

kao

Sustainability Report 2025

Sustainability as the only path

For the year ended December 31, 2024



Contents

Editorial Policy 3

Our ESG Vision and Strategy

CEO Message 5

Message from Senior Vice President of ESG 8

Executive Summary 9

Corporate Philosophy 18

Kao's Vision for 2030 “K30” and the Mid-Term Plan “K27” 19

Strategy 21

Metrics and Targets 30

Governance 34

Risk and Opportunity Management 38

Our Progress

Making My Everyday More Beautiful

Improved Quality of Life 56

Habits for Cleanliness, Beauty & Health 62

Universal Product Design 67

Safer Healthier Products 73

Making Thoughtful Choices for Society

Sustainable Lifestyle Promotion 80

Purpose Driven Brands 88

Transformative Innovation 97

Responsibly Sourced Raw Materials 104

Making the World Healthier & Cleaner

Decarbonization 115

Zero Waste 129

Water Conservation 140

Air & Water Pollution Prevention 151

Product Lifecycle and Environmental Impact 160

Environmental Accounting 162

Walking the Right Path

Effective Corporate Governance 164

Full Transparency 179

Respecting Human Rights 185

Human Capital Development 199

Inclusive & Diverse Workplaces 221

Employee Wellbeing & Safety 235

Responsible Chemicals Management 257

Appendix

Kirei Lifestyle Plan KPI definitions 271

External Evaluations and Recognitions 278

Independent Assurance Report 283

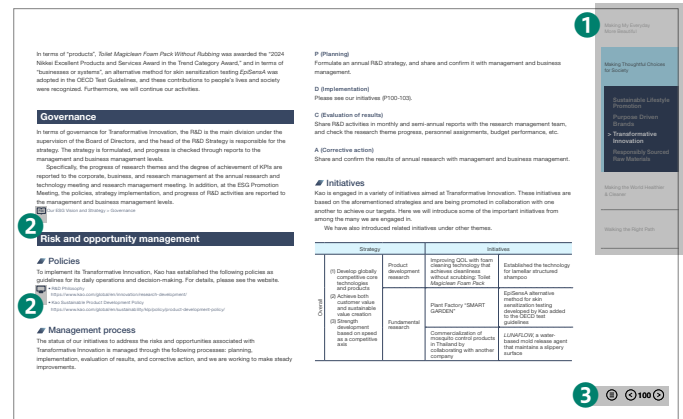
GRI Content Index 285

UNGPs Index 292

TCFD Index 294

How to use this PDF

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



1 Category tabs

Click on a title to go to the top page of the category.

2 Link buttons

Click the icon to go to the relevant external site.

Click the icon to go to the relevant page in this report.

3 Navigation buttons

Click the left arrow to go back one page.

Click the right arrow to go forward one page.

Click to show the table of contents.

* Please note that, depending on the operating environment, the navigation buttons may not work, or may not display properly. If you experience this, please download the document.

“Our Foundations” section, which was featured until last year, is now available on Sustainability site of Kao website.

<https://www.kao.com/global/en/sustainability/pdf/foundations/>

The Kao Integrated Report presents a comprehensive range of financial and ESG information with the goal of communicating the Kao value creation story to stakeholders in a way that is easy to understand. The Kao Sustainability Report 2025 is designed to complement the Kao Integrated Report 2025, and presents a comprehensive picture of the value that Kao provides. This report introduces various activities aligned with our ESG Strategy, the Kirei Lifestyle Plan (KLP), that contribute to a sustainable world, along with detailed performance data.

Boundary

This report covers the Kao Group (Kao Corporation, its subsidiaries and affiliates). In this report, “Kao” refers to the Kao Group (Kao Corporation, its subsidiaries and affiliates). Individual organizations are named where necessary in order to delineate boundaries.

Environmental and social performance data covers Kao Corporation, its subsidiaries, and NIVEA Kao, while human capital development data covers Kao Corporation and its subsidiaries. Exceptions to these boundaries are clearly stated in the text.

Organizations covered

 [List of Kao Group companies](https://www.kao.com/global/en/corporate/outline/group-companies/)
<https://www.kao.com/global/en/corporate/outline/group-companies/>

Period

FY2024 (January 1, 2024–December 31, 2024) Some qualitative information includes FY2025 performance data.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) have been applied since FY2016. The per-unit sales quoted in this report are based on Japanese GAAP up to FY2015, and on IFRS from FY2016 onwards.

Independent assurance

Reports have been independently assured since 2003. KPMG AZSA Sustainability Co., Ltd. provides independent assurance for this report. Indicators subject to assurance are marked with a check (✓). These indicators are listed in the independent assurance report and the GRI Standards table.

Issuance period

Date of Issue June 13, 2025
Next report scheduled for May 2026 (Previous report issued May 24, 2024)

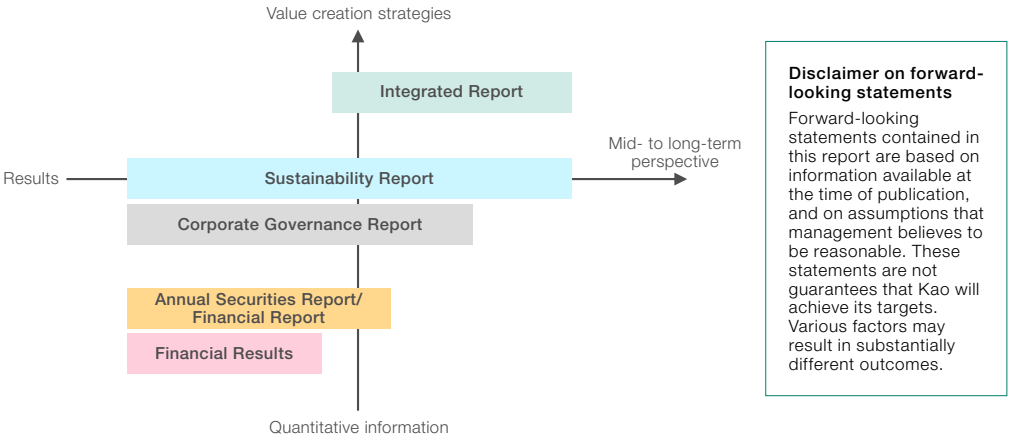
Guidelines referenced

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures
- GRI Sustainability Reporting Standards

* Related GRI item numbers are described in the titles on each page.

- UN Guiding Principles Reporting Framework
- TCFD Recommendations
- SASB Standards
- Environmental Reporting Guidelines 2018, Ministry of the Environment
- Environmental Accounting Guidelines for Chemical Companies (November 2003), Japan Chemical Industry Association
- SDG Compass

Information Disclosure Framework



Our ESG Vision and Strategy

CEO Message	5
Message from Senior Vice President of ESG	8
Executive Summary	9
Corporate Philosophy	18
Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"	19
Strategy	21
Metrics and Targets	30
Governance	34
Risk and Opportunity Management	38

CEO Message

GRI2-22

Pioneering Sustainable Global Growth

Our commitment remains unwavering: to create a more sustainable world by delivering maximum value with minimal impact.



Yoshihiro Hasebe
Representative Director
President and Chief
Executive Officer

Y. Hasebe

Advancing Our Commitment to a Sustainable Future

A sustainable society is one where both environmental and social systems flourish, ensuring that future generations inherit a world capable of supporting life and prosperity. However, in our quest for comfort and convenience, we are pushing the planet beyond its regenerative limits. Now is the time to pause, reflect, and chart a course toward sustainable development—one that reduces excessive consumption and waste.

It may seem unconventional for a company rooted in consumer goods to advocate for “minimizing consumption.” Yet, it is precisely because we are in this industry that we must lead the way in promoting responsible consumption. Kao is committed to being a role model in a sustainable society, taking decisive steps to redefine how products are made and consumed.

To achieve this vision, we are:

- Crafting high-value products that our customers truly need and cherish.
- Listening intently to customer feedback and continuously refining our product offerings.
- Ensuring that products reach only those who need them, thereby reducing unnecessary waste.
- Carefully selecting raw materials to maximize value while minimizing resource use.

Yoki-Monozukuri: Innovation with Purpose

Our commitment to *Yoki-Monozukuri* is not only a philosophy but also a responsibility to deliver meaningful innovation that enriches lives and contributes to a better world. The foundation of our product development is built on “Five Principles of Product Development”:

- 1. Social Significance** – We focus on understanding the evolving needs of consumers and addressing the most pressing social issues of our time. Our goal is to design products that make a real difference.
- 2. Uniqueness** – Kao does not follow trends; we set them. With groundbreaking technology and bold ideas, we create products that stand apart from the competition, providing unique value that only we can deliver.
- 3. Cost Performance** – We continually assess how to maximize the value we provide while ensuring economic efficiency. By incorporating Return on Invested Capital (ROIC) by business into our operations, we enhance our ability to make strategic, value-driven decisions that promote long-term sustainability and growth.
- 4. Quality** – We are uncompromising in our commitment to quality, ensuring that every Kao product delivers lasting value. This dedication builds trust and brand loyalty, making our products a part of people’s lives for generations.
- 5. Marketing** – Great product is only as powerful as its ability to reach the right audience. We communicate the true value of our innovations with precision, backed by scientific evidence, ensuring our message resonates with consumers.

The Future We Are Building: *Global Sharp Top*

Standing on the shoulders of *Yoki-Monozukuri*, the *Global Sharp Top* strategy sharpens our focus on areas where Kao is a distinctive market leader today while aiming to achieve greater global recognition. With this focus, we push scientific boundaries to create uniquely valuable solutions with social significance to drive long-term success on a global scale.

CEO Message

Message from Senior Vice
President of ESG

Executive Summary

Corporate Philosophy

Kao’s Vision for 2030
“K30” and the Mid-Term
Plan “K27”

Strategy

Metrics and Targets

Governance

Risk and Opportunity
Management

Core Technology and Innovation
Harnessing the Power of Interfacial Science

At Kao, we have developed unrivaled expertise in interfacial science. Interfaces—where different substances meet, like water and oil or organic and inorganic matter—are everywhere. Our groundbreaking technology transforms these interfaces, allowing seemingly opposite properties to work together seamlessly. This innovation is not just theoretical—it is actively driving commercial opportunities across diverse fields, from chemicals to cosmetics.

Just two of our breakthroughs include:

- ➡ Reusing discarded containers as materials for high-durability roads, reducing waste, driving down long-term maintenance costs for customers and maximizing use of resources.
- ➡ Developing a business focused on producing high-performance surfactants from low-solubility natural raw materials.

Each scientific advancement fuels the next, building on our valuable base of proprietary technologies that can be leveraged across a broad portfolio of cross-category product opportunities. This approach to developing our core technologies delivers economic efficiencies, unlocks commercial opportunities, and supports environmental sustainability.

Accelerating Innovation Through Co-Creation

Originality alone today is not enough. Innovation thrives on collaboration. To create lasting impact, we must move beyond self-sufficiency and embrace co-creation. At Kao, we are not just participating in this change—we are leading it.

By partnering with industry leaders, we have been able to leverage our unique strengths, accelerate new product development, and expand our global reach. Last year, new collaborations—with a major home appliance company, an insect control company, and a leading ASEAN sales group—demonstrated how shared expertise unlocks new breakthroughs.

Through co-creation and strategic partnerships, we are expanding our capabilities to transform our technologies into global solutions—faster and at scale. Our goal is clear: to unlock new commercial opportunities while continuing to shape a more sustainable world.

Through co-creation and strategic partnerships, we are expanding our capabilities to transform our technologies into global solutions—faster and at scale.

Accelerating Growth with a Stronger Business Portfolio

Kao took an important step to reshape our management structure, dividing our business into three strategic imperatives: Stable Earnings, Growth Drivers, and Business Transformation. This clear segmentation sharpens our focus, ensures precise goal setting, and optimizes investment allocation. Our Mid-term Plan K27 is on track and we are intensifying efforts to continue transforming and aligning our organizational structure. The shift from a Japan-based to a globalbased business model mindset is accelerating, laying the foundation for sustained global growth.

Key Strategic Initiatives:

1. Establishing the Global Consumer Care Division

To fully transition into a global growth structure, we have reorganized our consumer products business into a brand- and product-centric division and a region- and sales-driven division. This speeds up decision-making and enhances agility. Additionally, we have launched the Business Connected Division to expand crossproduct and cross-brand opportunities, strengthen direct sales, and foster co-creation with global partners. This enables us to leverage brand uniqueness for exclusive sales initiatives and strategic collaborations.

2. Creating the Management Finance Unit

A dedicated Management Finance Unit has been established at Kao's headquarters to better align global business priorities with strategic investment allocation. Guided by our Capital Strategy Division, we are focusing on enhancing financial

profitability through targeted investments in high-growth opportunities. Close collaboration between headquarters and local operations ensures disciplined investment decisions.

3. Strengthening Our Digital Strategy

The Information Systems Division has been integrated into the Digital Strategy, consolidating digitalization efforts globally. This move enhances business efficiency, accelerates growth, and strengthens our competitive edge through advanced digital technologies.

Unleashing Employee Potential to Drive Transformation

At Kao, true growth comes from embracing change and seeking continuous improvement. Our Mid-term Plan K27 focuses on maximizing the power and potential of employees, recognizing that people thrive not by being developed but by seizing opportunities to grow. I have personally experienced this firsthand in Kao's dynamic environment.

To cultivate the talent essential for achieving our *Global Sharp Top* strategy, we are making targeted investments to ensure that every employee has the support and opportunities needed to excel. We foster a culture where stagnation is not an option and where every individual is encouraged to challenge the status quo.

1. Creating an Environment That Fuels Growth

Growth is not just about skill development—it requires



CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Shift to a global-based business model mindset and transform to build robust business through investment.

intellectual stimulation and fresh perspectives. To drive this, Kao actively promotes mid-career recruitment, with nearly 50% of new hires coming from outside the company. New talent continues to bring us fresh insights, energizes the organization, and sparks innovation. Additionally, we are expanding our internal and senior job posting systems and empowering employees to take ownership of their careers. These systems allow employees to align their ambitions with strategic business needs, fostering self-driven career development.

2. Advancing Scrum-style Management

To maximize performance and agility, we have evolved our organizational management from a matrixmanagement model to a scrum-style model. Much like a rugby team, employees take on roles based on their strengths, working together to drive results. This transformation is already delivering tangible outcomes, such as faster product development in our hair care business. As we build our capabilities to work faster across divisions and teams, we are simultaneously setting ourselves up to further exceed consumer expectations and capitalize on commercial opportunities.

3. Revitalizing the Organization Through Continuous Dialogue

Open communication fuels growth. At Kao, we prioritize continuous dialogue, creating an environment where employees feel heard, valued, and engaged. Since 2021, we have implemented Objectives and Key Results (OKR) through an online system that allows employees to view each other’s OKRs globally. This fosters transparency, collaboration, and alignment across the organization, breaking down silos and

strengthening teamwork.

The Kao Way: Corporate Philosophy

The Kao Way is more than just a corporate philosophy—it is the foundation of everything we do. This philosophy is deeply embedded in every employee, aligning our actions, uniting our strengths, and driving our collective vision forward with purpose and consistency.

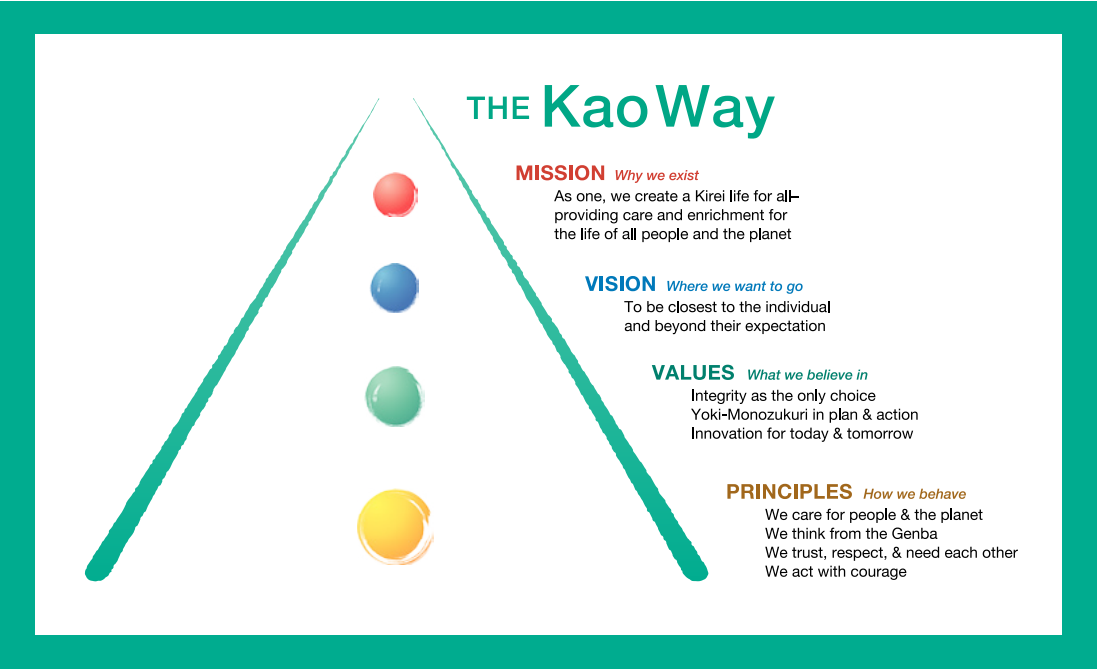
K27 and the Global Sharp Top Strategy

Our mission is clear: to become the irreplaceable number one for someone in the world—by meeting specific needs with the care, commitment, and value that only Kao can deliver. This ambition lies at the core of our *Global Sharp Top* strategy, propelling us toward worldclass excellence. But at the heart of it all is our greatest asset—our people. By harnessing the energy, creativity, and innovation of our

employees, we will advance through *Yoki-Monozukuri*, ensuring that our products and services contribute meaningfully to society, uphold the highest ESG standards and reward our stakeholders.

Kao is not just adapting to change—we are actively shaping it. We are driving the transition from a quantity-based economy to a quality-driven economy, pioneering a business approach that prioritizes sustainability, responsibility, and long-term value.

Maximizing employee vitality and becoming a unique company.



CEO Message
Message from Senior Vice President of ESG
Executive Summary
Corporate Philosophy
Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"
Strategy
Metrics and Targets
Governance
Risk and Opportunity Management

Message from Senior Vice President of ESG

Kao's ESG Strategy Fuels *Global Sharp Top*

GRI2-22

Junko Ohtani
Executive Officer
Senior Vice President, ESG



Accelerating Responsible Business Growth

Kao's founder launched our first product, *Kao Sekken (Kao Soap)*, in 1890 to make hygiene accessible to all and improve everyday life, allowing society to thrive. Since then, we have always placed sustainability at the core of Kao's business model.

Pursuing business growth, anticipating the needs of our consumers and customers, and solving social and environmental issues through science-based innovation is central to Kao's value proposition.

Ensuring that our products deliver superior functional performance, emotional benefits, and positive social value is key to our continued success and positioning in a highly competitive marketplace. We strive to empower our customers to achieve comfort, joy and sustainability—simply by choosing Kao products.

Consumer needs are becoming more diverse and complex as the world changes rapidly. By addressing pain points and delivering innovative solutions, Kao can serve society while strengthening our global competitiveness and market presence.

Future Focused Innovation and Employee Engagement Driving ESG Value

We are committed to building a sustainable society by delivering forward-looking solutions, such as skin care products that provide comfortable protection against harsh sun exposure as temperatures rise due to climate change, and hygiene products like disinfectants and insect repellents in response to the growing threat of infectious diseases. In our chemicals business, we offer an asphalt modifier made from waste PET. This supports both resource circularity as well as safety—especially as stronger roads become essential in a future where autonomous driving is commonplace.

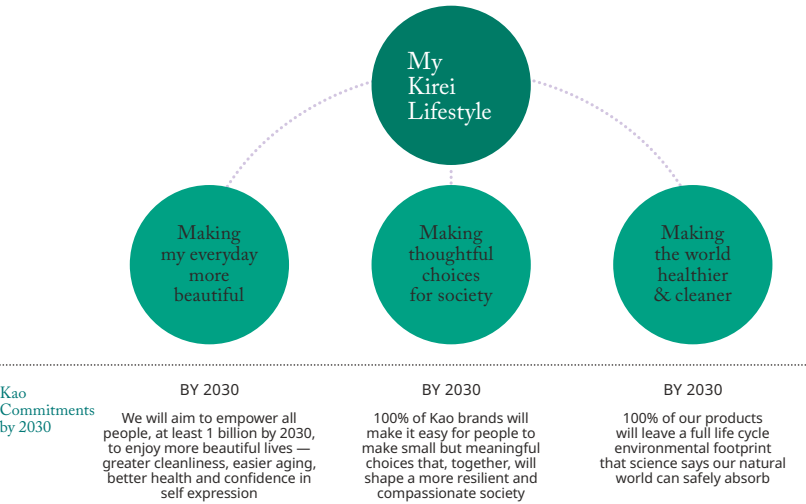
Our people are our greatest asset. We foster engagement by inspiring employees to take ownership of sustainability across the company through various initiatives like dialogue sessions with the head of ESG. A consistent

theme is “integrity as the only choice,” as stated in the Kao Way. The desire to do what truly matters and challenge the status quo is core to our unique culture.

With our ESG strategy grounded in both today's realities and tomorrow's needs—and a commitment to staying closest to the individual—we are confident we will continue to strengthen our *Global Sharp Top* approach and success.

Forward-looking ESG solutions drive Kao's next wave of global growth.

Kao's ESG Commitments and Actions



CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Executive Summary

We feature key initiatives that ESG activities have brought to businesses as well as their impact on the environment and society.

Editorial Policy

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management



Percentage of increase in sales revenue from the skin protection business (Y on Y change)

29%

Percentage of increase in sales revenue of products with superior environmental performance (Y on Y change)

24%

Traceability to oil palm plantation

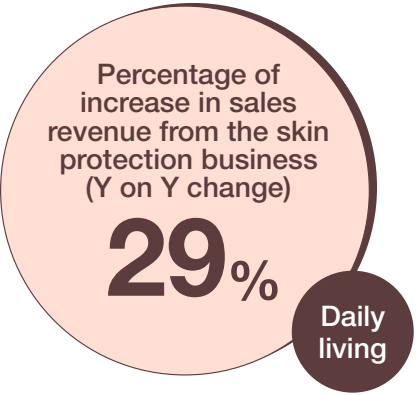
88%

Percentage of reduction in lifecycle CO₂ emissions (Base year: 2017)

15%

New Value Creation
(Maximum)

The Skin Protection
Business expanded global
demand, resulting in
significant growth in net sales

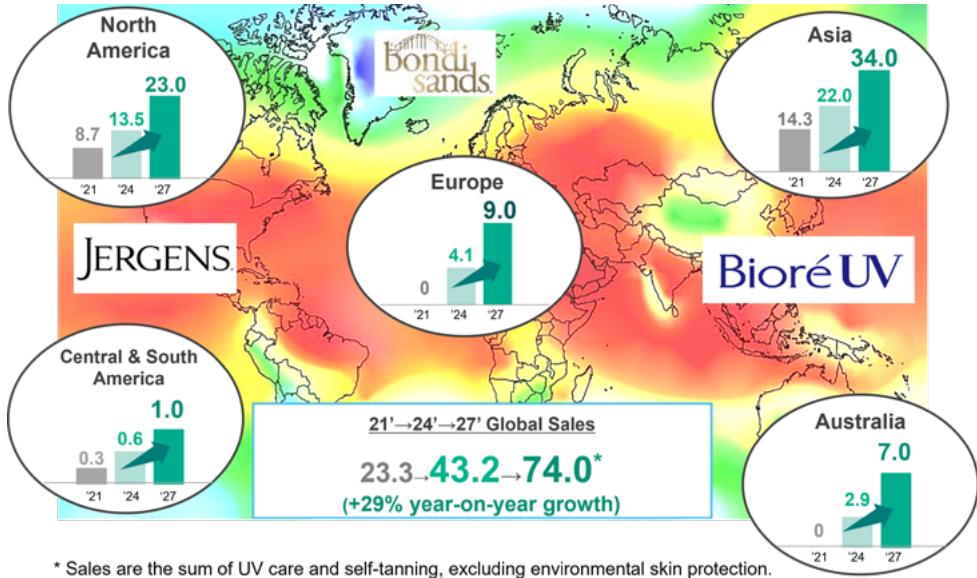
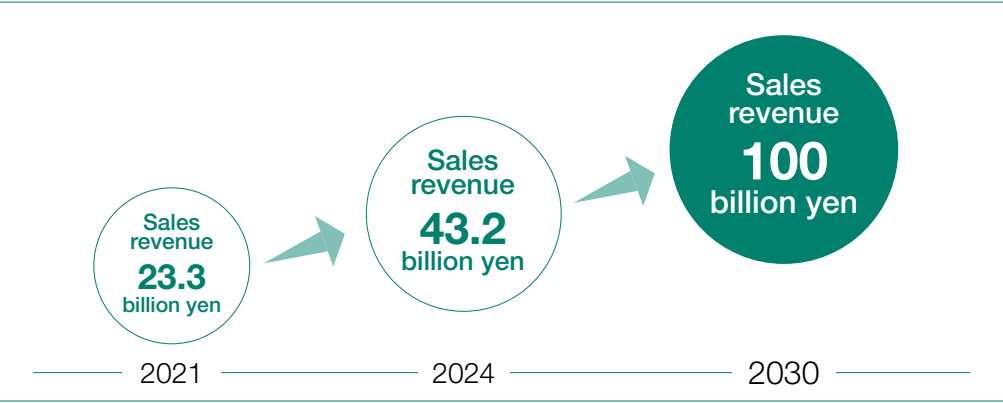


In the face of a rise in external stress from UV rays, air pollution, and other factors, the skin protection* business has served as the initial runner in our *Global Sharp Top* strategy and has grown into a business that helps improve the quality of life of consumers. In 2024, the business achieved 43.2 billion yen in sales revenue, marking a 29% increase over the previous year. The skin protection business significantly contributed toward actions to build *Global Sharp Top* businesses in the K27 Strategic Framework.

By utilizing unique technologies from Kao, we roll out products that cater to the needs of multiple markets—not just Japan, but also Asia, Europe, and the Americas. In Asia, we have bolstered marketing activities by utilizing a digital platform, thereby expanding touchpoints with young adults in particular and successfully gaining new customers.

We aim to drive activities forward based on the concept of improving the quality of life in the ESG Strategy, while capturing the rise in awareness regarding skincare to promote our business, ultimately seeking to achieve 100 billion yen in sales by 2030.

* Skin protection: protection of the skin from the external environment. Consists of three categories: UV care, self-tanning and environmental protection. Kao's skin protection business leverages proprietary technologies to develop and offer products tailored to consumer needs not only in Japan, but also in global markets.



New Value Creation (Maximum)

Products with superior environmental performance that contribute to the sales growth of CP business products



Kao's commitment to make the world healthier and cleaner is one of its ESG strategies, and sales of products that meet the strict environmental conformity requirements for this commitment increased by 24% compared to the previous year.

This increase was primarily driven by increased sales of environmentally compatible products in the *Attack* laundry detergent and *CuCute* dishwashing detergent. These product categories represent a significant portion of our sales portfolio and feature exceptional environmental performance. Additionally, the increased market share and sales of these brands contributed to sales in the Fabric and Home Care business.

Moving forward, we remain dedicated to reducing our environmental impact throughout the entire product lifecycle. By developing and offering products with superior environmental performance, we will continue to contribute to sustainable society while simultaneously enhancing product value and strengthening customer loyalty.

P30 Our ESG Vision and Strategy > Metrics and Targets

0.1 billion items
Quantity of innovative packaging penetration for Kao and others per annum

12%
% reduction in full lifecycle water use (Base year: 2017)

186.8 billion yen

Annual sales revenue of products with water-saving effects (2024)



Editorial Policy

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Risk Mitigation
(Minimum)

Results from steady
progress in building a
sustainable palm oil supply
chain

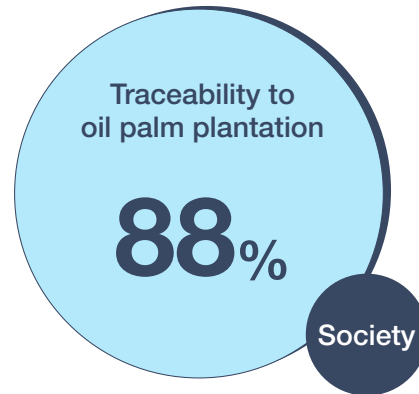
Palm oil is Kao's one of the most important natural resource. We have been working towards sustainable palm oil procurement, and have attained 88 % traceability to oil palm plantation. This initiative contributes to actions for responsibly sourced raw materials in our ESG Strategy.

Ensuring traceability is essential for minimizing risks related to the environment and human rights in the supply chain, and for realizing stable raw material procurement. Our attainment of 88 % traceability is the result of our steady ongoing efforts, and will help advance activities to build a sustainable supply chain.

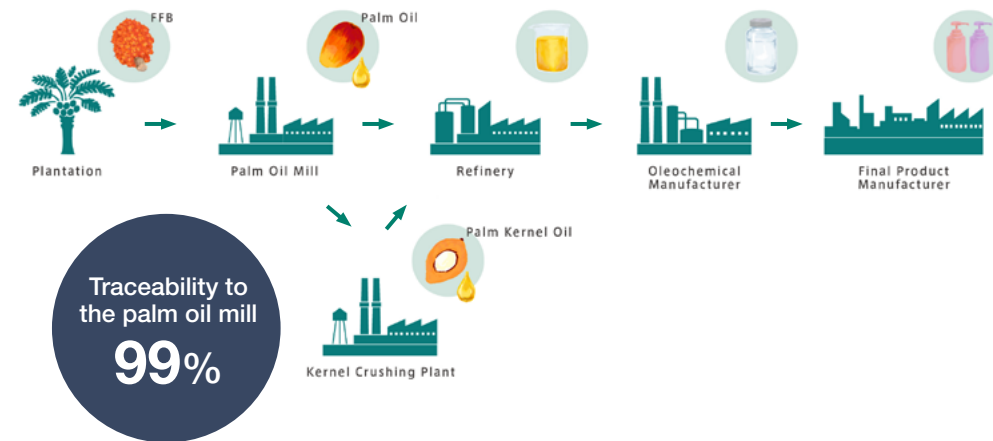
We aim to ensure 100% traceability to oil palm plantation by the end of 2025. In addition, we will carry out supply chain management, monitor production regions, and provide direct support locally to help solve essential issues and achieve sustainable palm oil procurement.

 Palm Oil Dashboard
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

 P104 Responsibly Sourced Raw Materials



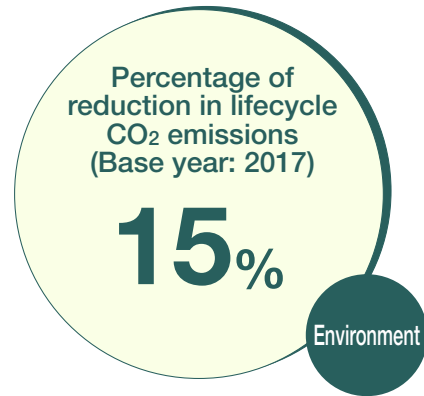
Palm oil supply chain



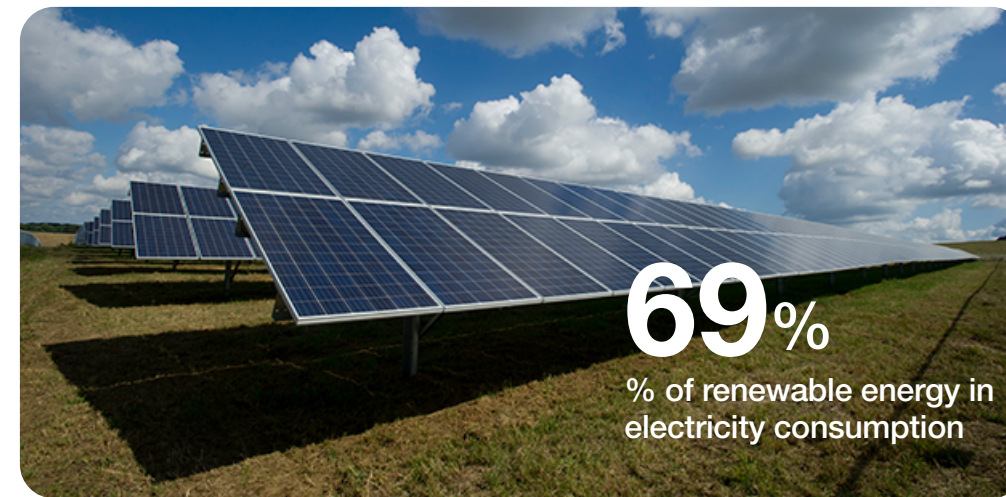
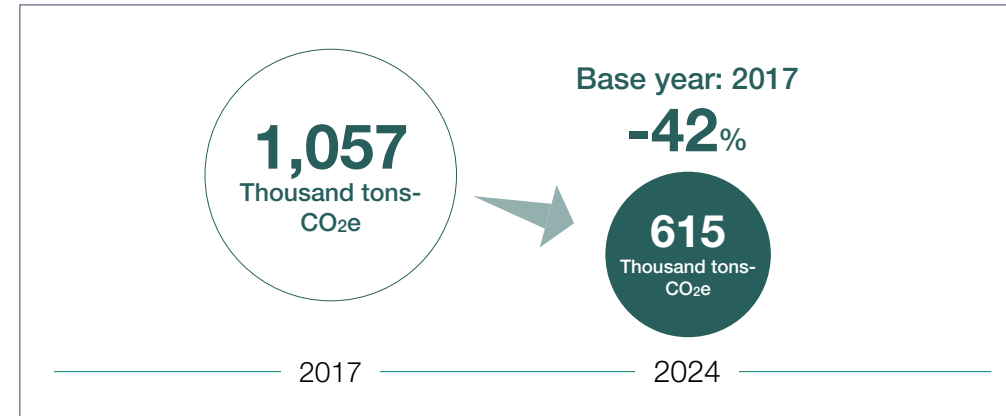
Accelerating Efforts to Reach Carbon Zero by 2040

Based on our Decarbonization initiatives in our ESG Strategy, we have yielded consistent reductions in both Scope 1+2 emissions and absolute full lifecycle CO₂ emission. We're making significant progress toward our 2030 target of a 55% reduction in Scope 1+2 emissions by increasing renewable energy procurement at production sites and expanding the proportion of renewable electricity across all consumption, including from our own power generation facilities. Through these initiatives, we've already achieved a 42% reduction in Scope 1+2 emissions compared to 2017. Additionally, by developing products aligned with evolving consumer and societal needs while reflecting daily life usage conditions, we've realized a further 15% reduction in lifecycle CO₂ emissions compared to 2017. As we pursue our goals of carbon zero by 2040 and carbon negative by 2050, we will continue implementing low-carbon equipment, expanding renewable energy utilization, and accelerating efforts across entire product lifecycles to contribute to a decarbonized society.

P115 Decarbonization



Scope 1+2 CO₂ emissions



New Value Creation
(Maximum)



Purpose-driven branding captures consumer empathy and strengthens loyalty

German hair care brand *Guhl* further established its repositioning under the motto “Genuinely Familiar,” offering a new perspective on beauty and closeness. This resonated strongly with consumers, increased purchase intent, and drove a 15% sales growth compared to 2021*. *Guhl*’s new branding supports the building of a *Global Sharp Top* business objective within the K27 strategic framework.

Guhl redefined traditional beauty perception and expressed diversity in its communications, which resonated well with consumer. Additionally, the brand demonstrates environmental commitment by using 99% recycled materials in its packaging.

Moving forward, *Guhl* will continue meeting consumer needs through Kao Actions, “Purpose driven brands,” while developing high-quality products, with the goal of further enhancing consumer loyalty.



* Circana data, unit sales growth 2021 vs 2024

Global Deployment of Next-Generation Infrastructure Technology Reducing Environmental Impact While Enhancing Safety

We have developed an innovative product incorporating next-generation infrastructure technology that effectively utilizes waste PET materials and achieves durability in asphalt pavement. Based on our achievements in Japan, we have rolled out this product seven countries and regions across Asia and Europe. We are expanding our activities to build *Global Sharp Top* businesses under the K27 Strategic Framework.

NEWTLAC is an asphalt modifier developed by Kao using waste PET that makes asphalt pavement up to five times more durable. By preventing road surface wear, it cuts CO₂ emissions from resurfacing work, mitigates delays caused by traffic restrictions during such work, and also reduces the generation of asphalt dust particles. In the 2024 Resource Circulation Technology and System Awards, we won the Minister of Economy, Trade and Industry Award in recognition of our efforts for a circular economy that paves local roads by utilizing old fishing nets and other PET products that were conventionally difficult to recycle.

We aim to capture changing pavement needs in line with the shift to EVs and autonomous vehicles, and expand double sales in our asphalt business as a whole by 200% (compared to 2024) by 2030 with a focus on *NEWTLAC* that achieves both sustainability and safety.



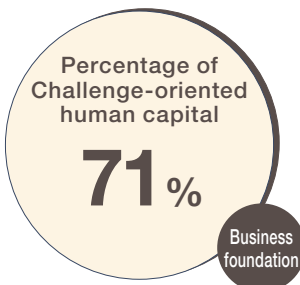
Encouraging diverse employees to take on challenges to maximize the power and potential of employees

The employee awareness survey revealed that over 70% of employees have set goals and are practicing activities that help both individual employees and organizational develop. We set and give opportunities for highly motivated employees to take on challenges, while also recognizing and giving compensation for these challenges and their results, thereby making steady progress towards creating a culture that encourages taking on challenges.

In the Objectives and Key Results (OKRs) system introduced in 2021 to energize our human capital, we have provided opportunities for dialogue between supervisors and team members to spread this system in the frontline. In 2024, we provided opportunities for employees to build various experiences, such as through internal recruitment, the DX adventure program, a subscriptionbased self-development program, a 360-degree leadership assessment, promotions that are not based on years of service, and other measures.

To evolve and achieve *Global Sharp Top* human capital/organizational management in the K27 Strategic Framework, we will execute actions based on our human capital strategy to drive efforts for creating human capital and an organization that can take on challenges with strong capabilities in Challenge & Change, Professional Capabilities, Collaboration & Cocreation, Diversity, Equity & Inclusion, while maintaining our basic approach of “Integrity as the only choice.”

* Challenge-oriented human capital: employees have set goals and are practicing activities that help both individual employees and organizational develop



Risk Mitigation
(Minimum)



Kao Recognized as Global Environmental Leader with a CDP Triple ‘A’ for Fifth Consecutive Year

Kao has been named an ‘A-List’ company by CDP, a global nonprofit organization, in its annual global survey of companies’ sustainability initiatives, in the areas of Climate Change, Forests, and Water Security. Kao stands as one of just 8 companies from over 24,800 evaluated firms selected across three categories, and is the only Japanese company selected as a triple-A for five consecutive years.

We are proud to be recognized for our advanced environmental initiatives, including the development of a comprehensive environmental management system, active engagement with diverse stakeholders, enhanced supply chain monitoring aimed at achieving zero deforestation, improved traceability to oil palm plantations, and the establishment of new water conservation targets.

Moving forward, we will continue to mitigate risks and create business opportunities by advancing our global environmental programs while aligning with CDP evaluation criteria.



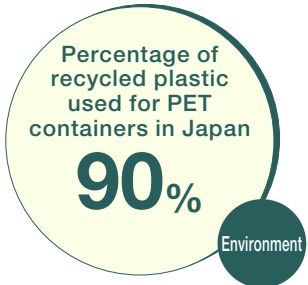
P115 Decarbonization

Expanded Use of Recycled Plastic Contributes to Reduced Environmental Impact and Improved Brand Value

Based on our Zero waste initiatives in our ESG Strategy, we are actively promoting the use of recycled plastic to help create a circular economy. In 2024, we incorporated recycled plastics into 90% of PET containers used in Japan, up from 81% in 2023.

Our efforts to expand recycled plastic usage focus on the *eco-peko* bottle for *CuCute* dishwashing detergent, the *Liese* hair care brand, and other product lines. The *eco-peko* bottle, which features reduced plastic content and easy collapsibility after use, has resonated strongly with consumers due to its environmentally friendly design. This has contributed to increased market share while simultaneously enhancing our brand value.

Kao aims to achieve 100% recycled plastic used in PET containers in Japan by 2025. This goal will further reduce our environmental footprint and advance resource circulation, while also strengthening loyalty among environmentally conscious consumers.



P129 Zero Waste

Risk Mitigation
(Minimum)



Selected as one of the World’s Most Ethical Companies® due to the ethical corporate culture that has existed since the company’s founding

Kao has been named one of the World’s Most Ethical Companies® 2025 by Ethisphere, a global leader in defining and advancing the standards of ethical business practices. Kao is one of only six companies worldwide and the only Asian company to have received the award for 19 consecutive years since it was established in 2007.

The Ethisphere accolade is based on an assessment of companies’ efforts in the areas of transparency, integrity, ethics, and compliance—values that are deeply ingrained in Kao’s heritage and culture. ‘Integrity as the only choice’ is at the heart of our corporate philosophy, the Kao Way, and external recognition such as this is invaluable to us. We remain committed to tackling challenges with courage as we strive toward ambitious goals, aiming to lead our industry and fulfill our purpose—To realize a Kirei World in which all life lives in harmony.



“World’s Most Ethical Companies” and “Ethisphere” names and marks are registered trademarks of Ethisphere LLC.

Carrying out comprehensive human rights due diligence to mitigate risks across the whole supply chain

Based on the concept of Respecting human rights in the ESG Strategy, Kao promotes comprehensive human rights due diligence on the part of suppliers, and exerts efforts to reduce risks related to human rights across the entire supply chain. We have asked suppliers to join and use Sedex, a tool for evaluating human rights due diligence initiatives, as well as to respond to Kao SAQs. We have received responses from suppliers involved in 90% of our global transactions (98% of transactions by value).

This high response rate is thanks to Kao’s continual efforts to provide explanation and build strong relationships with suppliers. Our work to bolster collaboration with global business partners has played a particularly important role in boosting transparency across the entire supply chain, allowing for risks to be identified at an early stage. On the other hand, future issues for us to tackle in relation to the high turnover of suppliers include bolstering communication with these suppliers and responding to the regulations in each region.

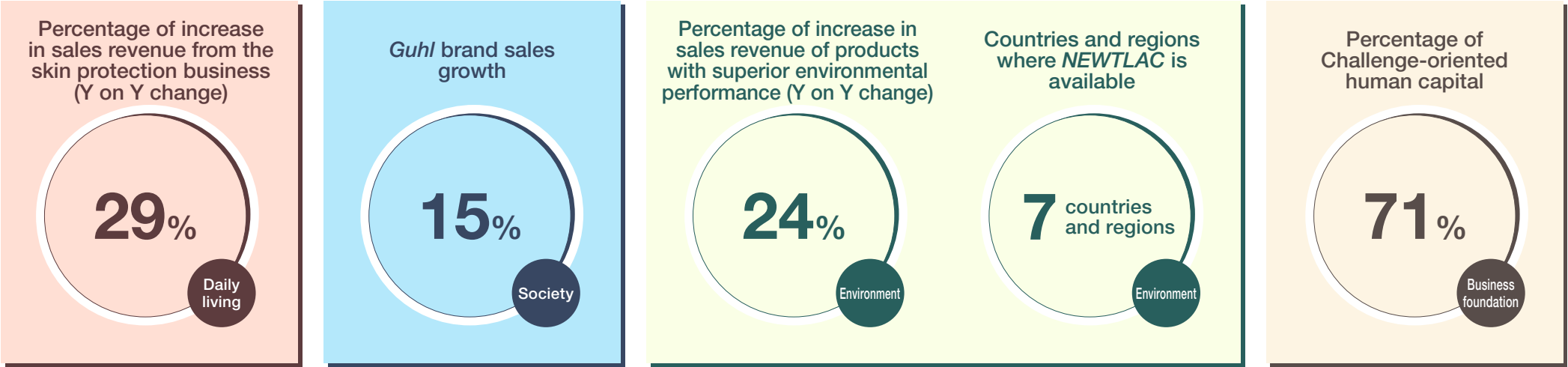
Due diligence on the part of suppliers helps to boost transparency across the entire supply chain, to understand and mitigate risks, and to build a system for rapid response to risks. Through this process, we will collaborate with suppliers to improve the working environment and promote the protection of human rights, thereby building a sustainable supply chain.

P185 Respecting Human Rights

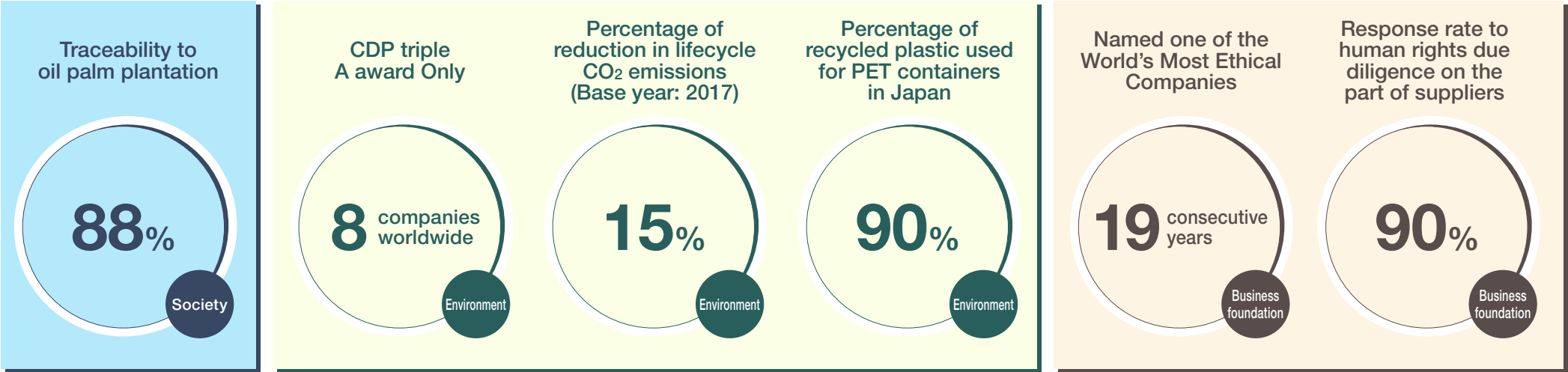


Enhancing corporate value by creating and expanding opportunities, and mitigating risks

New Value Creation (Maximum)



Risk Mitigation (Minimum)



Corporate Philosophy

Established in 2004, Kao's corporate philosophy, the Kao Way, passes down the spirit and culture that has been cultivated by predecessors to future generations. In 2021, aiming for further transformation, Kao refreshed this philosophy with the new mission "To realize a Kirei World in which all life lives in harmony.", and updated the contents. The Kao Way is deeply ingrained in each employee. From the formulation of mid- to long-term business plans to daily decision-making, this philosophy serves as a foundation for ensuring consistency across all activities. It also acts as a driving force for leveraging the diverse assets and collective strengths of its employees to address social and business challenges. By aligning individual growth with corporate development and social contributions, the Kao Way serves as a guide for fostering both work satisfaction and a sense of purpose in life.



Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Kao has established its vision for 2030 "K30" and the mid-term plan "K27" to accelerate both business growth and contributions to a sustainable world. By placing sustainability at the core of its management and driving business and organizational transformation, we aim to make Kao a company with a global presence.

What Kao Aims to Be by 2030

Striving for the continuous enhancement of its corporate value, Kao has set forth this purpose: "To realize a Kirei World in which all life lives in harmony." As part of this commitment, Kao formulated "K30" to become a company with a meaningful global existence by 2030.

Under "K30," Kao has established three key goals, one of which is to become a company indispensable to a sustainable world. This reflects Kao's determination to place sustainability at the core of its management, achieve sustainable growth through business activities, and return the resulting value through contributions to society.

What Kao Aims to Be by 2030 (K30) A Globally Indispensable Company, "Kao"

- (1) to become an essential company in a sustainable world
- (2) to become a high-profit global company that also significantly contributes to society
- (3) to provide returns to stakeholders according to levels of growth

Mid-Term Plan "K27"

The mid-term plan "K27" incorporates sustainability by setting "Sustainability as the only path" as its vision and establishing the goal of becoming a company indispensable to a sustainable world as its basic policy. "K27" consists of the following four frameworks:

(1) Building *Global Sharp Top* businesses

Strengthen high-demand, high-profitability businesses and accelerate global expansion.

(2) Developing *Global Sharp Top* human capital and organizational management

Foster human capital with the creativity to solve critical needs and establish an efficient organization where such individuals take the lead.

(3) Improving capital efficiency and profitability

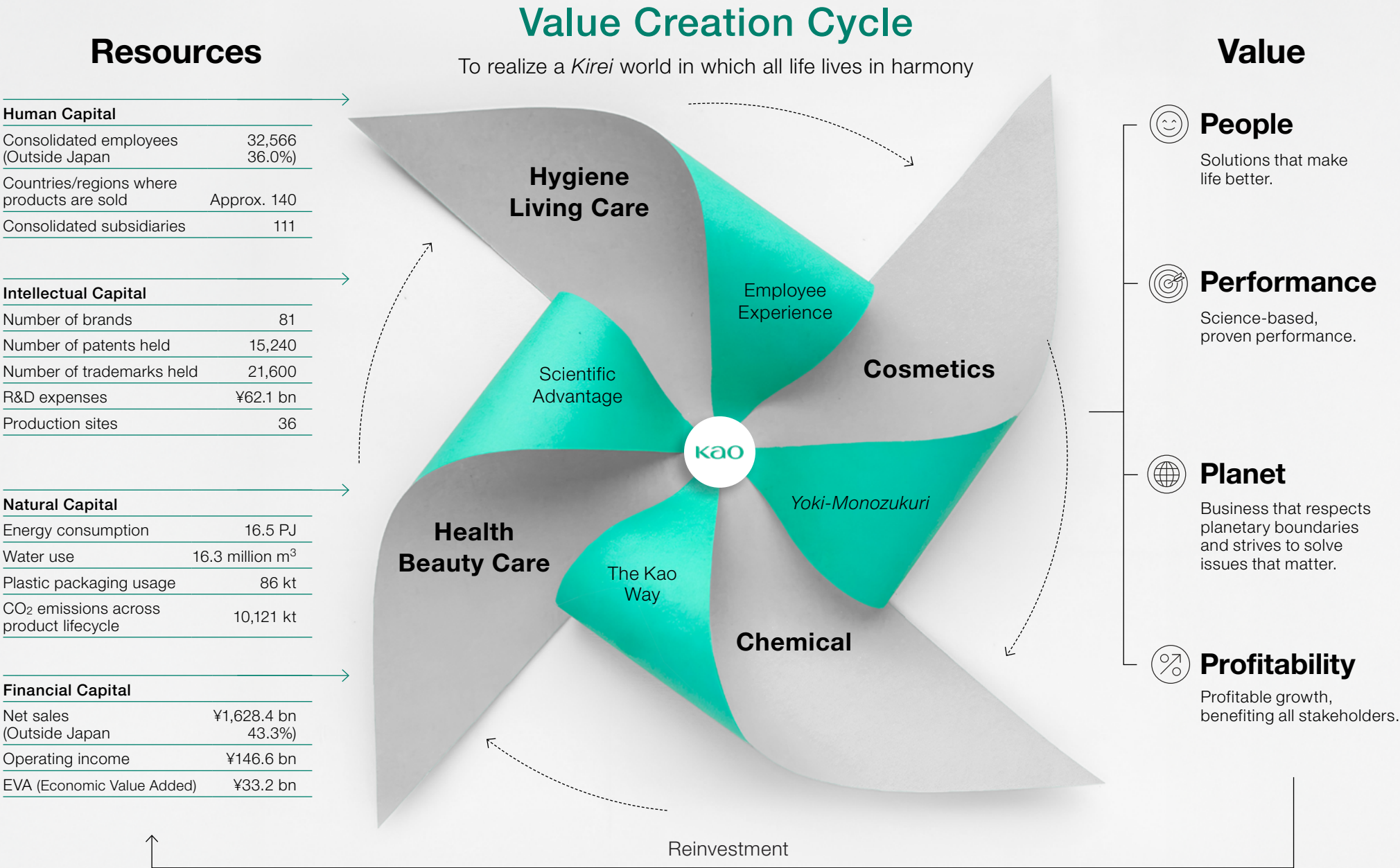
Maximize the value of management capital by supervising investment efficiency for each business based on the business portfolio.

(4) Developing business through collaboration with partners

Leverage Kao's technology assets quickly and at scale by collaborating with partner companies to create value.

 Management Strategy and Mid-term Plan 2027 (K27)
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

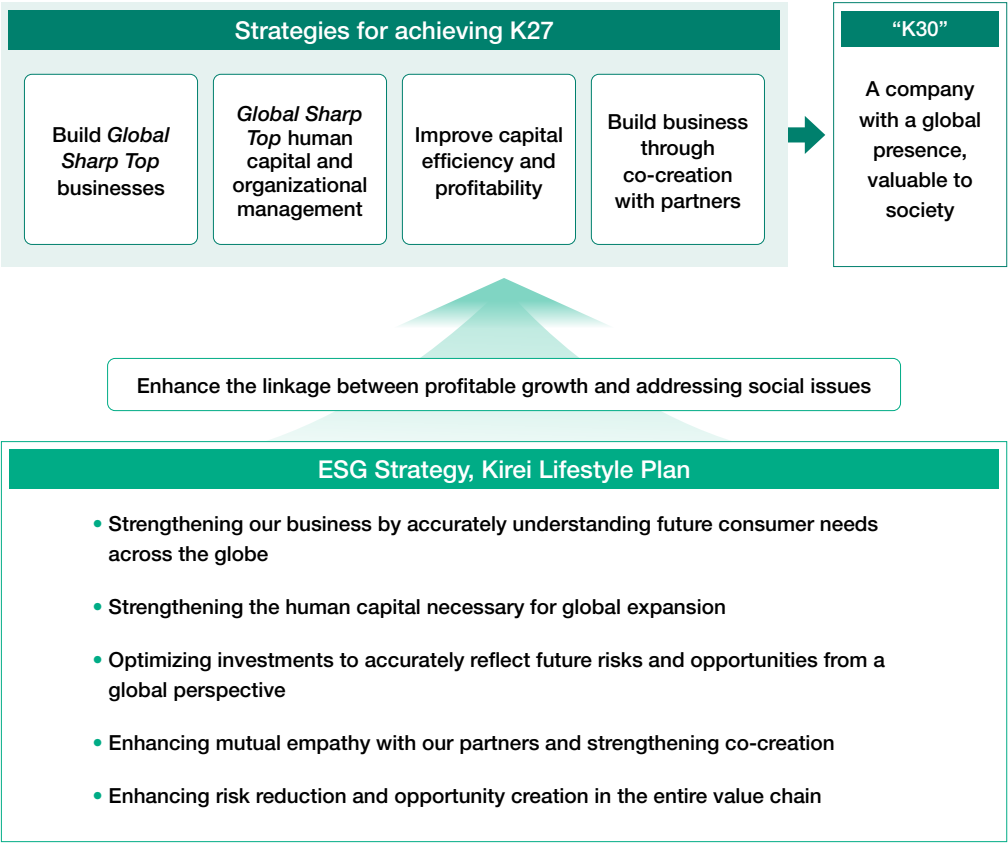
Value Creation Cycle



Strategy

Kao has placed ESG at the core of its management to achieve its vision for 2030—becoming a globally indispensable company, “Kao.” Based on the ESG Strategy, the Kirei Lifestyle Plan (KLP), Kao promotes *Yoki-Monozukuri* from an ESG perspective. Through this approach, Kao aims to achieve both profitable business growth and the realization of a sustainable world by solving issues in society.

Enhancement of “K27” Through the ESG Strategy



“K27” is our Mid-term Plan to enhance Kao's global presence, realize a sustainable society, and achieve company growth. The KLP reinforces K27's four strategies in a multifaceted manner to achieve profitable growth and address social issues in the following five perspectives:

Strengthening our business by accurately understanding future consumer needs across the globe

By accurately anticipating the needs and expectations of diverse consumers around the world and enhancing the competitiveness of our products and services, we will create new markets and add value to our products and contribute to building *Global Sharp Top* businesses.

Strengthening the human capital necessary for global expansion

Development of people that can meet the needs of global consumers in marketing, product development, and sales, will fortify our *Global Sharp Top* human capital strategy.

Optimizing investments to accurately reflect future risks and opportunities from a global perspective

We promote capital efficiency and profitability improvement by reducing ESG-related risks, increasing business resilience, creating opportunities and optimizing capital allocation.

Enhancing mutual empathy with our partners and strengthening co-creation

Partnership collaboration is essential for addressing social issues that Kao cannot tackle alone. We promote business development through co-creation by expanding our collaborative relationships with our partners in diverse ways.

Enhancing risk reduction and opportunity creation in the entire value chain

ESG-related risks and opportunities exist throughout the value chain in which our business operates. By reducing risks and creating opportunities across the value chain, we strengthen K27 achievement across the organization and increase the sustainability of our business.

Enhancement of business growth through the KLP

As mentioned above, the KLP strengthens K27, enhancing business growth. It contributes to business growth in the following three perspectives:

(1) Providing products and services that foster high loyalty

Products and services that embed ESG perspectives and are developed with unique technologies can gain a high level of loyalty from consumers and customers, enhance competitive advantage , and contribute to business growth.

(2) Expanding business by creating new business domains

By addressing sustainability-related issues facing consumers and society, we develop product value in new domains and drive diverse business development.

(3) Expanding business by creating new value in existing categories

By reassessing the needs of consumers and customers from an ESG-driven perspective, we create new value within existing product categories and services, develop new market domains, and expand the scope of our business.

Through ESG-driven *Yoki-Monozukuri* based on the KLP, we will continue to achieve K27 and strengthen sustainable business growth.

Risks and opportunities

In formulating the KLP, we identified ESG-related risks and opportunities based on our business model and social issues. Kao’s business model and value chain have the following characteristics.

Four areas related to the characteristics of Kao’s business model and sustainability

- 1. Manufacturing and sales of consumer products for consumers around the world
- 2. Manufacturing and sales of chemical products for customers in a wide range of industries around the world
- 3. Using chemicals as a key raw material shared between the Consumer Products Business and Chemical Business

- 4. A global value chain formed around raw material production to product sales, with numerous raw materials suppliers in the upstream and numerous distributors, retailers, business partners, and customers in the downstream

Based on these characteristics, the areas of Kao’s involvement in the sustainability of society are organized into four categories, namely Daily living, Society, Environment and Business foundation.

Daily living:

A unique area of Kao’s efforts to meet the needs of consumers and enrich their lives, and it is the core of our ESG strategy.

Society:

An area in which Kao has relationships with diverse industries and society through its globally operated value chain and the Chemical Business.

Environment:

An area that has a significant impact, since some materials are dependent on natural capital, and because products are provided to, used by and disposed of by consumers around the world.

Business foundation:

In order to steadily promote the initiatives in the above three areas, the enhancement of the business foundation including human capital development, respect for and protection of human rights, promotion of DE&I activities, and chemical substance management, etc. is essential.

In these four areas, we identify ESG-related risks and opportunities and develop strategies to address them.

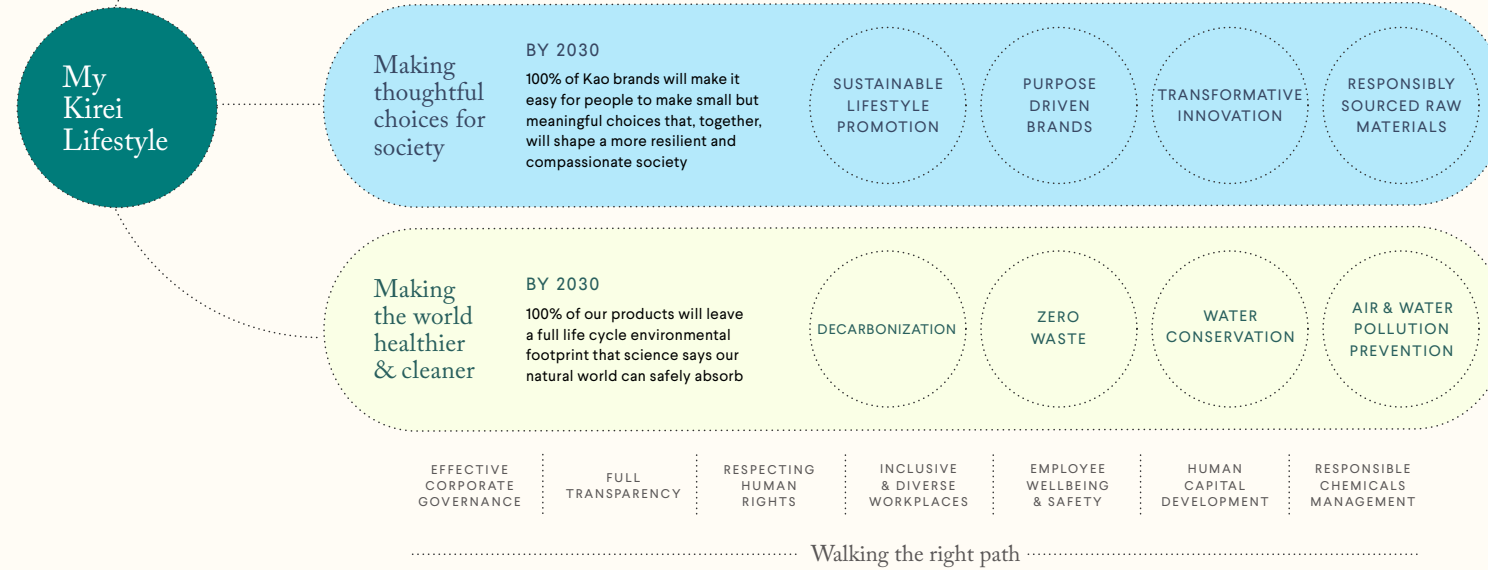
These are based on Kao's business characteristics and this strategy will lead to an increase of corporate value and business growth based on these business characteristics. By implementing these strategies, Kao will provide high-value-added services based on sustainability, which will also lead to a shift to a sustainable and innovative business model that goes beyond conventional product offerings and sales. For example, by precisely collecting and analyzing data on each individual's physical condition, contamination on clothes, the occurrence of disease and pests on

crops, and providing value-added services based on this data, we can improve the customer experience and create new markets. Furthermore, our approach from a sustainability perspective contributes to the enhanced management of the value chain. By appropriately managing raw material procurement risks, promoting the use of alternative raw materials, and strategically sourcing recycled materials, we will be able to reduce environmental impact and ensure stable supply. The KLP embodies the strategies derived from these risk and opportunity analyses.

Sustainability-related risks and opportunities and corresponding strategies

Classification	Risks	Opportunities	Strategy
Daily living	- Decrease in sales and profit due to the rise of daily necessities/personal care products that prioritize price over value-added products that contribute to people enriched lives - Business growth stagnated due to slowing growth in the Japanese market due to a declining birthrate and aging population and a declining population	Expansion of existing businesses and creation of new markets by providing high value-added products that meet the needs of people seeking affluence in their lives and global expansion in accordance with regional characteristics	- Product development, business development, and global expansion aimed at enriching the lives of people - Strategic development of awareness-raising and communication in conjunction with the business
Society	Improper management and handling of high-risk procurement, such as palm oil, resulting in procurement difficulties and deterioration of reputation	- Business growth through increased brand loyalty that demonstrates involvement in society as its purpose - Expand business opportunities by providing revolutionary products/services through innovation - Stabilization of procurement through precise approaches to social issues in procurement	- Increase loyalty by strengthening the Purpose Driven brand - Product and service revolution through innovation - Accurate supply chain management and sustainable raw material selection
Environment	- Growing environmental challenges such as decarbonization and plastic waste, as well as expanded producer responsibility, will increase taxation and corporate burdens and squeeze profits - Difficulty in continuing the business due to disruption of supply chains caused by loss of biodiversity and abnormal weather conditions - Difficulty in supplying products due to plant shutdown caused by environmental pollution	- Increased revenues through risk avoidance, efficiency, and cost reductions in environmental taxation and regulations - Business growth through increased consumer/ customer loyalty through advanced environmental responsiveness	- Reduction of CO₂ emissions over the entire life cycle - Recycling of plastics and other resources - Water conservation in production and product use - Prevention of air and water pollution in production and product use
Business foundation	- Inadequate management of compliance, human rights, and chemical substances makes it difficult to continue business - Difficulty in securing excellent human resources and deterioration of corporate culture	- Improving stakeholder confidence through quality control and chemical substance management unique to Kao - Expand business and improve competitiveness by enhancing human resources	- Effective compliance - Managing human rights across the value chain - Strengthening human resources and organizational capabilities - Advanced chemical management

Embodying as the ESG Strategy, the Kirei Lifestyle Plan on the next page.



Embodying the risks, opportunities and strategies from the previous page.

Kao's ESG Strategy, the Kirei Lifestyle Plan

The KLP sets forth the direction we are taking with specific ESG activities that put people at the center of our actions as well as our ambitions for the future. It consists of our vision for a sustainable society through our ESG activities, "Kao's Commitment," which sets the targets to be achieved by 2030, and "Kao's Actions," which are the 19 actions that we focus our efforts on.

Our vision for sustainability

Kao's vision for a sustainable society is based on the concept that our ESG activities are designed to help people around the world live more sustainably and benefit the wider society and the planet. Our value of walking the right path is presented as the foundation of our ESG

activities and embodies one of the core tenets of our founder Tomiro Nagase: "Good fortune is given only to those who work diligently and behave with integrity."

Kao's commitment and Kao's actions

The KLP includes three main pillars connected to enriching the lives of people, namely "Making my everyday more beautiful," "Making thoughtful choices for society" and "Making the world healthier and cleaner." Walking the right path is the foundation that supports these pillars. For each pillar, we have set our commitments, which are ambitious targets to achieve by 2030, as well as Kao's Actions, our priority action themes. By setting medium to long-term targets for each of the 19 actions, we promote reliable and effective activities.

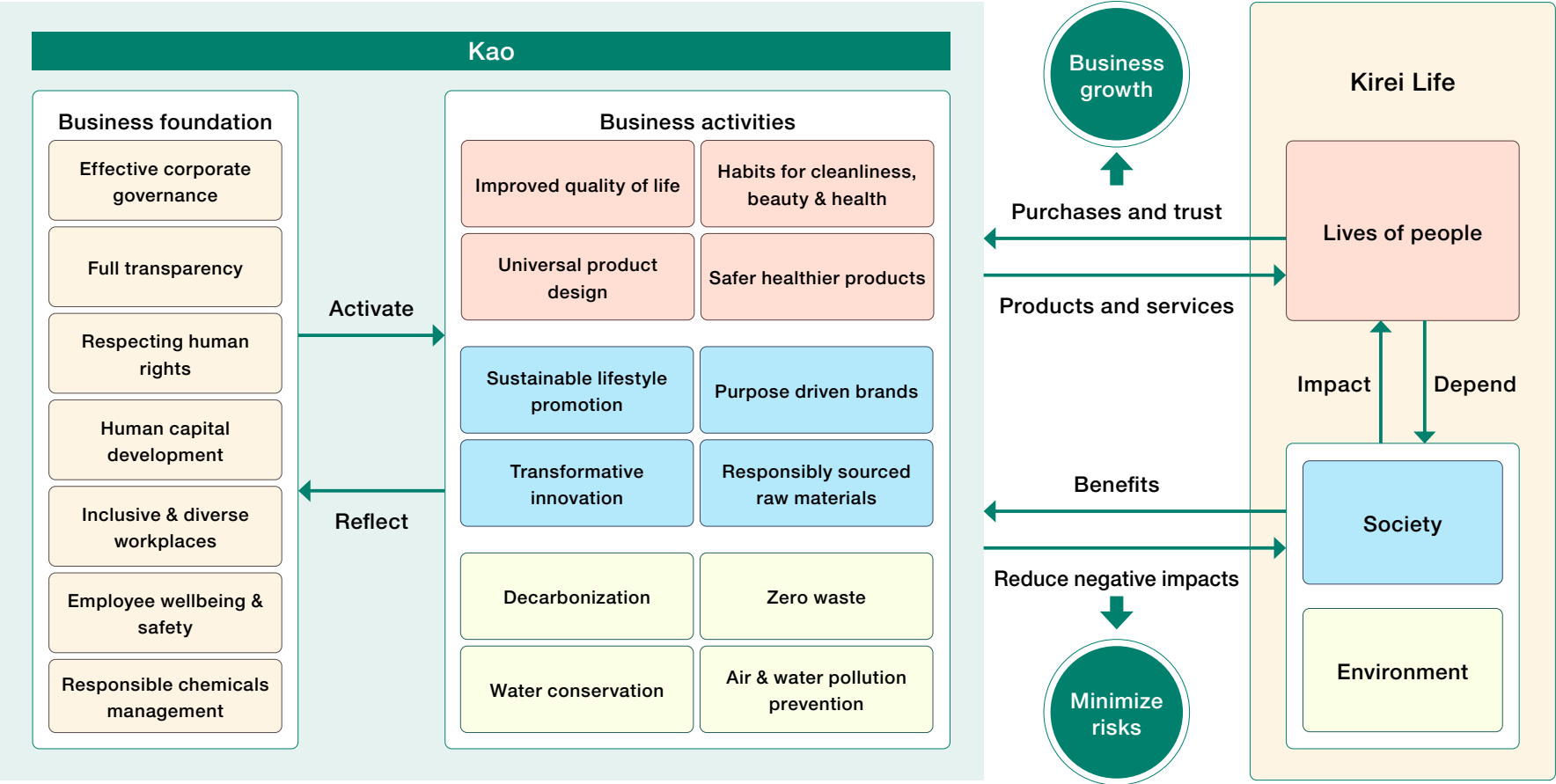
Structure of the KLP and its financial, environmental and social impacts

By implementing the KLP, it is possible to create a financial impact, as well as a positive impact on the environment and society. The diagram below shows how it works. Kao supports the lives of consumers through its products and services. For that reason, earning the trust of people contributes to the purchase of products and services, leading to profitable business growth. Through this virtuous cycle, the KLP will foster a long-term relationship between Kao and consumers and strengthen sustainable business growth.

Additionally, based on the KLP, we can minimize Kao's risks through activities to curb environmental impact and to reduce negative impact on society. This contribution to the environment and society will further enhance the reputation and credibility of Kao among consumers, who rely on both the environment and society, and lead to business growth.

The actions that form the foundation of these initiatives are crucial components supporting the KLP and act as a driving force to revitalize overall business activities. By promoting the KLP unique to Kao that places people at the center, Kao will achieve sustainable growth and enrich the lives of people.

Structure of the KLP and its financial, environmental and social impacts



Financial impact / environmental and social impact of the KLP

The KLP aims to earn the trust and loyalty of consumers and achieve business growth through the provision of products and services that address social issues and the needs of consumers, while at the same time, minimizing risks by reducing environmental impact and addressing social issues. We believe that the promotion of the KLP will create a virtuous cycle that will enable Kao to achieve sustainable growth, enrich the lives of consumers, and achieve social sustainability, thereby creating a positive impact on finance, environment and society.

Financial impact through the KLP

Kao believes that the promotion of the KLP will generate the following financial impacts from the perspective of (1) Revenue growth, (2) Cost reduction, and (3) Risk management.

(1) Revenue growth

- Development of new markets and addition of high value through products that have reduced environmental impact and solutions to address social issues
- Sales growth through improved brand value
- Creation of new business opportunities centered on social sustainability
- Establishment of a competitive advantage through our unique environmental technologies

(2) Cost reduction

- Reduction of corresponding costs including taxes related to regulations by improving our ability to comply with environmental regulations
- Reduction of funding costs / improved funding advantage by improving ESG evaluation
- Cost reduction through energy efficiency, resource recycling and conservation

(3) Risk management

- Minimizing the cost of complying with environmental regulations
- Reduction of reputation risk / Reduction of supply chain risk
- Securing stable procurement of raw materials

Specific Financial Benefits (cases studies)

By promoting initiatives based on the KLP, we are creating financial impacts valuable for our stakeholders, leading to long-term returns of profits.

Case (1): Investment in the supply chain

Initiatives: Continuous purchase of RS PO-certified oil and support for oil palm smallholders
Effect: Avoid risks associated with palm oil procurement, reputational risks and ensure stable procurement

Case (2): Investment to create business opportunities

Initiatives: Promotion of the #GUARD OUR FUTURE project
Effect: Expand the area of business / improve brand value

Case (3): Investment in corporate communications

Initiatives: Communication originating from “Wastefulness-Mottainai. Never today, nor tomorrow”
Effect: Achieve a purchase promotion that exceeds the investment amount / Increase in corporate brand value

Case (4): Investment in environmental conservation

Initiatives: Pollution prevention measures around the plant / Biodiversity conservation around the plant
Effects: Ensure business continuity through stable operation

Case (5): Sustainable finance

Initiatives: Sustainability-linked Bond (25 billion yen), Sustainability-linked Loan (20 billion yen), Positive Impact Finance (25 billion yen), DBJ Employees’ Health Management Rated Loan (10 billion yen)
Effect: Reduction in financing costs through the application of low interest rates

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao’s Vision for 2030 “K30” and the Mid-Term Plan “K27”

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Environmental and social impacts of the KLP

We believe that the KLP will also generate positive impacts on the environment and society in various ways, in addition to the financial impacts described above.

Contribution to the value chain

The table below shows the 19 Kao Actions set in the Kao ESG Commitments and Actions, the KLP and their relationship to the value chain. The items indicate areas where our impact on society is particularly large and where the expectations on us are similarly greater. These are high-priority areas for our business growth and increasing our corporate value. Kao has an extensive value chain that encompasses the procurement of raw materials, development, use, disposal, and

recycling. For this reason, Kao's implementation of the KLP can have a significant impact on suppliers, partners, consumers, communities and the environment. At the same time, we will contribute to the environment and society through the entire product lifecycle by developing and providing innovative products and services that reflect environmental and social considerations.

Contribution to society

Kao's innovative products and services contribute to the realization of sustainability in society. For example, in areas where hygiene and infectious disease problems are serious, we provide hygiene products to help people enjoy healthy lives with peace of mind. We also develop products and services that are easy to use for all people, including the elderly and people with disabilities, to support the comfortable lives of consumers.

Relationship between the 19 Kao Actions and the value chain

Kao Actions	Material procurement	Development / Manufacturing	Distribution	Sales	Use	Disposal / Recycling
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		●			●	●
Walking the right path						
Effective corporate governance	●	●	●	●	●	●
Full transparency	●	●	●	●	●	●
Respecting human rights	●	●	●	●	●	●
Inclusive & diverse workplaces		●	●	●		
Employee wellbeing & safety		●	●	●		
Human capital development		●	●	●		
Responsible chemicals management	●	●	●	●	●	●

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Furthermore, we support the sustainability of various industries and social infrastructure through products that optimize energy efficiency and resource utilization. In this way, we contribute to reducing the environmental impact and help our clients achieve their sustainability goals.

In the regions where our plants are located, we focus on environmental conservation, such as water conservation, air pollution prevention, and water pollution prevention, etc., thereby contributing to local communities.

Contributions to SDGs

Looking ahead to 2030, Kao is focused on SDGs, which have been agreed upon and adopted

by the international community. As indicators for realizing a sustainable society, SDGs set forth an integrated approach to improving the economy, society, and the environment. Contributions by companies are considered extremely important to achieving SDGs. As shown in the table below, the KLP is deeply aligned with SDGs and makes concrete and practical contributions through Kao's products and business activities. From addressing environmental issues to promoting health and achieving gender equality, Kao's initiatives play a vital role in advancing SDGs. Through these efforts, Kao not only fulfills its corporate responsibilities but also contributes to the sustainable development of society as a whole.

The SDGs that the 19 Kao Action topics contribute to

Kao Actions	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
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			●			●						●		●			●
Walking the right path																	
Effective corporate governance								●								●	
Full transparency								●				●				●	●
Respecting human rights					●			●		●							●
Inclusive & diverse workplaces					●			●		●							
Employee wellbeing & safety			●					●									
Human capital development			●	●	●			●		●							
Responsible chemicals management			●			●						●		●			●

Resilience of ESG Strategies

Over the next decade, global risks will be dominated by environmental factors, including extreme weather events, biodiversity loss, ecological system collapse, critical shifts in planetary systems, and natural resource shortages. Notably, extreme weather has remained the top global risk for the second consecutive year. In the social domain, issues such as inequality and societal polarization rank among the most pressing concerns. As a result, environmental and social risks continue to be recognized as significant risks. Additionally, human rights violations and other social challenges have emerged as critical concerns.*

We believe that the KLP will maintain a certain level of resilience even if the degree of these future risks fluctuates. For example, if environmental and social risks intensify, there may be increased costs or usage restrictions on fossil-based raw materials and palm oil. However, we expect that products developed based on KLP through ESG-driven *Yoki-Monozukuri*, which aims to maximize functional and social value while using minimal resources, will minimize negative impacts by reducing CO₂ emissions and the consumption of energy and raw materials while increasing the use of renewable energy throughout their life cycles. This approach aims to maximize functional and social value while using minimal resources.

Conversely, if risk severity remains low, it suggests that society’s awareness of environmental conservation remains high and efforts are being actively made to minimize negative impacts. In such a society, markets with strong demand for environmentally conscious products will likely be established, leading to a greater competitive advantage for high-environmental-performance products created through ESG-driven *Yoki-Monozukuri*. This, in turn, will enhance brand loyalty. Therefore, we believe that the KLP is resilient to the risks that are expected to arise in the future and able to create sustainability not only for the world but also for the business.

* Global Risks Report 2025, World Economic Forum

Metrics and Targets

To ensure the progress of the KLP, Kao has established metrics and targets to enhance the levels of initiatives through continuous evaluation and improvements to our approach to achieving goals.

Metrics and Targets

We have set metrics and targets for three symbolic commitments and 19 Kao Actions towards fulfilling the KLP. The process is managed utilizing the PDCA (Plan, Do, Check, and Act) cycle

with the aim of boosting the level of initiatives and steadily achieving targets.
The status of the 2024 initiatives are as follows. Under the KLP promotion framework, we will identify the reasons certain items have not been achieved and make efforts to attain them.

Mid- to long-term targets for the 19 Kao Actions

Kao Actions	Metrics	Results					Mid- to long-term targets		References
		2020	2021	2022	2023	2024	Target value	Year	
Making my everyday more beautiful									
Commitment	Number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	—	0.49 billion*4	0.53 billion*4	0.52 billion*4	0.52 billion	1 billion	2030	P271
Improved quality of life	Number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	4.8 billion*4	4.5 billion*4	4.5 billion*4	4.1 billion*4	3.9 billion	7 billion	2030	
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)	0.034 billion	0.045 billion	0.051 billion	0.059 billion	0.063 billion	0.1 billion	2030	
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines (Japan)*1	(53%)*10	98%	99%	99%	99%	100%	2030	
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	17% (31%)*11	30% (56%)*11	60% (100%)*11	67%	77%	100%	2030	
Making thoughtful choices for society									
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	—	—	58%*5 (59%)*12	58%*5 (61%)*12	61%	100%	2030	P272
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)	0.0094 billion	0.011 billion	0.043 billion*6	0.048 billion*6	0.056 billion	0.1 billion	2030	
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness	—	—	52%*5 (53%)*12	52%*5 (57%)*12	55%	100%	2030	

*1 Change of metrics and target value

*2 Value based on former survey (See 2023 KPI definitions P377) (Japan only)

*3 Reviewed metrics for 2024

*4 Corrected results (Exports are recorded as results)

*5 Corrected results (Reviewed target brands and fixed the population parameter)

*6 Corrected results (Corporate advertisement "Wastefulness-Mottainai. Never today, nor tomorrow." activities are included in the aggregate)

*7 Corrected results (Recalculated and changed due to the revision of Scope 3 Category 11 in Japan)

*8 Corrected results (Recounted due to some omissions)

*9 Corrected results (Added the amount of innovative packaging diffusion other than film containers)

*10 Value based on former definition (See 2021 KPI definitions P232)

*11 Value based on former definition (See 2024 KPI definitions P74)

*12 Value based on former definition (See P90)

*13 Value based on former definition (See P132)

*14 Value based on former definition (See 2024 KPI definitions P388)

*15 Make partial corrections to results and revise to express in per-thousand rates

* Definitions of each metric (Formula, Factor, Scope) are provided in the "Kirei Lifestyle Plan KPI definitions" (P271).

* "Practical use of innovative film-based packaging made from collected refill packs" was removed from the list as the target had been achieved.

Kao Actions	Metrics	Results					Mid- to long-term targets		References
		2020	2021	2022	2023	2024	Target value	Year	
Transformative innovation	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)	3 cases	4 cases	5 cases	6 cases	7 cases	10 or more	2030	P272
	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)	1 case	3 cases	5 cases	6 cases	7 cases	10 or more	2030	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	94%	96%	97%	98%	99.6%	100%	2025	
	Confirm traceability to oil palm smallholders	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Completed up to traceability checks to farms: 87%	Completed up to traceability checks to farms: 88%	Finish	2025	
Making the world healthier & cleaner									
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb (Japan)* ¹	–	9%	14%	17%	21%	100%	2030	P273
	Kao recognition or achievement level by external ratings firms	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	Highest evaluation level	Yearly	
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)	4%	4%	6%	12%* ⁷	15%	22%	2030	
	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)	15%	20%	26%	35%	42%	28%	2025	
							55%	2030	
% of renewable energy in electricity consumption	29%	40%	49%	57%	69%	100%	2030		
Zero waste	Quantity of fossil-based plastics used in packaging	–	91 thousand tons	88 thousand tons	79 thousand tons* ⁸	79 thousand tons	Will peak and begin to decline	2030	
	Quantity of innovative packaging penetration for Kao and others per annum* ¹	0.007 billion items	0.011 billion items	0.013 billion items	0.046 billion items* ⁹ (0.014 billion items)* ¹³	0.1 billion items	0.3 billion items	2030	
	% recycling rate of plastics involving Kao	–	1%	3%	6%	8%	50%	2030	
	% of recycled plastic used in PET containers (Japan)	–	19%	69%	81%	90%	100%	2025	
	% of the waste generated from Kao sites*, ratio of waste that cannot be recycled * Beginning with production sites	–	9.1%	4.2%	4.3%	4.6%	0 (Less than 1%)	2030	
	% reduction of discarded products and discarded promotional materials (Base year: 2020)	–	14%	20%	43%	35%	95%	2030	
Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	-5%	-5%	3%	6%	12%	10%	2030	P274
	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal)* ¹	–	–	–	–	Plan to disclose in 2026* ³	100%* ¹	2030	
Air & water pollution prevention	% of plants which disclose VOC and COD emissions	VOC 0%, COD 100%	VOC 65%, COD 100%	VOC 68%, COD 100%	VOC 84% COD 100%	VOC 94% COD 100%	100%	2025	

*1 Change of metrics and target value

*2 Value based on former survey (See 2023 KPI definitions P377) (Japan only)

*3 Reviewed metrics for 2024

*4 Corrected results (Exports are recorded as results)

*5 Corrected results (Reviewed target brands and fixed the population parameter)

*6 Corrected results (Corporate advertisement “Wastefulness-Mottainai. Never today, nor tomorrow.” activities are included in the aggregate)

*7 Corrected results (Recalculated and changed due to the revision of Scope 3 Category 11 in Japan)

*8 Corrected results (Recounted due to some omissions)

*9 Corrected results (Added the amount of innovative packaging diffusion other than film containers)

*10 Value based on former definition (See 2021 KPI definitions P232)

*11 Value based on former definition (See 2024 KPI definitions P74)

*12 Value based on former definition (See P90)

*13 Value based on former definition (See P132)

*14 Value based on former definition (See 2024 KPI definitions P388)

*15 Make partial corrections to results and revise to express in per-thousand rates

* Definitions of each metric (Formula, Factor, Scope) are provided in the “Kirei Lifestyle Plan KPI definitions” (P271).

* “Practical use of innovative film-based packaging made from collected refill packs” was removed from the list as the target had been achieved.

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 “K30” and the Mid-Term Plan “K27”

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Kao Actions	Metrics	Results					Mid- to long-term targets		References
		2020	2021	2022	2023	2024	Target value	Year	
Walking the right path									
Effective corporate governance	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Yearly	P275
	Number of serious compliance violations* per annum * Compliance violations that have a significant impact on management and significantly damage corporate value	0	0	0	0	0	0	Yearly	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information	9%	12%	18%	22%	22%	100%	2030	
Respecting human rights	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100%, suppliers: 55%, contractors: 0%	Internal: 100%, suppliers: 60%, contractors: 3%	Internal: 100%, suppliers: 62%, contractors: 15%	Internal: 100%, suppliers: 81%, contractors: 19%	Internal: 100%, suppliers: 90%, contractors: 26%	100%	2030* * Suppliers: 2025	
Inclusive & diverse workplaces	Score for “Inclusive organizational culture” in our employee engagement survey (perfect score: 100)	–	–	(69%)* ³	62	63	75	2030	P276
	% of female managers related to that of female employees* ¹ * * Calculated as a weighted average based on the number of management positions at each group company	73.9% (28.8%)* ¹⁴	75.8% (30.2%)* ¹⁴	75.9% (30.5%)* ¹⁴	76.2% (31.1%)* ¹⁴	78.1%	100%* ¹	2030	
Employee wellbeing & safety	Lost Time Frequency Rate (per million hours worked)	0.53	0.65	0.65	0.71	0.83	0.15* ¹	2030	
	Average number of lost long-term work days (days/people) * Starting from Japan	146	197	182	195	220	105	2030	
	Ratio of employees who have lost long-term work days per 1,000 employees * Starting from Japan	18.5* ¹⁵	23.2* ¹⁵	28.7* ¹⁵	25.6* ¹⁵	27.2* ¹⁵	0.12	2030	
	Score for “Vitality” in our employee engagement survey (perfect score: 100)	–	–	(77%)* ²	59	61	70	2030	
Human capital development	Score for “Organizational culture in which employees are encouraged to take on challenges” in our employee engagement survey (perfect score: 100)	–	–	(79%)* ²	61	63	80	2030	P277
	Score for “Work satisfaction” in our employee engagement survey (perfect score: 100)	–	–	(74%)* ²	60	63	75	2030	
Responsible chemicals management	% of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers	–	14%	29%	38%	48%	100%	2030	
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal	–	96%	98%	93%	96%	100%	Yearly	

*1 Change of metrics and target value

*2 Value based on former survey (See 2023 KPI definitions P377) (Japan only)

*3 Reviewed metrics for 2024

*4 Corrected results (Exports are recorded as results)

*5 Corrected results (Reviewed target brands and fixed the population parameter)

*6 Corrected results (Corporate advertisement "Wastefulness-Mottainai. Never today, nor tomorrow." activities are included in the aggregate)

*7 Corrected results (Recalculated and changed due to the revision of Scope 3 Category 11 in Japan)

*8 Corrected results (Recounted due to some omissions)

*9 Corrected results (Added the amount of innovative packaging diffusion other than film containers)

*10 Value based on former definition (See 2021 KPI definitions P232)

*11 Value based on former definition (See 2024 KPI definitions P74)

*12 Value based on former definition (See P90)

*13 Value based on former definition (See P132)

*14 Value based on former definition (See 2024 KPI definitions P388)

*15 Make partial corrections to results and revise to express in per-thousand rates

* Definitions of each metric (Formula, Factor, Scope) are provided in the "Kirei Lifestyle Plan KPI definitions" (P271).

* "Practical use of innovative film-based packaging made from collected refill packs" was removed from the list as the target had been achieved.

Progress and insights on our three commitments

1. Making my everyday more beautiful

As a commitment to this theme, Kao aims to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives—greater cleanliness, easier aging, better health, and confidence in self-expression. The actual performance for 2024 was 520 million people, with almost no change from the 520 million in 2023. Although there were minor fluctuations per country and region, the overall numbers were similar to the previous year, and further expansion into more countries and regions will be essential going forward. As some activities contributing to this commitment had not been calculated previously, we have updated the results to include data from previous fiscal years.

The number of products that contribute to a comfortable, beautiful, healthy life and touch the hearts of people, which is one indicator of this commitment, was 3.9 billion in 2024. Looking ahead, we aim to provide more consumer-oriented products to more people around the world, in our efforts to contribute to an enriched and sustainable future through Kao products.

2. Making thoughtful choices for society

As a commitment to this theme, Kao aims to achieve 100% of Kao brands that make it easy for people to make small but meaningful choices by 2030, in hopes of shaping a more resilient and compassionate society. As a result, the actual figure for 2024 was 61%, although the number of brands that met the commitment remained the same as the previous year. This increase in the ratio was due to a decrease in the total number of brands included in the survey. Furthermore, figures from previous years have been updated due to some brands being changed or discontinued in 2024. This reflects that 61% of our brands have highly resonated with consumers or were able to propose or deliver products, businesses or systems that had a significant and positive impact on lifestyles.

Although the number of brands that meet this commitment has remained unchanged, each brand continues to carry out initiatives that are consistent with the goals of the commitment. For example, the two 2024 results under the “Transformative Innovation” goal—which is one of the indicators of this commitment—were achieved by the two brands *est* and *LISSAGE* (refer to P271 for calculation details).

Kao will continue to accelerate its efforts to shape a more resilient and compassionate society through its brands.

3. Making the world healthier & cleaner

As a commitment to this theme, Kao aims to increase the percentage of products that leave a full life cycle environmental footprint that science says the planet can safely absorb to 100% by 2030. The actual percentage achieved in 2024 was 21%, a steady increase from 17% in

2023. As with the previous year, the major contributing factor was an increase in sales of products that applied to the criteria, such as the water-saving laundry detergent *Attack* and dishwashing detergent *CuCute*. The adoption of *CuCute*’s eco-peko bottle for the future and the new use of recycled plastic for the main container of Liese also contributed to the results. Furthermore, sales of products that met the strict environmental criteria under this commitment saw a positive 24% year-on-year change.

Going forward, we will work to minimize environmental impact throughout the product lifecycle with *Yoki-Monozukuri* from an ESG perspective and contribute to making the world healthier and cleaner by providing high-performance, environmentally friendly products.

Quantification of Environmental and Social Impacts

We believe it is important to clearly state the magnitude and nature of the impact Kao’s business has on the environment and society and to continue to be accountable to improve corporate value and investment. In 2024, we continued to participate in the ESG Disclosure Study Group and deepened discussions on how to disclose information on ESG. In addition, since 2018, we have converted our social impacts into monetary equivalents, and in 2024, we also used the indicators in the table below to calculate and assess the impact on society.

Theme	Output	Impact
Decarbonization	Lifecycle CO ₂ emissions (absolute emissions)	Lifecycle CO ₂ emissions (absolute emissions) social cost
Zero waste	Amount of plastic packaging used	Amount of plastic packaging used (social cost)

 Study on Returns to Kao’s Stakeholders In FY2017
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf>

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao’s Vision for 2030 “K30” and the Mid-Term Plan “K27”

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Governance

Kao's ESG governance is carried out under the supervision of the Board of Directors, with the President & CEO and each division and group company responsible for business execution. By incorporating objective and advanced perspectives from Outside Directors and experts, Kao has established a framework that facilitates precise decision-making by management, swift execution by each division, and the promotion of innovation.

Kao's ESG governance

We have a flexible and robust ESG governance structure in order to swiftly respond to the major changes taking place globally, aiming to expand business and to address social issues. Our ESG governance provides a system for supervising and promoting ESG initiatives to incorporate environmental (E) and social (S) perspectives into Kao's management and business activities, and supports the realization of the Mid-term Plan "K27" and the Long-term Management Vision "K30."

Under this system, the President and CEO as well as divisions and Group companies are responsible for executing business operations under the supervision of the Board of Directors, which is responsible for decision-making. Characteristics of this system include the ability to provide the swift and targeted implementation and to promote the creation of innovation by incorporating third-party perspectives from outside directors and experts into management decisions and new businesses.

Supervision by the Board of Directors

The Board of Directors ensures that it has the appropriate knowledge, experience, and competence to supervise ESG issues. In order to oversee overall management from multiple perspectives, we consider a balance of expertise and position ESG matters also as requiring specialized knowledge to address. Therefore, we appoint a number of Directors and Audit & Supervisory Board Members who are well-versed in ESG matters.

The Board of Directors receives regular reports twice a year and reports on policies and strategies as well as targets, KPIs and progress of activities from the ESG Managing Committee, which deliberates and discusses ESG issues. In this way, the Board of Directors oversees the execution status.

The ESG-related KPIs to be reflected in the compensation policy are discussed by the Compensation Advisory Committee for Directors and Executive Officers and approved by the Board of Directors. Starting from fiscal 2024, the ratio of short-term and long-term incentive compensation against base salary has been revised to 1:1:1 for the Representative Director,

President and Chief Executive Officer. Long-term incentive compensation incorporates the "ESG Activities Evaluation indicators" consisting of the achievement of the KLP's priority targets (weighted at 25%) and the results of external evaluations by major ESG evaluation organizations (weighted at 15%). The achievement of KLP's priority targets is based on a multifaceted evaluation and consists of decarbonization (CO₂ emissions reduction rate), zero waste (plastic recycling rate), percentage of female managers, and the number of serious compliance violations.

Evaluation indicators for the variable portion of the performance-based share incentive plan

	Evaluation indicator		Weight	Scale	Objective
Business Growth Evaluation	Degree of overall business growth, sales, profit, and EVA (ROIC)		40%	5-point scale	The degree of contribution to continued growth and sound financial management is evaluated.
ESG Activities Evaluation	Achievement level of KLP (Kao Kirei Lifestyle Plan) priority targets Decarbonization (CO ₂ emissions reduction rate), Zero Waste (Plastic recycling rate), Ratio of female managers, Number of serious compliance violations, etc.		25%	7-point scale	Solution to a variety of social issues and contribution to a sustainable society are evaluated from multiple perspectives.
	External evaluation results by major ESG rating agencies		15%	7-point scale	
Top Management Activities Evaluation	Relative TSR evaluation	Comparison with TOPIX (including dividends)	5%	7-point scale	The adequacy of corporate governance is evaluate
		Comparison with benchmark companies	5%	7-point scale	
	Employee engagement survey results		10%	7-point scale	

-  • [Corporate Governance Report Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods](https://www.kao.com/global/en/corporate/policies/corporate-governance/)
- [Integrated Report 2025, P53-60 Corporate Governance](https://www.kao.com/global/en/investor-relations/library/reports/)

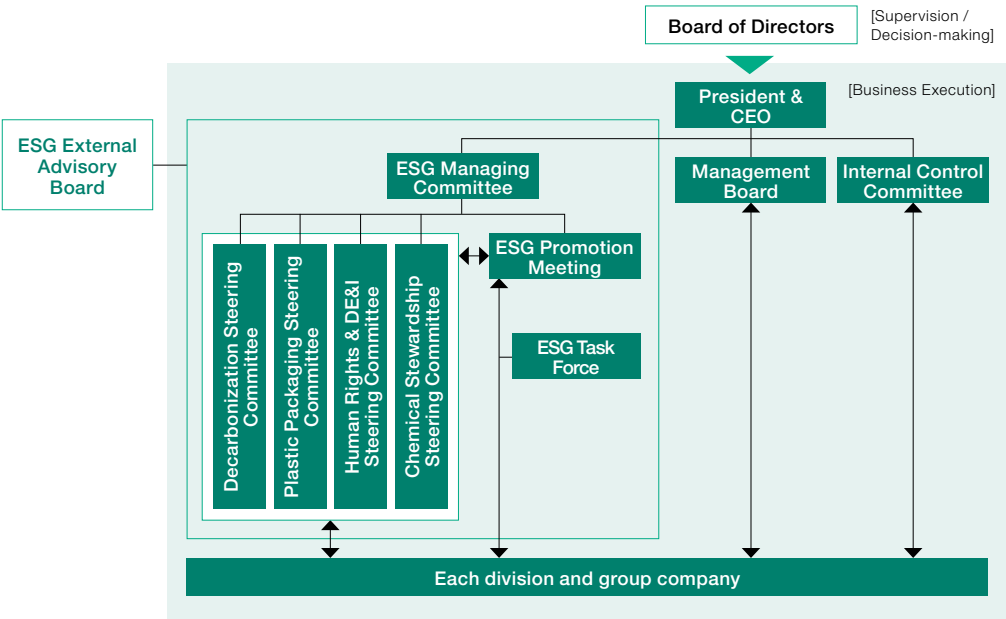
ESG management framework

The overall execution of ESG has a governance structure with the ESG Managing Committee chaired by the Representative Director, President and Chief Executive Officer as the highest authority. The ESG Managing Committee, which consists of management, discusses and decides on the direction of activities related to the KLP, and reports the status of activities to the Board of Directors. In addition, the ESG External Advisory Board, which is comprised of outside experts, provides reports and recommendations in response to the consultations of the ESG Managing Committee, and reflects the third-party perspectives of outside directors and experts in management.

We have established the ESG Promotion Meeting, which works to achieve the KLP, and the ESG Steering Committee, which strives to ensure reliable and timely execution for priority issues. Based on the decision made by the ESG Managing Committee, the ESG Promotion Meeting promotes ESG-related activities throughout the Kao Group and monitors the progress of each department. The ESG Promotion Meeting is chaired by the Senior Vice President and the Executive Officer of the ESG division, and the meeting attendees are made up of the people responsible for business divisions, regions, functional divisions, and corporate divisions. The ESG Steering Committee will promote initiatives based on the priority issues of decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship, respectively. People at the officer level are responsible as the owners of each issue and are granted a certain level of decision-making rights. The ESG Steering Committee works in conjunction with the ESG Managing Committee to ensure that initiatives are implemented promptly and reliably in each area. The ESG Task Force, which proposes activities related to key themes, plays a role in promoting the activities of each division and group company.

ESG-related risk management is carried out by the Internal Control Committee (which meets twice a year and is chaired by the Representative Director, President and CEO), and opportunity management is conducted by the ESG Managing Committee (which meets six times a year and is chaired by the Representative Director, President and CEO).

ESG governance structure



Roles, structure, frequency of meetings and agenda of each organization

Organization	Roles	Structure	Performance (2024)	
			Frequency of meeting	Main deliberated items
ESG Managing Committee	Deliberate, discuss, or report the following items that concern the entire Kao Group: • Basic approach to and policy of ESG • ESG policy sharing, strategy, activities, external communications, etc. • Decisions on investments for promoting ESG activities • Trends, issues and opportunities for the sustainability of the world at large and for ESG • Active stakeholder engagement by ESG Managing Committee members	Chair: Representative Director, President and Chief Executive Officer Members: Senior Managing Executive Officers, Managing Executive Officers, other executives Observer: Full-time Audit & Supervisory Board Members	Six times/year	• Deliberated on and approved the disclosure policy of the Kao Sustainability Report 2024, the details of disclosure including the progress made on KPIs • Deliberated on and discussed proposals submitted by the ESG Steering Committee • Deliberated on and approved the disclosure of financial impact information based on TNFD • Deliberated on and approved ESG investment projects • Deliberated on and approved the ESG fund budget for fiscal 2025 • Examined the proposals from the ESG External Advisory Board • Reviewed the progress made on each Kao Action in the KLP
ESG External Advisory Board	• Give advice and recommendations for issues raised by the ESG Managing Committee from outside expert viewpoints and based on a high level of expertise • Provide information to the ESG Managing Committee to enable the development and implementation of world-class plans • Provide opportunities for collaboration and cooperation with external parties • Evaluate Kao's ESG activities	Members: External influential experts • Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption, etc. • Ruma Bose CEO, Amura Group Specialization: Human rights, entrepreneurship support, etc. • Mike Jefferson Director, Verde Research and Consulting Ltd. Specialization: Waste management, Recycling systems, etc.	Twice/year	• Proposed expectations for and risks to Kao based on the social climate • Evaluated the progress made on the KLP and raised issues • Provided advice on ESG investment and the disclosure of its impact information • Provided advice for circular economy and advocacy activities • Provided advice for compliance with European regulations (environment, information disclosure, etc.) • Provided advice on DE&I and human rights approaches and initiatives • Provided advice on sustainable marketing • Provided advice for ESG communication • Provided advice for internal engagement
ESG Promotion Meeting	• Implement the ESG Strategy to integrate it with business based on the direction decided by the ESG Managing Committee and its suggestions • Supervise and examine to implement key ESG actions • Compile the issues faced by each division and region in promoting ESG activities and propose solutions to the issues to the ESG Managing Committee	Chair: Executive Officer, Senior Vice President, ESG Members: Responsible persons, etc. in business divisions, functional divisions, corporate divisions and regions	Eight times/year	• Drafted proposed revisions to the mid- to long-term targets in the KLP • Confirmed the progress and future plan for each action theme in the KLP • Formulated concrete plans for integrating ESG with business • Formulated an ESG investment strategy • Decided on the direction of the information disclosure in the Kao Sustainability Report 2024 • Global compliance to new laws and regulations • Confirmed the promotion of ESG activities in each division and region and identified issues • Enhanced global collaboration between groups • Increased engagement with employees • Established a cooperative system with the Kao Life-in-Harmony Foundation and implemented collaborative activities

* Please refer to the following for information on the Board of Directors.

-  • Corporate Governance Report [Principle 4.1] Roles and Responsibilities of the Board (1)
<https://www.kao.com/global/en/corporate/policies/corporate-governance/>
- Integrated Report 2025, P53-60 Corporate Governance
<https://www.kao.com/global/en/investor-relations/library/reports/>
- The Board of Directors, Corporate Governance
<https://www.kao.com/global/en/corporate/policies/corporate-governance/directors/>

* Please refer to the following for information on the Internal Control Committee and Risk & Crisis Management Committee.

