty to Kao, we receive feedback from members saying that they did not know about our activities, that we should publicize them more, and that reading about them made them feel even greater loyalty to Kao. Recognizing these expectations, every day we explore how to best engage in communication.

We will continue this new activity from 2021 as well, with the goal of increasing recognition for our ESG activities among members.



Obtaining feedback on changes in daily life during the COVID-19 pandemic

Due to concerns about the rapidly spreading COVID-19 pandemic and the prolonged restrictions on activities outside the home, how we live our lives was transformed in 2020. The scarcity of masks and hygiene products became pronounced around March 2020, creating ongoing uncertainty for consumers. Amid this situation, we received feedback from approximately 15,000 members about their current lives, their concerns and how their relationship with Kao products had changed.

We received comments about the stress people were feeling from living with uncertainty day in and day out, how they were cleaning and doing laundry more frequently with the increased time spent at home, about dry and cracked hands from more frequent hand-washing, and about their trust in the quality of Kao products that they normally use such as *CuCute*, *Haiter* and *Quickle* as well as requests for our products. Reviews such as those for fabric softener and bath additive fragrances offered many suggestions for how people were wanting to alleviate their stress even in some small way. We communicated this feedback to related divisions internally at the beginning of May, and were able to quickly undertake consideration of what products and information would help reassure customers during this difficult time.

Received the 2020 CRM Best Practice Award

Our Kao Plaza activity was recognized in 2020, and we received the 2020 CRM Best Practice Award organized by the CRM Association Japan.

This award is presented to companies, organizations and groups that deploy IT tools and obtain outstanding results in Customer Relationship Management (CRM) to

build long-term relationships with customers. This is the first time we were chosen to receive this award.

We received the award for our model of using a community website for co-creation with fans within Kao Plaza. Kao Plaza views registered members as important stakeholders who are representative of Kao product users and customers as individuals (individual consumers), and our activity aimed at building a co-creation community website through mutual dialogue with these two groups, where we learn from each other and increase our brand value, was highly regarded.

Having our internal efforts recognized in this way by an outside group reaffirms the significance of these activities, and at the same time, this recognition is an opportunity to acknowledge the need to further refine our efforts so that they can become a model for the industry.



Received the 2020 CRM Best Practice Award

Communication with consumers 102-43, 417-1

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.

Going forward, we will use digital tools to create new points of contact with customers and expand the scope of use of the insights we collect from them. In addition, we will implement 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.

Consumer-oriented initiatives and their evaluation

Providing information timed with the sharp rise in inquiries related to COVID-19

We redesigned our website to display information at the top that was organized around questions recently being asked more frequently about infection precautions related to the rapid spread of COVID-19. We updated our website at various times with content users wanted to learn more about, and added an English website for non-Japanese speakers to reference.

We also updated FAQ pages accordingly with content users wanted to learn more about. There were a lot of inquiries about infection precautions while our support desks were closed, and website traffic reached as high as approximately 400,000 visits a month, clearly demonstrating that consumers were interested in getting information from the website.

"Ways of Everyday World-Making" online workshops in support of working mothers

Together with Iba Laboratory of Keio University, we researched and created the "Ways of Everyday World-Making" pattern language to support women who are working and raising children. It contains 34 short phrases that represent tips for living well while working and parenting and staying true to yourself. We have released this booklet on our website since 2017, and continue to hold workshops using this pattern language.

The workshops were temporarily suspended in 2020 due to COVID-19, but we resumed them in an online format from the summer with cooperation from outside career consultants and post-childcare-leave advisors, and held 11 workshops for 120 participants.

Many participants favorably rated the workshops for providing hints about how to enjoy life and keep a positive outlook amid the COVID-19 pandemic, with comments like "I will value family time more" and "I want to think more about my children's and my own growth."

As the world in which people parent and work is also changing with the pandemic, we will continue to provide opportunities to think about how to balance working and raising children through this activity, and consider together with consumers what a brighter future looks like for living well in combination with working and parenting.



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

Track record of workshops with pattern language

	Internal (number of workshops/ participants)	External (number of workshops/ participants)	Total (number of workshops/ participants)
2017	11 / 120	9 / 250	20 / 370
2018	—	15 / 264	15 / 264
2019	—	23 / 455	23 / 455
2020	—	11 / 120	11 / 120
Total	11 / 120	58 / 1,089	69 / 1,209



Communication with consumers

Providing timely information on the Lifestyle Research (*Kurashi no kenkyu*) website for how to live comfortably during the pandemic

We launched the Lifestyle Research website in 2014 that provides expert information from Kao's consumer research and how-to tips useful in daily life. In 2020 as the COVID-19 pandemic spread, we communicated timely information about ways to make life more comfortable during the pandemic.

Hygiene-related content includes information on how to wash and sanitize hands, cleaning living rooms, kitchens, bathrooms and so on with a focus on disinfecting, and how to care for reusable shopping bags. Sections on how to enjoy spending time at home and tips for staying healthy include articles on how to stay comfortable in summer during the pandemic (how to get better sleep, etc.), tips for taking a refreshing bath, after-dinner cleanup (how to clean hot plates), how to care for home exercise equipment, and supplies to keep stocked at home. New content is released each month, and reports of consumer surveys about the impact of COVID-19 on daily life are also released regularly.

Useful information for daily life during the pandemic has been well received by consumers, and the Lifestyle Research website has attracted increased traffic, with monthly page views in the range of 200,000 to 300,000. Its articles have also been widely quoted and reprinted in newspapers and online news sites, which has also allowed us to provide the information to a greater number of consumers.

We will continue to improve our communication of useful information for consumers via the Lifestyle Research website, with a focus on living in the new normal.



Landing page of the Lifestyle Research website



Articles that received a large response in 2020 included ones on the impact of COVID-19 on daily life and whether reusable shopping bags could be washed



→ Lifestyle Research website
www.kao.co.jp/life/ (Japanese)

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.

ESG Keyword	Hand-washing awareness	Kao Hygiene Development Program in Vietnam	Contributions to improving menstrual education and menstrual hygiene conditions
	Pink Ribbon Campaign	Barrier-free access to information	Education for the next generation
	The Kao International Environment Painting Contest for Children	Kao Social Entrepreneurship Schools for young leaders	
	Kao Heart Pocket Club (participation of Kao employees in social activities)		FURUSATO Environment Conservation Project in Northern Thailand
	Support of the Arts	Recovery support for areas affected by the Great East Japan Earthquake	Supporting COVID-19 measures

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. Furthermore, the threat of COVID-19 is taking a drastic toll on the 3 billion people* who are in vulnerable situations without access to soap or clean water.

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. However, the World Happiness Report indicates the reality that negative emotions such as worry and sadness are on the rise as a global trend.

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.

All consumers need to recognize these issues and change their daily behaviors.

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 collaborations.

* WHO / UNICEF Joint Monitoring Programme 2019 "Progress on household drinking water, sanitation and hygiene 2000-2017: Special focus on inequalities"

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 through corporate citizenship

activities and awareness-raising activities, aiming to achieve a society where everyone can lead happy, fulfilling, healthy and more comfortable lives including the many people in the most vulnerable situations whose issues can't directly be addressed through our business activities and products.

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 forms of assistance, including educational and awareness-raising activities, technological support, charitable donations and cross-industry and multi-sector collaborations, so that consumers can change their behavior and influence those around them.

Furthermore, we will make contributions dealing with 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.

Corporate citizenship activities 102-12, 102-15, 103-1, 103-2

Risks related to realization of What Kao Aims to Be 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 What Kao Aims to Be by 2030

As a manufacturer of consumables, we have always stayed close to the lives of consumers in our business activities. In recent years, these are not only to improve convenience and satisfaction for individual consumers, but also to be part of people's everyday lives fulfilling the desire to make the right choices for a better society and enable the people around them and the society they belong to do the same.

We believe that the technologies, knowledge and networks we have cultivated can contribute to the solutions to social issues intimately connected to everyday life, such as that of waste, by improving sanitation, water, health and the quality of life, and that we can conduct activities that respond to consumers' expectations.

Through these activities, we aim to play an essential part in people around the world leading a happy, fulfilling, healthy, more comfortable and sustainable lives (the Kirei Lifestyle).

Contributions to the SDGs



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).

Global Policies for Kao Group Corporate Citizenship Activities

Vision

The Kirei Lifestyle for everyone
We want everyone to have healthy and sustainable life and enable them to attain the Kirei Lifestyle.

Focus areas

- Promoting Healthy and Inclusive Lifestyle
We encourage every person to expand the opportunity and ability for people, without prejudice, to live a healthy lifestyle both physically and mentally, improving hygiene, self-esteem and protecting lives.
- Promoting Sustainable Lifestyle
We encourage every person to expand the opportunity and ability for people to live a sustainable lifestyle, protecting our planet and improving the environment in which we live.

Action guidelines

- We provide information and expertise to inspire individuals to change their own behavior and influence others around them.
- We will encourage all people to live a Kirei Lifestyle especially including people in the most vulnerable situations.
- We promote activities that are worthwhile and stronger connections with society at large by increasing opportunities for our employees and consumers to participate in social activities.
- We support countries, regions and diverse communities to deal with the issues they face and to do what is needed.

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

Education and promotion

We believe it is important for our employees to be aware of how manufacturing and awareness-raising activities encourage consumers to change their behaviors and to take into consideration the livelihood of various consumers the world over and people in particularly vulnerable situations so that people around the world will attain the Kirei Lifestyle.