-  Risk and Crisis Management
<https://www.kao.com/global/en/corporate/policies/business-risks/>

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Organization		Roles	Structure	Performance (2024)	
				Frequency of meeting	Main deliberated items
ESG Steering Committee	Decarbonization	• Draw up a GHG reduction plan • Promote rapid decarbonization activities through centralized discussions on decarbonization response measures and business opportunities for mitigation and adaptation to achieve carbon zero in 2040 • Appropriately manage climate change risks based on the results of scenario analysis	Owner: Managing Executive Officer, Senior Vice President, R&D Members: Staff of R&D, Procurement, Supply Chain Management, Global Consumer Care Business, Chemical Business, ESG	Five times/year	• Discussed a 2030 GHG reduction strategy • Discussed the progress made to achieve decarbonization-related KPIs and responses to address issues • Discussed on fixation of carbon dioxide
	Plastic packaging	• Discuss activities related to plastic packaging, a key issue for KLP Action "Zero Waste" to realize a circular society, in a centralized manner and promote activities strongly and promptly • Promote activities in conjunction with the Decarbonization Steering Committee, Water Conservation and Biodiversity	Owner: Executive Officer, Vice President, R&D Business Research Center (Beauty & Healthcare field) and Deputy Director, Research Strategy Promotion Center Members: Staff of Corporate Planning, R&D, Procurement, Global Consumer Care, ESG	Eight times/year	• Formulated a draft policy and discussed and approved the actions regarding Innovation in Recycling initiatives (collection and recycling) • Formulated a draft policy and discussed and approved the actions regarding Innovation in Reduction initiatives (reducing the amount of materials used and using recycled materials) • Responded to the Plastic Resource Circulation Act of Japan
	Human rights and DE&I	• Centrally promote and manage the Kao Group's human rights-related activities, including human rights due diligence, in accordance with the Kao Human Rights Policy • Centrally promote and manage the Kao Group's DE&I activities based on its DE&I Policy	Owner: Senior Executive Officer, Senior Vice President, Human Capital Strategy Members: Staff of Human Capital Strategy, ESG, Procurement, Supply Chain Management and Global Consumer Care Business	Once/month	• Promoted activities based on the human rights and DE&I Policy • Proposed and took employee awareness measures for understanding and implementing the DE&I Policy • Enhanced global expansion of human rights due diligence, including holding workshops to identify potential human rights risks, shared the risks identified in the risk assessment, and promoted activities at relevant divisions and subsidiaries • Discussed initiatives for living wages as part of human rights due diligence
	Chemical stewardship	• Promote voluntary management of chemical substances throughout the product lifecycle by the GFC* Promotion Committee • Develop policies and reduction/phase-out plans for the use of raw materials used in products taking into account progress of regulatory trends, science, and other factors by the Chemical Stewardship Council • Disclose information on our approach to the use of chemicals and the results of safety assessments, and communicate with stakeholders * Global Framework on Chemicals – For a Planet Free of Harm from Chemicals and Waste	Owner: Executive Officer, Senior Vice President, Product Quality Management Members: Staff of ESG, R&D, and Product Quality Management	Once/month	• Understood the European Green Deal and other regulatory trends in product raw materials and identified raw materials and products subject to such policy and regulations • Disclosed ingredients of high social concern among which are not used in Kao's consumer products • Participated in the domestic policy discussions as a member of the industrial association, which was initiated in response to the results of an international meeting to set targets for the GFC • Participated and contributed to the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (Cefic)
ESG Task Force		• Establish for individual focus themes formulated at the ESG Promotion Meeting that require an inter-divisional structure • Propose and promote activities based on detailed plans	Members: Staff of the division relevant to the focus themes	As needed	• Promoted the project to establish a global ESG data platform. Developed a data lake as a foundation, stored the necessary data, and linked the various data sets. Launched an aggregation and search system for packaging and chemical substances. • Disclosed fragrance ingredient names.

Risk and Opportunity Management

We are reinforcing our risk and opportunity management to ensure risk mitigation and business opportunity creation under flexible and resilient ESG governance.

Risk and opportunity management at Kao

Risk management involves the Risk and Crisis Management Committee regularly monitoring the significance of the risks. Among these, risks that would have a major impact on management and require an enhanced response are designated as Corporate Risks, and for those, risk themes and risk owners are decided by the Management Board. The progress is managed by the Risk and Crisis Management Committee, and each organization addresses risks that can be managed by individual divisions and group companies.

In terms of opportunity management, we have established a structure that comprehensively manages ESG-related key themes for the entire Kao Group to build a system that promotes ESG investments through priority setting, which is connected to creating and business opportunities for strategic development.

Selection process for Kao Actions as material themes

Kao selected 19 Kao Actions in the Kao ESG Commitments and Actions through the following four steps.

Selection process



Objectives of selecting the Kao Actions

1. Targeted action in view of changing social circumstances and issues, and the changing expectations for Kao
2. Strategic implementation of ESG activities based on the Kao policy and changes in the business environment and strategy
3. Efficient investment and effective use of management resources

Selection of Kao Actions implemented in 2018

1. Identification of candidate themes

1.1 Making a list of candidate themes

We used the following to help identify candidate themes, resulting in the selection of 78 candidate themes (17 environmental, 37 social and 24 governance):

- ISO 26000
- GRI Standards
- SDGs
- Evaluation items used by ESG assessment bodies
- Global mega-trends
- In-house workshops
- Materiality at other companies
- Third-party opinions

1.2 Top management interviews

We held interviews with eight members of top management, including representative directors, directors, and managing executive officers, and compiled their thoughts and requests regarding Kao's ESG Strategy.

1.3 Region-based workshops

Using a workshop format in the regions of Asia, the Americas, and Europe, we identified activities that would simultaneously satisfy business needs, sustainability needs, and customer and consumer needs from the viewpoint of our operational sites. We then identified elements in those activities that serve the goal of becoming a company with a global presence.

2. Prioritization

Of the 78 candidate themes identified in 1.1, we asked some external stakeholders and employees to rate their priority in growing our business and increasing our corporate value. We then organized the results of their evaluations in the Matrix of Materiality, which maps materiality along two axes: priority for stakeholders and priority for Kao (Chart: Matrix of Materiality). In evaluating the level of materiality for Kao, we consider Kao’s medium- to long-term impact on the environment and society in accordance with the principle of double materiality.

The ESG Promotion Meeting, attended by division leaders, reviewed materiality based on the results of the evaluations and third-party opinions, and then selected the 19 Kao Actions. Themes that were not included in the Kao Actions despite being relatively highly rated in the evaluations will be managed and implemented under a separate structure. For instance, “disaster preparation and reconstruction assistance” was highly rated externally and has long been implemented under the Responsible Care Promotion Committee.

3. Validation

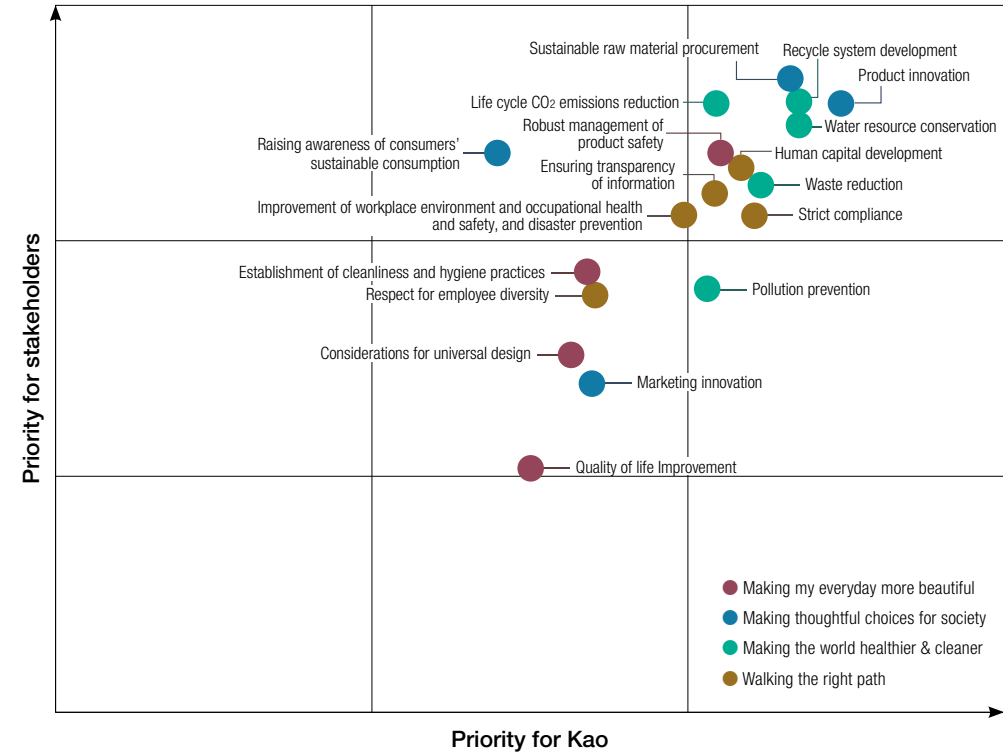
The ESG Committee (current ESG Managing Committee) reviewed the 19 Kao Actions selected in the ESG Promotion Meeting, and the Board of Directors approved them. Based on this, divisions set their own targets and action plans to conduct ESG activities.

4. Review

The 19 Kao Actions will be periodically reviewed and revised using selection steps 1 to 3. In addition, the actions are reviewed each year at a meeting of the ESG External Advisory Board.

[P34](#) Our Vision and Strategy > Governance

Matrix of Materiality



Evaluator attributes

- External stakeholders: 32 (21 Japanese and 11 non-Japanese)
 - Employees: 71 (39 Japanese and 32 non-Japanese)
-
- External stakeholders who provided evaluations fall under the following groups:
 - Consumers and customers
 - Suppliers
 - Local communities
 - NGOs / NPOs
 - Academia
 - Industry groups / Peer companies
 - Shareholders / Investors

Risk Management

The Risk & Crisis Management Committee establishes risk and crisis management systems and activity policies based on the Kao Risk and Crisis Management Policy. This is done by each division and group company to identify and assess risks in accordance with activity policies set by the Risk & Crisis Management Committee, and form and implement countermeasures.

Additionally, the Risk & Crisis Management Committee, together with the Management Board, has selected the 15 main risks of particular importance that could potentially negatively impact sustainable and profitable development, as well as our contributions to the sustainability of the world. Among these main risks, we have defined corporate risks as those that have a particularly large impact on management and require a stronger response.

With respect to corporate risks, the Management Board reviews the risk themes and risk owners responsible for addressing them (Executive Officers) once a year based on its analyses of an internal risk survey and the external environment, as well as interviews with management, and the Risk & Crisis Management Committee manages the status of responses to each risk theme.

- 
- [Annual Securities Report II. Business Overview 3. Business Risks and Other Risks](https://www.kao.com/global/en/investor-relations/library/securities/)
<https://www.kao.com/global/en/investor-relations/library/securities/>
 - [Risk and Crisis Management](https://www.kao.com/global/en/corporate/policies/business-risks/)
<https://www.kao.com/global/en/corporate/policies/business-risks/>

Opportunity management

In 2019, each division proposed opportunity themes, from which 20 key themes were identified and set after deliberations by the ESG Committee (current ESG Managing Committee). Based on these themes, the divisions in charge incorporate them into their strategies and activities and promote their initiatives. The ESG Promotion Meeting and the ESG Managing Committee manage those key themes in an integrated manner throughout the company and verify the progress of activities.

In particular, the key to integrating ESG into business activities is to make prompt and accurate decisions regarding investments and costs. In this regard, Kao has clarified the criteria for ESG investment, as well as the deliberation and approval process at the ESG Managing Committee, in order to encourage proposals from each division and enable accurate investment decisions. Through these efforts, we are ensuring that ESG activities create opportunities and contribute to our business.

The ESG Steering Committees take the lead in driving the swift creation and realization of opportunities in business for decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship.

Expansion into ESG initiatives

Implementing Kao Actions in the Kirei Lifestyle Plan (KLP themes)

- The responsible divisions design the details of the respective actions, devise the mid- to long-term targets, regularly consolidate data on divisional progress, and manage the company-wide progress.
- The target divisions devise and implement their divisional targets and activity plan for each action.

ESG promotion at divisions

- Each division creates its promotion structure. They devise their divisional targets and activity plan, and implement the PDCA cycle.
- The progress of divisional activities is reported to the ESG Promotion Meeting, which then gives the divisions feedback, including requests to revise plans.
- Global implementation by divisions is the general rule, with support for implementation by individual Kao Group companies provided as needed.
- The members of the ESG Promotion Meeting in each division give direction and guidance on incorporating the company-wide ESG Strategy into divisional strategy.
- The level of ESG activities is ramped up by linking them with the OKR framework.

Kao's ESG initiatives focus on ESG as a whole and strategically emphasize KLP themes. Based on this approach, company-wide goals and KPIs formulated for each KLP theme are deployed to divisions and translated into concrete activities. Each division carries out daily activities based on these goals, and the ESG Promotion Meeting regularly monitors their progress.

Each division holds management responsibility for ESG operations and implements specific activities in accordance with the reporting lines within the organization. We ensure effectiveness by integrating ESG into divisional policies, targets, and plans. Furthermore, ESG initiatives are promoted within Kao's global group companies, with each division driving activities and managing them at the group company level as appropriate according to the content.

The ESG governance framework functions through close coordination between the ESG Managing Committee, ESG Promotion Meeting, and ESG Steering Committees, fostering collaboration between the divisions responsible for KLP themes and other divisions. Additionally, we continue integrating ESG initiatives across all divisions, including their global operations.

Furthermore, we have incorporated ESG into our human resource evaluation system. Since the introduction of the Objectives and Key Results (OKR) system in 2021, all employees, including executive officers, set ESG targets as part of their individual objectives, and their efforts are evaluated based on how challenging their initiatives are. This system enables all employees to work together to achieve ESG targets, further accelerating our ESG activities.

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Realization of The Kao Way

The Kao Way embodies our corporate philosophy and is the foundation for our business activities. By using this philosophy as our cornerstone, from the formulation of mid- to long-term business plans to daily decision-making, we ensure consistency across all activities within the Kao Group.

Kao employees do not see the Kao Way merely as a manual or set of rules; rather, they share it as a guiding principle for re-evaluating the significance of their work and the challenges they face.

Global operation / Involvement of senior management

The Kao Group has the Kao Way team at the Head Office to globally promote its corporate philosophy, the Kao Way. The Kao Way team at the Head Office works in collaboration with the Kao Way staff both within and outside Japan. In addition to providing standardized educational programs and communication tools, the team also receives activity reports and consultations from the local staff. By offering appropriate support, it helps to facilitate the Kao Way initiatives in each country and region.

Each division and group company outside Japan has designated Kao Way staff who develop programs tailored to each country/region and implement initiatives to promote the philosophy. The Kao Way team at the Head Office actively proposes global activity policies and supports the local staff in developing specific measures based on these policies. Through this approach, we have established a framework that ensures initiatives at each site maintain consistency and are adapted to the culture and business environment of individual countries and regions.

Additionally, the progress of the Kao Way implementation is regularly assessed with the management of each group company through the Japanese version of the Sarbanes-Oxley Act (J-SOX) questionnaire. If there is an insufficient progress based on the questionnaire results, the Kao Way team at the Head Office directly consults with its management and conducts follow-ups to strengthen the adoption of the philosophy.

Furthermore, for mergers and acquisitions (M&A), we implement programs at an early stage to help employees of newly integrated companies deepen their understanding of the Kao Way. Through this initiative, we foster a sense of unity within the Kao Group and create an environment where business is driven under a shared philosophy.

The promotion of the Kao Way is a key priority for senior management, with the progress regularly reported to the overseeing Executive Officer and the President and CEO. We promote the Kao Way under the active involvement of senior management, thus fostering a corporate culture that supports the sustainable growth of the Kao Group as a whole.

Initiatives

To further strengthen the adoption of the Kao Way across the entire Kao Group, we are actively promoting a variety of initiatives. In 2024, we carried out various activities based on the Kao Way within and outside Japan.

“Discover the Spirit” campaign (Japan)

To ensure that every employee continues to embody the value of *Yoki-Monozukuri*, Kao launched the “Discover the Spirit” campaign, providing an opportunity to reconnect with the Kao Spirit that has been passed down since the company was founded.

As part of this internal campaign, Kao created “History Posters,” which convey the origins of *Yoki-Monozukuri*, and “Employee Posters,” which showcase how today’s employees put these values into practice. These posters were displayed in highly visible areas, such as near employee cafeterias. Additionally, rare exhibits usually only available at the Kao Museum were also displayed to spark a greater interest in the corporate culture.

This initiative, carried out at 12 worksites in Japan, provided employees with an opportunity to connect the spirit of Kao’s founding to their own work. Unlike usual training sessions or workshops, this unique approach to embedding the corporate philosophy contributed to higher employee engagement. Kao remains committed to fostering its corporate culture, ensuring that each employee takes pride in their work and collaborates in building a better future.



“Discover the Spirit” Campaign expands to KSA (U.S.: High Point/ Texas)

Kao has expanded the initiatives developed in Japan, centered on the value of *Yoki-Monozukuri*, to its group company in the Americas as part of its efforts to enhance employee engagement. Specifically, to make the corporate philosophy more relateable, Kao distributed original T-shirts featuring the campaign logo, fostering a sense of unity among employees. Additionally, banners were displayed in areas where employees could naturally see throughout their daily routines, reinforcing the philosophy through a visual approach.

These initiatives are not intended to present the philosophy as a mere slogan, but to help each employee personally connect it to their work and put it into practice. In particular, in environments where many employees work at plants, wearing T-shirts fostered a sense of togetherness, and the visual reinforcement helped instill the philosophy into daily awareness.

Moving forward, Kao will continue to explore new methods to promote the practice of its corporate philosophy, striving to create an environment where employees can take pride in their work.



Reflecting on *Yoki-Monozukuri* at Kao Thailand's 60th anniversary event

Kao Thailand celebrated its 60th anniversary with a series of events and initiatives. As part of these efforts, Kao provided an opportunity for employees to reflect on *Yoki-Monozukuri* and launched initiatives to encourage the practice of its corporate philosophy.

One of these initiatives involved an activity where employees wrote down their personal interpretations of *Yoki-Monozukuri* on sticky notes and shared them within their workplaces. Additionally, a Short Film Contest was held, in which each department created a short film showcasing their approach to *Yoki-Monozukuri*, providing a creative way to share this value.

By incorporating elements of the Kao Way into this major anniversary event, Kao Thailand was able to naturally strengthen employee engagement and promote the adoption of its philosophy more effectively than through standalone events. As a result, this initiative became an important opportunity for employees to consider how they can embody *Yoki-Monozukuri* through their work and further encourage the practice of Kao's corporate philosophy.



The Kao Way workshops for the R&D Division (Japan)

To embrace the Kao Way, the Research and Development Division held workshops aimed at promoting its practice. Conducted across multiple research laboratories, these workshops encouraged participants to explore how the Kao Way could be applied to their work and deepen their understanding through dialogue.

Each research laboratory designed its own program, allowing participants to openly exchange ideas. This not only strengthened their connection to the Kao Way but also provided fresh perspectives on their daily work. Engaging discussions took place on topics such as how their research contributes to Kao's future growth and what can be done to generate even greater value through their work.

The Kao Way session for Kao Group employees in their second or third year (Japan)

We newly introduced the Kao Way session as part of a training program for employees in their second or third year at the Kao Group. This session aims to deepen participants' understanding of the Kao Way through dialogue with peers and encourage its application in daily work.

During the training, participants reflected on their strengths and challenges from the perspective of the Kao Way, and also recognized each other's achievements. This approach went beyond simply learning about the philosophy, helping employees experience personal growth and increasing their motivation to put it into practice.

By conducting this session at the two- to three-year mark, when employees have gained a certain amount of experience, it also serves as an opportunity to strengthen their sense of belonging and engagement with the company.

The Kao Way workshops for the Supply Chain Management leader candidates (Japan)

Since 1989, Kao has conducted Techno School, a division-level training program aimed at developing *Genba* leaders who possess both technical expertise and strong leadership qualities. This program is designed for the Supply Chain Management leader candidates within and outside Japan. In 2024, to deepen their understanding of the corporate philosophy, participants took part in a "Workshop on Kao's History and the Kao Way." Through dialogue in group work and a visit to the Kao Museum, this workshop provided future Kao employees with an opportunity to personalize the Kao Way and strengthen their commitment to its practice.



Employees'
opinions

Discover the Spirit:
Dialogue and Exhibits to
Spread and Promote the Kao
Spirit for the Future



Hiromi Fujiwara
Corporate Branding,
Strategic Public Relations
Kao Corporation

In 2024, I had the opportunity to have dialogues with employees at seven worksites about the concept of *Yoki-Monozukuri*.

It was a valuable experience to listen directly to the passionate opinions of each employee about *Yoki-Monozukuri* as they carry out their daily tasks. When speaking with people at different locations and occupations, I could sense the Kao Spirit passed down from our predecessors, and felt that our people were linked together by a shared set of values. Their opinions were incorporated into exhibits at 12 worksites, gaining reach to more employees. Moreover, we were able to share this initiative with people outside of Japan, and we took a step forward in spreading *Yoki-Monozukuri* on a global level. Going forward, I would like to expand this initiative throughout the entire Kao Group and pursue *Yoki-Monozukuri* together with more employees.

Employees'
opinions

Discover the Spirit:
Kao Thailand celebrates its 60th
anniversary with a commitment
to *Yoki-Monozukuri*



Paveena Sapon
Director, HR & Admin Services
Kao Industrial (Thailand)

Kao Thailand proudly celebrated its 60th anniversary in 2024. On this occasion, we aim to inspire our employees to take pride in our company and reflect on their contributions toward ensuring Kao's continued success for the next hundred years. We invited them to rethink *Yoki-Monozukuri*—what it means to them—and express their thoughts on sticky notes.

We received many responses from all worksites, demonstrating a deep understanding of how *Yoki-Monozukuri* has shaped our corporate culture and will continue to influence our future endeavors. Following this, we organized a Short Film Contest to showcase how each department implements *Yoki-Monozukuri* in their daily operations. This initiative not only fosters enjoyment but also encourages employees to delve deeper into the concept of *Yoki-Monozukuri*, considering how each individual can strengthen Kao Thailand through their everyday contributions.

Looking ahead, we plan to create more opportunities for employees to share specific examples of how they embody the Kao Way in their daily lives and promote dialogue among themselves.

Employees'
opinions

Discover the Spirit:
A Journey to Creatively Share
the Spirit of “Yoki-Monozukuri”



Gwendolyn Glover
Manager, Human Capital
Development
Kao Specialties Americas

We have welcomed and embraced the Discover the Spirit campaign by purposefully connecting our members to a global organization while celebrating the spirit of “excellence in everything we do.”

To spark excitement, engagement, and a sense of connection to Kao’s rich history, we have displayed custom flags/posters around the site, shared Kao’s history in a shadow box display, included the campaign slogan on our anniversary cards, and even distributed “Discover the Spirit” designed cookies and T-shirts.

Importantly, this is an ongoing campaign, a journey we are all on to creatively share the spirit of *Yoki-Monozukuri*.

Employee engagement

ESG employee engagement framework

Kao conducts its business activities with the goal of realizing a "Kirei Life for All" the mission of its corporate philosophy, the Kao Way. Achieving the targets set in Kao's mid-term corporate strategy (K27) and the ESG Strategy (KLP) requires all employees of the Kao Group to resonate with the vision of Kirei Lifestyle and take action as Kirei Ambassadors* in driving the realization of the KLP.

To this end, Kao strategically and systematically promotes employee engagement initiatives through the ESG-driven *Yoki-Monozukuri* College platform. This initiative provides employees with continuous information and inspiration, enhancing motivation and empowering them to take action.

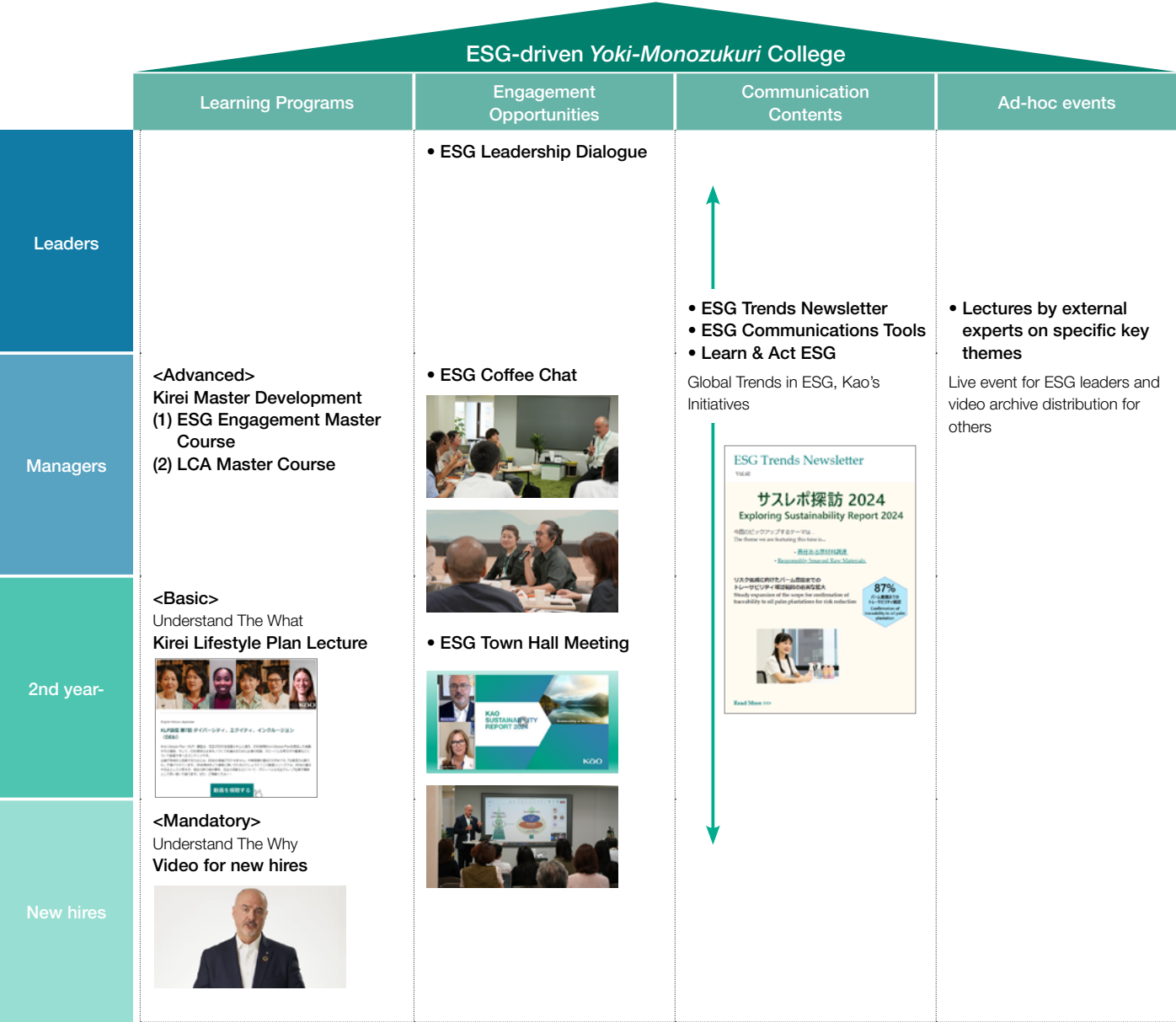
The ESG-driven *Yoki-Monozukuri* College consists of learning programs and engagement content tailored to different levels, and these programs are implemented not only in Japan but also various locations across Asia and AEMEA (the Americas, Europe, the Middle East, and Africa). Each region adapts the programs taking into account regional needs to ensure relevance and effectiveness.

* Kirei Ambassadors: Employees who have the fundamental knowledge and mindset needed to promote the KLP, act with passion, and have an impact on others.

Learning Programs

Kao offers dedicated learning programs in order to provide all employees with the knowledge necessary to advance the KLP.

As part of onboarding training for new employees and mid-career hires, we provide an annual training video in which the Senior Vice President of ESG explains why Kao is committed to ESG. For employees in their second year and



Structure of the ESG *Yoki-Monozukuri* College

beyond, Kao offers an e-learning program called the Kirei Lifestyle Plan Lecture, which allows a deeper understanding of Kao's ESG initiatives. Through this course, employees gain insights into the background and knowledge of Kao Actions, global perspectives and standards, and Kao's specific initiatives, equipping them with the knowledge and skills needed to drive the KLP forward.

These learning programs, provided in both English and Japanese, are translated into local languages across Kao's Asian subsidiaries and deployed through each company's platform to further enhance employees' understanding. In AEMEA, where sustainability initiatives are more advanced, Kao offers specialized programs such as the "Sustainability 101 Training Course" to address evolving regulatory developments.

One challenge in these initiatives is the difficulty of measuring their impact—specifically, assessing whether they are truly influencing employees' actions. Acknowledging this challenge, Kao remains committed to refining and designing effective programs to maximize their impact.

Engagement Opportunities

To provide inspiration for exploring business solutions from an ESG perspective, Kao holds ESG Coffee Chats, an informal dialogue session between the Senior Vice President of ESG and *Genba* managers. In 2024, Kao Japan conducted 12 sessions for leaders from business divisions, R&D, Supply Chain Management, and ESG promotion leaders from Kao's Asian subsidiaries, with a total of 77 participants. The sessions received highly positive feedback, with participants commenting that it provided an opportunity to re-evaluate their own work and incorporate ESG elements into their roles. These insights are expected to have a ripple effect on their teams, further embedding ESG into business operations.



Kao holds ESG Town Hall sessions to deepen the understanding of the relationship between business strategy and the KLP, as well as specific initiatives, and to encourage participants to apply these insights to their own work. In 2024, Kao Japan held its first session, reaching a total of 524 participants, including both in-person attendance and archived video views. In AEMEA, where the initiative has been ongoing since 2023, over 600 participants attended, with the total reach—including video views—amounting to 855.

As an opportunity for engagement with Kao's Asian subsidiaries, a three-day in-person meeting was held for the first time in June, bringing together ESG leaders from across Asia at the Japan headquarters. Through workshops focused on key ESG topics and discussions with relevant departments at the headquarters, participants gained a deeper understanding of the Kao Group's policies. Moving forward, these leaders are expected to take on an even greater

leadership role in implementing ESG initiatives at their respective *Genba* sites.

Kao will continue to actively promote initiatives that deepen the understanding of the importance of integrating ESG into daily operations and drive concrete actions.

Communication Contents

Kao creates and publishes communication content to help each employee worldwide gain insights into promoting ESG-driven *Yoki-Monozukuri*.

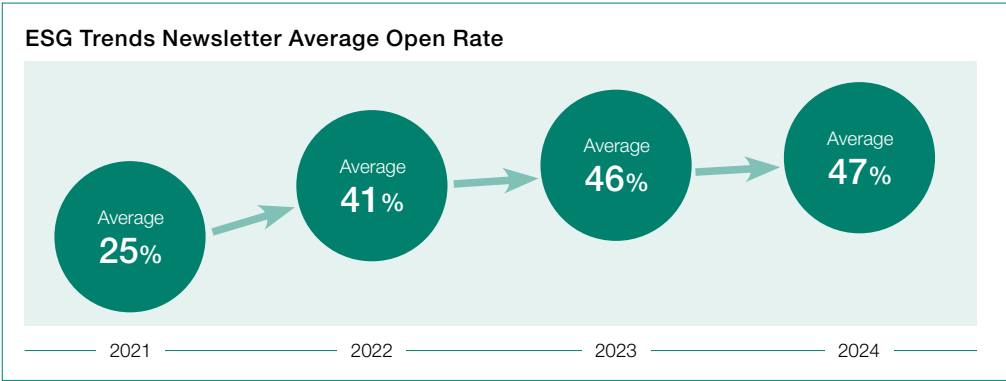
The ESG Trends Newsletter, distributed monthly to all employees of the Kao Group, provides the latest updates on global ESG trends and ESG initiatives across the Kao Group. Additionally, each issue features special topics that are relevant at the time of publication.

To communicate the significance of earning the CDP Triple A* designation for four consecutive years, Kao distributed a video message from the President and CEO to employees. Additionally, a report on Sustainable Brands 2024, a conference where many Kao employees took the stage, was shared internally. Furthermore, after publishing the Sustainability Report, Kao launched a series featuring the Executive Summary, highlighting outstanding initiatives alongside insights from the employees responsible for them.

As a result of these initiatives, the ESG Trends Newsletter has maintained a high average open rate of 47%, contributing to increased employee awareness of ESG-related information and a deeper understanding of ESG initiatives.

Additionally, internal and external ESG-related information and communication tools for the KLP have been made available on the company intranet, creating an environment where employees can actively share Kao's ESG initiatives.

* CDP Triple A: This designation is awarded to companies that receive an "A" rating in all three categories evaluated by CDP: Climate Change, Water Security, and Forests.



Ad-hoc events

To deepen understanding of key ESG themes, various companies within the Kao Group hold ad-hoc lectures and events featuring external experts, targeting different levels of employees.

At Kao Japan, a lecture on Business and Human Rights was held for employees at all levels, featuring an external expert. 236 employees participated in this open-registration event. Including archived video views, the total reach was 524. More than 30 questions, including those pre-submitted, were raised, contributing to a heightened awareness of human rights issues.

In Asia, Taiwan and Thailand, events were held to commemorate their 60th anniversaries. In Taiwan, initiatives included the production of a video to promote a broader understanding of Kirei Lifestyle and the launch of a special website, as well as internal events and a special exhibition for external audiences.

In AEMEA, an Earth Month virtual event on conservation was held in the Americas to promote understanding of environmental conservation. In addition, more than 20 workshops and learning sessions were conducted on social topics like DE&I, culture, allyship, empowerment, and human rights awareness, fostering these values in our workplaces and through our business activities.



Kao Taiwan Co-Creates Kirei Life with Community while Celebrating 60th Anniversary



Lily Shih
CP business Division-PR
Kao (Taiwan) Corporation

In the wave of ESG, companies are challenged to convey ESG concepts to all stakeholders, further expanding their influence and driving participation. Kao (Taiwan), in celebration of its 60th anniversary, adopted the theme of co-creating the Kirei lifestyle with Kao, integrating internal and external forces to maximize the positive impact of ESG.

For the first stage, to enhance people's understanding of the Kirei lifestyle, we created a video that aggregates and communicates the idea of Kirei moments in various lives. We also held events to express gratitude to the Kao employees who have worked together and the Taiwan consumers, suppliers, and partners who have long supported Kao (Taiwan).

For internal communication, an event called the Kirei Party was held to express gratitude to Kao employees. We invited all employees to the internal celebration party, which featured a team-building activity to foster the ONE TEAM spirit from everyone involved in the collaboration. Participants had the opportunity to create a handprint artwork, symbolizing our co-creation for Kao company.

In order to communicate Kao's efforts regarding ESG and brand innovations to Taiwan consumers, we integrated all

internal corporate information, adapted it to the concept of Kirei lifestyle, and developed the 60th anniversary exhibition. Before opening it to the public, we invited our employees to participate in the 60th anniversary exhibition as VIPs, in which the achievements of our employees' daily work in connection with ESG were displayed, so that our employees could feel proud of their work. This will further enhance the sense of identity and centripetal force of our employees, and they will realize the Kirei spirit in their daily work.

In the future, we will continue to promote the ESG values of Kao Group, adopt them into local activities, while inviting employees and the public to take action and practice the Kirei lifestyle in their daily lives.



Message from the ESG External Advisory Board

Go Beyond Response in Disclosure and
Mitigating Adverse Impact, and Aim for
a Problem-Solving Perspective

Rika Sueyoshi
CEO, Ethical Association

I am now in my fifth year serving on the ESG External Advisory Board.

In the past five years, Kao has always possessed foresight and has taken an enterprising and bold stance in ESG initiatives without fearing change. The landscape has been facing incredibly harsh conditions in recent years, with the need to respond to issues in a plethora of areas, including climate change, human rights and biodiversity. In the face of these circumstances, Kao has begun carrying out many measures besides its flagship efforts toward sustainable palm oil procurement. In this way, the company has accomplished a vital process of evolution.

To give just one example, the fact that Kao carried out financial impact analysis and disclosure in 2024 based on the TNFD framework unquestionably demonstrates its status as an advanced corporate group within Japan at the very least, if not across a broader geographical scope. I would like Kao to go beyond response regarding TNFD (namely, disclosure) and mitigating adverse impact, and to expand its perspective to include problem-solving as well. The TNFD calls for analyzing the impact of business for disclosure, and so it is crucial to make efforts to quantify this impact. However, a company cannot be said to have sufficiently fulfilled the social responsibility expected of it by simply describing the extent to which its business may or may not create an impact. Because Kao is a forward-thinking company, I hope that it will drive further discussion on the scope of its responsibility in biodiversity (in terms of geography and sectors), as well as the measures that can be taken to reduce adverse impact and recover natural capital.

Kao has made a highly commendable step in terms of sustainability measures by integrating data to bolster the foundations for enhancing circularity. This initiative is related to the creation of DPPs for Japan (specifically, the creation of a plastic CE platform) that the Japanese government has been considering. Going forward, I hope that Kao will participate in rulemaking around the world. Knowledge on the visualization of supply and demand regarding recycled materials will gain even more value in the future as an intellectual asset, as will knowledge on ensuring data reliability for traceability. One possible avenue for initiatives to resolve social issues would be for Kao to use the practical knowledge it has accumulated in circularity efforts to give input in

ongoing discussions about product circularity data at ISO and other international standards organizations.

One of the fundamental values in the Kao Way, Kao's corporate philosophy, is "Walking the right path," which comes from the company's founder, Tomiro Nagase. This philosophy serves as the foundation for commitment to ESG, and I would like to express my respect that Kao has demonstrated a venerable approach. For Kao to make a solid effort toward achieving its purpose of "To realize a Kirei World in which all life lives in harmony," it should not stop at simply expressing its resolve toward compliance as a company with respect to "Walking the right path." Perhaps Kao should take time to think further about how it can impact society and bring change in the world by embodying the philosophy of "Walking the right path," and to consider the results of efforts to solve social issues, including those that may not be overcome by Kao alone. I believe that Kao can gain further support and trust from a wide range of stakeholders, including consumers if each and every member of the management team and all employees take an earnest look at results with respect to "Walking the right path."

Message from Kao about the comments

The 2025 message expressed expectations for Kao to advance discussions as a leading company, not only on reducing negative impacts but also on problem-solving approaches. Citing the Taskforce on Nature-related Financial Disclosures (TNFD) disclosure efforts as an example, the message highlighted the need to explore Kao's scope of responsibility in biodiversity, as well as potential measures for reducing negative impacts and restoring natural capital.

In response, Kao has deepened its efforts through Essential Research on social issues. One example is the development of Bio IOS, a sustainable detergent base derived from oleo chemicals, which are extracted from the fruit of oil palm trees after edible oil is obtained. This initiative addresses concerns related to deforestation and raw material shortages. Kao is working to expand its applications beyond laundry detergent and actively promoting the adoption of this technology by other companies. Additionally, Kao continues to develop alternative technologies for palm (kernel) oil substitutes, utilizing natural, inedible sources of fats and oils. Moving forward, Kao will incorporate insights gained from TNFD reports and analyses from research on nature-positive initiatives. Beyond merely reducing negative impacts, Kao aims to deepen discussions from a problem-solving and value-creation perspective, pursuing activities that contribute to both nature-positive societies and economic growth, such as advancing initiatives related to agrochemicals.



Message from the ESG External Advisory Board

Leading ESG to the Next Level

Ruma Bose
CEO, Amura Group

In my third year on the advisory board, I remain hugely impressed that Kao has maintained its deep commitment to implementing leading-edge ESG policies, to advance the company’s “Sustainability is the Only Path” strategy. Kao has done this despite growing counter-veiling pressures at home and abroad, including direct attacks on and the deliberate political weaponization of ESG, especially in the United States and, increasingly, in Europe and the rest of the world.

Companies seem to be responding to these pressures in one of two ways. Many are choosing to downgrade or even abandon their ESG commitments. Others are responding by doubling down on ESG, embedding it more deeply in all that the company does. The second group is mostly of companies, such as Kao, that understand that ESG should not be seen as essentially an exercise in optics but rather that, done right, it can be a driver of superior core business performance.

Kao urgently needs to get its K30 ESG strategy back on track, after being hit by rising raw material costs, a slower economy and the associated hit to productivity. Having long been in the vanguard of ESG implementation, Kao now has an opportunity to once again be a world leader in taking ESG to the next level. In so doing it can help to disprove the critics and educate the so-called “ESG washers” in how to execute ESG strategies that genuinely create value for all the company’s stakeholders.

For many years, Kao has been a leader in reporting on and reducing its carbon footprint, achieving its scope 1 and 2 emissions target two years ahead of schedule. Now it needs to show similar progress on its admittedly harder scope 3 emissions. On biodiversity, too, having shown boldness by adopting a target of being “nature positive” by 2030, Kao must back this up with quick progress to show it can deliver on this promise.

Similarly, Kao should build quickly on the success of its early pilots in developing innovations that drive sustainability, such as low waste packaging, recycling and the development of lower cost alternatives to raw materials with fast-rising prices, such as palm oil. This innovation-led ESG strategy should be deployed throughout the company’s activities.

Kao has recognized the importance of work force transformation to deliver its ESG goals, with the new Global Sharp Tops initiative. Quick progress in implementing this will send a strong positive message both internally and outside the company.

Kao could go further in implementing its DEI policies in ways that clearly demonstrate the connection between greater workforce diversity and business performance. The company has made steady progress on improving gender equity within its workforce, but I believe it is time for Kao to accelerate significantly the rise in the percentage of women in senior management roles, in particular.

Kao has long been an outstanding global leader in ESG. At this pivotal moment, it is again well placed to lead in taking ESG to even higher levels of significance and impact. I look forward to seeing them fulfill this world changing potential.

Message from Kao about the comments

The 2025 message expressed expectations for Kao to take the lead in integrating ESG more deeply into its business activities to enhance corporate value and serve as a role model for other companies and all stakeholders. These expectations come amid growing pushback against ESG, particularly in AEMEA, with a strong focus on the Americas.

In response, we believe that by steadily implementing the KLP and developing ESG-integrated proposals unique to Kao, we can further strengthen our Global Sharp Top strategy and also increase customer loyalty. For example, the refillable container for *CuCute* dishwashing detergent, which reduces plastic consumption by approximately 40% and is designed for easier disposal, has been well received by consumers for its reduced environmental impact, leading to an increase in market share. Additionally, the My Kao digital platform, which facilitates two-way engagement with consumers, features a unique AI-driven skin analysis service that recommends personalized products based on individual results. This contributes to improving consumers’ quality of life and increasing repeat purchases. Moving forward, Kao will continue to pursue its goal of becoming a leading ESG company globally by proposing new ESG-driven value offerings and fostering deeper engagement with consumers.



Message from the ESG External Advisory Board

Implementing the Kirei Lifestyle Plan
- Next steps in the Journey

Mike Jefferson

Director, Verde Research and Consulting Ltd.

During my first year on the Kao ESG External Advisory Board, what quickly became clear to me was the strong vision senior management had developed for the company. Also, that there is a genuine commitment from the management in Kao to put sustainability at the heart of the business. During 2024, there was an increased focus on communicating the vision internally and breaking down objectives at the level of the business unit. Engaging and getting the active involvement of everyone working in the company is a significant undertaking due to the size of Kao. However, this will be essential to successfully integrate the ESG vision into the business culture and day to day activities. A good start was made in 2024 and I am sure that a continued focus on these communication and engagement activities will reap rewards in the years to come. Key will be ensuring that there are mechanisms for individual managers and employees to come forward with ideas about how progress against the ESG strategy can be achieved. We know that objectives in areas such as decarbonization and zero waste will require many hundreds of individual actions and these will need to be identified and supported.

Kao has developed comprehensive quantitative targets to monitor progress and should be commended on the transparency they are providing to stakeholders. During 2024 the business accelerated work on data and IT systems to ensure that information can be captured to report against key performance indicators. A continued focus on breaking down these targets at a business, and even individual, level will ensure resilient and sustained advances are made towards goals in the coming years.

Meaningful progress continues to be made towards objectives. This is particularly in areas where Kao has the control and the ability to make the necessary changes. An example here is that 100% of energy purchased in Japan is from renewable sources. More challenging for the business, will be to drive change where action at a country level or in other parts of the value chain may be required. For example, the collection, sorting, and recycling of post consumer plastic packaging waste in Japan and other key markets for Kao in Asia where the infrastructure is still developing. This said, Kao have pushed for change and useful trials and pilots have taken place. Strategic leadership and engagement with likeminded businesses will be required to fully implement the ESG

strategy in areas such as these.

Plastic continues to be a political priority globally and efforts remain ongoing with the UN led work to find a global instrument to tackle plastic pollution. This follows the failure to find agreement on the final text for a treaty in Busan, South Korea, at the end of 2024. I would encourage a continued focus in Kao, building on the work done so far, on plastics circularity; driven by design for recycling, increased collection for recycling, and use of post consumer recycled content.

Message from Kao about the comments

The 2025 message expressed a need to continue focusing on plastic circularity, including the collection, sorting, and recycling of post-consumer plastic packaging waste. It also emphasized that fully implementing the ESG Strategy in this area requires strategic leadership and collaboration with like-minded companies.

In response, Kao has not only driven reduce and recycling innovations within the company but has also advanced co-creation with various stakeholders to accelerate the early implementation of these initiatives in society.

In collaboration with Lion Corporation, Kao became the first in the world to commercialize refill packs partially made from recycled materials using packaging-to-packaging recycling, a horizontal material recycling process that converts used containers back to the same type of container. Additionally, Kao has collaborated with various municipalities, universities, and companies across Japan, including Kamakura and Keio University, to develop new systems for plastic resource collection and upcycling. Looking ahead, Kao plans to actively pursue further collaboration with other companies to propose new value-driven solutions that address environmental issues and broader social challenges.

To carry out these global initiatives with other companies, municipalities, and organizations, it is essential that both Kao and its partners possess complementary strengths that enable them to lead the industry. Additionally, they must share the same values and direction, working together with a shared commitment to solving issues in society. While maintaining its unique identity, Kao will continue to leverage the strengths of its many partners to develop higher-quality products and build more profitable businesses.

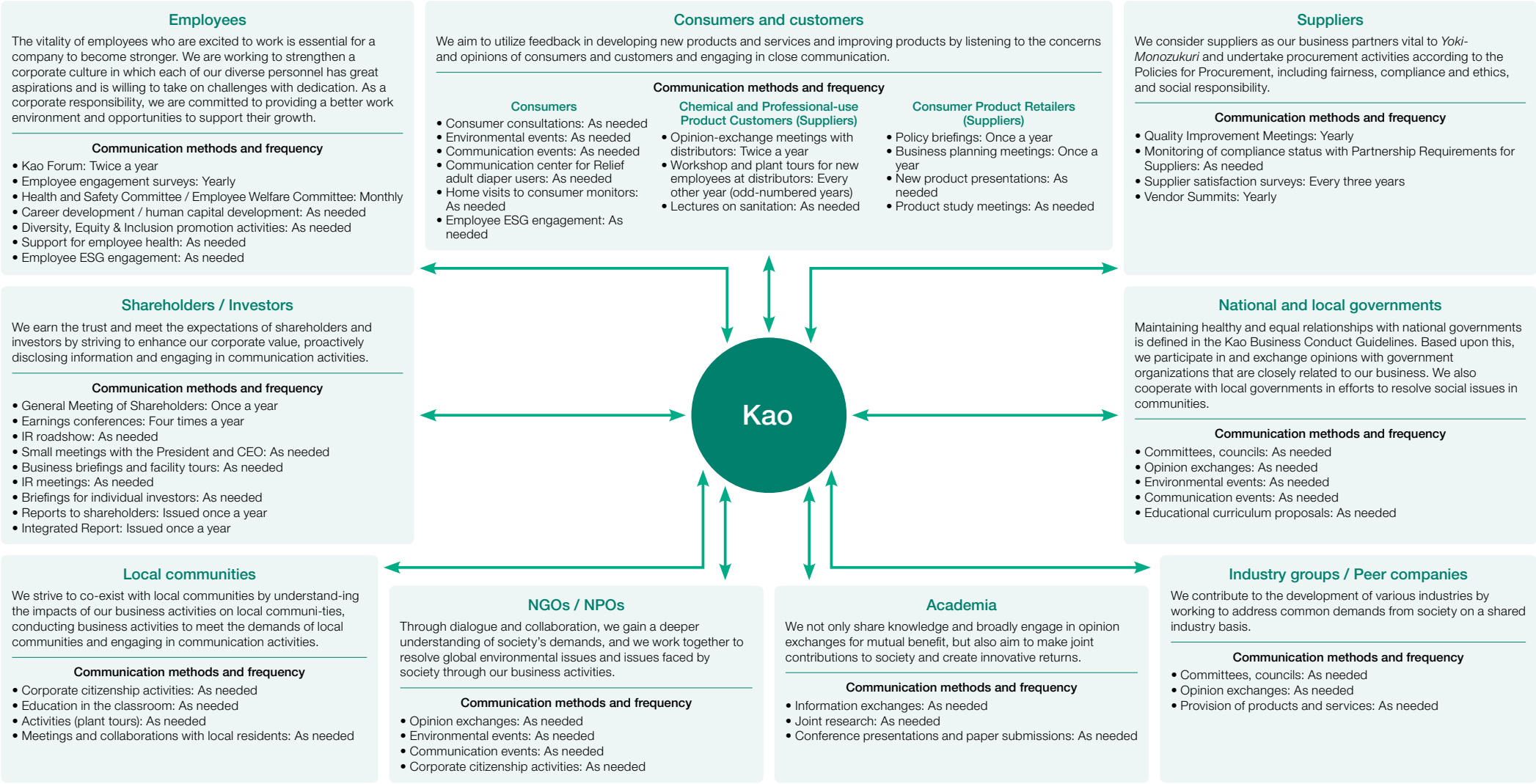
Stakeholder engagement

Kao's key stakeholders include consumers and customers as well as suppliers, employees, local communities, national and local governments, non-governmental and non-profit organizations (NGOs / NPOs), academia, organizations and corporations in our industries, and shareholders and investors.

In the Kao Way, our corporate philosophy, we define our vision as this: "By deeply knowing and understanding our world and its people, we aim to improve people's lives beyond their

expectations for a future where humans and nature thrive together." Through communication with our stakeholders, we deepen understanding and provide information useful to society and in daily life, and use feedback we receive to improve our management, corporate activities and services, including by reporting on feedback to the Management Board and Board of Directors and having feedback reflected in deliberations of material matters. Specific collaboration/ engagement initiatives with stakeholders are described in each activity report.

Key Kao stakeholders



Specific collaboration/engagement initiatives with stakeholders are described in each activity report. Click on the name of each activity under “Specific Activities” for more information.

Collaboration and engagement with stakeholders

Stakeholders	Initiatives			
Employees	• Employee ESG engagement • Realization of the Kao Way • Improved quality of life • Habits for cleanliness, beauty & health • Universal product design • Safer healthier products • Sustainable lifestyle promotion • Purpose driven brands	• Transformative innovation • Responsibly sourced raw materials • Decarbonization • Zero waste • Water conservation • Air & water pollution prevention • Effective corporate governance • Full transparency	• Respecting human rights • Human capital development • Inclusive & diverse workplaces • Employee wellbeing & safety • Responsible chemicals management • Risk and crisis management • Responsible care (RC) • Product quality management	• Information security • Digital transformation (DX) • Intellectual property • Tax strategies • Biodiversity • Communication with consumers • Process safety and disaster prevention • Corporate citizenship activities
Consumers and customers	• Improved quality of life • Universal product design • Safer healthier products • Sustainable lifestyle promotion • Purpose driven brands	• Responsibly sourced raw materials • Decarbonization • Zero waste • Water conservation • Air & water pollution prevention	• Effective corporate governance • Full transparency • Respecting human rights • Employee wellbeing & safety • Responsible chemicals management	• Responsible care (RC) • Product quality management • Digital transformation (DX) • Biodiversity • Communication with consumers
Suppliers	• Sustainable lifestyle promotion • Responsibly sourced raw materials • Decarbonization • Zero waste	• Water conservation • Effective corporate governance • Full transparency • Respecting human rights	• Responsible chemicals management • Risk and crisis management • Product quality management • Information security	• Biodiversity
Shareholders/ Investors	• Corporate governance	• Investor Relations websites  https://www.kao.com/global/en/investor-relations/		
National and local governments	• Habits for cleanliness, beauty & health • Safer healthier products • Sustainable lifestyle promotion • Purpose driven brands • Transformative innovation	• Decarbonization • Zero waste • Water conservation • Air & water pollution prevention • Respecting human rights	• Employee wellbeing & safety • Responsible care (RC) • Information security • Intellectual property • Tax strategies	• Biodiversity • Communication with consumers • Corporate citizenship activities
Local communities	• Habits for cleanliness, beauty & health • Universal product design • Purpose driven brands • Decarbonization	• Zero waste • Water conservation • Air & water pollution prevention • Respecting human rights	• Employee wellbeing & safety • Responsible care (RC) • Biodiversity • Communication with consumers	• Process safety and disaster prevention • Corporate citizenship activities
NGOs / NPOs	• Responsibly sourced raw materials • Decarbonization	• Water conservation • Full transparency	• Respecting human rights • Inclusive & diverse workplaces	• Biodiversity • Corporate citizenship activities
Academia	• Improved quality of life • Transformative innovation	• Water conservation • Full transparency	• Inclusive & diverse workplaces • Employee wellbeing & safety	• Biodiversity • Corporate citizenship activities
Industry groups / Peer companies	• Improved quality of life • Universal product design • Safer healthier products • Sustainable lifestyle promotion • Air & water pollution prevention	• Full transparency • Respecting human rights • Human capital development • Inclusive & diverse workplaces • Employee wellbeing & safety	• Responsible chemicals management • Risk and crisis management • Product quality management • Intellectual property • Tax strategies	• Communication with consumers • Corporate citizenship activities

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 “K30” and the Mid-Term Plan “K27”

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Our Progress

Making My Everyday More Beautiful	
Improved Quality of Life	56
Habits for Cleanliness, Beauty & Health	62
Universal Product Design	67
Safer Healthier Products	73
Making Thoughtful Choices for Society	
Sustainable Lifestyle Promotion	80
Purpose Driven Brands	88
Transformative Innovation	97
Responsibly Sourced Raw Materials	104
Making the World Healthier & Cleaner	
Decarbonization	115
Zero Waste	129
Water Conservation	140
Air & Water Pollution Prevention	151
Product Lifecycle and Environmental Impact	160
Environmental Accounting	162
Walking the Right Path	
Effective Corporate Governance	164
Full Transparency	179
Respecting Human Rights	185
Human Capital Development	199
Inclusive & Diverse Workplaces	221
Employee Wellbeing & Safety	235
Responsible Chemicals Management	257



Making My Everyday More Beautiful

3.9 billion items

Number of products that contribute to a comfortable, beautiful, healthy life and touch the heart of people

99%

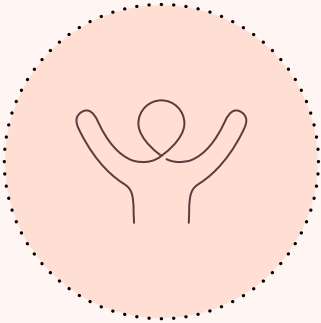
Percentage of new and improved products compliant with Kao's Universal Design Guidelines

9 countries/regions

Number of countries and regions where activities to raise awareness and support cleanliness and hygiene are being carried out

Improved Quality of Life

To help people enjoy more beautiful lives, we aim to improve the quality of life for people around the world and grow in the global market by proposing products and services that enhance the quality of life in accordance with the circumstances and life stages of consumers.



Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Decrease in consumer satisfaction and brand loyalty due to delays in responding to needs for improved QOL - Increased market competition due to the products and activities of competitors for QOL improvement, and a decline in brand value and loss of business opportunities	Overall	(1) Develop products, services and activities that contribute to improving QOL	Metrics	Targets	2024 results		
	Products and services	(2) Develop QOL improvement services that meet individual needs	Number of products that contribute to a comfortable, beautiful, healthy life and touch the heart of people (1)	7 billion In 2030	3.9 billion	Development of Skin Protection Business to protect skin from increasingly environmental stresses (2) (3)	- Increase in sales and market share of products that improve QOL - Increase in product loyalty and sales through QOL improvement services tailored to individual conditions
		(3) Develop and deploy products and services that improve QOL through new technologies and ideas				Promoting awareness of skincare for babies (2)	
- Improving brand value and loyalty through the development of products that improve QOL and achieve business growth - Improving reputation and corporate value through activities to support QOL improvement - Creating business opportunities and business growth through marketing that support QOL improvement	Support activities	(4) Develop marketing through activities that support QOL improvement	Number of QOL improvement activities proposed by brands (2) (3) (4) (5)	-	60	Proposing ways to encourage men to look forward in collaboration with high-class barbershops (2)	Increase in competitiveness and expansion of business fields through products and services that improve QOL with new technologies and ideas
		(5) Improve the quality of support activities with external stakeholders				Development of "Going to nursery schools by Kao", a childcare support service for nursery schools (3)	
						Development of "Laurier in the Workplace", a program to provide sanitary napkins as a company amenity (3)	Environmental and social impact - Contribution to enriching the hearts of consumers through manufacturing, experiences, and story creation - Enhancing the effects of external collaboration on enjoying more beautiful lives - Improvement of the standard of living with products and services that improve QOL through new technologies and ideas - Improvement of the standard of living in times of disaster and other extraordinary situations
						Development of the "Pink Ribbon Campaign", breast cancer prevention awareness campaign (4) (5)	
						Development of "Babywell Check" utilizing skin surface lipids-RNA monitoring® technology (4) (5)	
						Exhibition at "Sight World", a comprehensive event for people with impaired vision (4) (5)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

> Improved Quality of Life

Habits for Cleanliness, Beauty & Health

Universal Product Design

Safer Healthier Products

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

Strategy

With the aim of reducing risks and creating opportunities in relation to this theme, we are implementing strategies that are unique to Kao, are effective, and contribute to business growth and the resolution of social issues.

■ Social issues

In order to continue to be a sustainable and competitive entity, it is essential for Kao to have an accurate understanding of social issues. An awareness of social issues will not only mitigate business risks for Kao, but will also be an important starting point for identifying new business opportunities that will promote growth. To help consumers enjoy more beautiful lives, it is necessary to solve a number of social issues. Kao recognizes the following social issues in relation to this theme.

- The impact of natural disasters caused by climate change on daily life
- The gap between material fulfillment and spiritual well-being
- The weakening of local communities and social isolation of people due to changes in the social structure (such as the aging of society and the increasing participation of women in society), and the diversification of values

■ Risks and opportunities

In the business environment described above, which includes social issues, Kao faces various risks, but has also identified new business opportunities. Identifying these risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Decrease in consumer satisfaction and brand loyalty due to delays in responding to needs for improved QOL
- Increased market competition due to the products and activities of competitors for QOL improvement, and a decline in brand value and loss of business opportunities

Opportunities

- Improving brand value and loyalty through the development of products that improve QOL and achieve business growth

- Improving reputation and corporate value through activities to support QOL improvement
- Creating business opportunities and business growth through marketing that support QOL improvement

■ Strategy

We have formulated the following strategies to address the identified risks and opportunities. Improving QOL is an action aimed at realizing the vision of the K27 Mid-term Plan, Protecting future lives, and is a theme related to the Skin care and Cosmetics businesses, which are positioned as growth driver areas of K27. We will leverage Kao's strengths in proposing products and services across businesses to help people enjoy more beautiful lives that are unique to each individual and aim to grow in global markets and enhance our brand value.

(1) Development of products, services and activities that contribute to improving QOL

Develop products and services that help people enjoy more beautiful lives and realize a QOL that touch the heart of people. Maximize the strengths and assets that Kao has cultivated since its founding and aim to strengthen our competitive advantage and improve profitability.

(2) Development of QOL improvement services that meet individual needs

Develop and expand services that can flexibly respond to changes in individuals' conditions and living environments. Increase brand loyalty by responding to the diverse values of consumers and solving their problems.

Related initiative:  Skin Protection Business to protect skin from increasingly serious external stressors, captured global demand

(3) Development and deployment of products and services that improve QOL through new technologies and ideas

Aim to develop products and services that improve the QOL of consumers by offering greater convenience and effectiveness based on innovative and user-oriented perspectives, and to spread them in the market and society.

Related initiatives:  Skin Protection Business to protect skin from increasingly serious external stressors, captured global demand,
 Development of "Going to nursery schools by Kao", a childcare support service for nursery schools

(4) Marketing development through activities that support QOL improvement

Create points of contact with a wide range of consumers and support the resolution of each consumer's issues and improvement of their QOL. In this way, attract new purchasers and achieve sustainable growth for the brand.

Related initiatives:  Development of the "Pink Ribbon Campaign", breast cancer prevention awareness campaign,
 "Babywell Check", utilizing skin surface lipids-RNA monitoring® technology

> Improved Quality of Life

Habits for Cleanliness, Beauty & Health

Universal Product Design

Safer Healthier Products

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

(5) Quality improvement of support activities with external stakeholders

Enhance the quality of support activities by collaborating with a diverse range of external partners. Contribute to solving social issues and enhance brand value through initiatives that address the diversity of consumers.

Related initiatives: P60 Development of the "Pink Ribbon Campaign", breast cancer prevention awareness campaign, P61 Development of "Babywell Check" utilizing skin surface lipids-RNA monitoring® technology

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Increase in sales and market share of products that improve QOL
- Increase in product loyalty and sales through QOL improvement services tailored to individual conditions
- Increase in competitiveness and expansion of business fields through products and services that improve QOL with new technologies and ideas

Environmental and social impact

- Contribution to enriching the hearts of consumers through manufacturing, experiences, and story creation
- Enhancing the effects of external collaboration on enjoying more beautiful lives
- Improvement of the standard of living with products and services that improve QOL through new technologies and ideas
- Improvement of the standard of living in times of disaster and other extraordinary situations

Strategic resilience

In addition to developing products and services that improve QOL, we also promote strategic responses based on rapid market trend analysis, and we have the ability to flexibly adapt to changes in customer needs. We also aim to enhance brand value by strengthening measures for sustainability and innovation, and we are building resilience that will enable us to avoid losing market share due to intensifying competition and to achieve both business continuity and growth.

Metrics and targets

To enhance the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor our progress. We have set targets for the metrics related to particularly significant risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Number of products that contribute to a comfortable, beautiful, healthy life and touch the heart of people	4.8 billion*	4.5 billion*	4.5 billion*	4.1 billion*	3.9 billion	7 billion	2030

* Revised actual figures (exports are recorded as actual results)

The volume of each product has increased to meet demand for bulk purchases, resulting in a relative decline in the number of units sold. Also, the apparent unit volume is decreasing due to the expansion of boxed sales, mainly through e-commerce, where each box is counted as one unit regardless of its contents. In value terms, sales are growing.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(2) (3) (4) (5)	Number of QOL improvement activities proposed by brands	41	43	60

In 2024, the number of support activities increased, including childbirth and childcare education support activities in China and beauty seminars for people with disabilities in the cosmetics industry. We will continue to contribute to improving the QOL of a wide range of consumers through seminars in the categories we have entered.

Governance

The Global Consumer Care serves as the supervising division, and the person in charge of that division promotes strategies for Improved Quality of Life through the following two meetings. Specifically, the GC/ESG Promotion Meeting (held six times a year), which includes the supervising and development managers as members, discusses the results of the ESG Managing Committee, deliberates on proposals, makes decisions on policy, and confirms and discusses global situations and responses.

We also hold regular meetings attended by the president general managers of business divisions, and managers of research, manufacturing, and procurement divisions, where we discuss new products and major investment projects from a global perspective, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, during the product development process, we hold meetings attended by the managers and staff in charge of business, research, manufacturing, product quality management, and other divisions, and we also check the product performance, product value, and business potential involved in the decision to commercialize the product from an ESG perspective.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Management process

The status of our efforts to address risks and opportunities in the pursuit of promoting Improved Quality of Life is managed through the following PDCA cycle, and we are working to make steady improvements.

P (check for risks and opportunities)

The GC/ESG Promotion Meeting monitors various trends, such as global regulations and customer requests, and identifies the associated risks and opportunities. A response policy is established based on the identified risks and opportunities.

D (response based on risk/opportunity)

The response policy decided by the GC/ESG Promotion Meeting is deployed to related divisions, and specific activities are promoted. The policy is reflected in the product development process and approved/confirmed, as necessary. The content of various activities is disclosed internally and externally.

* For details on each activity, refer to Initiatives (P59-61).

C (monitoring and evaluation of response status)

The GC/ESG Promotion Meeting reports on and evaluates the progress of ongoing response activities. As necessary, the content and results of activities are reported to the ESG Managing Committee and proposals are shared.

A (response to issues and improvements)

Based on the monitoring results and proposals, the activity policy and implementation system are improved as necessary. Continuous improvement is made to measures for dealing with risks and the content of initiatives.

Initiatives

Kao is engaged in a variety of initiatives aimed at Improved Quality of Life. These initiatives are based on the aforementioned strategies, and are being promoted in collaboration with one another to achieve our goals. Here, we will introduce some of the important initiatives from among the many we are engaged in.

	Strategy	Initiatives		
Overall	(1) Develop products, services and activities that contribute to improving QOL			
Products and services	(2) Develop QOL improvement services that meet individual needs	Promoting awareness of skincare for babies	Proposing ways to encourage men to look forward in collaboration with high-class barbershops	Development of Skin Protection Business to protect skin from increasingly serious external stressors
	(3) Develop and deploy products and services that improve QOL through new technologies and ideas	Development of "Going to nursery schools by Kao", a childcare support service for nursery schools	Introducing "Laurier in the Workplace", a program to provide sanitary napkins as a company amenity	
Support activities	(4) Develop marketing through activities that support QOL improvement	Development of the "Pink Ribbon Campaign", breast cancer prevention awareness campaign	Development of "Babywell Check" utilizing skin surface lipids-RNA monitoring® technology	Exhibition at "Sight World", a comprehensive event for people with impaired vision
	(5) Improve the quality of support activities with external stakeholders			

> Improved Quality of Life

Habits for Cleanliness, Beauty & Health

Universal Product Design

Safer Healthier Products

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

**Skin Protection Business to protect bare skin
from increasingly serious environmental
stressors, captured global demand**

Region: Global

Corresponding strategies: (2) (3)

The Skin Protection* Business, which protects the skin from the increasingly severe external environment, including the effects of climate change, is a first runner in the *Global Sharp Top* business and contributes to improving the QOL of consumers.

Bioré is working to raise awareness of the importance of UV protection and the proper use of sunscreen on a global scale, with the aim of creating a society where people can spend more time smiling with the sun. In Japan, we have been holding classes where parents and children can have fun and learn how important UV protection is. In 2024, we expanded our touchpoints with consumers in each country and region, especially the younger generation, by developing awareness-raising activities centered on Southeast Asia that make use of digital platforms such as TikTok. As a result, sales in the Skin Protection Business grew by more than 20%.

* A general term for “UV care” to protect the skin from UV rays, “safe color” to create a tanned look without exposure to UV rays, and “environmental protection” products such as mosquito repellent.

 Skin Protection Business growth strategy briefing session
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/presentations-fy2023-etc-03.pdf>



**Development of the “Pink Ribbon Campaign”,
breast cancer prevention awareness
campaign**

Region: Japan, Asia

Corresponding strategies: (4) (5)

The Kao Group supports the global movement of Pink Ribbon, which calls for the importance of early detection of breast cancer, and has been conducting the “Pink Ribbon Campaign” every year from October to November since 2007. We are conducting various activities to create opportunities for people to think about their own health and

the health of those around them.

Project for Cancer Education by Pink Ribbon Advisors

Kao supports the Project for Cancer Education by Pink Ribbon Advisors, which was launched by the Japan Society of Breast Health, a certified specified non-profit organization, with the aim of protecting the precious lives of people both with and without cancer and of creating a society that enables confidence in self-expression.

 Kao Group Pink Ribbon Campaign
<https://www.kao.com/global/en/newsroom/news/release/2023/20230914-001/>



Donation activities

In 2024, in order to strengthen our approach to stakeholders in their 30s and 40s, who have particularly low rates of breast cancer screening, we collaborated with a popular illustrator and implemented a “repost donation” campaign through Kao’s official X account and other channels. In addition to the activities of the KANEBO cosmetics brand and the *Laurier* sanitary napkins brand, we also discussed the Cancer Education Project. Furthermore, the LISSAGE cosmetics brand donates a certain amount of the proceeds from its product sales to the Japan Society of Breast Health, a certified NPO, to support the training of ultrasound technicians. In addition, we distributed leaflets containing the self-check method at stores and through the Kao official online shop and also posted educational information on brand sites and other channels, to convey the importance of early detection to as many people as possible.

Product Development

We have developed the Healia Deodorant Pad in collaboration with Juntendo University to help alleviate the smell of the affected area for breast cancer patients and improve their quality of life. The deodorant sheet neutralizes and absorbs the strong smell of wounds and deodorizes for long periods of time. It is soft and cushiony, so it is easy to apply to any part of the body, and it is designed to stay on.



> Improved Quality of
Life

Habits for
Cleanliness, Beauty
& Health

Universal Product
Design

Safer Healthier
Products

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Walking the Right Path

Development of “Going to nursery schools by
Kao”, a childcare support service for nursery
schools

Region: Japan

Corresponding strategy: (3)

The name *Merries* expresses the wish for a bright future for babies, and for a society where everyone works together to help them grow up healthy and happy. “Going to nursery schools by Kao”, a childcare support service for nursery schools, is designed to help babies grow optimally and reduce the workload for childcare workers and parents, thereby bringing many smiles to society.

The new baby diaper subscription service provides nursery schools with a set amount of *Merries* baby diapers. It reduces the time and effort required to write children’s names on the baby diapers, and the burden of carrying them, so that parents can spend more time with their children. We are also developing activities to support the healthy growth of children through the provision of educational content and services to create a hygienic environment in nursery schools.

Through these initiatives, we hope to support a future in which all people can play an active role by helping parents to balance work and childcare.

- Awards received
HAPPY WOMAN AWARD 2024 for SDGs
Corporate Category Award
[Women’s Support Brand Award]
Received the Parenting Award 2022

Going to nursery schools by Kao
<https://baby-job.co.jp/kao-smile-touen/>



analyzes the RNA from this sebum. This technology can detect expression information for approximately 10,000 types of sebum RNA without damaging the skin, so it is used in research to check the condition of the skin and body, and to understand the condition of diseases such as infantile atopic dermatitis and Parkinson’s disease at the molecular level.

In March 2023, a joint venture with Nagoya University-affiliated venture company Healthcare Systems, which develops and sells testing kits for pre-symptomatic diseases, resulted in the creation of the “*Babywell Check*” testing service for infants, which uses the skin surface lipids-RNA monitoring technology. Kao is responsible for providing the main parts of the testing kit and analyzing the collected sebum RNA for this service.

The “*Babywell Check*” is a non-invasive testing service that allows users to find out about their baby’s skin barrier function and receive skin care information tailored to their skin condition, simply by applying an oil-absorbing film to their skin and wiping off the sebum at home. The test is based on information about sebum RNA. It is known that the skin barrier function is reduced in infants and young children who develop atopic dermatitis. This test is designed to help parents understand the condition of their child’s skin and provide support for appropriate skin care, thereby contributing to the healthy growth of their child.

In the future, we will continue to take on new business domains by considering the application of Kao’s unique technologies, including skin surface lipids-RNA monitoring technology, to various fields of testing.

Kao to Start a Health Testing Business Employing Skin Surface Lipids-RNA Monitoring Technology
<https://www.kao.com/global/en/newsroom/news/release/2023/20230308-001/>



Development of “*Babywell Check*” utilizing
skin surface lipids-RNA monitoring®
technology

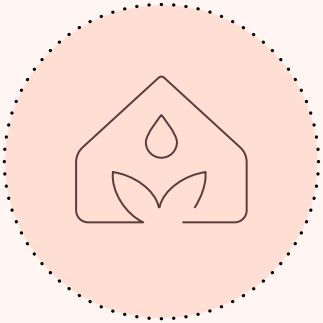
Region: Japan

Corresponding strategies: (4) (5)

Kao has developed a technology called skin surface lipids-RNA monitoring® that uses oil-absorbing film to collect sebum from the face and then extracts and comprehensively

Habits for Cleanliness, Beauty & Health

Since it was founded, Kao has contributed to the development of Japan’s hygiene culture by producing cleansing products for over 130 years based on the philosophy that a clean nation will prosper. We will contribute to solving issues related to cleanliness and hygiene in various countries and areas around the world, including Europe, the United States, and Asia, by leveraging our achievements and technological capabilities.



Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Decline in brand value and loss of business opportunities due to being ahead of other companies in terms of awareness-raising and support activities to improve cleanliness and hygiene - Lack of communication about the purpose, effects and usage of cleanliness and hygiene-related products and services, and a decline in reputation due to misinformation	Overall	(1) Strengthen the link with the business through brand-led activity development	Metrics	Targets	2024 results		- Increase in sales and market share of cleanliness and hygiene products - Increase in sales by enhancing brand loyalty
		(2) Promote cleanliness and hygiene practices in areas with poor hygiene and expand the market					
Opportunities - Enhancing reputation and corporate value through awareness-raising and support activities to improve cleanliness and hygiene - Creating business opportunities and business growth through marketing linked to awareness-raising and support activities to improve cleanliness and hygiene - Improving brand value and loyalty and growing the business by developing products and services that improve cleanliness and hygiene	Awareness-raising/support activities	(3) Conduct awareness-raising and support activities using Kao products and services	Cumulative number of people reached through awareness-raising activities conducted to help people develop Habits for Cleanliness, Beauty & Health by using Kao products and services	100 million in 2030	63 million	Hygiene Practice Program: Let's All Wash Our Hands Together! For 1st and 2nd graders / For schools for the deaf / For schools for the blind (3)	Environmental and social impact - Improvement of the quality of life by ensuring the cleanliness and hygiene of consumers' lives - Contribution to improving public health in society, such as preventing the spread of infectious diseases, and reducing medical costs - Contribution to business operations by ensuring hygiene at customer facilities (medical, accommodation, food and drink, etc.) for professional-use products
		(4) Develop effective activities tailored to local issues and circumstances through external collaboration	Number of activities to raise awareness and support cleanliness and hygiene	–	51	Deployment of menarche education by <i>Laurier</i> (3) Hair washing awareness activities at nursery schools (3) Handwashing awareness-raising activities in Asian countries where Kao operates businesses (4)	
		(5) Increase the number of people reached by providing educational materials and utilizing sales networks	Number of countries and regions where activities to raise awareness and support cleanliness and hygiene are being carried out	–	9 countries/regions	Baby care (sampling including educational activities at study sessions for mothers) (4) Spreading rainwater harvesting systems in Indonesia and improving QOL (4) Provision of educational materials for the “Keeping Your Surroundings Kirei,” hygiene practice program (5)	
	Products and services	(6) Propose products and services that promote habits of cleanliness and hygiene				Development of a total hygiene solution program by Kiralia Hygiene Co., Ltd. (7)	
		(7) Develop hygiene solution businesses and services to improve the hygiene level of society					

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Improved Quality of Life

> Habits for Cleanliness, Beauty & Health

Universal Product Design

Safer Healthier Products

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

Strategy

To reduce the risks and create opportunities associated with this theme, we are implementing strategies that are characteristic of Kao, are effective, and contribute to business growth and the resolution of social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. This will not only mitigate business risks for Kao, but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- The risk of infectious diseases spreading and health problems occurring due to poor hygiene management
- The decline in quality of life due to the delay in promoting clean living habits
- The widening of health disparities due to global hygiene disparities

■ Risks and opportunities

In this business environment, which includes these social issues, Kao faces various risks, but has also identified new business opportunities. Identifying these risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Decline in brand value and loss of business opportunities due to being ahead of other companies in terms of awareness-raising and support activities to improve cleanliness and hygiene
- Decline in reputation due to a lack of communication about the purpose, effects, and usage of cleanliness and hygiene-related products and services, as well as misinformation

Opportunities

- Enhancing reputation and corporate value through awareness-raising and support activities to improve cleanliness and hygiene

- Creating business opportunities and business growth through awareness-raising and support activities to improve cleanliness and hygiene through brands and products
- Improving brand value and loyalty and growing the business by developing products and services that improve cleanliness and hygiene

■ Strategy

We have formulated the following strategies to address the identified risks and opportunities. The business domains of skincare and professional hygiene products, which are the focus of this theme, are positioned as growth driver areas in the K27 Mid-term Plan. Since Kao's founding business of *Kao Soap*, we have supported the cleanliness and hygiene fields of Japan through the development of cleansing products. We aim to achieve further growth and value creation in these business domains.

(1) Strengthen the link with the business through brand-led activity development

With our ability to reach a wide range of customers through a diverse range of brand categories, we aim to accurately grasp the needs of consumers, improve product development and marketing, and expand the market.

(2) Promote cleanliness and hygiene practices in areas with poor hygiene and expand the market

Promote cleanliness and hygiene practices to achieve clean, beautiful, and healthy habits. Aim to expand the customer base by promoting brand awareness and gaining trust.

Related initiative: P66 Deployment of menarche education by *Laurier*

(3) Conduct awareness-raising and support activities using Kao products and services

Carry out awareness-raising and support activities related to cleanliness and hygiene, such as hand-washing classes at schools. Aim to increase awareness and expand the market by encouraging people to naturally incorporate the Kao brand into their daily lives.

Related initiative: P66 Deployment of menarche education by *Laurier*

(4) Develop effective activities tailored to local issues and circumstances through external collaboration

Develop effective activities in response to local issues in collaboration with external organizations to create a ripple effect across a wide range of consumer segments.

Improved Quality of
Life

> **Habits for
Cleanliness, Beauty
& Health**

Universal Product
Design

Safer Healthier
Products

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Walking the Right Path

(5) Increase the number of people reached by providing educational materials and utilizing sales networks

Maximize the effectiveness of awareness-raising activities and expand product usage experiences by reaching more consumers through the provision of educational materials and the use of sales networks.

Related initiative: [P66](#) Deployment of menarche education by *Laurier*

(6) Propose products and services that promote habits of cleanliness and hygiene

Propose products and services that help to establish cleanliness and hygiene practices for consumers by making use of our track record and technological capabilities, which have contributed to the development of Japan’s cleanliness culture through the development of cleansing products for over 130 years.

(7) Develop hygiene solution businesses and services to improve the hygiene level of society

Provide advanced hygiene solutions that accurately identify customer issues, including products and services for business use, and create business opportunities.

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Increase in sales and market share of cleanliness and hygiene products
- Increase in sales by enhancing brand loyalty

Environmental and social impact

- Improvement of the quality of life by ensuring the cleanliness and hygiene of consumers’ lives
- Contribution to improving public health in society, such as preventing the spread of infectious diseases, and reducing medical costs
- Contribution to business operations by ensuring hygiene at customer facilities (medical, accommodation, food and drink, etc.) for professional-use products

Strategic resilience

By strengthening our initiatives to raise awareness of the importance of cleanliness and hygiene, and offering solutions tailored to local issues, we are building resilience to address the risk of a decline in brand value and misinformation. We also maintain a competitive advantage through our track record and technology developed over many years in the development of cleansing products and we have the flexibility and sustainability to maximize business opportunities.

Metrics and targets

To enhance the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor our progress. We have set targets for the metrics related to particularly significant risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(3)	Cumulative number of people reached through awareness-raising activities to help people acquire habits for cleanliness, beauty, and health by using Kao's products and services (cumulative since 2016)	34 million	45 million	51 million	59 million	63 million	100 million	2030

Since the COVID-19 pandemic, awareness-raising activities have been gradually shifting from face-to-face sessions to online training and digital materials. In this process, the annual number of people reached through each program peaked in 2021 and has since shown a slight downward trend, though there was no significant change compared to the previous year.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(4)	Total number of themes for activities to raise awareness and support cleanliness and hygiene	43	50	51
(5)	Number of countries and areas where activities to raise awareness and provide support for cleanliness and hygiene are being carried out	9	10	9

Governance

The Global Consumer Care serves as the supervising division, and the person in charge of that division promotes strategies for Habits for Cleanliness, Beauty & Health through the following two meetings. Specifically, the GC/ESG Promotion Meeting (held six times a year), which includes the supervising and development managers as members, discusses the results of the ESG Managing Committee, deliberates on proposals, makes decisions on policy, and confirms and discusses global situations and responses.

We also hold regular meetings attended by the president, general managers of business divisions, and managers of research, manufacturing, and procurement divisions, where we discuss new products and major investment projects from a global perspective, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, during the product development process, we hold meetings attended by the managers and staff in charge of business, research, manufacturing, product quality management, and other divisions, and we also check the product performance, product value, and business potential involved in the decision to commercialize the product from an ESG perspective.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Management process

The status of our efforts to address risks and opportunities in the pursuit of promoting Habits for Cleanliness, Beauty & Health is managed through the following PDCA cycle, and correction, and we are working to make steady improvements.

P (check for risks and opportunities)

The GC/ESG Promotion Meeting monitors various trends, such as global regulations and customer requests, and identifies the associated risks and opportunities. A response policy is established based on the identified risks and opportunities.

D (response based on risk/opportunity)

The response policy decided by the GC/ESG Promotion Meeting is deployed to related divisions, and specific activities are promoted. The policy is reflected in the product development process and approved/confirmed, as necessary. The content of various activities is disclosed internally and externally.

* For details on each activity, refer to Initiatives (P65-66).

C (monitoring and evaluation of response status)

The GC/ESG Promotion Meeting reports on and evaluates the progress of ongoing response activities. As necessary, the content and results of activities are reported to the ESG Managing Committee and proposals are shared.

A (response to issues and improvements)

Based on the monitoring results and proposals, the activity policy and implementation system are improved as necessary. Continuous improvement is made to measures for dealing with risks and the content of initiatives.

Initiatives

Kao is engaged in a variety of initiatives aimed at promoting Habits for Cleanliness, Beauty & Health. These initiatives are based on the aforementioned strategies and are being promoted in collaboration with one another to achieve our targets. Here, we will introduce some of the important initiatives from among the many we are engaged in.

Strategy		Initiatives		
Overall	(1) Strengthen the link with the business through brand-led activity development			
	(2) Promote cleanliness and hygiene practices in areas with poor hygiene and expand the market			
Awareness-raising/support activities	(3) Conduct awareness-raising and support activities using Kao products and services	Hygiene Practice Program: Let's All Wash Our Hands Together! For 1st and 2nd graders / For schools for the deaf / For schools for the blind	Deployment of menarche education by <i>Laurier</i>	Hair washing awareness activities at nursery schools
	(4) Develop effective activities tailored to local issues and circumstances through external collaboration	Handwashing awareness-raising activities in Asian countries where Kao operates businesses	Baby care (sampling including educational activities at study sessions for mothers)	Spreading rainwater harvesting systems in Indonesia and improving QOL
	(5) Increase the number of people reached by providing educational materials and utilizing sales networks	Provision of educational materials for the "Keeping Your Surroundings Kirei," hygiene practice program		
Products and services	(6) Propose products and services that promote habits of cleanliness and hygiene			
	(7) Develop hygiene solution businesses and services to improve the hygiene level of society	Development of a total hygiene solution program by Kiralia Hygiene Co., Ltd.		

Improved Quality of
Life

> Habits for
Cleanliness, Beauty
& Health

Universal Product
Design

Safer Healthier
Products

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Walking the Right Path

Deployment of menarche education by *Laurier*

Region: Japan

Corresponding strategies: (2) (3) (5)

As part of its efforts to nurture the next generation, the sanitary napkins brand *Laurier* has been providing education on girls' first menstruation (menarche) at elementary schools since its launch in 1978 so that children can start their first menstruation with peace of mind.

From FY2024, with the digitalization of the education field, we have proposed providing ICT-based menarche education using video and digital content to make learning more enjoyable for children. As a result, the total number of applications*1 in 2024 increased by approximately 10% compared to the previous year, with a 109% increase in the number of new schools applying. Currently, the *Laurier* menarche education program is being used in approximately more than one out of every two elementary schools nationwide.

Additionally, in a survey*2 on the level of satisfaction with the ICT-based menarche education program in the education field, 88% of teachers responded that it was "very good/good." In addition to comments such as "I used videos in class and they were easy to understand" and "I want to continue to apply for this in the future," parents also commented that "it was good that my child could review later using the two-dimensional codes" and "it was an opportunity for me and my child to learn together." Furthermore, the number of visits to the menarche education page on the brand site*3 increased by 180% after the ICT education proposal, confirming that the ICT-based menarche education was widely accepted.

We will continue to provide educational materials that respond to changes in society and help children grow without anxiety and with smiles on their faces.

*1 Application period: February 1 to March 30, 2024

*2 Survey period: June 1 to September 30, 2024; number of teacher respondents: 987; number of parent respondents: 263

*3 Comparison between May and June 2024



Menarche education set
(Japan)



The materials being used in
class

Employees' opinions

**"*Laurier's* menarche education
program that understands
adolescence and fosters
compassion"**



Rie Yamaguchi

ESG Business Integration
Promotion,
ESG,
Kao Corporation

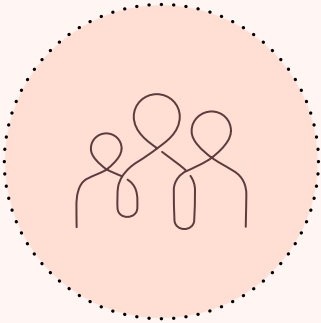
Laurier's menarche education program has been carried out for over 45 years with the aim of helping children to face their first menstruation with peace of mind. This program has long been popular in schools, but we have renewed it in the hope that it will be used in more situations in response to the digitalization of education. Another important goal of this program is to help children understand the changes and differences in their bodies between themselves and others during their adolescence, and to enable them to treat others with compassion.

In the renewal process, we held a number of interviews with teachers, parents, and children to reflect their actual needs. As a result, we have created content that allows children to prepare for their first menstruation while having fun learning. The new ICT-based educational materials are designed to reduce the workload of teachers and provide a system that allows children to learn repeatedly at a pace that suits their own growth. In addition, after taking the class at school, children can also review the content with their parents at home. We believe that this will provide a valuable opportunity for parents to provide more support at home, deepen communication between parents and children, and help children to accept their own changes. Through the education provided by *Laurier*, we hope that children will grow up with a better understanding of their own bodies and the differences between individuals, and lead healthy lives.

Universal Product Design

GRI 417-1

We aim to provide products and services that are easy for everyone to use, promoting universal product design (UD). Grounded in Kao's purpose to "To realize a Kirei World in which all life lives in harmony," we are taking steady steps to create a society where no one is left behind.



Risks	Strategy			Metrics, targets and results			Initiatives	Financial impact
- Decline in brand value and loss of business opportunities if competitors take the lead in UD products and information provision on product usage - Misuse of products with insufficient UD considerations, leading to safety issues, and a lack of diversity considerations, resulting in decreased corporate and brand trustworthiness - Lawsuits based on legal regulations such as the Act for Eliminating Discrimination against Persons with Disabilities, as well as a decline in corporate and brand trust	Overall	(1) Developing UD along the consumer flow of "knowing the product," "choosing," "buying," "using," and "disposing of"		Metrics	Targets	2024 results	Expansion of a new detergent bottle design that is easy to pour and hold (1)	- Market expansion by addressing the needs of elderly individuals and diverse consumers, leading to the creation of new revenue sources - Reduction of consumer dissatisfaction and complaints through improved product usability, resulting in lower related costs - Long-term sales stability through increased customer loyalty and repeat purchase rates
				Percentage of new and improved products compliant with Kao's Universal Design Guidelines (1)	100% 2030	99%	Launch of the automatic foam hand soap dispenser (1)	
Opportunities - Enhancement of brand value and loyalty, as well as business growth, through the expansion of UD products - Enhancement of brand value and loyalty, as well as business growth, through information provision on product usage with UD considerations - Creation of business opportunities and business growth through marketing initiatives linked to activities supporting improved quality of life	Products and information provision	(2) Providing information and developing communication with consideration for diversity		Reach of information provision for people with disabilities (e.g., web content views, number of classes conducted for schools for the deaf and blind) (2)	—	45,555	Expansion of "Hair styling to hear" and "Skincare for everyone" (2)	Environmental and social impact - Improved safety and efficiency in product use for consumers, enhancing peace of mind and comfort - Contribution to a richer life for diverse consumers - Operational efficiency improvements in customer facilities (medical, hospitality, food service, etc.) through professional-use products, as well as expanded utilization of diverse employees, contributing to business management
				Cumulative distribution of braille stickers (2)	—	8,048	Revision of braille stickers and creation of a website for information provision for people with visual disabilities (2)	
				Compliance with WCAG 2.1 Level AA on Kao's website (2)	100% 2027	83%	Promotion of UX/UI improvements for websites and online services (2)	
				Percentage of Kao commercials with subtitles (2)	—	76%	Expansion of universal manner training (3)	
	External collaboration	(4) Collaborating with companies, government agencies, and consumer organizations that have a disability perspective						

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Improved Quality of Life

Habits for Cleanliness, Beauty & Health

> Universal Product Design

Safer Healthier Products

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

Strategy

To mitigate risks and create opportunities related to universal product design (UD), we are implementing Kao's unique, effective strategies that contribute to business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive presence, an accurate understanding of social issues is essential. Recognizing these issues not only reduces business risks but also serves as a critical starting point for identifying new growth opportunities. Kao acknowledges the following social issues related to this theme.

- Providing products that are easy to use and information that is easily accessible for everyone, regardless of culture, nationality, beliefs, race, gender, identity, or ability
- Increasing the importance of product usability and the clarity of information in response to the progression of population aging
- Broad recognition of challenges that diverse individuals have faced with existing products and information

■ Risks and opportunities

In a business environment that includes the social issues outlined above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is a crucial process in formulating corporate strategies and initiatives. The key risks and opportunities that Kao has identified for this theme are as follows.

Risks

- Decline in brand value and loss of business opportunities if competitors take the lead in UD products and information provision on product usage
- Misuse of products with insufficient UD considerations, leading to safety issues, and a lack of diversity considerations, resulting in decreased corporate and brand trustworthiness
- Lawsuits based on legal regulations such as the Act for Eliminating Discrimination against Persons with Disabilities, as well as a decline in corporate and brand trust

Opportunities

- Enhancement of brand value and loyalty, as well as business growth, through the expansion of UD products
- Enhancement of brand value and loyalty, as well as business growth, through information provision on product usage with UD considerations
- Creation of business opportunities and business growth through marketing initiatives linked to activities supporting improved quality of life

■ Strategy

In response to the identified risks and opportunities, Kao has formulated the following strategies. The promotion of UD is a key strategy underpinning the basic policy of the Mid-term Plan K27: "to become an essential company in a sustainable world." Based on Kao's DE&I policy, "DE&I in Society," we aim to create a society where people can connect and live together in harmony through *Yoki-Monozukuri*, which is committed to staying close to every consumer.

(1) Developing UD along the consumer flow of "knowing the product," "choosing," "buying," "using," and "disposing of"

Kao ensures a consumer-centric approach at all product touchpoints, providing products and services that meet diverse customer needs. This contributes to addressing consumer challenges while also enhancing differentiation, added value, and competitive advantage, ultimately leading to improved profitability.

Related initiatives: P71 Expansion of a new detergent bottle design that is easy to pour and hold, P72 More comfortable handwashing! *Bioré-u* automatic foam hand soap dispenser

(2) Providing information and developing communication with consideration for diversity

Kao provides clear, highly accessible information and communication that considers diversity, meticulously delivering the information needed by diverse consumers. This enhances user benefits and accessibility.

(3) Developing a wide range of initiatives from an inclusive perspective

Kao promotes a wide range of initiatives that incorporate an inclusive perspective, including the development and provision of tools that support product use for people with disabilities, to effectively contribute to diverse consumers and customers. Kao enhances trust and loyalty towards the brand by conducting support activities aimed at solving the issues faced by consumers and customers.

Improved Quality of
Life

Habits for
Cleanliness, Beauty
& Health

> Universal Product
Design

Safer Healthier
Products

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Walking the Right Path

(4) Collaborating with companies, government agencies, and consumer organizations that have a disability perspective

By strengthening collaboration with companies, government agencies, specialized institutions, and consumer organizations with a disability-inclusive perspective, Kao incorporates firsthand insights into the development of high-quality products and services. This leads to the creation of new markets and the provision of greater added value.

Impact generated by implementing the strategies

Through the aforementioned strategies, we expect to generate the following financial impact as well as environmental and social impact.

Financial impact

- Market expansion by addressing the needs of elderly individuals and diverse consumers, leading to the creation of new revenue sources
- Reduction of consumer dissatisfaction and complaints through improved product usability, resulting in lower related costs
- Long-term sales stability through increased customer loyalty and repeat purchase rates

Environmental and social impact

- Improved safety and efficiency in product use for consumers, enhancing peace of mind and comfort
- Contribution to a richer life for diverse consumers
- Operational efficiency improvements in customer facilities (medical, hospitality, food service, etc.) through professional-use products, as well as expanded utilization of diverse employees, contributing to business management

Strategic resilience

By continuing product development based on our Universal Design Guidelines and providing clear information for diverse consumers, Kao differentiates itself from competitors while maintaining and enhancing brand value. Additionally, by ensuring strict compliance with legal regulations and advancing product design that considers diversity and safety, Kao prevents litigation risks and declines in trust. This enables us to maintain resilience, allowing for flexible adaptation to unexpected market changes and competitive environments.

Metrics and targets

To enhance the effectiveness of our strategy, we have established performance indicators related to risks and opportunities and regularly monitor our progress. For significant risks and opportunities, we set targets and track their achievement, ensuring steady progress through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Percentage of new and improved products compliant with Kao's Universal Design Guidelines	(53%)*	98%	99%	99%	99%	100%	2030

* Value based on the former definition

Kao has established product guidelines related to simplicity, usability and safety, and almost 100% of new and improved products launched each year meet these standards.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(2)	Reach of information provision for people with disabilities (e.g., web content views, number of classes conducted for schools for the deaf and blind)	19,543 people	45,340 people	45,555 people
(2)	Cumulative distribution of braille stickers	3,620 sets	7,218 sets	8,048 sets
(2)	Compliance with WCAG 2.1 Level AA on Kao's website	20%	42%	83%
(2)	Percentage of Kao commercials with subtitles	53%	80%	76%

Kao is strengthening its efforts to incorporate UD perspectives not only in product development but also in communication.

The handwashing classes content for schools for the deaf and blind has been expanded to include special needs schools since 2023, making it available to a wider range of special needs schools.

Governance

The Global Consumer Care serves as the supervising division, and the person in charge of that division promotes strategies for UD through the following two meetings. Specifically, the GC/ESG Promotion Meeting (held six times a year), which includes the supervising and development managers as members, discusses the results of the ESG Managing Committee, deliberates on proposals, makes decisions on policy, and confirms and discusses global situations and responses.

We also hold regular meetings attended by the president, general managers of business divisions, and managers of research, manufacturing, and procurement divisions, where we discuss new products and major investment projects from a global perspective, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, during the product development process, we hold meetings attended by the managers and staff in charge of business, research, manufacturing, product quality management, and other divisions, and we also check the product performance, product value, and business potential involved in the decision to commercialize the product from an ESG perspective.

 Our ESG Vision and Strategy > Governance

D (response based on risk/opportunity)

The response policy decided by the GC/ESG Promotion Meeting is deployed to related divisions, and specific activities are promoted. The policy is reflected in the product development process and approved/confirmed, as necessary. The content of various activities is disclosed internally and externally.

* For details on each activity, refer to Initiatives (P71-72).

C (monitoring and evaluation of response status)

The GC/ESG Promotion Meeting reports on and evaluates the progress of ongoing response activities. As necessary, the content and results of activities are reported to the ESG Managing Committee and proposals are shared.

A (response to issues and improvements)

Based on the monitoring results and proposals, the activity policy and implementation system are improved as necessary. Continuous improvement is made to measures for dealing with risks and the content of initiatives.

Improved Quality of
Life

Habits for
Cleanliness, Beauty
& Health

> Universal Product
Design

Safer Healthier
Products

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Walking the Right Path

Risk and opportunity management

▀ Policies

At Kao, we have established the following policies as guidelines for our daily operations and decision-making in executing our UD. For more details, please visit our website.

 Kao Universal Design Guidelines
<https://www.kao.com/global/en/sustainability/me/universal-design/guidelines/>

▀ Management process

The status of our efforts to address risks and opportunities in the pursuit of promoting UD is managed through the following PDCA cycle, and we are working to make steady improvements.

P (check for risks and opportunities)

The GC/ESG Promotion Meeting monitors various trends, such as global regulations and customer requests, and identifies the associated risks and opportunities. A response policy is established based on the identified risks and opportunities.

Initiatives

Kao is engaged in a variety of initiatives aimed at promoting UD. These initiatives are based on the aforementioned strategies, and are being promoted in collaboration with one another to achieve our goals. Here, we will introduce some of the important initiatives from among the many we are engaged in.

Strategy		Initiative		
Overall	(1) Developing UD along the consumer flow of “knowing the product,” “choosing,” “buying,” “using,” and “disposing of”	Expansion of a new detergent bottle design that is easy to pour and hold	Launch of the automatic foam hand soap dispenser	
	(2) Providing information and developing communication with consideration for diversity	Expansion of “Hair styling to hear” and “Skincare for everyone”	Revision of braille stickers and creation of a website for information provision for people with visual disabilities	Promotion of UX/UI improvements for websites and online services
Products and information provision	(3) Developing a wide range of initiatives from an inclusive perspective	Expansion of universal manner training		
	(4) Collaborating with companies, government agencies, and consumer organizations that have a disability perspective			
External collaboration				

New detergent bottle design that is easy to pour and hold

Region: Japan
Corresponding strategy: (1)

In 2024, Kao redesigned the bottle for the *Attack Anti-bacteria EX* series liquid detergent, making it easier to hold and measure. The new design features a wide handle that provides a secure grip, ensuring that anyone can hold it comfortably and use it with ease.

Additionally, the pour spout design has been modified to allow easy measuring—detergent can be dispensed by simply tilting the bottle slightly. This container has been registered in the Good Practice Database.

The new design is well received, especially among elderly users with reduced grip strength, who have praised it for being lightweight, easy to hold, and preventing detergent from pouring out too quickly.

User feedback

Attack Anti-bacteria EX Easy Drying

“The new container is easy to use. Since I mostly dry my laundry indoors, I appreciate having a version specifically for indoor drying. I also like the ‘tok tok tok’ sound it makes when pouring and the controlled amount that comes out—no sudden gushes. The container is also easy to hold. As someone around 50 with weakening grip strength, the rounded shape makes it comfortable to hold.”



Attack Anti-bacteria EX

“The previous *Attack* container was slippery when my hands were wet, and I couldn’t close the cap properly. I had no choice but to use a different brand, but now the new *Attack* container is easy to use, so I’m switching back. I had mentioned before that I wanted the *Attack* container to be easier to use. Please continue to launch great products that are convenient for customers!”



Improved Quality of Life
Habits for Cleanliness, Beauty & Health
> Universal Product Design
Safer Healthier Products

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

More comfortable handwashing!
Bioré-u automatic foam hand soap
dispenser

Region: Japan

Corresponding strategy: (1)

In 2024, Kao launched a dispenser that automatically dispenses foam hand soap when a hand is placed under it and stops when the hand is removed. Since there is no need to press a nozzle, it is easy to use for elderly individuals with reduced strength, and children can develop hygiene practices while having fun.

Additionally, refilling the dispenser is simple—just open the lid and pour. There is no need to twist it like a conventional pump-type dispenser, making continued use more convenient.

Users have shared feedback that the dispenser makes handwashing fun and easy for children, helping to promote hygiene practices.



User feedback

“It is amazing. I love it so much that I use it multiple times a day. My child’s friends and even my own friends use it dozens of times a day.”

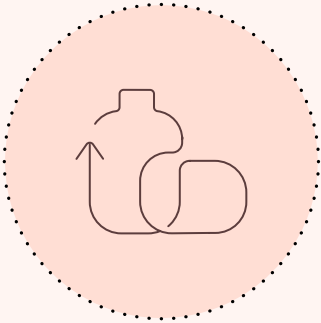
“Now that I can wash my hands so easily, I wash them more often than before. I think this is a good thing for Kao as well.”

“My 2-year-old daughter absolutely loves it. She used to resist washing her hands, but now she does it on her own.”

“The blinking power light might be good for kids. I can say, ‘Look, it’s telling you to wash your hands!’ to encourage them. I even bought one for my grandchild. (Omitted)
It is compact and stylish. After trying it, I found it very convenient. I don’t need to press a handle. I just place my hand under it and the foam comes out. Plus, the amount of foam can be adjusted in two levels. I was amazed by this thoughtful design.”

Safer Healthier Products

We provide peace of mind and trust to consumers and customers based on four pillars: the proactive information provision regarding ingredients of concern or of particular interest to society, the development of safe products, the utilization of evaluation methods based on scientific evidence, and collaboration with the government and industry.



Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
• If the safety of specific ingredients or products is not properly understood, concern may grow among consumers, customers, and society, resulting in a decrease in product sales • The use of ingredients with safety concerns may result in a drop in the corporate and brand reputation and trust • If competitors take faster action when we provide product safety information, our brand value may decrease and we may lose business opportunities	Overall	(1) Information disclosure with transparency	Metrics	Targets	2024 results	Establishment of a plan for disclosing our FY2024 ingredient policy	• Enhanced sales owing to bolstered provision of correct safety information • Enhanced our brand value owing to accurate proactive information provision, and a stable foundation for revenue owing to reinforced long-term customer loyalty • Cultivation of new markets and customer demographics, and greater opportunities for revenue owing to proactive initiatives related to safety and ingredients • Avoidance of penalties and fees for additional action owing to rapid response in an information society and stricter regulations
		(2) Provision information regarding ingredients of particular interest to society	% of targeted ingredients of concern on which views are disclosed	100% 2030	77%		
	Products	(3) Use of safe ingredients and development of safe products	Number of ingredients of concern on which views are disclosed	—	23	Use of safe ingredients and development of safe products	
		(4) Utilization of scientific evaluation methods					
Opportunities • If consumers and customers have an accurate understanding and feel at ease regarding the safety of ingredients and products, this can enhance brand value and loyalty, and bring about business growth • Indicating our policies on ingredient use can help enhance reputation and trust among consumers, customers, and society	Communication	(5) Promotion of understanding through communication	Number of people reached the disclosure web-site about ingredients contained in Kao' products * From April 2024 to date	—	36,268	Acting in anticipation of chemical regulations through communication and industry activities	Environmental and social impact • Prevention of damage to consumers' health, as well as environmental pollution • Contribution toward building a social system for securing the safety of ingredients and products • Boost in consumer information literacy owing to the spread of accurate knowledge in an information society, and prevention of confusion from misinformation • Contribution toward building a fair society in which everyone can access accurate information and enjoy safe and reliable products
		(6) Collaboration with industry associations and government	Number of people reached the disclosure web-site about ingredients we do not use * From April 2024 to date	—	1,099		

Improved Quality of Life
Habits for Cleanliness, Beauty & Health
Universal Product Design
> Safer Healthier Products

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

Environmental and social impact

- Prevention of damage to consumers' health, as well as environmental pollution
- Contribution toward building a social system for securing the safety of ingredients and products
- Boost in consumer information literacy owing to the spread of accurate knowledge in an information society, and prevention of confusion from misinformation
- Contribution toward building a fair society in which everyone can access accurate information and enjoy safe and reliable products

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

We are executing effective strategies that are unique to Kao and that contribute to growing businesses and solving social issues, with the aim of reducing risks and creating opportunities regarding safer healthier products.

■ Social issues

An accurate understanding of social issues is essential for Kao to continue to be a sustainable and competitive company. Understanding social issues can help reduce Kao's risk in business and it plays a key role in helping to identify new business opportunities to stimulate growth. Kao is aware of the following social issues in relation to this theme:

- A rise in concern regarding the safety of ingredients and products among consumers, customers, and society
- Greater access to information and a spread in misinformation among consumers, owing to advances in an information society
- Issue of striking a balance between the risk of excessive regulation based on the precautionary principle and enjoying the benefits of chemical substances

■ Risks and opportunities

In a business landscape that has the social issues listed above, Kao faces many different risks but is also discovering new business opportunities. The process of identifying risks and opportunities is vital for formulating corporate strategies and measures. The major risks and opportunities that Kao has identified in relation to this theme are described below:

Risks

- If the safety of specific ingredients or products is not properly understood, concern may grow among consumers, customers, and society, resulting in a decrease in product sales
- The use of ingredients with safety concerns may result in a drop in the corporate and brand reputation and trust
- If competitors take faster action when we provide product safety information, our brand value may decrease and we may lose business opportunities

Opportunities

- If consumers and customers have an accurate understanding and feel at ease regarding the safety of ingredients and products, this can enhance brand value and loyalty, and bring about business growth
- Indicating our policies on ingredient use can help enhance reputation and trust among consumers, customers, and society

■ Strategy

To respond to these identified risks and opportunities, Kao has formulated the strategies listed below. We will ensure the safety of ingredients and products based on scientific evidence and evaluation while also demonstrating accountability to gain the trust of consumers, customers, and society. These strategies are vital pillars that have strong links with the basic policy of “to become an essential company in a sustainable world” stated in the mid-term plan “K27”, and they support Kao's competitive edge. Through synergy between Consumer Products Business and the Chemical Business, we are making efficient and effective efforts to use ingredients and develop products with a high level of safety.

(1) Information disclosure with transparency

We will provide safety information and Kao's policies based on scientific evidence, in an easy-to-understand way. We will disclose information with transparency to demonstrate corporate accountability and resolve the concerns of consumers and customers, while also securing the trust of consumers, customers, and society.

Related initiative: [P77](#) Establishment of a plan for disclosing our FY2024 ingredient policy

(2) Proactive information provision regarding ingredients of particular interest to society

We will proactively provide safety information and Kao's policies regarding ingredients of particular interest to society. In this way, we will build an environment where people can choose products with peace of mind, while also enriching stakeholders' understanding.

Related initiative: [P77](#) Establishment of a plan for disclosing our FY2024 ingredient policy

(3) Use of safe ingredients and development of safe products

Various divisions will consider human and environmental safety, antiseptic and antifungal properties, conformity with laws and regulations, and other matters when designing formulas and selecting raw materials in the product development stage. In addition, we will ensure reliability in products by performing comprehensive evaluations and checks based on how consumers actually use products, conducting tests in many different usage conditions, and

Improved Quality of
Life

Habits for
Cleanliness, Beauty
& Health

Universal Product
Design

> Safer Healthier
Products

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Walking the Right Path

implementing consumer monitor evaluations. In this way, we will provide safe and high-quality products to the market.

Related initiative: [P77](#) Use of safe ingredients and development of safe products

(4) Utilization of scientific evaluation methods

We will utilize the latest scientific evaluation methods and information to ensure ingredient and product safety and thereby maintain and reinforce trust among society and stakeholders.

Related initiative: [P77](#) Use of safe ingredients and development of safe products

(5) Promotion of understanding through communication

We will share information with consumers and customers to promote understanding about ingredient and product safety. In this way, we will build an environment in which they can use products with peace of mind, while also maintaining and reinforcing trust among consumers, customers, and society.

Related initiative: [P77](#) Acting in anticipation of chemical regulations through communication and industry activities

(6) Collaboration with industry associations and government

We will enrich collaboration and communication with industry associations and governments in multiple countries and areas to help build a society with secure ingredient and product safety.

Related initiative: [P77](#) Acting in anticipation of chemical regulations through communication and industry activities

Impact generated by implementing the strategies

The following financial, environmental and social impacts are expected to result from these strategies:

Financial impact

- Enhanced sales owing to bolstered provision of correct safety information
- Enhanced our brand value owing to accurate proactive information provision, and a stable foundation for revenue owing to reinforced long-term customer loyalty
- Cultivation of new markets and customer demographics, and greater opportunities for revenue owing to proactive initiatives to provide information related to safety and ingredients
- Avoidance of penalties and fees for additional action owing to rapid response in an information society and stricter regulations

Environmental and social impact

- Prevention of damage to consumers’ health, as well as environmental pollution
- Contribution toward building a social system for securing the safety of ingredients and products
- Boost in consumer information literacy owing to the spread of accurate knowledge in an information society, and prevention of confusion from misinformation
- Contribution toward building a fair society in which everyone can access accurate information and enjoy safe and reliable products

Strategic resilience

We are building resilience to swiftly respond to the concerns of consumers and customers with a highly transparent system for providing information about ingredient and product safety, and by adopting evaluation methods based on scientific evidence. We are also conducting awareness-raising activities and ongoing brand value enhancement measures to differentiate ourselves from competitors. In this way, we have the flexibility to maximize business opportunities while minimizing risks related to decreases in sales and trust.

Metrics and targets

To enhance the effectiveness of our strategies, we set performance metrics related to risks and opportunities, and we periodically monitor our progress. We set targets and check their achievement for metrics related to particularly significant risks and opportunities, thereby steadily driving initiatives using the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	% of targeted ingredients of concern on which views are disclosed	17% (31%)*	30% (56%)*	60% (100%)*	67%	77%	100%	2030

* Values in parentheses are based on the former definition.

As planned in 2024, we successfully published a statement about adding three more ingredients that we do not use. We had already stopped using these ingredients and did not intentionally add them to products, so the execution of the plan proceeded relatively smoothly.

Metrics and results

Strategy	Metrics		Results		
			2022	2023	2024
(1) (2)	Number of ingredients of concern on which views are disclosed		18	20	23
(1) (2) (5)	Number of people reached the disclosure web-site about ingredients * From April 2024 to date	Contained in Kao's product	–	–	36,268
		we do not use	–	–	1,099

We have already disclosed our ingredient policy regarding plastic microbeads and 1,4-dioxane out of the five disclosed ingredients that we do not use. In addition, we have already stopped intentionally adding the remaining three newly disclosed ingredients (triclosan, triclocarban, and nonylphenols (NP) and ethoxylated nonylphenols (NPEs) to products.

Governance

We are building a governance framework for this theme under the supervision of the Board of Directors, with the Product Quality Management Division in charge. The Senior Vice President in charge of Product Quality Management serves as the owner in this framework and holds Chemical Stewardship Council meetings six times a year to discuss important matters regarding raw materials and ingredients. The council deliberated information disclosure twice in 2024. It is surveying information that should be published and is working to finalize a policy for this.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Management process

We manage the processes for plan formulation, activities, and evaluation of results, and we carry out steady improvements regarding initiatives addressing risks and opportunities to achieve safer healthier products.

P (Planning)

The Chemical Stewardship Council formulates plans regarding targets and activities for the next fiscal year on an ad-hoc basis (six times a year). Authorization is carried out by the Senior Vice President of the division.

D (Implementation)

Please refer to the description of our initiatives (P76-78).

C (Evaluation of results)

The Chemical Stewardship Council evaluates the results of activities on an ad-hoc basis (six times a year). It summarizes the evaluation method and results, and reports to the Senior Vice President of the division who serves as the person in charge.

A (Corrective action, review of targets and activities)

The Chemical Stewardship Council carries out corrective measures, and reviews targets and activities on an ad-hoc basis (six times a year). Authorization is carried out by the Senior Vice President of the division.

Initiatives

Kao carries out various initiatives for safer healthier products mentioned above. We drive these initiatives in tandem toward our targets. Some significant examples among our many initiatives are described below.

Strategy		Initiatives
Overall	(1) Information disclosure with transparency	Establishment of a plan for disclosing our FY2024 ingredient policy
	(2) Proactive information provision regarding ingredients of particular interest to society	
Products	(3) Use of safe ingredients and development of safe products	Use of safe ingredients and development of safe products
	(4) Utilization of scientific evaluation methods	
Communication	(5) Promotion of understanding through communication	Acting in anticipation of chemical regulations through communication and industry activities
	(6) Collaboration with industry associations and government	

Establishment of a plan for disclosing our FY2024 ingredient policy

Area: Global

Corresponding strategies: (1) (2)

We have established a plan for disclosing our FY2024 ingredient policy (and ingredients that we do not use) to enhance transparency regarding product safety. With this plan, we aimed to disclose ingredients that are not used in Kao's consumer products (excluding professional-use and chemical products): triclosan, triclocarban, nonylphenols (NP) and ethoxylated nonylphenols (NPEs). We researched the laws and regulations of multiple countries, as well as disclosure at other companies and the status of internal use, and carried out the disclosure based on scientific evidence.

Meanwhile, careful consideration is required regarding the scheduled disclosure of ingredients that we do not use in FY2025 and onward; namely the details to disclose and the phrasing to use. This is because we risk creating misunderstanding among consumers and may lose their trust as a company if we do not provide information appropriately. We are closely collaborating with relevant divisions as we explore the suitable approach for these ingredients.

Going forward, Kao will continue to engage in information disclosure with transparency and proactively provide information on ingredients of particular interest to society, thereby living up to the trust that society holds in the company by making safer healthier products.

- About Ingredients Contained in Kao's Products
<https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/>
- Ingredients we do not use
<https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/we-do-not-use/>

Use of safe ingredients and development of safe products

Area: Global

Corresponding strategies: (3) (4)

We are building a system to scientifically evaluate the safety of ingredients and products in all categories, so as to use safe ingredients and develop safe products. Highly novel

products and raw materials require particularly detailed safety checks owing to their nature, and we are developing a system for cross-divisional checks. We are also building a framework for continually checking whether customers are using products safely after launch, and for taking rapid action if necessary.

Kao has learned lessons from the Econa problem in 2009 and the Rhododenol case in 2013, with initiatives to further improve safety based on its duty to live up to the trust held by customers and society. The interpretation of safety in chemicals management has changed in recent years. As a result, there is a trend for restricting the use of substantially safe ingredients. Kao will enforce strict safety evaluations and thoroughly pursue true safety, while also providing information based on scientific evidence to consumers and society to enhance understanding and trust among customers and society.

- Product Quality Management
<https://www.kao.com/global/en/innovation/safety-quality/>
- Kao Group Basic Quality Policy
<https://www.kao.com/global/en/innovation/safety-quality/safety-quality-policy/>
- Safety Standards for Household Products
<https://www.kao.com/global/en/innovation/safety-quality/houseware-quality/>
- Safety Standards for Cosmetic Products
<https://www.kao.com/global/en/innovation/safety-quality/cosmetics-quality/>
- Safety Standards for Food Products
<https://www.kao.com/global/en/innovation/safety-quality/food-quality/>

Acting in anticipation of chemical regulations through communication and industry activities

Area: Global

Corresponding strategies: (5) (6)

There is a recent global trend of chemical regulations becoming more stringent. In particular, the EU is implementing many strict regulations in rapid succession, resulting in a significant business impact for companies that deal in chemicals. As a result, Kao is acting in anticipation of chemical regulations through communication with governments as well as industry activities.

Specifically, we are collaborating with partner companies in industrial associations and proactively holding dialogue with government agencies in multiple countries. In

Improved Quality of
Life

Habits for
Cleanliness, Beauty
& Health

Universal Product
Design

> Safer Healthier
Products

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Walking the Right Path

2024, we joined the World Business Council for Sustainable Development (WBCSD) with the aim of gathering more comprehensive information worldwide and bolstering our capabilities for information provision.

By identifying global trends in regulations at an early stage, rapidly deploying the necessary defensive measures, and swiftly considering the development of replacement ingredients, we can minimize the impact of new regulations on business operations and mitigate financial risk.

Going forward, Kao will utilize its global partnerships and continue to take advanced response to chemical regulations as it promotes sustainable business activities.

 Kao Joins the World Business Council for Sustainable Development
<https://www.kao.com/global/en/newsroom/news/release/2025/20250304-001/>

56 million people

Cumulative number of people reached through awareness-raising activities promoting environmentally conscious lifestyles and realizing a sustainable world

55%

The percentage of brands that make a contribution to solving social issues and that make people feel and empathize with the brand's social usefulness

90%

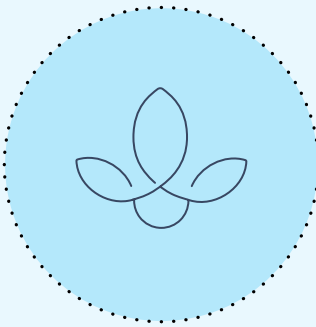
Supplier assessment implementation rate

88%

Confirmation of traceability to oil palm smallholders

Making Thoughtful Choices for Society





Sustainable Lifestyle Promotion

GRI 306-1

We support sustainable lifestyles across society through broad information provision and next-generation education. By offering consumers practical choices they can adopt in their daily lives, we contribute to realizing enriched lifestyles and transforming social systems.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Decline in brand value and loss of business opportunities due to competitors taking the lead in marketing and supporting sustainable lifestyles - Decline in reputation and corporate value due to insufficient contribution to societal transformation towards sustainable lifestyles	Overall	(1) Realizing enriched lifestyles and enhancing customer loyalty through sustainable lifestyle proposals	Cumulative number of people reached through awareness-raising activities promoting environmentally conscious lifestyles and realizing a sustainable world (cumulative total since 2016) (1)	100 million people 2030	56 million people	Expansion of the corporate advertisement series "Wastefulness—Mottainai. Never today, nor tomorrow." (1) Provision of useful information for sustainable lifestyles on the "My Kao" website (1)	Enhanced brand loyalty through sustainable lifestyle proposals, leading to increased product sales
	Products	(2) Proposing sustainable lifestyles through eco-friendly products and brands	Number of sustainable lifestyle proposals implemented in conjunction with products (2)	—	2 proposals	<i>CuCute: Mirai ni eco-peko bottle</i> (eco-friendly refill bottle) (2) <i>Emal: Sustainable Fashion</i> (2)	
	Information provision	(3) Proposing sustainable lifestyles through corporate information provision on product use, daily life, and people's values	Number of information provision activities proposing sustainable lifestyles (3)	—	3 activities	Lending and exhibition of artworks from the Environmental Painting Contest (3) Raising environmental awareness through plant tours (3) Environmental event hosted by Kao Group Customer Marketing (3)	
Opportunities	Educational support	(4) Nurturing the next generation by providing experiential and hands-on learning opportunities	Number of learning opportunities provided for sustainable lifestyles (4)	—	2 opportunities	Provision of educational materials for elementary school students to develop the ability to identify and solve familiar environmental issues (4)	Environmental and social impact - Cumulative number of people reached through information provision proposing sustainable lifestyles (cumulative total since 2016): 1.18 million - Cumulative number of people reached through learning opportunities provided for sustainable lifestyles (cumulative total since 2016): 580,000
	Collaboration	(5) Contributing to the transformation of social systems through collaboration with external partners	Number of collaboration activities with external partners for realizing sustainable lifestyles (5)	—	2 activities	Collaboration with another company for horizontal recycling of refill packs (5) Co-hosting a clean and water-saving campaign in China with the Chinese government and supporting university students' environmental activities (5)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To reduce risks and create opportunities for sustainable lifestyle promotion, we implement Kao's unique and effective strategies that contribute to business growth and solving issues in society.

▀ Social issues

For Kao to remain a sustainable and competitive company, accurately understanding social issues is essential. Recognizing these issues not only helps mitigate business risks but also serves as a crucial starting point for identifying new business opportunities that drive growth. Kao recognizes the following social issues related to this theme.

- Impact on consumers' lifestyles due to the emergence of environmental issues, such as climate change
- Growing interest among consumers in corporate sustainability initiatives and commitments, driven by the increasing preference for sustainable lifestyles

▀ Risks and opportunities

In a business environment that includes the social issues mentioned above, Kao faces various risks and also identifies new business opportunities. Identifying risks and opportunities is a critical process in formulating corporate strategies and initiatives. The key risks and opportunities identified by Kao in this area are as follows.

Risks

- Decline in brand value and loss of business opportunities due to competitors taking the lead in marketing and supporting sustainable lifestyles
- Decline in reputation and corporate value due to insufficient contribution to societal transformation towards sustainable lifestyles

Opportunities

- Creation of business opportunities and business growth through marketing and product proposals aligned with sustainable lifestyle proposals
- Enhancement of brand value, customer loyalty, and business growth through the expansion of sustainable lifestyle proposals
- Improvement of reputation and corporate value by taking on the challenge of societal transformation towards sustainable lifestyles

▀ Strategy

As a response to the identified risks and opportunities, Kao has formulated the following strategies. These strategies serve as a key pathway to achieving one of the basic policies of the Mid-term Plan K27: "to become an essential company in a sustainable world." Leveraging Kao's extensive research on consumers' lifestyles, its achievements and expertise in next-generation education and regional cooperation, and its influence as a leading company in social transformation, Kao supports the adoption of sustainable lifestyles by both consumers and society as a whole.

(1) Realizing enriched lifestyles and enhancing customer loyalty through sustainable lifestyle proposals

Clearly communicate the importance of sustainable lifestyles to support consumers in realizing enriched lifestyles, and also strengthen their trust in and affinity for Kao.

Related initiative:  Corporate advertisement series "Wastefulness—Mottainai. Never today, nor tomorrow."

(2) Proposing sustainable lifestyles through eco-friendly products and brands

By proposing sustainable lifestyles through the use of eco-friendly products and supporting consumers in achieving a sustainable way of living, Kao enhances product and brand loyalty and strengthens its market competitiveness.

Related initiative:  Fashion and environmental action with *Emal*

Making Thoughtful Choices
for Society

> Sustainable Lifestyle
Promotion

Purpose Driven
Brands

Transformative
Innovation

Responsibly Sourced
Raw Materials

Making the World Healthier
& Cleaner

Walking the Right Path

(3) Proposing sustainable lifestyles through corporate information provision on product use, daily life, and people’s values

By providing a wide range of sustainability-related information, including product usage examples, practical lifestyle tips, and people’s perspectives, Kao captures consumers’ interest and encourages action. This strengthens their sense of connection to the brand and enhances brand loyalty.

(4) Nurturing the next generation by providing experiential and hands-on learning opportunities

Utilizing Kao’s long-standing expertise in education and its cooperative framework with local communities, Kao provides experiential and hands-on learning opportunities for children who will shape the future. This enhances the continuity of actions for achieving sustainable lifestyles, and also creates brand value for the next generation of consumers.

(5) Contributing to the transformation of social systems through collaboration with external partners

Kao collaborates with a diverse range of stakeholders to drive reforms in social systems for the realization of sustainable lifestyles. By leveraging its influence as a leading company in social transformation, Kao contributes to solving social issues and strengthens trust in the company.

Impact generated by implementing the strategies

Through the strategies outlined above, Kao expects to generate the following financial impact and environmental and social impact.

Financial impact

- Enhanced brand loyalty through sustainable lifestyle proposals, leading to increased product sales

Environmental and social impact

- Improved consumer satisfaction with daily life through sustainable lifestyle proposals
- Expansion of enriched lifestyles through the ripple effect of next-generation education on families
- Contribution to building a sustainable world by driving transformation towards sustainable lifestyles

Strategic resilience

Kao actively develops hygiene products and services and carries out support activities to promote sustainable lifestyles, strengthen brand value, and differentiate itself from competitors. At the same time, by promoting the conservation of natural resources and the use of recycled materials, Kao contributes to sustainable social transformation and enhances its corporate reputation. Through the implementation of sustainability-driven strategies, Kao creates business opportunities and builds resilience, enabling it to respond flexibly to evolving social demands.

Metrics and targets

To enhance the effectiveness of its strategies, Kao establishes performance metrics related to risks and opportunities and regularly monitors its progress. Regarding metrics for significant risks and opportunities, Kao sets specific targets and tracks their achievement, ensuring steady implementation through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Cumulative number of people reached through awareness-raising activities promoting environmentally conscious lifestyles and realizing a sustainable world (cumulative total since 2016)	9.4 million people	11 million people	43 million people	48 million people	56 million people	0.1 billion	2030

Through products and brands, information provision, educational support, and collaboration activities with external partners, Kao has carried out awareness-raising activities promoting environmentally conscious lifestyles and realizing a sustainable world. As of the end of 2024, the cumulative number of people reached since 2016 through these activities was 56 million.

* The total includes the corporate advertisement series “Wastefulness—Mottainai. Never today, nor tomorrow.”, whose videos have been watched approximately 40 million times since its launch in 2022.

Metrics and results

Strategy	Metric	Results		
		2022	2023	2024
(2)	Number of sustainable lifestyle proposals implemented in conjunction with products	2 proposals	2 proposals	2 proposals
(3)	Number of information provision activities proposing sustainable lifestyles	3 activities	3 activities	3 activities
(4)	Number of learning opportunities provided for sustainable lifestyles	2 opportunities	2 opportunities	2 opportunities
(5)	Number of collaboration activities with external partners for realizing sustainable lifestyles	2 activities	2 activities	2 activities

We have been continuing our ongoing initiatives into 2024 as well.

Impact of the strategy on the environment and society

Item	Impact
Cumulative number of people reached through information activities promoting sustainable lifestyles (cumulative total since 2016)	1.18 million people
Cumulative number of people reached through the provision of learning opportunities on sustainable lifestyles (cumulative total since 2016)	0.58 million people

Governance

The Global Consumer Care serves as the supervising division, and the person in charge of that division promotes strategies for Sustainable Lifestyle Promotion through the following two meetings. Specifically, the GC/ESG Promotion Meeting (held six times a year), which includes the supervising and development managers as members, discusses the results of the ESG Managing Committee, deliberates on proposals, makes decisions on policy, and confirms and discusses global situations and responses.

We also hold regular meetings attended by the president, general managers of business divisions, and managers of research, manufacturing, and procurement divisions, where we discuss new products and major investment projects from a global perspective, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, during the product development process, we hold meetings attended by the managers and staff in charge of business, research, manufacturing, product quality management, and other divisions, and we also check the product performance, product value, and business potential involved in the decision to commercialize the product from an ESG perspective.

[P34](#) Our ESG Vision and Strategy > Governance

Risk and opportunity management

Management process

The status of our efforts to address risks and opportunities in the pursuit of promoting Sustainable Lifestyle is managed through the following PDCA cycle, and we are working to make steady improvements.

P (check for risks and opportunities)

The GC/ESG Promotion Meeting monitors various trends, such as global regulations and customer requests, and identifies the associated risks and opportunities. A response policy is established based on the identified risks and opportunities.

D (response based on risk/opportunity)

The response policy decided by the GC/ESG Promotion Meeting is deployed to related divisions, and specific activities are promoted. The policy is reflected in the product development process and approved/confirmed, as necessary. The content of various activities is disclosed internally and externally.

* For details on each activity, refer to Initiatives (P84-85).

C (monitoring and evaluation of response status)

The GC/ESG Promotion Meeting reports on and evaluates the progress of ongoing response activities. As necessary, the content and results of activities are reported to the ESG Managing Committee and proposals are shared.

A (response to issues and improvements)

Based on the monitoring results and proposals, the activity policy and implementation system are improved as necessary. Continuous improvement is made to measures for dealing with risks and the content of initiatives.

Initiatives

Kao is engaged in a variety of initiatives aimed at Sustainable Lifestyle Promotion. These initiatives are based on the aforementioned strategies, and are being promoted in collaboration with one another to achieve our goals. Here, we will introduce some of the important initiatives from among the many we are engaged in.

Strategy		Initiatives		
Overall	(1) Realizing enriched lifestyles and enhancing customer loyalty through sustainable lifestyle proposals	Expansion of the corporate advertisement series "Wastefulness—Mottainai. Never today, nor tomorrow."	Provision of useful information for sustainable lifestyles on the "My Kao" website	
Products / brands	(2) Proposing sustainable lifestyles through eco-friendly products and brands	<i>CuCute: Mirai ni eco-peko bottle</i> (eco-friendly refill bottle)	<i>Emal: Sustainable Fashion</i>	
Information provision	(3) Proposing sustainable lifestyles through corporate information provision on product use, daily life, and people's values	Lending and exhibition of artworks from the Environmental Painting Contest	Raising environmental awareness through plant tours	Environmental event hosted by Kao Group Customer Marketing
Educational support	(4) Nurturing the next generation by providing experiential and hands-on learning opportunities	Provision of educational materials for elementary school students to develop the ability to identify and solve familiar environmental issues		
Collaboration	(5) Contributing to the transformation of social systems through collaboration with external partners	Collaboration with another company for horizontal recycling of refill packs	Co-hosting a clean and water-saving campaign in China with the Chinese government and supporting university students' environmental activities	

Making Thoughtful Choices
for Society

> Sustainable Lifestyle
Promotion

Purpose Driven
Brands

Transformative
Innovation

Responsibly Sourced
Raw Materials

Making the World Healthier
& Cleaner

Walking the Right Path

Corporate advertisement series
“Wastefulness—Mottainai. Never today, nor
tomorrow.”

Region: Japan

Corresponding strategy: (1)

To widely communicate Kao’s corporate commitment to contributing to a sustainable world, the company has been running the corporate advertisement series “Wastefulness—Mottainai. Never today, nor tomorrow.” since 2022. This series conveys Kao’s ESG-driven *Yoki-Monozukuri* approach to innovation and corporate values aimed at achieving a circular society through the message “Wastefulness—Mottainai. Never today, nor tomorrow.”

By drawing attention to the often-overlooked mottainai in daily life through the message “Wastefulness—Mottainai. Never today, nor tomorrow.”, Kao aims to inspire consumers to recognize the small instances of mottainai in their lives and take action to address them. The goal is for this awareness and behavior to spread across society as a whole.

In 2024, Kao introduced various decarbonization (water-saving) initiatives through television commercials and YouTube, delivering a humorous message about how water conservation contributes to CO₂ reduction and showcasing a diverse range of products. Additionally, to cultivate brand affinity among younger audiences and encourage behavioral change, Kao is rolling out social media-focused content.

Since the campaign launched in 2022, the cumulative number of video views has reached approximately 40 million, and 75% of those aware of the campaign have expressed an intention to choose Kao products (21% higher than those unaware of it), indicating its potential impact on purchasing behavior.

In addition to Japan, a dedicated page has already been launched on Kao China’s website, and further global collaboration is planned.

“Wastefulness—Mottainai. Never today, nor tomorrow.”
<https://www.kao.com/jp/mottainai/>



Fashion and environmental action with *Emal*

Region: Japan

Corresponding strategy: (2)

Kao is promoting sustainable fashion* through its fashion-care detergent *Emal* under the theme of “Wash with care. Wear for longer. That’s sustainable” as part of its efforts to reduce environmental impact and simultaneously enjoy fashion.

Extending the lifespan of clothing is one solution to the environmental impact challenges faced by the fashion industry. *Emal* is designed to help clothing last longer by minimizing fabric damage and preventing deformation during washing. As part of a joint initiative with ZOZO, Inc., Mercari, Inc., and Money Forward, Inc., Kao has published article content promoting sustainable fashion through *Emal*.

Kao will continue to contribute to extending the clothing lifecycle through *Emal* laundry care, to achieve the goal of sustainable fashion.

* Sustainable fashion: An approach that aims to ensure the long-term sustainability of the entire process from production and wear to disposal. It also considers the environment of the planet, including its ecological systems, as well as the people and societies involved. (Source: Ministry of the Environment, Japan)

Emal’s Sustainable Fashion
<https://www.kao.co.jp/emal/sustainable/>



Employees'
opinions

**An environmentally
conscious lifestyle: Practical,
effortless ways to make it
last**



Aya Hatanaka
Strategic Business PR
Strategic Public Relations
Kao Corporation

Kao is promoting “Wastefulness—Mottainai. Never today, nor tomorrow.” We often hear people say they want to take action for the environment and the future but do not know where to start. A lifestyle with low environmental impact should not feel like a sacrifice; it should be truly sustainable. That is why Kao aims to offer products that not only minimize environmental impact but are also convenient, easy to use, and enrich daily life for consumers. Through this commitment to *Yoki-Monozukuri*, we hope that consumers will realize that simply using Kao products naturally contributes to the well-being of the planet, so that they will join us in taking action.

Employees'
opinions

**Cherish your favorite clothes
for longer: Emal’s vision for a
sustainable future**



Koki Tsujimoto
Fabric Care Business
Hygiene Living Care
Business
Kao Corporation

Emal has built its brand with those who cherish and wear their favorite clothes for a long time in mind.

In the lifespan of clothing, from purchase to disposal, the period of wearing and washing is the longest. Recognizing this, Kao structured its approach for *Emal* into three key stages—purchase, wear, and disposal—and collaborated with ZOZO and Mercari to promote sustainable fashion through dedicated initiatives.

By working in collaboration with external partners, this initiative not only highlights the value of *Emal* products but also communicates the importance of contributing to the environment through fashion. To support consumers who cherish and wear their clothes for longer, *Emal* will continue to collaborate with stakeholders in the apparel industry and the reuse market, and also promote environmentally conscious initiatives. Thank you for supporting *Emal*, which helps your favorite clothes last longer.



Stakeholder engagement

Advancing awareness-raising activities to realize sustainable fashion

Natsumi Kaisho

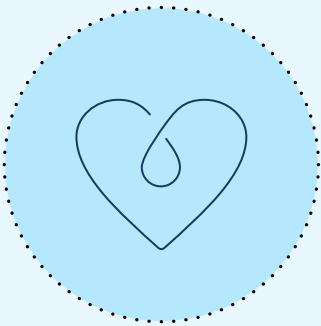
Block Leader, Sustainability Promotion Block
Communication Design Division
ZOZO, Inc.

ZOZO, Inc., which operates the fashion e-commerce platform ZOZOTOWN, has adopted the Sustainability Statement: “Connecting fashion to a sustainable future.” The company has been working towards creating a new fashion world that is mindful of both the environment and society.

We believe that for customers to find their favorite pieces and cherish them for a long time is essential to achieving sustainable fashion. Until now, ZOZO has focused on awareness-raising activities at the point of purchase, providing sustainability information to help customers make informed clothing choices. However, we had not fully addressed awareness efforts for what happens after clothing is worn. In response, we resonated with the message behind *Emal*, the fashion-care detergent sold by Kao, which advocates “Wash with care. Wear for longer.” As part of this initiative, we included *Emal* with purchases made on ZOZOTOWN and in the branded secondhand fashion zone ZOZOUSED.

Additionally, through our company-operated media channels, which shares sustainability information, we promoted ways for customers to care for their favorite pieces. By collaborating with Kao, which shares the same vision, we were able to propose sustainable actions to customers at the right timing. This likely created a strong synergistic effect.

In recent years, as interest in secondhand clothing has grown, many people have turned to ZOZOUSED, our platform for buying and selling pre-owned fashion. Moving forward, it is essential to promote the idea of wearing each piece of clothing for longer and to build a circular society where clothes are not simply discarded but passed on to new owners. For this reason, we recognize that care practices that extend the lifespan of clothing will become extremely important. We will continue to collaborate with Kao to advance awareness-raising activities for achieving sustainable fashion.



Purpose Driven Brands

Through innovation and creativity, we aim to develop brands that help to solve social issues, enabling people worldwide to live a comfortable lifestyle, thereby increasing customer loyalty and enhancing our brand value.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Decline in brand competitiveness and loss of business opportunities as other companies take the lead in marketing and support activities based on their brand purposes - Reduced resilience against price competition and deteriorating profitability due to a decline in brand loyalty	Overall	(1) Address the issues facing consumers and society, and strive for a meaningful brand that gains empathy, based on brand purpose	The percentage of brands that make a contribution to solving social issues and that make people feel and empathize with the brand's social usefulness (1)	100% 2030	55%	Merries: Development of "Going to nursery schools by Kao", a childcare support service for daycare centers (1)	- Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyalty - Improved profitability and ROIC through greater investment efficiency
		(2) Improve loyalty through stronger marketing based on brand purpose				Guhl: Purpose-driven brand restaging (2)	
Opportunities - Business growth through increased loyalty among existing customers and acquisition of new customers by implementing marketing based on a brand purpose that addresses consumer and social issues - Higher long-term competitiveness through the advancement of marketing based on consumer empathy - Improvement of brand credibility, favorability, and brand value through the expansion and communication of activities aimed at solving consumer and social issues	Branding	(3) Spread awareness of the brand's role and value to consumers through brand purpose	Degree of brand favorability among consumers using the product (3)	–	75.6%	CuCute: Development of brand activities that are eco-friendly and reflect diversifying lifestyles (3)	Environmental and social impact - Contributing to a comfortable consumer lifestyle and society through initiatives addressing consumer and social issues - Enhancing consumer awareness of environmental protection by positioning environmental consideration as a product value
		(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose				Laurier: Development of Laurier in the Workplace to contribute to the daily lives of individuals and to social issues (4)	
	Products and support activities	(5) Communicate the value of products to consumers and society based on brand purpose				TWANY: Development of activities to stay close to women (5)	
		(6) Support activities for solving issues facing consumers and society based on brand purpose				est: Development of projects to support learning among young people in Asia (6)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To mitigate the risks and create opportunities associated with purpose driven brands, we execute strategies in a way that is uniquely Kao—practical, effective, and contributing to both business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, accurately recognizing social issues is essential. Understanding these issues not only helps mitigate business risks but also serves as a crucial starting point for identifying new business opportunities that drive growth. Kao recognizes the following social issues relevant to this theme.

- Increasing consumer attention to brands' sustainability-related positions and initiatives
- A growing number of consumers who prioritize not only product functionality but also a brand's philosophy and worldview
- A rising tendency for brands that aim to solve consumer issues to gain empathy and trust

■ Risks and opportunities

In the evolving business environment, which includes the social issues mentioned above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is a critical process in formulating corporate strategies and initiatives. The key risks and opportunities Kao has identified in this area are as follows.

Risks

- Decline in brand competitiveness and loss of business opportunities as other companies take the lead in marketing and support activities based on their brand purposes
- Reduced resilience against price competition and deteriorating profitability due to a decline in brand loyalty

Opportunities

- Business growth through increased loyalty among existing customers and acquisition of new customers. This is done through marketing based on a brand purpose that addresses consumer and social issues
- Enhancement of long-term competitiveness through the advancement of marketing based on consumer empathy

- Higher brand credibility, favorability, and brand value through the expansion and communication of activities aimed at solving consumer and social issues

■ Strategy

To address the identified risks and opportunities, Kao has formulated the following strategies. By evolving all brands into those that genuinely resonate with consumers and society while addressing social issues, Kao will implement product development, marketing, and communication activities. These strategies serve as a foundation for realizing the “*Global Sharp Top*” strategy, which lies at the core of the Mid-term Plan K27.

(1) Address the issues facing consumers and society, and strive for a meaningful brand that gains empathy, based on brand purpose

Kao will sincerely engage with consumer and social issues, providing products and services in response to these challenges. By doing so, Kao aims to gain consumer and societal empathy and reinforce the brand's purpose for existing. Building trust with consumers and society will contribute to increased loyalty.

Related initiatives:  *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues
 est: Supporting the education of young people in Asia through the Light up Curiosity Project

(2) Improve loyalty through stronger marketing based on brand purpose

Kao will enhance consistent marketing activities aligned with brand purpose to deepen consumer connections and strengthen brand loyalty. This will reinforce our revenue base and drive mid- to long-term growth.

Related initiatives:  *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues
 est: Supporting the education of young people in Asia through the Light up Curiosity Project

(3) Spread awareness of the brand's role and value to consumers through brand purpose

Kao will clearly communicate the roles of its products and services based on brand purpose to consumers, ensuring a deep understanding of the brand's value. This will enhance consumer empathy toward the brand and strengthen support from both consumers and investors.

Related initiatives:  *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues
 est: Supporting the education of young people in Asia through the Light up Curiosity Project

(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose

Kao will accurately assess consumer empathy toward its brands and promote marketing activities based on a deep understanding of consumers. We will keep refining our marketing by driving

digital transformation and implementing data-driven management to maximize effectiveness.

Related initiative:  *Guhl*—a hair care brand that is “Genuinely Familiar”

(5) Communicate the value of products to consumers and society based on brand purpose

By providing Kao products that align with brand purpose, improve life for consumers, and contribute to society, we will clearly convey our corporate stance on sustainability and boost consumer awareness of sustainability. Through these communication efforts, Kao will gain consumer trust while presenting concrete solutions to social issues.

Related initiatives:  *Laurier* in the Workplace: Brand activities that contribute to individual lifestyles and solving social issues,

 *est*: Supporting the education of young people in Asia through the Light up Curiosity Project

(6) Support activities for solving issues facing consumers and society based on brand purpose

We aim to build empathy and realize a sustainable society by understanding consumer needs and social issues in line with our brand purpose and responding through relevant support and initiatives.

Impact generated by implementing the strategies

Through executing these strategies, Kao expects to generate both financial impact and environmental and social impact as outlined below.

Financial impact

- Long-term and sustainable sales growth through increased repeat users and acquisition of new users driven by enhanced brand loyalty
- Improved profitability and ROIC through greater investment efficiency

Environmental and social impact

- Contributing to a comfortable consumer lifestyle and society through initiatives addressing consumer and social issues
- Enhancing consumer awareness of environmental protection by positioning environmental consideration as a product value

Strategic resilience

To flexibly and sustainably respond to environmental and social issues, including climate change, Kao is reviewing its brand purpose while refining its marketing and strengthening partnerships with other companies and government agencies. These efforts will equip Kao with the resilience to adapt to external environmental changes, expand empathy toward its brands, and build societal trust, ultimately leading to the sustainable creation of value.

Metrics and targets

To increase the effectiveness of our strategies, we have established performance indicators related to risks and opportunities and regularly monitor their progress. For significant risks and opportunities, we set specific targets and assess our achievement levels. By doing so, we ensure steady progress through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Ratio of brands with a clear purpose for existing that address social issues and make people feel and empathize with their social usefulness	–	–	52% (53%)*1	52% (57%)*1	55%	100%	2030

*1 The values in parentheses are based on the old definition.

Until 2023, the population parameter*2 varied annually in accordance with the survey results. However, due to changes in the target brands, the population parameter*2 has been fixed.

*2 Corrected results (Reviewed target brands and fixed the population parameter)

Metrics and results

Customer Satisfaction

Strategy	Metrics	Results			
		2021	2022	2023	2024
(3)	Favorability toward product brands among consumers who use Kao products (level)*3	74.3%	73.0%	73.3%	75.6%

*3 Selection percentage of preferred brands in each product category

We have carried out brand enhancement activities in Japan and other parts of Asia and AEMEA (the Americas, Europe, the Middle East and Africa), which have led to various achievements, such as increased market share and strongly positive evaluations from consumers. Moving forward, we will further develop products and services that meet consumer needs, make disclosures transparently, and move forward with sustainable initiatives to earn even greater empathy from consumers. By doing so, we aim to enhance our brand credibility and consumer empathy, driving sustained growth.

Making Thoughtful Choices
for Society

Sustainable Lifestyle
Promotion

> Purpose Driven
Brands

Transformative
Innovation

Responsibly Sourced
Raw Materials

Making the World Healthier
& Cleaner

Walking the Right Path

Governance

The Global Consumer Care serves as the supervising division, and the person in charge of that division promotes strategies for purpose-driven brands through the following two meetings. Specifically, the GC/ESG Promotion Meeting (held six times a year), which includes the supervising and development managers as members, discusses the results of the ESG Managing Committee, deliberates on proposals, makes decisions on policy, and confirms and discusses global situations and responses.

We also hold regular meetings attended by the president, general managers of business divisions, and managers of research, manufacturing, and procurement divisions, where we discuss new products and major investment projects from a global perspective, focusing on product performance, product value, and business feasibility, including income and expenditure.

In addition, during the product development process, we hold meetings attended by the managers and staff in charge of business, research, manufacturing, product quality management, and other divisions, and we also check the product performance, product value, and business potential involved in the decision to commercialize the product from an ESG perspective.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Management process

The status of our efforts to address risks and opportunities in the pursuit of promoting purpose-driven brands is managed through the following PDCA cycle, and we are working to make steady improvements.

P (check for risks and opportunities)

The GC/ESG Promotion Meeting monitors various trends, such as global regulations and customer requests, and identifies the associated risks and opportunities. A response policy is established based on the identified risks and opportunities.

D (response based on risk/opportunity)

The response policy decided by the GC/ESG Promotion Meeting is deployed to related divisions, and specific activities are promoted. The policy is reflected in the product development process and approved/confirmed, as necessary. The content of various activities is disclosed internally and externally.

* For details on each activity, refer to Initiatives (P91-94).

C (monitoring and evaluation of response status)

The GC/ESG Promotion Meeting reports on and evaluates the progress of ongoing response activities. As necessary, the content and results of activities are reported to the ESG Managing Committee and proposals are shared.

A (response to issues and improvements)

Based on the monitoring results and proposals, the activity policy and implementation system are improved as necessary. Continuous improvement is made to measures for dealing with risks and the content of initiatives.

Initiatives

Kao is engaged in a variety of initiatives aimed at promoting purpose-driven brands. These initiatives are based on the aforementioned strategies, and are being promoted in collaboration with one another to achieve our goals. Here, we will introduce some of the important initiatives from among the many we are engaged in.

	Strategy	Initiatives
Overall	(1) Address the issues facing consumers and society, and strive for a meaningful brand that gains empathy, based on brand purpose	<i>Merries</i> : Development of “Going to nursery schools by Kao”, a childcare support service for daycare centers
	(2) Improve loyalty through stronger marketing based on brand purpose	<i>Guhl</i> : Purpose-driven brand restaging
Branding	(3) Spread awareness of the brand’s role and value to consumers through brand purpose	<i>CuCute</i> : Development of brand activities that are eco-friendly and reflect diversifying lifestyles
	(4) Refine marketing by understanding the degree of empathy among consumers based on brand purpose	<i>Laurier</i> : Development of <i>Laurier</i> in the Workplace to contribute to the daily lives of individuals and to social issues
Products and support activities	(5) Communicate the value of products to consumers and society based on brand purpose	<i>TWANY</i> : Development of activities to stay close to women
	(6) Support activities for solving issues facing consumers and society based on brand purpose	<i>est</i> : Development of projects to support learning among young people in Asia

Guhl – a hair care brand that is “Genuinely Familiar”

Region: EMEA

Corresponding strategy: (4)

As a brand deeply rooted in tradition, *Guhl* has embodied its core values, such as quality and reliability, for more than 80 years. But it’s not just the brand’s product sales performance that has made it become one of Germany’s fastest growing hair care brands in 2023—it is the brand motto *Guhl* shares with its consumers: the feeling to be “Genuinely Familiar” and the closeness and trust it has achieved to establish among its brand community in recent years.

Valuing empathy with the brand and connection to its customer base, *Guhl* redefined what its various values truly represent, based on the various ever-changing consumer needs in a hair care market. The values *Guhl* has always cherished—trust, closeness and care—are embodied as “Genuinely Familiar” and reflected in its authentic way of communication. For example, instead of showing perfectly styled hair in its advertising, *Guhl* focuses on everyday bathroom moments, supporting a new understanding of beauty—and diversity. Without explicitly addressing gender identity, skin color or age, *Guhl* incorporates everyday moments into its communication, supporting a more diverse representation in hair care advertising.

As a result of these efforts, the communication of *Guhl* resonates with consumers: thus *Guhl* was able to attract >700.000 more shoppers and increased sales by 15% compared to the period before *Guhl*’s re-positioning, making the brand grow significantly faster than the category. This is also reflected in consumer brand perception around the topics of trust and closeness. *Guhl* also received the German Brand Award and the acclaimed marketing award Effie, two of the most renowned German marketing awards.

In 2024, *Guhl* continued to build on its purpose-driven approach and the closeness it created not only with its consumers, but also with its partners. *Guhl*’s new Bond+ shampoo campaign focuses on Andrea, a woman with Down’s Syndrome, who already played a part in *Guhl*’s “Genuinely Familiar” campaign in 2022. The TV advert depicts Andrea’s beautiful hair as an expression of her inner strength and confidence. It sets itself apart from conventional hair care advertising. “During our last collaboration, Andrea told us that to her, her hair is a sign of strength, and that it gives her a feeling of self-

confidence and security,” says Anna Strohm, Associate Director for Marketing at *Guhl*. “We wanted to capture this as authentically as possible and have her reveal this to the audience in her own words.” An approach that was recognized by the audience: The response to the campaign featuring Andrea was overwhelmingly positive, with viewers highly praising *Guhl*’s promotion of inclusivity and authenticity. Many expressed emotional reactions, such as hope and inspiration, while others celebrated the use of a relatable and empowering model highlighting the importance of diversity.

Being closest to its consumers and their everyday lives was also a main driver of the brand’s decision to expand into a new category. In summer 2024, *Guhl* launched its Kids shampoo line, its first such line, positioning parents who grew up with the brand as a new and important target group. This generation is now looking for a trusted, high-quality offering for their children. “Introducing our Kids range was a natural development of our brand positioning around closeness and trust, and we are happy to see that it is being so well received,” says Anna Strohm. With a special focus on the needs of parents and kids alike, *Guhl* has had its range certified as natural cosmetics, offering a high-quality formulation that is gentle to the skin and a fun addition to the bathtime routine.

With all of these changes, *Guhl* not only succeeded in establishing itself as a brand with a purpose that evokes trust and empathy among its consumers but as a brand that is known for its commitment and dedication to environmental sustainability. The ingredients of *Guhl*’s shampoos are up to 99 percent biodegradable*¹, and the shampoo bottle bodies are made of 99 percent recycled material. Additionally, *Guhl* has reduced the number of ingredients in all products by approximately 30%, ensuring they are dermatologically tested, and free from silicones*², parabens, and microplastics. All



ingredients are up to 99 percent of natural origin^{*3}. *Guhl* is also officially certified by PETA.

For 2025 and beyond, *Guhl* is looking to continue its journey as a purpose-driven brand that offers sustainable, high-quality products in an authentic and approachable way.

^{*1} According to OECD regulations & including water.

^{*2} 2-Phase Sprays and blow-dry lotion excluded.

^{*3} Including water.

***Laurier* in the Workplace: Brand activities
that contribute to individual lifestyles and
solving social issues**

Region: Japan

Corresponding strategies: (1) (2) (3) (5)

Our *Laurier* brand for sanitary napkins has a brand perspective of making menstruation easier to live with. As working styles and lifestyles continue to change, we strive to listen closely to individuals, empathize with their needs, and engage in *Yoki-Monozukuri* to improve the environment surrounding menstruation. Our goal is to create a society where individuals can feel secure, be themselves, and live comfortably. Beyond product development, we also work to reduce the inconveniences associated with menstruation. As part of this effort, in spring 2022 we launched the *Laurier* in the Workplace project. This project promotes the stocking of sanitary napkins as standard workplace supplies, similar to toilet paper. The number of companies that have endorsed this activity and introduced sanitary napkins into their workplaces as part of their employee benefit programs has now increased to more than 400 (as of April 2025), and the circle of companies that are making it a matter of course to provide sanitary napkins in their workplaces is expanding. Users have also commented that they can work with peace of mind even when they do not have a sanitary napkin ready; that working in a factory sometimes means having to wear white work clothes and not being able to go to the bathroom quickly, so having sanitary napkins always available has reduced their stress; and that they hope this activity will become the norm in our society. Additionally, those responsible for implementing the program have reported that the installed sanitary napkins and training videos have helped instill awareness of creating a more inclusive workplace for employees, and that the initiative has provided a valuable opportunity to deepen understanding of menstruation. In July 2024, we

launched an internal ambassador program for *Laurier* in the Workplace. This initiative involves distributing business card-sized informational cards about the project to family members, friends, and business partners, encouraging broader adoption. Currently, 590 employees are participating as ambassadors, working to promote *Laurier* in the Workplace. In addition, as part of its efforts to nurture the next generation, *Laurier* has continued to provide menopause education at elementary schools since its launch in 1978 so that children can enter menopause with peace of mind. In 2024, we expanded these efforts across seven Asian countries, focusing on schools. In Japan, we provided menstrual education kits free of charge to more than half of the nation's elementary schools.



Laurier in the Workplace logo



Image of *Laurier* in the Workplace in a restroom

**est: Supporting the education of
young people in Asia through the Light up
Curiosity Project**

Region: Japan

Corresponding strategies: (1) (2) (3) (5)

Kao's cosmetics brand *est* is driven by its brand purpose of "Enhancing each individual's true beauty through evidence-based dermatology and supporting a life free from age-related constraints." In particular, *est* values and aims to safeguard the spirit of intelligence and curiosity that drives the pursuit of truth.

However, around the world, many individuals are denied the opportunity to learn simply because of where they were born, preventing them from cultivating their intelligence and curiosity. With the desire to bring these young people the joy of exploration and the power to shape their own futures, *est* launched the Light up Curiosity Project in 2022 in collaboration with the certified NPO e-Education to support the education of young people in Asia. This project focuses on the Philippines and Bangladesh, two countries said to have particularly severe educational disparities. In addition to providing educational materials, the initiative also dispatches top university students from urban areas as tutors, among other support efforts. To date, the project has assisted more than 100,000 students. In 2023, we established the Light up Curiosity Fund to provide continued financial support to university students who, despite gaining admission, are forced to abandon their studies due to an inability to afford tuition fees, which to just tens of thousands of yen per year. *est* is committed to ensuring that these students can continue their education.

Students who have received support have shared messages filled with hope and gratitude, such as, "I do not want to give up on pursuing a career in society as a woman due to religious or financial reasons. My dream is to become a teacher and support local children in the future." Another student shared, "The Light up Curiosity Fund gave me this opportunity. I want to express my happiness, gratitude, and joy."

Additionally, *est* has established the *est Plant* within SMART GARDEN, a proprietary plant facility that utilizes equipment capable of capturing and refining CO₂ emissions from a waste treatment plant in Saga City, Saga Prefecture. At the *est Plant*, we can efficiently cultivate plants and reduce environmental impact in terms of both electricity and water use. Furthermore, we have developed ingredient control technology that

enables an integrated process from plant cultivation to extract production, allowing us to obtain high-purity, high-efficacy plant extracts.

Moving forward, *est* remains committed to these social and environmental initiatives, striving to create a society where everyone can explore limitless possibilities and pursue the truth.

 Our initiative | *est*



Learning scenes on-site (in Bangladesh)

Employees'
opinions

Anna Strohm

Associate Director,
Marketing, *Guhl*:



**Connecting with consumers
through authentic
communication**

Guhl has always been a brand defined by high-quality products that consumers can rely on. We are extremely proud that, today, it is also a brand that is known and valued for being close to its consumers and their everyday lives and needs – while also supporting sustainable choices. To me, the brand truly embodies the meaning of “Kirei”, contributing to a more beautiful life inside out. We are committed to building on this in the future and excited to connect with our consumers in new and meaningful ways.

Employees'
opinions

Yuki Tamura

Sanitary Business, Hygiene
Living Care Business,
Kao Corporation



**Promoting *Laurier* in the
Workplace to create a more
inclusive work environment**

Since 2024, I have been leading the promotion of *Laurier* in the Workplace. Through my efforts, I want people to recognize *Laurier* in the Workplace as one option for creating a workplace environment where everyone, regardless of menstruation, can work in comfort. In 2024, in addition to our internal ambassador activities, we expanded awareness through our first-ever event exhibitions and seminars, providing more opportunities than ever for people to learn about *Laurier* in the Workplace. As this initiative gains recognition and continues to grow through collaboration with companies, I feel a sense of responsibility. Moving forward, I aim to broaden our perspective to encompass a wider range of workplace environments and deepen our efforts.

Employees'
opinions

Makiko Kiyohara

est Brand Manager,
Prestige Brand Business,
Cosmetics Business,
Kao Corporation



**Bringing the light of intelligence
and the joy of exploration to
young people**

The Light up Curiosity Project was founded with the desire to share the light of intelligence and the joy of exploration—values cherished by *est*—with young people who have been deprived of learning opportunities due to various circumstances. Through this initiative, I have been deeply moved to witness just how many young individuals are brimming with dreams, talent, and ambition, and I have also been incredibly touched by the strong support this project has received from so many customers. Moving forward, we will continue this initiative to be a guiding light for young people with promising futures.

Additionally, with the establishment of the *est Plant*, we can now create cosmetics that are not only highly effective but also environmentally friendly, with fewer impurities and a reduced environmental impact. This aligns with the founding vision of Sofina: to provide high-quality and safe products to our customers. We remain committed to carrying forward this brand philosophy, ensuring our initiatives contribute to realizing a richer world.



Stakeholder engagement

A future without educational disparities: Bringing light to children's futures through learning support

Takeru Sakai

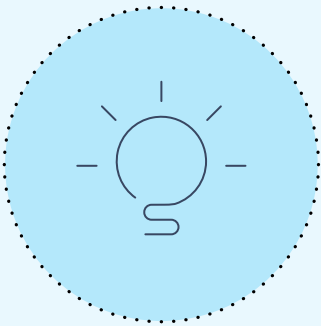
Deputy Representative,
Certified NPO e-Education

Certified NPO e-Education operates under the mission of “Delivering the best education to the ends of the world.” We provide education through technology, such as video lessons, to underprivileged children in four Asian countries.

Since 2022, est has been supporting our activities through the Light up Curiosity Project, guided by the belief that “We want to be a light for all those who seek knowledge.”

In Bangladesh and the Philippines, there is a significant educational disparity between urban and rural areas. Although every child should have the right to education, the reality is that these opportunities are not provided equally. To address this, est donates a portion of its product sales to support education through video lessons, helping to create learning opportunities for children in these regions. In FY2023, as part of a broader initiative to support education in developing countries, we collaborated with est to establish the Light up Curiosity Fund, which provides financial assistance to university students who, despite gaining admission, face economic hardships that prevent them from continuing their studies. This fund covers 4 years of university tuition. In

Bangladesh and the Philippines, many students are forced to abandon their education because they lack access to the money needed for annual tuition. Imagine how many dreams have been left behind with the thought, “Why me?” However, today, a light has begun to shine. In just 2 years, 882 students have applied for the Light up Curiosity Fund. After extensive discussions with the est team, we selected six passionate students from Bangladesh and the Philippines as scholarship recipients. These six scholars are now pursuing their dreams and ambitions through education. One of them, Felicity, a student at the University of the Philippines, shared her thoughts: “I did not grow up in a financially privileged environment, but thanks to being selected as an est scholar, I can continue chasing my dreams. My goal is to become a speech-language pathologist and give back to my local community by helping individuals with speech and hearing impairments.” Because of the Light up Curiosity Fund, students are able to continue learning. And now, these very students will become lights themselves, illuminating the path for the next generation. We hope to see this cycle of hope continue to grow.



Transformative Innovation

We strive to achieve sustainable lifestyles for consumers and solve intractable social issues by providing innovative products and services driven by essential research and technology innovation.

Risks	Strategy		Metrics, targets and results			Initiatives		Financial impact
- Increased disasters and loss of biodiversity due to global warming are affecting corporate activities - Competition is increasing due to the entry of global companies and companies from other industries into the market - Social issues and lifestyles diversify, and needs and value propositions are becoming more complex - Lack of the ability to respond to heightened environmental awareness and stricter regulations leads to loss of business opportunities	Overall	(1) Develop globally competitive core technologies and products	Metrics	Targets	2024 results			- Increase in sales by developing technologies to solve social issues and proposing high-value-added products - Greater profit margins by differentiating from existing products - Acquisition of new markets and customers by developing technology that solves specific customer and social issues and providing high-value-added products
		(2) Achieve both customer value and sustainable value creation						
		(3) Strengthen development based on speed as a competitive axis						
	Product development research	Improving QOL: Value proposals and product development that contribute to an enriched life	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)	10 2030	7	Toilet Magiclean Foam Pack has received the Award for Trend in the 2024 Nikkei Excellent Products and Services Award (2)		
		Decarbonization: Product development that contributes to reducing CO2 emissions (energy and water conservation, reducing usage and waste, etc.), prevention of air and water pollution, and use of environmentally friendly raw materials				Established the technology for lamellar structured shampoo (1)		
		Development of safer and healthier products						
Fundamental technology research	Decarbonization, zero waste, water conservation: Development of technologies and systems to build a recycling-oriented economic society	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)	10 2030	7	EpiSensA alternative method for skin sensitization testing developed by Kao added to the OECD test guidelines (1)		Environmental and social impact - Reduction of waste and carbon dioxide emissions - Realization of a healthy and comfortable society by improving the quality of life - Increase in the number of external collaborations due to recognition of technologies that solve environmental and social issues	
					Plant Factory “SMART GARDEN” (3)			
	Technology development that solves social issues and creates high-value-added products and new businesses				Kao and Earth Corporation collaborate in the field of “Insect (Mosquito) Control” in Thailand (3)			
	LUNAFLOW, a water-based mold release agent that maintains a slippery surface (2)							

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To reduce risks and create opportunities for Transformative Innovation, we are implementing strategies that are unique to Kao, are effective, and contribute to business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. This will not only mitigate business risks for Kao, but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Global warming: The impact on people's lives of the heat waves and disasters associated with climate change that continue to progress around the world
- Globalization and diversity: Growing interest in environmental and social issues associated with the globalization of people, goods and services, resources and capital, and information, as well as the diversification of lifestyles and values
- Technology innovation: Market entry by different industries and startups in the environmental technology field, and promotion of technology innovation through national strategies
- Regulations and rules: The formation of an international framework to deal with climate change, international regulations and standardization reflecting increased awareness of safety and security, and the competition to form rules in each country

■ Risks and opportunities

Kao faces various risks in this business environment, which includes these social issues, but it is also identifying new business opportunities. Identifying these risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Increase in major disasters caused by global warming and the loss of biodiversity, causing a slowdown in corporate production activities and a sharp rise in the cost of procuring raw materials
- Needs and value propositions becoming more complex due to social issues and the diversification of lifestyles

- Greenwashing and damage to corporate credibility caused by insufficient sustainable responses
- Fierce global competition in product and technology development, resulting in a decline in product competitiveness due to a decline in raw material procurement, technology development, cost competitiveness, environmental compatibility, and safety
- Loss of business opportunities due to increased compliance costs and a lack of relevant response capabilities
- Weakening and loss of traditional R&D competitiveness due to technology innovation and market entry by companies from other industries

Opportunities

- Improving corporate reliability through initiatives and proposals for solutions to environmental and social issues, and creating medium- to long-term businesses
- Continuously securing a competitive advantage through technology innovation at companies with distinctive technology assets
- Opportunities for creating new businesses and services in response to the diversification of lifestyles and customer values
- Promotion of cross-industry, industry-government-academia collaboration through open innovation for intractable environmental and social issues

■ Strategy

We have formulated the following strategies to address the identified risks and opportunities. These strategies are important initiatives that directly support the vision of the Mid-term Plan K27 of “Protecting future lives” and one of our basic policies of “to become an essential company in a sustainable world.” With the driving force of our essential research and technology innovation, which we have cultivated over many years, we aim to be a *Global Sharp Top* that makes the most of Kao's strengths to take on difficult social issues and become the world's No. 1 contribution by addressing customer needs with cutting-edge solutions.

(1) Develop globally competitive core technologies and products

We provide globally competitive products and services that solve environmental and social issues by leveraging our unique core technologies that we have developed for over 100 years, including the precise interfacial control technology, and our accumulated technology assets across a wide range of business fields.

Related initiatives: **P101** Improving QOL with foam cleaning technology that achieves cleanliness without scrubbing: *Toilet Magiclean Foam Pack*, **P101** Established the technology for lamellar structured shampoo, **P102** *LUNAFLOW*, a water-based mold release agent that maintains a slippery surface, **P103** and EpiSensA alternative method for skin sensitization testing developed by Kao added to the OECD test guidelines

(2) Achieve both customer value and sustainable value creation

Aiming to create innovative products that are accepted worldwide, we will balance customer value and sustainable value creation in line with the Kao Sustainable Product Development Policy through close collaboration between product development research and fundamental research. We also aim to provide innovative and essential products and services by solving the problems of customers and society through essential research that seeks to uncover the mechanisms of phenomena and objects, and unique proposals endorsed by evidence.

Related initiatives: [P101](#) Improving QOL with foam cleaning technology that achieves cleanliness without scrubbing: *Toilet Magiclean Foam Pack*, [P102](#) Plant Factory “SMART GARDEN”, [P102](#) Commercialization of mosquito control products in Thailand by collaborating with another company, [P102](#) and LUNAFLOW, a water-based mold release agent that maintains a slippery surface

(3) Strengthen development based on speed as a competitive axis

We promote open innovation and aim to achieve early social implementation through co-creation with partners. We will utilize DX technologies such as simulation, machine learning, and deep learning, as well as materials informatics to streamline and speed up the R&D process, also cultivating DX human resources and strengthening our development capabilities.

Related initiatives: [P102](#) Plant Factory “SMART GARDEN”, [P102](#) Commercialization of mosquito control products in Thailand by collaborating with another company, [P103](#) and EpiSensA alternative method for skin sensitization testing developed by Kao added to the OECD test guidelines

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental, and social impacts.

Financial impact

- Acquisition of new markets and customers and increase of sales by developing technology that solves specific customer and social issues and providing high-value-added products
- Greater profit margins by differentiating from existing products
- Increased customer loyalty and repeat purchase rates through improved brand value
- Stabilization of business foundations through product design based on the latest regulatory information
- Expansion of market share and stabilization of revenue base by improving market competitiveness

Environmental and social impact

- Increase in the number of external collaborations due to greater recognition of technologies that solve environmental and social issues
- Reduction of waste through the provision of resource-recycling containers and products

- Participation in standardization for indicators and evaluation methods that contribute to solving environmental and social issues
- Reduction of carbon dioxide emissions in use scenarios through the proposal of water- and energy-saving products
- Healthy and comfortable society through the improvement of quality of life
- Greater customer satisfaction by responding to diverse needs

Strategic resilience

In response to the risks of global warming, natural resource shortages, and intensifying global competition, Kao ensures the stability of its business by promoting technology innovation to effectively utilize and secure natural resources and provide products that deliver high value to consumers and customers. In addition, we are modifying our R&D strategy as needed while collecting information through industry-government-academia collaboration in response to stricter regulations and risks that are difficult to predict over the medium to long term. These measures are designed to maintain business continuity while also ensuring that we have the resilience to adapt quickly to changes in society and the market.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor our progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1) (2) (3)	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)	3 cases	4 cases	5 cases	6 cases	7 cases	10 or more	2030
(1) (2) (3)	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)	1 case	3 cases	5 cases	6 cases	7 cases	10 or more	2030

In terms of “products”, *Toilet Magiclean Foam Pack Without Rubbing* was awarded the “2024 Nikkei Excellent Products and Services Award in the Trend Category Award,” and in terms of “businesses or systems”, an alternative method for skin sensitization testing EpiSensA was adopted in the OECD Test Guidelines, and these contributions to people’s lives and society were recognized. Furthermore, we will continue our activities.

Governance

In terms of governance for Transformative Innovation, the R&D is the main division under the supervision of the Board of Directors, and the head of the R&D Strategy is responsible for the strategy. The strategy is formulated, and progress is checked through reports to the management and business management levels.

Specifically, the progress of research themes and the degree of achievement of KPIs are reported to the corporate, business, and research management at the annual research and technology meeting and research management meeting. In addition, at the ESG Promotion Meeting, the policies, strategy implementation, and progress of R&D activities are reported to the management and business management levels.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Policies

To implement its Transformative Innovation, Kao has established the following policies as guidelines for its daily operations and decision-making. For details, please see the website.

-  R&D Philosophy
<https://www.kao.com/global/en/innovation/research-development/>
- Kao Sustainable Product Development Policy
<https://www.kao.com/global/en/sustainability/klp/policy/product-development-policy/>

Management process

The status of our initiatives to address the risks and opportunities associated with Transformative Innovation is managed through the following processes: planning, implementation, evaluation of results, and corrective action, and we are working to make steady improvements.

P (Planning)

Formulate an annual R&D strategy, and share and confirm it with management and business management.

D (Implementation)

Please see our initiatives (P100-103).

C (Evaluation of results)

Share R&D activities in monthly and semi-annual reports with the research management team, and check the research theme progress, personnel assignments, budget performance, etc.

A (Corrective action)

Share and confirm the results of annual research with management and business management.

Initiatives

Kao is engaged in a variety of initiatives aimed at Transformative Innovation. These initiatives are based on the aforementioned strategies and are being promoted in collaboration with one another to achieve our targets. Here we will introduce some of the important initiatives from among the many we are engaged in.

We have also introduced related initiatives under other themes.

Strategy		Initiatives	
Overall	(1) Develop globally competitive core technologies and products	Product development research	Improving QOL with foam cleaning technology that achieves cleanliness without scrubbing: Toilet <i>Magiclean Foam Pack</i> Established the technology for lamellar structured shampoo
	(2) Achieve both customer value and sustainable value creation	Fundamental research	Plant Factory “SMART GARDEN” EpiSensA alternative method for skin sensitization testing developed by Kao added to the OECD test guidelines
	(3) Strength development based on speed as a competitive axis		Commercialization of mosquito control products in Thailand by collaborating with another company <i>LUNAFLOW</i> , a water-based mold release agent that maintains a slippery surface

<Product development research>

Product development that contributes to reducing CO₂ emissions (energy and water conservation, reducing usage and waste, etc.), prevention of air and water pollution, and use of environmentally friendly raw materials

[P124](#) Our Progress > Decarbonization (Efforts during use and efforts in disposal and recycling), [P145](#) [P149](#) Our Progress > Water Conservation (Efforts during use and employees' opinions), [P156](#) Our Progress > Air & Water Pollution Prevention (Initiatives to prevent air pollution through product development and provision of products, and initiatives to prevent water pollution through product development and provision of products)

Development of safer healthier products

[P77](#) Our Progress > Safer Healthier products (Use of safe ingredients and development of safe products)

<Fundamental technology research>

Decarbonization, zero waste, and water conservation: Development of technologies and systems to support a circular economy

[P135](#) Our Progress > Zero Waste (Initiatives for recycling packaging)

Improving QOL with foam cleaning technology that achieves cleanliness without scrubbing: *Toilet Magiclean Foam Pack*

Region: Japan

Corresponding strategies: (1) (2)

In the midst of heightened hygiene awareness due to infectious diseases, cleaning the toilet is a chore that can feel like a burden. Kao has developed *Toilet Magiclean Foam Pack* by evolving its unique precise interfacial control technology. This product allows users to clean and sanitize without scrubbing with a brush by allowing the adsorbed foam to stay firmly on the toilet bowl and absorb dirt. This reduces the effort and stress of cleaning the toilet for consumers and contributes to improving the quality of life of our customers.

In addition, technology innovations that control the quality and lather of bubbles have led to a reduction in the amount of surfactants used, and a reduction in environmental impact. In the future, we will promote the development of foam cleaning technology that can be used to clean a variety of surfaces, not just toilets.

Established the technology for lamellar structured shampoo

Region: Global

Corresponding strategy: (1)

Kao provides hair care products that address a wide range of hair damage, based on essential research, and that also deliver a satisfying feel when used. The lipid components within hair that affect hair manageability and shine are easily lost when we wash our hair, which is an issue in hair care to supply them. Furthermore, when lipid components are added to shampoo, they tend to separate, which can inhibit the formation of bubbles, posing a technical issue.

Kao applied its unique precise interfacial control technology to develop a technology that incorporates lipid ingredients within the lamellar structure* stably and in large quantities. By combining this technology with specific ingredients, we have achieved rich lather and a smooth feel when rinsing, while also

Making Thoughtful Choices
for Society

Sustainable Lifestyle
Promotion

Purpose Driven
Brands

> Transformative
Innovation

Responsibly Sourced
Raw Materials

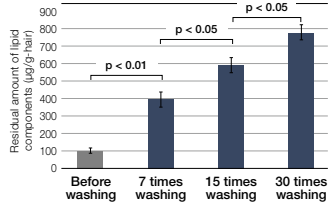
Making the World Healthier
& Cleaner

Walking the Right Path

replenishing lipids and care ingredients during hair washing. Repeated hair washing with products that use this technology has been confirmed to increase the amount of lipid ingredients left in the hair, making the hair strands more uniform and manageable.

We will continue to pursue innovation that will enhance Kao's presence in the global market by making use of our knowledge of hair research.

Changes in the residual amount of lipid components due to hair washing



* Fatty acid glycerides (C8 mono-, di-, and triacylglycerides total)

* Lamellar structure: A layered structure in which layers of lipid and water molecules are stacked in an orderly manner.

Comparison of the appearance of hair bundles before and after washing



Plant Factory “SMART GARDEN”

Region: Japan

Corresponding strategies: (2) (3)

Kao has built its proprietary plant factory, SMART GARDEN, using equipment that can capture and purify the CO₂ emitted from the waste incineration plant owned by Saga City, Saga Prefecture. This plant factory has introduced water-saving hydroponic farming technology, the use of renewable energy, and cultivation management through environmental monitoring, reducing the environmental impact and achieving efficient plant cultivation.

Kao has also developed a technology for controlling the ingredients used to obtain highly pure and effective plant extracts. The rosemary and roman chamomile extracts obtained using this technology have been confirmed to have effects such as improving the skin barrier and are used in Kao's skin care products *est G.P. Serum-in Lotion* and *est G.P. Serum-in Emulsion*.

SMART GARDEN is able to provide a stable supply of raw materials without being affected by climate change. We will continue to collaborate with Saga City to build a sustainable, recycling-oriented society.

Commercialization of mosquito control products in Thailand by collaborating with another company

Region: Southeast Asia

Corresponding strategies: (2) (3)

Kao and Earth Corporation are working together to solve the problem of infectious diseases caused by mosquitoes. In 2024, Kao's technology that interferes with the flight behavior of mosquitoes by wetting their wings and bodies and Earth Corporation's expertise were used to commercialize the mosquito control spray *ARS Mos Shooter* in Thailand.

Kao discovered through essential research into mosquito behavior that mosquitoes can continue to fly by repelling water from their bodies, however, aqueous surfactant solution can make mosquitoes lose the ability to fly by wetting their surface. This product, which utilizes this technology, is able to knock down mosquitoes without using chemical synthetic insecticide ingredients and can be used safely even by small children.

This product aims to contribute to solving the problem of infectious diseases caused by mosquitoes, together with *Bioré GUARD Mos Block Serum*, which is equipped with anti-landing technology that prevents mosquitoes from landing on the skin.

We will continue to contribute to the prevention of infectious diseases such as dengue fever and malaria by providing safer and more effective products while designing and developing products that comply with the laws and regulations of each country.

LUNAFLOW, a water-based mold release agent that maintains a slippery surface

Region: Global

Corresponding strategies: (1) (2)

Kao has developed a mold release agent called *LUNAFLOW* that makes it easier to remove rubber and plastic products from their molds during the manufacturing process. This product uses cellulose nanofiber (CNF), a cutting-edge biomass material that has been controlled using Kao's proprietary technology to achieve high oil retention. With its excellent mold release properties and the fact that it can be used repeatedly once applied, it helps to reduce the occurrence of defective products and the need for frequent re-coating, contributing to improved workability in the manufacturing process. It also doesn't contain solvents or fluorine, which helps to reduce the environmental impact and health risks for workers.

The CNF used in *LUNAFLOW* is a cutting-edge biomass material made by refining wood fibers down to the nano level. Kao possesses technology (hydrophobization technology) that makes CNF compatible with resins and solvents, and has been selling CNF customized for each user's purpose and application. In 2024, CNF received the 73rd Chemical Technology Award from the Chemical Society of Japan, and its excellent technological capabilities and sustainability have been highly evaluated.

Kao will continue to make the most of the characteristics of CNF and work with other companies to develop products that reduce environmental impact while also creating new value.

EpiSensA alternative method for skin sensitization testing developed by Kao added to the OECD test guidelines

Region: Global

Corresponding strategies: (1) (3)

Kao is working to develop and promote technologies that can precisely evaluate skin sensitization without using animals. In 2024, EpiSensA, an alternative method for skin sensitization (allergy) testing developed by Kao that does not use animals, was adopted in the OECD Test Guidelines*, which have been recognized globally as official testing methods.

EpiSensA is a test method that uses an artificial skin model to evaluate the skin sensitizing potential of a broad range of chemical substances, including oil-soluble ingredients. Skin sensitization (skin allergic reactions) is a complex mechanism among biological reactions, and it is considered difficult to evaluate it using methods that replace animal testing. EpiSensA is the first artificial skin model to be adopted in the Guidelines of alternatives to animal testing for skin sensitization. This addition means that EpiSensA can now be used not only in Japan, but also worldwide, providing a new option for the safety assessment of chemical substances.

From now on, we will continue to explore alternative methods for reproducing the skin sensitization phenomena. Additionally, we will work with the International Collaboration on Cosmetics Safety to develop, standardize, and promote an evaluation system that combines with the EpiSensA method.

* OECD Test Guidelines: A list of internationally agreed test methods for assessing the safety of chemical substances and mixtures, as defined by the OECD.

Employees' opinions

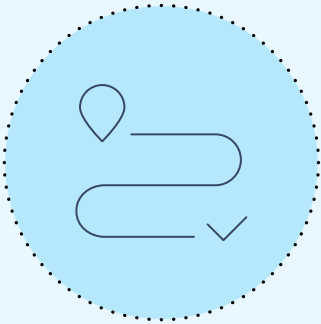
A new botanical extract created by a diverse range of professionals



Haruhiko Doi

Biological • Material Science
Research 5,
Kao Corporation

I began this project with a question: "What if we could create truly good materials for people without harming the environment, starting from the cultivation of plants?" I was practically a novice when it came to plants, but Kao has many professionals who are knowledgeable about plants and cosmetic materials. Sometimes we also enlisted the help of people outside the company. We formed a strong team with members from inside and outside the company who empathized our concept and worked on everything from cultivation to processing. As a result, we were able to launch plant extracts using SMART GARDEN. From now on, we will continue to take on the challenge of creating even better value by making the most of our strong teamwork.



Responsibly Sourced Raw Materials

GRI 2-23

Source our raw materials in a more sustainable way that protects natural resources, the environment, safety and human rights through supply chain traceability and dialogue with suppliers.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Increased procurement costs due to the depletion or rising prices of natural resources - Higher supply chain management costs stemming from tighter regulations - Loss of brand image caused by human rights issues at procurement sources	Supplier management	(1) Selection of suppliers for collaboration to solve social and environmental issues	Metrics	Targets	2024 results	Supplier selection (1)	- Mid- to long-term cost control through stable procurement - Planned business growth based on stable procurement - Avoidance of penalty costs from legal violations related to sustainable procurement and human rights protection
	(2) Deepening ESG procurement through supplier assessment and collaboration	Supplier assessment implementation rate % (Sedex, Kao SAQ, and other evaluation bodies) (2)	–	90%	Education for sustainable procurement (1)		
	(2) Deepening ESG procurement through supplier assessment and collaboration	Number of companies with critical issues identified through SMETA audits (2)	–	0	Regular review of purchasing practices and evaluation of supplier performance (2)		
Opportunities	Palm oil, pulp, and paper procurement	(3) Reducing risks by ensuring traceability and procuring products certified by third parties	Percentage of certified paper products and pulp used in household products (3)	100% 2025	99.6%	Procurement of forest raw materials (3) (4)	Environmental and social impact
			Confirmation of traceability to oil palm smallholders (3)	Completed 2025	88%		
			Percentage of RSPO certified oil in total palm oil volume (3)	–	39%		
		(4) Initiatives to address issues related to natural resources	Volume of certified credits purchased from supported oil palm smallholders (tons) (4)	–	24,238		
			Cumulative number of supported oil palm smallholders (4)	–	3,489		
			Number of plantations covered by the Kao grievance mechanism (4)	–	259		
	Collaboration	(5) Kao's packaging collection and recycling scheme initiatives and outlook				Recycling of packaging materials (5)	- Conservation of the natural environment and enhancement of ecological system sustainability - Promotion of human rights protection through improved working conditions - Economic development and improved living standards in production communities
	Electricity	(6) Reducing environmental impact by promoting the procurement of renewable electricity				Promotion of renewable electricity procurement (6)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To reduce risks and create opportunities related to responsibly sourced raw materials, we are implementing strategies that are unique to Kao, effective, and contribute to both business growth and solving social issues.

Social issues

For Kao to remain a sustainable and competitive company, it is essential to accurately understand social issues. Recognizing these issues not only mitigates business risks for Kao, but also serves as a critical starting point for identifying new business opportunities that drive growth. Kao recognizes the relevant social issues related to this theme as follows.

- Deforestation and labor rights violations in the supply chains of natural resources (palm oil, pulp, and paper)
- Higher supply chain risks and greater management complexity due to globalization

Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks and also identifies new business opportunities. Identifying risks and opportunities is a critical process in formulating corporate strategies and initiatives. The key risks and opportunities that we identified for this theme are as follows.

Risks

- Increased procurement costs due to the depletion or rising prices of natural resources
- Higher supply chain management costs stemming from tighter regulations
- Loss of brand image caused by human rights issues at procurement sources

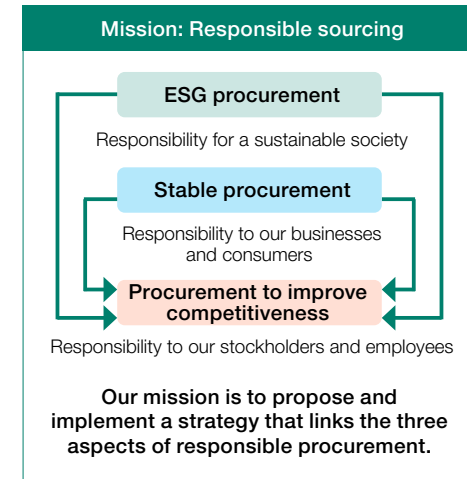
Opportunities

- Establishing a stable supply system through the selection of suppliers with low environmental and social risks
- Improved trust from investors
- Enhanced customer loyalty and increased repurchase rate

Strategy

To address the identified risks and opportunities, Kao has formulated the following strategies. These strategies are key initiatives directly aligned with one of the basic policies of the mid-term plan “K27”: “to become an essential company in a sustainable world.” Maintaining a stable supply of products, we are promoting the strengthening of our supply chain with consideration for resource protection, environmental conservation, and human rights by leveraging the trust built over many years with suppliers and our expertise in solving issues. Kao’s Procurement Division will continue to realize responsible procurement and enhance competitiveness through its core approach of ESG procurement and stable procurement.

Responsible sourcing



(1) Selection of suppliers for collaboration to solve social and environmental issues

To select suppliers for collaboration in solving social and environmental issues, we conduct due diligence during the selection phase to establish a foundation for avoiding supply chain risks.

Related initiatives: [P109](#) Supplier selection, [P112](#) ESG risk assessment, [P112](#) Participation in the CDP Supply Chain Program, [P113](#) Education for sustainable procurement

(2) Deepening ESG procurement through supplier assessment and collaboration

To address various issues including human rights risks, we apply highly effective monitoring methods to swiftly and accurately assess suppliers. We also build close collaborative relationships with suppliers. In addition to business collaboration on quality, cost, and delivery (QCD), we work together to reduce environmental impact and solve social issues. These efforts minimize risks across the entire supply chain and strengthen the foundation for ESG procurement.

Related initiatives: [P110](#) Regular review of purchasing practices and evaluation of supplier performance, [P112](#) ESG risk assessment, [P112](#) Participation in the CDP Supply Chain Program, [P112](#) Collaboration +with stakeholders

(3) Reducing risks by ensuring traceability and procuring products certified by third parties

By ensuring effective traceability, we can accurately identify risks and help reduce deforestation

risks. In addition, procuring products certified by third parties helps control risks across the supply chain and promotes sustainable procurement, enabling a rational and highly reliable approach.

Related initiatives: [P110](#) Procurement of forest raw materials, [P112](#) ESG risk assessment, [P112](#) Participation in the CDP Supply Chain Program

(4) Initiatives to address issues related to natural resources

In palm oil procurement, we work to solve the social and economic issues faced by oil palm smallholders. Through a fundamental approach that addresses the root causes of these issues, we aim to procure sustainable raw materials and stabilize the supply chain, and also protect the human rights of workers.

Related initiative: [P110](#) Procurement of forest raw materials

(5) Kao's packaging collection and recycling scheme initiatives and outlook

Through the collection and recycling of plastic waste, we aim to realize a sustainable world, and at the same time, promote technological innovation and strengthen partnerships.

Related initiative: [P111](#) Recycling of packaging materials

(6) Reducing environmental impact by promoting the procurement of renewable electricity

By advancing the introduction of renewable energy, we aim to reduce environmental impact across the entire supply chain. These efforts also contribute to the expansion of the renewable energy market, raise awareness across the industry, and support the decarbonization of society as a whole.

Related initiative: [P111](#) Promotion of renewable electricity procurement

Impact generated by implementing the strategies

Through the above strategies, we believe we can generate the following financial and environmental and social impacts.

Financial impact

- Mid- to long-term cost control through stable procurement
- Planned business growth based on stable procurement
- Avoidance of penalty costs from legal violations related to sustainable procurement and human rights protection

Environmental and social impact

- Conservation of the natural environment and enhancement of ecological system sustainability
- Promotion of human rights protection through improved working conditions
- Economic development and improved living standards in production communities

Strategic resilience

Kao is building a system that enables swift response to risks by ensuring transparency across the entire supply chain through responsibly sourced raw materials. In addition, we are strengthening resilience against rising procurement costs and supply shortages by conducting R&D on alternative resources and building strong relationships with partners. We also work to protect brand value by implementing human rights policies and audit processes aligned with international standards. Through these initiatives, we are enhancing our resilience to respond flexibly to external environmental changes and risks and maintain a stable supply.

Metrics and targets

To enhance the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor our progress. For metrics linked to particularly important risks and opportunities, we set specific targets and use the PDCA (Plan, Do, Check, and Act) cycle to ensure steady implementation by checking our progress against these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(3)	Percentage of certified paper products and pulp used in household products	94%	96%	97%	98%	99.6%	100%	2025
(3)	Confirmation of traceability to oil palm smallholders	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Completed up to traceability checks to farms: 87%	Completed up to traceability checks to farms: 88%	Finish	2025

Making Thoughtful Choices
for Society

Sustainable Lifestyle
Promotion

Purpose Driven
Brands

Transformative
Innovation

> Responsibly Sourced
Raw Materials

Making the World Healthier
& Cleaner

Walking the Right Path

We are making steady progress towards our target of reaching 100% for the percentage of certified paper products and pulp. Progress is currently as planned, and we expect to achieve the target by 2025. We will continue strengthening collaborations with suppliers to promote certification.

Progress in confirming traceability to oil palm smallholders is currently proceeding as planned. We will continue to strengthen collaboration with local partners to ensure the successful achievement of our target by 2025.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(1)	Supplier assessment implementation rate (%) (transaction amount %)	62% (88%)	81% (97%)	90% (98%)
(2)	Number of companies with critical issues identified through SMETA audits	0	0	0
(3)	Percentage of RSPO certified oil in total palm oil volume	34	40	39
(4)	Volume of certified credits purchased from supported oil palm smallholders (tons)	3,070	9,996	24,238
(4)	Cumulative number of supported oil palm smallholders	2,316	3,083	3,489
(4)	Number of plantations covered by the Kao grievance mechanism	–	212	259

* Supplier Assessment (Sedex, Kao's original Self-Assessment Questionnaire (SAQ), and other evaluation bodies)

The supplier assessment implementation rate in 2024 reached 90%. This figure serves as a key metric in building a sustainable supply chain. We use Sedex, Kao's original Self-Assessment Questionnaire (SAQ), and information from other evaluation bodies to evaluate the social and environmental responsibilities of our suppliers. Improving the assessment rate represents a significant achievement in managing risks and addressing the diversity of our business partners. We will continue making further improvements and aim to improve assessment implementation rates.

In 2024, the number of companies with critical issues identified through SMETA audits was zero. This result is a key metric indicating suppliers' compliance with labor conditions and ethical standards. To continue preventing the occurrence of critical issues, we will maintain close communication with suppliers and implement preventive measures.

By 2024, the total number of supported oil palm smallholders reached 3,489 plantations. This initiative primarily aims to improve palm oil productivity, curb deforestation through the acquisition of RSPO certification, and enhance sustainability within Kao's palm oil supply chain. Through these support activities, Kao also contributes to strengthening the technical capabilities of oil palm smallholders and promoting environmental conservation. In 2024, Kao purchased the entire volume of RSPO-certified credits sold by the supported smallholders following certification, totaling 24,238 tons.

Going forward, Kao will further expand its support programs to promote sustainable agricultural practices among a larger number of smallholder plantations. In 2024, the number of plantations covered by Kao's grievance mechanism reached 259. The mechanism is designed to receive complaints such as human rights violations and land disputes from oil palm smallholders, as well as inquiries related to plantation operations.

The increase in the number of covered plantations reflects progress in addressing social and environmental aspects through the monitoring of human rights and environmental risks, with a particular focus on resolving essential human rights issues and strengthening efforts to improve productivity at smallholder plantations.

Moving forward, we will expand coverage to more plantations, and at the same time, promote sustainable agricultural practices and further strengthen the protection of workers' rights and environmental conservation.

- Paper and pulp procurement*1
Confirmation of traceability: 100%
Of this, 99.6% is certified paper and pulp*2 ☒ (in 2024).

*1 Covers paper and pulp used in Kao products (excluding some products).
*2 The ratio of certified materials among paper / pulp materials is tabulated based on the ratio by weight of certified materials for each procured item.

SMETA audit results in 2024

Number of SMETA audits	21
Percentage of companies with serious issues	0%
Percentage of companies with minor issues	100%
Percentage of companies with minor issues that have submitted corrective plans	100%

Making Thoughtful Choices
for Society

Sustainable Lifestyle
Promotion

Purpose Driven
Brands

Transformative
Innovation

> Responsibly Sourced
Raw Materials

Making the World Healthier
& Cleaner

Walking the Right Path

Overall evaluation of supplier risk assessment based on Sedex (as of December 2024)

The scope of assessment is 1,152 suppliers that responded to the Sedex Self-Assessment Questionnaire (SAQ)

Overall evaluation	SAQ response rate*3	Sedex risk assessment*4	Percentage
S	80% or more	3.0 or more	58%
A	80% or more	2.0 to less than 3.0	25%
B	80% or more	Less than 2.0	8%
C	Less than 80%	–	9%

*3 Sedex SAQ response rate
*4 Management control score values using Sedex assessment tools (Ranging from 0 to 5; the higher the score, the better the management)

Number of significant suppliers*9 that have low ratings by Sedex or Kao SAQ, or by other rating agencies

Number
27

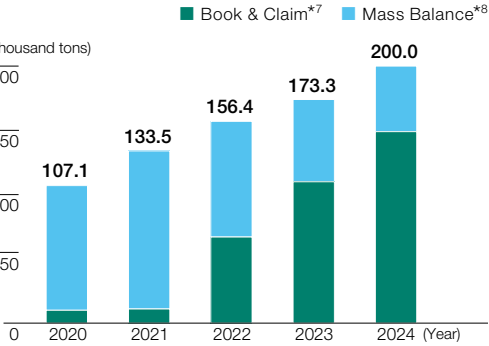
*9 Definitions of significant suppliers are given under the table of “Number significant suppliers” on P110.

Governance

The Procurement Division strategically coordinates three key policies—“ESG procurement,” “stable procurement,” and “strategic procurement for enhanced competitiveness”—to drive responsible procurement and deliver competitive advantage to all stakeholders. Progress on mid- to long-term procurement strategies based on these three policies is reported in detail each month to the Director in charge of Procurement and Executive Officers. These reports are led by the Strategic Sourcing team and primarily cover progress in ESG procurement and stable procurement, as well as achievements related to improving competitiveness. Meanwhile, the Process Innovation team plays a critical role in supporting these strategies by enhancing efficiency and enabling timely information-sharing across the supply chain. Through these initiatives, the Procurement Division as a whole promotes responsible procurement and works to strengthen governance.

Certified palm oil purchases*5 (Kao Group)

Total quantity of palm oil procured in 2024: 519 thousand tons*6



*5 Total of certified palm oil, certified palm kernel oil, and certified palm-derived raw materials
*6 Total of palm oil, palm kernel oil, and raw materials derived from palm
*7 Book & Claim
A certification model in which RSPO-certified credits are traded online between producers and end-product manufacturers/sellers
*8 Mass Balance
A certification model in which certified oil is mixed with non-certified oil during the distribution process, but the quantity of certified oil is guaranteed.

Risk and opportunity management

Policies

At Kao, we have established the following policies as daily operational and decision-making guidelines for responsibly sourced raw materials. For more details, please refer to our website.

- 
 - Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>
 - Partnership Requirements for Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-partnership/>
 - ESG Promotion Activities with Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-esg/>
- 
 - “High-Risk” Supply Chain Management and Sourcing
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>
 - Palm Oil Dashboard
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Management process

Our initiatives addressing the risks and opportunities related to responsibly sourced raw materials are managed through a structured process of planning, implementation, evaluation of results, and corrective action to ensure continuous improvement.

P (Planning)

Activities are designed and targets are set between August and September. This includes planning targets and activities for the following fiscal year and identifying key suppliers.

The plan is reviewed during the procurement meeting and approved by the Senior Vice President of Procurement.

D (Implementation)

See initiatives (P109-113) for details.

C (Evaluation of results)

Using both quantitative and qualitative KPIs, we evaluate the degree of target achievement and overall outcomes. These evaluations are conducted sequentially before the end of the fiscal year. Results are shared within the procurement meeting and the ESG Promotion Meeting. Responsible are the Senior Vice President of Procurement and the Senior Vice President of ESG. They report to the ESG Committee.

A (Corrective action)

Based on the evaluation results, corrective actions are taken for areas requiring improvement. Targets and activity plans for the following fiscal year are reviewed and adjusted between May to July. The revised plan is reviewed during the procurement meeting and approved by the Senior Vice President of Procurement.

Initiatives

At Kao, we are engaged in a variety of initiatives aimed at responsibly sourced raw materials. These initiatives are based on the strategies outlined above and are promoted in collaboration with one another to achieve our targets. Below are some of the key initiatives among our many efforts.

Strategy		Initiatives			
Supplier management	(1) Selection of suppliers for collaboration to solve social and environmental issues	Supplier selection	Education for sustainable procurement		
	(2) Deepening ESG procurement through supplier assessment and collaboration	Regular review of purchasing practices and evaluation of supplier performance	ESG risk assessment	Participation in the CDP Supply Chain Program	Collaboration with stakeholders
Palm oil, pulp, and paper procurement	(3) Reducing risks by ensuring traceability and procuring products certified by third parties	Procurement of forest raw materials			
	(4) Initiatives to address issues related to natural resources	Procurement of forest raw materials			
Collaboration	(5) Kao's packaging collection and recycling scheme initiatives and outlook	Recycling of packaging materials			
Electricity	(6) Reducing environmental impact by promoting the procurement of renewable electricity	Promotion of renewable electricity procurement			

Supplier selection

Region: Global

Corresponding strategy: (1)

In the supplier selection and evaluation process, in addition to evaluating financial condition, we consider ESG factors (Environmental, Social, and Governance) as critical decision-making criteria. We conduct ESG assessments using Sedex, our proprietary Self-Assessment Questionnaire (SAQ), and evaluations by other evaluation bodies to make comprehensive judgments based on the evaluation results.

Specifically, we assess supplier risks by considering ESG risks, as well as country-, industry-, and product-specific risks, along with purchase volume, and QCD (quality, cost, and delivery) performance. Details regarding each of these perspectives, as well as the considerations in the selection process and the risk assessment within the evaluation process, are outlined below.

- **From a business perspective**
 - Suppliers with a large impact on our business: Selection is based on purchase prices
 - Suppliers that are difficult to replace: Packaging material suppliers and manufacturing contractors with characteristic designs and functions
- **From an area perspective**
 - Areas noted for conflict zones, human rights issues, etc.
 - Natural forests and other areas under environmental protection: Suppliers of forest resources (palm oil, pulp, and paper)
- **From an ESG perspective**
 - Raw materials derived from natural raw materials
 - Suppliers with high human-rights risks: Suppliers that have not responded or have low ratings on Sedex and Kao SAQs
 - Suppliers who have committed inappropriate activities or unfair practices

Other Considerations
(1) Considerations in Supplier Selection:

Making Thoughtful Choices
for Society

Sustainable Lifestyle
Promotion

Purpose Driven
Brands

Transformative
Innovation

> Responsibly Sourced
Raw Materials

Making the World Healthier
& Cleaner

Walking the Right Path

Environmental Aspects: Track record in environmental conservation efforts, energy efficiency, and sustainable use of resources
Social Aspects: Efforts to ensure fair labor conditions, respect for human rights, and promotion of diversity among employees
Governance: Supplier policies regarding internal controls, ethical standards, and legal compliance
Business Relevance: Degree of impact on Kao's business and potential for building long-term relationships

(2) Risks Considered in the Evaluation Process of Significant Suppliers

Country-Specific Risks: Political instability, human rights issues, and compliance with environmental regulations in the country where the supplier operates

Sector-Specific Risks: ESG risks unique to specific industries, such as natural resources or manufacturing

Product-Specific Risks: The potential impacts of supplier-provided products (e.g., palm oil, paper, and pulp) on sustainability, the environment, and human rights.

Number of suppliers and actual number of significant suppliers

% of suppliers per country (2024 results)

Region	Percentage (%)
Japan	50
Asia	28
the Americas	13
EMEA	9

% of suppliers by category (2024 results)

Category	Percentage (%)
Raw materials	57
Packaging	26
Outsourced production	17

Number of significant suppliers (2024 results)

Category	
Total number of significant suppliers in Tier 1 ☒	255
% of total spend on significant suppliers in Tier 1 ☒	75%
Total number of significant suppliers in non-Tier 1 ☒	118
Total number of significant suppliers subjected to desktop assessment ☒	338

Surveyed suppliers: Suppliers of consolidated companies that have manufacturing bases are covered (including suppliers of NIVEA Kao).

Tier1: Suppliers who purchase raw materials directly

Non-Tier1: Suppliers who purchase raw materials via distributors

We designate the following as significant suppliers based on specific criteria:

Suppliers with a significant impact on Kao's business: Suppliers with high cumulative purchase amounts

Suppliers that are difficult to replace: Suppliers with unique designs or functional characteristics

Suppliers of forest resources: Suppliers of palm oil, paper, and pulp

Suppliers with high human rights and environmental risks: Suppliers that have low ratings or have not yet been rated by Sedex or Kao SAQ, or by other rating agencies (EcoVadis, etc.).

Desktop assessment: Document review and on-site visits

Regular review of purchasing practices and
evaluation of supplier performance

Region: Global

Corresponding strategy: (2)

To realize sustainable procurement, we regularly review our purchasing practices to ensure they are not in conflict with our ESG-related requirements or our Partnership Requirements for Suppliers, which serve as the supplier code of conduct.

Once a year, we conduct supplier performance evaluations from both QCD and ESG perspectives. Based on the results, we provide feedback and request improvements through meetings with suppliers, and incorporate these findings into our procurement strategies. If the violation is not corrected by this Improvement requirement, we will, in principle, suspend the transaction. ESG-related criteria account for 15% of the overall evaluation.

Procurement of forest raw materials

Region: Global

Corresponding strategies: (3) (4)

Sustainable procurement of palm oil

In order to procure sustainable palm oil, Kao is strengthening its traceability to the plantation, supply chain assessment, and monitoring. In addition, the Company provides the SMILE program (SMallholder Inclusion for better Livelihood & Empowerment program), a support program for palm smallholders in Indonesia aimed at helping them obtain RSPO (Roundtable on Sustainable Palm Oil) certification and is working to resolve

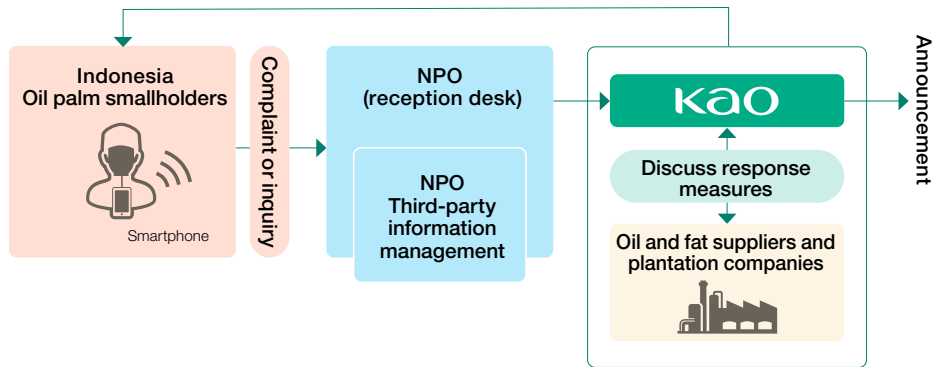


April 2025 in Indonesia

issues related to human rights and the environment on the frontlines through deploying the grievance mechanism. In April 2025, Kao, Kao affiliates and NGO members from Japan and Indonesia engaged in dialogue (direct conversation) with farmers from palm smallholders on the island of Sumatra in Indonesia. Through this initiative, we were able to deepen mutual understanding, and we will use the questions and suggestions regarding sustainability that we received from the farmers to guide our future initiatives for procuring sustainable palm oil.

Kao grievance mechanism for oil palm smallholders

- Direct dialogue with owners of oil palm smallholders
- Confirmation, investigation and response to complaints and inquiries
- Follow-up in collaboration with NPOs and suppliers



Pulp and paper procurement and forest conservation

For pulp and paper procurement, Kao actively uses products certified by the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) to support responsible forest management.

In addition, we are constantly monitoring the real situation at the tree-planting sites through dialogue with forest-owning companies and visits to the places of origin, as well as tracing and monitoring the supply chain. At the same time, we are also collecting and analyzing information using external database information and are working to establish a sustainable and responsible procurement system.

Recycling of packaging materials

Region: Japan

Corresponding strategy: (5)

Kao is strengthening partnerships with various stakeholders to promote the recycling of packaging materials. In particular, we are jointly developing a project with suppliers to collect and recycle waste plastic and are sharing our recycling technology and expertise.

In terms of horizontal recycling of used refill packs, we have completed the verification stage of applying collected waste packs to packaging materials and are now moving on to the implementation phase. In addition, we are collaborating with partners from different industries to expand the scale of our initiatives for cosmetics plastic bottles, with the aim of developing them into a continuous horizontal recycling implementation model.

Through such inter-company collaboration, we are aiming to achieve a sustainable circular society by reforming the conventional notion of “use and discard” and establishing a resource circulation system.



Diagram of recycling of packaging materials.

Promotion of renewable electricity procurement

Region: Global

Corresponding strategy: (6)

Kao promotes energy procurement activities led by the Procurement Division to ensure that all operations across the Kao Group can stably and affordably use energy with low environmental impact.