Expanding our outlook and creativity is necessary to achieve this, which will be accomplished by learning about many diverse societies and consumers, directly networking with people trying to solve social issues, and participating in corporate citizenship activities. We distribute information about what is happening in society via the intranet and provide opportunities to volunteer and for NGOs and social entrepreneurs to network.

As a result, participation in volunteering and networking events is on an upward trajectory, and examples of cause marketing are seen in our business ventures.

In 2020, more than 10,000 of our employees across the globe participated in the corporate citizenship program and volunteering activities that we organized. As a result of these activities, there are signs that cause marketing is being implemented as part of the initiatives to realize our brand purpose in our business operations.

Collaboration and engagement with stakeholders

We conduct activities with the belief that dialogue and collaboration with stakeholders in our corporate citizenship activities can encourage people to understand

on a deeper level what is needed and expected by an increasingly complex society and have a greater transformational impact than what could be done by one company in order to empower people around the world to live the Kirei Lifestyle.

In particular, we are collaborating with NGOs and UN organizations such as United Nations Children's Fund (UNICEF) and United Nations Population Fund (UNFPA), which have expertise and a deep understanding of the global situation in the areas of cleanliness, hygiene and health, and with government agencies, local governments and schools for environmental fields so that we can effectively change the behaviors consumers take.

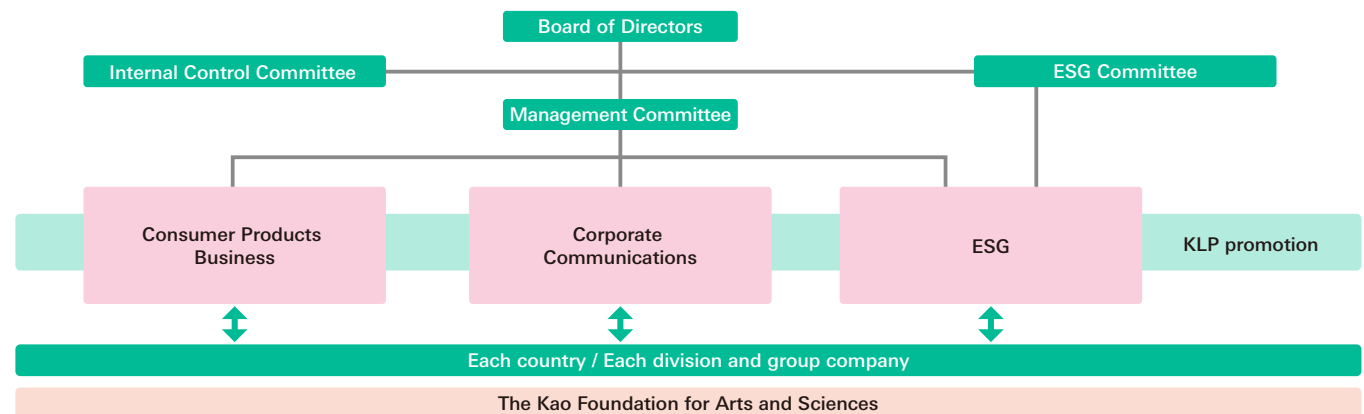
In addition, employee participation in corporate citizenship activities increases loyalty to our company and brings vitality to further contribute to the development of our business and society at large.

Framework

The ESG Division is leading efforts to achieve our ESG Vision of the Kirei Lifestyle, and working in cooperation with Corporate Communications, Consumer Products Business, and other related divisions and group companies within and outside Japan.

Corporate citizenship activity surveys are conducted once a year in our offices and worksites within and outside Japan, which are compiled into the activities report and the results of the surveys are then shared.

Implementation framework for corporate citizenship activities



* As of December 2020

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 global environment-related fields, we help people everywhere to enjoy happy, fulfilling and comfortable lives, including people whose issues cannot be addressed directly through our business activities and products and people who are in vulnerable situations. In addition, we support consumers to be able to change their behaviors aiming to have happy, fulfilling and comfortable lives.

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

Promoting Healthy and Inclusive Lifestyle

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. Hand-washing awareness in elementary schools in Hanoi
We raise awareness of the importance of hand-washing in elementary schools in Hanoi, and aim to firmly root cleanliness and hygiene habits in children.
4. 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.

5. 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.

Diversity & Inclusion

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

Considerations for women and children (the next generation)

1. 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
2. Japan Science & Engineering Challenge (JSEC): We support a maximum of nine high school students at three schools every year.

Promoting Sustainable Lifestyle

We are conducting environmental communication to promote sustainable lifestyles among consumers.

Promoting the participation of Kao employees in social activities

1. Operation of the Kao 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 spreading and instilling proper daily cleanliness, hygiene and health habits, we hope that we can improve hygiene in the communities we support and contribute to improving living standards over the medium to long term, and help enrich the lives of a billion people with our commitment to the Kirei Lifestyle Plan.

We believe that communicating to and raising the awareness of consumers about the environment will increase the numbers of consumers who change their behaviors and have a knock-on effect in their surroundings, and create a driving force to attain a sustainable society.

In addition, encouraging employees' participation in social activities is expected to stimulate their creativity and to further draw on innovative and valuable *Yoki-Monozukuri* to be able to contribute to society.

Performance in 2020

Performance

Promoting Healthy and Inclusive Lifestyle

Cleanliness and hygiene

1. Water and Sanitation Project for Schools in Vietnam

We completed our 5-year objective to support 35,000 students at 60 schools from 2016 to 2020.

- Conducted educational sessions at 10 preschools in the Dien Bien Province (reaching a total of 3,710 children and 180 teachers)
- Conducted hand-washing awareness sessions in 93 villages in the Dien Bien Province (reaching a total of 36,830 people)
- Conducted sessions on household safe water access for 126 commune staff, health workers and community leaders in the Dien Bien Province
- Installed water pipes in 4 schools in the Dien Bien Province (helping 591 children and teachers)

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
- Held an online presentation on the results of the intervention study conducted in 2019, which aimed to improve hand hygiene compliance at Hanoi Medical University Hospital

3. Hand-washing awareness in elementary schools in Hanoi

- Developed hand-washing awareness educational kits and conducted awareness-raising activities in two elementary schools in collaboration with Hanoi Medical University.

4. Scholarship for Hygiene Management

Accepted foreign exchange students in a Japanese master's degree program. The first scholarship student was accepted in October 2018 and graduated March 2020. The second exchange student was accepted in April 2020.

5. Menstrual hygiene education in Indonesia

- Canceled all promotion activities and leadership and campaign meetings, which are conducted offline and

in-person

- Raised awareness through online learning, TV, radio learning and handouts as a substitute for the conventional method
- Ran an online contest with the theme of MHM in emergencies on Menstrual Hygiene Day

6. Hand-washing awareness

- Japan
- Provided 949 educational kits (1,934 in total for all types of educational kits)
- Education in the classroom not implemented
- Taiwan, Indonesia
- Conducted hand-washing awareness sessions for approximately 59 thousand children

7. First menstrual education

- Japan
- Distributed first menstruation sets to approximately 715 thousand girls in 11,694 elementary schools
- Sent CD narration of the awareness booklet titled "Physical changes: What it means to become an adult" to three schools
- Indonesia, Vietnam, Thailand, Malaysia, Taiwan, Hong Kong, China
- Distributed first menstruation sets to approximately 358 thousand elementary and junior high school girls

Diversity & Inclusion

1. Kao Social Entrepreneurship Schools: We support young entrepreneurs at three organizations every year.

- Three organizations were chosen to receive support and providing opportunities for business growth.
- Conducted Social Entrepreneurship Schools Kickoff Training online. 126 employees participated in the special lecture
- Held the online Commemorative Study Session for the 10th Year Anniversary of Kao Social Entrepreneurship School. Presentations were given by 6 social entrepreneurs who graduated from the schools and 134 employees participated.

2. Promoting understanding for social inclusion: We are promoting the expansion of boccia competitions.

- Dissemination of information inside and outside the Kao Group using the official corporate social media (Sent twice externally and once companywide)
- Product donations in activities to operate sponsored tournaments and to strengthen national teams

Considerations for women and children (the next generation)

1. Breast cancer prevention awareness through the Pink Ribbon Campaign

- 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 and employees in nine Kao Group locations in Russia and in some of the countries where we do business in Asia.
- Information offered through a special website
- Made donations matched according to purchases of eligible products and through click-to-donate platform
- Sponsorship for symposiums: Global Conference on Breast Health (held online)
- Company employees wear Pink Ribbon badges, with information relayed through our intranet system.
- Employee involvement-based donation program: Photo donation

2. Japan Science & Engineering Challenge (JSEC)

- Held research and exchange meeting online. Participated by 103 people in total including 85 employees and students from 3 prize-winning schools (August)
- As special sponsors of JSEC 2020, we presented the Kao Award and the Kao Special Incentive Award to six students from three high schools (December).

Corporate citizenship activities 103-2, 103-3

Promoting Sustainable Lifestyle

We are conducting environmental communication to promote sustainable lifestyles among consumers.

- 1. Held the 11th Kao International Environment Painting Contest for Children (12,884 submissions), produced video content available online and exhibited award-winning works (approximately 30 locations inside and outside the Kao Group)**
- 2. Held a seminar on the Future of Washing Initiative (September, December)**

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**
 - 3,376 members (as of December 20, 2020)
 - 43 donation projects / Donations of 9,142,100 JPY
 - 4,020 copies of the activities report (activities report for internal use, published once a year)
- 2. Enhancing the communication of information on employee participation activities via the intranet, etc.**
 - 64 items in FY2020
 - 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.

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 2020 came to 1,061 millions JPY for Kao as a whole (214 millions JPY in donations, 847 millions in activity expenses).



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

Reviews of performance

Due to the spread of COVID-19 infections in 2020, in-person activities and events had to be put on hold or postponed. However, we strove to continuously hold awareness-raising activities and provide support for consumers by postponing or extending workshop dates or replacing them with activities available online. Shifting the venue of these activities from physical locations to online gives us the opportunity to reconsider the way we provide assistance. In the future, we plan to keep expanding and leveraging the options and possibilities of these activities.

Our initiatives

Promoting Healthy and Inclusive Lifestyle: Cleanliness and hygiene

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 2020, like the previous year, we invited relevant parties from Hanoi Medical University, our partner in Vietnam, to Japan to familiarize them with infection control procedures in Japan and provided an opportunity for specialists in infectious diseases to exchange opinions with each other. We held a presentation on the results of the intervention study aimed at improving hand hygiene compliance, which was conducted at Hanoi Medical University Hospital in 2019. Health administration staff, medical professionals working at hospitals and students from Vietnam participated in this presentation, and specialists in infectious diseases from Japan did so virtually.

The intervention study, designed to educate hospital

staff by monitoring staff hand hygiene and by offering staff training, led to raising awareness in the region including for outpatients. Improvements were made for hand hygiene compliance and these outcomes have been shared widely through this presentation.

In 2021, we plan to further develop the infection control measures while continuously beefing up these initiatives.

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.

In March 2020, the first foreign exchange student graduated with a master's degree from Kanagawa University of Human Services. This student's master's thesis investigated food hygiene management in Japan and Vietnam through comparative studies and measurements of the bacteria in hospital cafeterias and

contained valuable research for which there's little prior surveys in hospitals.

In April 2020, the second foreign exchange student arrived in Japan to start her studies as a graduate student at Kanagawa University of Human Services.

Enhancing Hygiene in the Community

In collaboration with Hanoi Medical University, we started organizing hand-washing awareness activities for elementary schools in 2020.

In September and October 2020, a baseline survey at two elementary schools in Hanoi was conducted, which involved checking facilities and equipment for hand-washing at the schools, observing to what extent children wash their hands and conducting a questionnaire for school officials and children.

In tandem with this, we develop localized easy-to-understand educational kits, and give instructions on hand-washing to the children from November.

In 2021, we plan to verify the effects of these activities and expand them into other elementary schools in Hanoi. We aim to further increase awareness for hygiene among the children who shoulder the future by more broadly conducting awareness-raising activities.

Corporate citizenship activities 203-1

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 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 2020, open defecation was proclaimed to be eradicated in 36 villages in the Dien Bien Province where hygiene activities were conducted in the community and in schools.

In addition to this, some events improved the knowledge and skills in hand-washing using soap of 3,710 children and 180 staff members attending 10 preschools within 3 districts in the province. 250 community awareness-raising sessions were conducted in 93 villages. Our education on COVID-19 reached 36,830 people and lead to improved knowledge on the importance of hand-washing and sanitary toilet management. The sessions were conducted to reinforce the knowledge and skills for safe water treatment and preservation that 126 employees at 6 local governments in the province, health practitioners and villages leaders have.

In 2021 as well, we will support efforts led by schools and communities to improve hygiene environment and establish good hygiene habits.



Children washing their hands in An Giang Province ©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 2020, we distributed sets to 11,694 schools. Additionally, in 2019 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 schools for the visually impaired and Braille libraries in Japan, and in 2020 we sent new copies to three schools at their request.

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 2020 the final year of this assistance, we planned to develop lessons using education booklets for junior high school students completed in 2019. However, schools were closed until October due to the COVID-19 crisis, so this could not be completed as scheduled. From July, we altered our lessons to an online format. However, not all students have access to the internet and cellphones and rural students have particularly poor reception, which posed a major obstacle to learning and delayed the progress of these activities.

The program was organized to give lectures to over 12,000 students including boys at 40 public junior high schools within 3 years by 2020, and to encourage more than 2,500 students to change their behavior. In the future, we plan to extend the duration of activities by six months to achieve our targets.

The Menstrual Hygiene Improvement Project in Uganda

Since February 2019, we have partnered with 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.

After exchanging information and receiving technological advice from us since the previous year, and inspecting Kao’s plants, EcoSmart has completed their goals to establish a production system, create test sample, and obtained government certification as of 2020. These processes contribute to developing the capability of team members and local affiliate company and to employing people in the region.

Going forward, we plan to continue to contribute even more to women’s cleanliness and health in Uganda, aiming to launch sanitary napkins for local markets once quality control systems are established and a usage survey is conducted.



EcoSmart member raising local students’ awareness

Corporate citizenship activities 203-1

Promoting Healthy and Inclusive Lifestyle: Diversity & Inclusion

Kao Social Entrepreneurship Schools

Improved quality of life

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 school. In FY2020, we provided support to the following three people. (supported 32 groups so far)

- Takahiro and Eriko Izawa (Co-founders of Manabiya Momo)
“For a society where you can be yourself even when a school doesn’t suit you”
- Motohiro Ban (Representative Director of Compassion, a specified nonprofit organization)
“From achievement-focused to growth-focused! Building a sports environment that fosters a growth mindset”
- Yuko Yoshida (Representative Director of Atteme)
“Revolutionizing the way we work from the age of 18!

Internship application website for high school students”

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 employees can learn and make discoveries, from people’s passionate commitment to solving social issues to how to devise a business strategy and more.

In FY2020, first we held an online project on September 24, where employees could observe special lectures from the Social Entrepreneurship Schools Kickoff Training, which is the first training for the entrepreneurs. This was attended by 126 Kao employees.

Moreover, we commemorated the milestone of the 10th year anniversary of this program in FY2020 and held the online Commemorative Study Session for the 10th Year Anniversary of Kao Social Entrepreneurship Schools on November 10. Among the social entrepreneurs supported thus far by Kao, six graduates, who are making a major impact on society with their ongoing business ventures, took to the stage. That day, 134 of our employees working in various departments in Japan participated, which is a record high, and listened to lectures on business ventures to solve the social issues that these entrepreneurs are addressing. After seeing these entrepreneurs who are further expanding their business ventures to have an impact on society after graduating, our employees shared their impressions. “I am positively impressed by their approach to work. This was very educational.” “They all

gave off an inspiring energy. I want to contribute to the company with an entrepreneurial mindset.”

In FY2020 both the operation of schools and internal events were conducted online to prevent the spread of COVID-19. This resulted in social entrepreneur applications from all over Japan, in a wider range of regions than ever before, and even more people from every area were able to participate in employee events.

Reflecting on the last ten years, we started initiatives to evaluate the social impact of these programs and visualize their value. We will continue to conduct activities that offer transformative impact for society and employees.

* NEC and Kao are official FY2020 partners. Dentsu is the Program Partner.



Social entrepreneurs and the secretariat who participated in the Commemorative Study Session for the 10th Year Anniversary

Corporate citizenship activities 417-1

Support for the Japan Boccia Association

Improved quality of life

In 2020, we continued the gold partner agreement with the Japan Boccia Association initiated in June 2019, and conducted awareness-raising activities both inside and outside of the Kao Group to expand and build up the sport and to establish understanding of sport philosophy for social inclusion through para sports.

In 2020, while awareness-raising activities and sponsored tournaments were canceled or held without spectators due to the spread of COVID-19, we pivoted to disseminate information connected with Japan Boccia Association's activities using the official social media. (Sent twice externally and once to companywide) Moreover, we provided support through products in activities to operate sponsored tournaments and to strengthen national teams.

Continuing into 2021, we will provide support through our products, disseminate information periodically and encourage participation in awareness-raising activities after COVID-19.



2021 Boccia Tokyo Cup, sponsored tournament held without an audience to prevent the spread of further infections

Barrier-free access to information

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, especially disinfectant products necessary for the pandemic, 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, in 2020 we provided a CD narrating the content of an awareness booklet titled "Physical changes: What it means to become an adult," to expand outreach to children with visual impairments, who tend to lack sufficient information, their families and the interested educators serving them.

Additionally, we provided Braille stickers (for household goods and cosmetics products) free of charge on 55 occasions, donated videos on barrier-free topics on 3 occasions, and lent additional copies on 7 occasions, and donated products to welfare facilities on 2 occasions. We

Universal product design

provided content, and one employee volunteered to help record narrated information for the November issue of the lifestyle information magazine *Home Life*, a Braille and voice-based magazine published by the Japan Braille Library.

We will continue these activities in and after 2021 as well.



Braille stickers (household goods)



CD narration of "Physical changes: What it means to become an adult"

Corporate citizenship activities 102-43, 203-1

Promoting Healthy and Inclusive Lifestyle: Considerations for women and children (the next generation)

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 within and outside Japan 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 Japan is providing support for the Project of Cancer Education by Pink Ribbon Advisors organized by the Japan Society of Breast Health, an NPO. 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 2020 include donating a part of the revenue from eligible product sales of the cosmetics brand *Kanebo* to the cancer education project. Through this ongoing initiative since 2013, we set a product for the campaign each year and support public education activities about breast cancer. In addition, our *Laurier* sanitary products brand implemented a campaign to support women’s health by disseminating information through the product and brand website and making donations through a click-to-donate platform. In addition to the cancer education project, these donations also went to support activities to raise awareness about cervical cancer.

We created the employee-involvement based donation

program, produced visuals for the Pink Ribbon Campaign in collaboration with special subsidiary Kao Peony Co., Ltd., and proactively conducted awareness-raising activities.

Furthermore, we are actively conducting other activities, such as awareness-raising activities in some stores carrying cosmetics within and outside Japan and via online media, and sponsoring a symposium on breast cancer, to deliver the message to as many people as possible.