Kao is promoting the procurement of electricity entirely derived from renewable

energy sources and achieved 100% renewable electricity at all domestic sites in 2023. Additionally, the Kao Group introduced its first virtual power purchase agreement (virtual PPA*). Through this contract, Kao purchases the full amount of environmental value generated by photovoltaic power generation facilities totaling 16.8 MW—the largest scale in Japan.

All power plants are now in operation since July 2024. By utilizing the virtual PPA, Kao is advancing its forward-looking, sustainable business activities and contributing to the spread of renewable energy and the reduction of environmental impact.

* Virtual power purchase agreement (virtual PPA): A contract to purchase environmental value based on the amount of electricity generated by newly installed photovoltaic power generation systems. The actual electricity is supplied by a retail electricity provider. This contract promotes direct investment in renewable energy generation facilities and increases the total volume of renewable energy in society, offering additionality.

ESG risk assessment

Region: Global

Corresponding strategies: (1) (2) (3)

Kao evaluates human rights risks and other ESG risks of suppliers by utilizing self-assessment results from Sedex and Kao's own SAQ, as well as information from other evaluation organizations. For suppliers identified as high risk, we request third-party SMETA audits to address issues and, when necessary, dispatch staff to conduct on-site evaluations. Based on audit results, we propose specific improvement measures to suppliers and support their implementation, aiming to build a sustainable supply chain.

Participation in the CDP Supply Chain Program

Region: Global

Corresponding strategies: (1) (2) (3)

Kao recognizes risks related to environmental issues and human rights issues and is committed to procuring sustainable raw materials. To manage these initiatives across the

entire supply chain, Kao participates in the CDP Supply Chain Program for “Climate change,” “Water,” and “Forest,” requesting environmental disclosures from key suppliers.

The CDP Supply Chain Program aims to reduce environmental impact across the supply chain by encouraging companies to request environmental disclosures from their suppliers, evaluate their efforts, and recognize best practices.

Actual performance of the CDP supply chain program (2024 results)

	Response rate
Climate change	83%
Water	89%
Forest	98%

Collaboration with stakeholders

Region: Global

Corresponding strategy: (2)

To strengthen communication with suppliers, Kao holds vendor summits and Quality Improvement Meetings to exchange opinions with suppliers within and outside Japan.

At vendor summits, a different theme is set each year, and outstanding business partners are recognized based on perspectives such as “strategic partnership,” “Environmental, Social and Governance (ESG),” and “stable supply.” The initiatives of recognized business partners are also shared as benchmarks to support capability development among participating companies.

In addition, to establish sustainable procurement and traceability, Kao continues dialogue with NGOs and actively exchanges opinions with other companies and external organizations. Through these efforts, we aim to enhance the sustainability of the entire supply chain and promote responsible procurement.



2024 Vendor Summit

Number of companies that participated in the vendor summits (Unit: firms)

	Held inside Japan	Held outside Japan	Total
2019	239	267	506
2020	Suspended	Suspended	–
2021	246	108	354
2022	273	28	301
2023	292	144	436
2024	297	75	372

Education for sustainable procurement

Region: Japan

Corresponding strategy: (1)

At Kao, we provide training programs for new graduates and mid-career hires, as well as sessions for younger members of the Procurement Division, offering opportunities to deepen their understanding of basic procurement principles and social responsibility.

In 2024, training on basic procurement principles was provided to 16 people newly assigned employees in the Procurement Division. Additionally, to help each member of the Procurement Division recognize their connection to society and the environment and transform their behavior, we encourage the acquisition of relevant certifications. For example, we recommend taking the Certification Test for Environmental Specialists (Eco Test®), and the cumulative pass rate among Procurement Division employees for this has reached 90%.

Employees' opinions

Initiatives for forest conservation: cross-functional activities within the division



Akira Harada

Strategic Sourcing - Packaging
Materials, Procurement
Kao Corporation

Forests that nurture pulp and paper materials are one of Kao's most important natural resources. The Procurement Division has contributed to forest conservation across the supply chain by promoting pioneering awareness-raising activities both inside and outside the company and by encouraging the use of certified products.

Within the division, a cross-functional team of volunteers is focused on making more fundamental contributions, placing particular emphasis on direct dialogue at the *Genba*. As a member driving this initiative, I participate in activities such as on-site inspections of timber origins, candid ESG dialogues at business partner facilities, and exchanges with Kao plants dedicated to biodiversity conservation. These interactions help deepen our understanding of key issues based on real voices from the *Genba*.

Although we are still in the process of making fundamental contributions, I find great value in these lively discussions across all levels, from junior staff to senior members. Going forward, we will continue working to enhance corporate value, using external evaluations as one of our key metrics.



Forest conservation activity with business partner

Making the World Healthier & Cleaner

-15%

% reduction in absolute full lifecycle
CO₂ emissions

-42%

% reduction in absolute scope 1 + 2 CO₂
emissions

100 million items

Annual quantity of innovative packaging
used (Kao + external companies)

186.8 billion yen

Sales revenue of products with
water-saving effects

Decarbonization

GRI 201-2

Kao has set the ambitious targets of achieving carbon zero by 2040 and carbon negative by 2050 and is working to fulfill its responsibility to pass on a sustainable future to the next generation by developing innovative technologies and reducing CO₂ emissions throughout the value chain in collaboration with stakeholders.



Making My Everyday
More Beautiful

Making Thoughtful Choices
for Society

Making the World Healthier
& Cleaner

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Increased costs due to compliance with regulations such as a carbon tax - Increased costs due to restrictions on the use of plastics - Increased costs due to rising energy prices - Increased costs due to rising palm oil prices - Increased damage from flooding - Deterioration of reputation in the event of an insufficient response to climate change	Overall	(1) Promote innovative initiatives toward carbon zero by 2040 and carbon negative by 2050	Metrics	Targets	2024 results	Strengthen collaboration with suppliers Companies with high activity levels: 53%* * Of the 1-5+ categories, the percentage of companies in the 5 and 5+ categories	- Increased sales of water-saving products - Increased sales of chemical products that contribute to CO₂ reduction - Cost reduction through energy saving: 170 million yen - Increased sales of products for adapting to climate change - Investment and costs for eco-conscious R&D: 947 million yen
		(2) Reduce CO ₂ throughout the product lifecycle	% reduction in absolute full lifecycle CO ₂ emissions* (Base year: 2017) (2)	22% in 2030	15%		
		(3) Collaborate with stakeholders in the procurement, distribution, use, disposal and recycling of raw materials	* Total of Scope 1, Scope 2, and Categories 1, 4, 11, and 12 of Scope 3	10,000 thousand tons	4,347 thousand tons		
		(4) Promote decarbonization through internal carbon pricing					
	Sites	(5) Promote renewable energy and energy conservation	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017) (4) (5)	55% in 2030	42%	Scope 3 emissions 10,170 thousand tons-CO ₂	
			% of renewable energy in electricity consumption (5)	100% in 2030	69%	Avoided emissions in CP products 1,813 thousand tons-CO ₂	
						Avoided emissions in chemical products 2,534 thousand tons-CO ₂	
	Products	(6) Develop and expand water-saving and energy-saving products				Scope 1+2 emissions 615 thousand tons-CO ₂	- Contribution to emissions reduction in CP products: 1,813 thousand tons-CO₂ - Contribution to emissions reduction in chemical products: 2,534 thousand tons-CO₂
		(7) Develop and deploy climate change adaptation products				Promotion of electricity procurement from renewable energy sources Purchase 87%, use 69%	
		(8) Provide products and services that contribute to reducing CO ₂ emissions in society				Introduction of high-efficiency equipment, energy-saving manufacturing processes	
Opportunities	Environmental and social impact						

- > Decarbonization
- Zero Waste
- Water Conservation
- Air & Water Pollution Prevention
- Product Lifecycle and Environmental Impact
- Environmental Accounting

Walking the Right Path

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To reduce risks and create opportunities for decarbonization, we are implementing strategies that are characteristic of Kao, effective, and contribute to business growth and the resolution of social issues.

Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Deterioration of the hygiene environment due to climate change
- Loss of biodiversity due to climate change
- Resource depletion and energy problems due to dependence on fossil fuels

Risks and opportunities

We recognize that it is important to make a meaningful contribution to the global goal of limiting the rise in average temperatures to 1.5°C, as a 4°C rise in average temperatures due to climate change would have a significant impact on society.

We assess financial impacts under scenarios based on 1.5°C and 4°C temperature increases. The financial impact is calculated as the amount of loss if no action is taken, such as price pass-on. The financial impact of transition risks in 2050 is projected to be up to 79.1 billion yen from the palm oil price increase, up to 25.4 billion yen from a carbon tax, and up to 7.9 billion yen from plastic packaging containers if no action is taken. In both scenarios, the risk of palm oil procurement includes higher costs due to supply shortages relative to demand. In response to this risk, the Company is developing raw materials for high-performance agents such as bio-IOs and alternative raw materials. By strategically taking the initiative to differentiate our company through innovation, we can not only reduce risks but also create new business opportunities.

The financial impact of physical risks is projected to be approximately 0.4 to 4.6 billion yen due to flooding and other factors. Opportunities to contribute to mitigation include increased demand for water- and energy-saving products and products that reduce plastic waste in Consumer Products business, and for products that help customers reduce climate change risks in Chemical Business. Opportunities for adaptation include increased demand for UV care, self-tanning, and other skin protection products that comply with global warming, as well as for products that reduce the risk of infectious diseases, such as disinfectants, detergents, and repellents. We will mitigate risks and create business opportunities by promoting product development in line with the Kao Sustainable Product Development Policy.

Major business risks and opportunities

			Evaluation items	Evaluated financial impact	Financial Impact in 2050 (Unit: billion yen)		Kao's response status
					* Amount of loss if no action is taken, such as price pass-on		
					1.5°C scenario	4°C scenario	
Risks	Transition	Policy and Legal	Introduction and/or raising of carbon tax	Higher operating costs due to the introduction and increase of carbon tax	-25.4	-9.3	• Set 2030 Scope 1+2 emissions reduction target and promote systematic capital investment
			Introduction of restrictions on plastics	Taxation of fossil-derived packaging materials	-7.9	–	• Reduce innovation: Reduce plastic usage through innovative packaging
				Cost increases due to mandatory use of recycled plastic	-4.6	–	• Reduce product waste: Enhance e-commerce, inventory refinement through AI forecasting
		Markets	Energy price increase	Fluctuations in electricity retail prices	-1.1	-1.1	• Recycling innovation: Develop Film-to-Film recycling technology that achieves both quality and cost, and establish a recycling system with stakeholders.
				Higher prices of fossil-based raw materials	–*1	–*1	• Sourcing of renewable energy: Adopt corporate PPA to secure longterm stability at fixed prices, etc.
			Raw material price increase	Higher procurement costs for palm oil*2	-79.1	-76.1	• Promote introduction of photovoltaic power generation equipment
							• Continue to study reduction of fossil-based raw materials by deepening product design
Opportunities	Physical	Acute	Intensification of extreme weather	Increase in flood damages	-0.4	-4.6	• Establish a production system that takes BCP into account • Conduct risk surveys for suppliers
	Product and Service	<Mitigation> • Consumer Products Business: Expand ethical products (water-saving, energy-saving, plastic waste reduction, third-party certified label products, etc.) business • Chemical Business: Develop and sell products that help customers reduce climate change risks • Common: Promote products utilizing CCUS (CO ₂ utilization) technology <Adaptation> • Enhance products that contribute to clean and comfortable living even in higher temperatures (detergent, antibacterial, antiperspirants, repellents, etc.) • Enhance products that protect skin from strong sunlight (Skin Protection business) Sales target of Skin Protection business (UV care, self-tanning, repellents, etc.) in 2030: 100 billion yen					• Promote product development in line with the Kao Sustainable Product Development Policy • Promote sales of Sustainable Chemical Products

*1 At the time of the survey, raw material prices had already spiked and remained high due to heightened geopolitical risks and did not appear as a financial impact.

*2 Future prices were estimated by introducing a multiple regression analysis method based on past palm oil/kernel oil price trends.

Strategy

Kao has formulated the following strategies to respond to the identified risks and opportunities. The realization of a decarbonized society is an initiative based on the basic policy of the Mid-term Plan K27, “to become an essential company in a sustainable world,” and will have a significant impact on building a *Global Sharp Top* business. Kao aims to achieve sustainable development for society and business by confronting the challenge of climate change through the following strategies.

(1) Promote innovative initiatives toward carbon zero by 2040 and carbon negative by 2050

Toward the realization of the ambitious goals of carbon zero by 2040 and carbon negative by 2050, which are 10 years ahead of the targets set by the Paris Agreement, we aim to reduce climate change risks through innovative technologies and solutions, while also creating new business opportunities.

Related initiatives: [P124](#) Efforts during use (Mitigation), [P125](#) Efforts in disposal and recycling (Mitigation)

(2) Reduce CO₂ throughout the product lifecycle

In addition to reducing CO₂ emissions in our own business activities, we strive to improve social value and competitiveness by minimizing CO₂ emissions throughout the entire value chain, from raw material procurement to disposal and recycling, and by achieving low-carbonization through our products.

Related initiatives: [P123](#) Efforts in raw materials (Mitigation), [P123](#) Efforts in manufacturing (plants, offices, logistics centers) (Mitigation), [P124](#) Efforts in distribution (Mitigation), [P124](#) Efforts during use (Mitigation), [P125](#) Efforts in disposal and recycling (Mitigation), [P125](#) Examples of major collaboration projects with stakeholders, [P126](#) Communication with consumers

(3) Collaborate with stakeholders in the procurement, distribution, use, disposal and recycling of raw materials

We strengthen our partnerships with business partners, policy organizations and local governments in the areas of raw material procurement, distribution, use, disposal and recycling, and promote the decarbonization of society.

Related initiatives: [P123](#) Efforts in raw materials (Mitigation), [P123](#) Efforts in manufacturing (plants, offices, logistics centers) (Mitigation), [P124](#) Efforts in distribution (Mitigation)

(4) Promote decarbonization through internal carbon pricing

By setting a carbon price within the company and promoting capital investment with a long-term

perspective of over 10 years in the future, we will accelerate decarbonization and reduce future carbon cost risks.

Related initiative: [P123](#) Efforts in manufacturing (plants, offices, logistics centers) (Mitigation)

(5) Promote renewable energy and energy conservation

We will promote the introduction of renewable energy and increase its share at all business sites. In addition, we will optimize energy efficiency through TCR action* that is deeply rooted in Kao.

* TCR action: Total Cost Reduction action. Activities that fundamentally review company-wide organizational management and work processes.

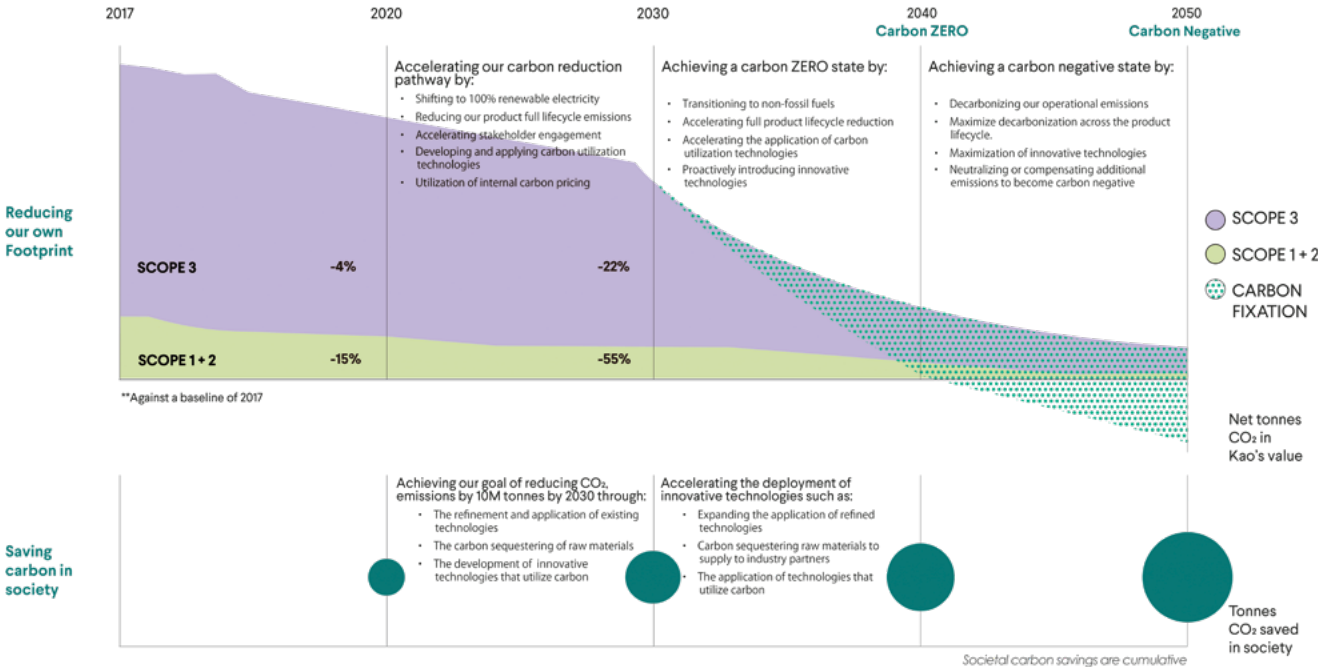
Related initiatives: [P123](#) Efforts in manufacturing (plants, offices, logistics centers) (Mitigation), [P124](#) Efforts in distribution (Mitigation)

(6) Develop and expand water-saving and energy-saving products

By leveraging the synergies between the Chemicals and Consumer Products businesses, we will develop water-saving and energy-saving products that are closely linked to the daily lives of consumers, as well as carbon recycling process technologies, to provide consumers with options that will help them contribute to a decarbonized society.

Related initiatives: [P124](#) Efforts during use (Mitigation), [P125](#) Efforts in disposal and recycling (Mitigation)

Decarbonization roadmap towards “carbon zero” by 2040 and “carbon negative” by 2050



(7) Develop and deploy climate change adaptation products

By utilizing our high technological superiority through essential research and a matrix research system of infrastructure and development, we will develop products that adapt to climate change and promote the improvement of the climate change adaptation capabilities of industry and society.

Related initiative: [P125](#) Adaptation efforts

(8) Provide products and services that contribute to reducing CO₂ emissions in society

Through the provision of water- and electricity-saving products, we aim to make consumers more aware of the importance of resources, while also promoting the spread of sustainable lifestyles.

Related initiatives: [P124](#) Efforts during use (Mitigation), [P125](#) Efforts in disposal and recycling (Mitigation), [P125](#) Examples of major collaboration projects with stakeholders, [P126](#) Communication with consumers

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Increased sales of water-saving products
- Increased sales of chemical products that contribute to CO₂ reduction
- Cost reduction through energy saving: 170 million yen
- Increased sales of products for adapting to climate change
- Investment and costs for eco-conscious R&D: 947 million yen

Environmental and social impact

- Contribution to emissions reduction in CP products: 1,813 thousand tons-CO₂
- Contribution to emissions reduction in chemical products: 2,534 thousand tons-CO₂

Strategic resilience

Kao performs scenario analysis of climate change risks and opportunities based on the TCFD recommendations to assess and enhance long-term business resilience. This analysis confirms that our strategies for addressing physical and transition risks are appropriate, and we are preparing a system that will ensure business sustainability under a variety of climate change scenarios.

Metrics and targets

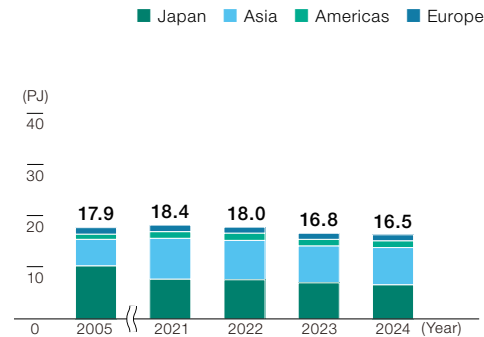
To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to track progress toward achieving these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2017	2021	2022	2023	2024	Target value	Year
(2)	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)	0%	4%	6%	12%*	15%	22%	2030
(4) (5)	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)	0%	20%	26%	35%	42%	55%	2030
(5)	% of renewable energy in electricity consumption	—	39.5%	48.6%	57%	69%	100%	2030

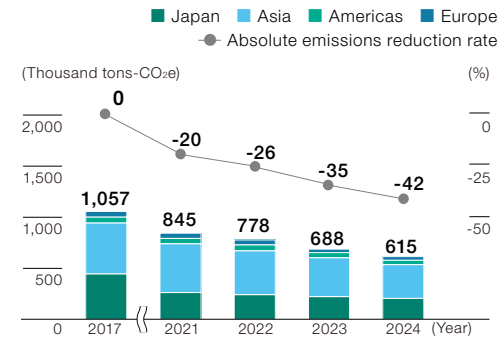
* The 2023 value has been revised due to an adjustment to Scope 3 Category 11 in Japan. As a result, % reduction in absolute full lifecycle CO₂ emissions showed 3 percentage point less reduction compared to the previously disclosed value in last year.

Energy consumption ☒ (all sites)



* Boundary: All Kao Group sites, including company cars in Japan
* Assurance provided for energy consumption figures

GHG emissions ☒ (all sites)



* Boundary: All Kao Group sites, including company cars in Japan
* Gases included: The seven GHGs specified by the Kyoto Protocol (only CO₂ for sites outside Japan)
* Assurance provided for GHG emissions figures

> Decarbonization

Zero Waste

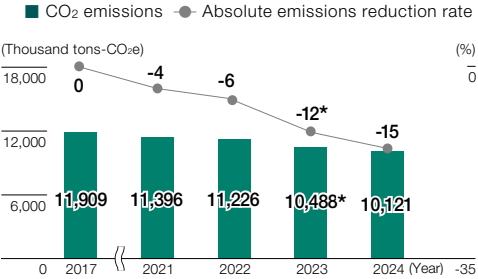
Water Conservation

Air & Water Pollution
Prevention

Product Lifecycle
and Environmental
Impact

Environmental
Accounting

CO₂ emissions across the entire product
lifecycle (Kao Group)



* "CO₂ emissions over the entire product lifecycle" is calculated by multiplying the CO₂ emissions over the product lifecycle per unit volume of products sold both within and outside Japan (excluding the Group's production and logistics processes) by the annual sales volume of the product in question and adding up the actual amount of CO₂ emissions over the Group's production and logistics processes. However, this amount does not include emissions related to the use and disposal of Chemical products.

* Assurance provided for CO₂ emissions figures and absolute emissions reduction rate

* The value for 2023 was revised in accordance with the revision of Scope 3 Category 11 in Japan. As a result, CO₂ emissions for the entire product life cycle increased by 394 thousand tons-CO₂e and the absolute emissions reduction rate showed 3 percentage point less reduction compared to the previously disclosed value in last year.

 Metrics and results

Strategy	Metrics		Results					Unit
			2017	2021	2022	2023	2024	
(1)	GHG emissions (all sites)  *1		1,057	845	778	688	615	Thousand tons-CO ₂ e
	Scope 1 GHG emissions  *2	Japan	271	244	240	223	206	
		Asia	290	264	256	237	221	
		Americas	43	45	51	46	41	
		Europe	49	50	48	34	35	
		Total	653	605	595	539	503	
(1)	Scope 2 GHG emissions  *2	Japan	173	19	3	0	0	
		Asia	208	213	173	143	109	
		Americas	14	8	7	5	2	
		Europe	8	1	1	0	1	
		Total	404	240	183	149	112	
(2)	CO ₂ emissions across the entire product lifecycle  *3		11,909	11,396	11,226	10,488*	10,121	
	Scope 3 GHG emissions	1. Purchased goods and services 	4,496	4,228	4,109	3,892	3,893	
		2. Construction and building of capital goods	239	264	285	281	281	
		3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	29	60	58	57	56	
		4. Upstream transportation and distribution 	253	245	241	234	238	
		5. Waste generated in operations	58	68	66	58	58	
		6. Business travel	4	4	5	4	4	
		7. Employee commuting	18	18	18	18	17	
		8. Upstream leased assets	0	0	0	0	0	
		9. Downstream transportation and distribution	97	108	109	104	100	
		10. Processing of sold products	119	131	131	128	140	
		11. Use of sold products 	4,687	4,647	4,680	4,349*	4,107	
		12. End-of-life treatment of sold products 	1,415	1,432	1,417	1,324	1,268	
		13. Downstream leased assets	0	0	0	0	0	
		14. Franchises	0	0	0	0	0	
		15. Investments	8	5	5	8	8	
		Total	11,423	11,210	11,125	10,457	10,170	

* The value for 2023 was revised in accordance with the revision of Scope 3 Category 11 in Japan. As a result, CO₂ emissions for the entire product life cycle increased by 394 thousand tons-CO₂e from 2023.

*1 Boundary: All Kao Group sites, including company cars in Japan
Gases included: The seven GHGs specified by the Kyoto Protocol (only CO₂ for sites outside Japan)

*2 Emissions by scope conform to the Greenhouse Gas Protocol initiative
Scope 1: GHG emissions emitted directly by the company/organization
Scope 2: Indirect GHG emissions from purchased electricity, heat, etc.

*2 Emission factors
Scope 1: In principle, uses factors defined in the Law Concerning the Promotion of Measures to Cope with Global Warming
Scope 2: In principle, uses the specific factors of the country's laws or regulations. When the specific factor cannot be obtained, the country-based factor released by the IEA is used.

*3 "CO₂ emissions over the entire product lifecycle" is calculated by multiplying the CO₂ emissions over the product lifecycle per unit volume of products sold both within and outside Japan (excluding the Group's production and logistics processes) by the annual sales volume of the product in question and adding up the actual amount of CO₂ emissions over the Group's production and logistics processes. However, this amount does not include emissions related to the use and disposal of chemical products.

Category 1: Purchased goods and services
This value is calculated by multiplying CO₂ emissions associated with raw materials per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question.
CO₂ emissions associated with raw materials are calculated by multiplying the weight of raw materials purchased by inventory data (using supplier surveys, documentary data, commercially available databases, etc.).

Category 4: Upstream transportation and distribution
CO₂ emissions associated with transporting products (both within and outside Japan) while Kao Group acts as consignors.
For Japan, the calculation is made using the criteria specified by the Energy Conservation Act. For areas outside Japan, the calculation is made by Kao based on data for Japan.

Category 11: Use of sold products
This value is calculated by multiplying CO₂ emissions associated with product use per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question.
Industrial-use products are excluded.
CO₂ emissions associated with product use are calculated by multiplying the amount of water, hot water and electric power consumed during product use by inventory data (using documentary data, commercially available databases, etc.)

Category 12: End-of-life treatment of sold products
This value is calculated by multiplying CO₂ emissions associated with the disposal or recycling of sold products (both within and outside Japan) by the total annual sales volume of the product in question.
CO₂ emissions associated with the disposal or recycling of industrial-use products are excluded. CO₂ emissions associated with disposal or recycling are the sum of CO₂ emissions associated with the disposal or recycling of product content and product packaging. Emissions from product content are calculated by converting all content that consists of fossil-derived carbon into CO₂. Emissions from product packaging are calculated by multiplying packaging material weight broken down by the appropriate percentage of disposal by incineration, landfill or recycling for each category of material in line with each country's performance in this regard by inventory data (using documentary data, commercially available databases, etc.)

* Kao focuses on the categories of 1, 3, 4, 5, 11 and 12 related to site activities to save energy and reduce waste materials, as well as on the product lifecycle.

At Kao, we calculate Scope 3 Categories 1, 11, and 12 based on the Life Cycle Assessment (LCA) approach.
Detailed LCA
Calculated by multiplying the CO₂ emissions per unit of each SKU sold in Japan by the annual sales volume of the corresponding SKU.
Simplified LCA
Calculated by multiplying the CO₂ emissions per unit of product groups sold in Asia, the Americas, and EMEA (Europe, the Middle East and Africa) by the annual sales volume of the respective product groups.

GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials. Hence, the selection by management of a different but acceptable measurement method, activity data, emission factors, and relevant assumptions or parameters could have resulted in materially different amounts being reported.

Strategy	Metrics	Results						
		2005	2020	2021	2022	2023	2024	Unit
(5)	Energy consumption (all sites)  *4	17.9	18.5	18.5	18.1	16.7	16.5	PJ

*4 Boundary: All Kao Group sites, including company cars in Japan

Strategy	Metrics		Results				
			2021	2022	2023	2024	Unit
(5)	Purchased electricity, steam, etc.*5	Electricity	7,934	7,634	7,062	6,836	Terajoules
		Heat	0	0	0	0	
		Steam	232	210	201	192	
		Cooling	0	0	0	0	
(5)	Fuel consumption by fuel type	Natural gas	8,723	8,553	7,847	8,071	Terajoules
		Diesel oil	1,095	1,077	938	851	
		Gasoline	104	110	109	103	
		Other	126	123	116	105	
		Waste vegetable oil (heat recovery)	304	346	252	299	

*5 Electricity is calculated as the calorific value of the primary energy (at the receiving end in Japan, generating end outside Japan).

Strategy	Metrics		Results					Unit
			2017	2021	2022	2023	2024	
(2)	CO ₂ emissions from transportation (Japan)  *6 *7		98	100	102	99	99	Thousand tons-CO ₂
		Absolute reduction rate	0	1.7	5.8	1.4	0.7	%

*6 Boundary: Kao Corporation and Kanebo Cosmetics Inc.

*7 Assurance provided for CO₂ emissions

Strategy	Metrics		Results					Unit
			2020	2021	2022	2023	2024	
(5)	Renewable energy-derived power	% of renewable energy in purchased electricity	37.2	51.8	63.4	72.1	86.9	%
		% of renewable energy in electricity used	28.8	39.5	48.6	57.1	69.4	

Strategy	Metrics		Results					Unit
			2020	2021	2022	2023	2024	
Overall	CDP evaluation	Climate change	A	A	A	A	A	-
		Forest (palm oil/timber)	A / A-	A / A	A / A	A / A	A	
		Water conservation	A	A	A	A	A	
		Supplier engagement	A	A	A	A	A	

Governance

Risk management in relation to climate change issues is carried out by the Internal Control Committee, while opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Furthermore, in order to promote the management of progress and strategies for decarbonization targets in an integrated manner, the Decarbonization Steering Committee, led by the ESG and Corporate Strategy, has been established as a subordinate organization of the ESG Managing Committee.

This committee meets five times a year, with its activities reported to the Board of Directors at least once a year, and is supervised by the Board of Directors.

We launched an e-learning program for employees in 2020 to promote the Kirei Lifestyle Plan, educating them on essential knowledge and encouraging efficient energy use.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Policies

In implementing decarbonization, Kao has formulated the following policies as guidelines for daily operations and decision-making. For details, please see the website.

-  • Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>
- Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>
- Kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>
- Kao Sustainable Product Development Policy
<https://www.kao.com/global/en/sustainability/klp/policy/product-development-policy/>
- Action Policy on "High-Risk Supply Chain Management and Sourcing"
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>

Management process

The status of our efforts to address the risks and opportunities involved in achieving a decarbonized society is managed through the following processes: planning, implementation, evaluation of results, and correction, and we are working to make steady improvements. In addition, throughout the year, the Decarbonization Steering Committee examines issues in the PDCA cycle and works to improve activities.

P (Planning)

Design of activities for the following year (November-December), approval of targets (February)

D (Implementation)

Improvement and promotion activities (from February)

C (Evaluation of results)

Activity results (from April), activity results reported in the Sustainability Report (June) and report on the activity results at CDP (October)

A (Corrective action)

Review and identification of areas for improvement (October)

Initiatives

Kao is taking various initiatives to help realize a decarbonized society. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking.

Strategy		Initiatives		
Overall	(1) Promote innovative initiatives toward carbon zero by 2040 and carbon negative by 2050	Strategic discussion at the Decarbonization Steering Committee		
	(2) Reduce CO ₂ throughout the product lifecycle	Low-carbon raw materials	Consumer Products Business	Chemical Business
			Expansion of water-saving products	Expansion of water-saving products
		Low-carbon production and distribution		
	(3) Collaborate with stakeholders in the procurement, distribution, use, disposal and recycling of raw materials	Collaboration with suppliers (Vendor Summit, CDP Supply Chain)	Collaboration with governments and NGOs	Collaboration with distribution
Sites	(4) Promote decarbonization through internal carbon pricing	Setting appropriate internal carbon pricing and using it for capital investment		
	(5) Promote renewable energy and energy conservation	Switching to renewable energy for purchased electricity (increasing procurement in Asia)	Reduction of energy use	Use of cleaner energy
Products	(6) Develop and expand water-saving and energy-saving products	Expansion of products that require only one rinse in laundry detergents	Expansion of sales of detergents with good foam rinsing properties	Use of biomass-derived plastics and raw materials
	(7) Develop and deploy climate change adaptation products	Expansion of sales of skin protection products such as UV care products	Expansion of sales of infection control products such as disinfectants	Expansion of sales of summer products such as antiperspirants
	(8) Provide products and services that contribute to reducing CO ₂ emissions in society	Communicating the company's attitude through the company slogan "Wastefulness—Mottainai. Never today, nor tomorrow."		

Efforts in raw materials (Mitigation)

Region: Global

Corresponding strategies: (2) (3)

Vendor Summit

We hold the Vendor Summit, inviting key suppliers to explain our ESG initiatives, including our decarbonization efforts, while also requesting their cooperation. We are working to strengthen our cooperative relationship with suppliers in order to enhance sustainable procurement (including joining Sedex, participation in the CDP Supply Chain initiative, etc.) and stable procurement (traceability of raw materials, responding to BCP requirements, etc.).

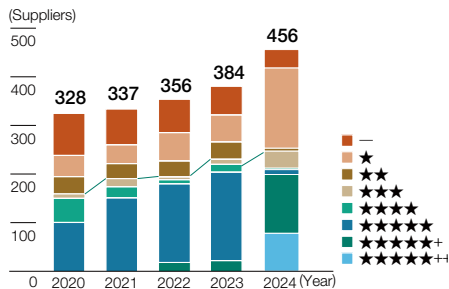
CDP Supply Chain Program (Climate Change, Forests, Water)

In 2009, we became the first Japanese company to participate in the CDP Supply Chain Program (Climate Change, Forests, Water). Through this program, we encourage suppliers to actively promote CO₂ reduction activities, while we evaluate their efforts and provide feedback. This helps us deepen our collaboration with suppliers and promote decarbonization throughout the supply chain.

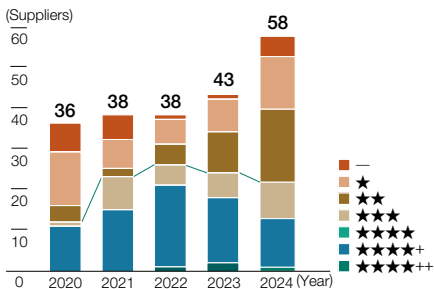
In recognition of these initiatives, Kao was awarded the Supplier Engagement Leader, the highest rating for CDP Supplier Engagement Assessment, for the seventh consecutive year.

The results of Kao's own supplier survey using the CDP Supply Chain Program in 2024 are as follows.

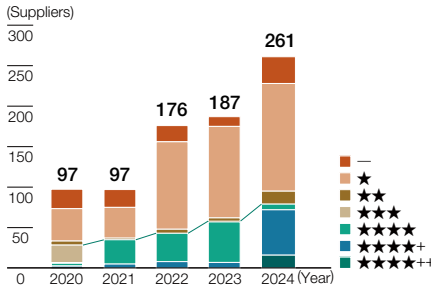
Supplier activity level (Climate Change)



Supplier activity level (Forests)



Supplier activity level (Water)



Efforts in manufacturing (plants, offices, logistics centers) (Mitigation)

Region: Global

Corresponding strategies: (6)

As part of our efforts to reduce energy use, we have introduced high-efficiency equipment, such as BPT (Best Practice Technologies) equipment and LED lighting, and we are also working to reduce unnecessary energy use through efficient equipment operation and energy-saving activities. In 2024, we carried out 175 energy-saving activities, resulting in an annual CO₂ reduction of 13.8 thousand tons and cost savings of approximately 175 million yen.

We are also promoting the use of renewable energy as an initiative to use cleaner energy. In 2024, a photovoltaic power generation system that had been added to Kao Corporation Shanghai began operation. In addition, new photovoltaic power generation systems for self-consumption were installed at the Kashima Plant and at the Karawang Plant of Kao Indonesia.

In addition, we are promoting the purchasing of electric power that is generated using renewable energy. In Japan, we achieved 100% renewable energy for purchased electricity in 2023. Outside Japan, we continued shifting to renewable electricity. In 2024, 87% of purchased electricity and 69% of total electricity used globally came from renewable sources. The use of this renewable electricity reduced CO₂ emissions by 159 thousand tons.

Since the introduction of our internal carbon price system in 2006, we have been promoting the adoption of energy-efficient equipment, low-CO₂ equipment, and renewable energy procurement. Our internal carbon pricing system is primarily applied to promote the reduction of Scope 1 and 2 emissions. We currently set our internal carbon price at USD 168 per ton of CO₂. Under this framework, we have approved projects such as the hot water heat pump at the Wakayama Plant (operational in 2024) and the photovoltaic power generation system at Kao Industrial Thailand (operation in January 2025). These initiatives are driving the proactive implementation of energy-efficient production equipment, decarbonization technologies, and the transition to renewable electricity. At our chemical plant in Spain, the installation of a new facility that uses biomass for thermal energy has made it possible to reduce CO₂ emissions from the plant by 95%.

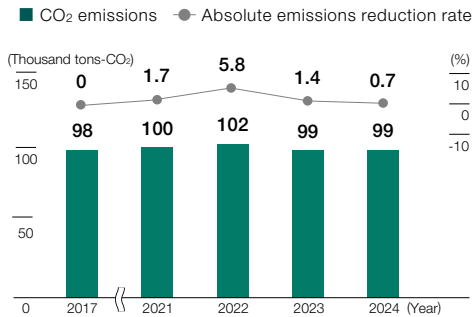
Efforts in distribution (Mitigation)

Region: Global

Corresponding strategies: (2) (3) (5)

CO₂ emissions during distribution in Japan were 99 thousand tons-CO₂ in 2024, a 0.7% increase (compared to 2017). We are promoting modal shifts to increase the amount shipped at one time, shorten transport distances and switch to cleaner modes of transport. We are participating in the Cross-ministerial Strategic Innovation Promotion Program promoted by Japan's Cabinet Office. We have partnered with Lion Corporation to launch a smart logistics initiative, with scheduled deliveries having started in 2020. Kao and Costco Wholesale Japan have worked together to introduce reusable folding containers and have launched an effort to collect and reuse them.

CO₂ emissions from transportation (Japan)



* Boundary: Kao Corporation and Kanebo Cosmetics Inc.
* Assurance provided for CO₂ emissions

Efforts during use (Mitigation)

Region: Global

Corresponding strategies: (1) (2) (6) (8)

We offer a wide selection of products that contribute to the reduction of CO₂ emissions during the use stage. Important examples include ultra-concentrated laundry detergents that only require one rinse cycle, and shampoo, body wash and dishwashing detergent that reduce the amount of hot water required for rinsing.

In the laundry detergent segment, we launched *Attack Neo* in 2009, which reduces the lifecycle CO₂ emissions per wash by approximately 22%. In 2019, we introduced *Attack ZERO*, a concentrated liquid clothing detergent that uses Bio IOS, our most advanced detergent base, as its main ingredient. Within Japan, the way consumers do their laundry has begun to change, with washing machines that come equipped with a button allowing the user to select a single rinse cycle as a standard feature becoming the norm.

Furthermore, we offer *Bioré-u the Body Foaming Type*, a body wash, which can be expected to reduce the amount of water used by washing by hand, and as a result, cut CO₂ emissions by approximately 10%.

We also offer a wide selection of products for industry that allow customers to reduce their CO₂ emissions during the use stage. These include a toner with low-temperature fixing, which reduces the photocopier's power consumption, washing and rinsing agents that can wash and rinse steel plates at low temperatures to reduce CO₂ emissions from fuel consumption, a semiconductor wafer cleanser that contributes toward CO₂ emissions reduction by reducing the amount of ultra-pure water and chemical agents used during the cleaning process, an additive for coating material that helps improve fuel economy by reducing the coating weight of wire harnesses for automobiles, and an additive essential to improving the dispersion of a material required for fuel-efficient tires to demonstrate their performance.

Efforts in disposal and recycling (Mitigation)

Region: Global

Corresponding strategies: (1) (2) (6) (8)

Used diapers are carbonized using carbonization equipment, and the resulting material is then utilized for environmental purification and plant cultivation. We are also undertaking R&D aimed at conversion to new types of carbon material.

Furthermore, we are advancing the use of biomass plastic and other raw materials that are carbon neutral in terms of the amount of CO₂ emitted during disposal. As a new initiative, we have started research on a manufacturing model to utilize cassava residue as biomass as a commissioned project by the New Energy and Industrial Technology Development Organization (NEDO), a national research and development corporation.

Examples of major collaboration projects with stakeholders

Region: Global

Corresponding strategies: (2) (8)

Kao is deepening its dialogue and collaboration with diverse stakeholders. By sharing its knowledge with stakeholders and co-creating new value, it is helping to decarbonize society.

[Case study]

- Participation in the Green Value Chain Platform and the Decarbonized Management Network administered by Japan's Ministry of the Environment, offering Kao's scope 3 efforts as an example and contributing to the calculation of scope 3 emissions by corporations.
- DECOKATSU awareness, promoted by the Ministry of the Environment, and its contribution to lifestyle changes among consumers toward decarbonization.
- Participation in the Japan Climate Initiative and the spread of information and exchange of opinions on climate change measures promoted by various constituents beyond the national government.
- Participation as a member of the LCA Working Group organized by the Japan Chemical Industry Association. We have disclosed case studies of our carbon lifecycle analysis

efforts and disseminated information to society about the contribution that chemical products can make toward reducing CO₂ emissions.

- Participation in the Supply Chain Program run by the CDP for 15 consecutive years. We are contributing to the enhancement of suppliers' awareness and promoting a transformation of the types of action taken by suppliers.
- As a member of the steering committee of the TCFD Consortium of Japan, we are contributing to the disclosure of climate change-related information and promoting dialogue.

Adaptation efforts

Region: Japan

Corresponding strategy: (7)

Amid ongoing climate change, Kao is strengthening its efforts to adapt by developing products and providing services that reflect the effects of global warming.

Specifically, we are promoting the development of products that protect the skin from the environment, such as UV care products, self-tanning products, repellents, and antiperspirants which are expected to see increased demand as the summer season becomes longer due to rising temperatures. These products support comfort and health in everyday life, while also responding to diversifying needs.

In addition, in preparation for natural disasters, Kao operates the website *Sonaeru*, which provides information on products and everyday items that can be used to maintain hygiene during evacuation. This website introduces not only products that are essential for hygiene management, but also practical knowledge and ideas that are useful in times of disaster, providing support for living with peace of mind even in difficult situations.

 Sonaeru
<https://www.kao.co.jp/hisaiji/>



> Decarbonization

Zero Waste
Water Conservation
Air & Water Pollution
Prevention
Product Lifecycle
and Environmental
Impact
Environmental
Accounting

Communication with consumers

Region: Global

Corresponding strategies: (2) (8)

As an initiative to communicate the company's attitude of contributing to the realization of a sustainable society, we have been developing the corporate advertising series "Wastefulness—Mottainai. Never today, nor tomorrow." since 2022.

This series of advertisements conveys this message to communicate the innovations and corporate stance rooted in Kao's "ESG-driven *Yoki-Monozukuri*," which contributes to a recycling-oriented society. By focusing on the concept of "waste" in our daily lives and calling for people to be mindful of "Wastefulness—Mottainai. Never today, nor tomorrow," we aim to encourage people to become aware of the smaller types of "waste" in their lives and take action to address them, as well as to spread this movement throughout society.

In 2024, we sent out the message that conserving water and hot water leads to decarbonization through the corporate advertisement "Mottainai" Interview Drainage.



> Decarbonization

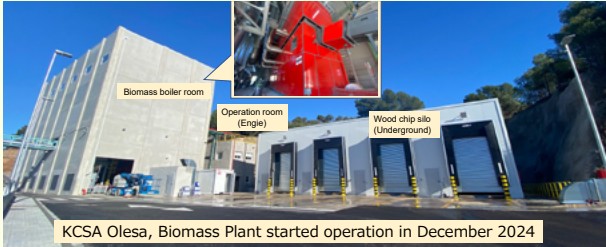
Zero Waste
Water Conservation
Air & Water Pollution
Prevention
Product Lifecycle
and Environmental
Impact
Environmental
Accounting

Employees'
opinions

Challenge toward KCSA decarbonization: Biomass Plant



Marina Torrens
Engineering & Maintenance
Engineer
Kao Corporation S.A. (Spain) (KCSA)



KAO Group has the goal (Scope1&2) to achieve the reduction of 55% of CO₂ emissions in 2030, becoming of Net zero CO₂ emissions in 2040 and achieving in 2050 negative emissions.

Within this context, from our engineering department, we started a study few years ago with the purpose to establish a road map with different actions to carry on in the three productive factories: Olesa, Mollet and Santiga, with a CO₂ reduction to contribute to the KAO goal.

Regarding Olesa plant, we had analyzed all the energy consumption of the factory and the sources of energy that we used to obtain a real scenario of our major consumption. As we also known, the electricity and natural gas are our major consumers. Since 2017 KAO has the green electricity certificate of guarantee of renewable sources origin. Thus, we are convinced that all our efforts must be focused in decarbonization of natural gas, that is used mainly for the steam production.

We have investigated the best technologies available on the market suitable for our necessities with help of various suppliers.

Then, after having discussions and analysis by several parties, we agreed biomass plant was the best solution right now to replace the natural gas to produce steam and to fulfill our sustainability goals. We immediately started working with an external partner who help us in construction design and operation of biomass plant.

Kao does not have previous experience in biomass boilers, Olesa biomass plant is the first boiler fueled by biomass (Wood chips) for the steam production of KAO group.

For this reason, Kao has established an energy service provider agreement with ENGIE, during the following 15 year.

The biomass plant is used for self-consumption and as a thermal energy generation equipment whose primary source, forest biomass, is 100% renewable and neutral in CO₂ emissions by SURE certification.

The biomass plant constructed from September 2023 until November 2024, then started operation in December 2024 after commissioning. Many controls are built in to ensure complete combustion of biomass. And there are also several stages of after-treatment to produce clean exhaust gases.

The main goals achieved with the biomass plant project are:

- 95% Reduction of natural gas consumption of the factory, and thus the carbon footprint.
- Generation of a positive impact on the local environment by promoting sustainable forest management, including fire prevention, and improving the condition of forests, contributing to local social and economic development, and reducing external energy dependence, as it is a local fuel.
- Contribution to decarbonization objectives. CO₂ reduction 15,300 ton/y. it's good ESG Strategy.

It has been a real pleasure for me to be part of this project thus contribute significantly to the global decarbonization objectives of KCSA and of KAO group. I'm looking forward to continuing working together on this.



Stakeholder engagement

Comment on Kao Corporation's
Initiatives [Decarbonization &
Adaptation]

Norihiro Itsubo
Professor
Faculty of Science and Engineering
Waseda University

Nearly ten years have passed since the adoption of the Paris Agreement. As countries continue to update and submit their NDCs (nationally determined contributions), Japan has presented new medium-term targets: a 60% reduction in greenhouse gas emissions by 2035 and a 73% reduction by 2040, both in comparison to 2013 levels. While domestic emission reductions are progressing steadily, the global situation remains extremely severe. As of 2024, the global average temperature has risen by 1.47°C compared to pre-industrial levels, casting serious doubt on the attainment of the 1.5°C target. The impacts of climate change, such as forest fires, heatwaves, and floods, are already becoming apparent. In addition to mitigation measures, it is increasingly necessary to strengthen adaptation strategies that aim to minimize loss and damage. Against this backdrop, there is growing social demand for products and technologies that contribute to addressing climate challenges.

Kao has set ambitious long-term targets of carbon zero by 2040 and carbon negative by 2050, and has already achieved a 42% reduction in Scope 1 and 2 emissions compared to 2017. In particular, its initiatives across the entire value chain are noteworthy. Kao has made significant contributions to Scope 3 reductions through actions such as making its products more compact, the use of naturally derived ingredients, and the development of new packaging and distribution systems. These efforts are recognized as world-class innovations.

To further enhance its global reach, it is expected that the following areas will be examined:

1. Early implementation of negative emissions

While current plans call for implementation starting in 2030, achieving carbon neutrality

by 2040 will require carbon removal on the scale of several million tons. There is a need to bring forward the launch of negative emissions initiatives and present concrete projects and technologies.

2. Strengthening the supply chain for raw material procurement

As raw material procurement accounts for roughly 40% of Scope 3 emissions, stronger measures are essential at this stage. In the case of palm oil in particular, there is further potential through collaboration with producers and suppliers in areas such as ensuring traceability, utilizing biomass from non-edible parts, and enhancing soil carbon storage.

3. Strategic communication of environmental value in coordination with policy in EMEA (Europe, the Middle East and Africa)

Under the EU Taxonomy, not only chemical manufacturing but also sectors that use Kao products, such as hotels and care facilities, are covered. Japan-originated environmental technologies like one-rinse cycle, compact products, and refillable packaging are expected to become clearly positioned as value-adding under international standards and environmental certifications. Active involvement in policy dialogue and rule-making in the EMEA market will be key to this effort.

4. Development and promotion of climate adaptation-oriented products and technologies

In the future, climate adaptation businesses in fields such as agriculture, food, construction and infrastructure, health, and water and hygiene will be increasingly important. Kao's capabilities in hygiene, materials, and formulation technologies can be applied in these areas. By adding an adaptation effectiveness axis to product LCAs, it will be possible to visualize environmental value in a more multifaceted way.

GRI 306-1, 306-2



Risks	Strategy		Metrics, targets and results			Initiatives		Financial impact
- Increased costs due to stricter regulations on plastic packaging containers and industrial waste, or due to the rising price of recycled plastic - Decline in competitiveness due to the stagnation of technology development related to packaging container recycling and waste reduction - Decline in reputation and corporate value if insufficient action is taken in response to plastic and waste materials	Overall	(1) Promoting innovative initiatives for zero waste in 2040 and negative waste in 2050	Metrics	Targets	2024 results	Increase users of recycled plastic (1)	- Environmental conservation costs: Costs related to waste and recycling measures: 11.551 billion yen - Reduction in the burden of complying with plastic regulations - Reduction in waste disposal costs through waste recycling at sites - Increased sales due to increased demand for environmentally friendly products (resourcesaving and resource-circulating products) - Strengthening of customer loyalty through increased recognition as a sustainable brand	
		(2) Reducing waste and promoting resource recycling throughout the product lifecycle				Expansion of sales of positive recycled products (1)		
	Products	(3) Promoting the reduction of product and food waste	% reduction of discarded products and discarded promotional materials (3)	95% in 2030	35%	Increased amount of plastic collected and used by society (1)		
			% of waste generated at Kao's sites* that is not recycled (3) * Beginning with production sites	Zero in 2030 (Less than 1%)	4.6%	Reducing plastic consumption (1)		
Opportunities	Packaging	(4) Promotion of the 4Rs (Reduce, Reuse, Replace, Recycle) with regard to packaging	Quantity of fossil-based plastic in packaging (4)	Peak out in 2030	79 thousand tons	Promotion of reduce innovation and recycle innovation (technology development) (2)		
			Annual quantity of innovative packaging used (Kao + external companies) (4)	300 million in 2030	100 million items	Initiatives for improving the return rate (3)		
			Recycling rate of plastics involving Kao (4)	50% in 2030	8%	Reduction of waste generation (5)		
	Sites	(5) Promoting waste reduction at sites	% of recycled plastic used in PET containers (Japan) (4)	100% in 2025	90%	Promotion of recycling of generated waste (5)		
Awareness-raising	(6) Deployment of awareness-raising activities for stakeholders	(7) Contribution to a resource-circulating society through external collaboration				Awareness-raising through products (Popularization of refillable containers such as <i>eco-peko bottles</i> and refilling at stores) (6)		
External collaboration						RecyCreation activities (7)		
						Recycling of marine plastic (7)		
						Participation in external organizations related to plastic issues organized by the government or NGOs (7)		

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To reduce risks and create opportunities for zero waste, we are implementing strategies that are unique to Kao, are effective, and contribute to business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. This will not only mitigate business risks for Kao, but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Transition to a resource-circulating society
- Marine litter problems caused by the release of plastic into the natural world

■ Risks and opportunities

Kao is facing various risks in this business environment that includes these social issues, but it is also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Increased costs due to stricter regulations on plastic packaging containers and industrial waste, or due to the rising price of recycled plastic
- Decline in competitiveness due to the stagnation of technology development related to packaging container recycling and waste reduction
- Decline in reputation and corporate value if insufficient action is taken in response to plastic and waste materials

Opportunities

- Cost reduction by reducing the amount of plastic used and the amount of waste generated
- Greater competitiveness and increase in sales by providing products made from reduced plastic and recycled plastic

- Increase in sales due to consumers being aware of recycling initiatives such as the collection of resources from the community and recyclable designs
- Increase in revenue from a licensing business that utilizes plastic reduction and recycling technology

■ Strategy

Kao has formulated the following strategies to address the identified risks and opportunities. In particular, the reduction of plastic packaging is an important initiative, and these strategies will have a significant impact on the “Build *Global Sharp Top businesses*” and “Build businesses through co-creation with partners” sections of the K27 Mid-term Plan. We will work to build a resource-circulating society through innovative technology development and collaboration with stakeholders.

(1) Promoting innovative initiatives for zero waste in 2040 and negative waste in 2050

By 2040, we will achieve zero waste by recycling used plastic to virtually eliminate the use of plastic packaging, and by 2050, we will realize negative waste by recycling more plastic packaging than is used. We aim to achieve zero waste through the cultivation of technology by the Matrix Research System and the Packaging Technology Research, and through collaboration with stakeholders.

Related initiative: [P134](#) Development of asphalt modifier using waste PET materials

(2) Reducing waste and promoting resource recycling throughout the product lifecycle

We aim to reduce waste from the product design and development stages, and promote the construction of a resource-circulating system. In addition to reducing the size of main containers and promoting the sale of refillable packaging, we are focusing on designing containers that can be recycled and establishing technology for reusing containers collected from the public.

Related initiatives: [P135](#) Initiatives for recycling packaging, [P136](#) Initiatives adopted at our business sites

(3) Promoting the reduction of product and food waste

(3)-1. Reducing discarded products

We intend to reduce returns by strengthening initiatives such as improving the accuracy of demand forecasts and extending the shelf life of products. In addition, we promote the reduction of waste through sales methods that utilize our own platform, My Kao.

(3)-2. Reducing food waste

We monitor the generated food waste that is treated through wastewater treatment or incineration and cannot be effectively used for other purposes.

Since food waste is generated when products close to their use-by dates are returned, we work with our suppliers to extend use-by dates and review return policies. Some returned products can be utilized effectively in methane fermentation and composting. Through activities such as these, we take steps to reduce food waste.

Related initiative: [P136](#) Initiatives adopted at our business sites

(4) Promotion of the 4Rs (Reduce, Reuse, Replace, Recycle) with regard to packaging

In the field of packaging, we work on technological development from the perspective of the 4Rs: Reduce, Replace, Reuse, and Recycle, with the aim of developing products with less environmental impact.

In “Reduce,” we are minimizing plastic usage by decreasing bottle thickness and weight while maintaining usability and durability through innovative packaging design.

In “Reuse,” we are actively promoting refillable and reusable products so that containers, including bottles and pumps, can be used repeatedly.

In “Replace,” we are transitioning from fossil-based plastics to more sustainable raw materials, such as low-carbon, renewable plant-derived alternatives, while overcoming technological challenges.

In “Recycle,” we are actively incorporating recycled resins into plastic packaging. We have developed recycling technology for multi-layered refill packs composed of diverse materials, contributing to our goal of realizing a resource-recycling society for plastic packaging.

Related initiative: [P135](#) Initiatives for recycling packaging

(5) Promoting waste reduction at sites

We further strengthen waste reduction at each base, building on the TCR activities we have been working on for many years.

Related initiative: [P136](#) Initiatives adopted at our business sites

(6) Development of awareness-raising activities for stakeholders

By sharing information and carrying out awareness-raising activities through our products, we aim to realize a resource-circulating society by encouraging changes in the awareness of consumers and the behavior of stakeholders.

Related initiative: [P137](#) Collaboration with stakeholders based on “eco together”

(7) Contributing to a resource-circulating society through external collaboration

We promote RecyCreation activities that involve local governments, recyclers, competitors, and consumers. We aim to bring about change throughout society by collaborating with diverse stakeholders.

Related initiative: [P137](#) Collaboration with stakeholders based on “eco together”

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental, and social impacts.

Financial impact

- Reduction in the burden of complying with plastic regulations
- Reduction in waste disposal costs through waste recycling at sites
- Increased sales due to increased demand for environmentally friendly products (resource-saving and resource-circulating products)
- Strengthening of customer loyalty through increased recognition as a sustainable brand

Environmental and social impact

- Efficient use of resources and realization of a circular economy through the promotion of recycling
- Increase in employment opportunities through the creation of recycling businesses in local communities
- Eliminating the negative impact of waste, such as marine plastics, on ecosystems

Strategic resilience

Kao has high resilience to risks thanks to comprehensive measures aimed at reducing waste and building a resource-circulating society. By setting innovative targets such as waste reduction, zero waste, and negative waste, and taking specific measures for waste from our sites and products, we are building a system that can flexibly respond to stricter regulations and market changes. In addition, through awareness-raising activities and external collaboration, we are driving change throughout society and securing the foundations for achieving sustainable growth.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor our progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1) (2) (4)	Quantity of fossil-based plastic in packaging	–	91 thousand tons	88 thousand tons	79 thousand tons*1	79 thousand tons	Will peak and begin to decline	2030
(1) (2) (4)	Annual quantity of innovative packaging used (Kao + external companies)	7 million items	11 million items	13 million items	46million items*2 (14million items)*3	100 million items	300 million items	2030
(1) (2) (4) (6) (7)	Recycling rate of plastics involving Kao	–	1%	3%	6%	8%	50%	2030
(4)	% of recycled plastic used in PET containers	–	19%	69%	81%	90%	100%	2025
(5)	% of waste generated at Kao's sites*4 that is not recycled	–	9.1%	4.2%	4.3%	4.6%	0 (Less than 1%)	2030
(3)	% reduction of discarded products and discarded promotional materials (Base year: 2020)	–	14%	20%	43%	35%	95%	2030

*1 Corrected results (Recounted due to some omissions)

*2 Corrected results (Reviewed aggregate targets and added retroactively)

*3 Value based on former definition

*4 Beginning with production sites

Since our commitment to environmental load reduction and resource recycling extends beyond film containers to include innovations like the eco peco bottle, we've broadened our measurement approach. Accordingly, we've changed our targets from "Quantity of innovative film-based packaging penetration for Kao and others per annum" to "Quantity of innovative packaging penetration for Kao and others per annum". With this expanded scope, we're pleased to report that our annual distribution of innovative containers has now reached 100 million units.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(1) (2) (3) (4)	Quantity of plastic used for packaging	91 thousand tons	85 thousand tons	86 thousand tons
(1) (2) (3) (4)	Quantity of recycled plastic used	2.6 thousand tons	5.2 thousand tons	6.4 thousand tons
(1) (2) (3) (4)	The amount of waste generated at sites*5 	213 thousand tons	194 thousand tons	194 thousand tons
(5)	The amount of recycled waste and other materials*5 	195 thousand tons	176 thousand tons	178 thousand tons
(5)	Recycling rate of waste and other materials	91%	91%	92%
(3)	Amount of food waste generated*6 	706 tons	714 tons	1,642 tons*8
(3)	Amount of food waste utilized effectively*6 *7 	8 tons	1 ton	4 tons*8
(3)	In-house disposal of food waste*6 	698 tons	712 tons	1,638 tons*8

*5 Boundary: All production sites of the Kao Group, non-production sites in Japan, and selected non-production sites overseas

*6 Boundary: Kao's food businesses

*7 Contracted disposal: Contracted disposal includes methane fermentation or Composting, and also effective utilization of packaging (such as cans or cartons)

*8 The disposal volume of residual inventory and related items significantly increased due to the transfer of *Healthya*, a functional tea-catechin beverage brand on August 1, 2024.

Governance

Under the supervision of the Board of Directors, risk management in relation to zero waste issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Furthermore, the Plastic Packaging Steering Committee, which is headed by the executive officer, discusses issues such as the guidelines for environmentally conscious design of plastic containers and packaging and the progress of the 2030 targets, and promotes their steady and swift implementation. This committee meets eight times a year.

We have created an e-learning program containing the knowledge needed to implement the Kirei Lifestyle Plan in both English and Japanese, and we deliver zero-waste-themed content to employees both within and outside Japan.

 Our ESG Vision and Strategy > Governance

 Responsible Care (RC) activities

https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/our_foudations2025-e-02.pdf

Risk and opportunity management

Policies

In implementing its Zero Waste, Kao has established the following policies as guidelines for its daily operations and decision-making. For details, please see the website.

-  • Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>
- Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>
- kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>
- Our Philosophy & Action on Plastic Packaging
<https://www.kao.com/global/en/sustainability/planet/zero-waste/eco-friendly-products-plastic-packaging/>

Management process

The status of our initiatives to address the risks and opportunities associated with zero waste is managed through the following processes: planning, implementation, evaluation of results, and corrective action, and we are working to make steady improvements.

<Zero-Waste Management Process: Plastic Packaging>

P (Planning)

Design of activities for the following year (Nov-Dec) and approval of targets (Feb)

D (Implementation)

Improvement and promotion activities (Feb)

C (Evaluation of results)

Reporting them at the Steering Committee (Apr)

A (Corrective action)

Reflection and identification of areas for improvement (Oct)

<Zero-Waste Management Process: Sites>

P (Planning)

Design of activities for the following year (Nov-Dec) and approval of targets (Feb)

D (Implementation)

Improvement and promotion activities (Feb)

C (Evaluation of results)

Reporting them in the Sustainability Report (Jun)

A (Corrective action)

Reflection and identification of areas for improvement (Oct)

Initiatives

Kao is engaged in a variety of initiatives to achieve zero waste. These initiatives are based on the aforementioned strategies and are being promoted together to achieve our targets. Here, we will introduce some of the important initiatives from among the many we are engaged in.

Strategy		Initiatives			
Overall	(1) Promoting innovative initiatives for zero waste in 2040 and negative waste in 2050	Increase users of recycled plastic	Expansion of sales of positive recycled products	Increased amount of plastic collected and used by society	Reducing plastic consumption
	(2) Reducing waste and promoting resource recycling throughout the product lifecycle	Promotion of reduce innovation and recycle innovation (technology development)			
Products	(3) Promoting the reduction of product and food waste	Initiatives for improving the return rate			
Packaging	(4) Promotion of the 4Rs (Reduce, Reuse, Replace, Recycle) with regard to packaging	Promotion of reduce innovation	Expansion of refill and replacement products	Shift to Paper and Plant-based plastics	Promotion of recycle innovation
Sites	(5) Promoting waste reduction at sites	Reduction of waste generation	Promotion of recycling of generated waste		
Awareness-raising	(6) Developing awareness-raising activities for stakeholders	Awareness-raising through products (Popularization of refillable containers such as eco-peko bottles and refilling at stores)	Awareness-raising activities at the Kao Eco-Lab Museum		
External collaboration	(7) Contributing to a resource-circulating society through external collaboration	RecyCreation activities	Trial for a resource-circulating model aimed at horizontal material recycling	Recycling of marine plastic	Participation in external organizations related to plastic issues organized by the government or NGOs

Development of asphalt modifier using waste PET materials

Region: Global

Corresponding strategy: (2)

With the aim of achieving plastic packaging net zero waste by 2040, we are pursuing initiatives to recycle plastic waste discharged into society as Kao products and services. We are converting discarded PET materials into valuable resources and developing them as an asphalt modifier called *NEWTLAC 5000*. Using our proprietary technology, we can convert discarded PET materials into a modifier that can increase the durability of asphalt pavement by up to five times.

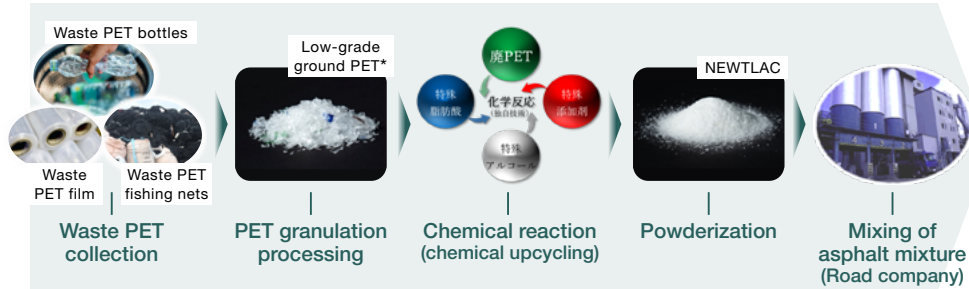
Asphalt pavement, which accounts for over 90% of roads in Japan, can develop ruts in areas with heavy traffic, and the replacement work to repair these ruts also generates CO₂ emissions and traffic congestion. However, by making asphalt pavement more durable, it is possible to reduce damage to the road surface and limit the CO₂ emissions associated with the repair work. To date, we have achieved results of over 400,000 m² in factory premises, parking lots, and public roads.

In addition, we are collaborating with Iwata City to recycle PET bottles and use them to manufacture this product, and we are contributing to environmental education and local communities by paving the courtyards of elementary schools. In 2023, we carried out regional collaboration projects such as the construction of prefectural roads using used PET fishing nets in Miyagi Prefecture and the paving of bus rotaries using marine plastic waste in Wakayama City. We are also working on the sale of products for cold regions and expansion outside Japan.

In the future, as we move towards a society where cars drive themselves, it will be important to make pavements more durable, and we are currently working with local governments and research institutions to carry out demonstration experiments to reduce waste plastic. Kao received the 2024 Awards for Resource-Recycling Technologies and Systems from the Minister of Economy, Trade and Industry for its efforts in this area.

Kao will continue to work with consumers, recyclers, road companies, local governments, and businesses to promote green pavement.

Manufacturing process for NEWTLAC eco-friendly asphalt modifier



* Low-grade materials that are difficult to recycle horizontally from bottle to bottle

Initiatives for recycling packaging

Region: Japan

Corresponding strategies: (1) (2) (3) (4)

RecyCreation activities aimed at creating a new resource cycle

Kao proposes the concept of RecyCreation—the creation of new value by adding technology and the wisdom and ideas of various people to used products—and is working towards building a recycling-oriented society. In this activity, we collaborate with local governments and NPOs such as Kitami City, Onagawa Town, Ishinomaki City, Kamakura City, and Kamikatsu Town to collect used packaging. In addition, we are carrying out in-store collection in collaboration with companies such as Lion Corporation, Ito-Yokado Co., Ltd., WELCIA YAKKYOKU CO., LTD., and HAMAKYOREX CO., LTD., and promoting collection from employees within Kao Corporation. Furthermore, we have also been participating in the Kobe Plastic Next: Joining Forces to Recycle Refill Packs*¹ project since 2021. The total amount of refill packs collected through these initiatives in 2024 (January to December) reached Approx. 11 tons.

 The "RecyCreation" Initiative
<https://www.kao.com/global/en/sustainability/nature/environment/waste-disposal/recycreation/>

Commencement of the verification process for a resource-circulating model project

Kao has been participating in the Kobe Plastic Next: Joining Forces to Recycle Refill Packs*² project since October 2021. This project collects used refill packs for detergents, shampoos, etc., from citizens using collection boxes installed at 75 retail stores in Kobe City. The packs are collected in cooperation with the return delivery of retail stores and existing waste collection companies, which also reduces the environmental burden by increasing transportation efficiency. The collected refill packs are recycled by recyclers and manufacturers into useful products for everyday life, and we are also aiming for horizontal recycling to reuse the film packing. We will continue to work with a diverse range of stakeholders and expand our activities from Kobe to the whole country.

*1,2 Kobe Plastic Next: Joining Forces to Recycle Refill Packs: A project in which Kobe City, retailers, daily goods manufacturers, and recyclers work together to promote resource recycling.

Challenge to recycle marine plastic waste

It is said that about 65% (by number) of the waste that washes up on Japanese shores is plastic. Kao is not only working to reduce the amount of plastic it uses, but is also actively working to make effective use of marine plastic waste. In collaboration with Wakayama City, Kao has been collecting marine plastic waste on Tomogashima Island, where the problem of large amounts of washed-up trash has become a serious issue, and has been developing products that reuse it using its own technology. One such product is an asphalt modifier made from waste plastic (PET). In December 2023, paving work using this product was carried out at the bus terminal in front of Wakayama City Station.

Development of film packing recycling technology

Refill packs use significantly less plastic than the main containers, but because they are made up of multiple layers of composite materials, they become heterogeneous plastic made up of many different components when recycled, so it is currently difficult to recycle them as film packing again. Kao introduced a pilot plant for recycling film packing at Wakayama Research Laboratories in June 2021, and is currently developing and verifying recycling technologies for film packing. Furthermore, we focus on effective

sorting and collection processes for consumers and recyclable packing design, in order to improve the recycling rate and achieve horizontal recycling. As a result, we have commercialized refill packs that use some recycled materials in collaboration with Lion Corporation, and have released them in limited quantities at some stores*.

* Kao and Lion products at certain Ito-Yokado stores and Welcia Yakkyoku stores; Kao products only at certain AEON stores.

Initiatives adopted at our business sites

Region: Global

Corresponding strategies: (1) (2) (3) (4)

Reducing the amount of waste produced

Kao handles many liquid products and sludge is generated as a result of treating concentrated wastewater generated during tank cleaning when switching products. Kao is working on various initiatives at its sites within and outside Japan to reduce this.

Kao Industrial (Thailand) has introduced a system in which wastewater is treated in individual treatment facilities according to the concentration of COD in the wastewater, and this has greatly reduced the amount of sludge generated at the wastewater treatment plant. In addition, Fatty Chemical (Malaysia) has introduced sludge dewatering equipment, which has enabled it to reduce the amount of waste it generates. We are also working to reduce the amount of waste generated by retailers. With the understanding and cooperation of retailers, we are working to reduce the amount of boxes used to deliver products and reduce waste throughout the supply chain.

Enhancing waste recycling

Kao is promoting an initiative to recycle the waste generated in the manufacturing process of diapers and sanitary products into plastic pallets. This initiative has been implemented since 2016 at Kao plants and was made possible by the cooperation of related divisions, including research laboratories, and by leveraging the strengths of Kao's matrix management organization.

Reducing the amount of food waste generated

Kao defines food waste as that generated by returns from business partners due to factors such as damaged containers or expired best-before dates and manages and measures such waste by product category. Of the food waste generated, we define the amount that is effectively utilized through conversion to animal feed or composting, and the amount that is processed and disposed of through wastewater treatment, incineration, etc., as in-house treatment. In 2024, the Kao Group disposed of 1,642 tons of food waste, of which 4 tons were put to good use through methane fermentation and composting*¹.

In order to reduce the amount of food waste to be treated in-house, we are developing products with longer use-by dates and minimizing the amount of time products are held in storage during distribution. We are also working with our business partners to review the rules for returning products with approaching use-by dates.

*¹ In addition to the methane fermentation and composting of food, this includes the effective use of outer packaging (such as cans and cartons).

Reduction of waste plastic products

Kao is committed to reducing the amount of waste plastic discharged. In 2024, the only Kao Group company in Japan to discharge 250 tons or more of waste plastic (including in-house treatment, excluding valuable resources) was Kao Corporation, and the total amount of waste discharged was 5,208 tons, achieving the target of less than the previous year's amount (6,176 tons). The total amount of waste discharged of the Kao Group in Japan was 5,706 tons, less than the previous year's amount (6,728 tons).

Collaboration with stakeholders based on “eco together”

Region: Global

Corresponding strategies: (1) (2) (3) (4)

“eco together” with consumers/customers

Kao is conducting awareness-raising activities to promote refillable and replaceable products that can significantly reduce plastic use through the Kao Eco-Lab Museum, which shares information on the global environment and Kao’s eco-technologies, and an exhibition of environmentally friendly products and services, so that more consumers can adopt environmentally friendly consumption behavior.

“eco together” with business partners

We recognize that collaborating with material manufacturers, recycled resin manufacturers, and packaging manufacturers is essential for the development and market launch of packaging, and we are promoting extensive joint development.

“eco together” with society

Kao is participating in the Clean Ocean Material Alliance, which aims to solve the problem of marine plastic waste on a global scale. A special advisor to Kao Corporation serves as chairperson, leading the activities of Japanese companies to solve the problem of marine plastic waste.

Participation in the Japan Partnership for Circular Economy (J4CE)

Kao is participating in the Japan Partnership for Circular Economy, which was established with the aim of strengthening public-private partnerships to promote further understanding and action on circular economy among a wide range of stakeholders, including domestic companies, as the global trend towards creating a circular economy accelerates. We provided case studies and our representatives were included in the panelists for a panel discussion held to accompany the official ceremony that marked the publication of a collection of the case studies and the launch of the related website.

Participation in Circular Partners (CPs)

Kao is participating in Circular Partners, a partnership established by the Ministry of Economy, Trade and Industry that brings together industry, government, and academia to work ambitiously at the forefront to achieve a circular economy, and to consider policies. In addition to participating in discussions on policies by experts and examining visions and roadmaps, we are also sharing knowledge on asphalt modifiers made from waste plastic as part of efforts to strengthen collaboration.

Package collection measures

Together with external organizations, Kao is involved in recovering packaging and other waste that have been discharged into the natural environment. In October 2020, Kao concluded a cooperation agreement with Wakayama City and conducted surveys and collected marine plastic waste at Tomogashima, Kataonami, and Hamanomiya beaches. The plastic collected is being researched with the aim of reusing it as desks, chairs, etc., used at seaside facilities and high-strength materials for roads. Kao is also independently carrying out its own collection activities for marine litter, river litter, and litter in cities.

Introducing cases at seminars on waste

In Japan, many incidents have been reported at waste treatment companies, which are caused by not providing sufficient information on the chemical substances to the contractor when contracting waste treatment. Therefore, we present cases at various seminars regarding waste with the aim of spreading our knowledge about past successful cases of improving communication with waste treatment companies, and work to raise awareness throughout society while identifying areas for improvement at Kao itself. Thanks to these activities, we continue to have no incidents involving waste contracted for disposal in 2024.

Employees'
opinions

Cosmetics plastic packaging: Initiatives for achieving horizontal recycling



Yukio Otsuka
Director, Prestige Brand
Business, Cosmetics Business,
Global Consumer Care

I believe that cosmetics have the power to lift people's spirits and make them smile. With the aim of contributing to the sustainable development of the cosmetics industry by making cosmetics that are even more environmentally friendly while enhancing their appeal, we are working with stakeholders both inside and outside the company to achieve horizontal recycling.

The design of packaging is one of the appeals of cosmetics, but until now it has been difficult to recycle packaging that have been colored or decorated. We have been working with JEPLAN INC. to make this a reality by utilizing their unique chemical recycling technology, which excels in terms of removing foreign matter and dirt.

As a demonstration experiment, we collected used packaging from customers, used the recycled materials to make new packaging, and then provided it back to the customers, thus creating a horizontal recycling loop.

However, this is still at the stage of a demonstration experiment, so we will work with various stakeholders to establish an infrastructure, such as a collection scheme for used packaging, with the aim of establishing a sustainable social implementation model, and we will work towards the social acceptance of horizontal recycling for cosmetic plastic packaging.



Stakeholder engagement

Challenge toward Zero Waste and
expectations for the future

Masanobu Ishikawa

Vice President / Dean of the Department of Social System
Design / Specially Appointed Professor
Eikei University of Hiroshima

Kao's activities in FY2024 are steadily advancing toward its ambitious environmental goals: carbon zero and zero waste by FY2040, and carbon negative and waste negative by FY2050. The Company is achieving meaningful progress through a variety of initiatives.

Key points of activity

1. Realization of refill pouch horizontal recycled products and deepening of initiatives
2. Practical interface design between co-creation and competitive domains
3. Expansion of collection hubs at retail stores and similar locations
4. Deployment of various collection models and exploration of collection models tailored to products and regions
5. Development of material and chemical recycling aligned with product types and applications

Kao's horizontal recycling initiatives for used refill pouches of daily necessities, which was launched in Kobe and other locations, has made solid progress.

October 1, 2024, a jointly developed product with AEON RETAIL, *Attack ZERO Green Life*, was released, incorporating recycled refill pouch material with some of the refill pouches. This is believed to be the world's first widely distributed consumer product using horizontally recycled refill pouch materials, marking a groundbreaking achievement in the transition to a circular economy.

In the Kobe-based collaborative collection initiative, Kao is working with industry peers, including direct competitors in the product market, to collect used refill pouches and convert them into recycled materials that each company uses in their products. This

model requires seamless integration between the co-creation stage (collection and recycling) and the competitive domain (product commercialization), which has been carefully designed in compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. This experience offers valuable insights that can serve as a reference for many other horizontal recycling projects.

The refill pouch collection program in Kobe involves many collection sites. As such, hypotheses have been developed and tested through comparative experiments to increase collection volume. These efforts have already begun to yield positive results.

In addition, Kao is steadily advancing pilot projects targeting items such as daily-use bottles and cosmetic containers. These projects explore recovery methods suited to specific products, employ material or chemical recycling as appropriate, and aim to manufacture and sell horizontally recycled products. The Company is working toward the social implementation of sophisticated resource circulation systems that align with the unique properties of each product category.

While Kao continues to collect and reuse post-consumer products, such as daily necessities and cosmetics, within its own business scope, a common challenge remains reducing the costs associated with identifying and aggregating target products immediately after disposal. Even with consumer-driven sorting and hub-based collection, or the pickup of target items from municipally separated plastic waste streams (whether packaging or product), low disposal volumes in the daily-use and cosmetic sectors limit efficiency. One promising solution is integrating post-consumer packaging and products from other industries into the same processing systems. This approach shifts from relying solely on economies of scale to leveraging economies of scope—a vital and highly anticipated expansion for the future.

GRI 303-1



Making My Everyday
More Beautiful

Making Thoughtful Choices for Society

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

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To reduce the risk of water conservation and create opportunities, we are implementing strategies that are unique to Kao, effective, and contribute to business growth and solving social issues.

Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao but will also be an important starting point for identifying new business opportunities that will drive growth. Water is a regional resource, and the status and challenges of the water cycle vary significantly by river basin. Differences in water quality, water volume, and related laws and regulations necessitate effective water resource management, pollution countermeasures and freshwater ecosystem conservation, along with on-site initiatives that respond to regional characteristics. Based on this, Kao recognizes the following social issues related to this theme.

- Expansion of water scarce area and aggregation of water shortage due to climate change
- Decline in the safety of water for human needs due to water pollution
- Localized overconsumption of water and expansion of droughts due to industrial activities
- Rapid increase in water demand due to urban development
- Insufficient development of water infrastructure (water supply and sewage systems) due to population changes

Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Unstable supply of raw materials and products and increased supply costs due to deterioration water pollution and water shortages, as well as water quality issues
- Decreased operating rate of manufacturing sites due to water intake restrictions, deterioration of occupational health environment

- Lawsuits and reputational risk from local residents and NGOs regarding enterprise use of water resources

Opportunities

- Increased sales of products that use water efficiently and effectively, including water-saving products, and improvement in loyalty
- Stable operation of manufacturing bases through the strengthening of water management systems, including water quality, water volume and regulations
- Cost reduction through efficient use of water resources and the introduction of water-saving technology

Strategy

Kao has formulated the following strategies to respond to the identified risks and opportunities. The conservation of water resources is an initiative based on our goal, “to become an essential company in a sustainable world,” which is the basic policy of the Mid-term Plan K27 and will have a significant impact on building a “*Global Sharp Top*” business. In order to fulfill its responsibilities as a company that uses water in its business, Kao will promote the sustainable use of water resources and protect future lives by analyzing issues related to water from multiple perspectives and proposing solutions that are tailored to the characteristics of the countries and regions where it conducts production and sales.

(1) Maintaining water quality and ensuring access to clean water

Maintain the quality of water in the areas where we operate and have sites and ensure sustainable access to clean water through initiatives tailored to regional characteristics.

ACTION: Expand communities that can secure clean water regardless of the rainy or dry season by utilizing rainwater.

Through this action, acquire opportunities to accumulate knowledge in line with regional characteristics and apply it to our business, such as product manufacturing, process development and product development.

Related initiative: [P146](#) Spreading rainwater harvesting systems in Indonesia and improving QOL

(2) Efficient use and circulation management of water volume

Promote the 3Rs (reduce, reuse, recycle) of water resources throughout the entire value chain to achieve sustainable water use throughout the entire lifecycle.

ACTION: Implement the 3Rs at bases and in the value chain reduces water intake costs and avoids reputational risk, strengthening business resilience.

Related initiatives: [P146](#) Spreading rainwater harvesting systems in Indonesia and improving QOL, [P146](#) Reducing water consumption at sites (reusing wastewater), [P145](#) Efforts during use

(3) Thorough compliance with laws and regulations within and outside Japan

Comply with international and domestic laws related to water.

ACTION: Respond to regulations concerning microplastics and other water pollution, promote the measure, incorporate advanced global-level harmonization to ensure business continuity in each market and build relationships of trust with local communities, thereby enhancing public confidence in Kao products.

(4) Development and deployment of products and technologies that enable the effective and efficient use of water

By applying Kao's unique surfactant and biotechnology, we develop products and technologies that use water effectively and efficiently to ensure the quantity and quality of water.

ACTION: Develop and market water-saving products and technologies to reduce the burden on consumers and improve customer loyalty, while also capturing growth opportunities in new markets.

Related initiative: [P145](#) Efforts during use

(5) Sharing and collaboration with consumers and stakeholders

Share the importance of water conservation with consumers and partners, and work with stakeholders such as NGOs, associations, communities, and national and local governments to encourage behavioral changes throughout society.

ACTION: Collaborate with partners and stakeholders.

Related initiatives: [P145](#) Efforts during use, [P148](#) Introduction of efforts at the Water Cycle Company Registration and Certification System and at the Company Collaboration Fair, [P145](#) Water conservation activities in Indonesia in 2024 by the Kao Life-in-Harmony Foundation (promoting rainwater harvesting systems and improving quality of life in Indonesia)

(6) Strengthening the resilience of the Company and the region

In addition to strengthening the resilience of the entire value chain in peacetime and developing a corporate structure that can respond flexibly in times of disaster, we contribute to strengthening regional resilience by providing products, information and support that reduce water stress on consumers.

ACTION: Utilize the CDP Supply Chain Program, utilize regional collaboration within the Kao Group in times of disaster.

Related initiatives: [P145](#) Promoting water conservation activities in the supply chain using the CDP Supply Chain Program, [P147](#) Support for people affected by the Noto Peninsula earthquake (hair washing and hygiene support in situations where water was not available)

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Vigorous demand for and high profitability of business as a company with efficient water use and management technology
- Increased consumer interest in water conservation leads to increased sales of environmentally friendly products
- Avoidance of litigation and fines by complying with regulations through innovative water resource efficiency and product development technology
- Reduction of production costs through water reuse and water conservation technology

Environmental and social impact

- Preservation of freshwater and ecosystems in the watershed where the sites are located
- Alleviation of water shortages in local communities through the efficient use of water resources
- Reduction of health risks for residents and improvement of living environments through water quality conservation
- Reduction of the burden of water and sewage charges on residents through the use of water-saving products

Strategic resilience

Through strict adherence to water quality conservation and environmental regulations, as well as by promoting improvements in the water usage and management capabilities of our suppliers, we strive to strengthen our management systems for sustainable water resource management and the technological development that supports them. In addition, we aim to achieve sustainable management by utilizing our technological assets, by developing highly transparent corporate activities based on ESG and by making efficient use of water usage and management through the application of Kao's core technologies, such as surfactant and biotechnology, to water conservation. Furthermore, we continue to build relationships of trust with consumers and NGOs, and work to minimize the risk of litigation. This allows us to respond flexibly to regulatory tightening and market changes, enhancing the resilience of our business, and even in the event that risks do materialize, we are able to recover quickly and build a system that allows for sustainable business operations.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to track progress toward achieving these targets.

Targets and progress

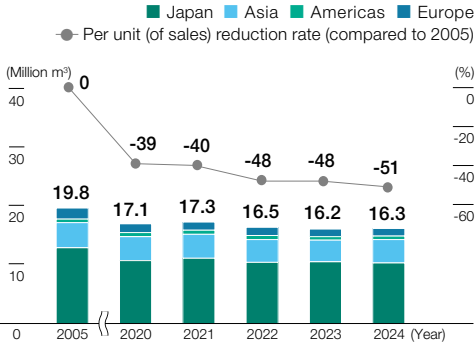
Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(2)	% reduction in water consumption per unit of sales at sites (Base year: 2005)	39% reduction	40% reduction	48% reduction	48% reduction	51% reduction	45% reduction	2030
(2) (5)	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	5% increase	5% increase	3% reduction	6% reduction	12% reduction	10% reduction	2030
(2) (5) (6)	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal)*1	Actual results will be disclosed starting in 2026 due to the newly set target for 2025.					100%	2030

*1 Change in metrics and target values

The water use over the entire product lifecycle (Kao Group) decreased by 16 million m³ compared to the previous year. This was due to factors such as the inclusion of data on the water-saving rates and diffusion rates of water-saving equipment, and an increase in the sales ratio of products that contribute to reducing water use at the usage stage, such as laundry detergents and dishwashing detergents that enable one rinse. In addition, there was also an impact from the increase in sales due to the passing on of price increases caused by soaring raw material prices, and the per-unit (of sales) reduction rate decreased by 12 points compared to 2017.

We will continue to expand the range of products that use water effectively and efficiently.

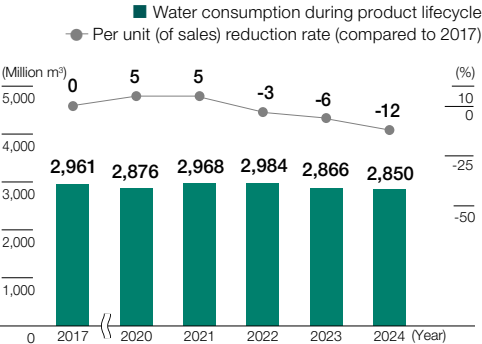
Water consumption (withdrawal) ✓ (all sites)



* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. From 2016 all non-production sites are included.

* Assurance provided for water use (withdrawal)

Water consumption trends throughout the product life cycle ✓ (Kao Group)



* "Water consumption throughout the product life cycle" is calculated as the combined total of the amount of lifecycle water consumption of individual products sold within and outside Japan (excluding use during production and distribution) multiplied by their annual sales quantity and the amount from the group's production and distribution processes. This amount includes water used for procurement in regard to chemical products but does not include water used in the use and disposal of such products.

* Assurance provided for water consumption and per-unit (of sales) % reduction rate

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(2)	Water consumption in production (1,000 m ³)	16,228	15,921	16,048
(6)	Number of suppliers with activity level (water)*1 above the reference level*2 *1 Self-assessment based on the CDP Supply Chain Program *2 three or more out of five	35 Companies	58 Companies	79 Companies
(2) (5)	Number of schools reached by water-saving activities for elementary school through the Let's Save Water Together program	459 Schools	533 Schools	587 Schools
(4) (5)	Sales revenue of products with water-saving effects* * Company-specific standards	157.3 billion yen	167.6 billion yen	186.8 billion yen
(2) (5)	Water conservation: Amount of contribution to reducing water consumption through products with water-saving effects* * Company-specific standards	526 million m ³	523 million m ³	552 million m ³

Water withdrawal amount by source (Million m³)*2 ✓ (all sites)

	2021	2022	2023	2024
Surface water	0	0	0	0
Brackish water / seawater	0	0	0	0
Rainwater	0	0	0	0
Groundwater (renewable)	5.4	5.4	5.5	5.2
Groundwater (not renewable)	0	0	0	0
Oil-contaminated water / process water	0	0	0	0
City water	11.9	11.1	10.7	11.0
Wastewater from other organizations	0.01	0.03	0.05	0.10

*2 Boundary: All Kao Group sites

Wastewater discharge by destination (Million m³)*3 ✓ (all sites)

	2021	2022	2023	2024
Rivers / lakes	2.9	2.8	3.1	3.0
Brackish water / seawater	5.7	5.0	4.9	5.2
Groundwater	0.0	0.0	0.0	0.0
Sewage system	2.9	2.7	2.5	2.7
Wastewater to other organizations	0.0	0.0	0.0	0.0
Total	11.4	10.5	10.5	10.8

*3 Boundary: All Kao Group sites

Governance

A governance structure centered on the ESG Managing Committee, which meets six times a year, has been established to appropriately manage issues and opportunities related to water conservation. The Committee reports and discusses the progress of KPIs and the need for additional KPIs at least once a year to ensure prompt decision-making. In addition, the ESG External Advisory Board, made up of external experts, makes recommendations, and a system has been established to reflect external perspectives in management.

Furthermore, as a specific initiative focused on water conservation, the Responsible Care Promotion Committee, chaired by the Managing Executive Officer (Corporate Planning) meets once a year. This committee formulates policies, plans for the next fiscal year, evaluates performance, identifies areas for improvement and reports the results of these activities to the Internal Control Committee.

We have created an e-learning program containing the knowledge needed to implement the Kirei Lifestyle Plan in both English and Japanese, and we have been delivering water conservation-themed content to employees both in Japan and overseas since 2021.

 Our ESG Vision and Strategy > Governance

 Responsible Care (RC) activities
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/our_foudations2025-e-02.pdf

Risk and opportunity management

Policies

In implementing water conservation, Kao has formulated the following policies as guidelines for daily operations and decision-making. For details, please see the website.

-  • Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>
- Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>
- kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>
- Designing Eco-Friendly Products
<https://www.kao.com/global/en/sustainability/klp/policy/eco-products-policy/>
- Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>

Management process

The status of our initiatives to address the risks and opportunities associated with water conservation is managed through the following processes: planning, implementation, evaluation of results, and corrective action, and we are working to make steady improvements.

<Overall>

P (Planning)

Design of activities for the following year (November-December), approval of targets (February)

D (Implementation)

Improvement and promotion of activities (from February)

C (Evaluation of results)

Reporting of results in the Sustainability Report (June), reporting of results in CDP (October)

A (Corrective action)

Reflection and identification of areas for improvement (October)

<Site>

P (Planning)

The Responsible Care Promotion Committee formulates company-wide targets (September) and annual plans for each site (February)

D (Implementation)

Improvement and promotion initiatives.

C (Evaluation of results)

Internal inspection (June), RC secretariat audit, ISO 14001 internal audit, external audit, etc. (around August)

A (Corrective action)

Corrective requests within the workplace, corrective action requests from the ISO Central Secretariat, corrective action requests from the RC Secretariat, etc. (as needed)

Initiatives

Kao is engaged in a variety of initiatives aimed at water conservation. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking.

Strategy		Initiatives		
Overall	(1) Maintaining water quality and ensuring access to clean water	Spreading rainwater harvesting systems in Indonesia and improving quality of life		
	(2) Efficient use and circulation management of water volume	3R activities at sites (Use of gray water in Quimi-Kao, etc.)	Popularization and expansion through the promotion of existing water-saving products, and reduction of water usage in usage situations	
	(3) Thorough compliance with laws and regulations within and outside Japan	Regulatory compliance		
Products	(4) Development and deployment of products and technologies that enable the effective and efficient use of water	Launching new water-saving products and improving existing water-saving products		
External collaboration	(5) Sharing and collaboration with consumers and stakeholders	Water conservation education (Let's Save Water Together)	Certification under the "Water Recycling Company Registration and Certification System" and introduction of initiatives at the Company Collaboration Fair	Water conservation activities in Indonesia in 2024 by the Kao Life-in-Harmony Foundation (promoting rainwater harvesting systems and improving quality of life in Indonesia)
		Development of the "Wastefulness—Mottainai. Never today, nor tomorrow": Sad Stories of Water Campaign		
	(6) Strengthening the resilience of the Company and the region	Promoting water conservation activities in the supply chain using the CDP Supply Chain Program	Support in the event of a disaster (hair washing and hygiene support in situations where water is not available)	

Efforts during use

Region: Japan

Corresponding strategies: (2) (4) (5)

As water consumption during the product use stage accounts for around 90% of water consumption across the entire lifecycle, we are providing water-saving products that meet diversifying needs and implementing consumer communication in regard to how to use these products properly.

In 2009 in Japan, we launched *Attack Neo laundry detergent*, which enables washing to be completed properly with only one rinse cycle. The year 2019 saw the launch of *Attack ZERO*, which combines superb cleaning power and odor removal capability with zero detergent residues. Even with front-load washers that use less water, it is possible to wash clothes with just one rinse. In 2024, the product was improved to achieve sterile-level deodorizing power that goes beyond disinfectant and antibacterial detergents by fundamentally cleaning the "bio-film," one of the key causes of return of odor. *The Attack ZERO Perfect Stick*, a stick-shaped laundry detergent, also makes it possible to use one rinse cycle even though it is a powder detergent. In 2024, we launched the *Attack ZERO Perfect Stick for Indoor Drying*, which eliminates the musty smell that often occurs when clothes are dried indoors, and we are responding to diversifying needs. Detergents that make it possible to use one rinse cycle are available in Japan, Taiwan and Hong Kong.

Through our Essential Research focused on foam, we have also succeeded in reducing the amount of water used when rinsing with other product categories. In 2010, we launched *Merit* shampoo, which uses 20% less water for rinsing than conventional products, followed in 2014 by *CuCute* dishwashing detergent, which also reduces the amount of water needed for rinsing by 20%, and in 2015 by *Magiclean* bathroom cleaning liquid, which uses 10% less water for rinsing.

We also communicate ways to save water to consumers using a variety of approaches. As part of the Kao "Wastefulness—Mottainai. Never today, nor tomorrow." Campaign, in 2024, we published the "Sad Story of Water" (14 episodes in total) on Instagram to share key points for saving water in everyday life. We have also published a video on YouTube about eco-shampooing, a technique we

developed to wash hair with less water, to raise awareness among consumers. Communicating ways to conserve water while offering products with water-saving effects truly embodies “eco together,” the slogan of the Kao Environmental Statement.

 Wastefulness—Mottainai. Never today, nor tomorrow.
<https://www.kao.com/jp/mottainai/>



Reducing water consumption at sites (reusing wastewater)

Region: Quimi-Kao S.A. de C.V.

Corresponding strategies: (2) (5)

The Kao Group is promoting water conservation at each of its sites, and in particular, each plant is working continuously to achieve its water consumption reduction targets. We believe that this activity will lead to the conservation of the watersheds from which the plants draw water, and we are working to reduce water usage and reuse water from the perspective of the 3Rs.

In Guadalajara, Mexico, where Quimi-Kao S.A. de C.V. (hereafter, Quimi Kao), an associated company outside Japan of the Kao Group, is located, many companies use groundwater. However, the amount of groundwater is



decreasing year by year, and this has become a serious problem.

Therefore, a project to lay recycled wastewater pipeline was launched by Jalisco state government where Guadalajara is located, and five neighboring companies including Quimi Kao, it is a first wastewater reuse in Mexico.

The wastewater from five neighboring companies, including Quimi Kao, as well as domestic wastewater from Guadalajara and other areas, is purified at the El Ahogado wastewater treatment plant to a quality between that of tap water and sewage (gray water). By reusing this wastewater as gray water, the amount of industrial water taken can be reduced.

Quimi Kao was quick to join this project and aims to have a plant that operates entirely using recycled water from gray water in the future.

Spreading rainwater harvesting systems in Indonesia and improving QOL

Region: Indonesia

Corresponding strategies: (1) (2) (5)

There are still many people in the world today who are unable to wash properly due to a lack of water. Kao, which has set itself the purpose of “To realize a Kirei World in which all life lives in harmony,” established the Kao Life-in-Harmony Foundation (hereafter, the Foundation) in September 2023.

The Foundation is working with a local company, PT. Gama Inovasi Berdikari* (GIB), which is developing and promoting rainwater harvesting and purification systems in cooperation with local governments in Indonesia, to help solve the country’s serious water issues. The Foundation is also promoting the Program RAIN (Rahmat Allah untuk



Indonesia = God's Blessings for Indonesia) initiative, which supports the spread of the systems and aims to achieve a sustainable lifestyle through the provision of hygiene information and education.

The Foundation conducted a field survey with GIB and installed seven rainwater storage tanks (with a capacity of 5,000 liters) in Girimulyo Village, Panggang City, Gunung Kidul Regency, which is known as a region in Indonesia where water is particularly difficult to secure. The tanks are equipped with a simple and effective filtration system developed by Universitas Gadjah Mada and are designed to be sustainable, so that local residents can maintain and manage them themselves. They are installed in public places, such as kindergartens and places that can be shared by



multiple households, mainly for hygiene-related activities like washing and bathing.

In addition, by obtaining the cooperation of village residents who have experience and knowledge of construction work for the installation work, we have contributed to job creation and the revitalization of the local economy. Through this initiative, we were able to deepen our relationship of trust with the residents and local leaders and also build a cooperative relationship with the public works officials of the city and prefecture.

During the site visit, we received words of thanks and saw children washing their hands with water from the rainwater storage tank, which allowed us to truly feel the results of our initiatives. In the future, we will continue to contribute to improving the quality of life of local residents by working more closely with the community to gain a detailed understanding of their living conditions and expanding our support.

* Director: Ridha Nurul Azizah

Support for people affected by the Noto Peninsula
earthquake (hair washing and hygiene support in
situations where water was not available)

Region: Japan

Corresponding strategy: (6)

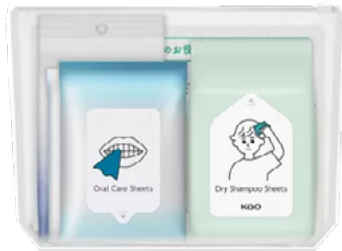
During times of drought or natural disaster, there are situations where the use of water is restricted. In order to support the hygiene of consumers living in such situations, products that can reduce the use of water and products that allow people to live hygienically without using water are needed.

Since its founding, Kao has continued to operate businesses related to “cleanliness, hygiene and *Kirei*,” and has provided the market with many products that use water, but it is also working on the development of products that can contribute to lifestyles with limited water use.

In the wake of the Noto Peninsula earthquake that occurred on New Year's Day 2024, we provided support by supplying goods in response to government requests immediately after the earthquake. The relief supplies included items such as alcohol-based disinfectant, sanitizing detergent for use in the fight against norovirus, simple laundry bags, mouthwash, body sheets, dry shampoo and *Waterless Hygiene Sets* to support hygiene in environments where only limited amounts of water could be used.

Restrictions on water resources can cause a great deal of stress in people's lives. Through these kinds of initiatives, we will contribute to the sustainable use of water resources and the securing of sanitary environments in more regions and situations.

Providing a New Round of Kao Household Goods Sets to
Support People Living in Temporary Housing
[https://www.kao.com/jp/newsroom/news/
release/2025/20250305-001/](https://www.kao.com/jp/newsroom/news/release/2025/20250305-001/)



The Kao *Waterless Hygiene Sets* contains
four items that help people stay clean even
without access to water.

Introduction of efforts at the Water Cycle Company Registration and Certification System and at the Company Collaboration Fair

Region: Japan

Corresponding strategies: (2) (5)

In 2024, Kao was certified as a Water Cycle ACTIVE Company, actively implementing initiatives related to the water cycle, under the Water Cycle Company Registration and Certification System established by the Secretariat of the Headquarters for Water Cycle Policy. By increasing incentives through certification and further promoting corporate initiatives, this approach is intended to address water cycle. In the first year, 2024, 89 businesses were certified. The certification has two categories—Water Quantity & Quality and Human Resources & Funds—both of which recognize initiatives that contribute to water cycle improvement. Kao received certification for its Reducing Water Usage at All Sites initiative and Let's Save Water Together program. Sixteen companies received certification in both categories.



 Kao Certified as a Water Cycle ACTIVE Company in Japan by the Secretariat of the Headquarters for Water Cycle Policy
<https://www.kao.com/global/en/newsroom/news/release/2024/20241218-001/>

- Reduction of water usage at all business sites

Kao promotes water conservation in all its activities, including production, research and business. In our plants, we use water for product compounding, as well as for cleaning and cooling equipment. At our plants we are reducing water usage and recycling water from the perspective of the 3Rs (reduce, reuse, recycle). We believe that these efforts will also lead to the conservation of the watersheds that we use as water sources.

- Let's Save Water Together program

We offer the Let's Save Water Together program, which is designed to help children learn about water saving by incorporating it into elementary school classes. Furthermore, we aim to spread water saving to consumers of wide range of age by having elementary school children share the water saving habits they have learned through this program at

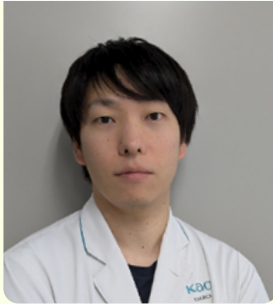
their home.

Regarding this program, The Secretariat of the Headquarters for Water Cycle Policy held Collaboration Fair after we received the certification. By introducing the above initiatives to the participating organizations and companies and exchanging opinions, we cooperated in promotion of the initiatives of the registered and certified companies.

 Report on the FY2024 Water Circulation Corporate Partnership Fair
https://www.cas.go.jp/jp/seisaku/mizu_junkan/category/event_webinar.html

Employees'
opinions

A new way of washing that is gentle on the skin and the environment, simply by bathing



Yuito Muroi
Skin Care Products Research 4,
Business Development Research Center, R&D
Kao Corporation

At our Skin Care Products Research, we are developing gentle cleansing agents that both remove dirt from the skin and reduce the irritation caused by cleansing.

In recent years, skin problems have become more complex due to the increasingly harsh external environment, with large temperature differences and strong ultraviolet rays. While more and more people are washing their hands to gently wash their skin, we have received feedback such as “I can’t wash my back thoroughly,” “It takes time and effort to wash my whole body gently with my hands,” and “I’m worried about the friction even when I wash my hands.” Therefore, we have collaborated with Packaging Technology Research, which develops tools and devices, to develop the *Bioré-u the Body Foaming Type for Shower Head*, which gently washes the entire body without rubbing the skin.

The shower head we developed has a built-in tank for body wash in the head, and when the switch on the handle is set to foam mode, the cleaning liquid, a mixture of body wash and hot water, is sprayed out as a shower. In addition, since this product is non-electric, it can be easily used by simply replacing the shower head at home.

By washing with this cleaning solution, the cleaning ingredients lift the dirt, and the bubbles and water flow effectively remove the lifted

dirt. Furthermore, compared to conventional cleaning methods, the concentration of the cleaning agent that comes into contact with the skin is lower*, allowing you to wash while protecting the skin’s moisture. After repeated investigations into the cleaning ingredients suitable for use in showers, as well as the optimal discharge and foam volumes, we have achieved the same level of cleansing power as washing your hands, while also being gentle on the skin.

This new washing habit of gently washing your entire body with just a shower can reduce the amount of water used compared to conventional washing methods. By showering with body wash and hot water, rinsing becomes easier than with conventional washing methods, reducing the time spent rinsing. The shower head itself also has a water-saving function, which means that by simply adopting this new washing habit, you can achieve a gentle washing method that is both kind to your skin and the environment.

Rather than forcing people to adopt new washing habits, we want to continue our research with the aim of developing products that people will want to use, enabling them to wash in a way that is gentle on both the skin and the environment.

*Comparison within Bioré Body Wash

Decarbonization

Zero Waste

> Water Conservation

Air & Water Pollution
Prevention

Product Lifecycle
and Environmental
Impact

Environmental
Accounting

Walking the Right Path



Stakeholder engagement

Toward the further expansion of water targets, strategies and on-site activities: Contextual water targets and collective action in river basins

Mei Haneo

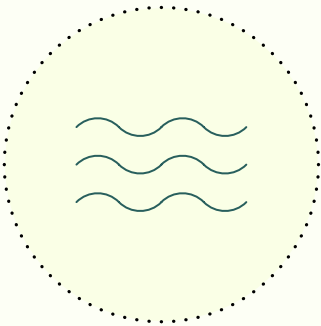
Freshwater Group
Conservation Division
WWF Japan

With water-related risks such as flooding, drought and pollution becoming more and more pronounced in various parts of the world, there is increasing demand for companies to take action and disclose information about water. In this context, it can be said that Kao's water initiatives are making steady progress. In particular, the company's revision of its water strategy and the formulation of a new one, along with the establishment of a medium- to long-term strategy that focuses not only on water usage but also on the environment of the value chain, is a major step forward.

As the next step in the water strategy, I would like to see Kao adopt contextual targets, which are targets that consider the current situation. As Kao is already aware, water is a regional resource, and the risks and challenges differ greatly depending on the location. Contextual targets take into account these regional variations. For example, in areas with a high risk of drought, more ambitious water usage reduction targets would be set than in areas with a low risk of drought. Kao has already partially adopted this approach and is currently working on a plan to set targets tailored to the characteristics of each manufacturing site in regions with water scarcity. In the future, it is expected that the company will set targets that reflect the situation from a variety of perspectives, including water quality, water governance, WASH and flooding, in addition to water usage.

In addition, Kao is gradually beginning to implement local activities while also reviewing its systems, such as its strategies and goals. When promoting collaboration with stakeholders, the key concept from a water perspective is that of a basin. It is essential to take a comprehensive view of the water environment and freshwater ecosystems that nurture water, which is essential for business. This includes considering not only the company's own operations but also the upstream and downstream areas, looking at the entire water cycle and natural environment. Moreover, collective action is important in comprehensively understanding and addressing these issues. Water risk cannot be solved by a single company. For example, in a river basin where pollution is a problem, simply tightening the effluent treatment standards at a single plant located there will not solve the issue. Only when many stakeholders involved with the river basin, including companies, government agencies and local residents, from upstream to downstream, understand the common issues and work together to address them, will a solution begin to emerge.

Kao, which is developing its business globally, also has a huge impact on society. I hope that Kao will continue to lead the way in corporate water initiatives, particularly by promoting initiatives that are essential for protecting water and the natural environment. This includes setting contextual targets and taking collective action in priority basins identified through water risk analysis.



Air & Water Pollution Prevention

Kao has established strict standards that go beyond the legal requirements for the prevention of air and water pollution and is thoroughly managing emissions at each of its bases. In addition, the Company is contributing to the prevention of air and water pollution throughout society through its products and technologies.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Increased costs due to stricter regulations on air and water pollution in factories and supply chain areas, and deterioration in profits due to operational shutdowns caused by regulatory violations - Declined competitiveness and worsening profitability due to increased costs caused by the stagnation of technological development related to air and water pollution - Declined reputation and corporate value if insufficient action is taken to address air and water pollution	Plants	(1) Accurate management to prevent air and water pollution	Metrics	Targets	2024 results	Monitoring and management using self-imposed controls stricter than regulatory values, and compliance	- Environmental Conservation Cost – Investment Amount: 4,744 million yen - Economic effects as a result of environmental conservation measures: 5,456 million yen - Total fines for environmental law violations: 35 million yen
		(1) Reduce emissions of chemical substances	% of plants which disclose VOC and COD pollution load (1)	100% 2025	VOC 94% COD 100%	Management and reduction of emissions of substances subject to the Japanese PRTR system	
		(1) Prevent air pollution caused by fuel combustion	Number of deviations from environmental laws and (1) (2) regulations	–	0	Use of fuels with low air pollution	
		(2) Reduce emissions of volatile organic compounds (VOCs)	Total emissions of chemical substances subject to the PRTR system (2)	–	5.2 tons	VOC emission management and reduction	
		(2) Prevent water pollution caused by wastewater discharge	NOx emissions (1)	–	377 tons	Management and reduction of pollutants associated with wastewater	
		(2) Prevent groundwater and soil contamination	SOx emissions (1)	–	37 tons	Investigation and prevention of groundwater and soil contamination	
			VOC emissions (1)	–	5 tons		
			COD pollution load (2)	–	227 tons		
Opportunities	Products	(3) Contribute to the prevention of air and water pollution caused by products	Environmental risk assessment of surfactants (3)	–	Low	Water based pigmented inkjet ink that contribute to the prevention of air pollution	- Contribution to the conservation of the ecological system by preventing pollution in the area around plants - Protect the health of residents living near plants and preserve their living environment by improving the air quality
		(3) Prevent water pollution caused by wastewater from product use				High-performance specialty thickener that contributes to the prevention of water pollution	
	Logistics	Prevent air pollution in logistics				Smart logistics in collaboration with Lion Corporation	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Decarbonization
Zero Waste
Water Conservation
> Air & Water Pollution Prevention
Product Lifecycle and Environmental Impact
Environmental Accounting

Walking the Right Path

Environmental and social impact

Strategy

Towards reducing the risk and creating opportunities for air & water pollution prevention, we are implementing strategies that are unique to Kao, are effective, and contribute to business growth and solving social issues.

Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao, but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Health hazards caused by air, water and soil pollution, and destruction of the ecological system
- Soil and groundwater pollution caused by chemical substances and agricultural chemicals
- Unhygienic living environments caused by water pollution

Risks and opportunities

In this business environment, which includes these social issues, Kao faces various risks, but is also identifying new business opportunities. Identifying these risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Increased costs due to stricter regulations on air and water pollution in factories and supply chain areas, and deterioration in profits due to operational shutdowns caused by regulatory violations
- Declined competitiveness and worsening profitability due to increased costs caused by the stagnation of technological development related to air and water pollution
- Declined reputation and corporate value if insufficient action is taken to address air and water pollution

Opportunities

- Stabilization of operations through the prevention of air and water pollution in production, and the reliable realization of corporate and business strategies

- Expanded profits through increased demand for products that contribute to the prevention of air and water pollution and increased competitiveness
- Enhanced corporate value through increased trust from the local community in the plant area

Strategy

Kao has formulated the following strategies to address the identified risks and opportunities. Kao is working to reduce risk by appropriately managing the areas and substances subject to pollution based on the characteristics of its plants and external requirements such as legal regulations. Kao will leverage its long-cultivated knowledge of pollution response and its activities in the global chemical industry to promote a comprehensive strategy for a sustainable environment, with the aim of realizing the basic policy of its Mid-term Plan K27 of Becoming an Essential Company in a Sustainable World.

(1) Appropriate management to prevent air pollution

Prevent air pollution in the areas around our plants by closely monitoring and managing the amount of air pollutants such as NOx, SOx, and VOCs emitted by each plant, and strictly controlling them by setting standards that exceed legal regulations.

Related initiatives: [P155](#) Initiatives to prevent air pollution in plants, [P156](#) initiatives to prevent air pollution through product development and provision of products

(2) Accurate management to prevent water pollution

Reduce the amount of organic matter and other substances contained in plant wastewater, and prevent water pollution in the areas around plants by strictly controlling the amount of substances contained in the wastewater, setting standards that exceed legal regulations.

Related initiatives: [P155](#) Initiatives to prevent water pollution at plants, [P156](#) initiatives to prevent water pollution through product development and provision

(3) Contribution to the prevention of air and water pollution through products

Contribute to the prevention of air and water pollution for customers and society through Kao products and technologies. In doing so, create value that contributes to solving environmental issues.

Related initiatives: [P156](#) Initiatives to prevent air pollution through product development and provision of products, [P156](#) initiatives to prevent water pollution through product development and provision of products

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Increase sales of eco-friendly products that contribute to the prevention of air and water pollution
- Reduce costs related to fines and lawsuits for non-compliance with environmental regulations

Environmental and social impact

- Contribution to the conservation of the ecological system by preventing pollution in the area around plants
- Protect the health of residents living near plants and preserve their living environment by improving the air quality

Strategic resilience

Kao is working to prevent air and water pollution by thoroughly managing emissions at each of its bases and improving wastewater treatment technology. By operating strict standards that exceed legal requirements, we ensure compliance with global regulations and minimize business risks. Furthermore, we are committed to resolving social issues and enhancing corporate value by providing products and technologies that contribute to environmental conservation. These efforts have given us the resilience to respond flexibly and quickly even when risks materialize.

Metrics and targets

To enhance the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor our progress. We have set targets for the metrics related to particularly significant risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to check the status of achievement of these targets.

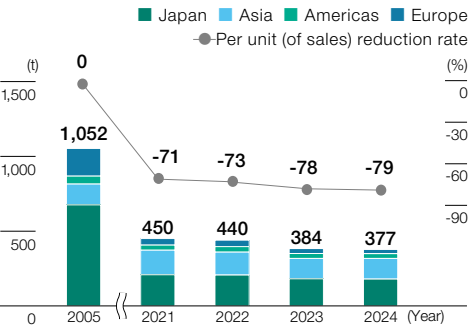
Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	% of plants which disclose VOC and COD emissions	VOC 0% COD 100%	VOC 65% COD 100%	VOC 68% COD 100%	VOC 84% COD 100%	VOC 94% COD 100%	100%	2050

Metrics and results

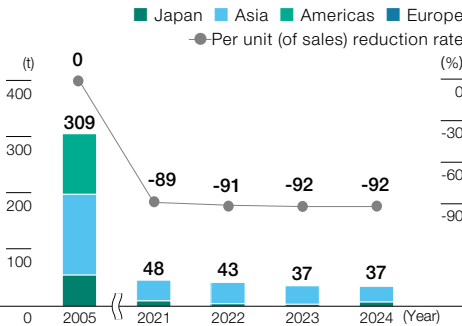
Strategy	Metrics	Results		
		2022	2023	2024
(1)	NOx emissions (all production sites)	440 tons	384 tons	377 tons
(1)	SOx emissions (all production sites)	43 tons	37 tons	37 tons
(1) (2)	Total emissions of chemical substances subject to the PRTR system	0.6 tons	0.5 tons	0.8 tons
(1)	VOC air emissions of chemical substances subject to the PRTR system ☒ Boundary: Kao Group production sites in Japan	6.8 tons	5.0 tons	4.1 tons
(1) (2)	COD pollution load (all production sites)	229 tons	206 tons	227.1 tons

NOx emissions ☒ (all production sites)

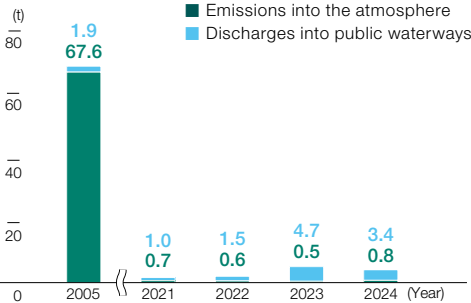


* Assurance provided for NOx emissions
* The 2023 figure has been revised due to a correction in NOx emissions at the Asia site.

SOx emissions (all production sites)

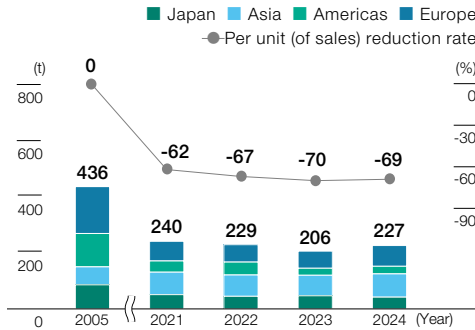


Total emissions of chemical substances subject to the PRTR system



* The PRTR Law changed in April 2023, so the figures for 2023 are the actual results for the period from April to December for the chemical substances subject to the law after the change.

COD pollution load ☒ (all production sites)



* The amount of COD pollution load for wastewater entering sewage systems takes into account the removal rate from sewage systems.
* Assurance provided for COD pollution load

Emissions of VOCs

Although we have no facilities subject to the VOC emission regulations provided in the Air Pollution Control Law, we work to voluntarily cut VOC emissions. For the 100 VOC substances defined in the notice issued by the Director General of the Environmental Management Bureau, Ministry of the Environment, we set voluntary targets on the annual atmospheric emissions from each plant for each substance (5 tons or less in 2005, 3 tons or less in 2009, 1 ton or less in 2010), conducted emission reduction activities and accomplished our targets. We are managing VOC emissions with the current target of maintaining our activities. Plants of the Kao Group in Japan handled 30 types of VOCs in quantities over 1 ton in 2024, with total emissions into the atmosphere of 4.1 tons .

Compliance with environmental legislation

In 2021, there was a failure to install sufficient gas detection equipment at Kao Huludao Casting Materials Co., Ltd. (fine of 542,000 yen), a failure to report the designated manager (fine of 1,444,000 yen) at the same company, and an exceedance of hydrogen sulfide limits at Kao USA Inc. (fine of 1,192,000 yen). In 2024, Quimi-Kao in Mexico was fined 4.3 million Mexican pesos (32 million yen) for failing to submit cogeneration system operation data to the authorities. Additionally, the KCSA Olesa plant in Spain paid a fine of 12,000 euros (2 million yen) for exceeding NOx regulatory limits and 6,296.40 euros (1.01 million yen) for exceeding permitted water usage volumes.

Compliance with environmental laws and regulations

Classification	Unit	2020	2021	2022	2023	2024
Number of deviations*1	Cases	4	3	0	0	3
Of which, number of leaks	Cases	1	0	0	0	0
Total fines*2	1,000 yen	607	3,178	–	–	35,010
Of which, number of leaks	1,000 yen	460	0	–	–	–

*1 All incidents detected by authorities during the reporting period
*2 Fines paid during the reporting period

Governance

Under the supervision of the Board of Directors, risk management related to air & water pollution prevention is carried out by the Internal Control Committee, and opportunity management is carried out by the ESG Committee. These committees are both headed by the President & CEO.

Furthermore, as a specific initiative focused on preventing air & water pollution, the Responsible Care Promotion Committee, chaired by the Managing Executive Officer (in charge of the Corporate Strategy), meets once a year. This committee formulates policies, plans for the next fiscal year, evaluates performance, identifies areas for improvement, and reports the results of these activities to the Internal Control Committee.

-  Our ESG Vision and Strategy > Governance
-  Responsible Care (RC) activities
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/our_foudations2025-e-02.pdf

Risk and opportunity management

Policies

In implementing its Air & Water Pollution Prevention, Kao has established the following policies as guidelines for its daily operations and decision-making. For details, please see the website.

-  • Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>
- Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>
- Kao Environmental Statement
<https://www.kao.com/global/en/sustainability/klp/policy/environmental-statement/>

Management process

The status of our initiatives to address the risks and opportunities associated with Air & Water Pollution Prevention is managed through the following process: planning, implementation, evaluation of results, and corrective action, and we are working to make steady improvements.

Overall management process (outside of sites) of Air & Water Pollution Prevention

P (Planning)

Design of activities for the following year (Nov.-Dec.), approval of targets (Feb.).

D (Implementation)

Improvement and promotion activities (from Feb.)

C (Evaluation of results)

Aggregation of results (until Apr.), reporting of results in the Sustainability Report (June).

A (Corrective action)

Reflection and identification of areas for improvement (June).

Site management process

P (Planning)

The RC Promotion Committee formulates company-wide targets (Sept.) and annual plans for each site (until Dec.).

D (Implementation)

Please see our initiatives (P155-157).

C (Evaluation of results)

Internal inspection (until July), RC secretariat audit, ISO14001 internal audit, external audit, etc. (around Aug.).

A (Corrective action)

Corrective action requests within the workplace, corrective action requests from the ISO Central Secretariat, corrective action requests from the RC Secretariat, etc.

 Initiatives

Kao is engaged in a variety of initiatives aimed at Air & Water Pollution Prevention. These initiatives are based on the aforementioned strategies and are being promoted in collaboration with each other to achieve our targets. Here, we will introduce some of the important initiatives from among the many we are engaged in.

Strategy	Initiatives	
(1) Appropriate management to prevent air pollution	Using cleaner fossil fuels	Reducing emissions of chemical substances subject to PRTR
(2) Accurate management to prevent water pollution	Compliance with wastewater-related laws and regulations	Surveys of groundwater and soil contamination
(3) Contribute to the prevention of air and water pollution through products	Prevention of contamination by chemical products such as pigment ink and commercial cleaning agents	Monitoring through field surveys such as river environment monitoring

Initiatives to prevent air pollution in plants

Region: Global

Corresponding strategy: (1)

Using cleaner fossil fuels

To reduce emissions of NOx, SOx, PM, etc. generated during the combustion of fuel, we now use natural gas, a clean fossil fuel, at all our plants with the necessary infrastructure, and have discontinued the use of coal.

Reducing emissions of chemical substances subject to PRTR

In FY2000, we set a voluntary target to reduce the annual emissions of each substance from each plant to 1 ton or less and achieved this target in FY2002. Since then, we have continued to achieve this voluntary target, excluding leaks of chlorofluorocarbons and similar emissions.

In 2024, 125 target chemicals were handled in quantities of one ton or more, with a total emissions into the atmosphere and public waters of 4.2 tons. In addition, we are voluntarily monitoring and controlling releases and transfers (in the same way as would be done for chemical substances subject to PRTR) of chemical substances that the Japan Chemical Industry Association has specified as being subject to voluntary surveys.

Reducing emissions of VOCs

Some of our plants outside Japan have not yet been able to accurately assess their VOC emissions, and some of them are also high emitters. Kao is accelerating its investigation of the emission status at these plants and is actively introducing measures to reduce emissions.

* Since the chemical substances subject to the PRTR Law were changed in April 2023, we have not been able to compile data on the volume of chemical substances handled, emissions, etc. for the full year of 2023.

Initiatives to prevent water pollution in plants

Region: Global

Corresponding strategy: (2)

Compliance with wastewater-related laws and regulations

Kao has installed wastewater treatment facilities at many of its plants to minimize the impact of wastewater from its plants on the local water environment. Wastewater is treated to a high standard before being discharged outside the plant.

In addition to ensuring compliance with the wastewater regulations stipulated by law, Kao has established its own stricter management standards, which are monitored on a daily basis.

Surveys of groundwater and soil contamination

To clarify the impact of chemical substances used in the past, we measure environmental standard substances in groundwater on the premises of each plant every year.

Initiatives to prevent air pollution through product development and provision of products

Region: Global

Corresponding strategies: (1) (3)

LUNAJET water based pigmented inkjet ink

The world's first water based pigmented inkjet ink, *LUNAJET*, which applies pigment nano-dispersion technology cultivated by Kao, has a VOC-free*1 design that emits extremely low levels of VOCs during printing, making a significant contribution not only to the prevention of air pollution but also to the improvement of the working environment for workers in printing operations. Furthermore, this water based pigmented inkjet ink technology can be applied to water-based gravure-printing ink and is expected to contribute to a wider range of applications.

 <https://chemical.kao.com/global/digital-printing-materials/lunajet/>

Visco Top UT thickener for concrete spraying construction

Kao has developed a thickening agent called *Visco Top UT* that greatly reduces the amount of dust generated during the spraying of concrete in mountain tunnel construction and has begun full-scale sales of the product. Even when using a "powder quick-hardening agent" that tends to scatter dust, *Visco Top UT* can achieve a dust concentration of 2 mg/m³ or less (dust guidelines enforced from 2021) with half the amount of a typical dust reducer, making a significant contribution to improving safety at work sites. Furthermore, this technology has already been registered with the New Technology Information System (NETIS)*2 (number KT-200035-A), and it is expected to be adopted for various tunnel construction projects ordered by the national government and local public bodies.

*1 VOC-free: VOC emissions (carbon equivalent) in the printing process are 700 ppmC or less.

*2 NETIS: A database system operated by the Ministry of Land, Infrastructure, Transport and Tourism for the purpose of sharing and providing information on new technologies.

 <https://chemical.kao.com/global/infrastructure/product/viscotop/>

Initiatives to prevent water pollution through product development and provision of products

Region: Japan

Corresponding strategies: (2) (3)

Visco Top surfactant liquid thickener

Construction work carried out near rivers, coasts and other bodies of water requires environmental measures to prevent water pollution. In the case of bridge pier construction for long bridges or suspension bridges that cross ocean straits, because the piers are actually built in the river water or seawater, special underwater concrete that has high viscosity and is resistant to washout is used. Furthermore, when construction is undertaken near underground watercourses, care must be taken not to contaminate the groundwater. In this kind of water-related environment, thickening agents must be added to inorganic materials such as grouting materials and concrete to enhance water-immiscible properties.

Kao's high-performance specialty thickener *Visco Top* makes it possible to achieve high-viscosity injection materials and concrete that are superior to conventional products

and enables high-quality construction while preventing environmental pollution near bodies of water. It has also been used in the removal of highly contaminated water at the Fukushima Daiichi Nuclear Power Plant and has a proven track record.

Smash alkali-free professional-use detergent

Alkaline detergents, which are effective for removing stubborn grease and oil stains from kitchen surfaces, need to have their pH adjusted and neutralized when the cleaning solution is drained to prevent water pollution. On the other hand, mild cleansers, which do not contain alkali, generally tend to lack cleaning power.

Kao's new kitchen grease and oil stain detergent Smash has the same cleaning power as alkaline detergents, but is neutral in formulation, so it is safe and gentle on materials, and contributes to the prevention of water pollution.

 <https://pro.kao.com/jp/products/kps05/4901301384201/>

Monitoring of wastewater after product use

We are focusing on understanding the actual situation in relation to wastewater discharge after product use and we are conducting our own field surveys on an ongoing basis, such as environmental monitoring of river water to get an idea of the ecological risks of chemical substances.

In response to the globalization of our business, we have been working with experts to verify the usefulness of simulation models that predict river water concentrations and develop new models, as well as to conduct monitoring activities outside Japan, with the aim of carrying out eco-friendly business activities in each region.

In recent years, we have been analyzing the impact of chemical substances on ecological system in detail, using data from ecological monitoring and river environment monitoring in Japan. Kao also participates in environmental monitoring conducted by the Japan Soap and Detergent Association. Currently, we are monitoring four representative types of surfactants in urban rivers (four rivers, seven locations, four measurements per year) to assess the environmental risk to ecological system. The results of previous surveys have confirmed that the risk to aquatic organisms from these surfactants is consistently low.

Employees'
opinions

Air & water pollution prevention as the origin of ESG activities



Yohei Kaneko
ESG

I have long been involved in the development of materials used in Kao products. Currently, I work to promote ESG initiatives.

Looking back on my career, I believe that the origin of Kao's ESG strategy, the Kirei Lifestyle Plan (KLP), lies in air & water pollution prevention.

In the 1970s, air & water pollution had become serious social issues in Japan. Material development was based on the premise that the materials must be "safe for the people working at the plant and for the local community" and "safe even after being discharged into the environment following household use." While these are governed by legal standards, Kao manages them using even stricter internal standards. This approach is the very foundation of our ESG initiatives.

Ensuring "safety for the people working at the plant and for the local community" goes beyond simply implementing air & water pollution prevention. It also extends to emergency drills, health check-ups, and safety education for all employees, including those working in offices. These efforts are directly tied to the health and safety of our employees, which is part of our commitment to respect human rights. Working in a safe workplace is a fundamental labor right and a core element of our human rights efforts.

In addition, at Kao, we focus not only on the people working at our sites, but also on the living organisms present there. Activities such as monitoring

biodiversity within plants and other worksites, and the removal of invasive species, are rooted in our efforts in air & water pollution prevention. These activities have expanded beyond our employees and sites, reaching our suppliers as well, and are linked to responsible raw material procurement.

Meanwhile, our responsibility for ensuring products are "safe even after being discharged into the environment following household use" goes beyond the ingredients used. It also extends to packaging and containers, and is connected to our zero waste initiatives. We have broadened the scope of air pollution from its initial focus on SOx and NOx to include carbon dioxide in order to contribute to decarbonization, and we are also addressing water pollution by focusing on water usage, which ties into our efforts in water conservation.

Initially centered on the safety of people working in plants and surrounding communities, our air & water pollution prevention activities, as reported in this publication, have become more advanced and have expanded in scope and perspective, now linking to a wide range of ESG initiatives. In the area of responsible chemicals management, we are not only conducting risk assessments and ensuring the safe handling of chemical substances, but also aiming for integrated management that contributes to the creation of a safe and secure society. This approach to production, based on responsible chemicals management, forms the foundation for both safer, healthier products and purpose-driven brands, and serves as a starting point for transformative innovation.

Looking ahead, our focus will be on fully committing to preventing pollution while working with our partners to implement manufacturing practices that maximize value with minimal chemical use and minimize pollution sources themselves. We will continue strengthening our initiatives so that Kao can become a leader in eliminating pollution, one of the three major crises facing the planet.



Stakeholder engagement

Evaluation and expectations
for Kao's initiatives in air &
water pollution prevention

Kenji Furukawa
Professor Emeritus, Kumamoto University

Reading the Kao Sustainability Report 2024 revealed Kao's corporate stance of actively contributing to the realization of a sustainable society by offering products with low environmental impact that consider both environmental conservation and human safety. Kao's corporate activities have been highly rated by the environmental NGO CDP, and the company has been selected for the A List (as a Triple A company) for five consecutive years in all categories—climate change, forests, and water security.

Below are my comments on Kao's FY2024 initiatives in air & water pollution prevention, based on Kao's published sustainability report and environmental data.

1. Initiatives for air pollution prevention

As global efforts toward decarbonization accelerate, Kao has set ambitious targets of achieving carbon zero by 2040 and carbon negative by 2050, and is actively working to reduce CO₂ emissions from its own sites. The reduction in CO₂ emissions achieved at many of its domestic sites compared to the previous year is commendable.

To achieve these goals, Kao is reducing energy consumption and increasing the ratio of renewable energy in its purchased electricity. However, from a cost-efficiency standpoint, the margin for further reductions is limited, so alternative approaches will be needed moving forward.

Kao has also made steady progress in reducing NOx emissions, achieving a 78% reduction compared to 2005. This progress is attributed not only to reductions at high-emission domestic sites such as the Wakayama Plant, but also to significant NOx emissions reductions at sites outside Japan, particularly in Southeast Asia. Kao is encouraged to identify the factors that contributed to this progress and use them to further reduce NOx emissions. That said, as long as natural gas is used as fuel, there will be limits to how much NOx emissions can be reduced. The greater adoption of renewable energy will be essential. I hope to see more active installation of photovoltaic power panels in unused areas within plants. Kao should also consider using emerging technologies like perovskites, as well as installing photovoltaic power panels above wastewater treatment facilities. I encourage the company to actively pursue such efforts and enhance their active information provision on these initiatives.

Kao is working to better grasp the CO₂, SOx, NOx, and VOC emissions from its sites outside Japan,

but there are still sites where data collection is yet to be completed. In particular, NOx emissions are high at sites in Southeast Asia, Mexico, and Spain. Even if these sites remain below local emission limits, Kao is encouraged to aim for reductions that align with the domestic emission standards in Japan.

2. Initiatives for water pollution prevention

Kao is steadily reducing COD emissions resulting from its business activities. The majority of these emissions come from the Wakayama Plant, where further reductions will be essential. Looking ahead, COD emission reductions will hinge on the performance of sites in Southeast Asia, specifically, in the Philippines, Thailand, Malaysia, and Indonesia. We hope Kao will conduct wastewater treatment at levels below local discharge standards, leading to further reductions in COD emissions.

3. Sludge volume reduction

Kao has begun identifying wastewater streams suitable for sludge volume reduction treatment using the food chain and is moving toward practical implementation. Since nitrification progresses during sludge volume reduction, circulating the mixed liquor in the aeration tank internally can both remove nitrogen and reduce aeration volume, facility design should take the above into account.

At Kao, limited plant space makes it difficult to construct new treatment facilities. Therefore, the company should gather information on the latest wastewater treatment technologies and consider installing energy-efficient, space-saving systems with a small footprint.

4. Expectations for Kao

Beyond reducing its environmental impact, Kao is also in the spotlight for developing original, environmentally friendly technologies and products. The company developed an asphalt modifier using waste materials from plastic PET bottles, successfully enhancing the durability of asphalt pavement. This technology has been highly praised for contributing to the realization of a circular economy, earning the Minister of Economy, Trade and Industry Award in the FY1994 Resources and Environment Technology and System Awards. Another notable product, Toilet Magiclean Foam Pack, which makes scrubbing-free toilet cleaning easy, won the 2024 Nikkei Superior Products and Services Award—Trend Category. We hope Kao will continue to actively promote the development of products that reduce environmental impact and gain strong support from consumers.

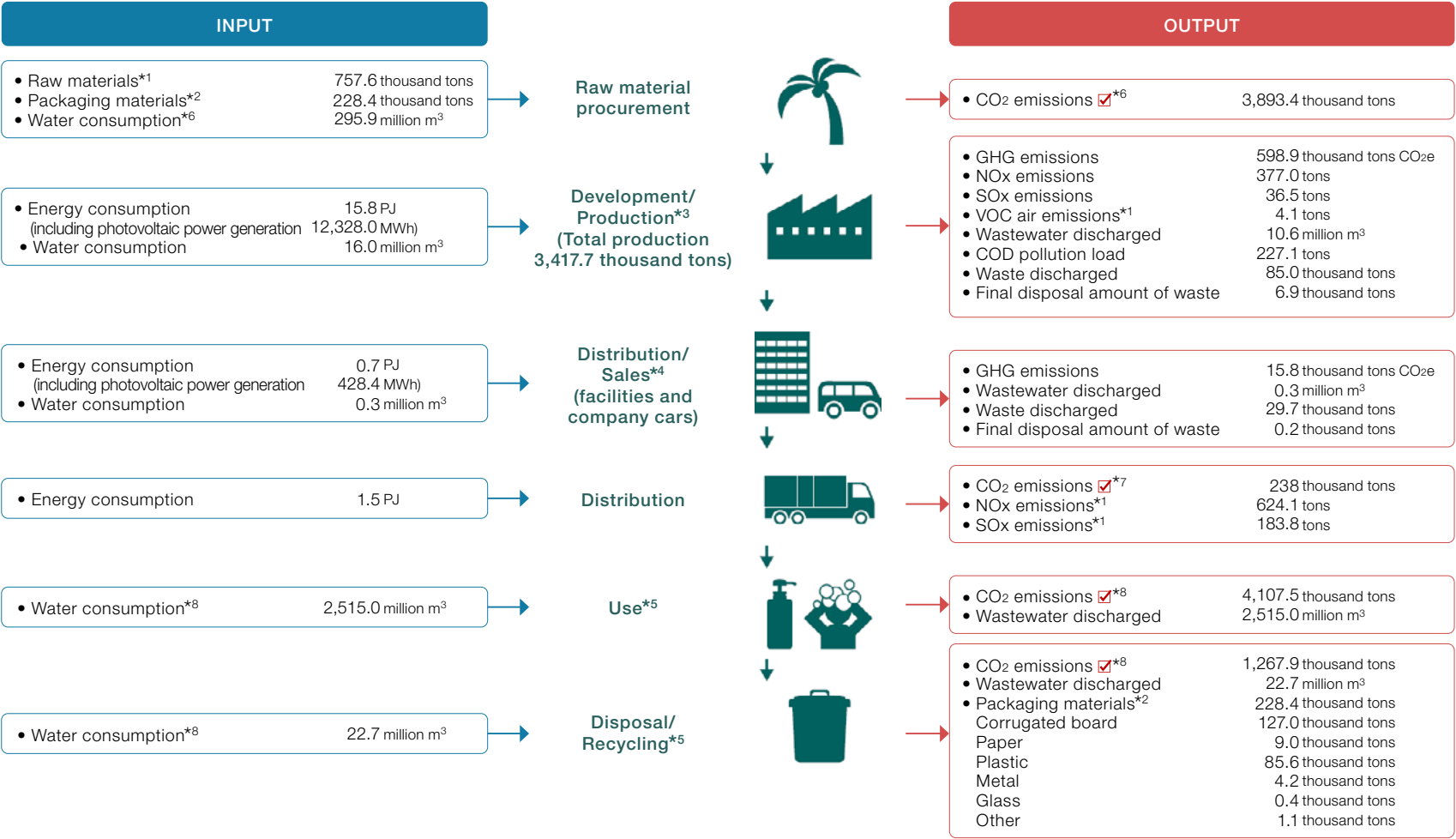
As the second Trump administration pushes an "America First" agenda, we may be entering a "G-Zero" era, where no country leads the international order. There is growing concern that some companies in the Americas are becoming less committed to environmental action. As the frequent reports of extreme weather events in 2024 clearly show, this is not the time to delay action against global warming. As a global top company recognized for its environmentally conscious management, Kao is expected to set an example in advancing decarbonization-driven management on a global scale.

Product Lifecycle and Environmental Impact

GRI 301-1, 302-1, 303-3, 303-4, 303-5, 305-1, 305-2, 305-3, 305-7

Kao is pursuing efficient resource utilization across the product lifecycle, as well as technologies to achieve further savings of natural resources and energy conservation.

2024 business operations and environmental impact



Scope of calculations

*1 Kao Group in Japan

*2 For consumer products excluding cosmetics and human health care. Calculated by multiplying the amount of packaging used per product by annual sales in FY2024

*3 All production sites

*4 All non-production sites (including Training Centers, company dormitories, etc.)

*5 Consumer products

*6 Calculated by multiplying the per-unit CO₂ emissions and water usage in the raw materials production stage (excluding Kao Group manufacturing processes) by the annual sales number of consumer and industrial products in FY2024

*7 The scope is consumer products and industrial products. Figures for Japan are calculated based on the Energy Conservation Act. Figures for outside Japan are calculated multiplying the per-unit CO₂ emissions during transport (calculated based on figures for Japan) by the quantity sold in each country and the estimated domestic transport distance in each country.

*8 Calculated by multiplying the per-unit CO₂ emissions and water usage during use or per-unit CO₂ emissions and water usage during disposal by the annual sales number of consumer products

Decarbonization
Zero Waste
Water Conservation
Air & Water Pollution Prevention
> Product Lifecycle and Environmental Impact
Environmental Accounting

Walking the Right Path

INPUT

- **Raw materials**
The amount of raw materials directly used to manufacture products (excluding packaging materials and fuel)
- **Packaging materials**
Total amount of packaging materials (including cardboard) used for products sold
- **Energy consumption [product development/production]**
Total amount of energy consumed at production sites (Scope of solar photovoltaic power generation is limited to onsite power generation)
- **Energy consumption [distribution/sales (facilities and company cars)]**
The amount of energy consumed at nonproduction sites and by vehicles (used for sales activities) (Scope of solar photovoltaic power generation is limited to on-site power generation)
- **Energy consumption [transportation]**
The amount of energy consumed during transportation of consumer products (from plants to distribution bases), industrial products, raw materials, etc.
- **Water consumption**
Industrial water, municipal water, groundwater, rainwater used

OUTPUT

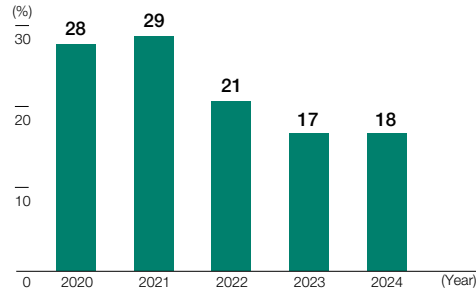
- **GHG emissions**
Total amount of greenhouse gas emissions from sites (seven GHGs defined in the Kyoto Protocol) (in CO₂ equivalent, Scope 1+2)
- **CO₂ emissions**
The amount of CO₂ emitted from manufacturing raw materials, consuming energy and decomposition of ingredients
- **NO_x emissions**
Total amount of NO_x emissions from smoke- and soot-emitting facilities and transportation
- **SO_x emissions**
Total amount of SO_x emissions from smoke- and soot-emitting facilities and transportation
- **VOC emissions**
Total amount of volatile organic compounds (VOCs) emitted into the atmosphere from production sites
- **Wastewater discharged**
The amount of wastewater discharged at production sites and consumer product use stages
- **COD pollution load**
The amount of COD pollution load in wastewater
- **Waste discharged and final disposal amount of waste**
Of the waste generated from sites, the amount that is sold or consigned as waste or recyclable materials to waste treatment companies, and the amount of waste to landfill
- **Packaging materials**
Total amount of packaging materials (including cardboard) used for products sold

“Eco together” logo certified products

We carry out certification that allows products with lower environmental impact that have passed our rigorous original certification standards to display the “eco together” logo.

In 2024, the sales ratio of products (consumer products in Japan) displaying the “eco together” logo was 18%, which represented an increase compared to the previous year.

Percentage of total sales held by “eco together” logo certified products (consumer products in Japan)



- “Eco together” logo certification criteria
<https://www.kao.com/global/en/sustainability/klp/policy/eco-products-policy/>
- List of “eco together” logo-certified products
<https://www.kao.com/jp/sustainability/klp/policy/eco-products-policy/eco-together-products/>

Environmental Accounting

To efficiently and effectively promote its environmental activities and with the aim of enhancing corporate value, Kao quantifies the costs and results of environmental conservation activities in numerical terms.

2024 environmental accounting report

- (1) The aggregation methods we use to comply with the Japanese Ministry of the Environment’s Environmental Accounting Guidelines 2005. We also reference the Environmental Accounting Guidelines for Chemical Companies (November 2003) issued by the Japan Chemical Industry Association.
- (2) Boundary: the Kao Group in Japan*1 and major subsidiaries outside Japan*2
- (3) Concerns the period from January 1, 2024 to December 31, 2024

Environmental conservation costs (categories corresponding to business activities)

		(Unit: millions of yen)			
		Japan		Asia, the Americas, Europe	
Categories		Investment	Cost*3	Investment	Cost*3
(1) Business area costs		768	4,598	3,515	10,129
Breakdown	(i) Pollution prevention	161	2,028	1,220	1,976
	(ii) Global environmental conservation	389	634	2,108	1,797
	(iii) Resource circulation	219	1,936	188	6,356
(2) Upstream/downstream costs		45	2,658	0	1,743
(3) Administration costs		0	1,175	67	301
(4) R&D costs		343	7,534	9	938
(5) Social activity costs		0	22	0	21
(6) Environmental remediation costs		0	0	0	51
Total		1,157	15,987	3,591	13,184

Environmental conservation costs (categories corresponding to areas of environmental conservation measures)

		(Unit: millions of yen)			
		Japan		Asia, the Americas, Europe	
Categories		Investment	Cost*3	Investment	Cost*3
(i) Cost related to global warming measures	Energy conservation	389	634	2,103	945
(ii) Cost related to ozone layer protection measures	Switch to CFC alternatives	0	0	5	810
(iii) Cost related to air quality conservation measures	Air pollution prevention, dust pollution prevention, malodor prevention	6	515	475	600
(iv) Cost related to noise and vibration measures	Noise prevention	0	4	47	63
(v) Cost related to environmental conservation measures for aquatic, ground, and geologic environments	Water contamination prevention	155	1,509	566	1,301
(vi) Cost related to waste and recycling measures	Resource conservation, industrial waste reductions, recycling	263	4,594	188	6,506
(vii) Cost related to measures to reduce chemical risks and emissions	R&D on products and production	343	7,534	9	935
(viii) Cost related to nature and environmental conservation	Nature and environmental conservation and tree-planting activities outside worksites, donations	0	21	128	122
(ix) Other costs	Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites	0	1,175	67	1,902
Total		1,156	15,987	3,587	13,184

Related initiative: [P160](#) Product Lifecycle and Environmental Impact

*1 Kao Corporation, Kao-Quaker Company, Limited., Kao Group Customer Marketing Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kanebo Cosmetics Inc., e'quipe, Ltd., Kao Professional Services Co., Ltd., Kao Salon Japan CO., LTD., Molton Brown Japan Ltd., Kao Paper Manufacturing Fuji, Kao Business Associe Co., Ltd., Kao Logistics Co., Ltd., Shohi Seikatsu Kenkyusho Inc., Kao Peony Co., Ltd., and Kao Cosmetic Products Odawara Co., Ltd.

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

Economic effect associated with environmental conservation activities*4

		(Unit: millions of yen)	
		Japan	Asia, the Americas, Europe
Details of benefits		Amount	Amount
Revenue	Sales value of valuable resources and fixed assets	489	406
Cost reductions*5	Reduction in costs through energy conservation	105	258
	Reduction in costs through resource conservation	1,249	2,136
	Reduction in operation costs (maintenance costs, etc. of eco-conscious equipment)	27	785
Total		1,871	3,585

*3 Cost includes depreciation costs.

*4 For economic effects, only amounts from selling valuable resources and fixed assets and the amount of cost reductions are recorded. Economic effects based on assumption such as risk mitigation, so-called "deemed effects" are not recorded.

*5 The amounts of cost reductions contains only the relevant fiscal year of the annual cost reduction for items generated during that year. Cost reduction amounts generated over multiple years are not included.

Decarbonization
Zero Waste
Water Conservation
Air & Water Pollution Prevention
Product Lifecycle and Environmental Impact

> Environmental Accounting

Walking the Right Path



78.1%

% of female managers
(related to that of female employees)

96.1%

% of paternity leave taken
by male employees (Japan)

90%

% response rate to human rights due
diligence (suppliers)

0

Number of serious compliance violations

Walking the Right Path

Effective Corporate Governance

“Walking the Right Path” is a value that we carefully cherish, based on the words of our founder, Tomiro Nagase, and it is deeply rooted in Kao’s corporate culture. With this value as a foundation, we aim to achieve an effective corporate governance by complying with laws and ethics and practicing business activities with integrity.

Risks	Strategy		Metrics, targets and results			Initiatives		Financial impact
• Damage to brand value and corporate value caused by legal and compliance violations, and business losses • Decline in employee vitality, deterioration of the workplace culture and loss of competitiveness due to the departure of talented employees • Stagnation of operations or withdrawal of investment due to compliance violations or human rights violations by business partners	Overall	(1) Building and operating a company-wide, autonomous compliance system	Metrics	Targets	2024 results	Compliance risk mitigation activities—Verification of measures to prevent recurrence— (1) (4)		• Increased sales due to improved brand value • Increased investment and business growth due to improved investor confidence • Reduction in fines and legal costs due to compliance with laws and regulations • Prevention of business losses by decreasing harassment, so reducing the number of employees with mental health problems and the number of employees leaving the company (preventing loss)
		(2) Improving the level of activities by utilizing external evaluations	Number of serious compliance violations* (1) (3) (4) (5) (6) (7)	0 annually	0	Annual confirmation of anti-bribery and conflict of interest avoidance (1)		
	Risk reduction	(3) Establishing and accurately operating a reporting and consultation hotline	Kao recognition or achievement level by external ratings firms (Highest level: Selected as one of the World's Most Ethical Companies®) (2)	Highest evaluation level	Highest evaluation level	Selected as one of the World's Most Ethical Companies® (2)		
			Number of compliance reports and consultations (3)	—	434	Change to compliance hotline and re-notification (3)		
Number of cases where a fact-finding investigation was conducted due to concerns about a violation (3)			—	243				
(4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence			Number of corrective and recurrence prevention measures, such as reviewing business processes, raising awareness within the organization and giving verbal warnings to the target person (3)	—	111	Centralized management of compliance hotline case records (3)		
	Number of disciplinary actions (dismissals, voluntary resignations) (3)	—	18					
	Number of cases related to anti-competitive behavior and bribery (1) (3) (7)	—	0					
	Employee training	(5) Raising awareness of compliance through employee education			Education and promotion of the Kao Business Conduct Guidelines (5)		Environmental and social impact • Suppression of social injustice through fair corporate practices • Economic health through the prevention of corruption • Improvement of working conditions and promotion of employee rights protection	
			Promotion and establishment of employee compliance awareness (5)					
External collaboration	(6) Promoting compliance and respect for human rights with business partners			BCG refresher test and compliance awareness survey (5)				
				Kao Group initiatives to prevent harassment (5)				
		Expenditure on industry organizations (7)	—	573 million yen	Collaboration with stakeholders (6)			
		Expenditure on lobbying activities and political contributions (7)	—	0 yen	Advocacy activities (7)			
				Sharing our insights on compliance with outside groups (7)				

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Walking the Right Path

> Effective Corporate Governance

Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

> **Effective Corporate Governance**

Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

Strategy

To reduce the risk and create opportunities for Effective Corporate Governance, we are implementing strategies that are unique to Kao, effective, and contribute to business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Increased awareness of compliance in the wake of a series of management crises caused by a loss of trust due to corporate scandals
- Impact on corporate value and the evaluation of companies with compliance problems by investors, business partners and consumers, and the acceleration of the speed of diffusion of corporate reputation due to the development of an information society
- Diversification of working styles, the fluidity of human resources and the decrease in the working population have led to an increased focus on work environments and corporate/organizational culture, as well as the social issue of eliminating harassment

■ Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Damage to brand value and corporate value caused by legal and compliance violations, and business losses
- Decline in employee vitality, deterioration of the workplace culture and loss of competitiveness due to the departure of talented employees
- Stagnation of operations or withdrawal of investment due to compliance violations or human rights violations by business partners

Opportunities

- Business growth through the revitalization of *Yoki-Monozukuri*
- Improved competitiveness by recruiting and retaining talented human capital through the creation of a comfortable workplace
- Improved ability of companies to take on challenges by reinforcing appropriate employee behaviors and attitudes
- Enhanced corporate value by improving the reliability of brands and companies

■ Strategy

Kao has formulated the following strategies to respond to the identified risks and opportunities. Corporate governance is the foundation for all activities based on Walking the Right Path—one of the values of the Kao Way, the corporate philosophy—and is also an essential element for achieving the Mid-term Plan K27. Through the following strategies, we aim to achieve highly transparent and effective corporate governance by practicing business activities with integrity and honesty, in compliance with laws and ethics.

(1) Building and operating a company-wide, autonomous compliance system

We establish a foundation for legal compliance by building a company-wide, division- and region-specific autonomous compliance system and ensuring its proper operation, and we ensure that the actions of our employees and organization are appropriate.

Related initiatives: [P172](#) Compliance risk mitigation activities—Verification of measures to prevent recurrence, [P172](#) Annual confirmation of anti-bribery and conflict of interest avoidance

(2) Improving the level of activities by utilizing external evaluations

By actively incorporating external perspectives and introducing new elements, we continuously raise the level of compliance activities throughout the organization.

Related initiative: [P176](#) 19 consecutive years on the World's Most Ethical Companies® 2025 list

(3) Establishing and accurately operating a reporting and consultation hotline

We aim to understand the situation of the organizational culture through the establishment and accurate operation of a reporting and consultation hotline, and by providing appropriate support and follow-up. This will enable us to identify and resolve compliance issues at an early stage.

Related initiatives: [P172](#) Change to compliance hotline and re-notification, [P172](#) Centralized management of compliance hotline case records

(4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence

In response to cases of compliance violations or suspected violations, we not only deal with individual incidents, but also identify and address issues at the organizational level.

(5) Raising awareness of compliance through employee education

We aim to raise awareness of compliance through employee education and regularly assess the state of awareness among employees by taking the necessary measures. This will effectively reduce compliance risks.

Related initiatives: [P173](#) Education and promotion of the Kao Business Conduct Guidelines, [P174](#) Promotion and establishment of employee compliance awareness, [P174](#) BCG refresher test and compliance awareness survey, [P175](#) Kao Group initiatives to prevent harassment

(6) Promoting compliance and respect for human rights with business partners

By promoting compliance and respect for human rights with our business partners, we aim to reduce the risk of external relationships involving Kao.

Related initiative: [P175](#) Collaboration with stakeholders

(7) Anti-bribery and conflict of interest avoidance

We prevent bribery and avoid conflicts of interest in relationships with business partners, industry associations and other organizations by thoroughly assessing bribery risks, implementing internal guidelines and ensuring highly transparent business operations.

Related initiatives: [P175](#) Advocacy activities, [P176](#) Sharing our insights on compliance with outside groups

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Increased sales due to improved brand value
- Increased investment and business growth due to improved investor confidence
- Reduction in fines and legal costs due to compliance with laws and regulations
- Preventing business losses by reducing the number of employees with mental health problems and the number of employees leaving the company due to a decrease in harassment (preventing loss)

Environmental and social impact

- Suppression of social injustice through fair corporate practices

- Economic health through the prevention of corruption
- Improvement of working conditions and promotion of employee rights protection

Strategic resilience

Compliance is heavily dependent on the awareness and understanding of employees and organizations, so we are improving employee awareness and establishing a system that accurately understands the situation of individuals and organizations and responds appropriately. We are also building a scheme that will lead to company-wide improvements by taking fundamental measures based on cause analysis, including organizational structure and systems. In addition, we believe that a strategy that incorporates third-party organizations and external perspectives and aims to improve based on objective evaluation criteria will be resilient in the future.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to track progress toward achieving these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1) (3) (4) (5) (6) (7)	Serious compliance violation* cases	0	0	0	0	0	0	Every year
(2)	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Every year

* Serious compliance violation: Compliance violations that have a significant impact on management and significantly damage corporate value

The above two are targets that express the realization of the Kirei Lifestyle Plan.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(3)	a. Number of compliance reports and consultations	488	647	434
(3)	b. Number of cases where a fact-finding investigation was conducted due to concerns about a violation	264	322	243
(3)	c. Number of corrective and recurrence prevention measures, such as reviewing business processes, raising awareness within the organization and giving verbal warnings to the target person	212	179	111
(4)	d. Number of disciplinary actions (dismissals, voluntary resignations)	15	30	18
(4)	e. Number of cases related to anti-competitive behavior and bribery	0	0	0
(4)	f. Fines and settlements related to anti-competitive behavior and bribery	0 yen	0 yen	0 yen
(1)	g. Expenditure on industry organizations	436 millions of yen	535 millions of yen	573 millions of yen
(1)	h. Expenditure on lobbying activities	0 yen	0 yen	0 yen
(1)	i. Political contributions	0 yen	0 yen	0 yen

a. Trends in the content of reports

We received 434 reports and consultations (including from group companies outside Japan). In 2023, the number of reports and consultations increased due to the return to the office following the transition to the fifth category of COVID-19, a general inspection by the division in charge of laws and regulations, and an increase in employee awareness, but in 2024, we believe that these numbers have slightly decreased. The breakdown of the reports and consultations is as follows: excluding inquiries about personnel and accounting, compliance procedures, feedback and cases of violations by other companies, about 20% are related to harassment, such as power harassment; about 21% are related to human relations; about 20% are reports and consultations related to work and work attitudes in the workplace; and about 22% are related to fraud and violations. These four categories make up about 83% of the total. 90% of all reports of legal violations are made through the management line.

No particular trends were observed in the organizations, worksites or occupations to which whistleblowers belonged.

b. Number of cases where the facts of a report or consultation were confirmed

Of these 434 reports and consultations, 243 were investigated due to concerns about compliance violations.

c. Number of corrective and recurrence prevention measures implemented

As a result of the fact-finding investigation, 111 cases were found in which some kind of corrective

action or recurrence prevention measure was implemented, including a review of business processes, internal organizational awareness-raising and verbal warnings to the individual involved.

d. Number of substantiated harassment cases and disciplinary actions, including dismissals

There were 10 cases of harassment by individual employees, such as power harassment and sexual harassment, that were recognized and resulted in some form of punishment. In addition, there were 18 cases of misconduct, such as embezzlement and theft, that resulted in disciplinary dismissal or voluntary resignation on a global basis.

e, f. Status of legal proceedings, fines, and settlements related to anti-competitive behavior and bribery

In FY2024, there were no violations of the anti-competitive behavior, anti-corruption and anti-bribery guidelines, guidelines for avoiding conflicts of interest, or anti-money laundering policy within the Kao Group.

g. Amount of expenditures to industry associations

The breakdown of expenditures to the main industry organizations are as follows.

Expenditures to major trade associations

Unit: million yen

	Expenditures
Japan Soap and Detergent Association	40
Personal Care Products Council	34
Der Verband der Chemischen Industrie	33

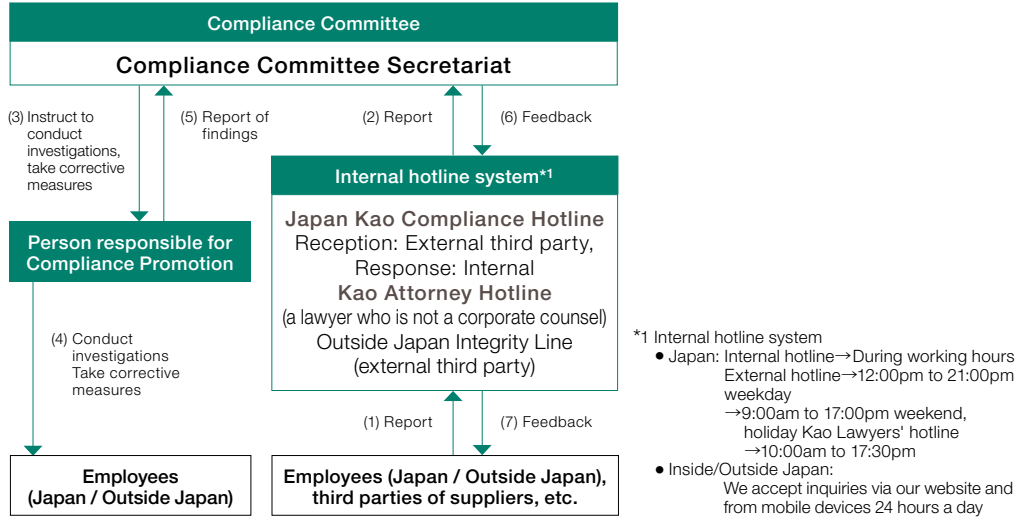
Governance

The Legal Division is in charge of promoting Effective Corporate Governance. Specifically, Under the supervision of the Board of Directors, the Compliance Committee meets quarterly to formulate policies and annual plans, and to instruct the managers of each division and subsidiary to implement them. In addition, the committee receives an annual evaluation from the Board of Directors, and reviews and improves its activities. Furthermore, the secretariat meeting, which supports the activities of the committee, is held once a month to ensure a continuous promotion system.

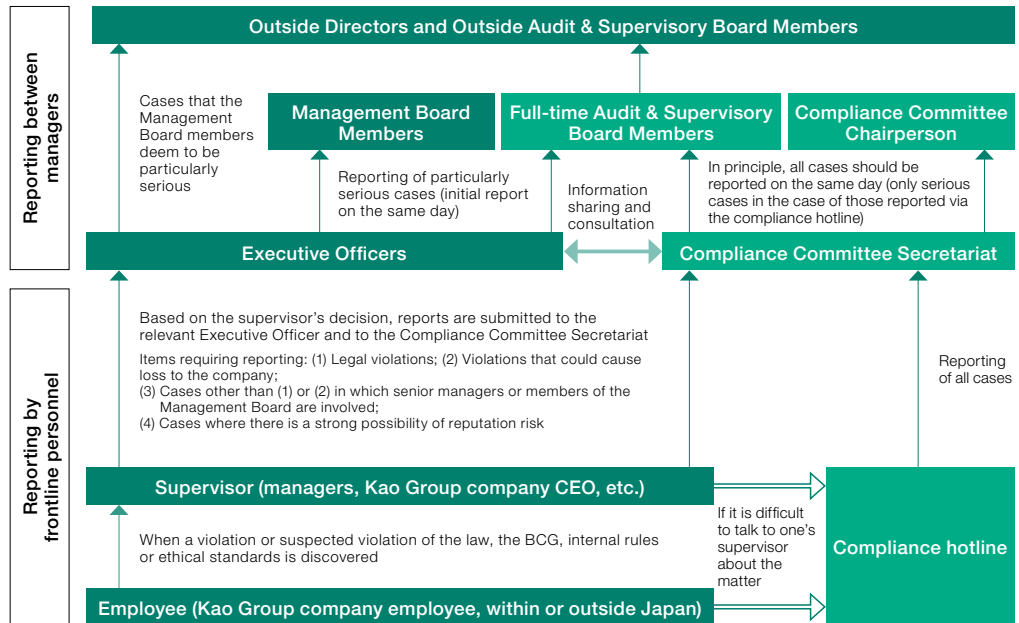
In addition, we have established a compliance reporting and consultation hotline that is shared across the entire group, and we have put in place a system that accepts reports of legal violations or suspected violations and carries out prompt investigations and corrective measures. This service also works in collaboration with the compliance promotion officers at each subsidiary to resolve issues.

P34 Our ESG Vision and Strategy > Governance

Compliance hotline response system



Rules for initial reporting of violations



Risk and opportunity management

Policies

In implementing Effective Corporate Governance, Kao has established the following policies as guidelines for its daily operations and decision-making. For details, please see the website.

Activity goals for the practice of Walking the Right Path, one of the core values of the Kao Way

- (1) Early detection and resolution of legal and ethical violations, etc., through reporting and consultation, and (2) Identification of company issues, etc.
- Promoting understanding of the Kao Business Conduct Guidelines (BCG) through educational activities for employees, and promoting continuous growth and change
- Maintaining the freshness of BCG and compliance-related regulations

* The three elements that constitute Walking the Right Path:
"Respect, fairness, empathy and purpose," "Lawful and ethical business" and "Corporate responsibility"

Kao Business Conduct Guidelines

The Kao Business Conduct Guidelines (BCG) are a code of conduct for putting the Kao Way, our corporate philosophy, into practice. While the basic ideas remain the same, the content is reviewed every year based on social demands and the company's situation, and was most recently revised in April 2019.

- The BCG explicitly states that it prohibits bribery regardless of the affiliation of the other party, and prohibits facilitation payments, which are small payments made to individual government officials. The BCG and the Donation Guidelines also prohibit political contributions.
- Our marketing and advertising activities include fair content and appropriate statements based on facts, avoid exaggerated statements concerning our impact on society and the environment, and take into consideration a wide range of people, including those who could be considered socially vulnerable. We also ensure that information relating to competitors and competing products is not provided to consumers.
- With respect to harassment, we affirm that we will not tolerate any harassment of employees or other business associates. This includes language or conduct that undermines or insults human rights and dignity.

Reference regulations in the Kao Business Conduct Guidelines

The following rules have been introduced to group companies within and outside Japan to explain the details of the BCG items.

Walking the Right Path

> Effective Corporate Governance

Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

- **“Kao Guidelines for Avoiding Conflicts of Interest”**

Kao has introduced the “Kao Guidelines for Avoiding Conflicts of Interest” for group companies globally. The Guidelines stipulate that permission or notification must be obtained in cases where a person is personally involved in competitive or trading activities with Kao Group companies, invests in companies that engage in such activities, borrows money from or lends to Kao Group companies, or has a close relative involved in such activities

- **“Kao Anti-bribery Guidelines”**

In accordance with the BCG, we have set specific standards for the amount of entertainment and gifts that can be provided or received, and we require prior reporting. In Japan, we summarize the implementation status every six months and post it on the company intranet to share it with the *Genba* divisions. They specify measures to prevent bribery, such as assessing bribery risks when selecting business partners and renewing contracts.

- **“Global Anti-Money Laundering Policy”**

We have a clear stance on anti-money laundering.

- **“Kao Human Rights Policy”**

The policy was established in 2015 as the policy for respecting human rights within Kao Group.

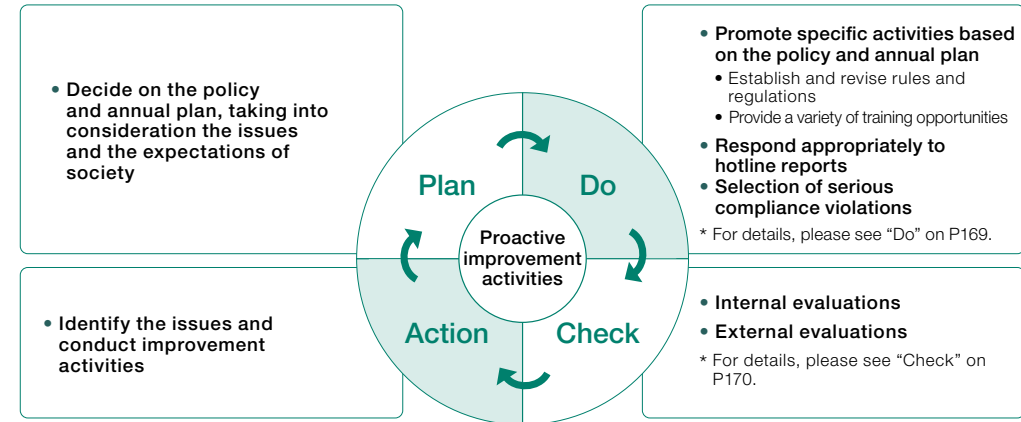
- **“DE&I Policy”**

This policy, which was formulated in 2023, is a policy that advocates respect for diversity.

consultations, evaluation of the results of risk surveys, compliance awareness surveys and employee awareness surveys, and external evaluation.

A (Corrective action)

Identification of issues and improvement activities based on the evaluation results above.



Do

- **Compliance hotline operational status**

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area.

When operating the hotlines, companies confirm the whistleblower’s wishes in accordance with the Rules for Operating Compliance Hotlines, the responsible persons who have previously pledged to maintain confidentiality regarding the reporting and consultation cases, take steps to respect the individual’s privacy and strive to the maximum extent possible to ensure that whistleblowers suffer no retaliation or disadvantage as a result of their good-faith consultation. In addition, when conducting an investigation of the persons concerned, in principle, we obtain the consent of the informant or person making the consultation first, and when conducting an interview with the subject, we obtain the interviewer’s signature on a written pledge that they will not search out or cause any disadvantage to the informant before conducting the interview. Anonymous inquiries are accepted, but whistleblowers are encouraged to identify themselves to facilitate a proper investigation.

In addition, as noted above, we have clarified the rules for initial reporting of compliance violations and suspected compliance violations and established a framework for receiving reports from individual units at the *Genba* level.

Management process

The status of our initiatives to address the risks and opportunities associated with Effective Corporate Governance is managed through the following processes: planning, implementation, evaluation of results and corrective action, and we are working to make steady improvements.

P (Planning)

Formulation of activity policies and annual activity plans, executive board meetings, reporting to the Board of Directors as appropriate and secretariat support. Approval by the Compliance Committee chair.

D (Implementation)

Promoting activities (establishing and revising regulations, providing training opportunities), responding to reports.

* Please see the initiatives (P171-176).

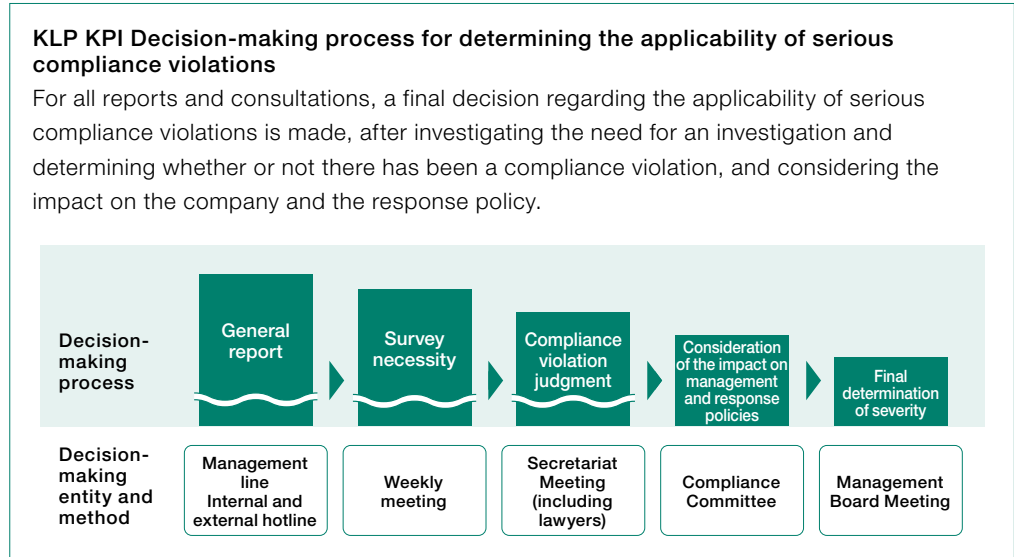
C (Evaluation of results)

Monitoring and evaluation by the Board of Directors, identification of issues through reports and

• Selection process for serious compliance violations

The serious compliance violations refer to compliance violations that have a significant impact on management and significantly damage corporate value. Based on the egregiousness of the violations (materiality / significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the impact of the violations both internally and externally, we will make decisions based on deliberations at the Management Board after internal review, and report the results to the Executive Officers Committee and the Board of Directors.

For the judgment, all cases reported by the compliance hotlines and management lines are reviewed at a weekly meeting to determine whether an investigation is necessary. Based on the survey results and the discussions at the monthly Compliance Committee Secretariat Meeting, the Committee identifies matters that may recur or become widespread throughout the company as requiring particular attention while obtaining third-party assessments and recommendations from an outside attorney-at-law who attends the meeting as an advisor. We also identify potential serious compliance violations among violations of laws and ordinances. The department where an incident occurred will investigate its cause and background, as well as measures to prevent recurrence, and present a summary report at the Compliance Committee Meeting. After a process of receiving evaluations and recommendations from each committee member with respect to the report, the final impact on management and response policy will be examined. The final judgment of the severity is made at the Management Board in January of the following year.



Check:

Internal evaluations

• Opinions from the Board of Directors

The Board of Directors receives an annual activity report in the form of a report on the activities of the Internal Control Committee.

The Board of Directors also monitors and evaluates these activities. This evaluation and feedback are used for improvement through the PDCA (Plan, Do, Check and Act) cycle.

• Issues identified from compliance hotlines

At the monthly secretariat meeting, themes that may represent emerging issues for the company are identified based on the trend of incidents during the relevant period, and any necessary action is taken, including framework changes, internal education and awareness promotion, and so on.

• Issues identified from risk surveys

Kao conducts an annual compliance awareness survey, in addition to a company-wide risk survey that includes compliance risks such as corruption and bribery. We identify risk areas and specific risk scenarios based on the scores from each organization and free-form text responses, and take the necessary actions in cooperation with relevant divisions.

• Compliance awareness survey

The Compliance Committee conducts annual surveys of group companies globally regarding the openness of each organization, etc. Based on the organizational culture trends that we identify from these surveys, we create opportunities to hear more about specific workplace situations and take any action required.

• Linking employee compensation with compliance

A portion of the incentive compensation for management is determined based on ESG-related targets, and indicators are used to promote the Kao Way, compliance and sustainable business practices. Specifically, the KLP target of zero serious compliance violations is also used as an evaluation and compensation indicator for Executive Officers and Directors. In addition, if there is a violation of employment regulations, the Kao Business Conduct Guidelines, or other rules, standards or manuals established by the company, disciplinary action may be taken, including a reduction in pay, demotion or dismissal (during implementation, we comply with relevant laws and regulations).

• Integration of compliance and the code of conduct into employee performance evaluation systems

The actions taken are evaluated to determine whether they meet the standards of the action

principles of the Kao Way (“Coexistence,” “*Genba*-driven viewpoint,” “We trust, respect & need each other” and “Daring to take on challenges”). In addition, OKR, which is used to evaluate employee performance, is expected to consider three categories: “Business Contribution,” “ESG” and “One Team & My Dreams,” and to depict the challenges of each individual in order to chart the course for Kao and for the realization of a sustainable society.

External evaluations

• Evaluation by an advisory attorney

A secretariat was established at Kao as a subordinate organization of the Compliance Committee, and secretariat meetings are held once a month, with supervising members from the Compliance Department and other divisions. The attorney attends the secretariat meetings as an external advisor, and provides advice from a third-party perspective. We also make use of this information for recurrence prevention measures, and continue to work to identify issues based on reports and consultations as well as prevent serious violations from occurring. In addition to receiving recommendations on specific initiatives as Stakeholder Engagement in the Kao Sustainability Report from 2021, we also receive advice on promotion activities at meetings and strive to make improvements.

• Feedback from third-party organizations, external evaluation organizations, etc.

By responding to Socially Responsible Investment (SRI) questionnaires that incorporate societal expectations, and by sharing information with other companies, we will incorporate items on which we have not yet taken action into next year’s activities as appropriate.

Initiatives

Kao is engaged in a variety of initiatives aimed at Effective Corporate Governance. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking.

For information on our Corporate Governance initiatives, please see the following URL.



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

Strategy		Initiatives	
Overall	(1) Building and operating a company-wide, autonomous compliance system	Compliance risk mitigation activities—Verification of measures to prevent recurrence	Annual confirmation of anti-bribery and conflict of interest avoidance
	(2) Improving the level of activities by utilizing external evaluations	Selected as one of the World's Most Ethical Companies®	
Risk reduction	(3) Establishing and accurately operating a reporting and consultation hotline	Change to compliance hotline and re-notification	Centralized management of compliance hotline case records
	(4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence		
Employee training	(5) Raising awareness of compliance through employee education	Education and promotion of the Kao Business Conduct Guidelines	Promotion and establishment of employee compliance awareness
		BCG refresher test and compliance awareness survey	Kao Group initiatives to prevent harassment
External collaboration	(6) Promoting compliance and respect for human rights with business partners	Collaboration with stakeholders	
	(7) Anti-bribery and conflict of interest avoidance	Advocacy activities	Sharing our insights on compliance with outside groups

**Compliance risk mitigation activities
—Verification of measures to prevent
recurrence—**

Region: Global

Corresponding strategies: (1) (4)

Kao has clarified the lead division responsible for promoting compliance with the approximately 250 laws and ordinances that apply to our business. We confirm that activities are being carried out appropriately by having each group submit an action plan for activities in the first quarter of each year and a report on activities in the fourth quarter to the Compliance Committee Secretariat.

Of the compliance violations that have occurred, those that meet the criteria for malignancy based on the severity of the violation (materiality/significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the degree of impact of the violation within and outside the company are identified as serious potential compliance violations. We then investigate each case in depth, examine the causes of the occurrence, summarize the case, confirm measures to prevent recurrence and work as an organization to improve the issue.

In 2024, approximately six months after the implementation of measures to prevent a recurrence of the “serious potential compliance violations” case selected in 2023, the Compliance Committee was informed of the implementation of the measures to prevent a recurrence, as well as the situation after implementation (including the results of questionnaires to employees), and a verification was conducted to determine whether the measures to prevent a recurrence were functioning effectively.

**Annual confirmation of anti-bribery and
conflict of interest avoidance**

Region: Global

Corresponding strategy: (1)

For the purpose of ensuring the effectiveness of anti-bribery and conflict of interest prevention measures, we reiterate the Kao Guidelines for Avoiding Conflicts of Interest and Kao Anti-Bribery Guidelines to the executives and employees of group companies within and outside Japan once a year and check the status of reporting of relevant

matters to the Compliance Committee Secretariat.

In addition, through the people in charge of the Global Consumer Care Business and Chemical Business, we investigate whether there are any concerns about the global situation regarding the function of the Anti-bribery (anti-corruption) Checklist used when selecting new cross-border distributors and intermediaries or renewing contracts with existing ones.

**Change in compliance hotline and
re-notification**

Region: Global

Corresponding strategy: (3)

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area.

Employees who can report or consult include not only Kao employees, but also temporary employees, limited-term employees and employees of subcontractors who are stationed on-site at the workplace.

For the hotline, it is possible to contact the company from personal smartphones by reading the two-dimensional barcode on the poster displayed at the worksite, and we have also standardized the display of a compliance content icon on the home screen on company smartphones, allowing access to compliance information at any time.

In addition, from December 2024, the hotline for locations outside of Japan has been changed to a hotline that serves as the initial reception point, handled by a subcontractor in Japan via the web and mobile.

**Centralized management of compliance
hotline case record**

Region: Global

Corresponding strategy: (3)

We record and store information in the compliance reporting and consultation database accepted by the Kao Group, and strive to understand the compliance status of the entire group.

Education and promotion of the Kao Business Conduct Guidelines

Region: Global
Corresponding strategy: (5)

Our vision for 2030 includes creating workplaces with an open atmosphere in which each employee is fully aware of the need to prevent compliance violations, and in which any compliance violations that are discovered are immediately reported and promptly dealt with. The result is workplaces that continue to be employee-friendly and in which employees care for others.

To achieve this, each employee must be aware of the consequences of violating compliance, such as incurring damage to and loss of trust in Kao. In addition, managers must be aware of compliance risks that may arise in their own work areas and take measures to reduce them. Furthermore, in order to create a workplace where everyone

can work with peace of mind, employees must be aware of the importance of accepting the diversity of co-workers and of speaking and acting with consideration for others.

With this in mind, we carry out education as appropriate based on the training system outlined as follows. Through this education, we provide opportunities for employees to enhance their awareness, which in turn can help them recognize compliance as something that is directly relevant to them personally. We also urge employees to make effective use of the compliance hotlines that we provide when they are unsure of the best course of action to take.

Kao Group employees take compliance training designed to learn their role when those roles change significantly, including when they join the company, when they are promoted to managerial positions and when they assume responsibility for subsidiaries outside Japan.

In addition, we provide training in formats and content tailored to the needs of the organization in response to requests from divisions, regularly provide opportunities for all

Kao Compliance Training

Region	Theme	Target group	Objectives	Frequency
Globally common	New Employee Orientation	New employees	Learn about Kao's approach to compliance and BCG	Upon joining the company (written pledge)
	Training for managers	Manager training Japan: New managers Outside Japan: Managers	Group work to build managers' awareness of compliance risk reduction	Japan: At time of promotion to manager Outside Japan: Every 3 years
	BCG refresher test + compliance awareness survey	Directors, Audit & Supervisory Board Members and Executive Officers / Managers / Non-manager employees	BCG re-learning and identification of divisions with high compliance risks	Yearly
	Compliance message	Managers / Non-manager employees	Regularly reinforce the importance of compliance Additionally, division leaders directly communicate the message to employees to make compliance relevant to them personally	Yearly
	BCG Casebook	Managers / Non-manager employees	Study the BCG using specific cases	Review after BCG revisions
	Compliance case studies	All employees	Study compliance points to keep in mind through cases at Kao and other companies	Japan: Every month Outside Japan: Twice a year (April, October)
Japan	New information dissemination	All employees (including subcontractors in factories and offices)	Learn about compliance-related points of concern through cartoons showing examples from the company and other companies, and practice with a sense of urgency	Approx. 4 times a year
	Directors, Audit & Supervisory Board Members and Officers Training Sessions	Executive officers and above	Learn about compliance risks from a management perspective	Yearly
Outside Japan	Integrity Workshop	New employees	Learn the content of the BCG in a group discussion format, with examples related to each of the points	Once within 3 years of joining the company

> Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

employees to reflect on compliance, and conduct BCG refresher tests and compliance awareness surveys every year.

Education related to laws and ordinances, such as prevention of corruption, prevention of bribery, prevention of harassment, and compliance with competition laws including appropriate payments, is also planned and conducted by designated managing divisions.

As part of our awareness-raising activities, we use compliance messages from the chair of the Compliance Committee and division managers to convey the importance of considerate speech and behavior, as well as of a transparent organizational culture.

In addition, we use posters with cartoons to convey topics that should be communicated to all employees in a timely manner in response to incidents that have occurred, so that employees can develop a sense of crisis and awareness of issues.

Promotion and establishment of employee
compliance awareness

Region: Global
Corresponding strategy: (5)

Compliance message

To encourage employees to view compliance activities as directly relevant to them, top management sends out compliance messages to promote compliance activities globally.

In 2024, the Chairperson of the Compliance Committee's message, "See something wrong? Speak up!" continued to be displayed. With this message, we promoted activities to achieve a vibrant workplace culture by increasing our sensitivity to signs of discomfort in workplaces that are not adapting to changes in society and by raising our voices after noticing something is wrong.

Along with a message from the Chairperson of the Compliance Committee on posters, compliance messages and other communications were sent out by the Heads of Global Functional Divisions and each Regional Head, as well as the President & CEO of each company.



Compliance case studies

In Japan, we generally prepare a case study once a month and publish it on the company intranet. The themes are based on reports received at the compliance hotlines and actual cases that have occurred at the company or other companies. They are incorporated into case studies in a timely manner to share problems and issues and to provide an opportunity for employees to view events and risks as their own personal matters.

Outside of Japan, English-language versions of global case studies are conducted twice a year (April and October) at group companies.



Four-panel cartoon posters to raise awareness

In FY2024, we continued activities to convey a sense of crisis through four-panel cartoons on topics that have occurred within the company or outside the company that we want to share with our employees. A poster featuring product management has been posted.

BCG refresher test and compliance
awareness survey

Region: Global
Corresponding strategy: (5)

We conduct a BCG refresher test and compliance awareness survey every year for all global employees to provide regular opportunities to reflect on compliance and raise awareness on an ongoing basis.

The implementation rate for this year's BCG refresher test was 95%. The BCG refresher test consists of six questions in total, and the questions review the basic BCG concepts.

In addition, the compliance awareness survey included 20 questions, with optional

free-response sections to gather employee opinions on the questions and understand the background of their responses. The 20 questions cover a range of topics, including the degree of penetration and effectiveness of awareness-raising activities, communications from directors and superiors regarding compliance, the situation regarding reporting and consultation, and the situation and atmosphere in the workplace (including opinions on improvement measures).

We checked the correlation between the engagement survey, job stress assessment, and number of reports and consultations in the organization, which are conducted at the same time in each division/company by the human capital development division, and confirmed that the background of the score and the response to it were being made in the organization, and provided feedback to the entire company. In addition, by comparing the responses with those of previous years, we were able to confirm that the situation in each organization as a whole is improving. In regions outside Japan, we also confirmed that the situation and issues in each organization are improving, and the necessary measures are being taken to further improve the situation.

Kao Group initiatives to prevent harassment

Region: Global

Corresponding strategy: (5)

The Kao Group has announced and declared its human rights policy, which states that it supports and respects international norms regarding human rights that should be enjoyed by all people in the world, as well as national action plans (NAPs) on business and human rights in each country. This policy not only applies to all executives and employees of the Kao Group (Kao Corporation, its subsidiaries and affiliates), but also requires business partners, suppliers and other stakeholders to respect and not infringe on human rights.

We have a system in place to ensure that not only are corrective measures taken and recurrence prevented in response to consultations about harassment that occurs within the company, but that reports are also made to superiors based on the manual in the case of customer harassment from outside the company. We ensure that employees do not have to deal with harassment alone, and we also respond sincerely to the other party and take the necessary steps to resolve the issue.

Collaboration with stakeholders

Region: Japan

Corresponding strategy: (6)

The BCG makes it clear that it encourages its business partners to understand, empathize with and act on the BCG. We believe that there is a serious risk that compliance violations by business partners can lead to quality issues and loss of trust in Kao products, and so we are implementing initiatives that prioritize focusing on suppliers of raw materials, contract manufacturers and business partners engaged in product manufacturing on the Kao Group premises.

In particular, because business partners' failure to safeguard employees' human rights, leading to dissatisfaction, is a major factor in compliance violations, we are carrying out operations with stakeholders on a daily basis with respect for human rights. We hold meetings with business partners as part of our specific activities. At our annual meetings with raw material suppliers and product manufacture contractors, we explain Kao's procurement policies, including compliance, and introduce our compliance hotline.

In addition, for business partners to whom we contract product manufacturing work at Kao Group sites, we introduce our compliance hotline and also raise awareness about respecting human rights, including details on compliance when asking them to respond to human rights risk surveys by Sedex and when giving feedback.

[P112](#) Responsibly Sourced Raw Materials > Collaboration with stakeholders, [P193](#) Respecting Human Rights > Conducting human rights risk surveys internally and for suppliers and contractors

Advocacy activities

Region: Global

Corresponding strategy: (7)

Kao believes that addressing global environmental and social issues requires collaboration and cooperation with diverse partners. Therefore, we engage in collaborative activities with industry associations and maintain engagement with policymakers.

Governance

In our advocacy activities, we adhere to the “Guidelines on External Organization Activities” approved by the Corporate Committee, chaired by a Managing Executive Officer overseeing the Corporate Planning Division, which applies to the entire Kao Group. The responsibility department, which leads each activities, regularly assesses, reviews, and monitors participation according to this guidelines, and reports the status of these confirmation to the Corporate Planning Divisions.

Dealing with disagreements

If there is a discrepancy between Kao's stance on measures against climate change and other environmental and social issues, and the stance and activities of the participating organizations or initiatives, or if we believe that the activities of these organizations or initiatives are insufficient, we will engage in activities such as collaborating with other companies to strengthen measures. If the discrepancies or insufficiencies are significant, we will consider withdrawing from these organizations or initiatives.

Expenditures

In Kao's advocacy activities, we annually confirm that, except for membership fees to industry associations, we do not make donations to political campaigns, political organizations, lobbying activities, non-taxable organizations, or other organizations that influence political campaigns, public policy, or laws. (See P167 for the results)

**19 consecutive years on the World's Most
Ethical Companies® list**

Region: Global
Corresponding strategy: (2)

In March 2025, Kao was recognized as one of the World's Most Ethical Companies® by the U.S.- based think tank, the Ethisphere. Kao is one of six companies that have won the award for 19 consecutive years since it was established in 2007. In 2025, out of the 136 companies selected, only three companies in the Health & Beauty Care category, which Kao belongs to, were awarded.

This award is based on the following five factors: (1) efforts in corporate ethics and compliance; (2) environmental and social impact; (3) culture of ethics; (4) governance; and (5) third-party management.

This recognition reflects the fact that the spirit of walking the right path passed down from our founder continues to be implemented by all Kao Group members in our day-to-day operations through the practice of the Kao Way and the BCG.

Kao continues to incorporate activities that need to be strengthened into the following year's activities based on the evaluation in the Benchmark Score Report received after winning the award, which is shared with other award-winning companies.

**Sharing our insights on compliance with
outside groups**

Region: Japan
Corresponding strategy: (7)

To help develop future corporate legal talent, the Head of Legal gives lectures at universities and university law schools on corporate legal affairs and corporate governance. In 2024, lectures on general corporate law were given to law students at two universities (in April) and lectures on corporate law and compliance were given to two university law schools in October.

In addition, the person in charge of compliance contributed an article on Kao's compliance initiatives in the October 2024 issue of the Corporate Legal Association Report, published by the Association of Corporate Legal Departments, which serves as a forum for information exchange for those in charge of corporate legal affairs. The person in charge of compliance also exchanged information on compliance in general with six other companies and shared information on Kao's initiatives.

> **Effective Corporate
Governance**

Full Transparency

Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Employees'
opinions

Managing Governance and Compliance Training in the Americas Region



Brian Riddle

Vice President, Legal
General Counsel
Kao USA Inc.

The Americas region, which includes North and South America, Australia and New Zealand, features varying laws and cultural nuances across territories. From the United States' stringent and ever-changing corporate governance laws, to Brazil's evolving anti-corruption regulations, as well as a diverse range of advertising laws, social media content regulations, intellectual property laws, and wide-ranging data security and privacy requirements, we adopt a tailored approach to navigate these complexities. This includes prioritizing trainings that address local laws, ethical dilemmas and corporate governance best practices.

To enhance training effectiveness, we deliver training in a variety of methods such as e-learning modules, in-person workshops, and interactive videos. Our online learning management system (LMS) facilitates flexible training and tracks employee progress, allowing completion at their own pace while maintaining records.

Beyond formal training sessions, our Legal and

Leadership teams work collaboratively to foster a culture of compliance within the organization and to promote an environment where ethical behavior is valued, and compliance is seen as a shared responsibility. Our Leadership team plays a crucial role in demonstrating a commitment to integrity and accountability.

In the Americas, managing governance and compliance training requires a strategic approach that accounts for the region's diverse regulatory and cultural landscape. As the regulatory environment continues to evolve, effective governance and compliance training will remain a cornerstone of sustainable business operations in the region.

> Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management



Stakeholder engagement

Establish compliance through
the supply chain

Naotaka Kawamata

Attorney-at-Law,
Marunouchi Sogo Law Office

Kao's response to the views expressed last year

The Compliance Committee Secretariat has been checking all reports and consultations to respond to the expectations of employees who have used the reporting and other systems to speak up. For cases that were judged to be in violation of compliance, we examined the effectiveness of recurrence prevention measures submitted by the site, and after receiving necessary reviews as appropriate, we proceeded with initiatives aimed at improvement. From FY2024, we added a process to further verify the effectiveness of these measures, and in cases where we saw that recurrence prevention measures were not functioning effectively, we conducted reviews in light of the actual situation, and proceeded with initiatives aimed at ensuring that effective measures without overburden, waste or inefficiency were continuously implemented. In addition to cases that fall under compliance violations, we have also looked at situations in the workplace that seem to lack respect (incivility), and have been working on activities (such as case studies, information dissemination through awareness posters and training) to create a better workplace where each and every employee can positively exert their abilities. As a result of these efforts, the number of cases where inappropriate situations occurred due to a lack of awareness in the workplace, such as those seen in FY2023, has decreased, and cases of anachronistic harassment have also disappeared. On the other hand, there is an increasing number of reports due to differences in values caused by changes in the social environment and the resulting changes in employee awareness. We will continue to pay attention to these changes and work to maintain a workplace where employees can work energetically and demonstrate their abilities.

A secretariat was established at Kao as a subordinate organization of the Compliance Committee, and secretariat meetings are held once a month, with supervising members from the Compliance Department and other divisions. I have been sitting in on these secretariat meetings as an outside advisor since 2021.

Kao's business activities are not carried out solely within the company; they are achieved by gaining the cooperation of many partner companies and selling to many customers. Accordingly, when discussing the establishment of compliance, it is necessary to consider the whole supply chain—not just Kao—and aim for integrated compliance throughout the entire supply chain.

Kao's Compliance Committee (secretariat) has been working to change the mindsets of employees in recent years by using the concept of “incivility.” However, employees' mindsets will not change simply by ordering them to follow the stipulation “We shall not engage in any form of harassment” in the Kao Business Conduct Guidelines (BCG). Fundamentally, employees must independently accept the concept of respecting their fellow coworkers and treating them with courtesy and consideration. Similarly, with respect to establishing compliance through the supply chain, if the concept of incivility has permeated fully through it, it will be naturally unlikely for acts of harassment to occur toward partner company employees.

When looking at individual aspects of compliance through the supply chain, we can find several relevant cases. There are not only many instances of Kao employees carrying out actions that could be viewed as harassment against partner company employees, but also many instances of issues in the internal management of partner companies. There are many small businesses among Kao's partner companies, and I imagine that some of them may still have a low level of awareness regarding compliance. With regard to these companies, it is not sufficient to simply ask them to enforce compliance. Instead, it may be crucial to first encourage partner companies to understand the need for improving their management conditions and then work together to consider measures for doing so while providing support in consideration of each partner company's circumstances.

Kao's Compliance Committee (i.e. its secretariat) is bolstering its activities for establishing compliance not only within itself but also across the entire supply chain including partner companies and customers. I expect Kao to carry out further initiatives in the future.

Full Transparency

Kao promotes ESG *Yoki-Monozukuri* that incorporates ESG perspectives. To make the right choices for people, society and the planet, it is important to ensure full transparency for all stakeholders, both inside and outside the company. By actively disclosing information about Kao's products and initiatives and building strong relationships of trust with all stakeholders, we will realize the basic policy of our Mid-term Plan K27, which is to become an essential company in a sustainable world.

Risks		Strategy		Metrics, targets and results			Initiatives	Financial impact
• Poor sales due to a decline in product appeal arising from a lack of reflection of the needs and demands of consumers, customers, and society in products, combined with a deterioration in reputation caused by a lack of and delay in information dissemination • Decrease in trust and loss of business opportunities due to insufficient and delayed information dissemination to consumers, customers, and society caused by the lack of development of information infrastructure • Decline in position and exclusion from the market in a competitive market based on sustainability • Delay in responding to social issues such as climate change and loss of biodiversity due to delays in disclosing sustainability information		Disclosure of Information	(1) Disclosure of information on ingredients and themes of high social interest	Metrics Percentage of consumer product brands for which people can easily access complete ingredients information (1)	Targets 100% In 2030	2024 results 22%	Disclosure of information on ingredients and themes of high social interest that anticipate social needs (1)	• Higher sales by strengthening ties with customers through information disclosure • Lower costs by improving information infrastructure • Lower capital costs and higher long-term return on capital through sustainability information disclosure
			(4) Action for sustainability information disclosure				TNFD: Information disclosure regarding the Task Force on Nature-related Financial Disclosures (4)  https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-tnfd.pdf	
Opportunities		Information Infrastructure	(2) Improve communication and internal activities through the development of information infrastructure				Promotion of the Kao ESG Data Platform Project to support full transparency (2)	• Empowering consumers to enjoy a higher quality of life through the disclosure of ingredients and product information • Improving customers' sustainability activities through the provision of product information • Helping to improve the transparency of society through leadership by example
• Increase in corporate value and sales through improved reliability and peace of mind regarding Kao products among consumers, customers and society • Increase in sales through strengthening of ties with customers through the provision of product information • Increase in corporate competitiveness through accurately grasping the needs and demands of consumers, customers, and society and reflecting this in product development • Promotion of digital marketing, including ESG and related information • Contribution to a sustainable and prosperous society and to nature through the disclosure of sustainability information			Information Control					

Walking the Right Path

Effective Corporate Governance

> Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

To reduce risks and create opportunities arising from transparency, and to foster trust with stakeholders, we are implementing strategies that are characteristic of Kao, are effective, and contribute to business growth and the resolution of social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, having a firm grasp of social issues is essential. This will not only mitigate business risks for Kao but also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Increased risk of the spread of false information and the proliferation of product, brand and company reputations due to the development of the information society.
- Increased use of sustainability information in consumer product selection due to the spread of ethical consumption.
- Expansion of product information disclosure requests in line with the strengthening of sustainability activities by major global distribution and retail companies
- Compliance with sustainability information disclosure standards in the world (IFRS S1 and S2, CSRD, TCFD, TNFD etc.)

■ Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Deterioration of reputation and decline in sales due to a combination of a lack of information dissemination and delays, in addition to the inability to incorporate the needs and requests of consumers, customers and society into products and services at the level expected or exceeding expectations.
- Decrease in trust and loss of business opportunities due to insufficient and delayed information dissemination to consumers, customers, and society caused by the lack of information infrastructure.

- Decline in position and exclusion from the market in a competitive market based on sustainability
- Delay in responding to social issues such as climate change and loss of biodiversity due to delays in disclosing sustainability information

Opportunities

- Increase in corporate value and sales through improvement of reliability and sense of security of Kao and Kao products among consumers, customers and society.
- Increase in sales through strengthened collaboration with customers by providing product information
- Increase in corporate competitiveness through an accurate grasp of the needs and demands of consumers, customers and society, and reflecting this in product development.
- Promotion of digital marketing, including ESG and related information
- Contribution to a sustainable and prosperous society and to nature through the disclosure of sustainability information.

■ Strategy

Kao has formulated the following strategies in response to the identified risks and opportunities. Improving information transparency and strengthening relationships of trust through proactive two-way communication with all stakeholders, including consumers, customers, and society, is an important strategy for achieving one of the basic policies of the K27 Medium-term Plan. That policy is: to become an essential company in a sustainable world. To realize a Kirei World in which all life lives in harmony, which is the mission of Kao's corporate philosophy (The Kao Way), and through it we aim to further strengthen our relationships of trust with all stakeholders, and to improve social trust and achieve sustainable development.

(1) Disclosure of information on ingredients and themes of high social interest

By actively disclosing information on socially noteworthy ingredients and themes such as fragrances, we aim to improve the reliability of Kao and Kao products, while also contributing to consumers making the right choices and leading fulfilling lives.

Related initiative: [P183](#) Disclosure of information on ingredients and themes that are of high social interest, anticipating social needs

(2) Improve communication and internal activities through the development of information infrastructure

We accurately ascertain the needs of consumers, customers, and society and use this information to develop products and formulate strategies that ensure our competitive advantage. At the same time, we are developing an information infrastructure related to ESG

data that will enable us to quickly and accurately ascertain information on the entire Kao Group and on individual products and use this information to communicate with consumers and customers.

Related initiative:  Promotion of the Kao ESG Data Platform Project to support full transparency

(3) Maintain and control information quality based on international standards and scientific knowledge

Through our daily work, we strive to gain knowledge through interactions with industry groups and academia, and we practice manufacturing based on international standards and the latest scientific knowledge, as well as maintaining and managing highly transparent, high-quality information, to ensure the reliability and innovation of Kao.

(4) Action for sustainability information disclosure

We make use of the information infrastructure of Strategy 2 to compile ESG-related data, and we actively respond to information disclosure obligations such as legal regulations, as well as questions from various organizations regarding ESG-related information such as chemical substance management, CDP, and S&P, and TCFD*1 and TNFD*2, as information disclosure for people, society, and the planet.

 Our Progress > Decarbonization

 Initiatives for Biodiversity
<https://www.kao.com/global/en/sustainability/nature/biodiversity/>

*1 TCFD: The Task Force on Climate-related Financial Disclosures

*2 TNFD: The Task Force on Nature-related Financial Disclosures

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental, and social impacts.

Financial impact

- Higher sales by strengthening ties with customers through information disclosure
- Lower costs by improving operational efficiency and accuracy through the development of information infrastructure
- Lower capital costs and higher long-term return on capital through sustainability information disclosure

Environmental and social impact

- Empowering consumers to enjoy a higher quality of life through the disclosure of ingredients and product information

- Improving customers' sustainability activities through the provision of product information
- Helping to improve the transparency of society through leadership by example

Strategic resilience

Two-way communication that accurately captures external interest and proactive information disclosure can greatly contribute to improving social trust. In addition, through developing advanced information infrastructure, it is possible to achieve sustainable development by contributing not only to external communication but also to improving the quality of internal activities.

Metrics and targets

To increase the effectiveness of our strategies, we have established performance indicators related to risks and opportunities and regularly monitor their progress. For significant risks and opportunities, we set specific targets and assess our achievement levels. By doing so, we ensure steady progress through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. Also, we have set the target of making all our brands selling consumer products transparent brands by 2030.

In addition to information that is required to be disclosed by law, we have also been promoting the disclosure of fragrance ingredient names as an activity to voluntarily disclose information that consumers are seeking.

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Percentage of consumer product brands for which people can easily access complete ingredients information	9%	12%	18%	22%	22%	100%	2030

With regard to the disclosure of fragrance ingredient names, we have finished developing a system to improve disclosure efficiency, and are proceeding with disclosure in stages while considering product development plans. There was no disclosure for new brands, but in the household products field, we disclosed and updated fragrance ingredient names for 32 items,

including two new products. In the cosmetics field, we disclosed information about 62 items.

In Japan, there has not been the same level of demand for the disclosure of fragrance ingredients as we had expected, so we are proceeding with disclosure mainly for product categories that are high priority. However, we have not yet disclosed all categories, and progress is delayed.

For disclosure of ingredients that are attracting public attention, please refer to Safer Healthier Products.

 Our Progress > Safer Healthier Products

We established the platform for ESG information by managing projects in Europe, the United States, and Asia, as well as developed the IT environment and launched the application as scheduled. We are currently working on the following development themes, and everything is progressing as planned.

Governance

Under the supervision of the Board of Directors, ESG is in charge of promoting activities, and the head of ESG Global Action Promotion supervises these activities. The ESG Managing Committee regularly checks the progress of projects related to system construction and data infrastructure development, and works to ensure progress.

Furthermore, under the ESG Promotion Meeting, which is a subordinate organization of the ESG Managing Committee, we have established a task force with the aim of appropriately disclosing product information, and are building a system to accelerate global and divisional activities.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Policy

In implementing its Full Transparency, Kao has formulated the following policies as guidelines for daily operations and decision-making. For details, please see the website.

 Fragrance Policy
<https://www.kao.com/global/en/innovation/safety-quality/fragrance-policy/>

Management process

Regarding the disclosure of fragrance ingredient names, the business entity discloses and updates information in accordance with the business plan. The task force compiles progress data once a year and reports on KPI performance to the ESG Managing Committee. In addition, when an unexpected issue arises, a meeting is convened on an ad hoc basis to resolve the issue.

The status of initiatives related to the Kao ESG Data Platform Project is managed through the planning, implementation, evaluation, and correction processes as described below, and steady improvements are being made. A meeting structure is set up for each activity unit and level, and the project manager is responsible for the overall progress of the project, while the project owner is responsible for final approval. Progress and results are reported to the ESG Managing Committee.

P (Planning)

Set activity design and goals when the project is launched. Obtain approval at the project owner meeting and proceed.

D (Implementation)

Promote activities in accordance with the development schedule for the project. For details of the activities, please see the initiatives (P183-184).

C (Evaluation of results)

Share the situation at the core leader meeting (each month) and the progress meeting (every week).

A (Corrective action)

Resolve issues at the project manager meeting. Each working group carries out the next PDCA cycle.

Initiatives

Kao is taking various steps toward Full Transparency. These initiatives are based on the aforementioned strategies and are being promoted in coordination with each other toward the achievement of our goals. Here, we would like to introduce some of the important initiatives from among the many we are taking.

Strategy		Initiatives
Disclosure of Information	(1) Disclosure of information on ingredients and themes of high social interest	Disclosure of information on ingredients and themes of high social interest that anticipate social needs
Information Infrastructure	(2) Improve communication and internal activities through the development of information infrastructure	Promotion of the Kao ESG Data Platform Project to support full transparency

Disclosure of information on ingredients and themes of high social interest that anticipate social needs

Region: Global

Corresponding strategy: (1)

Kao promotes the disclosure of the names of fragrance ingredients contained in its products as an important initiative. We have been disclosing and updating information on new items and brands using a system that automatically links the list of fragrance ingredients introduced in 2022 to the Product Catalog on the website.

In FY2024, we disclosed and updated the names of fragrance ingredients for 94 products, including new products within existing brands, and the KPI achievement rate at the end of FY2024 was 22%.

The year 2025 is the halfway point towards our goal of achieving 100% transparent branding by 2030. Since the start of our activities, there has been a great deal of interest in fragrance ingredient disclosure, particularly in the European and American markets, so we have been focusing on building a disclosure system by forming a task force. On the other hand, while disclosure requirements in the Japanese market have been gradually increasing, they have not risen to the extent we initially expected. However, Kao believes that it is important to anticipate social needs. As a company that contributes to the realization of a sustainable society, we recognize the importance of taking proactive action ourselves rather than waiting for market trends.

In the future, we will continue to collect and disclose information on fragrance ingredients, while determining priorities based on our business plan and assessing market trends.

* For details on ingredients other than fragrances that are of high social concern, please refer to Safer Healthier Products (P73).

[P73](#) Our Progress > Safer healthier products

Effective Corporate
Governance

> Full Transparency

Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Promotion of the Kao ESG Data Platform Project to support full transparency

Region: Global

Corresponding strategy: (2)

Kao has launched the Kao ESG Data Platform Project with the aim of strategically utilizing ESG information and further improving transparency. This project is a company-wide initiative with the ESG director and the head of DX Solutions as the owner and representatives from the business, sales, R&D, and Enterprise Information Systems as core leaders. The project manager and working groups are in charge of the practical work, and the progress of the project is regularly reported to the ESG Managing Committee and the ESG Promotion Meeting.

In FY2024, we finished developing an application to consolidate ESG-related information on the cloud and link data together, as planned, to search for and aggregate the ESG-related information we were looking for. This system is already being used in full-scale operations, supporting the efficiency of responses to legal regulations and external inquiries, as well as ESG-driven *Yoki-Monozukuri*. For example, data collection and tabulation work that used to take several hours or even several weeks can now be completed in just five minutes or even a few dozen seconds in some cases. In addition, the adoption of a globally unified data source has greatly improved data reliability, allowing us to respond quickly and accurately to inquiries from major global distribution companies and research organizations.