→ 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-2021-e-all.pdf#page=46

→ Inclusive & diverse workplaces: Promoting better understanding of disability and promoting the employment of persons with disabilities > Measures implemented at special subsidiaries > Efforts toward working from home during the COVID-19 crisis: Folded flowers from those working from home, used for in-house campaigns
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-all.pdf#page=191



Exhibition of campaign panel created with Kao Peony inside the company



Cancer education instruction given by a Pink Ribbon Advisor

Corporate citizenship activities 413-1

Support for school education through the provision of 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.

Since children's safety is a top priority as COVID-19 continues to spread, this fiscal year we had to suspend education in the classroom that we have conducted for many years in daycare centers, preschools and elementary schools as part of fostering the next generation.

We made the educational materials for the hand-washing lesson and housecleaning lesson available free of charge for approximately 1,100 schools so that teachers could teach this to their classes at even more schools. Besides providing Hand-washing Posters for approximately 20,000 elementary schools throughout Japan, we also uploaded video content about hand-washing and housecleaning to our website so that students whose schools are closed can view this at home.

Amid concerns about the spread of COVID-19, we started developing new educational materials for the new school semester responding to requests to teach children new hygiene habits. (Provision from Spring 2021)

We implemented the test lecture Zero Waste Challenge for elementary school students and the Exploring Issues Lecture SWITCH for junior and senior high school students as part of our active learning

program to work on problem solving. These lessons were also streamed online.



Lesson taught by teachers adopting the hand-washing lesson educational material



Boy checking that he washed all of his hands using the hand washing lesson educational material

Performance in 2020

Provision of educational materials

Type	Target	Materials provided to
"Hand-washing Time" hand washing lesson	Lower elementary school grades	949 schools
"Work at Home" housecleaning lesson	Lower elementary school grades	176 schools
"eco together diary" (a journal for a collaborative water conservation challenge)	4th grade elementary school students	570 schools
Comfortable Living Thinking about the Environment	Junior high school home economics courses	111 schools
Aiming to Create a Better Clothing Lifestyle and the Environment	Senior high school home economics courses	128 schools
Total		1,934 schools

Education in the classroom

Not implemented

Note: Considerations of children's safety to prevent the spread of COVID-19

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 (third grade: Working people and our lives, fifth 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 2020, while 2 museums and 9 plants in Japan offered tours for 7,952 people, some 4,291 elementary school students from 61 schools participated in our social studies field trip programs and 1,236 students toured our facilities, including (a total of 61) elementary students who toured the Kao Museum not associated with our social studies field trip programs.

Due to the rapid spread of COVID-19, we suspended the plant tours at all plants and museums from March. However, from April onward Kao Eco-Lab Museum provided educational materials to use for elementary school social studies field trips, which reached 30 schools. In addition, we conducted online educational field trip programs streamed live at 12 elementary schools and 1 middle school from September, in which 918 people participated.

Safety campaign through logistics

As Kao Transport & Logistics Co., Ltd. is engaged in delivering products by truck, and has to pay close attention to road safety on a daily basis, the company has been holding events that are related to road safety. In recent years, Kao Transport & Logistics has continuously conducted the Children's Road Safety Class for elementary school children in the vicinity of seven of its worksites in Japan as part of our local contribution activities to save children's lives.

In 2020, continuing the tradition from the previous year, the Kawasaki Logistics Center wrapped delivery trucks in the 30 prize-winning artworks for the Traffic Safety Picture Contest hosted by the Kawasaki Ward for first year elementary school students at 20 schools in the area, and raised awareness on traffic safety while conducting its delivery operations. Halving the number of deaths and injuries from road traffic accidents is also one of the SDG targets, and these activities help improve the awareness of drivers and boost interest in traffic safety among people in the region who see these wrapped delivery trucks.



Children's Road Safety Class

Sustainable lifestyle promotion



Traffic safety truck wrapping in 2020

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 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 the final screening committee hearing high school students give their presentations, which they then judge.

The final screening committee for JSEC 2020 met on December 12 and 13, 2020 was held online. The Kao Award was given to Shizuoka Kita High School, and the Kao Special Incentive Award went to Notre Dame Seishin Gakuen Seishin Girls' High School.

Top JSEC prize-winners are qualified to enter the International Science and Engineering Fair (ISEF) held online in 2021. Rio Tanimoto, Hibiki Tanaka and Ryo Mochizuki from Shizuoka Kita High School, winners of the Kao Award, plan to attend ISEF.

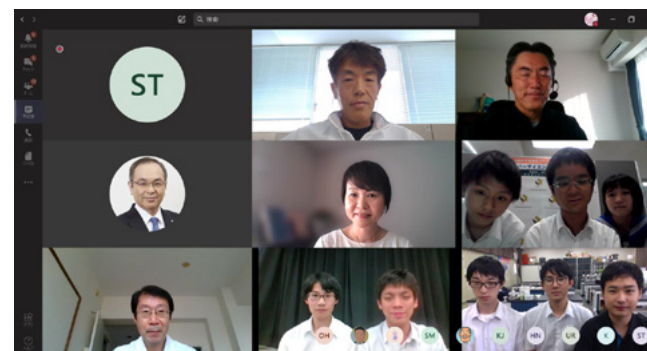
Also, we will organize a program for the award-winning schools to engage in discussions with our researchers, thereby providing support for senior high school students' education and career planning.

- The Kao Award
"Photochemical hydrogen production methods using tea dregs and iron ion" Shizuoka Kita High School (Rio Tanimoto, Hibiki Tanaka and Ryo Mochizuki)
- The Kao Special Incentive Award
"Factors that produce the rhythms of water absorption in plants" Notre Dame Seishin Gakuen Seishin Girls' High School (Ayumi Ishihara and Ayaka Maeda)
"Discovery of high expression sequence for protein using natural language processing and machine learning" Konan Boys' High School (Satori Minami)

Since the study tour where prize winners visit our facilities and engage in discussions with our researchers couldn't be conducted with the prize winners of the Kao Award and the Kao Special Incentive Award at the JSEC2019 due to the spread of COVID-19 in 2020, we held a research and exchange meeting online on August 6, 2020, in which a total of 103 people participated including 85 of our employees, people from the 3 award-winning schools, and staff from Asahi Shimbun Company. At that event, the research & development conducted by Kao was introduced and students from the award-winning schools gave presentations on their research theme. This was a particularly lively meeting with a question and answer session with Kao judges and with the award-winning schools energetically sharing opinions and ideas with one another.



Presenting Kao Award commendation letters



Students from the award-winning schools and Kao judges participating in the research and exchange meeting

Corporate citizenship activities

Promoting Sustainable Lifestyle

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 in the hope that paintings and thoughts expressed by children around the world, from their sincere consideration of the environmental conservation around them, the earth and its future, will inspire people across the globe and lead to them taking action to change their lifestyle.

The 11th Kao International Environment Painting Contest for Children

In 2020, despite the COVID-19 crisis, we received 12,884 entries from children around the world (1,302 entries from Japan, 11,297 entries from the Asia Pacific, 79 entries from the Americas, 95 entries from Europe, and 111 entries from the Middle East). After a preliminary screening by Kao designers, a final screening was conducted in October 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 invitation of top prize-winners to Japan and the awards ceremony was canceled due to the COVID-19 pandemic, so the awards were sent to the winners by post. At some Group secretariats such as in Kao Industrial (Thailand) and Kao Singapore, these awards were conferred directly to the winners to the extent permitted by the respective country.



Final screening



11th “eco together” Planet Earth Grand Prix
Artwork
Artist: Liang-En Yu (age 8)
Title: The Color of Future



Top prize-winners of the 11th contest

Online content available for environmental awareness through paintings

One of the main features of the Kao International Environment Painting Contest for Children is the opportunity to receive children’s written thoughts on the environment along with experiencing their paintings. We produced videos made available online aiming to convey these thoughts to more people. The 10th Kao Painting Contest for Children (Japanese / English) was made available in May and has been viewed over 10,000 times as of the end of December. In addition, the Kao Painting Contest/10th anniversary “Children’s thoughts” (Japanese / English) was made available in December.



→ The 10th Kao Painting Contest for Children (English)
www.youtube.com/watch?v=uMOZrZCEITc&list=TLGGqi pRJVM2mnwxMzA0MjAyMQ&t=1s

→ Kao Painting Contest/10th anniversary “Children’s thoughts” (English)
www.youtube.com/watch?v=iNQ-o2uvn4c&list=TLGGmToynk9cGhUxMzA0MjAyMQ

Painting exhibitions in collaboration with NPOs and government agencies

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.

The COVID-19 crisis in 2020 hampered the exhibition of the paintings in many locations inside and outside the Kao Group. A permanent exhibition of the top prize-winning artworks is on display at ten of our plants in

Corporate citizenship activities 203-1, 304-3, 413-1

Japan. However, there have been few visitors as plant tours are suspended.

We are in the fourth 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 2020, a total of 11 facilities and groups borrowed paintings, which were viewed by around 13,000 people.

Additionally, Kao (China) Holding and Kao (Taiwan) also incorporated exhibits of paintings into their environmental awareness activities in their respective regions.

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.

In September 2020 we held the seminar, Sustainable Laundry (2): Perspectives on water and energy, and in December, the seminar, Sustainable Laundry (3): Perspectives on fabrics and textiles, both online. In both seminars, a lecture was given for each topic by academia institutions and enterprises to provide information on the topic and then a group discussion was held discussing washing from different angles. These discussions brainstorming ideas to solve environmental issues on washing as understood from a consumer perspective

received good reviews from the participants, which included people from companies, universities, research organizations and environmental groups as well as homemakers.

In addition, the Future of Washing Initiative website features a blog started in 2020 and has posted articles considering sustainable washing from various perspectives. In 2020, this was updated approximately twice a month with a total of 23 articles.

The China water conservation campaign “Youth Initiatives for Cleanliness and Beauty”

Sustainable lifestyle promotion

Kao (China) has conducted activities for the Nationwide Cleanliness and Water-saving Initiatives jointly with the Center for Environmental Education and Communications (CEEC), part of the State Environmental Protection Administration of China, since 2012. These initiatives have been expanded with the commencement of the environmental protection contest for university students as part of our activities in 2015 and with other activities to draw the attention of university students and the general public in China to water conservation.

In 2020, this was conducted during the four-month period from September to December, as the normal time-frame was impacted by COVID-19. However, the activities evolved from just water conservation to cover a wider environmental perspective ranging from biodiversity and plastics reduction to low-carbon emissions and recycling.

By advertising to mainly university students in different areas, we received over 100 activity proposals from 67 universities in 21 provinces and cities throughout China in that approximately four-month period.

From these, we selected 19 projects, which we helped implement. University students from around the country actively worked to conserve the environment by putting into practice activities of their own design and developed different activities to improve the environmental awareness of people in the community.

The closing ceremony was held at the CEEC of Beijing Municipal Ecology and Environment Bureau in December and university student representatives from various regions participated remotely and received awards.



Closing ceremony held in Beijing

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

Corporate citizenship activities 304-3

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.

A study on forest management and crop cultivation was conducted in the afforested area planted in the first phase. We exclude crops found unsuitable for the land in the study, enhance the value of the forest by planting species that are eatable, and continue to manage the forest with the deep involvement of local residents.

Local residents prepared the new afforesting areas from the second phase which were covered with thick undergrowth from the neglected forest. A planting ceremony was conducted in August 2020, and local residents and other people are continuing to make progress on creating rich forests.



Arbor Day at the second phase fields

Kao Earthwatch Teachers' Fellowship

We implemented the Kao Earthwatch Teachers' Fellowship together with Earthwatch Japan (a certificated specified nonprofit organization) from 2004 to 2019. As 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, it is implemented with the objective of allowing the teachers who participate to leverage their experience and motivations at schools and wherever environmental education is conducted in the region.

This ended in 2019. However, we set up a special website with Earthwatch Japan that summarized the activities incorporating testimonials from participants with the objective of widely disseminating the outcomes of all 17 implementations of this fellowship. Our objective is to widely share the fruits of this program with society by posting individual interviews with participants and original instruction materials produced after the field research, in addition to enabling users to browse the reports from all of the participants.



→ Kao Earthwatch Teachers' Fellowship: Biodiversity support program
www.earthwatch.jp/kaofellow/ (Japanese)

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 3 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 2020, 20 groups from those that applied to the program in 2019 were chosen to receive grants. The ceremony marking the conferment of the grants originally scheduled in May was canceled to prevent the spread of COVID-19.

The cumulative number of groups that received support from 2000 to 2020 comes to 499, approximately 16% 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

Promoting the participation of Kao employees in social activities

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 2020, we had interviews about the progress of the groups' activities during the COVID-19 crisis and shared this information internally. Of these groups interviewed, three groups implemented online activities involving employees such as 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).

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 worksites are located. The presentation ceremony for community grants in Ibaraki and information

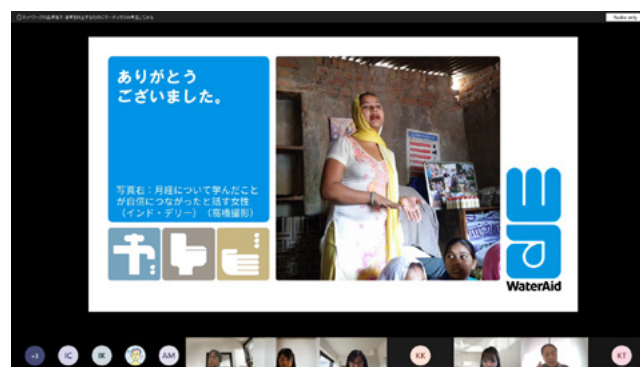
exchanges between groups were held in Mito.

In addition, we held the Mirai Pocket Fund to back activities on a larger scale. To choose where funding goes, three groups were selected through the steering committee's online screening by the group's application and presentation.

While taking care to mitigate the risks of infection, a total of 329 employees participated in volunteer activities conducted each year, specifically the White Ribbon Run, a campaign to deliver picture books and a Christmas card project.

We will continue to create opportunities to increase membership in the Kao Heart Pocket Club and for employees to participate in society.

- 3,376 members (as of December 20, 2020)
- 43 donation projects / Donations of 9,142,100 yen
- 4,020 copies of the activities report (activities report for internal use, published once a year)



We screened the Mirai Pocket Fund online.



Activities by the beneficiary organization and the exchange of opinions published in the *Heart Pocket Club Newspaper*

Corporate citizenship activities

Kao Family Concert

With the desire to provide local residents in areas where we have worksites 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.

We have held a cumulative total of 44 concerts since 2002, with a total of 41,327 people attending. Additionally, all the revenue from concerts goes to music education in the region.

In 2020, preparations were underway to hold concerts in three venues: Kamisu, Ibaraki Prefecture on April 12, Mashiko, Tochigi Prefecture on April 19, and Sakata, Yamagata Prefecture on September 6. However, performances had to be canceled to prevent the spread of COVID-19. We provided financial support through our management business to artists meant to perform in the concerts.

Amid the spread of COVID-19 infections, artists suddenly lost the venues where they performed and maintaining their livelihoods became a new social issue. We continue to provide ongoing support for arts and cultural activities affected by COVID-19.



Kao donations were utilized to help purchase instruments for FY2020 music education in Saijo, Ehime Prefecture.

Corporate citizenship activities

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 2020, exhibitions and performances were canceled or postponed to prevent the spread of COVID-19. However, we continued to sponsor the arts and supported holding events, after confirming their adherence infectious disease measures, by disseminating information via official social media for any resumed events.

In the music field, 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 2019/2020 and 2020/2021 seasons of the New National Theatre, Tokyo.

In the area of fine arts, we provided sponsorship for the exhibition *Masterpieces from the National Gallery, London*, organized by the Yomiuri Shimbun (held in Tokyo and Osaka) and the exhibition *The UKIYO-E 2020*, organized by Nikkei Inc.

Support for young artist development

We support development of the next generation of artists as part of our contributions to enriching people's lives.

Hosting the Tokyo Music Competition

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.



Award ceremony, String section, the 18th Tokyo Music Competition
Photo: Rikimaru Hotta / Photo courtesy of: Tokyo Bunka Kaikan

Special sponsor of the K-Ballet Youth performance

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. This endorses K-Ballet Youth to offer a place to discover the next generation of dance talent and for dancers to practice in an environment equivalent to a professional company, designed to develop the next generation of artistic performers.

As competitions within and outside Japan announced that they would be canceled in 2020 to prevent the spread of COVID-19, the 18th Tokyo Music Competition accepted applicants in April as scheduled and was safely held while taking care to mitigate the risks of infection. 15 prizewinners were selected from 435 competitors in the 3 sections of Piano, Strings and Brass. In 2020, 7 of the past prizewinners won the top prizes or planned to enter the competitions within and outside Japan.

The fifth anniversary performance of *Don Quixote* scheduled to be performed in 2021 by the K-Ballet Youth was postponed until 2022 due to the spread of COVID-19. K-Ballet Youth is implementing a special project for the year from August 2020 to May 2021 to organize opportunities for young dancers affected by the pandemic to learn the art of dance. As we have endorsed initiatives aimed at establishing education curriculum for the next generation in the long-term, we are providing sponsorship for this special program.

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 with a donation in commemoration of Kao Corporation's 100th anniversary. Its main activities center on the three projects of awarding grants, giving commendations and related projects (support for research integrating the arts and sciences).