Through these improvements, we can allocate the people and time that were previously required for surveys to higher value-added activities, and believe that this will help to improve the trust of our stakeholders and, in turn, generate new business opportunities.

In FY2025, we plan to further utilize the platform and data we have accumulated, and have already completed preliminary studies to expand the scope of the information we handle.

We will continue to strongly promote full transparency through ESG data-driven management and aim to further improve our business competitiveness while fulfilling our social responsibilities.

Employees'
opinions

Towards Global, More Rapid and Transparent Disclosure of ESG Information

Makiko Kimura

PLM Group, Enterprise Business Excellence,
Enterprise Information Systems, Digital Strategy



The Kao ESG Data Platform Project has been working on three main activities: (1) building an ESG data platform; (2) establishing global data links; and (3) visualizing ESG information using those data.

In building the ESG data platform, we have been working to consolidate information from various business areas, such as prescriptions, packaging containers, sales, and production information, which had previously been managed independently in each region and business area, into a data lake. The goal is to provide reliable data in a form that is easy for anyone to use. By connecting the data from each of these business areas globally, we have linked information from product design to sales across the entire Kao Group, transcending national borders. Until now, when product design and sales information crossed national borders, the information was fragmented and data was mainly linked manually. However, by building this data platform, we have established a more transparent and reliable data platform on a global scale. In addition, by utilizing this data platform, we can now respond more quickly to ESG-related inquiries from third parties, regardless of where the product was designed, manufactured, or sold.

It is not easy to continuously collect and utilize data that is both transparent and up-to-date on a global scale. However, this activity was made possible with the support of many colleagues both within and outside Japan. This project is the crystallization of the wisdom and technology of Kao members from around the world and across all divisions. I am very happy to have been able to participate in a project that will help accelerate ESG-driven management with such colleagues. We will continue to work towards the disclosure of ESG information that is even faster and more transparent.

Respecting Human Rights

GRI 2-23

Kao promotes human rights initiatives based on its corporate philosophy, the Kao Way, which upholds the fundamental value of “walking the right path.” By listening to the voices of employees and other stakeholders, Kao promotes human rights initiatives in line with international standards.

Risks	Strategy	Metrics, targets and results			Initiatives	Financial impact
• Damage to corporate value and loss of business opportunities due to penalties for legal violations and reputational decline • Business continuity difficulties caused by the suspension of raw material procurement or production delays due to human rights violations in the supply chain • Loss of brand and corporate credibility and business losses due to inappropriate advertising expressions • Decline in competitiveness due to a deterioration of employee motivation and workplace culture and turnover of talented employees • Health hazards to workers and deterioration of product quality due to manufacturing under poor working conditions • Health hazards to consumers and environmental pollution due to deficiencies in product quality control	(1) Regular review of the Kao Human Rights Policy					• Avoiding litigation costs, penalties, and unexpected expenses (such as losses due to reputational damage or supply chain disruptions) by preventing human rights violations • Increasing sales by capturing consumer empathy and demand for ethical consumption • Improving productivity and promoting the retention of human capital through enhanced employee engagement and job satisfaction • Ensuring stable business operations and enhancing mid- to long-term corporate value by maintaining good relationships with suppliers and engaging in constructive dialogue with stakeholders
	(2) Human rights due diligence	Response rate to human rights due diligence (risk assessment internally and for suppliers and contractors) (2)	100% 2030* *Suppliers: 2025	Internal: 100%, suppliers: 90%, contractors: 26%	Defining important human rights themes (2)	
					Conducting human rights risk surveys internally and for suppliers and contractors (2)	
					Conducting digital surveys for human rights due diligence (2) (5)	
					Initiatives targeting high-risk groups: Supporting independent oil palm smallholders and conducting initiatives for foreign workers (2) (5)	
				Disclosure of information in an appropriate manner and in response to social demands (2)		
(3) Remediation	Number of compliance reports and consultations (3)	–	427 reports	Deployment of grievance mechanisms (3)		
	Number of reports through the grievance mechanism (oil palm plantations) (3)	–	271 reports			
	Number of on-site subcontractors at plants that have implemented the grievance mechanism (3)	–	3 companies			
Opportunities • Strengthening competitiveness by enhancing employee motivation and loyalty, as well as recruiting and retaining talented human capital • Stabilizing procurement and improving competitiveness through the promotion of human rights initiatives among business partners and the establishment of trust-based relationships • Enhancing corporate value by earning recognition from stakeholders • Promoting purchases by gaining consumer trust	(4) Enhancing employee awareness				Initiatives to enhance employee awareness of human rights (4)	Environmental and social impact • Contributing to the creation of a society where individual human rights are more respected • Establishing an environment where consumers can confidently choose and use products and services made with consideration for human rights, leading to more enriched lifestyles
	(5) Engaging in dialogue and discussions with stakeholders				Improving activities through dialogue with diverse stakeholders (5)	
	(6) Advertising expressions that gain consumer empathy				Establishing a system to review advertisements from a human rights perspective (6)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Walking the Right Path

Effective Corporate
Governance

Full Transparency

> Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Strategy

Kao supports and respects international norms on human rights and aims for zero human rights violations across all of our corporate activities in accordance with the Kao Human Rights Policy, which is guided by the United Nations Guiding Principles on Business and Human Rights. This policy applies to all business activities, including mergers and acquisitions (M&A) and new projects. To prevent and mitigate adverse human rights impacts and create business opportunities, Kao develops and implements effective strategies.

■ Social issues

To remain a sustainable and competitive company, it is essential for Kao to accurately understand social issues. This not only helps mitigate business risks but also serves as a critical starting point for identifying new business opportunities that drive growth. Kao recognizes the following social issues related to this theme.

- Risks of forced labor among suppliers in emerging countries, poor working conditions for foreign workers, and issues of forced labor and child labor on oil palm plantations due to the globalization of corporate activities
- Adverse human rights impacts caused by climate change
- Issues of harassment and bullying in recruitment and the workplace
- Discrimination against minorities

 Kao Group risks specified through risk assessments

■ Risks and opportunities

In a business environment that includes the social issues mentioned above, Kao faces various risks and also identifies new business opportunities. Identifying risks and opportunities is a critical process in formulating corporate strategies and initiatives. The key risks and opportunities that Kao recognizes in this theme are as follows.

Risks

- Damage to corporate value and loss of business opportunities due to penalties for legal violations and reputational decline
- Business continuity difficulties caused by the suspension of raw material procurement or production delays due to human rights violations in the supply chain

- Loss of brand and corporate credibility and business losses due to inappropriate advertising expressions
- Decline in competitiveness due to a deterioration of employee motivation and workplace culture and turnover of talented employees
- Health hazards to workers and deterioration of product quality due to manufacturing under poor working conditions
- Health hazards to consumers and environmental pollution due to deficiencies in product quality control

Opportunities

- Strengthening competitiveness by enhancing employee motivation and loyalty, as well as recruiting and retaining talented human capital
- Stabilizing procurement and improving competitiveness through the promotion of human rights initiatives among business partners and the establishment of trust-based relationships
- Enhancing corporate value by earning recognition from stakeholders
- Promoting purchases by gaining consumer trust

■ Strategy

As part of its efforts to aim to achieve zero human rights violations across all of our corporate activities, Kao is conducting inter-divisional discussions to identify human rights risks throughout the entire value chain. We are working to prevent and mitigate adverse impacts on human rights in the value chain by evaluating the severity and likelihood of human rights risks identified in those discussions and defining important human rights themes to advance our initiatives based on priority. This contributes to ensuring business stability and sustainability. Respect for human rights is essential for maximizing employee engagement, key to achieving the Mid-term Plan K27, and for fulfilling Kao's purpose to "To realize a Kirei World in which all life lives in harmony." Guided by the principle of "walking the right path," Kao will promote the following strategies based on a deeply ingrained corporate culture of respect for human rights and in alignment with the Kao Human Rights Policy.

(1) Regular review of the Kao Human Rights Policy

Kao conducts regular reviews of the Kao Human Rights Policy to flexibly respond to changes in the social environment, including expectations from society and international standards.

(2) Human rights due diligence

Through the following processes, Kao identifies and works to prevent and mitigate adverse human rights impacts:

- (1) Conducting assessments such as human rights risk surveys, human rights risk workshops, and audits to identify and evaluate human rights risks across all corporate activities
- (2) Addressing the human rights risks identified through risk assessments to prevent and mitigate adverse human rights impacts
- (3) Regularly monitoring conditions to assess the effectiveness of prevention and mitigation measures
- (4) Disclosing information externally through sustainability reports, statements under the UK Modern Slavery Act, the website, and other channels

Related initiatives: [P191](#) Defining important human rights themes, [P193](#) Conducting human rights risk surveys internally and for suppliers and contractors, [P193](#) Conducting digital surveys for human rights due diligence, [P193](#) Initiatives targeting high-risk groups: Supporting independent oil palm smallholders and initiatives for foreign workers, [P194](#) Disclosure of information in an appropriate manner and in response to social demands

(3) Remediation

Kao takes prompt and appropriate corrective actions against human rights violations based on reports received through compliance reporting and consultation channels, as well as grievance mechanisms*.

* Grievance Mechanism: A system or process that ensures stakeholders can receive appropriate remediation measures for issues arising from corporate activities.

Related initiatives: [P194](#) Deployment of grievance mechanisms, [P168](#) Effective Corporate Governance > Operation of reporting and consultation channels, [P110](#) Responsibly sourced raw materials > Grievance mechanism initiatives

(4) Enhancing employee awareness

Through employee training and awareness-raising activities, Kao promotes a deeper understanding of human rights-related policies, including the Kao Human Rights Policy, and works to enhance awareness for respecting human rights.

Related initiative: [P195](#) Initiatives to enhance employee awareness of human rights

(5) Engaging in dialogue and discussions with stakeholders

By engaging in dialogue and discussions with stakeholders, Kao builds trust-based relationships, identifies human rights risks and adverse human rights impacts, and implements appropriate countermeasures.

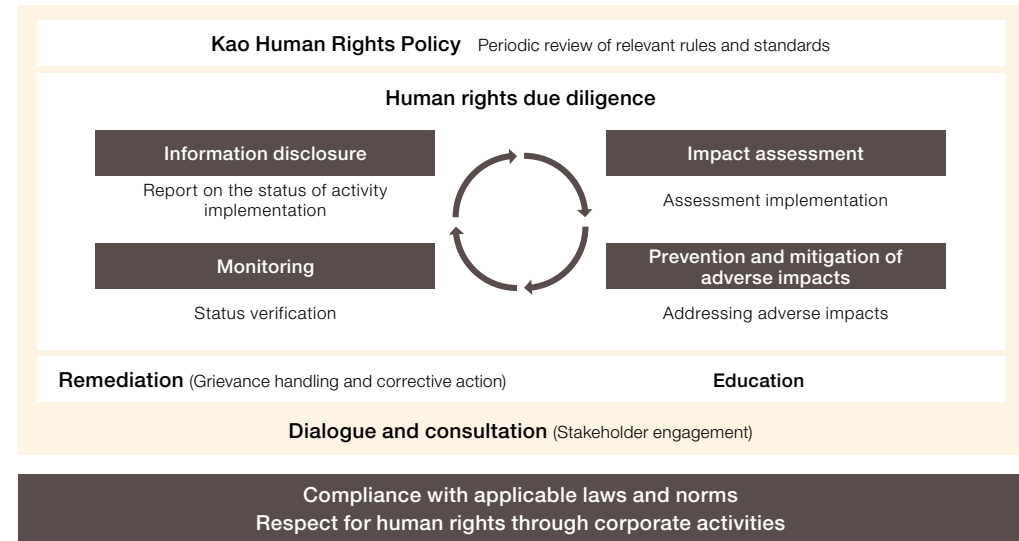
Related initiatives: [P193](#) Conducting digital surveys for human rights due diligence, [P193](#) Initiatives targeting high-risk groups: Supporting independent oil palm smallholders and initiatives for foreign workers, [P195](#) Improving activities through dialogue with diverse stakeholders

(6) Advertising expressions that gain consumer empathy

Kao operates a system to have multiple people check advertising expressions to ensure that they are human rights-friendly.

Related initiative: [P196](#) Establishing a system to review advertisements from a human rights perspective

Overall picture of the initiatives outlined in the Human Rights Policy



Impact generated by implementing the strategies

Through the aforementioned strategies, Kao expects to generate the following financial impact and environmental and social impact.

Financial impact

- Avoiding litigation costs, penalties, and unexpected expenses (such as losses due to reputational damage or supply chain disruptions) by preventing human rights violations
- Increasing sales by capturing consumer empathy and demand for ethical consumption
- Improving productivity and promoting the retention of human capital through enhanced employee engagement and job satisfaction
- Ensuring stable business operations and enhancing mid- to long-term corporate value by maintaining good relationships with suppliers and engaging in constructive dialogue with stakeholders

Environmental and social impact

- Contributing to the creation of a society where individual human rights are more respected
- Establishing an environment where consumers can confidently choose and use products and services made with consideration for human rights, leading to more enriched lifestyles

Strategic resilience

By implementing human rights initiatives across the entire supply chain, Kao prevents legal violations, mitigates the risk of reputational damage, and ensures a foundation for business continuity. Additionally, by creating a workplace environment where the human rights of employees and stakeholders are respected, Kao maintains organizational vitality and enhances competitiveness. This enables us to respond flexibly to various issues and build resilience for sustainable growth.

Metrics and targets

We aim to achieve zero human rights violations across all of our corporate activities, and to solve problems promptly when they unintentionally occur. To enhance the effectiveness of our strategies, we have established performance metrics related to risks and opportunities and regularly monitor our progress. For metrics associated with significant risks and opportunities, we set specific targets and track progress to ensure steady implementation through the PDCA (Plan, Do, Check, and Act) cycle.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(2)	Response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100%, suppliers: 55%, contractors: 0%	Internal: 100%, suppliers: 60%, contractors: 3%	Internal: 100%, suppliers: 62%, contractors: 15%	Internal: 100%, suppliers: 81%, contractors: 19%	Internal: 100%, suppliers: 90%, contractors: 26%	100%	2030*

* For suppliers, the target year is 2025.

Governance

Given that human rights initiatives are carried out across various departments, strategic decision-making and the overall direction of activities related to human rights are discussed by the Human Rights and DE&I Steering Committee, which is headed by the Executive Officer (Senior Vice President) in charge of Human Capital Strategy. This committee meets once a

month to discuss the promotion of both human rights initiatives and DE&I. For example, we conduct cross-divisional discussions, known as Human Rights Risk Workshops, aimed at identifying human rights risks across the entire value chain. Based on these discussions, we assess the severity and likelihood of discussed risks, establish important human rights themes, and prioritize our initiatives accordingly. Through these efforts, we strive to prevent and mitigate adverse human rights impacts throughout the value chain. Individual themes, such as living wages, are also addressed.

Kao recognizes the existence of human rights risks among people who we work with, including long working hours, poor working conditions, and inadequate wages. Among these issues, wages have a significant impact on living conditions. As such, Kao recognizes that unpaid wages, low wages below living wage standards, wage disparities, and unequal pay for equal work are critical issues that need to be addressed. The Human Rights and DE&I Steering Committee discusses living wages for Kao Group members, as well as for vulnerable workers, such as oil palm plantation laborers and foreign workers in plants, who are often in precarious positions. Regarding employee treatment, the Kao Group invests in human capital to ensure equity in roles and compensation for employees. Moving forward, based on the circumstances of each group company, the Kao Group will work continuously, reliably, and steadily to ensure payments above the living wage. Furthermore, in our relationships with business partners, we include provisions on living wages in our Partnership Requirements for Suppliers. Moving forward, Kao will continue to promote initiatives in collaboration with business partners.

Initiatives to uphold human rights are led by the Executive Officer (Senior Vice President) in charge of ESG. The ESG division consolidates all related efforts and reports annually to the ESG Managing Committee, which operates under the supervision of the Board of Directors.

 Our ESG Vision and Strategy > Governance

Risk and opportunity management

Policies

Kao has established the following policies and guidelines in relation to respecting human rights. For more details, please refer to our website.

-  • Kao Human Rights Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/humanrights-policy/>
- Kao Business Conduct Guidelines
<https://www.kao.com/global/en/corporate/policies/compliance/business-conduct-guideline/>
- Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>
- Partnership Requirements for Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-partnership/>



- ESG Promotion Activities with Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-esg/>
- “High-Risk” Supply Chain Management and Sourcing
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>
- Diversity, Equity and Inclusion (DE&I) Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/policy/>
- Support for the CGF* Social Resolution on Forced Labour and Priority Industry Principles
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/>

* CGF: The Consumer Goods Forum: An international consumer goods industry association with members from around the world, including retailers and manufacturers of consumer goods.

Management process

The status of Kao’s initiatives on respecting human rights is as follows. These initiatives are subject to ongoing review and steady improvements.

Policy formulation and updates

Regularly review and update as necessary

Human rights due diligence

Impact assessment

- Based on the human rights risks raised by participants of the human rights risk workshop led by the Human Rights and DE&I Steering Committee, the “Kao Group risks specified through risk assessments” are updated periodically. Each human rights risk is evaluated based on severity and likelihood to determine important risks
- Conducting human rights risk surveys internally and for suppliers*¹ and contractors using Sedex*²
- Defining important human rights themes based on the results of human rights risk workshops, human rights risk assessments, and advice from third parties
- Audits (social responsibility audits): Conducting SMETA audits*³ for high-risk suppliers identified through risk survey results etc.

*¹ Human rights risk assessments for suppliers include alternative programs and the Kao SAQ.

*² Sedex: Supplier Ethical Data Exchange. A large-scale global platform for the sharing and verification of information relating to labor standards, health and safety, environmental protection, and business practices, aimed at promoting the adoption and maintenance of ethical business practices in global supply chains

*³ SMETA audits: Sedex Members Ethical Trade Audit. Third-party social responsibility audits in areas such as labor, health and safety, and other areas

 Our Progress > Responsibly Sourced Raw Materials

Prevention and mitigation of adverse impacts

- Providing feedback on the outcomes of the Human Rights Risk Workshops and human rights risk surveys to relevant parties

- Designing systems and upgrading facilities to mitigate adverse human rights impacts
- Aiming to raise awareness among employees and other stakeholders
- Including environmental and human rights-related clauses in the basic transaction agreements signed between Kao and suppliers, with the principle of applying this agreement for new contracts and contract renewals
- Incorporating human rights-related provisions into our Partnership Requirements for Suppliers and prioritizing purchases from business partners that comply with these requirements

Monitoring

Continuously checking conditions that could lead to human rights violations through human rights risk workshops, human rights risk surveys, audits, and other evaluations

Information disclosure

Report on the implementation status of initiatives to respect human rights

Remediation

- Establishing a compliance reporting and consultation channel for Kao Group members to handle reports and inquiries. This channel is also available to external individuals, including employees of business partners
- Operating the Kao Grievance Mechanism to directly receive and respond to inquiries from independent oil palm smallholders in Indonesia regarding complaints (human rights violations, land disputes, etc.) and plantation management
- Promoting the implementation of grievance mechanisms for foreign workers employed by subcontractors working at Kao plants in Japan

Education

Internal

- Publishing the Kao Human Rights Policy on the intranet in 17 languages
- Sharing human rights-related information in meetings
- Conducting awareness-raising activities for human rights risk survey personnel and advertising creators
- Human Rights section of the Kirei Lifestyle Plan Lecture*
- Providing human rights-related information tailored to the work of each department

* Kirei Lifestyle Plan Lecture: An e-learning program designed to teach essential knowledge for promoting the KLP.

Suppliers

Communicating the importance of human rights initiatives and Kao’s stance through vendor summits and other events

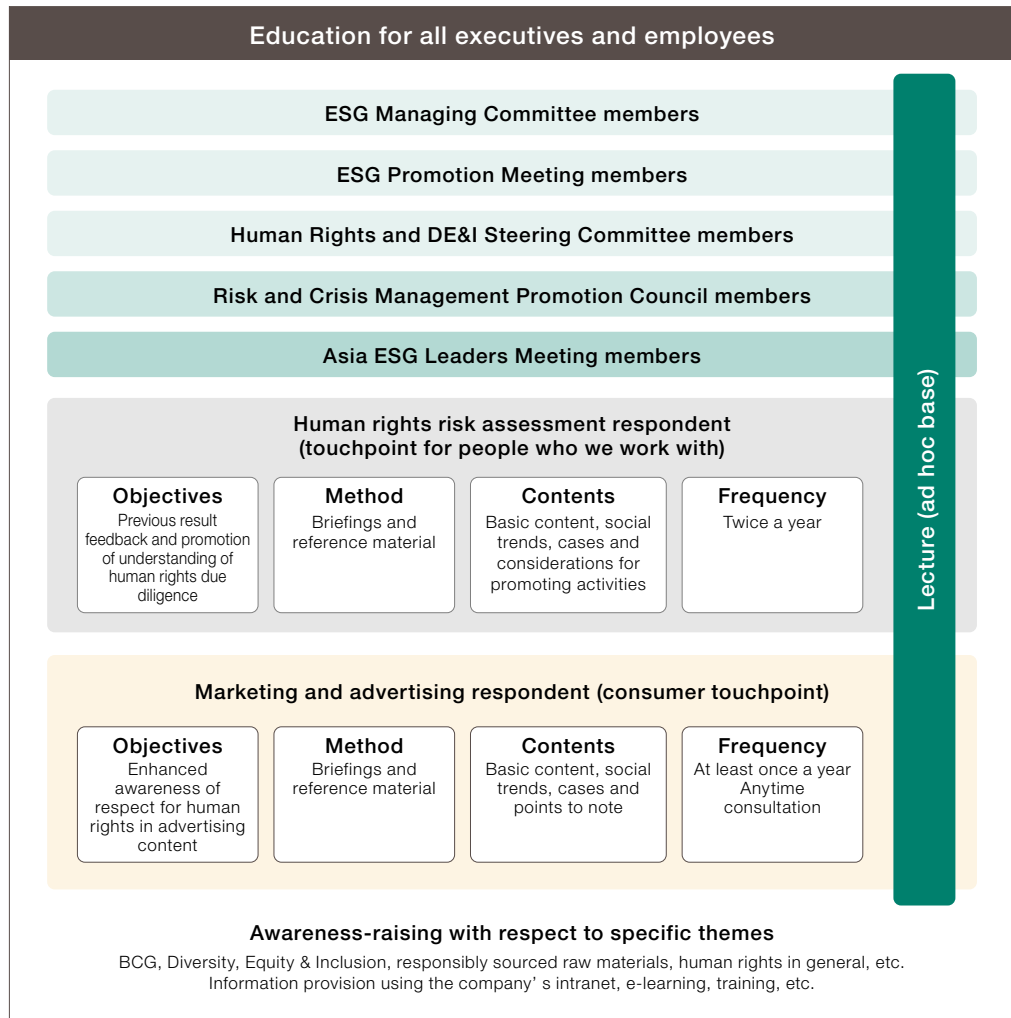
Contractors

Explaining and providing documents on the importance of human rights initiatives and Kao's stance

Dialogue and consultation

Engaging in dialogue and consultation with stakeholders and experts

Overview of the internal education and awareness-raising initiatives



Initiatives

Kao implements various initiatives aimed at respecting human rights. These initiatives are based on the previously mentioned strategies and are promoted in collaboration with each other to achieve their targets. Below are some of the key initiatives among them.

Strategy	Initiative				
(1) Regular review of the Kao Human Rights Policy					
(2) Human rights due diligence	Defining important human rights themes	Conducting human rights risk surveys internally and for suppliers and contractors	Conducting digital surveys for human rights due diligence	Initiatives targeting high-risk groups: Supporting independent oil palm smallholders and conducting initiatives for foreign workers	Disclosure of information in an appropriate manner and in response to social demands
(3) Remediation	Deployment of grievance mechanisms				
(4) Enhancing employee awareness	Initiatives to enhance employee awareness of human rights				
(5) Engaging in dialogue and discussions with stakeholders	Conducting digital surveys for human rights due diligence	Initiatives targeting high-risk groups: Supporting independent oil palm smallholders and conducting initiatives for foreign workers	Improving activities through dialogue with diverse stakeholders		
(6) Advertising expressions that gain the empathy of consumers	Establishing a system to review advertisements from a human rights perspective				

Effective Corporate
Governance

Full Transparency

> Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Defining important human rights themes

Region: Global

Corresponding strategy: (2)

Kao periodically conducts the human rights risk workshop led by the Human Rights and DE&I Steering Committee to identify human rights risks within the Kao Group through cross-divisional discussions and to consider issues to be addressed. Based on the discussions in the workshop and subsequent risk assessment based on severity and likelihood of occurrence, human rights risk surveys, and third-party advice, Kao has identified the following two important human rights themes for FY2024:

Important human rights theme for Kao

(1) The working environment for people who we work with (continuation from FY2023)

Kao has identified “the working environment for the people who we work with” as a important human rights theme. In particular, we have recognized “producers and farmers from whom Kao procures raw materials” and “foreign workers in the supply chain including Kao group companies” as high-risk areas and are prioritizing initiatives to address these issues.

(2) Handling of personal information

The improper handling or leakage of personal information can result in serious human rights violations with significant adverse impacts. Additionally, considering the increasing number of cases involving the misuse of personal information due to the widespread use of social media and the Internet, Kao has newly designated the handling of personal information as a important human rights theme.

Also, based on the human rights risks raised by participants in the workshops, Kao conducted a review of the table “Kao Group risks specified through risk assessments” (see next page). As a result, new risk items such as “customer harassment” and “lack of access to remediation” have been added.

Kao Group risks specified through risk assessments

	Research and Development	Procurement	Manufacturing / Sales	Marketing	Logistics	Disposal
Impacted stakeholders	All people	• Human rights violations caused by climate change (threats to lives, destruction of living environment, loss of livelihood, involuntary migration, loss of employment, deterioration of working environment, etc. due to disasters caused by extreme weather events) • “Just Transition”^{*1} is not being conducted • Adverse human rights impacts of business practices that do not meet internationally recognized human rights standards				
	People who we work with (Kao regular and contracted employees, temporary workers, subcontracted employees, affiliate employees and supplier employees) (includes women and migrant workers)	• Forced or compulsory labor • Long working hours • Human trafficking • Child labor • Poor working conditions • Restriction of freedom of association and collective bargaining • Inadequate wages (non-payment, wages below the living wage, wage disparity and unequal remuneration for equal work.) • Discrimination (age, origin, nationality, foreign and migrant workers (including technical intern trainees), race, discrimination against women, gender, members of the LGBTQ+ community, disability and illness, pregnancy / nursing) • Any form of harassment • Lack of DE&I consideration • Invasion of privacy^{*2} • Deterioration of working environment due to abuse of a superior position • Complicity in or facilitation of human rights abuses by business partners • Customer harassment^{*3} • Lack of access to remediation • Adverse human rights impacts caused by the digital divide^{*2}				
		• Poor working environment or living environment, forced or compulsory labor or child labor on oil palm farms and in palm mills	• Damage to physical and mental health caused by being in a poor living environment		• Long working hours and overwork due to labor shortages and the resulting health hazards and inadequate safety management in short-term employment	
	Job applicant	Discrimination in recruitment ^{*2}				
	Consumers and customers (including women, children, and the elderly)	• Adverse impact on health or safety due to product design issues • Lack of research ethics in product design^{*2}		• Invasion of customers' privacy^{*2} • Adverse impact on consumers due to misperception caused by inappropriate advertising, promotion, packaging and labeling (children, senior citizens or women) • Unintentional discrimination through the use of digital and AI technologies • Misunderstanding due to misrepresentations • Health hazards and adverse impacts on daily life caused by the misuse of products • Adverse human rights impacts caused by the digital divide^{*2}		
Local communities and indigenous people	• Health hazards due to leakage of hazardous substances (including those caused by natural disasters of unexpected magnitude)					
		• Harm caused to indigenous inhabitants' culture, traditions, or livelihoods due to construction of plants, etc. • Damage caused to ecological systems or local communities due to the construction and/or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, and waste gas discharge) • Persecution of human rights defenders and environmental activists				

^{*1} A concept that aims for a transition to a sustainable society in a fair and equitable manner without leaving behind workers in related industrial sectors or regions where industries are located, when solving environmental problems or implementing measures

^{*2} Including discrimination due to the utilization of digital and AI technologies

^{*3} Occurs in various business relationships, including procurement, manufacturing, marketing/sales, logistics, and interactions with consumers/customers

Conducting human rights risk surveys internally and for suppliers and contractors

Region: Global

Corresponding strategy: (2)

Kao conducts risk surveys using Sedex to identify and assess human rights risks within the value chain and work towards their prevention and mitigation. Kao also explains its commitment to respecting human rights to internal survey personnel, suppliers, and subcontractors at our plants to promote understanding.

In FY2024, 39 plants and 51 group companies within the Kao Group participated in the survey, achieving a 100% response rate. For suppliers, Kao provided explanations on Sedex and requested membership, survey participation, and data access permissions. As a result, 90% of direct material global transactions (98% by value)*1 were covered by responding suppliers. Additionally, the human rights risk surveys implementation rate for contractors was 26%.

The survey results did not identify any risks leading to serious human rights violations, such as forced labor or child labor, across any of the assessed targets. Therefore, in the Kao Group, there are no cases of sites making improvements or conducting remediation procedures. Moreover, Kao will provide feedback on survey results to relevant parties and support improvements. We will continue working to prevent and mitigate adverse human rights impacts across the entire value chain.

*1 Including alternative programs and Kao SAQ.

Conducting Human Rights Due Diligence Digital Survey

Region: Japan

Corresponding strategies: (2) (5)

Kao aims to share values and build trust with all business partners involved in *Yoki-Monozukuri*. To better understand the working conditions of subcontracted employees at its domestic plants, Kao conducted a human rights due diligence digital survey at the Sakata Plant, targeting employees from two on-site subcontractors*2.

The analysis revealed that employees generally have access to remedy, and that it is necessary for Kao and its subcontractors to work together to ensure psychological safety in the organization and eliminate unconscious bias. To address these issues, Kao will conduct further analysis of the survey data to develop countermeasures and continue ongoing dialogue with subcontractors.

*2 On-site subcontractors: External companies that carry out manufacturing operations alongside Kao employees within Kao plants.

Initiatives targeting high-risk groups: Supporting independent oil palm smallholders and initiatives for foreign workers

Region: Global

Corresponding strategies: (2) (5)

Through risk assessments, Kao has identified “the working environment for the people who we work with” as a important human rights theme. In particular, we have recognized “producers and farmers from whom Kao procures raw materials” and “foreign workers in the supply chain including Kao group companies” as high-risk areas and are prioritizing initiatives to address these issues.

(1) Supporting oil palm plantation workers (SMILE program)

Human rights violations against indigenous peoples in the development of new palm plantations, working conditions for palm plantation workers, and child labor have become major social issues. To improve the livelihoods of oil palm plantation workers and promote sustainable plantation management, we have launched the SMILE program. This program supports independent oil palm smallholders by providing process engineering guidance and assistance in obtaining RSPO certification. Our goal is to support approximately 5,000 plantations by 2030. To enhance the sustainability of plantation operations, we purchase all certification credits from these plantations after they obtain certification.

As of 2024, we have supported a total of 3,489 plantations in Sumatra, with 1,496 of them achieving RSPO certification. We have purchased 23,152 tons of certification credits from these plantations, promoting the sustainable production of palm oil.

[P104](#) Our Progress > Responsibly Sourced Raw Materials

(2) Conducting interviews with foreign workers

In 2024, we explained our commitment to respecting human rights to three subcontractors at the Kawasaki Plant and Odawara Plant and requested their understanding. With their support, we conducted direct interviews with 23 foreign workers employed by these companies, facilitated by Caux Round Table (CRT) Japan. At the same time, we interviewed management personnel at the employing companies and employees in charge of human capital and general affairs at Kao who manage interactions with on-site subcontractors to assess the working conditions.

Although no serious human rights violations were identified, the findings indicated a need to further enhance opportunities for information and opinion exchange with subcontractors. We have provided feedback to each company. We will continue to work on improving the issues by communicating and cooperating with our subcontractors.

(3) Assessing living conditions for foreign workers

In the past, audits have pointed out the need to improve the living conditions (dormitories) of foreign workers. Based on this feedback, we conducted on-site visits to assess the situation. We confirmed that the living conditions for foreign workers employed by the Kao Group plants in Malaysia and on-site subcontractors have been improved.

Disclosure of information in an appropriate manner and in response to social demands

Region: Global

Corresponding strategy: (2)

Kao actively discloses information on its human rights initiatives, both to comply with legal disclosure requirements and to meet societal expectations.

We ensure appropriate disclosure in line with international regulations, including the UK Modern Slavery Act (which aims to prevent human trafficking and modern forms of forced labor), the Australian Modern Slavery Act 2018 (Commonwealth), and Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act.

Additionally, we communicate our human rights initiatives through the Sustainability Report and our website to engage with stakeholders.

Regarding palm oil, which we recognize as one of our most important natural resources, we publicly share updates on the traceability progress and feedback received through the Kao Grievance Mechanism via the Palm Dashboard.

Related initiative: [P104](#) Our Progress > Responsibly Sourced Raw Materials



- Indonesia independent smallholder grievance list
<https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/kao-grievance-list.pdf>
- Response to the UK Modern Slavery Act 2015
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/modern-slavery-act-statement/>

Deployment of grievance mechanisms

Region: Global

Corresponding strategies: (3)

We have established a compliance reporting and consultation channel for Kao Group members, which is also available to external individuals, including employees of business partners. In FY2024, we handled 427 reports and consultations including those related to harassment, workplace communication, and working conditions.

We also operate a grievance mechanism for independent oil palm smallholders in Indonesia. By the end of December 2024, we had received a total of 271 reports, including 16 inquiries related to human rights, and all cases have been closed.

Furthermore, since 2023, we have introduced JP-MIRAI's services, which provide consultation support in 23 languages, for foreign workers employed by on-site subcontractors at our domestic plants. We have launched operations at three companies. However, as of December 2024, no inquiries have been received from users. Therefore, we will continue expanding awareness of the consultation service and working to enhance its effectiveness.

Related initiatives: [P164](#) Our Progress > Effective Corporate Governance, [P104](#) Our Progress > Responsibly Sourced Raw Materials



- Indonesia independent smallholder grievance list
<https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/kao-grievance-list.pdf>

Initiatives to enhance employee awareness of human rights

Region: Global
Corresponding strategy: (4)

To raise employee awareness, we actively conduct awareness-raising activities through various training programs and opportunities such as World Human Rights Day.

Specifically, we promote understanding of respect for human rights through training on the Kao Business Conduct Guidelines (BCG), our code of conduct for practicing the Kao Way, as well as compliance training and the dissemination of compliance case studies. Additionally, we provide information related to human rights and DE&I on the intranet to further engage employees and increase awareness.

Furthermore, we continuously offer the Human Rights section of the Kirei Lifestyle Plan Lecture and conduct ad hoc seminars, as well as awareness-raising activities tailored to specific business functions. As part of our efforts to promote the active participation of diverse employees and enhance the understanding of diverse customer needs, we also provide learning opportunities on LGBTQ+ issues and continue recruiting ALLY* members. Additionally, we implement initiatives to deepen understanding of racial discrimination issues and diversity.

In 2024, we provided information on human rights risks in marketing activities at meetings of the Consumer Products Business. Additionally, we introduced a chapter on respecting human rights in advertising expressions as part of the e-learning program for new marketing personnel. We also conducted awareness-raising activities for employees responsible for reviewing advertisements in compliance with the Act against Unjustifiable Premiums and Misleading Representations and other relevant advertising regulations.

On World Human Rights Day, we invited an expert to give a lecture for all employees to help them recognize the connection between their work and respecting human rights. Participants shared feedback such as, “I now understand how this is directly linked to business,” and, “I do not want to just assume I understand; I want to take time to discuss this with my team.”

Ongoing awareness-raising efforts are essential. To further enhance the effectiveness of such initiatives, the Human Rights and DE&I Steering Committee is also engaging in discussions on how best to proceed with these activities.

* ALLY: A person who understands and supports LGBTQ+

Improving activities through dialogue with diverse stakeholders

Region: Global
Corresponding strategy: (5)

Kao actively engages in communication with a diverse range of stakeholders, including employees, suppliers, NPOs, local communities, and government agencies, to enhance the quality of its initiatives through dialogue.

For our employees, through Employee-Management Meetings, the Kao Forum, and the employee engagement survey, we directly identify *Genba* challenges and feedback. For suppliers, we hold vendor summits with key suppliers to explain our initiatives, request cooperation, and exchange opinions.

In 2024, we provided opportunities for direct dialogue with on-site subcontractors at the plants in Thailand and Malaysia, facilitating discussions on human rights and DE&I.

At the United Nations Global Compact Leaders Summit held in New York in September, the Vice President of ESG division participated in a roundtable discussion on business and human rights, gaining valuable insights.

We participated in the dialogue with experts from outside Japan, and Human Rights Due Diligence Workshop in 2024 organized by CRT Japan. In the dialogue with experts from outside Japan, we exchanged opinions on Kao’s initiatives and received advice on promoting activities that align closely with the perspectives of rights holders.

Additionally, we participated in the UN’s Global Compact Network Japan, the Social Sustainability Working Group in the Japan Sustainability Local Group of the Consumer Goods Forum (CGF), the Japan Cosmetics Industry Association’s human rights-related subcommittee, and the Japanese Cosmetics & Personal Care Products Industry Buyer Members Sedex Working Team. Through these opportunities, we exchanged information with other companies, NPOs, international organizations, government agencies, and other stakeholders.

We will actively incorporate the insights gained from these dialogues into our initiatives.

 [Event Report] United Nations Global Compact Leaders Summit and Private Sector Forum
<https://www.ungcn.org/activities/topics/detail.php?id=685>

Effective Corporate
Governance

Full Transparency

> Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Establishing a system to review advertisements from a human rights perspective

Region: Japan

Corresponding strategy: (6)

We have a framework in place to ensure that expressions used in advertising, packaging, promotional materials, etc., are reviewed from multiple perspectives to ensure full consideration of human rights. First, the person in charge of advertising communication and their supervisor will check the content from the perspective of human rights. In addition, a structured process is in place that allows consultation with the Human Rights Meister* within Advertising Communication, and ESG Global Strategy to review the content from multiple perspectives.

We have published a collection of case studies and a self-check app on the intranet to enable personnel to independently verify whether their advertising expressions respect human rights. In 2024, we introduced this review framework and the available tools in meetings attended by relevant personnel and on the intranet to encourage greater utilization.

Through this process, we strive to earn consumer sympathy and support by ensuring our advertising content does not infringe on consumers' human rights and also enhance advertisements to reflect respect for human rights.

* Human Rights Meister: These are personnel who strive to enhance human rights literacy within Advertising Communication, and to lead the division's efforts in this area.

Employees'
opinions

Kao Industrial (Thailand)'s Commitment to Human Rights



Mr. Chaiyapat Visarathakul
Corporate Strategy senior staff
Kao Industrial (Thailand) Co., Ltd.

(1) Human Rights Achievements

In 2024, we continued our unwavering efforts in upholding human rights under our Human Rights Policy, a core component of Kao's ESG Strategy. Guided by "Walking the Right Path," these efforts encompass procurement, employee welfare, health, and safety. This contributes to no human rights violations occur throughout the value chain, both internally and externally. Notably, we at Kao Industrial (Thailand) received the "Human Rights Award" from Thailand's Ministry of Justice at the "Outstanding" level for the second consecutive year, reflecting our genuine commitment to human rights both inside and outside the organization.

(2) Human Rights Policy Enhancements

We enhanced our activities in line with Kao Human Rights Policy to focus on compliance with laws, respect for human rights, mitigating human rights risks through human rights due diligence, education, transparency, and remediation. Policies include anti-discrimination in recruitment, labor protection, child labor prevention, and anti-drug policies in the workplace and our stance is publicly communicated through our website.

(3) Human Rights Due Diligence

In line with the Human Rights Policy, aiming to achieve goal of zero human rights violations across all of our corporate activities, multiple measures were implemented.

These include Human Rights Workshops for line managers to build awareness of human rights risks in the workplace and business, comprehensive human rights risk survey using the Sedex platform, and SMETA audits by business partners. This year, we emphasized workplace safety, particularly for employees operating machinery and vehicles. Addressing human rights risks related to cultural and linguistic diversity, we ensure sufficient labor protection, and participation in supplier human rights risk surveys through Sedex and Kao SAQ has reached nearly 100%.



Certified Human Rights Award (Out standing level
2nd consecutive year) on December 2024 by Ministry of Justice

(4) Education and Employee Awareness

In 2024, we prioritized fostering employee responsibility and understanding of human rights. Activities included external seminars, e-learning via Kao-Learning, an education platform operated by Kao Industrial (Thailand) and the Sedex platform, and in-house workshops to raise awareness of workplace human rights risks and prevention strategies. We also evaluated human rights risks across the value chain and implemented mitigation plans. Updates to human resources-related policies and benefits were communicated across all locations, allowing employees to seek clarifications directly from the HR department. Recognizing the workplace's increasing diversity, we held quarterly ESG Promotion Meetings, inviting internal and external speakers to educate employees on sustainability and human rights.



Stakeholder engagement

Kao's initiatives to create value
beneficial to the international community

Kazuo Tase
President and CEO,
SDG Partners, Inc.

With the announcement of the Kao Sustainability Report, I highly appreciate the company's commitment to human rights.

Kao's mission to "To realize a Kirei World in which all life lives in harmony" and its core value of "walking the right path" are closely aligned with the human rights philosophy of creating a society where everyone can realize their inherent potential. The ideals embodied in Kirei reflect this approach. I respect the sincerity with which Kao's team strives to realize these values.

There has never been a time when corporate initiatives on human rights have been more important. At the same time, human rights due diligence—assessing human rights risks and improving corporate initiatives accordingly—is far easier said than done. Although discussions on supply chain risks have progressed in recent years, the reality is that a company's own human rights risks often have the greatest impact on its business. However, many companies hesitate to directly assess and address their own risks.

Kao is working to overcome this challenge through its human rights due diligence digital survey. This survey is

designed to quantitatively measure the prevalence of human rights risks among employees, levels of psychological safety, and unconscious bias, aiming to address the root causes of these risks. I look forward to seeing this advanced digital technology fully utilized across all areas, including the Head Office and plants.

Additionally, Kao has established a multi-layered, cross-organizational committee structure to manage human rights initiatives. Particularly in today's international landscape, where direct oversight by senior management, including the Board of Directors, is increasingly expected, Kao's framework serves as a faithful realization of corporate responsibility for human rights. This approach is highly commendable.

In the post-SDGs world beyond 2030, the goal is to establish new measures of societal progress that go beyond GDP. In this future framework, human rights and well-being will play a central role. I am confident that Kao's ongoing sustainability initiatives, grounded in its core philosophy, will generate immense value not only for the company but also for the international community as a whole.

Human Capital Development

GRI 404-2

Maximizing the power and potential of human capital, which is Kao's greatest strength and asset, is the key theme supporting the *Global Sharp Top* strategy in the K27 Mid-term Plan. We are committed to offering equitable opportunities to our diverse employees and fully leveraging the strengths of all employees as an organization to create a corporate culture in which individuals and companies can grow together.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
Risks if our organizational culture, workstyle reforms, and career, skills, and health development are insufficient for allowing diverse human resources to advance: [Short-term] Risk of decreased employee motivation and outflow of human capital. [Mid- to long-term] Risk of the inability to secure and retain outstanding human capital, which would pose a problem for implementing plans to realize our Vision for 2030.	Human capital	(1) Sharpen the skills and unlock the potential of highly motivated employees	Metrics	Targets	2024 results	Advanced training (Human capital development and capacity building programs, DX adventure program, Self-development programs) (1) (2) (3)	<i>Global Sharp Top</i> Enhancement of profits through <i>Yoki-Monozukuri</i> human capital/organizational reform. - Creation of an attractive organization that brings diverse human capital together by sharpening the skills and unlocking the potential of highly motivated employees while enhancing competitiveness through acquiring and retaining outstanding human capital.
	Organization	(2) Withdrawal from matrix management in organizations	Employee engagement: Kao Engagement Survey (KES) total score	75 2027	65	Optimal assignment (Role-based grading system, Self Education & Development Scheme, Career coordinator system and Internal recruitment) (1) (2) (3)	
Opportunities Opportunities that will emerge by enabling each member of our diverse workforce to constantly tackle challenges and grow in a healthy and enthusiastic manner and by encouraging collaboration across various positions premised on maintaining positive labor-management relations: [Short-term] Potential for increased employee motivation and promotion of innovation. [Mid- to long-term] Contributions toward the sustainable enhancement of corporate value and protection of future lives.	Environment	(3) Create an environment that focuses on challenges and results	KES score: Workplace satisfaction	70 2027	62	Delegation of authority (implement Scrum, selection and appointment of challenge-driven human capital) (1) (2) (3)	Environmental and social impact - Timely provision of products and services that address social needs and contributions toward attaining a sustainable society. - Producing and developing human capital capable of making broad contributions to society beyond the boundaries of the company. - Contribution toward solving social issues by proactively dispatching human capital to external organizations such as government agencies and industry associations.
			Challenge-oriented human capital	75% 2027	71%	Sustainable development of future leaders (Selection of personnel who will become global leaders, Development programs for next-generation leaders, 360-degree leadership assessment) (1) (2) (3)	
	Foundation	(4) Create equitable opportunities for all employees	KES score: Organizational culture that encourages taking on challenges	70 2027	63	More transparency in evaluation (Absolute assessment that prioritizes the process, Feedback focused on dialogue, Managing human performance program) (1) (2) (3)	
			KES score: Degree of promotion of Scrum-type operation	70 2027	58	Recognition/Compensation & benefits (Awards, integration of HR systems across domestic Group companies) (1) (2) (3)	
			KES score: Inclusive organizational culture	70 2027	63	Thorough dialogue (Revitalization of dialogue between senior management and employees, KURUMAZA, Dialogue Festival, Deepening understanding of psychological safety and unconscious bias) (4)	
						OKR (OKR challenge sharing session per division, and development of ROIC perspectives for individual OKRs) (4)	
						DE&I (Realization of flexible work) (4)	
						Well-being (4)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Walking the Right Path

Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

> Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Strategy

With the aim of contributing to business growth and the resolution of social issues, Kao is promoting unique and practical strategies that reduce risks and create opportunities in human capital development.

■ Social issues

As economies regain their strength after overcoming the threat of the COVID-19 pandemic, Kao has recognized the following social challenges related to this theme:

- The need for transformative business capabilities that enable continued profitability by promoting innovation while flexibly responding to changes in an environment with various risks and fluctuating factors.
- Further diversification of perspectives regarding individual careers and workstyles along with the promotion of greater human capital mobility throughout society in general.

■ Risks and opportunities

Amidst this social backdrop, Kao has identified the following major risks and opportunities related to this theme:

Risks

- Risks if our organizational culture, workstyle reforms, and career, skills, and health development are insufficient for allowing diverse human resources to advance:
[Short-term] Risk of decreased employee motivation and outflow of human capital.
[Mid- to long-term] Risk of the inability to secure and retain outstanding human capital, which would pose a problem for implementing plans to realize our Vision for 2030.

Opportunities

- The following opportunities will emerge by enabling each member of our diverse workforce to constantly tackle challenges and grow in a healthy and enthusiastic manner and by encouraging collaboration across various positions premised on maintaining positive labor-management relations:
[Short-term] Potential for increased employee motivation and promotion of innovation.
[Mid- to long-term] Contributions toward the sustainable enhancement of corporate value and protection of future lives.

■ Strategy

To maximize the power and potential of our employees, who are the foundation of the continued growth of the Kao Group, there is the need to establish HR systems that align with Kao's values and business objectives and implement various initiatives effectively and efficiently. In line with The Kao Way and the Kao Business Conduct Guidelines, we have established these Guidelines for Human Capital Development, which outline the prerequisite concepts that support these activities.

Guidelines for Human Capital Development

- **Pursuit of efficiency:** Continuously improve overall efficiency based on creative and innovative activities aimed at the sustainable growth of the Kao Group through *Yoki-Monozukuri*.
- **Respect for human dignity:** Provide a work environment where each individual's dignity is respected, and which makes full use of employees' autonomy and diversity, since the enthusiasm of all employees to display their boundless wisdom is the wellspring of creation and innovation.
- **Efforts aimed at integration:** Integrate organizational efforts and individual efforts through creative and innovative activities so as to achieve evolution for all. Make efforts to improve policies in order to offer all individuals freedom to display wisdom, and to enable combined individual efforts to lead the Kao Group to further prosperity.

Upon this, we have established action guidelines to fulfill the basic policy.

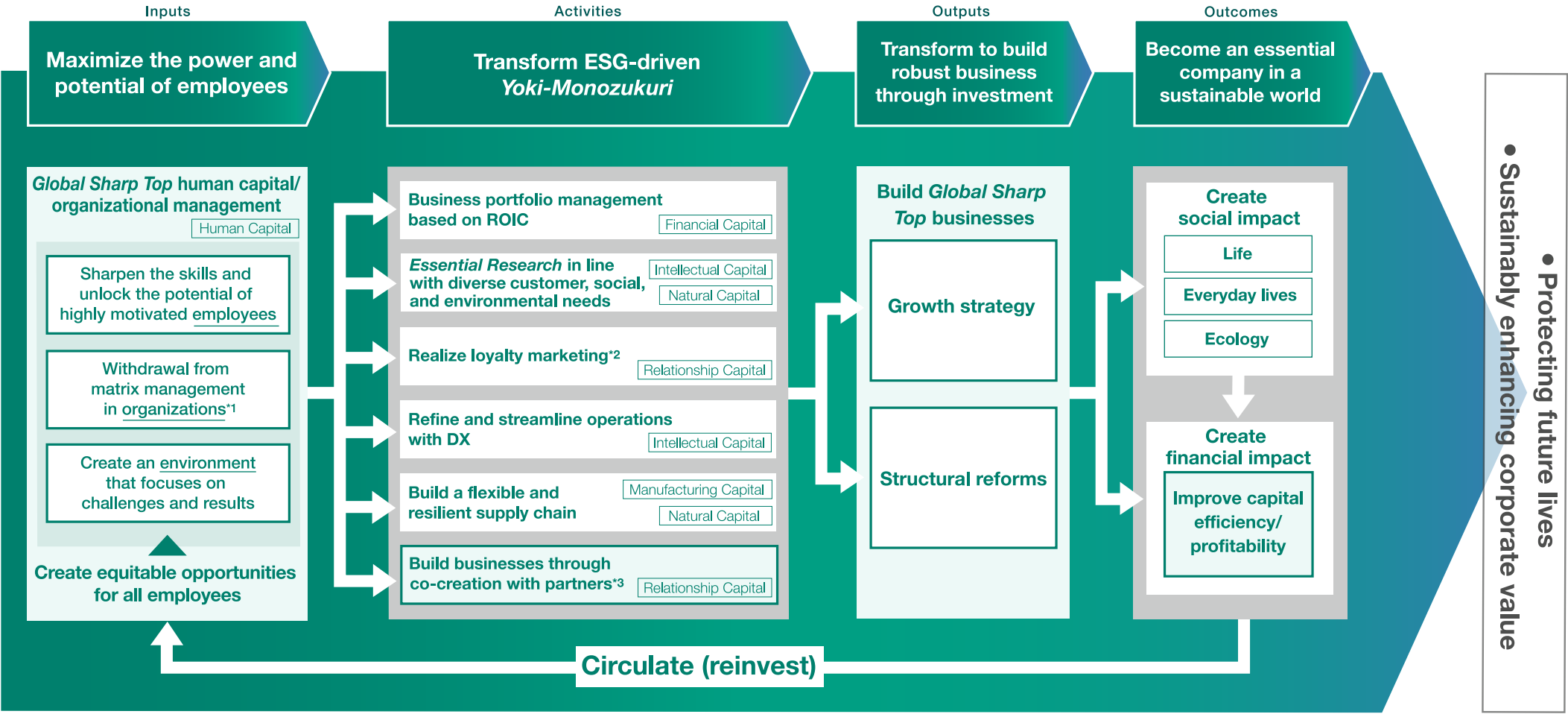
Directions for activities aimed at realizing the guidelines

- **From equality to equity:** We provide opportunities for all employees to challenge themselves.
- **From the relative to the absolute:** We recognize, evaluate, and reward the challenges undertaken by each person.
- **From the uniform and formal to the diverse and having initiative:** We foster unlimited individual features, characteristics, and motivations.

Based on these policies and guidelines, we have established “Sharpen the skills and unlock the potential of highly motivated employees,” “Withdrawal from matrix management in organizations,” “Create an environment that focuses on challenges and results,” and “Create equitable opportunities for all employees” as the foundations that serve as the driving force for human capital strategies toward the K27 Vision “Protection of Future Lives.” By promoting these

activities through dialogue, we will achieve a *Global Sharp Top* human capital/organizational management style to maximize the power and potential of our employees. This will further empower the advancement of the *Yoki-Monozukuri* process, promote our transformation into a more robust business through investment, and further evolve Kao into an essential company in a sustainable world.

The value-creation cycle toward enhancing corporate value



*1 Achieve prompt decision making

*2 Deliver optimal value to each and every consumer

*3 Faster maximization of technology assets, one area of Kao's strengths

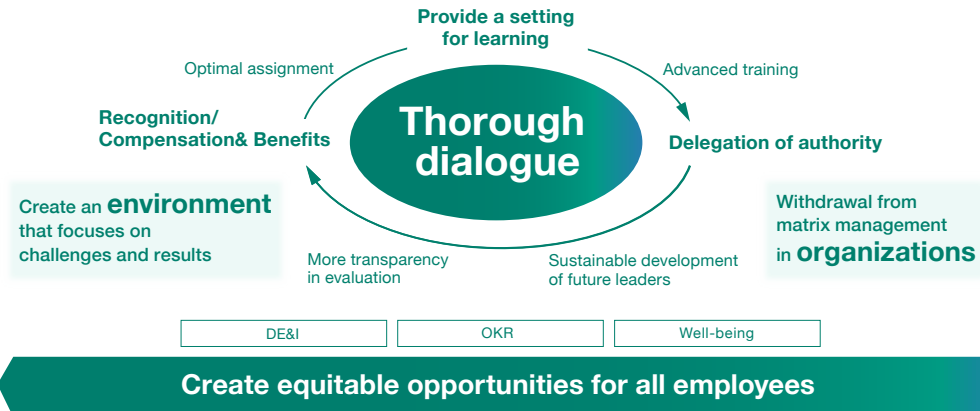
* Capitals: Capitals to be effectively applied by human capital, which has been enhanced by human capital strategies

Human Capital Strategy Towards Achieving K27

Maximize the power and potential of employees

Global Sharp Top human capital/organizational management

Sharpen the skills and unlock the potential of highly motivated employees



(1) Sharpen the skills and unlock the potential of highly motivated employees

We will support and increase the number of motivated human capital who can actively solve issues and create value. We will nurture *Global Sharp Top* human capital through optimal placement according to the career plans of employees and company policies while expanding opportunities for reskilling and enhancing skills, including DX education.

Related initiatives: [P206] Human capital development/capability-building programs, [P208] DX adventure program, [P209] Grading systems based on roles, [P209] Self Education & Development Scheme, [P210] Internal recruitment, [P210] Scrum-type management, [P210] Selection of human capital who will become global leaders, [P210] Development programs for next generation leaders, [P211] 360-degree leadership assessment, [P211] More transparency in evaluation, [P211] Managing human performance program, [P212] Awards: CEO award selection and Group-wide commendations, [P212] Integration of HR systems across domestic Group companies

(2) Withdrawal from matrix management in organizations

We will withdraw from rigid matrix management in organizations to promote scrum-type management that features flexibility and speed. Having employees proactively gather and discuss shared tasks and issues to promote decision-making and initiatives will facilitate rapid responses to the ever-changing market and enhance our competitive strength on a global scale.

Related initiatives: [P206] Human capital development/capability-building programs, [P208] DX adventure program, [P209] Grading systems based on roles, [P209] Self Education & Development Scheme, [P210] Internal recruitment, [P210] Scrum-type management, [P210] Selection of human capital who will become global leaders, [P210] Development programs for next generation leaders, [P211] 360-degree leadership assessment, [P211] More transparency in evaluation, [P211] Managing human performance program, [P212] Awards: CEO award selection and Group-wide commendations, [P212] Integration of HR systems across domestic Group companies

(3) Create an environment that focuses on challenges and results

We will create an environment that enables employees to take on greater challenges and have their achievements fairly evaluated. This will enhance employee motivation and organizational productivity and creativity and attain business growth and financial strength.

Related initiatives: [P206] Human capital development/capability-building programs, [P208] DX adventure program, [P209] Grading systems based on roles, [P209] Self Education & Development Scheme, [P210] Internal recruitment, [P210] Scrum-type management, [P210] Selection of human capital who will become global leaders, [P210] Development programs for next generation leaders, [P211] 360-degree leadership assessment, [P211] More transparency in evaluation, [P211] Managing human performance program, [P212] Awards: CEO award selection and Group-wide commendations, [P212] Integration of HR systems across domestic Group companies

(4) Create equitable opportunities for all employees

We will develop a workplace environment that cultivates a corporate culture that focuses on dialogue and supports all employees regardless of their diverse backgrounds and abilities to enable the maximization of their capabilities.

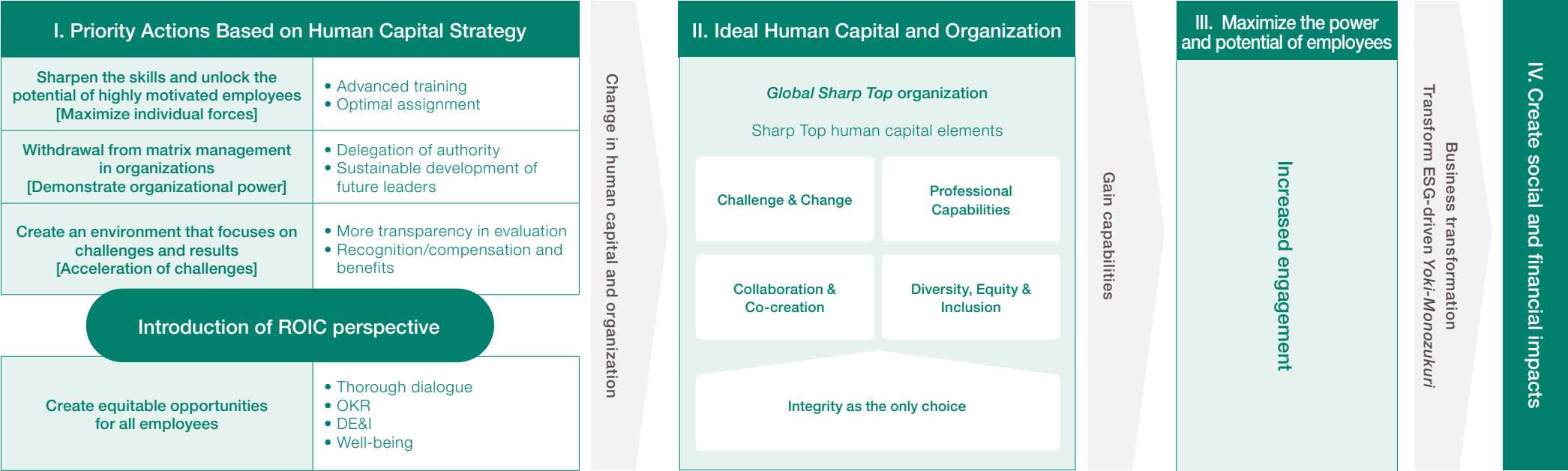
Related initiatives: [P212] Revitalization of dialogue between senior management and employees, [P213] Dialogue Festival, [P213] Deepening understanding of Psychological safety and unconscious bias, [P214] Development of ROIC perspectives for individual OKRs, [P214] DE&I, [P214] Realization of flexible work, [P214] Well-being

Impact created by strategy implementation

By implementing key actions based on the human capital strategy, human capital and the organization will transform into the *Global Sharp Top* human capital/organizational management style, which maximizes the power and potential of employees and has the capabilities necessary to achieve K27. This will promote the transformation of business and ESG *Yoki-Monozukuri* to create social and financial impact. In this manner, maximizing the power and potential of employees through the implementation of the human capital strategy will enhance the efficiency* of impact creation.

* Efficiency of impact creation: Added value per unit of time

Creation of outcomes through the human capital strategy



Financial impact

- Enhancement of profits through *Global Sharp Top* human capital/organizational reform that transforms *Yoki-Monozukuri*.
- Creation of an attractive organization that brings diverse human capital together by sharpening the skills and unlocking the potential of highly motivated personnel while enhancing competitiveness through acquiring and retaining outstanding human capital.

Environmental and social impact

- Timely provision of products and services that address social needs and contributions toward attaining a sustainable society.
- Producing and developing human capital capable of making broad contributions to society beyond the boundaries of the company.
- Contribution toward solving social issues by proactively dispatching human capital to external organizations such as government agencies and industry associations.

Strategic resilience

By sustaining organizational vitality through initiatives for nurturing and acquiring motivated human capital that challenge themselves, along with proper human capital development, we can enable stable business operations despite emerging risks and acquire the flexibility to seize new opportunities for growth.

Metrics and targets

To enhance strategy effectiveness, we have established key performance metrics and targets regarding “I. Priority actions based on the human capital strategy,” “II. Ideal human capital and organization—*Global Sharp Top* human capital/organization,” “III. Maximize the power and potential of employees,” and “IV. Create social and financial impacts.” Confirming progress toward targets enables us to effectively implement the PDCA cycle to steadily advance initiatives.

Moreover, we are visualizing the paths of individual and organizational transformation due to the implementation of Priority actions based on human capital strategy. These connections undergo correlation analysis using various data such as employee engagement surveys. To cite one example, one of the results of these analyses has enabled us to confirm that increased motivation, such as work enjoyment and sense of purpose, strongly contributes to higher engagement, and that optimal assignment, cultivation of a culture that encourages challenges, and DE&I promotion contribute to increased motivation.

Targets and progress

I. Priority actions Based on Human Capital Strategy

2022	2023	2024	Target value 2027
Investment in employee training (compared to 2020)			
1.3x	1.53x	2.02x	2.5x
DX human capital (compared to 2020)			
1.5x*2	7x*2	10x*2	15x*2
Personnel transferred through internal recruitment (compared to 2020)			
	4x*2	16x*2	20x*2
Ratio of mid-career recruitment in total number of employees (compared to 2020)			
0.9x	1.8x*2	1.9x*2	3x*2
KES score: Fair evaluation			
	60*1	61	70
KES score: Dialogue			
	63*1	64	70
KES score: Work style satisfaction			
	60*1	63	65
% of female managers related to that of female employees *4			
75.9%	76.2%	78.1%	90%
KES score: Vitality			
	59*1	61	70

II. Ideal Human Capital and Organization *Global Sharp Top* human capital / organization

2022	2023	2024	Target value 2027
Challenge-oriented human capital			
25%*2 *3	58%*2 *3	71%*2 *3	75%*2 *3 *5
KES score: Organizational culture that encourages challenges			
	61*1	63	70
KES score: Degree of promotion of Scrum-type management			
	57*1	58	70
KES score: Inclusive organizational culture			
	62*1	63	70

III. Maximize the power and potential of employee

2022	2023	2024	Target value 2027
Employees engagement (Total score in KES)			
	63*1	65	75
KES score: Workplace satisfaction			
	61*1	62	70

IV. Create Social and Financial Impacts

2022	2023	2024	Target value 2027
Efficient impact creation (compared to 2022)			
100%	92%	120%	150%

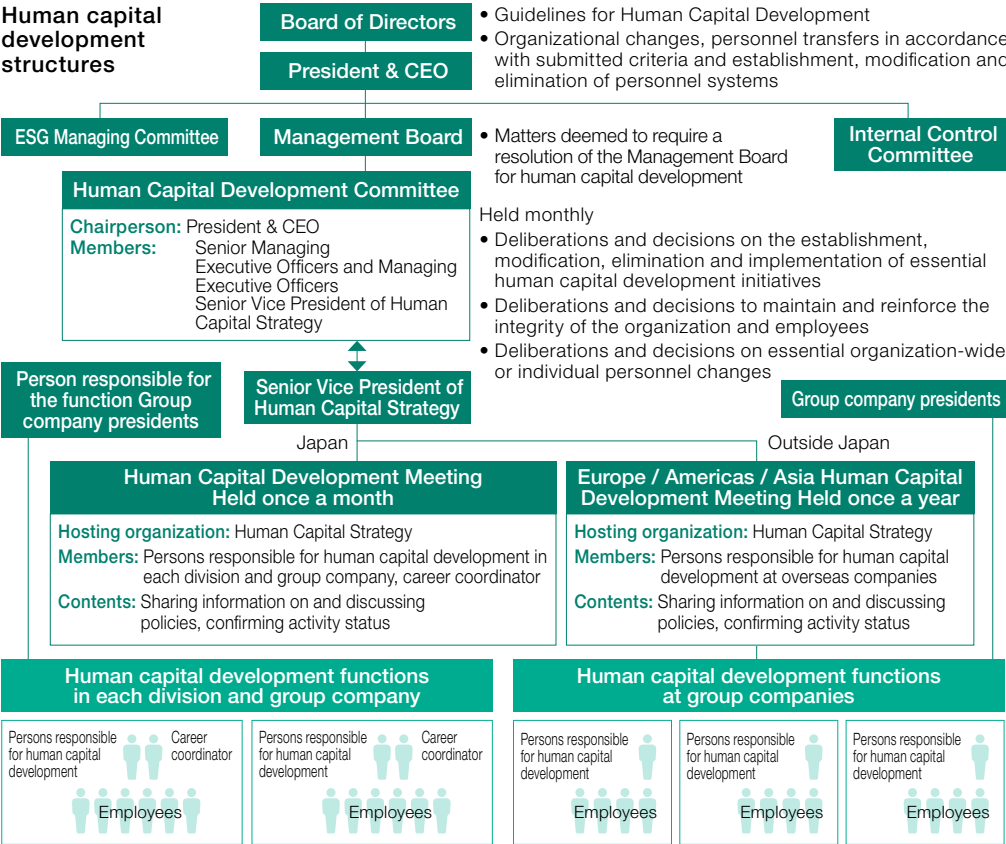
$$\text{Efficient impact creation} = \frac{\text{Added value}}{\text{Total annual hours workload}}$$

- * Counted in a group-wide basis, unless otherwise stated.
- * Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees.
- * KES refers to Kao Engagement Survey.
- *1 The number of respondents including non-regular employees of the Kao Group was 27,460.
- *2 Only consolidated subsidiaries in Japan
- *3 Employee awareness survey
- *4 Calculated as a weighted average based on the number of management positions at each group company
- *5 Numerical target was revised upward from 60% to 75%

Governance

Under the supervision of the Board of Directors, Human Capital Strategy, which is led by an Executive Officer, leads activities that promote the company-wide human capital development strategy. At the core of this is the Human Capital Development Committee, which is chaired by the President & CEO and conducts monthly meetings. This committee discusses and makes decisions on key matters such as the establishment or reorganization of major organizations, appointments and dismissals of key positions, planning for labor and personnel costs, introductions, revisions, and deletions of HR activities, and attempts to ensure the human capital development policy is disseminated through these initiatives.

Furthermore, monthly Human Capital Development Conferences are held with the participation of human capital development managers from key divisions and domestic group companies. At these meetings, the Kao Group's overall human capital development policies and the activities of domestic subsidiaries are shared and discussed. In the same manner, regular meetings with human capital managers from each region are held outside of Japan as well to review the progress of human capital strategies from a global perspective and exchange information.



Risk/Opportunity management

Management process

As seen below, the status of initiatives to address human capital development risks and opportunities are managed in way that ensures steady improvement through a process of planning/implementation, evaluation of activity results, and corrective actions.

P (Planning)

(1) Period: December to January of the following year (2) Activities: Targets/activities for the next fiscal year (3) Meeting body: Human Capital Development Committee, Human Capital Development Meeting (4) Approver: Committee members, Senior Vice President of Human Capital Strategy

D (Implementation)

Please see the initiatives (P206-214).

C (Evaluation of results)

(1) Period: March to May (2) Evaluation method: Reporting at meetings, indicator progress, etc. (3) Meeting body: Human Capital Development Committee, Human Capital Development Meeting, Metrics: Employee engagement survey results, etc. (4) Approver: Committee members, Senior Vice President of Human Capital Strategy, etc.

A (Corrective action, review of targets and activities)

(1) Period: As necessary (2) Corrections and review overview: Instructions/advice from meeting bodies, etc. (3) Meeting bodies: Human Capital Development Committee, Human Capital Development Meeting, etc. (4) Approver: Committee members, Senior Vice President of Human Capital Strategy

Initiatives

Kao implements various initiatives aimed at human capital development. These initiatives are based on the strategy mentioned previously and are promoted in mutual collaboration toward achieving targets. Here, we will introduce some of the key initiatives among the many others.

Strategy		Initiatives		
(1) Sharpen the skills and unlock the potential of highly motivated employees	Advanced training	Human Capital Development/Capacity Building Program - Common programs in Japan - Specialized learning: Kao Techno School - Specialized learning: Marketing University	DX adventure program	Self-development programs - Subscription-based video learning - Language education, etc.
	Optimal assignment	Grading systems based on roles	Self Education & Development Scheme (SeEDS: Career self-reporting)	Career coordinator system/internal recruitment
(2) Withdrawal from matrix management in organizations	Delegation of authority	Scrum-type management	Selection and appointment of challenge-driven human capital	0★1 KAO
(3) Create an environment that focuses on challenges and results	Sustainable development of future leaders	Selection of personnel who will become global leaders	Development programs for next-generation leaders	360-degree leadership assessment
	Increased transparency in evaluation	Absolute evaluation focusing on processes	Feedback focused on dialogue	Managing Human Performance Program
	Recognition/Compensation & Benefits	Awards - CEO award selection - Commendations across the Group	Introduction of EVA indicators for performance-based bonuses	Integration of HR systems across domestic Group companies
(4) Create equitable opportunities for all employees	Thorough dialogue	Revitalization of dialogue between senior management and employees	KURUMAZA and Dialogue Festival	Deepening understanding of psychological safety and unconscious bias
	OKR	OKR sharing system	OKR challenge sharing session per division	Development of ROIC perspectives for individual OKRs
	DE&I	Women's empowerment/encouraging men to take paternity leave	Promotion of the participation of employees with disabilities	Realization of flexible work
	Well-being	Kao Health 2025	Mental health support/counselor system	Laurier in Workplaces/Smart WASHOKU

Human Capital Development/Capacity Building Program

Region: Japan, global

Corresponding strategies: (1) (2) (3)

Through diverse understanding, collaboration, and cooperation based on the Kao Way, we are enhancing the development of proactive human capital who will be able to maximize the potential of the Kao Group. Aiming toward enabling each employee to polish their strengths and grow stronger as a team, we have established various learning programs that refine their powers of Challenge & Change, Professional Capabilities, Diversity, Equity & Inclusion, Collaboration & Co-creation, and Integrity as the only choice.

We also offer common learning across the Group, specialized learning necessary for each division, and more than 9,000 self-improvement programs that support proactive learning, mutual learning, and continuous learning.

Five fundamentals for global/sustainable human capital development

私たちが大切にしたいこと

- 01 Challenge & Change**
Set ambitious goals and take on difficult challenges that enable us to stay higher standard of change for continuous innovation.
- 02 Professional Capabilities**
Build professional strength by constantly developing individual capability.
- 03 Diversity, Equity & Inclusion**
Embrace diversity as fountain to make business and society stronger through innovation.
- 04 Collaboration & Co-creation**
Create inclusive workplaces where every person can unite the creativity and energy to drive change.
- 05 Integrity as the only choice**
Behave with integrity in alignment with the Kao Way.

						Marketing	Sales	SCM	R&D
Senior Management / Senior Professional Level		SMP Level Revision Training						G-SELECT-II	
Management / Professional Level		MP Level Skill Improvement Training (360-degree leadership assessment + learning)					Leader II Program	G-SELECT-I	
		MP Level Revision Training/Managing Human Performance Program (MHPP)					Leader I Program	• Kao Techno School • Kao Engineering School • High Pressure School • SHIC • Quality OJT	Specialty School
Leading Staff Level		Training Program for International Assignment/ Trainees outside Japan				MK Univ. (Master)			
		LS Level Revision Training				MK Univ. (Basic)	Sales Training (Advanced)	• MTC Experience Training • SCM Skill Improvement Training	Chief / Senior Forum
Staff Level		The Kao Way Workshop	Integrity Workshop			MK Practical Course	Sales Training (Basic)		Fundamental Science
						MK Basics		Basic Knowledge Course	
		New Employee Orientation (Primarily in-person)				Basic Product Development		Interval Training	Freshmen Forum

* Excerpt from main categories

(1) Common programs in Japan

During the onboarding stage, group training is implemented based on the Kao Way, with a focus on fostering the notion of integrity as the only choice. Employees deepen their understanding of *Yoki-Monozukuri* through these training programs while gaining exposure to business initiatives and interacting with senior members. Furthermore, a number of divisions have a mentorship system in place to support early adaptation and workforce-readiness for new employees. This system accelerates job proficiency and contributes to productivity improvement and employee retention.

Furthermore, at level revisions, cross-group training is conducted in teams to nurture a mindset geared toward innovation and to enhance skills. Opportunities to learn with diverse human capital enable different perspectives and ideas to be exchanged, and the creation of new solutions and innovations is facilitated through these interactions.

The self-improvement program offers more than 9,000 varieties of learning resources to allow individuals to polish their skills, which contributes to the development of one-of-a-kind human capital by providing opportunities for proactive and continuous learning.

We also implement life-career training for those aged 35 years or older to support autonomous career development. This training enhances the power of employees to transform, never be satisfied with the status quo, and take on the challenge of becoming

the driving force for change toward the next level. According to a survey taken after the program, 78% of participants felt that their strengths had been clarified, and 61% answered that they had taken specific actions toward taking new steps within a few months.

(2) Specialized learning (SCM): Kao Techno School

Kao Group implements advanced education in each division to enhance expertise and skills according to individual roles.

Supply Chain Management (SCM) implemented a specialized learning program called Kao Techno School in 1989 to develop future field leaders for the function. Young employees selected from within and outside of Japan have participated in this program, and 1,058 have completed the program to date. In the last three years, 47% of participants (20 out of 43 participants, or 46.5%) have come from outside of Japan, making this a global place of learning.

More than half of the graduates have gone on to become frontline leaders on a global scale. Especially at workplaces that handle high-pressure gasses, which requires strict safety management, most leader positions are held by graduates, making them vital in conducting plant operations.

Kao Techno School is a place of study for developing on-site leaders with management

skills that combine “heart” with excellent character and insight and “technique” with a wide range of specialized knowledge and skills. Intensive learning is provided by both internal and external instructors for six months up to the completion of the course. In addition to learning the latest professional knowledge and skills, the program also incorporates mindfulness and other qualities as education for the mind. Graduates of Techno School broaden their perspectives and bring back new knowledge and skills, a challenging spirit, and a network of personal connections, become unique human capital that contributes to the further invigoration of the workplace.



(3) Specialized learning (Global Consumer Care): Marketing University

Since 2003, Global Consumer Care has implemented a specialized education program called Marketing University to foster future marketers/product developers who will be the driving force of Kao. This program selects mid-career employees from various business divisions to learn about brand growth strategies, product strategies, and business strategies from both internal and external instructors. Participants conduct multiple discussions to ultimately propose brand growth strategies and business strategies to management.

In recent years, due to the diversification of consumer preferences and evolving digital technologies, the environment surrounding society and businesses has become increasingly complex, and forecasting future changes has become challenging. The program aims to train marketers to be able to lead entire businesses while remaining keenly aware of consumer changes by providing education on topics such as consumer analysis, business planning steps, and the use of digital technologies.

This program has produced an abundance of unique human capital, possessing a healthy sense of urgency, the ability to respond to changes in social environments, and a strong connection



with consumers. Of the participants in this program over the past seven years, 13% have received the President and CEO Award, the 36% have received the Division Award (the average company-wide award ratio for employees is: 0.3% for the President and CEO Award, and 1.8% for the Division Award). Program participants play a major role as business leaders by viewing consumers from a global perspective, deepening connections, and establishing strong brands.

DX Adventure Program

Region: Global

Corresponding strategies: (1) (2) (3)

We provide various DX learning opportunities to our employees in order to transform ourselves from a manufacturing company to a “UX (customer experience) creation company.”

In 2023, we introduced the DX Adventure Program to expand DX human capital to all divisions within the entire Kao Group and accelerate new value creation and transform business processes. The DX Adventure Program consists of three levels and five sub-levels. At the beginner level, employees take assessment tests that objectively measure their DX skills before being offered learning programs tailored to their current individual skill levels. The intermediate level offers customized learning in line with the characteristics and needs of the divisions the employees belong to. By 2024, approximately 14,000 individuals in Japan (almost 52% of all domestic employees) had completed the beginner level, and approximately 9,000 individuals (almost 33% of all domestic employees) completed the intermediate level. Furthermore, as of 2024, the DX Adventure Program has been expanded outside of

	Target group	Program
Level 5		
Level 4	Company-wide DX leader	Project-based OJT utilizing external resources
Level 3		
Level 2	Division DX promoter	Customized programs for each division
Level 1	All employees	Personalized programs for all employees

Japan, starting with China.

The program also features “Open Badge,” a digital certification. Open Badges are digital certificates of completion created according to international technical standards that make skills visible and publicly available both internally and externally. The methods of obtaining different badges per level is expected to boost employees’ motivation to learn.

In Japan, the goal is to train a total of 330 company-wide DX leaders and 3,000 divisional DX promoters by the end of FY2027.



Along with the promotion of the DX Adventure Program, we are also making efforts to expand the number of citizen developers. As of the end of 2024, there were more than 2,000 citizen developers making contributions by developing diverse business applications, creating new value, and transforming business processes. Notably, Supply Chain Management has developed and deployed over 300 business applications closely linked to *Genba* issues in a sustainable way.

Grading systems based on roles

Region: Global
Corresponding strategies: (1) (2) (3)

Kao Group has adopted a grading system based on roles, in which grades are determined and job levels segmented based on individual roles. Employees have free access to role-definition documents per job level, which can be used to develop their careers. Furthermore, Human Capital Strategy annually reviews the scope of the roles of the global common grading system to ensure transparency and equity. Select employees are also appointed to major roles, enabling the speedy expansion of role responsibilities.

We will continue to select and promote the next generation of human capital and reflect it in their appointments in a timely manner to further revitalize and grow the organization and develop and retain outstanding human capital.

Kao Group job grade system

	Job level	Role definition	Grade
Global common	Executive Directors	Leading businesses/functions across countries, companies and divisions,by strongly supporting group Executive Officers, through planning/implementing critical activities aligned with Kao Group strategy leveraging expertise, experience, and deep insight	Executive Directors
	Senior Management position (Senior management / Senior professional)	Leading businesses/functions across countries, companies and divisions and spearheading unified group operations	G1
			G2
G3			
Japan common	Management Position (Management / Professional)	Responsible for running business/organization as a leader/highly-skilled professional in the business/ function in charge	G4
			G5
	Leading Staff	Responsible for promoting important and difficult tasks by utilizing a wide range of knowledge, skills, and experience	G6
			G7
	Staff	Take the initiative in carrying out assigned tasks under certain instructions and guidance	G8
			G9

Self Education & Development Scheme

Region: Japan
Corresponding strategies: (1) (2) (3)

Based on the belief that the abilities and potential of our employees are unlimited, we aim to realize careers that result in each and every employee playing an active role. We have developed a Self Education & Development Scheme (SeEDS) for skill and career support, which is a process that enables each employee to reflect on the experience, capabilities, and skills they have gained through daily work and make plans with superiors and human resource representatives to take actual steps toward realizing their aspirations and career dreams.

This system enables individual employees to communicate to the company their preferences for job transfers, career or business challenges, and desired work locations. Furthermore, career coordinators and partners are dispatched to enable career consultations outside of those with their direct superiors. Career coordinators take employee career aspirations and aptitudes under consideration while strategically assigning human capital toward attaining the Mid-term Plan, K27.

A number of divisions have a mentorship system in place for newly recruited employees. This system provides senior employees with extensive knowledge and work experience as mentors to offer broad support not only for work but for career development as well.

In 2024, there were 531 rotations that crossed divisions. As of December 2024, approximately 150 employees have been dispatched to organizations outside the Kao Group (government agencies, industry partner organizations, and private companies) to utilize the skills and expertise they had developed in the Kao Group to help solve social issues and promote the development of industries and client companies.

Internal recruitment

Region: Japan
Corresponding strategies: (1) (2) (3)

In 2024, internal recruitment was launched for Kao Group members in Japan, providing employees with opportunities to develop their own careers. In FY2024, 41 positions were posted for projects that directly linked to new businesses and management issues essential to attain *Global Sharp Top*. There were 232 applications of which 35 transferred to new positions. This initiative gathers highly motivated employees in a timely manner, strengthens the organizational framework necessary to conduct management strategies, and promotes opportunities and an organizational culture in which employees can shape and develop their own careers.

According to a survey of applicants, 96% of young employees regard this system as useful in determining their future careers, and 82% stated that it promoted understanding of other divisions. Furthermore, the employee engagement survey received feedback such as, "I feel that the company is making efforts to increase the number and fairness of opportunities with the establishment of this internal recruitment system."

In addition to employee transfers, the internal recruitment system also includes short-term opportunities in which employees can gain work experience in other divisions. The human capital responsible for the Kao-hosted event "Tsuki-sai," which is held to provide real and inspiring experiences, is also recruited through this system.

Scrum-type management

Region: Global
Corresponding strategies: (1) (2) (3)

We have implemented scrum-type management to deepen our matrix structure and combine the expertise of business divisions and functional divisions to maximize and fully accelerate responses to priority issues. In our key businesses, we have organized a Business Steering Board made up of key personnel from each business and function, and we are speeding up our initiatives for business expansion by actively discussing key issues based on our overall strategy and making quick decisions. We encourage this type of scrum-based activity throughout the group and promote decision-making and implementation at the *Genba* level by preventing the silos and uniformity commonly seen in large companies from taking hold.

Selection of human capital who will become global leaders

Region: Global
Corresponding strategies: (1) (2) (3)

We are systematically training business leaders toward attaining *Global Sharp Top* human capital/organization. Regarding key human capital who are candidates for future roles, such as senior management and specialists, we are implementing strategic job placement/assignments and tasks, including early promotions.

Development programs for next generation leaders

Region: Global
Corresponding strategies: (1) (2) (3)

We are providing opportunities for learning and taking on challenges through a cross-division selection and nomination system, which includes liberal arts training, the co-

Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

> Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

creation leadership development program Jammin' program to improve human skills "Kagayakijuku," and coaching. Additionally, to establish a foundation for global roles, we also offer short and medium-term dispatch programs outside Japan.

Kagayakijuku is a learning program that has collected insights from human relations divisions across various industries. Management from participating companies share their beliefs and philosophies as leaders, contributing toward enhancing the mindset of participating members through dialogue. Within the Kao Group, 5% of participants have been promoted to Executive Officers, and 43% have been promoted to senior management positions, becoming the human capital leaders who carry each organization on their shoulders.

360-degree leadership assessment

Region: Japan

Corresponding strategies: (1) (2) (3)

We conduct 360-degree leadership assessment for all management-level members, which enables them to grasp the strengths and weaknesses in their own leadership management. After the assessment, group training is provided to promote reflection on individual actions. Furthermore, optional learning programs are also offered, which cover ambition, challenges, and co-creation, to encourage autonomous learning.

More transparency in evaluation

Region: Global

Corresponding strategies: (1) (2) (3)

We have set Objectives and Key Results (OKR) targets, which are also for evaluation purposes, considering the medium- to long-term time horizon and the direction of the organization to which they belong. Daily progress is then checked through regular dialogue with superiors.

At the end of the fiscal year, we evaluate various challenges, including the year's

contributions and processes in the basic roles, in addition to the OKR progress. We have created a corporate culture that encourages employees to take on new challenges through activities (e.g., challenge sharing meetings) in which employees share and recognize their various challenges at their workplaces.

End-of-fiscal-year evaluations are conducted from individualized and absolute perspectives, with clearly defined criteria such as difficulty level, creativity, co-creation and collaboration, efficiency, and autonomy per division characteristic and actual work condition. This clarifies points for dialogue when providing feedback and contributes toward the increased fairness and transparency of evaluations. (The group-wide score for feedback in the FY2024 employee engagement survey was 64, a one-point improvement from the previous year.)

The practice of the Kao Way (such as integrity as the only choice, we trust, respect, & need each other) includes compliance activities, and any act in violation of the Kao Way is considered a compliance violation. When Kao makes evaluation and compensation decisions, the status of the Kao Way practice is included in the evaluation items as one element of the basic role.

Managing Human Performance Program

Region: Global

Corresponding strategies: (1) (2) (3)

To support connections among diverse individuals and operate a more flexible organization, we provide initial training for middle managers who are leading a team for the first time as well as follow-up programs in Japan and Asia for those who have a certain level of experience in managerial positions to reinforce their people management skills.

With the Guidelines for Human Capital Development as the foundation, new managers will undergo basic management learning programs (how to configure targets, make assessments and communicate with members). Follow-up programs will provide management learning focusing on case studies with the aim of establishing practical skills for the participants.

Both programs support the speedy implementation in each participant's organization by enabling them to recognize the importance of dialogue and acquire a dialogue-centered mindset.

Last year, 83%* of employees promoted to senior management positions were participants in this program and continue to be a driving force in business. Furthermore, 60%* of current senior management also have experience with this program.

* 2024 actual

Awards: CEO Award selection and Group-wide commendations

Region: Global

Corresponding strategies: (1) (2) (3)

Kao Group believes in the importance of fostering and stimulating employee motivation for skill development and performance enhancement. This is implemented through fairly assessing and recognizing efforts and achievements, and widely communicating these achievements to all employees provides inspiration by establishing award recipients as role models and reinforcing goals. For this reason, outstanding organizations and individuals are recognized and acknowledged annually for their group business activities with Division Awards based on criteria such as challenges, creativity, level of contribution, and key perspectives regarding each division and role.

Of these Division Awards, activities that are found to be especially outstanding from a *Global Sharp Top* strategy perspective or activities that have provided exceptional contributions to business are carefully selected for the CEO Award in January of the following year. The activities and contributions of the recipients are also shared across the group. The FY2024 CEO Award recognized four initiatives (a total of 91 recipients) in the Hair Care Business, Hygiene Living Care Business, Skin Care Business, and Chemical Business. Furthermore, the structural reform of the Sanitary Business and promotion of DX by citizen developers were each specially awarded as the Valuable Challenge awards. Through these activities, we foster a culture and mindset that takes on challenges on a global scale and withdraws from matrix management approaches.

Integration of HR systems across domestic Group companies

Region: Japan

Corresponding strategies: (1) (2) (3)

To achieve K27 and further growth, it is essential to develop an environment in which diverse group employees can immerse themselves in work with a sense of understanding and equity, and where proactive challenges are duly rewarded. For this reason, we are working to correct and minimize any discrepancies in HR systems across group companies in Japan while further developing a compensation framework that focuses on challenges, achievements, and diversity.

Specifically, from July 2025, we will begin reviewing and standardizing systems for standard compensation*, living-related allowances, support for relocated employees, and employee benefits as based on corporate strategies and future shifts in society structures to develop an environment in which diverse human capital can play active roles, regardless of the company they are employed by. This initiative will cover 10 domestic group companies and approximately 20,000 regular employees.

* Base salaries configured by each domestic Group company will be maintained.

Revitalization of dialogue between senior management and employees

Region: Global

Corresponding strategy: (4)

At the Kao Group, to maximize the power and potential of employees, we have been conducting the employee engagement survey (KES) since FY2023. This initiative visualizes the status of employees and the organization to identify organizational management issues, establish effective workplace improvement actions and implement improvement actions at each workplace to provide first-hand experience to employees and boost engagement. Through the results of this survey, the Kao Group has confirmed that the brand, corporate culture, and sense of belonging are our strengths. Meanwhile, in order to further improve engagement and to further promote employees' understanding of the company's direction, we believe it is necessary to provide specifics and milestones

from an employee and *Genba* perspective while communicating clearly and realistically and providing information regarding background and intent. The biannual Kao Forum, an opportunity for dialogue between senior management and employee representatives from each company and *Genba*, is also held with these factors in mind. As a result, the FY2024 Kao Forum received almost 100% positive feedback from its participants. In addition to the Kao Forum, as part of our “*KURUMAZA*” initiative, we also are focusing on initiatives where senior management visits *Genba* and engages in direct dialogue with employees. This activity is being widely implemented at workplaces and group companies both within and outside Japan. We have received feedback from employees such as, “Everybody participated actively, and it was a meaningful event with lively discussions,” and “Getting to know the honest and candid thoughts of the senior management deepened my understanding and resonated with me.” These events are opportunities to grasp senior management’s thought processes and the company’s direction and provide insights for senior management into understanding the realities and issues at each *Genba*.



Dialogue Festival

Region: Japan

Corresponding strategy: (4)

To maximize the power and potential of employees through *Global Sharp Top* human capital/organizational management, we are advancing various activities in accordance with our human capital strategy, which is built on the foundation of thorough dialogue.

It is important for dialogues to be frequently taken place between superiors, colleagues, and members of other divisions to deepen employee understanding of company strategies and direction as well as how each employee’s activities contribute toward enhancing corporate value. Kao Group in Japan holds an annual Dialogue

Festival to promote dialogue at the *Genba* level. The slogan “Let’s meet each other halfway for a comfortable workplace” was established for the FY2024 Dialogue Festival held throughout September. During the festival, various seminars regarding topics such as communication, leadership, and management were held, diverse video content covering topics including dialogue case studies and psychological safety were offered, and employee office cafeterias were used as locations to conduct cross-division networking.

Approximately 1,200 employees participated in the communication seminars, and approximately 700 participated in management seminars, either in person or online, and both events were met with high praise.



Deepening understanding of psychological safety and unconscious bias

Region: Global

Corresponding strategy: (4)

We provide opportunities to learn about psychological safety and unconscious bias in order to create an organizational culture focused on dialogue. In 2024, mandatory e-learning programs were implemented in Japan with Basic Knowledge of Unconscious Bias for employees in management level and Basic Knowledge of Psychological Safety for employees not in management level.

In the Americas, we are implementing ongoing microaggression training while also launching a new unconscious bias workshop for employees in Australia. In EMEA, training related to microaggression was implemented for the annual DE&I sessions.

Development of ROIC perspectives for individual OKRs

Region: Japan
Corresponding strategy: (4)

The understanding and utilization of OKRs has progressed since its group-wide incorporation in FY2021. Reviews held in 2024 showed that more than 70% of employees were configuring targets and taking action that contributed to both individual and organizational growth, reflecting the progress made in cultivating a culture that encourages taking on challenges.

Meanwhile, it was also revealed that there were a certain number of employees who were taking on challenges but had uncertainties as to their connection to the organization or were unsure of what the “challenge” concept meant. To weigh in on this situation, from FY2025 each department will engage in feedforward dialogue to help employees understand how their work results in enhancing corporate value. Departments will also review individual OKRs from the perspective of ROIC, an important management indicator, to ensure employees and the company are aligned and progressing in the same direction.

A detailed ROIC Reverse Tree will be created which will illustrate how each division’s activities enhance ROIC. This tree will be used in dialogues with superiors to connect individual targets to organizational contributions. Furthermore, by increasing awareness of investment efficiency and earnings capabilities, this activity will also contribute toward developing the human capital who will drive our transformation into a more robust businesses through investments.

DE&I

Region: Global
Corresponding strategy: (4)

We are making efforts to create an environment and culture in which diverse employees can exert their capabilities in a highly motivated manner.

 Our Progress > Inclusive & Diverse Workplaces

Realization of flexible work

Region: Japan
Corresponding strategy: (4)

Kao has generally implemented a flextime system to enhance time flexibility. However, we have also incorporated such as remote work, using telecommuting systems, and the diversification of work locations and environments.

Since 2023, we have been promoting optimal work styles for each employee according to their duty and role rather than uniform rules to further promote creativity through dialogue and co-creation among employees.

Furthermore, to promote flexible work styles, office revisions are also being conducted sequentially to create the necessary environments. The SWS (Smart Work Support) application has also been introduced and utilized to visualize individual work statuses in real time, including the statuses of those working from home. This application is helpful in the prevention of overwork and ensures that proper work hours are reported.

Through such measures, we aim to create an environment in which employees can work safely and efficiently.

Well-being

Region: Global
Corresponding strategy: (4)

We aim to maintain and improve the mental and physical health of employees as a crucial element in maximizing our human capital growth and organizational strength. In 2024, we promoted initiatives focusing on activities with proactive participation of employees and their families towards realizing the Mid-term Health Plan Kao Health 2025.

 Our Progress > Employee Wellbeing & Safety

Major initiatives for diverse work styles (Kao Group in Japan, excluding some affiliates)

Major initiatives	Content
Flextime	With the exception of some shift workers, flextime is applied to all employees, regardless of the reason. There is no required core time period. The times for the start of work and end of work are set within a flextime range of 07:00–20:00. Settlement periods have been set at one-month units.
Remote Work	With the exception of some shift workers, this option is applied to all employees, regardless of the reason. The usage of this option is set for each department based on the nature of their business and its necessity for the operation of the organization. This option can be used in increments of either one day or one hour.
Full time Remote Work	In any unavoidable circumstances for nursing care, family care, childcare, and personal injury or illness, it is possible to work remotely from a distant location full-time. One condition is that the employee is engaging in work that would not be hindered by working outside of the office.
Ability to take annual paid leave in hourly increments	Annual paid leave can be taken in hourly increments up to a maximum of five day-equivalents within any one-year period, regardless of the reason.
Special leave for non-work-related injury or illness	Special paid leave is available for employees who incurred a personal injury or illness (up to a maximum of either 40 days a year or 20 days a year), which is, in principle, available when periods of leave of at least eight days are needed.
Family leave for overseas assignments	Where an employee's spouse is on an overseas assignment and the employee wishes to accompany the spouse, a period of leave of at least one year and no more than two years can be taken.
Special leave for volunteering activities	Special paid leave is available for employees who participate in volunteering activities approved by the company (up to a maximum of 5 days a year). This leave can be taken in increments of either one day or half a day.
Reward Program for Continuous Service special paid leave	Special paid leave is available to commemorate 10, 20, 30 and 40 years of continuous distinguished service (up to a maximum of 5 days a year).

* Additionally, the system of support for childcare, nursing care and family care is mentioned in the Inclusive & Diverse Workplaces section.

Status for working hours, leaves and work-from-home utilization (Kao Corporation)

	2021	2022	2023	2024	Unit
Hours worked outside regular working hours Monthly average	14.3	13.4	12.4	15.3	Hours
Average days of paid leave taken	15.5	16.6	17.3	16.6	Days
Average paid leave utilization rate	80.6	85.8	88.0	84.2	%
Average hours of leave taken in hourly increments	2.71	3.15	3.47	3.97	Hours
Number of employees taking family leave for overseas assignments (male)	0	0	0	0	Persons
Number of employees taking family leave for overseas assignments (female)	6	7	5	13	Persons
Average number of special paid leave days taken for volunteer activities	1.3	3.0	2.4	1.4	Days
Total number of employees taking special paid leave for volunteer activities	90	1	12	11	Persons
Number of employees utilizing the work-from-home option	7,781	7,653	6,431	6,034	Persons

* Counted in enrolled companies

* Until 2022, only regular employees; from 2023, regular employees and full-time, indefinite-time, non-regular employees

Total annual hours worked per person (hours)

	2022	2023	2024
Kao Group	1,803	1,833	1,813

* Employees from regular employment and those in full-time indefinite-term employment from non-regular employment.

* Date does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Number of employees / management positions (Persons)

		2021			2022			2023			2024		
		All	Male	Female	All	Male	Female	All	Male	Female	All	Male	Female
Kao Group	Employees	33,507	16,589	16,918	35,411	16,677	18,734	34,257	16,055	18,202	32,566	15,173	17,313
	Management positions	6,539	4,567	1,972	6,974	4,845	2,129	6,553	4,514	2,039	6,359	4,288	2,071
	Of which Top management	–	–	–	–	–	–	901	726	175	846	673	173
	Middle management	–	–	–	–	–	–	1,644	1,204	440	1,628	1,157	471
	Junior management	–	–	–	–	–	–	4,008	2,584	1,424	3,885	2,458	1,427
Japan	Employees	21,816	10,485	11,331	23,584	10,404	13,180	22,464	9,895	12,569	20,831	9,069	11,762
	Management positions	4,495	3,574	921	4,555	3,534	1,021	4,558	3,439	1,119	4,366	3,209	1,157
Of which, Kao Corporation	Employees	8,508	6,147	2,361	8,403	5,974	2,429	8,199	5,739	2,460	7,861	5,356	2,505
	Management positions	2,919	2,245	674	2,957	2,238	719	2,985	2,221	764	2,907	2,101	806
Asia	Employees	7,057	3,876	3,181	6,948	3,848	3,100	6,798	3,791	3,007	6,618	3,693	2,925
	Management positions	1,111	554	557	1,154	605	549	1,038	562	476	1,009	545	464
Europe	Employees	3,222	1,533	1,689	3,376	1,691	1,685	3,494	1,663	1,831	3,560	1,676	1,869
	Management positions	564	268	296	920	545	375	556	307	249	573	315	258
Americas	Employees	1,412	695	717	1,503	734	769	1,501	706	795	1,557	735	757
	Management positions	369	171	198	345	161	184	401	206	195	411	219	192

* “Employees” include Kao South Africa Pty. Ltd.

* Data on the percentage of women is mentioned in the Inclusive & Diverse Workplaces section.

* Top management equivalent to department heads and Middle management equivalent to section manager, but with a certain level of responsibility. Junior management equivalent to section manager, but without Middle management.

Percentage of employees by nationality (Kao Group) (%)

		2021	2022	2023	2024
Japan	Employees	64.9	69.3	65.6	63.9
	Management positions	69.4	66.3	70.6	70.2
Indonesia	Employees	6.0	5.6	5.7	6.0
	Management positions	2.5	2.3	2.3	2.5
China	Employees	4.4	4.2	3.9	3.9
	Management positions	4.8	3.1	2.8	2.8
Thailand	Employees	4.1	3.6	3.7	3.9
	Management positions	5.0	4.3	2.6	2.8
Germany	Employees	2.7	2.5	2.5	2.7
	Management positions	5.8	4.8	3.4	2.7
Taiwan	Employees	1.6	1.8	1.9	1.9
	Management positions	1.6	1.6	1.6	1.7

* Top six countries accounting for the largest shares of employees Note: Excluding employees where this information is not disclosed.

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Percentage of employees by age group (%)

		2021	2022	2023	2024
Kao Group	< 30 years old	20.6	19.3	17.8	16.7
	30–50 years old	51.4	51.9	52.6	54.9
	> 50 years old	27.9	28.7	29.6	26.4
Japan	< 30 years old	19.5	18.0	16.4	15.4
	30–50 years old	49.4	49.9	50.6	53.1
	> 50 years old	31.2	32.1	33.0	31.4

Situation regarding newly hired employees

		2021	2022	2023	2024
Kao Group	All (persons)	1,568	1,555	1,732	1,740
	Male	702	625	614	633
	Female	866	930	1,118	1,107
	Females as a percentage of the total (%)	55.2	59.8	64.5	63.6
Japan	All (persons)	567	208	413	450
	Male	250	110	153	177
	Female	317	98	260	273
	Females as a percentage of the total (%)	55.9	47.1	63.0	60.7
Of which, Kao Corporation	All (persons)	269	103	187	235
	Male	170	71	90	126
	Female	99	32	97	109
	Females as a percentage of the total (%)	36.8	31.1	51.9	46.4

Percentage of newly hired employees by age group (%)

		2021	2022	2023	2024
Kao Group	< 30 years old	68.0	52.5	57.2	53.2
	30–50 years old	27.0	41.3	36.8	39.4
	> 50 years old	4.0	6.2	6.0	7.4
Japan	< 30 years old	90.0	62.0	78.4	71.6
	30–50 years old	10.0	38.0	25.3	27.3
	> 50 years old	0.0	0.0	1.0	1.1

Retention rate after 3 years of employment (%)

	2022	2023	2024
Kao Group	68	67	63.2

Hiring cost per employee hired (yen)

	2021	2022	2023	2024
Kao Group	424,480	570,933	495,500	532,106
Japan	624,912	1,650,470	831,229	1,017,955

Percentage of open positions filled by internal candidates (%)

	2021	2022	2023	2024
Kao Group	79.11	77.72	74.65	74.69
Japan	88.72	94.99	90.63	88.81

Percentage of career hires in new hires (%)

	2021	2022	2023	2024
Kao Corporation	9.7	35.9	49.2	46.8
Kao Group Customer Marketing Co., Ltd.	8.0	17.4	17.2	40.0
Kao Beauty Brands Counseling Co., Ltd.	0.0	0.0	0.0	*
Kanebo Cosmetics Inc.	0.0	0.0	0.0	*
e'quipe, LTD.	–	100.0	100.0	100.0
Kao Logistics Co., Ltd.	0.0	*	*	0.0
Kao Professional Services Co., Ltd.	54.8	41.7	32.3	46.4
Nivea-Kao Company Limited	100.0	100.0	100.0	100.0
Kao Business Associe Co., Ltd.	100.0	*	100.0	100.0
Kao Sanitary Products Ehime Co., Ltd.	0.0	*	*	0.0
Kao Cosmetic Products Odawara Co., Ltd.	0.0	100.0	27.8	0.0
Kao Paper Manufacturing Fuji Co., Ltd	0.0	100.0	*	50.0
Kao Peony Co., Ltd.	0.0	*	*	0.0

* Based on the Act on Comprehensively Advancing Labor Measures, and Stabilizing the Employment of Workers, and Enriching Workers' Vocational Lives

* An asterisk (*) indicates no employment

Situation of re-employed after retirement (Kao Corporation)

	2021	2022	2023	2024
Number of employees who reached retirement age	183	237	255	293
Of which, the number of employees re-employed after retirement	165	204	223	253
Percentage (%)	90.2	86.1	87.5	86.3

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Situation regarding employee turnover (%)

		2021	2022	2023	2024
Kao Group	Total employee turnover rate	5.67	6.17	6.75	8.87
	Voluntary employee turnover rate	4.03	4.61	4.57	4.46
Japan	Total employee turnover rate	2.24	3.76	3.69	7.07
	Voluntary employee turnover rate	1.53	2.68	2.39	2.57

Employee turnover rate by gender (%)

		2021	2022	2023	2024
Kao Group	Male	41.18	35.10	36.74	41.50
	Female	58.82	64.90	63.26	58.50
Japan	Male	43.03	27.62	33.98	39.65
	Female	56.97	72.38	66.02	60.35

Employee turnover rate by age group (%)

		2021	2022	2023	2024
Kao Group	< 30 years old	35.81	36.11	33.92	21.16
	30–50 years old	41.76	41.69	40.59	36.27
	> 50 years old	22.43	22.20	25.49	42.57
Japan	< 30 years old	35.45	40.92	34.58	15.89
	30–50 years old	32.99	32.02	34.46	26.07
	> 50 years old	31.56	27.06	30.96	58.04

Voluntary employee turnover rate by gender (%)

		2021	2022	2023	2024
Kao Group	Male	36.77	29.78	28.88	34.04
	Female	63.23	70.22	71.12	65.96
Japan	Male	30.93	18.64	23.51	27.99
	Female	69.07	81.36	76.49	72.01

Voluntary employee turnover rate by age group (%)

		2021	2022	2023	2024
Kao Group	< 30 years old	44.77	43.81	44.60	36.56
	30–50 years old	46.93	47.92	45.50	52.30
	> 50 years old	8.30	8.27	9.90	11.13
Japan	< 30 years old	51.05	56.08	51.30	41.71
	30–50 years old	44.45	38.86	43.10	52.89
	> 50 years old	4.50	5.06	5.60	5.40

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Human capital development investment per employee

		2021	2022	2023	2024
Kao Group	Average hours of training (hours)	10.47	12.98	14.05	18.54
	Average cost of training (yen)	29,000	32,000	37,000	48,000
Japan	Average hours of training (hours)	11.81	12.90	12.91	16.51
	Average cost of training (yen)	30,000	32,000	36,000	49,000

* The calculation standard for training hours was clarified in 2022.