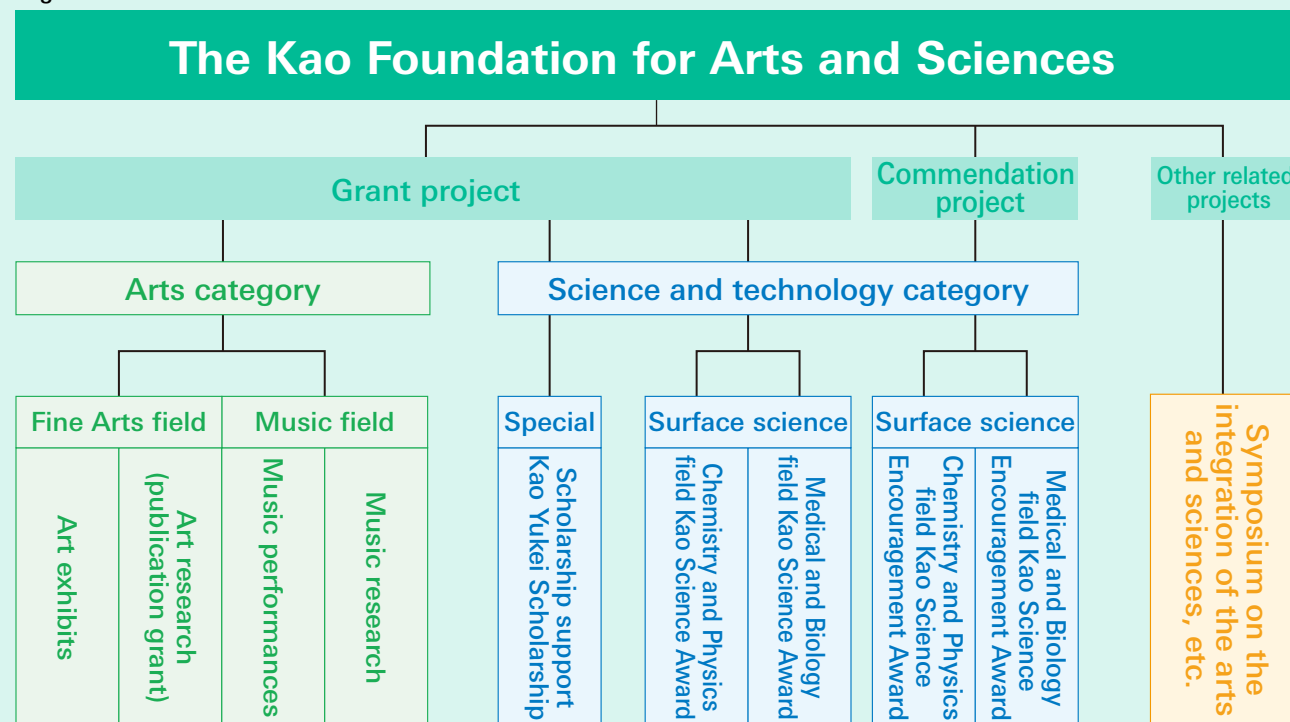
The grant project provides grants for art exhibitions and music performances among other activities, grants for scholarly research on the fine arts and music, and in the science and technology field, grant-type scholarships for students in master's programs, and grants under the name of the Kao Science 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. This was held for the general public in 2020 with 50 people under the theme The Future to explore the keys to grapple with anxiety about an uncertain future. Afterwards, the event was given limited distribution online to over 1,300 people.

To commemorate the 30th year anniversary of the foundation in 2020, we published a *30th Anniversary Commemorative Volume* overviewing the history of the foundation so far, and distributed to all relevant parties. Additionally, as financial aid planned for the arts category keeps getting postponed or canceled due to COVID-19, we have reconsidered part of our support systems to help protect cultural activities. Reaching 30 years marks a major milestone and from now on we will continue to strive to further enhance our business.

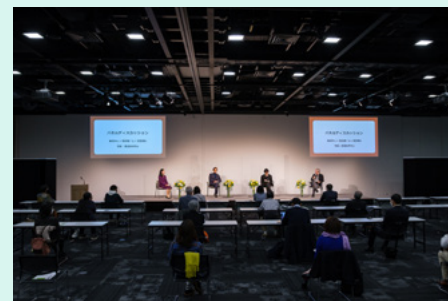
Organizational chart



As of December 2020



Publication of special *30th Anniversary Commemorative Volume*



Symposium: The Future—What Can Be Done by Us—

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 consumers' daily lives and aligned with local needs and issues in devastated regions.

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 2020 are described below.

A panel exhibition of recovery support activities was held (at 11 Kao worksites around Japan)

Initially we planned to offer regional Tohoku dishes using ingredients from the Tohoku region from March 4 to 11, under the theme of "Connecting to Tohoku with Food," at 11 Kao worksites around Japan, but this was canceled due to the spread of COVID-19.

The seventh volunteer and study tour of Minamisanriku-cho, Miyagi Prefecture

We conducted this online on October 24, and 16 employees participated. A visit to the site was planned,

but the initial trial was conducted online to prevent the spread of COVID-19.



Online meet-up with people leading the recovery efforts in Minamisanriku

Smile Tohoku Project

We continued to cooperate with the Smile Tohoku Project under the sponsorship of Iwate Nippo, Kahoku Shimpō and Fukushima Minpo newspapers.

Conducted events

We planned to provide support in various forms to events scheduled in each prefecture, but the events were canceled due to COVID-19 and visiting these location in-person became difficult.

With the help of local project members, NPO staff and Kao Group employees, we provided support in these severe conditions to events such as the opening of the full Sanriku Railway line, which had been interrupted due to devastation from the torrential rains the previous year, and

the reopening of the suspended tracks of the Joban Line.



Gift of an original signboard to commemorate the opening of the Sanriku Railway line on March 20

#Connected-even-at-a-distance

Amid the shrinking opportunities to connect face-to-face during COVID-19, we implemented sophisticated programs to stay connected with local residents under the motto #connected-even-at-a-distance, by delivering mini sunflower growing kits inscribed with a message from the Kao Group employees within and outside Japan, to people who were at the exchanges held so far for planting flowers, hand-washing and hand massages, and by holding online story-telling incorporating live streaming tools.

Corporate citizenship activities



Mini sunflower growing kits inscribed with a message from our employees

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.

In 2020 we held the eighth symposium online on March 10 to prevent the spread of COVID-19. This broadly communicated information on the future of Tohoku with the theme of “Tohoku as Seen in 2030,” with 180 people viewing it live.

As part of developing venues for co-creation targeting groups in Tohoku, the Michinoku Co-Creation Camp 2021 was held online on January 14, 2021, with the

participation of approximately 50 people.

* Participating companies are JCB Co., Ltd., Dentsu Inc., Benesse Corp., and Kao Corp. (as of May 2020)



The Eighth Michinoku Recovery Project Symposium

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 a total of 68 employees participating by 2019.

In 2020, everything scheduled was canceled to stop the spread of COVID-19, but on December 12 we held an

online symposium entitled Post Tsunami Monitoring 2011–2020: Life in Tidal Flats as part of the Earthwatch Special Talks containing the surveys done thus far. On that day, 114 people participated.

(Organizer: Earthwatch Japan, a certificated specified nonprofit organization)



Tohoku University professors' commentary on a survey of creatures in mud flats

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.

In support for areas affected by the torrential rain on July 2020, we sent sets of household goods to help families in their day-to-day lives in emergency temporary housing. 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.

Corporate citizenship activities

Performance in 2020

Relief supplies

- Support for areas affected by the torrential rain on July 2020

We provided Kao household goods for evacuees in emergency temporary housing in Kumamoto Prefecture (in Yatsushiro, Hitoyoshi, Ashikita, Tsunagi, Sagara, Yamae and Kuma). (For approximately 800 houses and worth approximately 6 million yen)

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).

Donations

- Reconstruction assistance for areas affected by the Australian bushfires
Kao Australia donated approximately 800,000 yen for reconstruction assistance and natural recovery for the massive areas affected by the Australian bushfires that occurred in 2019 to 2020.

Supporting COVID-19 measures

We provided support to groups from different fields by providing hygiene-related products and financial donations in each region impacted by COVID-19.

Performance in 2020

Contributions

- Donation of 1.5 million yuan (equivalent to approximately 23 million yen) from local branches of Kao Group (Kao China and Kanebo Cosmetics [China]) through the Red Cross Society of China
- Donation of one million yen to the Urgent Support Whole Country Campaign of A Red Feather Child and Family, a grant project for activities to help children and their caretakers assuage their concerns about social isolation due to measures to close schools, which is organized by the Central Community Chest of Japan, a social welfare corporation
- Donation of one million yen to the grant project, GBFund (Disaster Recovery Support Fund through Arts and Culture) implemented by Association for Corporate Support of the Arts for many of the arts and culture activities impacted by the stay-at-home measures

Relief supplies

- Provision of goods worth approximately 37 million yen for medical staff in Wuhan, Hubei Province
- Provision of goods cumulatively worth approximately 6 million yen for use at accommodations in isolation for returnees on chartered flights from Wuhan and at accommodations for the passengers of the Diamond Princess cruise ship
- Provision of goods cumulatively worth approximately 94 million yen for medical professionals
- Provision of goods from Kao China worth approximately 4.4 million yen (shipment value) for Shanghai Children's Foundation
- Provisions of goods from Kao USA worth approximately 4.9 million yen (shipment value) for medical institutions
- Provisions from Kao Austria of items needed to prevent COVID-19 at salons worth approximately 4.7 million yen (shipment value)
- Provisions of goods from Kao (UK) and Molton Brown worth approximately 4.3 million yen (shipment value) to Beauty Banks and Hygiene Bank

Main corporate citizenship activities of worksites and group companies

Kao Sustainability Data Book 2021

2020 Our initiatives

Worksite / company	Activity details / past record (hosting / backing / co-sponsorship / support / participation / etc.)
Kayabacho Office	Local shrine festivals and community events Jazz festival Year-End Mutual Support donations Neighborhood cleanups
Osaka Office	Support for local shrine festivals, community groups Neighborhood cleanups
Sakata Plant	Diaper gifts for newborn babies Support for community groups Support for local schools Factory tours
Tochigi Plant, Tochigi Research Laboratories	Sponsoring traffic safety posters Diaper gifts for newborn babies
Kashima Plant	Kamisuru Health Mileage Program Community events and festivals Sports tournaments Support for international exchange events Factory tours
Sumida Office, Tokyo Plant, Tokyo Research Laboratories	Local shrine festivals and community events Support for music events Community fire extinguishing drills Neighborhood cleanups
Kawasaki Plant	Local shrine festivals Factory tours Neighborhood cleanups
Odawara Office, Odawara Plant (Kao Cosmetic Products Odawara), Odawara Research Laboratories	Sports events Support for a music event Factory tours Neighborhood cleanups
Fuji Plant (Kao Paper Manufacturing Fuji)	Community youth sports group sponsorship Red Feather Community Chest donations
Toyohashi Plant	Toyohashi City 530 (cleanups) Movement Skincare product gifts for newborn babies Factory tours
Wakayama Plant, Wakayama Research Laboratories	Support for welfare factory operations Weeding in the Kao Company Forest New Year's parade and skills display of fire brigades Cleaning along the Suiken River Community events and festivals Factory tours
Kao Eco-Lab Museum (Wakayama)	Environmental education through factory tours Online tour for nursing students
Ehime Plant (Kao Sanitary Products Ehime)	Red Feather Community Chest donations Diaper gifts for newborn babies Factory tours
Arida Training Center	Cardboard box donation to community youth club Neighborhood cleanups