Ratio of training hours by gender

		2023		2024	
		Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)
Japan	Male	114,633	47.3	195,380	56.5
	Female	127,556	52.7	150,215	43.5

* Except for certain companies

Employee stock ownership plan (Kao Group in Japan, excluding certain affiliates)

Details	
(1) Contributions can be arbitrarily set from 1,000 yen per unit (three times the amount of bonuses), up to a maximum of 30% of basic salary.	
(2) 10% of contributions are subsidized as an incentive bonus (with a bonus of three times the amount contributed from salary).	
(3) Cash dividends are reinvested into the purchasing of more shares.	
(4) Regular employees of Kao Group of Japan as defined by the operational regulations, as well as other employees recognized by the company*1, are eligible for the plan.	

*1 Accounts for 55.5% of all Kao Group employees and 86.7% of Japanese employees

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Ratio of training hours by age group

		2023		2024	
		Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)
Japan	< 30 years old	94,025	38.8	86,624	25.1
	30–49 years old	106,101	43.8	168,653	48.8
	≥ 50 years old	42,063	17.4	90,317	26.1

* Except for certain companies

Ratio of training hours by management level

		2023		2024	
		Total training time (hours)	Ratio (%)	Total training time (hours)	Ratio (%)
Japan	All employees are targeted	50,007	20.6	179,051	51.8
	Junior management	145,893	60.2	126,831	36.7
	Middle management	44,386	18.3	32,450	9.4
	Top management	1,903	0.8	7,263	2.1

* Except for certain companies

Situation regarding union members

		2021	2022	2023	2024
Kao Group	No. of union members (persons)	13,097	12,716	10,851	10,238
	Percentage (%)	43	34	32	32
Japan	No. of union members (persons)	8,838	8,560	6,785	6,422
	Percentage (%)	40	34	30	31

* Excluding companies where this information is not disclosed.

* Number of Japanese trade union members in FY2023: Large-scale transfers among group companies in Japan caused large fluctuations in member numbers.

Employees'
opinions

Maximizing the power and
potential of employees through
the Kao engagement survey



Jie Li
Director, HCD
Kao (China) Holding Co., Ltd.

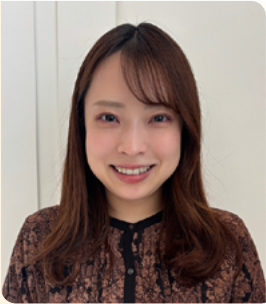
Fostering employee creativity should be one of the crucial methods how to win the fast-paced business environment. But creativity doesn't only mean innovation, efficiency and success, it also accompanies with challenges, pressures and failures. Employees need an environment that encourages employees further challenges with psychological safety. Positive dialogues between managers and employees will lead to more exciting initiatives emerging.

As a leader, we play a pivotal role to shape the workplace environment. Empowerment from leaders allows employees to make decisions about how they approach their task. Encouraging experimentation creates a culture which employees trying new approaches and innovating is highly recognized. Constructive feedback demonstrates full support on employees' growth and improvement.

Ultimately, the key lies in leadership commitment, cultural transformation, and the growth of every individual. We believe, when employees thrive, so does the company.

Employees'
opinions

Provision of learning
opportunities for motivated
human capital



Ami Yamada
Career Development,
Human Capital Strategy,
Kao Corporation

In 2024, I made the choice to challenge myself and participate in a training program in Germany. Together with colleagues from Japan's corporate divisions, I learned about the roles, functions, and importance of corporate divisions in companies from a global perspective. Through this program, I learned how to take the initiative even in uncertain situations, and to collaborate with other colleagues who have different levels and areas of expertise, making the most of our strengths to achieve our goals. I intend to continue collaborating with the colleagues with whom I worked diligently and engaged in serious dialogue about the future of the corporate division. Together, I would like to deliberate and act on what can be done to enable Kao to become a *Global Sharp Top* company.

Inclusive & Diverse Workplaces

GRI 404-2

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

Risks	Strategy	Metrics, targets and results			Initiatives	Financial impact	
- Decline in employee engagement at workplaces where diverse employees face difficulties in working with high motivation, along with increased challenges in retaining employees, who are a valuable corporate asset, and in recruiting highly talented human capital - Lack of agility and flexibility in responding to societal changes within organizations that do not embrace diversity and instead remain homogeneous, leading to risks and reputational risks in the sustainable growth of companies	Diversity & Equity promotion	(1) Human capital development from a DE&I perspective	Metrics	Targets	2024 results	Women's empowerment (1) (2) (3) (4)	- Corporate growth through providing better products and services based on innovation that leverages diverse perspectives - Productivity improvement driven by higher employee engagement in each individual - Enhanced employee retention and recruitment competitiveness, along with reduced hiring costs, through the company's growth into a more attractive workplace
			% of female managers related to that of female employees (1) (2) (3) (4) * Calculated as a weighted average based on the number of management positions at each group company	100% 2030	78.1%	Promoting the participation of employees of LGBTQ+ communities (1) (2) (3) (4)	
			Percentage of female managers (1) (2) (3) (4)	—	32.6%	Promoting the participation of employees from different cultures (1) (2) (3) (4)	
			Gender pay gap (1) (2) (3) (4)	—	89.5%	Promoting the participation of employees with disabilities (1) (2) (3) (4)	
Opportunities - The integration of DE&I within the Kao Group leads to the gathering and retention of diverse and talented human capitals, as well as the maximization of their motivation and abilities - The provision of products and services that respond to societal changes and the diversification of people's values, along with increased employee engagement, will contribute to productivity improvement - Further corporate growth, enhanced recognition from society and investors, and contributions to the broader promotion of DE&I awareness in society		(2) Promoting the participation of diverse employees and improving the workplace environment	Percentage of employees with disabilities (1) (2) (3) (4)	—	Global: 1.54% Japan: 2.81%* * Calculated in accordance with the law	Support for balancing work and childcare (1) (2) (3) (4)	
			Percentage of paternity leave taken by male employees (Japan) (1) (2) (3) (4)	100%	96.1%	Support for balancing work and family care (1) (2) (3) (4)	
			Score on "Inclusive organizational culture" in our employee engagement survey (1) (2) (3) (4)	75 2030	63	Deepening understanding of DE&I (1) (2) (3)	
Inclusion promotion	(3) Education and awareness of DE&I	Score on "psychological safety" in our employee engagement survey (1) (2) (3) (4)	75 2027	63	Fostering an organizational culture centered on dialogue (1) (2) (4)	Environmental and social impact - Realizing an enriched lifestyle for consumers by providing products and services that meet the expectations of diverse values in the countries and markets where we currently provide products and services, as well as in regions with growing presence - Raising awareness and momentum for DE&I across society as a whole	
	(4) Fostering an inclusive organizational culture						

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Walking the Right Path

Effective Corporate Governance

Full Transparency

Respecting Human Rights

Human Capital Development

> Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

Strategy

To contribute to business growth and the resolution of social issues, Kao is promoting strategies that are effective, aligned with its identity, and lead to risk reduction and opportunity creation in inclusive and diverse workplaces.

■ Social issues

As societal values and people's lifestyles undergo significant change and diversification, Kao recognizes the following social issues related to this theme:

- Increasing uncertainty in economic and social conditions due to the globalization of business
- Changes in consumer's awareness of work and life, as well as shifts in employee expectations toward their company, amid the rise in consumers and employees with diverse backgrounds and values, leading to a departure from conventional norms

■ Risks and opportunities

Amid these social changes, we have identified the following key risks and opportunities related to this theme:

Risks

- Decline in employee engagement at workplaces where diverse employees face difficulties in working with high motivation, along with increased challenges in retaining employees, who are a valuable corporate asset, and in recruiting highly talented human capital
- Lack of agility and flexibility in responding to societal changes within organizations that do not embrace diversity and instead remain homogeneous, leading to risks and reputational risks in the sustainable growth of companies

Opportunities

- The integration of DE&I within the Kao Group leads to the gathering and retention of diverse and talented human capitals, as well as the maximization of their motivation and abilities
- The provision of products and services that respond to societal changes and the diversification of people's values, along with increased employee engagement, will contribute to productivity improvement

- Further corporate growth, enhanced recognition from society and investors, and contributions to the broader promotion of DE&I awareness in society

■ Strategy

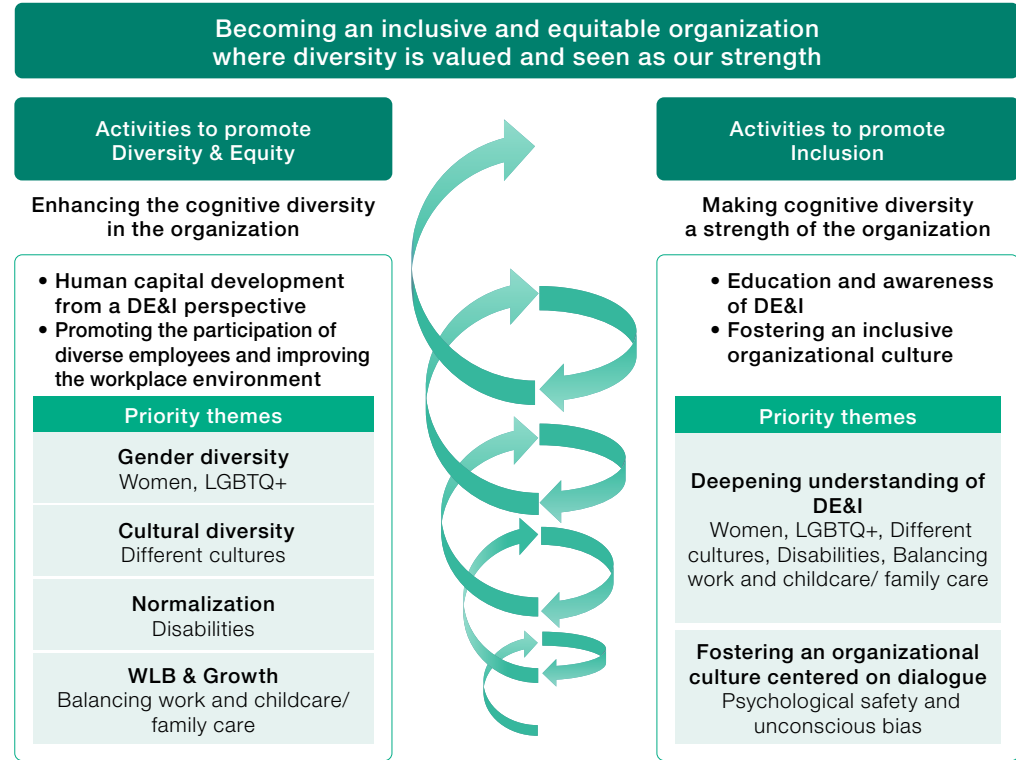
The Kao Way—our corporate philosophy—stipulates that we create inclusive workplaces where every person can develop their potential as a professional and a human being, that we treat everyone we encounter with respect and openness, and that we embrace the world's diversity of cultures, nationalities, beliefs, races, genders, identities and abilities and respect and value all people in our organization, our business partners and the communities we serve, just as they are. On this basis, as a company whose strength lies in the breadth of the products and services that have been created through innovations that span the entire spectrum from the development of raw materials to the final product for the end user, we believe that our mission is to further advance our action in DE&I in our business through our brands, products, and services, and all corporate activities. By clearly stating this as a commitment, we disclosed the Kao Group's DE&I Policy, which commits to the aim of realizing a society in which all people can thrive authentically by practicing DE&I in cooperation with internal and external stakeholders. Based on this policy, in the workplace, we aim to become an inclusive and equitable organization where diversity is valued and is seen as our strength. For our business partners, we will build a sustainable supply chain by sharing values and cooperating with all business partners involved in *Yoki-Monozukuri*. And in our community, we aim to realize a Kirei society in which people are connected and fulfilled through people-first *Yoki-Monozukuri*.

 Diversity, Equity and Inclusion Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/policy/>

Kao aims to maximize the power and potential of employees through *Global Sharp Top* human capital and organizational management as part of realizing the “Protecting future lives” vision under K27. Workplace DE&I is positioned as one of the key initiatives for create equitable opportunities for all employees, as a foundation. To become an inclusive and equitable organization where diversity is valued and seen as our strength, we are advancing diversity and equity promotion activities aimed at enhancing cognitive diversity* within the organization. As part of these efforts, we support diverse human capital by ensuring equitable opportunities and creating a work environment where each individual can thrive. At the same time, through inclusion promotion activities, we strive to make cognitive diversity a strength of the organization. This includes deepening every employee's understanding of DE&I and enabling them to put it into practice, along with fostering an inclusive organizational culture where each person can fully express their individuality and capabilities.

* Cognitive diversity: Internal diversity related to cognition, such as ways of perceiving and making judgments.

Overall framework of DE&I promotion activities for employees



(1) Human capital development from a DE&I perspective

To implement DE&I promotion activities tailored to the characteristics of each organization, we ensure that every organization identifies challenges from a DE&I perspective and engages in human capital development activities aimed at improvement. These activities include recruitment, development, evaluation, promotion, organizational culture improvement, and workplace environment improvement. Through these efforts, we enable all organizations to harness diversity effectively.

Related initiatives: [P229](#) Human capital development from a DE&I perspective, [P229](#) Women's empowerment, [P230](#) Promotion of empowerment of employees of LGBTQ+ communities, [P230](#) Promoting the participation of employees from different cultures, [P230](#) Promoting the participation of employees with disabilities, [P231](#) Support for balancing work and childcare, [P232](#) Support for balancing work and family care, [P233](#) Deepening understanding of DE&I, [P233](#) Fostering an organizational culture centered on dialogue

(2) Promoting the participation of diverse employees and improving the workplace environment

We provide the necessary support and workplace improvements from an equity perspective to ensure that diverse employees can thrive. By doing so, we empower each individual to fully utilize their capabilities, thereby enhancing the cognitive diversity of the organization.

Related initiatives: [P229](#) Human capital development from a DE&I perspective, [P229](#) Women's empowerment, [P230](#) Promotion of empowerment of employees of LGBTQ+ communities, [P230](#) Promoting the participation of employees from different cultures, [P230](#) Promoting the participation of employees with disabilities, [P231](#) Support for balancing work and childcare, [P232](#) Support for balancing work and family care, [P233](#) Deepening understanding of DE&I, [P233](#) Fostering an organizational culture centered on dialogue

(3) Education and awareness of DE&I

We continuously conduct awareness initiatives and training to deepen each employee's understanding of DE&I and enable them to put it into practice. Through these efforts, we embed DE&I into the organizational culture and drive behavioral change across the organization.

Related initiatives: [P229](#) Human capital development from a DE&I perspective, [P229](#) Women's empowerment, [P230](#) Promotion of empowerment of employees of LGBTQ+ communities, [P230](#) Promoting the participation of employees from different cultures, [P230](#) Promoting the participation of employees with disabilities, [P231](#) Support for balancing work and childcare, [P232](#) Support for balancing work and family care, [P233](#) Deepening understanding of DE&I, [P233](#) Fostering an organizational culture centered on dialogue

(4) Fostering an inclusive organizational culture

To create an organization where each employee can fully express their individuality and where everyone embraces and utilizes those differences, we foster an organizational culture centered on dialogue. By doing so, we encourage the expression of individual cognitive diversity, facilitate its integration, and elevate diversity into a strength of the organization.

Related initiative: [P233](#) Fostering an organizational culture centered on dialogue

Impact generated by implementing the strategies

Kao is widely recognized as a provider of products that are close to consumers and always present in their daily lives. We believe our activities can have a broader impact on society as a whole, including consumers.

Financial impact

- Corporate growth through the provision of better products and services based on innovation that leverages diverse perspectives
- Productivity improvement driven by increased employee engagement in each individual
- Enhanced employee retention and recruitment competitiveness, along with reduced hiring costs, through the company's growth into a more attractive workplace

Environmental and social impact

- Realizing an enriched lifestyle for consumers by providing products and services that meet the expectations of diverse values in the countries and markets where we currently provide products and services, as well as in regions with growing presence
- Raising awareness and momentum for DE&I across society as a whole

Strategic resilience

By fostering an organizational culture that respects the diversity of talent, we maximize each employee's abilities and perspectives and enhance the organization's creativity and adaptability. These efforts not only enable a flexible response to changing environments but also contribute to sustainable growth and the creation of social value.

Metrics and targets

To measure the increase in cognitive diversity within the organization and assess whether cognitive diversity has become a strength, we have established the % of female managers related to that of female employees and the score on "Inclusive organizational culture" in our employee engagement survey as key metrics. Through evaluating progress toward these targets, we continuously advance initiatives for further improvement.

Targets and progress

Strategy	Metrics	Results				Mid- to long-term targets	
		2021	2022	2023	2024	Target value	Year
(1) (2) (3) (4)	Score on "Inclusive organizational culture" in our employee engagement survey (perfect score: 100)	–	–	62	63	75	2030
(1) (2) (3) (4)	% of female managers related to that of female employees* * Calculated as a weighted average based on the number of managerial positions in each group company	75.8%	75.9%	76.2%	78.1%	100%	2030

Situation of female employees (%)

		2021	2022	2023	2024
Employees* ¹	Kao Group	50.5	52.9	53.1	53.2
	Japan	51.9	55.9	56.0	56.5
	Of which, Kao Corporation	27.8	28.9	30.0	31.9
	Asia	45.1	44.6	44.2	44.2
	Europe	52.4	49.9	52.4	52.5
	Americas	50.8	51.2	53.0	48.6
All management positions	Kao Group	30.2	30.5	31.1	32.6
	Japan	20.5	22.4	24.6	26.5
	Of which, Kao Corporation	23.1	24.3	25.6	27.7
	Asia	50.1	47.6	45.9	46.0
	Europe	52.5	40.8	44.8	45.0
	Americas	53.7	53.3	48.6	46.7
% of female managers to that of female employees* ²	Kao Group	75.8	75.9	76.2	78.1
	Japan	64.4	65.9	67.3	69.7
Top management positions* ³	Kao Group	21.2	19.8	19.4	20.4
	Japan	10.2	10.6	11.8	11.9
Middle management positions* ⁴	Kao Group	–	–	26.8	28.9
	Japan	–	–	19.0	20.7
Junior management positions* ⁵	Kao Group	32.6	34.2	35.5	36.2
	Japan	24.7	26.8	29.6	31.8
Management positions in revenue-generating functions	Kao Group	30.0	29.7	30.5	29.9
	Japan	20.0	21.5	23.6	25.2
Employees in STEM related positions* ⁶	Kao Group	22.5	23.9	25.6	28.1
	Japan	20.4	21.1	21.8	23.1

*¹ Including Kao South Africa Pty. Ltd.

*² Calculated as a weighted average based on the number of managerial positions in each group company

*³ Position equivalent to department head

*⁴ Position equivalent to section manager, but with a certain level of responsibility

*⁵ Position equivalent to section manager, but without Middle management

*⁶ Science and Technology-related function

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Leadership

		2022			2023			2024			2025		
		Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)
Board of Directors	Directors* ¹	7 (2)	2 (2)	22.2	8 (3)	2 (2)	20.0	7 (3)	1 (1)	12.5	6 (3)	3 (2)	33.3
	Audit & Supervisory Board Members* ¹	4 (3)	1 (0)	20.0	5 (3)	0 (0)	0.0	4 (2)	1 (1)	20.0	3 (2)	2 (1)	40
	Subtotal	11(5)	3 (2)	21.4	13(6)	2 (2)	13.3	11(5)	2 (2)	15.4	9 (5)	5 (3)	35.7
Executive officers* ²		27	3	10.0	26	4	13.3	27	4	12.9	25	5	16.7
Total		38	6	13.6	39	6	13.3	38	6	13.6	34	10	22.7

*¹ The numbers in parentheses indicate the number of Outside Directors and that of Outside Audit & Supervisory Board Members.

*² Those who double as a director are included.

* As of April 1 of each year

Average age Years old

		2021	2022	2023	2024
Kao Corporation	All	41.0	40.9	41.1	40.8
	Male	41.5	41.4	41.6	41.0
	Female	39.6	39.9	40.1	40.2

Average length of employment Years

		2021	2022	2023	2024
Kao Group	All	–	–	–	15.6
	Male	–	–	–	16.5
	Female	–	–	–	14.8
Kao Corporation	All	17.4	17.6	17.6	17.0
	Male	18.4	18.5	18.6	17.9
	Female	14.9	15.3	15.3	15.2

Percentage of employees with disabilities (%)

	2021	2022	2023	2024
Kao Group	1.25	1.34	1.56	1.54
Japan* ³ * ⁴	2.60	2.64	2.76	2.81
Kao Corporation* ³	2.62	2.56	2.61	2.60

*³ Employment rate as of June 1 including non-regular employees and based on government agency calculation standards

*⁴ The scope is as follows.

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

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

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

		2021		2022		2023		2024	
Kao Group	Management level + Non-management level	–		5,733,874		6,276,878		6,620,812	
		Male	Female	Male	Female	Male	Female	Male	Female
Kao Group	Management level	–	–	10,986,981	11,693,822	11,205,314	11,591,636	11,645,661 ☒	12,494,415 ☒
	Non-management level	–	–	4,605,267	4,171,253	4,935,818	4,907,955	5,107,692 ☒	5,198,382 ☒
	Management level + Non-management level	–	–	–	–	6,725,064	5,803,608	6,978,488 ☒	6,243,281 ☒
Japan	Management level	–	–	9,929,145	8,956,520	10,081,759	9,009,108	10,075,181	9,109,514
	Non-management level	–	–	5,516,230	4,143,616	5,610,093	4,739,378	5,756,799	4,886,267
	Management level + Non-management level	–	–	–	–	7,198,545	5,210,928	7,326,394	5,405,830
Of which, Kao Corporation	Management level	10,260,020	9,211,384	10,259,143	9,263,127	10,340,101	9,351,123	10,341,938	9,412,972
	Non-management level	5,597,988	5,468,725	5,625,237	5,411,537	5,712,784	5,611,314	5,958,568	5,841,938
	Management level + Non-management level	–	–	–	–	7,563,711	6,960,160	7,740,988	7,203,555

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

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

* ☒ Third-party assurance obtained.

Base salary Average annual salary (yen)

		2021		2022		2023		2024	
		Male	Female	Male	Female	Male	Female	Male	Female
Kao Group	Management level	–	–	7,742,661	8,837,789	7,906,880	8,735,110	8,334,096 ☒	9,528,721 ☒
	Non-management level	–	–	3,418,174	3,119,435	3,748,927	3,731,347	3,910,635 ☒	4,014,133 ☒
	Management level + Non-management level	–	–	–	–	4,935,561	4,401,881	5,176,379 ☒	4,803,903 ☒
Japan	Management level	–	–	6,519,040	5,893,010	6,572,064	5,895,901	6,589,817	5,983,060
	Non-management level	–	–	3,783,388	2,961,574	3,821,684	3,348,308	3,925,963	3,451,836
	Management level + Non-management level	–	–	–	–	4,798,691	3,629,665	4,894,190	3,763,238
Of which, Kao Corporation	Management level	6,547,378	5,845,359	6,568,940	5,909,540	6,630,070	5,969,144	6,634,883	6,024,834
	Non-management level	3,670,943	3,571,235	3,731,043	3,582,457	3,756,405	3,694,474	3,931,222	3,864,632
	Management level + Non-management level	–	–	–	–	4,905,871	4,514,885	5,030,618	4,688,306

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

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

* ☒ Third-party assurance obtained.

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

Human Capital
Development

> Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Gender pay gap (Average annual base salary + other cash incentives) (%)

		2021	2022	2023	2024
Kao Group	Management level	89.7	106.4	103.4	107.3
	Non-management level	96.1	90.6	99.4	101.8
	Management level + Non-management level	–	–	86.3	89.5
Japan	Management level	–	90.2	89.4	90.4
	Non-management level	–	75.1	84.5	84.9
	Management level + Non-management level	–	–	72.4	73.8
Of which, Kao Corporation	Management level	89.8	90.3	90.4	91.0
	Non-management level	97.7	96.2	98.2	98.0
	Management level + Non-management level	–	–	92.0	93.1

* Ratio of women to men

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

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

* Unless otherwise noted, data does not include Kao South Africa Pty. Ltd, which accounts for 0.11% of all Kao Group employees

Governance

To further advance DE&I initiatives across all business activities, including brands, products, and services, Kao convenes a Human Rights and DE&I Steering Committee once a month. This committee operates under the ESG Managing Committee and is led by the Executive Officer in charge of Human Capital Strategy. The Human Rights and DE&I Steering Committee promotes activities across the Group to improve human rights and DE&I not only for employees, but also for all Kao stakeholders, including the supply chain and society at large. This committee also checks the activities of each department and reports the status of activities to the ESG Managing Committee.

For initiatives in the workplace, under the supervision of the Board of Directors, DE&I, HCS, led by the Executive Officer in charge of Human Capital Strategy, serves as the primary department responsible for implementing initiatives that contribute to the creation of inclusive and diverse workplaces. Key DE&I decisions are made with the participation of top management through discussions and approvals at the Human Capital Development Committee, which meets once a month. Regarding the implementation of DE&I promotion initiatives across domestic group companies and related challenges, discussions are held at the Human Capital Development Meeting, which convenes once a month. This meeting consists of the supervisor of the Human Capital Strategy function and the supervisors of human capital development at each function and company. In the Americas (indicating consumer product-related group companies in the U.S., Canada, Australia, and New Zealand) and EMEA (indicating consumer product-related group companies in Europe, the Middle East, and Africa), Kao Corporation's DE&I, HCS collaborates with DE&I promotion leaders in each region to share information and exchange opinions. Activities are promoted locally in alignment with the specific challenges of each region. In the Americas, a Diversity, Equity & Inclusion Board (DE&I Board) has been established as an internal organization representing employee diversity. This board supports employees' diverse needs. The DE&I Board conducts activities to foster a diverse, equitable and inclusive corporate culture. In EMEA, a DE&I Steering Board has been established, consisting of senior team members representing all business sectors. Additionally, Kao Communities, which includes nine Employee Resource Groups (ERGs), has been set up to further support DE&I initiatives. These communities pursue activities related to Gender Equity, Cultural Diversity (including ethnicity), All Abilities (focusing on disability and neurodiversity), LGBTQIA+ All Stars, Parents (families with small children), Fertility Support, menopausal support, International Languages, and Mental Health & Wellbeing.

Risk and opportunity management

Management process

The progress of initiatives toward inclusive and diverse workplaces is managed through a structured process of plan formulation, activity implementation, evaluation, and corrective action, ensuring continuous improvement.

P (Planning)

Identify key focus areas based on policies and goals.

D (Implementation)

See initiatives (P229-233) for details.

C (Evaluation of results)

Conduct a comprehensive assessment of activity outcomes based on employee engagement surveys, questionnaires on various activities, progress evaluations of key metrics, and external evaluations.

A (Corrective action)

Identify additional issues based on evaluation results and implement corrective measures.

Initiatives

At Kao, we implement various initiatives to create inclusive and diverse workplaces. These initiatives are based on the previously mentioned strategy and are promoted in collaboration to achieve our goals. Below, we introduce some of the key initiatives among our many efforts.

Strategy			Initiatives		
Diversity & Equity promotion	(1) Human capital development from a DE&I perspective	Women's empowerment	Women's leadership training program (Japan)	Career awareness enhancement through showing role models and roundtables with female leaders (Japan)	Gender Equity Community (EMEA) Kao Network of Women (Kao Now) (Americas)
		Promoting the participation of employees of LGBTQ+ communities	LGBTQ+ Pride Month awareness initiatives (Japan, Americas, EMEA)	Providing learning opportunities about LGBTQ+ topics (Japan)	Awareness initiatives for recruitment interviewers (Japan)
		Promoting the participation of employees from different cultures	Events to celebrate cultural diversity (EMEA)	Black Leaders at Kao (Americas)	Courageous Conversations (Americas)
		Promoting the participation of employees with disabilities	Disability employment support month awareness initiatives (Japan)	Proactive employment of people with disabilities (Japan)	Mutual understanding and communication support with colleagues (Japan)
		Support for balancing work and childcare	Fostering awareness of "both work and childcare" (Japan)	Expanding support for "working" (Japan)	Establishing a communication flow from pregnancy to childcare leave and return to work (Japan)
		Support for balancing work and family care	Provision of information about balancing work and family care (Japan)	Awareness initiatives on balancing work and family care (Japan)	Setting up consultation desks (Japan)
	(2) Promoting diverse employee participation and workplace environment improvement				
Inclusion promotion	(3) Education and awareness of DE&I	Deepening understanding of DE&I	Information sharing on the DE&I portal and revitalizing community for exchanging opinions (Japan)	Publishing articles highlighting employee diversity (Japan, Americas)	DE&I upskilling and training (EMEA)
	(4) Fostering an inclusive organizational culture	Fostering an organizational culture centered on dialogue	Psychological safety training (Japan)	Unconscious bias training (Japan, Americas)	DE&I training sessions (EMEA)

Human capital development from a DE&I perspective

Region: Global

Corresponding strategy: (1)

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

In Japan, to clearly identify DE&I challenges within each division and domestic group company and address them effectively, Kao Corporation's DE&I, HCS holds regular individual DE&I promotion meetings with human capital development managers and career coordinators from each organization. In addition, data on DE&I is shared annually so that each organization can independently promote its own activities. Each organization formulates an action plan every year while monitoring changes in the data over time, and promotes activities, and DE&I, HCS checks their state of progress.

Women's empowerment

Region: Global

Corresponding strategy: (1) (2) (3) (4)

Based on the belief that women's empowerment is essential for Kao's growth as a diversity factor that affects the greatest number of human capital, we have established a policy of creating a workplace environment and fostering a corporate culture in which all employees can fully demonstrate their individual motivation and abilities beyond their own assumptions*¹, and can be themselves regardless of their gender. In light of this, we are promoting activities for women's empowerment. In Japan, where there is a gap between the percentage of female managers and the percentage of female employees, we are working on three priority actions with the aim of including diverse perspectives in various decision-making positions:

“development of potential future leaders;” “support for balancing work and childcare to promote engagement;” and “creation of an environment that enables unbiased training and promotion opportunities.”

As part of these efforts, we are strengthening leadership development for women from an equity perspective under the “development of potential future leaders” initiative. In 2024, continuing from previous years, we sent female executive candidates to roundtable discussions with the presidents and CEOs of participating companies as part of the 30% Club Japan*² TOPIX President’s Committee initiative. We also sent future managerial candidates to external women’s leadership training programs and held small-group roundtable sessions called “Career Café” with former female executive officer to enhance career awareness. Additionally, in August, to elevate awareness among all female employees, we organized a panel discussion featuring role models as speakers.

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

*2 30% Club Japan: The Japan branch of a global campaign aimed at increasing the percentage of women in key corporate decision-making bodies.

Promoting the participation of employees in the LGBTQ+ communities

Region: Global

Corresponding strategies: (1) (2) (3) (4)

Under the policy of aiming to create an environment where all employees are respectful of sex, gender identity and gender expression, and sexual orientation, and all employees can authentically express themselves so that we can foster an organizational culture where all employees can fully develop their potential, we are creating work-friendly workplaces for LGBTQ+ employees and fostering such a culture. As part of these efforts, we conduct awareness-raising activities to deepen employees’ understanding of gender diversity. In 2024, in Japan, we published a special page on the DE&I portal* during Pride Month in June, featuring content designed to help employees learn about gender diversity and reflect on it personally. In the Americas, we held a panel discussion during Pride Month, featuring LGBTQ+ employees as speakers. Additionally, we participated in the Cincinnati Pride Parade and Festival, organized family-friendly activities, and conducted other engagement initiatives. In EMEA, we hosted seminars on LGBTQ+ topics, held workshops as part of Pride events, and participated in regional Pride parades to further support LGBTQ+ inclusion.

* DE&I Portal: An information provision site for group employees in Japan to learn about and practice DE&I.

Promoting the participation of employees from different cultures

Region: Global

Corresponding strategies: (1) (2) (3) (4)

We are improving the working environment and fostering a culture where employees of different nationalities, ethnicities, and other cultural backgrounds can work with peace of mind. This is taking place under the policy of improving the environment where employees from different cultures are motivated to demonstrate their unique capabilities, and fostering an organizational culture where each employee respects differences in culture, language and concept of values, which will be the company’s strengths. As part of these efforts, in Japan, we publish articles introducing foreign-national employees and their colleagues to encourage employees to recognize nationality as an aspect of workplace diversity and to relate to it personally. In 2024, in the Americas, we hosted online events throughout the year, providing opportunities for employees to reflect on topics related to social justice and racial equality. In EMEA, we celebrated cultural diversity by organizing an in-person event focused on Japanese culture. Additionally, we implemented various initiatives, including distributing videos to raise awareness of religious events, holding panel sessions, and offering Black and Caribbean cuisine on the cafeteria menu.

Promoting the participation of employees with disabilities

Region: Global

Corresponding strategies: (1) (2) (3) (4)

We regard disability as a type of diversity and promote activities based on the policy of “Striving for a society where people with and without disabilities work and live together, we create workplace environments for employees with disabilities that make life easier for them and foster a sense of pride in one’s work.” As part of these efforts, Kao Peony Co., Ltd., a subsidiary, has been proactively employing people with intellectual disabilities, including those with severe disabilities, since its establishment in 2005. In the Production Division, employees engage in cosmetics and beauty care product packaging and assembly. Additionally, in the Office Support Division, launched in 2017, employees handle administrative support tasks that help sustain business processes within the Kao Group in Japan. To expand employment

opportunities for people with disabilities and further contribute to the Kao Group, Peony actively takes on tasks that were previously outsourced by group companies. It is also working to enhance production efficiency through robotic automation and simultaneously expanding employment opportunities for people with disabilities.

Support for balancing work and childcare

Region: Global

Corresponding strategies: (1) (2) (3) (4)

Under the policy of “supporting each and every employee in balancing work and private life while fully demonstrating their ambition and abilities,” we have positioned this as one of the priority actions for promoting women’s empowerment and are proceeding with our

Status for childcare, nursing care and family care

		2021	2022	2023	2024
Percentage of employees taking maternity/paternity leave (male) (%)	Japan	–	95.6	100.3	96.1
	Kao Corporation	51.6	108.7	102.4	97.2
Percentage of employees taking maternity/paternity leave (female) (%)	Japan	–	107.7	113.7	99.8
	Kao Corporation	100	108.8	103.2	100
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	Japan	–	1	4	3
	Kao Corporation	2	1	3	2
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	Japan	–	268	310	417
	Kao Corporation	62	41	49	61
No. of employees taking nursing care or family care leave (male)	Japan	–	1	2	0
	Kao Corporation	1	0	1	0
No. of employees taking nursing care or family care leave (female)	Japan	–	7	7	4
	Kao Corporation	3	1	1	2
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	Japan	–	0	1	0
	Kao Corporation	0	0	0	0
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	Japan	–	5	3	3
	Kao Corporation	0	0	0	0

initiatives. In Japan, since 2022 we have been working on three priority actions to “raise awareness of the people involved,” “support career development,” and “promote smooth operation of workplaces” with the aim of realizing “working with high motivation to achieve one’s own career objectives” while raising children, regardless of gender. As part of these efforts, to eliminate deeply rooted gender role stereotypes in Japan, we have made the seminar for building a work-childcare balance framework mandatory for employees who are expecting a child or whose partner is pregnant. This seminar helps employees recognize and overcome unconscious gender-based assumptions, fostering an awareness that supports both work and childcare rather than having to choose between work or childcare, regardless of gender. Additionally, we have expanded support measures to enable motivated employees to continue working by assisting employees in returning to work at their desired timing, as well as providing support to balance work and childcare during business trips, peak work periods, and other demanding times.

* Counted in enrolled companies

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

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

Number of male employees who took their first leave for childcare in 2024 / Number of male employees who had a child born in 2024 × 100

Kao has implemented a mandatory paid childcare leave system, which is included in the calculation of the maternity/paternity leave acquisition rate, and all employees with newborn children take this leave. However, in the calculation of the maternity/paternity leave acquisition rate based on the law, the scope of the numerator and denominator differs due to the differences between the fiscal year and the deadlines for taking the leave or maternity/paternity leave, so it does not necessarily reach 100%

Support for balancing work and family care

Region: Japan

Corresponding strategies: (1) (2) (3) (4)

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

provide assistance based on a spirit of mutual support. As part of these efforts, we have created and published the Handbook for balancing Work and Family Care, which provides basic family care knowledge, details on company support programs, information on government services, and workplace communication guidelines to support balancing work and family care as part of information-sharing and communication support. Additionally, we host the balancing work and family care seminar every year. In 2024, we focused on public caregiving systems. Furthermore, to coincide with Family Care Day in November, we continuously provide information to employees by publishing a special page on the DE&I portal that introduces policies for supporting balancing work and family care and seminars on how to use the company's systems.

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

Major initiatives	Content	
	Childcare related	Nursing care and family care related
Leave	In principle, maternity/paternity leave can be taken until the end of the first April after the child turns one year old. If the company recognizes that the employee is unable to maintain a livelihood, the employee will be paid throughout the period of absence (an amount equivalent to salary will be paid as a replacement).	Nursing care and family care leave can be taken for a maximum period of one year. During the period in which nursing care and family care leave is permitted, such leave can be taken in a maximum of three blocks of time.
Paid childcare leave	Paid holidays for parental leave (for ten working days) must be taken during a period until the end of the first April after the child turns one year old.	
Reduced working hours and staggered working hours	• These are available until the child completes the third grade of elementary school. • Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted by up to two hours per day.	• It is possible to take paid parental leave for up to three years (it can be divided into two times). • Specified working hours can be reduced by up to two hours per day, working days can be reduced to three days a week or half a work day for five days a week, or the specified time for starting or finishing work can be adjusted by up to two hours per day.
	• Eligible until the end of the first April after the child turns one year old. • The specified working hours and days can be reduced by up to four hours a day and three days a week.	
Restriction on extra working hours	Up until the end of the first April after the child enrolls in elementary school as a first grader, the employee can request either limits or an exemption to perform work outside normal working hours, work on holidays, or work late at night.	Employees who have family members requiring nursing care or family care for a period of more than two weeks can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night either.
Child Care Time	Female employees caring for newborns and infants less than one-year-old are eligible for a 30-minute childcare time up to twice per day. If the employee uses Child Care Time, wages will be paid for the applicable hours worked.	
Special leave for Short-term and Long-term Family Care	Special paid leave of up to 5 days every year is available when short-term leave is needed for emergency care of sick or injured children, for the child's vaccination appointments and health check-ups, for class closures due to infectious diseases, etc., and for entrance and graduation ceremonies, until the child completes the third grade of elementary school.	Special paid leave is available for employees who need to fulfill nursing care or family care responsibilities which is applicable for spouses, children, the employee's parents, the employee's parents-in-law, grandparents, siblings or grandchildren (up to a maximum of either 40 days a year or 20 days a year). This leave can be taken in increments of either one day, half a day, or one hour.
Full time Remote Work	• In any unavoidable circumstances for childcare, nursing care, and family care, we allow employees to work from home. • One condition is that the employee is engaging in work that would not be hindered by working outside of the office.	

Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

Human Capital
Development

> Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

Responsible
Chemicals
Management

Deepening understanding of DE&I

Region: Global

Corresponding strategy: (1) (2) (3)

To help employees develop a deeper understanding of DE&I and integrate it into their own actions, we conduct various educational and awareness-raising activities. In 2024, in Japan we distributed lectures on DE&I, covering what DE&I is and cases of DE&I initiatives inside and outside the company. Additionally, through the “Kao Mates” article series, which highlights diverse employees, we introduced female expatriates, further enhancing understanding of diversity, equity, and inclusion in the workplace. In the Americas, we published the “Take A Moment” article series throughout the year, in which employees shared their personal stories and values. Additionally, in EMEA, we continued to offer Essential DE&I Training in English, German, and Dutch, helping employees deepen their understanding of DE&I and learn about inclusive behaviors.

Fostering an organizational culture centered on dialogue

Region: Global

Corresponding strategy: (1) (2) (4)

In the Kao Group in Japan, we began offering training on psychological safety and unconscious bias in 2021, which serve as the foundation for meaningful dialogue. To ensure that all employees deepen their understanding and apply these concepts in daily activities, in 2024 we made “Psychological Safety e-Learning” mandatory for non-management employees and “Unconscious Bias e-Learning” mandatory for managers. In the Americas, we continued training on microaggressions and racial discrimination awareness while expanding DE&I workshops across the region. As part of this, we launched an “Unconscious Bias Workshop” specifically for employees in Australia. In EMEA, as part of the annual “DE&I Training Sessions,” we conducted training on microaggressions and inclusive behaviors to further strengthen DE&I awareness.

Employees'
opinions

Creating workplaces where
everyone can shine by
leveraging their strengths



Emiko Okada
Manager, Office Support
Division
Kao Peony Co., Ltd.

At Kao Peony, we actively hire individuals with disabilities who strive for independence, with a focus on three key pillars: contributing to the Kao Group's businesses, supporting the growth of each employee, and engaging with local communities. In the Office Support Division, we handle administrative support tasks within the Kao Group, ensuring that employees with disabilities can utilize their strengths and work together to complete tasks with accuracy and care. Many employees have had few opportunities for success during their school years due to the nature of their disabilities. However, everyone has areas they struggle with. We aim to create a bright and lively workplace where employees learn to support one another, build resilience, take pride in being a part of the Kao Group, and find joy in their own growth. Moving forward, we will continue taking on new challenges to support our employees' growth and further contribute to the Kao Group.

Employees'
opinions

Advancing Gender Equity at
Kao EMEA



Liza Khadjinova
DE&I Manager EMEA
HCD EMEA

At Kao, we recognize the critical importance of fostering gender equity for all employees. Historically workplaces have not always been adapted to women, and our initiatives are designed to remove barriers that predominantly affect female employees, enabling a more equitable workplace.

At Kao EMEA, we proudly support an employee-led Gender Equity Community, which focuses on fostering gender-inclusion. Our Fertility and Pregnancy Loss Policies, along with comprehensive Parental Leave & Return Programmes, exemplify our commitment to supporting employees during significant life events. Additionally, our DE&I Training aims to minimize bias and microaggressions, creating a culture of mutual respect.

While many experiences of women are shared, I learned that this differs by culture: some topics like Fertility and Menopause are common in the UK, however still a tabu in many European countries. With our employees we also aim to remove stigma and educate about important life events for women.

As we move forward, we will enhance our initiatives through further policies and training. Together, these efforts will strengthen our ESG commitment, and empower individuals of all genders to achieve their fullest potential.

Employee Wellbeing & Safety: Wellbeing

GRI 403-6

Only with a healthy mind and body can employees maximize their abilities and grow. Kao actively supports employee health promotion activities and promotes health and productivity management to maximize employee vitality, which in turn will support the continuous growth of the Kao Group.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
- Health insurance finances under pressure due to increased national medical expenses - Increasing numbers of employees suffering from age-related illnesses and mental health issues, and increasing numbers of employees taking leave of absence - Increasing number of employees unable to perform adequately due to unidentified complaints of illness	Overall health	(1) Improve employees' mental and physical well-being	Metrics	Targets	2024 results	Kao Group Health Day to nurture the health of employees and society (1) (2) (3) (4) (5)	- Improved labor productivity and reduced labor costs - Appropriate investment in health measures - Lower medical costs
			Score for "Vitality" in our employee engagement survey (perfect score: 100) (1) (2) (3) (4) (5)	70 In 2030	61	Health Decralation (1) (2) (3) (4) (5) (6)	
	Mental health care	(2) Improve mental health through support focused on connections with organizations and people	Degree of GENKI* (Rate of affirmative answers in the job stress assessment) (1) (2) (3) (4) (5) * Degree of GENKI (being energetic, lively, bright) :The percentage of employees who are active and work vigorously regardless of the working environment and working style.	80% In 2025	79.3%	Waku Waku Walk (1) (3)	
			Average number of long-term absence days (days/people) *Starting from Japan (1) (2) (3) (4) (5)	105 In 2030	220 In 2024	Job stress assessments (2) (5)	
Opportunities - Minimizing health risks such as lifestyle diseases and locomotive syndrome by increasing the number of employees with a high level of health awareness - Identifying health issues by reaching out to older generations and women, and developing measures to address these issues - Providing healthcare support tailored to the issues of the target persons by utilizing the Kao's healthcare knowledge	Physical health	(3) Promote autonomous self-care	Long-term absence rate per 1,000 employees (1) (2) (3) (4) (5) *Starting from Japan	0.12 In 2030	27.2 In 2024	Initiatives to support women's health (3) (4)	Environmental and social impact - Contribution to the healthy and enriched lives of employees and their families, partner companies, and society - Sound regional healthcare finance - Contribution to society through externally deploying the result of health and productivity management - Contribution to consumers and society through the consistent and continuous provision of products and services
			High stress level (Male) (2) (3) (4)	8.6% In 2025	9.9% In 2024	Lifestyle Habit and Visceral Fat Check-up Service (lifestyle habit analysis and visceral fat measurement) (3) (6)	
		(4) Provide support for balancing health check-ups, treatment, and work	High stress level (Female) (2) (3) (4)	7.7% In 2025	9.0% In 2024	Gait Measurement Sessions and Hoco Touch® (3) (6)	
			BMI level over 25 (Male) (1) (3) (4) (5)	26% In 2025	27.4% In 2023	Smart WASHOKU (3) (6)	
		(5) Run consistent industrial health activities	BMI level over 25 (Female) (1) (3) (4) (5)	14% In 2025	16.4% In 2023	Running classees (3) (6)	
			Smoking rate (Male) (1) (3) (4) (5)	26% In 2025	24.7% In 2023	Health Day Consortium (6)	
	Social health	(6) Externally deploy good practices	Smoking rate (Female) (1) (3) (4) (5)	13% In 2025	15.3% In 2023	Conducted a Practical Program for Preventing Obesity at a public lecture by the Japan Society for the Study of Obesity (6)	

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Walking the Right Path

Effective Corporate Governance

Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

> Employee Wellbeing & Safety

Responsible Chemicals Management

Strategy

To contribute to business growth and the resolution of social issues, we are promoting effective strategies, aligned with Kao's values, that reduce risks and create opportunities in Employee Wellbeing & Safety (Wellbeing).

■ Social issues

Kao recognizes the following social issues related to this theme.

- Decline in social vitality due to the aging population and increased burden of medical expenses for citizens
- Diversification of support for the workplace environment due to the raising of the working age and the advancement of women into society
- Need for childcare support and support for raising children by society due to the declining birthrate

■ Risks and opportunities

Under such a social background, the main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Health insurance finances under pressure due to increased national medical expenses
- Increasing numbers of employees suffering from age-related illnesses and mental health issues, and increasing numbers of employees taking leave of absence
- Increasing number of employees unable to perform adequately due to unidentified complaints of illness

Opportunities

- Minimizing health risks such as lifestyle diseases and locomotive syndrome by increasing the number of employees with a high level of health awareness
- Identifying health issues by reaching out to older generations and women, and developing measures to address these issues
- Providing healthcare support tailored to the issues of the target persons by utilizing the Kao's healthcare knowledge

■ Strategy

We are promoting health and productivity management as an activity that will form the basis for "maximizing employee vitality" to support the Kao Group's continuous growth. We have announced our health and productivity management policy internally and externally through the Kao Group Health Declaration and have formulated the Mid-term Health Plan to achieve this. We are also promoting occupational health activities based on the Health and Productivity Management Strategy MAP. We also compile a Health White Paper every year to reflect on our own activities and use this to improve our measures.

Kao Group Health Declaration

The Health Declaration states that employees will work enthusiastically to improve their health, that the company will actively support these activities, and that the company will also contribute to the health of society by sharing its best practices with the outside world.

Kao Group Health Declaration

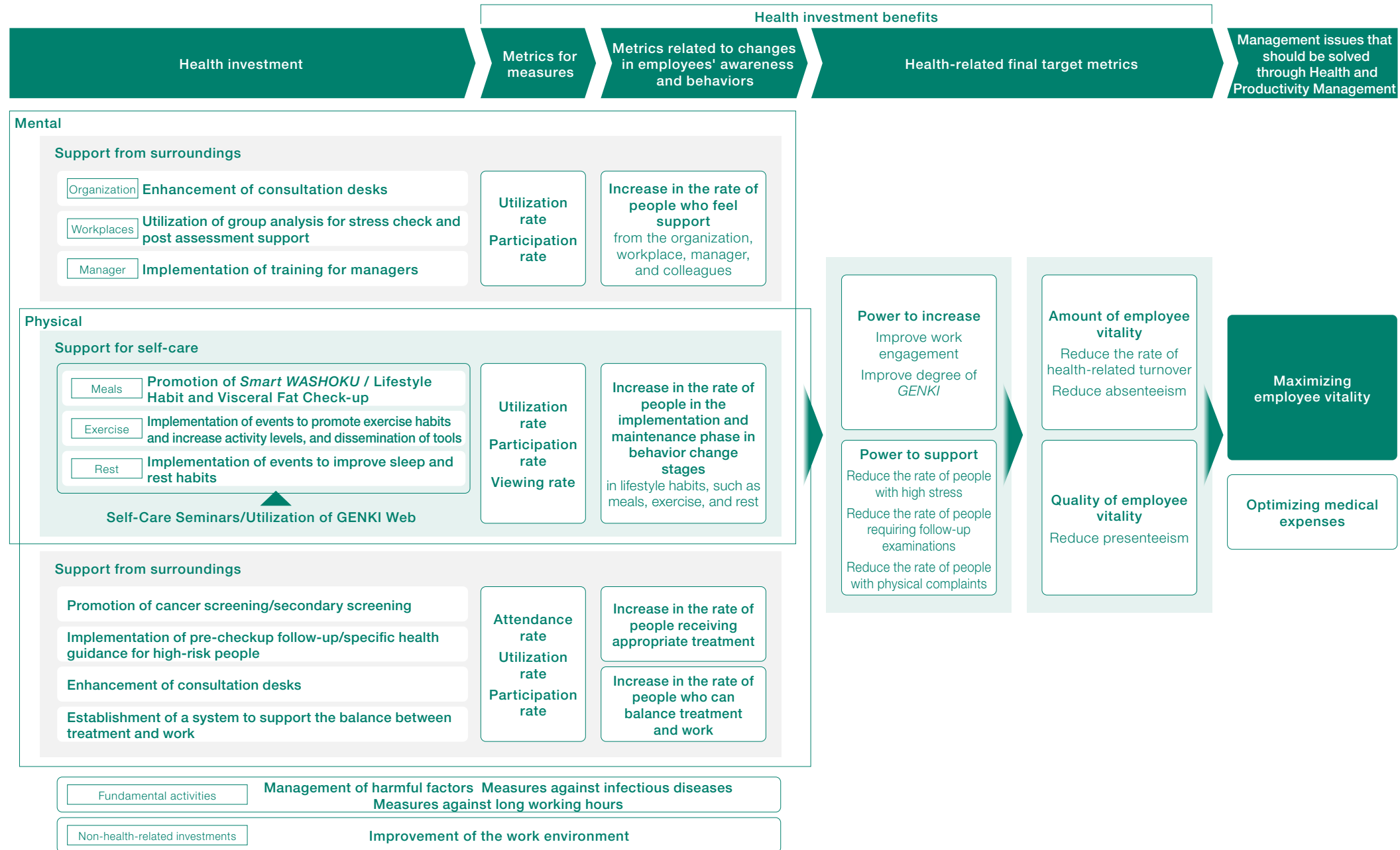
Along with promoting healthy bodies, we are striving for the expansion of reliable healthcare based on evidence from inside and outside the company for not only employees and their family but also for communities, workplaces and consumers.

Together we will realize healthy and enriched lives for all.



Health and Productivity Management Strategy MAP

The Health and Productivity Strategy Map shows the connections between the Health Declaration and the health support activities that form the basis of “maximizing employee vitality.”



(1) Improve employees' mental and physical well-being

Aiming to achieve the goals of the Mid-term Plan 2027 (K27), we will support the health of our employees both mentally and physically so they can continuously perform at a high level, and we will maximize the vitality of our employees.

Related initiative: [P243](#) Kao Group Health Day to nurture the health of employees and society

(2) Improve mental health through support focused on connections with organizations and people

To improve mental health, we will foster the ability of employees to notice changes in themselves and their colleagues and respond to them early, while also cultivating a culture of mutual support throughout the organization.

Related initiatives: [P243](#) Kao Group Health Day to nurture the health of employees and society, [P244](#) Initiatives to support mental health

(3) Promote autonomous self-care

We support the autonomous maintenance and promotion of health among our employees by developing and implementing health promotion programs that focus on the three pillars of diet, exercise, and rest, and that raise the interest and motivation of our employees.

Related initiatives: [P243](#) Kao Group Health Day to nurture the health of employees and society, [P254](#) Lifestyle habit improvement initiatives, [P246](#) Support for the health of employees and their families, [P246](#) Practical Program for Preventing Obesity at a public lecture by the Japan Society for the Study of Obesity

(4) Provide support for balancing work with health check-ups and treatment

In addition to improving the rate of regular health check-ups and disease prevention activities, we will also establish a support system that enables employees with illnesses to balance work and treatment. We will provide multifaceted support for employees, not only in terms of health management and prevention, but also in terms of health promotion and treatment support and create a workplace where employees with health issues can work with peace of mind over the long term.

Related initiative: [P245](#) Initiatives to support women's health

(5) Run consistent industrial health activities

We assign occupational physicians and nursing staff nationwide to promote evidence-based, steady occupational health activities together with the manager and staff of the HR section.

Related initiatives: [P245](#) Lifestyle habit improvement initiatives, [P246](#) Support for the health of employees and their families, [P246](#) Practical Program for Preventing Obesity at a public lecture by the Japan Society for the Study of Obesity

(6) Externally deploy good practices

We will widely communicate good examples of our company's initiatives to the outside company

through initiatives such as the Genki Project and contribute to the promotion of health in society and among consumers.

Related initiatives: [P243](#) Kao Group Health Day to nurture the health of employees and society, [P246](#) Support for the health of employees and their families, [P246](#) Practical Program for Preventing Obesity at a public lecture by the Japan Society for the Study of Obesity

Health White Paper

We summarize our annual health and productivity management activities in a Health White Paper and reflect on them.

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental, and social impacts.

Financial impact

- Improved labor productivity and reduced labor costs
- Appropriate investment in health measures
- Lower medical costs

Environmental and social impact

- Contribution to the healthy and enriched lives of employees and their families, partner companies, and society
- Sound regional healthcare finance
- Contribution to society through the external deployment of the results of health and productivity management
- Contribution to consumers and society through the stable and continuous provision of products and services

Strategic resilience

Kao is developing multifaceted measures centered on promoting the health of our employees, and is building resilience to deal with risks such as mental and physical health issues and increased medical expenses. By strengthening the system to comprehensively support everything from health checks to treatment support, and by reinforcing the foundation of occupational health, we will maintain the vitality of our employees and ensure the stability of the organization as a whole. This will enable us to remain a company that can respond to new growth opportunities, even when risks become apparent, and continue to operate stably.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to check the status of achievement of these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Score for “Vitality” in our employee engagement survey (perfect score: 100)	–	–	–	59	61	70	2030

Important metrics for Kao Health 2025

Strategy	Metrics	Results					Targets 2025
		2020	2021	2022	2023	2024	
(1) (2) (3) (4) (5)	Degree of GENKI (Rate of affirmative answers in the job stress assessment) (Male)	78.0%	77.8%	76.6%	78.2%	78.0%	80.0%
(1) (2) (3) (4) (5)	Degree of GENKI (Rate of affirmative answers in the job stress assessment) (Female)	77.6%	77.2%	78.1%	79.3%	80.5%	80.0%
(1) (3) (4) (5)	BMI level over 25 (Male)	28.5%	27.3%	27.6%	27.4%	–	26.0%
(1) (3) (4) (5)	BMI level over 25 (Female)	15.0%	14.7%	15.5%	16.4%	–	14.0%
(1) (3) (4) (5)	Smoking rate (Male)	26.0%	24.8%	24.8%	24.7%	–	21.0%
(1) (3) (4) (5)	Smoking rate (Female)	17.0%	15.6%	15.0%	15.0%	–	13.0%

Metrics for KLP Kao Actions

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1) (2) (3) (4) (5)	Average number of long-term absence days (days/people) * Starting from Japan	144 days	197 days	127 days	195 days	220 days	105 days	2030
(1) (2) (3) (4) (5)	Long-term absence rate per 1,000 employees * Starting from Japan	18.5*	23.2*	27.4*	25.6*	27.2*	0.12	2030

* Make partial corrections to results and revise to express in per-thousand rates

The score for employee vitality increased by two points.

The degree of GENKI is on the rise, and the number of employees who are lively, full of energy, and working with enthusiasm is increasing. The number of employees with a BMI of 25 or higher is increasing, particularly among women, and as obesity among the younger generation is also increasing, it is necessary to continue providing support for obesity. The number of smokers is decreasing among both men and women, but the number of smokers among men in their 20s is increasing, and it is thought that many employees start smoking after joining the company, so support for smoking cessation is required.

The average long-term absentee rate and the average number of lost long-term work days are both increasing. Looking at the breakdown of long-term absentees, the number of new absentees is decreasing, and the increase in the number of long-term absentees is due to an increase in the number of people continuing long-term absences. As a countermeasure, we will review support for balancing treatment and work, and support programs for returning to work.

The rate of people with high stress levels has been on a downward trend since bottoming out in 2020, and is generally being kept at around 9%. In particular, the rate of high-stress workers in their 30s and early 40s is high. On the other hand, the average number of long-term absence days (days/person) is on the rise, and the number of days of absence due to mental health issues in particular is increasing.

Key Health Metrics for Kao Group Employees in Japan

		2020	2021	2022	2023
Percentage of employees undergoing periodic health check-ups		100%	100%	100%	100%
Percentage of employees who underwent follow-up examinations		88.1%	92.6%	96.0%	97.1%
Percentage of employees undergoing continued therapy who are at high risk of diabetes		–	87.7%	87.1%	81.4%
Specific health guidance implementation rate (age 40 or older)		63.2%	71.2%	75.2%	73.4%
Percentage of employees who eat breakfast at least three times a week	Male	76.5%	75.8%	75.2%	74.4%
Percentage of employees who exercise at least once a week		60.3%	60.2%	61.0%	61.7%
Percentage of employees who walk for at least 60 minutes a day		55.6%	49.1%	50.8%	55.3%
Percentage of employees who get adequate sleep		63.8%	63.6%	63.3%	62.2%
Percentage of employees who do not smoke		74.0%	75.2%	75.2%	75.3%
Percentage of employees who do not drink alcohol every day		82.0%	82.1%	82.2%	82.2%
Percentage of employees with a BMI of 25 or higher		28.5%	27.3%	27.6%	27.4%
Percentage of employees engaged in improving their lifestyle habits		28.0%	28.3%	28.8%	29.0%
Percentage of employees who are at risk of developing metabolic syndrome (age 35 or older)		36.9%	33.8%	33.0%	33.2%
Percentage of employees receiving specific health guidance (age 40 or older)		22.4%	18.9%	18.2%	17.6%
Percentage of employees who eat breakfast at least three times a week	Female	76.3%	76.5%	75.4%	74.8%
Percentage of employees who exercise at least once a week		40.4%	41.0%	41.2%	41.8%
Percentage of employees who walk for at least 60 minutes a day		60.6%	56.2%	57.0%	60.4%
Percentage of employees who get adequate sleep		62.6%	61.7%	60.6%	59.2%
Percentage of employees who do not smoke		83.0%	84.4%	85.0%	85.0%
Percentage of employees who do not drink alcohol every day		90.6%	90.0%	70.8%	89.2%
Percentage of employees with a BMI of 25 or higher		15.0%	14.7%	15.5%	16.4%
Percentage of employees engaged in improving their lifestyle habits		21.2%	22.4%	22.9%	22.0%
Percentage of employees who are at risk of developing metabolic syndrome (age 35 or older)		8.9%	8.2%	8.5%	8.9%
Percentage of employees receiving specific health guidance (age 40 or older)		9.2%	8.1%	7.8%	8.0%

Investment in major health facilities

	Year	Category	Cases	Yen (tax excluded)
Improvement of lifestyle habits	2024	<i>Hoco Touch</i> usage fee		7,068,740
		Gait and visceral fat measurement	1,688	5,307,037
		<i>Smart WASHOKU</i> seminar		2,513,000
<i>GENKI</i> -WEB	2024	Meal analysis		1,800,000
		RenoBody		600,000
		Fee for system usage		5,136,000
<i>GENKI</i> point	2024	Items	7,154	16,800,156
		Donation to Heart Pocket Club	2,202	220,200
Walking event (for corporate citizenship)	2024	Blind soccer / Share / Care International / WHO	1,880	1,100,000
Subsidization in each worksite and area (Health Insurance Union PE-Aid)	2023	Health promotion business activities	115	9,402,182

Final health metrics in the Health and Productivity Management Strategy MAP

	Male				Female			
	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024
Degree of GENKI (being energetic, lively, bright)	77.8	76.6	78.2	78.0	77.2	78.1	79.3	80.5
Work engagement level	69.8	66.6	67.9	68.0	74.3	72.9	74.3	74.9
Absenteeism	5.1	6.2	8.5	6.5	6.1	8.9	10.9	8.6
Presenteeism	21.4	22.3	22.8	18.0	23.4	24.2	24.4	18.8
Job satisfaction	68.0	66.7	67.7	67.5	67.2	65.7	67.6	67.6
Life satisfaction	85.5	85.8	86.3	86.4	86.4	87.2	87.1	86.7

Method for calculating values:

- Degree of GENKI: Each response to the vitality question items, “I feel vivacious,” “I am full of energy,” and “I am active,” in the stress check is scored (4 points for “Almost always,” 3 points for “Often,” 2 points for “Sometimes,” 1 point for “Almost never”). The number of employees whose average score on the three questions corresponds to 2 or more points divided by the total number of employees who responded.
- Work engagement level: Each response to the work engagement question items, “I feel energized when I’m working,” and “I feel proud of my work,” in the stress check is scored (4 points for “yes,” 3 points for “fair,” 2 points for “somewhat different,” and 1 point for “no.”). The number of employees whose total score for the two questions corresponds to 5 or more points divided by the total number of employees who responded.
- Absenteeism: To the question, “During the past 12 months, how many days in total did you take off due to illness or health reasons?” the number of employees who responded eight or more days divided by the total number of employees who responded.
- Presenteeism: In response to the question, “If your work performance, which you can show when you are at your best condition with no mental or physical discomfort, is set at 100, how would you rate your job performance in the last month, using a scale from 0 to 100?”, the average of all employees who responded subtracted from 100. * “From FY2024, the question changed to be based on the SPQ (the University of Tokyo single-item edition). “Please rate your work over the past four weeks, with 100% being the level of work you can achieve when you are not sick or injured.”
- Job satisfaction: Each response to the stress check question, “I am satisfied with my job,” is scored. The percentage is calculated by dividing the number of employees who scored 3 or higher by the total number of respondents.
- Life satisfaction: Each response to the stress check question, “I am satisfied with my home life,” is scored. The percentage is calculated by dividing the number of employees who scored 3 or higher by the total number of respondents.

Deployment of Company-wide Health Promotion Activities (Japan)

Content of activities in 2024	2024 results	2024 Participant satisfaction level
42-day Weight-loss Challenge	2,388 participants (Achieved target: 36%)	54%
Pre-health check-up weight-loss challenge (One Month Program)	325 participants (Achieved target: 27.4%)	83%
Stop Smoking Challenge	62 participants (Of whom 32 were successful)	–
Quitting smoking online	13 participants	–
Waku Waku Walk Challenge	1,871 participants (Achieved target: 47.8 %)	81%
Video distribution of Gynecological Cancer Screening	1,598 viewers	99%
Relax & Recharge	3,972 participants	92%
e-learning for managers on Women’s Health	2,868 participants	89%
How I’ll spend the New Year’s holiday!	1,374 participants in the declaration, of whom 999 people achieved their target. Video viewed by 1,901 people.	94%
Women’s Health News	Published in January, April, July and October	–
GENKI Mori Mori Bulletin	Issue 6, published	–

Health Promotion Activities at Each Kao Office (Japan) (Events, seminars, campaigns, etc.)

Content of activities in 2024	2024 results
Related to lifestyle-related diseases: Nutrition seminars, strength tests, health fairs, lectures by occupational physicians, etc.	75 programs were held with a total of 14,045 participants.
Quitting smoking: Lectures, Stop Smoking Challenge, and more.	10 programs were held with a total of 1,019 participants.
For women: Women’s health seminars, change-of-life seminars, etc.	6 programs were held with a total of 1,571 participants.
Mental: Occupational physician lectures, sleep seminars, seminars for beauty advisors, new employees, newly promoted employees, etc.	18 programs were held with a total of 2,204 participants.
Senior Health: Slip-and-fall prevention seminars, etc.	2 programs were held with a total of 200 participants.

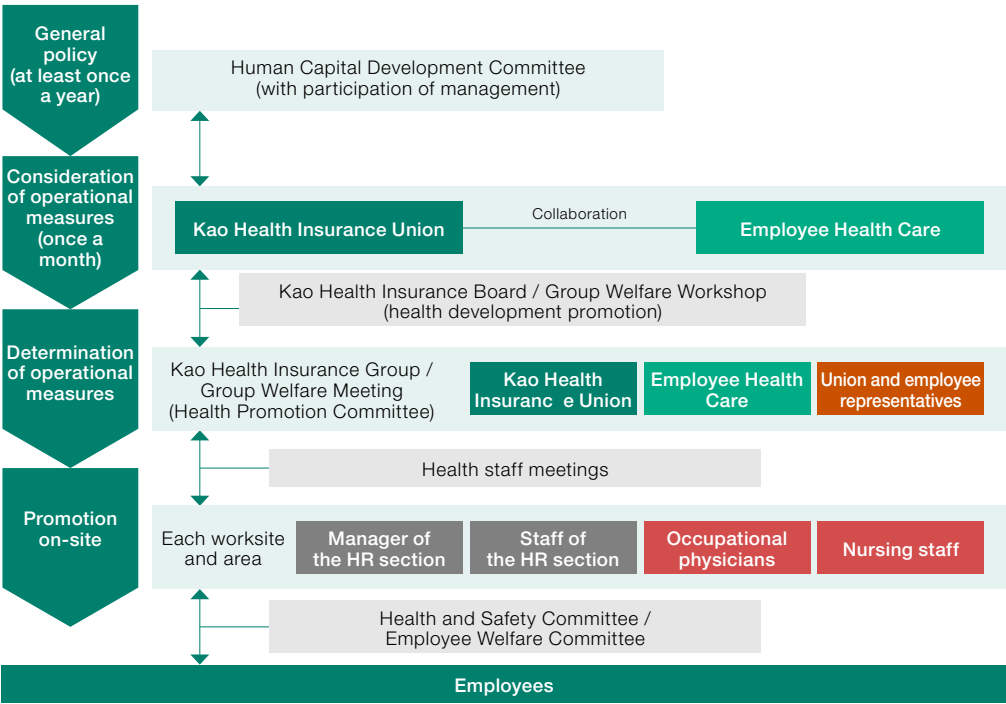
Governance

Under the supervision of the Board of Directors, the Human Capital Strategy is responsible for overseeing the division, and the senior executive officer in charge of the division is responsible for the overall management of the division. The formulation of health policy is deliberated on and approved by the Human Capital Planning Committee, which includes Directors and Executive Officers. The content is shared throughout the Group.

In Japan, the company and the health insurance association work together to consider and plan measures. In addition, the final decisions on key measures are made at Group welfare meetings attended by the director in charge, the person in charge of the Human Capital Strategy, and employee representatives, as well as at informal gatherings that include employee representatives. During the implementation stage of the formulated measures, the health practice managers and health practice staff assigned to each workplace and district play a central role in promoting the measures in collaboration with industrial physicians and nursing staff.

Furthermore, at our sites outside Japan, we are also developing a system for managing health based on the administrative policies of each country and region, while sharing information on initiatives in Japan.

Organizational structure



Risk and opportunity management

Management process

The status of our initiatives to address the risks and opportunities associated with Employee Wellbeing & Safety (Wellbeing) is managed through the following processes: planning, implementation, evaluation of results, and corrective action. We are working to make steady improvements.

P (Planning)

Set key targets based on the mid-term health plan, Kao Health 2025

D (Implementation)

Please see the initiatives (P243-247).

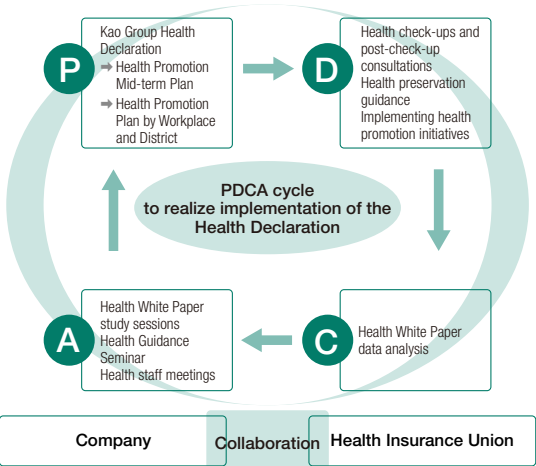
C (Evaluation of results)

Evaluation of health data and various KPI results, Workplace Occupational Health Best Practices Award.

A (Corrective action, review of targets and activities)

Corrective measures and updated activity plans are considered at the Health Staff Meeting and Group Welfare Meeting based on the results of activities. A report on the series of activities is given at Human Capital Planning Committee meetings.

Health Promotion Management System



Initiatives

Kao is engaged in a variety of initiatives aimed at Employee Wellbeing. These initiatives are based on the aforementioned strategies and are being promoted in collaboration with each other to achieve our targets. Here, we will introduce some of the important initiatives from among the many we are engaged in.

Strategy		Initiatives		
Overall health	(1) Improve employees' mental and physical well-being	The Director's message for Kao Group Health Day	Kao Group Health Declaration	<i>Waku Waku</i> Walk
Mental health care	(2) Improve mental health through support focused on connections with organizations and people	Job stress assessments	Line care training	Self-care training
Physical health	(3) Promote autonomous self-care	Lifestyle Habit and Visceral Fat Check-up Service	<i>Smart WASHOKU</i>	Running classes for employees and their families
	(4) Provide support for balancing health check-ups, treatment, and work	Health promotion videos and information distribution	e-learning for managers	Support for balancing treatment and employment
	(5) Run consistent industrial health activities	Industrial health system	Health Consultation Service	Health White Paper
Social health	(6) Externally deploy good practices	Health Day Consortium	<i>GENKI</i> -well Services	NAiBO®-eye

Kao Group Health Day to nurture the health of employees and society

Region: Global

Corresponding strategies: (1) (2) (3) (6)

Kao has designated April 7 as Kao Group Health Day to coincide with WHO World Health Day. Every year the company distributes the theme and the Director's message for the year to all employees, including those at sites outside Japan. The message is also sent to employees' families, with the aim of promoting health and supporting the enriched lives and health of people around the world.

In 2024, on the occasion of the Kao Group Health Day, Toru Nishiguchi, Representative Director and Senior Managing Executive Officer, made a health resolution to the people of the world.

 Kao | Kao Group Health Day (2024)
<https://www.kao.co.jp/genki/healthday/2024/>



My Health Resolution

Working with a smile

Toru Nishiguchi
Representative Director, Senior
Managing Executive Officer
Kao Corporation

In Japan, we held various events to coincide with Health Day. Initiatives included the My Health Resolution, in which each employee sets their own health targets; the *Waku Waku* Walk Challenge, a social contribution walking event that donates a total of 1 million yen in proportion to the number of steps taken; and the Gift for your Health campaign, in which employees send eye masks to their loved ones with messages wishing them good health. These activities created opportunities for employees to think about their own health and that of their loved ones.

Health Resolution



The Health Resolution is a program in which each employee sets a health target. It was rolled out at 34 locations, with 3,368 resolutions made. There were also 470 resolutions made on the website version.

Gift for your Health

Kao has also formed the Health Day Consortium, a community that carries out health promotion initiatives in the workplace and is working with other companies on health-related activities, such as sharing examples of initiatives and disseminating health information. On April 5th, the first Health Day Forum was held, with around 330 people in attendance. The results of the post-event questionnaire showed that 97% of participants understood the purpose of the Health Day activities. We are promoting activities to disseminate the importance of health and productivity management and the Health Day initiatives to a wide range of society, and to expand the scope of health and productivity management.



The first Health Day Forum took place. It was held in a hybrid format combining real and online elements, and around 330 people participated.

Initiatives to support mental health

Region: Japan

Corresponding strategy: (2)

Kao protects the mental health of each and every employee through stress checks and various training programs, while also supporting the improvement of each employee's mental health management capabilities.

Job stress assessments

We conduct annual stress checks for all employees with the aim of preventing mental health problems. In FY2024, 97.3% of all employees participated. Based on the results, we carry out early follow-up by occupational physicians and nursing staff, and also work to improve the workplace environment as necessary, promoting the creation of a workplace environment where employees can work with vitality.

Mental health courses

We support the improvement of stress management skills through mental health training so that each employee can manage their own health autonomously. In line care training, we provide a basic e-learning course for all managers, and in FY2024, 3,367 people participated. The post-training questionnaire showed that the overall comprehension rate was 95%, and the course supported the acquisition of skills in the roles of managers and how to deal with members. In addition, an advanced course was held by an external lecturer on the theme of "communication skills to revitalize the workplace inside and out." There were 2,588 participants, mainly managers. We worked to improve our members' ability to deepen their dialogue and communication with their colleagues at work. In addition, we held a self-care training program for all employees, with 30-minute training sessions held every other month on five themes (a total of 10 times), with a total of 3,268 employees participating. By providing each employee with the opportunity to learn stress management methods that suit them, we are supporting the reinforcing of employees' stress management skills.

Lifestyle habit improvement initiatives

Region: Japan
Corresponding strategies: (3) (5)

We held two challenge events aimed at helping employees enjoy losing weight in the lead-up to their health check-ups.

(1) Weight-loss challenge

This is an event aimed at losing 2 kg or more. We support healthy weight loss through the distribution of videos by external instructors on how to make exercise, nutrition and rest your allies, and through advice on how to build a body that is easy to lose weight in, using walk monitoring. In FY2024, 868 of the 2,388 participants achieved their goals.

(2) Pre-health check-up challenge

This is an initiative for employees aged 35 and over who, based on the results of their health check-up in FY2023, have a BMI of 25 or more or a waist circumference that meets the criteria (85 cm or more for men, 90 cm or more for women), and who aim to lose weight in the month before their health check-up. Using Kao's independently developed "One Month Program," we provide personalized advice tailored to the type of participant. In FY2024, 325 people participated and 89 people achieved their goals.



Initiatives to support women's health

Region: Japan
Corresponding strategy: (4)

Kao is implementing a variety of initiatives to support the health issues faced by female employees and create a working environment where they can work with peace of mind. As part of these initiatives, we have set up a Women's Health Consultation Service, and we are accepting consultations by email, with our occupational physicians responding to them in a considerate manner. With the consent of the person seeking advice, we work in cooperation with the relevant in-house counseling rooms to provide ongoing support from familiar occupational health staff. The number of consultations in FY2024 was 9.

In addition, to deepen understanding of women's health, we publish an in-house magazine called Kao Women's News once every three months.

In addition, a video was distributed by an occupational physician on the topic of "recommendations for gynecological cancer screening." The rate of breast cancer screening increased from 73.2% (2022) to 77.3% (2024), and the rate of cervical cancer screening rose from 64.8% (2022) to 69.5% (2024).

We also provide information on menopause, and continue to support each and every employee in creating a healthy and comfortable working environment.

Furthermore, 2,847 people participated in e-learning for managers in FY2024, and the post-implementation questionnaire showed a high level of understanding at 99%. Understanding of women's health is deepening throughout the organization.

We are also providing support for childcare by setting up nursing rooms in the workplace, among other measures.

Through these initiatives, Kao will create an environment in which female employees can work long-term while facing their own health with peace of mind.

[Kao Women's News]



Support for the health of employees and their families

Region: Japan

Corresponding strategies: (3) (5) (6)

The Kao Group is actively promoting the *Genki* Project, which provides its expertise in employee health promotion to local governments, companies, senior citizen facilities and other external organizations. We provide the *GENKI*-well service, which contributes to the realization of healthy bodies and *GENKI* well-being lifestyles for employees and their families, as well as for people in the local community and the workplace.

<GENKI-well Services>

Lifestyle Habit and Visceral Fat Check-up Service (lifestyle habit analysis and visceral fat measurement)

This service helps to enhance awareness of the need to improve lifestyle habits by digitalizing and displaying the results obtained through a survey of lifestyle habits and measurements of visceral fat, which tends to be affected by lifestyle habits.

- Number of sites: Held at 10 workplaces and 8 branch offices.
- Number of participants: Approximately 1,700 people total



Gait Measurement Session and *Hoco Touch*®

Gait measurement analyses how employees walk and makes it possible to gauge their “walking age” and any risks they may face in the future. We also rent out *Hoco Touch*® pedometer devices, a unique device developed by Kao that can motivate people to make improvements in their daily living habits.

- Number of implementation sites: 4 worksites
- Number of participants: Approximately 650 people total
- Number of *Hoco Touch*® units rented: 8,665 people (86 spot locations)



GENKI-well

Smart WASHOKU®

We are continuing our initiatives to make employees and their families more aware of *Smart WASHOKU*®, a dietary method developed by Kao that leads to less visceral fat accumulation while ensuring sufficient nourishment. We hold regular online and in-person cooking classes, and offer *Smart WASHOKU* lunches at the employee cafeterias. In addition, we are supporting dietary improvements at our Kayaba, Sumida, and KCMK locations by distributing recipe cards.



Running classes for employees and their families

In March 2024, the Kao track and field team, Employee Health Care, and *GENKI* Project jointly held a running class at a track and field stadium in Tokyo, with a total of 77 employees and their children participating.

Together with the runners who competed in the New Year Ekiden, we held running events and sprinting classes for elementary school students. We had a great time learning the tricks of the trade and experiencing the speed of the runners.



Practical Program for Preventing Obesity at a public lecture by the Japan Society for the Study of Obesity

Region: Japan

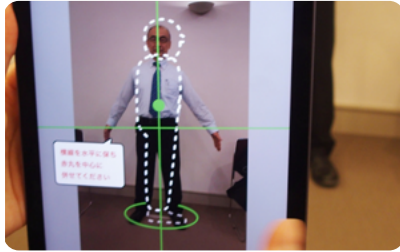
Corresponding strategies: (3) (5) (6)

At the 45th Japan Society for the Study of Obesity Public Lecture (hosted by the Japan Association for the Prevention of Obesity), Kao's *GENKI* Project implemented an Obesity Prevention Practice Program. In this program, we used *NAiBO*®-eye, a device developed by Kao that can quickly measure visceral fat (as a rough guide) by simply taking a photo

with a smartphone, to measure the visceral fat of the participants.

Through this initiative, which makes it possible to measure the size of visceral fat, which is usually difficult to measure, the participants commented, “I’m glad I was able to find out the size of my visceral fat. I want to use this as a chance to improve my lifestyle.”

Measurement sessions using NAiBO®-eye are also suitable for large-scale health promotion in local communities and workplaces, and are expected to be a tool that motivates participants to aim for a healthy lifestyle.



Employees’
opinions

Creating opportunities for behavior change



Yuki Ishida
Employee Health Care, Human
Capital Strategy,
Kao Corporation

With a variety of ways of working and lifestyles, the actual state of each employee’s health initiatives (health awareness) is diverse.

With the Kao Group Health Day as the focus, we provide an opportunity for people to think about their own health, make a Health Resolution, and encourage them to make autonomous changes in their behavior.

In addition to walking, the walking event also promotes participation from new angles, such as a competition between donation recipients, and by using the Hoco Touch (pedometer with a built-in accelerometer) developed by Kao. The Hoco Touch visualizes not only the number of steps taken, but also the quality of walking and the amount of activity. We would like to see participants gain further awareness and make autonomous changes in their behavior.

We also have high hopes that all employees will realize that mental and physical health are linked to the mental health of their loved ones.

Through various health promotion activities, we will continue to provide opportunities for our valued employees to lead vibrant lives while feeling the vitality of change and the joy of experiencing it, both in the present and future.



Stakeholder engagement

Expectations for the possibilities of health support pioneered by Kao

Yoshiko Sano

Registered Dietitian,
Comprehensive Health Check-up
Promotion Center,
Japan Anti-Tuberculosis Association

Evaluation of Kao's initiatives

Currently, as a member of the prefectural health project support and evaluation committee, I give advice on the development of health projects that take the PDCA cycle into account. As a result, I have many opportunities to interact with the people in charge of projects at local governments and the professionals at corporate health insurance associations through health guidance training sessions, and I have come to realize that even for the same project, the issues are diverse depending on the scale of the local government and the characteristics of the region, and that even for companies in the same industry, health issues are not uniform.

In today's society, with the aim of promoting health and productivity management, there is a push to visualize health management using data. The Data Health Plan is being recommended as a way to achieve this in a concrete way, but in workplaces with limited human resources and budgets, this is causing a capacity overload. The KDB (National Health Insurance Database) system has been put in place, and we have been able to reach the health issues of residents, but the next urgent task for local governments is to implement and evaluate efficient and effective health projects in line with this.

Kao provides a variety of health support tailored to the health issues of different regions and workplaces. In this context, we are focusing on and evaluating the Health Promotion Program in Collaboration with Private Companies in Fukushima Prefecture, a collaborative project with stakeholders, and the Genki! All the Time Project, to reduce the need for care to be provided, a collaborative project between local government authorities and the private sector in Toyota City, Aichi Prefecture. For local governments whose mission is

to "increase the number of elderly people who can live independently," there is a definite need for support for projects targeting the elderly in the local community with the keyword Vitality. In light of this, we hope to continue utilizing Kao's health promotion solutions to establish a collaborative method between companies and local governments, as well as to disseminate further examples.

Expectations for Kao

Every year, when you receive the results of your health check-up, you must have questions like "Why is my HbA1c level so high when my BMI is less than 25.0 kg/m?" "Why do they keep telling me my liver function is poor even though I don't drink alcohol?" "My diet and exercise habits haven't changed, but my test results have worsened." "I've been dieting, but I can't lose any weight." However, because there is no place to resolve these issues, most people end up doing nothing about them. As the initial interview early points were introduced in the fourth-term specific health guidance, responding to such questions is an excellent opportunity to motivate people to improve their lifestyles, and we believe that using the results of health check-ups is an important indicator in supporting people to "view their health issues as their own." We would like Kao to consider enhancing this "thorough follow-up after health check-ups" item.

We believe that the following initiatives, which are designed to increase the number of people in the action change stage of the behavior change model, will have a synergistic effect: providing health information and making visceral fat visible; promoting the spread of *Smart WASHOKU*; and promoting and making visible the recording of walking quality and activity levels. We are looking forward to seeing the results.

Employee Wellbeing & Safety: Safety

GRI 403-6

We are committed to thorough occupational health and safety management so that all people working at Kao, including those from subcontractors at manufacturing sites, can work safely and with peace of mind. We protect our employees from accidents and disasters that may occur during business activities, leading to high employee vitality and consistent business activities.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact	
• Suspension of operations or damage to corporate value due to serious accidents or occupational illnesses • Legal issues and litigation risks arising from workplace accidents	Occupational safety and health	(1) Eradicate occupational accidents	Metrics	Targets	2024 results	Improving safety awareness with the award system for no accidents that cause lost work days (1)	• Improved labor productivity and lower labor costs • Rationalized medical expenses	
			Lost-time Frequency Rate (per million hours worked) (1)	0.15 2030	0.83			
			Deaths and loss-of-function accidents (1)	0 each year	0			
				(2) Prevent traffic accidents while on duty	Percentage of bases recognized for no accidents that cause lost work days (1)	–	31%	Sharing safety messages globally (1)
			Work-related traffic accidents 100%-negligence accidents causing bodily injury (2)	0 2030	4			
			(3) Create a pleasant working environment				Assessing risk for chemical substances (3)	
Opportunities		(4) Promote occupational health and safety for subcontractors at manufacturing sites				Making a comfortable work environment for employees (3)		

Walking the Right Path

Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

> Employee Wellbeing
& Safety

Responsible
Chemicals
Management

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Strategy

In the quest to reduce risks and create opportunities for employee wellbeing and safety (safety), we are implementing strategies that are unique to Kao, are effective, and contribute to business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, we must have a firm grasp of social issues. Understanding social issues will not only mitigate business risks for Kao, but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Health concerns and an increase in workplace accidents among an aging workforce
- Growing focus by investors and the government on revitalizing human resources
- Workplace accidents and incidents caused by inadequate working conditions

■ Risks and opportunities

In this business environment, which includes the social issues outlined above, Kao is facing various risks but also identifying new business opportunities. Identifying these risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Suspension of operations or damage to corporate value due to serious accidents or occupational illnesses
- Legal issues and litigation risks arising from occupational accidents

Opportunities

- Improving resilience by revitalizing employees and workplaces through a safe and secure working environment and by retaining human resources

■ Strategy

In response to the identified risks and opportunities, Kao has formulated the following strategies. We are creating a safe working environment where employees can work with peace of mind by introducing an ISO management system that goes beyond the basics of occupational safety, improving the workplace environment through a comprehensive approach that includes subcontractors at manufacturing sites, and integrating the expertise we have accumulated globally in occupational health and safety management with a system that allows each plant to manage itself autonomously. This will strengthen maximization of employee power and potential set out in the Mid-term Plan K27.

(1) Eradicate occupational accidents

We aim to eliminate occupational accidents by identifying risk factors at each workplace and thoroughly implementing preventive measures through a precise approach tailored to the characteristics of each employee's work. This will help to maximize the power and potential of employees and lead to the realization of the Mid-term Plan K27.

Related initiatives:  Improving safety awareness with the award system for no accidents that cause lost work days,  Sharing safety messages globally

(2) Prevent work-related traffic accidents

Raise employee awareness through traffic safety education and other means, and promote the development of a safe transportation environment, thereby reducing the risk of work-related traffic accidents.

(3) Create a pleasant working environment

Comply with the work environment standards and laws of each country, and conduct work environment management and chemical substance risk assessments. In this way, we will improve the work environment company-wide, and create a work environment where employees can work comfortably and with peace of mind.

Related initiatives:  Improving safety awareness with the award system for no accidents that cause lost work days,  Sharing safety messages globally,  Risk assessments for chemical substances,  Creating a pleasant working environment for employees

(4) Promote occupational health and safety for subcontractors at manufacturing sites

Apply Kao's occupational health and safety standards to subcontractors at manufacturing sites, and promote occupational health and safety not only for our own employees but also for all people working at Kao. Create a safe and sustainable supply chain through a comprehensive approach that includes subcontractors.

Related initiative:  Sharing safety messages globally

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1)	Lost Time Frequency Rate (per million hours worked)	0.53	0.64	0.65	0.71	0.83	0.15*1	2030
(1)	Average number of lost long-term work days (days/people) * Starting from Japan	146	197	182	195	220	105	2030
(1)	Ratio of employees who have lost long-term work days per 1,000 employees * Starting from Japan	18.5*2	23.2*2	28.7*2	25.6*2	27.2*2	0.12	2030

*1 Change of metrics and target value

*2 Make partial corrections to results and revise to express in per-thousand rates

Each occupational safety target was set by backcasting from the goal of being at the global top level by 2030, and we have almost achieved our goal of cutting the number of deaths and loss of function accidents to zero as planned. However, the other targets have not been achieved or are delayed, as the number of accidents has not been reduced as planned. Therefore, the targets for occupational safety that have been delayed (lost time accident frequency rate and total accident frequency rate) were reviewed again in 2025 and reset. We will also aim to achieve this goal by implementing various initiatives for employee safety, as described later.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(4)	Percentage of bases recognized for no accidents that cause lost work days	33%	35%	31%

We aim to have no accidents with lost work days and to continue to increase the number of sites that are eligible for awards, but the number is not increasing as we would like. We will continue to work to further improve safety awareness.

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Improved labor productivity and lower labor costs
- Rationalized medical expenses

Environmental and social impact

- Contribution to the healthy and fulfilling lives of employees and their families, subcontractors, and society.
- Sound regional healthcare finances

Strategic resilience

We are promoting initiatives to create a safe and comfortable working environment, and are preparing for the increase in health and safety risks due to the aging of our employees. These strategies will enable us to minimize the risk of occupational accidents and illness while maintaining the vitality of our employees, and to ensure business continuity and maintain corporate value.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and are steadily promoting initiatives by utilizing the PDCA cycle to check the status of achievement of these targets.

2024 targets and performance (Kao Group)

Item	Indicator	Boundary		2021	2022	2023	2024	
				Results	Results	Results	Target	Results
Occupational accidents	Death / loss of function*1 (persons)	Including both regular employees and temporary workers (Kao Group) ☒		0	1	0	0	0
		Breakdown	Japan	0	1	0	–	0
			Asia	0	0	0	–	0
			Americas	0	0	0	–	0
			Europe	0	0	0	–	0
		Subcontractors (Kao Group) ☒		1	0	0	0	0
		Breakdown	Japan	0	0	0	–	0
			Asia	1	0	0	–	0
			Americas	0	0	0	–	0
			Europe	0	0	0	–	0
	Lost time accidents frequency rate*2	Including both regular employees and temporary workers (Kao Group) ☒		0.64	0.65	0.71	0.27 or less	0.83
		Breakdown	Japan	0.46	0.51	0.58	–	0.63
			Asia	0.38	0.33	0.27	–	0.20
			Americas	4.40	1.91	2.49	–	3.24
			Europe	1.50	2.26	2.25	–	2.75
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)		0.41	0.43	0.47	–	–
		Subcontractors (Kao Group) ☒		0.23	0.77	0.63	0.16 or less	0.47
		Breakdown	Japan	0.38	1.28	0.80	–	0.63
			Asia	0.14	0.12	0.29	–	0.00
			Americas	0.00	6.20	3.11	–	1.93
			Europe	0.00	3.57	1.18	–	5.27
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)		0.64	0.60	0.73	–	–

*1 Loss of function accident: Accidents in which there is a continued loss of physical function after treatment for the injury has been completed (with a loss of physical function of Level 5 or higher)
*2 Lost time frequency rate: 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)

Item	Indicator	Boundary		2021	2022	2023	2024	
				Results	Results	Results	Target	Results
Occupational accidents	Total accident frequency rate*3	Including both regular employees and temporary workers (Kao Group)		1.82	1.75	1.82	0.81 or less	2.09
		Breakdown	Japan	1.73	1.84	1.89	–	2.13
			Asia	0.95	0.65	0.61	–	0.47
			Americas	8.00	3.19	2.49	–	4.57
			Europe	2.44	3.20	2.25	–	4.90
		Subcontractors (Kao Group)		1.07	1.39	1.41	0.47 or less	1.20
		Breakdown	Japan	1.78	2.85	2.60	–	1.88
			Asia	0.55	0.18	0.44	–	0.41
			Americas	0.00	6.20	4.66	–	1.93
			Europe	2.50	4.76	1.18	–	5.27
	Severity rate*4	Including both regular employees and temporary workers (Kao Group)		0.01	0.11	0.02	–	0.02
		Breakdown	Japan	0.01	0.15	0.01	–	0.01
			Asia	0.01	0.00	0.00	–	0.00
			Americas	0.12	0.07	0.10	–	0.06
			Europe	0.02	0.03	0.08	–	0.09
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)		0.01	0.07	0.04	–	–
		Subcontractors (Kao Group)		0.30	0.02	0.02	–	0.02
		Breakdown	Japan	0.03	0.04	0.03	–	0.04
			Asia	0.52	0.00	0.01	–	0.00
			Americas	0.00	0.08	0.02	–	0.02
			Europe	0.00	0.26	0.01	–	0.05
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)		0.15	0.04	0.22	–	–
Traffic accidents	Number of employees who experienced lost work days due to occupational illness (persons)	Including both regular employees and temporary workers (Kao Group) ☒		0	0	0	0	2
		Breakdown	Japan	0	0	0	–	1
			Asia	0	0	0	–	0
			Americas	0	0	0	–	0
			Europe	0	0	0	–	1
	100% negligence accidents causing bodily injury (no. of accidents)	Sales and logistics (Japan)		3	5	3	0	4
	Accidents other than 0% negligence accidents per 100 vehicles*5			4.63	5.01	5.90	7.3 or less	5.60

*3 Total accident frequency rate: Number of persons injured in occupational accidents (including accidents without lost work days) per million hours worked
*4 Severity rate: Number of lost days / total working hours × 1000
*5 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

Targets for 2025 (Kao Group)

To become a company that meets top-level occupational safety and health criteria on a global basis by 2030, we have set ourselves the target of striving to prevent accidents and disasters, and are implementing activities based on the backcasting of accident and disaster prevention. The target values for occupational accidents and traffic accidents have been revised based on actual results. The target for traffic accidents is only for Japan.

Item	Scope	Indicator	2025 target
Occupational accidents	Regular employees and temporary workers	Death/loss of function*1 (persons)	0
		Lost time frequency rate*2	0.57 or less
		Total accident frequency rate*3	1.47 or less
	Subcontractor employees	Death/loss of function*1 (persons)	0
		Lost time frequency rate*2	0.26 or less
		Total accident frequency rate*3	0.67 or less
	Regular employees and temporary workers	Number of employees who experienced lost work days due to occupational diseases (persons)	0
Traffic accidents	Sales and logistics	100% negligence accidents causing bodily injury (no. of accidents)	0
		Accidents other than 0% negligence accidents per 100 vehicles*4	5.0 or less

*1 Loss of function accident: Accident leading to a continued loss of physical function (loss of physical function rated Level 5 or above) after treatment for injury

*2 Lost time frequency rate: 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)

*3 Total accident frequency rate: Number of injuries of all types (including those resulting in lost time) due to occupational accidents per million hours worked

*4 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

Governance

Under the Board of Directors' supervision, the Corporate Strategy Division is the lead division in charge, and the Senior Executive Officer in charge of overseeing the division is responsible for the project. The Responsible Care Promotion Committee, chaired by the Managing Executive Officer in charge of the Corporate Strategy Division, meets once a year to formulate policies related to employee safety, plan for the next fiscal year, evaluate performance, and consider improvement measures. Matters decided by the committee are reported to the Internal Control Committee and reflected in company-wide improvement activities.

 Responsible Care (RC) activities
https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/our_foudations2025-e-02.pdf

Risk and opportunity management

■ Policies

In implementing its Employee Wellbeing & Safety (Safety), Kao has established the following policies as guidelines for its daily operations and decision-making. For details, please see the website.

-  Basic Principle and Basic Policies on Environment and Safety
<https://www.kao.com/global/en/sustainability/klp/policy/environment-safety-policy/>
- Kao Group Responsible Care Policy
<https://www.kao.com/global/en/sustainability/klp/policy/responsible-care-policy/>

■ Management process

The status of our initiatives to address the risks and opportunities associated with Employee Wellbeing & Safety (Safety) is managed through the following processes: planning, implementation, evaluation of results, and corrective action. We are working to make steady improvements in each.

P (Planning)

Responsible Care (RC) activities

D (Implementation)

Please see our initiatives (P253-255)

C (Evaluation of results)

Supervision (August), self-inspection (July, December)

A (Correction)

Self-inspection (November), discussion of divisional targets (December)

■ Initiatives

Kao is engaged in a variety of initiatives aimed at Employee Wellbeing & Safety (Safety) . These initiatives are based on the aforementioned strategies, and are being promoted in collaboration with each other to achieve our targets. Here, we will introduce some of the important initiatives from among the many we are engaged in.

Category		Initiatives		
Occupational safety and health	(1) Eradicate occupational accidents	Promoting activities to prevent occupational accidents	Sharing safety messages globally	Holding regular meetings with sales companies
	(2) Prevent work-related traffic accidents	Traffic safety education	Holding regular meetings with sales companies	
	(3) Create a pleasant working environment	Improving safety awareness with the award system for no accidents that cause lost work days	Assessing risk for chemical substances	Health and Safety Committee
	(4) Promote occupational health and safety for subcontractors at manufacturing sites	Awards for subcontractors at manufacturing site	Holding regular meetings with subcontractors at manufacturing sites	

Improving safety awareness with the award system for no accidents that cause lost work days

Region: Global

Corresponding strategies: (1) (3)

Kao has introduced a system of awards for no accidents that cause lost work days to raise employee safety awareness and prevent occupational accidents in the workplace. In 2016, the scope of this system was expanded from plants in Japan to plants outside Japan as well. In addition, in 2021, we reinforced our initiatives by adding sales companies and logistics companies in Japan, where there are many occupational accidents, to the list of companies eligible for safety awards (awards for no accidents that cause lost work days and awards for traffic safety).

In 2024, two domestic plants, four overseas plants, and seven logistics bases received awards in recognition of their record of zero accidents. However, of the 32 manufacturing sites, only 11 had been accident-free for more than three years as of the end of 2024—fewer than half — and none had been accident-free for more than 10 years. In addition, none of the sales companies achieved zero accidents during 2024.

Based on these issues, we will work to further improve safety awareness by promoting these initiatives.

Award criteria

Stage	Plant		Sales and Logistics Number of years with no accidents	
	Number of years with no accidents	Time with no accidents	100 people or more	Fewer than 100 people
1	3	–	3	5
2	5	5.4 million hours	5	10
3	7	8.1 million hours	7	15
4	10	12.2 million hours	10	25
5	15	18.3 million hours	15	–
6	25	30 million hours	25	–

Award system for no accidents that cause lost work time (Plant, 2024)

Country	Company / Plant	Stage
Japan	Kawasaki Plant	3
Thailand	Kao Industrial (Thailand)	
Indonesia	Kao Indonesia (Cikarang Plant)	
Japan	Tochigi Plant	2
Indonesia	Kao Indonesia (Karawang Plant)	
Vietnam	Kao Vietnam	1

Award system for no accidents that cause lost work days (Sales companies and logistics companies 2024.)

Company	Region / Office	Stage
Kao Transport & Logistics	Nagoya West LC	2 (10 years)
	Kawagoe LC	2 (5 years)
	Inazawa LC	
	Aomori LC	
	Koushoku LC	1 (5 years)
	Yonago LC	
	Chigasaki C	1 (3 years)

Sharing safety messages globally

Region: Global

Corresponding strategies: (1) (3) (4)

With the aim of raising safety awareness globally, since 2017 Kao has been producing safety posters featuring the company president. These posters display the safety slogan translated into local languages at our worksites outside Japan, and these are being rolled out at worksites inside and outside Japan. Starting in 2018, safety poster slogans

were collected and selected globally as a way to encourage employees to take the initiative in raising awareness of safety activities. In 2024, the slogan proposed by Kao Specialties Americas was selected as the best entry, and safety posters using this slogan were distributed and displayed at Kao affiliates both inside and outside Japan.