Softball event with special education school (Odawara, Kanagawa)



Beach cleanup (Toyohashi, Aichi)



Cleaning along the Suiken River (Wakayama)

Main corporate citizenship activities of worksites and group companies

Worksite / company	Activity details / past record (hosting / backing / co-sponsorship / support / participation / etc.)
Kao Group Customer Marketing (KCMK)	<ul style="list-style-type: none"> ● Neighborhood traffic safety guidance and neighborhood watch activities ● Makeup seminars for student job seekers ● Personal grooming seminars for special needs schools ● Volunteering for Kumamoto Castle marathon ● Neighborhood cleanups ● 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 ● Facility visit by special education school students and young people receiving employment support ● Traffic safety awareness raising truck decoration using children's pictures ● Neighborhood cleanups ● Blood drives
Kao Professional Services (KPS)	<ul style="list-style-type: none"> ● Product donation in response to COVID-19 ● Cooperation in creating a guide to responding to COVID-19 infections ● Hand-washing lessons for preschool and nursery school students ● Infectious diseases seminar for nursing care facilities ● Lectures and seminars for certified nurses ● Relief supplies for areas affected by torrential rain in Kumamoto Prefecture ● Donation of adult diapers to local facilities
Nivea-Kao	<ul style="list-style-type: none"> ● Product donation in response to COVID-19
Kanebo Cosmetics	<ul style="list-style-type: none"> ● Donation of a portion of sales in Pink Ribbon Campaign ● Product donations for the Coming of Age ceremony at welfare facilities ● Product donations for Walk in Her Shoes* events
e'quipe	<ul style="list-style-type: none"> ● Product donations for the Coming of Age ceremony at welfare facilities

* 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
(Kanazawa 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 Corporation Shanghai	<ul style="list-style-type: none"> Product and monetary donations in response to COVID-19 Product donations to welfare groups First menstrual education Support for Enactus* Hand-washing lessons for elementary school students Pink Ribbon Campaign Water conservation campaign The Kao International Environment Painting Contest for Children
Kao Chemical Corporation Shanghai Kao Huludao Casting Materials Kao (Shanghai) Chemical Industries Kao (China) Research and Development Center	<ul style="list-style-type: none"> Product donation in response to COVID-19 Factory tours Blood drives Neighborhood cleanups
Kanebo Cosmetics (China)	<ul style="list-style-type: none"> Monetary donation in response to COVID-19 Donations to charity events Supporting employment of people with disabilities Skincare lecture
Kao (Hong Kong)	<ul style="list-style-type: none"> Product donation in response to COVID-19 Product donations to groups supporting children with disabilities
Kao (Taiwan)	<ul style="list-style-type: none"> Product donation in response to COVID-19 Beach cleanups and support for environmental education Product donation through government, etc. Hygiene education for children Pink Ribbon Campaign Factory tours
Taiwan Kanebo Cosmetics	<ul style="list-style-type: none"> Pink Ribbon Campaign Beach cleanups
Kao Vietnam	<ul style="list-style-type: none"> Product donation in response to COVID-19
Pilipinas Kao	<ul style="list-style-type: none"> Monetary donation in response to COVID-19 High school scholarships for outstanding academic achievement to students in factory neighborhoods Scholarships for students of science and technical universities
Kao Industrial (Thailand)	<ul style="list-style-type: none"> Product and goods donations in response to COVID-19 Diaper donations to orphanage Sanitary product donations to school and community Factory tours
Kanebo Cosmetics (Thailand)	<ul style="list-style-type: none"> Donation of makeup products to career support events for high school students Pink Ribbon Campaign
Kao Singapore	<ul style="list-style-type: none"> Product donation in response to COVID-19 Online hygiene class for elementary school students

* Enactus

International NPO that aims to develop outstanding next-generation leaders by supporting social contribution projects planned and implemented by students.



Neighborhood cleanup (Kao Chemical Corporation Shanghai)



Housecleaning lesson (Kao (Taiwan))



Product donation to healthcare professionals (Kao Vietnam)



Product donation to healthcare professionals (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"> Product, goods and monetary donations in response to COVID-19 Providing health information to the local community Career support for university students Welfare assistance for Eid ul-Adha, etc. Disaster relief Factory tours
PT. Kao Indonesia Chemicals	<ul style="list-style-type: none"> Goods donations to residents Donations of sheep to residents
Kao (Malaysia)	<ul style="list-style-type: none"> Product donations to healthcare professionals First menstrual education
Fatty Chemical (Malaysia) Kao Plasticizer (Malaysia) Kao Oleochemical (Malaysia) Kao Soap (Malaysia)	<ul style="list-style-type: none"> Donations for senior citizen facilities Donations to welfare groups Support for able art purchases Support for Japanese speech contest
Kao Canada	<ul style="list-style-type: none"> Monetary donation in response to COVID-19 Support for household in needs Supporting NPOs in promoting anti-racism
Kao USA	<ul style="list-style-type: none"> Product and monetary donations in response to COVID-19 Support for the United Way Donations to human rights organizations Product donations to welfare groups Donation to the preparatory support program Product donations to humanitarian groups Matching gifts for employee volunteers Support for the arts Donations for Pink Ribbon Campaign
Kao Specialties Americas	<ul style="list-style-type: none"> Product and goods donations in response to COVID-19 Support for the United Way Committee Support for environmental activity Walking event to support ALS patients Biodiversity project Educational support for local students Donations to food drives Support for recycling used clothing Blood drives
Kao Collins (U.S.)	<ul style="list-style-type: none"> Goods and monetary donations in response to COVID-19 Meal service for the homeless Goods and monetary donations for schools in underserved areas Meal service and goods donations for children hospitalized with illness and at lodging accommodations for their families Goods donations to the local community
Kao Australia	<ul style="list-style-type: none"> Monetary donations to support recovery after large-scale forest fires, and for restoration of the natural environment
Quimi-Kao, S.A. de C.V. (Mexico)	<ul style="list-style-type: none"> Monetary donation in response to COVID-19 Scholarships for STEM students Support to help households in needs meet medical expenses and food expenses Goods and monetary donations to welfare facilities



Donation of portable handwashing sinks (PT Kao Indonesia)



Interaction with local elementary school students (Kao Collins (U.S.))

Main corporate citizenship activities of worksites and group companies

Worksite / company	Activity details / past record (hosting / backing / co-sponsorship / support / participation / etc.)
Kao Germany GmbH	<ul style="list-style-type: none"> ● Product donation in response to COVID-19 ● Product and monetary donations to support operation of schools and welfare facilities
Kao Manufacturing Germany GmbH	<ul style="list-style-type: none"> ● Goods donation in response to COVID-19
Kao Chemicals GmbH	<ul style="list-style-type: none"> ● Donations to schools, fire brigades and welfare groups ● Neighborhood cleanups
Kao (UK) Molton Brown	<ul style="list-style-type: none"> ● Product donation in response to COVID-19 ● Donation to a fund to support the beauty industry ● Support for cancer patients
KPSS (UK) Limited	<ul style="list-style-type: none"> ● Donation to a fund to support the beauty industry ● Support for beautician education and training
Kao Corporation, S.A. (Spain)	<ul style="list-style-type: none"> ● Goods donation in response to COVID-19 ● Support for the arts ● Scholarships for high school students majoring in chemistry ● Support for a foodbank ● Support for community sports clubs ● Support for municipal book publishing ● Support for welfare facilities ● Support for reforestation activities
Kao Chimigraf (Spain)	<ul style="list-style-type: none"> ● Goods donation in response to COVID-19 ● Donations to organizations supporting under resourced families
Kao Netherlands B.V. Kao Belgium N.V. Guhl Ikebana Cosmetics B.V.	<ul style="list-style-type: none"> ● Product and goods donations to healthcare professionals
Kao Austria Handelsgesellschaft mbH	<ul style="list-style-type: none"> ● Product donation for salons in response to COVID-19 ● Donations to support children in fighting disease
Kao Switzerland AG	<ul style="list-style-type: none"> ● Product donations to welfare facilities ● Donations to cancer patient support organizations ● Educational support for students and young working adults
Kanebo Cosmetics (Europe) Ltd. (Switzerland)	<ul style="list-style-type: none"> ● Product donations to healthcare professionals
Kanebo Cosmetics Italy S.p.A.	<ul style="list-style-type: none"> ● Donations to cancer research
Kao South Africa	<ul style="list-style-type: none"> ● Product donation to salons



Riverside cleanup (Kao Chemicals GmbH (Germany))



Greening activity (Kao Corporation S.A. (Spain))



Donation of toys to welfare facilities (Kao Chimigraf (Spain))

Process safety and disaster prevention^{102-11, 102-12, 102-15, 103-1, 103-2, 403-5, 404-2}

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.

ESG Keyword

Business Continuity Plan

Emergency response drills to prepare for large-scale disasters

Kao Grand Design for Process Safety (mid- to long-term targets)

High-pressure gas safety

Process safety and disaster prevention education

Kao's creating value to address social issues

Social issues we are aware of

As we have several large-scale chemical 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.

As such, we will undertake to enhance our safety capabilities, and strengthen our disaster prevention measures on a daily basis.

Kao's creating value

Kao, as a company with large-scale chemical 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 What Kao Aims to Be 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 What Kao Aims to Be 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.

Process safety and disaster prevention 102-20, 102-43, 103-2, 403-1 (Occupational health and safety 2018)

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.

In addition, by conducting information exchange meetings on a regular basis with everyone in the regions that surround our plants, we are deepening communication with local communities.

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 an accident or disaster occurs that we anticipate will have a major impact on our business activities, 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*.

* Business Continuity Plan

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.



→ Risk and crisis management

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2021-e-all.pdf#page=19

Process safety and disaster prevention 102-11, 103-2, 103-3, 403-9 (Occupational health and safety 2018)

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.

Anticipated benefits from achieving 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 2020

Performance

In 2020, to maintain safe, stable operations and work toward eradicating process safety accidents, we conducted thermal risk assessment of our polymerization and exothermic reaction equipment as well as safety assessment at chemical facilities, and implemented policies to respond to natural disasters. In addition, detailed implementation specs and plans were drafted for respective divisions with the targets of enriching disaster prevention drills and enhancing security. Also during 2020, the disaster prevention audits we normally carry out each year at our plants outside Japan, to enhance their level of safety and disaster prevention, were postponed to prevent the spread of COVID-19.

Moreover, we formulated the Kao Grand Design for Process Safety to be achieved by 2030, and shared the design's 13 Action Plans with related divisions and plants. The Action Plans aim to reinforce our safety culture and fundamentals and enhance frontline safety capabilities.

Small-scale fires occurred in 2020, but there were no accidents involving explosions, leakages or logistics-related leakages*. In 2021, 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.

* Logistics-related leakage

Accidents involving leakage while products, etc. are being transported.

Targets and performance

Item	Scope	Indicator	2019	2020		2021
			Results	Target	Results	Target
Accidents	Kao Group	Fires, explosions, leakages, etc. (no. of accidents)	7	0	2	0
		Logistics-related leakage (no. of accidents)	0	0	0	0

Overview of accidents in 2020

Type of accident	Small-scale fire: 2 cases
Overview of accident	<ul style="list-style-type: none"> Raw material (fatty acids) leaked from a deteriorating tank and was absorbed by insulating material, causing spontaneous combustion On equipment restart, a clogged fan overheated, catching fire
Countermeasures being taken	Equipment renewal will be encouraged and monitoring equipment strengthened.

Reviews of performance

There were fewer safety accidents in 2020 than in 2019, however, the goal of complete elimination was not achieved. Going forward, we will enhance frontline safety capabilities, and strive to enhance a culture of safety and safety fundamentals.

Process safety and disaster prevention 102-11, 102-15, 403-5 (Occupational health and safety 2018)

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 worksites, we also conduct 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

To prepare for natural disasters, the Kao Group in Japan has adopted a web-based Employee Safety Confirmation System. Twice yearly, in March and September, all employees undertake personal input drills. The March 2020 drill was planned to include drilling in personal input by employees for the first day (24 hours), and tracing and confirming the whereabouts of employees not accounted for during the data inputting drill by the person in charge on the second day, but the drills were cancelled due to the influence of COVID-19. The September drill was premised on an actual earthquake, and a variety of activities was assumed, including emergency evacuations. On the first and second days, input drills were carried out from different locations. 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 2020. Confirmation of employee safety through deployment of the Employee Safety Confirmation System during these natural disasters resulted in no critical human casualties.

In addition, we are using the Employee Safety Confirmation System on a weekly basis to confirm the health of our employees during the COVID-19 pandemic.

Usage of the Employee Safety Confirmation System in 2020

Date	Disaster	Result
Jul. 2020	Torrential rain on July 2020	Safety confirmation completed for 100% on the same day
Sep. 2020	Typhoon No. 10 (Haishen)	Safety confirmation completed for 100% on the same day

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 2020, we implemented disaster response drills premised on an earthquake in the Hokkaido/Tohoku area, involving local organizational units and those in Eastern Japan, while in November we repeated these drills for organizational units in the Kanto Area and Western Japan, premised on an 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 through our internal disaster bulletin board and website and information management portal system. Necessary response drills were implemented by the organizational units responsible for disaster response based on the relevant data. Moreover, during the November drill, which was premised on an earthquake in the Greater Tokyo Metropolitan area, the President participated as head of the Emergency Countermeasure

Headquarters, and implemented transfer training to a base camp for safe activities. In consideration of the influence of COVID-19, the members of Emergency Countermeasures Headquarters carried out this year's drill from home for the first time, using online conferencing tools.

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, 103-2, 403-2 (Occupational health and safety 2018)

Strengthening process safety and disaster prevention

The SCM Division is working to strengthen chemical equipment risk management by continuing to promote hidden danger response, earthquake response and response to natural disasters.

In 2020, we established thermal risk assessment methods to prevent fires and explosions originating in abnormal reactions and other events in our chemical facilities. In addition, as a measure to prevent spontaneous combustion, we also established spontaneous combustion prevention measures for tank residues. We then promulgated these thermal risk assessment methods for our polymerization and exothermic reaction equipment within and outside Japan, to promote process safety.

We also strive to minimize damage due to natural disasters. In addition to promoting ongoing diagnosis and strengthening equipment racks in our facilities as earthquake countermeasures, we continuously consider measures that may be necessary to prevent structural losses at the Wakayama and Toyohashi plants due to ground liquefaction caused by earthquakes.

Our activities to minimize damage include incorporating flood risk countermeasures into our basic policy, and in recent years we have been considering wind risk countermeasures to prevent damage to non-structural members such as roofs and external walls.



Fire extinguishing and first aid training at Pilipinas Kao (Philippines)



Fire extinguishing and first aid training at Kao Chemical Corporation Shanghai (China)

Formulating the Kao Grand Design for Process Safety

We formulated the Kao Grand Design for Process Safety to be achieved by 2030, and created Action Plans to raise frontline safety capabilities to the highest level.

The Grand Design consists of 13 Action Plans: 6 to enhance a culture of safety at the individual and organizational levels, and 7 to enhance safety fundamentals for operating and maintenance practices for hardware and software. Each Action Plan embodies subordinate targets.

Plants and related divisions are incorporating the respective Action Plans into their operations and steadily implementing them while confirming progress.

High-pressure gas safety

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 2020, a safety audit was implemented by the Safety Management 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 regard to process safety activities.

The high-pressure gas equipment at other Kao worksites also have safety inspection performed by prefectural and external inspection bodies. Safety audit and safety verification for these facilities are also carried out in-house, and a serious effort is being made to ensure safe equipment operation.

Process safety and disaster prevention 403-2, 403-5 (Occupational health and safety 2018)



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.

Certification renewal inspection of high-pressure gas equipment (Wakayama Plant)

To enhance its safety capabilities, the Wakayama Plant has safety inspection equipment certified by the High Pressure Gas Safety Act. In 2020, we underwent the inspection for re-certification as an Accredited Safety Inspection Executor, which is carried out every five years by the Ministry of Economy, Trade and Industry. In August, we underwent the on-site inspection by the High Pressure Gas Safety Institute of Japan, and in November, after a hearing held by the Ministry of Economy, Trade and Industry, we maintained our authorization by the Minister.

Going forward, we will promote activities aimed at achieving the level of safety capability required to become a high-level specified certification (Super-certified facilities system) operator*.

* Specified certification (Super-certified facilities system) operator

A certified business operator, authorized by the Minister of Economy, Trade and Industry, which is engaged in advanced safety efforts, including the utilization of IoT and big data, advanced risk assessments and utilization of third-party safety capability audits.

Process safety and disaster prevention educational programs

We create various educational programs for process safety and disaster prevention. For example, the Monozukuri Training Center of the SCM Division is endeavoring to pass on the necessary knowledge and skills to younger technicians, who will be responsible for production sites, by exposing them to simulated technical glitches and hazardous situations.

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. However, in 2020 our global Techno School activities were suspended because of COVID-19.

Every year on Disaster Prevention and Volunteers Day, a disaster prevention message is posted to all employees in Japan to enhance their disaster awareness. In addition, days when accidents occurred are designated as Safety Days, to help ensure that the efficacy of past drills is not weakened by the passage of time. Moreover, the Kao Group Disaster Prevention Manual is distributed annually to all employees in Japan.



Kao Group Disaster Prevention Manual

In 2020, in response to the increased number of employees working from home due to the influence of COVID-19, we enhanced our offerings of e-learning that can be implemented at home, and implemented them for all employees of affiliated companies in Japan.

Disaster prevention education in 2020 emphasized the basic knowledge necessary when typhoons and torrential rains occur. Instruction was launched in June, at a time of the year before such weather events become prevalent, and was titled "Typhoon and Torrential Rain Basics." Employees studied actual disaster cases and the proper timing for evacuation, and were encouraged to consider their own personal disaster risk. In July, the next stage of the education was implemented, titled "Typhoon and Torrential Rain Hazard Maps." Topics included how to check and use hazard maps and how to identify nearby disaster shelters. Employees also learned to estimate their potential risk of residential water damage by using a hazard map.

Process safety education in 2020 covered dangerous substances as defined by the Fire Service Act, which is a fundamental element of regulation for companies and a necessary area of knowledge for employees of companies that handle chemical products. In August, the basic learning unit was implemented for all employees of affiliated companies in Japan, and in November, practical topics relevant to individual divisions were covered.

Going forward, we will use e-learning actively to carry out process safety and disaster prevention education.