Going forward, we will continue to promote activities aimed at raising safety awareness on a global scale, and will work to foster a corporate culture in which all employees think of safety as the top priority.



The safety poster featuring the President & CEO was deployed in 12 different local languages. Left to right: Japanese, English, Thai, Chinese (Simplified).

Risk assessments for chemical substances

Region: Global

Corresponding strategy: (3)

Kao handles a wide variety of chemical substances at its manufacturing plants, and there is a non-zero risk of impact on the human body or pollution of the natural environment. Therefore, Kao evaluates the impact of chemical substances on people and the environment, and takes measures to minimize risk. When making changes to facilities or raw materials within our plants, we have a process in place to assess the impact of chemical substances beforehand. These initiatives are carried out in accordance with the policies of GFC (Global Framework on Chemicals - For a Planet Free of Harm from Chemicals and Waste), an international chemical substance

management framework. Through this, we aim to eliminate occupational accidents and reduce environmental impact.

Going forward, we will also work to expand the range of substances subject to risk assessment, and strive to ensure even higher levels of safety and environmental protection.

Creating a pleasant working environment for employees

Region: Global

Corresponding strategy: (3)

Kao is committed to ensuring that all workplaces are comfortable and safe environments for employees. To ensure compliance with the working environment standards and related laws and regulations of each country, we regularly measure the working environment in order to maintain and improve it.

These activities not only protect the health and safety of our employees, but also help to reduce the number of occupational accidents. We will continue to strengthen our compliance and review our environmental management processes so as to further improve the workplace environment.



Regular safety patrols with partner companies
(Quimi-Kao, S.A. de C.V., Mexico)

Employees'
opinions

Safety initiatives that take advantage of diversity



Naoto Kato
Manager in charge of Equipment Technology,
Safety, and the Environment
Regional Service Center, Toyohashi Plant
Kao Corporation

In 2024, the Toyohashi office received the JCIA Safety Excellence Award from the Japan Chemical Industry Association in 2024. This award is the result of the strong performance of our safety initiatives, so I would like to express my sincere gratitude to everyone involved.

One of this office's features is that people from diverse backgrounds, including subcontractors' employees, work together as one. We are making the most of this diversity and promoting various measures to raise the safety awareness of all employees.

For example, the plant manager personally communicates with employees and subcontractors every morning in front of the office as part of the "Welcome to a Safe Workplace" initiative, and we also carry out regular safety patrols with subcontractors. There is also a system for recognizing the good conduct of employees and subcontractors alike. These activities have been carried out continuously as an essential part of improving safety across the Toyohashi Plant as a whole.

Going forward, we will keep striving to further deepen our safety culture, with the aim of creating a workplace environment where all employees can work with peace of mind.

Employees'
opinions

Creating a sustained safety culture



Eric Danowski
EH&S Specialist
Kao Collins, Inc.

Julie DelRosario
EH&S Specialist
Kao Collins, Inc.

Reflecting on the past six years, our employees have grown into those who truly care about their safety and those around them. Changing how employees think and work does not come overnight. When production competes with safety, an employee most of the time will choose to be more productive. Fixing this means getting employees actively engaged in safety. At Kao Collins, we work with different departments, levels, and committees to engage as many employees as possible. Departments get representation on policy changes that might affect them and with that engagement, employees are more likely to accept policy changes. The implementation of our new software platform to track and identify safety conditions has allowed us to be proactive in creating safe work environments. We continue to expand employee engagement and use of new technologies to make Kao Collins a safe and pleasant working environment.

Responsible Chemicals Management

We fully leverage our long-standing expertise in chemicals management and our global network to reduce risks to human health and the environment throughout the product lifecycle and ensure public safety.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact	
- Procurement of chemical raw materials strained due to resource depletion and rising prices - Tightening of chemicals management regulations driving up compliance costs - Consumer and employee health issues, diminished public trust in companies causing environmental impacts and lawsuits from local communities and NGOs due to improper chemical use and management practices	Development	(1) Minimize environmental impact throughout the product lifecycle	Metrics	Targets	2024 results	Develop products and processes with reduced environmental impact (1)	- Growth of business by differentiating chemical products (those using sustainable chemicals, etc.), enhancing competitiveness and earning consumer trust through dialogue - Reduced compliance-related costs - Reduced costs spent on reputational risk countermeasures by building trust with stakeholders	
			CO2 emission reduction rate for the entire lifecycle (1)	-22% 2030	-15%			
	Evaluation and management	(3) Optimize risk assessment methods for efficient chemicals management	Active information provision to reduce the environmental impact of products and technologies (1)	At least one award each year	Once	Kao's proprietary alternative safety testing method becomes an international standard (3)	Earning investor trust to encourage investment and drive business growth	
			Evaluated Kao priority assessment substances (3)	21 substances 2030	10 substances			
		(6) Foster community safety and peace of mind by having zero chemical accidents	Number of risk evaluation categories using animal-free testing methods (3)	1 category each year	1 category	Communication with local residents (6)		
			Percentage of areas where the impacts on health, environment and safety from chemicals are managed responsibly and sustainably while considering their stages from raw material procurement to disposal (6)	100% each year	96%			
	Opportunities - Mutual understanding and peace of mind on chemicals management from consumers and customers feel safe and become supportive through dialogue on chemicals management, in turn leading to enhanced corporate value and business growth - Use of innovative chemicals to differentiate products and secure advantages for further business growth - Optimized chemical assessment and management practices to maintain stable business operations and ensure the safety of raw materials and products	Communication	(2) Promote the disclosure of chemical information and communication with stakeholders	Continue building a comprehensive management system for environmental and safety information related to chemicals (6)	—	System development in progress	Communication with the next generation through university lectures (2)	Environmental and social impact - Contributed to management efficiency across the world by optimizing (and standardizing) risk management methods for chemicals - Ensured the human health of local communities and consumers and the sound environment
				Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage our consumers and customers (2)	100% 2030	48%		
				Formulated policies for using ingredients of particular interest to society and regulatory concerns, and created a plan for reducing the use of such ingredients, by applying the information in the Comprehensive Management System for Chemical Substances (2)	30 ingredients 2030	23 ingredients		
				Number of chemical-related engagements with stakeholders (2) (6)	—	9 times		
External collaboration		(4) Strengthen collaboration with the value chain for effective chemicals management	Number of student communication and class packages using consumer-centered approaches (2)	—	2 times	Providing information on chemicals in products (4)	- Improvement of stakeholders' chemical literacy - Prevented health issues among employees and fostered a secure workplace environment - Contributed to stable value chain operation and business continuity - Contributed to a sustainable society by helping to optimize national policies	
			Number of updates to information on chemicals contained in products provided to customers (4)	—	2 times	GHS-compliant SDS and product labeling (4)		
		(5) Work closely with government and industry in developing chemicals management policies	Number of public consultation responded to about regulatory tightening and GFC*1 implementation (5)	—	4 times	Information provision and sharing via a private network (4)		
			Continued chemical-related risk communication with government agencies (5)	—	Ongoing JCIA RC Award received	Collaboration with industry organizations (4) (5)		
			Number of chemical-related information exchanges with government agencies (5)	—	5 times	Collaboration with administrative bodies (5)		

* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.
*1 GFC: Global Framework on Chemicals. An international framework for chemicals management throughout their lifecycle.

Walking the Right Path

Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

> Responsible
Chemicals
Management

Strategy

To reduce risks and create opportunities for responsible chemicals management, we are implementing strategies that are unique to Kao, effective, and contribute to business growth and solving social issues.

■ Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao but will also be an important starting point for identifying new business opportunities that will drive growth. Based on this, Kao recognizes the following social issues related to this theme.

- Improper use of chemicals as a contributing factor to the “planetary triple crisis” (climate change, pollution, biodiversity loss) identified by the United Nations
- The duality of chemicals: convenience and health and environmental risks resulting from improper management
- Growing demand for transparent information disclosure due to increased consumer awareness of product and raw material safety.
- Inappropriate use of chemicals that pose health risks to consumers and employees

■ Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

Risks

- Procurement of chemical raw materials strained due to resource depletion and rising prices
- Tightening of chemicals management regulations driving up compliance costs
- Consumer and employee health issues, diminished public trust in companies causing environmental impacts and lawsuits from local communities and NGOs due to improper chemical use and management practices

Opportunities

- Mutual understanding and peace of mind on chemicals management from consumers and customers feel safe and become supportive through dialogue on chemicals management, in turn leading to enhanced corporate value and business growth
- Use of innovative chemicals to differentiate products and secure advantages for further business growth
- Optimized chemical assessment and management practices to maintain stable business operations and ensure the safety of raw materials and products

■ Strategy

To address the identified risks and opportunities, Kao has developed the following strategies. To achieve the ultimate goal of to become an essential company in a sustainable world, as outlined in the basic policy of our Mid-term Plan K27, we will continue to enhance our chemicals management practices by fully leveraging our long-standing chemicals management expertise and global network. Furthermore, we are dedicated not only to ensuring labor safety and preventing pollution from our business activities, but also to broadly contributing to chemicals management in society through B2B operations, while driving business growth and expansion.

(1) Minimizing the environmental impact throughout the product lifecycle

We develop sustainable products and processes to minimize the environmental impact associated with chemicals throughout the product lifecycle, spanning from raw material procurement to development, manufacturing, transportation, sales, use, disposal and recycling.

Related initiative: [P267](#) Develop products and processes with reduced environmental impact

(2) Promoting the disclosure of chemical information and communication with stakeholders

By disclosing clear information on the safety and benefit of chemicals and maintaining transparent communication to enhance stakeholders’ comprehension, we enhance public trust and promote the appropriate use of chemicals.

Related initiatives: [P265](#) Communication with the next generation through university lecture, [P266](#) Providing information on chemicals in products, [P265](#) Communication with local residents, [P266](#) GHS-compliant SDS and product labeling, [P266](#) Information provision and sharing via a private network

(3) Optimizing risk assessment methods and streamlining management for chemicals

By assessing and managing risks precisely and efficiently based on the characteristics of chemicals, we develop risk assessment methods suited to social conditions, refine existing methods and further enhance product safety.

Related initiatives: [P265](#) Kao's proprietary alternative safety testing method becomes an international standard, [P267](#) Collaboration with administrative bodies

(4) Strengthening collaboration with the value chain for effective chemicals management

We make sure to reduce risks across the value chain through close communication and collaboration with customers and to achieve stable business growth.

Related initiatives: [P266](#) Providing information on chemicals in products, [P266](#) GHS-compliant SDS and product labeling, [P266](#) Information provision and sharing via a private network, [P267](#) Collaboration with industry organizations

(5) Working closely with government and industry in developing and improving chemicals management policies

We contribute to optimal chemicals management policies by strengthening partnerships with government and industry stakeholders through communication, while promoting regulatory optimization and supporting the GFC_implementation.

Related initiatives: [P267](#) Collaboration with administrative bodies, [P267](#) Collaboration with industry organizations

(6) Foster community safety and a sense of trust by having zero chemical accidents

We ensure appropriate management practices according to the properties and workflows to prevent accidents at production sites, collaborate with local communities and promote comprehensive safety measures.

Related initiative: [P265](#) Communication with local residents

Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

Financial impact

- Business growth by differentiating chemical products (those using sustainable chemicals, etc.), enhancing competitiveness and earning consumer trust through dialogue
- Reduced compliance-related costs
- Reduced costs spent on reputation risk countermeasures by building trust with stakeholders
- Gained investor trust to encourage investment and drive business growth

Environmental and social impact

- Contributed to management efficiency across the world by optimizing (and standardizing) risk management methods for chemicals
- Ensured the human health of local communities and consumers and the sound environment
- Improvement of stakeholders' chemical literacy
- Prevented health issues among employees and fostered a secure workplace environment
- Contributed to stable value chain operation and business continuity
- Contributed to a sustainable world by helping to optimize national policies

Strategic resilience

Kao demonstrates high resilience through two different scenario analyses related to chemicals management. In a scenario assuming ever-tightening global chemical regulations and deteriorating environment, we will ensure the responsiveness by developing environmentally friendly products and processes, securing raw materials and eliminating accidents. Meanwhile, in a scenario where chemical regulations develop differently by country and region, and stakeholders grow more conscious, we will strategically address the developments by appropriately assessing risks, tracking regulatory trends, improving transparency and strengthening relationships. These approaches enable sustainable growth and business continuity under any circumstances.

Scenario analysis trial in chemicals management

In the fields of climate change and biodiversity, scenario analyses based on the TCFD*¹ and TNFD*² frameworks are being conducted. By applying these precedents to conduct our own scenario analysis regarding chemicals management, we examined how much impact the related risks and opportunities would have on Kao under the assumed scenarios, and particularly what strategies would be effective to build resilience against risks.

In the field of chemicals management, although a framework has not yet been established, we have attempted to create and analyze scenarios by referring to the SSP scenario,*³ in addition to the TCFD and TNFD frameworks.

The factors influencing risks are broad and involve uncertainty. Materializing risks may vary significantly, depending on potential factors such as environmental, regulatory and social external trends. For this reason, we decided to select multiple factors in external environments that are likely to be important from a medium-term perspective—instead of narrowing down to one factor or scenario—draw up multiple scenarios based on the difference in the change in those factors, and examine the scenarios.

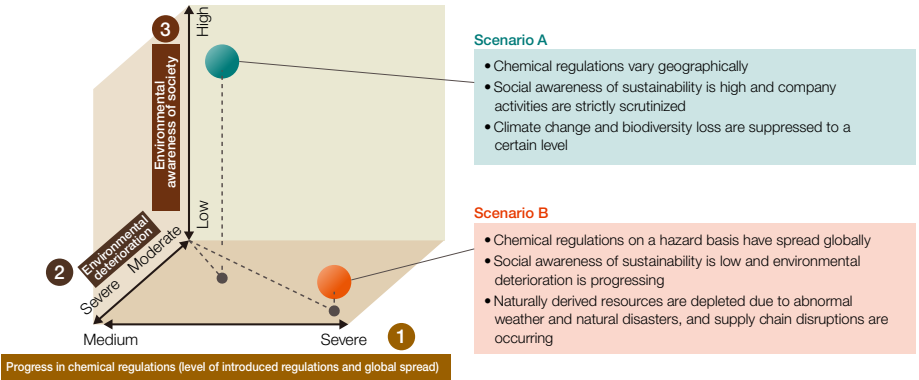
As important factors for creating scenarios, we identified the progress of chemical regulations (the level of introduced regulations and global spread), the degree of deterioration of the global environment and the level of increase in society's environmental awareness. In a three-dimensional space based on these three factors, we created scenarios for two points at opposite poles, naming them Scenario A and Scenario B, respectively (Figure: Scenario elements and assumed scenarios). We believe that by creating opposite scenarios and assessing impacts of their respective risks, we can derive strategies that will work no matter how the external environment changes in the future, contributing to Kao's resilience.

*1 TCFD: Task Force on Climate-related Financial Disclosures

*2 TNFD: Task Force on Nature-related Financial Disclosures

*3 SSP: Shared Socioeconomic Pathways. A scenario to assess the effect of climate change, which has been developed in collaboration with the National Institute for Environmental Studies, Pacific Northwest National Laboratory, Plan Bureau voor de Leefomgeving, International Institute for Applied Systems Analysis, and Potsdam Institute for Climate Impact Research

Scenario elements and assumed scenarios



In each scenario, we estimated the degree of risk impact for Kao. We then examined which strategies would be effective if those risks were to actually occur in each scenario. The results are shown in the table below.

Scenario analysis (Estimation of the risk probability and effective strategies in each scenario)

	Item	Item Risks for Kao	Regulations differing globally / Enhanced social awareness	Severe regulations / Environmental deterioration
			Scenario A	Scenario B
Environmental changes	Climate change (increased natural disasters due to temperature rises, increase in energy costs, etc.) and biodiversity loss	Suspension of plant operation	M	VH
		Division of the supply chain	M	VH
		Rising raw materials prices	H	VH
		Lack/unavailability of naturally derived resources	M	H
Policies, laws and regulations	Introduction of environmental taxes such as a carbon tax	Increase in the price of petrochemical raw materials	M	VH
		Burden of expenses for system architecture, monitoring, etc.	M	H
	Strengthening hazard-based chemical regulations	Increase in the number of chemicals that can no longer be used Lost business opportunities due to product performance degradation or discontinuation	H	VH
	Inconsistency among global regulations	Response to regulations that differ among EU countries, other developed countries, and developing countries	VH	L
Markets	Increasing environmental awareness/ethical preferences of consumers	Loss of brand value and decline in the share	VH	L
	Growing demands from external ratings firms and investors	Loss of corporate value due to lack of information disclosure	VH	M
	Growing demand from distributors	Decline in sales due to reduced transaction volume	VH	M
Reputation	Reputation of specific chemicals / Reputation of companies as greenwashing companies	Loss of opportunities to sell products	H	M
		Decrease in brand value/corporate value	VH	M
		Litigation risks	H	H

(VH: Very heavy, H: Heavy, M: Medium, L: Light)

Effective strategies in each scenario

Scenario A

Appropriate risk assessments, keeping up with trends of chemical regulations, and strategic use of chemicals

Earn trust from society through effective communication

Scenario B

Develop products and processes with reduced environmental impact

Realize stable operations and zero chemical accident

In Scenario A, where global variation in chemicals management regulation and strong sustainability awareness among stakeholders results in closer scrutiny of corporate activities, it is essential to use chemicals strategically based on the risk assessment results and regulatory trends. Furthermore, we would need to enhance our transparency and communication to gain trust from stakeholders.

Additionally, in Scenario B, where global regulatory tightening and insufficient public awareness result in further environmental deterioration, we believe it is crucial to develop environmentally friendly products and processes, ensure stable operations and procurement of raw materials, and eliminate accidents caused by chemicals.

Based on the strategies derived from these scenario analyses, we have decided to approach the following three existing activities more actively and strategically.

1. Develop products and processes with reduced environmental impact

- Minimize the environmental impact throughout the entire product lifecycle

2. Use management systems* to optimize risk assessment methods, assess risks and strengthen risk management

- Optimize risk assessment methods for efficient chemicals management
- Foster community safety and peace of mind by having zero chemical accidents

3. Disclose information on benefits, safety and initiatives, and maintain communication

- Make information on the benefits and safety of chemicals available in an accessible and easy-to-understand way
- Effectively communicate with all people around the world to earn trust

By adopting an approach that considers a wide range of factors to examine the scenarios, we were able to derive strategies based on a multifaceted anticipation of various future possibilities. This has initiated resilient approaches to address a wide range of risks in Kao's chemicals management.

* Chemical information, safety information, legal information, volume and application information, etc.

Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to track progress toward achieving these targets.

Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(2)	Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers	–	14% (10%)*	29% (25%)*	38% (30%)*	48% (40%)*	100%	2030
(6)	Percentage of areas where the impacts on health, environment and safety from chemicals are managed responsibly and sustainably while considering their stages from raw material procurement to disposal	–	96%	98%	93%	96%	100%	Yearly

* The figures in parentheses represent the annual progress targets.

Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(2)	Number of chemical-related engagements with stakeholders	4 times	5 times	9 times
(2)	Number of student communication and class packages using consumer-centered approaches	2 times	2 times	2 times
(4)	Number of updates to information on chemicals contained in products provided to customers	0 times	2 times	2 times
(5)	Continued chemical-related risk communication with government agencies	8 times	8 times	4 times
(5)	Number of chemical-related information exchanges with government agencies	4 times	6 times	5 times
(5)	Number of public consultation sessions attended to learn about regulatory tightening and GFC implementation	4 times	2 times	4 times
(6)	Continue building a central management system for environmental and safety information related to chemicals	System development in progress	System development in progress	System development in progress

* Our initiatives emphasize social impact rather than being measured by frequency.

We have successfully implemented the plan for 2024. In particular, the new framework implemented following the failure to achieve the international 2020 target for chemicals management and regulatory reforms based on the EU Chemical Strategy for Sustainability (CSS) are expected to have global impacts. Therefore, to optimize the framework and new regulations, we engaged in domestic and international communication and educational activities with industry associations and government bodies, participated in public consultations and maintained communication with domestic civic organizations—all to minimize business impacts on Kao and maximize business growth opportunities.

We will contribute to the development of a sustainable world by comprehensively working on problem-solving through the fusion of individual activities and collaboration with society.

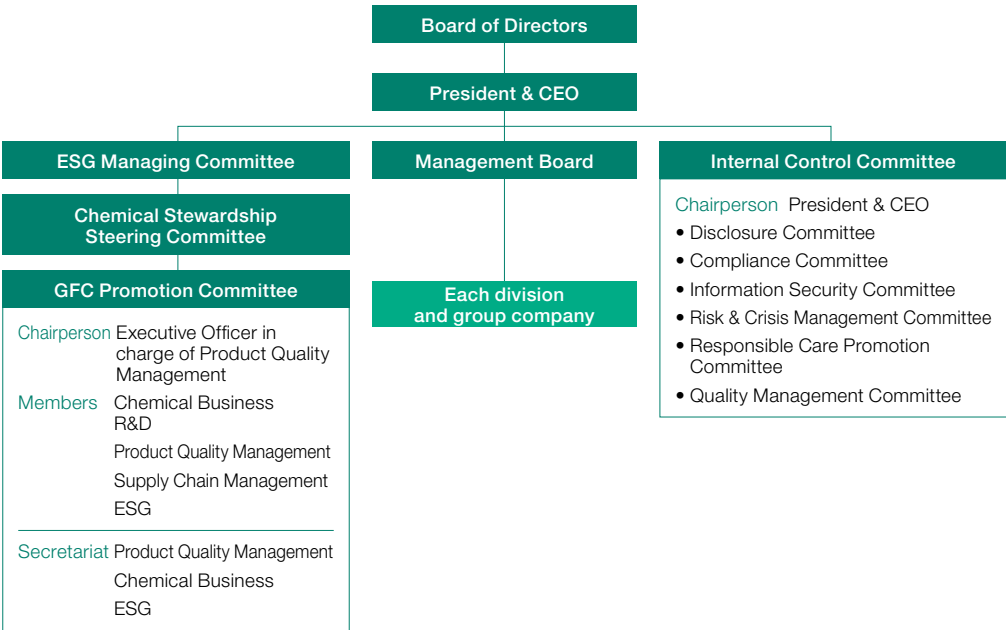
Governance

Product Quality Management serves as the primary department responsible for chemicals management, with support from the Chemical Stewardship Steering Committee chaired by the Senior Executive Officer of Product Quality Management. Under this committee, the entire company works together to enhance our chemicals management practices through the GFC Promotion Committee.

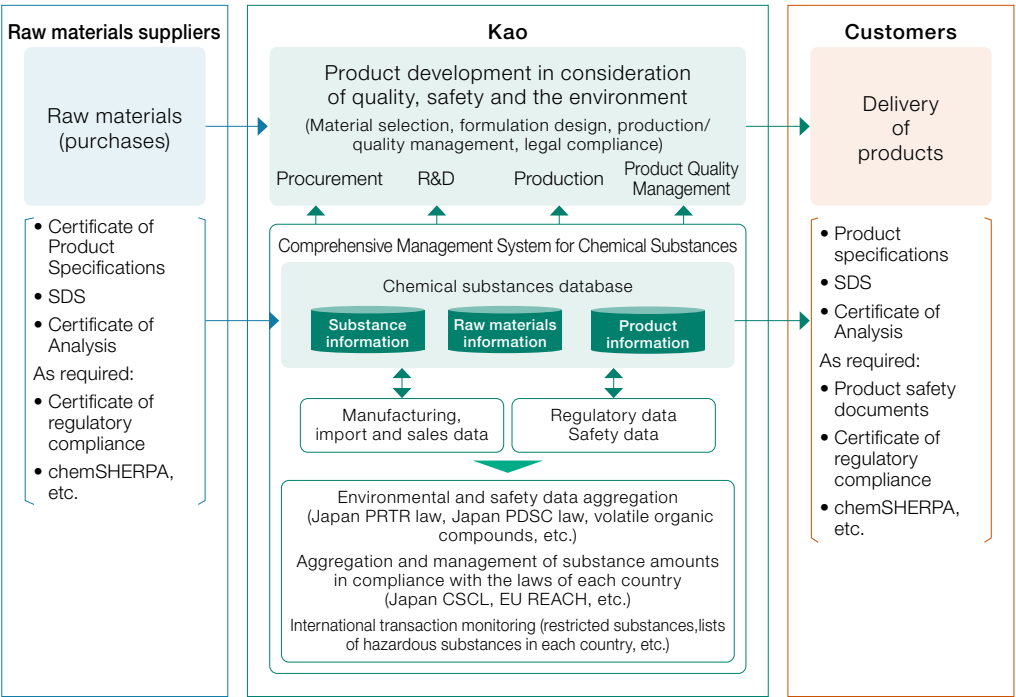
The GFC Promotion Committee meets four times a year to discuss policies and measures for chemicals management throughout the product lifecycle. The meeting is chaired by the Senior Executive Officer overseeing Product Quality Management and systematically promotes inter-divisional efforts. Furthermore, through the GFC External Experts Council, which includes knowledgeable external members, we integrate third-party perspectives and receive advice on chemicals management and specific initiatives.

In addition to strengthening the chemicals management framework, Kao has developed and is operating the Kao Comprehensive Management System for Chemical Substances as a support tool. In this system, we have created a database of information on raw materials and chemicals contained in products to manage safety and legal information. This system ensures traceability. For example, once a problem with a raw material arises, this system enables us to quickly identify the impact on our business and to establish appropriate actions. We will continue improving the system and enhancing its functions to keep up with global trends in laws and regulations related to chemical substances and changes in the business environment.

Framework for promoting responsible chemicals management activities



Comprehensive Management System for Chemical Substances



P (Planning)

In December, the GFC Promotion Committee discusses the next fiscal year's activity plans for the five teams, which are subsequently approved by the chair.

D (Implementation)

Please refer to our initiatives (P263-267).

C (Evaluation of results)

The GFC Promotion Committee checks the progress (four times a year) and the GFC External Experts Council provides third-party viewpoints to properly track and assess the progress (twice a year).^{*1} The progress is reported at least once a year to the ESG Managing Committee, Management Committee or Executive Committee.

^{*1} The evaluation criteria consist of the committee OKR, the five teams' OKRs and published KPIs. The progress is reported to the committee chair.

A (Corrective action)

Annual activities are reported to the GFC Promotion Committee, where any necessary corrections and modifications are applied (December).^{*2}

^{*2} Approved by the committee chair.

Initiatives

Kao is engaged in a variety of initiatives to manage chemicals in a responsible manner. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking.

Risk and opportunity management

Policies

Kao has established the following operational and decision-making guidelines to implement responsible chemicals management. For details, please see the website.

 Responsible Chemicals Management Promotion Policy

Management process

To address risks and opportunities that arise as we endeavor to manage chemicals in a responsible manner, we practice the following management procedure based on the PDCA (Plan, Do, Check and Act) cycle to ensure steady improvement.

Strategy		Initiatives		
Development	(1) Minimizing the environmental impact throughout the product lifecycle	Develop products and processes with reduced environmental impact (More actively utilize sustainable raw materials, reduce LC-CO ₂ , save water, reduce waste)  Kao's Activities in Promoting the GFC: Developing Bio IOS, a Surfactant That Effectively Utilizes Oil and Fat Resources		Continuously develop and demonstrate environmentally friendly products and processes, and receive awards for such achievements  • Kao's Activities in Promoting the GFC: Developing Bio IOS, a Surfactant That Effectively Utilizes Oil and Fat Resources • JCIA LRI Annual Workshop 2024
	(3) Optimize risk assessment methods for efficient chemicals management	Kao's proprietary alternative safety testing method becomes an international standard  EpiSensA Alternative Method for Skin Sensitization Testing Developed by Kao Added to the OECD Test Guidelines	Evaluated Kao priority assessment substances  Kao's Safety Summary of chemicals for priority risk assessment	Build technologies for next-generation environmental evaluation that understands ecosystems  Environmental RNA-based Ecological Impact Assessment
Evaluation and management	(6) Foster community safety and peace of mind by having zero chemical accidents	Examine the entire process, from raw material procurement to disposal, to assess health, environmental and safety risks at operational sites  Kao Receives from JCIA Both First Prize in Safety Award and RC Jury's Special Award for Its Chemicals Management Initiatives	Engage in dialogue with municipalities to communicate with local residents  • Kao Receives from JCIA Both First Prize in Safety Award and RC Jury's Special Award for Its Chemicals Management Initiatives • Held Hazardous Material Fire Response Training with the Kao Corporation Wakayama Plant (Naka Fire Station)	
Communication	(2) Promote the disclosure of chemical information and communication with stakeholders	Communication with the next generation through university lectures	Disclose benefits and safety information on products and raw materials that can be safely used over the long term  • Kao's Safety Summary of chemicals for priority risk assessment • GPS safety summary of Kao Chemical products	Policies relating to the use of ingredients of high social concern  About Ingredients Contained in Kao's Products
External collaboration	(4) Strengthen collaboration with the value chain for effective chemicals management	Provide information on chemicals in products  Chemicals management activities	GHS-compliant SDS and product labeling  Chemicals management activities	Information provision and sharing via a private network  Chemicals management activities
	(5) Work closely with government and industry in developing chemicals management policies	Engage in dialogue with government bodies and public education regarding international frameworks (Posts)  • Social Changes and International Activity Related to Chemicals Management in Recent Years • 21st Policy Dialogue on Chemical Substances and the Environment • Workstreams of the open-ended ad hoc group on measurability and indicators	Participate in public consultation sessions on regulatory reforms and engage in continuous dialogue with industries  • Initiatives in Resources, the Environment and Safety for Making the Planet Better • Workstreams of the open-ended ad hoc group on measurability and indicators	

Walking the Right Path

Effective Corporate
Governance

Full Transparency

Respecting Human
Rights

Human Capital
Development

Inclusive & Diverse
Workplaces

Employee Wellbeing
& Safety

> Responsible
Chemicals
Management

Kao's proprietary alternative safety testing method becomes an international standard

Region: Global

Corresponding strategy: (3)

Skin sensitization tests play an important role in chemical safety assessment. However, with conventional testing methods, accurately assessing the skin sensitization potency of oleo chemical raw materials and other poorly water-soluble substances has been challenging. Therefore, there has been an unmet demand for assessment methods that are not affected by the solubility of target substances.

To address this challenge, Kao developed "EpiSensA," a proprietary alternative skin sensitization testing method. In 2024, this method was the first of its kind and was featured in the testing guidelines for the Organisation for Economic Co-operation and Development (OECD), a widely recognized international standard.

EpiSensA has made it possible to assess the skin sensitization potency of poorly water-soluble substances, including oleo chemical raw materials, without experimenting on animals. This achievement has contributed to a more ethical and efficient approach to product safety in a wide range of fields, including oleo chemicals and cosmetics industries. Kao's initiative was highly commended, and in FY2024, it received the "Society Award" from the Japanese Society for Alternatives to Animal Experiments.

Communication with the next generation through university lectures

Region: Global

Corresponding strategy: (2)

Kao emphasizes developing and communicating with next-generation talent and is actively collaborating with universities. For example, we are working with the environmental health team at Teikyo University's School of Medicine in the Hygiene and Public Health Practice Course, providing students with expertise on the appropriate use and management of chemicals. In addition, in the Textiles Advisor Practice Course at

Kyoritsu Women's University, we provide learning opportunities at *Genba* to practice responsible chemicals management and consumer communication.

Kao aims to develop human resources capable of educating others on the appropriate use of chemicals. In particular, we help train talent who can pass on accurate knowledge about chemicals and appropriately communicate with consumers. We are exploring effective communication approaches to sincerely address students' questions and concerns about chemicals while promoting awareness and behavioral changes regarding chemicals and corporate activities.

We will continue to enhance our external collaborative relationships and address social issues by developing next-generation leaders.

Communication with local residents

Region: Global

Corresponding strategies: (6)

To provide a safe living environment for residents living near our plants, Kao emphasizes communication with local communities and aims to establish a framework for close collaboration with government agencies and these communities.

As part of these initiatives, we regularly engage in dialogue with the Wakayama City Fire Department to verify emergency response measures for potential chemical leaks or explosions at our plant and work with the department to minimize their potential impacts. This initiative was highly applauded, and in May 2024, we received the RC Special Judges' Award for the second consecutive year at the 18th Responsible Care Awards presented by the Japan Chemical Industry Association (JCIA).

Going forward, we aim to expand opportunities for direct dialogue with individual local residents, in addition to initiatives targeting neighborhood associations. We will continue to develop and implement strategies incorporating insights from overseas case studies and expert advice, fostering safe and secure communities while building harmonious relationships with them.



Providing information on chemicals in products

Region: Global

Corresponding strategies: (4)

Kao uses chemSHERPA-CI, an industry-standard communication format, to appropriately deliver regulatory information on chemicals contained in our industrial products and enhance chemicals management practices throughout the supply chain. ChemSHERPA-CI is a communication tool designed to accurately and efficiently share information necessary for chemicals management. By using this tool, companies can standardize their B2B communication format.

Kao uses chemSHERPA-CI to efficiently deliver information across the supply chain, as well as obtain and share the latest regulatory information through bi-annual updates. This helps us optimize chemicals management practices throughout the supply chain and promptly adapt to regulatory requirements.

We will continue to stay on top of the latest global regulations and other trends related to chemicals management by quickly obtaining up-to-date information from chemSHERPA-CI, thereby enhancing our risk control capabilities for chemical substances.



GHS-compliant SDS and product labeling

Region: Global

Corresponding strategies: (4)

To ensure that our industrial products are properly used in accordance with the laws and regulations of the respective countries and regions, we are creating and revising SDS*² and product labels in compliance with the local GHS rules*¹.

In Japan, we successively revised the SDS in accordance with the amendments to the Industrial Safety and Health Act and promptly provided the updated SDS to our customers before the enforcement date.

Since regulations vary by country and region, it is crucial to gather the latest regulatory information and make prompt and accurate revisions accordingly. Kao collects the latest regulatory information from both domestic and international sources while appropriately creating and revising the SDS and product labels in accordance with laws and regulations. This way, we strive to enhance chemicals management practices throughout the supply chain.

*¹ GHS: A globally harmonized system for chemical classification and labeling. It recommends classifying chemicals by their hazard types and displaying labels or providing Safety Data Sheets that clearly indicate those hazards, following globally unified rules.

*² SDS: Safety Data Sheet. A document that provides information on the hazards and precautions for chemicals contained in the product.

Information provision and sharing via a private network

Region: Global

Corresponding strategies: (4)

We work closely with distributors of our industrial products and leverage a dedicated network to promote appropriate chemicals management practices in the supply chain. This dedicated network provides online access to information from SDS, chemSHERPA-CI and other related sources, enabling distributors to properly manage chemicals and ensure compliance with relevant regulations.

In addition to providing information, we conduct trainings and briefings for distributors to help them better understand the importance of chemicals management. In particular, we hold an annual face-to-face briefing session to exchange views with major distributors, sharing challenges faced at *Genba* and insights to help inform solutions.

Develop products and processes with reduced environmental impact

Region: Japan

Corresponding strategy: (1)

Kao delivered a lecture and participated in a panel discussion on GFC and the circular economy at the JCIA LRI Research Report Meeting in 2024. We presented our achievements in developing environmentally friendly products and processes to domestic and international attendees from industry, government and academia who are interested in chemicals management and the circular economy.

This presentation helped raise awareness among the audience regarding Kao's environmental sustainability efforts, inspiring greater support of them and encouraging positive changes in attitudes and behaviors toward building a more sustainable society. Engaging in active discussions and strengthening partnerships with attendees has opened new doors for industry-wide collaboration in tackling shared challenges.

Going forward, we will further promote adoption of the GFC to accelerate sustainability and business activities.

[P104](#) Responsibly Sourced Raw Materials, [P115](#) Decarbonization, [P140](#) Water Conservation

Collaboration with administrative bodies

Region: Global

Corresponding strategy: (5)

Kao is intensifying our efforts to collaborate with regulatory and government agencies, aiming to build stronger trust and improve our chemicals management practices as a company that handles chemical substances. In FY2024, we held five meetings with government agencies to share information and engage in dialogue on policies for chemicals and the environment. Following the adoption of the GFC, we published three posts designed to raise awareness among the Japanese public and encourage collaboration. Furthermore, to roll out the GFC across other countries, we are dedicated to improving chemicals management practices within and outside Japan by helping UN

working groups and participating in surveys.

To propose policies that encourage changes in stakeholder awareness and behavior regarding chemical substances, and to develop and carry out the plan to implement the GFC in Japan, ongoing dialogue remains essential. Kao will continue to maintain cooperative relationships with government agencies and other stakeholders while advancing toward proper chemical management practices. Through these efforts, we will realize our vision while simultaneously enhancing corporate value and addressing social issues.

Collaboration with industry organizations

Region: Japan

Corresponding strategies: (4) (5)

Kao is actively collaborating with domestic and international industries for various ongoing initiatives to fulfill our responsibilities in chemicals management. As part of these efforts, we have attended public consultation sessions on laws and regulations that are enforced according to the EU CSS. In addition, we are actively involved in research and response regarding plastic additives as part of the efforts to formulate the UN Plastics Treaty. We are also working to enhance chemicals management practices throughout the industry through ongoing collaboration with key trade organizations, including the Japan Chemical Industry Association, Japan Soap and Detergent Association, Japan Cosmetic Industry Association, Japan Titanium Dioxide Industry Association and Conference of Fluoro-Chemical Product Japan.

Furthermore, we are leading discussions within various industry groups to educate the Japanese public on the GFC. We also focus on promoting the proper use of chemical products by consumers and provide educational information through the Japan Soap and Detergent Association's website.

Encouraging changes in consumer awareness and behavior related to chemicals requires ongoing cross-industry initiatives and communication. Kao will continue to strengthen collaborative relationships with the broader industrial community, while playing a leading role to fulfill our corporate responsibilities in chemicals management.

Employees'
opinions

A tireless journey for better
chemicals management and
personnel safety from
potential hazards



Toshio Tahara
Technology Development
Quality Technology Group (core quality technology)
Senior engineer (chemicals management)

I became involved in chemicals management following the amendment to the Industrial Safety and Health Act in 2016. While adopting a chemical risk assessment* (RA) tool for the health and safety of all employees handling chemicals at work, Kao accelerated digitalization of the Safety Data Sheet (SDS) for raw materials to enhance efficiency and developed a proprietary automated RA calculator that utilizes SDS digital data on raw materials. This initiative also served as an important technological foundation when we had to enhance our RA in accordance with the 2024 amendment to the Industrial Safety and Health Act. However, it became evident that traditional digital data did not contain sufficient information. By revising the old system and utilizing AI, we reconstructed the SDS information digital data over a short period. Furthermore, we developed a new RA tool (global version), which has been increasingly utilized at Kao since April 2024. The SDS data digitalization tool and the new RA tool have become available for external use, and we are accepting requests from external parties wishing to utilize the programs. Moving forward, we plan to expand the digitalization of SDS for chemicals handled at our domestic plants to our overseas group companies. By establishing an international central management system for SDS digital data, we aim to implement chemical RA on a global scale. We are also focusing on developing tools that assist in determining when special health check-ups are required, as part of our ongoing efforts to ensure personnel safety and health.

* Chemical risk assessment: A series of processes to identify the hazards and harmfulness of chemicals, estimate the degree of health impairment or danger to personnel, and explore measures to reduce risks.



Stakeholder engagement

Expectations for Kao's
responsible chemicals
management

Yoshiko Arita

SHUFUREN (Association of Consumer Organizations)
General Manager of Environment Division (Former president)

The United Nations warns of the triple planetary crisis, i.e., climate change, biodiversity loss, and pollution from chemicals and waste.

As one of their ongoing climate initiatives, Kao is striving to reduce greenhouse gas emissions, which cause global warming, with a target of reducing the total emissions across their global sites by 22% by 2030 (vs. 2017). As part of efforts to achieve the target, the company has introduced solar power equipment for internal use at two of their domestic operational sites. In addition, all purchased electricity has been replaced with renewable energy at a total of 10 operational sites, both domestic and overseas. I highly commend the plan's ambitious goals of switching to 100% renewable energy for all purchased electricity in Japan by 2025 and globally by 2030. I hope that, as mentioned in the top message, even if Kao faces changes in the uncertain social environment, it will remain the leading company that protects future lives.

The company has linked these initiatives for reducing and recovering biodiversity loss as outlined in Global Biodiversity Outlook 5 with the Kirei Lifestyle Plan (KLP). From the KLP, they have selected activities for the following themes that have strong connections to biodiversity: decarbonization, zero waste, water conservation, prevention of air and water pollution, responsible chemicals management and responsible sourcing of raw materials.

I'm truly impressed with the employees' commitment to using a minimal amount of biodiversity-conscious raw materials for a maximum impact, and how Kao incorporates biodiversity perspectives into the entire lifecycle from raw material procurement to product design, usage and disposal. Their initiative allows consumers to effortlessly lead biodiversity-oriented lifestyles simply by choosing and properly using the company's

products, in turn building a better world. However, perhaps the company should be more attentive to consumer feedback rather than being confident that their product design and usage recommendations are already optimal. I would suggest disclosing the reasons for missing the target VOC emission disclosure rate, which was established in line with KLP mid-term goals.

Kao values the five basic elements of responsible care (RC) activities, which are voluntary corporate initiatives comprised of (1) environmental conservation, (2) process safety and disaster prevention, (3) occupational safety and health, (4) chemical and product safety, and (5) distribution safety, as well as the key focus area of communication with society. Promoting these RC activities helps them build strong relationships with stakeholders, enhancing both brand reputation and trust in the company.

I would like to conclude by emphasizing that my long-term participation in public communication opportunities through RC activities and GFC promotional initiatives (responsible chemicals management) has built my trust in Kao, leading me to continue using their products.

Kao's response to the views expressed last year

In 2024, Professor Kazuo Matsushita (Professor Emeritus of Kyoto University) expressed his expectations regarding several areas: (1) increasing utilization of sustainable raw materials, (2) reducing the content of substances of regulatory concern, (3) changing refrigerants used at manufacturing sites, (4) reducing CO₂ emissions through energy conservation, electrification and biomass utilization, and (5) conducting joint training with the local fire department to build trust and collaborating in a more practical manner. In response, we have been working to ensure the traceability of sustainable raw materials, steadily reducing CO₂ emissions from Scope 1 and 2. In particular, at the Wakayama Plant, we have established action protocols with the fire department to minimize potential leakage volumes and mitigate the scope of impact, for which we received the Japan Chemical Industry Association's RC Special Judges' Award. Going forward, we will continue to advance our chemicals management practices to fulfill our responsibilities as a company handling consumer and industrial chemical products.

Appendix

Kirei Lifestyle Plan KPI definitions	271
External Evaluations and Recognitions	278
Independent Assurance Report	283
GRI Content Index	285
UNGPs Index	292
TCFD Index	294

Kirei Lifestyle Plan KPI definitions

Regarding the mid- to long-term targets of the Kirei Lifestyle Plan that are noted on page 30 to 32, the formulas and factors that comprise each metric, and the scope of each metric, are as shown below.

Making my everyday more beautiful

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making my everyday more beautiful					
Commitment	Number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression			1 billion	2030
	A + B + C (people)	• A: Number of people reached by sold products of brands certified as contributing to improving quality of life according to standards set by Kao (people) • B: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty & health (people) • C: Number of people reached by new and improved products that meet Kao's Universal Design Guidelines (people) * Products that can be counted in both A and C are not calculated twice * Number of people in B that can be counted again in A and C are estimated based on assumed conditions and not calculated twice	• Kao Group's consumer products • Awareness-raising activities conducted by the Kao Group		
Improved quality of life	Number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people			7 billion	2030
	A (products)	• A: Number of sold products of brands certified as contributing to improving quality of life according to standards set by Kao	• Kao Group's consumer products		
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)			0.1 billion	2030
	A (people)	• A: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty & health • Number reached by awareness-raising activities using products and services provided by Kao employees • Number reached by communication-based awareness-raising activities (websites, social media, etc.)	• Kao Group • Reporting period: Since 2016		
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines (Japan)			100%	2030
	A / B × 100 (%)	• A: Number of products that meet conformance criteria*1 *2 (pcs) • B: Total number of products (pcs) *1 Up to 2020: Improved products are certified as conforming to Universal Design only if they have new UD considerations compared with before the product improvements From 2021: Certified as conforming to Universal Design if they have UD considerations, irrespective of whether they are new considerations *2 Due to revisions to standards, from 2021 onward, values are only for Japan	• Kao Group's consumer products • New or improved products		
Safer healthier products	% of targeted ingredients of concern on which views are disclosed			100%	2030
	A / B × 100 (%)	• A: Number of ingredients of concern on which views are disclosed (ingredients) • B: Total number of established ingredients of concern (ingredients)	• Kao Group		

Making thoughtful choices for society

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making thoughtful choices for society					
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society			100%	2030
	(A + B + C + D) / E × 100 (%)	• A: Number of Kao brands that conducted environmental awareness-raising activities to realize sustainable lifestyles (brands) • B: Number of Kao brands that help to solve social issues and that prompt people to feel and relate to the brand's social usefulness (brands) • C: Cumulative number of Kao brands that provided products incorporating innovations able to create transformative, sustainable impacts on lifestyles, society and/or the environment (brands) • D: Cumulative number of Kao brands that provided business and systems able to create transformative, sustainable impacts on lifestyles, society and/or the environment (brands) • E: Number of designated Kao brands * Products that can be counted in A, B, C and D are not calculated twice	• The Kao Group's designated consumer product brands • Awareness-raising activities conducted by the Kao Group's designated consumer product brands		
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)			0.1 billion	2030
	A (people)	• A: Cumulative number of people reached by environmental awareness-raising activities for realizing sustainable lifestyles • Number reached by awareness-raising activities using products and services provided by Kao employees • Number reached by communication-based awareness-raising activities (websites, social media, etc.)	• Kao Group • Reporting period: Since 2016		
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness			100%	2030
	A / B × 100 (%)	• A: Number of Kao brands that received a high degree of empathy in the consumer survey (brands) • B: Number of Kao brands that have been designated (brands)	• The Kao Group's designated consumer product brands		
Transformative innovation	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)			10 or more	2030
	A (announcements)	• A: Cumulative number of announcements relating to products that incorporate innovations able to create transformative sustainable impacts on lifestyles, society and/or the environment	• Kao Group consumer products and industrial-use products • Reporting period: Since 2019		
	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)			10 or more	2030
	A (announcements)	• A: Cumulative number of announcements relating to business and systems able to create transformative sustainable impacts on lifestyles, society and/or the environment	• Kao Group businesses and systems • Reporting period: Since 2019		
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products			100%	2025
	A / B × 100 (%)	• A: Weight of certified paper products and pulp (FSC, PEFC, SFI) for the Kao Group's consumer products (t) • B: Weight of paper products and pulp for the Kao Group's consumer products (t)	• Paper products and pulp for the Kao Group's consumer products • Office paper and other paper used in the Kao Group		
	Confirm traceability to oil palm smallholders			Finish	2025
	A (farms)	• A: Number of oil palm smallholders for which traceability has been confirmed (farms)	• Oil palm smallholders		

External Evaluations and Recognitions

Independent Assurance Report

GRI Content Index

UNGPs Index

TCFD Index

Making the world healthier & cleaner

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making the world healthier & cleaner					
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb (Japan)			100%	2030
	A / B × 100 (%)	• A: Number of products satisfying conformance criteria for Decarbonization, Zero waste and/or Water conservation (pcs) • B: Total number of products (pcs)	• Kao Group consumer products (top-selling 95% of products) • Except some brands		
	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Yearly
	–	Obtain A rankings in CDP for Climate Change, Water Security and Forest simultaneously	• Kao Group		
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)			22%	2030
	(1 - A / B) × 100 (%)	• A: Annual lifecycle CO₂ emissions of the year in question (t-CO₂) • B: Annual lifecycle CO₂ emissions of the base year in question (t-CO₂) * Base year: 2017	• Entire lifecycle process for the Kao Group's consumer products • Raw-materials procurement, manufacturing, and distribution process of the Kao Group's industrial-use products		
	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)			28%	2025
				55%	2030
	(1 - A / B) × 100 (%)	• A: Annual scope 1 + 2 CO₂ emissions for the year in question (t-CO₂) • B: Annual scope 1 + 2 CO₂ emissions for the base year (t-CO₂) * Base year: 2017	• Factories, offices, logistics centers, and company cars owned by the Kao Group		
	% of renewable energy in electricity consumption			100%	2030
	A / B × 100 (%)	• A: Quantity of consumed electricity produced from renewable energy (kWh) • B: Quantity of electricity consumption (kWh)	• Kao Group factories, offices, and logistics centers		
Zero waste	Quantity of fossil-based plastics used in packaging			Will peak and begin to decline	2030
	A / B × 100 (%)	• A: Quantity of plastic packaging (t) used during the year in question • B: Quantity of plastic packaging (t) used during the previous year	• Quantity of plastic packaging used by the Kao Group (consumer products)		
	Quantity of innovative packaging penetration for Kao and others per annum			300 million	2030
	A + B (pcs)	• A: Sales quantity of innovative packaging (Kao Group) (pcs) • B: Sales quantity of innovative packaging using and applying Kao technologies (other companies) (pcs)	• Kao Group and other companies		
	% recycling rate of plastics involving Kao			50%	2030
	(A ₁ + A ₂ + A ₃) / B × 100 (%)	• A₁: Quantity of plastic (t) that underwent positive recycling during the year in question • A₂: Quantity of recycled plastic (t) used in plastic packaging during the year in question • A₃: Quantity of plastic (t) collected by Kao together with society, and used by society during the year in question • B: Quantity of plastic packaging (t) used during the year in question	• Kao Group		

External Evaluations and
Recognitions

Independent Assurance
Report

GRI Content Index

UNGPs Index

TCFD Index

Making the world healthier & cleaner

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Making the world healthier & cleaner					
Zero waste	% of recycled plastic used in PET containers (Japan)			100%	2025
	A / B × 100 (%)	• A: PET containers using recycled plastic (pcs) • B: PET containers (pcs)	• Bottles made of PET material used in the Kao Corporation's household products (excludes cosmetics and commercial-use products)		
	% of the waste generated from Kao sites*, ratio of waste that cannot be recycled * Beginning with production sites			0 (less than 1%)	2030
	(A + B) / C × 100 (%)	• A: Quantity of waste directly sent to landfill (t) • B: Quantity of waste simply incinerated (incinerated without heat recovery) (t) • C: Quantity of waste emissions (t)	• Waste classed as industrial waste under Japanese law • Excluding waste that must be directly sent to landfill or simply incinerated based on laws, ordinances, or similar		
	% reduction of discarded products and discarded promotional materials (Base year: 2020)			95%	2030
	(B - A) / B × 100 (%)	• A: Weight of discarded products and discarded sales promotion materials for the year in question*1 (t) • B: Weight of discarded products and discarded sales promotion materials for the base year*2 (t) *1 Discarded sales promotion materials: Unshipped portion *2 Base year: 2020	• Kao Group consumer products (Japan)		
Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)			10%	2030
	$[1 - (A_1 / A_2) / (B_1 / B_2)] \times 100$ (%)	• A1: Annual lifecycle water use for the year in question (million m³) • A2: Sales for the year in question (hundred million yen) • B1: Annual lifecycle water use for the base year (million m³) • B2: Sales for the base year (hundred million yen) *Base year: 2017	• Entire lifecycle process for consumer products of the Kao Group • Raw-materials procurement, manufacturing, and distribution of the Kao Group's industrial-use products		
	% of manufacturing sites in water-stressed areas that have achieved their individually set water management targets (related to water withdrawal)			100%	2030
	A / B × 100 (%)	• A: Number of manufacturing sites in B that achieved the water management (withdrawal) targets (sites) • B: Number of manufacturing sites in drought areas (sites)	• Factories owned by the Kao Group		
Air & water pollution prevention	% of plants that disclose VOC and COD emissions			100%	2025
	A / B × 100 (%)	• A: Number of factories that disclose VOC and COD emissions (factories) • B: Total number of factories (factories)	• Factories owned by the Kao Group		

External Evaluations and
Recognitions

Independent Assurance
Report

GRI Content Index

UNGPs Index

TCFD Index

Walking the right path

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Walking the right path					
Effective corporate governance	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Yearly
	Selected	Listed as one of the “World’s Most Ethical Companies®” by Ethisphere Institute	• Kao Group		
	Number of serious compliance violations per annum			0	Yearly
	A (announcements)	• Compliance violations that have a significant impact on management and significantly damage corporate value • These violations are decided through opinions solicited from the Compliance Committee Secretariat (including evaluations and proposals by external lawyers from a third-party perspective), the Compliance Committee and deliberations by the Management Board considering the maliciousness of the violation and its impacts inside and outside our company. The conclusions are reported to the Board of Directors.	• Kao Group		
Full transparency	% of consumer product brands for which people can easily access complete ingredients information			100%	2030
	A / B × 100 (%)	• A: Number of brands that satisfy the following conditions (brands) Brands that disclose the ingredient names for designated ingredients above a defined amount • B: Number of brands that contain the designated ingredients (brands)* * From 2021, the scope is only brands that contain the designated ingredients	• Kao Group’s consumer products -The number of brands as of December 31 each year -Excludes foods and tools		
Respecting human rights	% response rate to human rights due diligence (internal risk assessment)			100%	2030
	A / B × 100 (%)	• A: Number of plants (sites) and companies (companies) that conduct risk assessments • B: Total number of Kao Group plants (sites) and companies (companies)	• Plants and offices owned by the Kao Group		
	% response rate to human rights due diligence (supplier risk assessment)			100%	2025
	A / B × 100 (%)	• A: Number of suppliers that have conducted risk assessments in the last three years from the applicable year (suppliers) • B: Number of suppliers that Kao did business with in the applicable year (suppliers)	• Direct materials suppliers of the Kao Group		
	% response rate to human rights due diligence (contractor risk assessment)			100%	2030
	A / B × 100 (%)	• A: Number of contractors that have conducted risk assessments in the last three years from the applicable year (contractors) • B: Number of contractors that Kao has contracted with in the applicable year (contractors)	• On-site subcontractors of Kao Group plants (companies with 5 or fewer workers and companies engaged in plant work for a fixed term, such as construction companies, are excluded)		
Inclusive & diverse workplaces	Score for “Inclusive organizational culture” in our employee engagement survey (perfect score: 100)			75	2030
	(A ₁ + A ₂ + ...+ A _B) / B	• A: Scores for each question that corresponds to “Inclusive organizational culture” (perfect score: 100) • B: Number of questions that correspond to “Inclusive organizational culture”	• Employees of the Kao Group		

External Evaluations and
Recognitions

Independent Assurance
Report

GRI Content Index

UNGPs Index

TCFD Index

Walking the right path

Kao Actions	Metrics			Target value	Year
	Formula	Factor	Scope		
Walking the right path					
Inclusive & diverse workplaces	% of female managers related to that of female employees* * Calculated as a weighted average based on the number of management positions at each group company			100%	2030
	$\frac{(A_1 / B_1 \times C_1 + A_2 / B_2 \times C_2 + \dots + A_D / B_D \times C_D)}{(C_1 + C_2 + \dots + C_D)} \times 100 (\%)$	• A: % of female managers • B: % of female employees • C: Number of management positions • D: Number of Kao Group companies	• Employees of the Kao Group		
Employee wellbeing & safety	Lost time frequency rate (per million hours worked)			0.15	2030
	$A / B \times 1,000,000 \text{ (people/million hours)}$	• A: Number of dead and injured (individuals who were absent one or more days from work and lost a body part or function) (people) • B: Total number of actual working hours (hours)	• Employees of the Kao Group		
	Average number of lost long-term work days (days/people) * Starting from Japan			105	2030
	$(A_1 + A_2 + \dots + A_B) / B \text{ (days/people)}$	• A: Number of days of leave that satisfy the following conditions (days) (1) Extended leave of absence of 30 or more consecutive calendar days (2) Personal illness or injury leave, absence from work or leave of absence, except for leave with pay (3) Applicable illness: Personal illness or injury • B: Total number of employees who took leave of absence from work (people)	• Employees of the Kao Group in Japan * To expand to all employees of the Kao Group		
	Ratio of employees who have lost long-term work days per 1,000 employees * Starting from Japan			0.12	2030
	$A / B \times 1,000 (\%)$	• A: Number of employees who took extended leave of absence, satisfying the following conditions (people): (1) Extended leave of absence of 30 or more consecutive calendar days (2) Personal illness or injury leave, absence from work or leave of absence, except for leave with pay (3) Applicable illness: Personal illness or injury • B: Total number of employees (people)	• Employees of the Kao Group in Japan * To expand to all employees of the Kao Group		
	Score for “Vitality” in our employee engagement survey (perfect score: 100)			70	2030
	$(A_1 + A_2 + \dots + A_B) / B$	• A: Scores for each question that corresponds to “Vitality” (perfect score: 100) • B: Number of questions that correspond to “Vitality”	• Employees of the Kao Group		
Human capital development	Score for “Organizational culture in which employees are encouraged to take on challenges” in our employee engagement survey (perfect score: 100)			80	2030
	$(A_1 + A_2 + \dots + A_B) / B$	• A: Scores for each question that corresponds to “Organizational culture in which employees are encouraged to take on challenges” (perfect score: 100) • B: Number of questions that correspond to “Organizational culture in which employees are encouraged to take on challenges”	• Employees of the Kao Group		

External Evaluations and
Recognitions

Independent Assurance
Report

GRI Content Index

UNGPs Index

TCFD Index

Walking the right path

Kao Actions	Metrics		Target value	Year
	Formula	Factor	Scope	
Walking the right path				
Human capital development	Score for “Work satisfaction” in our employee engagement survey (perfect score: 100)		75	2030
	(A ₁ + A ₂ + ...+ A _B) / B	• A: Scores for each question that corresponds to “Work satisfaction” (perfect score: 100) • B: Number of questions that correspond to “Work satisfaction”	• Employees of the Kao Group	
Responsible chemicals management	% of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers		100%	2030
	A / B × 100 (%)	• A: Number of chemical substances for which risk assessments are done and safety assessment documents are made, and are disclosed on the website (categories) • B: Number of Kao priority chemical substances selected from 2020 to 2030 according to production amounts, emissions amounts and public concern (categories)	• Substances handled by the Kao Group	
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal		100%	Yearly
	$\frac{(A_1 + A_2 + ...+ A_C)_1 + ...+ (A_1 + A_2 + ...+ A_C)_D}{(B_1 + B_2 + ...+ B_C)_1 + ...+ (B_1 + B_2 + ...+ B_C)_D} \times 100 (\%)$	• A: Number of items assessed by risk assessments on chemical substances (items) • B: Number of items targeted for risk assessments on chemical substances (items) • C: Number of factories (sites) • D: Number of items targeted for risk assessments (1. Display of GHS at workplaces, 2. Maintenance of SDS, 3. Qualitative assessment, 4. Measures to reduce risks)	• Factories owned by the Kao Group	

External Evaluations and
Recognitions

Independent Assurance
Report

GRI Content Index

UNGPs Index

TCFD Index

External Evaluations and Recognitions

External evaluation (as of March, 2025)

For 19 consecutive years, we have been announced by the U.S. think-tank Ethisphere as one of the “World’s Most Ethical Companies®.” For five consecutive years, we have been selected as a triple A company in the three fields of climate change, forest, and water security by the international non-profit organization CDP. Kao has been well-received every year across the globe.

* “World’s Most Ethical Companies” and “Ethisphere” names and marks are registered trademarks of Ethisphere LLC.

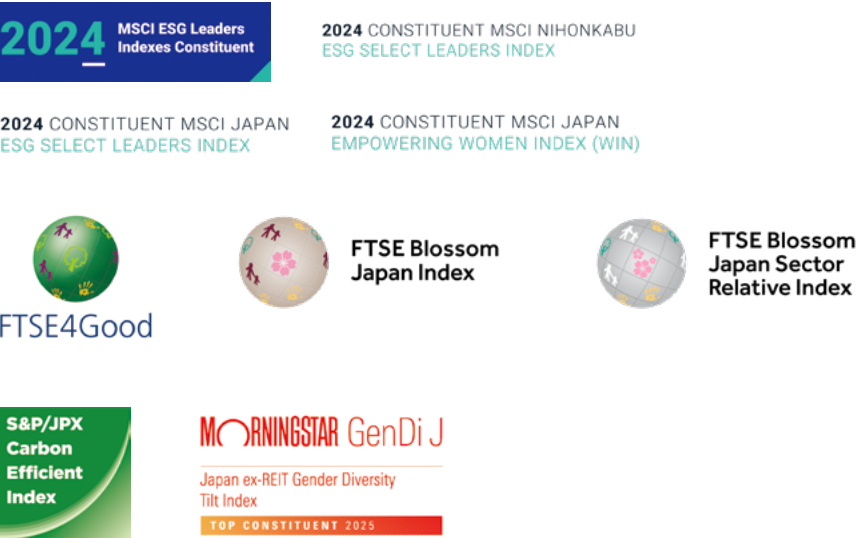


Our declarations to society

- Support for the United Nations Global Compact
<https://www.kao.com/global/en/sustainability/klp/policy/globalcompact/>
- Declaration of Consumer-orientation
<https://www.kao.com/jp/sustainability/klp/policy/customer-first/>

Socially responsible investment indexes (as of March, 2025)

Kao has been included in the following leading indexes in recognition of having this credibility globally.



SRI indexes and evaluations (updated as needed)
<https://www.kao.com/global/en/sustainability/pdf/recognition/>

External Evaluations and Recognitions

Independent Assurance Report

GRI Content Index

UNGPs Index

TCFD Index

External Evaluations and Recognitions

Major recognitions

Date awarded	Group name	Name of award or external evaluation	Reason/details for selection	Name of provider (sponsoring organization)
2024/2	Kao Corporation	Kao, Lion, Ito-Yokado, Welcia Yakkyoku and Hamakyorex jointly received the Minister of Environment Award in the Sixth Japan Open Innovation Prize	The Minister of Environment Award was given in recognition of initiatives for RecyCreation*1 activities for the collection and horizontal material recycling of refill packs. The Japan Open Innovation Prize honors cases of sustainable open innovation that have a major social impact and serve as a model for others. *1 The idea combines recycling, which is reverting something that has been used back into a resource, and creation, which is creating new value. The concept is “We want to change the common practice of throwing things away after they are used.”	Cabinet Office
2024/3	Kashima Plant Kao Corporation	The Kashima Plant received the Factory Management Award in the GOOD FACTORY Awards in 2024	The GOOD FACTORY Awards are given to factories in Japan, China and other Asian countries for their efforts to improve productivity and quality, as well as for their activities in innovating their business structure. It recognizes a wide range of achievements, including processes, success factors, on-site ideas, change in employee attitudes, and social contributions, to serve as a model for the Japanese manufacturing industry. Kao was selected for the Factory Management Award, which honors excellent plant management, with a high all-around standard and a good overall balance.	Japan Management Association
2024/5	Kao Corporation	Kao received the RC Jury’s Special Award in the 18th Responsible Care Award from the Japan Chemical Industry Association	Kao was recognized for its efforts to establish a close cooperative system with the local administrative authorities and community with a view to strengthening communications with them in case of a fire or other emergency and minimizing risks in the event of a chemical leak.	Japan Chemical Industry Association (JCIA)
2024/5	Toyohashi Plant Kao Corporation	The Toyohashi Plant received the First Prize in the 48th Safety Award from the Japan Chemical Industry Association	The First Prize in the Safety Award is a mark of honor for a business site that implements excellent safety activities and sets a good practice model for others to follow. The Toyohashi Plant was highly evaluated for the activities it had carried out in close cooperation with partner companies.	Japan Chemical Industry Association (JCIA)
2024/5	Kao Taiwan	Global ESG Corporate Sustainability Award	Kao continuously creates high-quality products to meet the needs of Taiwanese consumers in the daily cleaning. It has also exerted its corporate influence through local ESG actions, which was recognized. Kao actively promotes product recycling and plastic reduction, launches rooting education actions, and advocates for the transformation to a sustainable lifestyle.	Global Views Monthly
2024/6	Kao Paper Manufacturing Fuji	Kao Paper Manufacturing Fuji received the Director’s award from the Japan Association for Safety of Hazardous Materials	The award honored the company as a business related to hazardous materials with prominent success in achieving safety by independently and proactively promoting safety measures related to hazardous material facilities and treatment, carrying out thorough training about safe management for hazardous materials, as well as other activities.	Japan Association for Safety of Hazardous Materials
2024/7	Kao Industrial (Thailand)	ThaiFDA Quality Award 2024 (Best of The Best award in the cosmetic sector)	ThaiFDA award is a prestigious honor given by the Food and Drug Administration (FDA) to manufacturers that uphold high quality standard, consumer responsibility, morality and ethics, serving as role models for other manufacturers.	Ministry of Public health
2024/7	Kao Industrial (Thailand)	ThaiFDA Quality Award 2024 (Outstanding enterprises for Hazardous Substance Products sector)	ThaiFDA award is a prestigious honor given by the Food and Drug Administration (FDA) to manufacturers that uphold high quality standard, consumer responsibility, morality and ethics, serving as role models for other manufacturers.	Ministry of Public health

Independent Assurance Report

GRI Content Index

UNGPs Index

TCFD Index

External Evaluations and Recognitions

Date awarded	Group name	Name of award or external evaluation	Reason/details for selection	Name of provider (sponsoring organization)
2024/7	Kao Industrial (Thailand)	Green Industry Level 4	Green Industry Award give to the industry that are committed to improve production process and continuous improvement of environmental management system for environment friendly operation and commit to operating business with social responsibility both internal and external throughout the supply chain for sustainable development	Ministry of Industry
2024/7	Kao Indonesia Chemicals	BLUE RANK in Corporate Performance Appraisal Program in Environmental Management (PROPER program)	Recognized for 100% compliance in management of Environment (Hazardous waste, air and water pollution control)	Ministry of Environment and Forestry
2024/7	Kao Penang Group	Community Care & Renewable Energy Leadership in CSR and Sustainability Malaysia Award Year 2024	Achieving outstanding performance in sustainability and corporate social responsibility initiatives and is recognized to have excelled in the role of change agents in the socio-economic transformation of Malaysia	CSR Malaysia and supported by Ministry of Women, Family & Community Development Malaysia
2024/8	Kao Industrial (Thailand)	Green Office Award (Silver Medal) of the year 2023	The Green Office Award presents multifaceted challenges of organizations such as organizing green activities within office, focusing on environmental management and effective waste management to minimize environmental impacts, efficiently using energy and resources, and utilizing environmentally friendly office supplies. The ultimate goal is to reduce greenhouse gas emissions	Ministry of Natural Resources and Environment
2024/8	Kao Taiwan	2024 Taiwan Sustainable Action Award	Kao continued to deepen the local involvement and promote sustainability, winning the Silver Award at the Taiwan Sustainable Action Award for “SDG14 and Kao to create a sustainable life together”.	Taiwan Institute for Sustainable Energy (TAISE)
2024/9	Kao Industrial (Thailand)	Occupational Health and Safety National level as the 6th year of achievement	Kao retain the award for the “Proceed in compliance with Safety Legals, No employees have suffered serious work-related accidents and Established to promote safety discipline and culture”	Ministry of Labor
2024/9	Kao Taiwan	Excellence in Corporate Social Responsibility	Promote the “Formosa 1520 Ocean Plan” initiative to reduce plastic at the source, actively invest in reducing plastic in our own products, and promote cleanliness and safety education for children.	CommonWealth Magazine 天下雜誌
2024/9	Kao Industrial (Thailand)	Thailand Labor Management Excellence Award 2024 (Standard Level)	Certification of business establishments that treat labor in accordance with the requirements of the Thai Labor Standard, TLS 8001, in the areas included to general requirements, labor management systems as required by law, forced labor, determination of compensation for work, working hours and rest periods, discrimination, discipline and punishment, sexual harassment and violence, child labor, female labor, freedom of association and collective bargaining, safety occupational health and working environment, and labor welfare	Ministry of Labor
2024/10	Kao Corporation	Recycled refill packs developed by Kao received the 48th Kinoshita Award	Kao received the 48th Kinoshita Award in the Research and Development Category along with collaborating companies*2 for the recycled Welcome Back Refill Pack, which employs technology for the horizontal recycling of used refill packs. *2 Lion Corporation, Fuji Seal, Inc., Mitsui Chemicals, Inc., Prime Polymer Co., Ltd., and TOSOH CORPORATION	Japan Packaging Institute

External Evaluations and Recognitions

Date awarded	Group name	Name of award or external evaluation	Reason/details for selection	Name of provider (sponsoring organization)
2024/10	Kao Corporation	NEWTLAC 5000 received the Minister of Economy, Trade and Industry Award in the 2024 Resource Circulation Technology and System Awards	NEWTLAC 5000, an asphalt modifier that improves pavement durability made by transforming waste PET using proprietary technologies, received the Minister of Economy, Trade and Industry Award in the Resource Circulation Technology and System Awards. This award aims to promote reductions in environmental impact through 3R activities regarding waste, as well as the spread of circular business.	Japan Environmental Management Association for Industry
2024/11	Kao Industrial (Thailand)	Amata Best Waste Management Award 2024 (Platinum level)	AMATA best waste management Award, prestigious program aims to promote and support the enhancement of industrial waste management practices within the AMATA industrial Estate. KIT was achieved the highest rank (Platinum rank) for waste management conforming to Industrial Estate Authority of Thailand (IEAT) requirements. KIT received the award for the 7th consecutive year.	Amata Corporation and IEAT (Industrial Estate Authorities of Thailand)
2024/12	Kao China	Excellent ESG report selected by the Shanghai Foreign Investment Association	The Changning District Commission of Commerce gives awards regarding excellent ESG reports to 10 regional head offices of multinational companies in Shanghai, and Kao was selected among these companies.	Changning District Commission of Commerce, Shanghai Foreign Investment Association
2024/12	Kao China	Kao China won the Packaging Material and Components Prize and the Eco Package Prize at the AsiaStar 2024 Awards	The Kao (China) Research and Development Center was recognized for some of the industry's best achievements in technology innovation and environmental protection activities. It received the Packaging Material and Components Prize for the "structural design of a 20-times air ratio pump foamer" and the Eco Package Prize for the "Application of PCR Resin technology in Bioré cosmetics."	Asian Packaging Federation (APF)
2024/12	Kao Taiwan	2024 Taiwan Corporate Sustainability Awards	Kao has promoted localized ESG actions, and won the TCSA Taiwan Top 10 Sustainable Foreign Enterprise Award for five consecutive years. Kao promote the process to reduce carbon emissions, expand the use of recycled plastics from product bottles to shrink labels, and promote consumer empathy for sustainability through education.	Taiwan Institute for Sustainable Energy (TAISE)
2024/12	Kao Industrial (Thailand)	Human Rights Award 2024	The Human Rights Awards reflect Kao's commitment to conduct business with good governance, transparency, verification according to human rights principles. Kao has integrated human rights considerations and put it into our policies and practices throughout the supply chain.	Ministry of Justic
2024/12	Kao Industrial (Thailand)	CSR-DIW Continuous Award 2024	CSR-DIW continuous award is the award that given to the factory that implemented the CSR align with 7 core subjects of Responsibility guideline of Department of Industry (MOI). KIT received the award for the 4th consecutive years.	Ministry of Industry
2024/12	Kao Industrial (Thailand)	The Prime Minister's Industry Award 2024: Environmental Quality Conservation category	The Prime Minister's Industry award is the prestigious award of Thailand's industry which held by Ministry of Industry. There are 9 categories of this award. KIT won the Environmental Quality Conservation category. KIT has an outstanding environmental management align with the award criteria in 5 sections that are business achievement, Environmental policy and employee participating in all level, Pollution control and emergency preparedness, Pollution prevention and BCG (Bio-Circular Green economy) conduct and Social responsibility.	Ministry of Industry

External Evaluations and Recognitions

External Evaluations and Recognitions

Date awarded	Group name	Name of award or external evaluation	Reason/details for selection	Name of provider (sponsoring organization)
2024/12	Kao Industrial (Thailand)	The Prime Minister's Industry Award 2024: Corporate Social Responsibility category	The Prime Minister's Industry award is the prestigious award of Thailand's industry which held by Ministry of Industry. There are 9 categories of this award. KIT won the Corporate Social Responsibility category. KIT has an outstanding corporate social responsibility management align with the award criteria in 5 sections that are certified standard, CSR in process, CSR after process , Sustainable Development Goals : SDGs encouragement and Model of CSR outstanding project (Dengue Zero).	Ministry of Industry
2024/12	Kao Industrial (Thailand)	BMA Partnership Award 2024	BMA (Bangkok Metropolitan Administration) Partnership award an honorary award for organizations contributing to BMA is presented annually to companies that regularly support BMA's initiatives.	Bangkok Metropolitan Administration (BMA)
2025/1	Kao Corporation	Kao received the Gold Prize, the highest prize at Japan Branding Awards 2024	Kao was highly evaluated for its initiatives to understand social trends and changes in consumers after the COVID-19 pandemic, review the social issues it should tackle in the future, as well as the ideal status for <i>Bioré</i> , and incorporate a new purpose into its product business in an agile manner to achieve business growth.	Interbrand Japan, Inc.
2025/1	Kao Corporation	<i>Toilet Magiclean Foam Pack</i> received an award in the Trending category at the 2024 Nikkei Superior Products and Services Awards	<i>Toilet Magiclean Foam Pack</i> received an award in the Trending category at the 2024 Nikkei Superior Products and Services Awards. The Nikkei Superior Products and Services Awards are held annually by Nikkei Inc. to honor new products and services that are particularly excellent. The 43rd edition of the awards was held in 2024. All the candidate products and services are selected by Nikkei Inc. individually, without any public nominations.	Nikkei Inc.
2025/1	Kao Malaysia	<i>Magiclean</i> received a Silver Award at the Putra Aria Brand Awards	<i>Magiclean</i> received a Silver Award in the Household Products Category at the Putra Aria Brand Awards. The Putra Aria Brand Awards is a prestigious ceremony for honoring brands that engage with consumers. <i>Magiclean</i> has received this award for the second consecutive year, reaffirming its status as a trusted and reliable choice among Malaysian consumers.	Association of Accredited Advertising Agents Malaysia (4As)
2025/2	Kao Corporation	Kao has received the Cabinet Office Minister of State for Special Missions commendation, the highest award, in the 2024 Commendation in the Good Practices of Consumer-Oriented Management Awards	The award was given to Kao in recognition of its consumer-oriented product development that encourages environment-friendly actions to meet consumer needs and enhance environmental awareness. Such consumer-oriented products include <i>CuCute</i> dishwashing detergent, where Kao has reduced the bottle wall thickness to cut down on plastic use while retaining durability and ease of refilling. Another is <i>Bioré UV Aqua Rich Aqua Protect Mist</i> sunscreen spray, a non-gas mist that is easy to reapply on the go and features a replaceable container.	Consumer Affairs Agency

Independent Assurance Report

GRI Content Index

UNGPs Index

TCFD Index

Independent Assurance Report

GRI 2-5

Independent Assurance Report

GRI Content Index

UNGPs Index

TCFD Index



Independent Practitioner’s Limited Assurance Report

To the Representative Director, President and Chief Executive Officer of Kao Corporation

Conclusion

We have performed a limited assurance engagement on whether selected environmental and social performance indicators (the “subject matter information” or the “SMI”) presented in Kao Corporation’s (the “Company”) sustainability report (the “Report”) for the year ended December 31, 2024 have been prepared in accordance with the criteria (the “Criteria”), which are established by the Company and are explained on the Report. The SMI subject to the assurance engagement is indicated in the Report with the symbol “”.

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Company’s SMI for the year ended December 31, 2024 is not prepared, in all material respects, in accordance with the Criteria.

Basis for Conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the “Our responsibilities” section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other information

Our conclusion on the SMI does not extend to any other information that accompanies or contains the SMI (hereafter referred to as “other information”). We have read the other information but have not performed any procedures with respect to the other information.

Responsibilities for the SMI

Management of the Company are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the SMI that is free from material misstatement, whether due to fraud or error;
- selecting or developing suitable criteria for preparing the SMI and appropriately referring to or describing the criteria used; and
- preparing the SMI in accordance with the Criteria.

Inherent limitations in preparing the SMI

As described in the Note within the “Decarbonization” section of the Report, GHG emissions quantification is



subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials. Hence, the selection by management of a different but acceptable measurement method, activity data, emission factors, and relevant assumptions or parameters could have resulted in materially different amounts being reported.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company’s management.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the SMI and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- assessing the suitability of the criteria applied to prepare the SMI;
- conducting interviews with the relevant personnel of the Company to obtain an understanding of the key processes, relevant systems and controls in place over the preparation of the SMI;
- performing analytical procedures / trend analysis;
- identifying and assessing the risks of material misstatements;
- performing a site visit at one of the Company’s sites in Japan and making inquiries and reviewing materials including documented evidence as alternative procedures to a site visit to one of the Company’s overseas sites, which were determined through our risk assessment procedures;
- performing, on a sample basis, recalculation of amounts presented as part of the SMI;
- performing other evidence gathering procedures for selected samples; and
- evaluating whether the SMI was presented in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

/s/ Shinnosuke Kayumi

Shinnosuke Kayumi
Engagement Partner

KPMG AZSA Sustainability Co., Ltd.
Tokyo Office, Japan
May 16, 2025

Notes to the Reader of Independent Assurance Report: This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

To ensure greater transparency of data disclosure relating to environmental and social performance indicators, independent assurance for the Kao Sustainability Report 2025 has been provided by KPMG AZSA Sustainability Co., Ltd. Indicators on which assurance is provided are marked with a check  mark.

Assured data

Category	Data	Pages
Responsibly Sourced Raw Materials	Certified palm oil purchases (Kao Group)	P108
	Ratio of certified paper/pulp materials (paper/pulp used in Kao products [excludes some products])	P107
	Total number of significant suppliers in Tier 1	P110
	% of total spend on significant suppliers in Tier 1	P110
	Total number of significant suppliers in non-Tier 1	P110
	Total number of significant suppliers subjected to desktop assessment	P110
Decarbonization	Energy consumption (all sites)	P119
	GHG emissions (all sites)	P119
	CO ₂ emissions across the entire product lifecycle (Kao Group)	P120
	Scope 1: GHG emissions	P120
	Scope 2: GHG emissions	P120
	Scope 3: GHG emissions *Categories 1, 4, 11 and 12 only	P120
	CO ₂ emissions from transportation (Japan)	P121
Zero Waste	Amount of generated waste and other unwanted materials	P132
	Amount of waste reused or recycled	P132
	In-house disposal of food waste	P132
Water Conservation	Water consumption (withdrawal) (all sites)	P143
	Water consumption trends throughout the product life cycle (Kao Group)	P143
	Water withdrawal amount by source (all sites)	P143
	Wastewater discharge by destination (all sites)	P143
Air & Water Pollution Prevention	NO _x emissions (all production sites)	P153
	VOC air emissions of chemical substances subject to the PRTR system	P153
	COD pollution load (all production sites)	P153
Product Lifecycle and Environmental Impact	Output: Raw material procurement: CO ₂ emissions Output: Distribution (transportation): CO ₂ emissions Output: Use: CO ₂ emissions Output: Disposal/Recycling: CO ₂ emissions	P160
Inclusive & diverse workplaces	Base salary + other cash incentives Average annual salary (yen) (Male, Female) (Kao Group)	P226
	Base salary Average annual salary (yen) (Kao Group)	P226
Employee wellbeing & safety	Death / loss of function: Including both regular employees and temporary workers (Kao Group)	P252
	Death / loss of function: Affiliates (Kao Group)	P252
	Lost-time accidents frequency rate: Including both regular employees and temporary workers (Kao Group)	P252
	Lost-time accidents frequency rate: Subcontractors (Kao Group)	P252
	Number of employees who experienced lost work days due to occupational illness: Including both regular employees and temporary workers (Kao Group)	P252

Boundaries of environmental and social performance indicators

In general, we report the activities of the Kao Group (Kao Corporation, its subsidiaries and NIVEA Kao). Inclusive & Diverse workplace data covers Kao Corporation and its subsidiaries. Exceptions to these boundaries have been clearly stated as annotations to graph and in the text.

GRI Content Index

Click on Relevant Sections in Report to display the relevant page.

Statement of use	Kao Group has reported the information cited in this GRI content index for the period [January 1, 2024–December 31, 2024] with reference to the GRI Standards.		
GRI 1 used	GRI 1: Foundation 2021		
GRI 2: General Disclosures 2021			Relevant Sections in Report
1. The organization and its reporting practices			
	2-1	Organizational details	–
	2-2	Entities included in the organization’s sustainability reporting	Editorial Policy P3
	2-3	Reporting period, frequency and contact point	Editorial Policy Back cover P3 Back cover
	2-4	Restatements of information	Our ESG Vision and Strategy > Metrics and Targets > Mid- to long-term targets for the 19 Kao Actions P30
	2-5	External assurance	Independent Assurance Report P283
2. Activities and workers			
	2-6	Activities, value chain and other business relationships	–
	2-7	Employees	Our Progress > Human Capital Development > Number of employees / management positions P216
	2-8	Workers who are not employees	–
3. Governance			
	2-9	Governance structure and composition	Our ESG Vision and Strategy > Governance P34
	2-10	Nomination and selection of the highest governance body	–
	2-11	Chair of the highest governance body	–
	2-12	Role of the highest governance body in overseeing the management of impacts	Our ESG Vision and Strategy > Governance P34
	2-13	Delegation of responsibility for managing impacts	Our ESG Vision and Strategy > Governance P34
	2-14	Role of the highest governance body in sustainability reporting	–
	2-15	Conflicts of interest	–
	2-16	Communication of critical concerns	Our ESG Vision and Strategy > Risk and Opportunity Management P38
	2-17	Collective knowledge of the highest governance body	Our ESG Vision and Strategy > Governance P34
	2-18	Evaluation of the performance of the highest governance body	–
	2-19	Remuneration policies	Our ESG Vision and Strategy > Governance P34
	2-20	Process to determine remuneration	Our ESG Vision and Strategy > Governance P34
	2-21	Annual total compensation ratio	–

GRI Content Index

UNGPs Index

TCFD Index

4. Strategy, policies and practices					
	2-22	Statement on sustainable development strategy	Our ESG Vision and Strategy > CEO Message	P5	
			Our ESG Vision and Strategy > Message from Senior Vice President of ESG	P8	
	2-23	Policy commitments	Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P108	
			Our Progress > Respecting Human Rights > Risk and opportunity management	P188	
	2-24	Embedding policy commitments	Our Progress > Respecting Human Rights > Risk and opportunity management	P188	
	2-25	Processes to remediate negative impacts	Our Progress > Effective Corporate Governance > Governance	P167	
			Our Progress > Effective Corporate Governance > Strategy	P165	
			Our Progress > Effective Corporate Governance > Risk and opportunity management	P168	
			Our Progress > Respecting Human Rights	P185	
	2-26	Mechanisms for seeking advice and raising concerns	Our Progress > Effective Corporate Governance > Governance	P167	
	2-27	Compliance with laws and regulations	Our ESG Vision and Strategy > Metrics and Targets > Mid- to long-term targets for the 19 Kao Actions	P30	
			Our Progress > Effective Corporate Governance > Strategy	P165	
			Our Progress > Effective Corporate Governance > Risk and opportunity management	P168	
	2-28	Membership associations	Our Progress > Safer Healthier Products > Risk and opportunity management	P76	
			Our Progress > Decarbonization > Risk and opportunity management	P121	
			Our Progress > Zero Waste > Risk and opportunity management	P133	
			Our Progress > Water Conservation > Risk and opportunity management	P144	
			Our Progress > Respecting Human Rights > Risk and Opportunity Management	P188	
5. Stakeholder engagement					
	2-29	Approach to stakeholder engagement	Our ESG Vision and Strategy > Risk and opportunity management > Stakeholder engagement	P52	
	2-30	Collective bargaining agreements	Our Progress > Human Capital Development > Situation regarding union members	P219	
GRI 3: Material Topics 2021			Relevant Sections in Report		
	3-1	Process to determine material topics	Our ESG Vision and Strategy > Risk and Opportunity Management > Selection process for Kao Actions as material themes	P38	
	3-2	List of material topics	Our ESG Vision and Strategy > Strategy > Risks and opportunities > Kao's ESG Commitments and Actions	P24	
	3-3	Management of material topics	Our ESG Vision and Strategy > Governance	P34	
			Our ESG Vision and Strategy > Risk and Opportunity Management	P38	
			“Governance / Risk and opportunity management” in each section	–	
200: Economic topics			Relevant Sections in Report		
Economic Performance					Indicators on which third-party assurance is provided (✓)
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	–	–	
	201-2	Financial implications and other risks and opportunities due to climate change	Our Progress > Decarbonization > Strategy	P116	
	201-3	Defined benefit plan obligations and other retirement plans	–	–	
	201-4	Financial assistance received from government	–	–	
Market Presence					
GRI 202: Market Presence 2016	202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	–	–	
	202-2	Proportion of senior management hired from the local community	–	–	

Indirect Economic Impacts					
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	–	–	
	203-2	Significant indirect economic impacts	–	–	
Procurement Practices					
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	–	–	
Anti-corruption					
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	–	–	
	205-2	Communication and training on anti-corruption policies and procedures	Our Progress > Effective Corporate Governance > Governance	P167	
			Our Progress > Effective Corporate Governance > Risk and opportunity management	P168	
	205-3	Confirmed incidents of corruption and actions taken	Our Progress > Effective Corporate Governance > Metrics and targets: No applicable incidents	–	
Anti-competitive Behavior					
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Our Progress > Effective Corporate Governance > Metrics and targets: No applicable incidents	–	
Tax					
GRI 207: Tax 2019	207-1	Approach to tax	–	–	
	207-2	Tax governance, control, and risk management	–	–	
	207-3	Stakeholder engagement and management of tax-related concerns	–	–	
	207-4	Country-by-country reporting	–	–	

300: Environmental topics			Relevant Sections in Report		
Materials					Indicators on which third-party assurance is provided (✓)
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Our Progress > Product Lifecycle and Environmental Impact	P160	
	301-2	Recycled input materials used	Our Progress > Zero Waste > Metrics and targets	P132	✓
			Our Progress > Zero Waste > Risk and opportunity management	P133	
	301-3	Reclaimed products and their packaging materials	Our Progress > Zero Waste > Risk and opportunity management	P133	
Energy					
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Our Progress > Decarbonization > Metrics and targets	P119	✓
			Our Progress > Product Lifecycle and Environmental Impact	P160	
	302-2	Energy consumption outside of the organization	–	–	
	302-3	Energy intensity	Our Progress > Decarbonization > Metrics and targets	P119	✓
	302-4	Reduction of energy consumption	Our Progress > Decarbonization > Metrics and targets	P119	
			Our Progress > Decarbonization > Risk and opportunity management	P121	
	302-5	Reductions in energy requirements of products and services	Our Progress > Decarbonization > Metrics and targets	P119	
			Our Progress > Decarbonization > Risk and opportunity management	P121	

Water and Effluent					
GRI 303: Water and Effluent 2018	303-1	Interactions with water as a shared resource	Our Progress > Water Conservation > Strategy	P141	
			Our Progress > Water Conservation > Risk and opportunity management	P144	
	303-2	Management of water discharge-related impacts	Our Progress > Water Conservation > Risk and opportunity management	P144	
			Our Progress > Air & Water Pollution Prevention > Risk and opportunity management	P154	
	303-3	Water withdrawal	Our Progress > Water Conservation > Metrics and targets	P142	☑
			Our Progress > Product Lifecycle and Environmental Impact	P160	
GRI 303: Water and Effluent 2018	303-4	Water discharge	Our Progress > Water Conservation > Metrics and targets	P142	☑
			Our Progress > Air & Water Pollution Prevention > Metrics and targets	P153	☑
			Our Progress > Product Lifecycle and Environmental Impact	P160	
	303-5	Water consumption	Our Progress > Water Conservation > Metrics and targets	P142	☑
			Our Progress > Product Lifecycle and Environmental Impact	P160	
	Biodiversity				
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	–	
	304-2	Significant impacts of activities, products, and services on biodiversity	–	–	
	304-3	Habitats protected or restored	–	–	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	–	–	
Emissions					
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Our Progress > Decarbonization > Metrics and targets	P119	☑
			Our Progress > Product Lifecycle and Environmental Impact	P160	☑
	305-2	Energy indirect (Scope 2) GHG emissions	Our Progress > Decarbonization > Metrics and targets	P119	☑
			Our Progress > Product Lifecycle and Environmental Impact	P160	☑
	305-3	Other indirect (Scope 3) GHG emissions	Our Progress > Decarbonization > Metrics and targets	P119	☑ (1,4,11,12)
			Our Progress > Product Lifecycle and Environmental Impact	P160	☑
	305-4	GHG emission intensity	–	–	
	305-5	Reduction of GHG emissions	Our Progress > Decarbonization > Metrics and targets	P119	☑
	305-6	Emissions of ozone-depleting substances (ODS)	–	–	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Our Progress > Air & Water Pollution Prevention > Metrics and targets	P153	☑
Our Progress > Product Lifecycle and Environmental Impact			P160		

Waste					
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Our Progress > Sustainable Lifestyle Promotion > Strategy	P81	
			Our Progress > Zero Waste > Strategy	P130	
	306-2	Management of significant waste-related impacts	Our Progress > Sustainable Lifestyle Promotion > Risk and opportunity management	P83	
			Our Progress > Zero Waste > Risk and opportunity management	P133	
	306-3	Waste generated	Our Progress > Zero Waste > Metrics and targets	P132	☑
	306-4	Waste diverted from disposal	Our Progress > Zero Waste > Metrics and targets	P132	
306-5	Waste directed to disposal	–	–		
Supplier Environmental Assessment					
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	–	–	
	308-2	Negative environmental impacts in the supply chain and actions taken	Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P108	
			Our Progress > Decarbonization > Risk and opportunity management	P121	
			Our Progress > Zero Waste > Risk and opportunity management	P133	
			Our Progress > Water Conservation > Risk and opportunity management	P144	
400: Social topics			Relevant Sections in Report		
Employment			Indicators on which third-party assurance is provided (☑)		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Our Progress > Human Capital Development > Human capital data	P215	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	–	–	
	401-3	Parental leave	Our Progress > Inclusive & Diverse Workplaces > Risk and opportunity management	P228	
Labor/Management Relations					
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	–	–	
Occupational Health and Safety					
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Our Progress > Employee Wellbeing & Safety: Safety > Governance	P253	
			Our Progress > Employee Wellbeing & Safety: Safety > Risk and opportunity management	P253	
	403-2	Hazard identification, risk assessment, and incident investigation	Our Progress > Employee Wellbeing & Safety: Safety > Metrics and targets	P251	
			Our Progress > Employee Wellbeing & Safety: Safety > Risk and opportunity management	P253	
	403-3	Occupational health services	–	–	
	403-4	Worker participation, consultation, and communication on occupational health and safety	Our Progress > Employee Wellbeing & Safety: Safety > Governance	P253	
			Our Progress > Employee Wellbeing & Safety: Safety > Risk and opportunity management	P253	
	403-5	Worker training on occupational health and safety	Our Progress > Employee Wellbeing & Safety: Safety > Governance	P253	
			Our Progress > Employee Wellbeing & Safety: Safety > Risk and opportunity management	P253	
	403-6	Promotion of worker health	Our Progress > Employee Wellbeing & Safety	P235	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	–	–	
	403-8	Workers covered by an occupational health and safety management system	–	–	
403-9	Work-related injuries	Our Progress > Employee Wellbeing & Safety: Safety > Metrics and targets	P251	☑ (Partial data)	
403-10	Work-related ill health	Our Progress > Employee Wellbeing & Safety: Safety > Metrics and targets	P251	☑ (Partial data)	

Training and Education					
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Our Progress > Human Capital Development > Human capital development investment per employee	P219	
	404-2	Programs for upgrading employee skills and transition assistance programs	Our ESG Vision and Strategy > Risk and Opportunity Management > Employee engagement	P46	
			“Governance” in each section	–	
			Our ESG Vision and Strategy > Risk and Opportunity Management > Realization of the Kao Way	P41	
			Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P108	
			Our Progress > Effective Corporate Governance > Metrics and targets	P166	
			Our Progress > Human Capital Development	P199	
		Our Progress > Inclusive & Diverse Workplaces	P221		
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	Our Progress > Human Capital Development > Risk and opportunity management	P205	
Diversity and Equal Opportunity					
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Our Progress > Inclusive & Diverse Workplaces > Risk and opportunity management	P228	
			Our Progress > Inclusive & Diverse Workplaces > Human capital data	P224	
	405-2	Ratio of basic salary and remuneration of women to men	Our Progress > Inclusive & Diverse Workplaces > Human capital data	P224	
Non-discrimination					
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	–	–	
Freedom of Association and Collective Bargaining					
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	–	–	
Child Labor					
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	–	–	
Forced or Compulsory Labor					
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	–	–	
Security Practices					
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	–	–	
Rights of Indigenous Peoples					
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	–	–	
Local Communities					
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Our Progress > Responsible Chemicals Management > Risk and opportunity management	P263	
	413-2	Operations with significant actual and potential negative impacts on local communities	–	–	
Supplier Social Assessment					
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P108	
			Our Progress > Respecting Human Rights > Risk and opportunity management	P188	
	414-2	Negative social impacts in the supply chain and actions taken	Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P108	
			Our Progress > Respecting Human Rights > Risk and opportunity management	P188	

Public Policy					
GRI 415: Public Policy 2016	415-1	Political contributions	Our Progress > Effective Corporate Governance > Metrics and targets	P166	
Customer Health and Safety					
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Our Progress > Universal Product Design > Metrics and targets	P69	
			Our Progress > Universal Product Design > Risk and opportunity management	P70	
			Our Progress > Safer Healthier Products > Metrics and targets	P75	
			Our Progress > Safer Healthier Products > Risk and opportunity management	P76	
			Our Progress > Transformative Innovation > Risk and opportunity management	P100	
			Our Progress > Transformative Innovation > Metrics and targets	P99	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	–	–	
Marketing and Labeling					
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Our Progress > Universal Product Design > Metrics and targets	P69	
			Our Progress > Universal Product Design > Risk and opportunity management	P70	
			Our Progress > Safer Healthier Products > Risk and opportunity management	P76	
			Our Progress > Product Lifecycle and Environmental Impact > “Eco together” logo certified products	P161	
			Our Progress > Full Transparency > Metrics and targets	P181	
			Our Progress > Full Transparency > Risk and opportunity management	P182	
			Our Progress > Responsible Chemicals Management > Risk and opportunity management	P263	
	417-2	Incidents of non-compliance concerning product and service information and labeling	–	–	
	417-3	Incidents of non-compliance concerning marketing communications	–	–	
Customer Privacy					
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	–	–	

UNGPs Index

Click on Relevant Sections in Report to display the relevant page.

		Relevant Sections in Report	
A	Governance of respect for human rights		
A1	Policy commitment		
A1.1	How has the public commitment been developed?	Our Progress > Respecting Human Rights > Risk and opportunity management	P188
A1.2	Whose human rights does the public commitment address?	Our Progress > Respecting Human Rights > Risk and opportunity management	P188
A1.3	How is the public commitment disseminated?	Our Progress > Respecting Human Rights > Governance	P188
		Our Progress > Respecting Human Rights > Metrics and targets	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
A2	Embedding respect for human rights		
A2.1	How is day-to-day responsibility for human rights performance organized within the company, and why?	Our Progress > Respecting Human Rights > Strategy	P186
		Our Progress > Respecting Human Rights > Governance	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
A2.2	What kinds of human rights issues are discussed by senior management and by the Board, and why?	Our Progress > Respecting Human Rights > Governance	P188
A2.3	How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?	Our Progress > Respecting Human Rights > Governance	P188
		Our Progress > Respecting Human Rights > Metrics and targets	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
A2.4	How does the company make clear in its business relationships the importance it places on respect for human rights?	Our Progress > Responsibly Sourced Raw Materials > Risk and opportunity management	P108
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
A2.5	What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?	Our Progress > Respecting Human Rights > Metrics and targets	P188

		Relevant Sections in Report	
B	Defining the focus of reporting		
B1	Statement of salient issues: State the salient human rights issues associated with the company's activities and business relationships during the reporting period.	Our Progress > Respecting Human Rights > Risk and opportunity management	P188
B2	Determination of salient issues: Describe how the salient human rights issues were determined, including any input from stakeholders.	Our Progress > Respecting Human Rights > Risk and opportunity management	P188
B3	Choice of focal geographies: If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.	–	–
B4	Additional severe impacts: Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.	–	–
C	Management of salient human rights issues		
C1	Specific policies		
C1.1	How does the company make clear the relevance and significance of such policies to those who need to implement them?	Our Progress > Respecting Human Rights > Risk and opportunity management	P188
		Our Progress > Respecting Human Rights > Metrics and targets	P188
C2	Stakeholder engagement		
C2.1	How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?	Our Progress > Respecting Human Rights > Governance	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
C2.2	During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	Our Progress > Respecting Human Rights > Governance	P188
		Our Progress > Respecting Human Rights > Metrics and targets	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
C2.3	During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	Our Progress > Respecting Human Rights > Metrics and targets	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188

		Relevant Sections in Report	
C3	Assessing impacts		
C3.1	During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?	–	–
C3.2	During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?	–	–
C4	Integrating findings and taking action		
C4.1	How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	Our Progress > Respecting Human Rights > Governance	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
C4.2	When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?	–	–
C4.3	During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	Our Progress > Respecting Human Rights > Metrics and targets	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
C5	Tracking performance		
C5.1	What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?	Our Progress > Respecting Human Rights > Risk and opportunity management	P188
C6	Remediation		
C6.1	Through what means can the company receive complaints or concerns related to each salient issue?	Our Progress > Effective Corporate Governance > Governance	P167
		Our Progress > Respecting Human Rights > Metrics and targets	P188
		Our Progress > Respecting Human Rights > Risk and opportunity management	P188
C6.2	How does the company know if people feel able and empowered to raise complaints or concerns?	–	–
C6.3	How does the company process complaints and assess the effectiveness of outcomes?	Our Progress > Effective Corporate Governance > Governance	P167
C6.4	During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?	Our Progress > Respecting Human Rights > Metrics and targets	P188
C6.5	During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?	Our Progress > Respecting Human Rights > Risk and opportunity management	P188

TCFD Index

This report has been compiled with reference to the recommendations for disclosure given by the Task Force on Climate-related Financial Disclosures (TCFD).
Click on Relevant Sections in Report to display the relevant page.

Governance

Recommendation: Disclose the organization's governance pertaining to climate-related risks and opportunities.			
Recommended disclosure content		Relevant Sections in Report	
a)	Framework of the Board of Directors' oversight of climate-related risks and opportunities	Our Progress > Decarbonization > Governance	P121
		Our Progress > Water Conservation > Governance	P143
b)	The role of management in assessing and managing climate-related risks and opportunities	Our Progress > Decarbonization > Governance	P121
		Our Progress > Water Conservation > Governance	P143

Strategy

Recommendation: Disclose the actual or latent impact on the business, strategy, and financial planning of climaterelated risks and opportunities if such information is important.			
Recommended disclosure content		Relevant Sections in Report	
a)	Climate-related risks and opportunities the organization has identified over the short-, mid- and long-term	Our Progress > Decarbonization > Strategy	P116
		Our Progress > Water Conservation > Strategy	P141
b)	Impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning	Our Progress > Decarbonization > Strategy	P116
		Our Progress > Decarbonization > Metrics and targets	P119
		Our Progress > Water Conservation > Strategy	P141
		Our Progress > Water Conservation > Metrics and targets	P142
c)	Resilience of the organization's strategy, taking into consideration different climaterelated scenarios, including a 2°C-or-lower scenario	Our Progress > Decarbonization > Strategy	P116
		Our Progress > Water Conservation > Strategy	P141

Risk Management

Recommendation: Disclose how the organization is identifying, evaluating, and controlling climate-related risks.			
Recommended disclosure content		Relevant Sections in Report	
a)	Organization's processes for identifying and assessing climate-related risks	Our Progress > Decarbonization > Governance	P121
		Our Progress > Decarbonization > Risk and opportunity management	P121
		Our Progress > Water Conservation > Governance	P143
		Our Progress > Water Conservation > Risk and opportunity management	P144
b)	Organization's processes for managing climate-related risks	Our Progress > Decarbonization > Governance	P121
		Our Progress > Decarbonization > Risk and opportunity management	P121
		Our Progress > Water Conservation > Governance	P143
		Our Progress > Water Conservation > Risks and opportunities	P144
c)	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Our Progress > Decarbonization > Governance	P121
		Our Progress > Decarbonization > Risk and opportunity management	P121
		Our Progress > Water Conservation > Governance	P143
		Our Progress > Water Conservation > Risk and opportunity management	P144

Metrics and Targets

Recommendation: Disclose indicators and targets used in the evaluation and control of climate-related risks and opportunities if such information is important.			
Recommended disclosure content		Relevant Sections in Report	
a)	Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Our ESG Vision and Strategy > Metrics and Targets	P30
		Our Progress > Decarbonization > Metrics and targets	P119
		Our Progress > Water Conservation > Metrics and targets	P142
b)	Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse-gas (GHG) emissions and related risks	Our ESG Vision and Strategy > Metrics and Targets	P30
		Our Progress > Decarbonization > Metrics and targets	P119
c)	Targets used by the organization to manage climate-related risks and opportunities, and performance against targets	Our ESG Vision and Strategy > Metrics and Targets	P30
		Our Progress > Decarbonization > Metrics and targets	P119
		Our Progress > Water Conservation > Metrics and targets	P142



Kao Corporation

14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo 103-8210, Japan
ESG

Published in June 2025